LENTA

Annual Report
2020

WORKING WITH CARE FOR PEOPLE

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Also in web:

Read an interactive version at https://lenta.com/

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01 >>

Strategic Report

At a glance >>

Lenta is one of the leading Russian retailers and the largest hypermarket operator.

254 hypermarkets

and

139 supermarkets

89 cities

13 DCs

16+ mn Lenta cardholders

50,000+ employees

Financial and Operational Highlights >>

Financial >>

Retail sales (RUB, bn)

+7.3%

Free cash flow (RUB, bn)–

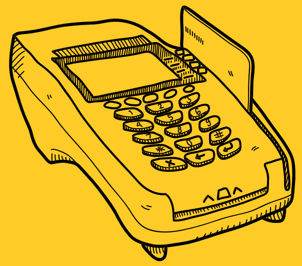
22.7

Gross profit marging (%)

22.9%

EBITDA Margin

10.1%



Operational >>

Loyalty card holders

+16.7%

Stores

+13

Online sales

+566%

Chairman’s statement >>

Alexey Mordashov,
Chairman

Dear fellow shareholders,

The year 2020 has been a year like no other for Lenta, just as it has been for the entire world. The Covid-19 pandemic brought with it many new challenges, and I am proud of how the entire Lenta team has navigated the uncertainty and still delivered strong operational and financial results.

As Russia’s leading hypermarket chain, we recognised early on that Lenta has an important role to play in providing a safe shopping experience for our customers in these unprecedented times.

The Covid-19 Response Team we assembled in March provided us with the insight needed to quickly adapt to the ever-evolving environment, and our unwavering commitment to uphold the safety and well-being of our customers and employees has enabled the company to weather the storm and emerge more resilient and efficient than before the pandemic.

Industry transformation accelerates >>

Even before the pandemic began, the Russian retail sector had been undergoing a major transformation, with customer experience and digital channel development becoming the driving forces of growth and innovation. Organic growth as the success driver has given way to competition in new formats and operational execution. These shifts have greatly accelerated as a result of Covid-19, in particular the rapid adoption of online food shopping, where Lenta made remarkable progress in 2020.

At the same time, there is a noticeable trend of decline in disposable income and accelerating polarization between low- and high-income households, reinforcing the relevance of the hypermarket format, but also promoting the rapid growth of “no frills” grocery stores. This presents Lenta with a number of promising opportunities.

Strategy

In 2020, we made important progress in preparing our new growth strategy to support Lenta’s transformation.

Our strategic objective is to become the best consumer-focused omni player in Russia for food and household related needs. Our resilient hypermarket business will serve as a strong base for the next chapter of Lenta’s development, as we enhance the customer value proposition (CVP) across each of the formats in which we operate.

As we pursue our new strategy, we aim to grow our market share and become the most innovative and client-centric retailer in Russia. At the same time, we will work on improving the efficiency and agility of the business.

We look forward to presenting this refreshed strategy to our shareholders and the broader investment community in March 2021.

Strengthening Lenta’s management team >>

One of the most important changes at Lenta in 2020 was the appointment of Vladimir Sorokin as the Company’s new CEO in September. Vladimir brings with him decades of leadership experience in both Russian and international retail and FMCG companies, most recently as Deputy CEO – Commercial Director and member of the Management Board at Magnit, and prior to that General Director of Perekrestok Supermarkets (X5 Retail Group).

The Board of Directors strongly believes that Vladimir’s extensive professional experience, many successes, and stellar reputation in the Russian food retail sector make him the right person to lead Lenta going forward, building upon our already very strong foundation.

In addition, we further strengthened our senior management team and organisational structure in January 2021 by creating two new structural units within the Company. These changes shall ensure faster decision making and better coordination between our commercial and consumer activities. The changes will enable us to further excel at creating the most relevant customer value proposition and become a truly customer-focused retailer whilst strengthening our strategic and transformation capabilities as Lenta begins to embark on implementing its new strategy.

As Chairman of the Board, I am confident these changes to our management team will support the development and implementation of our new growth strategy.

Re-domiciliation to Russia >>

Another important strategic initiative which Lenta embarked upon in 2020 was the re-domiciliation of our management company in Russia, in the Special Administrative Region (SAR) of Kaliningrad. This process, which was completed on the 17th of February 2021, is beneficial for several reasons.

Firstly, this reflects the company’s efforts to align its corporate structure with its now having a predominantly Russian shareholder base, while cost advantages will also be achieved as having the Company administered in Russia rather than Cyprus will be more efficient and less expensive.

Beyond practicality and risk mitigation, it is also in the interest of our shareholders, thanks to the potential application of 5% withholding tax rate on dividends to non-Russian shareholders, exemption of profits of controlled foreign companies and capital gains on sale of Russian and foreign subsidiaries, subject to conditions.

Outlook

Lenta’s strong operational base, robust performance in 2020, refreshed strategy, and a reinforced executive management team give me the confidence that the Company is on the right track and well positioned for continued growth.

Rest assured, we will remain focused on making the right operational and strategic decisions for the long-term benefit of all Lenta’s stakeholders.

Chief Executive Officer's Review >>

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Vladimir Sorokin,
Chief Executive Officer

Dear shareholders,

I'm pleased to present Lenta's 2020 Annual Report; my first as CEO of the company.

I have had the privilege of working in the FMCG and food retail market for several decades now, and I truly believe it is one of the most interesting and important sectors of the economy. In times like these, when the entire world is affected by the Covid-19 pandemic, the responsibility of food retailers to provide safe and reliable options for consumers has become more vital than ever.

Since starting in this role in September 2020, I have had the opportunity to visit many of Lenta's hypermarkets, supermarkets and our distribution centers across the country and meet many of my new colleagues. I have been very impressed by what I have seen and the people I have met. Lenta's superb employees and excellent corporate culture make our stores a great place to work and an even better place to shop.

Covid-19 response >>

Lenta's response throughout the year to the Covid-19 pandemic situation has been nothing short of fantastic, always keeping the safety of our customers and employees as our top priority.

By keeping our customers safe and always giving them options to shop in ways most convenient for them we also succeeded in keeping their trust in these challenging times: whether it be at our hypermarkets, our supermarkets, or using our online options.

We have spent over

RUB 1.5 billion

on Covid-19-related safety precautions in 2020

When the Covid-19 pandemic broke out in early 2020, we promptly assembled a Covid-19 Response Team to closely monitor the situation and advise on appropriate measures to ensure the safety and well-being of our employees and customers. Overall, we have spent over RUB 1.5 billion on Covid-19-related safety measures to empployees and customers in 2020.

These investments allowed us to keep our supply chain running and our stores open in full compliance with government guidelines and regulations. This is what allowed both our customers and colleagues to feel safe shopping and working at Lenta and has resulted in more customers making Lenta their store of choice and increasing their spend in our stores.

2020 performance >>

While this was a most unusual year, to say the least, it was also a year in which we saw every single employee in Lenta stand up and face the challenges and together, we leveraged new opportunities to enhance and expand our business. As a result, Lenta retained its undisputed leadership position as Russia's leading hypermarket retailer; it attracted new customers, and it achieved a remarkable Net Promoter Score (NPS) of 37%, which demonstrates our appeal to customers.

In 2020, Retail Sales increased by 7.3% to RUB 438 billion despite changing customer behavior. This increase was mainly driven by an 11.6% rise in average ticket for both Hypermarkets and Supermarkets and partially offset by a 3.9% decrease in the number of tickets.

Meanwhile, like-for-like sales growth remained strong at 5.4% in 2020, with average ticket growth of 11.6% and customer traffic decline of 5.5%.

Hypermarket performance remained resilient in 2020, thanks to our competitive range of products, attractive pricing, and safer stores. This resulted in Lenta gaining a bigger share of our most loyal customers wallets.

Our supermarket's turnaround continued in 2020 and delivered strong results,allowing us to take make further investments into this format.

In 2020, Lenta added 13 stores on a net basis, bringing the total number of retail stores to 393 and total selling space to 1.52 million square meters as of the end of the year. We also opened our thirteenth distribution center in the Leningrad region to supply the company's stores in St. Petersburg and the Northwest.

Like-for-Like Sales growth remained strong at

5.4%

in 2020,

with average ticket growth of

11.6%

and customer traffic decline of

5.5%

13

stores was added on a net basis in 2020

Total number of retail stores – 393

Total Selling Space – 1.52 million square meters

Lenta's online offering continued to add value to our customers' lives in 2020. Over the course of the year, we made robust progress in expanding the geographic coverage of our own Lentochka express delivery service and our new Click & Collect program. By the end of 2020, the Company's online services were available in 88 Russian cities compared to 27 cities a year earlier. Lenta has also created partnerships with 36 delivery companies to fulfill online orders from its extensive store network.

As a result of the geographic expansion, online sales and online orders grew by 566% and 716% respectively, to RUB 6.3 billion and 3.2 million orders. Most importantly, our growing online channels are not cannibalizing our brick-and-mortar sales, but rather providing incremental revenue streams.

Lastly, towards the end of the year, we launched a completely refreshed loyalty programme, leveraging advanced data analytics to customize special offers for individual customers. So far, we have been pleased by its success in deepening customer engagement and loyalty. It is already delivering tangible results with the number of new enrollments significantly above expectations.

>>

We have already started experimenting with a discounter format in 2020, with pilot stores opened in Novosibirsk and Baranaul

Lenta's refreshed strategy >>

Lenta's core strength as the leading hypermarket retailer in Russia is based on a deep understanding of the key factors that affect our customers' choices every day. This includes having an attractive and relevant assortment, a commitment to high quality standards, and a culture of outstanding service.

Now, we will further build upon these strengths as pursue the next chapter of Lenta's growth story. The new strategy that we will unveil in March 2021 will take us closer to our clients and enhance the CVP across all of our store formats and enable us to pursue new growth opportunities.

While Lenta's resilient hypermarket format will remain the core of the business, we fully appreciate that in order to retain our place as a fast-growing top-5 retailer in Russia, Lenta must become a true multi-format, omni-channel player.

We have already started experimenting with a discounter format in 2020, and further pilot stores will be tested.

In addition, I believe that online food retail also represents a huge new area of opportunity for Lenta, if done smartly and efficiently. In fact, Lenta is uniquely positioned to become one of the dominant players in Russian online food retail over the next several years.

Looking forward >>

The retail sector presents new challenges every day, but also many new opportunities.

We at Lenta are determined our strategy will be informed and tested by the pandemic, as Lenta emerges a stronger and more efficient company.

We will be setting some ambitious goals for Lenta and I look forward to working with our great team to deliver strong operational results and good returns for our shareholders.

Strategy overview >>

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We look forward to presenting this refreshed strategy to our shareholders and the broader investment community in March 2021.

>> In 2020, we made important progress in preparing our new growth strategy to support Lenta's transformation.

Our strategic objective is to become the best consumer-focused omni player in Russia for food and household related needs. Our resilient hypermarket business will serve as a strong base for the next chapter of Lenta's development, as we enhance the CVP across each of the formats in which we will operate.

As we pursue our new strategy, we aim to grow our market share and become the most innovative and client-centric retailer in Russia. At the same time, we will work on improving the efficiency and agility of the business.

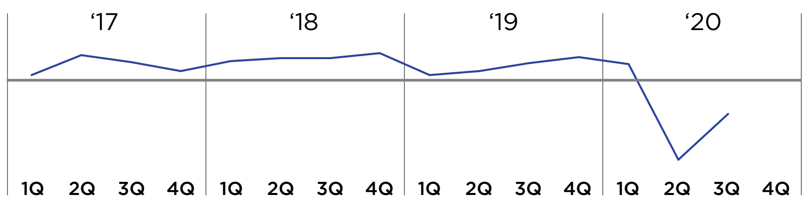
We look forward to presenting this refreshed strategy to our shareholders and the broader investment community in March 2021.

Strategic priority	Initiatives	Actions	Results
Turnaround of the core business	> New CVP across all formats > Online development	> Hypermarkets CVP development > Supermarkets CVP development > Launch of the new loyalty programme > Online presence in all cities of operation	> Total Sales growth of 6.7% > Retail sales increase by 7.3% > Hypermarket retail sales up 7.0%. > Supermarkets retail sales growth of 9.8% > Online growth of 566%
Expansion and new formats	> Convenience concept and pilots	> Discounter pilot > Research new retail formats and develop concepts	
Organisational transformation to support the business growth	> Introduction of organizational transformation programme	> Strategic projects portfolio > Establishment of Innovation Center	

Market overview >>

The macroeconomic environment and Covid-19 pandemic outbreak put a lot of pressure on Russian consumers' budgets in 2020. Looking for saving opportunities and the best promotions continued to be the core pattern of consumer behavior. This provided the impetus to the expansion of low cost and no frills formats across the country. The Covid-19 pandemic also fostered the delivery and online services development, which, in turn, gives additional opportunities for hypermarkets concepts.

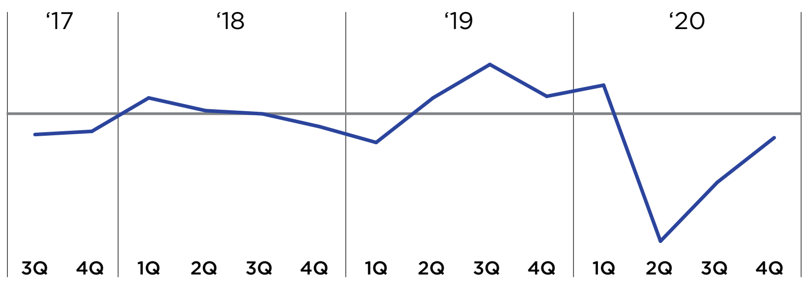
GDP, %



2017				2018				2019				2020			
1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Real GDP															
0,5	2,5	1,8	0,9	1,9	2,2	2,2	2,7	0,5	0,9	1,7	2,3	1,6	-8,0	-3,4	

Russian GDP recorded decrease of 3.1% in 2020 as a result of restrictive measures introduced to combat Covid-19 pandemic and contraction of global demand for energy supply[1].

Household income, %

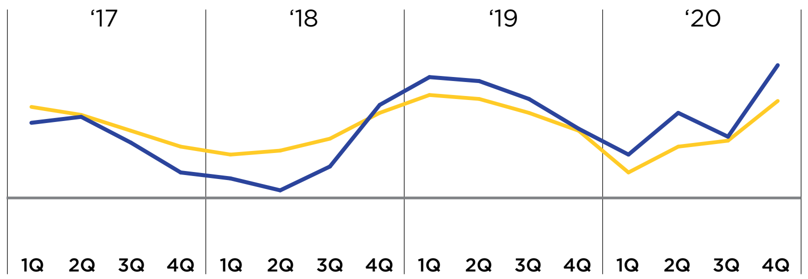


2017		2018				2019				2020			
3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Real income													
-1,3	-1,1	1,0	0,2	0,0	-0,8	-1,8	1,0	3,1	1,1	1,8	-8,0	-4,3	-1,5

Retail sales in the Russian Federation slowed down by 4.1% in 2020 compared to 2019 to Rub 33.5 billion with the decline in food and non-food retail sales by 2.6% and 5.2% respectively[1]

1 Source: Rosstat

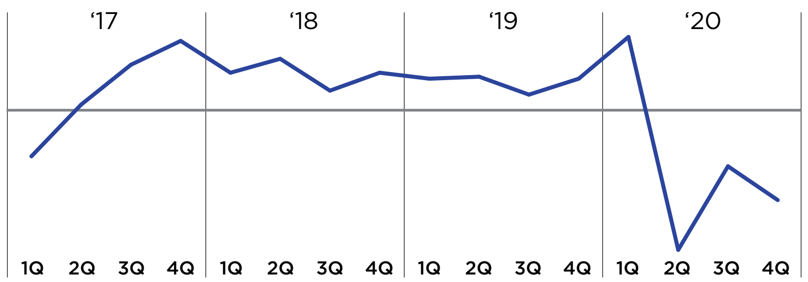
CPI and food inflation, %



	2017				2018				2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
CPI food	**3,8**	**4,1**	**2,8**	**1,3**	**1,0**	**0,4**	**1,6**	**4,7**	**6,1**	**5,9**	**5,0**	**3,5**	**2,2**	**4,3**	**3,1**	**6,7**
CPI	**4,6**	**4,2**	**3,4**	**2,6**	**2,2**	**2,4**	**3,0**	**4,3**	**5,2**	**5,0**	**4,3**	**3,4**	**1,3**	**2,6**	**2,9**	**4,9**

Real disposable income declined by 3.5% amid the pandemic crisis and inflation recorded 4.9%, which is the highest rate from 2016, with food inflation of 6.7%[1]

Food retail sales, %



	2017				2018				2019				2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Real food retail sales growth	**-2,3**	**0,3**	**2,3**	**3,5**	**1,9**	**2,6**	**1,0**	**1,9**	**1,6**	**1,7**	**0,8**	**1,6**	**3,7**	**-7,0**	**-2,8**	**-4,5**

1 Source: Rosstat

Competitive environment and customer trends >>

>> The competition between retailers remained intense during the year, as the need to adapt to rapidly changing customer habits has come to the fore. Prices remained an important factor for the consumers to choose a grocery store for shopping whilst the Covid-19 pandemic forced people to opt for one-stop-shop with wide varieties of both food and non-food goods.

The lockdown introduced in April 2020 across the country entailed the skyrocketing growth of online and delivery services and spurred retail players to actively develop this sales channel, either their own or in partnerships with delivery companies.

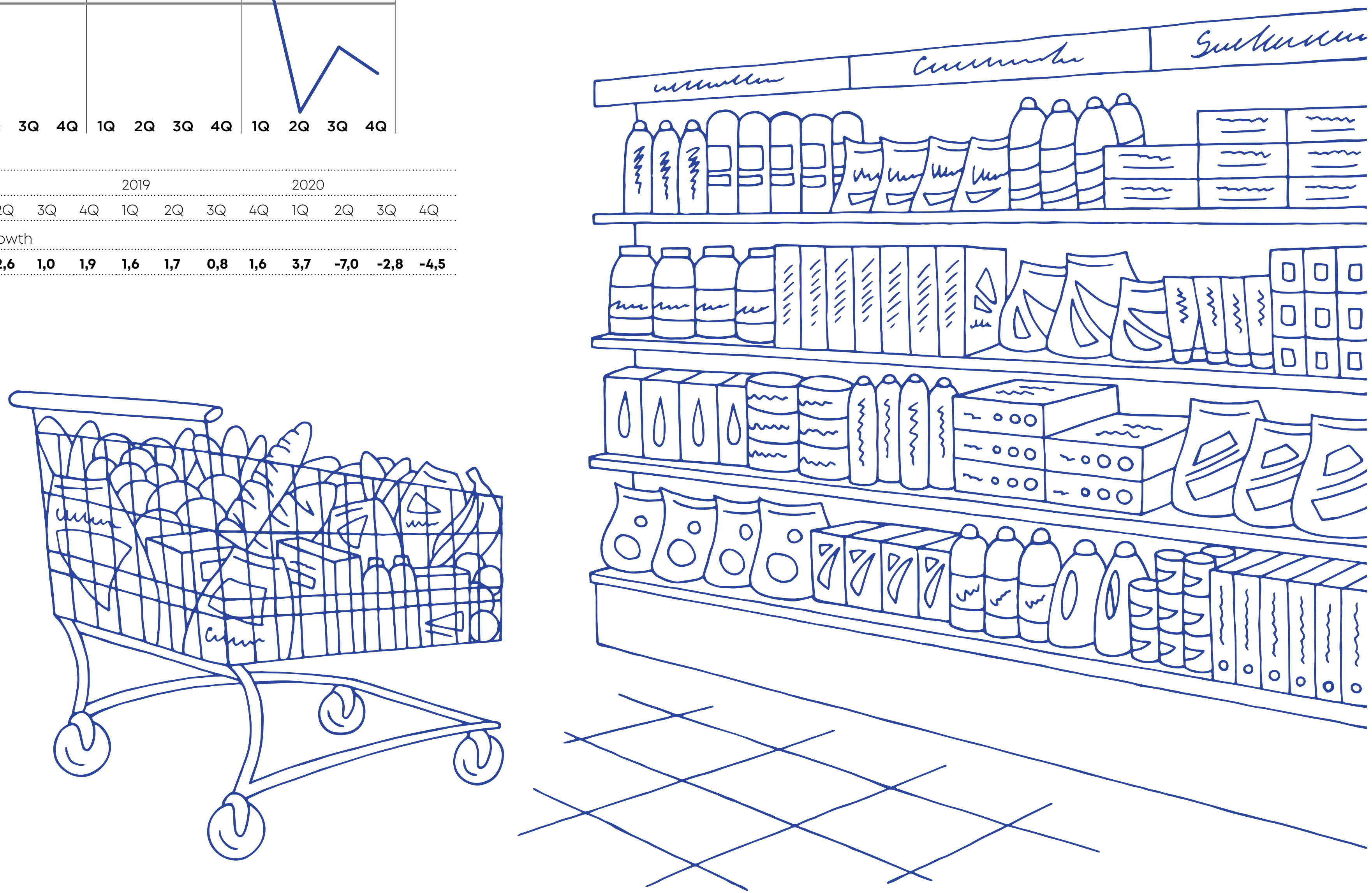
Online food retail sales increased by 314% in 2020 compared to 2019 and accounted for Rub 135 billion versus Rub 43 billion in previous year.[1]

Given severe economic situation, hard discounters are continuing to grow outpacing the total market and top players are experimenting with no frills format.

The Russian food retail market is expected to further consolidate with the share of top-3 players to reach ~32% by 2025.[2]

Lenta is well-positioned to meet changing consumers' preferences and market challenges. The Company puts efforts into enhancing its offer, introducing wider choice and higher quality fresh products and private label to get a competitor advantage. In the previous year, Lenta also started to exploit the potential of the on-line market with the projects that do not require heavy capital investments, aiming to strengthen its position in the new fast-evolving business model. In addition, the Company started experimenting with no frills concept searching for the winning format to unveil further growth opportunities.

1 InfoLine
2 Company's estimation



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Operating review >>

2020 was the year of unprecedented challenges for the Russian retail sector, as a whole, and for Lenta in particular. The Company closed the year on a strong footing, with solid retail sales growth across its hypermarket, supermarket, and online formats. We are proud that we managed to achieve these results while maintaining our unwavering commitment to the safety and well-being of our customers and employees.

In 2020 Lenta continued to grow across all key regions. We entered one new city and now have a presence in 89 cities across Russia.

Lenta has emerged as undisputed leader in the hypermarket segment and in serving "big basket" shopping missions. Our core hypermarket format proved resilient during Covid-19 pandemic as it gained a bigger share of wallet for our most loyal customers cohort.

During the year, we have been adjusting the CVP for all of our formats to better meet changing customer preferences.

We believe that our efficiently operated hypermarket format has the potential to be the source of financing for further market share gain.

Our supermarket turnaround continued delivering robust results during 2020 and we took additional steps to invest further into this format. We are confident in the growth opportunities in the supermarket segment.

We have also started piloting a new "discounter" format, which is just one example of our initiatives to seize growth opportunities throughout the Russian food retail sector.

Our online channels grew rapidly during the year. By the end of 2020, Lenta's online services were available in 88 Russian cities compared to 27 cities a year earlier. We believe that Lenta has a unique advantage, which can fuel further growth. Namely, each of our hypermarkets can serve as a micro fulfillment center (MFC) offering more than 30,000 SKUs to our online customers for delivery and click-and-collect. Not only does Lenta have an industry leading geographic scope for its online services but the model of using hypermarkets as MFCs required very little additional CapEx when compared to other players' "dark store" warehouses.

Additionally, during 2020, Lenta continued to implement a series of initiatives to increase the distinctive attractiveness of Lenta's offering to customers. One result was that the . number of Lenta loyalty card holders increased by 16.7% to over 16 million people.

>>

In 2020, our retail sales increased by 7.3% to RUB 437.5bn (2019: RUB 407.8 bn) despite changing customer behavior. Our LFL sales growth remained strong at 5.4% with average ticket increase of 11.6%. Online sales and online orders grew by 566% and 716% respectively, to RUB 6.3 bn and 3.2 million orders.

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Covid-19 pandemic >>

>> Since March 2020, the Covid-19 pandemic has had a significant impact on communities and businesses throughout Russia. Lenta has prioritized the safety and well-being of its customers and employees throughout this challenging period.

The Company was quick to establish a business-wide Covid-19 Response Team whose focus since mid-March through the year has been on coordinating Lenta's effective response to the pandemic.

In response to various measures implemented by authorities in March, consumers started to stock-up. On some days, we saw sales up more than 70%, with a great demand for essential dry food and non-food items. As an example, sales of canned meat rose 10 times year-over-year, canned fish – 5 times, sales of grains were almost 7 times higher compared to the previous year.

Lenta has worked closely with its suppliers throughout the crisis to ensure shelves remained sufficiently stocked with both food and non-food items during this period of increased demand.

Comprehensive health and safety measures were introduced across Lenta's business to ensure the ongoing safety of colleagues and customers in its stores.

The Company off-sited employees from our offices to remote work and around 95% of them worked from home. Front-line workers above 55 years old were offered a change to their job positions to minimize exposure to the risk of infection.

Our people were provided with safety equipment such as masks, gloves, and sanitizers. We also equipped locker rooms with bacterial lamps. Temperature and health checks became mandatory in our offices, stores and DCs. We changed the planning of scheduling to minimize contact between shifts in stores. We also developed an action plan to mitigate a negative impact of a temporary disruption on our operations.

For our customers we equipped the stores with sanitizers, floor markers to keep the social distance and protective screens at cashiers and culinary section. We gave away single use masks in all our stores to ensure our customers shop safely.

We also launched social initiatives to support vulnerable group of customers during this period. This included free delivery, volunteer and charity programmes, and additional discounts to medical workers. We offered our elderly shoppers additional discounts, the option to shop at specific hours, and dedicated separate cash registers.

Whilst the first wave Covid-19 pandemic had a temporary impact on store traffic during the lockdown period, Lenta saw a significant increase in average ticket size across both hypermarket and supermarket formats.

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The demand that we saw in March put a lot of pressure on our commercial department, operations and logistics. As a result, we made the security and efficiency of supply-chain a top priority.

When people started to stock-up, our logistics and operations departments quickly reacted to minimize the risk of out of stock-outs by quickly implementing corrective measures.

For example, we used single pallets to deliver goods to our stores. This measure allowed us to refill promptly our shelves with the most demanded items.

Additionally, we immediately increased inventory for popular products to last 6 to 8 weeks.

Overall, our proven logistics infrastructure and large inventory capacity of our hypermarkets allowed us to maintain a high level of on-shelf availability.

Additionally, we were able to carry out all operations using our own human resources so we did not need to hire extra labour.

Our analysis of the customer behavior suggests that the consumers chose fewer shops for their grocery purchases after the authorities implemented restrictive measures. However, they significantly increased their average spending.

Following the easing of lockdown restrictions, customer traffic in July showed signs of recovery when compared to April and May, while growth in average ticket size has eased.

The second wave of the Covid-19 pandemic continued to impact customer behavior during the fourth quarter of 2020. Lenta's retail sales in Q4 2020 increased by 5.7% compared to Q4 2019. This was driven by a 12.4% growth in the average ticket size, supported by an increase in the number of items per receipt and a noticeable trend of trading up, but this was partially offset by a 5.9% decrease in customer traffic.

Hypermarket performance remained resilient in the current environment, thanks to our competitive range of products, attractive pricing, and safer stores; while the further development of Lenta's online sales played an important role in supporting growth. By the end of 2020, we had expanded our online presence to all 88 cities in which we have hypermarkets in Russia.

Lenta's retail sales in Q4 2020 increased by

5.7%

compared to Q4 2019.

This was driven by a

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Taking Care of our Customers >>

Along with creating the safe environment in all our stores, we took care of our customers during the Covid-19 pandemic. We focused on engaging and inspirational customer communication via all available channels.

Realizing that most of our clients spent their time at home, we provided various entertaining activities on our web site and our official page on the Instagram.

The main trend of the year that we named homing predetermined the content of our communication with the customers.

We collaborated with famous culinary bloggers and influencers to broadcast various entertaining shows on our Instagram page. We supported cooking at home by launching a dedicated app with recipes from Lenta Magazine. While Lenta Magazine is available in a restricted number of cities where Lenta is present, the app can be used country-wide.

We helped our customers who worked from home to keep their kids busy with activities in online camp Series of Adventures (Lenta Prikluchenyi). The activation engaged over 10.5 thousand children and lead to a 27 million Rubles sales uplift in our stores.

>>

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Customer value proposition >>

During the year, we have been working on enhancement of our customer value proposition that embraces champion offer, unique shopping experience and the highest individualization.

We conducted a comprehensive study of our customers and identified 9 behaviour segments and 9 shopping missions that served as the basis for our updated CVP across all the formats.

A wide product range and affordable prices are the key reasons for customers to choose Lenta. Our clients also appreciate the high quality of goods in our stores, especially fruits and vegetables, meat, fish, bakery and culinary.

In 2020, we pooled our efforts in further development of these categories and launched some initiatives to improve the efficiency of our assortment.

The Assortment Tailoring project aims at creating the best in class varieties in each of our stores that is relevant for each specific location.

We piloted this approach in 3 stores, analyzed the efficiency of the ranges we sell and rotated approximately 350 SKUs in 5 categories. This resulted in 2.3 p.p sales increase in piloted categories and growth of customer satisfaction against control stores. We will develop this approach further to create most relevant ranges for our customers in all locations.

Champion offer

We put the Champion offer as a combination of relevant assortment, unique private labels ranges, continuous goods innovations and proper price perception.

Private Label >>

>> Our Private Label range is one of our key differentiators and gives us great competitive advantage. We offer affordable goods of the highest quality under 13 of our own brands, both food and non-food, in all price segments.

We have seen a steady sales growth in this category, with private label sales accounting for 14.7% of our retail sales for 2020 and LFL sales up by 7.9%. In many respects, this strong performance has been underpinned by a deeper trust from our customers, who are increasingly seeking better value-for-money.

In 2020, we continued development of our main and the biggest own brand LENTA along with 365, DOLCE ALBERO, LITTLE TIMES, BONVIDA, HOME CLUB, GIARDINO CLUB, ACTIWELL, BIGGA and LENTEL.

In the reported period, we introduced about 1,100 new private label SKUs and by the year-end, the portfolio of our own brands comprised 7,867 SKUs.

Total sales of private labels increased by 10.3% and LFL sales grew by 7.9%, outpacing the growth of branded goods.

Our private labels assortment covers all customer categories and offers outstanding value-for-money. The products do not compromise on the quality of their branded counterparts and are produced for Lenta by leading Russian and international producers.

New sub-brand product ranges comprise Greek extra virgin olive oil, stuffed olives from Spain, seasonal fruit and vegetables grown specifically for the Company, as well as an array of deli and healthy products that are free from sugar, GMOs and gluten.

Each brand promotes its own philosophy and value proposition.

Lenta Premium caters for the most demanding customers – a premium standard for those who value service quality and aesthetics, follow food trends and are looking for new gastronomic experiences.

Lenta ECO offers healthy, chemical-free food and non-food products for the whole family. Promoting the principle of bare essentials, this category includes gluten, sugar and GMO free products as well as eco-friendly household chemicals, shampoos and shower gels.

Total sales of private labels increased by

10.3%

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7.9%,

outpacing the growth of branded goods.

Designed in a joint effort with seed producers, agronomists and farmers, Lenta Green offers fresh fruit and vegetables grown as nature intended, with all due love and care.

Lenta Kids is a lineup of healthy treats for kids aged between 3 and 12.

The year ahead, we will focus on developing unique private labels products that can be purchased only in Lenta stores.

Unique Shopping Experience >>

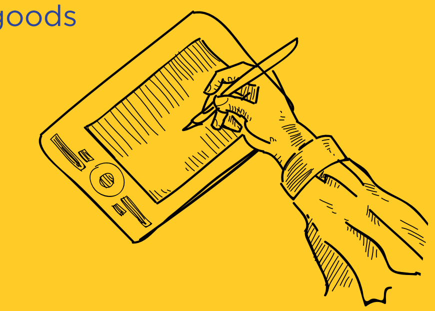
Our goal is to make our stores the best place to shop.

In 2020, we started working on a new supermarket concept to make our stores of this format more convenient and ensuring perfect representation of goods.

We introduced a number of tactical changes to make daily shopping more convenient. The concept includes new services, such as a café, coffee machines and juicers. We changed the standard layout in order to meet different client's needs. The layout design is made for daily shopping trips. All sections are connected with one another to give Lenta customers the ability to choose from an excellent range of produce, with a strong emphasis on fresh food and own production. Fruits and vegetables, culinary and bakery, confectionary and wine are furnished with new store equipment to ensure attractiveness and proper presentation of each category.

Supermarkets in updated concept were opened in ex-SPAR premises and Moscow stores launched within the long-term agreement with ADG Group.

>> In 2020, we started working on a new supermarket concept to make our stores of this format more convenient and ensuring perfect representation of goods



Highest individualization >>

We enhanced the processing of data derived from our loyalty cards. With some 97% of transactions in our stores being made with Lenta loyalty cards, this is a valuable source of information about customer preferences.

We focused on the improvement of our analytical models and the organisational structure of a dedicated department to align conclusions we derive from the customer data and the business decisions we make.

We segment our customers depending on their needs and life cycle. This enables us to manage our product range and promotions effectively, as well as to predict changes in customers' preferences to which we can respond in a timely manner.

In December, we launched a totally refreshed loyalty programme, which uses advanced data analytics to customize special offers for individual customers. We reconsidered our approach to loyalty and offered our customers more than just a discount – we invited them to a club where they gained access to numerous benefits – personalized discounts, individual offerings, exclusive goods and special offers from our partners.

The essence of the new approach is rewarding customers for purchases in their favourite categories as well as for purchasing goods they never bought before. We also offered them new products at attractive prices. The more the customer shops with Lenta using their loyalty card, the more they benefit from the programme.

We have been pleased by the success of the new loyalty programme in deepening customer engagement and loyalty. It is already delivering tangible results with the number of new enrollments significantly above expectations.

97%

of transactions in our stores being made with the Lenta loyalty cards

During 2021, we will continue to work on our best-in-class loyalty programme to increase the extent to which we tailor our offer, and create reasons to come to Lenta.

By the end of the year, the company served online customers across all

88 cities

where it operates, our total online sales amounted

RUB 6.3 billion,

which represented a

566%

growth compared to 2019

Online >>

We made significant progress in developing our fast-growing online sales channels in 2020. Lenta possesses a unique set of assets to win in the Russian online grocery market. These are wide geographical presence, significant online customer traffic and a strong team. In 2020 we made the most out of these advantages.

By the end of the year, the Company served online customers across all 88 cities where it operates: our total online sales amounted 6.3 billion Rubles, which represented a 566% growth compared to 2019.

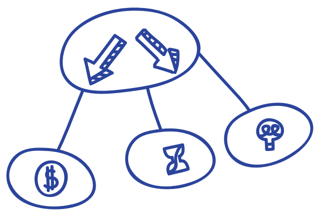
We continued to develop our own express delivery service, Lentochka, which at the end of the reporting period operated in 80 cities across Russia with more on the way.

We have also created partnerships with 36 delivery companies to fulfill online orders from our extensive store network.

Click & Collect service launched in June 2020, operating in 88 cities covering the entire store network by the end of 2020.

According to internal analysis, our online channels did not cannibalize offline store sales but, rather, added incremental and new revenues.

We are committed to further developing our online offering in 2021 through Lentochka, Click & Connect and cooperation with our delivery partners, such as Sbermarket and iGooods. We have received positive feedback from our customers and we are constantly incorporating that feedback to improve purchases via our app and website.



Logistics >>

We are proud to have well-established, sophisticated logistics that ensures the timely delivery of goods to our stores across Russia. We operate 13 distribution centers in strategically chosen locations.

The Company continued to work on the optimization of its logistics. In the reported year, we opened our thirteenth distribution centre located in the Leningrad region.

The new distribution centre will supply the Company's stores in St. Petersburg and the Northwest. While the distribution centre itself measures approximately 70,000 m2 overall, its territory covers about 20 ha, with a reserved area allowing room for the potential expansion of another 10,000 sq.m of warehouse capacity.

The centre meets the latest requirements of the food retail industry, accommodating both a preparation area for ready-to-cook meals and dishes and a multitemperature area with six separate compartments, including ambient, chilled, and frozen ones.

The distribution centre has created 650 new jobs, with all the necessary office and supporting infrastructure to ensure the smooth running of the site. The new facility has the capability to supply over 100 Lenta stores across 20 locations in the North-Western region, including supermarkets and hypermarkets.

Over 1,500 producers supply their products to the multitemperature warehouse, including those from the Leningrad Oblast.

The new distribution centre will enable the Company to support its further expansion plans and centralise the management of its own production facilities to improve product quality, meet growing customer demand in this segment and speed up delivery.

Innovations >>

>> In line with our priorities for 2020, we implemented various innovations and undertook a number of experiments to find solutions that will ensure our growth and support our transformation.

To manage the innovation process, we established a dedicated Innovations Center that is to search, test and implement innovative solutions to enable us to increase the efficiency of the business and advance towards a unique shopping experience.

In April, we cooperated with RetailTech to select innovative solutions for store safety. We collected 142 applications from Israel, Singapore and China and piloted several technologies in our stores in 2020. We plan to review the pilot results in the next few months and make a decision on their further roll out.

Later , in October, we initiated the scouting of international startups in collaboration with GeberationS. More than 270 participants from Europe, Israel, Asia and USA applied for selection.

After the qualifying round, 15 international teams presented their innovative solutions to Lenta management and, as a result, 7 promising projects were selected by an expert jury for detailed assessment. The Lenta team will further discuss potential cooperation with them.

Selected projects include a store navigation solution, an app for shoppers with personalized prices and mobile payments, an innovative material for a cooling system in online delivery, technology for the extension of shelf life of goods, innovative packaging and a robot for positioning products, amongst others.

270+

participants from Europe, Israel, Asia and USA.

15

international teams presented their innovative solutions to Lenta management and, as a result,

7

promising projects were selected by an expert jury for a detailed assessment

Looking ahead

Lenta is on the right track and well positioned for continued growth.

We will remain focused on growth opportunities in all our formats and will test and develop new concepts to become the best omni player covering food and household related needs.

Corporate Social Responsibility

Ethics Policy

Lenta's Ethics Policy sets out the standards and rules of business conduct. It defines our obligations to behave ethically and exhibit the high standards of behaviour we expect of our people. The policy sets the basis for the way we run our business and formulates pointers for the composition of our CSR agenda.

Established in 2011, the Company's Ethics Committee regularly reviews complaints and non-compliance. Its work is overseen by the Audit Committee and the Board. Failure to comply with the Ethics Policy may lead to disciplinary action, including dismissal.

These include:

- **upholding the integrity and good name** of the Company in developing long-term relationships with customers, communities and suppliers;
- **strict prohibition against directly or indirectly offering,** paying, soliciting or accepting bribes or kickbacks in any form;
- **no conflicts between personal interests** and those of the Company;
- **abiding by Lenta's corporate rules and standards,** which impose stricter ethical restrictions on employees than those provided in current legislation

Established in 2011, the Company's Ethics Committee regularly reviews complaints and non-compliance. Its work is overseen by the Audit Committee and the Board. Failure to comply with the Ethics Policy may lead to disciplinary action, including dismissal.

Customers, employees and suppliers can contact the Ethics Committee in a variety of ways: anonymously through the Lenta website and Company Hotline, or via information desks in our stores.

Our approach to stakeholders' engagement builds upon the principles of transparency, partnership and ethical behaviour to ensure sustainable development of the Company. We strive to meet the expectations of all the stakeholders and, thus, add value to the business.

	Employees	Customers	Investors	Media	Government authorities	Suppliers	Local communities
Way of engagement							
	> Omni channel employee communication > Regular business updates > Training and development platform > The Ethics Committee	> Customer-centric programmes > Tailored offers and loyalty programme > Various sales channels	> communications programme, including annual reports, quarterly trading updates and financial results disclosures, Capital Market Day, roadshows and regular meetings	> Established platform for regular communication embracing various formats of the information exchange	> compliance with the legislative requirements > Responsible use of labour and environmental Resources > Partnerships with local suppliers	> Fair, open and ethical collaboration with business partners > Regular meetings and updates > Common profitable growth programme	> Cooperation on social, economic and environmental initiatives > cooperation focused on addressing specific social needs
Ethics Committee							
Stakeholder expectations							
	> Respect for labour legislation and human rights > Fair salary,safe working conditions, rewarding > Recognition and development opportunities	> Wide choice of qualitative goods at affordable prices > Unique shopping experience > Attractive promotions > High level of service	Sustainable profitable growth, strong corporate governance and transparency	> Availability of the Company's official representatives to comment on relevant issues and state of the business > Regular news flow from the Company	A reliable, responsible partner contributing to regional social and economic development, creating jobs for locals	> Long-term – partnerships aimed at profitable growth > Timely payment	> Meeting the needs of people, support to economic development of the region > Respect for environmental and social obligations
Value for the business							
	Recruiting, development and retention of high potential employees who shape the client-centric culture of the Company and make our stores the first customer choice	Unique shopping experience, attraction of new customers and retention of loyal ones.	Support of the business growth	Distinctive image of the Company in front of the target audiences,	Support of the regional expansion of the Company and development of local varieties of goods.	High level of the availability of goods, fair prices for customers, profitability of the business	Improvement the quality of life of local residents, social partnerships

Corporate Social Responsibility

We are committed to conducting our business in a responsible way to ensure its sustainable development. The principals of corporate social responsibility are incorporated into all the processes within the organization.

In 2020, we started working on our ESG strategy to align the Company's efforts with the best practices in both internationally and the Russian market and to precisely report on actions undertaken by the Company within the sustainability agenda.

Our intention is to approve and announce the strategy in the first half of 2021.

Impact area	Initiatives
People	Employee engagement Recruitment and career development Store and Specialist Staff Training Remuneration Promoting Health and Safety Diversity
Planet	Waste reduction Tackling plastic pollution
Society	Pricing and Customer Satisfaction High quality of goods Local Sourcing Supporting Local Communities

In the reported year, we focused our efforts on the company's impact in three areas of our CSR agenda: people, planet and society.

People >>

>> Our people are the most valuable asset of the business. We treat our employees with great respect and care about their growth within the organisation.

The essence of our culture is teamwork, innovation and trust. We recruit the best professionals in the market, provide training and career opportunities for all our employees and we do our best to retain them.

Lenta is proud to have a staff retention rate that is above the average for the food retail sector. Investment in our workforce is our strategic priority. This is the key to customer loyalty through greater productivity and service level.

In 2020, voluntary staff turnover in Lenta was flat versus 2019 and comprised approximately 30%. To help ensure that we retain our employees, we implemented a number of employee engagement projects in 2020. These include additional incentive programmes, social and charitable initiatives as well as training and educational endeavours.

Taking care of employees during Covid-19 pandemic

The Covid-19 pandemic and related restrictions introduced by the authorities entailed spikes in customer demand across the country. Therefore, the workload of our staff in stores, distribution centers and in transport sharply increased. In March and April, we incentivized over 47,000 workers by paying an additional 15% of monthly salary.

We introduced comprehensive measures to protect our employees during the pandemic. We off-sited employees from our offices to remote work and around 95% of them worked from home. Front-line workers above 55 years old were offered a change in their job positions to minimize exposure to the risk of infection. As a result, we recorded a relatively low rate of contaminations of 1.6%.

We have been doing our best to support employees who did get infected. The Company established a business-wide volunteering programme, Lenta Friend, that involved 350 employees as corporate volunteers. They helped their colleagues to cope with isolation and provided food delivery to their homes.

We provided regular Business Updates held online for our key managers to maintain the high level of awareness of the current state of the organisation and used our internal communication channels to keep informing people of the current status, projects, changes in the company as well as initiating activities that helped to increase morale.

In cooperation with Talent Tech, we carried a research to learn how our people felt and to what extent they were able to cope with the remote working mode. The survey results showed that 99% of Lenta employees successfully adapted to the new conditions; 94% confirmed they felt secure and confident.

Employee engagement

>> In 2020, for the first time, Lenta conducted a comprehensive Pulse survey that involved 91% of our employees. The feedback and results from this survey indicated a high level of engagement and satisfaction with the overall working environment and communication process within the business of 67%.

Having analysed the results and feedback from employees, we set up an improvement plan which is the process of being implemented. The key areas of focus of this plan are further improvements of the organisational structure, revisiting business processes to ensure the flexibility of the organisation and development of the recognition and incentive system for the employees of all organisational levels.

Recruitment and career development

We provide numerous opportunities for our employees to build their careers in the organisation. In 2020, we created 2,971 new jobs and hired over 32,470 people.

We pay particular attention to succession planning, which enables us to promptly fill open positions with internal candidates. In 2020, out of 32,475 vacancies, 14,168 were fulfilled by internal candidates.

In 2020, we identified 954 of our employees having high potential for promotion. 80% of managerial positions among TOP 1,000 employeesand 76% of TOP-5,000 are supported by a talent pool, which is sufficient to compensate turnover future next few years.

During the year, we promoted over 4,400 employees, and approximately 8,265 people were transferred to new roles through horizontal moves, as part of the succession planning process.

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Store and Specialist Staff Training

We provide our people with a variety of training opportunities, tailored to their experience and knowledge. This applies to all employee categories and helps colleagues to support Lenta's growth at the same time as advancing their own careers.

Our store employees are the public face of Lenta, so they are the primary focus of our training efforts. Each store runs a comprehensive induction programme for new employees. This sets out Lenta's values, history and culture, as well as our policies and standards. All new employees are supported by mentors in their first months working at Lenta. During the year, we delivered over 0.8 million hours of training.

On-line training activities have proven to be highly efficient and effective, which is why most of our new courses are delivered in this format.

Remuneration

We aim to provide attractive employment opportunities and careers, with competitive wages, health benefits, uniforms and all necessary protective equipment. Our HR policy is to acknowledge high performance with high rewards. We measure performance not only against our business results, but also through our values and competencies model.

All employees are included in our performance management process, which helps us evaluate their achievements and identify their future potential.

The process ensures constructive dialogue between managers and their team members; it stimulates productivity, rewards achievement and encourages professional development. In line with a set of established principles, financial support is available for employees who find themselves in difficult circumstances.

>> All employees are included in our performance management process, which helps us evaluate their achievements and identify their future potential.

Promoting Health and Safety

Accident number per 100,000 working hours

2019	2020
0.27	0.29

Number of lost working hours per 100,000 working hours

2019	2020
63.6	70.8

Lenta is fully committed to creating and maintaining a safe environment for employees and customers alike. We implemented a risk-oriented model in our approach to safety at work and delivered additional training and supporting materials to promote the rules of safe behaviour in the work place.

Accident numbers and the number of lost working hours increased in 2020, which was driven by higher work intensity during the stocking up period. We elaborated an improvement plan and started to implement it.

Lenta's main health and safety targets in 2020 continued to be the maintenance of high standards across the Company, and the automation of various processes to improve employee safety.

All Lenta store managers conduct daily and monthly "safety walks" as part of our Active Safety programme. These walks aim to identify any potential risks to staff and customers, ensure that the staff check safety equipment and are fully aware of hazards. Employees are encouraged to report every safety-related incident, nonmatter how small, so that the cause can be identified and any likelihood of recurrence eliminated.

>>

Lenta is fully committed to creating and maintaining a safe environment for employees and customers alike. We implemented a risk-oriented model in our approach to safety at work and delivered additional training and supporting materials to promote the rules of safe behaviour in the work place.

Diversity

Lenta values and respects diversity; we offer employment opportunities to all able candidates. Recruitment or promotion decisions are based purely on the professional knowledge and competence of the individual in question, as well as their potential. Every Lenta store provides an average of six job opportunities for people with special needs, and every distribution centre offers eight of these positions.

In 2020, 197 vacancies were filled by candidates from this group. They hold various positions in store management, distribution centres, transport logistics, own production division, client services and other departments. In line with our policy to provide a wide range of opportunities for people with special needs, we actively support recruitment of – and fair pay for – people working from home.

Gender diversity

Diversity	Male	Female
Number of employees (%)	29.4%	70.6%
HQ and regional divisions employees (%)	32.4%	67.6%
TOP-10 employees (people)	11	2
TOP-100 employees (people)	68	67
TOP-1,000 employees (people)	174	265

Length of service

Length of service	Number of people	% of employees
Over 10 years	3,215	6.2%
3-9 years	21,701	41.9%
Average length of service	3.6	

Planet >>

>> We take care of the cities where we operate, striving to make them cleaner, more beautiful and more pleasant places to live. Through our participation in a variety of environmental campaigns, we encourage Lenta's employees to play an active role in developing a positive culture of care for the environment.

Waste reduction

Lenta produces various types of waste, which is removed for us by third party contractors. We now recycle 100 % of the cardboard and plastic wrap that we use in our stores and Distribution Centres, which helps to reduce the volume of non-disposable waste sent to landfills.

We continued our batteries collection project in cooperation with Duracell. Special boxes are installed in all Lenta hypermarkets. In 2020, we arranged a month-long event in 40 cities of our presence to provide an opportunity for our customers to drop off used batteries in a special container. We managed to collect 87 tons of batteries and sent them for recycling to plants in Chelyabinsk and Yaroslavl.

83% of our stores are equipped with LED lightning. This is not only enables us to significantly reduce energy consumption but also to reduce the volume of hazardous luminescent lamps.

Tackling plastic pollution

During the year, we undertook various activities aiming at tackling plastic pollution. We have been implementing a communication plan with clients in stores on the opportunities to reduce plastic waste while shopping with Lenta.

Over 50 % of plastic containers we use for food and for our own produced dishes are made of recyclable plastics. We worked on increasing customers' awareness of recyclability of different types of plastics to encourage shoppers to make an environmently friendly choice. This was done by placing communication materials in our stores.

We introduced and widely promoted multiple use and paper bags along with sacks for fruits and vegetables, as alternatives to plastic bags for carrying goods.

We extended the infrastructure for the collection of plastic bottles from our customers by installing plastic collection machines in our stores and piloted an incentive programme in 20 of our hypermarkets in Saint-Petersburg.

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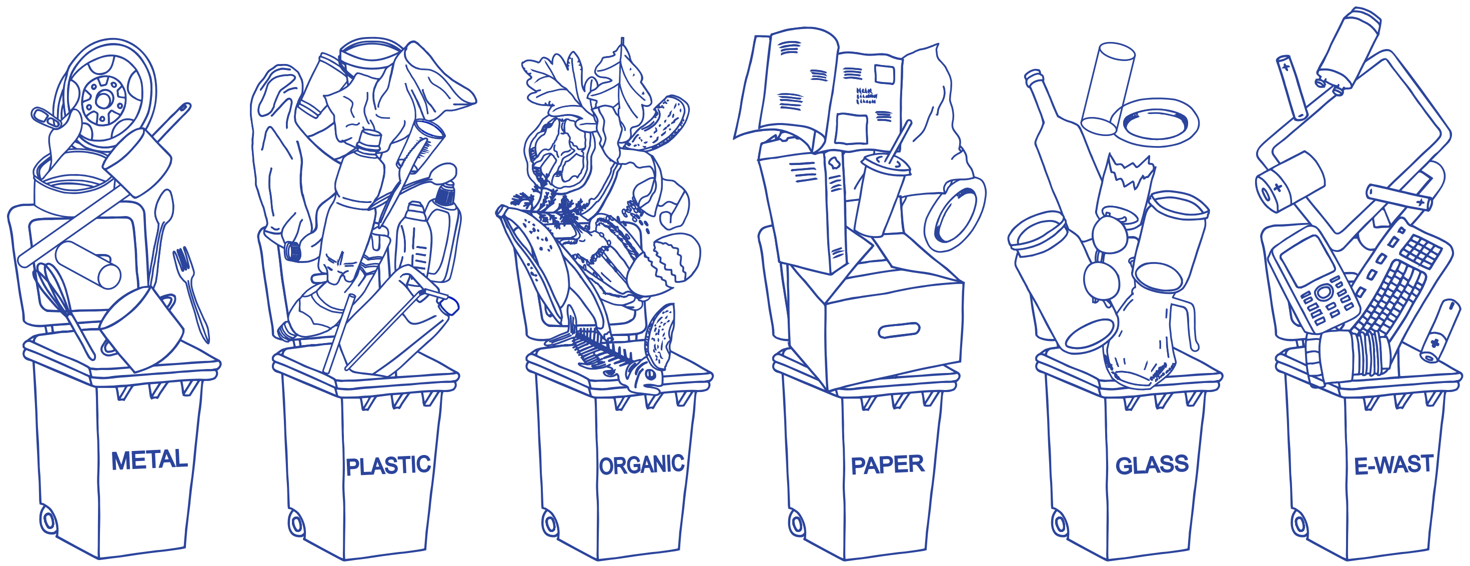

Society >>

Pricing and Customer Satisfaction

Customer satisfaction is the key to our development. We aim to provide excellent service to our clients and strive to satisfy their demand for products they want at the right price.

We serve over 16 million loyal customers in 89 Russian cities. We work hard to provide affordable prices to all types of customers, without compromising on quality. We strive to offer the right range of products for our customers, including large well-known brands, local produce and our private label ranges. In this way, we achieve price efficiency and satisfy the needs of all shoppers who choose Lenta. Despite the challenging economic conditions in 2020, we continued to invest in pricing and to create attractive promotions for our customers throughout the year.

As part of the Social Programme that we operate in all Lenta stores, we provide additional discounts for essential goods for citizens with limited budgets. In 2020, 3.3 million of our customers benefited from this programme; over 256 thousand joined the programme in 2020.

We will continue to help our customers manage within their budgets, through tailored promotions and investment in pricing. We will further develop the ranges of private labels in all price segments to ensure we meet the needs of all our customers. We will also maintain our customer-focused approach, implementing new services and communicating with shoppers in ways that suit them best.

We kept prices in our stores affordable for all the customers' groups during the Covid-19 pandemic outbreak providing them with additional saving opportunities.

High quality of goods

In order to ensure that we offer the highest quality goods, from production site to shelf, we sell only licensed goods that are transported and stocked under the most hygienic conditions.

We continued to conduct regular quality audits of our suppliers and carried out over 7,294 laboratory tests during the year. This included 7,207 suppliers' goods and 737 private label and direct imports.

In 2020, 7% of suppliers of branded goods failed our quality audit – and therefore we suspended contracts with them untill the correction plan is implemented.

Local Sourcing

We partner with local producers in regions throughout our operation. Our customers search for local goods in our stores and appreciate the local produce that we offer. In 2020, we sourced over 94 % of our products from Russian suppliers, including approximately 20% from regional suppliers.

We target producers who can supply us directly as well as mid-sized growers. That way, we can obtain better prices and more consistent quality of locally grown foods. Shorter distances to our stores mean that lead times and transport costs are reduced, which enables us to deliver savings to our customers and minimize the environmental impact.

Regional economies benefit from such partnerships as do our customers. We will continue to develop new partnerships with local suppliers and growers in 2021. We will focus on differentiation from the competition to offer a unique selection to our customers.

Supporting Local Communities

We strive to improve the quality of life for children and families in difficult circumstances; we also support elderly people and others who need our help.

As a response to the Covid-19 pandemic, we supported medical workers in the country by providing them with an additional discount for all goods except for alcoholic beverages and tobacco. Over 85,000 of doctors and other medical staff got the opportunity to save money.

In cooperation with Severstal, we donated 500,000 pieces of respirators for medical institutions in Saint-Petersburg to support doctors fighting Covid-19.

We supplied ready meals to 6 clinics in Saint-Petersburg during the first wave of the pandemic.

In Saint-Petersburg, Novosibirsk and Yekaterinburg, we arranged a special hot line for elderly people who could order food from Lenta by phone to be delivered by volunteers. This initiative united over 600 of our customers who were incentivized by Lenta points.

In August, 300 Lenta stores in 88 cities took part in our "Help prepare a child for school" initiative. The Company contributed supplies and stationery to 300 social institutions as well as low income families in need of support. Over 14,200 children from the sponsored institutions received all necessary supplies before the new school year.

Lenta's "Good Deeds" campaign is a traditional New Year charitable activity. Children from local orphanages and institutions place their "wish" on Christmas trees in our stores, and our customers can choose a card and buy the gift. In 2020, 289 stores in 89 cities took part in the project, making the wishes of 18,674 children come true.

In 2020 we expanded the partnership with the "Give Food!" Foundation. We installed boxes for food donations in all our hypermarkets. Our customers can buy goods and leave them in a special box. The donations are distributed by the foundation among needy people. By the end of 2020, 133 tons of food were donated by our customers and distributed among 17,000 needy families.

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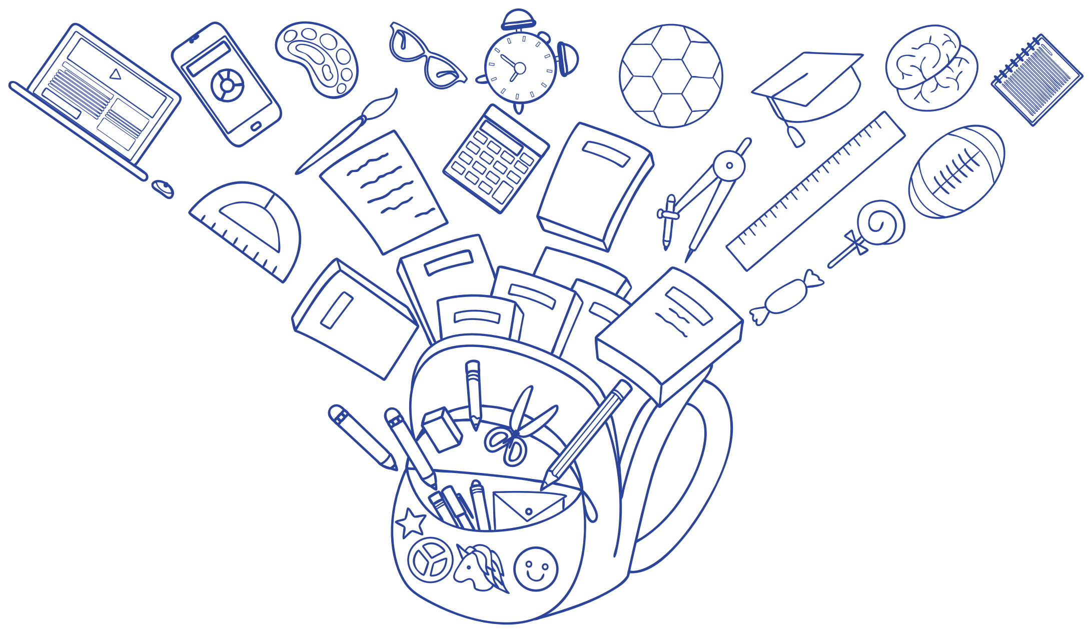
For seven years, Lenta has been a partner of the spring Tulip Festival in St Petersburg, donating 30,000 Dutch tulip bulbs every autumn. In 2020, bulbs were planted in Saint-Petersburg, Yekaterinburg, Novosibirsk and Rostov-on-Don. We consider the project as our contribution to the development of the urban environment in the cities of our presence.



Chief Financial Officer Review >>

Rud Pedersen,
Chief Financial Officer

In 2020, we faced a great deal of volatility and unpredictability due to the Covid-19 pandemic. Thanks to our swift response and a prudent commitment to the well-being of our customers and employees, we were able to ensure that Lenta stores remained safe and reliable places for our customers to shop. Concurrently, we also remained focused on improving our operational efficiency and controlling expenditures, while pursuing exciting new opportunities, such as the further development of our online channels. As a result, I am proud to report that Lenta's total sales and EBITDA reached all-time highs in 2020, underpinned by strong cash flow from operations, tight cost management, and an improved leverage position.

Sales >>

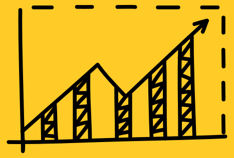
Total sales demonstrated robust growth of 6.7% and amounted to RUB 445.5 billion (2019: RUB 417.5 billion). Total sales were driven by a higher average ticket, despite lower traffic throughout the year. Retail Sales grew by 7.3% to RUB 437.5 billion (2019: Rub 407.8 billion), as a result of an increased demand due to the Covid-19 pandemic, successful promotional activities, enhancements to Lenta's loyalty programme, and a noticeable trend of trading up through much of the year.

Lenta stores, especially hypermarkets, continued to show good results in 2020, amid the pandemic, further proving the resilience of our hypermarket format. Retail sales at our hypermarkets were up 7.0% year-over-year thanks to growth in the like-for-like average ticket of 11.6% and a 5.6% decline in like-for-like traffic. Additionally, our supermarket format showed robust retail sales growth of 9.8% year-over-year, with its like-for-like average ticket surging by 14.0%. We believe that these results solidify Lenta as the best hypermarketailer in Russia and positions us to take further market share in the future from other "bighypermarketrs.

At the same time, we made remarkable progress in expanding and developing our Online Sales channels through the launch of our own Lentochka express delivery platform and our unique Click & Collect programme, as well as partnerships with 36 delivery companies. By the end of 2020, we served online customers across all 88 cities where we operate brick-and-mortar stores, resulting in RUB 6.3 billion of total online sales, which represents a 566% growth rate compared to 2019.

Gross Margin

In 2020, Lenta's gross profit margin improved to 22.9% from 22.0% in 2019 as a result of shrinkage improvement, higher retail margins, and better trade terms with suppliers. Additional positive effects came from a 17.3% decline in our low-margin wholesale business throughout the year, which partially offset higher stock provisions. During the Covid-19 pandemic, Lenta made certain investments into protective equipment and gave price discounts to medical personnel working in hospitals and clinics, as well as to vulnerable groups of customers in order to fulfil what it perceived were its responsibilities to be a good corporate citizen.



The Company's average centralization ratio increased to

63.9%

from

60.5%

in 2019

Cost Controls >>

We remained focused on strict cost management amidst the volatile and unpredictable environment of 2020. During the year, unforeseen and one-off Covid-19 related costs in the amount of RUB 1.5 billion put extra pressure on profitability. Sales, General, and Administrative (SG&A) expenses increased by approximately RUB 5 billion year-over-year, but still remained flat as a percentage of total sales, at 18.0%.

Personnel costs rose by 11% year-over-year due to special bonuses paid to frontline staff during the Covid-19 pandemic, salary indexation for store and supply chain staff, changes to our senior management team, bonus compensation in connection with certain milestones being reached, new store expansion, and the further roll-out of Lentochka express delivery service.

Marketing cost – investments into new communication programmes with customers (e.g. a new loyalty program).

Supply-chain costs as a percentage of total sales also remained at the same level as in 2019 at 1.3% of Total Sales. The Company's average centralization ratio increased to 63.9% from 60.5% in 2019.

EBITDA

In 2020, EBITDA in absolute terms reached an all-time high for Lenta, while our EBITDA margin also showed significant improvement. EBITDA rose by 13.7% year-over-year and amounted to RUB 44.9 billion, while the EBITDA margin rose to 10.1%, up 60 bps from 9.5% in the previous year. This improvement was primarily driven by strong retail sales growth coupled with a higher gross margin and a steady cost-to-sales ratio. In 2020, Lenta continued to maintain an industry-leading EBITDA margin through a combination of improved efficiency and cost management.

Interest >>

Lenta's Net Interest expenses in 2020 amounted to RUB 8.9 billion, which was a decrease by 25.8% compared to 2019 (RUB 12.0 billion), as we made strong progress in reducing our gross debt and refinancing at better rates. These improvements enabled Lenta to improve its interest cover ratio to 5.04x compared to only 3.29x in 2019.

Net Income >>

Lenta delivered a significant improvement in Net Income of RUB 16.5 billion in 2020, compared to a net loss of RUB 2.8 billion in 2019, due mainly to strong retail sales. This equated to a net income margin of 3.7 % in 2020, one of the best amongst publicly traded Russian food retailers.

Depreciation >>

Depreciation as a percentage of total sales decreased by 25 bps year-over-year, which was mainly a result of a deceleration in new store expansion, the end of depreciation from equipment purchased in 2014 and 2015, and some one-offs effects in 2019 (such as a change of parking depreciation period). The absolute amount of depreciation is 54bps higher than in 2019.

Cash Flow >>

Net cash generated from operating activities before net interest and income taxes paid decreased to RUB 43.8 billion compared to Rub 48.4 billion in 2019. Net Working Capital movement amounted to RUB -2.1 billion, compared to RUB 7.5 billion in the previous year, mostly due to increased inventories and higher trade receivables due to higher bonuses from suppliers.

Net Debt and Leverage >>

We materially improved our leverage position over the course of 2020, and together with our shareholders we are proud of reaching this achievement.

As of 31 December 2020, our Net Debt to EBITDA ratio under IFRS 16 stood at 2.0x compared to 2.8x one year earlier, under IAS 17 – 1.5x compared to 2.3x as of the end of 2019.

We closed 2020 with Gross Debt under IFRS 16 of RUB 113.4 billion, compared to RUB 182.7 billion as of the end of 2019. Gross Debt under IAS 17 was RUB 78.95 billion, compared to RUB 150.5 billion as of the end of 2019. We also had a Cash and Cash Equivalents of Rub 21.8 billion on hand, bringing Net Debt under IFRS 16 to Rub 91.6 billion and Net Debt under IAS 17 to Rub 57.1 billion at the end of 2020.

CAPEX >>

Capital expenditures (CapEx) in 2020 was 45.7% lower than in 2019 and amounted to RUB 7.6 billion. The reduction in the 2020 figure mainly reflects hypermarket openings and slow implementation of maintenance and improvements projects, taking into account the Covid-19 situation. As of 31 December 2020, Lenta had contractual capital expenditure commitments connected to property, plant and equipment (PP&E) and Intangible assets totalling RUB 4.3 billion net of VAT compared to RUB 6.2 billion net of VAT on 31 December 2019.

Looking ahead

Our resilient operational base and strong balance sheet make us well positioned to grow as we invest in our new strategy and pursue exciting organic and inorganic growth opportunities.

The past year has shown that Lenta can successfully navigate the storm, thus validating our business model, management team, and strategic objectives. I remain confident as we head into 2021 that Lenta can overcome any challenges we encounter as we strive to deliver strong returns for the benefit of all our shareholders.

Risk management >>

Lenta is managing its risks focusing on the most critical threats of the business.

Lenta defines risk as 'an uncertain future event that could affect the Group's ability to achieve its objectives'. Understanding how various risks potentially influence our business is integral to the decision-making process within the Group. We monitor all material risks to our operations on an ongoing basis, acting whenever necessary to mitigate and manage them. We also anticipate and evaluate new threats as and when they arise. Our risk management process applies across all functions and comprises the following principal stages:

- identification;
- assessment;
- response;
- monitoring, reporting and escalation.

The risk management process stages are performed by risk experts across the whole organization twice a year in June-July and December-January.

Stage 1 – Risk Identification

We conduct a 'top down' strategic risk identification on an annual basis. This supplements a biannual functional 'bottom up' evaluation, which identifies risks at operational levels in the Group. These activities enable us to create a comprehensive risk profile.

Risk identification is also embedded into key business processes including budgeting, planning, capital expenditure and performance management.

Our risk identification process ensures that new risks are identified, assessed and responded to, while risks no longer relevant are excluded from the risk register, and that the information is up-to-date and appropriate for monitoring, escalation and mitigation.

Stage 2 – Risk Assessment

Risks are individually assessed to determine their likelihood of occurrence, and their potential impact on the business. They are evaluated on a 'Current' and 'Target' basis, which helps to inform management oversight.

Risks are assessed over a three-year timescale using Lenta's Risk Assessment Criteria, which is comprised of a four step probability and severity scale.

The impact assessment is based on a qualified and formal review of how the risk occurrence may influence the Group's operations and financial performance.

Stage 3 – Risk Response

When the 'Current' severity of a specific risk exceeds acceptable levels, action may be needed to align it with the 'Target' risk position. Risk Owners are accountable for managing risks, with details of planned mitigation activities and delivery milestones set out in their risk response plans.

Stage 4 – Risk Monitoring, Reporting and Escalation

This final stage involves the timely tracking, capture, and sharing of risk information to enable the review and notification of changes in risk exposure by management. The process supports a more full understanding of risk and enables decision making on the appropriate response. Such responses include management interventions to avoid a risk becoming reality in the first place or, if not possible, then to reduce its impact after the event.

The process is supported by a governance structure that clearly defines risk-related roles and responsibilities at each level within Lenta. The Board has overall accountability for ensuring that the risks are effectively managed across functional business units.

The Audit Committee oversees and evaluates the effectiveness of management's approach. The management team provides risk oversight of commercial operations and undertakes a biannual 'top down' assessment for the Audit Committee and Board to review. Functional heads within the Group are responsible for implementing risk management activities in their areas.

In 2020, the Lenta updated the risk register and performed the above four stage process twice during the year. We have updated our risk management policy with regard to the assessment thresholds of the risks' impact. The Group assessed the impact of a risk occurring as a percentage of its annual EBITDA.

Risk management policy >>

Lenta's Risk Management Policy provides a comprehensive and robust framework, enabling us to ensure that risk is managed to a consistently high standard across all of our operations. It sets out the Group's principles and standards and establishes a common approach and the minimum requirements for risk management activities. The policy provides a "common language" for risk, and delivers multiple benefits, including:

- informed decision-making to help deliver consistent and improved business performance through the avoidance of unwanted surprises, as well as, the achievement of opportunities;
- identification and management of key risks that could have a material impact on the business;
- clear accountability and ownership of risk management;
- an improved view of key controls, their effectiveness, and gaps in the control environment;

The Risk Management Policy is overseen by the Chief Financial Officer and is reviewed annually. Compliance is mandatory for all levels of management. Guidance on how to apply the process and the supporting tools is provided via a dedicated Risk Management intranet site. Risk Management awareness and training is provided to all staff commensurate with their roles and responsibilities.

During 2020 we made minor updates to our Risk Management policy, including the EBITDA-driven criteria of impact assessment, and references to a functional approach of managing cyber risks.

Business continuity management framework >>

Due to the Covid-19 pandemic we established a response team under our business continuity framework. Based on experience from the Group's response to Covid-19 it undertook a review of its approach to crisis management and its readiness in situations when risks occur. Accordingly, we have strengthened our business continuity framework with the aim of providing resilience and efficiency with more formalized approach, including clear roles and responsibilities around business continuity planning and execution.

In the 2nd half of 2020, the Group updated its business continuity management (BCM) and rolled it out as a Group-wide frame work. After a review of the existing documentation, Lenta further developed its BCM framework consisting of clearly articulated and structured emergency response plans, disaster recovery plans, and crisis communication plans. The Group integrated crisis management reviews as part of its regular management board meetings on a quarterly basis.

In addition, a series of BCM trainings were conducted for risk experts and management.

The Group is going to continue to develop its BCM framework in 2021 and plans to perform testing of a variety of disruption scenarios.

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Due to the Covid-19 pandemic we established a response team under our business continuity framework. Based on experience from the Group's response to Covid-19 it undertook a review of its approach to crisis management and its readiness in situations when risks occur.

The risk landscape >>

>> Covid-19 was not a risk but tough reality for all the businesses as well as individuals in Russia. Measures to contain the virus had its negative impact on business operations throughout societies. As governments and companies took aggressive measures to protect their citizens, customers, operations, and employees at home and abroad, such actions could lead to business interruptions, travel risks, and other effects that could affect the Group's supply chain.

Lenta, like many other companies, faced unprecedented challenges caused by the global Covid-19 pandemic. Given the situation, the Group was forced to react urgently in the unknown environment to ensure the safety of its customers, employees, and partners. The Group's office-based personnel were transferred to a remote mode of work starting in the early spring of 2020 and handled the challenges of remote interaction between the functional and regional teams quite well. Employees working in our stores and in our supply chain were provided with personal protection equipment and various forms of signage and physical barriers were installed in our stores to ensure the appropriate social distancing between employees and/or our customers.

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Work force mobility is high and the retail industry's core employee capabilities are easily transferable between Lenta and its competition, not only in food retail, but across various types of retail businesses. Therefore, the Group works continuously to attract and retain employees and its ability to do so is a principal risk

In addition to the pandemic specific challenges, the Russian retail industry also had to deal with a weak macro-economic environment, changes in the legal and regulatory requirements, as well as, continued fierce competition.

Nonetheless, due to a focus on efficiency and Group delivered positive cash flow. Consequently, the Group's external net debt decreased and exposure towards the risks associated with having sufficient external financing were reduced. In addition, during 2020 the Central Bank of Russia lowered its key interest rate, which, together with low inflation, improved the Group's average cost of debt and its associated risks.

In 2020 we made important progress in preparing our new growth strategy to support Lenta's transformation and implementation will start in 2021.

Lenta continues to engage and cooperate across its value chain with numerous suppliers, partners, and authorities both at a local, regional and federal level. In doing so, Lenta must ensure that all its dealings are in line with relevant legislation, as well as, external and internal standards and regulations, including policies regarding ethical behavior. Operating across a significant geographical span with, at times, long supply routes and a multitude of suppliers, food safety is a principal risk for Lenta. At the same time, Lenta's in-store production of goods for sale is growing due to an increasing demand. Consequently, we need to ensure that the products offered to customers are at all times of the highest quality and meet all required safety and sanitary standards.

Work force mobility is high and the retail industry's core employee capabilities are easily transferable between Lenta and its competition, not only in food retail, but across various types of retail businesses. Therefore, the Group works continuously to attract and retain employees and its ability to do so is a principal risk.

During 2020 no new significant risks were identified through our risk management process and it resulted in no change to the risk map.

Assessment of the Group's prospects >>

>> Lenta is doing business in an industry less exposed to cyclical shocks due to consumer demand for food and food related products, while being highly competitive and challenging. Therefore the Company takes a long term view and is focused on its strategy development and ability deliver sustainable growth. Changes in categories and products that consumers demand and in consumer behavior require Lenta maintain a flexible business model. Lenta's presence in 88 cities across Russia through its store network provides access to data on consumers that enable fast reaction to changing demand and behavior.

Lenta carries out on an annual basis its planning process which includes short-term (one year) and longer-term (five year) financial forecasts. This planning process is based on inputs from the business. The annual and five year financial forecasts and risks to their achievement are reviewed by the Board as part of its strategy review and budget approval processes. The processes for identifying and managing the Principal Risks are described above.

Going Concern

The going concern assessment is undertaking an analysis of how appropriate the Company's financial statements on a going concern basis. Based on the financial indicators, the Directors have a reasonable opinion that Lenta has robust business model, sufficient resources for sustainable operations for the forthcoming future. Thus, they continue to adopt the going concern basis in preparing the consolidated financial statements (in accordance with the 'Guidance on Risk Management, Internal Control and Related Financial and Business Reporting' issued by the UK's Financial Reporting Council).

No on map.	Risk Description: Risk	Risk Description: Impact	Risk category	Current Severity: Impact	Current Severity: Likelihood	Objectives affected	Outlook/ trend	How we manage it	Changes in 2020
1	Changing legal and regulatory environment	Introduction of new and complexity of existing legal and regulatory requirements drives cost of compliance and may disrupt our value chain.	Strategic	2	4	C	Stable	We monitor legislative and regulatory initiatives as well as actively engage in dialog with lawmakers directly and through retail associations. Continued update to and investment in process optimization and automization.	There were no changes indicated.
2	Macro-economic and political instability	Impact of pandemic on economic situation, supply chain, compliance with security of customers and personnel. Potential instability of customer behavior caused by economy stagnation in the mid-term perspective.	Strategic	2	2	C	Decreasing	Monitor main economic indicators. Rolling 60 months forecast. Consistently keeping our customer offer relevant to consumer spending power. Continued improvement in our supply chain	The risk materialized in 2020, the Company managed the risk, was prepared to it, and responded well
3	Increased competition from existing and new formats as well as industry consolidation	Increased competition or aggressive marketing and pricing practices by competitors may negatively impact sales and margins through decline in customer traffic and basket.	Strategic	2	4	B	Stable	Actively track and measure competitors' behaviour and changes, understand structural changes in the market and implement changes to our offer, formats and price positioning	There were no changes indicated.
4	Competitive sourcing and security supply	Slower growth may result in weaker competitive bargain power towards suppliers and hence impact margins. Competitors investing in price may put our low price/low cost model under pressure. We may face a 'perfect storm' scenario where we have less ability to respond to customers, suppliers and where competitors dominate	Strategic	3	2	BCD	Stable	Increasing share of direct import and local sourcing through taking charge of full value chain. Consolidate purchasing power on fewer suppliers. Developing private label. Participating retail alliance of independent retailers	There were no changes indicated.
5	Lack of innovation and adaptation	Lack of innovation can result in non-competitiveness, lost of customers, our ability to communicate with customers in a proper way will be limited. This can impact frequence of visits, decline in average ticket.	Strategic	3	1	CDE	Stable	Establishment new department to drive innovations and innovations culture. Launched new Innovations Department, Start of innovation funnel in company. Implementation of innovative technologies (self can, self check-outs), launch of App and personal cabinet on web site	There were no changes indicated.
6	Attracting and retaining a qualified, diverse workforce	Failure to attract and retain the required capability could not allow us to support our efficiency at the target level, implement our strategic goals and implement the succession plan.	Operational	2	3	E	Stable	Talent planning and people development processes are set up in Lenta. The Company has been developing the employee engagement programme, LTIP and succession planning tools. Talent and succession planing is discussed by the Board of Directors on a regular basis.	There were no changes indicated.
7	Food safety and quality	There is a risk that customers may suffer from the consumption of food and non-food goods sold by Lenta, whether they are contaminated or defective. Realization of the risk could seriously destroy the Lenta reputation, impact revenue, loss sales and market share.	Operational	4	2	A	Stable	Lenta iIntegrated quality control procedures, implemented, monitor and control food safety and quality. The Company's focus is to ensure superb quality of goods by importing goods (explicit quality control by Lenta's quality assurance), direct cooperation with growers, introducing the approrpiate control from field to shelf, developing a network of DCs	There were no changes indicated.
8	Taxation	Negative impact on the Company's financial performance caused by potential threats of tax payments and fines. Additionally, in case of the risk realisation, the Company might face reputational risks.	Financial	2	2	-	Stable	The Company is monitoring tax legislation on a regularly basis in accordance with designed control procedures. Also Lenta uses external advisors to ensure appropriate treatment of taxation and depreciation.	There were no changes indicated.
9	Capital markets and liquidity	Access to funding markets being restricted or limited, and growing cost of capital with negative impact on Lenta financial performance, cash liquidity and ability to fund operations.	Financial	2	1	C	Stable	Lenta maintains an infrastucture of systems, policies and procedures to enable strict discipline and oversight on financing and liquidity issues. Our liquidity levels and sources of cash are regularly reviewed and reported to governance committees.	There were no changes indicated.
10	Legal and compliance	Changes in, or failure to comply with, laws and regulations could impact the operations and reduce the profitability of Lenta. It could affect our revenue, profitability and image.	Governance	1	3	-	Stable	Lenta manages regulatory risks by regular monitoring of legislation, risk assessment framework, implemented in the legal department. The Company has developed relevant controls procedures for internal controls and internal audit departments to detect, report and respond to the incidents in a timely manner. There is regular reporting on status of the compliance programmes to the Audit committee.	There were no changes indicated.
11	Strategy development and execution	Failure to deliver a consistent, coherent and sharp enough strategy to respond to changes in market conditions resulting in a loss of market share and deterioration of profitability becoming eventually a redundant hypermarket operator. Slow response on changing external environment and decision making process caused by inefficient business processes resulting in potential threat of losing Lenta's position to its competitors	Strategic	4	3	BCDE	Increasing	Lenta launched the Transformation office program to optimize key business processes having impact on the speed to respond on the fast changing external challenges as well as ability to fix the internal open issues. We shall strengthen the transformation office competences related to business process optimization. Changes in organizational structure, consolidation of expertise in project management, usage of Agile approaches for IT and innocation projects, setup of PMOs across the organization.	Need to response on the Group's challenges lead to urgency of Lenta to execute a portfolio of projects to support its strategy implementation
12	Cyber and IT risks	Failure to ensure data security and privacy resulting in inability to operate, loss of sensitive information, reputational damage, fines or other adverse consequences.	IT	4	3	BCDE	Increasing	We have launched the Access Control infrastructure, data base protection system, segregation of duties procedures to detect, report and proactively respond to security incidents. We continue to implement a number of initiatives to enhance our security capabilities to improve data security. We introduced monitoring of the security and data privacy status and report on to governance committees. We introduced strict system of monitoring of third parties activities control.	Probability of cyber threats continued to grow in 2020, both globally, and locally, including the retail market in Russia. Lenta is meticulously implementing projects to improve its protection.

Our key priorities

A.
Continued focus on safety of our customers and employees

B.
Effective and efficient operation of our hypermarkets and supermarkets

C.
Execution of our new growth strategy

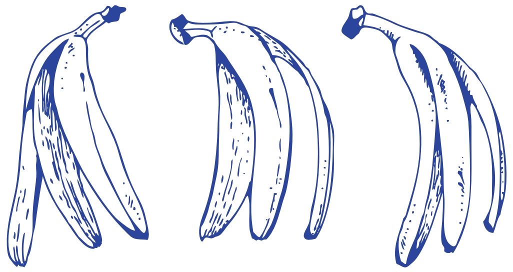
D.
Innovate, develop, pilot, and implement existing and new technologies

E.
Build and strengthen organizational capabilities

Likelihood \ Impact	1	2	3	4
4		1, 3		
3	10	6		11, 12
2		2, 8	4	7
1		9	5	

Description of principal risks >>

1. Strategy development and execution
2. Cyber and IT risks
3. Changing legal and regulatory environment
4. Macro-economic and political instability
5. Increased competition from existing and new formats as well as industry consolidation
6. Competitive sourcing and security of supply
7. Lack of innovation and adaptation
8. Attracting and retaining a qualified, diverse workforce
9. Food safety and product quality
10. Taxation
11. Capital markets and liquidity
12. Legal and compliance



Viability statement >>

>> Lenta's viability assessment considers its solvency and liquidity over a period exceeding that of the going concern assessment. Understanding our main priorities and our principal risks is a key element in the assessment of Lenta's prospects, as well as the formal consideration of viability.

Our low price/low cost business model is aimed at consistently applying low prices combined with efficient promotions. Our federal reach and sales volumes enable us to negotiate competitive conditions with suppliers.

We prefer to own the majority of our hypermarkets, as this provides an efficient cost hedge versus rent inflation, as does Lenta's incremental borrowing rate when compared to the required return on invested capital of real estate investors.

While Lenta continues to be reliant on banks and financial markets for funding, our policy is to maintain a strong balance sheet to ensure the Company has access to capital markets. As part of managing our viability, we ensure our debt has relatively long maturities, is not exposed to currency fluctuations and has limited interest rate risk. Continued free cash flow' – after capital expenditure and financing cost' – is expected.

Severe economic turbulences could, however, affect our business – as it could other retailers' – and could therefore influence our cash generation and debt service capacity. This in turn could affect the level of ambition we are able to apply to our further development.

Our approach to the viability of the business is influenced by our key priorities that are focused on adapting our customer-value proposition across all formats we manage to changing customers' preferences so we can grow and deliver best-in-class profitability. Along with an agile organisational culture that is committed to reducing time-to-market, and a meticulous focus on operational execution to maintain our position as the most cost-efficient food retailer in Russia, thereby maximising customer and shareholder value.

The Directors have determined that Lenta's longterm planning horizon' – which is the existing year plus the four following consecutive years' – is an appropriate timeframe for assessment of the longterm viability of Lenta. Lenta has significant financial resources, including committed and uncommitted banking and debt facilities. In assessing the Company's viability, the Directors have assumed that the existing banking and debt facilities will remain in place or mature as intended. The Directors have also considered mitigating actions available to Lenta, including restrictions on capital investment, further cost reduction opportunities and future dividend policy. The Directors have assumed that these mitigating actions can be applied on a timely basis and at insignificant or no cost.

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Based on the results of our viability assessment, the Directors have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due during this period.

02 >>

Corporate Governance Report

The key objective of Lenta's Board is to secure the Company's long-term success and deliver sustainable returns for its shareholders. This involves a range of tasks including establishment of strategic goals, oversight of financial and human resources, review of management performance. Furthermore, the Board plays an important role in providing support to the executive team in implementing Lenta's strategy. The Board also sets the overall tone for the management culture of the Company.
Lenta's governance framework combines leadership with collaboration and delegation – and this is the basis for our decisionmaking process.
Specific responsibilities are delegated to the four Board Committees: Audit, Remuneration, Nomination and Operational and Capital Expenditure. Details of their responsibilities and activities during the year are set out on pages 74 to 81 of this report.

Board of Directors >>

Alexey Mordashov,
CHAIRMAN

Alexey Mordashov was appointed a non-executive director of Lenta Plc in May 2019.

Board Committees: Nomination
Experience: Born in 1965, Alexey Mordashov has been working for Severstal since 1988. He started his career as a Senior Economist, becoming Chief Financial Officer in 1992. In December 1996, he was appointed as Severstal's Chief Executive Officer. Between 2002 and 2006 he served as CEO of Severstal Group and was Chairman of Severstal's Board of Directors. From December 2006 to December 2014 Alexey was CEO of Severstal. From December 2014 until May 2015 Alexey Mordashov served as CEO of AO Severstal Management – managing company of PAO Severstal. Alexey was elected Chairman of the Board of Directors of PAO Severstal in May 2015.
Other roles: Vice-Chairman of World Steel Association. Head of the Russian Union of Industrialists and Entrepreneurs' Committee on Integration, Trade and Customs Policy and WTO. Serves on the Entrepreneurial Council of the Government of Russian Federation. Co-chairman of the «Trade as a Global Driver» Taskforce of the «Business 20» of «Group of Twenty». Cochairman of the Northern Dimension Business Council. Vice-President of Russian-German chamber of commerce, member of the Russian-German workgroup responsible for strategic economic and finance issues. Member of the EU-Russia Business Cooperation Council. Alexey earned his undergraduate degree from the Leningrad Institute of Engineering and Economics.
Qualifications: Alexey graduated from the Leningrad Institute of Engineering and Economics, holds an MBA from the Business School at the University of Northumbria in Newcastle, United Kingdom. He is awarded an Honorary Doctorate of Science from the Saint Petersburg University of Engineering and Economics (2001) and the Northumbria University (2003).

Steve Johnson,
SENIOR INDEPENDENT DIRECTOR

Steve Johnson has been an independent non-executive Director of Lenta Plc since 2010. He was appointed as Lenta's Senior Independent Director in 2013.

Board Committees: Nomination (Chairman), Remuneration, Audit, Operation and Capital Expenditure
Experience: Steve has over 20 years' experience in the retail industry, having been part of the team that turned around and successfully sold Asda to Walmart. Whilst at Asda, Steve held several senior positions including Trading Director, Commercial Finance Director and Marketing Director. Following his time at Asda, he was CEO of Focus DIY Ltd and of Woolworths Plc, as well as Sales & Marketing Director at GUS Plc. He started his career in management consultancy with Bain & Co.
Other roles: Steve is currently Chairman of Matalan Limited and also a non-executive Director of DFC Group Plc. He also works with a number of private equity firms primarily focused on Southern and Eastern Europe.
Qualifications: Steve graduated from Cambridge University, United Kingdom, with an Engineering degree.

Michael Lynch-Bell,
INDEPENDENT DIRECTOR

Michael Lynch-Bell was appointed an independent non-executive Director of Lenta Plc in 2013.

Board Committees: Audit (Chairman), Remuneration (Chairman), Nomination
Experience: Michael retired from Ernst & Young as Senior Partner in 2012 after a 38-year career with the firm. He was a member of Ernst & Young's audit practice, becoming a partner in 1985. n 1997, Michael moved to Ernst & Young's Transaction Advisory practice, where he founded and led its UK IPO and Global Natural Resources transaction teams. He has been involved with the CIS since 1991 and has advised many CIS companies on fundraising, reorganisations, transactions, corporate governance and IPOs.
Other roles: Michael is also Deputy Chair and Senior Independent Director of Kaz Minerals Plc, Senior Independent Director and Audit Committee Chairman of Gem Diamonds Limited, Chairman at Little Green Pharma Ltd and a non-executive Director of Barloworld Limited.
Qualifications: Michael graduated from Sheffield University with a BA in Economics and Accounting in 1974, qualified as an English Chartered Accountant in 1977, and was awarded an Honorary Doctorate of Humane Letters by Schiller International University in 2006.

Julia Solovieva,
INDEPENDENT DIRECTOR

Julia Solovieva was appointed an independent non-executive Director in 2018.

Board Committees: Audit, Nomination, Remuneration.
Experience: Julia has over 20 years experience in the internet search, media, retail and telecoms sectors. Julia joined Google in 2013 as Managing Director/Country Manager Russia, and has been Director, Business Operations for Emerging Markets EMEA since 2016. From 2007 to 2012 she held various senior positions including the role of President, at Prof-Media, one of Russia's largest media groups. Prior to this she held various corporate development and other leadership roles in the telecoms sector and also has experience in strategy consulting with Booz Allen Hamilton Netherlands and as Director of Operations for Mary Kay Russia and CIS.
Other roles: Julia is currently Director, Business Operations Emerging Markets EMEA, Google
Qualifications: Julia holds an MBA from Harvard Business School and a BA in foreign languages from Moscow State Linguistic University.

Alexey Kulichenko,

NON-EXECUTIVE DIRECTOR

Alexey Kulichenko was appointed a non-executive Director of Lenta Plc in May 2019.

Experience: In 1996-2003 Alexey held different managerial positions at Sun Interbrew, starting his career as a cash flow economist at the Rosar plant in Omsk and ending it as Efficiency Planning and Managing Director. In 2003-2005 Alexey worked as CFO at Unimilk. In December 2005 he joined CJSC "Severstal Resource" as CFO. In July 2009 he was appointed CFO of JSC Severstal.
Other roles: Alexey currently serves as CFO of JSC "Severstal Management" - managing company for PAO Severstal and CFO of Severgroup LLC.
Other Selective Directorships: PAO Severstal.
Qualifications: Alexey graduated from Omsk Institute of World Economy with a degree in Economics.

Roman Vasilkov,

NON-EXECUTIVE DIRECTOR

Roman Vasilkov was appointed a non-executive Director of Lenta Plc in May 2019

Board Committees: Operation and Capital Expenditure (Chairman)
Experience: Roman Vasilkov joined Severstal in 2006. From 2008 till 2012 he held various positions in Severstal-Invest which is part of Severstal's Russian Steel division. In 2012 he joined Corporate Control at Severgroup LLC.
Other roles: Since 2016 Roman is the Head of Corporate Control at Severgroup LLC. His responsibilities include financial control as well as business and investment analysis of Severgroup's companies and projects.
Qualifications: Roman graduated from the Military Engineering and Space Academy of Mozhaysky, St. Petersburg. In 2013 he graduated with honors from the Institute of Management and Information Technologies (branch of the St. Petersburg State Polytechnic University) majoring in financial management.

Tomas Korganas,

NON-EXECUTIVE DIRECTOR

Tomas Korganas was appointed a non-executive Director of Lenta Plc in August 2019.

Board Committees: Operation and Capital Expenditure.
Experience: Tomas Korganas started his career at BCG and Goldman Sachs, after that he worked in and led Corporate M&A at GE, Rusal and Vympelkom for the next 10 years. In 2012, Tomas joined Severstal as Head of Corporate Development and soon after he was asked to assume same role at Severgroup. Since 2018, Tomas is also heading the Strategy of Severgroup.
Other roles: Tomas currently serves as a Director for Strategy and M&A of Severgroup LLC and Head of Corporate Development of JSC "Severstal"
Qualifications: Tomas graduated with B.Sc. in Engineering from Kaunas University of Technology in 1993, M.Sc. in International Strategy from Helsinki University of Technology in 1996, and MBA from Sloan School of Management, MIT in 2000.

Vladimir Sorokin,

CHIEF EXECUTIVE OFFICER (CEO)

Vladimir Sorokin was appointed CEO in September 2020.

Qualifications: Vladimir Sorokin is a graduate of St. Petersburg State University of Trade and Economics (Engineering) and the Higher School of Economics (Finance).
Experience: Vladimir Sorokin started his career in 1994 at Gillette and has had a number of top leadership positions at both Russian and international retail and FMCG companies. In 2013, Mr. Sorokin joined the X5 Retail Group where he became the General Director of the Perekrestok Supermarkets. In 2019, he joined Magnit as the Deputy Chief Executive - Commercial Director and a member of the Management Board.

Rud Pedersen,

CHIEF FINANCIAL OFFICER (CFO)

Rud Pedersen was appointed Chief Financial Officer in April 2019.

Experience: Before his current role, Rud served as CFO of Carlsberg Eastern Europe and was responsible for operations in five FSU markets. Over the last 25 years he has held a number of senior management positions in a diverse range of businesses including FMCG, fashion and apparel retail and pharma. Rud has had experience in regional and grouplevel roles, including Cadbury (Russia), Astrazeneca (Belgium), Levi Strauss (Belgium) and IC Group (Denmark). He started his career with Deloitte.
Qualifications: Rud holds the Master of Science degree in International Business Administration & Commercial Law from Aarhus School of Business, Denmark. He also has an EMBA from London Business School.

Senior management team >>

Vladimir Sorokin,

CHIEF EXECUTIVE OFFICER (CEO)

Vladimir Sorokin was appointed CEO in September 2020.

Qualifications: Vladimir Sorokin is a graduate of St. Petersburg State University of Trade and Economics (Engineering) and the Higher School of Economics (Finance).
Experience: Vladimir Sorokin started his career in 1994 at Gillette and has had a number of top leadership positions at both Russian and international retail and FMCG companies. In 2013, Mr. Sorokin joined the X5 Retail Group where he became the General Director of the Perekrestok Supermarkets. In 2019, he joined Magnit as the Deputy Chief Executive - Commercial Director and a member of the Management Board.

Rud Pedersen,

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Rud Pedersen was appointed Chief Financial Officer in April 2019.

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Qualifications: Rud holds the Master of Science degree in International Business Administration & Commercial Law from Aarhus School of Business, Denmark. He also has an EMBA from London Business School.

Edward Doeffinger,

CHIEF OPERATIONAL OFFICER (COO)

Edward Doeffinger joined Lenta in 2011 as Chief Operational Officer.

Experience: Prior to joining Lenta, Edward worked in Metro Cash & Carry in various roles and countries, including Germany, Hungary, China and Russia, and finally served as Deputy General Director of Metro Cash & Carry Kazakhstan. Before starting his career in 1991 at Metro Cash & Carry, Edward held several positions in wholesale companies and at the department at the Trade Ministry of the German Democratic Republic. During his over 30 years' experience in the retail industry he has held senior positions in Germany, Hungary and China before moving to Russia in 2001. In Russia Edward was responsible for the busines operations of Metro Cash & Carry in the Privolzhsky, Ural and Siberian regions. He was also responsible for the Metro Cash & Carry Kazakhstan business operations as a Deputy CEO.
Qualifications: Edward has a degree in Economics from the Hochschule fuer Oekonomie Berlin.

Joern Arnhold,

SUPPLY CHAIN DIRECTOR

Joern Arnhold joined Lenta in 2011 as Supply Chain Director.

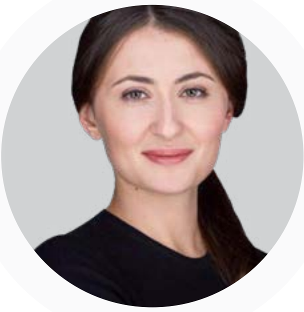
Experience: Prior to joining Lenta, Joern had 13 years' experience with Metro Group Logistics ('MGL') where he held various key positions in Germany, Turkey and Russia. As Managing Director of MGL in Russia, Joern was responsible for developing and running logistics operations for the Metro Group sales divisions in Russia.
Qualifications: Joern holds a degree in Business Administration from the Georg August University Goettingen.

Dmitry Bogod,

CHIEF COMMERCIAL OFFICER

Dmitry Bogod joined Lenta in 2018 as Chief Strategy Officer and was appointed to Chief Commercial Officer in January 2021.

Experience: Dmitry has over ten years of experience in strategy consulting for international companies. Before joining Lenta, Dmitry was an associate partner in McKinsey's Moscow office and prioir to that, Dmitry worked at Oliver Wyman, advising companies on consumer related strategy and operational topics. Before working as a consultant, he worked with Aon Benfield Securities, RBC Capital Markets, and Manulife Financial.
Qualifications: Dmitry has an Honors Bachelor of Science Degree in Applied Mathematics from the University of Toronto.



Anastasia Volokhova,

STRATEGY AND TRANSFORMATION DIRECTOR

Anastasia Volokhova joined Lenta in 2021 as Strategy and Transformation Director.

Experience: Prior to joining Lenta, Anastasia held senior roles at Magnit and the Boston Consulting Group in the areas of transformation and business efficiency.

Qualifications: Anastasia holds a Master's degree in International Business from Plekhanov Russian University of Economics.

Tatiana Yurkevich,

HUMAN RESOURCES DIRECTOR

Tatiana Yurkevich joined Lenta in 2012 as Human Resources Director.

Experience: Prior to joining Lenta, Tatiana served as Human Resources Director at Fazer Bakeries & Confectionery, Russia. During her 18 years in HR management, she has held senior positions including Head of HR at United Heavy Machinery Group and Izhora Plants, and HR Director of Caterpillar European Fabrications and Caterpillar Tosno. Tatiana has experience in leading Six Sigma Programme implementation as a Deployment Champion in Caterpillar.

Qualifications: Tatiana has a master's degree in International Economics from St. Petersburg State University as well as English and German language degrees from Novosibirsk State Pedagogical University and an MBA in Strategy from International Management Institute Link (the UK's Open University).

Sergey Prokofiev,

LEGAL AND GOVERNMENT RELATIONS DIRECTOR

Sergey Prokofiev joined Lenta as Legal and Government Relations Director in 2012.

Experience: Prior to joining Lenta, Sergey worked for Metro Cash & Carry, Russia for 11 years in different positions including Legal and Compliance Director. He started his career as an expert interpreter and later worked as a lawyer in a major Russian law firm and as a defending attorney at the Moscow City Bar.

Qualifications: Sergey graduated from the Military Institute of Foreign Languages ('VKIMO') and the Institute of Law. He holds a PhD in Law from the Institute of Legislation and Comparative Law under the Government of the Russian Federation and an MBA in Strategic Management from California State University.

Sergey Korotkov,

CHIEF INFORMATION OFFICER

Sergey Korotkov joined Lenta in 2018 as Chief Information Officer.

Experience: Sergey has extensive expertise in information technology, supported by over 25 years of experience in both Russian and international companies. Before joining Lenta, Sergey was most recently Senior Vice President and CIO at Gloria Jeans, where he led the company's digital transformation. Prior to that, he was CIO at Dixy Group, where he led the development and implementation of its IT strategy. He has also held similar positions at PepsiCo, Transaero Airlines, and Bristol-Myers Squibb Russia.

Qualifications: Sergey graduated with honors from Moscow State University with a Master's Degree in Applied Mathematics

Anna Logunova,

INTERNAL AUDIT DIRECTOR

Experience: Anna has over twenty years experience working in food retail and FMCG. Anna Logunova joined Lenta in 2011 as Director for Supply Chain Controlling; she was appointed Director for Supply Chain and Investment Controlling in 2013, taking responsibility for Operational Controlling in 2014. Since March 2018, Anna occupies the position of Internal Audit Director in Lenta. Prior to joining Lenta, Anna was Supervisor Costing at Philip Morris International, Russia.

Qualifications: Anna graduated with honors from St. Petersburg State Technical University. She holds a master's degree in Economics and Management. Anna is a Certified Internal Auditor (CIA).

Dmitry Gerasimov,

BUSINESS SUPPORT DIRECTOR

Dmitry Gerasimov joined Lenta in October 2020.

Experience: Prior to joining Lenta, Dmitry worked for Nordgold Management as Deputy Business Support Director and previously for Severstal where he was responsible for economic business security, he also served in the State Internal Affairs.

Qualifications: In 1998 Dmitry graduated from Kolomenskoye State Pedagogical University. In 2018 he graduated from Nordgold Executive Program in Darden School of Business, University of Virginia.

Corporate governance report >>

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The Code was revised in July 2018 for application to accounting periods beginning on or after 1 January 2019 and has not been amended since then. We reviewed the new Code, and put necessary processes in place to ensure that we continued to be in substantial compliance with these changes during the 2020 financial year and beyond.

Compliance with UK Corporate Governance Code >>

The UK Corporate Governance Code ('the Code') sets out principles and specific provisions on how a company should be directed and controlled to achieve good standards of corporate governance. As a company incorporated in the Republic of Cyprus, we are not required to comply with the provisions of the Code. However, we have chosen to comply with the Code to an appropriate and practicable extent. As of the date of this report, the Board considers that Lenta fully complies in all material respects with the Code, with the exception of the following provisions:

- the Chairman of the Board was not independent on his appointment;
- there is not a majority of independent directors on the Board;
- the whole Board is available to attend the AGM but it is not a requirement that each member attends.

The Board does not consider that the above areas of non-compliance expose the Company to any additional risks.

The Code was revised in July 2018 for application to accounting periods beginning on or after 1 January 2019 and has not been amended since then. We reviewed the new Code, and put necessary processes in place to ensure that we continued to be in substantial compliance with these changes during the 2020 financial year and beyond.

Redomiciliation >>

>> Lenta accomplished the redomiciliation to the Russian Federation in the form of an international public joint-stock company effective February 17, 2021. Earlier in 2020, the Company was redomiciled to Cyprus in the form of a public limited liability company and discontinued its incorporation under the laws of the BVI effective February 21, 2020.

Redomiciliation took place upon the Cypriot Registrar issuing a temporary certificate of continuation in Cyprus. As from February 21, 2020 Lenta is considered to be a legal entity incorporated in Cyprus. As part of the redomiciliation Lenta Ltd changed its name to Lenta Plc and is subject to the Cypriot Company Law as amended, other relevant Cypriot legislation, common law principles and EU directives where applicable and implemented in Cyprus. In addition the UK Corporate Governance Code continues to be applied.

On June 2020 the company announced an Extraordinary Meeting of Shareholders to consider the proposed redomicilliation of the company from the Republic of Cyprus to the Russian Federation into the special administrative district of Octyabrsky Island, Kaliningrad.

On July 2020, a special resolution to approve that the company proceeds with deregistering from the Register of the Registrar of Companies in Cyprus and transferring its registered office to and registering as a continuing company in the form of an International public joint-stock company under the legal regime of the Russian Federation without being dissolved and without being re-incorporated was passed by the shareholders.

As envisioned by the shareholder resolutions passed at the Extraordinary General Meetings of the Company held on 22 July 2020 and 23 November 2020, Lenta accomplished its incorporation in the Russian Federation in the form of an international public joint-stock company with its legal seat at Oktyabrsky Island, City of Kaliningrad, Kaliningrad Region, Russian Federation.

As from February 17, 2021 Lenta is considered to be a legal entity incorporated in Russia, registered in the Unified State Register of Legal Entities of the Russian Federation. As part of the redomiciliation Lenta PLc changed its name to Lenta IPJSC and is subject to the laws of the Russian Federation.

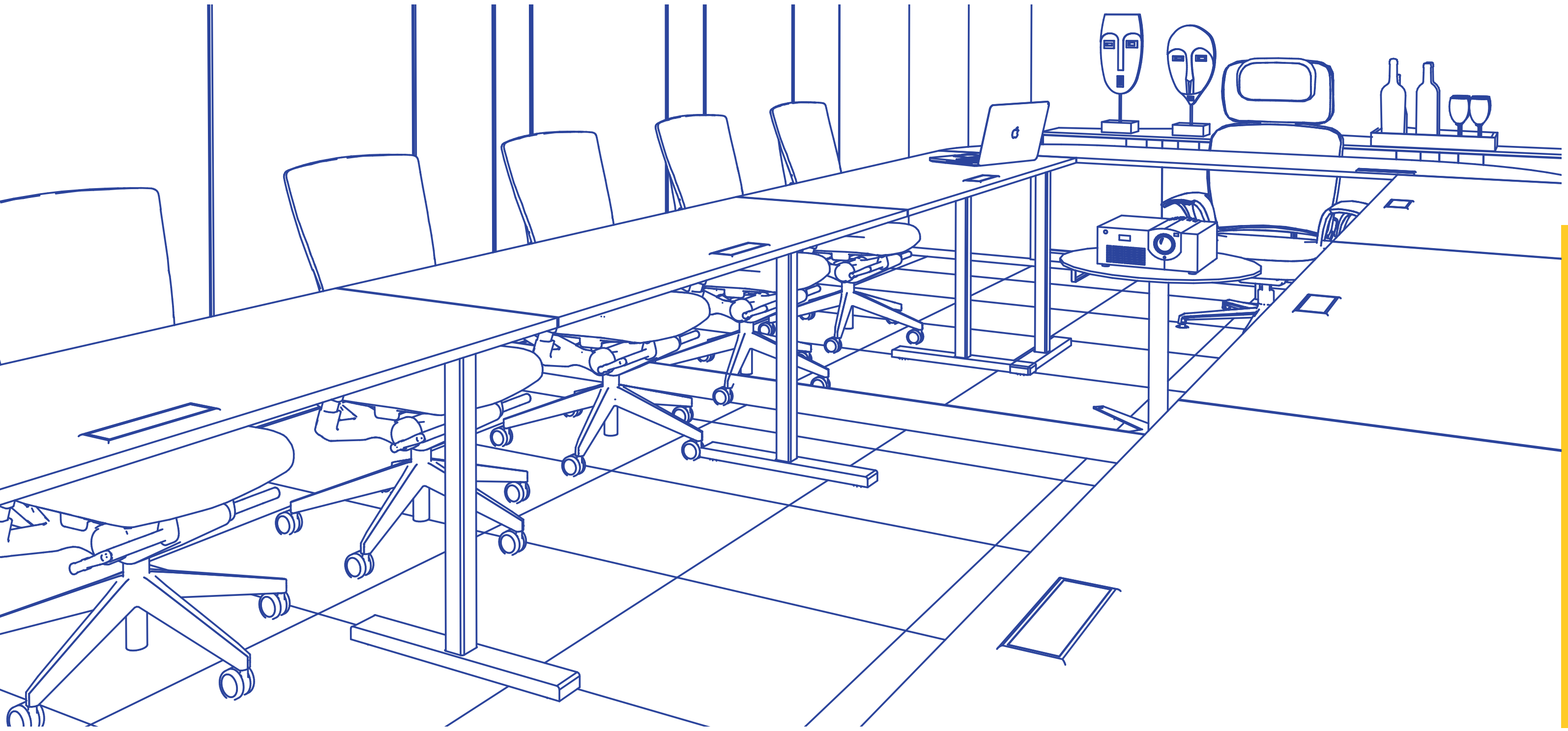
Accordingly, the new Lenta charter, in the form approved at the Extraordinary General Meeting of the Company held on 23 November 2020, has entered into force.

Leadership

The Chairman leads the Board, ensuring its effectiveness at the same time as taking the interests of the Group's various stakeholders into account and promoting high standards of corporate governance. The roles of Chairman and CEO are distinct and separate.

The Chairman's responsibilities include >>

- ensuring the Directors receive accurate, timely and clear information;
- facilitating the effective contribution of nonexecutive Directors and engagement between executive and non-executive Directors;
- building an effective Board;
- the induction of new Directors and further training for all Directors as required;
- communicating effectively with shareholders and other stakeholders and ensuring the Board develops an understanding of the view of stakeholders;
- leading the performance evaluation of the CEO and non-executive Directors.



The CEO's responsibilities include >>

- leading the development of the Company's strategic direction and implementing the agreed strategy;
- identifying and executing new business opportunities;
- managing the Group's risk profile and implementing and maintaining an effective framework of internal controls;
- building and maintaining an effective management team;
- ensuring effective communication with shareholders and regularly updating institutional shareholders on business strategy and performance.

>>

Managing the Group's risk profile and implementing and maintaining an effective framework of internal controls

The key roles and responsibilities of the Senior Independent Director (SID) include >>

- acting as a sounding board for the Chairman;
- serving as an intermediary for the other Directors when necessary;
- ensuring an annual evaluation of the Board is conducted;
- being available to assist in resolving shareholder concerns, should alternative channels be exhausted;
- holding at least one meeting each year with the independent non-executive Directors without the Chairman being present;
- monitoring the training and development requirements of Directors;
- overseeing the Chairman's appraisal and succession, and
- ensuring that Committee chairmen conduct performance evaluations of their Committees.

Stephen Johnson was the SID throughout the year ending 31 December 2020. He was selected for the role thanks to his extensive experience and expertise in both executive and non-executive capacities in the retail world, including international experience.

>>

Stephen Johnson was the SID throughout the year ending 31 December 2020. He was selected for the role thanks to his extensive experience and expertise in both executive and non-executive capacities in the retail world, including international experience.

Though Mr. Johnson has served on the Company Board for more than nine years, the Board of Directors considers him to be independent, due to the following significant factors:

a

he has not received and does not receive any additional remuneration from the Company apart from a director's fee, does not participate in the Company's share option or a performance-related pay scheme, and is not a member of the Company's pension scheme

b

he is not and has not been an employee of the Company or the Group within the last five years, does not have any close family ties with any of the Company's advisers, directors or senior employees; and

c

he holds no cross-directorships and has no significant links with other directors through involvement in other companies or bodies, and does not represent any significant shareholder.

>>

The NEDs provide an essential independent element to the Board, and a solid foundation for strong corporate governance.

Non-Executive Directors (NEDs) >>

The NEDs provide an essential independent element to the Board, and a solid foundation for strong corporate governance. They fulfil a vital role in corporate accountability, albeit all Directors are equally accountable under the Republic of Cyprus law. NEDs are required to challenge, in a constructive way, the strategies proposed by the executive Directors. They are also responsible for scrutinizing the performance of management in achieving agreed goals and objectives. Furthermore, they play a key role in the functioning of the Board and its Committees. Between them, the current NEDs have an appropriate balance of skills, experience, knowledge and independent judgement to undertake their roles effectively.

Matters specifically reserved for the decision of the Lenta Board of Directors >>

Management, strategy and planning

The Board is responsible for the overall management of the Group. The Board discharges some of its responsibilities directly and discharges others through Board Committees and the Senior Management team. This includes approval of the strategy, for which it has collective responsibility, business plans and budgets, as well as approval of any material restructuring or reorganisation. It also includes the establishment of material new areas of business. The Board also reviews performance in light of the strategy, objectives, business plans and budgets, ensuring that any necessary corrective action is taken.

Operations and transactions

This includes approval of significant capital and noncapital expenditure as well as approval of significant asset disposals and any other transactions that could have a material effect on the strategic or financial plans of the Company and the Group, including making or responding to takeover bids.

Capital structure

The Board approves changes relating to capital structure including allotment of shares, reduction of capital (except under employee share plans) and share buybacks. It also approves major changes to the Group's corporate structure and the Company's listings or its status as a company limited by shares.

Loans and dividends

This includes approval of any substantial new loan or similar facility (including financial leases) from third parties or material amendment to any such facilities including material loans or similar facilities made available to third parties. The Board also oversees the Company's dividend policy, declaration of interim and recommendation of final dividends and approval of other distributions to shareholders, as well as any new pension schemes or significant changes to existing pension schemes.

>>

The Board discharges some of its responsibilities directly and discharges others through Board Committees and the Senior Management team

Public reporting and controls

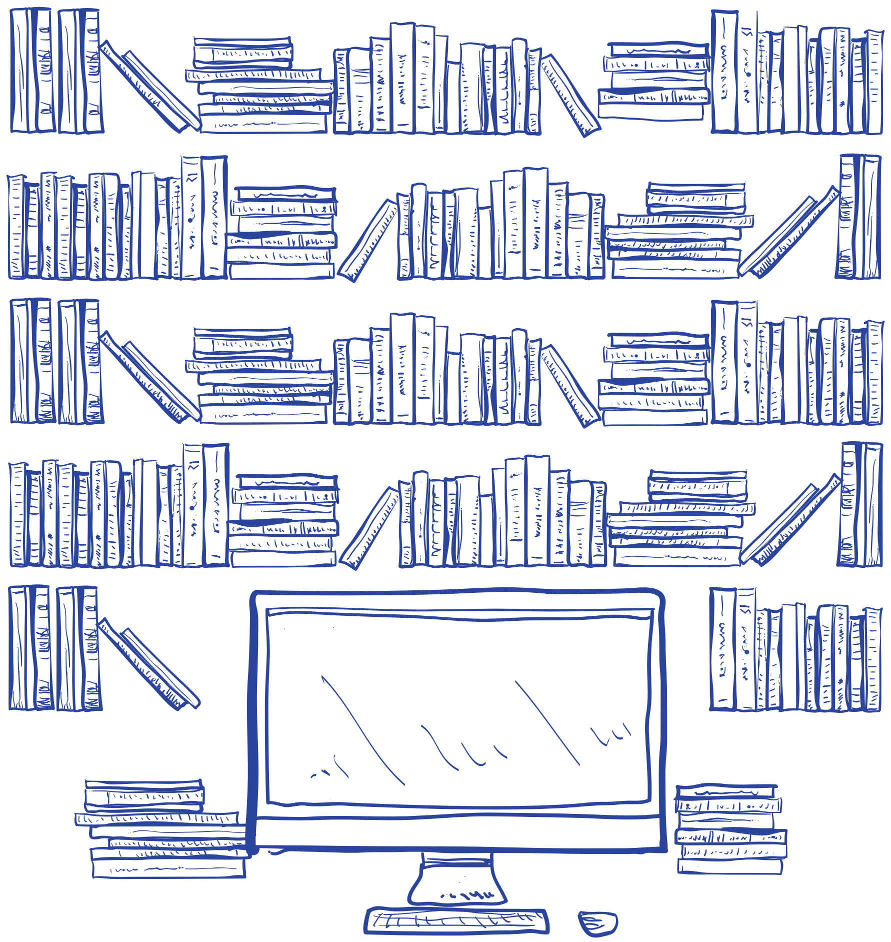
The Board approves half-yearly results announcements as well as the Annual Report and Accounts. It also approves material changes in principal accounting policies and practices, treasury policies and related risk management strategy and framework. On the recommendation of the Audit Committee, the Board recommends to the Shareholders the appointment or removal of the external auditor.

Remuneration

This includes approving the Directors' and Officers' insurance cover and establishing policies and rules relating to share-based incentive schemes. The Board also determines the remuneration policy for executive Directors and certain senior executives. It also approves the remuneration of the non-executive Directors.

Corporate Governance >>

The Board reviews its own performance and that of its Committees and individual Directors. It is responsible for determining the risk appetite of the Group and ensuring maintenance of an effective system of internal control and risk management. It also approves and revises policies, including health, safety and environment policies, share dealing rules, the code of conduct, the anti- bribery and corruption policy and corporate governance arrangements. The Board also calls any general meetings and approves documents sent to shareholders. It also recommends any changes to the Company's Memorandum and Articles of Association and considers material litigation or regulatory investigations affecting the Lenta Group. It is responsible for appointment of key corporate advisors.



Other >>

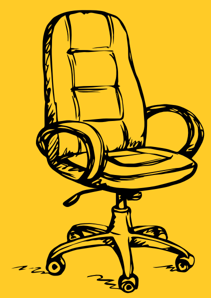
The Board also considers other matters of strategic or reputational importance likely to have a significant impact on the Company. When, exceptionally, decisions on matters specifically reserved for the Board are required to be taken urgently between Board meetings, such decisions shall be taken by a Directors' written resolution. The Board is responsible for managing the business and may exercise all of the business's powers in doing so, except to the extent that any such power must be exercised by the shareholders in accordance with applicable law or the Company's Memorandum and Articles. The Board also, by virtue of direct or indirect shareholdings in our consolidated subsidiaries, provides strategic management of our affairs and those of our consolidated subsidiaries. The day-to-day operations of our operating company, Lenta LLC, are managed by Senior Management as described below.

Board of Directors >>

The Board of Directors manages, directs and supervises the business of the Company. The Board oversees the officers of the Company and succession planning. The Board, in some circumstances, may elect a Director to fill an empty seat on the Board. The Board may also establish committees and set their responsibilities.

As shown below, our Directors have a wide range of complementary skills and experience. The Board currently consists of nine Directors, of which three – Michael Lynch-Bell, Julia Solovieva and Stephen Johnson – are judged by the Board to be Independent Directors according to the provisions of the UK Corporate Governance Code.

Our CEO and CFO, who are also the General Director and Chief Financial Officer of Lenta LLC, are Directors, but are ineligible to serve on Board Committees. The remaining four Directors – including the Chairman – were elected by the shareholders pursuant to the nomination rights of the Major Shareholders.



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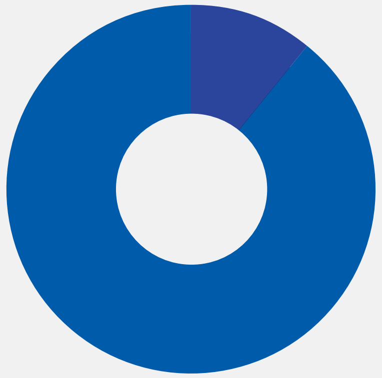
Our CEO and CFO, who are also the General Director and Chief Financial Officer of Lenta LLC, are Directors, but are ineligible to serve on Board Committees.

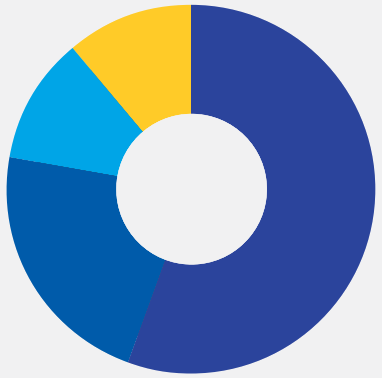
Board diversity and expertise >>

Board composition, %



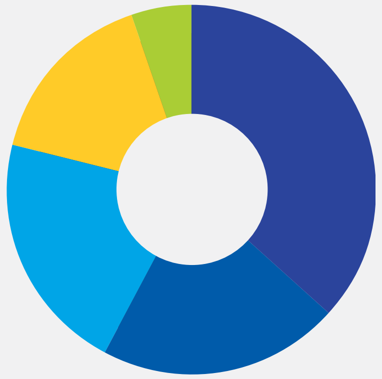
11	Females
89	Males

Board nationality:



5	Russia
2	UK
1	Denmark
1	Lithuania

Board expertise:



7	Strategy
4	Financials
4	Retail
3	Marketing
1	Technology/digital

>>

Responding to the changing dynamics of the Russian economy

>>

Individual business and overall Group performance and future capital expenditures

Board focus during the year >>

In 2020, the Board considered a wide range of matters, including but not limited to:

- business strategy
- Covid-19 pandemic response set of actions
- assessing and monitoring the Company culture
- budgets and long-term plans for the Company
- review of estimates of future cash flows, financing arrangements and fundraising
- industry and competitive environment
- responding to the changing dynamics of the Russian economy
- maintaining and increasing efficiency of the Company's development
- individual business and overall Group performance and future capital expenditures
- the review and execution of mergers and acquisitions transactions
- development of the Company's corporate governance
- financial statements and announcements
- reviewing reports from its Committees
- shareholder feedback and reports from brokers and analysts
- risk management and risk oversight.

Covid-19

>>

In 2020 the activity of the Board was influenced by the Covid-19 pandemic

While travelling was constrained, the Board meetings and the sessions of the committees were held remotely. The Board believes that the remote mode did not affect its performance.

The Board oversaw the set of measures taken by the Senior Management Team to protect the health and wellbeing of Lenta's employees and customers as well as securing the supply chain.

The measures included transfer of approximately 95% of office employees to home office working, equipment of all Lenta stores with safety screens and supply of PPEs for the company employees.

The Board also signed off several social initiatives to support vulnerable groups of customers, people in need and medical workers.

Anti-bribery and corruption >>

Lenta has in place a Compliance Programme, which includes our Ethics Policy, Hotline and Corporate Guidelines. The purpose of the Programme is to assist in the prevention of unlawful activities by individuals and to comply with current Russian legislation and best practice.

The Board takes a firm stance on bribery and corruption and attaches the utmost importance to the Programme in clarifying the standards expected of all employees of the Group.

The Foundation of the Programme is our Ethics Policy, along with the subset of policies and internal guidelines which provide a process for operating in accordance with the rules in specific situations. These policies and guidelines include procedures for dealing with public officials, giving and receipt of gifts and hospitality, due diligence processes carried out on third party business partners, and policies on conflicts of interest.

We carry out regular awareness campaigns across Lenta, and both the Internal Audit Team and external advisers undertake the monitoring and assurance of processes. Anti-bribery and corruption clauses are included in contracts with the Group's business partners. Lenta's Compliance Officer and Ethics Committee investigates hotline complaints of unethical behavior with reports to the Audit Committee. As a result, appropriate measures are taken to enhance control and compliance with the Programme.

Lenta LLC undertakes due diligence checks on potential suppliers, customers, consultants, agents, distributors and other business partners to check they are suitable to do business with, are reputable and ethical, and do not commit or engage in any form of violations.

During 2020, all employees, including newcomers, were trained on the Compliance Programme. We reviewed and updated the Group's policies during the year. A number of these policies can be viewed on the corporate website at

>>

Lenta LLC undertakes due diligence checks on potential suppliers, customers, consultants, agents, distributors and other business partners to check they are suitable to do business with, are reputable and ethical, and do not commit or engage in any form of violations

Risk management and control >>

The Board has overall responsibility for risk management, and determines the Group's risk strategy; it assesses and approves risk appetite and monitors risk exposure consistent with strategic priorities. The Board has established a Group-wide system of risk management and internal control, which identifies and enables risk management and the Board to evaluate and manage the Group's principal risks. Due to the limitations inherent in any system of internal control, this system provides robust, but not absolute, assurance against material misstatement or loss and is designed to manage rather than eliminate risk. The effectiveness of the Group's system of internal control is regularly reviewed by the Board, as is the Group's risk management framework, with specific consideration given to material financial, operational and sustainability risks and controls, with appropriate steps taken to address any issues identified. During 2020, no significant internal control failings were identified.

The Board has authorised the Audit Committee to oversee the risk management framework and the effectiveness of the Group's financial reporting, internal control and assurance systems. Each Board Committee provides updates on any risks considered within its remit when providing regular updates to the Board.

The Board confirms that throughout 2020 and up to the date of approval of this Annual Report and Accounts, rigorous processes have been in place to identify, evaluate and manage the principal risks faced by the Group, including those that would threaten its business model, future performance, solvency or liquidity in accordance with Principle C.2 of the Code and the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the UK Financial Reporting Council. The Group's approach to risk management, the risks identified and how it profiles these risks is set out in the Risk Management Overview and Principal Risks section on pages 36-41.

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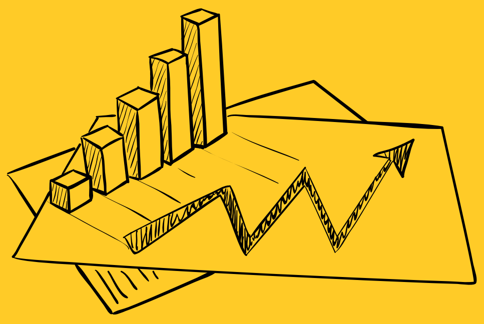
Under the Internal Audit plan, a number of audits take place across the Group's operations and functions to identify areas for improvement of the Group's internal controls.



Internal audit >>

Internal Audit provides independent, objective assurance to the Group. This is designed to improve the Group's operations and safeguard the Group's assets and integrity. It advises management on the extent to which systems of internal control and governance processes are appropriate and effective to manage business risk, safeguard the Group's resources and maintain compliance with the Group's policies and legal and regulatory requirements. It advises on ways in which areas of risk can be addressed and provides objective assurance on risk and controls to senior management, the Audit Committee and the Board. Internal Audit's work is focused on the Group's principal risks; the Head of Internal Audit and the Group Risk function work together when considering the appropriate scope and focus of internal audits. The programme of work of the Internal Audit department is considered and approved by the Audit Committee, subject to any additional suggestions from the Committee. The audit plan has space for ad hoc audits as required by the Committee or management.

Under the Internal Audit plan, a number of audits take place across the Group's operations and functions to identify areas for improvement of the Group's internal controls.

Findings are reported to relevant operational management who put in place processes for strengthening controls. Internal Audit follows up on the implementation of recommendations and reports on progress to senior management and to the Audit Committee. The Head of Internal Audit reports regularly to the Chair of the Audit Committee and attends Audit Committee meetings four times a year to present the findings from internal audits.

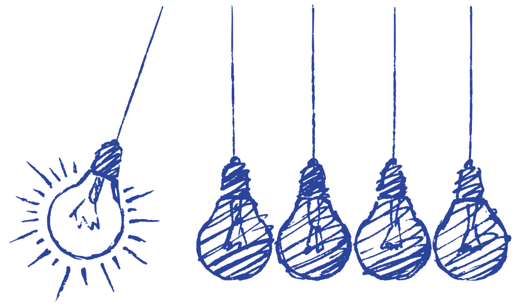
Political donations >>

It is the policy of the Group not to give any money for political purposes, nor to make any donations to any political organisations. No such expenditure was incurred during the year.

>> All new Directors receive a personalised induction programme, tailored to their experience, background and particular area of focus.

Effectiveness >>

>> The appointment of new Directors is led by the Nomination Committee, the majority of whose members are independent non-executive Directors. Details of the appointments process can be found on page XX.



All new Directors receive a personalised induction programme, tailored to their experience, background and particular area of focus. This is designed to develop their knowledge and understanding of the Company's culture and operations. The programme incorporates a wide-ranging schedule of meetings with Senior Management across the Company, comprehensive briefing materials and opportunities to visit the Company's operations, including spending time at new store openings, in store and in our distribution network.

All Directors have the opportunity to increase their knowledge of the Company through visits to the Company's operations and meetings with senior executives across the business.

The Board makes a careful assessment of the time commitments required from the Chairman and non-executive Directors to discharge their roles properly. This is discussed with candidates as part of the recruitment process and a commitment to the appropriate time requirements is included in engagement letters. Directors are expected to attend every Board meeting and every meeting of any Committee of which they are a member, unless there are exceptional circumstances preventing their attendance. Scheduled Board and Committee meetings are arranged at least a year in advance to allow Directors to manage other commitments.

The Chairman reviews each Director's development needs as part of the annual performance evaluation process and puts appropriate arrangements in place for specific training. The Nomination Committee reviews the Directors' skills and experience as a group against those needed to oversee and support the Company's future operations, and identifies any gaps. Training is arranged to develop the knowledge and skills of the Directors in a variety of areas relevant to Lenta's business.

Board papers are, ordinarily, circulated a week before each meeting to give the Directors and Committee members sufficient time to fully consider the information.

All Directors have access to the Company Secretary and may take independent professional advice at the Company's expense in conducting their duties.

Conflicts of interest

Directors have a statutory duty to avoid situations in which they have or could have a direct or indirect interest that conflicts or may conflict with the interests of the Company. A Director has a duty to disclose to the Board any transaction or arrangement under consideration by the Company in which he or she has a personal interest. The Board has a procedure for authorising conflicts or potential conflicts of interest. Under this procedure, Directors are required to declare all directorships or other appointments outside the Company that could give rise to a conflict or potential conflict of interest.

Board committees >>

Board and committee attendance during the year >>

Normally the Board holds at least four meetings in person and a number of ad hoc meetings in person or via teleconference. We consider that any Director, participating via teleconference, videoconference or other electronic means shall be considered to be physically present, provided each Director is able to hear all other Directors and, in turn, be heard by all other Directors.

In 2020, due to the outbreak of the Covid-19 pandemic, the Board and Committees meetings were held online except for the Board and Committees meetings in February that were carried out face-to-face.

The Board also holds regular update calls during the year, but participation is not mandatory.

	BoD	AuCo	Operation and Capex Committee	NomCo	RemCo
Stephen Jonson	4	4	3	4	4
Michael Lynch-Bell	4	4		4	4
Julia Solovieva	4	4	4	4	4
Rud Pedersen	4	4	4	4	4
Herman Tinga (till September 2)	2	2	2	2	2
Vladimir Sorokin (after September 2)	2	2	2	2	2
Alexey Mordashov	4			0	
Roman Vasilkov	4	4	4		
Alexey Kulichenko	4	4			
Tomas Korganas	4		4		

Vladimir Sorokin was appointed Chief Executive Officer on 3 September 2020. Herman Tinga stepped down from his role as Chief Executive Officer on 3 September 2020.

Changes to the Board in 2020 >>

Length of service and independence of non-executive directors

Stephen Johnson (Independent)	Since 2010	Considered to be independent by the Board[1]
Michael Lynch-Bell (Independent)	Since 2013	Considered to be independent by the Board
Julia Solovieva (Independent)	Since 2018	Considered to be independent by the Board

The following Board and Committee meetings are scheduled for 2021

	Board	Audit	OpCapex	Nomination	Remuneration
Meeting	4	4	4	4	4
Board call	8	-	-	-	-

The terms of reference for Lenta's Board were last revised and updated in October 2019 and the Committees terms of reference in December 2019. Details are set out in the Corporate Governance section of the Company website: www.lentainvestor.com/en/about/corporate-governance/internal-policies.

1 The statement on the independence of Stephen Johnson can be found on page XX.

Audit committee report >>

Michael Lynch-Bell
(Independent, Chairman)

Julia Solovieva
(Independent)

Stephen Johnson
(Independent)

Due to the Covid-19 pandemic, the Audit committee sessions in 2020 were held remotely.

The Audit Committee supports the Board in its responsibilities with regard to corporate reporting and risk management and internal controls, as well as with maintaining a relationship with the Company's external auditor.

The Committee's activities include the review of internal control systems and risk management, compliance with financial reporting requirements and the scope, results and cost effectiveness of the external audit and the internal audit function.

As part of our commitment to good corporate governance, we aim to do this in line with international best practice.

In 2020, the Committee reviewed the Company's financial results, including significant financial reporting estimates and judgements, as well as the financial disclosures in the interim management statements.

It also monitored the Company's system of internal control and management of the Company's risks and oversaw the relationship with the external auditor and with the internal audit function.

The Committee reviewed the tax structuring project and matters related to establishing a representative office of Lenta Plc in Russia. We approved the appointment of Ernst&Young ("EY") as a consultant for the tax monitoring project. The Committee reviewed the reports on the redomiciliation of Lenta Plc and approved the resolution on re-domiciliation to Cyprus fulfilled on the 21st of February, 2020.

The Committee approved the resolution on deregistering from the Register of the Registrar of Companies in Cyprus and transferring company's registered office to and registering as a continuing company in the form of International public joint-stock company under the legal regime of the Russian Federation without being dissolved and without being re-incorporated as of July 22, 2020.

We worked on improvements to our insurance processes to guarantee all insurance is properly covered by the Company's dedicated policy. We reviewed the reports from our risk manager and the recommendations for changes to our risk matrix. As the Company has made a long-term viability statement in this Annual Report, the Committee also considered management's assumptions and disclosures relating to it.

We continued to monitor the implementation of the recommendations from the IT security review completed during 2020.

The Company's external auditor EY contributes a further independent perspective on certain aspects of the Company's financial control systems and reports both to the Audit Committee and directly to the Board.

Looking ahead to the coming year, the Committee will maintain its focus on the audit and assurance processes within the business. These include the monitoring of key risks as well as tax developments that might affect the Group. In conjunction with management, the Committee will also review and assess the implications of new and proposed accounting standards.

Role and responsibilities >>

The key roles and responsibilities of the Audit Committee include:

- monitoring and challenging, where necessary, the integrity of the financial statements and half yearly results and any other formal announcement relating to financial performance;
- reviewing and challenging, where necessary, the actions and judgements of management, taking into account the views of the external auditor, in relation to the Company's financial statements, strategic review, financial review, governance statement and half-yearly reports, including the going concern assumption and the long-term viability statement;
- reviewing the Company's internal controls, including financial controls and updated risk management systems;
- reviewing the Company's IT security measures and IT control systems
- reviewing the content of the Annual Report and Accounts when requested by the Board;
- reviewing reports on changes in tax legislation and management's proposed response
- reviewing the Company's significant insurance arrangements;
- reviewing the Company's treasury policy;
- reviewing the Company's procedures for detecting and preventing bribery and fraud
- reviewing the Company's compliance with the UK Corporate Governance Code;
- overseeing and reviewing the Internal Audit function, its terms of reference, effectiveness, plan, budget and reporting;
- reviewing the Company's speakup policy and receiving reports on matters raised via the speakup facilities;
- recommending the appointment of the external auditor and overseeing the relationship;
- reviewing the terms of reference of the Committee, the results of the performance evaluation and the training requirements of Committee members;
- reporting to the Board on how the Committee has discharged its responsibilities.

A copy of the Committee's full terms of reference is available on the Company's website: http://lentainvestor.ru/en/about/corporate-governance/internal-policies.

The Audit Committee considered a number of issues during the year, taking into account the views of the Company's management, its tax advisors and the external auditor.

The Audit Committee's main responsibilities involve overseeing, monitoring and reviewing the Company's financial reporting, internal control and assurance processes. Although the Committee's terms of reference set out very specific duties, it serves a much wider purpose in reassuring shareholders that their interests are properly protected with regard to the Company's financial management and reporting.

The Committee regularly reports to the Board on the matters it discusses. The Board has delegated responsibility to the Committee for reviewing the Company's procedures and system of internal control in relation to risk management, with a focus on the methodology used by senior management. It also oversees the internal and external audit processes that report to it.

The Chairman, CEO and CFO, the Company Secretary, Head of Internal the Audit and Chief Legal Counsel are invited to attend all Committee meetings.

Other members of senior management are invited to attend to discuss any matters specifically relevant to them. At the end of each meeting, where they are in attendance, the Committee offers both the external auditor and Head of Internal Audit the opportunity to meet with them without members of senior management being present.

>> The Committee regularly reports to the Board on the matters it discusses. The Board has delegated responsibility to the Committee for reviewing the Company's procedures and system of internal control in relation to risk management, with a focus on the methodology used by senior management. It also oversees the internal and external audit processes that report to it.

External auditor >>

The Committee and the Board approved the terms of engagement of the external auditor, the fees paid to it and the scope of work undertaken.

The Committee also reviewed the performance and effectiveness of the external auditor in respect of the year ended 31December 2020.

Consideration was given to the performance, objectivity, independence, resources and relevant experience of the external auditor. In this process, the Committee reviewed a report from the external auditor on all relationships that might reasonably have a bearing on its independence and the audit partner and staff's objectivity, and the related safeguards and procedures.

The Committee also performed its annual review of the policies on the external auditor's independence and objectivity, their use for non-audit services and the recruitment of former employees of the external auditor.

To safeguard auditor objectivity and independence, the Committee oversees the process for the approval of all non-audit services provided by EY.

Consideration is given to whether it is in Lenta's best interests that non-audit services are purchased from EY.

The Committee received reports on the findings of the external auditor during its half yearly review and annual audit.

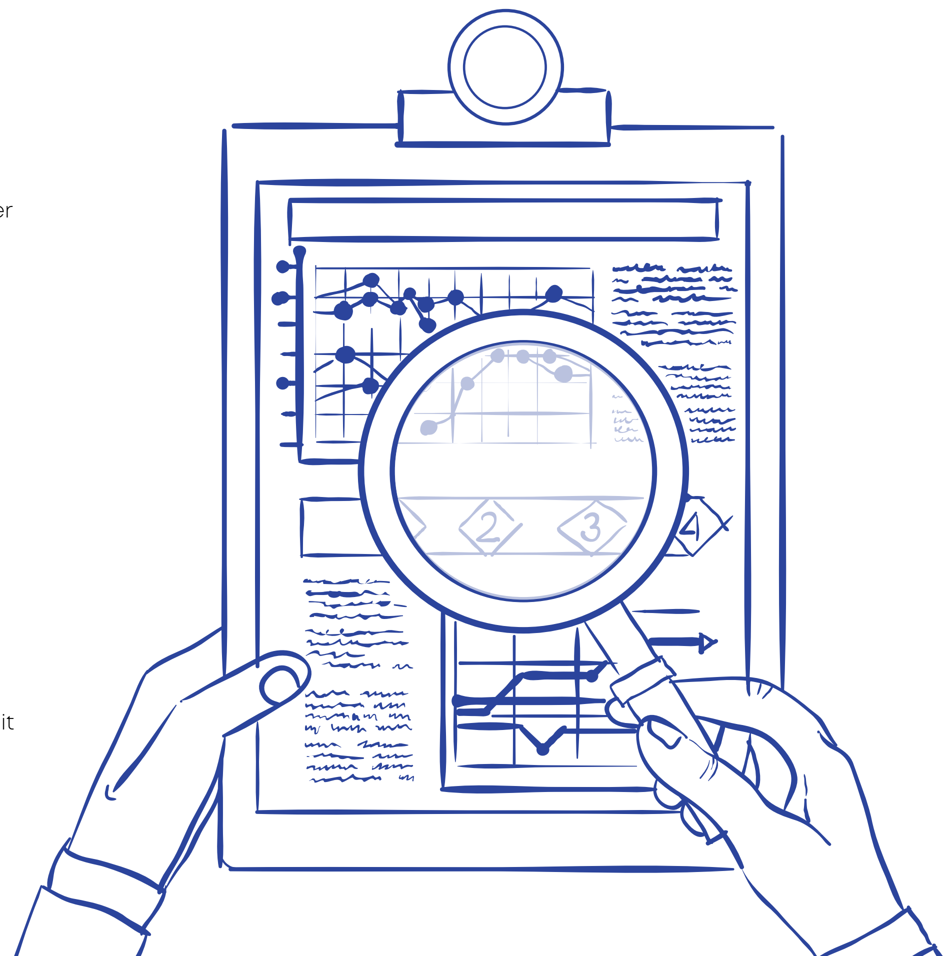
It reviewed the recommendations made to management by the external auditor and management's responses, as well as the letters of representation to the external auditor.

As indicated in last year's annual report, we put the audit out for tender for audits commencing with the 2020 financial year. Following a competitive tender Ernst & Young LLC (EY) was reappointed as the Company's auditor, after redomicilliation to Cyprus in February 2020, Ernst & Young Cyprus Limited was appointed as the Company's auditor at the Annual General Meeting of the Company.

Professional fees billed by Ernst & Young LLC and Ernst & Young Cyprus Limited are shown in the table below:

Auditor 's fees (Ernst & Young LLC and Ernst & Young Cyprus Limited)

	2020, kRub	2019, kRub
Audit of consolidated financial statements	29,222	24,282
Consulting and other non-audit services	12,844	22,729
TOTAL FEES	42,066	47,011



Significant issues considered by the audit committee >>

The significant issues – and how they were addressed –are set out below.

Suppliers' allowances

The Committee reviewed the accounting for and recognition of suppliers' allowances received for the provision of services. The review included consideration of the types of allowances received, the period of coverage and the timing of receipt. Based on this review, the Committee is satisfied that the allowances are recognised in the period in which they are earned and that appropriate disclosure has been made in the financial statements.

Inventories and inventory allowances

The Committee reviewed the accounting for inventories and the recognition of write-downs during the period. The review took into consideration the calculation of the cost of inventories, the identification of slow-moving inventories and the reasons why shrinkage had occurred. Based on this review, the Committee agreed with the accounting treatment and disclosures adopted by management.

Capital construction

The Committee examined the accounting for capital construction including the recognition of direct costs incurred, the allocation of directly attributable overheads and land lease expense. The review included a consideration of potential fraud risk, the construction tender process and the acquisition or leasing of land. The Committee agreed with the accounting treatment and disclosures adopted by management.

Ethics Committee

The Committee reviewed the work of the Ethics Committee; in particular its report on the Company hotline. The Audit Committee approved measures taken by management to mitigate risks of impropriety and hold culpable employees to account.

Taxation

The Committee received regular updates on tax developments in Russia from management and the Company's advisors, together with management's interpretation of the impact of current tax legislation on the Company. The Committee concurred with management's judgement on the positions adopted and the related disclosures.

Going concern

The Committee reviewed management's adoption of the going concern basis of accounting. Management had taken into account the Company's financial position, available borrowing facilities, loan covenant compliance, planned store opening programme and the anticipated cash flows and related expenditures from our retail stores.

The Committee considered the position taken by management and, taking into account the external auditor's review, concluded that management's recommendation to prepare the financial statements on a going concern basis was appropriate. The annual report also includes a long-term viability statement, which can be found on pages 42-43.

The Committee considered the statement and approved management's disclosures.

Share-based payments

The Committee reviewed the considerations made by management in relation to the accounting for remuneration received by certain employees in the form of share-based payments. In addition, management had evaluated the required disclosures for inclusion in the financial statements. Having challenged the appropriateness of key assumptions used by management, the Committee agreed with management's assessment and disclosures.

>>

Based on this review, the Committee is satisfied that the allowances are recognised in the period in which they are earned and that appropriate disclosure has been made in the financial statements.

>>

The Committee concurred with management's judgement on the positions adopted and the related disclosures.

Nomination committee report >>

Stephen Johnson
(Independent, Chairman)

Michael Lynch-Bell
(Independent)

Julia Solovieva
(Independent)

Alexey Mordashov
(Non-executive)

>> We continued working on the organisational improvement project that was the outcome of the diagnostic of the organisational health index in the Company. The Committee approved the scope of the project to fit the organisational structure of the Company to Lenta's long term strategy.

During 2020, much of the focus in the business was around dealing with the implications and effects of the Covid-19pandemic. This also affected the work of the Committee, with travel and face-to-face meetings constrained meaning that all of our activity was conducted remotely.

Despite this, the Committee has had a busy year. Our focus has been on ensuring that Lenta has adequate succession planning and organisational improvement, both for the Executive Directors and for the Board, as well across the wider business.

During the year, the Board decided that the company required new leadership in order to achieve the ambitious growth strategy it had agreed. A rigorous headhunting process was put in place, led by the Chairman and SID, to identify a suitable leader and this process led to the appointment of Vladimir Sorokin as CEO in September. The Board is delighted to be able to appoint such a well qualified CEO and believes that it has found the right person to lead the business in the next phase of its development.

Herman Tinga stepped down as CEO at the same time. The Board would like to place on record their appreciation of Herman's contribution to the success of Lenta over his 7 years with the company as both CEO and previously as Commercial Director.

We continued working on the organisational improvement project that was the outcome of the diagnostic of the organisational health in the Company. The Committee approved the scope of the project to fit the organisational structure of the Company to Lenta's long term strategy.

As part of the project, the Committee approved the changes to Lenta's Senior Management Team in December. Dmitry Bogod was promoted to the newly created role of Chief Commercial Officer. The Committee also approved the appointment of Anastasia Volokhova as the company's new Strategy and Transformation Officer.

Tatiana Safutina and Jaap van Vreden stepped down from their roles as Commercial Department Director and as Sourcing and Procurement Director, respectively.

The Committee approved and supported the process of revisiting the company's values to better reflect Lenta's corporate culture and ensure the values support the company's long-term ambitions.

The Board has nominated the Senior Independent Director, Stephen Johnson, as Designated Non-Executive Director for the workforce, responsible for liaising with employees, and meetings with employees representatives.

As part of this responsibility, for the first time, Lenta conducted a comprehensive Pulse survey that involved 91% of employees. The feedback and results from this survey indicated a very high level of engagement and satisfaction with the overall working environment and communication process within the business. As always there are areas to improve and, having analysed the results and feedback from employees, the Committee approved an improvement plan which is in the process of being implemented. The key areas of focus of this plan are further improvements of the organisational structure, revisiting business processes to ensure the flexibility of the organisation and development of the recognition and incentives system for the employees of all organisational levels.

Finally, we also oversaw the Board's performance and its appraisal as well as scrutinising our succession planning process and key personnel retention. The market in Russia for talented retail employees continues to be strong and Lenta's highly professional workforce remains a target for our competitors. Our objective is to ensure that our succession planning process is fit for purpose and we have well trained professionals to drive our business.

>> Finally, we also oversaw the Board's performance and its appraisal as well as scrutinising our succession planning process and key personnel retention.

>>

The Human Resources Director may be invited to attend any meeting of the Committee, except for portions of the meetings where their presence would be inappropriate, as determined by the Committee Chairman.

There are

4

Committee meetings scheduled for 2021

Role and responsibilities >>

The key roles and responsibilities of the Nomination Committee remain the same as in previous years and include:

- ensuring that proper procedures are established for the nomination, selection and training of the Company's Directors and Senior Management;
- keeping under review the size, structure, balance of skills, experience, independence, knowledge and general diversity of the Board to ensure the balance and composition of the Board and its Committees remain appropriate;
- making recommendations to the Board of Directors' conflicts of interest for authorisation, where appropriate;
- making recommendations to the Board regarding the appointment of new Directors, and identifying, interviewing, selecting, and determining the independence of candidates with suitable industry or key competency experience;
- reviewing Board level, Senior Management and Company-wide succession planning and other human resources-related matters;
- reviewing the leadership needs of the Company, both executive and non-executive, to ensure the continued ability of the organisation to compete in the marketplace. A copy of the Committee's full terms of reference is available on the Company's website: http://www.lentainvestor.com/en/about/corporate-governance/internalpolicies.

The Human Resources Director may be invited to attend any meeting of the Committee, except for portions of the meetings where their presence would be inappropriate, as determined by the Committee Chairman. There are 4 Committee meetings scheduled for 2021.

Performance appraisal system >>

>> Lenta has a very well-developed system for performance appraisal across all functions in the business. This is embedded in the way the company works and is used to manage performance and identify high achievers with development needs and the potential to move into more senior roles.

Lenta's appraisal system plays an important part in the Company's succession planning process. The Committee receives regular reports on the conduct of the appraisal process and the outputs from appraisals for all levels of employees, with particular focus on the more senior levels of the management team. During the year Lenta promoted around 4,420 people within the business. We provided 0.8 million man hours of training and development investment for our employees.

During the year Lenta promoted around

4,420 people

within the business

Succession planning >>

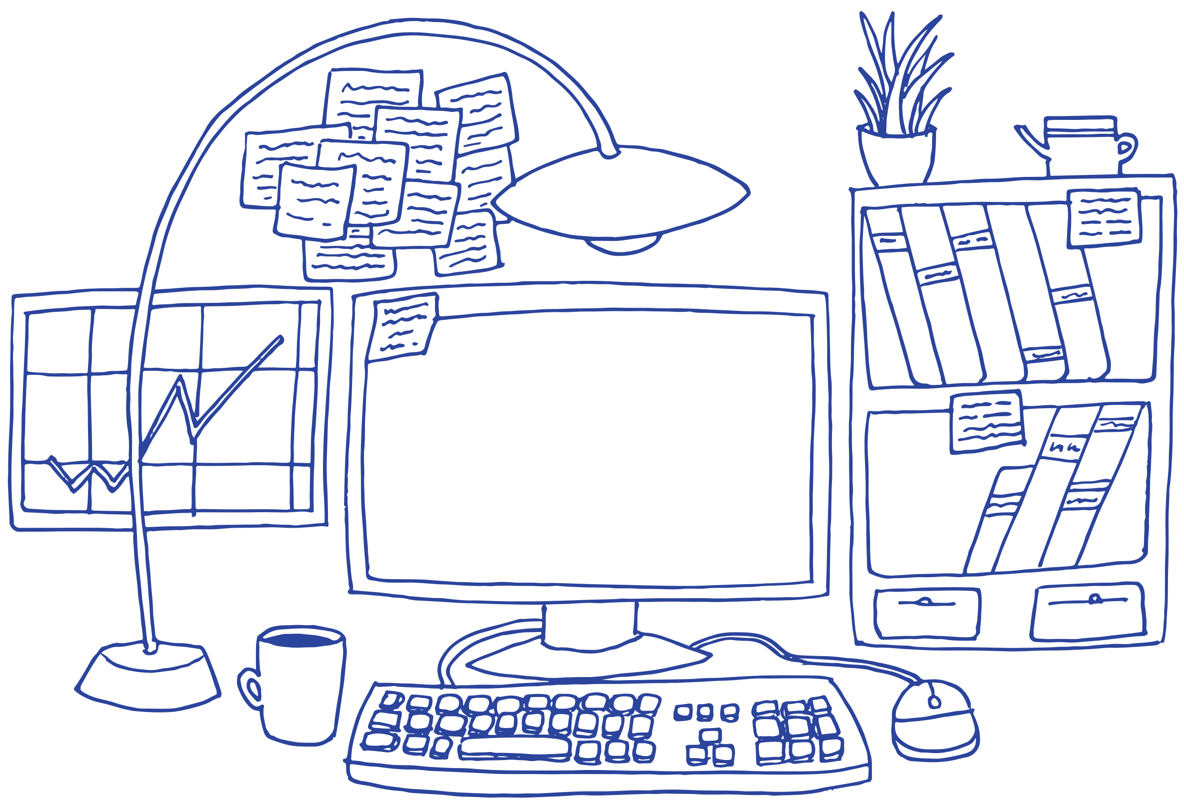
Lenta continues to be able to offer significant and exciting opportunities for its high-performing employees. One of our key objectives is to ensure there are role model opportunities for talented people to progress their careers at Lenta, and that any vacant positions can be filled with the minimum of disruption to the business. Our approach is kept under constant review within the business and is regularly examined by the Committee.

>>

One of our key objectives is to ensure there are role model opportunities for talented people to progress their careers at Lenta, and that any vacant positions can be filled with the minimum of disruption to the business.

Board performance >>

Lenta's policy is to assess Board performance annually, with an external review every three years. In 2020 the Board executed an internal evaluation, the results of which have been analysed. However, implementation of any recommendations has been on hold to allow our new CEO to assess the Board processes and input into the feedback. We will be implementing any recommendations during the first half of 2021.



Remuneration Committee Report >>

Committee Members >>

The principal task of the Remuneration Committee is to ensure that Lenta is able to recruit, motivate and retain the right talented and experienced people, enabling it to continue delivering its growth plans as well as managing the business successfully.

Michael Lynch-Bell
(Independent, Chairman)

Stephen Johnson
(Independent)

Julia Soloviova
(Independent)

The Committee seeks to do this in several ways:

Salaries: Base salaries are kept under review with internal and external benchmarking. The Committee works closely with the management team to ensure that necessary salary increases are identified and implemented in a timely manner based on both labor market and individual performance.

Annual Bonus: Lenta operates a Company-wide bonus plan, monthly and quarterly for store and DC line personnel, quarterly and annual for head office employees and management in stores and the DCs. The KPIs for these plans are set annually by the Committee in consultation with the CEO and HR Director. The Committee is mindful that annual bonus payments are not just a reward for great performance but also a significant element in retaining and recruiting good people.

During 2020, Lenta achieved very good results and the bonus payout for corporate KPIs for top 100 employees is achieved at 125% of target and 119% for other categories of personnel.

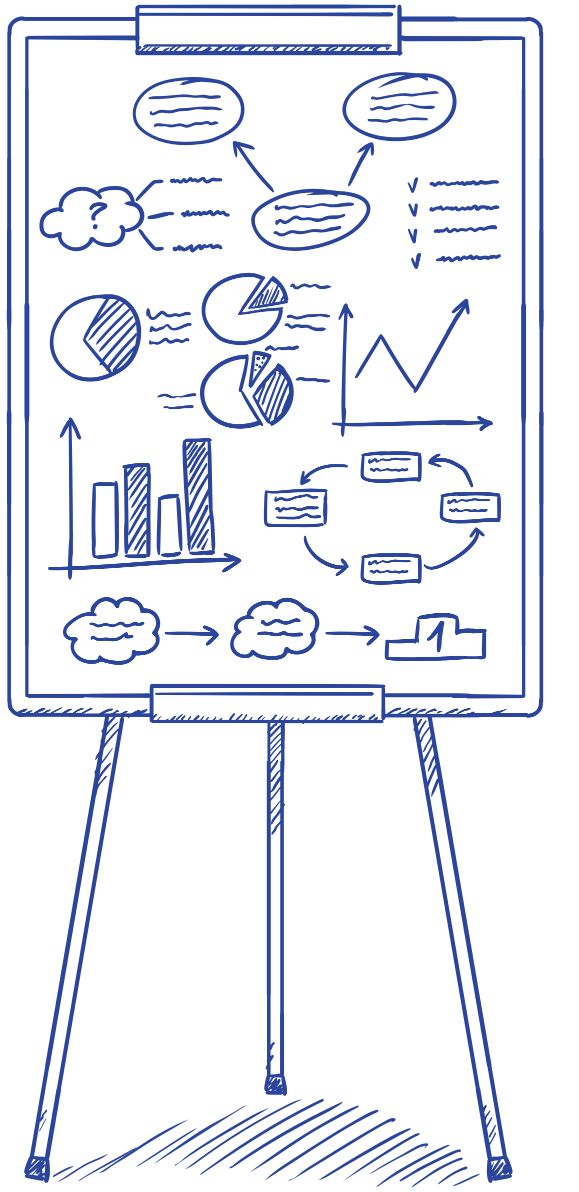
Long-Term Incentive Plans (LTIPs): The Company operates a number of long-term incentive plans for both senior and middle management. These are designed to ensure reward for – and retention of – managers against a set of performance criteria, which are aligned with shareholder interests.

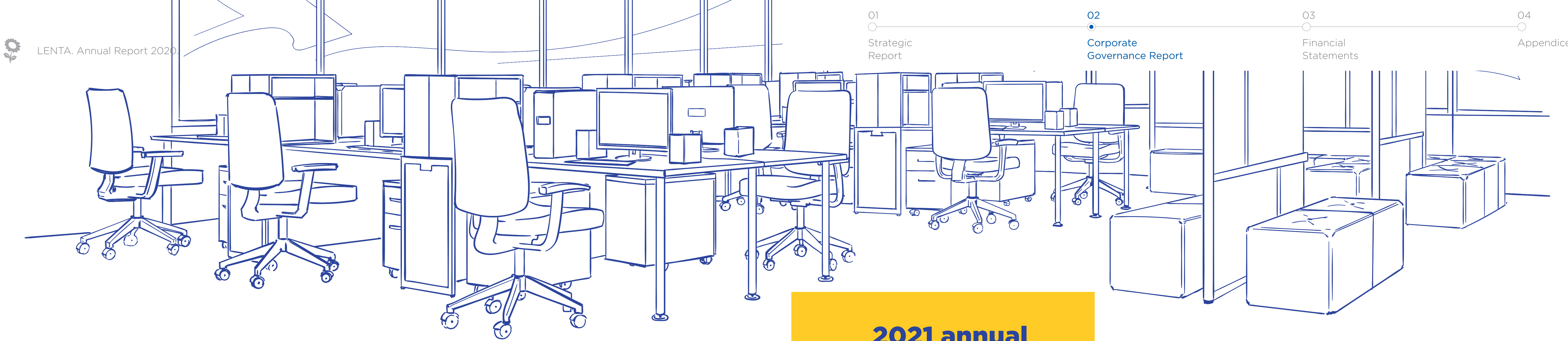
Roles and responsibilities >>

The key roles and responsibilities of the Remuneration Committee include:

- determining and recommending the broad policy for executive remuneration within the Group;
- determining, on behalf of the Board, the remuneration of the executive Directors and senior management;
- approving the design of, and determining targets for any performance-related plans;
- making recommendations regarding employee equity participation schemes;
- determining the policy for and scope of service agreements and termination payments.

A copy of the Committee's full terms of reference is available on the Company's website: http://www.lentainvestor.com/en/about/corporate-governance/internal-policies.





Long-term incentive plan for senior management >>

The Company operates a number of long-term incentive plans for both senior and middle management.

In 2020 the new Lenta Top Member Award (LTMA) combining long term and short term incentive programme was introduced as follows in order to assure better alignment between interests of the management and shareholders and improve the retention power of award:

- LTMA offers the same structure of award for senior and middle management. The LTMA award is granted every year subject to approval of the Remuneration Committee.
- LTMA is linked to the same KPIs as the annual bonus. LTMA is the combination of annual bonus and LTI award, target award amounts for both programs were merged and treated as one award pool. The actual LTMA award depends on achievement of annual bonus KPIs as well as individual performance evaluation. The vesting period of the award is 3 years: 50% of this award pool is paid in April of the year following grant year and remaining 50% is paid in 2 equal installments over the following 2 years.
- The new LTMA award is 100% cash based

The rules of the eligibility in the LTMA programme remain unchanged: award target amount and eligibility is based on job grade.

- Manager's eligibility to receive the LTMA award is conditional on his or her employment with Lenta and compliance with certain covenants, including confidentiality, non-competition and non-solicitation.

The LTMA scheme is given below

Award = (Salary • 12) •
target % of award •
% of KPI achievement •
performance management coefficient

The work of the Remuneration Committee is set out on pages 74 to 79. The interests in the Company's share capital held by Senior Management and the remuneration received by the Chairman and the non-executive Directors are set out on page 78. The Directors' interests in the Company's share capital are set out on page 79.

The combined short term (annual bonus) and long term (LTI) award pool 2020 was approved, granting a total of 946,5 mln Rub, which represents around 308% of the annual salary of this group. This amount is based on 2020 corporate KPI achievement; 50% of it is payable in April 2021 as annual bonus and remaining 50% over next 2 years, fully vesting in 2023.

The combined short term (annual bonus) and long term (LTI) award pool 2020 was approved, granting a total of

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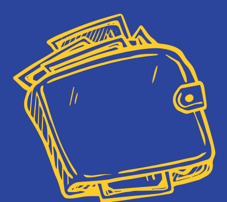


Due to re-domiciliation of Lenta Ltd, it was agreed that it is more practical to modify share based awards granted prior to 2020 into cash based awards. The vesting period remained the same.

2021 annual bonus scheme approval

The Committee approved the bonus KPIs, target and payout scales for 2021.

Salary review in comparison to labour market >>

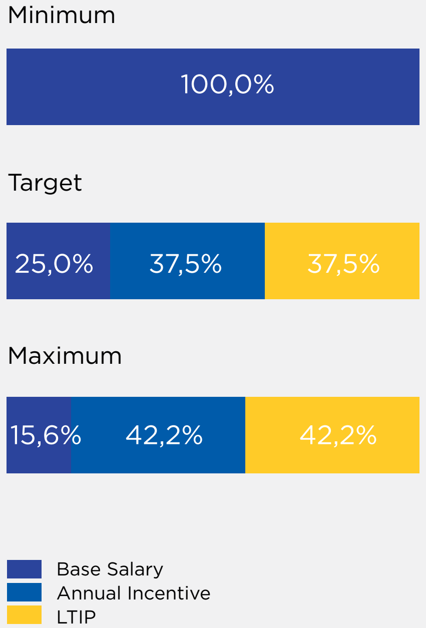
The Committee reviewed the labour market situation and salary dynamics in Russia and it was decided not to apply an overall company salary indexation in 2020. However, during 2020 specific changes for critical jobs were made in situations where Lenta salaries were dropping below target pay for the specific labour market. In order to retain store and DC personnel, salary adjustments were made for some geographical labour markets for positions where Lenta lost its competitive position.

Summary of senior management team remuneration policy >>

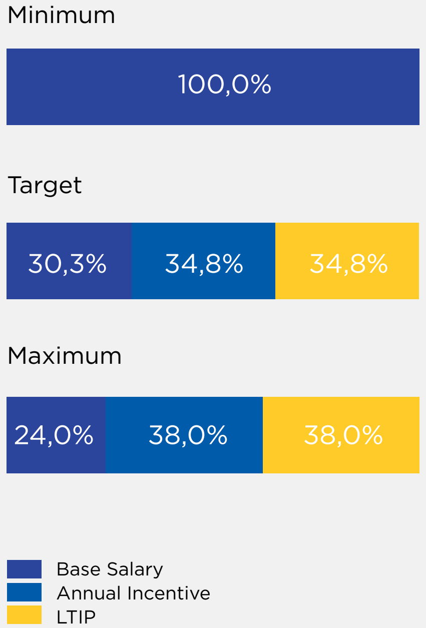
Element	Principles	Opportunity
Base pay	Base pay is reviewed annually by the Remuneration Committee, considering a number of factors, including: > Individual performance evaluation > Salaries in comparable roles in the same industry and activities scope.	There is no set maximum or minimum, it is in line with labour market trends and/or individual role scope changes.
Currency adjustment	According to Russian legislation, base salaries are fixed in Roubles, which leads to a negative pay trend for senior management with a drop in the RUB/EUR rate. To maintain competitive pay levels, currency adjustment pay is used as decided by the Committee in 2014.	Currency adjustment pay is the difference between individual salary calculated in Euro at recruitment and current RUB salary expressed in Euro. For some senior managers, only partial compensation is applied.
Benefits	> Company car, for some senior managers with a driver > Medical insurance with family coverage > Relocation support > Partial reimbursement of school fees for expatriates' children attending school in Russia.	There are maximums set for each compensation element depending on the job grade.
Annual bonus	All senior management are eligible for the annual bonus scheme, which is a discretionary, non-contractual scheme. Performance is measured against quantifiable financial targets, which are set at the start of the year and approved by the Remuneration Committee. In addition to financial targets, the bonus is affected by the individual performance evaluation, which may increase or decrease the payout.	Target annual bonus for senior management is 100% of annua base pay.
Long-term incentive plan	All senior managers are eligible for the long-term incentive plan (LTIP) that is linked to business performance indicators and is cash based subject to Remuneration Committee's approval. The LTIP awards are granted annually with a vesting period of three years. A senior manager's eligibility to receive shares is conditional on his or her employment with Lenta and compliance with certain covenants, including confidentiality, non-competition and non-solicitation covenants.	Maximum target LTIP annual value is 130% of annual salary; the actual amount varies between senior managers based on their job grade and individual performance evaluation.

Pay structure of CEO, CFO and Senior Management Team >>

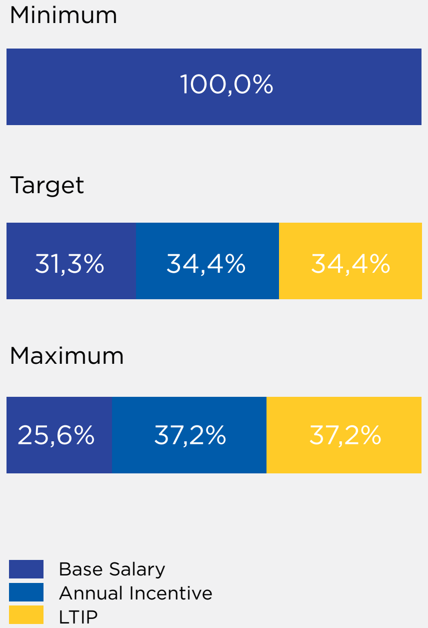
Chief Executive Officer



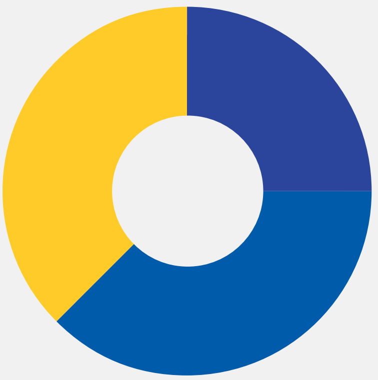
Chief Financial Officer



Other Senior Team Members



CEO total cash reward (fixed vs.variable target)



25,0%	Base Salary
37,5%	Annual Incentive
37,5%	LTIP

CFO total cash reward (fixed vs.variable target)

30,3%	Base Salary
34,8%	Annual Incentive
34,8%	LTIP

Other Senior Team Members Total Cash Reward

31,3%	Base Salary
34,4%	Annual Incentive
34,4%	LTIP

Strategic alignment of pay >>

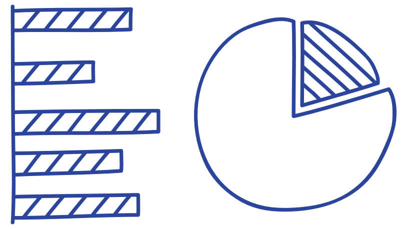
The table below shows the integration between Lenta's financial key performance indicators and the senior remuneration framework for 2020/21. This clearly demonstrates a clear linkage between performance metrics, payments to Managers and business performance over the short and long term.

Financial objectives	KPI	Incentive scheme
Company revenue	Turnover	Annual Bonus Scheme, LTIP
Increase earnings and returns	EBITDA	Annual Bonus Scheme, LTIP
Increase shareholder value	Rolling TWC	Annual Bonus Scheme, LTIP

Non-financial objectives	KPI	Incentive scheme
Efficient operations	Productivity	Annual Bonus Scheme
Sales space growth	Number of openings 2020	Annual Bonus Scheme

Non-executive Directors ' fees

	Amount payable (USD)
Base fee for non-executive Directors	165,000
Additional fees:	
Senior Independent Director	25,000
Chairman of the Audit Committee	40,000
Chairman of the Remuneration Committee	17,500
Chairman of the Nomination Committee	17,500
Members of the Audit and Capital Expenditure Committee	15,000
Members of the Nomination and Remuneration Committee	10,000



Interests of Directors in Lenta shares are summarised in the table below :

Name of Director	Total holding as of 31 dec 2020 (interest in shares/ GDR)	Approximate holding as of 31 dec 2020 (% of share capital)
Stephen Johnson	1 (share)	less than 0.01%
Michael Lynch-Bell	3,200 (GDRs)	less than 0.01%
Julia Solovieva	0	0%
Alexey Kulichenko	0	0%
Roman Vasilkov	0	0%
Tomas Korganas	0	0%
Vladimir Sorokin	513,445 (GDRs)	less than 0,11%
Rud Pedersen	0	0%

In addition, Alexey Mordashov is the controlling shareholder in Severgroup LLC which owns 76,110,584 shares of the Company, which represents 77.99% of the share capital or 78.73% of the voting rights.

Operation and capital expenditure committee report >>

Committee members >>

In 2020 we opened six new hypermarkets and fourteen supermarkets in Russia.

Capital expenditure in 2020 amounted to RUB 7.6 bn, compared to RUB 14.0bn in 2019.

Roman Vasilkov
(Non-executive, Chairman)

Stephen Johnson
(Independent)

Tomas Korganas
(Non-executive)

Role and responsibilities >>

The key roles and responsibilities of the Operation and Capital Expenditure Committee include:

- advising the Board with regard to the overall capital expenditure strategy of the Group;
- reviewing the Company's processes for approving capital expenditure projects;
- approving the limits of authority for capex-related decisions;
- reviewing and approving all capex and mergers and acquisitions projects within the Committee's limits of authority;
- reviewing and making recommendations on how the overall capex plan aligns with the Company's strategy;
- endeavouring to ensure that improvement programmes relating to the design, construction and operation of new stores are defined and implemented in cooperation with management;
- monitoring capex projects' returns and making adjustments to the capex processes to reflect the lessons learned.

There are 4 Committee meetings scheduled for 2021; this number may be increased as necessary.

A copy of the Committee's full terms of reference is available on the Company's website: www.lentainvestor.com/en/about/corporate-governance/internal-policies.

Activities during the year >>

In 2020, the Operation and Capital Expenditure Committee evaluated opportunities in the market reviewing and making recommendations to the Board on the Company's investment strategy, policy and risk management.

We worked on improvements to the Company's underperforming stores and analysed the feasibility of investments required to increase profitability of these stores.

The Committee approved the lease of twelve premises in Saint-Petersburg, that were previously operated by SPAR, to extent its supermarket chain. The premises are located in proper catchment areas and meet the high standards of Lenta.

The Committee approved investments in Lenta's logistics infrastructure. The investments into the development of product-delivery infrastructure ammounted for approximately RUB 2.1 billion.

The Committee continued to focus on informational and technical solutions to develop client-centric activities and processes.

The Covid-19 pandemic and further requirements to the office space introduced by Russian authorities revealed the need to reconstruct the Lenta Office located in Saint-Petersburg. The Committee recommended to the Borad of Directors to approve the renovation of the premises to ensure the safe working environment for Lenta employees.

We approved 38 investment proposals in 2020, including opening of new hypermarkets and supermarkets in 2021. We also worked together with management on improving the efficiency of the existing stores and maintaining their compliance with applicable regulations.

Over
RUB 2.1 billion
was invested into the development of product-delivery infrastructure

We approved
38
investment proposals in 2020, including opening of new hypermarkets and supermarkets in 2021

Relations with shareholders >>

We are committed to conducting constructive dialogue with shareholders to ensure that we understand what is important to them and enable clear communication of our position. The CEO and CFO hold regular meetings with shareholders and update the Board on the outcomes of those meetings. After the 1st quarter in 2020, due to the Covid-19 pandemic, all meetings with shareholders were conducted via video and conference calls. CFO keeps the Board informed of investor, broker and analyst sentiment, and presents a report on the topic to the Board at each scheduled Board meeting.

>>

We support engagement with institutional shareholders as envisaged by the Stewardship Code and have a dedicated investor relations team focused on communicating with tnem via a dedicated investor website, one-on-one meetings and conference calls.

At our AGM, all resolutions are proposed and voted upon individually by shareholders or their proxies. All votes taken during the AGM are by way of a poll. This follows best practice guidelines and allows the Company to count all votes, not just those of shareholders attending the meeting.

Schedule of investor calls in 2021

Month	Date	Day	Moscow time
January	25	Monday	17.00 – 18.00
February	24	Wednesday	16.00 – 17.00
April	26	Monday	16.00 – 17.00
July	26	Monday	16.00 – 17.00
October	25	Monday	16.30 – 18.30

The Strategy Day is scheduled for March 18.

Responsibility statement >>

We, members of the Board, confirm that, to the best of our knowledge:

The consolidated financial statements, prepared in accordance with IFRS, give a true and fair view of the assets, liabilities, financial position and profit and loss of Lenta Plc and its subsidiaries taken as a whole. This annual report includes a fair review of the development and performance of the business and the position of Lenta Plc and its subsidiaries, taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board.

Alexey Mordashov
Chairman, Lenta Plc
23 February 2021

03 >>

Financial Statements

Board of Directors and other officers >>

Company Secretary >>

Crystalserve Secretarial Limited (appointed on 21 February 2020)

Registered office >>

Karaiskaki 6, City House
3032 Limassol, Cyprus

Registration number >>

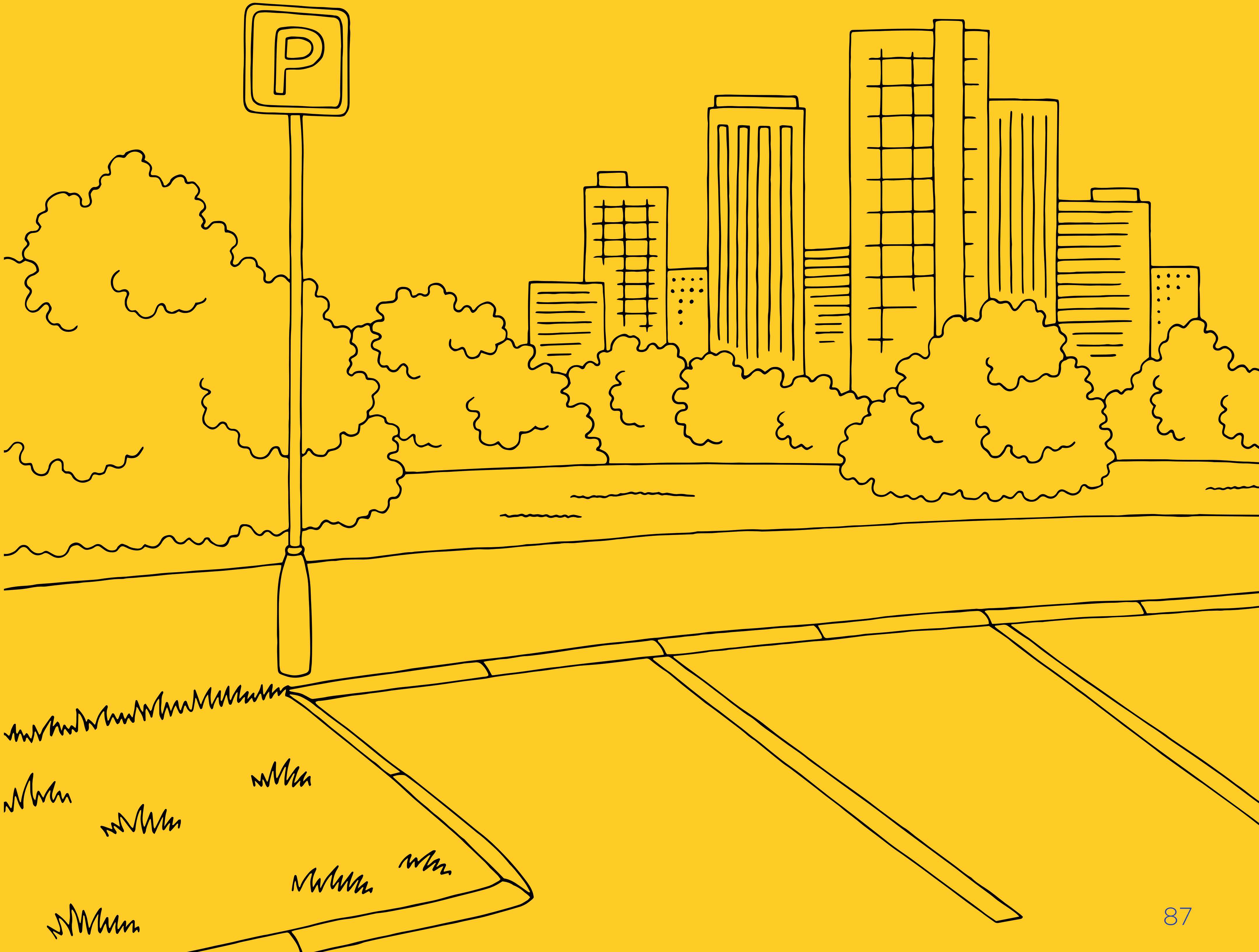
407296

Board of Directors >>

Alexey Mordashov
Vladimir Sorokin
Rud Pedersen
Tomas Korganas
Michael Lynch-Bell
Julia Solovieva
Alexey Kulichenko
Roman Vasilkov
Stephen Johnson

Independent Auditors >>

Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
Jean Nouvel Tower
6 Stasinou Avenue
PO Box 21656
1511 Nicosia, Cyprus



Management report >>

>> The Board of Directors presents its report and audited consolidated financial statements of Lenta PLC and its subsidiaries (the "Group") for the year ended 31 December 2020.

Incorporation >>

The Company was incorporated as a company limited by shares under the laws of the British Virgin Islands (BVI) on 16 July 2003.

In February 2020 the redomiciliation process to Cyprus was completed. The Department of Registrar of Companies and Official Receiver issued the Certificate of Continuation of the Company by which it certifies that the Company was registered from 21 February 2020 in accordance with the Cyprus Companies Law Cap 113, in particular section 354H as a company continuing in the Republic of Cyprus.

The Company's registered address is 6 Karaiskaki Street, City House, 3032 Limassol, Cyprus

Principal activity

The principal activity of the Company is the development and operation of food retail stores in Russia.

Review of current position, future developments and significant risks >>

The Group's development to date, financial results and position as presented in the consolidated financial statements are considered satisfactory.

Management has considered the Group's cash flow forecasts for the foreseeable future, which take into account the current and expected economic situation in Russia, the Group's financial position, available borrowing facilities, loan covenant compliance, planned store opening program and the anticipated cash flows and related expenditures from retail stores. The Group does not expect any material adverse impact from the current economic slowdown to its operations.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

There were no changes during the financial year in the nature of the operations of the Group.

On 22 July 2020 an Extraordinary Meeting of Shareholders approved the proposed redomiciliation of the Company from the Republic of Cyprus to the Russian Federation into the special administrative region of Oktyabrsky Island, Kaliningrad.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks.

The principal financial risks and uncertainties faced by the Group are disclosed in Note 30 and Note 31 of the consolidated financial statements.

Results and Dividends >>

The Group's results for the year are set in Note 10. No dividends to holders of ordinary shares were declared for the year ended 31 December 2020 and for the year ended 31 December 2019.

Branches >>

During the year ended 31 December 2020 the Group did not operate any branches.

Authorised capital

On 31 December 2020 the authorised share capital of the Company is equal to

200,000,000 shares.

Share capital >>

Issued capital and reserves

As at 31 December 2020 the Company's share capital is comprised of 97,585,932 authorised and issued ordinary shares. For changes in the issued capital and reserves of the Company refer to Note 18.

As at 31 December 2020, per Company estimates, free float is about 21% of authorised and issued ordinary shares.

Significant events after the reporting date

Any significant events that occurred after the reporting date are described in Note 32 to the consolidated financial statements.

Branches

During the year ended 31 December 2020 the Group did not operate any branches.

Independent auditors

The Independent auditors, Ernst & Young Cyprus Limited, were appointed by the Board of Directors and have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

Significant shareholders and related party transactions >>

Significant shareholders and related party transactions are disclosed in Note 6.

Board of Directors >>

The members of the Company's Board of Directors as at 31 December 2020 and at the date of this report are presented on page 86. On September 3, 2020 Vladimir Sorokin was appointed as director, in replacement Herman Tinga. There were no other changes in the Board of Directors throughout the year 2020 and up to the date of this report. In accordance with the Company's Articles of Association all directors presently members of the Board continue in office.

Key management personnel compensation is disclosed in Note 6.

Other Information >>

>> Other information that is relevant to the Management Report, and which is incorporated within the Annual Report (http://www.lentainvestor.com/en/investors/annual-reports) can be located in the Annual Report as follows:

	Pages
Business review	2 - 35
Future developments	12
Risk management	36 - 43
Corporate Governance Report	44 - 83
Interests of Directors in the Company's shares	79

On behalf of the Directors as authorised by the Board of Directors

23 February 2021

Vladimir Sorokin
(Director)

Rud Pedersen
(Director)

Board of Directors' responsibility statement >>

Directors are responsible for the preparation of these consolidated financial statements that give a true and fair view of the financial position of Lenta PLC and its subsidiaries as of 31 December 2020 and of the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In preparing the consolidated financial statements, Directors are responsible for:

> selecting and applying accounting policies;
> presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
> providing additional disclosures when compliance with the specific requirements of IFRSs as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance;
> making an assessment of the Group's ability to continue as a going concern.

Directors are also responsible for:

> designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
> maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113;
> maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
> taking such steps as are reasonably available to them to safeguard the assets of the Group; and
> preventing and detecting fraud and other irregularities.

In accordance with sections 9(3)(c) and 9(7) of the Law No. 190(I)/2007, as amended, providing for the transparency requirements of issuers whose securities are admitted to trading on a regulated market ('the Transparency Law'), we, the members of the Board of Directors of Lenta PLC, responsible for the preparation of the consolidated financial statements of Lenta PLC for the year ended 31 Decembre 2020, hereby declare that to the best of our knowledge:

1. the consolidated financial statements which are prepared on pages 98 to 149:
   – have been prepared in accordance with International Financial Reporting Standards ('IFRS') adopted by the EU and in accordance with Article 9 subsection 4 of the Transparency Law, the provisions of the Cyprus Companies Law, and
   – give a true and fair view of the assets, liabilities, financial position and profit or loss of Lenta plc and the undertakings included in the consolidated and company financial statements taken as a whole; and
2. the Management Report includes a fair review of the development and performance of the business and the position of Lenta PLC and the undertakings included in the consolidated financial statements as a whole, together with a description of the principal risks and uncertainties that they face; and
3. the adoption of a going concern basis for the preparation of the consolidated financial statements continues to be appropriately based on the foregoing and having reviewed the forecast financial position of the Group and Company.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved by Directors on 23 February 2021.

On behalf of the Directors as authorised by the Board of Directors

23 February 2021

Vladimir Sorokin
(Director)

Rud Pedersen
(Director)

Independent Auditor's Report >>

To the Members of Lenta PLC

Report on the Audit of the Consolidated Financial Statements >>

Opinion

>> We have audited the consolidated financial statements of Lenta PLC (the "Company"), and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We remained independent of the Group throughout the period of our appointment in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

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

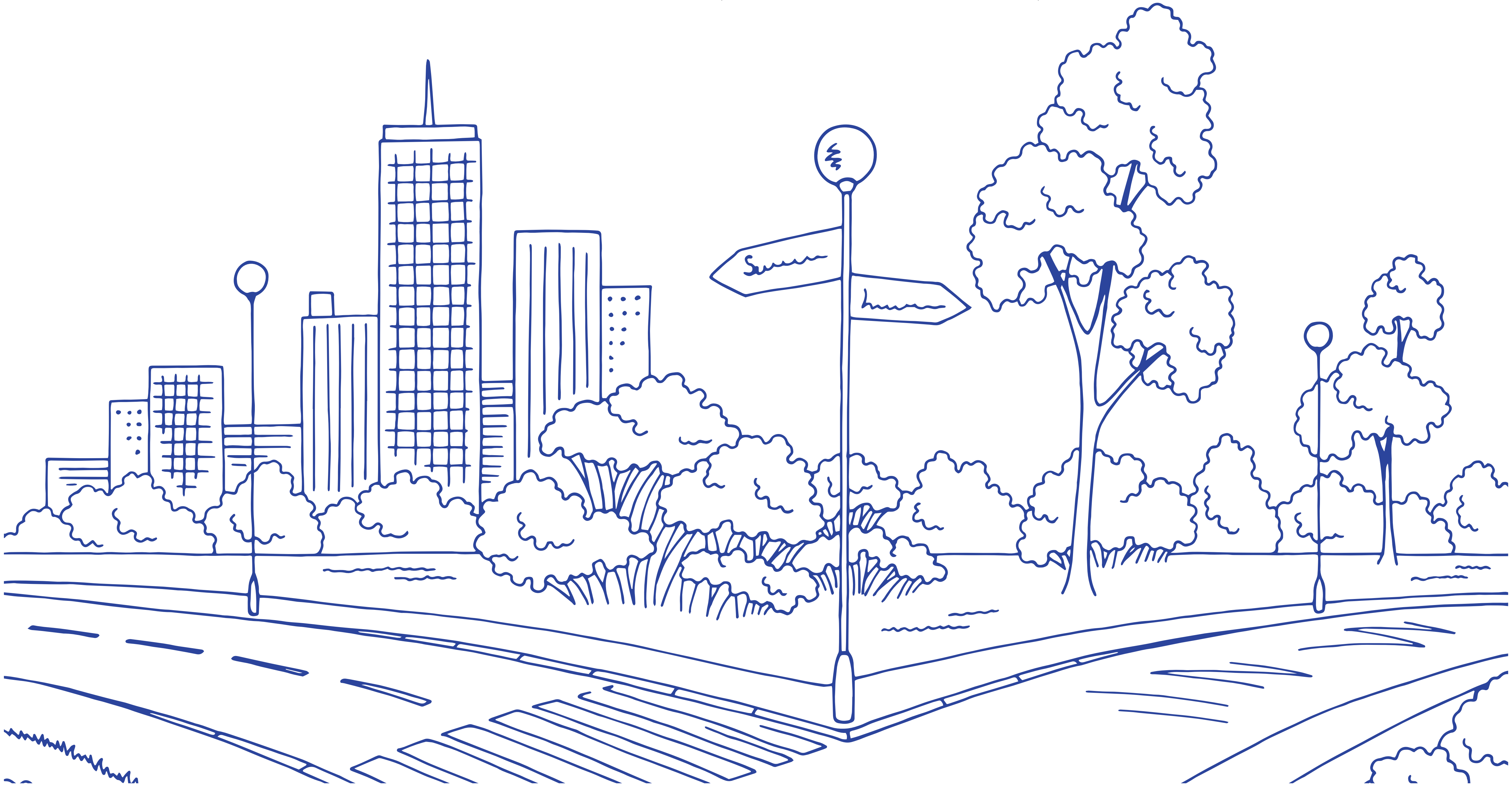
We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

>> We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of non-current non-financial assets	
As a result of impairment testing held for the smallest group of assets that can generate independent cash flows, the Group recognized a reversal of impairment of property, plant and equipment in the amount of RUB 2,911,431 thousand. Impairment testing for property, plant and equipment and right-of-use assets was one of the matters of most significance in our audit because the balance of property, plant and equipment and right-of-use assets forms a significant portion of the Group's assets at the reporting date, and the process of management's assessment of the recoverable amount is complex and requires significant judgments, including judgements about future cash flows, capital expenditures and the discount rate, as well as about assumptions used in the assessment. Property, plant and equipment and impairment testing are disclosed in Note 7 to the consolidated financial statements.	Our procedures in relation to impairment testing of property, plant and equipment and right-of-use assets performed by management included an assessment of key management assumptions, including those in respect of forecasted revenue and operating expenses. We compared management assumptions with historical data. We also analyzed discount rates used by management. We engaged our internal valuation experts in performing these procedures. We performed the sensitivity analysis to determine whether a reasonably possible change in key assumptions would result in the carrying amount exceeding the recoverable amount. We analyzed the accuracy of previous budget and forecast data prepared by management. We verified the mathematical accuracy of impairment tests. We assessed disclosures in the consolidated financial statements.
Recognition of suppliers' allowances	
The Group receives various types of allowances from suppliers in connection with the purchase of goods for resale in the form of volume rebates and other payments.	We compared the terms of providing allowances used in the calculation of allowances recognised to supporting documents approved by individual suppliers.
The recognition of allowances was one of the matters of most significance in our audit because it has a significant impact on trade and other receivables, cost of goods sold and inventories. In addition, management exercises judgement in determining the period over which these allowances should be recognised considering the nature and the level of fulfilment of the Group's obligations and estimates of purchase volumes. Information about suppliers' rebates receivable and accounts receivable on suppliers' advertising is disclosed in Note 14 to the consolidated financial statements.	We analyzed the assumptions underlying management estimates of recognized amounts of allowances from suppliers, such as the degree of fulfillment of conditions provided for in agreements with suppliers. On a sample basis we received direct confirmations of outstanding balances from suppliers. We agreed the balances of suppliers' allowances receivables to the post year-end cash settlements.

>>

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises information included in the Consolidated Management Report, the Group's 2020 Annual Report, including the Corporate Governance Statement, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and those charged with governance for the Consolidated Financial Statements

>>

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Pursuant to the requirements of Article 10(2) of the EU Regulation 537/2014 we provide the following information in our Independent Auditor's Report, which is required in addition to the requirements of International Standards on Auditing.

Appointment of the Auditor and Period of Engagement

We were first appointed as auditors of the Group on 22 July 2020 at the Company's Annual General Meeting. Our appointment is representing a total period of uninterrupted engagement appointment of 1 year.

Consistency of the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed in this report is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 February 2021 in accordance with Article 11 of the EU Regulation 537/2014.

Provision of Non-audit Services

We declare that no prohibited non-audit services referred to in Article 5 of the EU Regulation 537/2014 and Section 72 of the Auditors Law of 2017 were provided. In addition, there are no non-audit services which were provided by us to the Group and which have not been disclosed in the consolidated financial statements or the consolidated management report.

Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the consolidated management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the consolidated financial statements.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated management report. We have nothing to report in this respect.
- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section in the Annual Report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the consolidated financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

The engagement partner on the audit resulting in this independent auditor's report is Andreas Avraamides.

Andreas Avraamides
Certified Public Accountant and Registered Auditor
for and on behalf of
Ernst & Young Cyprus Limited
Certified Public Accountants and Registered Auditors
Nicosia, 23 February 2021

Consolidated statement of financial position as at 31 December 2020 >>

(in thousands of Russian roubles)

Vladimir Sorokin
(Director)

Rud Pedersen
(Director)

	Note	31 December 2020	31 December 2019
Assets			
Non-current assets			
Property, plant and equipment	7	163,900,997	165,443,239
Prepayments for construction	8	557,739	2,312,814
Right-of-use assets	9	33,771,261	32,667,443
Intangible assets	11	2,580,972	2,270,975
Other non-current assets	12	445,171	444,316
Total non-current assets		**201,256,140**	**203,138,787**
Current assets			
Inventories	13	42,071,533	38,453,265
Trade and other receivables	14	10,902,839	8,604,102
Advances paid	15	1,754,066	1,582,931
Taxes recoverable	16	361,376	163,364
Prepaid expenses		306,354	103,059
Cash and cash equivalents	17	21,808,874	73,404,760
Total current assets		**77,205,042**	**122,311,481**
TOTAL ASSETS		**278,461,182**	**325,450,268**
Equity and liabilities			
Equity			
Share capital	18	6,711	–
Additional paid-in capital	18	27,056,040	27,062,751
Share options reserve	27	46,943	390,536
Treasury shares		(1,011,190)	(1,011,190)
Retained earnings		68,382,844	51,708,795
Total equity		**94,481,348**	**78,150,892**
Liabilities			
Non-current liabilities			
Long-term borrowings	20	45,941,038	82,110,441
Deferred tax liabilities	21	6,522,551	6,508,488
Long-term lease liabilities	9	31,327,074	29,520,222
Total non-current liabilities		**83,790,663**	**118,139,151**
Current liabilities			
Trade and other payables	22	61,466,433	54,689,103
Short-term borrowings and short-term portion of longterm borrowings	20	33,010,536	68,430,816
Short-term lease liabilities	9	3,114,433	2,639,784
Contract liabilities		790,075	482,160
Advances received		173,063	191,953
Other taxes payable	23	1,407,748	1,173,563
Current income tax payable		226,883	1,552,846
Total current liabilities		**100,189,171**	**129,160,225**
Total liabilities		**183,979,834**	**247,299,376**
TOTAL EQUITY AND LIABILITIES		**278,461,182**	**325,450,268**

The accompanying notes are an integral part of these consolidated financial statements.

On 23 February 2021 the Board of Directors of Lenta PLC authorised these consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 >>

(in thousands of Russian roubles)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Sales		445,543,829	417,500,015
Cost of sales	24	(343,728,186)	(325,482,536)
Gross profit		**101,815,643**	**92,017,479**
Selling, general and administrative expenses	25	(80,114,179)	(75,083,513)
Other operating income	26	5,199,902	5,067,766
Other operating expenses	26	(522,470)	(935,698)
Operating profit before impairment		**26,378,896**	**21,066,034**
Reversal of impairment/(Impairment) of non-financial assets	7, 9, 11	2,907,125	(11,849,959)
Operating profit		**29,286,021**	**9,216,075**
Interest expense		(9,512,254)	(15,866,946)
Interest income		609,970	3,827,178
Foreign exchange (losses)/gains		(386,122)	220,503
Profit/(loss) before income tax		**19,997,615**	**(2,603,190)**
Income tax expense	21	(3,456,984)	(190,684)
Profit/(loss) for the year		**16,540,631**	**(2,793,874)**
Other comprehensive income for the year, net of tax		**–**	**–**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**16,540,631**	**(2,793,874)**
Earnings/(losses) per share (in thousands of Russian roubles per share)			
basic and diluted, for profit/(loss) for the year attributable to equity holders of the parent	19	0.171	(0.029)

Consolidated statement of cash flows for the year ended 31 December 2020 >>

(in thousands of Russian roubles)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities Profit/(loss) before income tax		**19,997,615**	**(2,603,190)**
Adjustments for:			
Net loss on disposal of property, plant and equipment	26	159,897	296,667
Loss on disposal of intangible assets	26	4,672	13,446
Cancelation of lease contracts	26	(41,448)	121,636
Interest expense		9,512,254	15,866,946
Interest income		(609,970)	(3,827,178)
Write-down of inventories to net realisable value	13	595,286	411,398
Net foreign exchange loss/(gain) attributable to financing activities		138,977	(102,355)
Change in expected credit losses of accounts receivable and write-offs of accounts receivable	26	19,371	(48,658)
Impairment and write-offs of advances paid and prepayments for construction	26	67,147	101,831
Depreciation and amortisation	7, 9, 11	18,540,233	18,439,679
(Reversal of impairment)/impairment of non-financial assets	7, 9, 11	(2,907,125)	11,849,959
Share options expense	27	463,590	435,121
		45,940,499	**40,955,302**
Movements in working capital			
(Increase)/Decrease in trade and other receivables	14	(2,388,253)	2,718,306
(Increase)/decrease in advances paid	15	(259,025)	999,233
(Increase)/decrease in prepaid expenses		(203,295)	18,042
(Increase)/decrease in inventories	13	(4,213,554)	2,636,188
Increase/(decrease) in trade and other payables	22	4,601,050	(29,309)
Increase in contract liabilities and advances received		289,025	175,192
Increase in net other taxes payable	16, 23	36,173	961,454
Cash from operating activities		**43,802,620**	**48,434,408**
Income taxes paid		(4,768,884)	(2,709,023)
Interest received		660,905	3,810,923
Interest paid		(9,654,711)	(15,663,909)
Net cash generated from operating activities		**30,039,930**	**33,872,399**
Cash flows from investing activities			
Purchases of property, plant and equipment		(6,834,086)	(13,154,203)
Purchases of intangible assets		(778,002)	(886,872)
Proceeds from sale of property, plant and equipment		238,340	76,970
Net cash used in investing activities		**(7,373,748)**	**(13,964,105)**
Cash flows from financing activities			
Proceeds from borrowings	20, 29	45,792,775	230,030,804
Repayments of borrowings	20, 29	(117,240,001)	(206,770,873)
Payments for the principal portion of the lease liabilities	9	(2,814,842)	(2,848,226)
Purchase of treasury shares	18	–	(720,099)
Net cash (used in)/generated from financing activities		**(74,262,068)**	**19,691,606**
Net (decrease)/increase in cash and cash equivalents		(51,595,886)	39,599,900
Cash and cash equivalents at the beginning of the year	17	73,404,760	33,804,860
Cash and cash equivalents at the end of the year	17	**21,808,874**	**73,404,760**

Certain amounts shown here do not correspond to the financial statements for the period ended 31 December 2019 reflect reclassification described in Note 4.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the year ended 31 December 2020 >>

(in thousands of Russian roubles)

	Share capital	Additional paid-in capital	Treasury shares	Share options reserve	Retained earnings	Total equity
Balance at 1 January 2020	–	27,062,751	(1,011,190)	390,536	51,708,795	78,150,892
Profit for the year	–	–	–	–	16,540,631	16,540,631
Total comprehensive income	–	–	–	–	**16,540,631**	**16,540,631**
Share option expenses (Note 27)	–	–	–	463,590	–	463,590
Share option modification t (Note 27)	–	–	–	(346,393)	–	(346,393)
Share option settlement by cash (Note 27)	–	–	–	(440,304)	112,932	(327,372)
Share option expired worthless (Note 27)	–	–	–	(20,486)	20,486	–
Amendment to par value of ordinary shares (Note 18)	6,711	(6,711)	–	–	–	–
BALANCE AT 31 DECEMBER 2020	**6,711**	**27,056,040**	**(1,011,190)**	**46,943**	**68,382,844**	**94,481,348**

	Share capital	Additional paid-in capital	Treasury shares	Share options reserve	Retained earnings	Total equity
Balance at 1 January 2019	–	26,935,309	(291,091)	633,165	54,238,545	81,515,928
Loss for the year	–	–	–	–	(2,793,874)	(2,793,874)
Total comprehensive loss	–	–	–	–	**(2,793,874)**	**(2,793,874)**
Share option expenses (Note 27)	–	–	–	435,121	–	435,121
Share option settlement by shares (Notes 18, 27)	–	127,442	–	(127,442)	–	–
Share option settlement by cash (Note 27)	–	–	–	(550,308)	264,124	(286,184)
Purchase of treasury shares (Note 18)	–	–	(720,099)	–	–	(720,099)
BALANCE AT 31 DECEMBER 2019	–	**27,062,751**	**(1,011,190)**	**390,536**	**51,708,795**	**78,150,892**

Notes

Additional paid-in capital: Additional paid-in capital is the difference between the fair value of consideration received and nominal value of the issued shares.

Treasury shares: Treasury shares are own equity instruments reacquired by the Group.

Notes to the consolidated financial statements for the year ended 31 December 2020 >>

(in thousands of Russian roubles)

1. The Lenta Group and its operations >>

The Lenta Group (the "Group") comprises Lenta PLC ("the Company") and its subsidiaries. The Group's principal business activity is the development and operation of food retail stores in Russia.

The Company was incorporated as a company limited by shares under the laws of the British Virgin Islands (BVI) on 16 July 2003. The Company's registered address was at P.O. Box 3340, Road Town, Tortola, BVI.

In September 2019 the Company established a representative office in St. Petersburg.

In October 2019 the Company was registered as a Russian tax resident.

In December 2019 the Company started the process of its redomiciliation to Cyprus.

In February 2020 the redomiciliation process was completed. The Department of Registrar of Companies and Official Receiver issued the Certificate of Continuation of the Company by which it certifies that the Company was registered from 21 February 2020 in accordance with the Cyprus Companies Law Cap 113, in particular section 354H as a company continuing in the Republic of Cyprus.

The Company's registered address is 6 Karaiskaki Street, City House, 3032 Limassol, Cyprus.

On 22 July 2020 an Extraordinary Meeting of Shareholders approved the proposed redomiciliation of the Company from the Republic of Cyprus to the Russian Federation into the special administrative region of Oktyabrsky Island, Kaliningrad.

Starting from March 2014 the Company's shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (GDR) and Moscow Exchange in the form of Depositary Receipts (DR).

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On 22 July 2020 the Extraordinary Meeting of Shareholders approved proposed redomiciliation of the Company from the Republic of Cyprus to the Russian Federation into the special administrative region of Oktyabrsky Island, Kaliningrad.

At 31 December 2020 and 31 December 2019 the Group has one main operating subsidiary, Lenta LLC , a legal entity registered under the laws of the Russian Federation. The registered office of Lenta LLC, is located at 112, Lit. B, Savushkina Street, 197374, Saint Petersburg, Russia. Other subsidiaries are property or investment holding companies by their nature.

The following is a list of the Group's significant subsidiaries and the effective ownership holdings therein.

	Country of incorporation	Principal activities	Holding, % 31 December 2020	Holding, % 31 December 2019
Lenta LLC	Russia	Operation of food retail stores	100	100
Lenta-2 LLC	Russia	Holding of investments	100	100
Zoronvo Holdings Ltd	Cyprus	Holding of investments	100	100
TRK Volzhsky LLC	Russia	Holding of investments	100	100
TK Zheleznodorozhny LLC	Russia	Holding of property	100	100

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2. Basis of preparation and changes to the Group's accounting policies >>

Statement of compliance

>> These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, except for as described in accounting policies below. The consolidated financial statements are presented in Russian roubles and all values are rounded to the nearest thousand (RUB 000), except when otherwise indicated.

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented unless otherwise stated.

A general slowdown in the global economy caused by COVID-19, continued economic uncertainty and consequent challenging market conditions may affect the ability to continue as a going concern.

Management has considered the Group's cash flow forecasts for the foreseeable future, which take into account the current and expected economic situation in Russia, the Group's financial position, available borrowing facilities, loan covenant compliance, planned store opening program and the anticipated cash flows and related expenditures from retail stores. The Group does not expect any material adverse impact from the current economic slowdown to its operations.

Management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances.

Accordingly, management is satisfied that it is appropriate to adopt the going concern basis of accounting in preparing the consolidated financial information for these consolidated financial statements.

At 31 December 2020, the Group had net current liabilities of RUB 22,984,129 (net current liabilities at 31 December 2019: 6,848,744).

Unused credit facilities available as of 31 December 2020 were RUB 177,600,000. Management believes that operating cash flows and available borrowing capacity will provide the Group with adequate resources to fund its liabilities for the next year.

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The consolidated financial statements have been prepared on a historical cost basis, except for as described in accounting policies below. The consolidated financial statements are presented in Russian roubles and all values are rounded to the nearest thousand (RUB 000), except when otherwise indicated.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date, fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequently contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss from disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/ noncurrent classification.

An asset is current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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Fair value measurement

The Group measures financial instruments, such as, derivatives at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 29.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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Transactions in foreign currencies are initially recorded by the Group's entities at the functional currency spot rates at the date the transaction first qualifies for recognition.

Functional and presentation currency

The presentation and functional currency of all Group entities is the Russian rouble ("RUB"), the national currency of the Russian Federation, the primary economic environment in which operating entities function.

Transactions in foreign currencies are initially recorded by the Group's entities at the functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

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 gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss from change in fair value of the item.

Property, plant and equipment

Property, plant and equipment are initially recorded at purchase or construction cost. Cost of replacing major parts or components of property, plant and equipment items is capitalised and the replaced part is retired. All other repair and maintenance costs are expensed as incurred.

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Gains and losses on disposals determined by comparing net proceeds with the respective carrying amount are recognised in profit or loss.

Land improvements comprises costs related to enhancement to a plot of land adjoining a store including parking lots, driveways, walkways.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate impairment loss has been recognised.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation

Depreciation of property, plant and equipment is calculated using the straight-line method to write off their cost to their residual values over their estimated useful lives:

	Useful lives in years
Buildings	30
Land improvements	7
Machinery and equipment	2 to 15

Leases

Right-of-use assets

The Group recognises 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 recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Land	1 to 50 years
Buildings	1 to 30 years

Depreciations is charged to profit or loss, except for depreciation of right-of-use assets representing right to use leased land plots during the construction process, which is included in carrying value of assets under construction. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises 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 recognised as expense in the period on which the event or condition that triggers the payment occurs.

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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.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date or initial application date and do not contain a purchase option). Lease payments on short- term leases are recognised as expense on a straight-line basis over the lease term.

Lease and non-lease components

At initial application and subsequently as well the Group accounts for lease and non-lease components (e.g. advertising, maintenance fees etc.) separately.

Intangible assets

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 amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit and loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life (which is from 3 to 7 years) using a straight-line method to write off their cost to their residual values and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income as the expense category that is consistent with the function of the intangible assets or included into the carrying amount of an asset as appropriate.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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 to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (the cashgenerating unit) 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 recognised for the asset (the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Income taxes

Income taxes have been provided for in the consolidated financial statements in accordance with management's interpretation of the relevant legislation enacted or substantively enacted as at the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in the consolidated statement of profit or loss and other comprehensive income unless it relates to transactions that are recognised, in the same or a different period, directly in equity. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost of consideration paid.

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Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Deferred income tax is recorded using the balance sheet liability method for tax loss carry-forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the reporting date, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry-forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry-forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory is determined on the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses. Cost comprises of the direct cost of goods, transportation and handling costs. Cost of sales comprises only of cost of inventories sold through retail stores and inventory write-downs made during the period.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, other borrowing costs are recognised in profit or loss in the period in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. For the purposes of borrowing costs recognition, a substantial period of time is considered to be a period of twelve months or more.

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

Revenue from contracts with customers

The sole source of revenue from contracts with customers is retail sales.

The Group recognises revenue when control of the goods and services is transferred to the customer, generally for the retail customers it is occurred in the stores at the point of sale. Payment of the transaction price is due immediately when the customer purchases goods.

The loyalty programme offered by the Group gives rise to a separate performance obligation because it generally provides a material right to the customer. The Group allocates a portion of the transaction price to the loyalty programme based on relative stand-alone selling price and recognize as a contract liability.

Other income

Income generated from rental of spaces for small trading outlets within the Group's stores is recognised in the end of each month on a straight-line basis over the period of the lease, in accordance with the terms of the relevant lease agreements.

Sale from secondary materials is recognized within the other operating income in the consolidated statement of profit or loss and other comprehensive income at a point in time.

Interest income is recognised on a time-proportion basis using the effective interest rate method. Interest income is included into the Interest income line in the consolidated statement of profit or loss and other comprehensive income.

Suppliers' allowances

The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor. These allowances received from suppliers are recorded as a reduction in the price paid for the products and reduce cost of goods sold in the period the products are sold. Where a rebate agreement with a supplier covers more than one year, the rebates are recognised in the period in which they are earned.

Employee benefits

The Group is subject to mandatory contributions to the Russian Federation defined contribution state pension benefit fund. Wages, salaries, contributions to the state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group.

Share-based payments

Certain employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised, together with a corresponding increase in share options reserve in equity, over the period in which the performance and/or service conditions are fulfilled in employee benefits expense (Note 27). The cumulative expense recognised 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 statement of profit or loss expense or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense (Note 27).

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. These are treated as vested irrespective of whether or not 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, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Segment reporting

The Group's business operations are located in the Russian Federation and relate primarily to retail sales of consumer goods. Although the Group operates through different stores and in various regions within the Russian Federation, the Group's chief operating decision maker reviews the Group's operations and allocates resources on an individual store-by-store basis. The Group has assessed the economic characteristics of the individual stores and determined that the stores have similar margins, similar products, similar types of customers and similar methods of distributing such products. Therefore, the Group considers that it only has one reportable segment under IFRS 8. Segment performance is evaluated based on a measure of revenue and earnings before interest, tax, depreciation and amortisation (EBITDA). EBITDA is a non-IFRS measure.

Other information is measured in a manner consistent with that in the consolidated financial statements.

Seasonality

The Group's business operations are stable during the year with limited seasonal impact, except for a significant increase of business activities in December.

Financial assets

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss (FVPL), transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets

The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortised cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVPL).

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

The Group measures amounts of loans and receivables at amortised 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;
- 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 (SPPI).

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The SPPI test

As a second step of its classification process the Group assesses the contractual terms of financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises 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.

The Group's cash and cash equivalents have been assigned low credit risk based on the external credit ratings of the respective banks and financial institutions.

Derecognition of financial assets

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired;
- 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities and equity instruments issued by the Group

Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them. Share options exercised during the reporting period are satisfied with treasury shares.

Share capital

Ordinary shares are classified as equity. Transaction costs of a share issue are shown within equity as a deduction from the equity.

Additional paid-in capital

Additional paid-in capital represents the difference between the fair value of consideration received and the nominal value of the issued shares.

Earnings per share

Basic earnings per share amounts are calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of transaction costs.

Financial liabilities

Financial liabilities of the Group, including borrowings and trade and other payables, are initially recognised at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method.

Derecognition of financial liabilities

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

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 recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as interest rate swaps and caps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income (OCI) and later reclassified to profit or loss when the hedge item affects profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Swaps and caps used by the Group that meet the strict criteria for hedge accounting are accounted for as cash flow hedges. The effective portion of the gain or loss from the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss as other operating expenses.

Designation of a hedge relationship takes effect prospectively from the date all of the criteria are met. In particular, hedge accounting can be applied only from the date all of the necessary documentation is completed. Therefore, hedge relationships cannot be designated retrospectively.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs.

When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Current versus non-current classification

Derivative instruments are classified as current or non-current or separated into current and non-current portions based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows):

> When the Group expects to hold a derivative as an economic hedge for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.

2.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries) as at 31 December 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 (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
> Exposure, or rights, to variable returns from its involvement with the investee; and
> The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

> The contractual arrangement with the other vote holders of the investee;
> Rights arising from other contractual arrangements;
> The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. 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 intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Subsidiaries are those companies (including special purpose entities) in which the Group, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies so as to obtain economic benefits and which are neither associates nor joint ventures. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are de-consolidated from the date that control ceases.

3. Significant accounting judgments, estimates and assumptions >>

In the application of the Group's accounting policies, which are described in Note 2 above, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments that have the most significant effect on the amounts recognised in these consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

JUDGMENTS

Assets versus business acquisition

From time to time in the normal course of business the Group acquires the companies that are a party to a lease contract, own the land plot or store in which the Group is interested. If at the date of acquisition by the Group, the company does not constitute an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or other economic benefits directly to investor, the Group treats such acquisitions as a purchase of assets (a leasehold right, land plot or store) in the consolidated financial statements. The exercise of judgment determines whether a particular transaction is treated as a business combination or as a purchase of assets.

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 beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Inventory valuation

Management reviews the inventory balances to determine if inventories can be sold at amounts greater than or equal to their carrying amounts plus costs to sell. This review also includes the identification of slow moving inventories, which are written down based on inventories ageing and write down rates. The write down rates are determined by management following the experience of sales of such items.

Tax legislation

Russian tax, currency and customs legislation is subject to frequent changes and varying interpretations. Management's interpretation of such legislation in applying it to business transactions of the Group may be challenged by the relevant regional and federal authorities enabled by law to impose fines and penalties. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that the transactions that have not been challenged in the past may be challenged. Fiscal periods remain open to review by the tax authorities in respect of taxes for the three calendar years preceding the year of tax review. Under certain circumstances reviews may cover longer periods. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create additional financial risks for the Group.

Impairment of non-financial assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use.

The fair value less costs to sell calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset.

Due to their subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

The value in use calculation is based on a discounted cash flow model. In determining the value in use calculation, future cash flows are estimated from each store based on cash flows projection utilising the latest budget information available. The discounted cash flow model requires numerous estimates and assumptions regarding the future rates of market growth, market demand for the products and the future profitability of products.

Share-based payments

The Group measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 27.

Lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases to lease the assets for additional terms. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

For leased land plots under the stores the Group defines lease term as the longest of non-cancelable term of the lease or remaining useful life of a store. The Group typically exercises its option to renew for these leases because it has an exclusive right as an owner of real estate.

The periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Leases – estimating the incremental borrowing rate

The Group measures the lease liability by discounting lease payments using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group uses its incremental borrowing rate, adjusted to take into account the specific terms and conditions of a lease and to reflect the interest rate that the Group would pay to borrow:

- over a similar term to the lease term;
- the amount needed to obtain an asset of a similar value to the right-of-use asset; and
- in a similar economic environment.

4. New standards, interpretations and amendments adopted by the Group >>

>> The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the International Accounting Standards Board in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the consolidated financial statements of the Group.

Reclassifications in the consolidated statement of cash flows

Certain reclassifications were done in terms of presentation of expected credit losses of accounts receivable and write-offs of accounts receivable.

5. Standards issued but not yet effective >>

The new and amended standards and interpretations that are issued by the IASB, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts (not yet endorsed by the EU).

In May 2017, the IASB issued IFRS 17 Insurance Contracts (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 Insurance Contracts (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- > A specific adaptation for contracts with direct participation features (the variable fee approach)
- > A simplified approach (the premium allocation approach) mainly for short-duration contracts

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current (not yet endorsed by the EU).

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- > What is meant by a right to defer settlement
- > That a right to defer must exist at the end of the reporting period
- > That classification is unaffected by the likelihood that an entity will exercise its deferral right
- > That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments to the classification of liabilities is not expected to have a significant impact on the Group's consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3 (not yet endorsed by the EU).

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

These amendments may impact future periods should the Group enter into any business combinations.

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Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (not yet endorsed by the EU)

In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (not yet endorsed by the EU)

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

The amendments are not expected to have a material impact on the Group.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (not yet endorsed by the EU)

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

These amendments are not expected to have a material impact on the Group .

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities (not yet endorsed by the EU)

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

IAS 41 Agriculture – Taxation in fair value measurements (not yet endorsed by the EU)

As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IAS 41 Agriculture. The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after 1 January 2022 with earlier adoption permitted.

This standard is not applicable to the Group.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (not yet endorsed by the EU)

In February 2021 the IASB issued amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (not yet endorsed by the EU)

In February 2021 the IASB issued amendments to IAS 8. The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted.

The amendments are not expected to have a material impact on the Group.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (endorsed by the EU)

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

The amendments are effective for annual periods beginning on or after 1 January 2021 with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

The amendments are not expected to have a material impact on the Group due to the Group has only fixed-rate financial instruments.

Amendments to IFRS 4 Insurance Contracts – deferral of IFRS9 (endorsed by the EU)

In June 2020, the IASB published Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9. The amendments to IFRS 4 change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.

This standard is not applicable to the Group.

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6. Balances and transactions with related parties >>

>> The transactions with related parties are made on terms substantially equivalent to those that prevail in arm's length transactions.

In 2019 "Severgroup" LLC ("Severgroup") has completed its acquisition of 76,109,776 shares of the Company. As at 31 December 2020 76,110, 584 shares of the Company belongs to Severgroup, which represents 77.99% of the share capital or 78.73% of the voting rights.

As at 31 December 2020 and 31 December 2019 Alexey Mordashov is the ultimate controlling party of the Group. TPG and EBRD cease to be related parties starting from May, 2019.

The consolidated financial statements include the following transactions with related parties:

Entities with significant influence over the Group:

	Year ended 31 December 2020	Year ended 31 December 2019
Severgroup		
Revenue from related parties	95,194	–
Other operating income from related parties	10,440	6,524
Prepaid expense from related parties	(278,187)	(8,357)
Purchases of non-current assets from related parties	(131,424)	–
Selling, General and Administrative expenses	(460,034)	(17,808)
TPG Group		
Selling, General and Administrative expenses	–	(4,610)

	31 December 2020	31 December 2019
Severgroup		
Amounts owed by related parties	35,304	7,215
Amounts owed to related parties	(146,635)	(16,469)
Advances received	(197)	(360)
Advances paid	603	344

Remuneration to the members of the Board of Directors and key management personnel is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Short-term benefits	1,260,167	771,041
Long-term benefits (including share-based payments, Note 27)	1,002,208	769,872
Termination benefits	98,941	14,992
TOTAL REMUNERATION	**2,361,316**	**1,555,905**

7. Property, plant and equipment >>

	Land	Land improvements	Buildings	Machinery and equipment	Assets under construction	Total
Cost						
Balance at 1 January 2020	23,523,525	12,690,508	132,371,508	64,442,345	2,910,262	235,938,148
Additions	–	–	–	1,623	9,914,019	9,915,642
Transfers from construction in progress	372,126	758,632	4,412,725	4,664,286	(10,207,769)	–
Transfers from right-of-use assets	68,201	–	–	–	–	68,201
Disposals	(11,398)	–	(380,211)	(922,836)	(211,401)	(1,525,846)
Balance at 31 December 2020	23,952,454	13,449,140	136,404,022	68,185,418	2,405,111	244,396,145
Accumulated depreciation and impairment						
Balance at 1 January 2020	1,799,114	4,795,619	31,777,892	31,802,328	319,956	70,494,909
Depreciation charge	–	2,757,326	4,484,206	6,803,597	–	14,045,129
(Reversal of impairment)/Impairment charge	(606,628)	(3,200)	(2,579,873)	(109,635)	387,905	(2,911,431)
Disposals	–	–	(218,215)	(751,541)	(163,703)	(1,133,459)
Balance at 31 December 2020	1,192,486	7,549,745	33,464,010	37,744,749	544,158	80,495,148
Net book value						
Balance at 1 January 2020	21,724,411	7,894,889	100,593,616	32,640,017	2,590,306	165,443,239
BALANCE AT 31 DECEMBER 2020	**22,759,968**	**5,899,395**	**102,940,012**	**30,440,669**	**1,860,953**	**163,900,997**

	Land	Land improvements	Buildings	Machinery and equipment	Assets under construction	Total
Cost						
Balance at 1 January 2019	22,237,066	12,358,156	124,825,097	59,986,683	3,770,316	223,177,318
Additions	–	–	–	–	14,125,226	14,125,226
Transfers from construction in progress	1,024,239	332,559	7,845,616	5,665,732	(14,868,146)	–
Transfers from right-of-use assets	267,167	–	207,132	–	–	474,299
Disposals	(4,947)	(207)	(506,337)	(1,210,070)	(117,134)	(1,838,695)
Balance at 31 December 2019	23,523,525	12,690,508	132,371,508	64,442,345	2,910,262	235,938,148
Accumulated depreciation and impairment						
Balance at 1 January 2019	–	2,044,272	19,077,836	25,031,147	–	46,153,255
Depreciation charge	–	2,739,002	4,521,778	6,850,077	–	14,110,857
Impairment charge	1,799,114	12,538	8,533,770	949,200	319,956	11,614,578
Disposals	–	(193)	(355,492)	(1,028,096)	–	(1,383,781)
Balance at 31 December 2019	1,799,114	4,795,619	31,777,892	31,802,328	319,956	70,494,909
Net book value						
Balance at 1 January 2019	22,237,066	10,313,884	105,747,261	34,955,536	3,770,316	177,024,063
BALANCE AT 31 DECEMBER 2019	**21,724,411**	**7,894,889**	**100,593,616**	**32,640,017**	**2,590,306**	**165,443,239**

During the year ended 31 December 2020 and year ended 31 December 2019 the Group was not involved in acquisition or contribution of any assets that would satisfy the definition of qualifying assets for the purposes of borrowing costs capitalisation. Thus, no borrowings costs were capitalised during those periods.

6-7 >>

Depreciation, amortisation and impairment expense

As at 31 December 2020 the Group performed impairment test of property, plant and equipment, intangible assets and right-of-use assets, where indicators of such impairment were identified.

Following the impairment test net reversal of impairment losses was recognised in the consolidated statement of profit or loss in respect of property, plant and equipment amounted to RUB 2,911,431 (including impairment loss in respect of assets under construction in the amount of RUB 387,905) and impairment of right-of-use assets was recognised in the amount of RUB 4,306. The recognition of net reversal of impairment losses resulted from growth of sales and EBITDA during the reporting period and respective increase in forecasted free cash flows.

The evaluation was performed at the lowest level of aggregation of assets that is able to generate independent cash inflows (CGU), which is generally at the individual store level.

In identifying whether cash inflows are largely independent, management considers various factors including:

- How it monitors the entity's operations or how it makes decisions about continuing or disposing of the entity's assets and operations;
- Cannibalization effect;
- Leakage of customers upon a store closure.

The impairment test has been carried out by comparing recoverable amount of the individual store with its carrying value. The recoverable amount was defined as the higher of its fair value less costs to sell and value in use.

Due to number of CGUs being tested for impairment it is considered impracticable to disclose detailed information for each individual CGU.

The key assumptions used in determining the value in use are:

- Future cash flows are based on the current budgets and forecasts approved by the management and represented by forecasted EBITDA along with terminal value of forecasted free cash flows that are expected to be generated beyond the forecast period (12 months), the years beyond the forecast period the long term consumer price index forecast of 4% is used;
- Cash flow forecasts for capital expenditure are based on past experience and include ongoing capital expenditure required to maintain the level of economic benefits from CGU in its current position;
- Cash flow forecast for overheads presented mainly by personnel expense being allocated on reasonable basis;
- Carrying value of corporate assets that do not generate independent cash inflows (offices, distribution centers) were allocated to CGUs on consistent basis;
- Projections were made in the functional currency of the Group's entities, being Russian rouble and discounted at the Group pre-tax weighted average cost of capital which is then adjusted to reflect the risks specific to the respective assets 13.39%.

The Group's management believes that all of its estimates are reasonable and consistent with the internal reporting and reflect management's best knowledge.

The result of applying discounted cash flows model reflects expectations about possible variations in the amount and timing of future cash flows. If the revised estimated discount rate consistently applied to the discounted cash flows had been 50 b.p. higher than management's estimates, the Group would need to reduce the carrying value of non-current non-financial assets by RUB 718,499. If the annual revenue growth rate used in calculations of value in use had been 50 b.p. lower, the Group would need to decrease the carrying value of non-current non-financial assets by RUB 737,954.

Fair value less costs of disposal of CGU was defined by an external appraiser by reference to current observable prices on an active market subsequently adjusted for specific characteristics of respective assets. The fair value measurement of these assets is classified at level 2 of the fair value hierarchy.

The amount of depreciation and amortisation during the year ended 31 December 2020 and the year ended 31 December 2019 is presented within depreciation and amortisation in the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation of property, plant and equipment (Note 7)	14,045,129	14,110,857
Amortisation of intangible assets (Note 11)	603,898	508,016
Amortisation of right-of-use assets (Note 9)	3,913,127	3,850,831
Capitalisation of right-of-use asset depreciation to assets under construction	(21,921)	(30,025)
TOTAL DEPRECIATION AND AMORTISATION	**18,540,233**	**18,439,679**

See Note 28 for capital commitments.

8. Prepayments for construction >>

>> Prepayments for construction are made to contractors building stores and to suppliers.

Prepayments are regularly monitored for the indicators of impairment. As at 31 December 2020 prepayments for construction were impaired in the amount of RUB 216,592 (31 December 2019: RUB 236,851).

7-8>>

9. Right-of-use assets and lease liabilities >>

Set out below are the carrying amounts of the Group's right-of-use assets and the movements during the year ended 31 December 2020 and year ended 31 December 2019:

Cost	Land	Buildings	Total
Balance as at 1 January 2020	**5,368,027**	**31,300,482**	**36,668,509**
Additions	19,227	4,802,559	4,821,786
Cancelation of lease contracts	(272,919)	(824,258)	(1,097,177)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(72,004)	–	(72,004)
Other changes[1]	107,319	929,448	1,036,767
Balance as at 31 December 2020	**5,149,650**	**36,208,231**	**41,357,881**
Accumulated depreciation and impairment			
Balance as at 1 January 2020	**439,396**	**3,561,670**	**4,001,066**
Depreciation charge	169,980	3,743,147	3,913,127
Impairment charge/(reversal of impairment)	(93,369)	97,675	4,306
Cancelation of lease contracts	(12,119)	(315,957)	(328,076)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(3,803)	–	(3,803)
Balance as at 31 December 2020	**500,085**	**7,086,535**	**7,586,620**
Net book value			
BALANCE AS AT 1 JANUARY 2020	**4,928,631**	**27,738,812**	**32,667,443**
BALANCE AS AT 31 DECEMBER 2020	**4,649,565**	**29,121,696**	**33,771,261**

Cost	Land	Buildings	Total
Balance as at 1 January 2019	**5,810,044**	**30,547,558**	**36,357,602**
Additions	8,481	983,311	991,792
Cancelation of lease contracts	(176,891)	(615,394)	(792,285)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(270,752)	(212,311)	(483,063)
Other changes[1]	(1,792)	592,139	590,347
Balance as at 31 December 2019	**5,369,090**	**31,295,303**	**36,664,393**
Accumulated depreciation and impairment			
Balance as at 1 January 2019	**–**	**–**	**–**
Depreciation charge	211,615	3,639,216	3,850,831
Impairment charge	235,056	–	235,056
Cancelation of lease contracts	(7,806)	(72,367)	(80,173)
Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease	(3,585)	(5,179)	(8,764)
Balance as at 31 December 2019	**435,280**	**3,561,670**	**3,996,950**
Net book value			
BALANCE AS AT 1 JANUARY 2019	**5,810,044**	**30,547,558**	**36,357,602**
BALANCE AS AT 31 DECEMBER 2019	**4,933,810**	**27,733,633**	**32,667,443**

Transfer to property, plant and equipment resulted from purchase of the underlining assets in the lease.

1 Other changes are represented by changes in the right-of-use assets due to modifications and indexations.

Set out below are the carrying amounts of the Group's lease liabilities and the movements during the year ended 31 December 2020 and year ended 31 December 2019:

	Year ended 31 December 2020	Year ended 31 December 2019
Lease liabilities at the beginning of the year	32,160,006	34,120,002
Additions	4,731,148	993,710
Cancelation of lease contracts	(810,549)	(590,476)
Other changes[1]	1,036,767	587,351
Interest expense	2,716,486	2,795,074
Payments for the principal portion of the lease liabilities	(2,814,842)	(2,848,226)
Payments for the interest portion of the lease liability	(2,716,486)	(2,795,074)
Foreign exchange gain	138,977	(102,355)
LEASE LIABILITIES AT THE END OF THE YEAR	**34,441,507**	**32,160,006**

	31 December 2020	31 December 2019
Long-term lease liabilities	31,327,074	29,520,222
Short-term lease liabilities	3,114,433	2,639,784
TOTAL LEASE LIABILITIES	**34,441,507**	**32,160,006**

Set out below are the amounts recognised in profit or loss for the year ended 31 December 2020 and year ended 31 December 2019:

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation of right-of-use assets	3,913,127	3,850,831
Impairment of right-of-use assets	4,306	235,056
Capitalisation of depreciation to assets under construction	(21,921)	(30,025)
Interest expense on lease liabilities	2,716,486	2,795,074
Interest income on security deposits	(31,532)	(15,005)
Foreign exchange gain	138,977	(102,355)
Rent expense – short-term leases	681,886	888,393
Rent expense – variable lease payments	349,473	270,656
TOTAL AMOUNTS RECOGNISED IN PROFIT OR LOSS	**7,750,802**	**7,892,625**

1 Other changes are represented by changes in the lease liabilities due to modifications and indexations.

10. Operating segments >>

The Group's principal business activity is the development and operation of food retail stores located in Russia. Risks and returns are affected primarily by economic development in Russia and by the development of Russian food retail industry.

The Group has no significant assets outside the Russian Federation (excluding investments in its foreign wholly owned intermediate holding subsidiary Zoronvo Holdings Limited, which are eliminated on consolidation). Due to the similar economic characteristics of food retail stores, the Group's management has aggregated its operating segments represented by stores into one reportable operating segment.

Within the segment all business components are similar in respect of:

> The products;
> The customers;
> Centralised Group structure (commercial, operational, logistic, finance, HR and IT functions are centralised).

The Group's operations are regularly reviewed by the chief operating decision maker, represented by the CEO, to analyse performance and allocate resources within the Group. The CEO assesses the performance of operating segments based on the dynamics of revenue and earnings before interest, tax, depreciation, amortisation (EBITDA). EBITDA is a non-IFRS measure. Other information is measured in a manner consistent with that in the consolidated financial statements.

The segment information for the year ended 31 December 2020 and 31 December 2019 is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Sales	445,543,829	417,500,015
EBITDA	44,919,129	39,505,713

Reconciliation of EBITDA to IFRS profit for the year is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
EBITDA	44,919,129	39,505,713
Interest expense	(9,512,254)	(15,866,946)
Interest income	609,970	3,827,178
Income tax expense (see Note 21)	(3,456,984)	(190,684)
Depreciation and amortisation (see Notes 7, 9, 11, 25)	(18,540,233)	(18,439,679)
Reversal of impairment/(Impairment) of non-financial assets (see Notes 7, 9, 11)	2,907,125	(11,849,959)
Foreign exchange (loss)/gains	(386,122)	220,503
PROFIT/(LOSS) FOR THE YEAR	**16,540,631**	**(2,793,874)**

11. Intangible assets >>

Intangible assets as at 31 December 2020 consist of the following:

	Software	Total
Cost		
At 1 January 2020	**4,770,994**	**4,770,994**
Additions	918,567	918,567
Disposals	(7,434)	(7,434)
At 31 December 2020	**5,682,127**	**5,682,127**
Accumulated amortisation and impairment		
At 1 January 2020	**2,500,019**	**2,500,019**
Amortisation charge	603,898	603,898
Disposals	(2,762)	(2,762)
At 31 December 2020	**3,101,155**	**3,101,155**
Net book value		
AT 1 JANUARY 2020	**2,270,975**	**2,270,975**
AT 31 DECEMBER 2020	**2,580,972**	**2,580,972**

Intangible assets as at 31 December 2019 consisted of the following:

	Software	Total
Cost		
At 1 January 2019	**3,904,454**	**3,904,454**
Additions	886,872	886,872
Disposals	(20,332)	(20,332)
At 31 December 2019	**4,770,994**	**4,770,994**
Accumulated amortisation		
At 1 January 2019	**1,998,564**	**1,998,564**
Amortisation charge	508,016	508,016
Impairment charge	325	325
Disposals	(6,886)	(6,886)
At 31 December 2019	**2,500,019**	**2,500,019**
Net book value		
AT 1 JANUARY 2019	**1,905,890**	**1,905,890**
AT 31 DECEMBER 2019	**2,270,975**	**2,270,975**

Amortisation expense is included in selling, general and administrative expenses (Note 25).

12. Other non-current assets >>

Other non-current assets are represented by guarantee deposits under lease contracts subject to reimbursement by cash at the end of lease.

13. Inventories >>

	31 December 2020	31 December 2019
Goods for resale (at lower of cost and net realisable value)	39,817,567	37,146,606
Raw materials	2,253,966	1,306,659
TOTAL INVENTORIES AT LOWER OF COST AND NET REALISABLE VALUE	**42,071,533**	**38,453,265**

Raw materials are represented by inventories used in own production process in butchery, bakery and culinary.

During the year ended 31 December 2020 the Group wrote down inventories to their net realisable value, which resulted in recognition of expenses within cost of sales in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 in the amount of RUB 595,286 (for the year ended 31 December 2019 in the amount of RUB 411,398).

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14. Trade and other receivables >>

	31 December 2020	31 December 2019
Accounts receivable on rental and other services and on suppliers' advertising	6,293,355	5,423,210
Suppliers' rebates receivable	4,465,410	3,205,036
Other receivables	268,201	154,866
Expected credit losses of accounts receivable	(124,127)	(179,010)
TOTAL TRADE AND OTHER RECEIVABLES	**10,902,839**	**8,604,102**

Debtor credit risk is managed in accordance with the Group's established policy, procedures and control relating to debtor credit risk management. Credit quality of a debtor is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

An analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating) and the likelihood of default over a given time horizon. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Generally, trade and other receivables are written-off if past due for more than 3 years and are no subject to enforcement activity.

The detailed analysis of impact of COVID-19 on debtors' financial conditions and review of any other factors which might result in revision of the allowance matrix performed as at 31 December 2020 led to the conclusion that there was no significant deterioration of credit quality of customers.

Set out below is the information about the credit risk exposure on the Group's trade and other receivables as at 31 December 2020 using a provision matrix:

	Current	<60 days overdue	60-120 days overdue	>120 days overdue	Total
Expected credit loss rate	<1.5%	2%-5%	15%-40%	70%-100%	
Estimated total gross carrying amount at default	10,455,452	413,196	30,996	127,322	**11,026,966**
Expected credit loss	11,804	8,264	5,993	98,066	**124,127**

Set out below is the information about the credit risk exposure on the Group's trade and other receivables as at 31 December 2019 using a provision matrix:

	Current	<60 days overdue	60-120 days overdue	>120 days overdue	Total
Expected credit loss rate	<1.5%	2%-5%	15%-40%	70%-100%	
Estimated total gross carrying amount at default	8,366,420	231,286	14,912	170,494	**8,783,112**
Expected credit loss	33,381	4,734	2,596	138,299	**179,010**

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

	2020	2019
As at 1 January	**179,010**	**264,399**
Allowance/(reversal of allowance) for expected credit losses	19,371	(48,658)
Write-off	(74,254)	(36,731)
AS AT 31 DECEMBER	**124,127**	**179,010**

The Group does not hold any collateral or other credit enhancements over these balances.

15. Advances paid >>

	31 December 2020	31 December 2019
Advances for services	**1,362,282**	**1,327,153**
Advances to suppliers of goods	415,077	309,833
Impairment of advances paid	(23,293)	(54,055)
TOTAL ADVANCES PAID	**1,754,066**	**1,582,931**

16. Taxes recoverable >>

Taxes recoverable as at 31 December 2020 are represented by a VAT recoverable of RUB 345,465 (31 December 2019: RUB 163,364) and property tax receivable in the amount of RUB 15,911 (31 December 2019: nil).

17. Cash and cash equivalents >>

	31 December 2020	31 December 2019
Rouble denominated short-term deposits	18,489,546	66,312,184
Foreign currency denominated short-term deposits	354,748	10,455
Rouble denominated balances with banks	1,527,464	3,818,264
Rouble denominated cash in transit	1,065,216	2,884,525
Rouble denominated cash on hand	276,294	276,419
Foreign currency denominated balances with banks	95,606	102,913
TOTAL CASH AND CASH EQUIVALENTS	**21,808,874**	**73,404,760**

Cash in transit represents cash receipts during the last days of the reporting period (29-31 December), which were sent to banks but not deposited into the respective bank accounts until the next reporting period.

Significant rouble denominated cash in transit result from the business seasonality, indicating higher levels of retail sales in holiday periods such as the New Year's Eve as well as the closing day in relation to the official banking days in Russia. If the closing day is on non-banking days, the amount of cash in transit increases.

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.

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18. Issued capital and reserves >>

Issued capital

As at 31 December 2020 the Company's share capital is comprised of 97,585,932 authorised and issued ordinary shares with EUR 0.001 par value (as at 31 December 2019: 97,585,932 with no par value).

According to the requirement of the laws of the Republic of Cyprus each share in the Company has a par value. Therefore immediately before a continuation of the Company into the Republic of Cyprus in February 2020, each share of no par value was automatically converted into an ordinary share of EUR 0.001 par value and reclassification from additional paid-in capital to share in the consolidated statement of financial position in the amount of RUB 6,711 was made.

All outstanding ordinary shares are entitled to an equal share in any dividend declared by the Company. No dividends to holders of ordinary shares were declared for the year ended 31 December 2020 and for the year ended 31 December 2019.

	Number of shares	31 December 2020, kEUR	31 December 2020, kRUB
Authorised			
Ordinary shares of EUR0,001 each	200,000,000	200	13,754
Issued and fully paid			
Balance at the beginning of the year	97,585,932	-	-
Amendment to par value of ordinary shares		98	6,711
BALANCE AT THE END OF THE YEAR	**97,585,932**	**98**	**6,711**

The number of shares as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020, No.	31 December 2019, No.
Authorised share capital (ordinary shares)	200,000,000	unlimited
Issued and fully paid	97,585,932	97,585,932
Treasury shares	(910,546)	(910,546)

The movements in the number of shares for the year ended 31 December 2020 and for the year ended 31 December 2019 are as follows:

	Year ended 31 December 2020, No.	Year ended 31 December 2019, No.
Balance of shares outstanding at beginning of the year	**96,675,386**	**97,272,922**
Additional issue of shares	–	77,667
Shares buy-back	–	(675,203)
BALANCE OF SHARES OUTSTANDING AT THE END OF THE YEAR	**96,675,386**	**96,675,386**

During the year ended 31 December 2019 the Group issued 77,667 shares of no par value with respect to long-term incentive plans to certain members of management (see Note 27). Issued shares were distributed to relevant participants. Total expense for the services received from the employees previously recognised with respect to issued shares under long-term incentive plans was RUB 127,442.

Treasury shares

In October 2018 the Group launched GDR repurchase programme up to an aggregate value of RUB 11,600,000, which was terminated on 2 April 2019. As the result of the programme 910,522 shares were repurchased as at 31 December 2020 and 31 December 2019. During the year ended 31 December 2019 the Group repurchased 675,203 shares of no par value for RUB 720,099.

Share options reserve

The share options reserve is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to Note 27 for further details of these plans.

19. Earnings per share >>

	Year ended 31 December 2020	Year ended 31 December 2019
Earnings /(losses) per share (in thousands of Russian roubles per share) basic and diluted, for profit/(loss) for the year attributable to equity holders of the parent	0.171	(0.029)

The calculation of basic earnings per share for the year is based on the profit/(loss) attributable to shareholders (profit for the year ended 31 December 2020: RUB 16,540,631, loss for the year ended 31 December 2019: RUB (2,793,874)) and weighted average number of ordinary shares outstanding during the respective periods (96,675,386 shares at 31 December 2020 and 96,757,307 shares as at 31 December 2019).

The Group has issued share-based payments instruments (Note 27) that could potentially dilute basic earnings per share in the future. These instruments have no material effect on dilution of earnings per share for the year.

20. Borrowings >>

Short-term borrowings:

	Currency	31 December 2020	31 December 2019
Fixed rate short-term bank loans	RUB	32,079,596	63,031,173
Fixed rate short-term bonds	RUB	930,940	5,399,643
TOTAL SHORT-TERM BORROWINGS AND SHORT-TERM PORTION OF LONG-TERM BORROWINGS		**33,010,536**	**68,430,816**

Long-term borrowings:

	Currency	31 December 2020	31 December 2019
Fixed rate long-term bank loans	RUB	15,973,413	61,591,407
Fixed rate long-term bonds	RUB	29,967,625	20,519,034
TOTAL LONG-TERM BORROWINGS		**45,941,038**	**82,110,441**

The Groups' borrowings as at 31 December 2020 and 31 December 2019 bear market interest rates, all of them are denominated in Russian roubles and are not secured.

As at 31 December 2020 the Group had RUB 177,600,000 of unused credit facilities (as at 31 December 2019: RUB 89,136,000).

The loan agreements contain financial and non-financial covenants. As at 31 December 2020 the Group is in compliance with the covenants.

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21. Income taxes >>

The Group's income tax expense for the year ended 31 December 2020 and 31 December 2019 is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Current tax expense	(3,442,921)	(3,413,269)
Deferred tax (expense)/benefit	(14,063)	3,222,585
Income tax expense recognised in profit for the year	**(3,456,984)**	**(190,684)**

	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(loss) before tax	19,997,615	(2,603,190)
Theoretical tax charge at 20% being statutory tax rate in Russia	**(3,999,523)**	**520,638**
Difference in tax regimes of foreign companies	237,014	(154,996)
Add tax effect of non-taxable income and non-deductible expenses.	(28,163)	(176,326)
Reversal/(recognition) of previously unrecognised uncertain tax position	333,688	(380,000)
INCOME TAX EXPENSE	(3,456,984)	(190,684)

Differences between IFRS and Russian statutory tax regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences, recorded at the rate of 20% is detailed below.

	1 January 2020	Differences in recognition and reversals recognised in profit or loss	31 December 2020
Tax effect of (taxable)/ deductible temporary differences			
Property, plant and equipment	(8,538,465)	(836,280)	(9,374,745)
Right of use	(6,437,964)	(223,357)	(6,661,321)
Unused vacation and employee bonuses accrual	407,281	405,891	813,172
Suppliers' bonuses	(59,780)	(24,605)	(84,385)
Borrowings	2,397	347	2,744
Intangible assets	(76,608)	(61,147)	(137,755)
Inventory	793,055	149,154	942,209
Provision for expected credit losses of accounts receivable, impairment of advances paid and prepayments for construction	70,750	(6,921)	63,829
Accrued liabilities	799,696	109,608	909,304
Lease liabilities	6,432,001	456,300	6,888,301
Other	99,149	16,947	116,096
TOTAL NET DEFERRED TAX LIABILITIES	(6,508,488)	(14,063)	(6,522,551)

	1 January 2019	Change in the accounting policies due to the application of IFRS 16	Differences in recognition and reversals recognised in profit or loss	31 December 2019
Tax effect of (taxable)/deductible temporary differences				
Property, plant and equipment	(10,306,373)	–	1,767,908	(8,538,465)
Leasehold rights	(546,549)	546,549	–	–
Right of use	–	(7,183,435)	745,471	(6,437,964)
Unused vacation and employee bonuses accrual	253,384	–	153,897	407,281
Suppliers' bonuses	(30,844)	–	(28,936)	(59,780)
Borrowings	(62,884)	–	65,281	2,397
Intangible assets	(31,734)	–	(44,874)	(76,608)
Inventory	415,211	–	377,844	793,055
Provision for expected credit losses of accounts receivable, impairment of advances paid and prepayments for construction	124,896	–	(54,146)	70,750
Accrued liabilities	259,726		539,970	799,696
Lease liabilities	–	6,823,992	(391,991)	6,432,001
Other	(114,589)	121,577	92,161	99,149
TOTAL NET DEFERRED TAX LIABILITIES	(10,039,756)	308,683	3,222,585	(6,508,488)

The temporary taxable differences associates with undistributed earnings of subsidiaries amount to RUB 91,811,752 and RUB 75,842,716 as of 31 December 2020 and 2019, respectively. A deferred tax liability on these temporary differences was not recognised, because management believes that it is in a position to control the timing of reversal of such differences and has no intention to reverse them in the foreseeable future.

22. Trade and other payables >>

	31 December 2020	31 December 2019
Trade payables	48,730,068	46,537,381
Accrued liabilities and other creditors	9,213,476	6,446,591
Payables for purchases of property, plant and equipment	3,522,889	1,705,131
TOTAL TRADE AND OTHER PAYABLES	61,466,433	54,689,103

The trade and other payables are denominated in:

	31 December 2020	31 December 2019
Russian roubles	60,205,933	53,785,883
USD	1,021,454	650,158
EUR	236,211	249,815
GBP	2,835	3,246
TOTAL TRADE AND OTHER PAYABLES	61,466,433	54,689,103

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23. Other taxes payable >>

	31 December 2020	31 December 2019
Social taxes	1,099,531	805,661
Personal income tax	284,232	238,786
Other taxes	23,985	36,221
Property tax	–	92,895
TOTAL OTHER TAXES PAYABLE	**1,407,748**	**1,173,563**

24. Cost of sales >>

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Cost of goods sold is reduced by rebates and promotional bonuses received from suppliers.

Cost of sales for the year ended 31 December 2020 includes employee benefits expense of RUB 9,419,290 (for the year ended 31 December 2019: RUB 8,777,586) of which contributions to state pension fund are comprised of RUB 1,330,005 (for the year ended 31 December 2019: RUB 1,229,580).

Cost of sales for the year ended 31 December 2020 includes cost of raw materials used in own production of RUB 17,194,010 (for the year ended 31 December 2019: RUB 16,575,218).

25. Selling, general and administrative expenses >>

	Year ended 31 December 2020	Year ended 31 December 2019
Employee benefits	31,264,457	28,119,261
Depreciation and amortisation (Notes 7, 9, 11)	18,540,233	18,439,679
Utilities and communal payments	4,969,707	4,974,278
Professional fees	4,318,190	4,388,221
Advertising	5,748,928	5,177,240
Cleaning	3,508,353	3,611,966
Repairs and maintenance	3,523,836	3,019,466
Security services	2,082,074	1,973,878
Taxes other than income tax	1,456,812	1,598,841
Rent expense (Note 9)	1,031,359	1,159,049
Other	3,670,230	2,621,634
TOTAL SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**80,114,179**	**75,083,513**

Employee benefits for the year ended 31 December 2020 include contributions to state pension fund of RUB 3,922,267 (for the year ended 31 December 2019: RUB 3,578,339). The average number of employees employed by the Group during the year ended 31 December 2020 was 43,323 (during the year ended 31 December 2019: 43,731).

Professional fees for the year ended 31 December 2020 include fees billed by Ernst & Young LLC and Ernst & Young Cyprus Limited: for the audit of the consolidated financial statements in the amount of RUB 29,222 (for the year ended 31 December 2019: RUB 24,282) and for other professional services in the amount of RUB 12,844 (for the year ended 31 December 2019: RUB 22,729).

26. Other operating income and expenses >>

Other operating income is comprised of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Rental income	1,475,979	1,605,999
Penalties due by suppliers	1,152,192	971,290
Sale of secondary materials	1,133,736	1,127,996
Advertising income	609,191	550,135
GDR program reimbursement	331,111	–
Insurance compensation	218,038	524,243
Changes in expected credit losses of accounts receivable and write-offs of accounts receivable	–	48,658
Gain on property, plant and equipment disposal	45,730	42,102
Gain from cancelation of lease contracts	47,244	–
Other	186,681	197,343
TOTAL OTHER OPERATING INCOME	**5,199,902**	**5,067,766**

Income generated from the GDR program represents reimbursements done by the depositary out of revenue charged from GDR holders.

Other operating expenses are comprised of the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Loss from property, plant and equipment and intangible assets disposal	210,299	352,215
Impairment and write-offs of advances paid and prepayments for construction	67,147	101,831
Penalties from government authorities	36,774	56,750
Penalties for termination of a contracts with service suppliers	35,046	109,291
Non-recoverable VAT	15,975	63,611
Changes in expected credit losses of accounts receivable and write-offs of accounts receivable	19,371	–
Loss from cancelation of lease contracts	5,796	121,636
Other	132,062	130,364
TOTAL OTHER OPERATING EXPENSES	**522,470**	**935,698**

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27. Share options reserve >>

Long-term incentive plan

The Group approved a long-term incentive plan (LTIP) to certain members of senior and middle management, according to which the Group annually granted award shares in 2014, 2015, 2016, 2017, 2018 and 2019 along with the communication of the terms of award to participants.

The monetary amount of the award to be granted to the participants of the plan was calculated based on the annual base salary on the grant date, target award interest, business results coefficient and individual performance rating coefficient.

The fair value of the award shares was estimated based on the GDR price on London Stock Exchange on the award grant date.

As at 31 December 2020 Tranche 2014, 2015 are fully vested.

Set out below is the information about awards granted in 2016, 2017, 2018 and 2019:

	Vested during the year ended 31 December 2019	Vested as at 31 December 2020	Remaining vesting dates
Top Management			
LTIP 2016	100%	100%	0%
LTIP 2017	66%	100%	0%
LTIP 2018	34%	34%	66% in Apr 2021
LTIP 2019	0%	25%	Apr 2021 - 25%, May 2021 - 50%
Middle Management			
LTIP 2016	100%	100%	0%
LTIP 2017	0%	100%	0%
LTIP 2018	0%	0%	Apr 2021 - 100%
LTIP 2019	0%	25%	Apr 2021 - 25%, Apr 2022 - 50%

Set out below is the information about awards settlement during year ended 31 December 2020:

	2017 tranche	2018 tranche	2019 tranche	Total
Settlement by cash payment during 2020				
Settlement by cash	79,843	23,154	224,375	**327,372**
Excess of expenses accrued vs. payment made	64,727	11,108	37,097	**112,932**

Set out below is the information about awards settlement during year ended 31 December 2019:

	2016 tranche	2017 tranche	2018 tranche	2019 tranche	Total
Settlement by shares					
Number of shares issued during 2019	16,182	13,354	18,360	29,771	**77,667**
Total expense recognised with regards to shares issued	37,300	25,370	30,432	34,341	**127,442**
Settlement by cash payment					
Settlement by cash during 2019	194,592	53,990	37,602	–	**286,184**
Excess of expenses accrued vs. payment made	198,382	32,809	15,105	–	**246,296**

Total expense recognised for the services received from the employees covered by long-term incentive plan for the year ended 31 December 2020 and for the year ended 31 December 2019 is shown in the following table:

	Year ended 31 December 2020	Year ended 31 December 2019
Expense arising from the equity-settled long-term incentive plan payments	342,297	428,246
Incremental fair value arising from conversion of the equity-setted long-term incentive plan into employee benefits under IAS 19	119,092	-
TOTAL	**461,389**	**428,246**

Share-option modification

In the fourth quarter of the year ended 31 December 2020 equity-settled unvested awards Tranche 2018 and Tranche 2019 to the middle and top management were converted so as to become fixed renumeration but their terms are otherwise unchanged. The number of converted instruments at fixed price of USD $3.6 remained unchanged. The fixed renumeration was accounted for as other long-term employee benefits in accordance with IAS 19.

The incremental fair value estimated as excess of the fair value of the converted award over the original share-based payment at the date of conversion was recognised as expense in the extent to which the specified services have been received in the amount of 119,092 RUB with the corresponding increase in share option reserve in the consolidated statement of changes in equity.

At the conversion date the total amount of fixed remuneration payable of 346,393 RUB in the extent to which the related services have been received was reclassified from share option reserve in the consolidated statement of changes in equity to trade and other payables.

	2018 tranche	2019 tranche	Total
Conversion into employee benefits under IAS 19			
Transfer from share option reserve to liability (trade and other payables)	112,984	233,409	**346,393**

Share value appreciation rights

During the year 2013 and the year 2016 the Group granted share value appreciation rights (SVARs) to certain members of top management as part of management long-term incentive plan. Each SVAR entitles the holder to a quantity of ordinary shares in Lenta PLC based on an increase in the share price over a predetermined exercise price subject to meeting the performance conditions.

As at 31 December 2019 SVARs of 2013 year fully vested.

In April 2020 SVARs of 2016 year expired worthless. Total expense for the services received from the employees previously recognised with respect to expired SVARs was RUB 20,486.

	Year ended 31 December 2020	Year ended 31 December 2019
Expense arising from the equity-settled SVARs transaction	2,201	6,875

The fair value of the management SVARs is estimated at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions upon which the SVARs were granted.

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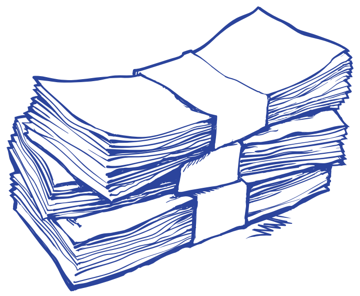
28. Capital expenditure commitments >>

>> At 31 December 2020 the Group has contractual capital expenditure commitments in respect of property, plant and equipment and intangible assets totaling RUB 4,333,015 net of VAT (31 December 2019: RUB 6,216,727 net of VAT).



29. Financial instruments >>

Categories of financial instruments

	31 December 2020	31 December 2019
Financial assets measured at amortised cost		
Cash and cash equivalents	21,808,874	73,404,760
Trade and other receivables	10,902,839	8,604,102
Other non-current financial assets	445,171	444,316
TOTAL FINANCIAL ASSETS MEASURED AT AMORTISED COST	**33,156,884**	**82,453,178**
Financial liabilities measured at amortised cost		
Fixed rate long-term bank loans and bonds	45,941,038	82,110,441
Fixed rate short-term bank loans and bonds	33,010,536	68,430,816
Trade and other payables	61,466,433	54,689,103
TOTAL FINANCIAL LIABILITIES MEASURED AT AMORTISED COST	**140,418,007**	**205,230,360**

Fair values

Quantitative disclosures of fair value measurement hierarchy for the Group's financial liabilities as at 31 December 2020 and 31 December 2019 are presented below:

	31 December 2020	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	31,702,693	31,702,693		–
Fixed rate bank loans	47,814,126		47,814,126	–

	31 December 2019	Level 1	Level 2	Level 3
Financial liabilities for which fair values are disclosed				
Fixed rate bonds	26,387,036	26,387,036	–	–
Fixed rate bank loans	123,200,098	–	123,200,098	–

During the reporting periods ended 31 December 2020 and 31 December 2019, there are no transfers between Level 1, Level 2 and Level 3 of fair value measurements.

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts are reasonable approximations of fair values:

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Interest-bearing loans and borrowings				
Fixed rate bank loans and bonds	78,951,574	79,516,819	150,541,257	149,587,134
TOTAL FINANCIAL LIABILITIES	**78,951,574**	**79,516,819**	**150,541,257**	**149,587,134**

The management assessed that the carrying amounts of cash and short-term deposits, trade receivables, trade payables, other liabilities approximate their fair values largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions are used to estimate the fair values:

> Fair values of the Group's interest-bearing borrowings and loans are determined by using DCF method using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 December 2020 and 31 December 2019 is assessed to be insignificant.

> The fair value of bonds is based on the price quotations at the reporting date at Moscow exchange where transactions with bonds take place with sufficient frequency and volume.

Changes in liabilities arising from financing activities

	31 December 2019	Proceeds from borrowings	Repayments of borrowings	Reclassifications	Other	31 December 2020
Long-term borrowings	82,110,441	30,792,775	(10,000,000)	(56,998,068)	35,890	45,941,038
Short-term borrowings	68,430,816	15,000,000	(107,240,001)	56,998,068	(178,347)	33,010,536
TOTAL	**150,541,257**	**45,792,775**	**(117,240,001)**	**–**	**(142,457)**	**78,951,574**

	31 December 2018	Proceeds from borrowings	Repayments of borrowings	Reclassifications	Other	31 December 2019
Long-term borrowings	106,341,291	35,386,518	(13,000,000)	(46,813,928)	196,560	82,110,441
Short-term borrowings	20,738,998	194,644,286	(193,770,873)	46,813,928	4,477	68,430,816
TOTAL	**127,080,289**	**230,030,804**	**(206,770,873)**	**–**	**201,037**	**150,541,257**

The 'Other' column includes the net effect of accrued and paid interest on interest bearing loans. Group classifies interest paid as cash flows from operating activities.

30. Financial risk management >>

The Group's principal financial liabilities, other than derivatives, are comprised of loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group's principal financial assets include loans, trade and other receivables, and cash and short-term deposits that derive directly from its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Group's financial risk activities are governed by appropriate policies and procedures and financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialists that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

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 comprises the following types of risk: interest rate risk, currency risk, and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, cash equivalents and derivative financial instruments.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

During the years ended 31 December 2020 and 2019, the Group does not attract any amounts of foreign currency denominated borrowings, and as a consequence is not materially exposed to foreign currency risk. The only balances that are exposed to foreign currency risk are accounts payables to several foreign suppliers.

Whenever possible, the Group tries to mitigate the exposure to foreign currency risk by matching the statement of financial position, and revenue and expense items in the relevant currency.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant.

	Change in USD rate	Effect on profit before tax
Year ended 2020	16.00%	(143,763)
	-16.00%	143,763
Year ended 2019	13.00%	(61,972)
	-11.00%	52,438

The following table demonstrates the sensitivity to a reasonably possible change in the EUR exchange rate, with all other variables held constant.

	Change in EUR rate	Effect on profit before tax
Year ended 2020	16.00%	(36,367)
	-16.00%	36,367
Year ended 2019	13.00%	(25,815)
	-11.00%	21,844

Foreign currency exchange rate reasonable possible change range was prepared for the purpose of market risk disclosures in accordance with IFRS 7 and is derived from statistical data, in particular time series analysis.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of the financial instrument will fluctuate because of changes in market interest rates. As at 31 December 2020 and as at 31 December 2019 the Group has no financial instruments with floating interest rates.

Credit risk

Credit risk is the risk that counterparty may default or not meet its obligations to the Group on a timely basis, leading to financial loss to the Group. Financial assets, which are potentially subject to credit risk, consist principally of cash in bank accounts and cash in transit, loans and receivables.

In determining the recoverability of receivables the Group uses a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and rating) and the likelihood of default over a given time horizon. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables

The Group has no significant concentrations of credit risk. Concentration of credit risk with respect to receivables is limited due to the Company's customer and vendor base being large and unrelated. Credit is only extended to counterparties subject to strict approval procedures. The Group trades only with recognised, creditworthy third parties who are registered in the Russian Federation. It is the Group's policy that all customers who are granted credit terms have a history of purchases from the Group. The Group also requires these customers to provide certain documents such as incorporation documents and financial statements. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Sales to retail customers are made in cash, debit cards or via major credit cards.

Cash and cash equivalents

Credit risk from investing activities is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

The maximum exposure to credit risk at the reporting date of trade receivables is the carrying value as presented in the statement of financial position. The maximum exposure to credit risk at the reporting date of cash and cash equivalents is RUB 21,532,580 (31 December 2019: RUB 73,128,341).

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial assets and liabilities and projected cash flows from operations. The Group objective is to maintain a continuity of funding and flexibility through the use of bank overdrafts and bank loans. Each year the Group analyses its funding needs and anticipated cash flows, so that it can determine its funding needs.

The table below summarises the maturity profile of the Group's financial liabilities at 31 December 2019 and 31 December 2019 bases on contractual undiscounted cash flows of the financial liabilities based on the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows.

31 December 2020

	Less than 12 months	1-5 years	Over 5 years	Total
Borrowings	37,062,819	49,167,294	–	86,230,113
Lease liabilities	5,765,364	20,666,697	28,338,092	54,770,153
Trade and other payables	61,466,433	–	–	61,466,433
TOTAL	**104,294,616**	**69,833,991**	**28,338,092**	**202,466,699**

31 December 2019

	Less than 12 months	1-5 years	Over 5 years	Total
Borrowings	75,038,997	89,522,037	–	164,561,034
Lease liabilities	5,334,247	20,116,334	28,991,802	54,442,383
Trade and other payables	54,689,103	–	–	54,689,103
TOTAL	**135,062,347**	**109,638,371**	**28,991,802**	**273,692,520**

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group reviews its capital needs periodically to determine actions to balance its overall capital structure through shareholders' capital contributions or new share issues, return of capital to shareholders as well as the issue of new debt or the redemption of existing debt. The Group is guided in its decisions by an established financing policy, which stipulates leverage ratios, interest coverage, covenants compliance, appropriateness of balance between long-term and short-term debt, requirements to diversification of funding sources. Dividends are to be declared based on the capital requirements of the business and with reference to continuing compliance with the financial policy.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 20, lease liabilities less cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Net debt of the Group comprises of the following:

	31 December 2020	31 December 2019
Borrowings	78,951,574	150,541,257
Lease liabilities	34,441,507	32,160,006
Cash and cash equivalents (Note 17)	(21,808,874)	(73,404,760)
NET DEBT	**91,584,207**	**109,296,503**

Net debt is a non-IFRS indicator and, therefore, its calculation may differ between companies, however it is one of the key indicators that are commonly used by investors and other users of financial statements in order to evaluate financial condition of the Group.

31. Contingencies >>

Operating environment of the Group

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including the outbreak of coronavirus infection, sanctions imposed, consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A general slowdown in the Russian economy or in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments, and the effectiveness of economic, financial and monetary measures undertaken by the government.

The recent outbreak and global spread of the COVID-19 may have a significant and prolonged impact on global economic conditions, disruptions in supply chain, increase in employee absenteeism and adversely impact operations.

Since March 2020, the Russian authorities have taken a number of measures to mitigate the effect of COVID-19 on the Russian economy. The range of measures is very broad and includes, amongst others, the deferral of tax and lease payments, suspension of field audits, prolongation of various state licenses and permits, credit holidays and bank loans at reduced rates. Food retail was not included into the list of most affected sectors. The Group was included into the list of systemically important companies. The Government of Russia provided the following support measures for companies, included into the list of systemically important ones: budget subsidies, deferral of taxes and tax advances, state guarantees for credits and loans. The Group did not plan to apply for support measures provided by the Government.

COVID-19 is having a significant impact on the operations of the Group's business. During the reporting period the Group experienced strong growth of sales and EBITDA exceeding prior year and budgeted amounts. At the same time the Group is incurring additional COVID-19 preventive costs, particularly on additional intensity allowance to personnel to meet the increased demand, on antibacterial protection equipment and liquids for employees and customers, masks and gloves, cleaning services. These additional expenses are more than outweighed by the benefits of increased consumer demand. The Group performed assessment of the impact of COVID-19 on the impairment of non-financial assets (Note 7) and on credit risk with respect to receivables (Note 14).

While the full financial impact of the crisis in long-term perspective is impossible to predict with a high degree of certainty, the management strongly believes in positive outcome on the performance of the Group.

The Russian economy has been negatively impacted by sanctions imposed on Russia by a number of countries. The Rouble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Legal contingencies

Group companies are involved in a number of lawsuits and disputes that arise in the normal course of business. Management assesses the maximum exposure relating to such lawsuits and disputes to be RUB 89,974 as at 31 December 2020 (31 December 2019: RUB 84,015). Management believes there is no exceptional event or litigation likely to affect materially the business, financial performance, net assets or financial position of the Group, which have not been disclosed in these consolidated financial statements.

Russian Federation tax and regulatory environment

The government of the Russian Federation continues to reform the business and commercial infrastructure in its transition to a market economy. As a result the laws and regulations affecting businesses continue to change rapidly. These changes are characterised by poor drafting, different interpretations and arbitrary application by the authorities. In particular taxes are subject to review and investigation by a number of authorities who are enabled by law to impose fines and penalties. While the Group believes it has provided adequately for all tax liabilities based on its understanding of the tax legislation, the above facts may create tax risks for the Group. Management also assesses the maximum exposure from possible tax risks to be RUB 2,123,772 (31 December 2019: RUB 1,750,623). Management continues to monitor closely any developments related to these risks and regularly reassesses the risk and related liabilities, provisions and disclosures.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

32. Events occurring after the reporting period >>

From 17 February 2021 the Company was registered in the Russian Federation in the special administrative region of Oktyabrsky Island, Kaliningrad. As a result of the redomiciliation becoming effective, the Company is now named Lenta IPJSC, an international public joint-stock company.

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Appendices

Companies subsidiaries >>

The Company had the following subsidiaries as at 31 December 2020:

Company name	Beneficial ownership
Lenta LLC	100%
Zoronvo Holdings Ltd	100%
Lenta-2 LLC	100%
TRK-Volzhskiy LLC	100%
TK-Zheleznodorozhniy LLC	100%

List of cities as of 31 December 2020 >>

	Cities[1]	Number of hypermarkets	Number of supermarkets	Number of distribution centres
1	Achinsk	1	0	0
2	Almetyevsk	1	0	0
3	Arkhangelsk	2	0	0
4	Armavir	1	0	0
5	Astrakhan	2	0	0
6	Balakovo	1	0	0
7	Barnaul	3	5	0
8	Belgorod	2	0	0
9	Biysk	1	0	0
10	Bratsk	1	0	0
11	Bryansk	1	0	0
12	Cheboksary	1	0	0
13	Chelyabinsk	6	0	0
14	Cherepovets	3	0	0
15	Cherkessk	1	0	0
16	Dimitrovgrad	1	0	0
17	Ekaterinburg	5	10	1
18	Engels	2	0	0
19	Grozny	1	0	0
20	Irkutsk	2	0	0
21	Ivanovo	3	0	0
22	Izhevsk	3	0	0
23	Kaluga	1	1	0
24	Kamensk-Uralsky	1	0	0
25	Kazan	6	0	0
26	Kemerovo	3	9	0
27	Khanty-Mansiysk	1	0	0
28	Kostroma	1	0	0
29	Krasnodar	3	0	0
30	Krasnoyarsk	5	0	0
31	Kurgan	1	0	0
32	Kursk	1	0	0
33	Lipetsk	2	0	0
34	Magnitogorsk	2	0	0
35	Maykop	1	0	0
36	Moscow	26	53	3
37	Murmansk	2	0	0
38	Naberezhnye Chelny	2	0	0

1 From 1 May 2015, all stores located in Moscow city and the Moscow Region are shown as 'Moscow'; all stores located in the Leningrad Region and St. Petersburg are shown as 'St. Petersburg'.

	Cities[1]	Number of hypermarkets	Number of supermarkets	Number of distribution centres
39	Nizhnevartovsk	1	0	0
40	Nizhnekamsk	1	0	0
41	Nizhniy Novgorod	4	0	0
42	Nizhniy Tagil	2	0	0
43	Novocherkassk	1	0	0
44	Novokuznetsk	4	1	0
45	Novorossiysk	2	0	0
46	Novoshakhtinsk	1	0	0
47	Novosibirsk	7	25	1
48	Noyabrsk	1	0	0
49	Obninsk	1	1	0
50	Omsk	6	0	0
51	Orel	1	0	0
52	Orenburg	4	0	0
53	Orsk	1	0	0
54	Penza	2	0	0
55	Perm	3	0	0
56	Petrozavodsk	2	0	0
57	Prokopievsk	1	0	0
58	Pskov	2	0	0
59	Rostov-on-Don	4	0	1
60	Ryazan	3	0	0
61	Samara	4	0	0
62	Saransk	1	0	0
63	Saratov	3	0	0
64	Shakhty	1	0	0
65	Smolensk	1	0	0
66	St. Petersburg	41	35	2
67	Stavropol	2	0	0
68	Sterlitamak	1	0	0
69	Surgut	2	0	0
70	Syktyvkar	2	0	0
71	Taganrog	2	0	0
72	Tobolsk	1	0	0
73	Togliatti	2	0	1
74	Tomsk	3	1	0
75	Tula	1	0	0
76	Tver	1	0	0
77	Tyumen	5	0	0
78	Ufa	5	0	0
79	Ulyanovsk	2	0	0
80	Velikiy Novgorod	2	0	0
81	Vladimir	1	0	0
82	Volgograd	4	0	0
83	Vologda	1	0	0
84	Volzhskiy	1	0	0
85	Voronezh	2	0	0
86	Yaroslavl	5	0	0
87	Yoshkar Ola	1	0	0
88	Yurga	1	0	0
89	Zheleznovodsk	1	0	0

1 From 1 May 2015, all stores located in Moscow city and the Moscow Region are shown as 'Moscow'; all stores located in the Leningrad Region and St. Petersburg are shown as 'St. Petersburg'.

Glossary >>

Unless otherwise specified, the terms 'Company', 'the Group', 'we', 'us', and 'our' refer to Lenta PLc., or where the context allows, to the Lenta business more generally.

the 2014 Offering	the initial public offering of our Shares, in the form of GDRs, admitted to trading on the London Stock Exchange and the Moscow Stock Exchange on 5 March 2014
active cardholder	a customer who has purchased goods at one of our stores at least twice in the past 12 months using our loyalty card
average sales density	total sales during the relevant year divided by the average selling space for that year
average ticket	the figure calculated by dividing total sales, net of VAT, at all stores during the relevant year by the number of tickets in that year
the Board	the board of directors of Lenta PLc
BVI	the British Virgin Islands
Capex	capital expenditure
CAGR	Compounded annual growth rate
EGAIS	national automated information system for the control of alcohol production and distribution
FMCG	fast-moving consumer goods – products that are sold quickly and at relatively low cost
gamification	the application of game-design elements and game principles in non-game contexts. Gamification commonly employs game design elements which are used in non-game contexts to improve user engagement, organisational productivity, flow, learning, crowdsourcing, employee recruitment and evaluation, ease of use, usefulness of systems, physical exercise, traffic violations, voter apathy, and more.
GDRs	global depositary receipts
in-store availability	the number of SKUs in-store with a positive stock value as a proportion of the total number of active SKUs for sale, calculated based on the average daily in-store availability of all open stores
LFL	like-for-like
P&L	profit and loss statement
SG&A	Selling, General and Administrative Expenses, which is a major non-production cost presented in the Income statement
Shares	our ordinary shares
SKU	a 'stock keeping unit', or a number assigned to a particular product to identify the price, product options and manufacturer of the merchandise
sq.m	square metre(s)
ticket	the receipt issued to a customer for his/her basket (the amount spent by a customer on a shopping trip)
total selling space	the area inside our stores used to sell products, excluding areas rented out to third parties, own-production areas, storage areas and the space between store entry and the cash desk line
traffic	the number of tickets issued for the period under review

Further information >>

In this annual report, we present certain operating and financial information regarding our hypermarkets and supermarkets, which we define as follows:

Adjusted EBITDA	EBITDA adjusted for non-recurring one-off items such as changes in accounting estimates and one-off non-operating costs
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of sales
Adjusted EBITDAR	Adjusted EBITDA before rent paid on land, equipment and premises leases
Adjusted EBITDAR margin	Adjusted EBITDAR as a percentage of sales
EBITDA	Profit for the period before foreign exchange gains/losses, revaluation of financial instruments at fair value through profit or loss, reversal of impairment of non-financial assets, other expenses, depreciation and amortisation, interest and tax. The reconciliation of EBITDA to IFRS profit is presented in tabular format in note 6 to the Consolidated Financial Statements.
like-for-like sales	We distinguish between sales attributable to new stores and sales attributable to existing stores. We consider the sales generated by stores until the end of the 12th full calendar month of their operation to be sales attributable to new stores. Accordingly, like-for-like sales begin with the comparison of the 13th full calendar month of operations of a store to its first full calendar month of operations, assuming the store has not subsequently closed, expanded or down sized. The number of stores in our like-for-like panel as of 31 December 2020 and 2019was 372 (247 hypermarkets and 125 supermarkets) and 351 (230 hypermarkets and 121 supermarkets) respectively. 'Like-for-like average ticket growth', 'like-for-like average price growth per article', 'like-for-like traffic growth', and 'like-for-like average sales density' are calculated using the same methodology as like-for-like sales.
Other metrics	Net debt is calculated as the sum of short-term and long-term debt (including borrowings and obligations under finance leases, capitalised fees and accrued interest) minus cash and cash equivalents. The ratio of net debt to Adjusted EBITDA is net debt divided by Adjusted EBITDA. The ratio of Adjusted EBITDA to net interest expense is Adjusted EBITDA divided by net interest expense, which is calculated as interest expense less interest income. The ratio of Adjusted EBITDAR to net interest expense plus rental expense ratio is Adjusted EBITDAR divided by the sum of net interest expense and rental expenses. CROCI is defined as Adjusted EBITDA over average capital invested. Average capital invested is the average of the book value of gross non-current assets plus net working capital as of the beginning of the year and the book value of gross non-current assets plus net working capital as of the end of the year. Adjusted SG&A/ Sales is SG&A, excluding expenses on land and equipment leases, premises leases, depreciation and amortisation and one-off expenses as a proportion of sales.

Cautionary statements >>

Forward-looking statements >>

>> This document contains certain 'forward-looking statements' which include all statements other than those of historical facts that relate to our plans, financial position, objectives, goals, strategies, future operations and performance, together with the assumptions underlying such matters.

We generally use words such as 'estimates', 'expects', 'believes', 'intends', 'plans', 'may', 'will', 'should', 'projects', 'anticipates', 'targets', 'aims', 'would', 'could', 'continues' and other similar expressions to identify forward-looking statements. We have based these forward-looking statements on the current views of our management with regard to future events and performance. These views reflect management's best judgement, but involve uncertainties and are subject to certain known and unknown risks together with other important factors outside our control, the occurrence of which could cause actual results to differ materially from those expressed in our forward-looking statements.

Rounding >>

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

Market and industry data

Statements referring to our competitive position and the Russian retail food sector reflect our beliefs and, in some cases, private and publicly available information and statistics, including annual reports, industry publications, market research, press releases, filings under various securities laws, official data published by Russian governmental entities and data published by international organisations and other third-party sources.

Notes >>