

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

**IMPORTANT:** You must read the following before continuing. The following applies to the attached document (the “**Listing Particulars**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Listing Particulars. In accessing the Listing Particulars, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein (the “**Securities**”). You acknowledge that this electronic transmission and the delivery of the attached Listing Particulars is intended for you only and you agree you will not forward this electronic transmission or the attached Listing Particulars to any other person. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the U.S. Securities Act of 1933 (the “**Securities Act**”) or the applicable laws of other jurisdictions.

The Listing Particulars have been prepared solely in connection with the proposed offering to certain institutional and professional investors of the Securities. In particular, the Listing Particulars refer to certain events as having occurred that have not occurred at the date it is made available but that are expected to occur prior to approval of the Listing Particulars to be delivered in due course.

Investors should not subscribe for or purchase securities except on the basis of information in the Listing Particulars. Copies of the Listing Particulars will, following publication, be made available to the investors in accordance with the applicable rules. The investors should note that it is intended that the Listing Particulars will not be made available to the public.

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

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

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

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

Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the “**Order**”), or (iii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Order (all such persons together being referred to as “**Relevant Persons**”). In the United Kingdom, the Listing Particulars are directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the Listing Particulars relate is available only to Relevant Persons and will be engaged in only with Relevant Persons.

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

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

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



US\$350,000,000

8.75 per cent. Loan Participation Notes due 2022

(Issued by, with limited recourse to,)

Bonitron Designated Activity Company

(incorporated under the laws of Ireland)

for the sole purpose of financing a loan to

Eurotorg LLC

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

Issue Price: 100 per cent.

Bonitron Designated Activity Company, a company incorporated as a designated activity company under the laws of Ireland (the “**Issuer**”), is issuing an aggregate principal amount of US\$350,000,000 8.75 per cent. Loan Participation Notes due 2022 (the “**Notes**”) for the sole purpose of financing a loan (the “**Loan**”) to Eurotorg LLC, a limited liability company organized under the laws of the Republic of Belarus, (the “**Company**” or the “**Borrower**”), pursuant to a loan agreement dated 19 October 2017 (the “**Loan Agreement**”) between the Issuer and the Borrower.

Pursuant to the trust deed (the “**Trust Deed**”) relating to the Notes between the Issuer and BNY Mellon Corporate Trustee Services Limited, as trustee (the “**Trustee**”), the Issuer will provide certain security for all payment obligations in respect of the Notes for the benefit of the holders of Notes (the “**Noteholders**”), including a first fixed charge in favour of the Trustee of all amounts paid and payable to it under the Loan Agreement and an assignment to the Trustee of the Issuer’s rights and interests under the Loan Agreement, other than in respect of certain reserved rights (as more fully described in “*Overview of the Transaction Structure and the Security*”). Interest on the Loan will be payable at a rate of 8.75 per cent. per annum semi-annually in arrear on the interest payment date falling on 30 April and 30 October in each year, commencing on 30 April 2018, and, provided that the Issuer receives such payment in full, the Notes will bear interest from, and including, 30 October 2017 and payable on such dates at the same rate.

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

The Loan, and correspondingly the Notes, may be redeemed early at the option of the Company in certain circumstances, all as more fully described in “*Loan Agreement*” and “*Terms and Conditions of the Notes*”.

**AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE “*RISK FACTORS*” BEGINNING ON PAGE 18. The issue and sale of the Notes is conditional on the receipt from the National Bank of Belarus (the “**National Bank**”) of a permit in respect of the Loan Agreement. Prospective investors should have regard to the risk factor entitled “*Issue and sale of the Notes is conditional on the receipt from the National Bank of a permit in respect of the Loan Agreement*” on page 48.**

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

These listing particulars (the “**Listing Particulars**”) have been prepared for the purposes of providing disclosure information with regard to the Notes to be admitted to the Official List of the Irish Stock Exchange (the “**Official List**”) and trading on its Global Exchange Market (the “**Global Exchange Market**”). The Global Exchange Market is not a regulated market for the purposes of Directive 2004/39/EC. These Listing Particulars constitute listing particulars in respect of the admission of the Notes and does not constitute a prospectus for the purposes of Directive 2003/71/EC (the “**Prospectus Directive**”). Application has been made for these Listing Particulars to be approved by the Irish Stock Exchange Plc (the “**Irish Stock Exchange**”) and the Notes to be admitted to the Official List and trading on the Global Exchange Market of the Irish Stock Exchange.

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

The Notes will be offered and sold in the minimum denomination of US\$200,000 and integral multiples of US\$1,000 in excess thereof. The Regulation S Notes will initially be represented by interests in a global note certificate in registered form (the “**Regulation S Global Note Certificate**”), without interest coupons, which will be deposited with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream, Luxembourg**”), and registered in the name of a nominee for such common depository, on or about 30 October 2017 (the “**Issue Date**”). The Rule 144A Notes will initially be represented by interests in a global note certificate in registered form (the “**Rule 144A Global Note Certificate**”) and, together with the Regulation S Global Note Certificate, the “**Global Note Certificates**”), which will be registered in the name of Cede & Co., as nominee of, and deposited with a custodian for, The Depository Trust Company (“**DTC**”) on or about the Issue Date. Beneficial interests in the Global Note Certificates will be shown on, and transfers thereof will be effected only through records maintained by, DTC, Euroclear or Clearstream, Luxembourg (as the case may be) and their respective participants. See “*Clearing and Settlement*”. Individual note certificates in registered form will only be available in certain limited circumstances as described herein.

The Issuer will use the proceeds received from the issue and sale of the Notes for the sole purpose of making the Loan. The Company intends to use the proceeds of the Loan in the amount of approximately U.S.\$305 million to repay existing indebtedness of the Group, including a portion of its indebtedness owed to Sberbank group, and to use the outstanding amount for general corporate purposes.

Joint Global Coordinators and Joint Bookrunners

J.P. Morgan

Sberbank CIB

Joint Bookrunner

Renaissance Capital

Listing Particulars dated 19 October 2017

## IMPORTANT INFORMATION ABOUT THESE LISTING PARTICULARS

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

Each of the Issuer and the Company (whose registered offices are set out on pages 137 and 233 of these Listing Particulars) accepts responsibility for the information contained in these Listing Particulars. To the best of the knowledge of each of the Issuer and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in these Listing Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

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

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

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

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

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

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

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

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

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

#### **NOTICE TO UNITED KINGDOM RESIDENTS**

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

#### **NOTICE TO PROSPECTIVE U.S. INVESTORS**

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

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

#### **NOTICE TO BELARUS INVESTORS**

These Listing Particulars or information contained herein is not an offer, or an invitation to make offers, sell, purchase, exchange or transfer any securities in the Republic of Belarus to or for the benefit of any Belarusian person or entity, and does not constitute an advertisement or offering of any securities in the Republic of Belarus within the meaning of Belarusian securities laws. Information contained in these Listing Particulars is not

intended for any persons in the Republic of Belarus, unless and to the extent they are otherwise permitted to access such information under Belarusian law.

#### **AVAILABLE INFORMATION**

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

## FORWARD-LOOKING STATEMENTS

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

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

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

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

### Financial Information

The financial information as of and for the years ended 31 December 2016, 2015 and 2014 set forth herein, unless otherwise indicated, has been derived from the Group's audited consolidated financial statements as of and for the years ended 31 December 2016, 2015 and 2014 as set forth on pages F-43 to F-131 in these Listing Particulars (the "**Annual Consolidated Financial Statements**") and unaudited condensed consolidated interim financial information as of and for the six months ended 30 June 2017, as set forth on pages F-1 to F-42 in these Listing Particulars (the "**Interim Consolidated Financial Information**", together with the Annual Consolidated Financial Statements, the "**Financial Statements**"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board. The Interim Consolidated Financial Information have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

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

The Annual Consolidated Financial Statements have been restated. As a result, the financial information as of and for the years ended 31 December 2016, 2015 and 2014 presented herein will conform to the financial information as of and for the years ended 31 December 2016, 2015 and 2014 in the Annual Consolidated Financial Statements, but will not, where restated, conform in all respects to the Group's previously prepared consolidated financial statements as of and for the years ended 31 December 2016, 2015 and 2014.

### Non-IFRS Information

Certain measures included in these Listing Particulars are not measures defined by IFRS. These include Adjusted Net Working Capital, Capital Expenditures, EBITDA, EBITDA Margin, EBITDAR Margin, Free Cash Flow, Net Debt and Net Debt to EBITDA (collectively, the "**Non-IFRS Measures**").

"**Adjusted Net Working Capital**" is defined as the sum of inventories (excluding banking inventories) and net trade receivables less trade accounts payable.

"**Capital Expenditures**" means cash flow related to the acquisition of property and equipment and the acquisition of intangible assets.

"**EBITDA**" is defined as profit/(loss) for the period from continuing operations, adjusted for income taxes, finance costs and depreciation and amortisation and, in respect of the year ended 31 December 2014, exclusive of the adjustment for gain on net non-monetary position..

"**EBITDA Margin**" is defined as EBITDA divided by revenue, interest and commission income expressed as a percentage.

"**EBITDAR Margin**" is defined as the sum of EBITDA and rental expenses divided by revenue, interest and commission income, expressed as a percentage.

"**Free Cash Flow**" means net cash from operating activities less Capital Expenditures plus proceeds from sale of property and equipment.

"**Net Debt**" is calculated as the sum of short-term and long-term loans and borrowings (including obligations under finance leases) minus cash and cash equivalents.

"**Net Debt to EBITDA**" is a ratio calculated by dividing Net Debt by EBITDA.

These measures are included herein as the Group believes they enhance an investor's understanding of the Group's financial performance. Further, the Group uses the Non-IFRS Measures disclosed in the Listing Particulars in the Group's business operations to, among other things, evaluate the performance of the Group's operations, develop budgets and measure the Group's performance against those budgets. The Group also believes that these Non-IFRS Measures are commonly reported by comparable businesses and used by investors



in comparing the performance of businesses.

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

### **Presentation of Other Financial and Operating Information**

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

In these Listing Particulars, all references to:

- **"active cardholder"** means a customer of the Group who has purchased goods at the Group's stores using the Group's loyalty card at least once within a month at the end of which the calculation of active cardholders is made;
- **"average selling space"** means the aggregate selling space of the Group's stores divided by the total number of the Group's stores;
- **"average ticket"** (expressed in Belarusian Roubles) means the total sales (including VAT) at the Group's stores during the relevant period divided by the number of tickets at such stores in that period;
- **"CAGR"** means a compound annual growth rate, calculated as  $(\text{ending value}/\text{starting value})^{(1/\text{number of years})} - 1$ ;
- **"LFL"** – the Group distinguishes between sales, average ticket and traffic attributable to new stores and sales, average ticket and traffic attributable to existing stores. The Group considers the sales, average ticket and traffic attributable to stores operating less than 12 full calendar months to be sales, average ticket and traffic attributable to new stores. Accordingly, LFL revenue, LFL average ticket and LFL traffic 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 downsized. The number of stores in the Group's like-for-like panel as of 30 June 2017 and 31 December 2016, 2015 and 2014 was 427, 378, 282 and 150, respectively;
- **"household penetration rate"** means the ratio of the average number of the Group's active cardholders to the number of households in Belarus (assuming that one household consists of 2.5 persons and the population of Belarus is approximately 9.5 million people as of 31 December 2016) for a period;
- **"net store openings"** means stores opened by the Group less stores closed within a period;
- **"sales density"** means sales revenue (including VAT) generated by the Group's stores (exclusive of a hyperinflation effect in 2014) divided by the selling space as at the end of a period;
- **"selling space"** (in square metres) means the area inside stores used to sell products, and excludes storage areas;
- **"SKU"** means a stock keeping unit, or a number assigned to a particular product to identify the price, product options and manufacturer of the merchandise;

- “**supply chain capacity**” means a percentage of occupied pallet space in the aggregate pallet space in all of the Group’s distribution centres and warehouses;
- “**territorial unit**” means an administrative territorial division of Belarus, which encompasses districts, towns and settlements. As of the date of these Listing Particulars, Belarus consists of 129 territorial units;
- “**ticket**” means a receipt issued to a customer for his/her purchase (i.e. the amount in Belarusian Roubles (including VAT) spent by a customer on a shopping trip) at a store;
- “**tickets per sq. m.**” is calculated by dividing the total number of customer receipts made at all of the Group’s stores by the total selling space of the Group’s stores for a period;
- “**traffic**” means the total number of customer receipts issued at all of the Group’s stores during the entire period;

## Market and Industry Data

Certain information, data and statistics, including market data, used in these Listing Particulars under the captions “*Risk Factors*”, “*Operating and Financial Review*” and “*Business*”, which are cited to third parties, have been extracted from official and industry sources and other sources the Group believes to be reliable. Sources of such information, data and statistics include: information available on the websites of the National Bank of the Republic of Belarus (“**National Bank**”), the National Statistical Committee of Belarus (“**National Statistical Committee**”), the National Academy of Science of Belarus (“**National Academy of Science**”), GFK Geomarketing (“**GFK Geomarketing**”), Nielsen Company (“**Nielsen**”), Planet Retail (“**Planet Retail**”) and other publicly available sources. Such information, data and statistics have been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published or provided by the aforementioned sources, no facts have been omitted which would render the reproduced information, data and statistics inaccurate or misleading. However, in the preparation of these Listing Particulars, this third-party information has not been independently verified nor has there been any investigation of the validity of the methodology of, or the basis used by, the third parties in producing such data or making estimates and forecasts. The Group cannot give any assurance that any such information is accurate or, in respect of projected data, that such projections have been based on correct information and assumptions or that they will prove to be accurate. Sources of third-party information are named whenever such third-party information is used in these Listing Particulars.

## Currencies

In these Listing Particulars, all references to:

- “**EUR**” and “**Euro**” are to the currency of the participating member states in the third stage of the Economic and Monetary Union of the Treaty establishing the European community, as amended;
- “**BYN**”, “**Belarusian Rouble**” and “**Belarusian Roubles**” refer to the lawful currency of the Republic of Belarus. For the avoidance of doubt, these also refer to pre-redemption currency of the Republic of Belarus (see “*Operating and Financial Review—Significant Factors Affecting the Results of Operations—Economic Conditions*” and “*Exchange Rates*” below); and
- “**USD**”, “**U.S. Dollar**” and “**U.S.\$**” are to the currency of the United States of America.

## Volume Measurement

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

## Exchange Rates

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

For the period	Belarusian Roubles per U.S. Dollar			
	High	Low	Average <sup>(1)</sup>	Period end
2017 (up to and including 30 June 2017) .....	1.9707	1.8520	1.8968	1.9336
2016 <sup>(2)</sup> .....	2.2069	1.8569	1.9885	1.9585
2015 .....	18,569	11,900	15,865	18,569
2014 .....	11,850	9,520	10,216	11,850

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

(2) On 1 July 2016, the Belarusian Rouble was redenominated at the rate of 10,000 old Belarusian Roubles to one new Belarusian Rouble.

The exchange rate between the Belarusian Rouble and the U.S. Dollar on 30 September 2017 was BYN 1.9623 per U.S.\$1.00.

The following table shows, for the periods indicated, certain information regarding the exchange rate between the Belarusian Rouble and the Euro, based on the official exchange rate quoted by the National Bank:

For the period	Belarusian Roubles per Euro			
	High	Low	Average <sup>(1)</sup>	Period end
2017 (up to and including 30 June 2017) .....	2.2088	1.9698	2.0515	2.2088
2016 <sup>(2)</sup> .....	2.4956	2.0100	2.2005	2.0450
2015 .....	20,474	14,460	17,610	20,300
2014 .....	14,380	12,970	13,574	14,380

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

(2) On 1 July 2016, the Belarusian Rouble was redenominated at the rate of 10,000 old Belarusian Roubles to one new Belarusian Rouble.

The exchange rate between the Belarusian Rouble and the Euro on 30 September 2017 was BYN 2.3141 per EUR 1.00.

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

## Rounding

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

## Certain Jurisdictions

In these Listing Particulars, all references to:

“EU” are to the European Union;

“United Kingdom” are to the United Kingdom of Great Britain and Northern Ireland; and

“U.S.” and “United States” are to the United States of America.

## **References to the Republic of Belarus and Government**

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

## **ENFORCEABILITY OF JUDGEMENTS**

### **ENFORCEMENT OF FOREIGN JUDGEMENTS AND ARBITRAL AWARDS IN BELARUS**

Foreign judgments (except for those rendered in Russia) or arbitral awards will not be enforced in Belarus until they have passed the procedure of recognition under which the Belarusian court recognizes the judgement as valid and binding upon the parties in respect of the issues with which it dealt. It is a formal procedure providing for participation of the parties to the dispute but without re-consideration of the merits of the dispute.

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

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

Generally, the courts of Belarus will not recognize judgments of a foreign court of law in absence of an international and/or bilateral agreement between Belarus and the jurisdiction in which such decision was rendered. No such agreement is currently in force between Belarus and either the United Kingdom or the United States.

In absence of such agreement, the courts of Belarus may recognize and enforce a foreign judgment on the basis of the principle of reciprocity. The Belarusian legislation lacks precise rules on the application of this principle. Thus, there can be no assurance that the courts of Belarus will recognize and enforce a judgment rendered by courts of jurisdiction with which Belarus has no international/bilateral agreement based on reciprocity.

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

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

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

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

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

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

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

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

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

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

Tax Code of the Republic of Belarus stipulates that non-residents are sole obligors and payers of the income tax payable by non-residents not acting through permanent establishment in respect of income derived from sources on the territory of Belarus, and Belarusian residents are not allowed to assume those tax liabilities. No official interpretation is available to provide guidance regarding the applicability of these provisions to “gross up” provisions contained in Clause 6.2 of the Loan Agreement. In absence of any such official interpretation or guidance regarding validity of the tax gross-up obligations, there is a risk that a court of the Republic of Belarus may construe any such gross-up provisions as unenforceable.

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## OVERVIEW OF THE GROUP

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

### Overview

The Group is the largest food retailer in the Belarusian market with a market share of approximately 19 per cent. in the six months ended 30 June 2017, based on food retail revenue, according to the Group's estimates based on the National Statistical Committee data. In the same period, the Group's next largest modern format competitor, Korona, had a market share of approximately 3.9 per cent. Based on the Company's estimates, the Group expanded faster in terms of market share growth than its main competitors in each year since 2014. As at 30 June 2017, the Group operated 460 stores in 97 of the 129 territorial units of Belarus. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates. As at 30 June 2017, the Group had more than 2.3 million active cardholders under the Group's loyalty programmes, which equates to a household penetration rate of approximately 59 per cent. of total Belarusian households.

The Group's strategy is based on offering a focused assortment of high turnover products (i.e. products for which demand is greatest) at market-low prices (see "*—Strategy—Optimise the Group's pricing strategy*"). On the basis of surveys conducted by various third parties, including the National Academy of Science of Belarus, and monthly market surveys conducted by the Group, the Group's management compares prices for the basic food product range against those of the Group's competitors and believes that the Group is the price leader in the Belarusian food retail market. According to Nielsen research, the Group has a reputation of the leading destination for high demand, low-price products, which underpins its leading market position. The Group also regularly offers additional price discounts and promotions to its loyalty programmes members which helps to drive additional customer traffic and customer loyalty.

The Group offers both food and non-food products and sells a mix of branded products, private label and own-produced products. In the six months ended 30 June 2017, food products (including dry food, alcohol and dairy) and non-food products (including industrial products, seasonal products and pets supplies) constituted 92.3 per cent. and 7.7 per cent., respectively, of the retail sales of the Group's stores (including VAT). Private label products and own-produced products (including meat products, ready-to-eat food and bakery) accounted for 10.5 per cent. and 10.3 per cent. of the retail sales of the Group's stores (including VAT) in the same period.

The Group operates five different formats of stores ranging in size from E mini and E+ convenience stores to E++ supermarkets and E+++ and E++++ hypermarkets. The Group's management believes that this diversified multi-format chain model enables the Group to open and operate the optimum type and size of store for any particular location in Belarus based on the size of the local population and potential customer base. The Group's management believes that this flexibility enables the Group to increase its penetration rate throughout the country, and therefore grow its business, in a cost effective and efficient manner. The below table contains information on the number of stores, average selling space, selling space owned, percentage of sales per each store format as of 30 June 2017:

	<i>E mini</i>	<i>E+</i>	<i>E++</i>	<i>E+++</i>	<i>E++++</i>
Number of stores .....	194	169	59	35	3
Average selling space (in sq. m.)..	155	428	986	2,739	6,950
Average number of SKUs .....	3,650	7,050	12,000	25,700	43,000
Selling space owned (in %) .....	8	15	55	60	100
Percentage of total sales .....	13	30	20	30	7

The Group operates a balanced real estate strategy, in accordance with which it owns approximately 45 per cent of its total selling space (predominantly the hypermarkets) and leases approximately 55 per cent of its total selling space (predominantly the convenience stores), and actively manages the proportions of its owned and leased real estate in order to facilitate its operational expansion and optimize its financial position and working capital requirements.



The Group's stores are constructed and/or equipped in a modern format and approximately 75 per cent. of the Group's stores were opened since 1 January 2013. The Group's management believes that its new, modern format stores provide a more enjoyable and convenient retail experience for customers and differentiate the Group from its non-chain competitors and those of its local retail chain competitors which operate older, more traditional format stores.

The Group operates its own fully integrated, nation-wide logistics system based around three large, modern distribution centres with a total aggregate storage space of approximately 76,100 sq. m., which cater for the full range of the Group's products, one medium size warehouse processing fruits and vegetables with a total aggregate storage space of approximately 9,900 sq. m. and one railway transit warehouse with a total aggregate storage space of approximately 4,500 sq. m. The Group owns a fleet of approximately 150 transportation vehicles which carry out more than 50 per cent of the total deliveries of products to and from the Group's distribution bases and stores, with the remaining deliveries being carried out by third party contractors. The Group's management believes that the Group's distribution bases and transportation fleet give it significant control over its supply chain and reduce its dependence on third party suppliers. The Group's management believes that the Group's operations are supported by sophisticated internal IT systems that provide it with a wide range of reliable data management tools.

The Group conducts banking operations through the Company's subsidiary, OJSC StatusBank (the "**Bank**"). The Bank is a universal bank in Belarus offering private and corporate customers a wide range of banking services and products, including depositing household and corporate funds and granting commercial and consumer loans to legal entities and individuals. The Bank has branches in 21 cities throughout Belarus. As of 31 December 2016, the Bank's operating profit amounted to BYN 12,963 thousand, which accounted for 7.1 per cent. of the Group's total operating profit. See "*Business—Banking Operations*".

The Group had revenue, interest and commission income of BYN 1,897,646 thousand, BYN 3,638,760 thousand, BYN 2,986,568 thousand and BYN 2,407,930 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, gross profit of BYN 504,753 thousand, BYN 849,361 thousand, BYN 686,719 thousand and BYN 537,229 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, profit for the period of BYN 58,916 thousand in the six month period ended 30 June 2017 following a loss for the period of BYN 42,775 thousand and BYN 334,934 thousand in the years ended 31 December 2016 and 2015 and a profit for the period of 12,771 thousand in the year ended 31 December 2014 and EBITDA of BYN 182,346 thousand, BYN 257,423 thousand, BYN 221,477 thousand and BYN 159,518 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, and EBITDAR Margin of 11.8 per cent. in the six-month period ended 30 June 2017. This strong financial performance reflects the expansion of the Group's operations and LFL growth in its existing stores across the same periods. The Group had a CAGR in revenue of 22.9 per cent. and a CAGR in EBITDA of 27 per cent. for the three-year period ending 31 December 2016, and 7, 15, 140 and 95 net store openings in the six-month period ended 30 June 2017 and in each of 2016, 2015 and 2014, respectively, and 2,326 sq. m., 20,302 sq. m., 59,747 sq. m. and 65,233 sq. m. of net selling space was added in the six-month period ended 30 June 2017 and in 2016, 2015 and 2014, respectively.

## **Key Strengths**

The management of the Group believes that the Group benefits from the following key strengths.

### ***Leading position in the Belarusian food retail market***

The Group is the largest food retailer in the Belarusian market with an operating presence in 97 of the 129 territorial units of Belarus and an overall market share of approximately 19 per cent. in the six months ended 30 June 2017 (up from 14.4 per cent in the year ended 31 December 2014), based on food retail revenue, according to the Group's estimates based on the National Statistical Committee data. In the same period, the Group's next largest modern format competitor, Korona, had a market share of approximately 3.9 per cent. The Group also competes with Belkoopsoyuz, a cooperative union which encompasses manufacturers and retailers across Belarus, which operates traditional format stores and whose market share was 9.7 per cent. in the six months ended 30 June 2017 compared to 13.3 per cent. in the year ended 31 December 2014 (see "*Business—Retail Operations—Competition*"). As at 30 June 2017, the Group operated 460 stores in 97 of the 129 territorial units of Belarus with total aggregate selling space of approximately 277,200 sq. m. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates.

The Group's management believes that its leading market position enables the Group to benefit from certain significant competitive advantages, including:

- strong brand awareness as a result of its extensive chain of stores and nationwide presence and its targeted, national marketing activities, which in turn support high customer traffic and strong customer loyalty, with more than 2.3 million active cardholders under the Group's loyalty programmes as at 30 June 2017 (which equates to a household penetration rate of approximately 59 per cent. of total Belarusian households) and approximately 73 per cent. of all purchases in the Group's stores (by value) being made using the Group's loyalty cards in the six months ended 30 June 2017;
- significant economies of scale and leverage to negotiate advantageous pricing and other terms when purchasing goods and products from its suppliers, which underpins the Group's low price operating model (See "*—Low price operating model*" and "*—Strong supplier relations and efficient supply chain operations*");
- the Group plays an essential role in ensuring national food security by selling a substantial volume of major food categories in Belarus, such as fruits, nuts, edible oils, grits and vegetables (see "*—Strong supplier relations and efficient supply chain operations*"); and
- greater financial and operational resources than its competitors.

The Group's management considers that the Group's leading market position enables the Group to continue sustainable growth and improve profitability.

#### ***Fragmented market with high barriers to entry and significant potential for growth***

The Belarusian food retail market is highly fragmented and comprises modern format retail chains, such as the Group, Korona, Rublevsky and other retail chains which tend to operate a higher proportion of new, modern format stores located in more densely-populated areas, and traditional format retail chains such as Belkoopsoyuz, a cooperative union which encompasses manufacturers and retailers across Belarus, and numerous small, non-chain retail store operators which primarily operate traditional format stores in less densely-populated areas of Belarus. Despite some consolidation in recent years resulting from the expansion of modern format retail chains (including the Group) at the expense of traditional format retail stores, including stores operated by Belkoopsoyuz, traditional format retail store operators still represent a significant proportion of the Belarusian food retail market (approximately 55 per cent. as at 31 December 2016, according to the Group's estimates based on the National Statistical Committee data) with modern format retail chains comprising the remainder of the market. The Group is the largest retail chain in the fragmented Belarusian market, and, as such, the Group's management believes that it enjoys certain significant competitive advantages over both traditional format store and smaller modern format store competitors. See "*—Leading position in the Belarusian food retail market*" and "*—Strong supplier relations and efficient supply chain operations*".

The Group's management believes that any potential new market entrant would have to overcome significant barriers to entry in order to commence and maintain operations in Belarus and compete with the Group on a significant scale. These barriers would be particularly acute for any international retail chain, and include:

- the limited availability of modern selling space for rent, particularly modern selling space suitable for large supermarkets and hypermarkets;
- the existence of regulatory and practical limitations on the ability to construct new selling space in a timely and cost-efficient manner which are more challenging than in certain other jurisdictions (see "*Risk Factors—Successful challenges to the Group's lease rights or ownership interests in land and property or delays or cancellation of the Group's construction projects could have a material adverse effect on the Group's business, financial condition and operating results*");
- applicable Belarusian regulation that requires that a substantial number of SKUs across a majority of product categories must be of domestic origin; and import duties are levied on products imported into Belarus (save for products imported from Russia and Kazakhstan); consequently, any non-domestic market entrant would have to have (or rapidly develop) a comprehensive local supply chain, including strong relationships with local suppliers and a local logistics system, and reach a substantial procurement volume which would allow it to negotiate competitive prices; and

- the lack of suitably developed existing retail chains of sufficient scale that could be acquired as a way to enter the market and limited potential for market consolidation with retail operators due to a substantial geographic overlap between large retailers (with most being focused on Minsk and a few large regional cities).

No major international food retail chains currently have a presence in the Belarusian food retail market.

The Group's management believes there is significant potential for growth in the Belarusian food retail market. Certain less densely-populated areas of Belarus are significantly under-penetrated, particularly by retail chains operating modern store formats. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates. Selling space per capita (0.6 per sq. m. in 2016 according to the National Statistical Committee) and the penetration of modern format stores (approximately 45 per cent. in 2016 based on the Company's estimates) in Belarus is significantly lower than in many other European markets, according to GFK Geomarketing. Despite a deterioration in macro-economic conditions in 2015, retail turnover in Belarus had a CAGR of 26.7 per cent. (in BYN terms) for the six-year period ended 31 December 2016, according to the National Statistical Committee. Planet Retail anticipates that grocery spending in Belarus will have (in U.S.\$ terms) a CAGR of 9.5 per cent. between 2016 and 2020. To the extent macro-economic conditions in Belarus continue to stabilize or strengthen, the Group's management expects that this trend will continue and drive additional growth in the Belarusian fragmented food retail market and, in particular, demand for modern format food retail stores.

With its leading market position and associated competitive advantages, the Group's management believes the Group is well placed to extend its operations to under-penetrated areas and benefit from growth in the fragmented Belarusian food retail market.

#### ***Low price operating model***

The Group has a low price operating model, which has historically been central to the Group's development strategy, and seeks to be the leading low price food retailer in Belarus. On the basis of surveys conducted by various third parties, including the National Academy of Science of Belarus and Nielsen, and monthly market surveys conducted by the Group, the Group's management believes that the Group maintains the lowest average prices for basic food products amongst its main competitors. The average price of basic food (including alcohol and tobacco) and non-food products in the Group's hypermarkets and supermarkets was between 14 and 20 per cent. and between 14 per cent and 29 per cent lower, respectively, than the average prices for such products in the same format stores of its main competitors in July 2016, according to the National Academy of Science. Further, market surveys conducted by Nielsen in 2016 indicated that 33 per cent. of consumers surveyed rated the Group as the lowest price retailer in Minsk. The rating of the Group as the lowest price retailer is substantially higher in the regions of Belarus, with approximately 62 per cent and 83 per cent of consumers surveyed rating the Group as the lowest price retailer in Grodno and Gomel regions, respectively. According to market surveys conducted by Nielsen in 2016, the Group has a store equity index (which ranks retail brands for familiarity, connection and loyalty) of 5.4 (Gomel) and 3.1 (Minsk), which is one of the highest in Europe. The Group also periodically offers additional price discounts and promotions to its loyalty programmes members, thereby further reducing prices.

The Group's management believes that the Group's reputation for historically offering market-low prices for key food products is central to its strong brand awareness and customer loyalty and drives customer traffic throughout its stores. In turn, the low price operating model is substantially facilitated by the Group's keen focus on the scale and terms of its product procurement and its supply chain. See "*—Strong supplier relations and efficient supply chain operations*" and "*—Leading position in the Belarusian food retail market*". The Group's management believes that its low price operating model is a key competitive strength that has enabled it to develop and maintain its leading market position and expand its operations.

#### ***Balanced real estate strategy and diversified modern store formats***

The Group operates a balanced real estate strategy. It owns approximately 45 per cent of its selling space and approximately 52 per cent. of its total space (predominantly the hypermarkets) and leases approximately 55 per cent of its selling space and 48 per cent. of its total space (predominantly the convenience stores). Historically, the Group has elected to construct (and therefore own) its larger stores due to a lack of suitable existing real estate to lease. Since 2015, the Group has focused primarily on opening new convenience stores and supermarkets. The Group typically elects to operate its smaller stores on a lease basis, therefore reducing Capital Expenditures associated with such store roll-outs and increasing return ratio. The Group actively manages its

owned and leased real estate, and has sold and leased back certain of its owned real estate assets in recent years in order to optimize its real estate portfolio and manage its finance position. The Group has also used a portion of its owned real estate to secure financing necessary for the expansion of its business.

The Group operates five different formats of stores ranging in size from E mini to E+ (convenience stores), E++ (supermarkets), E+++ and E++++ (hypermarkets) formats (see “*Business—Retail Operations—Retail Formats*”). This diversified multi-format chain model enables the Group to tailor its operations more precisely to the requirements of its target customers in different cities and regions of Belarus. In any particular location, the Group selects the appropriate store format based on the size of the local population and potential customer base. For example, in more densely-populated areas of Belarus the Group may elect to operate a smaller E mini convenience store, whereas in Minsk or other larger cities, in addition to convenience stores, it may consider operating a supermarket or a hypermarket. The Group’s management believes that this flexibility enables the Group to increase its penetration rate throughout the country, and therefore grow its business, in a more cost effective and efficient manner.

The Group’s stores are constructed and/or equipped in a modern format and approximately 75 per cent. of the Group’s stores were opened since 1 January 2013. The Group’s management believes that modern format stores offer customers a more enjoyable and convenient shopping experience than that available in the traditional format stores operated by non-chain retailers and by certain of its local retail chain competitors, and that this supports customer loyalty and drives customer traffic. Further, the Group’s new, modern format stores typically require less maintenance capital expenditure than older stores.

### ***Strong supplier relations and efficient supply chain operations***

The Group’s business model is supported by its strong relationships with suppliers and its well-developed supply chain operation system.

#### ***Strong supplier relations***

As a result of the scale of its operations, the Group purchases a high volume of goods and products from third party suppliers. As of 30 June 2017, the Group had approximately 2,000 suppliers, most of which are based in Belarus. The Group’s largest ten, 20 and 50 suppliers accounted for 21.2 per cent., 32.1 per cent. and 51.2 per cent. of the Group’s purchase volume (excluding VAT) as of 30 June 2017, respectively. Belarusian origin products prevail in the Group’s sales structure accounting for approximately 74 per cent of the Group’s sales in 2016. The Group sells a substantial volume of certain major food categories in Belarus, in particular, approximately 37 per cent. of the total volume of grits, pasta, edible oil, fruits and nuts in Belarus were sold by the Group in the six months ended 30 June 2017. The Group also has direct import contracts with foreign suppliers, including Banalat Sia (Latvia), A.Iberandalus (Spain) and Melitta Europa GmbH & Co. KG (Germany), primarily for the supply of fruits, vegetables, berries and dry food. The Group typically selects three to four suppliers for each product category in order to be able to negotiate competitive prices. In addition, the Group has recently agreed a joint purchase agreement with Lenta, a leading Russian food retailer, pursuant to which the two retailers may coordinate their purchases from third party suppliers and offer their private label products in each other’s stores. As a result of this dynamic and the large volume of its procurement, the Group benefits from significant economies of scale in its purchases and has leverage to negotiate advantageous pricing, payment and other commercial terms with its third party suppliers which, in turn, helps the Group to continue to offer market-low prices whilst maintaining strong gross margins. See “—*Low price operating model*”, “—*Strong financial performance*” and “*Business—Retail Operations—Suppliers*”.

#### ***Efficient supply chain operations***

The Group’s management believes that the Group is the only Belarusian food retailer to operate a fully integrated, nation-wide logistics system. The Group operates three large, modern distribution centres, which cater for the full range of the Group’s products, with a total aggregate storage space of approximately 76,100 sq. m., located in Minsk, Baranovichi (the Brest region) and Obchak (the Minsk region), one medium size warehouse processing fruits and vegetables with a total aggregate storage space of approximately 9,900 sq. m. located in Zaslavl (the Minsk region) and one railway transit warehouse with a total aggregate storage space of approximately 4,500 sq. m. located in Gatovo (Minsk). The Group’s distribution centres and warehouses operate as a centralized logistics base for deliveries to the Group’s stores located throughout Belarus and employ modern automated warehousing management systems. The Group’s logistics system assists the Group to procure and deliver to its stores a stable product assortment and allows it to negotiate advantageous pricing, payment and other commercial terms with its third party suppliers. The Group owns a fleet of approximately

150 transportation vehicles which carry out more than 50 per cent of the total deliveries of products to and from the Group's distribution bases and stores, with the remaining deliveries being carried out by third party contractors. The Group seeks to achieve an optimal mix of deliveries shipped via its distribution centres and warehouses and direct deliveries by suppliers to its stores and currently has a centralization level, (i.e. the total amount of products processed through the Group's distribution centres and warehouses as a percentage of the Group's total sales), of approximately 80 per cent. The Group's centralized logistics system and transportation fleet give it significant control over its supply chain and reduce dependence on third party suppliers and transportation service providers. The Group's management believes that approximately 60 per cent. of the Group's existing supply chain capacity is currently utilized and, as such, the existing supply chain infrastructure could sustain substantial additional expansion of the Group's operations without additional capital expenditure.

The Group's management believes that the maintenance of strong relations with suppliers and the efficiency of the Group's supply chain management are critical to its continued success and central to the implementation of its expansion strategy.

#### ***Experienced management team and supportive shareholders***

The Group has a highly skilled and experienced management team with on average over 12 years of industry experience in the Belarusian food retail sector. The management team, led by Mr. Andrei Zubkou and Mrs. Alesia Sapunova, has a detailed knowledge of local market trends and the Group's competitors and provides the Group with the expertise required to implement its business strategy. The Group's management is also focused on the continued professional development of the Group's employees. The Group regularly conducts specially developed job-specific training programmes, engages external professional coaches, organizes business simulation games and offers its employees a range of distance learning courses. Most of the Group's managers have historically been sourced internally.

The management team benefits from the close support and guidance of the Group's founding shareholders, Mr. Uladzimir Vasilko and Mr. Sergey Litvin, each of whom has extensive experience of the Belarusian food retail market. The shareholders are actively involved in the management and operation of the Group, with Mr. Uladzimir Vasilko and Mr. Sergey Litvin serving on the board of directors of the Group and Mr. Andrei Zubkou serving as Chief Executive Officer of the Group. The Group's management believes that the active involvement and support of its shareholders creates a more stable platform from which the Group can operate and seek achieve its strategic objectives. The Group believes that its supportive shareholder base, together with its leading market position, growth prospects and expansion plans, will enable the business to continue to attract and retain high-caliber managers.

#### ***Strong financial performance***

Reflecting the competitive strengths outline above, the Group has achieved strong financial results in recent years, as evidenced in the table below.

	<b>Six months ended 30 June 2017</b>	<b>Six months ended 30 June 2016</b>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>	<b>Year ended 31 December 2014</b>
Revenue, interest and commission income (BYN thousands).....	1,897,646	1,758,910	3,638,760	2,986,568	2,407,930
Gross profit (BYN thousands).....	504,753	393,310	849,361	686,719	537,229
Gross Margin (in %).....	26.6	22.4	23.3	23.0	22.3
EBITDA (BYN thousands).....	182,346	96,605	257,423	221,477	159,518
EBITDA Margin (in %).....	9.6	5.5	7.1	7.4	6.6
Profit(loss) for the period (BYN	58,916	(104,063)	(42,775)	(334,934)	12,771

thousands)

This performance has primarily been driven by a CAGR in revenue of 22.9 per cent. and a CAGR in EBITDA of 27 per cent. for the three-year period ending 31 December 2016, and an increase in both the total number of Group stores (with 95, 140, 15 and 7 net store openings in each of 2014, 2015, 2016 and the six-month period ended 30 June 2017, respectively) and the total aggregate amount of selling space (with 65,233 sq. m., 59,747 sq. m., 20,302 sq. m. and 2,326 sq. m. of net selling space being added in 2014, 2015, 2016 and the six-month period ended 30 June 2017, respectively) across the same period. Sales density (in BYN terms) had a CAGR of 5.2 per cent for the three-year period ending 31 December 2016, rising from BYN 12,763 per sq. m. per year in 2014, to BYN 12,703 per sq. m. per year in 2015 and to BYN 14,117 per sq. m. per year in 2016.

The Group's strong financial performance has enabled it to expand its business and solidify its leading market position, including by financing the expansion of its store network, and investments in its supply chain and logistics infrastructure.

## **Strategy**

The Group has the following key strategies:

### ***Expand operations and increase market share***

The Group will continue to seek to develop its leading market position and increase its market share, primarily by rolling out additional convenience stores (E-mini and E+ formats) in under-penetrated regions of Belarus and in Minsk. In particular, the Group will seek to expand its operations in areas where it will compete directly with traditional format stores, over which the Group believes it enjoys considerable competitive advantages, including its greater financial and operational resources. See “—*Key Strengths—Balanced real estate strategy and diversified modern store formats*”. The Group primarily intends to lease the real estate premises necessary for such expansion and expects to incorporate the additional small and medium size stores into its existing nation-wide logistics system. See “—*Key Strengths—Strong supplier relations and efficient supply chain operations*”. The Group's management believes that this intended expansion will be supported by anticipated growth in the Belarusian food retail market and expects that modern format food retail stores' market share will continue to increase. See “—*Key Strengths—Fragmented market with high barriers to entry and significant potential for growth*”.

### ***Optimise the Group's pricing strategy***

The Group's management intends to strengthen the Group's low price operating model, which it believes is important to maintaining and developing the Group's strong customer loyalty and high customer traffic (see “—*Key Strengths—Low price operating model*”), whilst at the same time optimizing its pricing strategy with respect to certain of its low turnover products in order to seek to increase gross margins.

The Group will continue to focus on offering a focused assortment of high turnover products (i.e. products for which there is the greatest customer demand) and ensuring that its prices for such products are the lowest in the Belarusian food retail market. In order to continue to be able to offer market-low prices, the Group intends to increase the volume of its purchases from suppliers in order to enhance its economies of scale and give it additional leverage to negotiate more advantageous pricing terms with suppliers. The Group's management expects that the volume of the Group's purchases will increase as its operations expand (see “—*Expand operations and increase market share*”). The Group intends to further develop partnership relations with its suppliers and facilitate competition between them in order to obtain better pricing and payment terms.

The Group also intends to continue to focus on increasing a share of higher margin products in the Group's sales, such as private label products, non-food products (for example, products within the 'household products and chemicals' and 'cosmetics and perfumes' product categories) and own-produced products.

### ***Implement personnel training and efficiency initiatives***

The Group intends to continue to implement initiatives to increase the productivity of its workforce and reduce associated personnel costs and expenses. Such initiatives include:

- tailoring employee work schedules to ensure optimum staff levels are maintained at all times, including during periods of high and low customer traffic;

- reducing the total number of in-store personnel by diversifying the range of employees' responsibilities and introducing operational optimization processes; and
- ensuring personnel undergo specially developed job-specific training programmes to develop and enhance relevant skills and knowledge.

### ***Proactively manage the Group's debt portfolio***

The Group will continue to seek opportunities to reduce its debt burden through debt repayment, (whether facilitated by EBITDA growth, the sale and lease back of real estate, or otherwise), and has committed not to pay dividends to its shareholders until the ratio of Net Debt to EBITDA for the last two consecutive semi-annual periods reaches 3.5:1, at any time prior to 1 January 2019, and 3.0:1, at any time from and after 1 January 2019. In the years ended 31 December 2016, 2015 and 2014, the Group had Net Debt to EBITDA of 4.7:1, 5.6:1 and 4.8:1, respectively. The Group also intends to continue to proactively manage the maturity profile of its debt portfolio, including by continuing to seek opportunities to refinance its existing shorter-term indebtedness on commercially reasonable terms (including through the issuance of the Notes) and by continuing to negotiate maturity extensions and other related amendments to its existing indebtedness with creditors.

More generally, the Group will seek opportunities to increase the proportion of its debt portfolio denominated in BYN in order to reduce the impact of any future volatility in BYN exchange rates. In June 2017, the Group redenominated a U.S.\$94.5 million loan provided by Belarusbank into a BYN denominated loan pegged to the refinancing rate of the National Bank, which amounted to 11.5 per cent as of 30 June 2017. The share of BYN denominated debt (exclusive of accrued interest) in the Group's total debt portfolio increased from 2.1 per cent. as of 31 December 2016 to 18.4 per cent as of 30 June 2017. The Group conducts negotiations with its creditors on redenomination of its foreign currency debt and seeks to continue to increase the share of BYN denominated debt in the Group's total debt portfolio.

### **Risk Factors**

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

### **Summary Consolidated Financial Data**

The following tables set forth selected financial data of the Group as of and for the six months ended 30 June 2017 and 2016 derived from the Interim Consolidated Financial Information and as of and for the years ended 31 December 2016, 2015 and 2014 derived from the Annual Consolidated Financial Statements included elsewhere in these Listing Particulars.

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

### **Consolidated Statement of Profit or Loss and Other Comprehensive Income Data**

	<b>For the six months ended 30 June</b>		<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<i>Continuing operations</i>			<i>(BYN thousands)</i>		
Revenue, interest and commission income .....	1,897,646	1,758,910	3,638,760	2,986,568	2,407,930
Cost of goods and services sold and interest expenses.....	(1,392,893)	(1,365,600)	(2,789,399)	(2,299,849)	(1,870,701)
<b>Gross profit .....</b>	<b>504,753</b>	<b>393,310</b>	<b>849,361</b>	<b>686,719</b>	<b>537,229</b>
Administrative and selling	(356,351)	(323,250)	(655,642)	(524,032)	(401,660)

expenses .....					
Other income .....	5,682	5,036	12,227	19,256	2,184
Other expenses .....	(13,246)	(12,993)	(22,433)	(15,434)	(12,222)
<b>Operating profit .....</b>	<b>140,838</b>	<b>62,103</b>	<b>183,513</b>	<b>166,509</b>	<b>125,531</b>
Finance income .....	3,266	64	50	321	1,144
Finance costs .....	(78,121)	(185,550)	(232,932)	(590,140)	(178,116)
<b>Net finance costs .....</b>	<b>(74,855)</b>	<b>(185,486)</b>	<b>(232,882)</b>	<b>(589,819)</b>	<b>(176,972)</b>
Gain on net non-monetary position	—	—	—	—	81,938
<b>Profit/(loss) before tax .....</b>	<b>65,983</b>	<b>(123,383)</b>	<b>(49,369)</b>	<b>(423,310)</b>	<b>30,497</b>
Income tax benefit/(expense) .....	(7,067)	19,320	6,594	98,607	(12,107)
<b>Profit/(loss) from continuing operations .....</b>	<b>58,916</b>	<b>(104,063)</b>	<b>(42,775)</b>	<b>(324,703)</b>	<b>18,390</b>
<i>Discontinued operation</i>					
Loss from discontinued operation	—	—	—	(10,231)	(5,619)
<b>Profit/(loss) for the period .....</b>	<b>58,916</b>	<b>(104,063)</b>	<b>(42,775)</b>	<b>(334,934)</b>	<b>12,771</b>
<b>Other comprehensive income (loss)</b>					
<i>Items that will never be reclassified to profit or loss:</i>					
Revaluation of property and equipment .....	—	—	(74,892)	350,809	78,686
Related tax .....	—	—	13,481	(63,146)	(14,164)
	—	—	<b>(61,411)</b>	<b>287,663</b>	<b>64,522</b>
<i>Items that are or may be reclassified to profit or loss:</i>					
Foreign currency translation reserve .....	(38)	(1,783)	(2,168)	(339)	591
<b>Total other comprehensive income (loss) .....</b>	<b>(38)</b>	<b>(1,783)</b>	<b>(63,579)</b>	<b>287,324</b>	<b>65,113</b>
<b>Total comprehensive income (loss) for the period .....</b>	<b>58,878</b>	<b>(105,846)</b>	<b>(106,354)</b>	<b>(47,610)</b>	<b>77,884</b>

## Consolidated Statement of Financial Position Data

	As of 30 June	As of 31 December		
	2017	2016	2015	2014
	(BYN thousands)			
<b>Assets</b>				
Property and equipment .....	1,433,941	1,458,437	1,522,837	1,013,889
Prepayments for non-current assets .....	25,853	31,369	38,504	51,201
Intangible assets .....	4,892	5,452	2,301	2,798
Goodwill .....	6,359	7,410	8,836	8,853
Loans granted .....	21,673	35,780	24,305	19,388
Other investments .....	1,513	2,692	2,777	6,392
Deferred tax asset .....	58,816	61,089	32,904	259
<b>Total non-current assets .....</b>	<b>1,553,047</b>	<b>1,602,229</b>	<b>1,632,464</b>	<b>1,102,780</b>
Inventories .....	242,518	237,830	211,488	244,294
Trade and other receivables .....	84,267	83,524	77,801	27,807
Current tax assets .....	26	1,351	119	432
VAT recoverable .....	21,540	31,762	26,367	39,100
Prepayments .....	45,496	42,626	19,717	31,420
Loans granted .....	29,382	15,519	23,677	21,510
Cash and cash equivalents .....	42,852	74,511	59,063	53,622
Other investments .....	38,805	17,951	-	301
<b>Total current assets .....</b>	<b>504,886</b>	<b>505,074</b>	<b>418,232</b>	<b>418,486</b>
<b>Total assets .....</b>	<b>2,057,933</b>	<b>2,107,303</b>	<b>2,050,696</b>	<b>1,521,266</b>



<b>Equity</b>				
Share capital .....	132,242	132,242	132,242	132,242
Revaluation reserve .....	355,140	355,140	416,551	128,888
Retained earnings / (accumulated loss).....	(304,763)	(363,692)	(318,675)	3,017
<b>Equity, attributable to owners of the Company</b>				
.....	<b>182,619</b>	<b>123,690</b>	<b>230,118</b>	<b>264,147</b>
<b>Non-controlling interests .....</b>	<b>262</b>	<b>346</b>	<b>272</b>	<b>186</b>
<b>Total equity .....</b>	<b>182,881</b>	<b>124,036</b>	<b>230,390</b>	<b>264,333</b>
<b>Liabilities</b>				
Long-term loans and borrowings .....	808,128	672,660	755,400	577,997
Non-current liabilities under finance leases .....	74,506	79,516	90,780	9,832
Deferred income .....	4,693	5,854	6,626	-
Deferred tax liabilities .....	724	702	2,895	15,669
<b>Total non-current liabilities .....</b>	<b>888,051</b>	<b>758,732</b>	<b>855,701</b>	<b>603,498</b>
Short-term loans and borrowings .....	373,848	514,569	435,831	225,894
Accrued interests .....	7,970	9,659	8,564	4,052
Short-term liabilities under finance leases .....	12,487	18,688	17,333	7,750
Trade and other payables .....	523,992	618,925	446,195	370,949
Short-term income tax liabilities.....	2,025	396	3,731	16
Deferred income .....	2,921	772	780	-
Other short-term liabilities .....	63,758	61,526	52,171	44,774
<b>Total short-term liabilities .....</b>	<b>987,001</b>	<b>1,224,535</b>	<b>964,605</b>	<b>653,435</b>
<b>Total equity and liabilities .....</b>	<b>2,057,933</b>	<b>2,107,303</b>	<b>2,050,696</b>	<b>1,521,266</b>

## OVERVIEW OF THE OFFERING

*The following overview of the Offering should be read in conjunction with, and is qualified in its entirety by, “Terms and Conditions of the Notes”, “Clearing and Settlement” and “Loan Agreement”.*

### The Notes

Issuer ..... Bonitron Designated Activity Company

Joint Bookrunners..... J.P. Morgan Securities plc, Renaissance Securities (Cyprus) Limited and SIB (Cyprus) Limited.

Notes Offered ..... US\$350,000,000 8.75 per cent. Loan Participation Notes due 2022.

Issue Price..... 100 per cent. of the principal amount of the Notes.

Issue Date ..... 30 October 2017

Maturity Date..... 30 October 2022

Amortisation ..... All as more fully described in “*Terms and Conditions of the Notes – Redemption and Purchase*”, the Issuer shall, provided it has received corresponding amounts from the Borrower under the Loan, on each Interest Payment Date commencing on the Interest Payment Date falling on 30 April 2021, redeem the Notes in part. The aggregate principal amount of the Notes to be redeemed on each Interest Payment Date shall be the lesser of (x) the amount set out in the table below or (y) the aggregate principal amount of the Notes then outstanding:

Interest Payment Date:	Instalment Amount:
30 April 2021	U.S.\$50,000,000
30 October 2021	U.S.\$50,000,000
30 April 2022	U.S.\$125,000,000
30 October 2022	U.S.\$125,000,000

Trustee ..... BNY Mellon Corporate Trustee Services Limited.

Principal Paying and Transfer Agent ..... The Bank of New York Mellon, London Branch.

Registrar and Transfer Agent..... The Bank of New York Mellon, SA/NV, Luxembourg Branch.

U.S. Paying Agent and Transfer Agent ..... The Bank of New York Mellon, New York Branch.

Interest ..... On each interest payment date (being 30 April and 30 October in each year and commencing on 30 April 2018), the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan accrues at a rate of 8.75 per cent. per annum from and including the Issue Date.

Form and Denomination ..... The Notes will be issued in registered form, in denominations of US\$200,000 in excess thereof and integral multiples of US\$1,000 in excess thereof. The Regulation S Notes and the Rule 144A Notes will be represented by a Regulation S Global Note Certificate and a Rule 144A Global Note Certificate, respectively. The Regulation S Global Note Certificate and the Rule 144A Global Note Certificate will be exchangeable for Definitive Certificates in the limited circumstances specified in the Regulation S Global Note Certificate and the Rule 144A Global Note Certificate.

Initial Delivery of Notes ..... On or before the Issue Date, the Regulation S Global Note Certificate shall be deposited with a common depositary for, Euroclear and Clearstream, Luxembourg and registered in the name of a nominee of such common depositary and the Rule 144A Global Note Certificate shall be registered in the name of Cede & Co. as nominee of, and deposited with a custodian for, DTC.

Status of the Notes ..... The Notes are limited recourse, secured obligations of the Issuer as more fully described in “*Terms and Conditions of the Notes—Status*”. The sole purpose of the issue and the Notes is to provide the funds for the Issuer to finance the Loan.

The Notes will constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and other amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement less any amount in respect of Reserved Rights, all as more fully described in “*Terms and Conditions of the Notes—Status*”.

Security ..... The Notes will be secured by the Charge (as defined in “*Overview of the Transaction Structure and the Security*”) on:

- all principal, interest and other amounts now or hereafter payable to the Issuer by the Borrower under the Loan;
- the right to receive all sums which may be or become payable by the Borrower under any claim, award or judgment relating to the Loan Agreement; and
- all the rights, title and interest in and to all sums of money now or in the future deposited in the Account (as defined in “*Overview of the Transaction Structure and the Security*”) and the debts represented thereby (including interest from time to time earned on the Account, if any), pursuant to the Trust Deed,

provided that Reserved Rights and any amounts relating to Reserved Rights are excluded from the Charge.

The Notes will also be secured by an assignment with full title guarantee by the Issuer to the Trustee of its rights under the Loan Agreement (save for the Reserved Rights and those rights subject to the Charge) pursuant to the Trust Deed.

Withholding Taxes .....	All payments of principal and interest in respect of the Notes by or on behalf of the Issuer will be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any authority having the power to tax, other than as required by law or regulations. Subject to certain exceptions, in the event that any such deduction or withholding by or on behalf of Ireland or Belarus or any political subdivision or any authority thereof or therein having the power to tax is required by law or regulations, the Issuer will be required to pay such additional amounts as shall result in the receipt by the noteholders of such amount as would have been received by them had not such withholding or deduction been required, to the extent the Issuer receives corresponding amounts from the Borrower under the Loan Agreement.
Optional Redemption by the Issuer for Illegality.....	In limited circumstances as more fully described in the "Terms and Conditions of the Notes", the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, upon giving notice to the Trustee and the Noteholders, at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of redemption, in the event that it becomes unlawful for the Issuer to allow the Loan to remain outstanding under the Loan Agreement or allow the Notes to remain outstanding or for the Issuer to maintain or give effect to any of its obligations in connection with the Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the Loan and, in such case, the Issuer shall require the Loan to be repaid in full.
Optional Redemption by the Issuer .....	<p>All as more fully described in "<i>Terms and Conditions of the Notes – Redemption and Purchase</i>", at any time prior to 30 April 2021, the Issuer, following the exercise by the Company of a related option to prepay the Loan under the Loan Agreement, on any one or more occasions may redeem up to 35% of the aggregate principal amount of Notes at a redemption price of 108.75 per cent. of the principal amount, plus accrued and unpaid interest (if any) to the redemption date, with the net cash proceeds of one or more Equity Offerings (as defined in the Loan Agreement); provided that:</p> <p>(1) at least 65% of the aggregate principal amount of the Notes (excluding Notes held by the Issuer and its Affiliates (as defined in the Loan Agreement) remains outstanding immediately after the occurrence of such redemption; and</p> <p>(2) the redemption occurs within 90 days of the date of the closing of such Equity Offering.</p> <p>All as more fully described in "<i>Terms and Conditions of the Notes – Redemption and Purchase</i>", at any time prior to the maturity date of the Notes, upon not less than 30 nor more than 60 days' notice, the Issuer may redeem some of the Notes at any time in whole but not in part at the Make Whole Prepayment Amount (as defined in the Loan Agreement), and accrued and unpaid interest (if any) to the redemption date following the exercise by the Company of a related option to prepay the Loan under the Loan Agreement.</p>
Early Redemption at the Option of the Noteholders upon a Change of Control .....	All as more fully described in the " <i>Terms and Conditions of the Notes—Redemption and Purchase</i> ", the Notes may be redeemed early at the option of the Noteholders on the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), at 101 per cent. of their principal amount, together with accrued and unpaid interest and additional amounts, if any, to the date of such early redemption.

Relevant Events .....	Upon the occurrence of a Relevant Event (as defined in the Trust Deed), the Trustee may, subject as provided in the Trust Deed and subject to being indemnified and/or secured and/or prefunded to its satisfaction, enforce the security created in its favour pursuant to the Trust Deed.
Ratings .....	<p>It is expected that the Notes will be rated:</p> <ul style="list-style-type: none"> <li>• “B-” by Fitch; and</li> <li>• “B-” by Standard &amp; Poor’s.</li> </ul> <p>A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the likelihood that the principal on the Notes will be prepaid or paid on a particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analysed independently from any other rating.</p>
Listing .....	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Global Exchange Market.
Selling Restrictions .....	The Notes are subject to selling restrictions in the United States, the United Kingdom, Ireland, the Republic of Belarus and any other applicable jurisdictions. See “ <i>Subscription and Sale</i> ” and “ <i>Transfer Restrictions</i> ”.
Governing Law and Arbitration.....	The Notes, the Trust Deed, the Paying Agency Agreement (as defined below) and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law and the Issuer has submitted in such documents to the jurisdiction of the courts of England.
Use of Proceeds .....	The gross proceeds to the Issuer from the offering of the Notes are expected to be US\$350,000,000, which the Issuer intends to use for the sole purpose of financing the Loan to the Company pursuant to the terms of the Loan Agreement.
Security Codes .....	<p><i>Regulation S Notes:</i></p> <p>Common Code: 157795201</p> <p>International Security Identification Numbers (“<b>ISIN</b>”): XS1577952010</p> <p><i>Rule 144A Notes:</i></p> <p>Common Code: 111731152</p> <p>ISIN: US09821LAA98</p> <p>CUSIP: 09821LAA9</p>
Clearing Systems .....	DTC (in the case of the Rule 144A Notes) and Euroclear and Clearstream, Luxembourg (in the case of the Regulation S Notes).
Yield .....	The annual yield of the Notes when issued is 8.75 per cent.

Risk Factors .....	An investment in the Notes involves a high degree of risk. See “ <i>Risk Factors</i> ”.
Certain Covenants.....	The Issuer has covenanted under the Trust Deed that, as long as any Notes remain outstanding, it will not, without the prior written consent of the Trustee, agree to any amendment or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement.

## **The Loan**

Lender.....	Bonitron Designated Activity Company, a company incorporated as a designated activity company under the laws of Ireland.
Borrower.....	Eurotorg LLC, a limited liability company incorporated under the laws of the Republic of Belarus.
Status of the Loan .....	The Loan is a direct, unconditional, unsubordinated and unsecured obligation of the Company and obligations under the Loan will rank at least <i>pari passu</i> with all other direct, unconditional, unsubordinated and unsecured indebtedness of the Company.
Principal Amount of the Loan .....	US\$350,000,000
Interest on the Loan .....	8.75 per cent. per annum, payable semi-annually in arrear on 30 April and 30 October in each year starting on 30 April 2018.
Use of Proceeds .....	The Company intends to use the proceeds of the Loan in the amount of approximately U.S.\$305 million to repay existing indebtedness of the Group, including a portion of its indebtedness owed to Sberbank group, and to use the outstanding amount for general corporate purposes. See “ <i>Use of Proceeds</i> ”.
Early Prepayments by the Company.....	See “ <i>Optional Redemption by the Borrower for Taxation Reasons</i> ” and “ <i>Optional Redemption by the Issuer for Illegality</i> ”, “ <i>Optional Redemption by the Issuer</i> ” and “ <i>Early Redemption at the Option of the Noteholders upon a Change of Control</i> ” above and Clause 5 ( <i>Repayment and Prepayment</i> ) described in “ <i>Loan Agreement</i> ”.
Withholding Taxes and Increased Costs .....	Payments under the Loan Agreement shall be made without deduction or withholding for or on account of Belarusian or Irish taxes, except as required by law. Subject to certain exceptions, in the event that any deduction or withholding for or on account of such taxes is required by law with respect to payments under the Loan Agreement or that any deduction or withholding for or on account of Irish taxes is required by law or regulations with respect to payments under the Notes, the Company will be obliged to increase the amounts payable under the Loan Agreement to the extent necessary to ensure that the Issuer receives (or the Noteholders receive, as applicable) the amount which would have been received had such deduction or withholding not been required.

Certain Covenants..... The Loan Agreement contains covenants related to:

- Limitation on Restricted Payments;
- Limitation on Incurrence of Indebtedness and Issuance of Preference Shares;
- Limitation on Liens;
- Limitation on Asset Sales;
- Limitation on Transactions with Affiliates;
- Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries;
- Designation of Unrestricted and Restricted Subsidiaries;
- Corporate Existence;
- Merger, Consolidation and Disposition of Assets;
- Maintenance of Properties;
- Insurance;
- Payment of Taxes and Other Claims;
- Statement as to Compliance;
- Reports;
- Guarantees;
- Business Activities;
- Listing; and
- Further Instruments and Acts.

The covenants are more fully described in “*Loan Agreement*”.

Events of Default..... The Loan Agreement contains various events of default, including a cross-acceleration provision in respect of certain indebtedness of the Company or any Material Subsidiary (as defined in the Loan Agreement) in excess of US\$30 million (or its equivalent in another currency), all as more fully described in “*Loan Agreement*”.

Governing Law ..... The Loan Agreement and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

## RISK FACTORS

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

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

### **Risks relating to the Group's Business and Industry**

***A deterioration in general economic conditions in Belarus could have a material adverse effect on the Group's business, results of operations, financial condition and prospects***

The Group's business is significantly influenced by general economic conditions in Belarus, including gross domestic product ("GDP") and the unemployment rate. Generally, GDP growth in Belarus has a positive effect on disposable incomes and consumer spending, which, in turn, benefits the Group's customers and, consequently, the Group's business. In contrast, adverse economic conditions generally result in increases in unemployment rates, salary reductions, falling consumer confidence and economic uncertainty, which tend to cause consumers to reduce their spending both by reducing the volume of their purchases and by shifting their purchasing patterns in favour of less expensive products or less frequent purchases. Furthermore, a deterioration in general economic conditions is often accompanied by a reduction in consumer credit availability, resulting in further decreases in consumer purchasing power, which in turn could also contribute to a decline in consumer spending.

Since Russia is Belarus' main trading partner and because many export industries in Belarus are oriented towards Russia, the Group's business is also significantly influenced by general economic conditions in Russia. For example, in the period 2014 to 2016, the Russian Federation experienced a severe economic downturn, with declines in GDP accompanied by significant currency fluctuations, caused by, among other factors, political and economic sanctions imposed by the European Union and the United States following the political crisis in Ukraine, and a steep decline in oil prices. Belarus also experienced an economic downturn during the same period, which was characterised by a decline in Real GDP (of 3.8 per cent. and 2.6 per cent. in 2015 and 2016, respectively), the depreciation of the BYN against the U.S. Dollar (by 5.5 per cent. in 2016) and high inflation (12.0 per cent. and 10.6 per cent. in 2015 and 2016, respectively). As a result, the BYN was redenominated at a rate of 10,000 old Belarusian Roubles to one new Belarusian Rouble on 1 July 2016 with a view to improving money circulation, streamlining accounting and settlements, maintaining the optimal structure of monetary denominations, as well as reducing public expenditure on servicing cash circulation in Belarus. Although economic conditions in Russia and Belarus have now stabilised, any further downturn in general economic conditions in Belarus and/or Russia and any increase in unemployment rates or decreases in disposable incomes, consumer spending, consumer demand, and/or consumer credit availability could have a material adverse effect on the Group's business, results of operations, financial condition, prospects and the successful implementation of its expansion strategy.

The Group intends to capitalise on anticipated growth in the Belarusian retail market and leverage its various competitive advantages to further expand its business and grow its market share. See "*Overview of the Group—Strategy—Expand operations and increase market share*". However, the growth of the Belarusian food retail market could be adversely affected by any deterioration of general economic conditions in Belarus and/or Russia and/or global macroeconomic conditions, which could in turn limit the ability of the Group to successfully implement its expansion strategy and increase its market share.



***The Group faces pressures from competitors and may face increased competition in the future from local and international players***

The Group competes with other Belarusian food retail market participants for a variety of resources and on the basis of a number of criteria, including availability of real estate, customer loyalty, location of stores, prices, quality of products, quality of service, variety and availability of products and store condition. Although the Group is currently the largest market participant in a fragmented market with high barriers to entry and, as such, the Group's management believes the Group enjoys certain competitive advantages, this may not always be the case. See "Overview of the Group—Key Strengths—Leading position in the Belarusian food retail market" and "Overview of the Group—Key Strengths—Fragmented market with high barriers to entry and significant potential for growth" and "Business—Retail Operations—Competition". In the future, the Group's current competitors may develop or otherwise obtain greater financial, real estate, distribution, technical, personnel, purchasing, marketing and/or advertising resources. Further, one or more new market participants may enter the Belarusian market, including major international or Russian food retail chains. If the competitive environment were to change in this manner, the competition faced by the Group may intensify and the Group may be unable to increase or maintain its customer base and/or market share or/and its advantageous purchasing terms with suppliers, which may lead to reduced sales and margins for the Group and a decline in the competitive advantages currently enjoyed by the Group. See "Overview of the Group—Strategy—Expand operations and increase market share".

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

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

The Belarusian retail food and non-food markets are subject to changing customer trends, preferences and demand patterns. Consumer preferences and demand patterns across markets in which the Group operates may materially differ or be subject to changes due to a range of factors outside the Group's control, including economic and other factors. In particular, if consumers' income ramps up and their demand patterns change, the Group's focused assortment model may become less efficient. See "Overview of the Group—Strategy—Optimise the Group's pricing strategy". If the Group is unable to correctly identify customer preferences and demand patterns, or adapt to their changes in a timely manner, it could experience subsequent reductions in its customer traffic, revenue and/or profitability, which in turn could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***The Group's sales are subject to seasonal trends***

The Group experiences seasonal fluctuations in its operations, including a significant increase in sales during the fourth calendar quarter, particularly in November and December prior to the New Year period, generally followed by a decrease in the Group's sales in the first calendar quarter. Consequently, poor sales performance in a fourth calendar quarter could adversely affect the Group's full-year results and leave the Group with excess stock. Also, any general events having an adverse impact on the Group's sales (such as, for example, supply disruptions (see "—The Group may experience disruptions to its supply chain") or adverse publicity (see "—The "Euroopt" and "Eurotorg" brand names and other intellectual property are critical to the Group's business and any substantial erosion in the value of such brand names due to product recalls, customer complaints, adverse publicity, legal action or other factors would have a material adverse effect on the Group's business, financial condition and operating results" and "—The sale of food products exposes the Group to the risk of product liability claims and adverse publicity"))), particularly during the fourth calendar quarter, may have additional negative effects on its business. The seasonality of market demand for various products could cause significant changes in the Group's performance throughout the year. Furthermore, increases in sales closer to the end of the year are generally followed by large payments to the Group's suppliers in the first calendar quarter, which may limit the Group's ability to make Capital Expenditures during that calendar quarter. Any inability to respond to seasonal variations in demand could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

The Group's management believes that the successful implementation of the Group's expansion strategy is crucial to its continued growth. See "Overview of the Group—Strategy—Expand operations and increase

market share”. The successful implementation of the Group’s expansion strategy depends on various factors, including its ability to locate and lease or acquire appropriate real estate on commercially reasonable terms, (see “*The Group depends on its ability to lease or acquire appropriate real estate on commercially acceptable terms, build new stores on newly acquired or leased sites and to renovate and expand its existing stores*”), open new stores in a timely manner, employ, train and retain additional store and supervisory personnel and integrate new stores into the Group’s existing operations on a profitable basis. The Group’s expansion plans also depend on, among other things, general economic conditions, the absence of adverse changes in the regulatory environment and the cooperation of state and local authorities. Further, the Trade Law (as defined below) provides that where the market share of any food retailer exceeds 20 per cent. of a total retail turnover of food products within a certain territorial unit for the immediately preceding financial year, then such retailer is restricted from opening or acquiring additional trading premises within that territorial unit. See “*Regulation of Food Retail in Belarus—Regulation of Food Retail—Trade Law*”. As of 30 June 2017, the Group had an operating presence in 97 of the 129 territorial units of Belarus. In the year ended 31 December 2016, the Group reached a 20 per cent. market share in 56 territorial units, where the Group’s sales revenue accounted for 66 per cent. of the Group’s total sales revenue in 2016. As such, the Trade Law may prevent the Group from expanding its operations in any territorial unit in which it already holds a 20 per cent. market share and/or responding to increased competition from one or more of its competitors in one or more territorial units of Belarus. Therefore, there can be no assurance that the Group will achieve its planned growth.

As part of its expansion strategy, the Group intends to continue to roll out convenience stores primarily on a leased basis. Historically, the Group expanded its operations through a combination of the acquisition, construction and lease of real estate for new stores with over 400 net store openings in the last six years and the Group may pursue further acquisitions in the future. Such acquisitions and their subsequent integration into the Group’s operations would, if pursued, require significant attention from management, in particular to ensure that the acquisitions do not disrupt relationships with suppliers and customers. The diversion of the Group’s management’s attention and any difficulties encountered in any integration process could have a material adverse effect on the Group’s ability to manage its business. Future acquisitions could expose the Group to potential risks, including risks associated with the integration of new operations, services and personnel, unforeseen or hidden liabilities, the diversion of resources from the Group’s existing businesses and technologies, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and potential loss of, or harm to, relationships with employees and external parties as a result of the integration of new businesses. If any such risks occur, this could have a material adverse effect on the business, financial condition and operating results of the Group.

Furthermore, implementation of the Group’s growth strategy and current expansion commitments may also require significant capital expenditure. There can be no assurance that the cash flow from the Group’s operations and/or borrowings from financial institutions or funding from capital markets sources will be sufficient to fund its planned expenditure. Covenants in the Group’s existing or future financing arrangements may restrict its ability to raise additional debt funding and its general operational flexibility. In particular, the Group’s existing finance agreements contain covenants to maintain its Net Debt to EBITDA at a certain level, which may limit its ability to raise debt funding in the future. Although the Group’s management believes that the budgeted cash flows from operating and financing activities are sufficient to finance current operations of the Group, if the Group is not successful in generating sufficient cash flow or obtaining sufficient financing to fund its planned expenditure, it may need to curtail or discontinue its expansion plans.

Management of the Group’s growth also increases the operating complexity of the Group’s business and may place a significant strain on its management and financial and operational resources. Maintaining operating efficiency during any growth requires, among other things, the continued development of financial, operational and management systems, increased marketing activities and the hiring and training of new personnel (including management personnel). The Group will also need to continue to coordinate its logistical, technical, accounting, finance, marketing and sales personnel.

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

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

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

Further, under Belarusian law retailers must ensure that a substantial number of SKUs across the majority of product categories are of domestic origin. The Ministry of Antimonopoly Regulation and Trade approves a list of products of Belarusian origin, which retailers must include in their assortment in the number of SKUs set by the regulator. Failure to comply with this requirement may lead to an administrative fine or the suspension of operations up to 90 days or termination of operations, in case of a recurring breach within one year.

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

In addition, any new regulations, legislative amendments, changes in the interpretation of existing legislation, other regulatory changes, court decisions or the imposition of additional requirements or sanctions may further restrict the Group's ability to conduct the Group's operations or to do so profitably. The Belarusian authorities are considering the adoption of a draft law aimed at strengthening the liability of retailers for delayed payments for supplies of certain product categories. Although the Group seeks to comply with all of its obligations to third parties, there is no assurance that the Group will not breach any of its obligations, including payment terms under supply agreements, in the ordinary course of business. The introduction of more rigid retail regulation in Belarus, including rules governing relations with suppliers, offering of domestic origin products, sanitary and health and safety measures, may adversely affect the Group's business, financial condition, results of operations and prospects.

The Group must comply with relevant regulatory requirements and such compliance has had and may continue to have an adverse effect on the Group's costs, costs of capital and its ability to expand its business.

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

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

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

***Introduction of sanctions or the imposition of, or increases in, customs duties or tariffs could have an adverse impact on the Group's business***

Belarusian entities and individuals have in the past been and continue to be subject to various sanctions imposed by the European Union and the United States, including an arms embargo, an asset freeze and travel ban on specified Belarusian officials and sanctions against seven Belarusian state-owned enterprises. Between 2015 and 2016, the European Union and United States suspended or cancelled the majority of the restrictive measures imposed in respect of Belarus, save for a firearms embargo and sanctions related to four natural persons, which were prolonged by the European Union to 28 February 2018. The Group, the management of the Group and its shareholders are not currently, and have not in the past been, subject to any restrictive measures or sanctions. However, no assurance can be given that new restrictions will not be imposed by the European Union or the United States in the future.

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

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

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

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

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

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

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

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

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

As of 30 June 2017, the Group leased approximately 55 per cent. of its total selling space from third parties. Most premises are leased by the Group for initial term of five to ten years, with the availability of an automatic extension. Rent is predominantly linked to foreign currencies, with 70 per cent. of rental payments linked to Euro and 20 per cent. to U.S. Dollars as at 30 June 2017. Lease agreements entered into by the Group provide for a fixed rent, except for five lease agreements with a rent linked to products turnover which ranges from four to seven per cent. per month. (See "Business—Real Estate"). Approximately 47 per cent. of the Group's lease agreements, which account for approximately 42 per cent. of the Group's selling space will expire in 2017-2019. Although, historically, most of the Group's leases have been renewed once they expire or have been automatically extended, there can be no assurance that the Group will continue to be able to renew its store leases on acceptable terms, or at all, as they expire. If the Group is unable to renew the leases for its store locations as they expire, or lease other favourable locations on acceptable terms, or if the Group's existing leases are terminated for any reason (including in connection with a landlord's loss of its ownership rights to such sites), or if their terms are revised to the Group's detriment, such failures could have a material adverse effect on the Group's business, financial condition and operating results.

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

As of 30 June 2017, the Group owned approximately 45 per cent. of its total selling space. The Group may acquire additional land and build premises for new stores and distribution centres and warehouses in the future. The market value of these land plots and properties may decrease for various reasons, including: (i) changes in the competitive environment; (ii) changes in the attractiveness of real property as an investment asset either in Belarus as a whole or in certain regional markets in which the Group's real property is located, due to changes in country-related or region-related risks; and (iii) fluctuations in demand for commercial real property. As a result of any unfavourable changes in the real property market, the market value of the Group's real property may decrease. Any decline in the market value of the Group's real property may result in a loss on investment upon its disposal or require the Group to revalue its real property, which could cause the Group to recognise a loss in respect of the value of such real property, which could have a material adverse effect on the Group's results of operations and financial condition. Furthermore, although the Group believes that all of its store premises may be used for purposes other than retail trading, it may not be excluded that the premises may become of a limited alternative use in the future due to changes in the legislation of Belarus or otherwise. If this occurs, the market value of the Group's premises may decrease, which could adversely affect the Group's results of operations and financial condition.

In addition, a lack of reliable information about the real estate market in Belarus makes it difficult to estimate the value of the real estate owned by the Group. Public information and research concerning the real estate market in Belarus is generally not as reliable or comprehensive as similar data on the real estate market in more developed countries due to the fact that the market is relatively illiquid and/or reported purchase prices may not be reliable and/or information regarding site development costs for comparable land plots may be unreliable or missing. As a result, absent sufficient and reliable information relating to Belarusian real estate and transactions therewith, real estate valuations conducted ahead of plot acquisitions may prove to be less accurate. This lack of information makes it difficult to assess the market value of real estate in Belarus and requires the Group to attract certified appraisers to make estimates as to the fair value of the Group's real estate. Due to their subjective nature, these estimates may not accurately reflect the market value of the Group's real estate, which may result in disposals of the Group's real estate at a price which is lower than its real market value.

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

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

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

Furthermore, obtaining construction approvals entails extensive documentation and an applicant may not be able to accurately predict how long it will take to obtain such approvals or whether it will be able to obtain them at all. As a result, the planned start of operation of the Group's stores or distribution centres and warehouses may be delayed or cancelled. Construction projects and stores openings may also be delayed or be more costly if utilities services, such as electricity, water and gas supply, are difficult to obtain. Any of such factors may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Further, under Belarusian law, certain encumbrances over real estate (including leases over buildings and premises and free of charge use agreements) do not need to be registered in the unified state register of real estate, rights thereto and transactions therewith in order to encumber validly the property. There is, therefore, a risk that third parties may successfully create or claim the existence of encumbrances (of which the Group had no prior knowledge) over real estate owned or leased by the Group at any point in time. Losses of title or lease rights to the Group's land or properties may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

Changes to the leases accounting standard under IFRS 16 "Lease", which will come into effect on 1 January 2019, eliminate nearly all off balance sheet accounting for lessees. The new standard will affect most of the commonly used metrics such as asset turnover, EBITDA, operating profit, net income, operating cash flows and others. These changes may affect loan covenants calculations and potentially other aspects for a lessee which could lead to an increase of liabilities on the balance sheet and a deterioration of capital ratios. The cost of implementation and compliance with these new lease standards are hard to predict, however they may be significant for the lessees.

IFRS 9 introduces a new approach to the classification and measurement of financial assets, reflecting the business model used to manage these assets and the characteristics of the cash flows associated with them. IFRS

9 specifies three main categories of financial assets: measured at amortised cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The standard thus replaces the category of financial assets currently established in IAS 39: held to maturity, loans and receivables and available-for-sale.

IFRS 9 “Financial Instruments” becomes effective for annual periods beginning on or after 1 January 2018. The actual impact of the adoption of IFRS 9 on the Group’s financial statements in 2018 is not known and cannot be reliably estimated, as it will depend on the financial instruments owned by the Group at that time, and on future economic conditions, as well as on selected options for accounting and judgments that will be made by the Company in the future. IFRS 9 will require the Group to review the accounting processes and elements of internal control related to the reflection of financial instruments in the accounting, and these changes have not yet been completed.

IFRS 15 “Revenue from Contracts with Customers” becomes effective for annual periods beginning on or after 1 January 2018. IFRS 15 sets out the basic principles for determining whether, how and when revenue should be recognised. It supersedes the current guidance on revenue recognition. The Group has completed an initial assessment of the possible impact of IFRS 15 on its consolidated financial statements and does not expect significant changes in the timing of revenue recognition based on the requirements of IFRS 15. The Group is currently conducting a detailed impact assessment and plans to apply IFRS 15 in its financial statements for the year ended 31 December 2018. See Note 7 to the Group’s Annual Consolidated Financial Statements included in these Listing Particulars.

The implementation of and compliance with these standards by the Group could have a material adverse effect on the Group’s business, results of operations, financial condition and prospects.

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

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

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

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

Due to the large scale of its operations, its comprehensive logistics system and its position as market leader in the Belarusian food retail market, the Group has considerable scope to negotiate favourable terms and price reductions with its suppliers. See “Overview of the Group—Key Strengths—Leading position in the Belarusian food retail market” and “Overview of the Group—Key Strengths—Strong supplier relations and efficient supply chain operations”. The Group seeks to be the leading low price food retailer in Belarus and the Group’s management believes that it has the lowest prices for most products amongst its main competitors. See “Overview of the Group—Key Strengths—Low price operating model”. If the Group was to increase the selling price of high turnover products in its stores, this would conflict with the Group’s strategy of maintaining market-low prices for popular high turnover products (see “Overview of the Group—Strategy—Optimise the Group’s pricing strategy”) and could jeopardise its reputation as the leading low-cost food retailer in the Belarusian market.

Furthermore, in recent years, the cost of basic agricultural commodities has decreased globally. However, should prices for agricultural commodities increase in the future, there can be no assurance that the Group will be able to successfully contain the growth of such prices. If prices at which the Group purchases products from its suppliers increase, the Group may need to pass on all or a large portion of these additional costs to its customers to be able to maintain the Group's margins. However, the Group may be unable to increase the selling price of products in the Group's stores to fully or partially offset the price increases by the Group's suppliers, particularly if the Group's main competitors choose not to implement such price increases.

The Group intends to continue to expand its operations (see "*Certain factors related to the Group's expansion strategy may have a material adverse effect on its business*") and, consequently, to increase the scale of its product procurement as a result of such expansion. Further, the Group has recently agreed a joint purchase agreement with a leading Russian food retailer, Lenta, pursuant to which the two retailers may coordinate their purchases from third party suppliers, which the Group's management believes will also increase the Group's product procurement. As the volume of the Group's product procurement increases, the Group expects to be able to negotiate more favourable pricing terms, discounts and other commercial concessions with its suppliers. The Group also expects to benefit from additional economies of scale and to be able to agree shorter payment terms with its suppliers in return for more advantageous pricing terms, to the extent the reduced payment periods are not adverse to the Group's cash flow. See "*Overview of the Group—Key Strengths—Strong supplier relations and efficient supply chain operations*". However, the Group may be unable to effect its expansion strategy, which could result in the Group being unable to increase the volume of its product procurement and therefore negotiate more favourable terms with its suppliers. Further, even if the Group does successfully increase the volume of its product procurement, there can be no assurance that the Group's suppliers will agree to renegotiate their pricing terms or to adopt reduced payment periods, which may not be suitable for their respective business models. Price increases by suppliers or other adverse changes to the terms on which they work with the Group could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

***The Group may be unable to successfully implement certain measures designed to improve its gross margins and to increase efficiency, which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects***

The Group intends to focus on increasing a share of higher margin products in the Group's sales, such as private label products, non-food items and its own-produced products in order to increase its gross profit margin. See "*Overview of the Group—Strategy—Optimise the Group's pricing strategy*". In the six months ended 30 June 2017, private label products, own-produced and non-food products represented 10.5 per cent., 10.3 per cent. and 7.7 per cent. of the Group's sales revenue. However, the Group may be unable to successfully increase the volume of sales of such products. These factors could result in a decline in the Group's revenue and profitability and consequently have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

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

The Group's management believes that the Group is the largest private employer in Belarus with 33,447 employees as at 30 June 2017. Employee benefits (which include wages, social, insurance and other payments) currently represent the Group's most significant cost item, accounting for a substantial portion of the Group's total administrative and selling expenses. The employee benefits from continuing operations continued to increase in the past three years from BYN 186,943 thousand in 2014 to BYN 218,501 thousand in 2015



reaching BYN 236,738 thousand in 2016, while the share of the employee benefits in the Group's total revenue, interest and commission income was declining in the same periods primarily due to the expansion of the Group's operations. Further expansion of the Group's operations may increase the Group's employee benefits and related costs. Furthermore, inflation in Belarus may contribute into wages growth, and there can be no assurance that the Group will be able to maintain or increase its revenues commensurately in order to offset increases in wages. While the Group has taken, and may continue to take, measures intended to optimise its work force, it may be unable to materially reduce its labour costs due to a number of factors.

In addition, most of the Group's employees are members of the United Trade Union "Euroopt" and are parties to a collective bargaining agreement with the Company (see "*Business—Retail Operations—Employees*"). If the Group seeks to reduce employee benefits, or otherwise is unable to maintain satisfactory employee relations or negotiate acceptable labour agreements in the future, the results could include work stoppages, strikes or other industrial action or labour difficulties (including higher labour costs), any of which could adversely affect the Group's operations.

***The Group may experience disruptions to its supply chain and logistical operations***

The Group depends on the ability of its suppliers to provide it with a wide variety of food and non-food products that meet the Group's quality standards on specified delivery schedules. See "*Overview of the Group—Key Strengths—Strong supplier relations and efficient supply chain operations*". From time to time, the Group experiences disruptions in the supply of products due to disruptions in the production processes of the Group's suppliers. While no material disruptions to supplies of major product categories have occurred in recent years, there can be no assurance that material disruptions will not occur in the future. Difficulties encountered with suppliers may result in disruptions to the Group's operations, loss of profitability and damage to the Group's reputation, and in such instances the Group's business, results of operations, financial condition and prospects could be materially adversely affected.

The Group's management believes that the Group is the only Belarusian food retailer to operate a fully integrated, nation-wide logistics system which, the Group's management believes, gives it significant control over its supply chain and reduces dependence on third party suppliers and transportation service providers (see "*Overview of the Group—Key Strengths—Strong supplier relations and efficient supply chain operations*"). However, if the Group's logistics system was to experience a sustained disruption due to, among other things, poor infrastructure conditions, inclement weather, natural disasters or terrorist attacks, the Group could face difficulties transporting, processing or distributing products to the Group's stores or doing so at a reasonable cost. Such disruption could result in a depletion of the Group's inventories and an inability to offer the Group's customers the Group's full product assortment, which in turn could lead to losses of the Group's customer base and market share. Disruptions to the Group's logistics system could also result in higher operating costs and delays, and, if alternative arrangements are not available at a reasonable cost or at all, such disruptions could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

The economy of Belarus is still characterised by significant changes in foreign currency exchange rates. For the year ended 31 December 2014, the average exchange rates of the Belarusian Rouble to the U.S. Dollar, Euro and Russian Rouble were (post-redenomination) BYN 1.02, BYN 1.36 and BYN 0.0269, respectively. For the year ended 31 December 2015, the average exchange rates of the Belarusian Rouble to the U.S. Dollar, Euro and Russian Rouble were (post-redenomination) BYN 1.59, BYN 1.76 and BYN 0.0261, respectively. For the year ended 31 December 2016, the average exchange rates of the Belarusian Rouble to the U.S. Dollar, Euro and Russian Rouble were BYN 1.99, BYN 2.20 and BYN 0.0297, respectively.

Certain of the Group's costs, principally outstanding payment obligations under bank loans, real estate leases and the costs of products from international suppliers are denominated in or linked to foreign currencies, while the Group's revenues are denominated in Belarusian Roubles. In particular, 78 per cent. of the Group's total loans and borrowings and 90 per cent. of the Group's rental payments were denominated in or linked to Euro and U.S. Dollars as of 30 June 2017. Although the Group seeks to mitigate currency fluctuations, including by leasing and subleasing its premises to third parties with a rent linked to foreign currencies, depreciation of the Belarusian Rouble against the U.S. Dollar and Euro would increase the Group's debt burden and would cause the Group to incur foreign exchange losses, which would adversely affect the Group's financial condition and reduce the Group's net profit.

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

Further, any future significant currency fluctuations, including as a result of the official redenomination or revaluation of the Belarusian currency, may negatively affect the Belarusian economy in general and, as a result, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***Fluctuations in interest rates could materially adversely affect the Group's business, results of operations, financial condition and prospects***

As of 30 June 2017, the share of financial instruments with floating interest rates in the Group's loan facilities comprised 60.1 per cent, and from time to time the Group may incur additional indebtedness that bears interest at floating rates. The Group's main financial instruments with floating rates relate to loans received from banks and such floating rates are pegged to LIBOR EURO, LIBOR USD, CIRR and EURIBOR rates and the refinancing rate of the National Bank. Accordingly, the Group is exposed to fluctuations in interest rates, which historically have fluctuated significantly in Belarus. Substantial increases in the rates of interest at which the Group borrows funds could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

***The "Euroopt" and "Eurotorg" brand names and other intellectual property are critical to the Group's business and any substantial erosion in the value of such brand names due to product recalls, customer complaints, adverse publicity, legal action or other factors would have a material adverse effect on the Group's business, financial condition and operating results***

As the Group's success depends to a significant extent upon brand recognition and the goodwill associated with it, the "Euroopt" and "Eurotorg" brand names and trademarks of its private label products are key assets of the Group's business. Maintaining the reputation of the Group's brand names and trademarks is critical to the Group's success. Substantial erosion in the value of the Group's brand names due to product recalls, customer complaints, adverse publicity, dilution, legal action or other factors could have a material adverse effect on the Group's business, financial condition and operating results. There can be no assurance that the Group's strategy and its implementation will maintain the value of these brands. See also "—The sale of food products exposes the Group to the risk of product liability claims and adverse publicity".

The Group believes it has taken appropriate steps to protect its trademarks and other intellectual property rights but cannot be certain that such steps will be sufficient or that third parties will not infringe or challenge such rights. If the Group is unable to protect such intellectual rights against infringement, it could have a material adverse effect on its business, financial conditions and operating results. Delays in the registration of trademarks and defects in agreements pursuant to which trademarks were assigned to the Group may also increase the risk of infringement of the Group's intellectual rights and have a material adverse effect on the Group's business, financial condition and operating results. Further, the Group may not be able to prevent the use by third parties of trademarks similar to the Group's own registered trademarks, such as the use of a similar trademark on products of inferior quality, which may adversely affect customer perceptions of the Group.

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

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

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

Therefore, if a product liability claim is made against the Group (even if such claim is unsuccessful) and/or adverse publicity relating to the Group's brand is generated in Belarus or in other countries, whether as a result of the actions of a third party (such as a supplier) or stemming from an action of a regulator, it could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

The Group has engaged in transactions with related parties and may continue to do so (see "Related Party Transactions"). While the Group has historically conducted transactions with related parties on terms that the Group's management believes to be arm's-length, and the Group intends to continue to do so in the future, conflicts of interest may arise between such related parties and the Group, potentially resulting in the conclusion of transactions on terms not determined by market forces. Conflicts of interest that may materially and adversely affect the Group's business, financial condition and operating results could deter prospective investors from investing in the Group, which could adversely impact the Group and/or the value of the Notes.

Any related party transactions which are carried on a non-arm's-length basis may expose the Group to business and financial risks such as increased competition from related parties, transfer pricing adjustments of VAT and profits tax liabilities and potential taxable benefits for the recipients of low-rate interest of intra-group loans, which could have a material adverse effect on the Group's business, financial condition and operating results.

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

Due to the nature of the retail business and the current state of development of the Belarus banking sector, the Group processes a large volume of cash transactions in the Group's operations. In the six months ended 30 June 2017, approximately 64 per cent. of the Group's retail sales were made in cash. Therefore, the Group is exposed to the risk of petty theft, robbery, negligence or mistakes, which, if substantial in the aggregate, could have an adverse effect on the Group's business, results of operations, financial condition and prospects.

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

Purchases made using credit or debit cards account for a substantial proportion of the Group's sales. In the six months ended 30 June 2017, approximately 36 per cent. of the Group's retail sales were made using credit or debit cards. The Group relies on third party service providers for processing such payments, and the Group pays a fee for this service, which is typically calculated as percentage from the Group's turnover for such transactions. If such service providers experience disruptions, system failures or other events, which render them unable to process bank card payments, sales at the Group's stores could be materially adversely affected. Disruptions affecting other financial institutions or intermediaries that process the Group's customers' credit or debit card transactions (such as, for example, a customer's credit card issuing bank) could also have a negative impact on the Group's business, results of operations, financial condition and prospects.

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

As of the date of these Listing Particulars, based on the information available to the Company, Mr. Uladzimir Vasilko and Mr. Sergey Litvin each indirectly own 49.75 per cent. shares in the Company's share capital and Mr. Andrei Zubkou indirectly owns 0.5 per cent. See "Shareholders" for more information on the Company's shareholding structure. As a result, Mr. Uladzimir Vasilko and Mr. Sergey Litvin have a joint control over the Group and have the ability to elect the Company's board of directors and to substantially influence the appointment of management and the approval of certain actions requiring the consent of a majority of the

Company's shareholders. For example, Mr. Uladzimir Vasilko or Mr. Sergey Litvin could cause the Group to pursue acquisitions and other transactions or provide a loan or make large dividend payments or other distributions or payments to shareholders that are designed to benefit shareholders, even though such transactions may involve increased risk for the Noteholders. Moreover, each of Mr. Uladzimir Vasilko and Mr. Sergey Litvin sit on the Board of Directors of the Company and are able to exert influence over the Company. Accordingly, the interests of the shareholders may conflict with the interests of the Noteholders, and the shareholders may require the Group to take actions that may adversely affect the Group's business, results of operations, financial condition and prospects and the value of the Notes.

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

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

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

The Group's insurance policies cover the Group's real estate, inventory, equipment, goods in stores and warehouses, vehicles and partial insurance of leased assets. See "*Business—Retail Operations—Insurance*". However, there can be no assurance that such insurance policies will be sufficient to cover any losses arising out of a business interruption or damage to the Group's property as a result of fire, explosion, flood or other circumstances. The Group does not maintain a third party liability insurance, other than required by Belarusian law. There can be no guarantee that, if the Group suffers material losses, particularly if such losses occur simultaneously at a number of stores, or incurs a significant liability, its insurance will be sufficient to cover, or will cover at all, such losses or liability or that the Group will be indemnified by its insurers in a timely manner. As a result, material losses of stores or other operating assets or other events leading to a material interruption in business may materially and adversely affect the Group's business, financial condition and operating results.

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

The Group's future success and growth depend in part on the continued service, efforts and skills of key members of the Group's senior management. See "*Key Strengths—Experienced management team and supportive shareholders*". Key members of the management team supervise the Group's development and cover the day-to-day management of its operations. While the Group has entered into employment contracts with such persons, the retention of their services cannot be guaranteed. The Group is not insured against damage that may be incurred in case of loss or dismissal of its key specialists or managers. The loss of these personnel or the inability to attract and retain suitably qualified personnel could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

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

The nature of the Group's business exposes the Group to a number of operational risks, which are the risks of losses resulting from inadequate management and control procedures, fraud, poor business decisions, system errors relating to employee mistakes and abuse by employees of their position, technical failures, settlement errors, and misuse of the Group's property. These risks include but are not limited to shoplifting, robbery, employee theft or fraud, mismanagement, unauthorised actions by employees in violation of the applicable legislation, customer fraud, third party service providers theft or fraud, inability to locate adequate maintenance and support service providers or failure of such third parties to provide their services in a satisfactory manner, accidents at the Group's stores, road construction works in locations adjacent to the Group's stores complicating traffic and/or impeding entry in the Group's trading or warehouse premises, acts of terrorism and operational errors.

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

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

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

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

The Group's systems and operations are vulnerable to damage and/or interruption from human error, data inconsistency, natural disasters, power loss, computer viruses, hacking attacks, intentional acts of vandalism, breaches of security and similar events. Although the Group has in place contingency plans to deal with such events, there can be no assurance that the Group's systems will not suffer failures or delays in the future causing

significant losses to its business. Equipment breakdowns may result in significant productivity losses and potentially full inoperability of the trading software used in stores for an unspecified time. Significant systems failures and delays could cause unanticipated disruptions in service, decreased customer service and customer satisfaction and harm to the Group's reputation, which could result in loss of customers, increased operating expenses and financial losses.

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

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

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

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

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

The Group intends to continue to seek opportunities to reduce its debt burden through debt repayment and continues to proactively manage the maturity profile of its debt portfolio, including by seeking opportunities to refinance its existing shorter-term indebtedness on commercially reasonable terms (including through the issuance of the Notes) and by continuing to negotiate maturity extensions and other related amendments to its existing indebtedness with creditors. See "Overview—Strategy—Proactively manage the Group's portfolio".

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

As at 30 June 2017 and 31 December 2016 and 2015, the Group was in breach of a Net Debt/EBITDA covenant under facility agreements with one local bank, which constitutes an event of default under such facility agreements (see “*Operating and Financial Review—Liquidity and Capital Resources—Borrowings*”). Although, the Group received waiver letters after the end of each respective reporting period stating that the bank would not accelerate repayment due to the non-compliance with the Net Debt/EBITDA covenant in such reporting periods, there can be no assurance that the Group will not breach the covenant in the future and the bank will provide a waiver letter and not accelerate repayment of the loans, which might lead to cross-defaults under other obligations of the Group and would entitle the Group’s creditors to enforce their rights against the Group, which could result in a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

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

As of 30 June 2017, approximately 80 per cent of the Group’s indebtedness was secured, including by way of a pledge of its real estate and movables. Although the Group seeks to grant security on the condition that it will not interfere with the Group’s business and the Group is not restricted in operating its pledged property as of the date of these Listing Particulars, there is no assurance that the Group will not lose control over any of its encumbered assets or have a limited access to them as a result of enforcement of any of its indebtedness or otherwise. Any of these factors may have an adverse impact on the Group’s business, results of operations, financial condition and prospects.

***The Bank operates in a highly regulated environment and an inability to maintain its banking licences or a breach of any of their terms or of other applicable banking regulations could have an adverse effect on the Group’s business, financial condition, results of operations and prospects***

All banking operations in Belarus require licences from the National Bank. The Bank has obtained the necessary licences in connection with its banking operations. Although the Bank has been successful in obtaining its licences, there is no assurance that it will be able to obtain or maintain such licences in the future. In the event that the Bank were to lose a licence, applying for a new licence would be cumbersome. The National Bank may, at its discretion, impose additional requirements or deny any request by the Bank for licences, which could have a material adverse effect on the Bank’s business, financial condition, results of operations and prospects. The loss of the Bank’s banking licences would result in an inability to perform any banking operations. The National Bank periodically inspects the Bank to ensure compliance with regulatory requirements. The Bank has not received any orders to remedy any breach nor has been subject to any sanctions by the National Bank.

The Group’s banking operations are subject to capital adequacy requirements. From 1 January 2016, the minimum required amount of regulatory capital for banks in Belarus was changed to BYN 45,000,000. The National Bank establishes and monitors the implementation of the following regulatory requirements to the level of the regulatory capital with respect to the Group’s banking operations calculated on the basis of financial information prepared in accordance with the requirements of the legislation of Belarus:

- the ratio of the value of the Tier I basic capital to the risk weighted assets – 4.5 per cent. (taking into account the conservation buffer – 5.75 per cent. as from 1 January 2017 till 1 January 2018);
- the ratio of the value of the Tier I capital to the risk weighted assets – 6 per cent. (taking into account the conservation buffer – 7.25 per cent. as from 1 January 2017 till 1 January 2018); and
- the ratio of the value of the total capital to the risk weighted assets – 10 per cent. (taking into account the conservation buffer – 11.25 per cent. as from 1 January 2017 till 1 January 2018).

As of 30 June 2017, the Bank had a share capital of BYN 52,817 thousand, a regulatory capital adequacy ratio of 55.9 per cent., a Tier 1 basic capital adequacy ratio of 39.1 per cent. and a Tier 1 capital adequacy ratio of 44.8 per cent., which was well above the minimum requirements of the National Bank. If the Bank’s capital position declines, its ability to implement its business strategy may be adversely affected. In addition, if the Bank’s regulatory capital adequacy ratios were repeatedly to fall below the minimum requirements this could lead to the introduction of punitive measures or the loss of one or more of the Bank’s licences, which in turn could have an adverse effect on the Group’s business, results of operations, financial condition and prospects.

***Any downgrade in the ratings of the Group or the Republic of Belarus could make it more expensive for the Group to raise capital in the future and may adversely affect the price that a subsequent purchaser would be willing to pay for the Notes***

As at the date of these Listing Particulars, the Group had “B-” rating with a stable outlook from Fitch, “B-” rating with a stable outlook from Standard & Poor’s and the Republic of Belarus had “B-” rating with a positive outlook from Fitch, “B” rating with a stable outlook from Standard & Poor’s and “Caa1” rating with a stable outlook from Moody’s. There can be no assurance that the Group will be able to maintain their current credit ratings. The Group’s ratings are also sensitive to changes in the sovereign rating of the Republic of Belarus. Any deterioration in the general economic or political environment or the Group’s financial condition could lead to downgrades. Any such downgrades could undermine confidence in the Group, which could lead to increased borrowing costs and restrict the Group’s access to capital markets. An increase in the Group’s borrowing costs could adversely affect the Group’s ability to repay its own borrowings as they mature, to meet covenants and other obligations under its own financing facilities or to raise further financing, for example, by issuances of debt securities, at favourable terms to the Group, or at all. Should the Group’s access to new financing become limited, it could be forced to sell unencumbered assets to meet its liabilities, which in either case could adversely affect the Group’s business, financial condition, results of operations or prospects.

### **Risks Related to the Republic of Belarus**

#### ***Emerging markets are subject to different risks as compared to more developed markets***

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

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

#### ***Belarus’s economy remains vulnerable to external shocks and fluctuations in the global economy***

Belarus’s economy and finances have been and continue to be adversely affected by the current political and economic instability in neighbouring markets such as Ukraine and Russia, as well as downturn in the global economy. Following a recovery from the global financial and economic crisis of 2008-2009, Belarus’s GDP growth in real terms decreased from 5.5 per cent. in 2011 to 1.7 per cent. in 2012, to 1.0 per cent. in 2013 and then increased to 1.7 per cent. in 2014. In 2015 and 2016, Belarus’s Real GDP declined by 3.8 per cent. and 2.6 per cent., respectively.

A significant decline of Belarus’s real GDP growth in 2012 as compared to 2011 was due to adverse economic conditions and financial effects as a result of the balance of payment crisis. Export proceeds remained low in 2011 and 2012, and the Government stimulated domestic consumption and demand by injecting additional quantity of money into the economy. Such policies depleted foreign reserves. Foreign currency reserves decreased from U.S.\$4,488.7 million as at 31 December 2011 to U.S.\$3,240.2 million as at 31 December 2012. The current account deficit in 2005-2010 led to a severe balance of payments crisis and high inflation and depreciation of the Belarusian Rouble by 180 per cent. in 2011. The global economic crisis and the balance of payment crisis in 2011 also affected the Belarusian banking system. Due to high levels of inflation, the National Bank gradually increased the refinancing rate from 12.0 per cent. as at 16 March 2011 to 45.0 per cent. as at 12 December 2011. The average refinancing rate was 21.6 per cent. in 2011 and 34.5 per cent. in 2012. As a result, the average borrowing costs in the Belarusian market increased to 28.6 per cent. in 2011 and 37.7 per cent. in 2012, thus making it difficult for banks to finance their operations in the internal market.

Following a stabilisation of the Belarusian economy in 2013-2014, Belarus experienced adverse economic conditions in 2015 as a result of a number of factors, including the decrease in export industries oriented to



Russia due to a decline in Russia's economy as a result of sharp decrease in global oil prices, decreased investments in the Russian economy and significant capital outflow.

International crude oil prices have fluctuated widely in 2012-2016 in response to global supply and demand, general economic conditions, competition from other energy sources and other factors. According to the U.S. Energy Information Agency, the spot price of Brent crude oil averaged U.S.\$43.55/bbl in 2016, as compared to an average of U.S.\$52.32/bbl in 2015, U.S.\$98.97/bbl in 2014, U.S.\$108.56/bbl in 2013, U.S.\$111.63/bbl in 2012 and U.S.\$111.26/bbl in 2011. Sharp decline in oil prices adversely affected the Russian economy as one of the largest oil exporters, and indirectly negatively affected the Belarusian economy as Russia is its main trading partner and many export industries of Belarus are oriented towards Russia. Furthermore, as oil products present a large part of the Belarus exports, decrease in global oil prices led to export shortfall of oil and oil products for the Republic of Belarus. For instance, upon the results of 2016 export of oil and oil products decreased by U.S.\$2.8 billion as compared to 2015 and by U.S.\$3.6 billion in 2015 as compared to 2014. As a result, fluctuations in international oil prices may have a material impact on Belarusian economy, fiscal revenues, balance of payments, external reserves and future financial condition.

The negative developments affecting the Russian economy in 2014-2015 have been aggravated by the impact of the political and economic crisis in Ukraine and related sanctions imposed on certain Russian individuals and legal entities by U.S. and the EU in response to the perceived actions of Russia in Ukraine. Substantial deterioration in economies of Russia and Ukraine (major trading partners of Belarus), including the sharp fall in investments demand, devaluation of national currencies in the Eurasian Economic Union (the "EEU") member states, and drop in oil prices largely affected the Belarusian economy, and led to decreased exports and decelerated GDP dynamics. Real GDP in 2015 and 2016 declined by 3.8 per cent. and 2.6 per cent., respectively.

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

In addition, the drop in potash fertiliser markets, as well as in markets for other goods that form the Belarusian export caused a considerable limitation of opportunities for Belarusian economy's growth, which in turn led to the tightening of the monetary and fiscal policy.

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

### ***The Belarusian currency is subject to volatility***

As a result of Belarus's reliance on external sources of financing, Belarus has become increasingly exposed to the risk of exchange rate fluctuations. Prior to October 2011, the Belarusian Rouble was pegged to a currency basket which included the U.S. Dollar, the Euro and the Russian Rouble and the exchange rate was set by the National Bank. In 2010 and 2011, following increases in the current account deficit and pressures on foreign currency reserves, the National Bank was forced to make frequent interventions on the foreign currency market in order to maintain the fixed exchange rate for the Belarusian Rouble. Despite these interventions, the Belarusian Rouble depreciated by approximately 180 per cent. in 2011. In the following years the Belarusian Rouble exchange rate and inflation rate stabilised and as of 1 January 2017 (post-redenomination), the official Belarusian Rouble exchange rates were: BYN 1.9585 to the U.S. Dollar, BYN 2.0450 to the Euro and BYN 3.2440 to 100 Russian Roubles and the inflation rate reached 10.6 per cent in 2016. Thus, the official exchange rate in respect of U.S. Dollars increased by 430 per cent. from the average official exchange rate in 2011. In 2016, the foreign currency policy of the National Bank was based on the managed floating exchange rate principle. Currency interventions, such as foreign currency acquisition, were used solely to smooth out the fluctuations of the foreign currency basket value in volumes that guaranteed a positive balance of sales and purchase of foreign currency by the National Bank in a mid-term period. The inflation rate of Belarus ramped up from 9.9 per cent. in 2010 to 108.7 per cent. in 2011 on the back of the depreciation of the Belarusian Rouble,

however, stabilized in the following years reaching 10.6 per cent in 2016. Any future significant currency fluctuations and increase in the inflation rate may negatively affect the Belarusian economy in general and, as a result, have a material adverse effect on the Group's ability to perform its obligations under the Notes. In addition, any further depreciation of the Belarusian Rouble may adversely affect the Government's ability to service its external debt, which could adversely affect the investment environment and overall consumer confidence in Belarus, which in turn could have a material adverse effect on the Group's business, its ability to obtain financing in the international markets, and its financial condition, results of operations and prospects.

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

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

In November 2008, Russia provided a 15-year facility of U.S.\$1 billion to Belarus which was increased in March 2009 by a further U.S.\$500 million. For the purpose of supporting the balance of payments in the period of 2009-2010 the IMF stand-by programme was in effect in the Republic of Belarus according to which the loan in the amount of U.S.\$3.5 billion was provided. In June 2011, Belarus entered into a U.S.\$3 billion 10-year credit arrangement with the ACF (currently the EFSD) to support its balance of payments and maintain its foreign reserves. As at 31 December 2016, U.S.\$2.56 billion had been loaned to Belarus by the EFSD in five tranches. Belarus received two loans in total amount of U.S.\$2.0 billion from the Russian Government in 2014 and two loans in the amount of U.S.\$870 million in 2015. Further, as at 31 December 2016, Belarus utilised U.S.\$2.3 billion under the U.S.\$10 billion credit line available from the Russian Government and the U.S.\$500 million from Vnesheconombank for construction of the nuclear power plant. In addition, as at 31 December 2016, Belarus had external public debt of the International Bank for Reconstruction and Development (the "IBRD") that included 16 loans in the aggregate amount of U.S.\$1.3 billion and loan agreements from Chinese banks in the aggregate amount of U.S.\$4.2 billion.

In April 2017 the Government of the Russian Federation has agreed to extend a loan to the Republic of Belarus in 2017 for refinancing its external public debt in the amount of U.S.\$700 million. The loan is currently in documentary phase. The Government believes that receiving this tranche and the remaining tranches from the EFSD will ensure the financial needs of the Republic of Belarus for the current year.

In 2016, the EFSD approved a three-year programme for the Republic of Belarus, supported by financial loan in the amount of U.S.\$2 billion. As of the date of these Listing Particulars, the EFSD granted four tranches in the aggregate amount of U.S.\$1.4 billion. Funding under the EFSD credit arrangement is dependent on Belarus meeting certain conditions and performance criteria prior to each drawdown. There can be no assurance that any or all of the remaining four tranches of the EFSD credit arrangement will be disbursed if the EFSD determines that the prior conditions have not been met. Furthermore, if Belarus is unable to meet the prior conditions to secure funding under the EFSD credit arrangement there can be no assurance that it will be able to access any replacement funding. More generally, borrowings from IFIs are typically dependent on meeting certain requirements and performance criteria and if Belarus is unable to meet such requirements under its existing obligations, IFIs may decline to provide external financing in the future. Access to the international capital markets and external financing for issuers in emerging markets, such as Belarus, can generally be limited and there can be no assurance that such access will continue.

In addition, due to the unfavourable economic environment in the recent years, many large state owned enterprises were inclined to attract additional indebtedness, which was ensured by the state guarantees, thus creating a contingent liability for the Government. See "*The Belarusian banking sector remains highly concentrated*". According to the National Bank data, the gross external public debt of Belarus increased to 78.6 per cent. of GDP, as at 1 January 2017 from 67.3 per cent and 52.8 per cent of GDP as at 1 January 2016 and 2015, respectively. As at 1 April 2017, the gross external debt of Belarus amounted to 73.6 per cent of GDP. Belarus's gross external financing requirement (exclusive of short-term debt), as a percentage of international reserves, was 146 per cent, which was among the highest of Fitch rated emerging market sovereigns, according to Fitch.

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

***The Belarusian banking sector remains highly concentrated***

As of 31 December 2016, banking sector of the Republic of Belarus consisted of 24 working banks, 5 of which were state-owned, 14 controlled by foreign investors (with charter capitals of four of them being 100 per cent.), and 5 banks controlled by private non-foreign capital. There is a high level of concentration in the banking sector, with the five largest banks, which are state-owned, holding more than half of all banking sector's assets and customers' deposits. While measures have been taken to address and reduce systemic risk, including planned privatisations of Belarusbank and Belinvestbank, such measures are ongoing and there remains a risk that further reforms may be required, the impact of which is not certain. There is also a risk that further financial assistance to the banking sector may be needed from the state, which it may not be willing and/or able to provide. For example, in December 2011, following the financial crisis, the Government conducted a recapitalisation of state-owned banks totalling approximately BYN 15 trillion (BYN 1.5 billion as adjusted for redenomination) to increase their regulatory capitals.

In 2016, the share of non-performing loans ("NPLs") in the Belarusian banking sector increased to 4.0 per cent., as compared to 1.9 per cent. in 2015 and 0.9 per cent. in 2014. Increase in the share of NPLs in the periods under review is mainly attributable to the general unfavorable economic conditions in the global and local financial markets.

Deficiencies in the Belarusian banking sector, combined with a deterioration in NPL portfolios held by banks in the Republic of Belarus, may result in the banking sector being more susceptible to the worldwide credit market downturn and economic slowdown. The Belarusian banking sector remains vulnerable and there can be no assurance that future turmoil in the global banking sector and the wider economy will not have a negative effect on the Belarusian banking sector.

Because the Group relies on financing from Belarusian banks, any funding shortages or other banking disruptions experienced by the Group's major bank partners could have a material adverse effect on its ability to execute planned developments or to obtain the financing required for the Group's operations. Any of these circumstances could have a material adverse effect on the Group's business, financial condition, results of operations, prospects of the Group.

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

Belarus has complex relations with the EU and the United States, each of which has raised human rights concerns and criticised the method in which certain elections in Belarus have been conducted.

Historically, Belarus's relations with the United States and the EU were significantly affected by flaws in the electoral system of Belarus, identified by international observers and alleged violations of human rights in Belarus. In common with the EU, the United States has criticised the method in which certain elections in Belarus have been conducted and the way in which certain dissidents and prodemocratic political activists have been treated. The United States has also raised human rights concerns and has expressed concerns about alleged public corruption and misuse of public assets. Belarus does not accept that such criticisms are justified. Based on its objections, in 2006 and 2007 the United States imposed travel restrictions against certain Belarusian officials and has imposed sanctions against Belarus's state-owned petrochemical company Concern Belneftekhim and other entities within the Concern Belneftekhim group. In addition, the United States imposed economic sanctions administered by the U.S. Treasury Department Office of Foreign Assets Control that prohibit U.S. persons from engaging in economic transactions with the President Lukashenko and certain other Belarusian officials or with entities in which they hold a 50 per cent. or greater interest. In September 2008, certain economic sanctions were temporarily suspended but following the presidential elections in December 2010 and reported violations of human rights, in January 2011 the United States revoked the temporary suspension and announced additional travel restrictions. Later in 2011, the United States imposed additional economic sanctions against seven Belarusian state-owned enterprises, resulting in termination of foreign trade between the designated entities and the United States.

However, the presidential elections in 2015 and parliamentary elections in 2016 were positively assessed by international observers from the Organisation for Security and Cooperation in Europe (the “OSCE”), the Commonwealth of Independent States (“CIS”), the Parliamentary Assembly of the Council of Europe (“PACE”) and Shanghai Cooperation Organisation (“SCO”) and demonstrated development in the areas of democracy and human rights. Following the development of a more constructive dialogue, the United States suspended the effect of economic sanctions with regard to certain Belarusian entities. In March 2015, sanctions were cancelled with regard to Belarusian Oil Company (“Beloil”) manufacturing group, and from 30 October 2015 sanctions were suspended with regard to Belneftekhim enterprises. On 25 February 2016 the EU Council also took the decision on final cancellation of the majority of restrictive measures with regard to Belarus, save for firearms embargo and sanctions related to four natural persons which were prolonged up to 28 February 2018.

Normalisation of political relations between Belarus and both the United States and the EU was accompanied by substantive steps aimed at development of applied trade and economic and humanitarian cooperation.

No assurance, however, can be given that Belarus’s foreign policy objectives will achieve their intended aims or that new restrictions will not be imposed by the EU or the United States in relation to these points of tension or that such frictions will not affect the political and economic environment in Belarus. The risks associated with these uncertainties or potential future events could materially and adversely affect the investment environment and overall consumer and entrepreneurial confidence in Belarus, which in turn could have a material adverse effect on the Group’s business, financial condition, results of operations, prospects and the value or liquidity of the Notes.

***A deterioration in Belarus’s relations with Russia could adversely affect the supply of fuel and energy resources to Belarus and Russian investment in Belarus which may have an adverse effect on Belarus’s economy and as a result on the Group’s business, financial condition, results of operations and prospects***

Belarus imports a significant percentage of its energy requirements from Russia and Russia is Belarus’s most significant trading partner, responsible for 55.5 per cent. of goods imports and 46.2 per cent. of goods exports in 2016.

Russia was also the source of 50.7 per cent. of FDI inflows for Belarus in 2016 and bilateral loans from Russia represented 54.5 per cent. of the total external public debt of Belarus as at 31 December 2016.

A number of oil and gas pipelines from Russia to EU member states run through Belarus, and a significant portion of Russian energy exports, in particular, in 2016, 52.8 million tonnes of Russia’s oil and 41.7 billion cubic meters of its natural gas were delivered through Belarus. Russia is constructing new oil and gas pipelines in Russia and Europe to diversify the transport routes for its oil and gas exports. Notwithstanding the construction of these new pipelines, no indication has been given by the Russian government that their construction would decrease the quantity of oil to be delivered to the EU through Belarus. However, there can be no assurance that this will not be the case.

In the past, Belarus and Russia have had a number of disagreements regarding the level of duty imposed on Russian crude oil exports to Belarus, which comprise a significant part of Belarus’s energy resources and are important for Belarus’s oil refinery industry. Since 1 January 2015, the Russian Federation has implemented a “tax manoeuvre” in the oil sector, stipulating a gradual decrease of export customs rates for oil and basic oil products during the period 2015 - 2017 with the simultaneous increase of the tax on mineral resource extraction. Due to the lowering of the export customs rate, the cost of Russian oil for Belarus in comparable conditions grows approximately by customs duty change value. As a result of finalising the oil tax reform in the Russian Federation, the Republic of Belarus will have to start purchasing oil at market prices as of 2020. According to the “tax manoeuvre”, export customs rate in the Russian Federation is decreasing step-by-step, which results in increasing cost of Russian oil for Belarus. Oil price growth is caused by applying a formula, according to which export customs rate on oil is deducted from the oil price. Thus, the lower export customs rate the higher oil price for Belarus.

Belarus and Russia also had disputes regarding supplies of natural gas. In June 2010, Belarus and Russia had a dispute regarding the timing of payments due from Belarus to Russia for gas supplied by Russia and from Russia to Belarus for the transit of Russian gas to the EU, which resulted in a temporary disruption of gas flows to the EU. In 2016, a dispute arose between Russia and Belarus with respect to the price for natural gas supplied by the Russian Federation. Under the existing intergovernmental bilateral gas supply agreement, as of January 2013, the price of natural gas for Belarus has been determined based on the price of natural gas for consumers in Yamalo-Nenets Autonomous Okrug of Russia, including transportation and storage costs. In addition, Russia

has undertaken to guarantee that the supplies of natural gas to Belarus are in amounts sufficient for the satisfaction in full of Belarusian domestic demand. However, in May 2014, Belarus, Russia and Kazakhstan signed the Eurasian Economic Union Treaty (EEU), which obliged the parties to create a common EEU gas market by no later than 1 January 2025, which provides for unified equal profitability price formula, which represents a significant decrease as compared to the price under the intergovernmental bilateral gas supply agreement. In April 2017, the Governments of Russia and Belarus entered into negotiation process and a number of bilateral agreements in respect of gas transit and oil supply were reached and are expected to be implemented later in 2017. In addition, creation of the EEU Common gas market is expected to result in a decrease in payments for imported energy resources for end consumers in Belarus.

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

***Sanctions imposed on certain Russian and Ukrainian persons and entities could have an indirect adverse impact on Belarus's economy, which in turn could have a material adverse effect on the Group's business, financial condition, results of operations and prospects and the trading price and liquidity of the Notes***

The United States and the EU (as well as other nations, such as Australia, Canada, Japan and Switzerland) have imposed sanctions on certain Russian and Ukrainian persons and entities in connection with the current conflict in Ukraine. The sanctions, combined with a substantial decline in global oil prices, had an adverse effect on the Russian economy, prompting downward revisions to the credit ratings of the Russian Federation and a number of major Russian companies that are ultimately controlled by the Russian Federation, and caused extensive capital outflow from Russia in 2014 and 2015 and impaired the ability of Russian issuers to access the international capital markets, particularly during those years. The governments of the United States and certain EU member states, as well as certain EU officials, have indicated that they may consider additional sanctions should such tensions between Russia and Ukraine continue. The United States has also recently adopted additional sanctions measures against certain Russian persons and entities and sectors of the Russian economic activity, in response to the alleged interference by Russia in US presidential elections in 2016.

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

Russia is the main trade and economic partner of Belarus. See "*A deterioration in Belarus's relations with Russia could adversely affect the supply of fuel and energy resources to Belarus and Russian investment in Belarus which may have an adverse effect on Belarus's economy and as a result on the Group's business, financial condition, results of operations and prospects*". Sanctions imposed on certain Russian persons and entities by the United States, the EU and other countries in connection with the conflict in Ukraine could prevent Belarus from trading with certain Russian counterparties, which could have a material adverse impact on Belarus's trade and consequently the country's economy.

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

*Political considerations may impede reform, and political instability may result from both the implementation of reforms or any failure or delay in such implementation, all of which could have a negative effect on Belarus's economy and the overall consumer confidence in Belarus, which in turn could have a material adverse effect on the Group's business, its ability to obtain financing in the international markets, and its financial condition, results of operations and prospects*

The President of Belarus (the “**President**”) who is elected directly by the people of Belarus has a wide range of powers including the power to call elections, appoint the Prime Minister of Belarus (the “**Prime Minister**”) and Council of Ministers of the Republic of Belarus (the “**Council of Ministers**”) as the executive arms of the Government, make judicial appointments and appointments to local executive and administrative bodies and issue edicts, decrees and directives which have the force of law. The current President is not a member of any political party and no political party or other organised body currently has any significant representation in either chamber of the National Assembly (as defined below) as the representative and legislative body of Belarus. There is no limit on the number of terms for which the President can be elected.

The public sector continues to account for the majority of economic activity and represented approximately 46.5 per cent. of GDP in 2015. The public sector budget for 2015 and 2016 resulted in a surplus of BYN 1.3 billion and BYN 1.4 billion, respectively. There can be no assurance that the public sector balance will remain in surplus in the future. The total outstanding external public debt of Belarus as at 31 December 2016 was 28.5 per cent. of GDP, as compared to 22.7 per cent. of GDP as at 31 December 2015 and 16.6 per cent. of GDP as at 31 December 2014.

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

For instance, in June 2016, annual consultations of Belarus and the IMF took place within the framework of Article IV of the IMF agreement. In its final conclusion the IMF mission made a positive evaluation of anti-crisis set of measures taken by the Government and the National Bank in 2015 and emphasised the significant progress in a number of directions of economic policy, including reform of pension system, change of budgetary expense management and state support principles, maintenance of balanced budget, growth of the level of payment of tariffs for housing and utility services, liberalisation of prices, and reform of state enterprises.

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

#### *The economy of the Republic of Belarus may be affected by the ageing population*

After the dissolution of the USSR, the majority of former Soviet Union states experienced increases in mortality and sharp drops in birth rates. Belarus was not an exception, although the increase in mortality was less pronounced than in other newly independent states, as the socio-economic changes were less drastic. According to the World Bank, the Belarusian population decreased from 10.2 million in 1991 to 9.5 million people in 2014. Low post-war birth rates meant that in the 2000s the cohorts entering retirement were relatively small. This favourable demographic environment allowed for a surplus in the Social Protection Fund (the “**SPF**”). As old-age dependency increased, 2013 became the first year with registered SPF deficit. UN population projections suggest that age dependency will continue increasing until 2050 when it stabilises, thus the SPF may experience a shortfall in financing.

The current pension system in Belarus is a pay-as-you-go scheme. The retirement ages in Belarus are among the lowest in the region: 55 years for females and 60 for males. Thus, on 1 January 2017 the Government began to gradually increase the pension age (by six months each year), until it reached 63 years for men and 58 years for women. The amount of the average monthly pension in Belarus in 2016, 2015 and 2014 amounted to BYN 297.01, BYN 280.57 and BYN 264.35, respectively. The average pension is approximately 40 per cent. of the average wage. Should the pension reform and other corresponding actions taken by the Government become insufficient to remedy the effects of the aging population, including a reduction in purchasing power, these

factors could have an adverse effect on the Belarusian economy and as a result on the Group's business, financial condition, results of operations and prospects.

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

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

Although positive steps have been taken by the Government to improve the domestic business environment in Belarus, which is evidenced by Belarus moving up to 37<sup>th</sup> place in the World Bank's Doing Business 2017 report, from 57<sup>th</sup> in 2015. Belarus is also listed as one of the top ten economies globally with the highest share of reforms aimed at improving the business environment in 2015 and 2016 according to the World Bank's data. All of the weaknesses described above could negatively affect investor confidence in Belarus' business and legal environment, which could have a material adverse effect on the Group's ability to raise debt and equity capital in the international markets, as well as the Group's business, financial condition, results of operations and prospects.

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

The statistical information contained in these Listing Particulars has, unless otherwise stated, been derived from official publications of the Belarusian Government, the National Statistical Committee, the National Bank and the Ministry of Finance. Belarus has adhered, since December 2004, to the Special Data Dissemination Standard of the IMF. No assurance can be given that any such information, where it differs from that provided by other sources, is more accurate or reliable than that provided by such other sources. Certain statistical information for prior years has already been adjusted and may be subject to future adjustment. Similar statistics may be obtainable from other nonofficial sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. In addition, such statistics or any commentary thereto may reflect the views of those commentators, rather than those of the Government.

Furthermore, such statistical information may in certain respects be less complete or reliable than those of some of the more developed market economies of Western countries. Due to the unavailability of alternative reliable sources of country-specific data, Belarusian companies have to rely on such official statistical data in their business planning. As a result, some assumptions made by Belarussian companies in their business plans may prove to be incorrect. The lack of accurate statistical data for use in business planning may adversely affect the Group's business, financial condition, results of operations, prospects and the trading price and liquidity of the Notes.

In preparing these Listing Particulars, the Group has relied on and referred to information from various third-party sources and its own internal estimates. The Group has not independently verified such information and, therefore, any discussion of matters relating to Belarus in these Listing Particulars is subject to uncertainty due to concerns about the completeness or reliability of available official and public information. Should any such information reasonably relied on by the Group be proved wrong, misleading, outdated or otherwise inaccurate,

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

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

Emerging economies, such as the Belarusian economy, are subject to rapid change and are vulnerable to market conditions and may also experience more instances of corruption of government officials than more mature markets. Fighting corruption has been identified as one of the key missions for Belarus, and it continues to work towards improving accountability, governance standards and legislative framework. In Transparency International's 2016 Corruption Perceptions Index survey of 176 countries, the Republic of Belarus was ranked 79th. Corruption and allegations of corruption in Belarus may have a negative impact on its economy and reputation abroad, especially on its ability to attract foreign investment. Corruption could also disrupt the Group's ability to conduct business effectively, and claims that the Group may be involved in such corruption or illegal activities could generate negative publicity, either of which could harm the Group's business.

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

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

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

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

Although Belarusian tax climate and the quality of Belarusian tax legislation have generally improved since the introduction of the Belarusian Tax Code (the General Part of the Belarusian Tax Code became effective in 2004 and the Special Part of the Belarusian Tax Code – in 2010), tax laws remain subject to frequent changes, a lack of interpretative guidance and conflicting interpretations. The Belarusian Government is constantly reforming the tax system by redrafting parts of the Belarusian Tax Code as well as introducing other legal acts regulating taxation. This results in continuous changes being introduced to existing tax laws and their interpretation, which sometimes occur on short notice and apply retroactively. There can be no assurance that the Belarusian Tax Code will not be changed or interpreted in the future in a manner adverse to the stability and predictability of the Belarusian tax system. Moreover, tax regulations may be introduced by the President of the Republic of Belarus without amending the Belarusian Tax Code.

In addition, despite the Government having taken steps to reduce the overall tax burden in recent years in line with its objectives, Belarus may impose arbitrary and/or onerous taxes and penalties in the future, which could adversely affect the Group's business, results of operations and financial condition, the Issuer's ability to service its payment obligations under the Notes or the trading price of the Notes.

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

Taxpayers, the Ministry of Taxes and Duties and the Belarusian tax authorities often interpret tax laws and regulations differently. Private clarifications issued by the Ministry of Taxes and Duties and local tax authorities in response to specific taxpayers' queries with respect to particular situations are not binding on the Belarusian tax authorities and there can be no assurance that the Belarusian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Ministry of Taxes and Duties or local tax authorities. In some instances the Belarusian tax authorities have used new interpretations of tax laws and regulations retroactively. During the past several years, the Belarusian tax authorities have shown a tendency to



take more assertive positions in their interpretation of tax legislation, which has led to an increased number of material tax assessments issued by them as a result of tax audits of Belarusian companies operating in various industries. Moreover, there can be no assurance that the Belarusian legislation will not be altered, in whole or in part, or that the Belarusian tax authorities and/or Belarusian courts or other regulatory authorities will not interpret these rules and regulations in such a way that the arrangements described in these Listing Particulars may be subject to different tax treatment than the treatment described in these Listing Particulars, whether retroactively or otherwise, or would be adversely affected in some other way.

As taxpayers and the Belarusian tax authorities often interpret tax laws differently, taxpayers often need to resort to court proceedings to defend their position against the Belarusian tax authorities. Currently there are no consistent publicly available resources providing access to court decisions on tax disputes. In the absence of any binding precedent or consistent case law, decisions on tax or other related matters taken by different courts relating to the same or similar circumstances may be inconsistent or contradictory. This uncertainty could expose the Group to significant fines and penalties and to enforcement measures, despite the Group's best efforts at compliance, and could result in a greater than expected tax burden.

The Belarusian tax system continues, therefore, to be characterized by frequent changes to tax laws and regulations, the absence of interpretations or contradicting interpretations of tax laws and regulations, as well as inconsistent case law, and inconsistent decisions by the Belarusian tax authorities and their failure to address many of the existing problems. These factors, and the possibility that arbitrary or onerous taxes and penalties could be imposed in the future, could have a material adverse effect on the Group's business, results of operations, financial condition and the Company's ability to service its payment obligations under the Loan Agreement and as a consequence the Issuer's ability to make payments under, or the trading price of, the Notes.

The Group operates in various jurisdictions and includes companies incorporated outside of Belarus. Belarusian tax laws currently in effect are not well developed as far as taxation of foreign companies in Belarus or operations of Belarusian companies abroad are concerned. The Belarusian Tax Code contains a concept of permanent establishment in Belarus as a means for taxing foreign legal entities which carry out regular entrepreneurial activities in Belarus beyond preparatory and auxiliary activities. However, the practical application of the concept of a permanent establishment under Belarusian law is not well developed, and foreign companies having even limited operations in Belarus, which would not normally satisfy the conditions for creating a permanent establishment under international rules, may be at a risk of being treated as having a permanent establishment in Belarus. It is possible that, with the evolution of these rules or changes in the approach of the Belarusian tax authorities and/or courts to their interpretation and application, the Group might become subject to additional taxation in Belarus.

Belarus, like a number of other countries in the world, is actively involved in discussion of measures against tax evasion through the use of low tax jurisdictions as well as aggressive tax planning structures. Initiatives such as the incorporation into Belarusian law of the concept of beneficial ownership, tax residency of legal entities, conclusion of bilateral as well as multilateral agreements for the exchange of information between the tax authorities of different countries led to changes in the tax authorities' approach to certain taxpayers' transactions.

The concept of "beneficial ownership" provides for certain restrictions with regard to double tax treaties application. Under the Belarusian Tax Code, a foreign person is recognized as a beneficial owner of the income, if this person carries out business activity related to receiving Belarusian-sourced income in respect of which it is claiming the application of reduced tax rates under an applicable double tax treaty and has the right to own, use or dispose of income. When determining the beneficial owner, the functions of a foreign person and the risks that such person takes should be analyzed. In accordance with the Belarusian tax law, the benefits of a double tax treaty will not apply if a foreign person claiming such benefits has limited powers to dispose of the relevant income, fulfils intermediary functions without performing any other duties or taking any risks and paying such income (partially or at least sixty per cent of it) within certain period of time (but not later than within twelve months after income receipt) directly or indirectly to another person who would not be entitled to the same benefits should it received the income in question directly from Belarus. The Belarusian Tax Code gives the right to the tax agent (i.e., the payer of income) to require, in addition to a certificate of tax residency, a confirmation from the recipient of the income that it is the beneficial owner of the income, however, at the moment it is still not clear in what form such confirmation should be obtained and if the tax agent could be charged additional taxes and penalties for failure to request such confirmation and/or failure to assess validity and/or sufficiency thereof.

Under the concept of tax residency of a legal entity, a foreign legal entity may be recognized as a Belarusian tax resident if such entity is in fact managed from Belarus. When an entity is recognized as Belarusian tax

resident it is obligated to register with the Belarusian tax authorities, calculate and pay Belarusian tax on its worldwide income and comply with other tax-related rules established for Belarusian entities. The new rules set principal and secondary criteria for determining the place of management (among other things, the place where the company's executive body operates). However, there is still some uncertainty as to how these criteria will be applied by the Belarusian tax authorities in practice.

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

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

Starting from 1 January 2017 the Belarusian Tax Code provides for restriction of business expenses deductibility. Based on effective regulations taxpayers are allowed to deduct only "economically justified expenses". The law does not provide for clear definition of this concept. Currently, the Belarusian Tax Code sets forth a comprehensive list of expenses that cannot be recognized as economically justified. This list includes, amongst others, fees paid by taxpayers (except for joint stock companies) to their parent companies or subsidiaries for services if the paying company has employees whose functions have the same nature as the services. However, as there is no established practice of this concept application, there can be no assurance that tax authorities do not challenge other business expenses as economically unjustified denying their deductibility and charging additional amounts of taxes and penalties.

It is currently unclear how the Belarusian tax authorities will interpret and apply the new tax provisions and what will be the possible impact on the Group. Therefore, it cannot be excluded that the Group might be subject to additional tax liabilities because of these changes being introduced and applied to transactions carried out by the Group, which could have a material adverse effect on its business, financial condition and results of operations.

Such evolving tax conditions create tax risks in Belarus that are greater than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional administrative burdens and costs on the Group's operations, including management's resources. Furthermore, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing the Group to additional taxes, penalties and enforcement measures, and could materially adversely affect the Group's business, results of operations, financial condition and the Company's ability to service its payment obligations under the Loan Agreement and as a consequence, the Issuer's ability to make payments under, or the trading price, of the Notes.

Furthermore, Belarusian tax legislation is consistently becoming more sophisticated. It is possible that new revenue raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. No assurance can be given that no additional tax exposures will arise. Additional tax exposures could have a material adverse effect on the Group's business, results of operations, financial condition and the Company's ability to service its payment obligations under the Loan Agreement and as a consequence, the Issuer's ability to make payments under, or the trading price of, the Notes.

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

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

Tax returns, together with tax registers and related documentation, are subject to review and investigation by the Belarusian tax authorities, which are empowered by Belarusian law to accrue additional tax liabilities, late payment interest and penalties. The fact that a particular year has been reviewed by the Belarusian tax authorities does not prevent further review and investigation by the Belarusian tax authorities of any tax returns and other documentation relating to that year. Such re-examination is possible as ordered by the President, the Prime-Minister, the State Control Committee Chairman, the Prosecutor General as well as required within

criminal investigation and in some other circumstances. Therefore, previous tax audits may not preclude subsequent claims relating to the audited period.

The Belarusian law directly establishes a statute of limitation only for penalties. No statute of limitation is established for taxes as such as well as late payment interest. Currently there is no limitation on the period which can be audited by the tax authorities either. Such a situation may result in additional costs to the Group, in particular if the Belarusian tax authorities conclude that the Group did not satisfy in full its tax obligations in the prior tax periods. Tax audits may also impose additional burdens on the Group by taking up the attention of management and its resources. Tax audits could have a material adverse effect on the Group's business, results of operations, financial condition and the Company's ability to service its payment obligations under the Loan Agreement and as a consequence, the Issuer's ability to make payments under, or the trading price of, the Notes.

As a result of these rules, it is possible that despite the best efforts of the Group to comply with Belarusian tax laws and regulations, certain transactions and activities of the Group that have not been challenged in the past may be challenged in the future, resulting in a greater than expected tax burden, exposure to significant fines and penalties and potentially severe enforcement measures for the Group, which could have a material adverse effect on the Group's business, results of operations, financial condition, the Company's ability to service payment obligations under the Loan Agreement or the trading price of the Notes.

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

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

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

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

The Belarusian transfer pricing rules may have a potential impact on the Group's tax costs arising from the pricing mechanisms used in controlled transactions and, in particular, transactions with related parties in and outside of Belarus. The Belarusian tax authorities will be entitled to accrue additional tax liabilities if prices of the "controlled transactions" differ by more than twenty per cent from those which independent counterparties in similar conditions would have applied. The Belarusian tax authorities have conducted a number of transfer pricing audits and accrued additional taxes to the relevant taxpayers. However, there is still no established practice of transfer pricing rules application, which creates significant uncertainty.

As a result, due to the uncertainties in the interpretations of transfer pricing legislation, no assurance can be given that the tax authorities will not challenge the prices applied by the Group and make adjustments, which could affect the Group's tax position. Unless such tax adjustments are successfully contested in court, the Group could become liable for increases in taxes payable. The Belarusian transfer pricing law, including the possible tax adjustments outlined above, could have a material adverse effect on the Group's business, results of operations and financial condition, the Issuer's ability to service its payment obligations under the Notes or the trading price of the Notes.

***Payments on the Loan are subject to Belarusian withholding tax***

Based on effective Belarusian tax legislation interest payments made by a Belarusian company to a foreign lender are subject to withholding tax at a rate of 10 per cent. Certain exemptions or reduced tax rates are applicable under the Belarusian Tax Code and double tax treaties. However, such exemptions / reduced tax rates require income recipients to have a beneficial owner status as described in "*The Belarusian taxation system is*

*continually evolving and is subject to frequent changes, which could have an adverse effect on the Group” above.*

Given the nature of the issuance of loan participation notes (“LPNs”) and based on the Belarusian tax authorities’ perception of LPN structure, there is a risk that the Issuer may not qualify as the beneficial owner of the interest payable under the Loan Agreement. Therefore, the Issuer may not be eligible for the tax exemption set by the Belarusian Tax Code with regard to interest income received in connection with the provision of loans to Belarusian companies, where the amount of loan proceeds from placing securities being issued solely for the purpose of the provision of a loan to a Belarusian company (the exemption under domestic tax law). For the same reason the Issuer may not qualify for the application of the reduced tax rate (5 per cent) set forth in Article 11 of the Convention between the Republic of Belarus and Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income and on Capital dated 03 November 2009.

As a result, interest payments on the Loan should be subject to Belarusian withholding tax at a rate of 10 per cent, which could reduce the amount of interest to be received by the Issuer and consequently – reduce the amount payable by the Issuer under the Notes. Clause 6.2 of the Loan Agreement provides for gross-up with regard to interest payments which might be affected by any applicable withholding tax. Such gross-up payments may also be subject to Belarusian withholding tax at a rate of 10 per cent as these payments would be treated as a part of interest under the Loan Agreement. *See also “Belarusian courts may not enforce gross-up obligations”.*

Clause 6.3 of the Loan Agreement provides for the obligation of the Company to pay to the Issuer any additional amounts which might be required by the Issuer to ensure the Noteholders receive net amounts equal to the net amounts which they would have received in the absence of any applicable withholding or deduction which might be required with regard to payments to the Noteholders. The Belarusian Tax Code does not provide for direct regulation with regard to taxation of such amounts payable to the Issuer. However, as the actual nature of such payments is similar to interest payable on the Notes, such amounts may be subject to Belarusian withholding tax at 10 per cent with no applicable exemption as described above in connection with the “main” interest under the Loan Agreement.

While the Issuer cannot be treated as the beneficial owner of the interest income, such status most likely may belong to the Noteholders provided they comply with beneficial owner criteria set in Article 151 item 2 of the Belarusian Tax Code and described above. From this perspective, such Noteholders may be eligible to withholding tax exemption (or application of a reduced rate) based on a relevant double tax treaty. If the relevant tax treaty provides for such exemption (or a reduced rate) with regard to interest income, in theory it may be possible for the Company to claim its application based on documents proving the respective Noteholders’ beneficial owner’s status and tax residence in the respective country. However, as the beneficial owner concept is relatively new for Belarus, there can be no assurance that the Belarusian tax authorities will not deny application of a double tax treaty benefits in the situation in question.

As a result the effective cost of debt of the Group will increase, which may have an adverse effect on its financial condition and results of operations.

#### ***Belarusian courts may not enforce gross-up obligations***

Currently Belarusian law generally prohibits contractual provisions requiring one party to pay tax for another party from its own funds. No official interpretation or guidance exists on whether such restriction would apply to the obligations of the Company in Clause 6.2 of the Loan Agreement, the wording of which does not provide for compensation for withheld tax or for paying the tax by the Company’s own funds. In the absence of any such official interpretation or guidance regarding the validity of the tax gross-up provisions, a risk exists that such restriction may be interpreted broadly by the courts or other authorities and applied to gross-up provisions. As a result, there is a risk that if the Borrower fails for any reason to make a gross up payment, the Issuer may be unable to enforce such obligation in Belarus against the Borrower, and the amount recoverable by the holders of the Notes in the event of such enforcement will be correspondingly reduced.

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

Interest payments under any potential Guarantee of the Loan to be made by Belarusian Guarantors, if the Borrower procures that a Subsidiary (as defined in the Loan Agreement) becomes a guarantor pursuant to Clause 7.15 of the Loan Agreement, to the Issuer might be characterised as Belarusian-sourced income that would be subject to the Belarusian withholding tax. The Belarusian tax regulations do not provide for direct regulation with regard to tax treatment of payments under guarantee. Most likely tax treatment of such payments

should be the same as tax treatment of income under initial obligation. Interest payment under initial obligation is subject to withholding tax at a rate of 10 per cent or any other applicable rate.

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

The Belarusian tax regulations do not provide for clear guidance with regard to tax treatment of interest payments under the Loan Agreement to be made to the Trustee upon the occurrence of an Event of Default or a Relevant Event. It is likely that tax treatment of such interest payments will be the same as tax treatment of interest payable to the Issuer, i.e. the Company will be obliged to withhold withholding tax at a rate of 10 per cent (or other applicable rate). There is a risk that the Trustee will have no beneficial owner's status with regard to the interest income to be received, which may result in the Trustee being not eligible to double tax treaty relief. Where the Trustee receives interest payments reduced by the amount of withholding tax, it will have to reduce interest payments payable under the Notes.

While the Trustee cannot be treated as the beneficial owner of the interest income, such status most likely may belong to the Noteholders provided they comply with beneficial owner criteria set in Article 151 item 2 of the Belarusian Tax Code and described above. From this perspective, such Noteholders may be eligible to withholding tax exemption (or application of a reduced rate) based on a relevant double tax treaty. If the relevant tax treaty provides for such exemption (or a reduced rate) with regard to interest income, in theory it may be possible for the Company to claim its application based on documents proving the respective Noteholders' beneficial owner's status and tax residence in the respective country. However, as the beneficial owner concept is relatively new for Belarus, there can be no assurance that the Belarusian tax authorities will not deny application of a double tax treaty benefits in the situation in question.

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

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

Proceeds from the disposal of Notes received from a source within Belarus by a Noteholder that is an individual not qualifying as a Belarusian tax resident for the purpose of Belarusian personal income tax could be subject to Belarusian personal income tax at a rate of 13 per cent (or such other tax rate as may be effective at the time of such sale or other disposal). The tax would apply to the gross proceeds from such disposal of the Notes less any available duly documented costs (including the acquisition cost of the Notes and other expenses relating to the acquisition, holding and sale or other disposal of the Notes) provided that the duly executed supporting documentation is available to the person obliged to calculate and withhold Belarusian personal income tax in a timely manner. At a Noteholder's option instead of submission of document supporting expenses related to the proceeds from the Notes disposal, they can claim a deduction in the amount of 10 per cent of the proceeds.

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

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

## **Risks Relating to the Notes and the Trading Market**

### ***Issue and sale of the Notes is conditional on the receipt from the National Bank of a permit in respect of the Loan Agreement***

In order to ensure compliance with applicable Belarusian law, the entry into force of the Loan Agreement and, therefore, the issue and sale of the Notes, is conditional on the National Bank granting a permit in respect of foreign currency transactions under the Loan Agreement (the “Permit”). The Loan Agreement will be finalized, executed and filed with the National Bank for review promptly following the occurrence of pricing in respect of the Notes (the “Filing Date”). Although the Company expects the National Bank to provide the Permit shortly following the Filing Date, there can be no guarantee that the Permit will in fact be obtained from the National Bank in a timely manner or at all. The National Bank has the option of both a 15 calendar day initial review period and a further 10 calendar day additional review period should it require additional information. If the Permit is not received by the Issue Date the issue and sale of the Notes will not occur and the transaction shall be terminated.

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

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

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

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

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

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

***The trading price of the Notes may be volatile.***

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

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

There may not be an existing market for the Notes at the time they are issued. The Notes are expected to be listed and admitted to trading on the Global Exchange Market of the Irish Stock Exchange. However, there can be no assurance that a liquid market will develop for the Notes, that Noteholders will be able to sell their Notes or that such holders will be able to sell their Notes for a price that reflects their value.

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

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

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

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

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

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

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

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

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

Although the matter is not free from doubt, to the extent relevant for US tax purposes, the Issuer intends to take the position that a beneficial owner of a Note will be treated as the beneficial owner of a debt instrument that is not a contingent payment debt instrument. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this treatment. Alternative characterisations include treatment of the Notes as equity in the Issuer or the Company, as contingent payment debt instruments subject to special rules relating to accrual of original issue discount (OID) and contingent interest, or as other types of financial instruments. If the Notes were to be treated as contingent payment debt instruments or as equity, US Holders may be required, among other things, to recognise income for US federal income tax purposes at different times and in different amounts, or subject to higher rates of tax, than described below and may suffer additional adverse US federal income tax consequences. See “Certain United States Federal Income Tax Considerations.”

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

#### ***COMI***

The Issuer has its registered office in Ireland. Under Regulation (EU) No. 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (recast) (the “**Recast EU Insolvency Regulation**”), the Issuer’s centre of main interest (“COMI”) is presumed to be the place of its registered office (i.e. Ireland) in the absence of proof to the contrary and provided that the Issuer did not move its registered office within the 3 months prior to a request to open insolvency proceedings.

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

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

#### ***Examinership***

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

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



element of performance other than the payment remains to be rendered both by the company and the other contracting party or parties.

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

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

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

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

#### *Preferred Creditors*

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

- under the terms of the Trust Deed, the Issuer will charge to the Trustee on behalf of Noteholders by way of first fixed charge (the “**Charge**”) as security for its payment obligations in respect of the Notes certain rights under the Loan Agreement and to the Account. Under Irish law, the claims of creditors holding fixed charges may rank behind other creditors (namely fees, costs and expenses of any examiner appointed and certain capital gains tax liabilities) and, in the case of fixed charges over book debts, may rank behind claims of the Irish Revenue Commissioners for PAYE, local property tax and VAT;
- under Irish law, for a charge to be characterised as a fixed charge, the charge holder is required to exercise the requisite level of control over the assets purported to be charged and the proceeds of such assets including any bank account into which such proceeds are paid. There is a risk therefore that even a charge which purports to be taken as a fixed charge may take effect as a floating charge if a court deems that the requisite level of control was not exercised; and

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

#### *The proposed financial transactions tax (“FTT”)*

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

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

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

Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

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

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

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

## USE OF PROCEEDS

The Issuer will use the proceeds received from the issue and sale of the Notes for the sole purpose of making the Loan. The Company intends to use the proceeds of the Loan in the amount of approximately U.S.\$305 million to repay existing indebtedness of the Group, including a portion of its indebtedness owed to Sberbank group, and to use the outstanding amount for general corporate purposes.

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

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

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

## CAPITALISATION

*The following table shows the Group's consolidated capitalisation, comprising the sum of short-term and long-term borrowings and total equity as at 30 June 2017. For further information regarding the Group's financial condition, see "Selected Consolidated Financial and Other Information" and the Financial Statements included elsewhere in these Listing Particulars.*

	<b>As of</b> <b>30 June 2017</b> <i>(BYN thousands)</i>
<b>Loans and borrowings</b>	
Current <sup>(1)</sup> .....	373,848
Non-current <sup>(2)</sup> .....	808,128
<b>Total loans and borrowings<sup>(3)</sup> .....</b>	<b>1,181,976</b>
<b>Equity attributable to owners of the Company</b>	
Share capital .....	132,242
Revaluation reserve .....	355,140
Accumulated loss.....	(304,763)
Non-controlling interest .....	262
<b>Total equity .....</b>	<b>182,881</b>
<b>TOTAL CAPITALISATION.....</b>	<b>1,364,857</b>

(1) Current borrowings consist of bilateral loans due within 12 months.

(2) Non-current borrowings consist of bonds and long-term bilateral loans.

(3) Total loans and borrowings are indicated without accrued interests of BYN 7,970 thousand.

There have been no material changes in the consolidated capitalisation of the Group since 30 June 2017.

## SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth selected financial data of the Group as of 30 June 2017 and for the six months ended 30 June 2017 and 2016 derived from the Interim Consolidated Financial Information and as of and for the years ended 31 December 2016, 2015 and 2014 derived from the Annual Consolidated Financial Statements included elsewhere in these Listing Particulars.

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

### Consolidated Statement of Profit or Loss and Other Comprehensive Income Data

	For the six months ended 30 June		For the year ended 31 December		
	2017	2016	2016	2015	2014
<i>Continuing operations</i>			(BYN thousands)		
Revenue, interest and commission income .....	1,897,646	1,758,910	3,638,760	2,986,568	2,407,930
Cost of goods and services sold and interest expenses.....	(1,392,893)	(1,365,600)	(2,789,399)	(2,299,849)	(1,870,701)
<b>Gross profit .....</b>	<b>504,753</b>	<b>393,310</b>	<b>849,361</b>	<b>686,719</b>	<b>537,229</b>
Administrative and selling expenses .....	(356,351)	(323,250)	(655,642)	(524,032)	(401,660)
Other income .....	5,682	5,036	12,227	19,256	2,184
Other expenses.....	(13,246)	(12,993)	(22,433)	(15,434)	(12,222)
<b>Operating profit .....</b>	<b>140,838</b>	<b>62,103</b>	<b>183,513</b>	<b>166,509</b>	<b>125,531</b>
Finance income .....	3,266	64	50	321	1,144
Finance costs.....	(78,121)	(185,550)	(232,932)	(590,140)	(178,116)
<b>Net finance costs.....</b>	<b>(74,855)</b>	<b>(185,486)</b>	<b>(232,882)</b>	<b>(589,819)</b>	<b>(176,972)</b>
Gain on net non-monetary position	—	—	—	—	81,938
<b>Profit/(loss) before tax .....</b>	<b>65,983</b>	<b>(123,383)</b>	<b>(49,369)</b>	<b>(423,310)</b>	<b>30,497</b>
Income tax benefit/(expense) .....	(7,067)	19,320	6,594	98,607	(12,107)
<b>Profit/(loss) from continuing operations .....</b>	<b>58,916</b>	<b>(104,063)</b>	<b>(42,775)</b>	<b>(324,703)</b>	<b>18,390</b>
<i>Discontinued operation</i>					
Loss from discontinued operation	—	—	—	(10,231)	(5,619)
<b>Profit/(loss) for the period .....</b>	<b>58,916</b>	<b>(104,063)</b>	<b>(42,775)</b>	<b>(334,934)</b>	<b>12,771</b>
<b>Other comprehensive income (loss)</b>					
<i>Items that will never be reclassified to profit or loss:</i>					
Revaluation of property and equipment .....	—	—	(74,892)	350,809	78,686
Related tax .....	—	—	13,481	(63,146)	(14,164)
	—	—	<b>(61,411)</b>	<b>287,663</b>	<b>64,522</b>
<i>Items that are or may be reclassified to profit or loss:</i>					
Foreign currency translation reserve .....	(38)	(1,783)	(2,168)	(339)	591
<b>Total other comprehensive income (loss) .....</b>	<b>(38)</b>	<b>(1,783)</b>	<b>(63,579)</b>	<b>287,324</b>	<b>65,113</b>
<b>Total comprehensive income (loss) for the period .....</b>	<b>58,878</b>	<b>(105,846)</b>	<b>(106,354)</b>	<b>(47,610)</b>	<b>77,884</b>

## Consolidated Statement of Financial Position Data

	As of 30 June	As of 31 December		
	2017	2016	2015	2014
	<i>(BYN thousands)</i>			
<b>Assets</b>				
Property and equipment .....	1,433,941	1,458,437	1,522,837	1,013,889
Prepayments for non-current assets .....	25,853	31,369	38,504	51,201
Intangible assets .....	4,892	5,452	2,301	2,798
Goodwill .....	6,359	7,410	8,836	8,853
Loans granted .....	21,673	35,780	24,305	19,388
Other investments .....	1,513	2,692	2,777	6,392
Deferred tax asset .....	58,816	61,089	32,904	259
<b>Total non-current assets .....</b>	<b>1,553,047</b>	<b>1,602,229</b>	<b>1,632,464</b>	<b>1,102,780</b>
Inventories .....	242,518	237,830	211,488	244,294
Trade and other receivables .....	84,267	83,524	77,801	27,807
Current tax assets .....	26	1,351	119	432
VAT recoverable .....	21,540	31,762	26,367	39,100
Prepayments .....	45,496	42,626	19,717	31,420
Loans granted .....	29,382	15,519	23,677	21,510
Cash and cash equivalents .....	42,852	74,511	59,063	53,622
Other investments .....	38,805	17,951	-	301
<b>Total current assets .....</b>	<b>504,886</b>	<b>505,074</b>	<b>418,232</b>	<b>418,486</b>
<b>Total assets .....</b>	<b>2,057,933</b>	<b>2,107,303</b>	<b>2,050,696</b>	<b>1,521,266</b>
<b>Equity</b>				
Share capital .....	132,242	132,242	132,242	132,242
Revaluation reserve .....	355,140	355,140	416,551	128,888
Retained earnings / (accumulated loss) .....	(304,763)	(363,692)	(318,675)	3,017
<b>Equity, attributable to owners of the Company .....</b>	<b>182,619</b>	<b>123,690</b>	<b>230,118</b>	<b>264,147</b>
<b>Non-controlling interests .....</b>	<b>262</b>	<b>346</b>	<b>272</b>	<b>186</b>
<b>Total equity .....</b>	<b>182,881</b>	<b>124,036</b>	<b>230,390</b>	<b>264,333</b>
<b>Liabilities</b>				
Long-term loans and borrowings .....	808,128	672,660	755,400	577,997
Non-current liabilities under finance leases .....	74,506	79,516	90,780	9,832
Deferred income .....	4,693	5,854	6,626	-
Deferred tax liabilities .....	724	702	2,895	15,669
<b>Total non-current liabilities .....</b>	<b>888,051</b>	<b>758,732</b>	<b>855,701</b>	<b>603,498</b>
Short-term loans and borrowings .....	373,848	514,569	435,831	225,894
Accrued interests .....	7,970	9,659	8,564	4,052
Short-term liabilities under finance leases .....	12,487	18,688	17,333	7,750
Trade and other payables .....	523,992	618,925	446,195	370,949
Short-term income tax liabilities .....	2,025	396	3,731	16
Deferred income .....	2,921	772	780	-
Other short-term liabilities .....	63,758	61,526	52,171	44,774
<b>Total short-term liabilities .....</b>	<b>987,001</b>	<b>1,224,535</b>	<b>964,605</b>	<b>653,435</b>
<b>Total equity and liabilities .....</b>	<b>2,057,933</b>	<b>2,107,303</b>	<b>2,050,696</b>	<b>1,521,266</b>

## Last Twelve Months Financial Data<sup>(1)</sup>

	As of and for the twelve months ended 30 June 2017
	<i>(BYN thousands)</i>
Revenue, interest and commission income .....	3,777,496
Cost of goods and services sold and interest expenses.....	(2,816,692)
Gross profit .....	960,804
Net cash from operating activities .....	296,999
Capital Expenditures .....	(52,054)
Proceeds from the sale of property and equipment .....	16,910
Free Cash Flow .....	261,855
Interest and financial lease expenses .....	(137,170)
EBITDA .....	343,164
Net Debt.....	1,226,117
Adjusted Net Working Capital.....	(121,586)

<sup>(1)</sup> Last twelve months financial data is calculated as a figure for the year ended 31 December 2016 less a figure for the six months ended 30 June 2016 plus a figure for the six months ended 30 June 2017.

## OPERATING AND FINANCIAL REVIEW

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

### Overview

The Group is the largest food retailer in the Belarusian market with a market share of approximately 19 per cent. in the six months ended 30 June 2017, based on food retail revenue, according to the Group's estimates based on the National Statistical Committee data. In the same period, the Group's next largest modern format competitor, Korona, had a market share of approximately 3.9 per cent. Based on the Company's estimates, the Group expanded faster in terms of market share growth than its main competitors in each year since 2014. As at 30 June 2017, the Group operated 460 stores in 97 of the 129 territorial units of Belarus. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates. As at 30 June 2017, the Group had more than 2.3 million active cardholders under the Group's loyalty programmes, which equates to a household penetration rate of approximately 59 per cent. of total Belarusian households.

The Group's strategy is based on offering a focused assortment of high turnover products (i.e. products for which demand is greatest) at market-low prices (see "*—Strategy—Optimise the Group's pricing strategy*"). On the basis of surveys conducted by various third parties, including the National Academy of Science of Belarus, and monthly market surveys conducted by the Group, the Group's management compares prices for the basic food product range against those of the Group's competitors and believes that the Group is the price leader in the Belarusian food retail market. According to Nielsen research, the Group has a reputation of the leading destination for high demand, low-price products, which underpins its leading market position. The Group also regularly offers additional price discounts and promotions to its loyalty programmes members which helps to drive additional customer traffic and customer loyalty.

The Group offers both food and non-food products and sells a mix of branded products, private label and own-produced products. In the six months ended 30 June 2017, food products (including dry food, alcohol and dairy) and non-food products (including industrial products, seasonal products and pets supplies) constituted 92.3 per cent. and 7.7 per cent., respectively, of the retail sales of the Group's stores (including VAT). Private label products and own-produced products (including meat products, ready-to-eat food and bakery) accounted for 10.5 per cent. and 10.3 per cent. of the retail sales of the Group's stores (including VAT) in the same period.

The Group operates five different formats of stores ranging in size from E mini and E+ convenience stores to E++ supermarkets and E+++ and E++++ hypermarkets. The Group's management believes that this diversified multi-format chain model enables the Group to open and operate the optimum type and size of store for any particular location in Belarus based on the size of the local population and potential customer base. The Group's management believes that this flexibility enables the Group to increase its penetration rate throughout the country, and therefore grow its business, in a cost effective and efficient manner. The below table contains information on the number of stores, average selling space, selling space owned, percentage of sales per each store format as of 30 June 2017:

	<i>E mini</i>	<i>E+</i>	<i>E++</i>	<i>E+++</i>	<i>E++++</i>
Number of stores .....	194	169	59	35	3
Average selling space (in sq. m.)..	155	428	986	2,739	6,950
Average number of SKUs .....	3,650	7,050	12,000	25,700	43,000
Selling space owned (in %) .....	8	15	55	60	100
Percentage of total sales .....	13	30	20	30	7

The Group operates a balanced real estate strategy, in accordance with which it owns approximately 45 per cent of its total selling space (predominantly the hypermarkets) and leases approximately 55 per cent of its total selling space (predominantly the convenience stores), and actively manages the proportions of its owned and



leased real estate in order to facilitate its operational expansion and optimize its financial position and working capital requirements.

The Group's stores are constructed and/or equipped in a modern format and approximately 75 per cent. of the Group's stores were opened since 1 January 2013. The Group's management believes that its new, modern format stores provide a more enjoyable and convenient retail experience for customers and differentiate the Group from its non-chain competitors and those of its local retail chain competitors which operate older, more traditional format stores.

The Group operates its own fully integrated, nation-wide logistics system based around three large, modern distribution centres with a total aggregate storage space of approximately 76,100 sq. m., which cater for the full range of the Group's products, one medium size warehouse processing fruits and vegetables with a total aggregate storage space of approximately 9,900 sq. m. and one railway transit warehouse with a total aggregate storage space of approximately 4,500 sq. m. The Group owns a fleet of approximately 150 transportation vehicles which carry out more than 50 per cent of the total deliveries of products to and from the Group's distribution bases and stores, with the remaining deliveries being carried out by third party contractors. The Group's management believes that the Group's distribution bases and transportation fleet give it significant control over its supply chain and reduce its dependence on third party suppliers. The Group's management believes that the Group's operations are supported by sophisticated internal IT systems that provide it with a wide range of reliable data management tools.

The Group conducts banking operations through the Company's subsidiary, OJSC StatusBank (the "**Bank**"). The Bank is a universal bank in Belarus offering private and corporate customers a wide range of banking services and products, including depositing household and corporate funds and granting commercial and consumer loans to legal entities and individuals. The Bank has branches in 21 cities throughout Belarus. As of 31 December 2016, the Bank's operating profit amounted to BYN 12,963 thousand, which accounted for 7.1 per cent. of the Group's total operating profit. See "*Business—Banking Operations*".

The Group had revenue, interest and commission income of BYN 1,897,646 thousand, BYN 3,638,760 thousand, BYN 2,986,568 thousand and BYN 2,407,930 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, gross profit of BYN 504,753 thousand, BYN 849,361 thousand, BYN 686,719 thousand and BYN 537,229 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, profit for the period of BYN 58,916 thousand in the six month period ended 30 June 2017 following a loss for the period of BYN 42,775 thousand and BYN 334,934 thousand in the years ended 31 December 2016 and 2015 and a profit for the period of 12,771 thousand in the year ended 31 December 2014 and EBITDA of BYN 182,346 thousand, BYN 257,423 thousand, BYN 221,477 thousand and BYN 159,518 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, and EBITDAR Margin of 11.8 per cent. in the six-month period ended 30 June 2017. This strong financial performance reflects the expansion of the Group's operations and LFL growth in its existing stores across the same periods. The Group had a CAGR in revenue of 22.9 per cent. and a CAGR in EBITDA of 27 per cent. for the three-year period ending 31 December 2016, and 7, 15, 140 and 95 net store openings in the six-month period ended 30 June 2017 and in each of 2016, 2015 and 2014, respectively, and 2,326 sq. m., 20,302 sq. m., 59,747 sq. m. and 65,233 sq. m. of net selling space was added in the six-month period ended 30 June 2017 and in 2016, 2015 and 2014, respectively.

### **Significant Factors Affecting the Results of Operations**

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

### ***Economic Conditions and Foreign Exchange Rates***

Substantially all of the Group's operations are based in, and substantially all of the Group's revenues are derived from, Belarus. As a result, Belarusian macroeconomic trends, including the rate of growth of the Belarusian economy, significantly influence the Group's performance. Since Russia is Belarus' main trading partner and because many export industries in Belarus are oriented towards Russia, the Group's business is also significantly influenced by general economic conditions in Russia, as well as by global macroeconomic factors. See "*Risk Factors—Risks relating to the Group's Business and Industry—A deterioration in general economic conditions in Belarus could have a material adverse effect on the Group's business, results of operations, financial condition and prospects*".

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

	For the year ended 31 December		
	2016	2015 <sup>(3)</sup>	2014 <sup>(3)</sup>
Nominal GDP, total ( <i>BYN millions</i> ).....	94,321.4	899,098,124	805,792,707
Nominal GDP, per capita ( <i>BYN millions</i> ) .....	9.9 <sup>(1)</sup>	94.7	85.0
Consumer price index ( <i>per cent.</i> ).....	10.6	12.0	16.2
Final consumption expenditure ( <i>BYN millions</i> ) .....	66,652	609,580,484	536,508,508
Average refinancing rate ( <i>per cent. per annum</i> ) .....	21.2	24.9	21.5
Average interbank market annual rate ( <i>per cent. per annum</i> ) .....	21.3	30.9	25.3
Average exchange rate of U.S. Dollar ( <i>BYN</i> ).....	1.9885 <sup>(1)</sup>	15,864.62	10,215.53
Average exchange rate of Euro ( <i>BYN</i> ) .....	2.2005 <sup>(1)</sup>	17,610.33	13,574.47
Average exchange rate of Russian Rouble ( <i>BYN</i> ).....	2.9704 <sup>(2)</sup>	260.57	269.02

**Notes:**

<sup>(1)</sup> Post-redenomination.

<sup>(2)</sup> Per 100 Russian Roubles.

<sup>(3)</sup> Pre-redenomination.

Between late 2014 and 2016, Belarus experienced adverse economic conditions, primarily as a result of a significant reduction in exports to, and investments from its closest economic partner, Russia, as the Russian economy contracted sharply during the same period. Real GDP in Belarus fell in both 2015 and 2016 (by 3.8 per cent. and 2.6 per cent., respectively) before increasing by 1 per cent. in the six months ended 30 June 2017, according to the National Statistical Committee. The Belarusian Rouble depreciated significantly against the U.S. Dollar and the Euro during the period 2014 to 2016, resulting in its redenomination on 1 July 2016. In response to the contraction of the Belarusian economy, the National Bank initially increased interest rates in 2015 before steadily lowering them from 2016 in order to seek to stimulate economic growth. Belarusian real private consumption fell by 2.7 per cent. in 2015 before rising slightly in 2016.

The Group's management believes that the deterioration of the Belarusian economic environment impacted the Group's financial performance and operations. In particular, the reduction in disposable income in Belarus adversely affected the growth of the food retail market and, therefore, the Group's net sales.

The volatility of the Belarusian Rouble against major foreign currencies (the U.S. Dollar and the Euro) had an adverse effect upon the Group, primarily because its reporting currency is the Belarusian Rouble and its revenues are received in Belarusian Roubles, but a significant proportion of its real estate leases and indebtedness are linked to or denominated in foreign currencies (primarily the U.S. Dollar and the Euro), thereby exposing it to foreign exchange risk. In addition, the Group has (and through the relevant period had) outstanding a significant amount of floating rate debt with interest rates calculated by reference to the Belarusian refinancing rate, thereby exposing it to interest rate risk. The condition of the Belarusian economy and levels of disposable income and consumer spending will continue to have a significant effect on the Group's results of operations and ability to implement its expansion plans. See "*Overview—Strategy—Expand operations and increase market share*".

### ***Expansion of Operations***

The Group expanded its operations rapidly in 2014 and 2015, and more gradually from 2016, by increasing the number of its stores and its total selling space. Operational expansion during 2014 and 2015 was primarily achieved through the acquisition and construction of larger format stores, (mainly due to a lack of suitable, large real estate available for lease), and by leasing real estate for smaller format stores. Since 2016, the Group has primarily focused on achieving expansion by identifying and leasing smaller format stores.

The table below sets number of stores and selling space for each of the periods indicated.

	For the six months ended 30 June	For the year ended 31 December			
	2017	2016	2015	2014	2013
Number of stores.....	460	453	438	298	203
Selling space ( <i>thousand square metres</i> ) .....	277	275	255	195	130
Owned selling space ( <i>thousand square metres</i> ).....	124	124	118	101	65
Leased selling space ( <i>thousand square metres</i> ).....	153	151	136	94	65

The Group's expansion during this period strengthened its position as the largest food retailer in the Belarusian market, which underpins many of its key strengths, including economies of scale in purchasing and contracting and the ability to negotiate advantageous prices and other commercial terms with its key suppliers. See *"Overview—Key Strengths—Leading position in the Belarusian food retail market"*. The increase in the total number of the Group's stores and selling space contributed to significant increases in its volume of sales and revenues. The opening of new stores resulted in additional associated selling costs and expenses along with a decrease in the share of headquarter overhead costs in the Group's total costs and expenses. See *"Overview—Key Strengths—Strong financial performance"*. In order to expand its operations, the Group incurred significant indebtedness to finance the capital expenditure necessary to construct and acquire new stores, and its lease payments increased as it leased additional new stores. This increase in the Group's borrowings, in particular its short-term borrowings, and lease payment obligations contributed to the increase in the Group's finance expenses between 2014 and 2016. The Group intends to continue to seek to expand its operations in the future, primarily by identifying and leasing smaller format stores. See *"Overview—Strategy—Expand operations and increase market share"*. This may impact the Group's revenue, costs and expenses, capital expenditure and borrowings.

### ***Real Estate Strategy***

The Group's decision as to whether (and in which proportions) to acquire and/or construct and own or lease the real estate it uses impacts its financial position and results of operations. For example, significantly higher capital expenditure is required to acquire and/or construct a store, whereas ongoing rental payments must be made in respect of stores leased by the Group. In accordance with its balanced real estate strategy, the Group actively manages the proportions of its owned and leased real estate. See *"Operating and Financial Review—Liquidity and Capital Resources—Working Capital"*. In 2015, the Group entered into three sale and leaseback transactions in respect of its real estate assets, one aim of which was to release funds to refinance its indebtedness. The sale and leaseback of real estate assets by the Group since 2015 has generated approximately BYN 65 million of proceeds, which have primarily been used to repay certain of the Group's indebtedness and to finance the expansion of the Group's operations. However, it also had the effect of increasing expenses related to real estate leases, although this effect has been partially offset by the Group negotiating more actively with its lessors to minimise its lease payments for its leased real estate since 2016. The entering into further sale and leaseback transactions by the Group was also hindered by the challenging economic conditions in the Belarusian market since 2014. See *"—Economic conditions"*. In accordance with its current expansion strategy, going forward, the Group intends to focus on expanding its operations primarily through the roll out of smaller format stores on a leased basis. See *"Overview—Strategy—Expand operations and increase market share"*.

The Group's stores are constructed and/or equipped in a modern format and approximately 75 per cent. of the Group's stores were opened since 1 January 2013. Although the capital expenditure requirements to fit out and equip a modern format store are typically higher than for a tradition format store, the Group's management considers that the use of modern format stores is critical to the maintenance of the Group's brand, and offer customers a more enjoyable and convenient shopping experience, thereby driving customer loyalty and traffic. See *"Overview—Key Strengths—Balanced real estate strategy and diversified modern store formats"*. Further, the Group's new, modern format stores typically require less ongoing maintenance capital expenditure than traditional stores.

## Development of Logistics System

The Group's management believes that the Group is the only Belarusian food retailer to operate a fully integrated, nation-wide logistics system. See "Overview—Key Strengths—Strong supplier relations and efficient supply chain operations—Efficient supply chain operations". The Group operates three large, modern distribution centres, one medium size warehouse and one railway transit warehouse, which operate as centralised bases for deliveries to the Group's stores located throughout Belarus, and employ modern automated warehousing management systems. The Group owns a fleet of approximately 150 transportation vehicles which carry out more than 50 per cent of the total deliveries of products to and from the Group's distribution bases and stores, with the remaining deliveries being carried out by third party contractors. The Group's distribution centres, warehouses and transportation fleet enable it to achieve a high level of centralisation its delivery processes and give it significant control over its supply chain and reduce its dependence on third party suppliers and transportation service providers. This has enabled the Group to achieve improved operational efficiencies and reduced the Group's associated costs and expenses. The Group intends to continue to improve its supply chain and warehouse efficiency and it expects this to drive further cost efficiency.

## Ability to Maintain and Increase Gross and EBITDA Margins

The Group's management believes that the Group's strong relationship with its suppliers and its ability to benefit from significant economies of scale in its purchases and negotiate advantageous prices and other commercial terms with them has been, and will continue to be, crucial to enable it to continue to implement its low price operating model whilst maintaining and increasing its gross margins. See "Overview—Key Strengths—Strong supplier relations and efficient supply chain operations—Strong supplier relations" and "Overview—Key Strengths—Low price operating model". Further, the Group has improved its gross margins by reducing payment cycles under supply contracts, by focusing on sales of its high margin products and by optimizing its pricing policy in respect of certain of its low turnover products, and intends to continue to do so. See "Overview—Strategy—Optimise the Group's pricing strategy". The Group has also introduced a number of efficiency initiatives designed to improve productivity and reduce personnel costs and expenses which have supported and should continue to support its EBITDA Margin. See "Overview—Strategy—Implement personnel training and efficiency initiatives". In addition, although marketing and advertising expenses increased significantly from 2016 as the Group ramped up its promotional and marketing campaigns and permanent price discounts, the Group's management considers that such marketing activity helped to further develop the Group's brand awareness and grow its LFL average ticket.

## Results of Operations

The following table sets out the Group's selected income statement data for the six months ended 30 June 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014.

	For the six months ended 30 June		For the year ended 31 December		
	2017	2016	2016	2015	2014
<i>Continuing operations</i>			<i>(BYN thousands)</i>		
Revenue, interest and commission income .....	1,897,646	1,758,910	3,638,760	2,986,568	2,407,930
Cost of goods and services sold and interest expenses.....	(1,392,893)	(1,365,600)	(2,789,399)	(2,299,849)	(1,870,701)
<b>Gross profit .....</b>	<b>504,753</b>	<b>393,310</b>	<b>849,361</b>	<b>686,719</b>	<b>537,229</b>
Administrative and selling expenses .....	(356,351)	(323,250)	(655,642)	(524,032)	(401,660)
Other income .....	5,682	5,036	12,227	19,256	2,184
Other expenses.....	(13,246)	(12,993)	(22,433)	(15,434)	(12,222)
<b>Operating profit .....</b>	<b>140,838</b>	<b>62,103</b>	<b>183,513</b>	<b>166,509</b>	<b>125,531</b>
Finance income .....	3,266	64	50	321	1,144
Finance costs.....	(78,121)	(185,550)	(232,932)	(590,140)	(178,116)
<b>Net finance costs.....</b>	<b>(74,855)</b>	<b>(185,486)</b>	<b>(232,882)</b>	<b>(589,819)</b>	<b>(176,972)</b>
Gain on net non-monetary position .....	—	—	—	—	81,938
<b>Profit/(loss) before tax .....</b>	<b>65,983</b>	<b>(123,383)</b>	<b>(49,369)</b>	<b>(423,310)</b>	<b>30,497</b>
Income tax benefit/(expense) .....	(7,067)	19,320	6,594	98,607	(12,107)

<b>Profit/(loss) from continuing operations .....</b>	<b>58,916</b>	<b>(104,063)</b>	<b>(42,775)</b>	<b>(324,703)</b>	<b>18,390</b>
<b>Discontinued operation</b>					
Loss from discontinued operation	–	–	–	(10,231)	(5,619)
<b>Profit/(loss) for the period .....</b>	<b>58,916</b>	<b>(104,063)</b>	<b>(42,775)</b>	<b>(334,934)</b>	<b>12,771</b>
<b>Other comprehensive income (loss)</b>					
<i>Items that will never be reclassified to profit or loss:</i>					
Revaluation of property and equipment .....	–	–	(74,892)	350,809	78,686
Related tax .....	–	–	13,481	(63,146)	(14,164)
	–	–	<b>(61,411)</b>	<b>287,663</b>	<b>64,522</b>
<i>Items that are or may be reclassified to profit or loss:</i>					
Foreign currency translation reserve .....	(38)	(1,783)	(2,168)	(339)	591
<b>Total other comprehensive income (loss) .....</b>	<b>(38)</b>	<b>(1,783)</b>	<b>(63,579)</b>	<b>287,324</b>	<b>65,113</b>
<b>Total comprehensive income (loss) for the period .....</b>	<b>58,878</b>	<b>(105,846)</b>	<b>(106,354)</b>	<b>(47,610)</b>	<b>77,884</b>

### ***Explanation of Key Income Statement Line Items***

#### *Revenue, interest and commission income*

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

#### *Cost of goods and services sold and interest expenses*

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

#### *Gross profit*

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

#### *Administrative and selling expenses*

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

#### *Other income*

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

#### *Other expenses*

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

#### *Operating profit*

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

#### *Finance income*

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

#### *Finance costs*

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

#### *Net finance costs*

Net finance costs are equal to finance costs less finance income.

#### *Profit/(loss) before tax*

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

#### *Income tax benefit/(expense)*

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

#### *Profit/(loss) for the period*

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

#### *Total other comprehensive income (loss)*

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

#### *Total comprehensive income (loss) for the period*

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

## Six Months Ended 30 June 2017 and 2016

### Revenue, interest and commission income

The following table sets out the components of the Group's revenue, interest and commission income for the six months ended 30 June 2017 and 2016.

	For the six months ended 30 June	
	2017	2016
	<i>(BYN thousands)</i>	
Retail sales .....	1,751,987	1,645,209
Wholesale .....	87,100	65,337
Revenue from advertising .....	28,696	15,390
Lease income .....	13,882	14,309
Interest and commission income of the Bank .....	9,169	12,190
Own production .....	5,985	5,663
Other revenue .....	827	812
<b>Total revenue .....</b>	<b>1,897,646</b>	<b>1,758,910</b>

The Group's revenue, interest and commission income increased by BYN 138,736 thousand, or 7.9 per cent., for the six months ended 30 June 2017 to BYN 1,897,646 thousand from BYN 1,758,910 thousand for the six months ended 30 June 2016, primarily due to a BYN 106,778 thousand, or 6.5 per cent., increase in retail sales, which was largely attributable to an increase in LFL average ticket and an increase in sales as a result of the expansion of the Group's selling space and a BYN 21,763 thousand, or 33.3 per cent., increase in wholesale trading. The increase in the Group's revenue, interest and commission income was also partially attributable to a BYN 13,306 thousand, or 86.5 per cent., increase in revenue from advertising as the Group ramped up the volume of advertising services provided to third parties seeking to advertise their products in the Group's stores.

### Cost of goods and services sold and interest expenses

The following table sets out the components of the Group's cost of goods and services sold and interest expenses for the six months ended 30 June 2017 and 2016.

	For the six months ended 30 June	
	2017	2016
	<i>(BYN thousands)</i>	
Cost of merchandise .....	1,365,147	1,335,338
Transportation costs and handling operations .....	23,118	24,293
Cost of own products .....	2,859	2,706
Bank interest expenses .....	1,400	2,405
Other cost .....	369	858
<b>Total cost of goods and services sold and interest expenses ....</b>	<b>1,392,893</b>	<b>1,365,600</b>

The Group's cost of goods and services sold and interest expenses increased by BYN 27,293 thousand, or 2 per cent., for the six months ended 30 June 2017 to BYN 1,392,893 thousand from BYN 1,365,600 thousand for the six months ended 30 June 2016, primarily due to a BYN 29,809 thousand, or 2.2 per cent., increase in the cost of merchandise, which was primarily attributable to an increase in the total amount of goods purchased by the Group as it continued to expand its operations and total selling space.

### Gross profit

The Group's gross profit increased by BYN 111,443 thousand, or 28.3 per cent., to BYN 504,753 thousand for the six months ended 30 June 2017 from BYN 393,310 thousand for the six months ended 30 June 2016. This increase was primarily attributable to (i) a BYN 138,736 thousand, or 7.9 per cent., increase in the Group's revenue, interest and commission income, which was only partially offset by a BYN 27,293 thousand, or 2 per cent., increase in the Group's cost of goods and services sold and interest expenses.

### Administrative and selling expenses

The below table sets out the components of the Group's administrative and selling expenses for the six months ended 30 June 2017 and 2016.

	For the six months ended 30 June	
	2017	2016
	(BYN thousands)	
Employee benefits .....	125,341	117,633
% of revenue .....	6.6	6.7
Rent .....	41,672	42,647
% of revenue .....	2.2	2.4
Utility costs .....	38,555	38,378
% of revenue .....	2.0	2.2
Social security contribution .....	40,139	38,554
% of revenue .....	2.1	2.2
Depreciation .....	37,914	32,397
% of revenue .....	2.0	1.8
Taxes other than income tax .....	16,580	13,905
% of revenue .....	0.9	0.8
Other materials and stationary .....	16,080	8,004
% of revenue .....	0.8	0.5
Marketing and advertising .....	18,493	5,172
% of revenue .....	1.0	0.3
Professional services .....	5,306	4,142
% of revenue .....	0.3	0.2
Repair and maintenance .....	3,787	3,012
% of revenue .....	0.2	0.2
Amortisation .....	1,097	34
% of revenue .....	0.1	0.0
Change in receivables' impairment allowance .....	1,314	10,334
% of revenue .....	0.1	0.6
Other expenses .....	10,073	9,038
% of revenue .....	0.5	0.5
<b>Total administrative and selling expenses .....</b>	<b>356,351</b>	<b>323,250</b>
<b>% of revenue .....</b>	<b>18.8</b>	<b>18.4</b>

The Group's administrative and selling expenses increased by BYN 33,101 thousand, or 10.2 per cent., for the six months ended 30 June 2017 to BYN 356,351 thousand from BYN 323,250 thousand for the six months ended 30 June 2016. This increase was primarily driven by (i) a BYN 7,708 thousand, or 6.6 per cent., increase in employee benefits as the total number of the Group's employees grew with the expansion of the Group's operations, (ii) a BYN 5,517 thousand, or 17.0 per cent., increase in depreciation of fixed assets as the Group expanded its store portfolio and increased its fixed assets accordingly, (iii) a BYN 13,321 thousand, or 257.6 per cent., increase in marketing and advertising as the Group ramped up its promotional and marketing campaigns, (iv) a BYN 2,675 thousand, or 19.2 per cent., increase in taxes other than income tax as the Group's tax base increased as a result of the growth in the Group's store portfolio and the upward revaluation of the Group's real estate, and (v) a BYN 8,076 thousand, or 100.9 per cent., increase in other material and stationery as the Group expanded its operations and increased the scale of its procurement accordingly, partially offset by a BYN 9,020 thousand, or 87.3 per cent., change in receivables' impairment allowance.

#### *Other income*

The Group's other income increased by BYN 646 thousand, or 12.8 per cent., to BYN 5,682 thousand for the six months ended 30 June 2017 from BYN 5,036 thousand for the six months ended 30 June 2016. This increase was primarily attributable to a BYN 2,386 thousand, or 304.3 per cent., increase in income from the sale of materials as the Group sold old equipment and materials in the course of the rebranding and refurbishment of certain stores in the six months ended 30 June 2017, partially offset by (i) a BYN 999 thousand, or 61.2 per cent., decrease in other income resulting from the downward revaluation of the Group's inventories in the six months ended 30 June 2017 and (ii) a BYN 907 thousand decrease in income received from fines and penalties (to zero for the six months ended 30 June 2017) as the Bank's borrowers materially complied with its obligations to the Bank, hence no sanctions were imposed by the Bank in the six months ended 30 June 2017.

#### *Other expenses*

The Group's other expenses increased by BYN 253 thousand, or 2 per cent., to BYN 13,246 thousand for the six months ended 30 June 2017 from BYN 12,993 thousand for the six months ended 30 June 2016. This increase



was primarily attributable to a BYN 2,761 thousand, or 83.8 per cent., increase in other expenses resulting from the inclusion by the Group of expenses of Mayakinvest LLC and Rudsal-invest LLC following their merger with the Company in the six months ended 30 June 2017, partially offset by (i) a BYN 1,775 thousand, or 52.5 per cent., decrease in loss from disposal of property and equipment as the Group transferred less infrastructure objects and other property to the state and municipal authorities without consideration in connection with the construction of stores in the six months ended 30 June 2017 compared to the same period in 2016, and (ii) a BYN 1,111 thousand decrease in write-offs of expenses due to the termination of land lease rights (to zero for the six months ended 30 June 2017) as, in the six months ended 30 June 2016, the Group terminated an investment contract for the construction of stores which provided the Group with land lease rights.

#### *Operating profit*

The Group's operating profit increased by BYN 78,735 thousand, or 126.8 per cent., to BYN 140,838 thousand for the six months ended 30 June 2017 from BYN 62,103 thousand for the six months ended 30 June 2016. This increase was primarily attributable to the increase in gross profit in the six months ended 30 June 2017, which was only partially offset by an increase in administrative and selling expenses and other expenses.

#### *Finance income*

The Group's finance income increased by BYN 3,202 thousand, to BYN 3,266 thousand for the six months ended 30 June 2017 from BYN 64 thousand for the six months ended 30 June 2016, primarily as a result of a BYN 3,257 thousand increase in gain on foreign exchange differences as a result of the appreciation of the Belarusian Rouble against the Euro and U.S. Dollar in the six months ended 30 June 2017.

#### *Finance costs*

The Group's finance costs decreased by BYN 107,429 thousand, or 57.9 per cent., to BYN 78,121 thousand for the six months ended 30 June 2017 from BYN 185,550 thousand for the six months ended 30 June 2016, primarily as a result of a BYN 110,169 thousand, or 100 per cent., decrease in loss from foreign exchange differences due to the appreciation of the Belarusian Rouble against the Euro and U.S. Dollar in the six months ended 30 June 2017. The Group's interest and financial lease expenses amounted to BYN 66,078 thousand in the six months ended 30 June 2017 compared to BYN 65,297 thousand in the same period in 2016.

#### *Net finance costs*

The Group's net finance costs decreased by BYN 110,631 thousand, or 59.6 per cent., to BYN 74,855 thousand for the six months ended 30 June 2017 from BYN 185,486 thousand for the six months ended 30 June 2016. This decrease was primarily attributable to a BYN 107,429 thousand, or 57.9 per cent., decrease in finance costs driven by a BYN 110,169 thousand decrease in loss from foreign exchange differences due to the appreciation of the Belarusian Rouble against the Euro and U.S. Dollar in the six months ended 30 June 2017.

#### *Profit/(loss) before tax*

The Group's profit before tax increased by BYN 189,366 thousand to a profit of BYN 65,983 thousand for the six months ended 30 June 2017 as compared to a loss of BYN 123,383 thousand for the six months ended 30 June 2016. This increase was primarily caused by a BYN 110,631 thousand, or 59.6 per cent., reduction in net finance costs and a BYN 78,735 thousand, or 126.8 per cent., increase in operating profit.

#### *Income tax benefit/(expense)*

The Group's income tax benefit decreased by BYN 26,387 thousand to an expense of BYN 7,067 thousand for the six months ended 30 June 2017 as compared to a benefit of BYN 19,320 thousand for the six months ended 30 June 2016. This decrease was primarily caused by the BYN 189,366 thousand increase in profit before tax in the six months ended 30 June 2017.

#### *Profit/(loss) for the period*

The Group's profit for the period increased by BYN 162,979 thousand to a profit of BYN 58,916 thousand for the six months ended 30 June 2017 from a loss of BYN 104,063 thousand for the six months ended 30 June 2016. This increase was primarily attributable to a BYN 189,366 thousand increase in profit before tax, partially offset by a BYN 26,387 thousand decrease in income tax benefit.

*Total comprehensive income/(loss) for the period*

The Group's total comprehensive profit increased by BYN 164,724 thousand to a profit of BYN 58,878 thousand for the six months ended 30 June 2017 from a loss of BYN 105,846 thousand for the six months ended 30 June 2016. This increase was primarily attributable to the growth in profit for the period.

***Years Ended 31 December 2016 and 2015***

*Revenue, interest and commission income*

The following table sets out the components of the Group's revenue, interest and commission income for the years ended 31 December 2016 and 2015.

	For the year ended 31 December					
	Continuing operations		Discontinued operation		Total	
	2016	2015	2016	2015	2016	2015
	<i>(BYN thousands)</i>					
Retail sales .....	3,403,881	2,854,582	—	38,343	3,403,881	2,892,925
Wholesale .....	130,872	56,807	—	37	130,872	56,844
Revenue from advertising .....	36,943	16,537	—	-	36,943	16,537
Lease income .....	25,411	22,286	—	-	25,411	22,286
Interest and commission income of the Bank .....	21,860	20,436	—	-	21,860	20,436
Own production .....	18,981	15 613	—	—	18,981	15,613
Other revenue .....	812	307	—	233	812	540
<b>Total revenue and interest and commission income .....</b>	<b>3,638,760</b>	<b>2,986,568</b>	<b>—</b>	<b>38,613</b>	<b>3,638,760</b>	<b>3,025,181</b>

The Group's total revenue, interest and commission income increased by BYN 613,579 thousand, or 20.3 per cent., for the year ended 31 December 2016 to BYN 3,638,760 thousand from BYN 3,025,181 thousand for the year ended 31 December 2015, primarily due to a BYN 510,956 thousand, or 17.7 per cent., increase in retail sales, which was largely attributable to an increase in LFL average ticket and an increase in sales as a result of the expansion of the Group's selling space, and a BYN 74,028 thousand, or 130.2 per cent., increase in wholesale trading. The increase in the Group's total revenue, interest and commission income was also partially attributable to (i) a BYN 20,406 thousand, or 123.4 per cent., increase in revenue from advertising as the Group ramped up the volume of advertising services provided to third parties seeking to advertise their products in the Group's stores, (ii) a BYN 3,125 thousand, or 14.0 per cent., increase in lease income as the Group leased and subleased more space to third parties as the total amount of its real estate increased as a result of the expansion of its operations, and (iii) a BYN 3,368 thousand, or 21.6 per cent., increase in revenue from own production as the Group focused on increasing a share of higher margin own-produced products in the Group's sales.

*Cost of goods and services sold and interest expenses*

The following table sets out the components of the Group's cost of goods and services sold and interest expenses for the years ended 31 December 2016 and 2015.

	For the year ended 31 December					
	Continuing operations		Discontinued operation		Total	
	2016	2015	2016	2015	2016	2015
	<i>(BYN thousands)</i>					
Cost of merchandise .....	2,724,027	2,239,220	—	31,566	2,724,027	2,270,786
Transportation costs .....	48,863	44,757	—	—	48,863	44,757
Cost of own products .....	12,336	10,932	—	—	12,336	10,932
Bank interest expenses .....	2,866	3,699	—	—	2,866	3,699
Other cost .....	1,307	1,241	—	—	1,307	1,241
<b>Total cost of goods and services sold and interest expenses .....</b>	<b>2,789,399</b>	<b>2,299,849</b>	<b>—</b>	<b>31,566</b>	<b>2,789,399</b>	<b>2,331,415</b>

The Group's total cost of goods and services sold and interest expenses increased by BYN 457,984 thousand, or 19.6 per cent., for the year ended 31 December 2016 to BYN 2,789,399 thousand from BYN 2,331,415 thousand for the year ended 31 December 2015. This increase was mainly driven by a BYN 453,241 thousand, or 20 per cent., increase in the cost of merchandise and a BYN 4,106 thousand, or 9.2 per cent., increase in transportation costs, which was primarily attributable to an increase in the total amount of goods purchased by

the Group and the expansion of the Group's logistics network as the Group continued to expand its operations and total selling space. The cost of merchandise and the cost of services also increased as suppliers and service providers increased their prices to offset the impact of the depreciation of the BYN against the Euro and the U.S. Dollar on the price (in BYN terms) of their commodity and energy imports.

### *Gross profit*

The Group's gross profit increased by BYN 162,642 thousand, or 23.7 per cent., to BYN 849,361 thousand for the year ended 31 December 2016 from BYN 686,719 thousand for the year ended 31 December 2015. This increase was primarily attributable to (i) a BYN 652,192 thousand, or 21.8 per cent., increase in the Group's revenue, interest and commission income, which was only partially offset by a BYN 489,550 thousand, or 21.3 per cent., increase in the Group's cost of goods and services sold and interest expenses.

### *Administrative and selling expenses*

The below table sets out the components of the Group's administrative and selling expenses for the years ended 31 December 2016 and 2015.

	For the year ended 31 December					
	Continuing operations		Discontinued operation		Total	
	2016	2015	2016	2015	2016	2015
	<i>(BYN thousands)</i>					
Employee benefits .....	236,738	218,501	-	8,092	236,738	226,593
% of revenue .....	6.5	7.3				
Rent .....	86,375	62,368	-	4,066	86,375	66,434
% of revenue .....	2.4	2.1				
Utility costs .....	78,684	52,601	-	306	78,684	52,907
% of revenue .....	2.2	1.8				
Social security contribution .....	77,470	72,973	-	2,658	77,470	75,631
% of revenue .....	2.1	2.4				
Depreciation .....	68,716	50,484	-	107	68,716	50,591
% of revenue .....	1.9	1.7				
Taxes other than income tax .....	28,816	14,763	-	-	28,816	14,763
% of revenue .....	0.8	0.5				
Other materials and stationary .....	19,726	13,420	-	385	19,726	13,805
% of revenue .....	0.5	0.4				
Marketing and advertising .....	15,463	5,673	-	107	15,463	5,780
% of revenue .....	0.4	0.2				
Professional services .....	9,911	9,390	-	-	9,911	9,390
% of revenue .....	0.3	0.3				
Repair and maintenance .....	6,489	6,954	-	129	6,489	7,083
% of revenue .....	0.2	0.2				
Impairment of property and equipment .....	6,093	690	-	-	6,093	690
% of revenue .....	0.2	0.0				
Other .....	21,161	16,215	-	1,499	21,161	17,714
% of revenue .....	0.6	0.5				
<b>Total administrative and selling expenses .....</b>	<b>655,642</b>	<b>524,032</b>		<b>17,349</b>	<b>655,642</b>	<b>541,381</b>
<b>% of revenue .....</b>	<b>18.0</b>	<b>17.5</b>				

The Group's total administrative and selling expenses increased by BYN 114,261 thousand, or 21.1 per cent., for the year ended 31 December 2016 to BYN 655,642 thousand from BYN 541,381 thousand for the year ended 31 December 2015. This increase was primarily driven by (i) a BYN 10,145 thousand, or 4.5 per cent., increase in employee benefits and a BYN 1,839 thousand, or 2.4 per cent. increase in social security contribution as the total number of the Group's employees increased from 33,442 as at 31 December 2015 to 33,936 as at 31 December 2016 with the expansion of the Group's operations, (ii) a BYN 19,941 thousand, or 30.0 per cent., increase in rent as the Group increased the total number of its leased stores as part of the expansion of its operations and as a result of the depreciation of the BYN against the Euro, which increased

rental expenses in BYN terms under the Group's predominantly Euro-denominated operating leases, (iii) a BYN 25,777 thousand, or 48.7 per cent., increase in utility costs as the Group increased the total number of its stores and the price of energy imports in BYN terms increased as a result of the depreciation of the BYN against the U.S. Dollar and the Euro, (iv) a BYN 18,125 thousand, or 35.8 per cent., increase in depreciation of fixed assets as the Group expanded its store portfolio and increased its fixed assets accordingly, (v) a BYN 14,053 thousand, or 95.2 per cent., increase in taxes other than income tax as the Group's tax base increased as a result of the growth in the Group's store portfolio and the upward revaluation of the Group's real estate, (vi) a BYN 5,921 thousand, or 42.9 per cent., increase in other materials and stationery as the Group expanded its operations and increased the scale of its procurement accordingly, (vii) a BYN 9,683 thousand, or 167.5 per cent., increase in marketing and advertising as the Group ramped up its promotional and marketing campaigns and (viii) a BYN 5,403 thousand, or 783 per cent., increase in impairment of property and equipment.

#### *Other income*

The Group's total other income decreased by BYN 7,092 thousand, or 36.7 per cent., to BYN 12,227 thousand for the year ended 31 December 2016 from BYN 19,319 thousand for the year ended 31 December 2015. This decrease was primarily attributable to (i) a BYN 3,889 thousand, or 50.9 per cent., decrease in income from the sale of property and equipment as the Group sold less real estate, including pursuant to sale and leaseback transactions and (ii) a BYN 2,287 thousand, or 36.9 per cent., decrease in income from the sale/purchase of currency as the BYN was less volatile in 2016 as compared to 2015.

#### *Other expenses*

The Group's total other expenses increased by BYN 6,999 thousand, or 45.3 per cent., to BYN 22,433 thousand for the year ended 31 December 2016 from BYN 15,434 thousand for the year ended 31 December 2015. This increase was primarily attributable to (i) a BYN 5,893 thousand, or 142.6 per cent., increase in charitable payments, (ii) BYN 3,528 thousand increase in other expenses as a result of losses from the downward revaluation of fixed assets and the sale of obsolete fixed assets and (iii) BYN 1,276 increase in write-offs of expenses related to the termination of land lease rights (from zero in the year ended 31 December 2015) as, in 2016, the Group terminated an investment contract for the construction of stores which provided the Group with land lease rights, partially offset by a BYN 4,055 thousand, or 68.6 per cent., decrease in other disposal of property and equipment as the Group transferred less infrastructure objects and other property to the state and municipal authorities without consideration in connection with the construction of stores in 2016 compared to 2015.

#### *Operating profit*

The Group's operating profit increased by BYN 17,004 thousand, or 10.2 per cent., to BYN 183,513 thousand for the year ended 31 December 2016 from BYN 166,509 thousand for the year ended 31 December 2015. This increase was primarily attributable to the increase in gross profit in 2016, which was only partially offset by an increase in administrative and selling expenses and other expenses and a decrease in other income.

#### *Finance income*

The Group's total finance income decreased by BYN 294 thousand, or 85.5 per cent., to BYN 50 thousand for the year ended 31 December 2016 from BYN 344 thousand for the year ended 31 December 2015 as the Group held fewer financial instruments on deposit.

#### *Finance costs*

The Group's total finance costs decreased by BYN 357,223 thousand, or 60.5 per cent., to BYN 232,932 thousand for the year ended 31 December 2016 from BYN 590,155 thousand for the year ended 31 December 2015 primarily as a result of a BYN 390,802 thousand, or 84.2 per cent., decrease in exchange losses due to reduced volatility of the BYN/Euro and BYN/U.S. Dollar exchange rates, partially offset by (i) a BYN 23,817 thousand, or 24.3 per cent., increase in interest expenses due to a growth in short-term borrowings attracted by the Group to refinance its indebtedness in 2016, (ii) a BYN 8,264 thousand, or 133.3 per cent., increase in lessor's remuneration on finance leases as the total amount of the Group's finance leases increased as it expanded its store network and (iii) a BYN 3,715 thousand or 49.7 per cent., increase in bank commissions as the Group was actively refinancing its indebtedness in 2016. The Group's interest and financial lease expenses amounted to BYN 136,389 thousand in 2016 compared to BYN 104,293 thousand in 2015.

### *Net finance costs*

The Group's total net finance costs decreased by BYN 356,929 thousand, or 60.5 per cent., to BYN 232,882 thousand for the year ended 31 December 2016 from BYN 589,811 thousand for the year ended 31 December 2015. This decrease was primarily attributable to a BYN 357,223 thousand, or 60.5 per cent., decrease in finance costs, primarily as a result of a BYN 390,802 thousand, or 84.2 per cent., decrease in loss from foreign exchange differences due to reduced volatility of the BYN/Euro and BYN/U.S. Dollar exchange rates.

### *Profit/(loss) before tax*

The Group's loss before tax decreased by BYN 373,941 thousand, or 88.3 per cent., to BYN 49,369 thousand for the year ended 31 December 2016 as compared to BYN 423,310 thousand for the year ended 31 December 2015. This decrease was primarily caused by a BYN 356,929 thousand, or 60.5 per cent., reduction in net finance costs and a slight increase in operating profit.

### *Income tax benefit/(expense)*

The Group's income tax benefit decreased by BYN 92,013 thousand, or 93.3 per cent., to BYN 6,594 thousand for the year ended 31 December 2016 as compared to BYN 98,607 thousand for the year ended 31 December 2015. This decrease was primarily caused by a BYN 373,941 thousand, or 88.3 per cent., decrease in losses before tax.

### *Profit/(loss) for the period*

The Group's loss for the period decreased by BYN 292,159 thousand, or 87.2 per cent., to BYN 42,775 thousand for the year ended 31 December 2016 from BYN 334,934 thousand for the year ended 31 December 2015. This decrease was primarily attributable to a BYN 373,941 thousand, or 88.3 per cent., decrease in loss before tax, partially offset by a BYN 92,013 thousand, or 93.3 per cent., decrease in income tax benefit.

### *Total other comprehensive income (loss)*

The Group's total other comprehensive income for the year decreased by BYN 350,903 thousand to a loss of BYN 63,579 thousand for the year ended 31 December 2016, as a result of the downward revaluation of the Group's property and equipment in response to the general deterioration of the Belarusian commercial real estate market, partially offset by a related tax benefit in respect of the decrease of the revaluation reserve of BYN 13,481 thousand for the year ended 31 December 2016 as compared to an expense of BYN 63,146 thousand for the year ended 31 December 2015.

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

	<b>31 December 2016</b>	<b>31 December 2015</b>
	<i>(BYN thousands)</i>	
Carrying amount of the buildings and structures before revaluation .....	1,251,840	861,807
Net decrease (increase) as a result of revaluation and impairment, including .....	(80,985)	350,119
Changes in revaluation reserve .....	(74,892)	350,809
(Impairment) in excess of the accumulated revaluation reserve .....	(6,093)	(11,848)
Reversal of previously recognised impairment losses .....	-	11,158
Net impairment of property and equipment .....	(6,093)	(690)
Carrying amount of the buildings and structures after revaluation .....	<b>1,170,855</b>	<b>1,211,926</b>
Tax effect of the decrease (increase) of the revaluation reserve .....	13,481	(63,146)

### *Total comprehensive income/(loss) for the year*

The Group's total comprehensive loss for the year increased by BYN 58,744 thousand to a loss of BYN 106,354 thousand for the year ended 31 December 2016, primarily as a result of a decrease of BYN 350,903 thousand in total other comprehensive income to a loss of BYN 63,579 thousand for the year ended 31 December 2016, partially offset by a reduction of BYN 292,159 thousand, or 87.2 per cent., in loss for the period.

## Years Ended 31 December 2015 and 2014

### Revenue, interest and commission income

The following table sets out the components of the Group's revenue, interest and commission income for the years ended 31 December 2015 and 2014.

	For the year ended 31 December					
	Continuing operations		Discontinued operation		Total	
	2015	2014	2015	2014	2015	2014
	<i>(BYN thousands)</i>					
Retail sales .....	2,854,582	2,339,435	38,343	19,963	2,892,925	2,359,398
Wholesale .....	56,807	19,565	37	47	56,844	19,612
Revenue from advertising .....	16,537	16,155	—	—	16,537	16,155
Lease income .....	22,286	10,235	—	—	22,286	10,235
Interest and commission income of the Bank .....	20,436	14,038	—	—	20,436	14,038
Own production .....	15,613	8,266	—	—	15,613	8,266
Other revenue .....	307	236	233	74	540	310
<b>Total revenue .....</b>	<b>2,986,568</b>	<b>2,407,930</b>	<b>38,613</b>	<b>20,084</b>	<b>3,025,181</b>	<b>2,428,014</b>

The Group's total revenue, interest and commission income increased by BYN 597,167 thousand, or 24.6 per cent., for the year ended 31 December 2015 to BYN 3,025,181 thousand from BYN 2,428,014 thousand for the year ended 31 December 2014, primarily due to (i) a BYN 533,527 thousand, or 22.6 per cent., increase in retail sales, which was largely attributable to an increase in LFL average ticket and an increase in sales as a result of the expansion of the Group's selling space, and a BYN 37,232 thousand, or 189.8 per. cent., increase in wholesale trading, (ii) a BYN 12,051 thousand, or 117.7 per cent., increase in lease income as the Group leased and subleased more space to third parties, (iii) a BYN 6,398 thousand, or 45.6 per cent., increase in revenue from interest and commission income of the Bank services as the Bank increased its credit portfolio and interest rates under credit agreements with its customers following an increase in the National Bank's refinancing rate from 20 per cent. as at August 2014 to 25 per cent. as at January 2015, and (iv) a BYN 7,347 thousand, or 88.9 per cent., increase in own production which was largely attributable to an increase in sales as a result of the expansion of the Group's selling space.

### Cost of goods and services sold and interest expenses

The following table sets out the components of the Group's cost of goods and services sold and interest expenses for the years ended 31 December 2015 and 2014.

	For the year ended 31 December					
	Continuing operations		Discontinued operation		Total	
	2015	2014	2015	2014	2015	2014
	<i>(BYN thousands)</i>					
Cost of merchandise .....	2,239,220	1,833,496	31,566	14,867	2,270,786	1,848,363
Transportation costs .....	44,757	28,495	—	31	44,757	28,526
Cost of own products .....	10,932	2,602	—	—	10,932	2,602
Bank interest expenses .....	3,699	3,640	—	—	3,699	3,640
Other cost .....	1,241	2,468	—	—	1,241	2,468
<b>Total cost of goods and services sold and interest expenses .....</b>	<b>2,299,849</b>	<b>1,870,701</b>	<b>31,566</b>	<b>14,898</b>	<b>2,331,415</b>	<b>1,885,599</b>

The Group's total cost of goods and services sold and interest expenses increased by BYN 445,816 thousand, or 23.6 per cent., for the year ended 31 December 2015 to BYN 2,331,415 thousand from BYN 1,885,599 thousand for the year ended 31 December 2014, primarily due to (i) a BYN 422,423 thousand, or 22.9 per cent., increase in the cost of merchandise, (ii) a BYN 8,330 thousand, or 320.1 per cent., increase in the cost of own products, (iii) a BYN 16,231 thousand, or 56.9 per cent., increase in transportation costs, which were primarily attributable to an increase in the total amount of goods purchased and produced by the Group and the expansion of the Group's logistics network as it continued to expand its operations and total selling space. The cost of merchandise, the cost of own production and transportation costs also increased as suppliers and service providers increased prices to offset the impact of the depreciation of the BYN against the Euro and the U.S. Dollar.

### Gross profit

The Group's gross profit increased by BYN 149,490 thousand, or 27.8 per cent., to BYN 686,719 thousand for the year ended 31 December 2015 from BYN 537,229 thousand for the year ended 31 December 2014. This increase was primarily attributable to (i) a BYN 578,638 thousand, or 24 per cent., increase in the Group's revenue, interest and commission income, which was only partially offset by a BYN 429,148 thousand, or 22.9 per cent., increase in the Group's cost of goods and services sold and interest expenses.

### Administrative and selling expenses

The below table sets out the components of the Group's administrative and selling expenses for the years ended 31 December 2015 and 2014.

	For the year ended 31 December					
	Continuing operations		Discontinued operation		Total	
	2015	2014	2015	2014	2015	2014
	(BYN thousands)					
Employee benefits .....	218,501	186,943	8,092	4,009	226,593	190,952
% of revenue .....	7.3	7.8				
Rent .....	62,368	36,434	4,066	1,272	66,434	37,706
% of revenue .....	2.1	1.5				
Utility Costs .....	52,601	27,088	306	274	52,907	27,362
% of revenue .....	1.8	1.1				
Social security contribution.....	72,973	62,063	2,658	1,271	75,631	63,334
% of revenue .....	2.4	2.6				
Depreciation.....	50,484	31,235	107	115	50,591	31,350
% of revenue .....	1.7	1.3				
Taxes other than income tax ....	14,763	8,503	-	-	14,763	8,503
% of revenue .....	0.5	0.4				
Other materials and stationary .	13,420	14,344	385	195	13,805	14,539
% of revenue .....	0.4	0.6				
Marketing and advertising .....	5,673	4,826	107	7	5,780	4,833
% of revenue .....	0.2	0.2				
Professional services .....	9,390	4,992	-	-	9,390	4,992
% of revenue .....	0.3	0.2				
Repair and maintenance .....	6,954	6,509	129	205	7,083	6,714
% of revenue .....	0.2	0.3				
Impairment of property and equipment .....	690	5,203	-	-	690	5,203
% of revenue .....	0.0	0.2				
Other expenses.....	16,215	13,520	1,499	655	17,714	14,175
% of revenue .....	0.5	0.6				
<b>Total administrative and selling expenses .....</b>	<b>524,032</b>	<b>401,660</b>	<b>17,349</b>	<b>8,003</b>	<b>541,381</b>	<b>409,663</b>
<b>% of revenue .....</b>	<b>17.5</b>	<b>16.7</b>				

The Group's total administrative and selling expenses increased by BYN 131,718 thousand, or 32.2 per cent., for the year ended 31 December 2015 to BYN 541,381 thousand from BYN 409,663 thousand for the year ended 31 December 2014. This increase was primarily driven by (i) a BYN 35,641 thousand, or 18.7 per cent., increase in employee benefits and a BYN 12,297 thousand, or 19.4 per cent., increase in social security contributions as the total number of the Group's employees increased from 31,293 as at 31 December 2014 to 33,442 as at 31 December 2015 with the expansion of the Group's operations, (ii) a BYN 28,728 thousand, or 76.2 per cent., increase in rent as the Group increased the total number of its leased stores as part of the

expansion of its operations and as a result of the depreciation of the BYN against the Euro, which increased rental expenses in BYN terms under the Group's predominantly Euro-denominated operating leases, (iii) a BYN 25,545 thousand, or 93.4 per cent., increase in utility costs as the Group increased the total number of its stores and the price of energy imports in BYN terms increased as a result of the depreciation of the BYN against the U.S. Dollar and the Euro, (iv) a BYN 19,241 thousand, or 61.4 per cent., increase in depreciation as the Group increased its store portfolio as part of its expansion strategy and as a result of the upward revaluation of the Group's property and equipment, (v) a BYN 6,260 thousand, or 73.6 per cent., increase in taxes other than income tax as the Group's tax base increased as a result of the growth in the Group's store portfolio and the upward revaluation of the Group's real estate, and (vi) a BYN 4,398 thousand, or 88.1 per cent., increase in professional services as the Group's costs on retail related services, including encashment and security services, grew as a result of the expansion of the Group's operations and the overall growth in prices in Belarus in 2015 due to macroeconomic conditions.

#### *Other income*

The Group's total other income increased by BYN 17,112 thousand, or 775.4 per cent., to BYN 19,319 thousand for the year ended 31 December 2015 from BYN 2,207 thousand for the year ended 31 December 2014. This increase was primarily attributable to (i) a BYN 7,572 thousand, or 12,019.0 per cent., increase in income from the sale of property and equipment as the Group sold more real estate, including pursuant to sale and leaseback transactions and (ii) a BYN 5,327 thousand, or 616.6 per cent., increase in income from the sale/purchase of currency as the BYN/Euro and BYN/U.S. Dollar exchange rates remained volatile during 2015.

#### *Other expenses*

The Group's total other expenses increased by BYN 3,144 thousand, or 25.6 per cent., to BYN 15,434 thousand for the year ended 31 December 2015 from BYN 12,290 thousand for the year ended 31 December 2014. This decrease was primarily attributable to (i) a BYN 2,004 thousand, or 94.1 per cent., increase in charitable payments and (ii) a BYN 5,334 thousand, or 992.8 per cent., increase in other disposal of property and equipment as the Group transferred more infrastructure objects and property to the state and municipal authorities without consideration in connection with the construction of stores in 2015 compared to 2014.

#### *Operating profit*

The Group's operating profit increased by BYN 40,978 thousand, or 32.6 per cent., to BYN 166,509 thousand for the year ended 31 December 2015 from BYN 125,531 thousand for the year ended 31 December 2014. This increase was primarily attributable to the increase in gross profit in 2015, which was only partially offset by an increase in administrative and selling expenses.

#### *Finance income*

The Group's total finance income decreased by BYN 801 thousand, or 70 per cent., to BYN 344 thousand for the year ended 31 December 2015 from BYN 1,145 million for the year ended 31 December 2014 as a result of a reduction in the amount of financial investments held by the Group during 2015 as available funds were instead used to finance the expansion of the Group's operations and working capital.

#### *Finance costs*

The Group's total finance costs increased by BYN 409,025 thousand, or 225.8 per cent., to BYN 590,155 thousand for the year ended 31 December 2015 from BYN 181,130 thousand for the year ended 31 December 2014 primarily as a result of (i) a BYN 339,100 thousand, or 271.5 per cent., increase in exchange losses, a BYN 4,408 thousand, or 74.9 per cent., increase in allowances for impairment of financial assets and a BYN 3,183 thousand, or 354.8 per cent., increase in foreign currency trade losses, in each case, due to the impact of the depreciation of the BYN against the Euro and the U.S. Dollar during 2015 on the Group's foreign currency denominated assets and liabilities, (ii) a BYN 5,988 thousand, or 112.7 per cent., increase in interest expenses as the Group incurred additional indebtedness during 2015, primarily to financing of its operational expansion, and interest payments on foreign currency-denominated indebtedness increased in BYN terms as the BYN depreciated against the Euro and the U.S. Dollar, and (iii) a BYN 2,933 thousand, or 89.8 per cent., increase in finance lease costs as the Group entered into additional real estate operating leases to facilitate its operational expansion and, because a significant proportion of the Group real estate lease were denominated in Euro, the depreciation of the BYN against the Euro had the effect of increasing leasing costs in BYN terms. The Group's



interest and financial lease expenses amounted to BYN 104,293 thousand in 2015 compared to BYN 48,362 thousand in 2014.

#### *Net finance costs*

The Group's total net finance costs increased by BYN 409,826 thousand, or 227.7 per cent., to BYN 589,811 thousand for the year ended 31 December 2015 from BYN 179,985 thousand for the year ended 31 December 2014. This increase was primarily attributable to a BYN 409,025 thousand, or 225.8 per cent., increase in finance costs, primarily as a result of impact of the depreciation of the BYN against the Euro and the U.S. Dollar during 2015 on the Group's foreign currency denominated assets and liabilities.

#### *Profit/(loss) before tax*

The Group's profit/(loss) before tax decreased by BYN 453,807 thousand, to a loss of BYN 423,310 thousand for the year ended 31 December 2015 as compared to a profit of BYN 30,497 thousand for the year ended 31 December 2014. This decrease was primarily caused by a BYN 409,826 thousand, or 227.7 per cent., increase in net finance costs, only partially offset by a BYN 40,978 thousand, or 32.6 per cent., increase in operating profit. In addition, profit of BYN 81,938 thousand in respect of a gain on net monetary position for the year 31 December 2014 was not repeated in 2015 as starting from 1 January 2015 the economy of Belarus was no longer considered hyperinflationary.

#### *Income tax benefit/(expense)*

The Group's income tax benefit increased by BYN 110,714 thousand to BYN 98,607 thousand for the year ended 31 December 2015 as compared to an expense of BYN 12,107 thousand for the year ended 31 December 2014. This increase was primarily caused by a BYN 453,807 thousand decrease in profit before tax to a loss before tax of BYN 423,310 thousand for the year ended 31 December 2015. The Belarusian statutory income tax rate for 2014 and 2015 was 18 per cent., while the statutory income tax rate applicable to the Bank for 2014 and 2015 was 25 per cent.

#### *Profit/(loss) for the period*

The Group's profit for the period decreased by BYN 347,705 thousand, or 2,722.6 per cent., to a loss of BYN 334,934 thousand for the year ended 31 December 2015 from a profit of BYN 12,771 thousand for the year ended 31 December 2014. This decrease was primarily attributable to a BYN 453,807 thousand decrease in profit before tax to a loss before tax of BYN 423,310 thousand for the year ended 31 December 2015, partially offset by a BYN 110,714 thousand increase in income tax benefit to BYN 98,607 thousand for the year ended 31 December 2015.

#### *Total other comprehensive income*

The Group's total other comprehensive income increased by BYN 222,211 thousand, or 341.3 per cent., to BYN 287,324 thousand for the year ended 31 December 2015 from BYN 65,113 thousand for the year ended 31 December 2014. This increase was primarily as a result of the upward revaluation of the Group's property and equipment, which resulted in a profit from the revaluation of property and equipment of BYN 350,809 thousand for the year ended 31 December 2015 as compared to a profit of BYN 78,686 thousand for the year ended 31 December 2014, partially offset by an increase in related tax loss in respect of the increase of the revaluation reserve of BYN 63,146 thousand for the year ended 31 December 2015 as compared to a loss of BYN 14,164 thousand for the year ended 31 December 2014.

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

	<b>For the year ended 31 December</b>	
	<b>2015</b>	<b>2014</b>
	<i>(BYN thousands)</i>	
Carrying amount of the buildings and structures before revaluation before revaluation .....	861,807	597,131
Net decrease (increase) as a result of revaluation and impairment, including .....	350,119	73,483
<i>Changes in revaluation reserve .....</i>	350,809	78,686
<i>Impairment in excess of the accumulated revaluation reserve....</i>	(11,848)	(5,203)

Reversal of previously recognized impairment .....	11,158	-
Net impairment of property and equipment .....	(690)	(5,203)
Carrying amount of the buildings and structures after revaluation	<b>1,211,926</b>	<b>672,739</b>
Tax effect of the decrease (increase) of the revaluation reserve .	(63,146)	(14,164)

*Total comprehensive income/(loss) for the year*

The Group's total comprehensive income/(loss) for the year ended 31 December 2015 decreased by BYN 125,494 thousand to a loss of BYN 47,610 thousand from a profit of BYN 77,884 thousand for the year ended 31 December 2014, primarily as a result of a BYN 347,705 thousand decrease in profit for the period to a loss for the period of BYN 334,934 thousand for the year ended 31 December 2015, partially offset by a BYN 222,211 thousand, or 341.3 per cent., increase in total other comprehensive income.

### Liquidity and Capital Resources

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

### Cash flows

The following table sets out the Group's summary cash flow information for the six months ended 30 June 2017 and 2016 and the years ended 31 December 2016, 2015 and 2014.

	For the six months ended 30 June		For the year ended 31 December		
	2017	2016	2016	2015	2014
	<i>(BYN thousands)</i>				
Net cash from operating activities .....	78,806	170,876	389,069	347,316	199,553
Net cash used in investing activities .....	(27,789)	(40,051)	(79,158)	(118,046)	(303,532)
Net cash used in financial activities .....	(82,506)	(145,010)	(292,312)	(223,141)	183,673
Net increase (decrease) in cash and cash equivalents .....	(31,489)	(14,185)	17,599	6,129	79,694

### Net cash from operating activities

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

	For the six months ended 30 June		For the year ended 31 December		
	2017	2016	2016	2015	2014
	<i>(BYN thousands)</i>				
<b>Cash flows from operating activities:</b>					
Profit/(loss) for the period .....	58,916	(104,063)	(42,775)	(334,934)	12,771
<i>Adjustments for:</i>					
Income tax expense (benefit) .....	7,067	(19,320)	(6,594)	(98,607)	12,107
Gain on net monetary position .....	-	-	-	-	(81,938)
Depreciation of property and equipment .....	40,411	34,468	73,742	54,812	33,921
Amortisation of intangible assets .....	1,097	34	168	156	66
Net finance costs .....	74,855	185,486	232,882	589,819	176,972
Change in allowance for impairment on trade and other receivables .....	1,314	10,334	2,419	937	199
Impairment of property and equipment .....	-	-	6,093	690	5,203
Profit/(loss) on disposal of property and equipment .....	1,607	3,382	(1,889)	(1,723)	515
	<b>185,267</b>	<b>110,321</b>	<b>264,046</b>	<b>211,150</b>	<b>159,816</b>
<i>Changes in:</i>					
Inventories .....	(4,688)	(3,476)	(26,342)	29,444	(70,485)
Trade and other receivables .....	(2,057)	(23,275)	9,508	(42,868)	(17,693)
VAT recoverable .....	10,222	5,834	(5,395)	11,334	(19,049)
Prepayments .....	(2,870)	(16,571)	(22,909)	11,160	(14,334)

Deferred income .....	988	(377)	(780)	7,406	-
Trade and other payables .....	(104,578)	102,913	184,049	130,695	195,493
Loans granted .....	(1,412)	(1,540)	(8,444)	(17,376)	(29,038)
Other current liabilities .....	(178)	1,929	9,339	7,397	15,746
<b>Cash generated from operating activities ..</b>	<b>80,694</b>	<b>175,758</b>	<b>403,072</b>	<b>348,342</b>	<b>220,456</b>
Income tax paid.....	(1,888)	(4,882)	(14,003)	(1,026)	(20,903)
<b>Net cash from operating activities .....</b>	<b>78,806</b>	<b>170,876</b>	<b>389,069</b>	<b>347,316</b>	<b>199,553</b>

#### *Six Months Ended 30 June 2017 and 2016*

The Group's net cash from operating activities decreased by BYN 92,070 thousand, or 53.9 per cent., to BYN 78,806 thousand for the six months ended 30 June 2017 from BYN 170,876 thousand for the six months ended 30 June 2016, which was largely attributable to (i) a BYN 162,979 thousand increase in profit for the period, from a loss of BYN 104,063 thousand for the six months ended 30 June 2016 to a profit of BYN 58,916 thousand for the six months ended 30 June 2017, as the Group expanded its operations and increased operating profit and reduced finance costs as the BYN exchange rates stabilised, (ii) a BYN 88,033 thousand decrease in aggregate adjustments for the period from BYN 214,384 thousand in the six months ended 30 June 2016 to BYN 126,351 thousand in the six months ended 30 June 2017, (iii) a BYN 170,010 thousand change in working capital from BYN 65,437 thousand in the six months ended 30 June 2016 to negative BYN 104,573 thousand in the six months ended 30 June 2017. The Group's Free Cash Flow in the six months ended 30 June 2017 amounted to BYN 71,895 thousand compared to BYN 137,852 thousand in the same period in 2016.

The decrease in aggregate adjustments to loss for the period primarily resulted from a decrease of BYN 110,631 thousand in adjustments for net finance costs primarily as a result of a decrease in loss from foreign exchange differences in the six months ended 30 June 2017 as the BYN/Euro and BYN/U.S. Dollar exchange rates stabilised, a decrease in the income tax benefit and a decrease in the change in allowance for impairment on trade and other receivables, the impact of which was partially offset by an increase of BYN 5,943 thousand in adjustments for depreciation of fixed assets.

The largest change in working capital was a BYN 104,578 thousand decrease in trade and other payables, compared to BYN 102,913 thousand increase in trade and other payables in the six months ended 30 June 2016, as the Group reduced payment cycles under its supply contracts in order to achieve better purchase prices and to increase its gross margins.

#### *Years Ended 31 December 2016 and 2015*

The Group's net cash from operating activities increased by BYN 41,753 thousand, or 12 per cent., to BYN 389,069 thousand for the year ended 31 December 2016 from BYN 347,316 thousand for the year ended 31 December 2015, which was largely attributable to (i) a BYN 292,159 thousand, or 87.2 per cent., decrease in loss for the period as the Group expanded its operations, increased its revenue, interest and commission income and improved its LFL average ticket, (ii) a BYN 239,263 thousand decrease in aggregate adjustments to loss for the period from BYN 546,084 thousand in 2015 to BYN 306,821 thousand in 2016, (iii) a BYN 1,834 thousand change in working capital from BYN 137,192 thousand in 2015 to BYN 139,026 thousand in 2016, and (iv) a BYN 12,977 thousand increase in income tax paid from BYN 1,026 thousand in 2015 to BYN 14,003 thousand in 2016. The Group's Free Cash Flow in 2016 and 2015 amounted to BYN 327,812 thousand and BYN 229,076 thousand, respectively.

The decrease in aggregate adjustments to loss for the period primarily resulted from a decrease of BYN 356,937 thousand in adjustments for net finance costs primarily as a result of a decrease in loss from foreign exchange differences in 2016 as the BYN/Euro and BYN/U.S. Dollar exchange rates stabilised, the impact of which was partially offset by a BYN 18,930 thousand increase in adjustment for depreciation of property and equipment and a BYN 92,013 thousand decrease in adjustment for income tax benefit.

The largest changes in working capital were (i) a BYN 26,342 thousand increase in inventories in 2016, compared to a BYN 29,444 thousand decrease in inventories in 2015, as the Group expanded its operations and built up more inventories for new stores and existing stores, (ii) a BYN 9,508 thousand decrease in trade and other receivables, as compared to a BYN 42,868 thousand increase in trade and other receivables in 2015, as macro-economic conditions improved and the Group developed its receivables collection functions, (iii) a BYN 22,909 thousand increase in prepayments, as compared to a BYN 11,160 thousand decrease in prepayments in 2015, as the Group pursued its strategy of using prepayments to obtain more advantageous terms from suppliers, and (iv) a BYN 184,049 thousand increase in trade and other payables, as compared to BYN

130,695 thousand increase in trade and other payables in 2015, as the Group expanded its operations and increased inventories.

#### *Years Ended 31 December 2015 and 2014*

The Group's net cash from operating activities increased by BYN 147,763 thousand, or 74 per cent., to BYN 347,316 thousand for the year ended 31 December 2015 from BYN 199,553 thousand for the year ended 31 December 2014, which was largely attributable to (i) a BYN 347,705 thousand decrease in profit for the period from a profit of BYN 12,771 thousand for the year ended 31 December 2014 to a loss of BYN 334,934 thousand for the year ended 31 December 2015, primarily due to an increase in finance costs, primarily as a result of the impact of the depreciation of the BYN against the Euro and the U.S. Dollar during 2015 on the Group's foreign currency denominated assets and liabilities, (ii) a BYN 399,039 thousand increase in aggregate adjustments to loss for the period from BYN 147,045 thousand in 2014 to BYN 546,084 thousand in 2015, (iii) a BYN 76,552 change in working capital from BYN 60,640 thousand in 2014 to BYN 137,192 thousand in 2015, and (iv) a BYN 19,877 thousand decrease in income tax paid from BYN 20,903 thousand in 2014 to BYN 1,026 thousand in 2015. The Group's Free Cash Flow increased from negative BYN 104,439 thousand in 2014 to positive BYN 229,076 thousand in 2015.

The increase in aggregate adjustments to profit (loss) for the period primarily resulted from (i) an increase of BYN 412,847 thousand in adjustments for net finance costs as the volatility of the BYN against the U.S. Dollar and Euro impacted exchanges loss and other finance costs of the Group during 2015, (ii) an increase of BYN 20,891 thousand in adjustments for depreciation of fixed assets as the Group expanded its operations and acquired additional stores in 2015, (iii) a decrease of BYN 110,714 thousand in adjustments for income tax benefit, and (iv) an adjustment of BYN 81,938 thousand for gain on net monetary position in 2014 which was not repeated in 2015.

The largest changes in working capital were (i) a BYN 29,444 thousand decrease in inventories, compared to a BYN 70,485 increase in inventories in 2014, as the Group expanded its operations and built up more inventories for new stores and existing stores in 2014 before reducing inventory in 2015 in response to adverse macro-economic conditions, (ii) a BYN 42,868 increase in trade and other receivables, as compared to a BYN 17,693 thousand increase in trade and other receivables in 2014, as payment discipline deteriorated as macro-economic conditions worsened, and (iii) a BYN 130,695 thousand increase in trade and other payables, as compared to BYN 195,493 thousand increase in trade and other payables in 2014.

#### *Net cash used in investing activities*

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

<b>Cash flows from investing activities:</b>	<b>For the six months ended 30 June</b>		<b>For the year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
	<i>(BYN thousands)</i>				
Acquisition of subsidiaries without receiving control.....	(33)	—	—	—	—
Proceeds from sale of property and equipment....	5,070	3,125	14,965	67,546	22,078
Acquisition of property and equipment.....	(11,447)	(36,149)	(72,902)	(185,786)	(326,054)
Acquisition of bonds.....	(20,854)	(7,091)	(17,951)	—	(299)
Proceeds from sale of bonds.....	—	—	—	301	—
Acquisition of intangible assets.....	(534)	—	(3,320)	—	(16)
Disposed cash from discontinued operations.....	—	—	—	(428)	(385)
Deposits interest received.....	9	64	50	321	1,144
<b>Net cash used in investing activities.....</b>	<b>(27,789)</b>	<b>(40,051)</b>	<b>(79,158)</b>	<b>(118,046)</b>	<b>(303,532)</b>

#### *Six Months Ended 30 June 2017 and 2016*

The Group's net cash used in investing activities decreased by BYN 12,262 thousand, or 30.6 per cent., to BYN 27,789 thousand for the six months ended 30 June 2017 from BYN 40,051 thousand for the six months ended 30 June 2016, which was primarily attributable to a BYN 24,702 thousand, or 68.3 per cent., decrease in the acquisition of property and equipment as the Group continued to facilitate its operational expansion primarily by leasing (rather than acquiring) additional stores, partially offset by a BYN 13,763 thousand

increase in the acquisition of bonds as a result of the purchase by the Bank in 2016 of short-term bonds issued by the National Bank.

#### *Years Ended 31 December 2016 and 2015*

The Group's net cash used in investing activities decreased by BYN 38,888 thousand, or 32.9 per cent., to BYN 79,158 thousand for the year ended 31 December 2016 from BYN 118,046 thousand for the year ended 31 December 2015, which was primarily attributable to (i) a BYN 112,884 thousand, or 60.8 per cent., decrease in the acquisition of property and equipment as the Group elected to facilitate its operational expansion primarily by leasing (rather than acquiring) additional stores, and (ii) a BYN 52,581 thousand, or 77.8 per cent., decrease in proceeds from the sale of property and equipment, as the Group sold fewer stores, including pursuant to sale and leaseback transactions, partially offset by (iii) a BYN 17,951 thousand increase in the acquisition of bonds as a result of the purchase by the Bank in 2016 of short-term bonds issued by the National Bank.

#### *Years Ended 31 December 2015 and 2014*

The Group's net cash used in investing activities decreased by BYN 185,825 thousand, or 61.1 per cent., to BYN 118,046 thousand for the year ended 31 December 2015 from BYN 303,532 thousand for the year ended 31 December 2014, which was primarily attributable to a BYN 140,268 thousand, or 43 per cent., decrease in the acquisition of property and equipment as a large amount of the new stores rolled out in 2015 were actually acquired and financed in 2014, and a BYN 45,468 thousand, or 205.9 per cent., increase in proceeds from the sale of property and equipment, as the Group sold additional stores pursuant to sale and leaseback transactions.

#### *Net cash used in finance activities*

	For the six months ended 30 June		For the year ended 31 December		
	2017	2016	2016	2015	2014
<b>Cash flow from financial activities:</b>					
Repayment of dividends .....	—	—	—	—	(24,889)
Loans and borrowings received .....	320,869	303,758	399,733	338,703	460,579
Loans and borrowings repaid .....	(326,239)	(366,630)	(520,164)	(419,935)	(185,453)
Interest paid on loans and borrowings .....	(62,091)	(65,493)	(127,647)	(103,942)	(56,348)
Repayment of debt under finance leases .....	(10,789)	(11,412)	(34,595)	(31,784)	(7,588)
Lessors' remuneration on finance leases .....	(4,256)	(5,233)	(9,639)	(6,183)	(2,628)
<b>Net cash used in financial activities .....</b>	<b>(82,506)</b>	<b>(145,010)</b>	<b>(292,312)</b>	<b>(223,141)</b>	<b>183,673</b>

#### *Six Months Ended 30 June 2017 and 2016*

The Group's net cash used in financial activities amounted to BYN 82,506 thousand for the six months ended 30 June 2017, as compared to BYN 145,010 thousand for the six months ended 30 June 2016. This decrease of BYN 62,504 thousand, or 43.1 per cent., resulted from (i) a BYN 17,111 thousand, or 5.6 per cent., increase in loans and borrowings received, and (ii) a BYN 40,391 thousand, or 11 per cent., decrease in loans and borrowings repaid, which was largely attributable to the extension of maturities under loan agreements with the Group's key lenders such as OJSC "BPS-Sberbank" ("BPS-Sberbank") and Alfa-Bank Group ("Alfa-Bank group").

#### *Years Ended 31 December 2016 and 2015*

The Group's net cash used in financial activities amounted to BYN 292,312 thousand for the year ended 31 December 2016, as compared to BYN 223,141 thousand for the year ended 31 December 2015. This increase of BYN 69,171 thousand, or 31 per cent., resulted from (i) a BYN 100,229 thousand, or 23.9 per cent., increase in loans and borrowings repaid as the Group focused on repaying its foreign currency denominated indebtedness as a result of the historic volatility of the BYN and (ii) a BYN 23,705 thousand, or 22.8 per cent., increase in interest paid on loans and borrowings as the continued depreciation of the BYN had the effect of increasing interest payments in BYN terms on the Group's foreign currency denominated loans and borrowings, partially offset by (iii) a BYN 61,030 thousand, or 18 per cent., increase in loans and borrowings received as a result of the attraction by the Group of new borrowings to refinance its debt.

#### *Years Ended 31 December 2015 and 2014*

The Group's net cash used in financial activities amounted to BYN 223,141 thousand for the year ended 31 December 2015, as compared to cash used in finance activities of BYN 183,673 thousand for the year ended 31 December 2014. This increase in cash used in finance activities of BYN 406,814 thousand resulted from (i) a BYN 234,482 thousand, or 126.4 per cent., increase in loans and borrowings repaid as the Group focused on repaying its foreign currency denominated indebtedness as a result of the historic volatility of the BYN, (ii) a BYN 47,594 thousand, or 84.5 per cent., increase in interest paid on loans and borrowings as the continued depreciation of the BYN had the effect of increasing interest payments in BYN terms on the Group's foreign currency denominated loans and borrowings, (iii) a BYN 24,196 thousand, or 318.9 per cent., increase in repayment of debt under finance leases as a result of an increase in the number of the Group's stores operated under finance leases and the depreciation of the Belarusian Rouble against the Euro and the U.S. Dollar during 2015 as a significant proportion of finance leases are denominated in Euro, and (iv) a BYN 121,876 thousand, or 26.5 per cent., decrease in loans and borrowings received as the Group sold some of its real estate assets under sale and leaseback transactions, the proceeds of which were partially used to refinance its indebtedness.

#### ***Capital Expenditures***

##### *Six Months Ended 30 June 2017 and 2016*

The Group's Capital Expenditures decreased by BYN 24,168 thousand, or 66.9 per cent., to BYN 11,981 thousand for the six months ended 30 June 2017 from BYN 36,149 thousand for the six months ended 30 June 2016 as the Group reduced the amount of new store openings compared to the same period in 2016. The Group funded its Capital Expenditures in the six months ended 30 June 2017.

##### *Years Ended 31 December 2016 and 2015*

The Group's Capital Expenditures decreased by BYN 109,564 thousand, or 59 per cent., to BYN 76,222 thousand for the year ended 31 December 2016 from BYN 185,786 thousand for the year ended 31 December 2015, as the Group reduced the amount of new store openings and focused on rolling out smaller stores on a leased basis as opposed to the construction or acquisition of stores. The Group's proceeds from the sale of property and equipment amounted to BYN 15 million in 2016. The Group funded its Capital Expenditures in the year ended 31 December 2016 from long-term investment loans attracted to finance the construction of new stores.

##### *Years Ended 31 December 2015 and 2014*

The Group's Capital Expenditures decreased by BYN 140,284 thousand, or 43 per cent., to BYN 185,786 thousand for the year ended 31 December 2015 from BYN 326,070 thousand for the year ended 31 December 2014, as the Group completed the construction of its two E++++ hypermarkets in 2014 and continued to expand its operations through the roll-out of smaller stores. The Group's proceeds from the sale of property and equipment amounted to BYN 68 million and BYN 22 million in 2015 and 2014, respectively. The Group funded its Capital Expenditures in the year ended 31 December 2015 from long-term investment loans attracted to finance the construction of new stores.

The Group does not expect significant Capital Expenditures in the near or medium term as the Group intends to continue to expand its operations, primarily through the roll out of smaller format stores on a leased basis as opposed to the construction or acquisition of stores.

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

#### ***Working Capital***

The Group's primary sources of liquidity are cash flows from operating activities and debt financing. In 2015 and 2016, the Group was continuously refinancing its indebtedness. From 2014 to 2015, the Group's current liabilities significantly increased and as at 31 December 2015 exceeded the Group's current assets by BYN 546,373 thousand, which was primarily due to a growth in (i) short-term borrowings, including working capital loans obtained by the Group from Belarusbank and BelVEB in 2015, used to refinance a short-term portion of the Group's long-term debt, and (ii) trade and other payables as a result of the expansion of the Group's operations. In the year ended 31 December 2016, the current liabilities of the Group further increased and

exceeded its current assets by BYN 719,461 thousand, which was primarily driven by a growth in (i) short-term borrowings resulting from the opening by the Group of two credit lines with PJSC “Promsvyazbank” (“Promsvyazbank”) and Eximbank of Russia for approximately U.S.\$8.2 million and U.S.\$7.4 million, respectively, for settlements with Russian suppliers, and the refinancing by the Group of a short-term portion of its long term debt with working capital loans, including working capital loans obtained by the Group from Alfa-Bank group, Belarusbank, and BelVEB in 2016, and (ii) trade and other payables as a result of the further expansion of the Group’s operations. In the six months ended 30 June 2017, the Group’s current liabilities decreased to BYN 987,001 thousand primarily due to a decrease in (i) short-term loans and borrowings as a result of the extension of maturities under loan agreements with the Group’s major creditors such as BPS-Sberbank and Alfa-Bank group and (ii) trade and other payables as the Group reduced payment cycles under its supply contracts in order to achieve better purchase prices and to increase its gross margins. As at 30 June 2017, the Group’s current liabilities exceeded its current assets by BYN 482,115 thousand. The Group’s management believes that the budgeted cash flows from operating and financing activities are sufficient to finance current operations of the Group. The Group continues negotiations with its creditors on further debt refinancing and continues searching for investors for its real estate for the purpose of sale and lease back of such real estate.

### *Finance Lease Liabilities*

A breakdown of the Group’s liabilities under finance leases for the periods indicated is set out in the table below.

	Minimum lease payments			
	As of 30 June	As of 31 December		
	2017	2016	2015	2014
	<i>(BYN thousands)</i>			
Amounts payable under finance lease agreements:				
Payable within 12 months .....	22,274	28,978	29,414	10,084
<b>Total current liabilities under finance leases .....</b>	<b>22,274</b>	<b>28,978</b>	<b>29,414</b>	<b>10,084</b>
Payable within second year .....	25,409	26,587	28,771	7,168
Payable within the period from the third to fifth year (inclusive) .....	73,755	81,144	97,596	4,324
<b>Total long-term liabilities under finance leases .....</b>	<b>99,164</b>	<b>107,731</b>	<b>126,367</b>	<b>11,492</b>
Less future short-term finance charges .....	(9,784)	(10,290)	(12,082)	(2,335)
Less future long-term finance charges .....	(24,661)	(28,215)	(35,586)	(1,659)
<b>Total future finance charges .....</b>	<b>(34,445)</b>	<b>(38,505)</b>	<b>(47,668)</b>	<b>(3,994)</b>
<b>Total liabilities under finance lease .....</b>	<b>86,993</b>	<b>98,204</b>	<b>108,113</b>	<b>17,582</b>

	Present value of minimum lease payments			
	As of 30 June	As of 31 December		
	2017	2016	2015	2014
	<i>(BYN thousands)</i>			
Amounts payable under finance lease agreements:				
Payable within 12 months .....	12,487	18,688	17,333	7,750
<b>Total current liabilities under finance leases .....</b>	<b>12,487</b>	<b>18,688</b>	<b>17,333</b>	<b>7,750</b>
Payable within second year .....	16,889	17,892	18,951	5,866
Payable within the period from the third to fifth year (inclusive) .....	57,617	61,624	71,829	3,966
<b>Total long-term liabilities under finance leases .....</b>	<b>74,506</b>	<b>79,516</b>	<b>90,780</b>	<b>9,832</b>
Less future short-term finance charges .....	—	—	—	—
Less future long-term finance charges .....	—	—	—	—
<b>Total future finance charges .....</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total liabilities under finance lease .....</b>	<b>86,993</b>	<b>98,204</b>	<b>108,113</b>	<b>17,582</b>

### *Contractual Obligations, Commitments and Contingencies*

The Group rents commercial, warehouse and subsidiary premises and production equipment under operating leases. The lease contract is usually initially concluded for a term of five to ten years with the right of its subsequent extension. Rent payments are regularly reviewed in accordance with market rates. The Group rents premises and equipment with the right of early termination upon notice to the lessor provided, as a rule, at least

three months before the date of such termination. Therefore, the Group has obligations of lease payments under operating leases.

The following table sets forth the minimum amounts of future lease payments under operating leases that cannot be cancelled in cases where the Group acts as a lessee:

	30 June 2017	31 December 2016
	<i>(BYN thousands)</i>	
Within one year.....	19,742	20,358
<b>Total liabilities under operating leases.....</b>	<b>19,742</b>	<b>20,358</b>

#### *Credit-related commitments*

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

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

The credit-related commitments of the Bank were as follows:

	30 June 2017	31 December 2016
	<i>(BYN thousands)</i>	
Guarantees issued .....	6,573	4,706
<b>Total credit-related commitments .....</b>	<b>6,573</b>	<b>4,706</b>
Provision for credit-related commitments .....	(1,157)	(1,367)
<b>Net credit-related commitments .....</b>	<b>5,416</b>	<b>3,339</b>

#### *Borrowings*

The following table sets out the Group's borrowings as at 30 June 2017.

Lender	Facility	Interest rate	Maturity / amortisation schedule	Principal amount outstanding	Currency			
					BYN	USD	EUR	RUB
BPS-SBERBANK	LOAN	LIBOR 3m + 9.3% - LIBOR 6m + 11.6%	2017-2023	458,760	0%	100%	0%	0%
BELARUSBANK	LOAN	CIRR+3%-11,3%	2018-2021	207,770	88%	12%	0%	0%
ALFA-BANK GROUP	LOAN	9.2%-13%	2017-2022	184,182	0%	100%	0%	0%
BANK BELVEB	LOAN	9.8%-19.5%	2017-2020	85,719	0%	76%	0%	24%
BELGAZPROM BANK	LOAN	LIBOR+8.83%	2019	46,588	0%	100%	0%	0%
BANK VTB	LOAN	11.5%-14%	2017-2019	37,338	30%	70%	0%	0%
BELAGROPRO MBANK	LOAN	8%-10.4%	2018	32,869	0%	0%	100%	0%
BELINVESTBANK	LOAN	Euribor 12m+3.2%- 11.5%	2017-2018	13,167	0%	16%	84%	0%
PARITETBANK	LOAN	9,5%	2021	11,251	0%	100%	0%	0%
PROMSVYAZBANK	LOAN	8,7%	2017	11,049	0%	0%	0%	100%
EXIMBANK OF RUSSIA	LOAN	10,0%	2017	10,023	0%	0%	0%	100%
BANK MOSCOW-	LOAN	13,6%	2018	10,000	100 %	0%	0%	0%



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FRANSABANK	LOAN	15%-16%	2018-2020	5,018	100%	0%	0%	0%
EBRD	LOAN	Euribor 6m+6%%	2017	2,209	0%	0%	100%	0%
ABSOLUTBANK	LOAN	10,5%	2019	1,934	0%	100%	0%	0%
MTBANK	LOAN	0,0%	2018	9	100%	0%	0%	0%
BANK BELVEB	BOND	13%	2018	20,457	0%	100%	0%	0%
BPS-SBERBANK	BOND	10,5%	2020	19,336	0%	100%	0%	0%
BELGAZPROMBANK	BOND	LIBOR+9.71%%	2019	9,034	0%	0%	100%	0%
HOLDERS OF STATUSBANK BONDS	BOND	6,0%	2020	6,232	0%	100%	0%	0%
OTHER	BORROWINGS	10%-27%	2017	9,031	100%	0%	0%	0%
<b>TOTAL</b>		<b>10,9%</b>		<b>1,181,976</b>	<b>18%</b>	<b>73%</b>	<b>5%</b>	<b>4%</b>

The Group has open lines of credit under facility agreements with Belarusbank, Belgazprombank, BPS-Sberbank, Alfa-Bank group and certain other Belarusian and foreign banks. As of 30 June 2017, the total outstanding principal amount of the Group's loans was BYN 1,181,976 thousand. The total outstanding principal amount of the Group's short term loans (including short-term portion of long-term borrowing) as of 30 June 2017 was BYN 373,848 thousand.

In March 2016, the Group refinanced U.S.\$51,068 million of its debt to Alfa Bank and extended maturities from October 2017 to March 2018. In April 2017, the Group entered into additional agreements with Alfa Bank to extend maturities under syndicated loans from 2018 to 2022 which allowed the Group to spread U.S.\$32,118 million out of U.S.\$44,189 million due in 2017 over the next four years.

In April 2017, the Group agreed with BPS-Sberbank to further extend maturities to 2021-2023, which allowed the Group to spread U.S.\$48.5 million out of U.S.\$63,2 million due in 2017, U.S.\$35.7 million out of U.S.\$64.6 million due in 2018, U.S.\$24.5 million out of U.S.\$60.5 million due in 2019 and U.S.\$4.5 million out of U.S.\$54.2 million due in 2020 over 2021-2023.

In 2015, 2016 and the six months ended 30 June 2017, the Group obtained working capital loans from Belarusbank to refinance a short-term portion of its long-term debt to Belarusbank. The total exposure of the Group to Belarusbank remained at the same level as a result of the refinancing and amounted to U.S.\$107.6 million as of 30 June 2017 maturing in 2022.

In 2015, 2016 and the six months ended 30 June 2017, the Group obtained working capital loans from BelVEB to refinance a short-term portion of its long-term debt to BelVEB. The total exposure of the Group to BelVEB remained at the same level as a result of the refinancing and amounted to U.S.\$44.3 million as of 30 June 2017.

In 2016 and the six months ended 30 June 2017, the Group obtained working capital loans from Belgazprombank to refinance a short-term portion of its long-term debt to Belgazprombank. As of 30 June 2017, the Group's total exposure to Belgazprombank amounted to U.S.\$24.1 million.

As at 30 June 2017 and 31 December 2016 and 2015 the Group breached a Net Debt/EBITDA covenant under loan agreements with one local bank. Such breach constitutes an event of default under the loan agreements and the lender may accelerate repayment of the loans. Thus, as at 30 June 2017, 31 December 2016 and 2015, the amount of BYN 17,694 thousand, BYN 23,455 thousand and BYN 33,009 thousand of the Group's debt under such loan agreements were included in short-term liabilities, respectively. Starting from the day of the breach, the Group received waiver letters after the end of each reporting period stating that the bank would not accelerate repayment due to the non-compliance with the Net Debt/EBITDA covenant in the preceding reporting period. The latest waiver letter was received by the Group on 12 September 2017 with respect to the six-month period ended 30 June 2017. The Group expects to repay the loans under which the Group is in default out of proceeds of the Notes or from operating cash flows.

## Corporate bonds

The Group has also raised debt through the issue of a number of corporate bonds. The below table sets out the corporate bonds issued by the Group as at 31 December 2016:

Issue number	Currency	Issue date	Redemption date	Rate	Number of bonds issued, units	Nominal (in notional currency)	Nominal (BYN)	Total (BYN thousands)
22	USD	10.07.2015	10.07.2018	13%	1,058	10,000	19,585	20,721
20	USD	07.05.2015	07.05.2020	10.5%	10,000	1,000	1,959	19,585
4	EUR	13.02.2012	08.02.2019	LIBOR + 9.71%	409	10,000	20,450	8,364
4	USD	15.01.2015	15.01.2020	6%	5,271	1,000	1,959	10,323

The Group's total borrowings as at 30 June 2017 were contractually repayable as follows:

For the years 2017 through 2023:

	2017		2018				2019			
Debt maturity (U.S.\$ million)	39.2		117.4				113.9			
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Quarterly (U.S.\$ million)	20.0	19.2	21.1	20.3	34.4	41.7	41.5	25.9	24.5	22.0

For the years 2021 through 2023:

	2020	2021	2022	2023
Debt maturity (U.S.\$ million)	98.5	109.5	113.8	19.0

## Segment Reporting

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

The following is a brief overview of the activities carried out by each reportable segment of the Group:

- **Retail and wholesale.** Includes production, procurement and distribution of retail goods (food, household appliances, and other household products).
- **Banking.** Taking household and corporate funds on deposit and granting commercial and consumer loans to legal entities and individuals.

See Note 27 to the Group's consolidated financial statements as at and for the six months ended 30 June 2017 for the statement of profit or loss and other comprehensive income of each of the reportable segments for the six months ended 30 June 2017 and 2016.

See Note 33 to the Group's consolidated financial statements as at and for the year ended 31 December 2016 for the statement of profit or loss and other comprehensive income of each of the reportable segments for the years ended 31 December 2016, 2015 and 2014.

## **Use of Judgments and Estimates**

In preparing its consolidated financial statements, the Group's management has made judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis by the Group's management. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future performance of the Group and other key sources of estimation uncertainty are the following:

### ***Useful lives of property and equipment***

The Group estimates and reassesses useful lives of property and equipment annually based on planned residual periods of use, information on technology changes and the physical state of property and equipment. The applicable depreciation policy is outlined further in Note 6(i) to the Group's consolidated financial statements as at and for the years ended 31 December 2016, 2015 and 2014.

### ***Impairment of property and equipment (except for buildings)***

The Group estimates impairment by assessing whether factors indicating impairment exist, e.g. adverse trends in Belarusian economy, decrease in sales of individual supermarkets. Should impairment be identified, the Group will test the expenses related to impairment of property, and equipment (see Note 6 (n) to the Group's Annual Consolidated Financial Statements).

### ***Determining whether a lease is finance or operating***

Management records finance leases separately from operating leases using criteria as described in Note 6 (o) to the Group's consolidated financial statements as at and for the years ended 31 December 2016, 2015 and 2014.

### ***Fair value of loans granted, liabilities under finance leases and other financial instruments***

The amortised cost of loans received at floating interest rates represents their fair value. The fair value of loans and finance lease liabilities at fixed interest rates is based on the calculation of discounted cash flows by applying interest rates at the money market for financial instruments with similar credit risk and maturities. The Group's management believes that the amortised cost of loans granted, finance lease liabilities and other financial instruments as at 31 December 2016, 31 December 2015 and 31 December 2014 did not significantly differ from their fair value. Consequently, interest on the major part of balances is accrued at rates which approximate market interest rates.

### ***Fair value of buildings***

Based on the judgment that the fair value of buildings, which are owned or leased by the Group, will be more representative than their historical cost, the Group's management decided to measure buildings at revaluated amounts, representing fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, starting from 2009. The fair value of buildings is determined from market-based evidence by appraisals undertaken by professionally qualified independent valuers.

### ***Smallest cash generating unit***

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

### ***Deferred tax assets***

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The estimate of probability is based on forecasts of the

Group's management in relation to the future taxable profit and includes a significant degree of judgment of the Group's management.

### ***Measurement of fair values***

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

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

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

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

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

### **Disclosures about Financial Risks**

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

#### ***Market risk***

##### *Currency risk*

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

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

##### *Interest rates risk*

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

As at 31 December 2016 the structure of the Group's financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
	<i>(BYN thousands)</i>			
Trade and other receivables .....	83,524	-	-	<b>83,524</b>
Loans granted .....	-	51,299	-	<b>51,299</b>
Cash and cash equivalents .....	74,511	-	-	<b>74,511</b>
Other investments .....	2,692	17,951	-	<b>20,643</b>
Loans and borrowings.....	(81)	(646,219)	(540,929)	<b>(1,187,229)</b>
Accrued interests .....	-	(4,822)	(4,837)	<b>(9,659)</b>
Liabilities under finance leases .....	-	(98,204)	-	<b>(98,204)</b>
Trade and other payables .....	(618,925)	-	-	<b>(618,925)</b>
<b>Total open position .....</b>	<b>(458,279)</b>	<b>(679,995)</b>	<b>(545,766)</b>	<b>(1,684,040)</b>

### **Credit risk**

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

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

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

As at 31 December 2016 the maximum exposure to credit risk, taking into account impairment losses, was as follows:

	<b>31 December 2016</b>
	<i>(BYN thousands)</i>
Other investments .....	20,643
Cash and cash equivalents .....	74,511
Trade and other receivables .....	83,524
Loans granted .....	51,299
<b>Total .....</b>	<b>229,977</b>

### **Liquidity risk**

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

The Group's approach to managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group's reputation. The Group monitors liquidity by preparing monthly forecast statements of cash flow. In case a liquidity gap is expected additional loan agreements are negotiated. In particular, the agreements with several banks were reached to extend the repayment of principal.

The management of the Group believes that further expansion of retail network across the Republic of Belarus as well as arrangements with banks and other creditors will allow the Group to generate sufficient cash flows from its principal operating activities and receive loans and borrowings within existing and new credit lines in order to meet its financial commitments and liabilities as they actually fall due.

Information concerning contractual maturity dates of financial liabilities as at 30 June 2017 including interest payments is presented below:

	Carrying amount	Cash flows under contract	Up to 1 year	1 to 5 years	Over 5 years
	<i>(BYN thousands)</i>				
Loans and borrowings.....	(1,181,976)	(1,448,734)	(461,669)	(912,959)	(74,106)
Trade and other accounts payable .....	(523,992)	(523,992)	(523,992)	—	—

Liabilities under finance leases .....	(86,993)	(121,438)	(22,274)	(99,164)	—
Accrued interests .....	(7,970)	(7,970)	(7,970)	—	—
<b>Total liabilities.....</b>	<b>(1,800,931)</b>	<b>(2,102,134)</b>	<b>(1,015,905)</b>	<b>(1,012,123)</b>	<b>(74,106)</b>
Operating lease .....	—	(19,742)	(19,742)	—	—
Bank guarantees.....	—	(6,573)	(6,573)	—	—

## FOOD RETAIL INDUSTRY

### Economy and Demography

In 2016, the GDP of Belarus amounted to USD 47.4 billion. The IMF ranked Belarus 28th by nominal GDP, or 26th by GDP in terms of purchasing power parity in Europe in accordance with results of the year 2016.

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

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

In 2007 and 2008, the Belarusian economy developed quickly, fueled by the growing domestic demand, favorable foreign trade conditions and inflow of investments into the country. In 2009, the global financial crisis decelerated economic growth of Belarus down to 0.2%. Afterwards, the Belarusian government took a number of steps as part of its economic policy to revitalize the growth, including: decreasing the level of governmental regulation, liberalizing prices, adopting antimonopoly laws and reducing the tax burden on businesses. The government also simplified the procedures of registration, licensing and liquidation of companies and introduced certain measures to promote innovation and information technologies. In order to increase direct foreign investments the government, with support of the World Bank, set up the National Agency for Investments and Privatization. From 2009 to 2014, the above measures helped the Belarusian economy to achieve a 3.5% average annual growth of the real GDP.

In 2015 and 2016, Belarus faced an unfavorable foreign trade situation caused by the following factors: deteriorated economic situation in Russia (principal trade partner of Belarus), decreased direct foreign investments, devaluation of national currencies in the Eurasian Economic Union and fall of the global prices for oil and potassium fertilizers. This external economic environment significantly limited economic growth and reduced exports and GDP of Belarus. The real GDP decreased by 3.8% and 2.6% in 2015 and 2016, respectively.

The nominal per capita GDP constituted USD 4,991 in 2016. According to the IMF, this corresponds to the 37th position among the European countries, or the 36th position by purchasing power parity.

The share of services in the GDP's structure grew from 43.5% in 2010 to 48.3% in 2016.

The table below shows statistics of macroeconomic performance of Belarus:

	2012	2013	2014	2015	2016
Nominal GDP, BYN million.....	54,762	67,069	80,579	89,910	94,321
Real GDP growth rate, % .....	1.7%	1.0%	1.7%	-3.8%	-2.6%
USD/BYN exchange rate.....	0.83	0.89	1.02	1.59	1.99
Nominal GDP, USD million .....	65,694	75,563	78,879	56,673	47,433
Nominal GDP per capita, USD per annum .....	6,941	7,983	8,325	5,972	4,992
Industrial production index.....	5.9%	-4.9%	1.9%	-6.6%	-0.4%
Household cash income, BYN million.....	32,157	44,229	52,628	56,289	58,705
CPI y-o-y, % .....	159.2%	118.3%	118.1%	113.5%	111.8%
Nominal accrued average monthly wages, BYN .....	368	506	605	672	723
Real wages y-o-y, % .....	21.5%	16.4%	1.3%	-2.3%	-3.8%
Real disposable cash income of households y-o-y, % .....	21.5%	16.3%	0.9%	-5.9%	-6.9%
Registered unemployment, % of workforce.....	0.5%	0.5%	0.5%	1.0%	0.8%
Disposable funds, BYN per month per household .....	494.8	664.99	822.26	908.05	962.3
including cash, BYN per month per household .....	471.54	641.33	784.68	863.89	906.3
Consumer expenses, BYN per month per household.....	358.35	473.37	578.42	632.88	677.7
Share of disposable cash spent on consumer expenses, % .....	76%	74%	74%	73%	75%
Retail turnover, BYN million .....	20,231	26,802	31,810	34,724	36,923
Food retail turnover, BYN million .....	9,806	12,863	15,673	17,426	18,845

Source: National Statistical Committee

## Population

As of 1 January 2017, the population of Belarus amounted to 9.5 million which is roughly comparable to that of Hungary (9.8 million) and Sweden (9.9 million). According to the National Statistical Committee, Belarus was ranked 92nd in the world, 17th in Europe, and 6th in CIS by population at the end of 2016.

77.9% of the country's population live in cities, with around 2 million (over 20%) live in the capital and its satellites.

The distribution of population by cities and rural settlements as of 1 January 2017 is given in the table below:

	Number of settlements	Population size	% of total population
Cities and urban settlements	202	7,400,832	77.9%
Including:			
1 million and above .....	1	1,974,819	20.8%
From 500,000 to 1 million .....	1	535,229	5.6%
From 250,000 to 500,000 .....	4	1,463,068	15.4%
From 100,000 to 250,000 .....	9	1,216,899	12.8%
From 20,000 to 100,000 .....	23	1,051,099	11.1%
below 20,000 .....	164	1,159,718	12.2%
Rural settlements .....	23,174	2,103,872	22.1%

Source: National Statistical Committee

The population of Belarus decreased within 20 years from 1994 to 2013 which was caused by the abrupt economic recession in the early 1990s. Rural population shortened while urban population steadily grew. According to the National Statistical Committee the population of Belarus returned to a positive growth track in 2014.

Owing to the country's choice of the socially-oriented economic system the stratification of population of Belarus by the level of disposable income is not significant. The rating of Belarus population by average per capita disposable funds in 2016 is shown in the table below:

Average per capital disposable funds, BYN per month	% of total population, 2016
0 – 200 .....	10.3
200.1 – 250 .....	11.7
250.1 – 300 .....	13.7
300.1 – 350 .....	14.9
350.1 – 400 .....	12.2
400.1 – 450 .....	9.2
450.1 – 500 .....	6.9
500.1 – 600 .....	8.6
600.1 – 700 .....	4.7
700.1 – 800 .....	2.6
above 800 .....	5.2

Source: National Statistical Committee

## Consumer Expenses and Retail

Food expenses account for a considerable portion of consumer expenses of Belarusians. According to the National Statistical Committee this portion has been between 37% and 41% in the past 10 years, fixed at 39% in 2016.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Share of food expenses in consumer expenses, % .....	39.2	38.9	37.9	36.8	38.9	40.8	37.7	39.2	39.1	39.0

Source: National Statistical Committee



The retail market developed extensively from 2007 to 2013 - at an average rate of +13.6%, slowing down only during the foreign exchange crises of 2009 and 2011. It should be noted that during the 2015 - 2016 crisis the real food retail turnover reduced slower than the non-food turnover.

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Real retail turnover growth, %.....	15.0	19.7	3.5	15.7	9.0	14.1	18.0	6.0	-1.3	-4.2
Real food turnover growth, %.....	10.3	11.7	5.0	11.8	-0.4	12.7	11.7	3.9	-0.4	-2.9
Real non-food turnover growth, %.....	20.2	28.1	1.9	20.0	18.7	15.2	24.0	7.9	-2.2	-5.5
Real GDP growth, % .....	8.6	10.2	0.2	7.7	5.5	1.7	1.0	1.7	-3.9	-2.6

Source: National Statistical Committee

## Traditional and Modern Retail Formats in Belarus

The Belarusian food retail market is still undergoing transformation into a modern trade model functioning in developed economies. According to the Company's estimates, traditional retail formats (Soviet-type stores, open-air markets, mom & pop stores and other unorganized trade outlets) still dominate the Belarusian food market. Despite the reduction in their market share by 3 percentage points on average every year since 2010, they still represented 55% of sales across the country's food market throughout 2016. The spread of modern retail formats which occupied 45% of the market in 2016 is low in comparison with the adjacent neighbors, Russia and Poland, where modern formats account for 66% and 79%, respectively. A low share of shopping space per capita provides a solid foundation for further growth. According to the National Statistical Committee, there is 0.6 sq. m of shopping space per capita in Belarus, whereas in the neighboring countries, Poland, Lithuania and Germany, there is 1.0, 1.1 and 1.4 sq. m., respectively (according to GFK Geomarketing).

## Description of Retail Formats in Belarus

### Traditional retail formats

*Traditional food stores:* The most frequently seen format of traditional retail. These are old stores built during the Soviet era and first post-Soviet years, often located on the ground floors of apartment buildings.

*Mom and pop stores:* Small independent stores usually owned and managed by families. There are not many hired workers in such stores. They do not belong to chains and are usually found in one location or in a small number of locations.

*Specialized food stores:* These stores are focused on a single category which accounts for between 50% and 100% of the shelf space. Example categories are: meat, poultry, confectionery, bakery products, alcohol, etc.

*Outdoor / indoor markets:* These are traditional markets with a large number of sale outlets located within one fenced-off area or under a common roof. Markets are occupied by farmers, individual entrepreneurs, representatives of manufacturers, e.g. of meat or dairy products. Such markets are managed by a single administrative team.

*Other unorganized trade outlets:* Other formats not included into the above categories but existing in the Belarusian market, e.g., small food departments in large state-owned department stores, or impulse kiosks and pavilions located in areas with the highest foot traffic, e.g., railway stations.

### Modern retail formats

*Convenience stores:* These are small chain stores with a shopping space between 50 sq. m. and 400 sq. m., open daily during longer hours than common stores, trading mostly in goods meeting basic consumer needs, with a significant share of impulse categories (alcohol, tobacco, confectionery). They are self-service stores like other modern retail formats.

*Supermarkets:* These are chain stores with a shopping space between 400 sq. m. and 2,500 sq. m. offering a broad range of food products and a standard range of non-food products, primarily hygiene goods, detergents, pet care items, etc.

*Hypermarkets:* Hypermarkets are large retail stores with at least 2,500 sq. m. of shopping space divided into various trade departments. Hypermarkets sell a wide range of both food and non-food products - from detergents

and household products to domestic appliances and automotive products. Most hypermarkets have their own bakeries and culinary shops.

### Geographical Structure of the Belarusian Retail Market

Historically Minsk should be considered separately from the rest of Belarus due to its size and the greater purchasing power of citizens. Over the past five years, the share of Minsk in the Belarusian retail turnover has increased by 2.1 percentage points, from 28.5% in 2012 to 30.6% in 2016. Minsk Region showed a comparable growth of its share - from 13.9% in 2012 to 15.0% in 2016. Shares of other regions have reduced during the indicated period.

	2012	2013	2014	2015	2016
Minsk.....	28.5%	29.2%	29.4%	30.1%	30.6%
Minsk Region .....	13.9%	13.8%	14.3%	14.6%	15.0%
Brest Region .....	13.2%	12.9%	12.6%	12.3%	12.2%
Gomel Region.....	12.1%	12.1%	12.2%	12.0%	12.0%
Vitebsk Region .....	12.1%	11.9%	11.7%	11.3%	11.1%
Grodno Region .....	10.9%	11.0%	11.0%	10.8%	10.3%
Mogilev Region .....	9.3%	9.2%	9.0%	9.0%	8.8%

Source: National Statistical Committee

The detailed breakdown of the retail turnover by regional cities and districts demonstrates that the turnover in Minsk is comparable to that of eight major cities and districts of Belarus following it. The breakdown of the retail turnover of food and non-food products by regional cities and districts in 2016 is shown in the table below:

	2016
Minsk.....	30.6%
Gomel .....	5.4%
Grodno.....	4.5%
Minsk District.....	4.5%
Brest.....	4.4%
Vitebsk.....	4.1%
Mogilev.....	3.8%
Bobruisk .....	1.9%
Baranovichi.....	1.9%
Other cities and districts (120).....	38.9%

Source: National Statistical Committee

### Market Structure and Competition Background among Modern Retail Formats

According to the Company's estimates supermarkets account for about one-half of the modern food retail market, and their share has not changed significantly over the past five years. During the past years, hypermarkets were the fastest-growing format capturing one-third of the modern retail market by 2016. The rest of the market is represented by convenience stores.

The breakdown of shopping space in modern retail formats at the end of 2016 is shown in the table below.

Format	2016
Hypermarkets.....	34.3%
Supermarkets .....	52.1%
Convenience stores .....	13.6%

Source: Commercial Register of the Ministry of Trade of the Republic of Belarus; Company's analysis

The major players in the modern food retail market are 10 largest privately owned chains holding in total 37% of the overall food market and over 80% of the modern retail market. The majority of them are regional players whose stores are concentrated in the capital: Korona, Rublevsky, Gippo, Sosedi, Vitalyur, and ProStore, or, in a separate region: Santa, Almi, and Belmarket are national operators operating stores in all regions and in the capital. However, only Euroopt has a relatively even distribution of shopping space between regions.

The description of top 10 players, with formats, number of stores and market shares at the end of 2016 is presented in the table below.

<b>Chain</b>	<b>Market share, H1 2017, %</b>	<b>Number of stores as of 30 June 2017</b>	<b>Number of territory units covered as of 30 June 2017 (out of 129 total in Belarus)</b>	<b>Format</b>
Euroopt .....	19.0	460	97	multi-format
Korona .....	3.9	33	11	mostly hypermarkets & supermarkets
Almi .....	2.6	50	20	multi-format
Vitalyur .....	2.3	43	6	mostly supermarkets & convenience stores
Rublevsky .....	2.2	72	13	mostly supermarkets & convenience stores
Gippo .....	2.2	11	4	hypermarkets & supermarkets
Sosedi .....	2.1	65	15	mostly supermarkets & convenience stores
Prostore .....	2.0	5	1	hypermarkets
Belmarket .....	2.0	71	13	mostly supermarkets & convenience stores
Santa .....	1.1	62	22	supermarkets & convenience stores

*Source: National Statistical Committee; the Company's estimates*

## BUSINESS

### Overview

The Group is the largest food retailer in the Belarusian market with a market share of approximately 19 per cent. in the six months ended 30 June 2017, based on food retail revenue, according to the Group's estimates based on the National Statistical Committee data. In the same period, the Group's next largest modern format competitor, Korona, had a market share of approximately 3.9 per cent. Based on the Company's estimates, the Group expanded faster in terms of market share growth than its main competitors in each year since 2014. As at 30 June 2017, the Group operated 460 stores in 97 of the 129 territorial units of Belarus. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates. As at 30 June 2017, the Group had more than 2.3 million active cardholders under the Group's loyalty programmes, which equates to a household penetration rate of approximately 59 per cent. of total Belarusian households.

The Group's strategy is based on offering a focused assortment of high turnover products (i.e. products for which demand is greatest) at market-low prices (see "*—Strategy—Optimise the Group's pricing strategy*"). On the basis of surveys conducted by various third parties, including the National Academy of Science of Belarus, and monthly market surveys conducted by the Group, the Group's management compares prices for the basic food product range against those of the Group's competitors and believes that the Group is the price leader in the Belarusian food retail market. According to Nielsen research, the Group has a reputation of the leading destination for high demand, low-price products, which underpins its leading market position. The Group also regularly offers additional price discounts and promotions to its loyalty programmes members which helps to drive additional customer traffic and customer loyalty.

The Group offers both food and non-food products and sells a mix of branded products, private label and own-produced products. In the six months ended 30 June 2017, food products (including dry food, alcohol and dairy) and non-food products (including industrial products, seasonal products and pets supplies) constituted 92.3 per cent. and 7.7 per cent., respectively, of the retail sales of the Group's stores (including VAT). Private label products and own-produced products (including meat products, ready-to-eat food and bakery) accounted for 10.5 per cent. and 10.3 per cent. of the retail sales of the Group's stores (including VAT) in the same period.

The Group operates five different formats of stores ranging in size from E mini and E+ convenience stores to E++ supermarkets and E+++ and E++++ hypermarkets. The Group's management believes that this diversified multi-format chain model enables the Group to open and operate the optimum type and size of store for any particular location in Belarus based on the size of the local population and potential customer base. The Group's management believes that this flexibility enables the Group to increase its penetration rate throughout the country, and therefore grow its business, in a cost effective and efficient manner. The below table contains information on the number of stores, average selling space, selling space owned, percentage of sales per each store format as of 30 June 2017:

	<i>E mini</i>	<i>E+</i>	<i>E++</i>	<i>E+++</i>	<i>E++++</i>
Number of stores .....	194	169	59	35	3
Average selling space (in sq. m.)..	155	428	986	2,739	6,950
Average number of SKUs .....	3,650	7,050	12,000	25,700	43,000
Selling space owned (in %) .....	8	15	55	60	100
Percentage of total sales .....	13	30	20	30	7

The Group operates a balanced real estate strategy, in accordance with which it owns approximately 45 per cent of its total selling space (predominantly the hypermarkets) and leases approximately 55 per cent of its total selling space (predominantly the convenience stores), and actively manages the proportions of its owned and leased real estate in order to facilitate its operational expansion and optimize its financial position and working capital requirements.

The Group's stores are constructed and/or equipped in a modern format and approximately 75 per cent. of the Group's stores were opened since 1 January 2013. The Group's management believes that its new, modern format stores provide a more enjoyable and convenient retail experience for customers and differentiate the Group from its non-chain competitors and those of its local retail chain competitors which operate older, more traditional format stores.

The Group operates its own fully integrated, nation-wide logistics system based around three large, modern distribution centres with a total aggregate storage space of approximately 76,100 sq. m., which cater for the full range of the Group's products, one medium size warehouse processing fruits and vegetables with a total aggregate storage space of approximately 9,900 sq. m. and one railway transit warehouse with a total aggregate storage space of approximately 4,500 sq. m. The Group owns a fleet of approximately 150 transportation vehicles which carry out more than 50 per cent of the total deliveries of products to and from the Group's distribution bases and stores, with the remaining deliveries being carried out by third party contractors. The Group's management believes that the Group's distribution bases and transportation fleet give it significant control over its supply chain and reduce its dependence on third party suppliers. The Group's management believes that the Group's operations are supported by sophisticated internal IT systems that provide it with a wide range of reliable data management tools.

The Group conducts banking operations through the Company's subsidiary, OJSC StatusBank (the "**Bank**"). The Bank is a universal bank in Belarus offering private and corporate customers a wide range of banking services and products, including depositing household and corporate funds and granting commercial and consumer loans to legal entities and individuals. The Bank has branches in 21 cities throughout Belarus. As of 31 December 2016, the Bank's operating profit amounted to BYN 12,963 thousand, which accounted for 7.1 per cent. of the Group's total operating profit. See "*Business—Banking Operations*".

The Group had revenue, interest and commission income of BYN 1,897,646 thousand, BYN 3,638,760 thousand, BYN 2,986,568 thousand and BYN 2,407,930 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, gross profit of BYN 504,753 thousand, BYN 849,361 thousand, BYN 686,719 thousand and BYN 537,229 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, profit for the period of BYN 58,916 thousand in the six month period ended 30 June 2017 following a loss for the period of BYN 42,775 thousand and BYN 334,934 thousand in the years ended 31 December 2016 and 2015 and a profit for the period of 12,771 thousand in the year ended 31 December 2014 and EBITDA of BYN 182,346 thousand, BYN 257,423 thousand, BYN 221,477 thousand and BYN 159,518 thousand in the six-month period ended 30 June 2017 and in the years ended 31 December 2016, 2015 and 2014, respectively, and EBITDAR Margin of 11.8 per cent. in the six-month period ended 30 June 2017. This strong financial performance reflects the expansion of the Group's operations and LFL growth in its existing stores across the same periods. The Group had a CAGR in revenue of 22.9 per cent. and a CAGR in EBITDA of 27 per cent. for the three-year period ending 31 December 2016, and 7, 15, 140 and 95 net store openings in the six-month period ended 30 June 2017 and in each of 2016, 2015 and 2014, respectively, and 2,326 sq. m., 20,302 sq. m., 59,747 sq. m. and 65,233 sq. m. of net selling space was added in the six-month period ended 30 June 2017 and in 2016, 2015 and 2014, respectively.

## **Key Strengths**

The management of the Group believes that the Group benefits from the following key strengths.

### ***Leading position in the Belarusian food retail market***

The Group is the largest food retailer in the Belarusian market with an operating presence in 97 of the 129 territorial units of Belarus and an overall market share of approximately 19 per cent. in the six months ended 30 June 2017 (up from 14.4 per cent in the year ended 31 December 2014), based on food retail revenue, according to the Group's estimates based on the National Statistical Committee data. In the same period, the Group's next largest modern format competitor, Korona, had a market share of approximately 3.9 per cent. The Group also competes with Belkoopsoyuz, a cooperative union which encompasses manufacturers and retailers across Belarus, which operates traditional format stores and whose market share was 9.7 per cent. in the six months ended 30 June 2017 compared to 13.3 per cent. in the year ended 31 December 2014 (see "*Business—Retail Operations—Competition*"). As at 30 June 2017, the Group operated 460 stores in 97 of the 129 territorial units of Belarus with total aggregate selling space of approximately 277,200 sq. m. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates.

The Group's management believes that its leading market position enables the Group to benefit from certain significant competitive advantages, including:

- strong brand awareness as a result of its extensive chain of stores and nationwide presence and its targeted, national marketing activities, which in turn support high customer traffic and strong customer loyalty, with more than 2.3 million active cardholders under the Group's loyalty programmes as at 30

June 2017 (which equates to a household penetration rate of approximately 59 per cent. of total Belarusian households) and approximately 73 per cent. of all purchases in the Group's stores (by value) being made using the Group's loyalty cards in the six months ended 30 June 2017;

- significant economies of scale and leverage to negotiate advantageous pricing and other terms when purchasing goods and products from its suppliers, which underpins the Group's low price operating model (See "*—Low price operating model*" and "*—Strong supplier relations and efficient supply chain operations*");
- the Group plays an essential role in ensuring national food security by selling a substantial volume of major food categories in Belarus, such as fruits, nuts, edible oils, grits and vegetables (see "*—Strong supplier relations and efficient supply chain operations*"); and
- greater financial and operational resources than its competitors.

The Group's management considers that the Group's leading market position enables the Group to continue sustainable growth and improve profitability.

### ***Fragmented market with high barriers to entry and significant potential for growth***

The Belarusian food retail market is highly fragmented and comprises modern format retail chains, such as the Group, Korona, Rublevsky and other retail chains which tend to operate a higher proportion of new, modern format stores located in more densely-populated areas, and traditional format retail chains such as Belkoopsoyuz, a cooperative union which encompasses manufacturers and retailers across Belarus, and numerous small, non-chain retail store operators which primarily operate traditional format stores in less densely-populated areas of Belarus. Despite some consolidation in recent years resulting from the expansion of modern format retail chains (including the Group) at the expense of traditional format retail stores, including stores operated by Belkoopsoyuz, traditional format retail store operators still represent a significant proportion of the Belarusian food retail market (approximately 55 per cent. as at 31 December 2016, according to the Group's estimates based on the National Statistical Committee data) with modern format retail chains comprising the remainder of the market. The Group is the largest retail chain in the fragmented Belarusian market, and, as such, the Group's management believes that it enjoys certain significant competitive advantages over both traditional format store and smaller modern format store competitors. See "*—Leading position in the Belarusian food retail market*" and "*—Strong supplier relations and efficient supply chain operations*".

The Group's management believes that any potential new market entrant would have to overcome significant barriers to entry in order to commence and maintain operations in Belarus and compete with the Group on a significant scale. These barriers would be particularly acute for any international retail chain, and include:

- the limited availability of modern selling space for rent, particularly modern selling space suitable for large supermarkets and hypermarkets;
- the existence of regulatory and practical limitations on the ability to construct new selling space in a timely and cost-efficient manner which are more challenging than in certain other jurisdictions (see "*Risk Factors—Successful challenges to the Group's lease rights or ownership interests in land and property or delays or cancellation of the Group's construction projects could have a material adverse effect on the Group's business, financial condition and operating results*");
- applicable Belarusian regulation that requires that a substantial number of SKUs across a majority of product categories must be of domestic origin; and import duties are levied on products imported into Belarus (save for products imported from Russia and Kazakhstan); consequently, any non-domestic market entrant would have to have (or rapidly develop) a comprehensive local supply chain, including strong relationships with local suppliers and a local logistics system, and reach a substantial procurement volume which would allow it to negotiate competitive prices; and
- the lack of suitably developed existing retail chains of sufficient scale that could be acquired as a way to enter the market and limited potential for market consolidation with retail operators due to a substantial geographic overlap between large retailers (with most being focused on Minsk and a few large regional cities).

No major international food retail chains currently have a presence in the Belarusian food retail market.

The Group's management believes there is significant potential for growth in the Belarusian food retail market. Certain less densely-populated areas of Belarus are significantly under-penetrated, particularly by retail chains operating modern store formats. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates. Selling space per capita (0.6 per sq. m. in 2016 according to the National Statistical Committee) and the penetration of modern format stores (approximately 45 per cent. in 2016 based on the Company's estimates) in Belarus is significantly lower than in many other European markets, according to GFK Geomarketing. Despite a deterioration in macro-economic conditions in 2015, retail turnover in Belarus had a CAGR of 26.7 per cent. (in BYN terms) for the six-year period ended 31 December 2016, according to the National Statistical Committee. Planet Retail anticipates that grocery spending in Belarus will have (in U.S.\$ terms) a CAGR of 9.5 per cent. between 2016 and 2020. To the extent macro-economic conditions in Belarus continue to stabilize or strengthen, the Group's management expects that this trend will continue and drive additional growth in the Belarusian fragmented food retail market and, in particular, demand for modern format food retail stores.

With its leading market position and associated competitive advantages, the Group's management believes the Group is well placed to extend its operations to under-penetrated areas and benefit from growth in the fragmented Belarusian food retail market.

### ***Low price operating model***

The Group has a low price operating model, which has historically been central to the Group's development strategy, and seeks to be the leading low price food retailer in Belarus. On the basis of surveys conducted by various third parties, including the National Academy of Science of Belarus and Nielsen, and monthly market surveys conducted by the Group, the Group's management believes that the Group maintains the lowest average prices for basic food products amongst its main competitors. The average price of basic food (including alcohol and tobacco) and non-food products in the Group's hypermarkets and supermarkets was between 14 and 20 per cent. and between 14 per cent and 29 per cent lower, respectively, than the average prices for such products in the same format stores of its main competitors in July 2016, according to the National Academy of Science. Further, market surveys conducted by Nielsen in 2016 indicated that 33 per cent. of consumers surveyed rated the Group as the lowest price retailer in Minsk. The rating of the Group as the lowest price retailer is substantially higher in the regions of Belarus, with approximately 62 per cent and 83 per cent of consumers surveyed rating the Group as the lowest price retailer in Grodno and Gomel regions, respectively. According to market surveys conducted by Nielsen in 2016, the Group has a store equity index (which ranks retail brands for familiarity, connection and loyalty) of 5.4 (Gomel) and 3.1 (Minsk), which is one of the highest in Europe. The Group also periodically offers additional price discounts and promotions to its loyalty programmes members, thereby further reducing prices.

The Group's management believes that the Group's reputation for historically offering market-low prices for key food products is central to its strong brand awareness and customer loyalty and drives customer traffic throughout its stores. In turn, the low price operating model is substantially facilitated by the Group's keen focus on the scale and terms of its product procurement and its supply chain. See "*—Strong supplier relations and efficient supply chain operations*" and "*—Leading position in the Belarusian food retail market*". The Group's management believes that its low price operating model is a key competitive strength that has enabled it to develop and maintain its leading market position and expand its operations.

### ***Balanced real estate strategy and diversified modern store formats***

The Group operates a balanced real estate strategy. It owns approximately 45 per cent of its selling space and approximately 52 per cent. of its total space (predominantly the hypermarkets) and leases approximately 55 per cent of its selling space and 48 per cent. of its total space (predominantly the convenience stores). Historically, the Group has elected to construct (and therefore own) its larger stores due to a lack of suitable existing real estate to lease. Since 2015, the Group has focused primarily on opening new convenience stores and supermarkets. The Group typically elects to operate its smaller stores on a lease basis, therefore reducing Capital Expenditures associated with such store roll-outs and increasing return ratio. The Group actively manages its owned and leased real estate, and has sold and leased back certain of its owned real estate assets in recent years in order to optimize its real estate portfolio and manage its finance position. The Group has also used a portion of its owned real estate to secure financing necessary for the expansion of its business.

The Group operates five different formats of stores ranging in size from E mini to E+ (convenience stores), E++ (supermarkets), E+++ and E++++ (hypermarkets) formats (see "*Business—Retail Operations—Retail Formats*"). This diversified multi-format chain model enables the Group to tailor its operations more precisely

to the requirements of its target customers in different cities and regions of Belarus. In any particular location, the Group selects the appropriate store format based on the size of the local population and potential customer base. For example, in more densely-populated areas of Belarus the Group may elect to operate a smaller E mini convenience store, whereas in Minsk or other larger cities, in addition to convenience stores, it may consider operating a supermarket or a hypermarket. The Group's management believes that this flexibility enables the Group to increase its penetration rate throughout the country, and therefore grow its business, in a more cost effective and efficient manner.

The Group's stores are constructed and/or equipped in a modern format and approximately 75 per cent. of the Group's stores were opened since 1 January 2013. The Group's management believes that modern format stores offer customers a more enjoyable and convenient shopping experience than that available in the traditional format stores operated by non-chain retailers and by certain of its local retail chain competitors, and that this supports customer loyalty and drives customer traffic. Further, the Group's new, modern format stores typically require less maintenance capital expenditure than older stores.

### ***Strong supplier relations and efficient supply chain operations***

The Group's business model is supported by its strong relationships with suppliers and its well-developed supply chain operation system.

#### ***Strong supplier relations***

As a result of the scale of its operations, the Group purchases a high volume of goods and products from third party suppliers. As of 30 June 2017, the Group had approximately 2,000 suppliers, most of which are based in Belarus. The Group's largest ten, 20 and 50 suppliers accounted for 21.2 per cent., 32.1 per cent. and 51.2 per cent. of the Group's purchase volume (excluding VAT) as of 30 June 2017, respectively. Belarusian origin products prevail in the Group's sales structure accounting for approximately 74 per cent of the Group's sales in 2016. The Group sells a substantial volume of certain major food categories in Belarus, in particular, approximately 37 per cent. of the total volume of grits, pasta, edible oil, fruits and nuts in Belarus were sold by the Group in the six months ended 30 June 2017. The Group also has direct import contracts with foreign suppliers, including Banalat Sia (Latvia), A.Iberandalus (Spain) and Melitta Europa GmbH & Co. KG (Germany), primarily for the supply of fruits, vegetables, berries and dry food. The Group typically selects three to four suppliers for each product category in order to be able to negotiate competitive prices. In addition, the Group has recently agreed a joint purchase agreement with Lenta, a leading Russian food retailer, pursuant to which the two retailers may coordinate their purchases from third party suppliers and offer their private label products in each other's stores. As a result of this dynamic and the large volume of its procurement, the Group benefits from significant economies of scale in its purchases and has leverage to negotiate advantageous pricing, payment and other commercial terms with its third party suppliers which, in turn, helps the Group to continue to offer market-low prices whilst maintaining strong gross margins. See “—Low price operating model”, “—Strong financial performance” and “Business—Retail Operations—Suppliers”.

#### ***Efficient supply chain operations***

The Group's management believes that the Group is the only Belarusian food retailer to operate a fully integrated, nation-wide logistics system. The Group operates three large, modern distribution centres, which cater for the full range of the Group's products, with a total aggregate storage space of approximately 76,100 sq. m., located in Minsk, Baranovichi (the Brest region) and Obchak (the Minsk region), one medium size warehouse processing fruits and vegetables with a total aggregate storage space of approximately 9,900 sq. m. located in Zaslavl (the Minsk region) and one railway transit warehouse with a total aggregate storage space of approximately 4,500 sq. m. located in Gatovo (Minsk). The Group's distribution centres and warehouses operate as a centralized logistics base for deliveries to the Group's stores located throughout Belarus and employ modern automated warehousing management systems. The Group's logistics system assists the Group to procure and deliver to its stores a stable product assortment and allows it to negotiate advantageous pricing, payment and other commercial terms with its third party suppliers. The Group owns a fleet of approximately 150 transportation vehicles which carry out more than 50 per cent of the total deliveries of products to and from the Group's distribution bases and stores, with the remaining deliveries being carried out by third party contractors. The Group seeks to achieve an optimal mix of deliveries shipped via its distribution centres and warehouses and direct deliveries by suppliers to its stores and currently has a centralization level, (i.e. the total amount of products processed through the Group's distribution centres and warehouses as a percentage of the Group's total sales), of approximately 80 per cent. The Group's centralized logistics system and transportation fleet give it significant control over its supply chain and reduce dependence on third party suppliers and



transportation service providers. The Group's management believes that approximately 60 per cent. of the Group's existing supply chain capacity is currently utilized and, as such, the existing supply chain infrastructure could sustain substantial additional expansion of the Group's operations without additional capital expenditure.

The Group's management believes that the maintenance of strong relations with suppliers and the efficiency of the Group's supply chain management are critical to its continued success and central to the implementation of its expansion strategy.

### ***Experienced management team and supportive shareholders***

The Group has a highly skilled and experienced management team with on average over 12 years of industry experience in the Belarusian food retail sector. The management team, led by Mr. Andrei Zubkou and Mrs. Alesia Sapunova, has a detailed knowledge of local market trends and the Group's competitors and provides the Group with the expertise required to implement its business strategy. The Group's management is also focused on the continued professional development of the Group's employees. The Group regularly conducts specially developed job-specific training programmes, engages external professional coaches, organizes business simulation games and offers its employees a range of distance learning courses. Most of the Group's managers have historically been sourced internally.

The management team benefits from the close support and guidance of the Group's founding shareholders, Mr. Uladzimir Vasilko and Mr. Sergey Litvin, each of whom has extensive experience of the Belarusian food retail market. The shareholders are actively involved in the management and operation of the Group, with Mr. Uladzimir Vasilko and Mr. Sergey Litvin serving on the board of directors of the Group and Mr. Andrei Zubkou serving as Chief Executive Officer of the Group. The Group's management believes that the active involvement and support of its shareholders creates a more stable platform from which the Group can operate and seek achieve its strategic objectives. The Group believes that its supportive shareholder base, together with its leading market position, growth prospects and expansion plans, will enable the business to continue to attract and retain high-caliber managers.

### ***Strong financial performance***

Reflecting the competitive strengths outline above, the Group has achieved strong financial results in recent years, as evidenced in the table below.

	<b>Six months ended 30 June 2017</b>	<b>Six months ended 30 June 2016</b>	<b>Year ended 31 December 2016</b>	<b>Year ended 31 December 2015</b>	<b>Year ended 31 December 2014</b>
Revenue, interest and commission income (BYN thousands).....	1,897,646	1,758,910	3,638,760	2,986,568	2,407,930
Gross profit (BYN thousands).....	504,753	393,310	849,361	686,719	537,229
Gross Margin (in %).....	26.6	22.4	23.3	23.0	22.3
EBITDA (BYN thousands).....	182,346	96,605	257,423	221,477	159,518
EBITDA Margin (in %).....	9.6	5.5	7.1	7.4	6.6
Profit/(loss) for the period (BYN thousands)	58,916	(104,063)	(42,775)	(334,934)	12,771

This performance has primarily been driven by a CAGR in revenue of 22.9 per cent. and a CAGR in EBITDA of 27 per cent. for the three-year period ending 31 December 2016, and an increase in both the total number of Group stores (with 95, 140, 15 and 7 net store openings in each of 2014, 2015, 2016 and the six-month period ended 30 June 2017, respectively) and the total aggregate amount of selling space (with 65,233 sq. m., 59,747 sq. m., 20,302 sq. m. and 2,326 sq. m. of net selling space being added in 2014, 2015, 2016 and the six-month

period ended 30 June 2017, respectively) across the same period. Sales density (in BYN terms) had a CAGR of 5.2 per cent for the three-year period ending 31 December 2016, rising from BYN 12,763 per sq. m. per year in 2014, to BYN 12,703 per sq. m. per year in 2015 and to BYN 14,117 per sq. m. per year in 2016.

The Group's strong financial performance has enabled it to expand its business and solidify its leading market position, including by financing the expansion of its store network, and investments in its supply chain and logistics infrastructure.

## **Strategy**

The Group has the following key strategies:

### ***Expand operations and increase market share***

The Group will continue to seek to develop its leading market position and increase its market share, primarily by rolling out additional convenience stores (E-mini and E+ formats) in under-penetrated regions of Belarus and in Minsk. In particular, the Group will seek to expand its operations in areas where it will compete directly with traditional format stores, over which the Group believes it enjoys considerable competitive advantages, including its greater financial and operational resources. See “—*Key Strengths—Balanced real estate strategy and diversified modern store formats*”. The Group primarily intends to lease the real estate premises necessary for such expansion and expects to incorporate the additional small and medium size stores into its existing nation-wide logistics system. See “—*Key Strengths—Strong supplier relations and efficient supply chain operations*”. The Group's management believes that this intended expansion will be supported by anticipated growth in the Belarusian food retail market and expects that modern format food retail stores' market share will continue to increase. See “—*Key Strengths—Fragmented market with high barriers to entry and significant potential for growth*”.

### ***Optimise the Group's pricing strategy***

The Group's management intends to strengthen the Group's low price operating model, which it believes is important to maintaining and developing the Group's strong customer loyalty and high customer traffic (see “—*Key Strengths—Low price operating model*”, whilst at the same time optimizing its pricing strategy with respect to certain of its low turnover products in order to seek to increase gross margins.

The Group will continue to focus on offering a focused assortment of high turnover products (i.e. products for which there is the greatest customer demand) and ensuring that its prices for such products are the lowest in the Belarusian food retail market. In order to continue to be able to offer market-low prices, the Group intends to increase the volume of its purchases from suppliers in order to enhance its economies of scale and give it additional leverage to negotiate more advantageous pricing terms with suppliers. The Group's management expects that the volume of the Group's purchases will increase as its operations expand (see “—*Expand operations and increase market share*”). The Group intends to further develop partnership relations with its suppliers and facilitate competition between them in order to obtain better pricing and payment terms.

The Group also intends to continue to focus on increasing a share of higher margin products in the Group's sales, such as private label products, non-food products (for example, products within the 'household products and chemicals' and 'cosmetics and perfumes' product categories) and own-produced products.

### ***Implement personnel training and efficiency initiatives***

The Group intends to continue to implement initiatives to increase the productivity of its workforce and reduce associated personnel costs and expenses. Such initiatives include:

- tailoring employee work schedules to ensure optimum staff levels are maintained at all times, including during periods of high and low customer traffic;
- reducing the total number of in-store personnel by diversifying the range of employees' responsibilities and introducing operational optimization processes; and
- ensuring personnel undergo specially developed job-specific training programmes to develop and enhance relevant skills and knowledge.

### ***Proactively manage the Group's debt portfolio***

The Group will continue to seek opportunities to reduce its debt burden through debt repayment, (whether facilitated by EBITDA growth, the sale and lease back of real estate, or otherwise), and has committed not to pay dividends to its shareholders until the ratio of Net Debt to EBITDA for the last two consecutive semi-annual periods reaches 3.5:1, at any time prior to 1 January 2019, and 3.0:1, at any time from and after 1 January 2019. In the years ended 31 December 2016, 2015 and 2014, the Group had Net Debt to EBITDA of 4.7:1, 5.6:1 and 4.8:1, respectively. The Group also intends to continue to proactively manage the maturity profile of its debt portfolio, including by continuing to seek opportunities to refinance its existing shorter-term indebtedness on commercially reasonable terms (including through the issuance of the Notes) and by continuing to negotiate maturity extensions and other related amendments to its existing indebtedness with creditors.

More generally, the Group will seek opportunities to increase the proportion of its debt portfolio denominated in BYN in order to reduce the impact of any future volatility in BYN exchange rates. In June 2017, the Group redenominated a U.S.\$94.5 million loan provided by Belarusbank into a BYN denominated loan pegged to the refinancing rate of the National Bank, which amounted to 11.5 per cent as of 30 June 2017. The share of BYN denominated debt (exclusive of accrued interest) in the Group's total debt portfolio increased from 2.1 per cent. as of 31 December 2016 to 18.4 per cent as of 30 June 2017. The Group conducts negotiations with its creditors on redenomination of its foreign currency debt and seeks to continue to increase the share of BYN denominated debt in the Group's total debt portfolio.

### **Recent Developments**

In August 2017, the Group rebranded seven of its convenience stores into discounters operating under "Brusnichka" ("Брусничка" in Cyrillic characters) trade name and having a total selling space of 2,620 sq. m. as at the date of these Listing Particulars. The discounters offer lower prices and a narrower product assortment focused on products of higher demand and do not run promotion campaigns as opposed to the Group's convenience stores. The Group carried out the rebranding as a pilot project designed to analyse the customer's behaviour and attitude to the discounters.

### **History**

The Group's business was established in 1993 as a food wholesaler. In 1997, the Group opened its first store in Minsk, with total space exceeding 16,000 sq. m.

In 2008, the Group refocused from wholesale operations to retail operations and in December 2008, rolled out the first E++++ hypermarket in Belarus, and opened its first distribution centre in Minsk. The Group also adopted IFRS standards in 2008 in order to strengthen its commitment to best international practice.

In 2010, the Group became the first grocery retailer with presence in each of the regions of Belarus. The Group was awarded a gold medal in the "Brand of the Year" contest within the nomination "Store Chains and Centres" and was recognised as the best retail chain in Minsk in the "Choice of the Year" contest.

In 2012, Euroopt obtained its first international financing by entering into a long-term facility agreement with EBRD.

In 2013, the Group strengthened its distribution network by opening its second distribution centre in Baranovichy.

In 2016, the Group strengthened its position as the leader in the Belarusian retail market by entering into partnership with one of the leading Russian retailers, Lenta. In the period between 2011 and 2016, the Group expanded its network from 67 stores with selling space of approximately 56,000 sq. m. as of 31 December 2011, to 121 stores with selling space of approximately 104,000 sq. m. as of 31 December 2012, 203 stores with selling space of approximately 130,000 sq. m. as of 31 December 2013, 298 stores with selling space of approximately 195,000 sq. m. as of 31 December 2014, 438 stores with selling space of approximately 255,000 sq. m. and 453 stores with selling space of approximately 275,000 sq. m. as of 31 December 2016, which represents a selling space growth CAGR of 37.4 per cent. As of 30 June 2017, the Group had 460 stores with an aggregate selling space of 277,200 sq. m.

## Organisational Structure of the Group

The Company is a limited liability company incorporated under the laws of Belarus and operates as the parent company of the Group. As of the date of these Listing Particulars, the Group consists of 18 companies with operations spanning across retail sales, banking, transportation, production and packaging. Each entity within the Group is described in the table below.

Subsidiary Name	Country of Incorporation	Type of Operations	Ownership interest as at 30 June 2017
OJSC "Statusbank" (previously OJSC "EurotorgInvestBank")	Belarus	Banking	99.5168%
LLC "Tekhno Media Treid"	Belarus	Retail sales	96.5%
LLC "Diskontnyi club"	Belarus	Retail sales	100%
LLC "Eurooptavto"	Belarus	Transportation services	100%
CJSC "Dzerzhinskii myasokombinat"	Belarus	Production of meat products	100%
Enterprise "PakHaus"	Belarus	Packaging	100%
LLC "ElitPartner"	Belarus	Production of bakery products	100%
LLC "VARMINEKSPO"	Belarus	Production of meat products	100%
ALC "Yulain"	Belarus	Production of meat products	100%
LLC "EurooptAgro"	Belarus	Poultry	100%
LLC "Barentsevo"	Belarus	Production of seafood	100%
LLC "SitiBalt"	Belarus	Construction	100%
LLC "AVA-stail"	Belarus	Construction	100%
LLC "Retorsia-invest"	Belarus	Construction	100%
OJSC "Sotrudnichestvo"	Belarus	Construction	100%
LLC "E-market"	Belarus	Retail sales	100%
LLC "Vladalinoks"	Belarus	Wholesale	99.9%
LLC "BelRosKompani"	Russian Federation	Construction	100 %

In order to optimise its organisational structure, the Group may undertake certain intra-group reorganisation strategies. These may include the dissolution of certain non-operational Group companies, including the companies created for the construction of the Group's stores, and corporate reorganisations of other companies with the goal of optimising the corporate and business governance processes. In particular, the Group may divest certain subsidiaries engaged in non-core activities, such as LLC "VARMINEKSPO", LLC "SitiBalt" and LLC "Retorsia-invest", to optimise its business.

The Group's business consists of two operating segments: (i) retail operations (which includes the production, procurement and distribution of retail goods (food and non-food products) and (ii) banking (which includes receiving household and corporate deposits and granting commercial and consumer loans to legal entities and individuals). Retail operations are the key segment of the Group's business and generated 94.3 per cent. of the Group's total revenue as of 31 December 2016.

### Retail Operations

#### General

The Group is the largest food retailer by food retail revenue in the Belarusian market, with a market share of 19 per cent. as of 30 June 2017, according to the Group's estimates based on the National Statistical Committee data. As of 30 June 2017, the Group operated 460 stores with total selling space of 277,200 sq. m., and had an operational presence in 97 of the 129 territorial units of Belarus. The Group's target customers are primarily men and women aged between 30 and 55 in the low to medium income bracket. See "*Overview*".

#### Retail Formats

The Group operates five different store formats which range in size from E mini to E+, E++, E+++ and E++++. As of 30 June 2017, the Group's retail store portfolio consisted of 194 E mini stores, 169 E+ stores, 59 E++

stores, 35 E+++ stores and three E++++ stores. The following table indicates the number of the Group's stores categorised by retail format in each of the regions of Belarus as of 30 June 2017 and 31 December 2016, 2015 and 2014:

	Minsk	Minsk Region	Brest Region	Gomel Region	Grodno Region	Mogilev Region	Vitebsk Region
<b>30 June 2017</b>							
<b>E mini.....</b>	19	40	26	31	23	28	27
<b>E+ .....</b>	30	25	23	25	20	29	17
<b>E++.....</b>	12	11	9	10	7	6	4
<b>E+++.....</b>	7	3	3	6	7	4	5
<b>E++++ .....</b>	1	1	-	-	-	-	1
<b>Total.....</b>	<b>70</b>	<b>79</b>	<b>61</b>	<b>72</b>	<b>57</b>	<b>67</b>	<b>54</b>
<b>2016</b>							
<b>E mini.....</b>	16	37	26	31	22	30	28
<b>E+ .....</b>	30	25	23	25	20	27	17
<b>E++.....</b>	12	10	9	10	7	6	4
<b>E+++.....</b>	7	3	3	6	7	4	5
<b>E++++ .....</b>	1	1	-	-	-	-	1
<b>Total.....</b>	<b>66</b>	<b>76</b>	<b>61</b>	<b>72</b>	<b>56</b>	<b>67</b>	<b>55</b>
<b>2015</b>							
<b>E mini.....</b>	14	36	26	34	22	30	28
<b>E+ .....</b>	29	24	23	23	18	27	16
<b>E++.....</b>	11	9	9	10	7	5	4
<b>E+++.....</b>	3	3	3	6	6	4	5
<b>E++++ .....</b>	1	1	-	-	-	-	1
<b>Total.....</b>	<b>58</b>	<b>73</b>	<b>61</b>	<b>73</b>	<b>53</b>	<b>66</b>	<b>54</b>
<b>2014</b>							
<b>E mini.....</b>	8	13	16	22	10	20	19
<b>E+ .....</b>	25	16	17	17	11	20	15
<b>E++.....</b>	9	8	9	8	5	3	4
<b>E+++.....</b>	2	-	3	3	5	3	4
<b>E++++ .....</b>	1	1	-	-	-	-	1
<b>Total.....</b>	<b>45</b>	<b>38</b>	<b>45</b>	<b>50</b>	<b>31</b>	<b>46</b>	<b>43</b>

#### *E mini*

E mini stores are convenience stores and are typically located in close proximity to residential areas. As of 30 June 2017, the Group had 194 E mini stores with 41 stores in the Minsk Region, 18 stores in Minsk, 26 stores in the Brest Region, 31 stores in the Gomel Region, 23 stores in the Grodno Region, 28 stores in the Mogilev Region and 27 stores in the Vitebsk Region. As of 30 June 2017, E mini stores had an aggregate selling space of 30,019 sq. m. and an average selling space of 155 sq. m. In 2015, the Group significantly increased the number of E mini stores, expanding its E mini store portfolio from 108 stores in 2014 to 190 stores in 2015. The opening of new E mini stores led to an increase in total selling space from 18,795 sq. m. in 2014 to 29,583 sq. m. in 2015. There were no net E mini store openings in 2016 and four net E mini store opening took place in the six months ended 30 June 2017.

E mini stores offer a product range of approximately 3,650 SKUs, on average.

The below table contains information on the sales revenue, average customer traffic, average ticket, LFL revenue, LFL traffic, LFL average ticket and sales density in E mini stores for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017:

	<b>Six months ended 30</b>	<b>Year ended 31 December</b>		
	<b>June</b>			
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Average customer traffic (in tickets per sq.m.) .....	180.9	193.1	193.3	224.8
Average ticket (in BYN) .....	8.3	7.5	7.2	6.8
Sales revenue (in BYN) .....	265,627	508,930	361,187	272,098
LFL traffic (% of change, period-on-period).....	(7.3)	(6.7)	(8.4)	2.4
LFL average ticket (% of change, period-on-period).....	12.2	6.2	5.0	17.6
LFL revenue (% of change, period-on-period).....	4.0	(0.9)	(3.8)	20.4
Sales density (in BYN per sq. m. per month) .	1,497	1,457	1,383	1,519

E+

E+ stores are convenience stores and are typically located in dense residential areas and near main road traffic junctions. As of 30 June 2017, the Group had 169 E+ stores with 25 stores in the Minsk Region, 30 stores in Minsk, 23 stores in the Brest Region, 25 stores in the Gomel Region, 20 stores in the Grodno Region, 29 stores in the Mogilev Region and 17 stores in the Vitebsk Region. As of 30 June 2017, E+ stores had an aggregate selling space of 72,312 sq. m. and an average selling space of 428 sq. m. In 2015, the Group significantly increased the number of E+ stores by expanding its E+ stores portfolio from 121 stores in 2014 to 160 stores in 2015. The opening of new E+ stores led to an increase in total selling space from 52,192 sq. m. in 2014 to 68,981 sq. m. in 2015. There were seven net E+ store openings in 2016 and two net E+ store openings in the six months ended 30 June 2017.

E+ stores offer a product range of approximately 7,050 SKUs, on average.

The below table contains information on the sales revenue, average customer traffic, average ticket, LFL revenue, LFL traffic, LFL average ticket and sales density in E + stores for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017:

	<b>30 June</b>	<b>31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Average customer traffic (in tickets per sq.m.) .....	126.8	140.9	150.7	173.5
Average ticket (in BYN) .....	11.0	10.2	9.8	9.1
Sales revenue (in BYN) .....	605,741	1,197,759	1,038,404	849,787
LFL traffic (% of change, period-on-period).....	(10.8)	(6.7)	(6)	2.4
LFL average ticket (% of change, period-on-period).....	10.7	5.9	7.6	17.0
LFL revenue (% of change, period-on-period).....	(1.2)	(1.2)	1.4	19.8
Sales density (in BYN per sq. m. per month) .	1,402	1,437	1,481	1,580

## E++

E++ stores are urban supermarkets and are typically located close to large neighborhoods within city boundaries. As of 30 June 2017, the Group had 59 E++ stores, with 11 stores in the Minsk Region, 12 stores in Minsk, 9 stores in the Brest Region, 10 stores in the Gomel Region, 7 stores in the Grodno Region, 6 stores in the Mogilev Region and 4 stores in the Vitebsk Region. As of 30 June 2017, E++ stores had an aggregate selling space of 58,146 sq. m. and an average selling space of 986 sq. m. Since 2014, the Group has had 13 net E++ store openings, with nine net store openings in 2015, three net store openings in 2016 and one net store opening in the six months ended 30 June 2017. The opening of new E++ stores led to an increase in total selling space from 46,037 sq. m. in 2014 to 54,284 sq. m. in 2015 and 57,359 sq. m. in 2016.

E++ stores offer a product range of approximately 12,000 SKUs, on average.

The below table contains information on the sales revenue, average customer traffic, average ticket, LFL revenue, LFL traffic, LFL average ticket and sales density in E ++ stores for the six months ended 30 June 2017 and for the years ended 31 December 2016, 2015 and 2014:

	30 June	31 December		
	2017	2016	2015	2014
Average customer traffic (in tickets per sq.m.) .....	83.0	91.0	94.6	106.6
Average ticket (in BYN) .....	13.7	12.9	12.4	11.9
Sales revenue (in BYN) .....	395,343	788,874	716,203	548,797
LFL traffic (% of change, period-on-period).....	(9.6)	(3.0)	(5.2)	1.2
LFL average ticket (% of change, period-on-period).....	9.1	4.1	5.2	15.4
LFL revenue (% of change, period-on-period).....	(1.4)	1.1	(0.2)	16.8
Sales density (in BYN per sq. m. per month) .	1,141	1,173	1,174	1,265

## E+++

E+++ stores are compact hypermarkets and are typically located in cities with population over 50,000 people and typically operate in larger shopping centers as an anchor tenant. As of 30 June 2017, the Group had 35 E+++ stores, with 3 stores in the Minsk Region, 7 stores in Minsk, 3 stores in the Brest Region, 6 stores in the Gomel Region, 7 stores in the Grodno Region, 4 stores in the Mogilev Region and 5 stores in the Vitebsk Region. As of 30 June 2017, E++ stores had an aggregate selling space of 95,872 sq. m. and an average selling space of 2,739 sq. m. Since 2014, the Group has had 15 net E+++ store openings, with ten net store openings in 2015 and five net store openings in 2016. The opening of new E +++ stores led to an increase of total selling space from 80,873 sq. m. in 2015 to 95,872 sq. m. in 2016.

E+++ stores offer a product range of approximately 25,700 SKUs, on average.

The below table contains information on the sales revenue, average customer traffic, average ticket, LFL revenue, LFL traffic, LFL average ticket and sales density in E +++ stores for the six months ended 30 June 2017 and for the years ended 31 December 2016, 2015 and 2014:

	30 June	31 December		
	2017	2016	2015	2014
Average customer traffic (in tickets per sq.m.) .....	62.0	68.7	70.5	78.1
Average ticket (in BYN) .....	16.8	15.7	15.1	14.9
Sales revenue (in BYN) .....	597,593	1,128,554	878,786	621,271

LFL traffic (% of change, period-on-period).....	(9.6)	0.6	(3.1)	6.7
LFL average ticket (% of change, period-on-period).....	12.6	4.7	2.3	13.7
LFL revenue (% of change, period-on-period).....	1.8	5.3	(0.9)	21.3
Sales density (in BYN per sq. m. per month) .	1,039	1,076	1,062	1,165

#### *E++++*

E++++ stores are hypermarkets and are typically located within circular city roads and close to transport hubs. As of 30 June 2017, the Group had three E++++ stores with one store in Minsk, one store in the Minsk Region and one store in Vitebsk City. As of 30 June 2017, E++++ stores had an aggregate selling space of 20,851 sq. m. and an average selling space of 6,950 sq. m. The Group opened one E++++ store in 2008 and the other two E++++ stores in 2014.

E++++ stores offer a product range of approximately 43,000 SKUs, on average.

The below table contains information on the sales revenue, average customer traffic, average ticket, LFL revenue, LFL traffic, LFL average ticket and sales density in E +++++ stores for the six months ended 30 June 2017 and for the years ended 31 December 2016, 2015 and 2014:

	<b>30 June</b>	<b>31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Average customer traffic (in tickets per sq.m.) .....	34.7	38.5	38.5	32.9
Average ticket (in BYN) .....	29.6	26.6	24.9	35.5
Sales revenue (in BYN) .....	128,489	256,155	239,154	194,639
LFL traffic (% of change, period-on-period).....	(6.0)	9.1	26.0	-
LFL average ticket (% of change, period-on-period).....	19.0	8.3	4.1	-
LFL revenue (% of change, period-on-period).....	11.8	18.2	31.2	-
Sales density (in BYN per sq. m. per month) .	1,027	1,024	956	1,170

The Group's sales revenue (including VAT) has grown since 2014 reaching BYN 3,880,272 thousand in 2016. In the six months ended 30 June 2017, the Group's sales revenue amounted to BYN 1,992,793 thousand. The following table represents the Group's sales revenue categorised by retail format for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014:

<b>Region</b>	<b>Six months ended 30 June</b>	<b>Year ended 31 December</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
		<i>(BYN thousands)</i>		
E mini .....	265,627	508,930	361,187	272,098
E+ .....	605,741	1,197,759	1,038,404	849,787
E++ .....	395,343	788,874	716,203	548,797
E+++ .....	597,593	1,128,554	878,786	621,271
E++++ .....	128,489	256,155	239,154	194,639
<b>Total .....</b>	<b>1,992,793</b>	<b>3,880,272</b>	<b>3,233,733</b>	<b>2,486,592</b>



The Group's LFL traffic grew by 3.1 per cent. in 2014 before decreasing by 5.6 in 2015 and 4 per cent. in 2016. The increase in the LFL traffic in 2014 was due to a growth in retail sales and an increase in customer loyalty to the Group. The decrease in the LFL traffic in 2014 and 2015 was due to the diversion of customer traffic from existing stores resulting from 235 net store openings in that period. In the six months ended 30 June 2017, the Group's LFL traffic decreased by 9.5 per cent. The Group's management seeks to maintain high traffic across the Group's stores and, in the six months ended 30 June 2017, the average customer traffic per store was approximately 0.9 million customers or over 20 per cent. of households daily. In the year ended 31 December 2016, an average monthly traffic accounted for 156 tickets per sq. m. in convenience stores (E mini and E+), 91 tickets per sq. m. in supermarkets (E++) and 63 tickets per sq. m. in hypermarkets (E+++ and E++++). In the year ended 31 December 2016, the average customer traffic in the Group's convenience stores was 1.9 and 2.1 times higher, in supermarkets 1.6 and 1.7 times higher, and in hypermarkets 1.9 and 2.2 times higher than the average customer traffic of the largest Russian food retailers, Magnit and X5, in comparable formats, respectively.

In 2014, 2015, 2016 and the six months ended 30 June 2017, the Group's LFL average ticket grew by 16 per cent., 5.9 per cent., 6.2 per cent. and 11.3 per cent., respectively, primarily due to an increase in a consumer basket per visit. The Group's LFL revenue grew by 19.7 per cent. in 2014, remained flat in 2015 and increased by 1.9 per cent. in 2016. The increase in the LFL revenue in 2014 was due to the growth in the LFL traffic and the LFL average ticket. The decline in LFL traffic in 2015 and 2016 slowed down the LFL revenue growth. In the six months ended 30 June 2017, the Group's LFL revenue grew by 0.7 per cent due to the increase in the LFL average ticket.

## Real Estate

As of 30 June 2017, the Group operated 460 stores with an aggregate selling space of 277,200 sq. m., of which 365 stores and 153,380 sq. m. of its selling space were leased. As of 30 June 2017, the average selling space of the Group's stores was 603 sq. m. The majority of the Group's larger stores, in particular all E++++ stores, 21 E+++ stores and 34 E++ stores, are owned by the Group, while most of the smaller stores, including 146 E+ stores and 180 E mini stores, are leased by the Group.

The following table indicates the number of the Group's owned and leased stores categorised by retail format as of 30 June 2017 and the years ended 31 December 2016, 2015 and 2014:

	<i>E mini</i>	<i>E+</i>	<i>E++</i>	<i>E+++</i>	<i>E++++</i>
<b>30 June 2017</b>					
<b>Owned.....</b>	14	23	34	21	3
<b>Leased.....</b>	180	146	25	14	-
<b>31 December 2016</b>					
<b>Owned.....</b>	14	23	34	21	3
<b>Leased.....</b>	176	144	24	14	-
<b>31 December 2015</b>					
<b>Owned.....</b>	14	23	32	20	3
<b>Leased.....</b>	176	137	23	10	-
<b>31 December 2014</b>					
<b>Owned.....</b>	14	19	26	15	3
<b>Leased.....</b>	94	102	20	5	-

In addition to its retail stores, the Group operates three large, modern distribution centres with a total aggregate storage space of approximately 76,100 sq. m., which cater for the full range of the Group's products, one medium size warehouse processing fruits and vegetables with a total aggregate storage space of approximately 9,900 sq. m. and one railway transit warehouse with a total aggregate storage space of approximately 4,500 sq.

m. See “—*Logistics and Distribution*”. Furthermore, the Group operates non-trade premises such as offices and processing plants with total space of approximately 20,400 sq. m. as of 30 June 2017. The Group operates its non-trade premises on a leased and ownership basis.

Most premises are leased by the Group for initial term of five to ten years, with the availability of an automatic extension. The Group determines a minimum term of lease depending on the condition of the premises. For example, premises which require minor repairs are generally leased for at least five years and those which require major improvements are generally leased for at least seven to ten years. Rent is predominantly linked to foreign currencies, with 70 per cent. linked to Euro and 20 per cent. to U.S. Dollars. Approximately 47 per cent. of the Group’s lease agreements, which account for approximately 42 per cent. of the Group’s selling space will expire in 2017-2019. Historically, most of the Group’s leases have been renewed once they expire or have been automatically extended. The Group typically enters into agreements with each tenant using its standard lease agreement, which provides for, *inter alia*: a fixed lease rate (with no option for further increase), a right to early termination by the Group without penalty, and a right to early termination by the lessor with compensation of the Group for any relevant refurbishment costs and expenses.

In order to optimise the use of the Group’s premises, the Group sometimes leases or subleases surplus space to third parties, such as pharmacies, baby goods, industrial goods stores and banks for the installation of ATMs. As of 30 June 2017, the Group leased or subleased 86,631 sq. m. of its space for this purpose. Most lease and sublease contracts with third parties are typically entered into for 12 to 18 months.

#### *New Store Roll-Out*

The Group has substantial experience opening and operating new stores, having rapidly expanded from 67 stores with selling space of approximately 56,130 sq. m. as of 31 December 2011 to 460 stores with total selling space of 277,200 sq. m as of 30 June 2017. Such expansion has been implemented through a combination of the acquisition, construction and lease of real estate for such new stores. See “*Overview of the Group—Key Strengths—Balanced real estate strategy and diversified modern store formats*”. In the six months ended 30 June 2017, the Group spent BYN 11,447 thousand in Capital Expenditures. In 2016, 2015 and 2014 the Group’s Capital Expenditures on new store openings amounted to BYN 72,902 thousand, BYN 185,786 thousand and BYN 326,054 thousand, respectively. The average payback time on owned convenience stores and supermarkets is five to seven years. On leased convenience stores and supermarkets, the average payback time is 1.2 to 1.5 years, respectively.

The Group’s stores are constructed and/or equipped in a modern format and approximately 75 per cent. of the Group’s stores were opened since 1 January 2013. The Group’s management believes that modern format stores offer customers a more enjoyable and convenient shopping experience than that available in the traditional format stores operated by non-chain retailers and by certain local retail chain competitors, supporting customer loyalty and driving customer traffic. The Group intends to continue to expand its operations, primarily through the roll out of smaller format stores on a leased basis. See “*Overview of the Group—Strategy—Expand operations and increase market share*”.

The Group has an effective process to evaluate proposed new store openings. For each new store, a detailed feasibility study is carried out before an internal approval is received. The Group also conducts a detailed legal and technical due diligence process prior to the signing of a new lease agreement or sale and purchase agreement for the property. Key criteria in the approval process for a new store include, *inter alia*: (i) the level of pedestrian and automobile traffic in the area, (ii) estimated level of disposable income of the population in the area, and (iii) proximity and performance of local competitors and (iv) payback period. The preferred minimum size of rented or newly acquired stores is 150 sq. m. of selling space and 300 sq. m. of total space.

To improve the efficiency of the Group’s operations, the Group has closed stores from time to time if they fail to meet key performance indicators or benchmarks or if a better location becomes available in the same area. Since 1 January 2014, the Group has closed 22 stores, all of which were of E mini and E+ format as of 30 June 2017.

#### *Construction of New Stores*

The construction process of each new store is highly regulated and expertise in the relevant local market is required to ensure timely and cost-efficient project execution. Construction of new stores generally takes at least twelve months depending on the format. As most land plots in Belarus are owned by the state, the Group obtains rights to use land plots for construction purposes either through a public tender or by entering into investment

contracts with the Republic of Belarus (See “*Regulation of Food Retail in Belarus—Regulation of Real Estate—Regulation of Land Use*”).

In 2014, 2015 and 2016, the Group constructed or acquired 33 stores with total selling area of approximately 36,500 sq. m., 15 stores with total selling area of approximately 17,150 sq. m. and three stores with total selling area of approximately 5,400 sq. m., respectively. No stores were constructed in the six months ended 30 June 2017. The Group believes that its sizeable portfolio of owned stores creates an opportunity to free up capital through leaseback arrangements.

#### *Refurbishment of Stores*

Once the leasehold or ownership rights to a store are acquired, the Group begins the process of refurbishing and fitting out such leased or acquired store. The Group applies uniform standards in the refurbishment of its stores, which enables it to decrease the time required for refurbishment and lowers costs through its purchase of equipment, materials and services in bulk. These uniform standards are subject to periodic review, which involves identifying and analyzing the potential benefits of using new equipment, technologies and materials. The Group generally conducts refurbishment using its own resources and engages contractors only for specific types of work, which allows the Group to reduce Capital Expenditures and avoid undue delays in refurbishment. The Group believes that the refurbishment of stores enables it to increase customer’s loyalty and brand awareness.

The average time to refurbish a store, from acquisition of title or leasehold rights to store opening date, is approximately one to four months depending on the format of the store. The average cost of a new store refurbishment ranges from U.S.\$ 0.1 million to U.S.\$ 0.4 million. In 2014, 2015, 2016 and the six months ended 30 June 2017, the Group refurbished 63, 129, 25 and 11 leased stores, respectively.

#### *Store Layout*

In order to decrease in-store costs whilst maintaining quality levels in its stores, the Group employs uniform standards for store layout (with modifications, for leased premises, if necessary), equipment, quality of construction and the composition of construction and finishing materials. The Group believes that employing uniform standards helps it to limit construction and refurbishment costs as well as to improve customer convenience. The Group’s merchandising team oversees store layout and ensures that each store conforms to the Group’s standards.

### **Sales, Products and Pricing**

#### *Product Assortment*

The Group follows a focused assortment store business model which involves offering a relatively limited assortment of high demand products. In the six months ended 30 June 2017, the Group had approximately 45,000 SKUs in all store formats with approximately 20,000 SKUs of food and approximately 25,000 SKUs of non-food products. The product mix for each of the Group’s stores is centrally controlled to ensure that the inventories across all stores are relatively standardised. The product mix is monitored and adjusted using a series of product mix matrices, depending on the size of the stores and other factors such as the level of disposable income of consumers and the overall demand.

In the six months ended 30 June 2017, food and non-food products comprised 92 and 8 per cent. of the Group’s sales revenue. In 2016, 2015 and 2014 food and non-food products accounted for 91.8 and 8.2 per cent., 90.7 and 9.3 per cent. and 89.9 and 10.1 per cent. of the Group’s sales revenue, respectively.

#### *Food Products*

In the six months ended 30 June 2017, food products constituted 43.8 per cent. of the total number of SKUs sold at the Group’s stores. Within food product categories, dry food, alcohol, tobacco and dairy were the top contributors to the Group’s sales revenue, representing 44.0 per cent. of the Group’s sales revenue in the six months ended 30 June 2017. In 2016, 2015 and 2014, these categories accounted for 44.7 per cent., 42.3 per cent. and 42.4 per cent. of the Group’s sales revenue, respectively.

## *Non-Food Products*

As of 30 June 2017, non-food products constituted 56.2 per cent. of the total number of SKUs sold by the Group. Industrial products, seasonal products and pets supplies were the top selling categories of non-food products, representing in aggregate 85.6 per cent. of the Group's revenue from non-food products sales in the six months ended 30 June 2017. In 2016, 2015 and 2014, this category accounted for 85.5, 84.9 and 84.7 per cent. of the non-food products sales revenue, respectively.

## *Private Label and Own-Produced Products*

In addition to brand-name products, the Group offers private label and own-produced products in all of its store formats. Private label goods are produced by selected suppliers and sold under the Group's own brand, for example "Khmelnov", "Babushkina Kukhnya", GUSTO ("Хмельнов", "Бабушкина Кухня", "Густо" in Cyrillic characters, respectively). As of 30 June 2017, the Group had 1,500 SKUs of private label food and non-food products. The average price of private label products is lower than that of equivalent brand-name products. However, due to the absence of marketing and advertising expenses incurred on private-label products and significant sales volumes of such products, the Group can purchase them at a significantly lower price than brand-name products and, accordingly, the Group's margins on such products are, on average, higher than on other similar products. In the six months ended 30 June 2017, private label products accounted for 10.5 per cent. of the Group's sales revenue, with alcohol and tobacco, dry food and industrial products, seasonal products and pets supplies being the most significant contributors. In 2016, 2015 and 2014, private label products comprised 10.3 per cent., 8.6 per cent. and 5.7 per cent. of the Group's sales revenue, respectively.

The Group's own produced products primarily include meat products, ready-to-eat food and bakery. As of 30 June 2017, the Group had 1,100 SKUs of own-produced products. In the six months ended 30 June 2017, own-produced products accounted for 10.3 per cent. of the Group's sales revenue. In 2016, 2015 and 2014, own-produced products comprised 10.4 per cent., 10.6 per cent. and 9.3 per cent. of the Group's sales revenue, respectively.

The Group intends to focus on increasing sales of its higher margin products, namely, private label products, non-food and its own-produced products. See "*Overview—Strategy—Optimise the Group's pricing strategy*".

## *Quality Control*

The Group has established strict quality control procedures at all of its distribution centres, warehouses and stores and regularly monitors the quality of its merchandise. The Group undertakes random inspections of food products on arrival at distribution centres and warehouses. As Belarus' largest food retailer, the Group seeks to improve its safety and quality procedures across all retail formats on an ongoing basis. To facilitate this, it implements recommendations on best practices from the leading inspection, verification, testing and certification companies.

## *Pricing*

The Group has a low price operating model which is applied across all store formats. See "*Overview—Strategy—Optimise the Group's pricing strategy*". The Group seeks to be the leading low price food retailer in Belarus and its management believes that it maintains the lowest prices amongst its main competitors. According to the National Academy of Science research, as of August 2016, the average price of the basic food product range in the Group's supermarkets and hypermarkets was 14 to 29 per cent. and 14 to 20 per cent. lower, respectively, than the average price in the equivalent stores of its main competitors. In the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014, the average basket in the Group's stores amounted to BYN 12.8, BYN 11.8, BYN 11.5 and BYN 11.0, respectively.

The Group prices product items consistently across all store formats (except for products offered as part of promotional campaigns). Pricing decisions are made by the Group based on the regular monitoring of prices at the Group's competitors. The Group carries out price comparisons against six to seven of its competitors twice a month with respect to approximately 5,000 SKUs of food and non-food products. Price comparisons for all product categories, amounting to approximately 25,000 SKUs, are made against three of the Group's competitors once a month. The results of such comparisons serve as a benchmark for the Group in determining its own prices. The Group believes that the regular monitoring of prices of its competitors enables it to promptly react and adjust its pricing model accordingly.

## Marketing

The objective of the Group's marketing and advertising activities is to attract and retain customers, to improve brand awareness, to build customer trust in the quality of the Group's products and to promote the Group's private-label goods.

The Group's marketing campaigns include regular and occasional price promotions, including, weekly marketing campaign "Krasnaya Tsena" ("Красная цена" in Cyrillic characters) offering price reductions of up to 40 per cent. on over 900 SKUs; direct marketing, advertising via TV, radio and the Internet, outdoor advertising, social media marketing, point-of-sales materials, products tastings and targeted promotions for loyal customers.

One of largest marketing activities of the Group is a nation-wide lottery "Udacha v pridachu" ("Удача в придачу" in Cyrillic characters) launched in February 2016 and the campaign "Bonsticks" ("Бонстики" in Cyrillic characters) launched in February 2017. As of 30 June 2017, 36 draws of "Udacha v pridachu" lottery were held. The number of participants in the lottery has increased from approximately 200 thousand people during the first tours up to approximately 600 thousand during the latest tours. The grand prizes drawn in "Udacha v pridachu" include cars and apartments. As of 30 June 2017, the Group hold two "Bonsticks" campaigns during February-April 2017 and during May-June 2017 aimed at attracting customers with children. Within the campaigns, 36.5 million Bonsticks toys were distributed to the customers.

In the six months ended 30 June 2017, the Group's marketing and advertising expenses amounted to BYN 18,493 thousand, which is approximately one per cent. of the Group's revenue for the same period. In 2016, 2015 and 2014, the Group's annual marketing and advertising expenses amounted to BYN 15,463 thousand, BYN 5,673 thousand and BYN 4,826 thousand, respectively. The management of the Group believes that the Group's marketing and advertising efforts have helped make its retail brands become some of the most recognisable in Belarus.

### Loyalty Programmes

Furthermore, to support customer loyalty and maintain sales volumes, the Group offers a number of loyalty programmes, including:

- "E-plus" offers up to five per cent. discount on all products, depending on the aggregate volume of purchases made by a customer in the preceding month. If a customer's purchases exceeded BYN 700 in the preceding month, they will be eligible to receive a five per cent. discount on their next purchase;
- "E-plus. Pensionnaya" is intended for pensioners and the handicapped and offers a three per cent. discount on all products in all of the Group's stores during daylight hours irrespective of the customer's previous purchases;
- "E-plus. Dobryi Protsept" is intended for veterans and participants of the Second World War and large families and offers a five per cent. discount on all products in all of the Group's stores at any working hours irrespective of the customer's previous purchases; and
- "E-plus. Sotrudnik" is intended for employees of some of the Group's subsidiaries and offers a five per cent. discount on all products in all of the Group's stores irrespective of the employee's previous purchases.

As of 30 June 2017, the Group had over 2.3 million active cardholders, which amounts to over 59 per cent. of Belarusian households, and approximately 73 per cent. of the Group's sales (in money terms) were made using loyalty cards.

## Suppliers

As the largest food retailer in Belarus, the Group is one of the most significant clients of many of its suppliers, which materially increases its purchasing power and allows it to negotiate favourable terms with its suppliers. See "Overview—Key Strengths—Strong supplier relations and efficient supply chain operations".

The Group has a diversified supplier base, with approximately 2,000 suppliers as of 30 June 2017. As of 30 June 2017, its largest ten, 20 and 50 suppliers accounted for 21.2 per cent., 32.1 per cent. and 51.2 per cent. of the

Group's purchase volume (excluding VAT), respectively. The Group purchases most of its products from suppliers based in Belarus, which include, amongst others, Savushkin Product, Minsk Wine Plant, Alidi-West and Mostra-Group. As of 30 June 2017, foreign suppliers among the Group's top 50 suppliers, comprised only 3.8 per cent. of the Group's purchase volume (excluding VAT) and included, amongst others, Banalat Sia (Latvia), A.Iberandalus (Spain) and Melitta Europa GmbH & Co. KG (Germany). The Group sells a substantial volume of certain major food categories in Belarus, in particular, approximately 37 per cent. of the total volume of grits, pasta, edible oil, fruits and nuts in Belarus were sold by the Group in the six months ended 30 June 2017.

The Group typically selects three to four suppliers for each product category in order to be able to negotiate competitive prices. When selecting a supplier, the Group generally prefers suppliers that, inter alia, have their own production, have internationally recognised quality certificates, have registered trademarks, have the capacity to supply seven days a week and have relevant experience of more than one year. The Group typically enters into supply contracts on a post-payment basis. Certain payment terms dependent on the best before date are specified by the Trade Law (see "*Regulation of Food Retail in Belarus—Regulation of Food Retail—Trade Law*").

Further, the Group has recently agreed a joint purchase agreement with Lenta, a leading Russian food retailer, pursuant to which the two retailers may coordinate their purchases from third party suppliers. As the volume of its purchases increases, the Group expects to be able to negotiate more favourable pricing terms, discounts and other commercial concessions with its suppliers. It also expects to benefit from additional economies of scale. Further, the Group may elect, on a case-by-case basis, to agree shorter payment terms with its suppliers in return for more advantageous pricing terms, to the extent the reduced payment periods are compatible with its operating model and logistics. See "*Overview—Strategy—Optimise the Group's pricing strategy*".

## Logistics and Distribution

The Group's management believes that the Group is the only Belarusian food retailer to operate a fully integrated, nation-wide logistics system, which is based around three large, modern distribution centres with a total aggregate storage space of approximately 76,100 sq. m., which cater for the full range of the Group's products, one medium size warehouse processing fruits and vegetables with a total aggregate storage space of approximately 9,900 sq. m. and one railway transit warehouse with a total aggregate storage space of approximately 4,500 sq. m. The Group owns two large distribution centres in Minsk and Baranovichi (the Brest region) and leases one distribution centre in Obchak (the Minsk region) and two warehouses in Zaslavl (the Minsk region) and Gatovo (Minsk), respectively. These distribution centres and warehouses operate as centralised bases for deliveries to the Group's stores located throughout Belarus and employ modern automated warehousing management systems. In addition, some of the Group's stores have contracts for direct supplies with producers of certain food products, including dairy and meat. In 2016, direct supplies accounted for approximately 20 per cent. of the Group's total sales in 2016. The Group seeks to achieve an optimal mix of deliveries shipped via its distribution centres and warehouses and 80 per cent. of its total products sold are processed through its distribution centres. See "*Overview—Key Strengths—Strong supplier relations and efficient supply chain operations*".

The following table shows the location, size and share in total distribution turnover of the Group's distribution centres and warehouses as of and for the six months ended 30 June 2017.

Location	Total square metres	Share in total distribution turnover by categories			
		Fruits	Groceries	Milk and meat	Frozen food
Minsk.....	28,873	-	26%	56%	73%
Baranovichi.....	19,314	35%	26%	44%	27%
Obchak.....	27,911	-	48%	-	-
Zaslavl .....	9,885	65%	-	-	-
Gatovo .....	4,494	100%	100%	100%	100%
<b>Total.....</b>	<b>90,477</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

As of 30 June 2017, the total storage space of the Group's distribution centres and warehouses was 90,477 sq. m., of which 48,187 sq. m. were owned and 42,290 sq. m. were leased by the Group. In the six months ended 30 June 2017, approximately 2.2 million pallets were processed through the distribution centres and warehouses

each month while the aggregate capacity of the distribution centres and warehouses amounts to 3.3 million pallets per month. Operating at full capacity, the Group's distribution centres and warehouses would be able to distribute products to a maximum of 700 stores. The Group's management believes that approximately 60 per cent. of the Group's existing supply chain capacity is currently utilized and, as such, the existing supply chain infrastructure could sustain substantial additional expansion of the Group's operations without additional capital expenditure.

The Group owns a fleet of approximately 150 transportation vehicles which carry out more than 50 per cent of the total deliveries of products to and from the Group's distribution bases and stores, with the remaining deliveries being carried out by third party contractors. The Group's transportation fleet gives it additional control over its supply chain and reduces dependence on third party suppliers and transportation service providers.

## Competition

The Group is the largest food retailer in the Belarusian market. In the six months ended June 30, 2017, it had a market share of 19.0 per cent. by revenue, according to the Group's estimates based on the National Statistical Committee data. In the same period, the Group's next largest modern format competitors, Korona, Almi, Vitalyur and Rublevsky, had market shares of 3.9 per cent., 2.6 per cent., 2.3 per cent. and 2.2 per cent., respectively. See *"Overview of the Group—Key Strengths—Leading position in the Belarusian food retail market"*.

The following table sets out the market share of the top ten Belarusian food retailers by revenue, exclusive of Belkoopsoyuz, as of 30 June 2017 and 31 December 2016, 2015 and 2014:

Name	30 June	31 December		
	2017	2016	2015	2014
Euroopt.....	19.0	18.5	16.7	14.4
Korona.....	3.9	4.1	3.8	3.3
Almi .....	2.6	2.5	2.3	2.2
Vitalyur .....	2.3	1.8	1.5	1.5
Rublevsky.....	2.2	2.4	1.8	1.6
Gippo.....	2.2	2.0	1.8	2.0
Sosedi.....	2.1	1.9	1.7	1.6
ProStore.....	2.0	1.5	1.6	1.3
Belmarket .....	2.0	1.9	1.5	1.5
Santa .....	1.1	0.9	0.8	0.7
<b>Total.....</b>	<b>39.4</b>	<b>37.5</b>	<b>33.5</b>	<b>30</b>

Source: Company's estimates based on the National Statistical Committee data

The top-ten Belarusian food retailers, exclusive of Belkoopsoyuz, had an aggregate market share of 39.4 per cent., 37.5 per cent., 33.5 per cent. and 30 per cent. by revenue for the six months ended 30 June 2017 and for the years ended 31 December 2016, 2015 and 2014, respectively. In addition to the modern format retail chains, the Group competes with traditional format store retail operators. Traditional format stores in Belarus include older Soviet-era shop formats with a reduced assortment, where sales are carried out through over-the-counter service. Modern format is represented by stores with more than two "check-out counters" equipped with scanners and offering a wide assortment of food and non-food products. No major international retailers operate in the Belarusian market. See *"Overview of the Group—Key Strengths—Fragmented market with high barriers to entry and significant potential for growth"*.

The management of the Group regards the following three retailers as its main competitors: Korona, Almi and Vitalyur. As of 30 June 2017, Korona, Almi and Vitalyur had an operational presence in 11, 20 and 6 territorial units of Belarus, respectively. None of the Group's 20 largest competitors has a presence in 42 of the 97 territorial units of Belarus, in which the Group operates. The Group also competes with Belkoopsoyuz, a cooperative union which encompasses manufacturers and retailers across Belarus, which mainly sells Belarusian domestic products and operates small low-profit stores with an average selling area of approximately 50 sq. m.

in small and rural areas. In the six months ended 30 June 2017, Belkoopsoyuz had a market share of 9.7 per cent. compared to 13.3 in the year ended 31 December 2014.

Korona is a retail chain with 33 stores (hypermarkets and convenience stores) in Belarus with selling space of approximately 69,000 sq. m., of which 57 per cent. is hypermarkets, as of 30 June 2017. Korona had a market share of 3.9 per cent. and revenues (incl.VAT) of BYN 407 million for the six months ended 30 June 2017.

Almi is a retail chain with 50 stores (hypermarkets and supermarkets and) in Belarus with selling space of 64,000 sq. m. as of 30 June 2017. Almi had a market share of 2.6 per cent. and revenues (incl.VAT) of BYN 269 million for the six months ended 30 June 2017.

Vitalyur is a retail chain with 43 stores (supermarkets and convenience stores) in Belarus with selling space of 27,300 sq. m. as of 30 June 2017. Vitalyur had a market share of 2.3 per cent. and revenues (incl. VAT) of BYN 241 million for the six months ended 30 June 2017.

## **Banking Operations**

The Group's banking operations segment is represented by the Bank. The Bank is a universal bank in Belarus offering private and corporate customers a wide range of banking services and products, including depositing household and corporate funds and granting commercial and consumer loans to legal entities and individuals and providing foreign exchange and payment services. The Bank has branches in 21 cities throughout Belarus. As of 31 December 2016, the Bank's operating profit amounted to BYN 12,963 thousand, which accounted for 7.1 per cent. of the Group's total operating profit. As of 30 June 2017, the Bank's operating profit amounted to BYN 3,621 thousand, or 2.6 per cent. of the Group's total operating profit.

The Bank's strategy is to maintain a balanced growth and gradually increase the scope and quality of services provided. The Bank is primarily focused on corporate clients and individual entrepreneurs. As of 31 December 2016, the Bank had a deposit funding base of BYN 27.6 million consisting of approximately 1,000 corporates and individual entrepreneurs, with no retail customers, with 91 per cent., 7 per cent. and 2 per cent. of funds held on current accounts, deposits and other accounts, respectively. In 2015 and 2014, the Bank's customer deposits amounted to BYN 22.1 million and BYN 33.6 million, respectively. As of 31 December 2016, 38 per cent. of the Bank's deposit base was represented by deposits in Belarusian Roubles while U.S. dollar and Euro deposits accounted for 44.5 per cent. and 6.7 per cent., respectively.

As of 30 June 2017, the Bank's assets amounted to BYN 114.3 million (which is 5.6 per cent. of the Group's total assets). As of 31 December 2016, the Bank's assets amounted to BYN 100.5 million (which is 4.8 per cent. of the Group's total assets) as compared to BYN 82.4 million in 2015 and BYN 82.1 million in 2014. The increase in the Bank's assets was primarily due to the growth of the Bank's credit portfolio from BYN 45.9 million in 2014 to BYN 48.4 million in 2015 and reaching BYN 56.4 million in 2016. As of 31 December 2016, business (corporates and individual entrepreneurs) and retail customers comprised 70 per cent. and 30 per cent. of the Bank's credit portfolio, respectively. As of 31 December 2016, all of the Bank's loans were issued to Belarusian residents, most of which were operating in trade, construction and manufacturing. As of 31 December 2016, 45.9 per cent. of the Bank's credit portfolio were loans in Belarusian Roubles, while U.S. dollar and Euro denominated loans accounted for 43.3 per cent. and 10.1 per cent., respectively.

The Bank seeks to maintain a balanced growth of its credit and deposit base to ensure proper risk management and compliance with mandatory capital requirements. As of 30 June 2017, the Bank had a share capital of BYN 52,817 thousand, a regulatory capital adequacy ratio of 55.9 per cent., a Tier 1 basic capital adequacy ratio of 39.1 per cent. and a Tier 1 capital adequacy ratio of 44.8 per cent., which was well above the minimum requirements of the National Bank.

In the past three years, there has been a positive trend in the financial results of the Bank with net income increasing from a loss of BYN 2.1 million in 2014 to BYN 3.5 million in 2015, BYN 6.2 million in 2016 and BYN 3.3 million in the six months ended 30 June 2017. As of 30 June 2017, the Bank was ranked 23<sup>rd</sup> out of 24 Belarusian banks by total assets, according to the National Bank data.

In implementing its strategy, the Bank is currently focused on (i) the launch of payroll programmes; (ii) the implementation of a remote banking services platform; (iii) carrying out a co-branded programme; and (iv) enlarging its credit and deposit portfolio as a whole.



## Information technology

Advanced analytical and information technologies are key to the Group's operations and to meeting customer demand. The Group's management believes that the Group's operations are supported by sophisticated internal IT systems that provide it with a wide range of reliable data management tools. The Group is able to monitor and analyse much of the information collected across its stores on a daily basis, which allows it to manage the business in a timely and effective manner. The Group's IT systems support most aspects of its business, including its logistics systems, cash and inventory management, centralised purchasing and pricing, in-store systems, loyalty programmes, human resources and other administrative and reporting functions. The Group believes that its IT systems enable it to quickly identify and react to changes in customer preferences by changing its product mix and pricing, including between regions or stores, and to effectively monitor and manage store performance. These systems also allow the Group to improve the timeliness and quality of its reporting.

## IP rights and key trademarks

Under Belarusian law, the right to use a trademark is obtained upon the registration of such trademark with the National Centre of Intellectual Property. The "Eurotorg" trademark ("Евроторг" in Cyrillic characters) is registered with the National Centre of Intellectual Property under No. 58637 with an expiration date of 12 May 2025. The Group's trademark "Euroopt" ("Евроопт" in Cyrillic characters), which is used by all of the Group's stores, is registered with the National Centre of Intellectual Property under No. 58590 with an expiration date of 12 May 2025. In addition, the Group has held the "TEKHNO Plyus" trademark ("Техно Плюс" in Cyrillic characters), which is used by some of the Group's stores, since 2 May 2013. It will expire on 13 April 2022.

As of 30 June 2017, the Group has also registered 320 trademarks in respect of its private label products, including the following: "Khmelnov", "Babushkina Kukhnya", GUSTO ("Хмельнов", "Бабушкина Кухня", "Густо" in Cyrillic characters respectively).

The Group has also registered the domain names [www.evroopt.by](http://www.evroopt.by), [www.stbank.by](http://www.stbank.by) and [www.e-auto.by](http://www.e-auto.by).

## Insurance

The Group's insurance policies cover real estate, inventory, equipment, goods in stores and warehouses, vehicles and partial insurance of some leased assets. Most of the Group's insurance policies are currently issued by Belgosstrakh, the largest insurance company in Belarus. The Group also provides its employees with medical insurance. The Group does not maintain insurance coverage for business interruption, product liability or loss of key management personnel as this is not industry practice in Belarus (see *"Risk Factors—Risks Relating to Business and Industry—The Group's insurance policies may be insufficient to cover losses arising as a result of business interruption, damage to its property or third party liabilities"*). Furthermore, some of the Group's facility agreements, in the aggregate outstanding amount of approximately U.S.\$76.3 million, are secured by liability insurance for non-performance or improper performance by the Group of the facility agreements.

## Employees

The number of employees in the Group for the six months ended 30 June 2017 and the years ended 31 December 2016, 2015 and 2014 was 33,447, 33,936, 33,442 and 31,293, respectively.

The Group offer management-level employees performance-linked and other incentives.

In January 2017, the Company entered into a collective bargaining agreement with its employees, which were represented by the United Trade Union Committee of United Trade Union "Euroopt" (the **"Collective agreement"**). The Collective agreement is valid until 31 January 2020 and aims to establish and maintain economic stability, fair salary and safe working conditions in the Group.

The Group is committed to creating a strong corporate culture and encourages all employees to contribute to the improvement of the business. For example, the Group holds regular meetings between mid-level managers to facilitate the exchange of best practices. The Group also regularly conducts specially developed job-specific training programmes, engages external professional coaches, organizes business simulation games and offers its employees a range of distance learning courses. In 2016, 4,721 employees underwent professional education

trainings and 1,230 employees upgraded their qualifications. See “*Overview—Strategy—Implement personnel training and efficiency initiatives*”.

#### **Legal proceedings and investigations**

The Group has not been involved in any governmental, legal or arbitration proceedings (including any pending or threatened proceedings of which the Group is aware) during the twelve months preceding the date of these Listing Particulars that may have, or have had, a significant effect on the Group’s business, financial position or profitability.

## MANAGEMENT

The current structure of corporate governance at the Company is described below.

### Governance Bodies

In accordance with the Company's charter (the "**Charter**"), the principal governance bodies of the Company are the following:

- the General Shareholders' Meeting;
- the Board of Directors; and
- the Chief Executive Officer.

### General Shareholders' Meeting

The General Shareholders' Meeting is the highest governance body of the Company. The General Shareholders' Meeting decides on the most significant matters of the Company's activities. An annual General Shareholders' Meeting must be held every year. Extraordinary General Shareholders' Meetings can be convened upon the request of the Board of Directors, the Chief Executive Officer, the Internal Audit Commission or a shareholder or a group of shareholders owning in the aggregate at least 10% of the issued voting shares as at the date of the request. Decisions at the Shareholders' Meetings are adopted by a three-quarters majority of votes unless a unanimous vote is specified by law or the Charter.

The following matters, *among others*, are referred to the competence of the General Shareholders' Meeting:

- alteration of the Charter;
- increase and reduction of the charter capital;
- liquidation and reorganization;
- formation and early termination of the Board of Directors, the Chief Executive Officer, and the Internal Audit Commission;
- decision on payment of compensation to members of the Board of Directors and the Internal Audit Commission and/or disbursement of their expenses;
- approval of distribution of dividends;
- approval of annual statutory accounts and reports; and
- other issues, as provided for by law and the Charter.

The Law No. 2020-XII "On Commercial Companies" dated 9 December 1992 (the "**Law on Commercial Companies**") provides for requirements with respect to approvals of transactions with affiliated persons. The "affiliated persons" are defined as (i) individuals and legal entities that can define or influence (directly or indirectly) the company's decisions, and (ii) legal entities, whose decisions may be influenced by the company, *including without limitation*:

- members of the company's governing bodies;
- legal entities included in the same holding together with the company;
- individuals who solely or jointly with their close relatives own or have a right to dispose of at least 20 per cent. of the company's shares;
- legal entity owning or having a right to dispose of at least 20 per cent. of the company's shares or which may determine the company's decisions based on the agreement;

- legal entities in which the company holds or has a right to dispose 20 per cent. of shares or decisions of which may be determined by the company based on an agreement;
- unitary enterprises established by the company;
- members of collective managing bodies, as well as legal entities or individuals performing functions of the sole executive body of the affiliated person;
- close relatives of the affiliated individuals.

Special requirements to transactions with the company's affiliated persons apply in case such affiliated persons:

- are parties to the transaction or act on behalf of third parties in their relations with the company;
- own (jointly or separately) at least 20 per cent. of shares or property of a legal entity which is a party to the transaction or which acts on behalf of third parties in their relations with the company;
- are members of or hold offices in managing bodies of the legal person which is a party to the transaction or acts on behalf of third parties in their relations with the company;
- in other cases as provided by the company's charter.

The Law on Commercial Companies defines a "major transaction" as a transaction (including loans, pledges, guaranties) or a series of interrelated transactions entered into beyond the ordinary course of business and connected with the direct or indirect acquisition, disposal, or the possibility of disposal of monetary funds or property with a value comprising at least 20 per cent. of the balance sheet value of the company's assets as determined based on its financial statements for latest reporting period.

Major transactions may be entered into upon decision of the general shareholders' meeting, unless the charter provides that such decisions are referred to the competence of the board of directors. According to the Company's Charter, decisions on major transactions are included into exclusive competence of the General Shareholders' Meeting. According to the Law on Commercial Companies, major transactions related to property with total value comprising 20 – 50 per cent. of balance sheet value of the company's assets shall be approved by at least two-thirds majority vote of the general shareholders' meeting; if a major transaction is related to property with total value comprising 50 per cent. or more of balance sheet value of the company's assets, the decision shall be taken by at least three-quarters majority vote of the general shareholders' meeting. Any major transaction entered into in breach of the provided requirements may be invalidated by a court following an action by the company, its shareholder or a member of its board of directors.

### **Board of Directors**

The Board of Directors carries out general management (except for matters referred by law and the Charter to the exclusive competence of the General Shareholders' Meeting) including determination of priorities.

Members of the Board of Directors are elected by the General Shareholders' Meeting until the following annual General Shareholders' Meeting. The Board of Directors is headed by the Chairman who is elected by the Directors. The Board of Directors adopts decisions by a simple majority unless otherwise specified by law or the Charter. The Chairman has the right of a casting vote in the event of a tie during voting by the Board of Directors. The Board of Directors is authorised to decide on matters within its competence if either at least half of its members participate in the meeting or absent members provide the Board of Directors with their written opinions on agenda and present members and those members who sent written opinions constitute at least half of its members.

The Board of Directors of the Company currently has four members. The current members of the Board of Directors were elected on 22 September 2015 – Mr. Vasilko, Mr. Litvin, on 6 November 2013 – Mr. Litvin and on 15 May 2017 – Mr. Matsiavin. The name, position and certain other information for each member of the Board of Directors are set out below.

Name	Date of Birth	Title	Member of the Board Since
Alexandr Litvin.....	25 October 1967	Chairman, Member of the Board of Directors	6 November 2013
Uladzimir Vasilko.....	9 May 1966	Member of the Board of Directors	22 September 2015
Sergey Litvin .....	17 May 1966	Member of the Board of Directors	22 September 2015
Andrei Matsiavin .....	15 June 1989	Member of the Board of Directors, Chief Investment Officer	15 May 2017

No member of the Board of Directors carried on any significant activities outside the Group.

Biographies of the directors are set out below.

**Alexandr Litvin** joined the Company in November 2013 and has served as a member and Chairman of the Board of Directors since that date. Mr. Litvin graduated from the Belarusian Institute of Law with a specialization in law in 1998. From 1997 to 2004 he held various positions in law-enforcement authorities in the Republic of Belarus. From May 2007, he is a Deputy of a Director-At-Large of the CJSC “Euroopt”.

**Uladzimir Vasilko** together with Mr. Litvin founded the Company in 1993. Mr. Vasilko graduated from the Polotsk High Forest School in 1985. He has over 20 years of entrepreneurial experience in retail and consumer goods trade.

**Sergey Litvin** together with Mr. Vasilko founded the Company in 1993. Mr. Litvin graduated from the Polotsk High Forest School in 1985. He has over 20 years of entrepreneurial experience in retail and consumer goods trade.

**Andrei Matsiavin** joined the Company in 2014 as a Chief Investment and Corporate Development Officer of the Company. Mr. Matsiavin graduated from the Belarusian State Economic University in 2011 and the Frankfurt School of Finance and Management in 2012. He has 10 years’ experience at corporate finance, strategy and corporate development. In May 2017, Mr. Matsiavin also became a member of the Board of Directors of the Company.

### Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day operations of the Company. The Chief Executive Officer is authorised to decide on matters other than those referred to the competence of the other governance bodies of the Company. In particular, the Chief Executive Officer is charged, among other things, with the following functions:

- representing the Company before third parties;
- entering into any transactions on behalf of the Company, unless otherwise provided by law of the Charter;
- representing the Company in legal or arbitration proceedings;
- exercising other functions necessary for managing the Company’s business;
- disposing of the assets and funds of the Company in its interests and on its behalf.

On 16 May 2017, the General Shareholders’ Meeting appointed Mr. Andrei Zubkou as Chief Executive Officer of the Company.

### Litigation Statement Concerning Management

At the date of these Listing Particulars, none of the members of the Board of Directors of the Company has in the previous five years:

- has had any convictions in relation to fraudulent offences;

- has been a member of the administrative, management or supervisory bodies of any company, or been a partner in any partnership, at the time of or preceding any bankruptcy, receivership or liquidation; or
- has been subject to official public incrimination or sanction by a statutory or regulatory authority (including a professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

**Other Interests**

No actual or potential conflicts of interest exist between the duties that any member of the Board of Directors owes to the Group and such member's private interests or other duties.

## SHAREHOLDERS

As of the date of these Listing Particulars, the Company's authorised and issued share capital was U.S.\$120,000,000.

No dividends were paid or declared during the years ended 31 December 2016 and 2015. In the year ended 31 December 2014, the Company declared and fully paid dividends in the amount of BYN 24,889 thousand.

The table below sets forth the shareholding structure of the Company as of the date of these Listing Particulars:

Shareholders	% of share capital
Litinvest Limited <sup>(1)(4)</sup> .....	49.75
Curgil Ventures Limited <sup>(2)(4)</sup> .....	49.75
Storass Limited <sup>(3)</sup> .....	0.50
<b>Total</b> .....	<b>100</b>

(1) The share of the Company held by Litinvest Limited is legally and beneficially owned by Mr. Sergey Litvin..

(2) The share of the Company held by Curgil Ventures Limited is legally and beneficially owned by Mr. Uladzimir Vasilko.

(3) The share of the Company held by Storass Limited is legally and beneficially owned by Mr. Andrei Zubkou.

(4) As at 30 June 2017, 49 per cent. of the Company's share was pledged under loan agreements with BPS-Sberbank (24.5 per cent. by Litinvest Limited and 24.5 per cent. by Curgil Ventures Limited).

Save as disclosed above, there are no other persons who could exercise control over the company and no person has any right or option to acquire shares or any other securities of the Company.

### Rights of the Company's Shareholders

Under the Charter and Belarusian legislation, the Company's shareholders have the right to:

- participate and vote in the general shareholders' meeting on all matters which fall under the competence of the meeting;
- approve and receive dividends;
- receive a liquidation quota upon any liquidation of the Company;
- have access to information and documents relating to the Company's activities in particular in respect of its financial condition;
- pre-emptive purchase of shares in the event of a share sale by a shareholder of the Company to a third party;
- additional benefits that are approved by the General Shareholders' Meeting and stated in its resolution;
- withdraw from the Company;
- demand a financial audit in respect of the Company;
- elect and be elected into the Company's management bodies;
- exercise other rights provided by the Belarusian legislation and the Charter.

None of the shareholders has voting rights different from other shareholders.

## RELATED PARTY TRANSACTIONS

IAS 28 “Transactions with Related Parties” of the Group’s Annual Consolidated Financial Statements and IAS 22 “Transactions with Related Parties” of the Group’s Interim Consolidated Financial Information contain a definition of related parties. In particular, parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions. Related parties comprise the shareholders of the Group, companies which are under common control with the Group, key management personnel of the Group and the companies under their control, their close family members, companies that are controlled or significantly influenced by the shareholders.

The following table sets forth the balances with related parties under common control and the Company as of 30 June 2017, 31 December 2016, 2015 and 2014:

	<u>30 June</u>	<u>31 December</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
		<i>(BYN thousands)</i>		
<b>Entities under common control with the Group</b>				
Trade and other receivables .....	42,630	44,849	31,473	5,666
Trade and other payables .....	(21,491)	(32,385)	(25,998)	(41,729)
Prepayments.....	4,629	4,267	4,269	5,813
Financial investments in securities .....	361	361	378	274
Loans granted .....	15	4,067	4,152	8,072
Loans received .....	-	(75)	(59)	(50)

The following table sets forth information on transactions with related parties for the six months ended 30 June 2017 and the years ended 2016, 2015 and 2014.

	<u>30 June</u>	<u>31 December</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
		<i>(BYN thousands)</i>		
<b>Entities under common control with the Group</b>				
Purchase of goods .....	41,351	120,069	123,246	108,636
Revenue .....	28,393	49,286	26,213	21,149
Other income from property and equipment sale.....	252	266	15,417	-
Administrative and selling expenses.....	3,331	8,182	4,496	-
Acquisition of property and equipment	67	340	2,052	10,994
Remuneration to key management personnel	2,988	4,592	4,026	3,847

In the past three years, most of the Group’s related party transactions have been made for product procurement purposes. Such transactions have been performed on market terms. In addition, the Group sells goods to a company under control of the Group’s shareholders which in its turn sells goods to ultimate customers through online grocery service. This company was established in 2014 and is still in stage of development. Agreements with this company stipulate a delay of payment to 365 days. No allowance for doubtful debts was made for this counterparty.

In 2014, the Company declared and paid dividends in the amount of BYN 24,889 thousand. No dividends were declared or paid in 2015, 2016 and the six months ended 30 June 2017.



## REGULATION OF FOOD RETAIL IN BELARUS

*Set out below is a summary of material information concerning the regulation of the Group's business. This description does not purport to be a complete description of all applicable laws and regulations and should not be read as such.*

### Regulation of Food Retail

The food retail industry in Belarus is regulated by general legislation and specialised legislation that includes legislation covering quality standards, health and safety, sanitary rules and consumer protection. A number of permits and consents, including those relating to health and safety and fire protection, are required in order to open a new store. Regulatory authorities exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and rules and the issuance and renewal of permits and in monitoring compliance with the terms thereof.

### State Authorities Involved

In addition to the state bodies and their subdivisions having authority over general matters, there is a number of state bodies regulating and supervising the food retail industry. Among the most relevant for the industry state authorities are:

- The Ministry of Antimonopoly Regulation and Trade of the Republic of Belarus (the “**MART**”), which, among other things, is the principal government authority entrusted with the functions of developing the governmental policy for, and the regulatory regime of, trade. MART's competence and functions are outlined in the Law of the Republic of Belarus “On State Regulation of the Trade and Public Catering in the Republic of Belarus” dated 8 January 2014 No. 128-Z and the Resolution of the Council of Ministers of the Republic of Belarus “Issues of the Ministry of Antimonopoly Regulation and Trade of the Republic of Belarus” dated 6 September 2016 No. 702;
- Committee of State Control of the Republic of Belarus and its divisions, which implement general control over any sphere of commercial activity, including trade. Committee's competences are set by the Law of the Republic of Belarus “On Committee of State Control of the Republic of Belarus and its Territorial Divisions” dated 1 July 2010 No. 142-Z;
- State Committee on Standardisation of the Republic of Belarus (the “**Gosstandart**”), which is a republican state administration authority with respect to performing unified state policy in the sphere of technical rate setting, standardisation, ensuring uniformity of measurements, conformity assessment. Gosstandart's key functions in the sphere of trade are prescribed by the Resolution of the Council of Ministers of the Republic of Belarus “Competences of State Committee on Standardisation of the Republic of Belarus” dated 31 July 2006 No. 981 and embrace protection of state and consumers' interests, enhancement of safety, quality, competitiveness of products, rational use of fuel and power resources, elimination of technical barriers in trade based on efficient use of technical rate setting, standardisation;
- Regional executive committees, which implement control over compliance with trade activity requirements of companies operating in their respective regions with various local rules, including those relating to waste management, competition;
- State Customs Committee of the Republic of Belarus, which among other things, is the republican authority that controls compliance with Belarusian and Eurasian Economic Union's customs and import of goods rules;
- The Ministry of Healthcare of the Republic of Belarus, the Ministry of Agriculture and Food of the Republic of Belarus, the Ministry of Emergency Situations of the Republic of Belarus, and their divisions, which compose the system of state authorities controlling (supervising) over compliance with the requirements of technical regulations of the Republic of Belarus, the Customs Union, the Eurasian Economic Union in the sphere of consumer market.

### Applicable Legislation

The key pieces of Belarusian legislation regulating the food retail market are set out below.

- The Law of the Republic of Belarus “On State Regulation of Trade and Catering in the Republic of Belarus” No. 128-Z dated 8 January 2014, as amended (the “**Trade Law**”), which entered into force on 22 July 2014, establishes a general legal framework for regulation of, with certain exceptions, trade and retail activity carried out in the Republic of Belarus. It contains certain requirements regarding the trading activities in Belarus, including regulation of rights and obligations of companies engaged in trade activities, control over trade activities, antitrust provisions, measures for improving trade;
- Law of the Republic of Belarus “On Protection of the Rights of Consumers” dated 9 January 2002 No. 90-Z (the “**Law on Consumer Protection**”), establishes a general legal framework for regulation of the relationship between retailers, manufacturers and service providers, on the one hand, and customers, on the other hand, in the course of the sale of goods, performance of works or rendering of services. It establishes the rights of customers to purchase goods of proper quality and to receive information on goods and their manufacturers. The Law on Consumer Protection provides for liability for violation of consumer rights. The Law on Consumer Protection also invalidates any term in a consumer contract purporting to limit the rights granted pursuant to this law. Violation of the Law on Consumer Protection may result in civil and administrative sanctions for non-complying companies and/or civil, administrative and criminal liability for their non-complying officials;
- Law of the Republic of Belarus “On Quality and Safety of Alimentary Raw Materials and Food Products for Human Life and Health” dated 29 June 2003 No. 217-Z (the “**Law on Quality and Safety**”), establishes a general framework for ensuring the quality and safety of food products. It sets out general requirements for the information on quality and safety of food, requirements to ensuring quality and safety of food, rights and obligations of entities engaged in food trade activities. Violation of the Law on Quality and Safety may result in civil and administrative sanctions for non-complying companies and/or their managers and/or civil, administrative and criminal sanctions for their non-complying officials;
- Law of the Republic of Belarus “On Sanitary-Epidemiological Welfare of Population” dated 7 January 2012 No. 340-Z (the “**Law on Sanitary and Epidemiological Welfare**”), requires food products and premises where they are being sold to meet certain sanitary standards. According to this law, food products that do not conform to the established sanitary standards and represent a danger to customers must be withdrawn immediately from production and sale. The Law on Sanitary and Epidemiological Welfare also establishes the framework for supervision by the authorized state bodies over compliance by legal entities with sanitary and epidemiological regulations. Violation of the Law on Sanitary and Epidemiological Welfare may result in civil and administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;
- Law of the Republic of Belarus “On Technical Rate Setting and Standardisation” dated 5 January 2004 No. 262-Z (the “**Law on Technical Regulation**”), establishes the legal framework for enactment of state standards related to use, storage, transportation, sale and utilization of goods and services and compliance with such standards, including certification procedures. Violation of the Law on Technical Regulation may result in civil and administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;
- Law of the Republic of Belarus “On State Regulation over Production and Turnover of Alcohol, Inedible Alcohol-Containing Products and Inedible Ethanol” dated 27 August 2008 No. 429-Z (the “**Law on Alcoholic Products**”), which establishes a general legal framework and requirements for the production and turnover of (including import/export, storage and sale), ethanol, alcohol and alcohol-containing products in Belarus. According to the Law on Alcoholic Products, licenses are required for activities in connection with production and turnover of ethanol, alcohol and alcohol-containing products, including a license for the retail sale of alcoholic beverages. Violation of the Law on Alcoholic Products may result in administrative sanctions for non-complying companies and/or their officials and criminal sanctions for non-complying officials;
- Decree of the President of the Republic of Belarus “On Certain Aspects of State Regulation of Production, Turnover and Advertisement of Beer, Alcoholic Products and Tobacco Goods” dated 29 February 2008 No. 3 (the “**Decree on Beer, Alcoholic Products and Tobacco Goods**”), which establishes a general legal framework and restrictions on production, turnover and advertisement of beer, alcoholic products and tobacco products;
- Decree of the President of the Republic of Belarus “On State Regulation of Production, Turnover and Consumption of Tobacco Raw Materials and Tobacco Products” dated 17 December 2002 No. 28 (the

“**Decree on Tobacco Products**”), which sets requirements to production of tobacco products (equipment used, production volumes, labelling of tobacco products) and defines state policy in the sphere of turnover of tobacco products, sets state regulation of prices for tobacco products, wholesale and retail sale of tobacco products;

- Law of the Republic of Belarus “On Advertising” dated 10 May 2007 No. 225-Z (the “**Law on Advertising**”), which establishes a general legal framework and restrictions on advertising activities in the Republic of Belarus. The Law on Advertising prohibits, among other things, the false advertising and advertising of certain products and services (e.g., tobacco and tobacco products);
- Law of the Republic of Belarus “On Fire Safety” dated 15 June 1993 No. 2403-XII (the “**Law on Fire Safety**”), which establishes a general legal framework of measures to secure fire safety in Belarus. The Law on Fire Safety establishes obligations of legal entities with respect to securing fire safety and provides for the general powers of state authorities to conduct inspections and check compliance by organizations with fire safety regulations;
- Law of the Republic of Belarus “On Waste Management” dated 20 July 2007 No. 271-Z (the “**Law on Waste**”), which sets general rules for handling waste resulting from business operations of legal entities. Violation of the Law on Waste may result in administrative sanctions for non-complying companies and/or their officials.

### *Licensing*

The list of activities that are subject to licensing is approved by the Edict of the President of the Republic of Belarus “On Licensing of Certain Types of Activities” dated 1 September 2010 No. 450 (the “**Edict on Licensing**”). Trade operations in the grocery industry in general are not subject to licensing in Belarus. However, the following specific types of activities with alcohol and tobacco products are subject to licensing:

- Activity connected with production of alcohol, inedible alcohol-containing products and inedible ethanol and tobacco products is subject to licensing by Gosstandart;
- Wholesale and storage of alcohol, inedible alcohol-containing products and inedible ethanol and tobacco products is subject to licensing by regional and Minsk executive committees;
- Retail sales of spirits and (or) tobacco products is subject to licensing by regional and Minsk executive committees.

Authorities entrusted with issuing licenses are entitled to suspend the relevant license for a period of up to six months in certain circumstances, including operations with alcohol and tobacco products in violation of the Law on Alcoholic Products and the Decree on Beer, Alcoholic Products and Tobacco Goods. Such licenses may be prematurely revoked by the licensing authority for a number of grounds, such as, for instance, operations with alcohol products without labels or with fake labels, or submission of inaccurate reporting data relating to the amount of operations with alcohol or tobacco products. Currently, almost all of the Group’s stores have licenses for retail sale of spirits and tobacco products.

### *Regulation of Storage and Sales of Alcohol and Tobacco Products*

General requirements to storage and sales of alcohol and tobacco products are set out by the Decree on Tobacco Products, the Decree on Beer, Alcoholic Products and Tobacco Goods and Edict on Licensing.

Business entities that produce, store or sale tobacco products are included into the respective registry maintained by the Ministry of Taxes and Duties of the Republic of Belarus in accordance with the Resolution of the Council of Ministers dated 14 February 2003 No. 179. Business entities that produce, store or sale alcohol products are included into the respective registry maintained by the Ministry of Taxes and Duties of the Republic of Belarus in accordance with Law on Alcoholic Products.

Particular bans and restrictions applied to storage and sale of alcohol and tobacco products are set by the Resolution of the Council of Ministers “On Approval of Rules on Sale a Certain Types of Goods and Performing Catering and Regulation on Procedures for Developing Assortment List of Goods, Assortment List of Catering Products” dated 22 July 2014 No. 703, which was recently amended. For instance, sale of alcohol, low-alcohol beverages, beer, tobacco products to under-aged persons (under 18) is prohibited; sale of tobacco

products via self-servicing method is prohibited; placing alcohol in shop-windows is prohibited; exhibiting tobacco products in trade equipment is prohibited.

Advertising of alcoholic is restricted through prohibiting placing of advertisement at radio and television, in particular buildings, on vehicles, on lighting panels and posters. Advertising of tobacco products is prohibited in any form.

### *Storage and Sales of Alcohol*

The Law on Alcoholic Products defines special measures of state regulation of turnover of alcohol (including storage and sale):

- Licensing of activities related to turnover of alcohol;
- Setting up requirements to quality and safety of alcohol, inedible alcohol-containing products and inedible ethanol;
- State registration and mandatory assessment of conformity of alcohol, inedible alcohol-containing products and inedible ethanol to the requirements of technical normative legal acts;
- Regulating prices for alcoholic products;
- Setting up excise taxes for alcohol, inedible alcohol-containing products and inedible ethanol;
- Marking of alcoholic products with excises, special marks;
- Setting up procedures for declaring the volumes of used, sold, exported/imported alcoholic products;
- Setting up control over statutory compliance in the sphere of alcohol turnover and etc.

Particular restrictions on sale and storage of alcohol are set by the Law on Alcoholic Products. For instance, sale and storage of alcohol containing over 80 per cent. of ethanol is prohibited; import, transportation and (or) storage of spirits that are subject to marking with excise labels without such labels is prohibited; sale of spirits in vending retail chains is prohibited (with some exceptions); sale of spirits with application of Internet technologies is prohibited. In addition to the above, the Law on Alcoholic Products also prohibits free distribution of alcohol products (if distributed as remuneration for work or instead of bonuses, as the object of contests, campaigns or sales and etc.), delivery services with respect to spirits are also prohibited. Local executive authorities are entitled to decide on restricting the time of selling spirits on particular occasions (e.g. at times of graduation from schools, health days and etc.).

As to regulating prices for alcoholic products: the price floor for alcoholic products stronger than 28 per cent. is set by the Resolution of the MART dated 12 January 2015 No. 1.

### *Storage and Sales of Tobacco Products*

General requirements to storage and sales of tobacco products are set by the Decree on Tobacco Products, which has recently been amended. Tobacco products' turnover volumes are subject to declaring and regulation (for producers, wholesalers and importers of tobacco products). Imported tobacco products are subject to excise labelling (even if imported from another member-state of the Eurasian Economic Union). Retail prices for tobacco products are set in accordance with the procedure stipulated by law, namely manufacturers of tobacco products or importers declare to the tax authorities the maximum retail prices for each package of cigarettes of a certain brand and the retailers may not exceed the maximum retail prices declared by the manufacturers or importers. A minimum price is established in the amount of 80% of such maximum price. Retail price may not be lower than the minimum price.

Retail trade of tobacco products is subject to certain restrictions. In particular, it is prohibited to sell tobacco products without excise labels and (or) special marks, tobacco products with insufficient information on the packaging/labelling, from open consumer packaging (piece by piece or by the weight) (except for cigars), with use of Internet technologies, electronic applications and etc. It is not allowed to place tobacco products (specimen thereof) in shop windows and on/in other shop fittings and retail equipment. Information about

selling tobacco products may be placed in the form of a list of tobacco products with identification of their names in the alphabetical order and prices.

### ***Trade Law***

The Trade Law applies to retail activity carried out in the Republic of Belarus. The Trade Law does not apply to activities that are specifically regulated by separate regimes such as foreign trade transactions (import or export); trade by individuals that are not registered as commercial entities; trade at commodity exchanges; and trade in securities, real estate and production assets, including electric and heat power and other energy resources; transfer of property rights for IP; conclusion of contractual agreements.

Under the Trade Law information on all stores has to be recorded in the Trade Register of the Republic of Belarus, the respective procedure is established by the Resolution of the Council of Ministers of the Republic of Belarus dated 23 December 2014 No. 1227. Simultaneously with registration in the Trade Register of the Republic of Belarus stores should approve their working hours with the local executive committees. In addition, stores should develop and approve the assortment list of goods to be sold in the stores and ensure their constant availability in the stores. The list, number and types of goods that should be constantly present in stores depends on the size and specialization of stores.

A retail chain with more than 20 per cent. market share in the aggregate value of food retails within the boundaries of a certain administrative region (within the boundaries of the city of Minsk, cities of regional subordination, districts) for the immediately preceding financial year is prohibited from opening or acquiring additional trading premises in the relevant administrative region. Such metering of market shares is usually performed with substantial time lag. Transactions leading to increase of trading premises in the respective administrative region after declared by the authority excess of the 20 per cent., threshold should be considered as void.

The Trade Law contains a set of general requirements applying to conclusion and performance of contracts, envisaging supplies of groceries between a trade entity and a supplier of groceries. For example, the Trade Law stipulates that:

- a company engaged in retail chain trade activities or operating via a supermarket is obliged to ensure that all suppliers get access to information on tender conditions and other information aimed at protection of competition and required for contracting by placing such information on its web-site or by providing such information within 14 days from receiving a relevant inquiry;
- prices for groceries supplied under contracts between a company engaged in retail chain trade activities or operating via a supermarket and a supplier are defined in accordance with legislative requirements on price formation;
- supply agreement cannot contain the following provisions:
  - (a) prohibition of substitution of parties in the obligations under this agreement, liability for breaching the prohibition;
  - (b) requiring the supplier to pay for the right to supply groceries to the existing or created trade facilities, for changing the assortment of these goods;
  - (c) obligation of the supplier of groceries to reimburse damages resulted from loss or damage of groceries upon transfer of title onto the company engaged in retail chain trade activities or operating via a supermarket (spare for the cases when loss or damage are caused by the supplier), expenses not connected with performance of the groceries' supply agreements;
  - (d) obligation of the company engaged in retail chain trade activities or operating via a supermarket to render advertisement, marketing and other alike services (spare for cases when such services are paid for by the supplier on the basis of separate agreement). Coercion to conclude such a separate servicing agreement is prohibited;
  - (e) setting up remuneration for operations attributed to trade and technological process, including unloading the goods from the vehicles, acceptance of groceries in terms of quality and quantity, relocating them to storage facilities, preparing groceries for sale and so on.

Certain payment terms dependent on the best before date are specified by the Trade Law. For example, groceries with a “best before” date of fewer than 10 days must be paid for within 10 calendar days following receipt from the supplier; groceries with a “best before” date of between 10 and 30 days must be paid for within 30 calendar days following receipt from the supplier; and groceries with longer shelf lives must be paid for within 45 calendar days following receipt from the supplier.

#### *Certification and State Hygiene Registration of Groceries*

Certain types of products are subject to state registration with State Hygiene and Epidemiology Centres in accordance with the Resolution of the Ministry of Healthcare of the Republic of Belarus “On Several Issues of State Registration of Products which are Potentially Dangerous for Life and Health of Population” dated 17 July 2012 No. 101. The list of such products is established by the Resolution of the Ministry of Healthcare dated 5 June 2012 No. 57 and includes, for instance, food supplements, flavourants, products produced with the use of genetically modified organisms, etc. Technical requirements to food supplements, flavourants and technological supplemental means are set by Technical Regulations of the Customs Union 029/2012 “Requirements to Safety of Food Supplements, Flavourants and Technological Supplemental Means” (TR CU 029/2012).

Additionally, there are several national technical regulations which are in effect at the moment and which establish requirements to groceries. These technical requirements include, without limitation:

- STB 1100-2016 “Food products. Information for consumers. General requirements”;
- STB 539-2006 “Soft beverages. General requirements”;
- GOST 28188-89 “Soft beverages. General requirements”;
- STB 1122-2010 “Low-alcohol beverages. General requirements”;
- STB 395-2005 “Beer. General technical requirements” (starting from 1 January 2019 STB 395-2017 “Beer. General technical requirements” will replace STB 395-2005 “Beer. General technical requirements”).

Control of compliance with the requirements is performed by the Ministry of Healthcare, Ministry of Emergency Situations, Ministry of Agriculture and Gosstandart. Sales of groceries which have not passed procedures of obligatory compliance assessment are forbidden by laws.

#### *Regulation of Competition*

Regulation of competition in Belarus is based upon a relatively short list of legislative acts as they have not yet reached a high degree of development. The main legal acts in the sphere of competition are the Law of the Republic of Belarus “On Counterfeiting Monopoly Activity and Development of Competition” dated 12 December 2013 No. 94-Z (the “**Competition Law**”) and, as applicable to retail trade, the Trade Law.

The Competition Law defines institutional and legal frames for prevention, restriction and suppression of monopolistic activity and unfair competition in order to ensure the necessary conditions for establishment and effective functioning of commodity markets, promotion and development of fair competition, protection the rights and legitimate interests of consumers.

Belarusian antimonopoly legislation governs the following fundamental aspects:

- definition of a dominant position of business entities at Belarusian commodity markets;
- procedure of formation and maintenance of the State Register of Business Entities Occupying the Dominant Position at Commodity Markets and the State Register of Natural Monopolies;
- the rules of state antimonopoly control over transactions with shares, property share contributions to the cooperative property (shares), shares in share capital of commercial legal entities;
- regulation of reorganization of companies which are dominant at commodity markets into joint stock companies;

- procedure of organization and conducting of inspections on compliance with competition law by entities, which dominate at Belarusian commodity markets;
- procedure of implementation of state antimonopoly control over reorganization of commercial legal entities, which occupy dominant position at Belarusian commodity markets;
- procedure of identification and prevention of anticompetitive prices agreements (concerted practices) and monopoly prices;
- procedure for clearance of provisions of agreements, restricting competition;
- procedure for considering claims on violation of antimonopoly legislation in terms of unfair competition;
- procedure of taking measures, aimed at the elimination of violations of antitrust laws.

State antitrust policy is aimed at restricting monopolistic activity and creation of healthy competition. The Competition Law promotes reduction and elimination of administrative, economic, legal, informational and institutional barriers to the entry of new businesses at the markets, achievement of effective protection of proprietary's' rights and fair competition for enterprises of all the forms of ownership.

#### *Dominant position in the market*

The Competition Law determines a dominant position pursuant to certain criteria, including, among other things:

- where a company has a market share in a particular commodity market in excess of 35 per cent.;
- where a company's market share is below 35 per cent., but the antimonopoly authority ascertained the dominance of the business entity based on other indicators. In particular, the Competition Law assumes that a company has a dominant position if it has a substantial influence on the circulation of goods in a particular commodity market, may force other participants from such market or may restrict the access of other companies to such market;
- where two major business entities have a joint market share in a particular commodity market in excess of 54 per cent.;
- where three major business entities operating in a particular commodity market have a joint market share in excess of 78 per cent.;
- where four major business entities operating in a particular commodity market have a joint market share in excess of 95 per cent.

As a general rule, a company may not be deemed to be in a dominant position if its market share is less than 15 per cent.

Forms of abuse of dominant market position include, *inter alia*:

- creating restrictions to market access by other entities;
- monopolistic price-fixing or price-setting;
- entering into pricing agreements limiting counterparty's ability to freely set prices;
- tied-in arrangements;
- entering into discriminating agreements and agreements limiting counterparty's ability to freely choose its contractors.

However, there is a general rule that the abuse of a dominant market position might be justified as a matter of exception if a company in question succeeds in proving that such practices are needed to implement requirements of statutory acts enacted in compliance with the Constitution of the Republic of Belarus, and that

limitation of competition is being effected only inasmuch as it is unavoidable or required to precisely and duly implement relevant statutory acts.

#### *Control over Economic Concentration*

One of the major components of Belarusian competitive policy is ensuring control over economic concentration. The basis of state control over this issue is made up by such principles as the common economic space, free movement of goods, services and cash, competition support, exclusion of activities aimed at the monopolization and unfair competition.

The present stage of economic development puts the problem of economic concentration in the field of creation of economic and financial-industrial groups, holding companies and other associations of commercial entities, in a new way. The Belarusian antitrust policy encourages the trends in the sphere of economic concentration, which will have a positive impact on the competitiveness of domestic producers.

Interested person should apply to the antimonopoly authority for approval of an intended transaction with shares (participation interest) for:

- transactions with shares (participation interest) where the acquirer and the target operate in the same commodity market and the acquirer is a business entity holding a dominant position in that market;
- transactions with at least 25 per cent. of shares (participation interest) of a target holding a dominant position;
- acquisition of the ability to influence decisions of a target holding a dominant position;
- acquisition of right to dispose of more than 25 per cent. or 50 per cent. of the shares (participation interest) in the target;
- acquisition of the right to participate in the executive bodies, supervisory board, and other managing bodies of two or more targets by the same acquirer if the targets operate in the market for interchangeable (similar) goods and the acquirer has an opportunity to set conditions for the targets' business activities,

(altogether referred to as the “**Triggering events A**”) when:

- the book value of the target's assets as of the latest reporting date exceeds 100,000 basic units (BYN 2,300,000), or
- the amount of total proceeds from sales for the previous financial year exceeds 200,000 basic units (BYN 4,600,000).

Furthermore, approval of a transaction resulting in economic concentration by the antimonopoly authority is required for:

- establishment of commercial company if its charter capital is formed by shares (participation interest) or other assets of other commercial company or if such commercial company purchases such shares (participation interest) or other assets of other commercial company on the basis of transfer act/separation balance sheet and in relation to activities with such shares )participation interest) control is carried out in accordance with Triggering events A;
- reorganisation of business entities holding a dominant position in the form of transformation into joint-stock company;
- reorganisation of business entities in the form of merger or accession;
- establishment of associations of business entities in the form of holdings, unions, state associations,

(altogether referred to as the “**Triggering events B**”) when:

- the book value of assets of one of the entities being reorganised or one of the founders of business entity or association as of the latest reporting date exceeds 100,000 basic units (BYN 2,300,000), or



- the amount of their total proceeds from sales for the previous financial year exceeds 200,000 basic units (BYN 4,600,000), or
- one of the entities being reorganised or one of the founders of business entity or association are included in the State Register of Business Entities Occupying the Dominant Position at Commodity Markets or the State Register of Natural Monopolies.

Additionally, approval of a transaction resulting in economic concertation by the antimonopoly authority is required for reorganization of business entities holding a dominant position in the form of transformation into joint-stock company.

Notification requirements for mergers include the following:

- The transaction subject to merger clearance is to be approved by MART before closing;
- Post notification is possible in case where the seller holds more than 50 per cent. of votes in the acquirer or vice versa.

#### *Specific Trade-Related Competition Regulations*

In addition to the general requirements of antimonopoly regulations outlined above, the Law on Trade sets specific requirements aimed at protection of competition in the sphere of trade. In particular, companies engaged in retail chain trade activities or operating via a supermarket are prohibited to:

- Create discriminatory conditions, including establishment of barriers to entry to a product market or exit from it to its competitors;
- Coerce counteragents to enter into contracts containing the following provisions:
  - (a) Prohibition to enter into contracts on supply of goods with other entities performing alike activity or on alike or different conditions;
  - (b) Sharing information on contracts the counteragents conclude with other entities, performing alike activity;
  - (c) Lowering prices for the goods to the level when (following the setting of a trade mark-up (margin) onto the price of the goods) the price would not exceed the minimum price for such goods to be sold to a company engaged in retail chain trade activities or operating via a supermarket performing similar activity.
- Coerce counteragents to enter into other contracts when they contain similar conditions or contradict to requirements of antimonopoly legislation;
- Enter into agent, commission or any other alike agreement for supply groceries with each other, apart for situations when contracting parties are forming one network;
- Conduct activities aimed at coercing suppliers of groceries to enter into contracts obliging the supplier to purchase back food products supplied by it earlier when the best before date expired as well as to include into contracts for supply of food products provision on return of goods that were not sold within a defined period of time.

#### ***Regulation of Intellectual Property***

##### *State Authorities Involved*

The National Centre for Intellectual Property of the Republic of Belarus (the “NCIP”) is a national patent authority which is authorized to register intellectual property rights, including trademarks, and the transfer of intellectual property rights, pursuant to, among others, licensing agreements for the use of a trademark or agreements for the transfer (assignment) of the right to a trademark as well as franchising agreements.

## *Regulation of Trademarks*

The Civil Code of the Republic of Belarus dated 7 December 1998 No. 218-Z (the “**Civil Code**”) and the Law of the Republic of Belarus “On Trademarks and Services Marks” dated 5 February 1993 No. 2181-XII (the “**Law on Trademarks**”) are the main laws concerning intellectual property applicable to the Group in connection with its trademark rights. According to the Civil Code and the Law on Trademarks, the trademark and rights thereto in Belarus are subject to state registration with the NCIP. Upon the registration of a trademark in the State Register for Trademarks and Service Marks of the Republic of Belarus, the NCIP issues a certificate of registration of the trademark, which is valid for 10 years from the date on which the application for registration was filed. This term may be extended for an unlimited number of times, each time for another 10 years, upon an application by the owner of the trademark filed with the NCIP during the last year of the validity of the certificate. The certificate of registration of a trademark is issued with respect to certain classes of goods or services of the International Classification of Goods and Services, which means that the trademark is not protected if it is used for other types of goods or services that are not covered by the certificate of registration.

In addition, in accordance with the Agreement concerning the International Registration of Marks (Madrid, 1891) and protocols thereto, Belarus protects trademarks registered with the Worldwide Intellectual Property Organization if international registration of such trademarks extends to Belarus.

In the absence of registration, the entity using the designation may not be able to protect its trademark against unauthorized use by a third party. If a third party has previously registered a trademark similar to the designation in question, such third party may claim that the entity is held liable for unauthorized use of such trademark.

A registered owner of a trademark may assign its right to the trademark or grant a temporary right to use a trademark to another entity under an agreement. The transfer of intellectual property rights pursuant to agreements for the assignment of a trademark, pledges, franchising (commercial concession) and licensing agreements granting a temporary right to use a trademark is also subject to registration with the NCIP. The same applies to changes to and termination of these agreements. If such registration is not obtained, the respective transfer of rights shall not be deemed valid.

## *Regulation of Real Estate*

### *State Authorities Involved*

The key state authorities regulating real estate in Belarus are:

- The State Committee on Property of the Republic of Belarus, which provides a unified state policy with regard to land relations, geodesy and mapping activities, naming of geographical objects, state registration of real estate, real estate rights and deals, property relations.
- State Research and Development Unitary Enterprise “National Cadastral Agency” and its local subsidiary agencies for state registration and land cadastre (the “**Registry Agencies**”) which are responsible for creation and maintenance of Unified State Register of Real Estate, Rights Thereto and Transactions Therewith (the “**Real Estate Register**”) and for state registration of real estate, transactions with respect to real estate, and title to real estate.
- The Ministry of Architecture and Construction of the Republic of Belarus, which is responsible, *inter alia*, for state regulation of construction and urban development.
- The Regional and Minsk Executive Committees, district executive committees (the “**Local Executive Committees**”), which are, *inter alia*, authorized to allocate land plots to persons and legal entities from the state owned lands.

### *Applicable Legislation*

Belarusian legislation regulating real estate transactions, real estate construction and allocation of land plots includes the following:

- The Civil Code;
- The Land Code of the Republic of Belarus dated 23 July 2008 No. 425-Z (the “**Land Code**”);

- Law of the Republic of Belarus “On State Registration of Real Estate, Rights Thereto, and Transactions Therewith” dated 22 July 2002 No. 133-Z (the “**Law on Registration of Real Estate**”);
- Law of the Republic of Belarus “On Architectural, Urban Development and Construction Activity in the Republic of Belarus” dated 5 July 2004 No.300-Z;
- Edict of the President of the Republic of Belarus “On Withdrawal and Allocation of Land Plots” dated 27 December 2007 No 667.

### *Regulation of Land Use*

At present, most of the land in Belarus is owned by the state. However, the proportion of privately owned land plots, as well as buildings and other real estate located on land plots leased from the state, is increasing, particularly in urban areas, due to the expansion of private enterprises in Belarus and a less restrictive regulatory regime with respect to private ownership of land and other real estate in the country.

Use of land in accordance with its designated purpose is one of the basic principle of the Land Code. Designated purpose of the land plot is defined by the decision of the Local Executive Committee on allocation of the certain land plot. Use of land plot not in accordance to its designated purpose can lead to 10 times increase of applicable rates of land tax and to withdrawal of the land plot.

Several titles to land plots are stipulated by the legislation for legal entities: ownership, lease, permanent use and temporary use. Only citizens of the Republic of Belarus, companies registered in Belarus, foreign states and international organizations can own land plots. Foreign companies are not allowed to own land plots. Foreign citizens may own land plots only in certain cases established by the Land Code. Lands of certain categories may not be transferred to private ownership or ownership of foreign states and international organizations (agricultural land, forestry land, recreational land, land occupied by roads and other transport communications, etc.). Provision of land plots on the rights of permanent and temporary use is also limited at present: land plots may be allocated into permanent or temporary use only on the basis of several grounds stipulated by the Land Code.

In respect of legal entities a lease is the most widespread title to land plots in Belarus, at present. Land plots may be leased by citizens of the Republic of Belarus, companies registered in Belarus, foreign states and international organizations, as well as by foreign companies and foreign citizens. Both state owned and private land plots can be leased assuming that tenant will use land plot according to its designated purpose. Terms and other conditions of the lease are defined by the parties in the lease contract. At the same time the term of the lease in respect to agricultural lands cannot be less than 10 years. The term of the lease of state owned land plot allocated for construction or maintenance of building cannot be less than the normative term of construction or exploitation of this building, as appropriate, unless the tenant agrees for a shorter period of lease. Model form of a lease contract for state owned land plots was approved by the Government of Belarus, therefore in practice most of lease contracts are concluded on the basis of this template.

Under Belarusian law, it is not possible that different persons or entities hold title to a land plot and own building or other real estate asset placed on the same land plot. Inseparable destiny of land plot and building or other real estate asset located on this land plot is one of the main principles of the Land Code. Therefore, transfer of ownership to real estate asset leads to transfer of title to respective land plot to the buyer of real estate. Land plots occupied by real estate asset cannot be a subject of transaction separately from the real estate asset.

Public tender is a general rule for obtaining lease or ownership rights to land plots. List of exceptions when allocation of land plots is allowed without public tender includes such grounds as allocation of land plots to the state authorities, allocation of land plots for the purpose of construction of transport infrastructure, allocation of land plots to the investor according to the investment agreement concluded between the state and such investor, to the residents of free economic zones and in certain other cases.

Generally, a land plot, agreements related to land plots (including lease agreements) and titles to land plots must be registered in the Real Estate Register. At the same time, land plots provided into lease or temporary use for a period of less than one year as well as rights thereto shall not be registered with the Real Estate Register. Such land plots and rights thereto are considered as created and accrued from the date of issuing of the respective decision by the Local Executive Committee.

If a land plot is subject to registration in the Real Estate Register, a land plot cannot be a subject of a transaction prior to such registration. Besides, agreements related to such land plots are void if they are not registered.

#### *Regulation of Real Estate Construction*

The main stages of the building construction process typically include the following:

- allocation of the land plot(-s) for construction purposes as well as general permission of the Local Executive Committee to construct building of defined purpose on the allocated land plot;
- preparation of project documentation and obtaining infrastructure/utilities documentation;
- state examination of the project documentation which is held by the Republic Unitary Enterprise “Glavgosstroyexpertisa” and its local subsidiaries in each region of Belarus. In order to obtain positive conclusion of state examination the project must comply with various state technical and construction standards, environmental and sanitary and epidemiological laws, regulations and rules as well as fire safety and other types of safety requirements.
- obtaining a construction permit from the local Inspection for Construction Supervision responsible for relevant territory where the construction site is located;
- construction works;
- receiving a commissioning permit. The permit is issued by acceptance commission appointed by the developer from the representative of developer itself, designer, contractor and Local Executive Committee. Prior to commissioning numerous written conclusions from state authorities must be received to confirm that building complies with state technical and construction standards, environmental and sanitary and epidemiological requirements, as well as fire safety.
- registration of a new building as real estate asset and the rights thereto in the Real Estate Register.

#### *Regulation of Real Estate Sale and Lease*

The Civil Code requires that agreements for sale or lease of non-residential buildings/premises expressly set out the following:

- description of building/premises allowing to identify it and distinguish the subject of the transaction from the other buildings/premises. Such description is usually provided by stipulating in the agreement name, designated purpose, inventory number, address and total area of the building/premises based on the relevant data from the Real Estate Register.
- purchase price or lease rate. In relation to state owned real estate, lease rate is defined in accordance with legislation and is obligatory for the parties. Private real estate may be sold or leased at a price agreed by the parties.

In relation to sale, both sale-purchase agreement itself and transfer of title effected by relevant sale are subject to registration in the Real Estate Register. Sale-purchase agreement of real estate that is not registered is void.

Neither lease agreement in relation to building/premises nor rights granted by the lease agreement require registration. Only land plot lease agreement and lease title to land plots must be registered in the Real Estate Register.

#### *State Registration*

The Real Estate Register is maintained by the Registry Agencies pursuant to the Law on Registration of Real Estate. According to the Law on Registration of Real Estate obligatory state registration is required for:

- Real estate, including creation of real estate, amending or disestablishment of real estate. The following real estate objects must be registered: land plots (except those provided into lease or temporary use for a period of less than one year), buildings, unfinished conserved construction site, isolated premises, parking spaces.

- Title to real estate, including its emergence, transfer, termination as well as encumbrances over real estate. The following titles to real estate must be registered: ownership, permanent or temporary use of land plots, lease of land plots, trust, mortgage, servitude, etc. Temporary use of land plots and lease of land plots of a period that is less than 1 year are not subject to registration.
- Agreements with respect to real estate, including sale, donation, lease (in respect of land plots only), mortgage agreements, etc.

A person or legal entity acquires the rights to the relevant real estate object only upon state registration of this right. Failure to register a transaction which requires state registration generally results in the transaction being rendered void.

General term for registration procedure is 5 business days, but in most cases it takes less time to register real estate object, title or agreement. The regulations also provide the option of expedited procedure of registration that takes two business days or the urgent one that shall be completed within one business day.

Information contained in the Real Estate Register is public: everyone upon request and payment of respective fee can receive information on current status of particular real estate object, including information about designated purpose of real estate object, inventory number, total area of the building, premise or land plot as well as about owner of real estate object and registered encumbrances. Summarized information concerning the total list of real estate belonging to certain person or legal entity may be provided only to the owner or in specific cases stipulated by the law – to state authorities, courts, notaries, attorneys.

#### *Liability of Land Plot Owners and Leaseholders*

The owner of a building usually bears all liabilities that may arise in connection with the building, for example, any tort obligation deriving from the accidents that led to the injury. Real estate owners and leaseholders are required to comply with effective laws and regulations, to use the land plot and the building in accordance with its designated purpose and not to cause harm to the environment.

#### ***Regulation of Employment and Labour***

Employment and labour matters in Belarus are regulated by the Labour Code of the Republic of Belarus dated 30 July 1999 No. 296-Z, as amended (the “**Labour Code**”), and certain other laws and regulations, including, among others, the Decree of the President of the Republic of Belarus “On Additional Measures for Improvement of Labour Relations, Strengthening of Labour and Executive Discipline” dated 26 July 1999 No. 29 (the “**Decree**”), as amended.

#### *Employment Agreements*

Employment relations in Belarus should be formalised by a written employment agreement. It must contain information about employer and employee, place of work, employment function (profession, speciality, position in accordance with the Unified Tariff-Qualification Reference Books), main rights and obligations of employee and employer, salary, work and recreation regime (if it is not established for the whole company or differs from it) and term (for fixed-term agreements).

Other conditions are optional, but the principle of *in favorem* shall be considered and an employee’s status cannot be deteriorated in comparison with the legislative provisions. For example, all grounds for termination of employment relations are set by the law. The parties cannot set additional grounds for termination in the employment agreement.

As a general rule, employers must conclude employment agreements for an indefinite term with all employees. Belarusian labour legislation expressly limits the possibility of entering into fixed term employment agreements. However, employers and employees may enter into employment agreements for a fixed term in certain cases where it is not possible to establish labour relations for an indefinite term due to the nature of the duties or the conditions of the performance of such duties, as well as in other cases expressly identified by the Labour Code.

Although Belarusian labour laws limit the possibility of entering into fixed term employment agreements, the main peculiarity of employment system in Belarus is a dual agreement system, which in practice almost excludes usage of employment agreements for an indefinite term. The most common type of employment agreement in Belarus is the employment contract which is mostly regulated by the Decree. An employment

contract is a specific type of employment agreement which may be concluded for a minimum of one year and a maximum of five years. It is widely used in Belarus for several reasons, including the following:

- the contract provides additional grounds for termination of employment relations upon the initiative of the employer;
- while on contract an employee is guaranteed salary increment of up to 50 per cent. and additional labour vacation of up to 5 days;
- the contract cannot be terminated solely upon the employee's initiative, except for material breach by the employer or a good reason (e.g. relocation to a different city).

#### *Termination*

An employer may terminate an employment agreement only on the basis of the specific grounds listed in the Labour Code, including, among others:

- liquidation of the enterprise or reduction of number of employees or job positions;
- an employee cannot perform work due to his / her health problems (according to the medical report)
- an employee does not have sufficient qualification / education to perform job duties;
- an employee systematically fails to perform job duties without good reasons, if the employee was earlier subject to disciplinary penalties;
- an employee has been absent from work for more than 3 hours in a row without a reasonable excuse;
- an employee is at the work place under influence of alcoholic, narcotic or toxic substances, or consuming such substances at the work place and during the working time;
- an employee committed theft at the work place;
- single violation by an employee of work safety rules resulting in injury or death of other employees;
- an employee does not show up for work for 4 months in a row due to the temporary disability, unless a longer term is established by law.

#### *Work Time and Leaves*

Belarusian law sets the regular working week at 40 hours, but exceptions for certain categories of employees exist and different regimes are allowed (e.g. irregular working hours). Overtime work is limited to maximum 180 hours per year and 10 hours per work week (in case of normal regime). In general, an employer must compensate an employee for the overtime work at a higher rate. Employees are entitled for two days weekly rest in case of eight hours work day and for days off officially established as non-working by the respective legislative act.

The minimum guaranteed paid labour leave is 24 calendar days. Unpaid social leave could also be provided upon consent of the employer to any employee for employee's personal purposes (so-called leave for "family-household reasons") for 30 days total within one calendar year. In addition to labour leaves Belarusian laws provide for several kinds of social leaves, e.g. maternity leave (generally up to 126 calendar days), child care leave (up to 3 years).

Until 2016 the retirement age in Belarus was 60 years for males and 55 years for females. From 1 January 2017 a gradual increase in retirement age started in Belarus. Annually, from 2017 to 2020, the retirement age is being increased by 6 months until retirement age for males reaches 63 years and 58 years for females.

### *Salary*

In general, income of an employee consists of the salary itself, bonuses, salary rises, and other extra payments. The minimal salary to be paid to a full-time (40 hours per week) employee is established by the Government and currently amounts to BYN 265.

### *Social security and other contributions*

Employers are obliged to pay social security contributions (the “SSC”) to the Social Security Fund of the Ministry of Labour and Social Security of Population (SSF). The base for SSC is payroll in cash or in other forms. The general aggregate rate of SSC is 35 per cent. of gross income of the employee. The main part (34 per cent.) is paid to SSF by the employer, while 1 per cent. is paid by the employee. The maximum income of the employee subject to SSC is fivefold amount of the average republican salary for the month previous to the month when the income is paid to the employee.

Moreover, employers pay obligatory insurance contributions for cases of accidents at work or work-related diseases to state-owned insurance company Belgosstrakh. The base is the same as for SSC. Basic insurance tariff is 0.6 per cent. Increase or decrease coefficients to the basic tariff may be applied by Belgosstrakh depending on the type of the employer’s activity.

### *Strikes*

The Labour Code defines a strike as the temporary and voluntary refusal of workers to fulfil their work duties with the intention of settling a collective labour dispute. Belarusian legislation contains several requirements which must be met for strikes to be legal. An employer may not use an employee’s participation in a legal strike as grounds for terminating an employment contract, although Belarusian law generally does not require employers to pay wages to striking employees for the duration of the strike. Conversely, an employee’s participation in an illegal strike may lead to disciplinary and other liability provided by laws and even may provide adequate grounds for termination of his or her employment.

## DESCRIPTION OF THE ISSUER

The Issuer was incorporated in Ireland as a designated activity company on 21 August 2017, registered number 610155, under the Companies Act 2014 (as amended) of Ireland (the “**Companies Act 2014**”). The registered office of the Issuer is 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland and phone number +353 1 905 8020.

The authorised share capital of the Issuer is EUR 100 divided into 100 ordinary shares of par value EUR 1 each (the “**Shares**”). The Issuer has issued one Share, which is fully paid and is held on trust by Cafico Trust Company Limited (the “**Share Trustee**”) under the terms of a declaration of trust (the “**Declaration of Trust**”) dated 21 September 2017, under which the Share Trustee holds the Shares on trust for charity. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares. The Share Trustee will apply any income derived from the Issuer solely for the above purposes.

Cafico Corporate Services Limited (the “**Corporate Services Provider**”), an Irish company, acts as the corporate services provider for the Issuer. The office of the Corporate Services Provider serves as the general business office of the Issuer. Through the office and pursuant to the terms of the corporate services agreement entered into on 19 October 2017 between the Issuer and the Corporate Services Provider (the “**Corporate Services Agreement**”), the Corporate Services Provider performs various management functions on behalf of the Issuer, including the provision of certain clerical, reporting, accounting, administrative and other services until termination of the Corporate Services Agreement. In consideration of the foregoing, the Corporate Services Provider receives various fees and other charges payable by the Issuer at rates agreed upon from time to time plus expenses. The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement upon the occurrence of certain stated events, including any material breach by the other party of its obligations under the Corporate Services Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which it was notified of such breach. In addition, either party may terminate the Corporate Services Agreement at any time by giving at least 90 days written notice to the other party.

The Corporate Services Provider’s principal office is Palmerston House, Fenian Street, Dublin 2, Ireland.

### ***Business***

The principal objects of the Issuer are set forth in clause 3 of its Constitution (as currently in effect) and permit the Issuer, inter alia, to lend money and give credit, secured or unsecured, to issue debentures, loan participation notes, enter into derivatives and otherwise to borrow or raise money and to grant security over its property for the performance of its obligations or the payment of money. The Issuer is organised as a special purpose company. The Issuer was established to raise capital by the issue of debt securities and to use an amount equal to the proceeds of each such issuance to advance a loan to the Borrower.

Since its incorporation the Issuer has not engaged in material activities other than those incidental to its registration as a designated activity company under the Companies and the issue of the Notes. The Issuer has no employees.

### ***Directors and Company Secretary***

The Issuer’s Constitution provide that the Board of Directors of the Issuer will consist of at least two Directors.

The Directors of the Issuer and their business addresses are as follows:

- Kar Chun Man - 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland
- Rolando Ebuna - 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland

The Company Secretary is Cafico Secretaries Limited of Palmerston House, Fenian Street, Dublin 2, Ireland.

### ***Financial Statements***

Since its date of incorporation, save as disclosed herein, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Listing Particulars. The Issuer intends



to publish its first financial statements in respect of the period ending on 31 December 2018. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

The Issuer's profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer upon preparation of the first financial statements of the Issuer. The Issuer must hold its first annual general meeting within 18 months of the date of its incorporation (and no more than 9 months after the financial year end) and thereafter the gap between its annual general meetings must not exceed 15 months. One annual general meeting must be held in each calendar year.

The auditors of the Issuer are KPMG, 1 Harbourmaster Place, IFSC, Dublin 1, who are chartered accountants and are members of the Institute of Chartered Accountants and registered auditors qualified in practice in Ireland.

## OVERVIEW OF THE TRANSACTION STRUCTURE AND THE SECURITY

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

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

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

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

- all its rights to principal, interest and other amounts now or hereafter payable to the Issuer by the Company under the Loan Agreement;
- the right to receive all sums which may be or become payable by the Company under any claim, award or judgment relating to the Loan Agreement, as the case may be; and
- all the rights, title and interest in and to all sums of money now or in the future deposited in an account with the Principal Paying Agent in the name of the Issuer (the “**Account**”) and the debts represented thereby (including interest from time to time earned on the Account, if any),

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

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

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

## LOAN AGREEMENT

This Loan Agreement is made on 19 October 2017 between:

- (1) **LLC EUROTORG**, a limited liability company established under the laws of Belarus whose registered office is at 52A-22, Kazinsta str., Minsk 220099, Republic of Belarus, registered in the Unified State Register of Entities and Individual Entrepreneurs under No. 101168731 (the “**Borrower**” or the “**Parent**”); and
- (2) **BONITRON DESIGNATED ACTIVITY COMPANY**, a Designated Activity Company limited by shares whose registered office is at 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland (the “**Lender**” or the “**Issuer**”).

### Whereas:

The Lender has at the request of the Borrower agreed to make available to the Borrower a loan facility in the amount of U.S.\$350,000,000 on the terms and subject to the conditions of this Agreement.

It is agreed as follows:

## 1 Definitions and Interpretation

### 1.1 Definitions

“**Account**” means the account in the name of the Lender with the Principal Paying Agent, account number 6983668400 (or such other account as may from time to time be agreed between the Lender and the Trustee pursuant to the Trust Deed and notified to the Parent in writing at least five Business Days in advance of such change).

“**Acquired Debt**” means, with respect to any specified Person, Indebtedness of any other Person existing at the time such other Person is merged, consolidated, amalgamated or otherwise combined with or into or became a Restricted Subsidiary of such specified Person, whether or not such Indebtedness is incurred in connection with, or in contemplation of, such other Person merging, consolidating, amalgamating or otherwise combining with or into, or becoming a Restricted Subsidiary of, such specified Person.

“**Additional Assets**” means:

- (a) any property, plant or equipment used or useful in a Permitted Business;
- (b) the Share Capital of a Person that becomes a Restricted Subsidiary as a result of the acquisition of such Share Capital by the Parent Company or another Restricted Subsidiary; or
- (c) Share Capital constituting a minority interest in any Person that at such time is a Restricted Subsidiary and a majority of whose Share Capital is owned by the Parent Company or a Restricted Subsidiary.

“**Advance**” means the advance to be made under Clause 3 of the sum equal to the amount of the Facility.

“**Agency**” means any agency, authority, central bank, department, committee, government, legislature, minister, ministry, official or public or statutory person (whether autonomous or not) of, or of the government of, any state or supra-national body;

“**Affiliate**” of any specified Person means any other person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, “control”, as used with respect to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by agreement or otherwise, provided that for purposes of the Clause 7.5 only, “Affiliate” shall also be deemed to include any beneficial owner of 10 per cent. or more of the Voting Stock of a Person. For purposes of this definition: (i) the terms

“controlling”, “controlled by” and “under common control with” have correlative meanings; and (ii) “Affiliate” shall include funds advised by the specified Person.

“**Affiliate Transaction**” has the meaning assigned to that term in Clause 7.5.

“**Approved Jurisdiction**” means any member state of the European Union as of 1 January 2004 (including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom), Norway, Switzerland, Cyprus, Belarus, the United States of America, any state thereof, the District of Columbia and Russia.

“**Asset Sale**” means:

- (a) the sale, lease, conveyance or other disposition of any tangible or intangible assets or rights of the Parent or a Restricted Subsidiary; provided that the sale, conveyance or other disposition of all or substantially all of the assets of the Parent and its Restricted Subsidiaries taken as a whole will be governed by the provisions of Clause 7.9 and not by the provisions of Clause 7.4; and
- (b) the issuance of Equity Interests in any Restricted Subsidiary or the sale of Equity Interests in any of its Subsidiaries (other than directors’ qualifying shares or shares referred by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary).

Notwithstanding the preceding, none of the following items will be deemed to be an Asset Sale:

- (a) any single transaction or series of related transactions that involves assets having a Fair Market Value of less than U.S.\$3 million;
- (b) a transfer or other disposition of real estate, infrastructure objects, rights of use or other assets in any single transaction or series of related transactions in connection with construction of properties, having a Fair Market Value of less than U.S.\$5 million to any state and/or municipal Agency, and/or any state-owned and/or municipal-owned entity in the Republic of Belarus;
- (c) a transfer or other disposition of real estate in any single transaction or series of related transactions having a Fair Market Value of less than U.S.\$5 million upon completion of construction projects in accordance with the terms of any joint construction agreement, co-investment agreement or any other similar agreement;
- (d) a transfer of assets between or among the Parent and its Restricted Subsidiaries;
- (e) an issuance of Equity Interests by a Restricted Subsidiary to the Parent or to a Restricted Subsidiary;
- (f) the sale, lease, conveyance or disposition of assets or rights (including, for the avoidance of doubt, products, services or accounts receivable or licensing of rights) in the ordinary course of business and any sale or other disposition of damaged, worn-out or obsolete assets in the ordinary course of business;
- (g) the sale or other disposition of cash or Cash Equivalents;
- (h) the creation of a Lien;
- (i) a Restricted Payment that does not violate the provisions of Clause 7.1 or a Permitted Investment;
- (j) the waiver, compromise, settlement, release or surrender of any right or claim in the ordinary course of business; and
- (k) the sale or other disposition or assets received by the Parent or any of its Restricted Subsidiaries in compromise or settlement of claims of the Parent or any of its Restricted

Subsidiaries; provided, however, that the net cash proceeds of such sale or disposition are applied in accordance with Clause 7.4.

**“Asset Sale Offer”** has the meaning assigned to that term in Clause 7.4(c).

**“Attributable Debt”** in respect of a sale and leaseback transaction means, at the time of determination, the present value of the obligation of the lessee for net rental payments during the remaining term of the lease included in such sale and leaseback transaction (including any period for which such lease has been extended or may, at the option of the lessor, be extended) or the earliest date on which the lessee may terminate such lease without penalty or upon payment of a penalty (in which case the rental payments shall include such penalty). Such present value shall be calculated using a discount rate equal to the rate of interest implicit in such transaction, determined in accordance with IFRS; provided, however, that if such sale and leaseback transaction results in a Capital Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capital Lease Obligation”.

**“Bank”** means JSC StatusBank, a Subsidiary of the Parent.

**“Bankruptcy Law”** means any law relating to bankruptcy, insolvency, receivership, winding-up, liquidation, dissolution, reorganization or relief of debtors or any amendment to, succession to or change in any such law.

**“Belarus”** means the Republic of Belarus.

**“Board of Directors”** means:

- (a) with respect to a joint stock company or a limited liability company, the board of directors (supervisory board) of the joint stock company or the limited liability company;
- (b) with respect to a partnership, the board of directors of the general partner of the partnership; and
- (c) with respect to any other Person, the board or committee of such Person serving a similar function.

Unless otherwise stated, all references to the “Board of Directors” in this Agreement shall be to the Board of Directors of the Parent.

**“Business Day”** means a day other than a Saturday, Sunday or other day on which banking institutions in London, New York, Minsk or a place of payment under this Agreement are authorised or required by law to close.

**“Capital Lease Obligation”** means, at the time any determination is to be made, the amount of the liability in respect of a capital or finance lease that would at that time be required to be capitalised on a balance sheet in accordance with IFRS, and the Stated Maturity thereof shall be the date of the last payment of rent or any other amount due under such lease prior to the first date upon which such lease may be prepaid by the lessee without payment of a penalty.

**“Capital Markets Debt”** means any Indebtedness permitted to be incurred hereunder consisting of bonds, debentures, notes or other similar debt securities (or any guarantees or intercompany loans in respect thereof) or preferred stock issued in (a) a public offering registered under the U.S. Securities Act, (b) listed on a recognised stock exchange or (c) a private placement to institutional investors that is underwritten for resale in accordance with Rule 144A or Regulation S under the U.S. Securities Act, whether or not it includes registration rights entitling the holders of such debt securities or preferred stock to registration thereof under the U.S. Securities Act for public resale.

**“Cash and Cash Equivalent Amounts”** means with respect to any specified Person and as at any date of determination, the total amount of cash and cash equivalents that would have been included in a balance sheet of such person prepared in accordance with IFRS if prepared as at such date.

**“Cash Equivalents”** means:

- (a) certificates of deposit, time deposits and other bank deposits in U.S. dollars, Belarusian roubles or euro with maturities of 12 months or less from the date of acquisition, bankers’ acceptances with maturities not exceeding 12 months and overnight bank deposits, in each case, with any commercial bank (i) having capital and surplus in excess of U.S.\$500.0 million (or the foreign currency equivalent thereof) and a rating of A 1/P 1 (or such similar equivalent rating) or better from at least one internationally recognised statistical rating organization, or (ii) (x) licensed or organised in Belarus and (y) having a rating from at least one internationally recognised statistical rating organisation that is either no less than one rating notch below the lower of the ratings for Belarus’ sovereign bonds or one of the two highest rating categories obtainable by Belarusian banks from the internationally recognised statistical rating organisations or (iii) licensed or organised in Belarus and controlled by another bank that meets the requirements of (a) (i) or (a)(ii)(y) above or (iv) in respect of the Bank, licensed or organised in Belarus and not otherwise falling under (i), (ii) or (iii) above, in an aggregate amount not exceeding U.S.\$5 million at any time;
- (b) in respect of the Bank, repurchase obligations with a term of not more than seven days for underlying securities of the types described in (a) above entered into with any financial institution meeting the qualifications specified in (a) above;
- (c) in respect of the Bank, securities which are issued by, or directly and fully guaranteed or insured by, Belarus, or any Agency or instrumentality thereof, in each case having maturities of not more than 12 months from the date of acquisition;
- (d) in respect of the Bank, bank deposits with any Agency in Belarus to the extent required by Belarusian law;

**“Change of Control”** means any of the following events or circumstances:

- (a) any person or group of persons acting in concert or under an express or implied agreement or understanding, directly or through one or more intermediaries, shall (x) acquire ultimate beneficial or legal ownership of, or control over, more than 50 per cent. of the issued Share Capital of the Parent; (y) acquire ownership of or control over more than 50 per cent. of the voting interests in the Share Capital of the Parent; or (z) obtain the power (whether or not exercised) to elect not less than half of the directors of the Parent; or
- (b) there is a direct or indirect sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Parent and its Subsidiaries taken as a whole, to any Person.

**“Change of Control Put Event”** means the occurrence of a Change of Control.

**“Change of Control Put Option”** has the meaning given to it in the Conditions.

**“Change of Control Put Period”** has the meaning given to it in the Conditions.

**“Change of Control Put Settlement Date”** has the meaning given to it in the Conditions.

**“Comparable Treasury Issue”** means the United States Treasury security selected by the Determination Agent as having a maturity comparable to the remaining term of the Loan from the Make Whole Optional Prepayment Date to the Repayment Date, that would be utilised, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of a maturity most nearly equal to the Repayment Date;

**“Comparable Treasury Price”** means, with respect to any Make Whole Optional Prepayment Date, the average of three, or such lesser number as is obtained by the Determination Agent, Reference Treasury Dealer Quotations for the Make Whole Optional Prepayment Date;

**“Conditions”** means the terms and conditions of the Notes.

**“Consolidated EBITDA”** means, with respect to any specified Person for any period, the Consolidated Net Income of such Person for such period plus, without duplication:

- (a) all expense or provision for taxes based on income or profits of such Person and its Restricted Subsidiaries for such period, to the extent that such expense or provision for taxes was deducted in computing such Consolidated Net Income; plus
- (b) the Consolidated Interest Expense of such Person and its Restricted Subsidiaries for such period, to the extent that such Consolidated Interest Expense was deducted in computing such Consolidated Net Income; plus
- (c) depreciation, amortization and any other non-cash items for such period to the extent deducted in determining Consolidated Net Income for such period (other than any non-cash item which requires the accrual of, or a reserve for, cash charges for any future period) of the Parent and the Restricted Subsidiaries (including amortization of capitalised debt issuance costs for such period and any non-cash compensation expense, realised for grants of stock options or other rights to officers, directors and employees); plus
- (d) to the extent they decrease Consolidated Net Income, non-cash foreign exchange losses; minus
- (e) to the extent they increase Consolidated Net Income, non-cash foreign exchange gains; plus
- (f) minority interests to the extent that such minority interests were deducted in computing Consolidated Net Income; minus
- (g) to the extent they increase Consolidated Net Income, net after-tax exceptional or non-recurring gains; plus
- (h) to the extent they decrease Consolidated Net Income, net after-tax exceptional or non-recurring losses; minus
- (i) to the extent they increase Consolidated Net Income, non-cash items (including the partial or entire reversal of reserves taken in prior periods, but excluding reversals of accruals or reserves for cash charges taken in prior periods and excluding the accrual of revenue in the ordinary course of business) for such period;

in each case, on a consolidated basis and determined in accordance with IFRS for such period.

Notwithstanding the preceding, the provision for taxes based on the income or profits of, and the depreciation and amortization and other non-cash expenses of, a Restricted Subsidiary will be added to Consolidated Net Income to compute Consolidated EBITDA of the Parent only in the same proportion as the relevant Person's Net Income was included in Consolidated Net Income.

**“Consolidated Fixed Charge Coverage Ratio”** means with respect to any specified Person and as at any date of determination, the ratio of (x) the Consolidated EBITDA of such Person to (y) Consolidated Interest Expense of such Person, in each case for the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made available), calculated in accordance with IFRS. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness or issues, repurchases or redeems preferred shares subsequent to the commencement of the period for which the Consolidated Fixed Charge Coverage Ratio is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Fixed Charge Coverage Ratio is made (the **“Consolidated Fixed Charge Coverage Ratio Calculation Date”**), then the Consolidated Fixed Charge Coverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preference shares, and the use of the proceeds therefrom as if the same had occurred at the beginning of the two applicable semi-annual reference periods.

In addition, for the purposes of calculating the Consolidated Fixed Charge Coverage Ratio:

- (a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers; consolidations, amalgamations or other business combinations and including any related financing transactions, during the two semi-annual reference periods or subsequent to such reference period and on or prior to the Consolidated Fixed Charge Coverage Ratio Calculation Date will be given pro forma effect as if they had occurred on the first day of the semi-annual reference periods and Consolidated EBITDA and total Net Indebtedness for such reference period will be calculated on a pro forma basis in accordance with IFRS;
- (b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Fixed Charge Coverage Ratio Calculation Date, will be excluded;
- (c) the Indebtedness attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Fixed Charge Coverage Ratio Calculation Date, will be excluded, but only to the extent that such Indebtedness will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Consolidated Fixed Charge Coverage Ratio Calculation Date;
- (d) if any Indebtedness bears a floating rate of interest, the interest expense on such Indebtedness will be calculated as if the rate in effect on the Consolidated Fixed Charge Coverage Ratio Calculation Date had been the applicable rate for the entire period (taking into account any Hedging Obligation applicable to such Indebtedness if such Hedging Obligation has a remaining term as at the Consolidated Fixed Charge Coverage Ratio Calculation Date in excess of 12 months, or, if shorter, at least equal to the remaining term of such Indebtedness);
- (e) if any Indebtedness is incurred under a revolving credit facility and is being given pro forma effect, the interest on such Indebtedness shall be calculated based on the average daily balance of such Indebtedness for the two applicable semi-annual reference periods subject to the pro forma calculation to the extent that such Indebtedness was incurred solely for working capital purposes; and
- (f) interest on a Capital Lease Obligation shall be deemed to accrue at an interest rate determined in good faith by a responsible financial or accounting officer of the Parent to be the rate of interest implicit in such Capital Lease Obligation in accordance with IFRS.

For purposes of this definition, pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Parent.

**“Consolidated Interest Expense”** means, in respect of any period, all underlying finance costs of the Parent and its Subsidiaries for such period (including, for the avoidance of doubt, capitalised and accrued interest) determined on a consolidated basis in accordance with IFRS provided that the following items shall be excluded in computing Consolidated Interest Expense:

- (a) loss on sale of investments (to the extent included in underlying finance costs);
- (b) finance costs relating to interest on pension scheme liabilities;
- (c) foreign exchange gains, losses and revaluations arising on monetary assets and liabilities denominated in foreign currencies and derivatives entered into in connection with currency exchange rates;
- (d) net fair value remeasurement losses on financial instruments; and
- (e) debt issuance costs, commissions, fees and expenses

provided that the following item shall be included in computing Consolidated Interest Expense:

- (f) the payment of dividends on Disqualified Shares whether in the form of cash or otherwise; and

provided further that, underlying finance costs shall include remeasurement gains and losses of financial instruments on an accruals basis.



**“Consolidated Leverage Ratio”** means with respect to any specified Person and as at any date of determination, the ratio of (x) the total Net Indebtedness of such Person at such date less any outstanding Permitted Subordinated Indebtedness to (y) the Consolidated EBITDA of such Person for the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made available), calculated in accordance with IFRS. In the event that the specified Person or any of its Subsidiaries incurs, assumes, guarantees, repays, repurchases or redeems any Indebtedness or issues, repurchases or redeems preferred shares subsequent to the commencement of the period for which Consolidated EBITDA is being calculated and on or prior to the date on which the event for which the calculation of the Consolidated Leverage Ratio is made (the **“Consolidated Leverage Ratio Calculation Date”**), then the Consolidated Leverage Ratio will be calculated giving pro forma effect to such incurrence, assumption, guarantee, repayment, repurchase or redemption of Indebtedness, or such issuance, repurchase or redemption of preference shares, and the use of the proceeds therefrom as if the same had occurred at the beginning of the two applicable semi-annual reference periods.

In addition, for purposes of calculating the Consolidated Leverage Ratio:

- (a) acquisitions that have been made by the specified Person or any of its Restricted Subsidiaries, including through mergers; consolidations, amalgamations or other business combinations and including any related financing transactions, during the two semi-annual reference periods or subsequent to such reference period and on or prior to the Consolidated Leverage Ratio Calculation Date will be given pro forma effect as if they had occurred on the first day of the semi-annual reference periods and Consolidated EBITDA and total Net Indebtedness for such reference period will be calculated on a pro forma basis in accordance with IFRS;
- (b) the Consolidated EBITDA attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Leverage Ratio Calculation Date, will be excluded;
- (c) the Indebtedness attributable to discontinued operations, as determined in accordance with IFRS, and operations or businesses disposed of prior to the Consolidated Leverage Ratio Calculation Date, will be excluded, but only to the extent that such Indebtedness will not be obligations of the specified Person or any of its Restricted Subsidiaries following the Consolidated Leverage Ratio Calculation Date.

For purposes of this definition, pro forma calculations shall be determined in good faith by a responsible financial or accounting officer of the Parent.

**“Consolidated Net Income”** means, with respect to any Person for any period, the aggregate of the Net Income of such Person and its Restricted Subsidiaries for such period, on a consolidated basis, determined in accordance with IFRS; provided that:

- (a) the Net Income (but not loss) of any other Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting will be included only to the extent of the amount of dividends or similar distributions paid in cash to the specified Person or a Restricted Subsidiary of the specified Person;
- (b) the Net Income of any Restricted Subsidiary will be excluded to the extent that the declaration or payment of dividends or similar distributions by that Restricted Subsidiary of that Net Income is not at the date of determination permitted without any prior governmental approval (that has not been obtained) or, directly or indirectly, by operation of the terms of its charter or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to that Restricted Subsidiary or its shareholders, provided that such Net Income shall be included up to the amount of cash actually distributed to the Person or a Restricted Subsidiary of the Person during such period as a dividend or distribution;
- (c) the cumulative effect of a change in accounting principles after the Issue Date will be excluded; and

- (d) any expenses, charges or other costs related to the Transactions and other debt issuances (including amortization of any such expenses, charges or other costs that have been capitalised) will be excluded.

**“Consolidated Total Assets”** means, at any time to be determined, the consolidated total assets of the Parent and its consolidated Subsidiaries calculated by reference to the then most recent consolidated accounts prepared in accordance with IFRS and published by the Parent.

**“Credit Facilities”** means, one or more borrowing facilities or commercial paper facilities, in each case, with banks or other institutional lenders providing for revolving credit loans, term loans, receivables financing (including through the sale of receivables to such lenders or to special purpose entities formed to borrow from such lenders against such receivables) or letters of credit, in each case, as amended, restated, modified, renewed, refunded, replaced or refinanced in whole or in part from time to time.

**“Default”** means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

**“Determination Agent”** means a financial adviser or bank being a reputable financial institution operating in the United States Treasury Securities market in New York which is independent of the Parent appointed by the Parent and at the Parent’s expense for the purpose of determining the Make Whole Prepayment Amount;

**“Disqualified Shares”** means any Equity Interests that, by their terms (or by the terms of any security into which it is convertible, or for which it is exchangeable, in each case at the option of the holder of the Equity Interests), or upon the happening of any event, matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder of the Equity Interests, in whole or in part, in each case on or prior to the date that is 91 days after the date on which the Notes mature. Notwithstanding the preceding sentence, any Equity Interests that would constitute Disqualified Shares solely because the holders of the Share Capital have the right to require the Parent to repurchase such Equity Interests upon the occurrence of a change of control or an asset sale will not constitute Disqualified Shares if the terms of such Equity Interests provide that the Parent may not repurchase or redeem any such Equity Interests pursuant to such provisions unless such repurchase or redemption complies with Clause 7.1.

**“Equity Interests”** of any Person means Share Capital and all warrants, options or other rights to acquire Share Capital (but excluding any Indebtedness that is convertible into, or exchangeable for, Share Capital) of any Person.

**“Equity Offering”** means an underwritten primary public offering or marketed private sale to institutional investors of ordinary Share Capital of the Parent or a direct or indirect parent company of the Parent to the extent the proceeds of such offering or sale are received by and contributed to the equity capital of the Parent.

**“Event of Default”** has the meaning assigned to the term in Clause 11.1.

**“Event of Illegality”** has the meaning assigned to the term in Clause 5.4.

**“Excess Proceeds”** has the meaning assigned to the term in Clause 7.4(c).

**“Existing Indebtedness”** means Indebtedness of the Parent and its Subsidiaries in existence on the Issue Date (other than Indebtedness under the Loan), until such amounts are repaid.

**“Facility”** means the U.S.\$350,000,000 term loan facility granted by the Lender to the Parent, as borrower, as specified in Clause 2.

**“Fair Market Value”** means the value that would be paid by a willing buyer to a willing seller that is not an Affiliate of the buyer in a transaction not involving distress or necessity of either party, determined in good faith by a Shareholders Resolution (unless otherwise provided in this Agreement), whose determination will be conclusive.

**“Global Certificates”** has the meaning given to it in the Trust Deed.

**“Government Securities”** means direct obligations of, obligations fully guaranteed by, or participations in pools consisting solely of obligations of or obligations guaranteed by the United States of America, the United Kingdom or any country of the European Union for the payment of which guarantee or obligations the full faith and credit of the United States of America, the United Kingdom or any country of the European Union is pledged and which are not callable or redeemable at the option of the issuer.

**“Group”** means the Company and its Subsidiaries taken as a whole.

**“guarantee”** means a guarantee other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner including, without limitation, by way of surety or a pledge of assets or through letters of credit or reimbursement agreements in respect thereof, of all or any part of any Indebtedness (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take or pay or to maintain financial statement conditions or otherwise).

**“Guarantee”** means any guarantee of the Parent’s obligations under the Loan or a guarantee of the Notes by any Restricted Subsidiary or any other Person.

**“Guarantor”** means any Restricted Subsidiary that executes and delivers to the Lender a Guarantee pursuant to which such Restricted Subsidiary unconditionally and irrevocably guarantees Parent’s obligations hereunder.

**“Hedging Obligations”** means, with respect to any specified Person, the obligations of such Person under:

- (a) interest rate swap agreements (whether from fixed to floating or from floating to fixed), interest rate cap agreements and interest rate collar agreements;
- (b) other agreements or arrangements designed to manage interest rates or interest rate risk; and
- (c) other agreements or arrangements designed to protect such Person against fluctuations in currency exchange rates or commodity prices.

**“Holder”** means the Person in whose name a Note is registered on the Registrar’s books.

**“IFRS”** means International Financial Reporting Standards as in effect from time to time.

**“Incur”** has the meaning assigned to the term in Clause 7.2(a).

**“Indebtedness”** means, with respect to any specified Person, any indebtedness of such Person (excluding accrued expenses and trade payables), without duplication, whether or not contingent:

- (a) in respect of borrowed money;
- (b) evidenced by bonds, notes, debentures or similar instruments or letters of credit (or reimbursement agreements in respect thereof) that have been drawn down, except to the extent the payment or reimbursement obligation under a letter of credit relates to trade payables and the obligation is satisfied within 30 days of incurrence;
- (c) in respect of banker’s acceptances;
- (d) representing Capital Lease Obligations or Attributable Debt in respect of sale and leaseback transactions;
- (e) representing the balance deferred and unpaid of the purchase price of any property or services; or
- (f) representing any Hedging Obligations;

if and to the extent any of the preceding items would appear as a liability upon a balance sheet of the specified Person prepared in accordance with IFRS. In addition, the term “Indebtedness” includes (i) all Indebtedness of others secured by a Lien on any asset of the specified Person (whether or not such Indebtedness is assumed by the specified Person), the amount of such obligation being deemed to be the lesser of the Fair Market Value of such assets and the amount of the obligation secured, and (ii) to the extent not otherwise included, the guarantee by the specified Person of any Indebtedness of any other Person.

Notwithstanding the foregoing, in connection with the purchase by the Parent or any of its Restricted Subsidiaries of any business, the term “Indebtedness” will exclude post-closing payment adjustments to which the seller may become entitled to the extent such payment is determined by a final closing balance sheet or such payment depends on the performance of such business after the closing.

The term “Indebtedness” shall not include (i) non-interest bearing instalment obligations and accrued liabilities incurred in the ordinary course of business that are not more than 90 days past due or that are being contested in good faith by appropriate proceedings instituted within a reasonable period of time and diligently pursued, provided that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor, (ii) any pension obligation of the Parent or any of its Restricted Subsidiaries or (iii) anything accounted for as an operating lease in accordance with IFRS.

“**Interest Payment Date**” means 30 April and 30 October of each year, commencing on 30 April 2018.

“**Interest Period**” has the meaning given to it in Clause 4.2.

“**Investment**” means, with respect to any Person, all direct or indirect investments by such Person in other Persons (including Affiliates) in the forms of loans (including guarantees or other obligations), advances or capital contributions (excluding advances to customers and commission, travel and similar advances to officers and employees made in the ordinary course of business), purchases or other acquisition for consideration of Indebtedness, Equity Interests or other securities, cash payments for the purposes of any sponsorship payments or charitable contributions, donations or financial aid, together with all items that are or would be classified as investments on a balance sheet prepared in accordance with IFRS. If the Parent or any Subsidiary of the Parent sells or otherwise disposes of any Equity Interests of any direct or indirect Subsidiary of the Parent such that, after giving effect to any such sale or disposition, such Subsidiary is no longer a Restricted Subsidiary, the Parent will be deemed to have made an Investment on the date of any such sale or disposition equal to the Fair Market Value of the Parent’s Investments in such Subsidiary that were not sold or disposed of in an amount determined as provided in Clause 7.1(d). The acquisition by the Parent or any Subsidiary of the Parent of a Person that holds an Investment in a third person will be deemed to be an Investment by the Parent or such Subsidiary in such third Person in an amount equal to the Fair Market Value of the Investments held by the acquired Person in such third Person in an amount determined as provided in Clause 7.1(d). Except as otherwise provided in this Agreement, the amount of an Investment will be determined at the time the Investment is made and without giving effect to subsequent changes in value.

“**Issue Date**” means 30 October 2017, the date of original issuance of the Notes.

“**Lien**” means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell give a security interest in and any filing of or agreement to give any financing statement under the applicable law of any jurisdiction.

“**Loan**”, at any time, means an amount equal to the aggregate principal amount of the Facility advanced by the Lender pursuant to this Agreement and outstanding at such time.

“**Make Whole Optional Prepayment Date**” has the meaning assigned to such term in sub-Clause 5.7 hereof;

“**Make Whole Prepayment Amount**” means the higher of (a) the portion of the Loan that is to be prepaid pursuant to Clause 5.7 and (b) the amount equal to the sum of the present value of the portion of the Loan that is to be prepaid pursuant to Clause 5.7, together with the present values of the scheduled interest payments on such portion of the Loan from the Make Whole Optional Prepayment

Date to the Repayment Date in each case, discounted to the Make Whole Optional Prepayment Date on a semi-annual compounded basis at the adjusted U.S. Treasury Rate plus 50 basis points, all as determined by the Determination Agent;

**“Material Subsidiary”** means any Subsidiary of the Parent:

- (a) whose total consolidated assets represent not less than ten per cent. of the consolidated total assets of the Parent and its Subsidiaries taken as whole or whose consolidated revenues represent not less than ten per cent. of the consolidated revenues of the Parent and its Subsidiaries taken as whole all as calculated by reference to the then latest audited IFRS financial statements of the Parent and its Subsidiaries taken as whole; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Parent which immediately before the transfer was a Material Subsidiary;

provided however, that an Officers’ Certificate that a Subsidiary of the Parent is or is not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

**“maximum fixed repurchase price”** has the meaning assigned to the term in Clause 7.2.

**“Net Income”** means, with respect to any specified person, the net income (loss) of such Person, determined in accordance with IFRS and before any reduction in respect of preference shares dividends.

**“Net Indebtedness”** means, with respect to any specified Person and as at any date of determination, the total Indebtedness of such Person less any Cash and Cash Equivalent Amounts, in each case, as at the date of such determination.

**“Net Proceeds”** means the aggregate cash proceeds received by the Parent or any of its Restricted Subsidiaries in respect of any Asset Sale (including, without limitation, any cash received upon the sale or other disposition of any non-cash consideration received in any Asset Sale, but only as and when received), net of the direct costs relating to such Asset Sale, including, without limitation, legal, accounting and investment banking fees, sales commissions and any relocation expenses incurred as a result of the Asset Sale and taxes paid or payable as a result of the Asset Sale, in each case, after taking into account any available tax credits or deductions, any tax sharing arrangements, and any amounts required to be applied to the repayment of Indebtedness secured by a Lien on the asset or assets that were the subject of such Asset Sale and any reserve for adjustment in respect of the sale price of such asset or assets established in accordance with IFRS.

**“Notes”** means the Issuer’s U.S.\$350,000,000 8.75 per cent. loan participation notes due 2022.

**“Obligations”** means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

**“Officer’s Certificate”** means a certificate signed by an officer of the Parent, a Guarantor or, for purposes of Clause 7.9, a surviving corporation.

**“Opinion of Counsel”** means a written opinion from legal counsel. The counsel may be an employee of or counsel to the Parent.

**“Paying Agency Agreement”** means the agency agreement relating to the Notes dated on or around the date hereof between the Lender, the Parent, the Trustee, the Paying Agent and the other agents named therein, as the same may be from time to time modified;

**“Paying Agent”** has the meaning given to it in the Paying Agency Agreement.

**“Principal Paying Agent”** means The Bank of New York Mellon, London Branch.

**“Permitted Business”** means (i) a business in the food and non-food retail or wholesale trade, including, without limitation, the purchase, production, processing, storage, distribution and retailing of food and non-food products and the construction, acquisition, rental and operation of hypermarkets,

supermarkets and convenience stores (the “**Retail Business**”), (ii) in respect of the Bank only, a business in the banking sector (the “**Banking Business**”) and (iii) any activity or business that is a reasonable extension or expansion of, or reasonably related, ancillary, incidental, similar or complementary to, a business described in the preceding clauses (i) and (ii).

“**Permitted Debt**” has the meaning set forth in Clause 7.2(b).

“**Permitted Investments**” means:

- (a) any Investment in the Parent or in a Restricted Subsidiary;
- (b) any Investment in Cash Equivalents or Government Securities;
- (c) any Investment by the Parent or any Restricted Subsidiary in a person, if as a result of such Investment:
  - (i) such person becomes a Restricted Subsidiary; or
  - (ii) such person is merged, consolidated, amalgamated or otherwise combined with or into, or transfers or conveys substantially all of its assets to, or is liquidated into, the Parent or a Restricted Subsidiary;
- (d) any Investment made as a result of the receipt of non-cash consideration from an Asset Sale that was made pursuant to and in compliance with Clause 7.4;
- (e) any acquisition of assets or Share Capital solely in exchange for the issuance of Equity Interests (other than Disqualified Shares) of the Parent;
- (f) any Investments received in compromise or resolution of:
  - (i) obligations of trade creditors or customers that were incurred in the ordinary course of business of the Parent or any of its Restricted Subsidiaries, including pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of any trade creditor or customer or pursuant to foreclosure of Liens; or
  - (ii) litigation, arbitration or other disputes with Persons who are not Affiliates;
- (g) Investments represented by Hedging Obligations;
- (h) loans or advances to employees made in the ordinary course of business of the Parent or a Restricted Subsidiary in an aggregate principal amount not to exceed U.S.\$5 million at any one time outstanding;
- (i) repurchases or redemptions of the Notes;
- (j) payroll, travel and similar advances to cover matters that are expected at the time of such advances ultimately to be treated as expenses for accounting purposes and that are made in the ordinary course of business;
- (k) any acquisition of the Share Capital of any Person from the Parent or any Restricted Subsidiary;
- (l) advances, loans or the extension of credit by the Bank in the ordinary course of business;
- (m) deposits, advances or prepayments made to suppliers, lessors or construction or other contractors in the ordinary course of business;
- (n) guarantees permitted to be incurred by Clause 7.15;
- (o) any investment in or cash payments to non-Affiliates of the Parent or its Restricted Subsidiaries, in an aggregate amount not to exceed 1 per cent. of Consolidated Total Assets per

year for the purposes of any sponsorship payments or charitable contributions, donations or financial aid or payments associated with or related to the same;

- (p) Investments existing on the Issue Date and any amendment, modification, restatement, supplement, extension, renewal, refunding, replacement or refinancing, in whole or in part, thereof; and
- (q) other Investments in any Person having an aggregate Fair Market Value (measured on the date each such Investment was made and without giving effect to subsequent changes in value), when taken together with all other Investments made pursuant to this paragraph (q) that are at the time outstanding of no more than U.S.\$50 million.

**“Permitted Liens”** means:

- (a) Liens on Inventory purchased with Indebtedness incurred under Credit Facilities permitted under Clause 7.2(b)(i);
- (b) Liens in favour of the Parent or any Guarantors to secure obligations which are not pledged to secure Indebtedness owing to third parties;
- (c) Liens on property of a person existing at the time such person is merged, consolidated, amalgamated or otherwise combined with or into the Parent or any Subsidiary of the Parent; provided that such Liens were in existence prior to the contemplation of such merger, consolidation, amalgamation or other combination and do not extend to any assets other than those of the person merged, consolidated, amalgamated or combined with the Parent or the Subsidiary;
- (d) Liens on property (including Share Capital) existing at the time of acquisition of the property or of the Restricted Subsidiary which owns the property by the Parent or any Subsidiary of the Parent, provided that such Liens were in existence prior to, such acquisition, and not incurred in contemplation of, such acquisition;
- (e) Liens to secure Indebtedness (including Capital Lease Obligations) permitted by Clause 7.2(b)(iv) covering only the assets acquired with or financed by such Indebtedness;
- (f) Liens for taxes, assessments or governmental charges or claims that are not yet delinquent or that are being contested in good faith by appropriate proceedings instituted within a reasonable period of time and diligently pursued, provided that any reserve or other appropriate provision as is required in conformity with IFRS has been made therefor;
- (g) Liens imposed by law, such as carriers’, warehousemen’s, landlord’s and mechanics’ Liens or other similar Liens, in each case, incurred in the ordinary course of business;
- (h) Liens created for the benefit of (or to secure) the Loan (or any Guarantees);
- (i) Liens securing Hedging Obligations permitted by Clause 7.2(b)(vii) and any Lien the principle purpose of which is to allow the setting off or netting of obligations under or in connection with any Hedging Obligation, in either case, so long as such Lien is over only (a) the assets that secure the Indebtedness that is the subject of the relevant Hedging Obligations or (b) cash or Cash Equivalents securing such Hedging Obligations;
- (j) Liens incurred or deposits made in connection with workers’ compensation, unemployment insurance, other types of social security and other types of related statutory obligations;
- (k) Liens in favour of customs or revenue authorities to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;
- (l) any retention of title reserved by any seller of goods or any Lien imposed, reserved or granted over goods supplied by such seller;

- (m) Liens arising out of or in connection with pre-judgment legal process or a judgement or a judicial awarded relating to security for costs;
- (n) Liens to secure any Permitted Refinancing Indebtedness as a whole, or in part, in respect of any Indebtedness secured by any Lien prior to the incurrence of such Refinancing Indebtedness; provided, however, that:
  - (i) such new Lien shall be limited to (A) all or part of the same property and assets that secured or, under the written agreements pursuant to which the original Lien arose, could secure the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof) or (B) property and/or assets the market value of which does not in aggregate exceed the market value of the property and/or assets that secured the original Lien (plus improvements and accessions to, such property or proceeds or distributions thereof); and
  - (ii) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (1) the outstanding principal amount or, if greater, committed amount of the Indebtedness at the time the original Lien became a Permitted Lien and (2) an amount necessary to pay any fees and expenses, including premiums, related to such refinancing, refunding, extension, renewal or replacement;
- (o) Liens to secure (A) the performance of statutory obligations surety or appeal bonds, performance bonds or other obligations of a like nature and (B) liabilities under letters of credit, guarantees and other financial instruments issued in connection with the acquisition and disposal of inventory, stock in trade, goods, services and other current assets (and the proceeds thereof), in each case incurred in the ordinary course of business;
- (p) Liens existing on the Issue Date (other than any Liens released or discharged upon repayment of Indebtedness with the proceeds of the Loan);
- (q) Liens to secure Indebtedness the proceeds of which are, within 30 days of incurrence, applied to replace, discharge, redeem or repay (i) the Loan in full or (ii) the outstanding principal amount of the Loan in part in accordance with the terms of this Loan Agreement;
- (r) survey exceptions, easements or reservations of, or rights of others for, licenses, rights-of-way, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real property that were not incurred in connection with Indebtedness and that do not in the aggregate materially adversely affect the value of said properties or materially impair their use in the operation of the business of such Person;
- (s) rights of set-off under contracts that do not relate to Indebtedness for borrowed money;
- (t) Liens resulting from escrow arrangements unrelated to Indebtedness for borrowed money entered into in connection with a disposition of assets;
- (u) Liens on pledges of Equity Interests of any Unrestricted Subsidiary securing any Indebtedness of such Unrestricted Subsidiary;
- (v) leases and subleases of property which do not materially interfere with the ordinary conduct of the business of the Parent or any of its Restricted Subsidiaries;
- (w) any right of refusal, right of first offer, option or other agreement to sell or otherwise dispose of an asset of the Parent or any Restricted Subsidiary;
- (x) Liens on the deposit accounts of the Parent or any Restricted Subsidiary (other than the Bank) arising by reason of any right of netting or set-off as such accounts in the ordinary course of the Group's banking operations;
- (y) Liens on property or assets under construction (and related rights) in favour of a contractor or developer or arising from progress or partial payment by a third party relating to such property or assets;



- (z) Liens over any asset of the Bank to secure Indebtedness permitted to be incurred under (xv) of paragraph (b) of Clause 7.2;
- (aa) Liens required to be created in accordance with the terms of binding documentation existing on the Issue Date;
- (bb) any extension, renewal or replacement, in whole or in part, of any Lien described in the foregoing clauses (a) through (aa); provided that any such extension, renewal or replacement shall be no more restrictive in any material respect than the Lien so extended, renewed or replaced and shall not extend to any additional property or assets and that to the extent such Lien secures Indebtedness, the principal amount of the Indebtedness so secured is not increased; and
- (cc) Liens incurred in the ordinary course of business of the Parent or any of its Restricted Subsidiaries with respect to obligations that do not exceed 10 per cent. of Consolidated Total Assets at any one time outstanding.

**“Permitted Proceeds Loans”** means the loans made by the Issuer, as lender, to the Parent, as borrower, in the amount of the gross proceeds received by the Issuer from the issuance of Capital Markets Debt (other than the Notes), provided that the Incurrence of Indebtedness by the Parent pursuant to such Permitted Proceeds Loan is not prohibited by Clause 7.2.

**“Permitted Refinancing Indebtedness”** means any Indebtedness of the Parent or any of its Restricted Subsidiaries issued in exchange for, or the net proceeds of which are used to refund, refinance, replace, defease or discharge other Indebtedness of the Parent or any of its Restricted Subsidiaries (other than intercompany Indebtedness), including Indebtedness that refinances Permitted Refinancing Indebtedness; provided that:

- (a) the principal amount (or accreted value, if applicable) of such Permitted Refinancing Indebtedness does not exceed the principal amount (or accreted value, if applicable) of the Indebtedness extended, refinanced, renewed, replaced, defeased or refunded (plus all accrued interest on the Indebtedness and the amount of all expenses and premiums incurred in connection therewith);
- (b) such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded;
- (c) if the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded is subordinated in right of payment to the Loan or the Guarantees, such Permitted Refinancing Indebtedness has a Weighted Average Life to Maturity equal to or greater than the Weighted Average Life to Maturity of, and is subordinated in right of payment to, the Loan and the Guarantees on terms at least as favourable to the Lender as those contained in the documentation governing the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded; and
- (d) to the extent such Indebtedness is incurred by a Restricted Subsidiary that is not a Guarantor, such Restricted Subsidiary was the obligor on the Indebtedness being extended, refinanced, renewed, replaced, defeased or refunded.

**“Permitted Subordinated Indebtedness”** means indebtedness that is (1) expressly subordinated in right of payment to the Notes or the Loan, (2) does not provide for any repayment of principal prior the Stated Maturity of the Notes or such date as the Notes are repaid in full, whichever is earlier, and (3) is not secured by any Lien on the assets of the Parent or any of its Restricted Subsidiaries;

**“Person”** means any individual, corporation, company, partnership, joint venture, association, joint stock company, trust, unincorporated organization, limited liability company or government or other entity.

**“QIB”** means a “Qualified Institutional Buyer” as defined under Rule 144A.

**“Qualified Expert”** means an accounting, appraisal, investment bank or other firm, in each case, of international standing, or another firm with specialist knowledge in valuing the property, assets or rights that are the subject of the relevant transaction.

**“Redemption Date”**, when used with respect to any Note to be redeemed, in whole or in part, means the date fixed for such redemption by or pursuant to the Trust Deed.

**“Reference Treasury Dealer”** means each of the three nationally recognised firms selected by the Determination Agent that are primary U.S. Government securities dealers;

**“Reference Treasury Dealer Quotations”** means with respect to each Reference Treasury Dealer and any Make Whole Optional Prepayment Date, the average, as determined by the Determination Agent, of the bid and asked prices for the Comparable Treasury Issue, expressed in each case as a percentage of its principal amount, quoted in writing to the Determination Agent by such Reference Treasury Dealer at 5:00 p.m., New York City time on the third business day (in New York City) immediately preceding such Make Whole Optional Prepayment Date;

**“Registrar”** has the meaning given to it in the Trust Deed.

**“Regulation S”** means Regulation S under the U.S. Securities Act.

**“Repayment Date”** means 30 October 2022.

**“Repayment Price”** means the price at which it is to be redeemed pursuant to this Agreement.

**“Restricted Investment”** means an Investment other than a Permitted Investment.

**“Restricted Payments”** has the meaning assigned to the term in 7.1(a).

**“Restricted Subsidiary”** means any Subsidiary of the Parent that is not an Unrestricted Subsidiary.

**“Rule 144”** means Rule 144 under the U.S. Securities Act.

**“Rule 144A”** means Rule 144A under the U.S. Securities Act.

**“Same-Day Funds”** means same day, freely transferable, clearly identifiable cleared U.S. Dollar-funds or such other funds for payment in U.S. Dollars as the Lender may at any time reasonably determine to be customary for the settlement of international transactions in London of the type contemplated hereby.

**“Share Capital”** means:

- (a) in the case of a corporation, corporate stock;
- (b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;
- (c) in the case of a partnership or limited liability company, partnership interests (whether general or limited), participatory interests or membership interests; and
- (d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Share Capital, whether or not such debt securities include any right of participation with Share Capital.

**“Shareholder Resolution”** means a resolution of the shareholders of the Parent made at a general meeting of such shareholders or in writing, in each case in accordance with applicable laws and the constitutive documents of the Parent.

**“Significant Subsidiary”** means any Subsidiary that would be a “significant subsidiary” as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated pursuant to the U.S. Securities Act, as such Regulation is in effect on the date hereof.

**“Stated Maturity”** means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

**“Subsidiary”** means, with respect to any specified Person:

- (a) any corporation, association or other business entity of which more than 50 per cent. of the total voting power of Share Capital entitled (without regard to the occurrence of any contingency and after giving effect to any voting agreement or stockholders’ agreement that effectively transfers voting power) to vote in the election of directors, managers or trustees of the corporation, association or other business entity is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person (or a combination thereof); and
- (b) any partnership (i) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such Person or (ii) the only general partners of which are that Person or one or more Subsidiaries of that Person (or any combination thereof).

**“Subscription Agreement”** means the subscription agreement between the Parent, the Lender and the Joint Lead Managers (as defined therein) dated on or about 19 October 2017 providing for the issuance of the Notes.

**“Successor Company”** has the meaning assigned to the term in Clause 7.9(a).

**“Taxes”** means any present or future taxes, duties, assessments, fees or other governmental charges imposed or levied by or on behalf of Belarus, Ireland or any jurisdiction from or through which a payment is made or any political subdivision or taxing authority thereof or therein, provided, however, that for the purposes of this definition the references to Ireland shall, upon the occurrence of a Relevant Event (as defined in the Trust Deed), be deemed to be references to the jurisdiction in which the Trustee is domiciled for tax purposes; and the term **“Taxation”** shall be construed accordingly.

**“Taxing Jurisdiction”** has the meaning assigned to the term in Clause 5.3

**“Transactions”** means (i) the Offering; (ii) the making of the Loan hereunder; and (iii) the payment of costs, fees and expenses, in each case, related thereto.

**“Trust Deed”** means the Trust Deed between the Trustee and the Issuer dated as of the Issue Date, setting forth the terms of the Notes.

**“Trustee”** means the party named as such in the Trust Deed until a successor replaces it in accordance with the provisions of the Trust Deed and, thereafter, means the successor serving hereunder.

**“Unrestricted Subsidiary”** means any Subsidiary of the Parent that is designated by a Shareholder Resolution as an Unrestricted Subsidiary in accordance with the provisions of Clause 7.7 (and any Subsidiary of an Unrestricted Subsidiary), but only to the extent that:

- (a) immediately after giving effect to such designation, the Parent could incur U.S.\$1.00 of additional Indebtedness under Clause 7.2(a); and
- (b) such designation and the Investment of the Parent or a Restricted Subsidiary in such Unrestricted Subsidiary complies with the provisions under Clause 7.1; and
- (c) no Default shall have occurred and be occurring.

**“U.S.\$” and “U.S. Dollars”** denote the lawful currency for the time being of the United States of America.

**“U.S. Exchange Act”** means the United States Securities Exchange Act of 1934.

**“U.S. Securities Act”** means the United States Securities Act of 1933.

**“U.S. Treasury Rate”** means either (i) the rate per annum equal to the yield, under the heading that represents the average for the week immediately preceding the third business day (in New York City) prior to the Make Whole Optional Prepayment Date, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication that is published weekly by the Board of Governors of the Federal Reserve System and that establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three months before or after the Repayment Date, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the U.S. Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the third business day (in New York City) prior to the relevant date or does not contain such yields, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for the Make Whole Optional Prepayment Date, in each case calculated on the third business day (in New York City) immediately preceding the Make Whole Optional Prepayment Date.

**“VAT”** means value added tax chargeable in accordance with (but subject to derogations from) Council Directive 2006/112/EC, any other tax of a similar fiscal nature and any other form of tax levied by reference to added value or sales, and any similar tax charged from time to time in substitution for or in addition to any of the above.

**“Voting Stock”** of any Person as of any date means the Share Capital of such Person that is at the time entitled to vote in the election of the Board of Directors of such Person.

**“Weighted Average Life to Maturity”** means, when applied to any Indebtedness at any date, the number of years obtained by dividing:

- (a) the sum of the products obtained by multiplying (i) the amount of each then remaining instalment, sinking fund, serial maturity or other required payments of principal, including payment at final maturity, in respect of the Indebtedness, by (ii) the number of years (calculated to the nearest one-twelfth) that will elapse between such date and the making of such payment; by
- (b) the then outstanding principal amount of such Indebtedness.

**“Wholly-Owned Restricted Subsidiary”** of any specified Person means a Restricted Subsidiary of such Person, all of the outstanding Share Capital or other ownership interests of which (other than directors’ qualifying shares) or shares required by applicable law to be held by a Person other than the Parent or a Restricted Subsidiary will at the time be owned by such Person or by one or more Wholly-Owned Restricted Subsidiaries of such Person.

## **1.2 Other Definitions**

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Trust Deed, the Notes, the Paying Agency Agreement or the Subscription Agreement shall have the meanings assigned to such terms therein, provided that in the case of terms defined or references herein to documents to which the Borrower is not a party, the Borrower has been sent an up-to-date copy of such documents by the Lender as soon as reasonably practicable (including any amendments thereto that may affect the meaning or interpretation of any such term or reference).

## **1.3 Interpretation**

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

- 1.3.1 all references to “Clause” or “sub-clause” are references to a Clause or sub-clause of this Agreement.

- 1.3.2 the terms “hereof”, “herein” and “hereunder” and other words of similar import shall mean this Agreement as a whole and not any particular part hereof.
- 1.3.3 words importing the singular number include the plural and vice versa.
- 1.3.4 the table of contents and the headings are for convenience only and shall not affect the construction hereof.
- 1.3.5 a reference to “this agreement” or to any other agreement or document referred to in this agreement is a reference to this agreement or such other document or agreement as varied, amended, novated, supplemented, extended or restated (in each case, other than in breach of the provisions of this agreement) from time to time.
- 1.3.6 a reference to a statute or statutory provision shall include all subordinate legislation under that statute or statutory provision, or replacement or substitution of such legislation, made from time to time.
- 1.3.7 a Default or Event of Default is “continuing” if has not been remedied or waived.
- 1.3.8 any reference to an amount in U.S. dollars (other than the amount of the Facility itself) shall include its equivalent in other currencies.

## **2 Facility**

### **2.1 Facility**

On the terms and subject to the conditions set forth herein, the Lender hereby agrees to lend to the Borrower, and the Borrower hereby agrees to borrow from the Lender, U.S.\$350,000,000.

### **2.2 Purpose**

The proceeds of the Advance will be used for the purposes set out in the Listing Particulars, but the Lender shall not be concerned with the application thereof.

### **2.3 Facility Fee**

The Borrower shall pay a fee to the Lender in consideration of the arrangement of the Facility of U.S.\$5,404,229 (the “**Facility Fee**”).

## **3 Drawdown**

### **3.1 Drawdown**

On the terms and subject to the conditions set forth herein, on the Issue Date the Lender shall make the Advance to the Borrower and the Borrower shall make a single drawing in the full amount of the Facility.

### **3.2 Payment of the Facility Fee**

The Borrower agrees to pay the Facility Fee to the Lender in Same-Day Funds not later than by 10 a.m. (New York City time) (or such earlier time as the Lender and the Borrower may otherwise agree) one Business Day prior to the Issue Date to such account as the Lender and the Borrower may agree in writing.

### **3.3 Disbursement**

Subject to the conditions set forth herein, on the Issue Date the Lender shall transfer in Same-Day Funds (unless the Lender and the Borrower agree otherwise) the amount of the Advance to the Borrower’s account notified to the Lender.

### 3.4 Ongoing Fees and Expenses

In consideration of the Lender (i) making the Loan available to the Borrower; and (ii) supporting such a continuing facility, the Borrower shall pay in one or more instalments on demand to the Lender each year an additional amount equating to all documented ongoing costs and expenses of the Lender properly incurred in connection with this Agreement or the Notes (including, without limitation, any taxes and any properly incurred corporate service provider fees, legal fees, listing fees, audit fees and any expenses properly incurred in order to maintain the Lender as a validly incorporated company and any expenses required to cover the Lender's anticipated winding-up expenses).

## 4 Interest

### 4.1 Rate of Interest

The Borrower will pay interest in U.S. Dollars to the Lender on the outstanding principal amount of the Loan from time to time hereunder at the rate of 8.75 per cent. per annum (the "**Rate of Interest**").

### 4.2 Payment

Interest at the Rate of Interest shall accrue from day to day, starting from (and including) the Issue Date and shall be paid in respect of each Interest Period one Business Day prior to each Interest Payment Date to the Account. Interest on the Loan will cease to accrue from (and excluding) the due date for repayment thereof unless payment of principal is improperly withheld or refused, in which event interest will continue to accrue (before or after any judgment) at the Rate of Interest to but excluding the date on which payment in full of the principal thereof is made. Interest in respect of the Loan shall be calculated per U.S.\$1,000 in principal amount of the Loan (the "**Calculation Amount**"). The amount of interest payable per the Calculation Amount for any Interest Period shall be calculated by applying the Rate of Interest to the Calculation Amount and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). If interest is required to be calculated for any other period, it will be calculated on the basis of a 360 day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of actual days elapsed.

"**Interest Period**" means each period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

## 5 Repayment and Prepayment

### 5.1 Final Repayment

Except as otherwise provided herein, the Parent shall repay the Loan not later than 10 a.m. (New York City time) one Business Day prior to the Repayment Date.

### 5.2 Amortisation

The Parent shall, on each Interest Payment Date commencing on the Interest Payment Date falling on 30 April 2021, prepay the Loan in the amount equal to the lesser of (x) the amount set out in the table below or (y) the aggregate principal amount of the Loan then outstanding:

Interest Payment Date:	Instalment Amount:
30 April 2021	U.S.\$50,000,000
30 October 2021	U.S.\$50,000,000
30 April 2022	U.S.\$125,000,000
30 October 2022	U.S.\$125,000,000

### 5.3 Prepayment in the Event of Taxes or Increased Costs

If, (i) as a result of any change in, or amendment to the laws or regulations of Belarus or Ireland or of any political sub-division thereof or any authority thereof or therein having power to tax (the “**Taxing Jurisdiction**”), or any change in the application or official interpretation of such laws and regulations, which change or amendment becomes effective on or after the date of this Agreement, the Parent would thereby be required to make or increase any payment due hereunder as provided in Clauses 6.2 and 6.3 (other than, in each case, where the increase in payment is in respect of any amounts due or paid pursuant to Clause 3.1), or (ii) (for whatever reason) the Parent would have to or has been required to pay additional amounts pursuant to Clause 9, and in any such case such obligation cannot be avoided by the Parent taking reasonable measures available to it, then the Parent may (without premium or penalty), upon not less than 30 calendar days’ nor more than 60 calendar days’ prior written notice to the Lender (which notice shall be irrevocable), prepay the Loan in whole (but not in part) at any time.

Prior to giving any such notice in the event of an increase in payment pursuant to Clause 6.2, the Parent shall deliver to the Lender (with a copy to the Trustee) an Officers’ Certificate confirming that the Parent would be required to increase the amount payable, supported by an opinion of an independent tax adviser of international repute addressed to the Lender.

#### **5.4 Prepayment in the Event of Illegality**

If, at any time, by reason of the introduction of any change after the date of this Agreement in any applicable law, regulation, regulatory requirement or directive of any applicable Agency, the Lender reasonably determines (setting out in reasonable detail the nature and extent of the relevant circumstances and such determination being accompanied if so requested by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by the Parent) that it is or would be unlawful or contrary to any applicable law, regulation, regulatory requirement or directive of any Agency or otherwise for the Lender to allow all or part of the Loan or the Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with this Agreement and/or to charge or receive or to be paid interest at the rate then applicable to the Loan (an “**Event of Illegality**”), then upon notice by the Lender to the Parent in writing, the Parent and the Lender shall consult in good faith as to a basis which eliminates the application of such Event of Illegality; provided, however, that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 days of the date on which it so notified the Parent. If such a basis has not been determined within the 30 days, then upon written notice by the Lender to the Parent and the Trustee, the Parent shall prepay the Loan in whole (but not in part) on the next Interest Payment Date or on such earlier date as the Lender shall (acting reasonably) certify to be necessary to comply with such requirements.

#### **5.5 Prepayment upon Change of Control Put Event**

5.5.1 Promptly, and in any event within 30 calendar days after becoming aware of the occurrence of any Change of Control Put Event, the Parent shall deliver to the Lender and the Trustee a written notice in the form of an Officers’ Certificate, which notice shall be irrevocable, stating that a Change of Control Put Event has occurred and stating the circumstances and relevant facts giving rise to such Change of Control Put Event.

5.5.2 If, following a Change of Control Put Event, any Holder has exercised its Change of Control Put Option, the Parent shall on the Change of Control Put Settlement Date, prepay 101 per cent. of the principal amount of the Loan in an amount which corresponds to the aggregate principal amount of the Notes (as notified to the Parent by the Paying Agents) in relation to which the Change of Control Put Option has been duly exercised together with interest accrued (if any) to the Change of Control Put Settlement Date in accordance with the Conditions.

#### **5.6 Equity Call Option**

At any time prior to 30 April 2021, upon not less than 30 nor more than 60 days’ notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the “**Equity Call Prepayment Date**”), the Parent may, at its option, on any one or more occasions prepay up to 35 per cent. of the aggregate principal amount of the Loan in the amount equal to 108.75 per cent. of the Loan that is being prepaid, plus accrued and unpaid interest on the Loan so prepaid to but excluding the Equity Call Prepayment Date, with the net cash proceeds of one or more Equity Offerings; provided that:

- (i) at least 65 per cent. of the aggregate principal amount of the Loan remains outstanding immediately after the occurrence of such repayment; and
- (ii) the repayment occurs within 90 days of the date of the closing of such Equity Offering.

## **5.7 Optional Prepayment at Make-Whole**

The Parent may, at any time, on giving not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the date fixed for prepayment (the "**Make Whole Optional Prepayment Date**")), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date.

## **5.8 Reduction of Loan upon Cancellation of Notes**

The Lender, the Parent or any member of the Group may from time to time, in accordance with the Conditions, purchase Notes in the open market or by tender or by a private agreement at any price. The Lender, the Parent or any such member of the Group may, at its option, hold, reissue, resell or, in the case of the Parent or such member of the Group, from time to time deliver to the Lender Notes together with a request (a "**Request**") for the Lender to present such Notes to the Registrar for cancellation or from time to time procure the delivery to the Registrar of instructions ("**Instructions**") to redeem and thereafter cancel a specified aggregate principal amount of Notes represented by the Global Certificate in each case upon not less than 30 days' notice. Any Instructions shall be accompanied by evidence reasonably satisfactory to the Lender and Registrar that the Lender, the Parent or any such member of the Group is entitled to give such Instructions or Request (or, in the case of Notes represented by the Global Certificate, request that the account entries in the records of the relevant clearing system reflecting the Lender's, the Parent's or any such member of the Group's beneficial interest in such part of the Global Certificate be updated to reflect such cancellation) on the date specified in the Instructions or Request (as the case may be) whereupon the Register shall be updated accordingly to reflect such cancellation. On and with effect from the date specified in any Request or, as the case may be, Instructions, the Loan shall be deemed to be prepaid for all purposes in an amount as corresponds to the aggregate principal amount of Notes so cancelled and no further interest shall be payable with respect thereto.

## **5.9 Payment of Other Amounts**

If the Loan is to be prepaid by the Parent pursuant to any of the provisions of Clauses 5.2, 5.3, 5.4, 5.5, 5.6 or 5.7 the Parent shall (i) no later than one Business Day prior to the due date for such payment, deposit in the Account an amount in cash equal to the amount required to be paid on such due date, and (ii) simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual payment and all other sums payable by the Parent pursuant to this Agreement in relation to the prepaid amount. For the avoidance of doubt, if the principal amount of the Loan is reduced pursuant to the provisions of Clause 5.8, then no interest shall accrue or be payable during the Interest Period in which such reduction takes place in respect of the amount by which the Loan is so reduced and the Lender shall not be entitled to any interest in respect of the cancelled Notes.

## **5.10 Provisions Exclusive**

The Parent shall not prepay or repay all or any part of the amount of the Loan except at the times and in the manner expressly provided for in this Agreement. The Parent shall not be permitted to re-borrow any amounts prepaid or repaid.

# **6 Payment**

## **6.1 Making of Payments**

All payments of principal, interest and additional amounts to be made by the Parent under this Agreement shall be made unconditionally by credit transfer to the Lender not later than 10 a.m. (New York City time) one Business Day prior to each Interest Payment Date or the Repayment Date or the date of any payment (as the case may be) in Same-Day Funds to the Account, or as the Trustee may otherwise direct following the occurrence of a Relevant Event (as defined in the Trust Deed).



The Parent shall, before 10 a.m. (New York City time) on the second Business Day prior to each Interest Payment Date or the Repayment Date or such other date (as the case may be), procure that the bank effecting such payments on its behalf confirms the payment instructions relating to such payment to the Principal Paying Agent or to the Parent (who shall immediately provide the same to the Principal Paying Agent) by authenticated SWIFT.

The Lender agrees with the Parent that it will not deposit any other moneys into the Account and that no withdrawals shall be made from the Account other than as provided for and in accordance with the Trust Deed and the Paying Agency Agreement.

The parties to the Trust Deed and the Paying Agency Agreement are intended by the parties to this Agreement to have the right under the Contracts (Rights of Third Parties) Act 1999 to enforce the terms of this Clause 6.1.

## **6.2 No Set-Off, Counterclaim or Withholding; Gross-Up**

All payments to be made by the Parent under this Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes. If the Parent shall be required by applicable law to make any deduction or withholding from any payment under this Agreement for or on account of any such Taxes, it shall, on the due date for such payment, increase the payment of principal or interest or any other payment due hereunder to such amount as may be necessary to ensure that the Lender receives a net amount in U.S. Dollars equal to the full amount which it would have received had payment not been made subject to such Taxes, and shall promptly account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under applicable law, and shall deliver to the Lender without undue delay evidence of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of such Taxes (including penalties or interest) the Parent shall reimburse the Lender in U.S. Dollars for such properly documented payment on demand.

## **6.3 Withholding on the Notes**

Without prejudice to the provisions of Clause 6.2, if the Lender notifies the Parent (setting out in reasonable detail the nature and extent of the obligation) that it has become obliged to make any withholding or deduction for or on account of any Taxes, or would otherwise be obliged to make but for the imposition of any such withholding or deduction for or on account of such Taxes, under or in respect of the Notes, the Parent agrees to pay into the Account in Same-Day Funds, no later than one Business Day prior to the date on which payment is due to the Holders, such additional amounts as are equal to the additional amounts which the Lender would be required to pay in order that the net amounts received by the Holders, after such withholding or deduction, will equal the respective amounts which would have been received by the Holders in the absence of such withholding or deduction; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of any reimbursement of the sums paid pursuant to this provision, to the extent that any Holders are not entitled to such additional amounts pursuant to the Conditions, pay such additional amounts to the Parent (it being understood that neither the Lender nor any Paying Agent shall have any obligation to determine whether any Holder is entitled to any such additional amounts).

Any notification by the Lender to the Parent in connection with this Clause 6.3 shall be given as soon as reasonably practicable after the Lender becomes aware of any obligation on it to make any such withholding or deduction.

## **6.4 Reimbursement**

To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding with respect to which the Parent has made a payment pursuant to this Clause 6, the Lender shall promptly pay to the Parent so much of the benefit it received as will leave the Lender in substantially the same position as it would have been had no additional amount been required to be paid by the Parent pursuant to this Clause 6; provided, however, that the question of whether any such benefit has been received, and accordingly, whether any payment should be made to the Parent, the amount of any such payment and the timing of any such payment, shall be determined reasonably by the Lender. Subject to Clause 6.5, the Lender shall have the absolute

discretion whether, and in what order and manner, it claims any credits, allowances or refunds available to it, and the Lender shall in no circumstances be obliged to disclose to the Parent any information regarding its tax affairs or its computations.

## **6.5 Mitigation**

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of the Parent to make any deduction, withholding or payment as described in Clauses 6.2 and 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or the Parent's obligations, under such Clause, such party shall as soon as reasonably practicable upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be available to it to avoid such obligation or mitigate the effect of such circumstances. The Parent agrees to reimburse the Lender upon receipt of an original demand for payment for all properly documented costs and expenses (including but not limited to legal fees) incurred by the Lender in connection with this Clause 6.5.

## **7 Covenants**

### **7.1 Limitation on Restricted Payments**

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly:
  - (i) declare or pay any dividend or make any other payment or distribution on account of the Parent's or any of its Restricted Subsidiaries' Equity Interests (including, without limitation, any payment in connection with any merger, consolidation, amalgamation or other business combination involving the Parent or any of its Restricted Subsidiaries) or to the direct or indirect holders of the Parent's or any of its Restricted Subsidiaries' Equity Interests in their capacity as such (other than (A) dividends or distributions payable in Equity Interests (other than Disqualified Shares) or in options, warrants or other right to acquire Equity Interests (other than Disqualified Shares), (B) dividends or distributions payable solely to the Parent or a Wholly-Owned Restricted Subsidiary and (C) pro rata dividends or other distributions made by a Subsidiary that is not a Wholly-Owned Restricted Subsidiary to minority shareholders (or owners of an equivalent interest in the case of a Subsidiary that is an entity other than a corporation) or such dividends or distributions on a basis that results in the Parent or a Restricted Subsidiary receiving dividends or other distributions of greater value than would result on a pro rata basis);
  - (ii) purchase, redeem or otherwise acquire or retire for value (including, without limitation, in connection with any merger, consolidation, amalgamation or other business combination involving the Parent) any Equity Interests of the Parent or any direct or indirect parent of the Parent, in each case held by Persons other than the Parent;
  - (iii) make any payment on or with respect to, or purchase, redeem, defease or otherwise acquire or retire for value any Indebtedness of the Parent or any Restricted Subsidiary that is contractually subordinated to the Notes, a Guarantee or the Loan (excluding any intercompany Indebtedness between or among the Parent and any of its Restricted Subsidiaries or between Restricted Subsidiaries), except a payment of interest or a payment of principal no more than 90 days prior to the original Stated Maturity thereof and except the purchase, redemption, defeasance, acquisition or retirement of subordinated obligations purchased in anticipation of satisfying a sinking fund obligation, principal instalment or final maturity of such subordinated obligations, in each case due within 360 days of the date of such purchase, redemption, defeasance, acquisition or retirement; or

- (iv) make any Restricted Investment;

(all such payments and other actions set forth in these sub-paragraphs (i) through (iv) above being collectively referred to as “**Restricted Payments**”).

- (b) Notwithstanding paragraph (a) above, the Parent or any other Restricted Subsidiary may make a Restricted Payment if, at the time of and after giving effect to, such Restricted Payment:
  - (i) no Default or Event of Default has occurred and is continuing or would occur as a consequence of such Restricted Payment; and
  - (ii) the Parent would, at the time of such Restricted Payment and after giving pro forma effect thereto as if such Restricted Payment had been made at the beginning of the applicable two semi-annual reference periods, have been permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to Clause 7.2(a); and
  - (iii) such Restricted Payment, together with the aggregate amount of all other Restricted Payments (excluding Restricted Payments permitted by sub-paragraphs (ii), (iii), (iv), (v), (vi) and (vii) of Clause 7.1(c)) made by the Parent and its Restricted Subsidiaries since the Issue Date does not exceed the sum, without duplication, of:
    - (A) 50 per cent. of the Consolidated Net Income of the Parent for the period (taken as one accounting period) from the beginning of the first fiscal semi-annual period commencing on 1 July 2017 to the end of the Parent’s most recently ended fiscal semi-annual period for which publicly available financial statements are available at the time of such Restricted Payment (or, if such Consolidated Net Income for such period is a deficit, less 100 per cent. of such deficit); plus
    - (B) 100 per cent. of the aggregate gross proceeds received by the Parent since the Issue Date (1) as a contribution to its ordinary Share Capital, (2) from the issue or sale or exercise of Equity Interests of the Parent (other than Disqualified Shares), (3) from the issue or sale of convertible or exchangeable Disqualified Shares or convertible or exchangeable debt securities of the Parent that have been converted into or exchanged for such Equity Interests (other than Equity Interests (or Disqualified Shares or debt securities) sold to a Subsidiary of the Parent) or (4) from the issue of Indebtedness of the Parent or a Restricted Subsidiary for cash since the Issue Date that has been converted into or exchanged for such Equity Interests (other than Disqualified Shares); plus
    - (C) an amount equal to the aggregate net reduction in Restricted Investments (other than any such Restricted Investment made pursuant to sub-paragraph (i) to (x) of Clause 7.1(c)) made after the Issue Date by the Parent or any Restricted Subsidiary and resulting from the repurchase, repayment or redemption of such Restricted Investments for cash, or from cash proceeds realised on the sale of all or part of such Investment or representing a return of capital (excluding dividends) with respect thereto; provided, however, that the foregoing net reduction shall not exceed the amount (in respect of any Person) of the Restricted Investment previously made (and treated as a Restricted Payment) by the Parent or any Restricted Subsidiary in such Person; plus
    - (D) to the extent that any Unrestricted Subsidiary of the Parent designated as such after the Issue Date is redesignated as a Restricted Subsidiary after the Issue Date, the lesser of (1) the Fair Market Value of the Parent’s Investment in such Subsidiary as of the date of such redesignation or (2) the sum of (i) such Fair Market Value as of the date on which such Subsidiary was originally designated as an Unrestricted Subsidiary after the Issue Date and (ii) the amount of any subsequent Investment by the Parent and its Restricted Subsidiaries in such Unrestricted Subsidiary made (and treated as a Restricted Payment) after the Issue Date and the original date of designation.

- (c) Paragraphs (a) and (b) above shall not prohibit:
- (i) the payment of any dividend within 180 days after the date of declaration of the dividend, if, at the date of declaration, the dividend payment would have complied with the provisions of this Agreement;
  - (ii) the making of any Restricted Payment in substantially concurrent exchange (within a calendar month) for, or out of the net cash proceeds of the substantially concurrent sale (other than to a Subsidiary of the Parent) (within a calendar month) of, Equity Interests of the Parent (other than Disqualified Shares) or from or which is used to effect the substantially concurrent contribution (within a calendar month) of ordinary equity capital to the Parent; provided that the amount of any such net cash proceeds that are utilised for any such Restricted Payment will be excluded from sub-paragraph (iii)(B) of paragraph (b) above;
  - (iii) the defeasance, redemption, repurchase or other acquisition of Indebtedness of the Parent or any Restricted Subsidiary that is contractually subordinated to the Notes, any Guarantee or the Loan with the net cash proceeds from a substantially concurrent incurrence of Permitted Refinancing Indebtedness;
  - (iv) the payment of any dividend (or, in the case of any partnership or limited liability company, any similar distribution) by a Restricted Subsidiary to the holders of such Restricted Subsidiary's ordinary Equity Interests on a pro rata basis;
  - (v) the repurchase of Equity Interests deemed to occur upon the exercise of stock options or warrants to the extent such Equity Interests represent a portion of the exercise price of such stock options or warrants;
  - (vi) the repurchase, redemption, or other acquisition for value of Share Capital of the Parent or any Restricted Subsidiary representing fractional shares of such Share Capital in connection with a share dividend, distribution, share split, reverse share split, merger, consolidation, amalgamation or other business combination of the Parent or such Restricted Subsidiary, in each case, permitted under this Agreement;
  - (vii) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, the declaration and payment of regularly scheduled or accrued dividends to holders of any class or series of Disqualified Shares of the Parent issued on or after the Issue Date in accordance with Clause 7.2(a);
  - (viii) payments or distributions to dissenting shareholders or holders of participatory interests pursuant to applicable law in connection with or contemplation of a merger, consolidation or transfer of assets;
  - (ix) the purchase, redemption or other acquisition of Equity Interests of the Parent or any of its Subsidiaries from employees, former employees, directors or former directors of the Parent or any of its Subsidiaries (or any of their respective permitted transferees) pursuant to the terms of the agreements (including employment agreements) or plans (or amendments thereto) approved by a Shareholder Resolution under which such individuals purchase or sell or are granted the option to purchase or sell such Equity Interests in an amount of up to U.S.\$10 million in any fiscal year;
  - (x) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, the payment of dividends to shareholders or holders of participatory interests of the Parent not exceeding (i) U.S.\$10 million in any financial year, or (ii) to the extent the Consolidated Leverage Ratio on the date such dividends are paid, after giving pro forma effect to the payment of such dividends as if such dividends had been paid at the beginning of the applicable two semi-annual reference periods, would be not more than 2.0 to 1, U.S.\$30 million in that financial year; and

- (xi) so long as no Event of Default or Default has occurred and is continuing and no Default or Event of Default would be caused thereby, other Restricted Payments in an aggregate amount not to exceed U.S.\$20 million since the Issue Date.
- (d) The amount of all Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the Parent or such Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The Fair Market Value of any assets or securities that are required to be valued by this Clause 7.1 will be determined in good faith by the Shareholders' whose resolution with respect thereto will be delivered to the Lender (with a copy to the Trustee) along with an Officer's Certificate setting forth the Fair Market Value. The Shareholders' determination must be based upon an opinion or appraisal issued by a Qualified Expert if the estimated Fair Market Value thereof exceeds U.S.\$50 million.

## 7.2 Limitation on Incurrence of Indebtedness and Issuance of Preference Shares.

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, issue, assume, guarantee or otherwise become directly or indirectly liable, contingently or otherwise, with respect to (collectively, "**incur**") any Indebtedness (including Acquired Debt), and the Parent will not issue any Disqualified Shares and will not permit any of its Restricted Subsidiaries to issue any preference shares; provided, however, that the Parent may incur Indebtedness or issue Disqualified Shares and any Restricted Subsidiary may incur Indebtedness (including Acquired Debt), if:
  - (i) the Consolidated Leverage Ratio on the date of such incurrence or issue and after giving pro forma effect to such incurrence or issue (including pro forma application of the net proceeds therefrom) as if it had been incurred at the beginning of the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made available) would have been (i) at any time prior to 1 January 2019, no more than 3.5 to 1 and (ii) at any time from and after 1 January 2019, no more than 3.0 to 1; and
  - (ii) the Consolidated Fixed Charge Coverage Ratio on the date of such incurrence or issue and after giving pro forma effect to such incurrence or issue (including pro forma application of the net proceeds therefrom) as if it had been incurred at the beginning of the most recent two consecutive fiscal semi-annual periods for which financial statements are publicly available (or are made available) would have been (i) at any time prior to 1 January 2019, no less than 2.0 to 1 and (ii) at any time from and after 1 January 2019, no less than 2.5 to 1.
- (b) Paragraph (a) above shall not, however, prohibit the incurrence of any of the following items of Indebtedness (collectively, "**Permitted Debt**"):
  - (i) the incurrence by the Parent and its Restricted Subsidiaries of Indebtedness for working capital purposes under or in the form of one or more Credit Facilities in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (i), at any one time outstanding under this sub-paragraph (i) (with Credit Facilities being deemed to have a principal amount equal to the maximum potential liability of the Parent and its Restricted Subsidiaries thereunder) not to exceed U.S.\$250 million;
  - (ii) the incurrence by the Parent and its Restricted Subsidiaries of Existing Indebtedness (other than Indebtedness described in sub-paragraphs (i) and (iii) of this paragraph);
  - (iii) the incurrence by the Parent and any Guarantors of Indebtedness represented by the Loan and any Guarantees;
  - (iv) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness represented by Capital Lease Obligations, mortgage financings or purchase money obligations, in each case, incurred for the purpose of financing all or any part of the

purchase price or cost of design, construction, installation or improvement of property, plant or equipment used in the business of the Parent or any of its Restricted Subsidiaries, whether through the direct purchase of assets or the ordinary shares of any Person owning such assets (including any Indebtedness deemed to be incurred in connection with such purchase), in an aggregate principal amount, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (iv), not to exceed U.S.\$50 million at any time outstanding;

- (v) the incurrence by the Parent or any of its Restricted Subsidiaries of Permitted Refinancing Indebtedness in exchange for, or the net proceeds of which are used within 30 days of incurrence to refund, refinance, replace, defease or discharge Indebtedness (other than intercompany Indebtedness (provided that the Loan may only be refunded or refinanced to the extent required in connection with any permitted refinancing of the Notes)) that was permitted to be incurred under paragraph (a) above or sub-paragraphs (i), (ii), (iii), (iv), (v) or (xi) of this paragraph;
- (vi) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness between or among the Parent and any of its Restricted Subsidiaries; provided, however, that: (A) if the Parent or any Guarantor is the obligor on such Indebtedness and the payee is not the Parent or a Guarantor, such Indebtedness must be expressly subordinated in right of payment to the prior payment in full in cash of all Obligations with respect to the Loan, in the case of the Parent, or any Guarantees, in the case of a Guarantor; and (B)(i) any subsequent issuance or transfer of Equity Interests that results in any such Indebtedness being held by a Person other than the Parent or a Restricted Subsidiary and (ii) any sale or other transfer of any such Indebtedness to a Person that is neither the Parent nor a Restricted Subsidiary will be deemed, in each case, to constitute an incurrence of such Indebtedness by the Parent or such Restricted Subsidiary, as the case may be, that was not permitted by this sub-paragraph (vi);
- (vii) the incurrence by the Parent or any of its Restricted Subsidiaries of Hedging Obligations (A) for the purpose of fixing or hedging interest rate risk with respect to or in connection with any Indebtedness that is permitted by the terms of this Agreement to be outstanding or (B) for the purpose of fixing or hedging currency exchange rate risk or changes in the prices of commodities, in each case, in the ordinary course of business of the Parent and its Restricted Subsidiaries and not entered into for speculative purposes and including any such Hedging Obligations incurred in connection with the Loan;
- (viii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness under trade credit facilities in the ordinary course of business that is required to be repaid within 12 months of drawdown;
- (ix) the guarantee by the Parent or any of its Restricted Subsidiaries (other than the Parent) of Indebtedness of the Parent or a Restricted Subsidiary that was permitted to be incurred by another provision of this Clause 7.2; provided that if the Indebtedness being guaranteed is subordinated in right of payment to the Loan or any Guarantees, then such guarantee shall be subordinated to the same extent as the Indebtedness guaranteed;
- (x) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from agreements of the Parent or a Restricted Subsidiary providing for indemnification, adjustment of purchase price or similar obligations, in each case, incurred or assumed in connection with the disposition of any business, assets or Share Capital of a Subsidiary, other than guarantees of Indebtedness of the Subsidiary disposed of, or incurred or assumed by any Person acquiring all or any portion of such business, assets or Share Capital for the purpose of financing such acquisition; provided that the maximum liability of the Parent and its Restricted Subsidiaries in respect of all such Indebtedness shall at no time exceed the gross proceeds, including the Fair Market Value of non-cash proceeds (measured at the time received and

without giving effect to any subsequent changes in value) actually received by the Parent and its Restricted Subsidiaries in connection with such disposition;

- (xi) the incurrence or acquisition by the Parent or any of its Restricted Subsidiaries of Indebtedness, Disqualified Shares or preference shares of Persons that are acquired by the Parent or any of its Restricted Subsidiaries or merged, consolidated, amalgamated or otherwise combined with (including pursuant to any acquisition of assets and assumption of related liabilities) the Parent or any of its Restricted Subsidiaries in accordance with the terms of this Agreement; provided that such Indebtedness, Disqualified Shares or preference shares are not incurred or issued in connection with such acquisition, merger, consolidation, amalgamation or other combination, and, after giving effect to such acquisition, merger, consolidation, amalgamation or other combination the Parent or such Restricted Subsidiary would be permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to paragraph (a) above;
  - (xii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness in respect of workers' compensation claims, self-insurance obligations, bankers' acceptances, performance and surety bonds or letters of credit or other similar obligations in the ordinary course of business (including guarantees or indemnities related thereto);
  - (xiii) the incurrence by the Parent or any of its Restricted Subsidiaries of Indebtedness arising from the honouring by a bank or other financial institution of a check, draft or similar instrument inadvertently drawn against insufficient funds, so long as such Indebtedness is covered within five Business Days of Incurrence;
  - (xiv) Indebtedness of the Parent or any of its Restricted Subsidiaries consisting of customer deposits or advances in the ordinary course of the Retail Business;
  - (xv) the incurrence by the Bank of Indebtedness in the ordinary course of its Banking Business in the aggregate amount at any time outstanding not exceeding 10 per cent. of the Consolidated Total Assets, and provided that none of the Parent or its other Restricted Subsidiaries guarantee or are otherwise obligors in respect of any such Indebtedness; or
  - (xvi) the incurrence by the Parent and any Guarantor of additional Indebtedness in an aggregate principal amount (or accreted value, as applicable) at any time outstanding, including all Permitted Refinancing Indebtedness incurred to refund, refinance, replace, defease or discharge any Indebtedness incurred pursuant to this sub-paragraph (xvi), not to exceed U.S.\$30 million at any time outstanding.
- (c) The Parent will not incur, and will not permit any Guarantor to incur, any Indebtedness (including Permitted Debt) that is contractually subordinated in right of payment to any other indebtedness of the Parent or such Guarantor unless such Indebtedness is also contractually subordinated in right of payment to the Notes, the Loan or the applicable Guarantee on substantially identical terms; provided, however, that no Indebtedness will be deemed to be contractually subordinated in right of payment to any other Indebtedness of the Parent or such Guarantor solely by virtue of being unsecured or by virtue of being secured on a junior Lien basis or by virtue of not being guaranteed.
- (d) For purposes of determining compliance with this Clause 7.2, in the event that an item of proposed Indebtedness meets the criteria of more than one of the categories of Permitted Debt described in sub-paragraphs (i) through (xv) of paragraph (b) above, or is entitled to be incurred pursuant to paragraph (a) above, the Parent, in its sole discretion, will be permitted to classify, and from time to time to reclassify, such item of Indebtedness (or any portion thereof) in any manner that complies with this Clause 7.2. Notwithstanding the foregoing sentence, Indebtedness under Credit Facilities initially incurred pursuant to sub-paragraph (i) of paragraph (b) above may not be so reclassified. The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, and the payment of dividends on Disqualified Shares in the form of additional shares or participatory interests of the same class

of Disqualified Shares will not be deemed to be an incurrence of Indebtedness or an issuance of Disqualified Shares for purposes of this Clause 7.2. Notwithstanding any other provision of this Clause 7.2, the maximum amount of Indebtedness that the Parent or any Restricted Subsidiary may incur pursuant to this Clause 7.2 shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

- (e) The amount of any Indebtedness outstanding as of any date will be:
  - (i) the accreted value of the Indebtedness, in the case of any Indebtedness issued with original issue discount;
  - (ii) in respect of Indebtedness of another Person secured by a Lien on the assets of the specified Person, the lesser of: (A) the Fair Market Value of such asset at the date of determination, and (B) the amount of the Indebtedness of the other Person;
  - (iii) the greater of the liquidation preference or the maximum fixed redemption or repurchase price of the Disqualified Shares, in the case of Disqualified Shares;
  - (iv) the Attributable Debt related thereto, in the case of any lease that is part of a sale and leaseback transaction; and
  - (v) the principal amount of the Indebtedness, in the case of any other Indebtedness.

For purposes of the foregoing, the “maximum fixed repurchase price” of any Disqualified Shares that do not have a fixed redemption or repurchase price shall be calculated in accordance with the terms of such Disqualified Shares as if such Disqualified Shares were redeemed or repurchased on any date of determination.

### **7.3 Limitation on Liens**

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create, incur, assume or suffer to exist any Lien (other than Permitted Liens) of any kind on any asset now owned or hereafter acquired; provided, however, that the Parent or any Restricted Subsidiary may, directly or indirectly, create, incur, assume or suffer to exist any Lien:
  - (i) to secure Indebtedness that is *pari passu* with the Loan or a Guarantor’s Guarantee; provided that all Obligations under the Loan or a Guarantee, as the case may be, are secured on an equal and ratable basis with the Indebtedness so secured; and
  - (ii) to secure Indebtedness that is expressly subordinated to the Notes, the Loan or a Guarantor’s Guarantee, provided that all Obligations under the Loan or a Guarantee, as the case may be, are secured on a senior basis to the Indebtedness so secured.
- (b) Any such Lien in favour of the Lender will be automatically and unconditionally released and discharged concurrently with (i) the unconditional release of the Lien which gave rise to the Lien in favour of the Lender (other than as a consequence of an enforcement action with respect to the assets subject to such Lien) or (ii) upon the full and final payment of all amounts payable by the Parent and any Guarantors under the Loan and a Guarantee.

### **7.4 Limitation on Asset Sales**

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, consummate an Asset Sale unless:
  - (i) the Parent (or the Restricted Subsidiary, as the case may be) receives consideration at the time of the Asset Sale at least equal to the Fair Market Value of the assets or Equity Interests issued or sold or otherwise disposed of; and
  - (ii) at least 75 per cent. of the consideration received in the Asset Sale by the Parent or such Restricted Subsidiary is in the form of cash, Cash Equivalents or Additional



Assets. For purposes of this provision, each of the following will be deemed to be cash: (A) any liabilities, as shown on the most recent consolidated balance sheet, of the Parent or any Restricted Subsidiary (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes, any Guarantee or the Loan) that are assumed or released and discharged by the transferee of any such assets pursuant to a customary novation or other agreement that releases the Parent or such Restricted Subsidiary from liability in respect of those liabilities; and (B) any securities, notes or other obligations received by the Parent or any such Restricted Subsidiary from such transferee that are converted by the Parent or such Restricted Subsidiary into cash or Cash Equivalents within 60 days, to the extent of the cash or Cash Equivalents received in that conversion.

- (b) Within 365 days after the receipt of any Net Proceeds from an Asset Sale to be applied as set out in this paragraph, the Parent (or the applicable Restricted Subsidiary, as the case may be) may apply those Net Proceeds, at its option:
  - (i) to acquire or invest in all or substantially all of the assets of, or any Share Capital of, a Permitted Business if, after giving effect to any such acquisition of Share Capital, the Permitted Business is or becomes a Restricted Subsidiary;
  - (ii) to permanently reduce Indebtedness under Credit Facilities which Indebtedness ranks senior in right of payment to the Loan and/or any Guarantees or, to the extent that the assets or Share Capital disposed of pursuant to such Asset Sale were subject to a Lien on or prior to such disposal, to prepay, repay, redeem or repurchase Indebtedness of the Parent or a Restricted Subsidiary that (A) is secured by such assets or Share Capital or (B) was incurred and used to procure the release of such Lien in anticipation of such Asset Sale;
  - (iii) to make an Asset Sale Offer in accordance with the procedures described below (and redeem Indebtedness in accordance with such provisions);
  - (iv) to acquire or invest in other assets that are not classified as current assets under IFRS and that are used or useful in a Permitted Business; or
  - (v) a combination of prepayment and investment permitted by the foregoing subparagraphs (i) through to (iv),

provided, however, that any such acquisition or investment made pursuant to the foregoing subparagraph (i) or (iv) that is made pursuant to a definitive agreement or a commitment approved by the Shareholder Resolution that is executed or approved within such time will satisfy this requirement, so long as such acquisition or investment is consummated within six months of such 365th day.

Pending the final application of any Net Proceeds, the Parent may temporarily reduce revolving credit borrowings or otherwise invest the Net Proceeds in any manner that is not prohibited by this Agreement.

- (c) Any Net Proceeds from Asset Sales that are not applied or invested as provided in the preceding paragraph will constitute “**Excess Proceeds**”. On the 366th day after an Asset Sale (or such later date as is contemplated by the provision to the second preceding paragraph), if the aggregate amount of Excess Proceeds exceeds U.S.\$25 million, the Parent will make an offer to all Holders of Notes and all holders of other Indebtedness that is *pari passu* with the Loan containing provisions similar to those set forth in this Agreement with respect to offers to purchase or redeem with the proceeds of sales of assets to purchase the maximum principal amount of Notes and such other *pari passu* Indebtedness that may be purchased out of the Excess Proceeds (“**Asset Sale Offer**”). The offer price in any Asset Sale Offer will be equal to 100 per cent. of principal amount plus accrued and unpaid interest and additional amounts pursuant to the Conditions, if any, to the date of purchase, and will be payable in cash.
- (d) If any Excess Proceeds remain after consummation of an Asset Sale Offer, the Parent and its Restricted Subsidiaries may use those Excess Proceeds for any purpose not otherwise prohibited by this Agreement. If the aggregate principal amount of Notes and other *pari passu*

Indebtedness tendered into such Asset Sale Offer exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness to be purchased will be selected on a pro rata basis; provided that Notes of U.S.\$200,000 or less may only be purchased in whole and not in part. Upon completion of each Asset Sale Offer, the amount of Excess Proceeds will be reset at zero.

- (e) The Parent will comply with the requirements of Clauses 5.8 and 5.9 herein and Clause 2.3 of the Trust Deed (as if such Clause were set out herein and they shall have effect accordingly) and of Rule 14e-1 under the U.S. Exchange Act and any other securities laws and regulations and stock exchange rules, to the extent those laws, regulations and rules are applicable in connection with each repurchase of Notes pursuant to an Asset Sale Offer. To the extent that the provisions of any securities laws or regulations or securities or investment exchange rules conflict with the provisions of this Clause 7.4, the Parent will comply with the applicable laws, regulations and rules and will not be deemed to have breached its obligations under the Asset Sale provisions of this Agreement by virtue of such conflict.

## **7.5 Limitation on Transactions with Affiliates**

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, make any payment to, or sell, lease, transfer or otherwise dispose of any of its properties or assets to, or purchase any property or assets from, or enter into or make or amend any transaction, contract, agreement, understanding, loan, advance or guarantee with, or for the benefit of, any Affiliate of the Parent (each, an “**Affiliate Transaction**”), unless:
  - (i) the Affiliate Transaction is on terms that are no less favourable to the Parent or the relevant Restricted Subsidiary than those that could be obtained at the time of such transaction in arm’s-length dealings in a comparable transaction with a Person that is not such an Affiliate;
  - (ii) the Parent delivers to the Lender and the Trustee, with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$20 million, a Shareholders Resolution set forth in an Officer’s Certificate certifying that such Affiliate Transaction complies with this Clause 7.5 and that such Affiliate Transaction has been approved by a majority of the disinterested Shareholders (or, in the event there is only one disinterested Shareholder, approved by such disinterested Shareholder); and
  - (iii) the Parent delivers to the Lender (with a copy to the Trustee), with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$50 million or, where there are no disinterested Shareholders with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of U.S.\$20 million, an opinion as to the fairness to the Parent or such Subsidiary of such Affiliate Transaction from a financial point of view issued by a Qualified Expert.
- (b) The following items will not be deemed to be Affiliate Transactions and, therefore, will not be subject to the provisions set forth in Clause 7.5(a):
  - (i) any employment agreement, consulting agreement, employee benefit plan, officer and director indemnification agreement or any similar arrangement entered into by the Parent or any of its Restricted Subsidiaries in the ordinary course of business and compensation (including bonuses and equity compensation) paid to and other benefits (including retirement, health and other benefit plans) and indemnification arrangements provided on behalf of directors, officers, consultants and employees of the Parent or any Restricted Subsidiary;
  - (ii) transactions between or among or solely for the benefit of the Parent and/or its Restricted Subsidiaries;

- (iii) transactions with a Person (other than an Unrestricted Subsidiary) that is an Affiliate of the Parent solely because the Parent owns, directly or through a Restricted Subsidiary, an Equity Interest in, or controls, such Person;
- (iv) payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Parent;
- (v) any issuance of Equity Interests (other than Disqualified Shares) of the Parent to Affiliates of the Parent or the receipt of capital contributions by the Parent from Affiliates of the Parent;
- (vi) Restricted Payments (other than a Restricted Investment) that do not violate the provisions of Clause 7.1 or that are Permitted Investments;
- (vii) loans or advances or guarantees of third party loans to employees in the ordinary course of business not to exceed U.S.\$7.5 million in the aggregate at any one time outstanding (not including loans, advances or guarantees granted to employees prior to the Issue Date);
- (viii) the entering into of a tax sharing agreement, or payments pursuant thereto, between the Parent and/or one or more Subsidiaries, on the one hand, and any other Person with which the Parent or such Subsidiaries are required or permitted to file a consolidated tax return or with which the Parent or such Subsidiaries are part of a consolidated group for tax purposes, on the other hand; provided that any payments by the Parent and the Restricted Subsidiaries required under such agreement are not in excess of the tax liabilities that would have been payable by them on a stand-alone basis;
- (ix) the granting and performance of registration rights with the U.S. Securities and Exchange Commission for securities of the Parent;
- (x) agreements and arrangements, and transactions pursuant thereto, existing on the Issue Date and any amendment, extension, renewal, refinancing, modification or supplement thereof; provided that following such amendment, extension, renewal, refinancing, modification or supplement, the terms of any such agreement or arrangement so amended, modified or supplemented are no less favourable to the Parent and the Restricted Subsidiaries, as applicable, than the original agreement or arrangement as in effect on the date of this Agreement; and
- (xi) purchases of goods and services that are in the ordinary course of the Parent's or any Restricted Subsidiary's Retail Business and that are on terms that are no less favourable to the Parent or the relevant Restricted Subsidiary than those that could be obtained at the time of such transaction in arm's length dealings in a comparable transaction with a Person that is not an Affiliate.

## **7.6 Limitation on Dividends and Other Payment Restrictions Affecting Restricted Subsidiaries**

- (a) The Parent will not, and will not permit any of its Restricted Subsidiaries to, directly or indirectly, create or permit to exist or become effective any consensual encumbrance or restriction on the ability of any Restricted Subsidiary to:
  - (i) pay dividends or make any other distributions on its Share Capital to the Parent or any of its Restricted Subsidiaries, or with respect to any other interest or participation in, or measured by, its profits; or
  - (ii) pay any indebtedness owed to the Parent or any of its Restricted Subsidiaries (including, without limitation, pursuant to the Permitted Proceeds Loans) or
  - (iii) make loans or advances to the Parent or any of its Restricted Subsidiaries; or
  - (iv) transfer any of its properties or assets to the Parent or any of its Restricted Subsidiaries.

- (b) However, the preceding restrictions will not apply to encumbrances or restrictions existing under or by reason of:
- (i) the Trust Deed, the Notes, the Loan, and any Guarantees;
  - (ii) any applicable law, rule, regulation or order;
  - (iii) any encumbrance or restriction pursuant to an agreement in effect on or entered into on the Issue Date;
  - (iv) any instrument governing Indebtedness of a Person acquired by the Parent or any of its Restricted Subsidiaries, as in effect at the time of such acquisition (except to the extent such Indebtedness was incurred in connection with or in contemplation of such acquisition), which encumbrance or restriction is not applicable to any Person, or the properties or assets of any Person, other than the Person, or the property or assets of the Person, so acquired; provided that, in the case of Indebtedness, such Indebtedness was permitted by the terms of this Agreement to be incurred;
  - (v) customary non-assignment provisions in leases, security agreements, contracts and licenses entered into in the ordinary course of business;
  - (vi) purchase money obligations for property acquired in the ordinary course of business and Capital Lease Obligations that impose restrictions on the property purchased or leased of the nature described in sub-paragraph (iv) of paragraph (a) above;
  - (vii) any agreement for the sale or other disposition of a Restricted Subsidiary that restricts distributions by that Restricted Subsidiary pending the sale or other disposition;
  - (viii) Permitted Refinancing Indebtedness permitted to be incurred under Clause 7.2(b)(v); provided that the restrictions and encumbrances contained in the agreements governing such Permitted Refinancing Indebtedness are either (A) no more restrictive or (B) not materially less favourable to the Holders of the Notes and/or the Lender, in each case, taken as a whole and determined in good faith by a Shareholders Resolution, than the dividend and other payment restrictions contained in the Indebtedness being refinanced;
  - (ix) Liens permitted to be incurred under the provisions of Clause 7.3 that limit the right of the debtor to dispose of the assets subject to such Liens;
  - (x) customary provisions limiting the disposition or distribution of Share Capital, assets or property in merger agreements, asset sale agreements, sale-leaseback agreements, share sale agreements and other similar agreements entered into with the approval of a Shareholder Resolution, which limitation is applicable only to the Share Capital, assets or property that are the subject of such agreements;
  - (xi) customary provisions limiting the distribution or disposition of assets or property of a Restricted Subsidiary in joint venture agreements entered into in the ordinary course of business;
  - (xii) restrictions on cash or other deposits or net worth imposed by customers under contracts entered into in the ordinary course of business; and
  - (xiii) any encumbrance or restriction applicable to a Restricted Subsidiary at the time it becomes a Restricted Subsidiary that is not created in contemplation thereof; provided that such restriction apply only to such Restricted Subsidiary and provided further that the exception provided by this sub-paragraph (xiii) shall not apply to any encumbrance or restriction contained in any Indebtedness that refunds, refinances, replaces, defeases or discharges any Indebtedness which was in existence at the time such Restricted Subsidiary became a Restricted Subsidiary.

## 7.7 Designation of Unrestricted and Restricted Subsidiaries

- (a) A Shareholder Resolution may designate any Restricted Subsidiary (including any newly acquired or newly formed Subsidiaries) to be an Unrestricted Subsidiary if that designation would not cause a Default. If a Restricted Subsidiary is designated as an Unrestricted Subsidiary, the aggregate Fair Market Value of all outstanding Investments owned by the Parent and its Restricted Subsidiaries in the Subsidiary designated as an Unrestricted Subsidiary will be deemed to be an Investment made as of the time of the designation and will reduce the amount available for Restricted Payments under Clause 7.1 or under one or more sub-paragraphs of the definition of Permitted Investments, as determined by the Parent. That designation will only be permitted if the Investment would be permitted at that time and if the Restricted Subsidiary otherwise meets the definition of an Unrestricted Subsidiary. A Shareholder Resolution may redesignate any Unrestricted Subsidiary to be a Restricted Subsidiary if that redesignation would not cause a Default.
- (b) Any designation of a Subsidiary of the Parent as an Unrestricted Subsidiary will be evidenced to the Lender (with a copy to the Trustee) by filing with the Lender (with a copy to the Trustee) on the effective date of such designation a certified copy of the Shareholder Resolution giving effect to such designation and an Officer's Certificate certifying that such designation complied with the preceding conditions and was permitted by Clause 7.1. If, at any time, any Unrestricted Subsidiary would fail to meet the requirements of being an Unrestricted Subsidiary, it will thereafter cease to be an Unrestricted Subsidiary for purposes of this Agreement and any Indebtedness of such Subsidiary will be deemed to be incurred by a Restricted Subsidiary as of such date and, if such Indebtedness is not permitted to be incurred as of such date under Clause 7.2, the Parent will be in default of Clause 7.2.
- (c) A Shareholder Resolution may at any time designate any Unrestricted Subsidiary to be a Restricted Subsidiary; provided that such designation will be deemed to be an incurrence of Indebtedness by a Restricted Subsidiary of any outstanding Indebtedness of such Unrestricted Subsidiary and such designation will only be permitted if (i) such Indebtedness is permitted under Clause 7.2 calculated on a pro forma basis as if such designation had occurred at the beginning of the semi-annual reference periods and (ii) no Default or Event of Default would be in existence following such designation.

## 7.8 Corporate Existence

Except as otherwise permitted by Clause 7.9, the Parent shall do or cause to be done all things necessary to preserve and keep in full force and effect the corporate, partnership, limited liability company or other existence and the rights (charter and statutory), licenses and franchises of the Parent and each Restricted Subsidiary; provided that the Parent shall not be required to preserve or cause the preservation of any such right, license or franchise or the existence of any Restricted Subsidiary other than the Parent if a Shareholder Resolution shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Parent and the Restricted Subsidiaries as a whole and that the loss thereof is not disadvantageous in any material respect to the Holders.

## 7.9 Merger, Consolidation and Disposition of Assets

- (a) The Parent will not, directly or indirectly (x) consolidate, amalgamate or merge with or into another Person (whether or not the Parent is the surviving Person) or (y) sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of the properties or assets of the Parent and its Restricted Subsidiaries, taken as a whole, in one or more related transactions, to another Person, unless:
  - (i) either: (a) the Parent is the surviving Person; or (b) the Person formed by or surviving any such consolidation, amalgamation or merger (if other than the Parent) or to which such sale, assignment, transfer, lease, conveyance or other disposition has been made (the "**Successor Company**") is an entity organised or existing under the laws of an Approved Jurisdiction and the Successor Company (if not the Parent) shall expressly assume, by a supplemental trust deed, executed and delivered to the Trustee, in form satisfactory to the Trustee, all the obligations of the Parent under the Trust Deed;

- (ii) immediately after such transaction or transactions, no Default or Event of Default shall have occurred and be continuing;
- (iii) the Successor Company would, on the date of such transaction after giving pro forma effect thereto and any related financing transactions as if the same had occurred at the beginning of the applicable semi-annual reference periods be permitted to incur at least U.S.\$1.00 of additional Indebtedness pursuant to Clause 7.2(a); and
- (iv) the Parent shall have delivered to the Lender and the Trustee an Officer's Certificate and an Opinion of Counsel, each in form and substance satisfactory to the Trustee and stating that such transaction and such supplemental trust deed (if any) comply with the provisions of this paragraph (a) and the Trust Deed and that the conditions set out in sub-paragraphs (i) to (iii) above have been satisfied; provided that in giving an Opinion of Counsel, counsel may rely on an Officer's Certificate as to any matters of fact.

The Lender and the Trustee shall each be entitled to rely upon the Officer's Certificate and Opinions of Counsel specified in (iv) above as sufficient evidence of the satisfaction of the conditions required by this paragraph (a) without further inquiry and shall not be liable for any consequences of such consolidation, merger, amalgamation, sale, assignment, transfer, lease, conveyance or other disposition.

- (b) For purposes of this Clause 7.9, the sale, lease, conveyance, assignment, transfer, or other disposition of all or substantially all of the properties and assets of one or more Subsidiaries of the Parent, which properties and assets, if held by the Parent instead of such Subsidiaries, would constitute all or substantially all of the properties and assets of the Parent and its Subsidiaries on a consolidated basis, shall be deemed to be the transfer of all or substantially all of the assets of the Parent.
- (c) Nothing in the Trust Deed or this Agreement will prevent, and this covenant will not apply to, any Restricted Subsidiary consolidating with, merging with or into or transferring all or part of its properties and assets to the Parent or any other Restricted Subsidiary.

#### **7.10 Maintenance of Properties**

The Parent shall cause all properties owned by it or any Restricted Subsidiary or used or held for use in the conduct of its business or the business of any Restricted Subsidiary to be maintained and kept in good condition, repair and working order in all material respects and shall cause to be made all necessary repairs, renewals, replacements, betterments and improvements thereof, all as in the judgment of the Parent may be necessary so that the business carried on in connection therewith may be properly and advantageously conducted at all times; provided that nothing in this Clause 7.10 shall prevent the Parent from discontinuing the maintenance of any such properties if such discontinuance is, in the judgment of the Parent, desirable in the conduct of the business of the Parent and the Restricted Subsidiaries as a whole and not disadvantageous in any material respect to the Holders.

#### **7.11 Insurance**

The Parent shall maintain, and shall cause the Restricted Subsidiaries to maintain, insurance with carriers believed by the Parent to be responsible, against such risks and in such amounts, and with such deductibles, retentions, self-insured amounts and coinsurance provisions, as the Parent believes are customarily carried by businesses similarly situated and owning like properties in Belarus, including as appropriate general liability, property and casualty loss and interruption of business insurance.

#### **7.12 Payment of Taxes and Other Claims**

The Parent shall pay or discharge and shall cause each of its Subsidiaries to pay or discharge, or cause to be paid or discharged, before the same shall become delinquent (a) all material taxes, assessments and governmental charges levied or imposed upon (i) the Parent or any such Subsidiary, (ii) the income or profits of any such Subsidiary which is a corporation or (iii) the property of the Parent or any such Subsidiary and (b) all material lawful claims for labour, materials and supplies that, if unpaid, might by law become a Lien upon the property of the Parent or any such Subsidiary; provided that the Parent

shall not be required to pay or discharge, or cause to be paid or discharged, any such tax, assessment, charge or claim the amount, applicability or validity of which is being contested in good faith by appropriate proceedings or for which adequate reserves have been established.

### **7.13 Statement as to Compliance**

- (a) The Parent shall deliver to the Lender and the Trustee, within 120 days after the end of each fiscal year, an Officer's Certificate stating that in the course of the performance by the signer of its duties as an officer of the Parent he or she would normally have knowledge of any Default and whether or not the signer knows of any Default that occurred during such period and if any specifying such Default, its status and what action the Parent is taking or proposed to take with respect thereto. For purposes of this paragraph (a), such compliance shall be determined without regard to any period of grace or requirement of notice under this Agreement.
- (b) If the Parent shall become aware that (i) any Default or Event of Default has occurred and is continuing or (ii) any Holder seeks to exercise any remedy with respect to a claimed Default under the Trust Deed or the Notes, the Parent, as the case may be, shall promptly deliver to the Lender and the Trustee an Officer's Certificate specifying such event, notice or other action (including any action the Parent is taking or propose to take in respect thereof).

### **7.14 Reports**

The Parent will provide to the Lender and shall make available to potential investors:

- (a) within 180 days after the end of the Parent's fiscal year consolidated audited income statements, balance sheets and cash flow statements and the related notes thereto for the Parent and its Subsidiaries for the most recent three fiscal years prepared in accordance with IFRS, together with a report thereon by the Parent's certified independent accountants, information with respect to any Change of Control that has occurred in the fiscal year and information with respect to any acquisition or disposition representing greater than 20 per cent. of the consolidated revenues, EBITDA or assets of the Parent on a pro forma basis, including a *pro forma* income statement and balance sheet for the acquisition or disposition (provided that an acquisition or disposition that has occurred fewer than 60 days prior to the date of the annual report shall be reported upon in the next semi-annual report);
- (b) within 180 days after the end of the Parent's fiscal year, for such fiscal year and two prior fiscal years, information substantially similar in scope to the information about the Parent and its Subsidiaries included in the Final Offering Memorandum under (i) the subheadings "Significant Factors Affecting the Results of Operations" and "Liquidity and Capital Resources" in "Operating and Financial Review", (ii) "Shareholders" and (iii) "Related Party Transactions", supplemented with the Parent's Consolidated Leverage Ratio and Consolidated Fixed Charge Coverage Ratio as at the end of such fiscal year, in each case, calculated by the responsible financial officer in good faith;
- (c) within 150 days after the end of the first semi-annual period of the fiscal year of the Parent, unaudited consolidated income statements, balance sheets and cash flow statements of the Parent for such interim period prepared in accordance with IFRS, supplemented with the Parent's Consolidated Leverage Ratio and Consolidated Fixed Charge Coverage Ratio as at the end of such fiscal semi-annual period, in each case, calculated by the responsible financial officer in good faith and information with respect to any Change of Control that has occurred in the fiscal semi-annual period; and
- (d) information with respect to any material acquisitions, dispositions or restructurings, change in the independent accountants of the Parent, and any resignation of a member of the Board of Directors of the Parent as a result of a disagreement with the Parent or any other material event that the Parent or any of its Restricted Subsidiaries announces publicly.

If the Parent has designated any of its Subsidiaries as Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries constitute Significant Subsidiaries of the Parent, then the annual and semi-annual information required by paragraphs (a) and (b) above shall

include a reasonably detailed presentation, either on the face of the financial statements or in the footnotes thereto of the financial condition and results of operations of the Parent and its Restricted Subsidiaries separate from the financial condition and results of operations of such Unrestricted Subsidiaries of the Parent.

In addition, so long as the Notes remain outstanding and during any period during which the Parent is not subject to Section 13 or 15(d) of the U.S. Exchange Act nor exempt therefrom pursuant to Rule 12g3-2(b) of such Act, the Parent shall furnish to the Holders of the Notes (with a copy to the Trustee) and to securities analysts and prospective investors, upon their request, the information required to be delivered pursuant to Rule 144A(d)(4) under the U.S. Securities Act.

The Parent consents that any information provided to the Lender pursuant to this Clause 7.14 may also be provided to the Trustee, if so requested by the Trustee, without violating any duty of confidentiality or secrecy that the Lender may owe to the Parent under the laws of Ireland and/or Belarus.

Contemporaneously with the provision of each report discussed above, the Parent will also file a press release with the appropriate internationally recognised wire services with respect to such report and post such press release on the Parent's website.

## **7.15 Guarantees**

### **(a)**

- (i) The Parent will not permit any of its Restricted Subsidiaries that is not a Guarantor to guarantee any Indebtedness unless such Restricted Subsidiary simultaneously jointly and severally guarantees the Notes or the Loan pursuant to a guarantee agreement in form and substance satisfactory to the Lender and the Trustee (a "**Guarantee**") delivered to the Lender and the Trustee; and
- (ii) if the total assets of any Restricted Subsidiary that is not a Guarantor, then determined on an unconsolidated basis in accordance with IFRS as of the end of any fiscal semi-annual period, accounts for 10 per cent. or more of the Parent's total assets determined on a consolidated basis in accordance with IFRS as of the end of such fiscal semi-annual period, then the relevant Restricted Subsidiary will, within 90 days of the date the financial statements for such fiscal semi-annual period are made publicly available, jointly and severally guarantee the Notes or the Loan pursuant to a Guarantee delivered to the Lender and the Trustee;

provided, in the case of each of (i) and (ii) above, that (A) a Restricted Subsidiary's Guarantee may be limited to the extent required by law and (B) for so long as it is not permissible under applicable law for a Restricted Subsidiary to become a Guarantor, such Restricted Subsidiary need not become a Guarantor (but, in such a case, each of the Parent and its Restricted Subsidiaries will use their best efforts to overcome the relevant legal prohibition precluding the giving of the Guarantee). For the avoidance of doubt, the requirement in sub-paragraph (i) above will not be applicable to any guarantees of Indebtedness by any Restricted Subsidiary existing on the date of this Agreement. At the time of execution of any Guarantee, the Parent shall deliver an Opinion of Counsel addressed to the Trustee, in form and substance satisfactory to the Trustee, as to the enforceability of the Guarantee and certain other matters set out in the Trust Deed.

### **(b) If the Indebtedness of the Parent or a Guarantor giving rise to the need to guarantee the Loan:**

- (i) ranks *pari passu* in right of payment to the Loan or a Guarantee of the Loan, any guarantee of such Indebtedness will rank *pari passu* in right of payment to the Loan or the relevant Guarantee of the Loan; or
- (ii) is contractually subordinated in right of payment to the Notes, the Loan or a Guarantee, any guarantee of such Indebtedness shall be contractually subordinated in right of payment to the Notes, Loan or the relevant Guarantee substantially to the same extent as such Indebtedness is subordinated in right of payment to the Notes, the Loan or a Guarantee.



Until all amounts which may be or become payable by the Parent and any Guarantors under the Loan have been irrevocably paid in full and to the extent lawful, each such guarantee will provide that the relevant Guarantor waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against the Parent or any Restricted Subsidiary as a result of any payment by such Guarantor under its Guarantee.

- (c) Each such Guarantee will be released, automatically and without further action on the part of the Lender or the Trustee:
  - (i) in the event that such Guarantor is disposed of or liquidated in a manner which is not prohibited hereunder (provided that, in any event, the disposal is not made to a Restricted Subsidiary) and the proceeds of such disposal are applied for in accordance with Clause 7.4;
  - (ii) when the Issuer designates such Guarantor as an Unrestricted Subsidiary in compliance with the terms of Clause 7.7; or
  - (iii) upon repayment of the Loan in full.

#### **7.16 Business Activities**

The Parent will not, and will not permit any of its Restricted Subsidiaries to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Parent and its Restricted Subsidiaries, taken as a whole.

#### **7.17 Listing**

The Parent will use all commercially reasonable efforts to maintain the listing of the Notes on the Global Exchange Market of the Irish Stock Exchange plc; provided, however, that if maintenance of the listing becomes unduly onerous, it will use all commercially reasonable efforts to maintain a listing of such Notes on another recognised stock exchange for the purposes of section 64 of the Irish Taxes Consolidation Act 1997.

#### **7.18 Further Instruments and Acts**

Upon request of the Trustee, the Parent and any Guarantors shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Agreement.

### **8 Conditions Precedent**

The obligation of the Lender to make the Advance shall be subject to the further conditions precedent that as of the Issue Date (a) the Lender shall have received the proceeds of the issue of the Notes pursuant to the Subscription Agreement and (b) the Lender shall have received the Facility Fee.

### **9 Change in Law; Increase in Cost**

#### **9.1 Compensation**

In the event that after the date of this Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the official interpretation or application thereof by any Agency and/or any compliance by the Lender in respect of the Loan or the Facility with any request, policy or guideline (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) made or issued after the date of this Agreement from or of any Agency, which:

- 9.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on the Loan or any other amount payable under this Agreement (other than any Taxes payable by the Lender on its overall net income or any Taxes referred to in Clauses 6.2 or 6.3); or
- 9.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on the Loan or any other amount payable under this Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income or as a result of any Taxes referred to in Clauses 6.2 or 6.3); or
- 9.1.3 imposes or will impose on the Lender any other condition affecting this Agreement, the Facility or the Loan,

and if as a result of any of the foregoing:

- (i) the cost to the Lender of making, funding or maintaining the Loan or the Facility is increased; or
- (ii) the amount of principal, interest or other amount payable to or received by the Lender hereunder is reduced; or
- (iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from the Borrower hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of the Loan,

then subject to the following, and in each such case:

- (a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to the Borrower, together with a certificate signed by one authorised officer of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out in reasonable detail the basis on which such amount has been calculated, and enclosing all relevant supporting documents evidencing the matters set out in such certificate; and
- (b) the Borrower, in the case of Clauses 9.1.3(i) and 9.1.3(iii) above, shall promptly on demand by the Lender, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such increased cost, and, in the case of Clause 9.1.3(ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as shall be necessary to compensate the Lender for such reduction, payment or foregone interest or other return; provided, however, the amount of such increased cost, reduced amount or payment made or foregone shall be deemed not to exceed an amount equal to the proportion thereof which is directly attributable to this Agreement and provided that the Lender shall not be entitled to such additional amount where such increased cost arises as a result of the negligence or wilful default of the Lender,

provided that this Clause 9.1 will not apply to or in respect of any matter for which the Lender has already been compensated under Clauses 6.2 or 6.3.

## **9.2 Mitigation**

In the event that the Lender becomes entitled to make a claim pursuant to Clause 9.1, the Lender shall consult in good faith with the Borrower and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request,

policy or guideline) to reduce, in whole or in part, the Borrower's obligations to pay any additional amount pursuant to such clause, except that nothing in this Clause 9.2 shall obligate the Lender to incur any costs or expenses in taking any action (other than minor costs of an administrative or similar nature) which, in the reasonable opinion of the Lender, is prejudicial to its interests, unless the Borrower agrees to reimburse the Lender for such costs and expenses.

## **10 FATCA and Tax Reporting**

Each party to this Agreement shall, reasonably promptly following a reasonable request by another party, provide such other party with such information or assistance reasonably requested by the other party so as to enable such other party to comply with its obligation (i) under Section 1471(b) of the US Internal Revenue Code of 1986, as amended (the "**Code**") or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder, any intergovernmental agreement between the United States and any other jurisdiction which facilitates the implementation of any such law, regulation or interpretation, official interpretations thereof or law implementing an intergovernmental approach thereto and (ii) any other tax reporting or information exchange regime to which any party is subject. The Borrower hereby covenants with the Lender that it will pay or reimburse the Lender for any reasonable costs incurred by the Lender in order for it to comply with (i) its obligations under Section 1471(b) of the Code or otherwise imposed pursuant to Section 1471 through 1474 of the Code and any regulations or agreements thereunder, any intergovernmental agreement between the United States and any other jurisdiction which facilitates the implementation of any such law, regulation or interpretation, official interpretation thereof, or law implementing an intergovernmental approach thereto and (ii) any other tax reporting or information exchange regime to which any party is subject.

## **11 Events of Default**

### **11.1 Events of Default**

If one or more of the following events of default (each, an "**Event of Default**") shall occur, and for as long as it is continuing, the Lender shall be entitled to the remedies set forth in Clause 11.3.

- (a) The Parent (or any Guarantor) fails to make any payment of interest or additional amounts payable hereunder when the same becomes due and payable and such failure continues for a period of 10 Business Days.
- (b) The Parent (or any Guarantor) fails to make any payment of principal when the same becomes due and payable.
- (c) The Parent fails to comply with its obligations described in Clause 5.5 and such failure continues for a period of 30 days after receiving written notice.
- (d) The Parent fails to comply with any of its other agreements or covenants in, or provisions of, this Agreement for 30 consecutive calendar days.
- (e) A default under any Indebtedness of the Parent or any Material Subsidiary (other than the Loan or any Indebtedness that is exclusively between the Parent and any of its wholly-owned Subsidiaries) or under any indenture or other instrument under which any such Indebtedness has been issued or by which it is governed and the expiration of the applicable period of grace, if any, contained in any such Indebtedness, which in the aggregate exceeds U.S.\$30 million, which default (i) has resulted in the acceleration of the payment of such Indebtedness prior to its stated maturity, or (ii) has not been cured or waived and constitutes the failure to make any payment of principal or interest on such Indebtedness when due, after the expiration of any applicable grace period.
- (f) The entry, by a court having jurisdiction in the premises, of (i) a decree or order for relief in respect of the Parent or any Material Subsidiary in an involuntary case or proceeding under any Bankruptcy Law; or (ii) a decree or order adjudging the Parent or any Material Subsidiary bankrupt or insolvent, or approving as properly filed a petition seeking reorganisation, arrangement, adjustment or composition of, or in respect of, the Parent or any Material Subsidiary under any Bankruptcy Law or appointing a custodian of the Parent or any Material

Subsidiary or of any substantial part of the property of the Parent or any Material Subsidiary, or ordering the winding-up or liquidation (except for any liquidation arising as a result of a merger of a Material Subsidiary into the Parent) of the affairs of the Parent or any Material Subsidiary, and (a) with respect to (i) and (ii) above any such decree or order for relief or any such other decree or order remains undischarged or the claim upon which such decree or order is based remains unpaid for at least 60 consecutive calendar days from the date of such decree or order or (b) with respect to (ii) above, a court or competent agency has actually instituted bankruptcy, insolvency, examinership, dissolution, administration, reorganisation or liquidation (or any analogous proceedings).

- (g) (i) The commencement by the Parent or any Material Subsidiary of a voluntary case or proceeding under any Bankruptcy Law or of any other case or proceeding to be adjudicated a bankrupt or insolvent; (ii) the consent by the Parent or any Material Subsidiary to the entry of a decree or order for relief in respect of the Parent or any Material Subsidiary in an involuntary case or proceeding under any Bankruptcy Law or to the commencement of any bankruptcy or insolvency case or proceeding against the Parent or any Material Subsidiary; (iii) the filing by the Parent or any Material Subsidiary of a petition or answer or consent seeking reorganisation or relief under any Bankruptcy Law; (iv) the consent by the Parent or any Material Subsidiary to the filing of such petition or to the appointment of or taking possession by a custodian of the Parent or any Material Subsidiary or of any substantial part of the property of the Parent or any Material Subsidiary, or the making by the Parent or any Material Subsidiary of an assignment for the benefit of creditors; (v) the admission by the Parent or any Material Subsidiary in writing of its inability to pay its debts generally as they become due; or (vi) the taking of corporate action by the Parent or any Material Subsidiary to authorise or effect any such action.
- (h) The rendering against the Parent or any Material Subsidiary of a judgment, decree or order for the payment of money in an amount in excess of U.S.\$30 million and the continuance of any such judgment, decree or order unsatisfied and in effect for any period of 60 consecutive calendar days without such judgment, decree or order being appealed, discharged, waived or the execution thereof stayed.

## **11.2 Notice of Default**

The Parent shall deliver to the Lender and the Trustee (i) on each Interest Payment Date; (ii) within seven Business Days of any written request by the Lender; or (iii) promptly upon becoming aware of the occurrence thereof, written notice in the form of an Officers' Certificate stating whether any Default or Event of Default has occurred, its status and what action the Parent is taking or proposes to take with respect thereto.

## **11.3 Default Remedies**

If any Event of Default shall occur, the Lender may, by notice in writing to the Parent, (a) declare the obligations of the Lender hereunder to be terminated, whereupon such obligations shall terminate; and (b) declare the Loan to be immediately due and payable by the Parent and declare all other amounts accrued and/or payable hereunder by the Parent up to (and including) the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Parent; provided, however, that if any event of any kind referred to in Clauses 11.1(f) and 11.1(g) occurs, the obligations of the Lender hereunder shall immediately terminate, and all amounts payable hereunder by the Parent that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are expressly waived by the Parent.

## **11.4 Rights Not Exclusive**

The rights provided for herein are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

## **11.5 Right of Set-off**

If any amount payable by the Parent hereunder is not paid as and when due, the Parent authorises the Lender to proceed, to the fullest extent permitted by applicable law, without prior notice, by right of set-off, banker's lien, counterclaim or otherwise, against any assets of the Parent in any currency that may at any time be in the possession of the Lender, at any branch or office, to the fullest extent of all amounts payable to the Lender hereunder.

## **12 Indemnity**

### **12.1 Indemnification**

The Borrower undertakes to the Lender, that if the Lender, or any director, officer, employee or agent of the Lender (each an **"indemnified party"**) incurs any loss, liability, claim, demand or damage, charge or expense (including without limitation reasonable legal fees, costs and expenses) (a **"Loss"**) as a result of or in connection with the Loan, this Agreement (or enforcement thereof), and/or the issue, constitution, sale, listing and/or enforcement of the Notes and/or the Notes being outstanding (excluding any Loss that is the subject of the undertakings contained in Clauses 9 and 13.8 of this Agreement) (it being understood that the Lender may not recover twice in respect of the same Loss, the Borrower shall pay to the Lender on demand an amount equal to such Loss) and (without duplication) all documented costs, charges and expenses which it or any indemnified party has reasonably incurred or may reasonably incur in connection with investigating, disputing, defending or preparing to defend any such action or claim as such costs, charges and expenses are incurred unless such Loss, cost, charge or expense was either caused by any indemnified party's gross negligence, fraud or wilful misconduct. The Lender shall not have any duty or obligation whether as fiduciary or trustee for any indemnified party or otherwise, to recover any such payment or to account to any other person for any amounts paid to it under this Clause.

### **12.2 Independent Obligation**

Clause 12.1 constitutes a separate and independent obligation of the Borrower from its other obligations under or in connection with this Agreement and shall not affect, or be construed to affect, any other provision of this Agreement.

### **12.3 Evidence of Loss**

A certificate of the Lender setting forth the amount of Loss described in Clause 12.1 and specifying in full detail the basis therefor shall, in the absence of manifest error, be *prima facie* evidence of the amount of such losses, expenses and liabilities.

### **12.4 Survival**

The obligations of the Borrower pursuant to Clause 12.1 shall survive the execution and delivery of this Agreement, the drawdown of the Facility and the repayment of the Loan and all payments due thereunder, in each case by the Borrower.

## **13 General**

### **13.1 Evidence of Debt**

The entries made by the Lender in the accounts maintained by the Lender in accordance with its usual practice and evidencing the amounts from time to time lent by and owing to it hereunder shall, in the absence of manifest error, be *prima facie* evidence of the existence and amounts of the Borrower's obligations recorded herein.

### **13.2 Stamp Duties**

The Borrower shall pay all stamp, registration and documentary taxes or duties (if any) imposed on or payable by the Borrower or the Lender in the United Kingdom, Belgium, Luxembourg, the Republic of Belarus or Ireland which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement or admissibility in evidence of this Agreement. The Borrower shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the

Lender with respect to, or resulting from, delay or failure by the Borrower to comply with its obligation under this Clause 13.2 to pay such taxes or similar charges.

### **13.3 VAT**

Where a sum is payable under this Agreement to the Lender, the Borrower will, in addition, pay in respect of VAT:

- 13.3.1 where the payment (or any part of it) constitutes the consideration (or any part thereof) for any supply of services made to the Borrower, such amounts as equal any VAT properly chargeable thereon on receipt of a valid VAT invoice;
- 13.3.2 where the payment is to reimburse or indemnify the Lender for any cost, charge or expense incurred by it (except where the payment falls within Clause 13.3.3 below), such amount as equals any VAT, which the Lender represents in good faith is not recoverable by it or by the representative member of any VAT group of which it is a member, charged to or incurred by the Lender in respect of any cost, charge or expense which gives rise to or is reflected in the payment on production of relevant invoices or equivalent evidence of such payment having been made; and
- 13.3.3 where the payment is in respect of costs or expenses incurred by the Lender as agent for the Borrower and except where section 47(3) of the United Kingdom Value Added Tax Act 1994 (or any equivalent legislation in a jurisdiction outside the United Kingdom) applies, such amount as equals the amount included in the costs or expenses in respect of VAT and in such case the Lender shall use reasonable efforts to procure that the actual supplier of goods or services which the Lender received as agent issues a valid VAT invoice directly to the Borrower in respect of the relevant supply.

### **13.4 Payment Gross-Up**

Where any payment is made under this Agreement to the Lender pursuant to an indemnity, compensation or reimbursement provision, the sum payable shall take into account (i) any charge to Taxation in the hands of the Lender in respect of such payment and (ii) any tax relief available to the Lender in respect of the matter giving rise to the payment and which may be offset against the charge to Taxation, such that the Lender shall be left with a sum equal to the sum that it would have retained in the absence of such a charge to Taxation and such tax relief.

### **13.5 Waivers**

No failure to exercise and no delay in exercising, on the part of the Lender or the Borrower, any right, power or privilege hereunder and no course of dealing between the Borrower and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and not exclusive of any rights, or remedies provided by applicable law.

### **13.6 Notices**

#### **13.6.1 Method**

Each communication under this Agreement shall be made by fax or otherwise in writing (by hand, courier or pre-paid express delivery service). Each communication or document to be delivered to any party under this Agreement shall be sent to that party at the fax number or postal address, and marked for the attention of the person (if any), from time to time designated by that party to each other party for the purpose of this Agreement. The initial fax number, postal address and person so designated by the parties under this Agreement are set out below:

if to the Borrower, to it at:

**Eurotorg LLC**  
52A-22  
Kazintsa str.  
Minsk 220099  
Republic of Belarus

Fax: +375 17 279 80 00

Attention: Chief Investment Officer, Chief Financial Officer  
Email: MatyavinA@eurotorg.by; SapunovaA@eurotorg.by

if to the Lender, to it at:

**Bonitron D.A.C.**  
2nd Floor, Palmerston House  
Fenian Street  
Dublin 2  
Fax: +353 1 905 8029  
Email: corporate.services@caficointernational.com  
Attention: The Directors

or to such other address or fax number as any party may hereafter specify in writing to the other.

#### 13.6.2 Deemed Receipt

Any communication from any party to any other under this Agreement shall be effective, (if by fax) when the relevant delivery receipt is received by the sender and, (if in writing) when delivered; provided that any communication which is received (or deemed to take effect in accordance with the foregoing) after 5:00pm on a Business Day or on a non-Business day in the place of receipt shall be deemed to take effect at the opening of business on the next following Business Day in such place. Any communication delivered to any party under this Agreement which is to be sent by fax will be written legal evidence.

### 13.7 Assignment

- 13.7.1 Subject to Clauses 13.7.2 and 13.7.3, this Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights under this Agreement. Any reference in this Agreement to any party shall be construed accordingly and, in particular, references to the exercise of any rights, benefits and discretions or the making of any determination (including forming an opinion) by, and the delivery of notices, certificates and information to, the Lender, shall include references to the exercise of any such rights, benefits or discretions by or the making of such determination (including forming an opinion) by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any determinations by, and the delivery of notices, certificates and information to, the Lender or any discussions between the Lender and the Borrower or any agreements of the Lender or the Borrower, pursuant to Clauses 6.4, 6.5 or 9.
- 13.7.2 The Borrower shall not assign or transfer all or any part of its rights or obligations hereunder to any other party or person.
- 13.7.3 Subject to the provisions of Clause 17 of the Trust Deed, the Lender may not assign or transfer, in whole or in part, any of its rights, obligations and benefits under this Agreement other than the Reserved Rights except that the Lender may charge by way of first fixed charge in favour of the Trustee (as Trustee) certain of the Lender's rights and benefits under this Agreement and assign to the Trustee certain rights, interests and benefits under this Agreement, in each case, as set out in Clause 4 of the Trust Deed.

### **13.8 Currency Indemnity**

To the fullest extent permitted by law, the obligation of the Borrower in respect of any amount due in U.S. Dollars under this Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in U.S. Dollars that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any reasonable premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in Dollars that may be so purchased for any reason falls short of the amount originally due (the “**Due Amount**”), the Borrower hereby agrees to indemnify and hold harmless the Lender against any deficiency in Dollars. Any obligation of the Borrower not discharged by payment in U.S. Dollars shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided herein, shall continue in full force and effect. If the amount in U.S. Dollars that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to the Borrower.

### **13.9 Contracts (Rights of Third Parties) Act 1999**

Except as otherwise specifically provided herein and other than in the case of the Trustee who shall have rights under the Contracts (Rights of Third Parties) Act 1999 under this Agreement, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Agreement. This Agreement may be terminated and any term may be amended or waived without the consent of any such person so expressly provided for under this Agreement.

### **13.10 Governing Law**

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by and shall be construed in accordance with English law.

### **13.11 Arbitration**

The parties irrevocably agree that any dispute or claim arising out of, under or connected with this Agreement, including a dispute or claim as to the validity, existence or termination of this Agreement or the consequences of its nullity and/or this Clause 13.11 (or any non-contractual obligations arising out of or in connection with this Agreement (a “**Dispute**”), shall be referred to and finally settled by arbitration in London, England, conducted in the English language by three arbitrators, in accordance with the LCIA Rules, which rules are deemed incorporated by reference into this Agreement, save as amended herein. The parties agree to exclude the jurisdiction of the English court under section 45 and 69 of the Arbitration Act 1996.

The arbitral tribunal shall consist of three arbitrators. The claimant(s), irrespective of number, shall nominate jointly one arbitrator; the respondent(s), irrespective of number, shall nominate jointly the second arbitrator; and a third arbitrator, who shall serve as chairman, shall be nominated by agreement of the two party-nominated arbitrators within 15 days of the confirmation of the nomination of the second arbitrator or, in default of such agreement, shall be nominated by the LCIA as soon as possible, preferably within 15 days of the nomination of the second arbitrator.

In the event the claimant(s) shall fail to nominate an arbitrator within the time limits specified in the LCIA Rules, such arbitrator shall be nominated by the LCIA as soon as possible, preferably within 15 days of such failure. In the event that both the respondent(s) or both the claimant(s) and the respondent(s) fail to nominate an arbitrator within the time limits specified in the LCIA Rules, all three arbitrators shall be nominated by the LCIA as soon as possible, and preferably within 15 days of such failure, one of whom the LCIA shall designate as chairman.

If all the parties to an arbitration so agree, there shall be a sole arbitrator nominated by the LCIA as soon as possible, preferably within 15 days of such agreement.



### **13.12 Lender's Process Agent**

The Lender irrevocably appoints Aquila International Services Limited (the "**Lender's Agent**"), now of 2nd Floor, Berkeley Square House, Berkeley Square, London W1J 6BD, as its agent to accept service of process in England in any Dispute, provided that:

- 13.12.1 service upon the Lender's Agent shall be deemed valid service upon the Lender whether or not the process is forwarded to or received by the Lender;
- 13.12.2 the Lender shall inform all other parties to this Agreement, in writing, of any change in the address of the Lender's Agent within 28 days of such change;
- 13.12.3 if the Lender's Agent ceases to be able to act as a process agent or to have an address in England, the Lender irrevocably agrees to appoint a new process agent in England acceptable to the other parties to the Agreement and to deliver to the other parties to the Agreement within 14 days a copy of a written acceptance of appointment by the new process agent; and
- 13.12.4 nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

### **13.13 Borrower's process agent**

The Borrower irrevocably appoints Aquila International Services Limited (the "**Borrower's Agent**"), now of 2nd Floor, Berkeley Square House, Berkeley Square, London W1J 6BD, as its agent to accept service of process in England in any Dispute, provided that:

- 13.13.1 service upon the Borrower's Agent shall be deemed valid service upon the Borrower whether or not the process is forwarded to or received by the Borrower;
- 13.13.2 the Borrower shall inform all other parties to this Agreement, in writing, of any change in the address of the Borrower's Agent within 28 days of such change;
- 13.13.3 if the Borrower's Agent ceases to be able to act as a process agent or to have an address in England, the Borrower irrevocably agrees to appoint a new process agent in England acceptable to the other parties to the Agreement and to deliver to the other parties to the Agreement within 14 days a copy of a written acceptance of appointment by the new process agent; and
- 13.13.4 nothing in this Agreement shall affect the right to serve process in any other manner permitted by law.

### **13.14 Waiver of Immunity**

To the extent that the Borrower or the Lender may now or hereafter be entitled, in any jurisdiction in which any legal action or proceeding may at any time be commenced with respect to this Agreement, to claim for itself or any of its undertaking, properties, assets or revenues present or future any immunity (sovereign or otherwise) from suit, jurisdiction of any court, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or award or from set-off, banker's lien, counterclaim or any other legal process or remedy with respect to its obligations under this Agreement and/or to the extent that in any such jurisdiction there may be attributed to the Borrower or the Lender any such immunity (whether or not claimed), the Borrower and the Lender hereby irrevocably agree not to claim, and hereby waive, any such immunity.

### **13.15 Severability**

In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

### **13.16 Counterparts**

This Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

### **13.17 Language**

The language which governs the interpretation of this Agreement is the English language.

### **13.18 Amendments**

Except as otherwise provided by its terms, this Agreement may not be varied except by an agreement in writing signed by the parties.

### **13.19 Partial Invalidity**

The illegality, invalidity or unenforceability to any extent of any provision of this Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

### **13.20 Prescription**

In the event that any Notes become void pursuant to Condition 10 of the Notes, the Lender shall forthwith repay to the Borrower the principal amount of such Notes subject to the Lender having previously received from the Borrower, and being in possession of, a corresponding amount in respect of principal pursuant to this Agreement.

### **13.21 Limited Recourse and Non Petition**

The Borrower hereby agrees that, notwithstanding any other provisions hereof, it shall have recourse in respect of any claim against the Lender only to sums in respect of principal, interest or other amounts (if any), as the case may be, received by or for the account of the Lender pursuant to this Agreement (after deduction or withholding of such taxes as may be required to be made by the Lender by law in respect of each such sum or in respect of the Notes and for which the Lender has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Lender) in respect thereof pursuant to this Agreement) (the “**Lender Assets**”), subject always to (i) the Security Interests and (ii) to the fact that any claims of the Joint Lead Managers (as defined in the Subscription Agreement) shall rank in priority to any claims of the Borrower hereunder and that any such claim by any and all such Joint Lead Managers or the Borrower shall be reduced pro rata so that the total of all such claims does not exceed the aggregate value of the Lender Assets after meeting claims secured on them.

Neither the Borrower nor any person acting on behalf of it shall be entitled to take any further steps against the Lender to recover any further sums and no debt shall be owed by the Lender to the Borrower in respect of any such further sum. In particular, neither the Borrower nor any other person acting on behalf of it shall be entitled at any time to institute against the Lender, or join in any institution against the Lender of any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Lender relating to the Notes or otherwise owed to the Lender’s creditors, save for lodging a claim in the liquidation of the Lender which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Lender.

No party to this Agreement shall have any recourse against any director, shareholder, or officer of the Lender in respect of any obligations, covenants or agreement entered into or made by the Lender in respect of this Agreement, except to the extent that any such person acts in bad faith or is negligent or is wilfully in default in the context of its obligations.

The provisions of this Clause 13.21 shall survive the termination of this Agreement.

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the Terms and Conditions of the Notes, which contains summaries of certain provisions of the Trust Deed and which will be attached to the Notes in definitive form, if any, and (subject to the provisions thereof) apply to the Global Certificate.*

The U.S.\$350,000,000 8.75 per cent. Loan Participation Notes due 2022 (the “**Notes**” which expression includes any further Notes issued pursuant to Condition 14 and forming a single series herewith) of Bonitron Designated Activity Company (the “**Issuer**” which expression shall include any entity substituted for the Issuer pursuant to Condition 9) are constituted by, are subject to, and have the benefit of a trust deed (the “**Trust Deed**”, which expression includes such trust deed as from time to time modified in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified) dated 30 October 2017 and made between the Issuer and BNY Mellon Corporate Trustee Services Limited (the “**Trustee**”, which expression shall include any successors) as trustee for the holders of the Notes (the “**Noteholders**”).

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a U.S.\$ 350,000,000 loan (the “**Loan**”) to Eurotorg LLC (the “**Company**”). The terms of the Loan are set forth in a loan agreement (the “**Loan Agreement**”, which expression includes such loan agreement as from time to time modified in accordance with the provisions therein contained and any agreement or other document expressed to be supplemental thereto, as from time to time so modified) dated 19 October 2017 between the Issuer and the Company.

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received and retained (net of tax) by or for the account of the Issuer pursuant to the Loan Agreement less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely and exclusively on the covenant to pay under the Loan Agreement and the credit and financial standing of the Company. Noteholders shall have no recourse (direct or indirect) to any other asset of the Issuer.

The Issuer has charged, by way of first fixed charge in favour of the Trustee for the benefit of the Trustee and the Noteholders, certain of its rights and interests as lender under the Loan Agreement and under the Account (as defined in the Loan Agreement) as security for its payment obligations in respect of the Notes and under the Trust Deed (the “**Charge**”) and has assigned certain other rights under the Loan Agreement to the Trustee (the “**Assigned Rights**” and, together with the Charge, the “**Security Interests**”) excluding the Reserved Rights. “**Reserved Rights**” are the rights excluded from the Charge and the Assigned Rights, being all and any rights, interests and benefits of the Issuer in respect of the obligations of the Company under Clauses 2.3, 3.2, 3.4, 5.4 (other than the right to receive any amount payable under such Clause), 6.2 (to the extent that the Company shall reimburse the Issuer on demand for any amount paid by the Issuer in respect of taxes, penalties or interest), 6.3 (to the extent that the Issuer has received amounts to which the Noteholders are not entitled), 6.4, 6.5, 9, 12, 13.2, 13.3 and 13.8 (to the extent it applies to payments made with respect to any other Reserved Rights) of the Loan Agreement.

In certain circumstances, the Trustee can (subject to its being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding in aggregate at least 25 per cent. of the principal amount of the Notes outstanding (as defined in the Trust Deed) or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Company under the Loan Agreement) pursuant to a paying agency agreement (the “**Paying Agency Agreement**”) dated 30 October 2017 and made between the Issuer, the Company, The Bank of New York Mellon, London Branch, as the principal paying agent (the “**Principal Paying Agent**”, which expressions shall include any successors), The Bank of New York Mellon SA/NV, Luxembourg Branch as the registrar and a transfer agent (a “**Registrar**” and a “**Transfer Agent**”, which expression shall include any successors), The Bank of New York Mellon, New York Branch as the US paying agent and transfer agent (the “**U.S. Paying Agent**” and a “**Transfer Agent**”, which expression shall include any successors and together with the Principal Paying Agent, the “**Paying**

**Agents**”) and the Trustee. References herein to the “**Agents**” are to the Registrar, the Paying Agents and the Transfer Agents and any reference to an “**Agent**” is to any one of them.

Copies of the Trust Deed, the Loan Agreement and the Paying Agency Agreement are available for inspection by Noteholders during normal business hours at (i) the registered office of the Trustee being, at the date hereof, One Canada Square, London E14 5AL, United Kingdom; (ii) the registered office of the Issuer being, at the date hereof, 2nd Floor, Palmerston House, Fenian Street, Dublin 2, Ireland; and (iii) at the specified office of the Principal Paying Agent, the initial specified office of which is set out in the Paying Agency Agreement.

Certain provisions of these terms and conditions (the “**Conditions**”) are summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed), and the Paying Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of all the provisions of the Loan Agreement and the Paying Agency Agreement that are applicable to them.

Unless otherwise stated, terms not defined herein shall have the same meanings given to them in the Trust Deed.

## **1 Status and Limited Recourse**

The Notes are limited recourse secured obligations of the Issuer.

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received (net of tax and other deductions) by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights.

The Trust Deed provides that payments in respect of the Notes equal to the sums actually received and retained (net of tax) by or for the account of the Issuer by way of principal, interest or additional amounts (if any) pursuant to the Loan Agreement, less any amount in respect of the Reserved Rights (after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of each such sum or in respect of the Notes to the extent that the Issuer has not received a corresponding payment in respect thereof) will be made *pro rata* among all Noteholders (subject to Condition 7), on the Business Day following the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, the Issuer shall be under no obligation to exercise in favour of the Noteholders any rights of set-off or to combine accounts or counterclaim that may arise out of other transactions between the Issuer and the Company.

Noteholders have notice of, and have accepted, these Conditions and the contents of the Trust Deed, the Paying Agency Agreement and the Loan Agreement. It is hereby expressly provided that, and Noteholders are deemed to have accepted that:

- (a) neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, (in the case of the Issuer) save as otherwise expressly provided in the Trust Deed, in Condition 1(f) below or in the Loan Agreement (in the case of the Issuer), any liability or obligation in respect of the performance and observance by the Company of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any additional amounts) due or to become due from the Company under the Loan Agreement save that nothing in this Condition shall absolve the Trustee from responsibility and liability for performance of its trusts, duties and obligations pursuant to, and subject to the terms of, the Trust Deed;
- (b) neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the condition (financial or otherwise), creditworthiness, affairs, status, nature or prospects of the Company;

- (c) neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default, fraud, negligence, bad faith or omission of the Company under or in respect of the Loan Agreement;
- (d) neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Agents of their respective obligations under the Paying Agency Agreement;
- (e) the payment of principal, interest and other amounts, if any, under, and performance of the terms of, the Notes depend solely and exclusively upon performance by the Company of its obligations under the Loan Agreement and the Company's covenants to make payments under the Loan Agreement to procure that such payments are made and the Company's credit and financial standing;
- (f) the Issuer and the Trustee shall be entitled to rely on delivery to them of Officers' Certificates (as defined in the Loan Agreement) and/or any other certificates (whether or not addressed to the Issuer or the Trustee) from the Company, as a means of monitoring whether a Default, an Event of Default has occurred, and whether the Company complying with its obligations under the Loan Agreement or as to the identity of the Company's Subsidiaries (as defined in the Loan Agreement) and shall not otherwise be responsible for investigating any aspect of the Company's performance in relation thereto and, subject as further provided in the Trust Deed, neither the Issuer as lender under the Loan Agreement nor the Trustee will be liable for any failure to make the usual or any investigations which might be made by a lender or a security holder (as applicable) in relation to the property which is subject to the Security Interests and held by way of security for the performance of, *inter alia*, the Issuer's obligations under the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the property which is the subject of the Trust Deed and held by way of security whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will the Trustee have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security, nor will the Trustee have any responsibility for the value or adequacy of such security;
- (g) neither the Trustee nor the Issuer shall at any time be required to expend or risk its own funds or otherwise incur any financial liability in the performance of its obligations or duties or the exercise of any right, power, authority or discretion pursuant to these Conditions until the Issuer, or the Trustee, as the case may be, has received an indemnity and/or security to its satisfaction and/or the funds, payable in advance, that are necessary in its opinion to cover the costs and expenses in connection with such performance or exercise, or has been (in its sole discretion) sufficiently assured that it will receive such funds; and
- (h) the Issuer will not be liable to make any payments to compensate for any withholding or deduction required to be made by or on behalf of the Issuer in respect of any payment relating to the Notes, or for any payment for or on account of tax required to be made by the Issuer on or in relation to any sum received by it under the Loan Agreement, which will or may affect payments made or to be made by the Company under the Loan Agreement, save to the extent that it has received additional amounts under the Loan Agreement in respect of such withholding or deduction or payment, and the Issuer shall, furthermore, not be obliged to take any actions or measures as regards such deduction or withholding or payment, other than those set out in this context in the Loan Agreement. The Trustee shall have no liability in respect of any such deduction, withholding or payment.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Company to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto*, to the extent of such payment, satisfy the obligations of the Issuer in respect of the Notes, except to the extent there is a failure in its subsequent payment to the relevant Noteholders.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's rights under or in respect of the Loan Agreement or the Loan, (each as defined in the Trust Deed) exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Company, except through action by the Trustee pursuant to the relevant Security Interests granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take any steps, actions or proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured and/or prefunded by the Noteholders to its satisfaction.

As provided in the Trust Deed, and notwithstanding any other provision hereof, the obligations of the Issuer are solely to make payments of amounts in aggregate equal to each sum actually received by or for the account of the Issuer pursuant to the Loan Agreement from the Company in respect of principal, interest or additional amounts (if any) (less any amount in respect of the Reserved Rights and after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of each such sum or in respect of the Notes to the extent that the Issuer has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Issuer) in respect thereof pursuant to the Loan Agreement the right to receive which is being charged and assigned by way of security to the Trustee as aforesaid.

Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums received or recovered by or on behalf of the Issuer or the Trustee (following a Relevant Event (as defined in the Trust Deed) or (if applicable) an Event of Default (as defined in the Loan Agreement)). Noteholders shall look solely to such sums for payments to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets (other than those subject to the Security Interests) in respect thereof. Noteholders must therefore rely solely and exclusively upon the covenant to pay under the Loan Agreement and the credit and financial standing of the Company and no other assets of the Issuer (other than those subject to the Security Interests) will be available to the Noteholders.

Notwithstanding any other provisions of these Conditions and the provisions of the Trust Deed, the Trustee and the Noteholders shall have recourse only to the Security Interests in accordance with Clause 4 of the Trust Deed. After realisation of the security which has become enforceable and distribution of the proceeds in accordance with Clause 8 of the Trust Deed, the obligations of the Issuer with respect to the Trustee and the Noteholders in respect of the Notes shall be satisfied and none of the foregoing parties may take any further steps against the Issuer to recover any further sums in respect thereof and the right to receive any such sums shall be extinguished. In particular, none of the Noteholders, the Trustee, nor any other person acting on behalf of any of them shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors or the Trustee, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder nor the Trustee shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes, except in the case of gross negligence, wilful default or fraud.

## **2 Form, Denomination, Register and Transfers**

### **2.1 Form and denomination:** Notes are issued in registered form, in the denominations of U.S.\$200,000 or integral multiples of U.S.\$1,000 in excess thereof (an "**Authorised Holding**"), without coupons attached.

*The Notes will be initially issued in global, fully registered form, and represented by (i) a Rule 144A Global Certificate (the "Rule 144A Global Certificate"), interests in which are to be sold to qualified institutional buyers (each a "QIB"), within the meaning of, and pursuant to, Rule 144A ("Rule 144A") under the U.S. Securities Act of 1933 (the "Securities Act"), each of whom is also a qualified purchaser*

(“QP”) (as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940) and (ii) a Regulation S Global Certificate (the “Regulation S Global Certificate” and, together with the Rule 144A Global Certificate, the “Global Certificates”), interests in which are to be offered outside the United States to non-U.S. persons within the meaning of, and pursuant to, Regulation S under the Securities Act (“Regulation S”) which will each be exchangeable for Notes in definitive, fully registered form in the limited circumstances specified in the Global Certificates and the Paying Agency Agreement.

## **2.2 Register, Title and Transfers:**

### **(a) Register**

The Registrar will maintain a register (the “**Register**”) in respect of the Notes in accordance with the provisions of the Paying Agency Agreement. In these Conditions, the “**holder**” of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and “**Noteholder**” shall be construed accordingly. A certificate (a “**Certificate**”) will be issued to each Noteholder in respect of its registered holding of Notes.

### **(b) Title**

Title to the Notes will pass by, and upon, registration in the Register. The holder of each Note shall (except as otherwise required by law or required by a court of competent jurisdiction) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Certificate) and no person shall be liable for so treating such holder.

### **(c) Transfers**

Subject to paragraph (e) of this Condition 2.2, a Note may be transferred upon surrender of the relevant Certificate, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of the relevant Transfer Agent, together with such evidence as the Registrar or the relevant Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided however, that a Note may not be transferred unless the principal amount of the Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of the Notes not transferred are Authorised Holdings. Where not all the Notes represented by the surrendered Certificates are the subject of the transfer, a new Certificate in respect of the balance of the Notes not transferred will be issued to the transferor.

### **(d) Registration and delivery of Definitive Notes**

Subject to the terms of the Paying Agency Agreement and paragraph (e) of this Condition 2.2, within three business days of the surrender of a Certificate in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Certificate to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, “**business day**” means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office. In the case of the transfer of only a part of the Notes, a new Certificate in respect of the balance of the Notes not transferred will be so delivered or (at the risk and, if mailed at the request of the transferor otherwise than by ordinary uninsured mail, at the expense of the transferor) sent by mail to the transferor.

The transfer of Notes will be effected without charge but against such indemnity as the Registrar or the relevant Transfer Agent, as applicable, may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered (i) during the period of 15 calendar days ending on (and including) the due date for redemption of that Note, (ii) during the period of 15 days prior to (and including) any date on which the Notes may be called for redemption by the Issuer at its option

pursuant to Condition 5, (iii) after Notes have been called for redemption, (iv) following the exercise of any Noteholder option pursuant to Condition 5, (v) during the period of seven days ending on (and including) any Record Date.

(e) *Regulations concerning Transfers and Registration*

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Paying Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

### **3 Restrictive Covenant**

**3.1** As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee or an Extraordinary Resolution or a Written Resolution (each as defined in the Trust Deed), agree to any novation, assignment or amendment to, or any modification, rescission, cancellation, termination or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement (other than in respect of Reserved Rights) and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Trust Deed or the Loan Agreement, as the case may be. Any such novation, assignment, amendment, modification, rescission, cancellation, termination, waiver, or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the Noteholders in accordance with Condition 13.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee or an Extraordinary Resolution or a Written Resolution, shall not, *inter alia*, (i) incur any indebtedness for borrowed moneys other than (a) issuing the Notes and any further notes in accordance with Condition 14 or (b) issuing notes on a limited recourse basis secured on assets of the Issuer (other than the assets over which the Security Interests have been created, the assets on which any other obligations of the Issuer are secured and the Issuer's share capital), (ii) engage in any business (other than acquiring and holding the property over which the Security Interests have been created, entering into and performing any agreement related to the Notes or any issue of any further notes or other notes on a limited recourse basis as aforesaid or acts incidental to or necessary in connection with the Notes or such related agreements (including in respect of any security or a transaction fee in connection therewith), making the Loan to the Company pursuant to the Loan Agreement or any future loans to the Company in connection with the issue of further notes as aforesaid and performing any act incidental to or necessary in connection therewith), (iii) have any subsidiaries or employees, (iv) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), (v) except as permitted in the Trust Deed, dispose of any property over which the Security Interests have been created or any interest therein, (vi) consolidate or merge with any other person or (vii) convey or transfer its properties or assets substantially as an entirety to any person (otherwise than as contemplated in these Conditions and the Trust Deed), (viii) issue any shares (other than any shares necessary to convert to a public limited company in Ireland or as are in issue as at the date of the Trust Deed) (to the extent the same is within the control of the Issuer), (ix) declare any dividends, make any distribution to its shareholders, give any guarantees or assume any other liability, or, subject to the laws of Ireland, petition for any winding-up or bankruptcy, or (x) open or have any interest in any account with a bank or financial institution (other than (a) the Account; (b) the account held by the Issuer with The Bank of New York Mellon, London Branch as Account Bank into which the subscription proceeds of the Notes (if any), the Facility Fee (as defined in the Loan Agreement) and the ongoing expenses of the Issuer are to be paid; and (c) any account relating to any further notes issued pursuant to the Trust Deed or other notes issued on a limited recourse basis for the purposes of making loans to the Company or any charged property relating thereto), save where any such account or the Issuer's interest in it is simultaneously charged in favour of the Trustee so as to form part of such charged property or such account is opened in connection with the administration and management of the Issuer and only moneys necessary for that purpose are credited to it, including for the avoidance of doubt, its share capital.

**3.2** The Issuer shall file a "check-the-box" election under U.S. Treasury regulations Section 301.7701-3, effective as of the date of the Issuer's formation, to be treated as disregarded as an entity separate from



its owner for U.S. federal income tax purposes, and shall not undertake any action that is inconsistent with the Issuer being treated as a disregarded entity for U.S. federal income tax purposes.

#### **4 Interest**

On each Interest Payment Date (or such later date as amounts equivalent to amounts of interest due on such date are received by the Issuer pursuant to the Loan Agreement) the Issuer shall account to the Noteholders for an amount equal to the amount of interest actually received by or for the account of the Issuer pursuant to the Loan Agreement, which interest under the Loan is payable at a rate of 8.75 per cent. per annum as set out in Clause 4 of the Loan Agreement.

Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (after as well as before judgment) at the rate of interest and until the time set out in Clause 4 of the Loan Agreement.

In these Conditions, “**Interest Payment Date**” means 30 April and 30 October of each year commencing on 30 April 2018.

#### **5 Redemption and Purchase**

##### **(a) Final Redemption**

Unless previously prepaid or repaid pursuant to the terms of the Loan Agreement, the Company will be required to repay the Loan one Business Day prior to the Repayment Date (as defined in the Loan Agreement) and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will on the Repayment Date, or as soon thereafter as such repayment of the Loan is actually received, be redeemed or repaid by the Issuer at 100 per cent. of the principal amount thereof together with accrued interest.

##### **(b) Amortisation**

The Company will be required pursuant to Clause 5.2 of the Loan Agreement, on each Interest Payment Date commencing on the Interest Payment Date falling on 30 April 2021, to prepay the Loan in the amount equal to the lesser of (x) the amount set out in the table below or (y) the aggregate principal amount of the Loan then outstanding:

Interest Payment Date:	Instalment Amount:
30 April 2021	U.S.\$50,000,000
30 October 2021	U.S.\$50,000,000
30 April 2022	U.S.\$125,000,000
30 October 2022	U.S.\$125,000,000

Following the prepayment of the Loan by the Company as set forth in Clause 5.2 of the Loan Agreement, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem the Notes in such amounts and on such Interest Payment Dates as set out in the table above. The Issuer's obligations in respect of this Condition 5(b) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the relevant Interest Payment Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

In the case of a partial redemption, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection made pursuant to this Condition 5(b).

(c) *Early Redemption*

Under the Loan Agreement:

- (i) the Company may, in the circumstances set out in Clause 5.3 of the Loan Agreement prepay the Loan in whole but not in part; or
- (ii) the Issuer may require the Company to prepay the Loan in whole but not in part in the circumstances set out in Clause 5.4 of the Loan Agreement.

If the Loan should become repayable pursuant to Clauses 5.3, 5.4 or 11 of the Loan Agreement prior to the Repayment Date, as set forth in the Loan Agreement, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at 100 per cent. of the principal amount together with accrued interest and (subject to the Loan being repaid together with accrued interest) shall be redeemed or repaid by the Issuer on the date specified pursuant to the Loan Agreement and the Issuer will use all reasonable endeavours to give not less than 15 days' notice thereof to the Trustee and the Noteholders in accordance with Condition 13.

(d) *Redemption at the Option of the Noteholders in the event of a Change of Control*

On the occurrence of a Change of Control Put Event (as defined in the Loan Agreement), the holder of a Note will have the option (the “**Change of Control Put Option**”) to require the Issuer to redeem such Note on the Change of Control Put Settlement Date (as defined below) at 101 per cent. of its principal amount together with accrued interest (if any) to the Change of Control Put Settlement Date.

Promptly upon the Issuer becoming aware (either by receiving written notice from the Company or otherwise) that a Change of Control Put Event has occurred, the Issuer shall give notice (a “**Change of Control Put Event Notice**”) to the Noteholders in accordance with Condition 13, specifying (i) that a Change of Control Put Event has occurred (ii) the details, circumstances and relevant facts, giving rise to such Change of Control, (iii) the Change of Control Put Period (iv) the procedure for exercising the Change of Control Put Option and (v) that any Note not properly tendered or not tendered at all prior to the Change of Control Put Settlement Date will remain outstanding and continue to accrue interest and additional amounts (if any).

In order to exercise the Change of Control Put Option, the holder of a Note must deliver no later than 60 calendar days after the Change of Control Put Event Notice is given (the “**Change of Control Put Period**”), to the specified office of the Principal Paying Agent, evidence satisfactory to the Principal Paying Agent of such holder's entitlement to such Note and a duly completed change of control put option notice (a “**Change of Control Put Option Notice**”) specifying the principal amount of the Notes in respect of which the Change of Control Put Option is exercised, in the form obtainable from the Principal Paying Agent. The Principal Paying Agent will provide such Noteholder with a non-transferable receipt. On the Business Day (as defined in the Loan Agreement) following the end of the Change of Control Put Period, the Principal Paying Agent shall notify in writing the Issuer and the Company of the exercise of the Change of Control Put Option specifying the aggregate principal amount of the Notes to be redeemed in accordance with the Change of Control Put Option. Provided that the Notes that are the subject of any such Change of Control Put Option Notice have been delivered to the Principal Paying Agent prior to the expiry of the Change of Control Put Period, then the Issuer shall (subject to the receipt of sufficient funds to do so from the Company pursuant to the Loan Agreement) redeem all such Notes on the date falling five Business Days after the expiration of the Change of Control Put Period (the “**Change of Control Put Settlement Date**”). No Change of Control Put Option Notice, once delivered to the Principal Paying Agent in accordance with this Condition 5(d), may be withdrawn.

(e) *Optional Redemption at the option of the Issuer under Make Whole Call Option*

At any time prior to the Repayment Date the Company may, at its option, on giving not less than 30 nor more than 60 days' notice to the Issuer (which notice shall be irrevocable and shall specify the Make Whole Optional Prepayment Date (as defined in the Loan Agreement), prepay the Loan in whole (but not in part) at the Make Whole Prepayment Amount (as defined in the Loan Agreement) plus accrued and unpaid interest on the Loan so prepaid to but excluding the Make Whole Optional Prepayment Date (the “**Make Whole Call Option**”).

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the exercise of the Make Whole Call Option, the Loan is prepaid by the Company as set forth in the Loan Agreement prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem the Notes on the Make Whole Optional Prepayment Date.

The Issuer's obligations in respect of this Condition 5(e) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Make Whole Optional Prepayment Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

(f) *Optional Redemption at the option of the Issuer under Equity Call Option*

At any time prior to 30 April 2021, upon not less than 30 nor more than 60 days' notice to the Lender (which notice shall be irrevocable and shall specify the Equity Call Prepayment Date (as defined in the Loan Agreement), the Company may, at its option, on any one or more occasions prepay up to 35 per cent. of the aggregate principal amount of the Loan in the amount equal to 108.75 per cent. of the Loan that is being prepaid, plus accrued and unpaid interest on the Loan so prepaid to but excluding the Equity Call Prepayment Date with the net cash proceeds of one or more Equity Offerings (as defined in the Loan Agreement); provided that:

- (i) at least 65 per cent. of the aggregate principal amount of the Loan remains outstanding immediately after the occurrence of such repayment; and
- (ii) the prepayment occurs within 90 days of the date of the closing of such Equity Offering,

(the "**Equity Call Option**").

Immediately on receipt of such notice, the Issuer shall forward it to the Noteholders (in accordance with Condition 13), the Trustee and the Principal Paying Agent. If, as a result of the exercise of the Equity Call Option, the Loan is prepaid by the Company as set forth in the Loan Agreement prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of the relevant amounts from the Company under the Loan, redeem the Notes on the Equity Call Prepayment Date.

In the case of a partial redemption, the Notes shall be selected for redemption either: (a) in accordance with the procedures of the relevant clearing systems; or (b) if the Notes are not held in a clearing system or if the relevant clearing systems prescribe no method of selection, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor any Agent shall have any liability for any selection made pursuant to this Condition 5(f).

The Issuer's obligations in respect of this Condition 5(f) to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Equity Call Prepayment Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

(g) *Purchases*

The Loan Agreement provides that the Issuer, the Company or any member of the Group (as defined in the Loan Agreement) may, among other things, purchase Notes from time to time, in the open market or by tender or by private agreement at any price. In addition, in certain circumstances set out in Clause 7.4 of the Loan Agreement, the Company shall also offer to purchase Notes pursuant to the Asset Sale Offer (as defined in the Loan Agreement) at 100 per cent. of principal amount thereof together with accrued and unpaid interest and additional amounts (if any), to the date of purchase. Notes so purchased may be held, reissued, resold or, at the option of the Company or any such member of the Group, delivered to the Issuer together with a request for the Issuer to redeem and thereafter cancel such Notes, whereupon the Issuer shall, pursuant to the Paying Agency Agreement, instruct the Registrar, subject to the satisfaction of certain conditions set out in the Loan Agreement, to redeem and cancel such Notes. Upon the cancellation of such Notes, the Loan shall be treated as prepaid by the Company in an amount

corresponding to the aggregate principal amount of the Notes surrendered for cancellation, together with accrued interest (if any) thereon, and no further payment shall be made or required to be made by the Issuer in respect of such Notes.

The Issuer may compel any beneficial owner of Notes initially sold pursuant to Rule 144A to certify that it is a QIB that is also a QP and may compel any such beneficial owner to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a QIB that is also a QP.

## **6 Payments**

### *(a) Principal*

Payments of principal shall be made by U.S. Dollar cheque drawn on, or, upon request by the holder of a Note to the specified office of any Paying Agent, by transfer to a U.S. Dollar account maintained by the payee with, a bank in New York City upon surrender of the relevant Certificates at the specified office of any Paying Agent or at the specified office of any Transfer Agent.

### *(b) Interest*

Payments of interest shall be made by U.S. Dollar cheque drawn on, or, upon request by the holder of a Note to the specified office of any Paying Agent, by transfer to, a U.S. Dollar account maintained by the payee with, a bank in New York City and (in the case of interest payable on redemption) upon surrender of the relevant Certificates at the specified office of any Paying Agent or at the specified office of any Transfer Agent.

### *(c) Payments subject to fiscal law*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

### *(d) Payments on business day*

A Note may only be presented for payment on a day which is a business day in the place of presentation. If the due date for payment of interest or principal is not a business day, the holder of a Note shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this Condition 6, “**business day**” means a day on which (i) the London interbank market is open for dealings between banks generally and (ii) if on that day a payment is to be made hereunder, commercial banks generally are open for business in Minsk, Dublin, New York City and in the city where the specified office of the Principal Paying Agent is located.

### *(e) Record Date*

Each payment in respect of a Note will be made to the person shown as the holder in the Register at the opening of business (in the place of the Registrar’s specified office) on the business day before the due date for each payment (the “**Record Date**”). Where payment in respect of a Note is to be made by cheque, the cheque will be, at the expense of the Issuer, mailed to the address shown as the address of the Noteholder in the Register at the opening of business on the relevant Record Date.

### *(f) Agents*

The Paying Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee and the Company appoint a successor Registrar or Principal Paying Agent and/or additional or successor paying agents or transfer agents provided that for so long as any of the Notes are outstanding, the Issuer will ensure that it maintains (i) a Principal Paying Agent, and (ii) a Registrar for so long as the Notes are listed and/or admitted to trading on any stock exchange and (iii) a Paying Agency that may be required under rules and regulations of such stock exchange. Any such appointment of successor or other Agents shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days’ and not less than 30 days’ notice

thereof shall have been given to the continuing Agents, the Company, the Trustee and to the Noteholders in accordance with Condition 13.

In acting under the Paying Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

(g) *Payments by the Company*

Save as directed by the Trustee at any time after the Security Interests created in the Trust Deed become enforceable, the Issuer will require the Company to make all payments of principal, interest and any additional amounts to be made pursuant to the Loan Agreement, to the Principal Paying Agent to an account in the name of the Issuer with the Principal Paying Agent. Pursuant to the Charge, the Issuer will charge by way of first fixed charge, all its rights, title and interest in and to all sums of money (including interest from time to time earned on the Account, if any, but with the exception of sums relating to the Reserved Rights) then or in the future so deposited in such account and the debts represented thereby to the Trustee for the benefit of the Trustee and the Noteholders.

(h) *Currency other than U.S. Dollars*

In respect of the Issuer's obligations under Conditions 4, 5 and 7, and subject to the following sentence, if the Issuer receives any amount under the Loan Agreement in a currency other than U.S. Dollars, the Issuer's obligation under the relevant Condition shall be fully satisfied by paying such sum (after deducting any costs of exchange) as the Issuer receives upon conversion of such sum into U.S. Dollars in accordance with customary banking practice in the spot market on the business day immediately following the day on which such sum is received by the Issuer, provided that the Issuer shall use its best efforts to procure any payments due from the Company pursuant to Clause 13.8 of the Loan Agreement. If the Issuer receives any payment from the Company pursuant to Clause 13.8 of the Loan Agreement with respect to amounts due under the Notes, the Issuer shall pay such sum to the Noteholders in accordance with this Condition 6.

## **7 Taxation**

All payments in respect of the Notes by or on behalf of the Issuer shall be made free and clear of and without deduction or withholding for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied, collected, withheld or assessed by or on behalf of Ireland or the Republic of Belarus or any political subdivision or any authority thereof or therein having the power to tax (or, in the event of a Relevant Event, the jurisdiction where the Trustee is domiciled for tax purposes), unless the deduction or withholding of such taxes or duties is required by law or required pursuant to FATCA (as defined below).

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required. However, the Issuer shall only be required to make such additional payments to the extent and at such time as it shall receive equivalent sums from the Company under the Loan Agreement, as the case may be. To the extent that the Issuer does not receive any such equivalent sum, the Issuer shall account to the relevant Noteholder for an additional amount equivalent to a *pro rata* proportion of such additional amount (if any) as is actually received by, or for the account of, the Issuer pursuant to the provisions of the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer provided that no such additional amount will be payable:

- (i) to a Noteholder who (i) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (ii) is liable for such taxes or duties by reason of his having some connection with Ireland other than the mere holding of such Notes or the receipt of payments in respect thereof; or
- (ii) in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such thirtieth day.

As used herein, “**FATCA**” means (a) sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986 or any associated regulations or other official guidance, (b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States and any other jurisdiction, which (in either case) facilitates the implementation of item (a) above, or (c) any agreement or regulations pursuant to the implementation of items (a) or (b) above with the U.S. Internal Revenue Service, the U.S. government or any governmental or taxation authority in any other jurisdiction.

As used herein, “**Relevant Date**” means the later of (i) the date on which the equivalent payment under the Loan Agreement first becomes due and (ii) if the full amount payable by the Company corresponding to such payment has not been received by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such full amount shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 13.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable in accordance with the Trust Deed and this Condition 7 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed. If the Issuer becomes subject to any taxing jurisdiction other than or in addition to Ireland, references in these Conditions to Ireland shall be construed as references to Ireland and/or such other jurisdiction.

## **8 Enforcement**

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails to do so within a reasonable period and such failure is continuing.

The Trust Deed also provides that, in the case of a Default, or of a Relevant Event, the Trustee may, and shall, if requested in writing to do so by Noteholders holding at least 25 per cent. in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution, and, in any such case, subject to its being secured and/or indemnified and/or prefunded to its satisfaction, institute such steps, actions or proceedings as it may think fit (subject to the non-petition covenant in Condition 1) to enforce the rights of the Noteholders and the provisions of the Trust Deed, including to declare all amounts payable under the Loan Agreement by the Company to be immediately due and payable (in the case of a Default), or enforce any rights under the Security Interests created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Loan following a Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with accrued interest thereon and thereupon shall cease to be outstanding.

## **9 Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer**

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the Trust Deed. Noteholders will be entitled to one vote per U.S.\$1,000 in principal amount of Notes held by them. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Issuer or by the Trustee, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, upon the request in writing of Noteholders holding not less than one tenth of the principal amount of the outstanding Notes. The Trust Deed provides that special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Under the terms of the Trust Deed, an Extraordinary Resolution means a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions contained therein. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. of the aggregate principal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened

and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

The Trustee may agree, without the consent of the Noteholders, to any modification of these Conditions, the Notes, the Trust Deed, the Paying Agency Agreement or following the creation of any Security Interests, the Loan Agreement (subject, in the case of the Loan, to the following paragraph) which, in each case following, in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or (other than as mentioned in the Trust Deed) in the opinion of the Trustee is not materially prejudicial to the interests of the Noteholders.

The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Conditions or the Trust Deed or, following the creation of the Security Interests, by the Company of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement or any Relevant Event shall not be treated as such (in each case other than any such breach or proposed breach in respect of Reserved Rights), if in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders, provided always that the Trustee may not exercise such power of waiver in contravention of a written request given by holders of 25 per cent. in aggregate principal amount of the Notes then outstanding or any express direction by Extraordinary Resolution or Written Resolution. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 13.

The Trust Deed contains provisions to the effect that the Trustee may, with the consent of the Company, and further provided certain conditions have been met (as further set out in the Trust Deed), and subject to the Issuer and/or the Company having complied with the requirements set out in the Trust Deed and such requirements as the Trustee may direct in the interest of Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as obligor under the Trust Deed, subject to the substitute's rights under the Loan Agreement being charged and assigned to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes. Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Issuer to the Noteholders in accordance with Condition 13, failing which the Issuer shall use its best endeavours to ensure that the substitute obligor does so.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

## **10 Prescription**

Notes will become void unless presented for payment within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

## **11 Indemnification of Trustee**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances, including provisions relieving it from taking steps, actions or proceedings to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction, and to be paid its costs and expenses in priority to any claims of Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Issuer and/or the Company and any entity relating to the Issuer and/or the Company without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes, Loan Agreement and the Trust Deed or by the Company in respect of the Loan Agreement. The Trustee is entitled to assume that the Company

is performing all of its obligations pursuant to the Loan Agreement and that the Issuer is performing its obligations under the Notes, the Loan Agreement and the Trust Deed (and shall have no liability for doing so).

The Trustee shall have no liability to any Noteholder or any other person for any shortfall it may suffer if it is liable for tax in respect of any payments received by it or as a result of the Security Interests being enforced by it.

## **12 Replacement of Notes**

If a Certificate shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and requirements of any stock exchange on which the Notes are from time to time listed or quoted, be replaced at the specified offices of the Transfer Agents in London on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer and/or the Transfer Agents. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

## **13 Notices**

Notices to the Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing. All notices to Noteholders shall be filed with the Companies Announcements Office of the Stock Exchange. The Issuer shall also ensure that all notices are duly published (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading. Any such notice shall be deemed to have been given on the date of such notice.

## **14 Further Issues**

The Issuer may from time to time, with the consent of the Company but without the consent of the Noteholders, create and issue, as provided in Condition 2, either (1) limited recourse notes or bonds or (2) further notes or bonds having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so as to be consolidated and form a single series with the Notes, provided, however, that, unless such further notes or bonds are issued under a separate CUSIP or ISIN, either such further notes or bonds, as the case may be, and the Notes are part of the same “issue” within the meaning of United States Treasury Regulation Section 1.1275-1(f) (including, for the avoidance of doubt, being part of a “qualified reopening” within the meaning of U.S. Treasury Regulation Section 1.1275-2(k)) or neither the Notes nor such notes or bonds are issued with original issue discount for U.S. federal income tax purposes. Such further notes shall be issued under a deed supplemental to the Trust Deed containing such provisions as the Trustee may require. In relation to any further issue which is to be consolidated and form a single series with the Notes, the Issuer will enter into a loan agreement with the Company on the same terms as the Loan Agreement (or the same terms except for the first payment of interest) and supplemental to the Loan Agreement, or may amend and restate the same with the Company on substantially the same terms as the Loan Agreement. The Issuer will provide a first fixed charge in favour of the Trustee in respect of certain of its rights and interests under such loan agreement and will assign absolutely to the Trustee certain of its rights under such loan agreement, which will secure both the Notes and such further notes and which will supplement the Security Interests in relation to the existing Notes or may amend and supplement the Security Interests for such purpose. Any further securities forming a single series with the outstanding securities of any series (including the Notes) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Noteholders and the holders of securities of other series where the Trustee so decides. Application will be made for such further notes or bonds to be listed and admitted to trading on the stock exchange on which the Notes are from time to time listed or quoted.



**15      Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

**16      Governing Law; Arbitration**

The Notes, these Conditions, the Trust Deed and any non-contractual obligations arising out of or in connection therewith shall be governed by, and construed in accordance with, English law.

The Issuer has submitted in the Trust Deed to the jurisdiction of the courts of England and has appointed an agent for the service of process in England. The Issuer and the Company have in the Loan Agreement agreed that any dispute or claim arising out of, under or connected with the Loan Agreement including a dispute or claim as to their existence, validity or termination shall be referred to and finally resolved by arbitration under the LCIA Rules, which rules are deemed to be incorporated by reference in the Loan Agreement, subject to the exceptions set out therein. The Company and the Issuer have appointed agents for the service of process in England.

## SUMMARY OF THE PROVISIONS RELATING TO THE NOTES IN GLOBAL FORM

*The following is a summary of the provisions to be contained in the Trust Deed to constitute the Notes and in the Global Certificate which will apply to, and in some cases modify, the Conditions while the Notes are represented by the Global Certificate.*

### The Global Note Certificates

The Regulation S Notes will be evidenced on issue by the Regulation S Global Note Certificate registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg. Beneficial interests in the Regulation S Global Note Certificate may be held only through Euroclear or Clearstream, Luxembourg at any time. See *“Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates”*. By acquisition of a beneficial interest in the Regulation S Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, that it is located outside the United States and that, if it determines to transfer such beneficial interest prior to the expiration of the “distribution compliance period” (as such term is defined in Rule 902 of Regulation S), it will transfer such interest only (a) to a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP, in each case in accordance with any applicable securities laws of any state of the United States. See *“Transfer Restrictions”*.

The Rule 144A Notes will be evidenced on issue by the Rule 144A Global Note Certificate deposited with a custodian for, and registered in the name of a nominee of, DTC. Beneficial interests in the Rule 144A Global Note Certificate may only be held through DTC at any time. See *“Clearing and Settlement—Book-Entry Procedures for the Global Note Certificates”*. By acquisition of a beneficial interest in the Rule 144A Global Note Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See *“Transfer Restrictions”*.

Beneficial interests in Global Note Certificates will be subject to certain restrictions on transfer set forth therein and in the Trust Deed and the Global Note Certificates will bear the applicable legends regarding the restrictions set forth under *“Transfer Restrictions”*. A beneficial interest in the Regulation S Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate only in denominations greater than or equal to the minimum denominations applicable to interests in the Rule 144A Global Note Certificate and only upon receipt by the Registrar of a written certification (in the form provided in a Paying Agency Agreement relating to the Notes (the **“Paying Agency Agreement”**)) to the effect that the transferor reasonably believes that the transferee is a QIB and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in the Rule 144A Global Note Certificate may be transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate only upon receipt by the Registrar of a written certification (in the form provided in the Paying Agency Agreement) from the transferor to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate will, upon transfer, cease to be an interest in the Regulation S Global Note Certificate and become an interest in the Rule 144A Global Note Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Note Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Note Certificate and become an interest in the Regulation S Global Note Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Except in the limited circumstances described below, owners of beneficial interests in Global Note Certificates will not be entitled to receive physical delivery of Definitive Certificates. The Notes are not issuable in bearer form.

## Exchange For Definitive Certificates

### *Exchange*

Subject to receipt by the Issuer of the funds necessary to cover the cost realized from the Company, each Global Note Certificate will be exchangeable, free of charge to the holder, on or after its Exchange Date (as defined below), in whole but not in part, for Notes in definitive form if: (i) a Global Note Certificate is held by or on behalf of (A) DTC, and DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Note Certificate or ceases to be a “clearing agency” registered under the Exchange Act or if at any time it is no longer eligible to act as such, and the Issuer is unable to locate a qualified successor within 90 days of receiving notice or becoming aware of such ineligibility on the part of DTC or (B) Euroclear or Clearstream, Luxembourg, as the case may be, and Euroclear or Clearstream, Luxembourg, as the case may be, is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, by the holder giving notice to the Registrar or any Transfer Agent and the Issuer or (ii) the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 7 which would not be suffered were the Notes in definitive form and a note to such effect signed by the requisite number of signatories of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or any Transfer Agent and the Noteholders of its intention to exchange the relevant Global Note Certificate for Definitive Certificates on or after the Exchange Date (as defined below) specified in the notice or (iii) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of the Noteholders under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes, by the Trustee giving notice to the Registrar or any Transfer Agent and the Noteholders.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note Certificate for Definitive Certificates for a period of 15 calendar days ending on the date for any payment of principal or interest in respect of the Notes.

If only one of the Global Note Certificates (the “**Exchanged Global Note Certificate**”) becomes exchangeable for Definitive Certificates in accordance with the above paragraphs, transfers of Notes may not take place between, on the one hand, persons holding Definitive Certificates issued in exchange for beneficial interests in the Exchanged Global Note Certificate and, on the other hand, persons wishing to purchase beneficial interests in the other Global Note Certificate.

“**Exchange Date**” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar and any Transfer Agent is located.

### *Delivery*

In such circumstances, the relevant Global Note Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (and against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note Certificate must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of the Rule 144A Global Note Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Certificates issued in exchange for a beneficial interest in the Rule 144A Global Note Certificate shall bear the legend applicable to transfer pursuant to Rule 144A, as set forth under “*Transfer Restrictions*”.

### *Legends*

The holder of a Definitive Certificate may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a

Rule 144A Definitive Certificate bearing the legend referred to under “*Transfer Restrictions*”, or upon specific request for removal of the legend on a Rule 144A Definitive Certificate, the Issuer will deliver only Rule 144A Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

In addition, each Global Note Certificate will contain provisions which modify the Terms and Conditions of the Notes as they apply to the Notes evidenced by the Global Note Certificate. The following is a summary of these provisions:

### **Payments**

Payments of principal and interest in respect of Notes evidenced by a Global Note Certificate shall be made to the person who appears at the relevant time on the register of Noteholders as holder of the relevant Global Note Certificate against presentation and (if no further payment falls to be made on it) surrender thereof to or to the order of the Principal Paying Agent (or to or to the order of such other Paying Agent as shall have been notified to the Noteholders for this purpose) which shall endorse such payment or cause such payment to be endorsed in Schedule A to the relevant Global Certificate (such endorsement being *prima facie* evidence that the payment in question has been made). No person shall however be entitled to receive any payment on the relevant Global Note Certificate falling due after the Exchange Date, unless the exchange of the relevant Global Note Certificate for the relevant Definitive Certificates is improperly withheld or refused by or on behalf of the Issuer.

### **Notices**

Notwithstanding Condition 13, so long as the Global Note Certificate is held by or on behalf of DTC, Euroclear, Clearstream, Luxembourg or any other clearing system (an “**Alternative Clearing System**”), notices to Noteholders represented by the Global Note Certificate may be given by delivery of the relevant notice to DTC, Euroclear, Clearstream, Luxembourg or (as the case may be) such Alternative Clearing System provided that, for so long as the Notes are listed, all notices will also be given in accordance with the rules of the relevant stock exchange.

### **Record Date**

Notwithstanding Condition 6, “Record Date” shall mean a Clearing System Business Day before the relevant due date for payment, where “**Clearing System Business Day**” means Monday to Friday inclusive, except 25 December and 1 January.

### **Meetings**

The holder of the Global Note Certificate will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as having one vote in respect of each US\$1,000 in principal amount of Notes represented by the relevant Global Note Certificate.

### **Trustee’s Powers**

In considering the interests of Noteholders whilst the Global Note Certificate is held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to the Global Note Certificate and may consider such interests as if such accountholders were the holders of the Global Note Certificate.

### **Cancellation**

Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the Global Note Certificate by a record made in the Register.

## Prescription

Claims in respect of principal, interest and other amounts payable in respect of the Global Note Certificates will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest or any other amounts) from the due date for payment in respect thereof.

## Benefit of the Conditions

Unless a Global Note Certificate has been exchanged or cancelled the holder hereof shall, except as provided in the relevant Global Note Certificate, be entitled to the same rights and benefits and subject to the Conditions as if such holder were the holder of the relevant Definitive Certificates for which the Global Note Certificate may be exchanged.

Each Global Note Certificate shall not be valid or become obligatory for any purpose until authenticated by or on behalf of the Registrar.

The Global Note Certificates and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

## Electronic Consent and Written Resolution

While any Global Note Certificate is registered in the name of any nominee for a clearing system, then:

- (a) approval of a resolution proposed by the Issuer or the Trustee (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant Clearing System(s) in accordance with their operating rules and procedures by or on behalf of all the holders of the Notes outstanding (an “**Electronic Consent**” as defined in the Trust Deed) shall, for all purposes, take effect as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held, and shall be binding on all Noteholders whether or not they participated in such Electronic Consent; and
- (h) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Trust Deed) has been validly passed, the Issuer and the Trustee shall be entitled to rely on consent or instructions given in writing directly to the Issuer and/or the Trustee, as the case may be, by accountholders in the clearing system with entitlements to such Global Note Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and provided that, in each case, the Issuer and the Trustee have obtained commercially reasonable evidence to ascertain the validity of such holding and have taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such amendment. Any resolution passed in such manner shall be binding on all Noteholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, “commercially reasonable evidence” includes any certificate or other document issued by Euroclear, Clearstream, Luxembourg or any other relevant clearing system, or issued by an accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Notes. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or print out of electronic records provided by the relevant clearing system (including Euroclear’s EUCLID or Clearstream, Luxembourg’s CreationOnline system) in accordance with its usual procedures and in which the accountholder of a particular principal or nominal amount of the Notes is clearly identified together with the amount of such holding. Neither the Issuer nor the Trustee shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

## TRANSFER RESTRICTIONS

*Because of the following restrictions, you are advised to consult legal counsel prior to making any offer, resale or other transfer of the Notes offered hereby.*

### Rule 144A Notes

Each purchaser of Rule 144A Notes, by accepting delivery of this Listing Particulars and the Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is (a) a QIB that is also a QP, (b) not a broker-dealer that owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acquiring such Notes for its own account, or for the account of one or more QIBs each of which is also a QP, (e) not formed for the purpose of investing in the Notes or the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the seller of such Notes to it may be relying on Rule 144A.
2. It will (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than US\$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.
3. It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of one or more QIBs that are also QPs each of which is purchasing not less than US\$200,000 principal amount of Notes or (b) in an offshore transactions to a person, that is not a U.S. person in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, and in each case in accordance with any applicable securities laws of any State of the United States.
4. It understands that the Issuer has the power under the Trust Deed to compel any beneficial owner of Rule 144A Notes that is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of, or purchase such interest from, such owner at a price equal to the least of (x) the purchase price therefor paid by the beneficial owner, (y) 100 percent of the principal amount thereof or (z) the fair market value thereof. The Issuer has the right to refuse to honor the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and also a QP.
5. It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE LOAN IN RESPECT THEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT (“**RULE 144A**”) TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER (A “**QIB**”) WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT THAT IS ALSO A QUALIFIED PURCHASER (A “**QP**”) WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE “**INVESTMENT COMPANY ACT**”) PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A UNDER THE SECURITIES ACT, AND IN AN AMOUNT FOR EACH ACCOUNT OF NOT LESS THAN US\$200,000 PRINCIPAL AMOUNT OF NOTES OR (2) OUTSIDE THE UNITED STATES IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”), AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN

RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF ANY EXEMPTION UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE.

EACH BENEFICIAL OWNER HEREOF REPRESENTS THAT (1) IT IS A QIB THAT IS ALSO A QP; (2) IT IS NOT A BROKER-DEALER THAT OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN US\$25,000,000 IN SECURITIES OF UNAFFILIATED ISSUERS; (3) IT IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401 (k) PLAN; (4) IT IS HOLDING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QIBs EACH OF WHICH IS ALSO A QP; (5) IT WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OR THIS NOTE; (6) IT, AND EACH ACCOUNT FOR WHICH IT HOLDS NOTES, WILL HOLD AND TRANSFER AT LEAST US\$200,000 IN PRINCIPAL AMOUNT OF NOTES; (7) IT UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (8) IT WILL PROVIDE NOTICE OF THE FOREGOING TRANSFER RESTRICTIONS TO ITS SUBSEQUENT TRANSFEREES.

THE BENEFICIAL OWNER HEREOF HEREBY ACKNOWLEDGES THAT, IF AT ANY TIME WHILE IT HOLDS AN INTEREST IN THIS NOTE IT IS A PERSON WHO IS NOT A QIB THAT IS ALSO A QP, THE ISSUER MAY (A) COMPEL IT TO SELL ITS INTEREST IN THIS NOTE TO A PERSON (1) WHO IS A QIB THAT IS ALSO A QP AND WHO IS OTHERWISE QUALIFIED TO PURCHASE THIS NOTE IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) IN AN OFFSHORE TRANSACTION TO A PERSON THAT IS NOT A U.S. PERSON IN ACCORDANCE WITH RULE 903 OR 904 OF REGULATION S OR (B) COMPEL THE BENEFICIAL OWNER TO SELL ITS INTEREST IN THIS NOTE TO THE ISSUER OR AN AFFILIATE OF THE ISSUER OR TRANSFER ITS INTEREST IN THIS NOTE TO A PERSON DESIGNATED BY OR ACCEPTABLE TO THE ISSUER AT A PRICE EQUAL TO THE LEAST OF (X) THE PURCHASE PRICE THEREFOR PAID BY THE BENEFICIAL OWNER, (Y) 100 PERCENT OF THE PRINCIPAL AMOUNT THEREOF OR (Z) THE FAIR MARKET VALUE THEREOF. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A PERSON WHO IS NOT A QIB AND ALSO A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT.

BY ACCEPTING THIS NOTE (OR ANY INTEREST IN THE NOTES REPRESENTED HEREBY) EACH BENEFICIAL OWNER HEREOF, AND EACH FIDUCIARY ACTING ON BEHALF OF THE BENEFICIAL OWNER (BOTH IN ITS INDIVIDUAL AND CORPORATE CAPACITY), WILL BE DEEMED TO REPRESENT, WARRANT AND AGREE THAT, DURING THE PERIOD IT HOLDS ANY INTEREST IN THIS NOTE (1) EITHER (A) IT IS NOT, AND IT IS NOT ACTING ON BEHALF OF (AND FOR SO LONG AS IT HOLDS THIS NOTE (OR ANY INTEREST THEREIN) WILL NOT BE, OR BE ACTING ON BEHALF OF) AN EMPLOYEE BENEFIT PLAN (AS DEFINED IN SECTION 3(3) OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”) SUBJECT TO THE PROVISIONS OF PART 4 OF SUBTITLE B OF TITLE I OF ERISA, A PLAN TO WHICH SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (“**CODE**”), APPLIES, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE “PLAN ASSETS” UNDER SECTION 3(42) OF ERISA, 29 C.F.R. SECTION 2510.3-101 OR OTHERWISE FOR PURPOSES OF ERISA OR SECTION 4975 OF THE CODE BY REASON OF SUCH AN EMPLOYEE BENEFIT PLAN’S OR PLAN’S INVESTMENT IN SUCH ENTITY (EACH, A “**BENEFIT PLAN INVESTOR**”) OR A GOVERNMENTAL, CHURCH OR NON-U.S. PLAN OR OTHER ARRANGEMENT WHICH IS SUBJECT TO ANY FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER LAWS OR REGULATIONS THAT ARE SUBSTANTIALLY SIMILAR TO THE FOREGOING PROVISIONS OF ERISA AND/OR THE CODE (“**SIMILAR LAWS**”) OR (B) IT IS, OR IS ACTING ON BEHALF OF A GOVERNMENTAL, CHURCH OR NON U.S. PLAN OR ARRANGEMENT, AND SUCH ACQUISITION DOES NOT AND WILL NOT RESULT IN A NON EXEMPT VIOLATION OF ANY SIMILAR LAWS AND WILL NOT SUBJECT THE ASSETS OF THE ISSUER TO ANY SIMILAR LAWS;; AND (2) IT WILL NOT SELL OR OTHERWISE TRANSFER THIS NOTE OR

ANY INTEREST HEREIN OTHERWISE THAN TO A PURCHASER OR TRANSFEREE THAT IS DEEMED TO MAKE THESE SAME REPRESENTATIONS, WARRANTIES AND AGREEMENTS WITH RESPECT TO ITS PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE. NO PURCHASE BY OR TRANSFER TO A BENEFIT PLAN INVESTOR OF THIS NOTE, OR ANY INTEREST HEREIN, WILL BE EFFECTIVE, AND NEITHER THE ISSUER NOR THE TRUSTEE WILL BE REQUIRED TO RECOGNISE ANY SUCH ACQUISITION OR TRANSFER. IN THE EVENT THAT THE ISSUER DETERMINES THAT THIS NOTE IS HELD BY A BENEFIT PLAN INVESTOR, THE ISSUER MAY CAUSE A SALE OR TRANSFER IN THE MANNER DESCRIBED IN THIS LISTING PARTICULARS.

THE ISSUER MAY COMPEL EACH BENEFICIAL OWNER HEREOF TO CERTIFY PERIODICALLY THAT SUCH OWNER IS A QIB AND ALSO A QP.

6. It understands and acknowledges that its purchase, holding and disposition of such Notes constitutes a representation and agreement by it that at the time of purchase and throughout the period it holds such Notes or any interest therein (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes (or any interest therein) will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non U.S. plan or arrangement which is subject to any Similar Laws, and no part of the assets used by it to purchase or hold such Note or any interest therein constitutes the assets of such Benefit Plan Investor or such plan or arrangement, or (ii) it is, or is acting on behalf of, a governmental, church or non U.S. plan or arrangement subject to any laws substantially similar to the fiduciary or prohibited transaction provisions of ERISA or Section 4975 of the US Tax Code, or the Plan Asset Regulations (“**Similar Laws**”), and such purchase or holding of such Note does not and will not result in a non-exempt violation of any Similar Laws, and will not subject the Issuer to any Similar Laws; and (2) it will not sell or otherwise transfer any note or interest therein to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.
7. It acknowledges that the Issuer, the Company, the Registrars, the Joint Bookrunners and their respective affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, the Company and the Joint Bookrunners. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts who are QIBs that are also QPs, it represents that it has sole investment discretion with respect to each such account, and that it has full power to make the above acknowledgements, representations and agreements on behalf of each such account.
8. It understands that the Rule 144A Notes will be evidenced by the Rule 144A Global Note Certificate. Before any interest in the Rule 144A Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws. Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

### **Regulation S Notes**

Each purchaser of Regulation S Notes, by accepting delivery of this Listing Particulars and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, the Company or a person acting on behalf of such an affiliate.
2. It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the “distribution compliance period” (as such term is defined in Rule 902 of Regulation S), it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction to a person that is not a U.S. person in accordance with Rule 903 or



Rule 904 of Regulation S, in the case of (a) and (b), in accordance with any applicable securities laws of any state of the United States.

3. It understands that the Regulation S Notes will be evidenced by the Regulation S Global Note Certificate. Before any interest in the Regulation S Global Note Certificate may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note Certificate, it will be required to provide a Transfer Agent with a written certification (in the form provided in the Paying Agency Agreement) as to compliance with applicable securities laws.
4. It understands and acknowledges that its purchase, holding and disposition of such Notes constitutes a representation and agreement by it that (1) either (i) it is not, and is not acting on behalf of (and for so long as it holds such Notes or any interest therein will not be, or be acting on behalf of), a Benefit Plan Investor or a governmental, church or non U.S. plan or arrangement which is subject to any Similar Laws or (ii) it is, or is acting on behalf of, a governmental, church or non U.S. plan or arrangement which is subject to Similar Laws, and such purchase or holding of such Note does not and will not result in a non-exempt violation of any Similar Laws; and (2) it will not sell or otherwise transfer any Note or interest therein otherwise than to any person without first obtaining these same foregoing representations, warranties and covenants from that person with respect to its acquisition, holding and disposition of such Note.

## CERTAIN ERISA CONSIDERATIONS

Notes are not permitted to be acquired or held by employee benefit plans as defined in Section 3(3) of ERISA and subject to Title I of ERISA, including collective investment funds, separate accounts or accounts whose underlying assets are treated as assets of such plans pursuant to the US Department of Labor (**DOL**) “plan assets” regulation, 29 CFR Section 2510.3-101, as modified by Section 3(42) of ERISA (collectively, **ERISA Plans**), plans not subject to ERISA but subject to Section 4975 of the US Tax Code, including IRAs, Keogh Plans which cover only self-employed persons and their spouses and other employee benefit plans for purposes of ERISA or Section 4975 of the US Tax Code which cover only the owners of a business (collectively, **4975 Plans**), or by entities whose underlying assets include plan assets by reason of an investment in the entity by ERISA Plans or 4975 Plans or otherwise (collectively, **Plan Asset Entities**). ERISA Plans, 4975 Plans and Plan Asset Entities are collectively referred to as **Benefit Plan Investors**.

Subject to certain restrictions described below, Notes are permitted to be acquired and held by governmental plans, non-electing church plans and other arrangements that are not subject to ERISA or Section 4975 of the US Tax Code and are not Benefit Plan Investors (collectively, **Non-ERISA Plans**).

ERISA imposes fiduciary standards and certain other requirements on ERISA Plans and on those persons who are fiduciaries with respect to ERISA Plans. 4975 Plans are subject to certain restrictions similar to ERISA’s prohibited transaction rules. Non-ERISA Plans are subject to applicable state, local, federal or non-U.S. law, as well as the restrictions of duties of common law, and may also be subject to prohibited transaction provisions that operate similarly to those under ERISA.

Under the regulations issued by the DOL, as modified by Section 3(42) of ERISA (the **Plan Asset Regulations**), unless certain exceptions apply, if a Benefit Plan Investor invests in an “equity interest” of an entity, that is neither a “publicly offered security” nor a security issued by an investment company registered under the Investment Company Act, the Benefit Plan Investor’s assets include both the equity interest and an undivided interest in each of the entity’s underlying assets. This “look through” rule will only apply where Benefit Plan Investors own 25 percent or more of the value of any class of equity interest in the entity. For purposes of this 25 percent determination, the value of equity interests held by persons (other than Benefit Plan Investors) that have discretionary authority or control with respect to the assets of the entity or that provide investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such person) is disregarded. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features.

If the underlying assets of an entity are deemed to be plan assets, those with discretionary authority or control over the entity would be fiduciaries with respect to the entity’s assets. The assets of the entity would also be subject to the prohibited transaction rules of ERISA and Section 4975 of the US Tax Code, as well as other rules applicable to plan assets.

The Issuer believes that the Notes should be treated as debt rather than equity for purposes of the Plan Assets Regulations. The DOL, however, may take a contrary view or may view the Notes as having substantial equity features. Further, neither the Issuer nor the Trustee will be able to monitor the Noteholders’ status as Benefit Plan Investors. Accordingly, the Notes are not permitted to be acquired or held by any Benefit Plan Investor.

Non-ERISA Plans are permitted to acquire and hold the Notes, subject to certain restrictions described below. Each Non-ERISA Plan acquiring and holding the Notes will be deemed to have represented and warranted that the acquisition, holding and disposition of the Notes do not and will not violate any statute, regulation, administrative decision, policy or other legal authority applicable to the Non-ERISA Plan or any Similar Laws, and the purchase, holding and disposition of the Notes or any interest therein do not and will not result in the assets of the Issuer being subject to Similar Laws. Non-ERISA Plans are generally not subject to ERISA nor do the prohibited transaction provisions of ERISA or Section 4975 of the US Tax Code apply to these types of plans. However, governmental plans (as described in Section 3(32) of ERISA), are subject to prohibitions on related-party transactions under Section 503 of the US Tax Code, which prohibitions operate similarly to the prohibited transaction rules under ERISA or Section 4975 of the US Tax Code, and other Non-ERISA Plans may be subject to similar prohibitions. Accordingly, the fiduciary of a Non-ERISA Plan must consider applicable state or local laws, if any, imposed upon such plan before purchasing and holding a Note or any interest therein.

BY ITS PURCHASE AND HOLDING OF A NOTE OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE

REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT AND WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A PLAN TO WHICH SECTION 4975 OF THE US TAX CODE OF 1986, AS AMENDED APPLIES OR (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS FOR PURPOSES OF ERISA OR SECTION 4975 OF THE US TAX CODE BY REASON OF AN INVESTMENT IN THE ENTITY BY A PERSON DESCRIBED IN (A) OR (B) ABOVE OR OTHERWISE FOR PURPOSES OF ERISA OR SECTION 4975 OF THE US TAX CODE, (2) IT IS A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, OR OTHER PLAN OR ARRANGEMENT THAT IS NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE US TAX CODE, AND THE PURCHASE, HOLDING AND DISPOSITION OF THE NOTES OR ANY INTEREST THEREIN DO NOT AND WILL NOT VIOLATE ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR ANY OTHER LEGAL AUTHORITY APPLICABLE TO SUCH GOVERNMENTAL PLAN OR OTHER PLAN OR ARRANGEMENT THAT IS SUBSTANTIALLY SIMILAR TO TITLE I OF ERISA OR SECTION 4975 OF THE US TAX CODE (“SIMILAR LAWS”), AND THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DO NOT AND WILL NOT RESULT IN THE ASSETS OF THE ISSUER OF THE NOTES BEING SUBJECT TO SIMILAR LAWS, AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

The foregoing is not intended to be exhaustive and the law governing investments by Benefit Plan Investors and Non-ERISA Plans is subject to extensive administrative and judicial interpretations. The foregoing discussion should not be construed as legal advice. Any potential purchaser or holder of Notes should consult counsel with respect to issues arising under ERISA, the US Tax Code and other applicable laws and make their own independent decisions.

## CLEARING AND SETTLEMENT

### Book-Entry Procedures for the Global Note Certificates

Custodial and depository links are to be established among Euroclear, Clearstream, Luxembourg and DTC to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See “—*Book-Entry Ownership*” and “—*Settlement and Transfer of Notes*.”

### Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in the Regulation S Global Note Certificate directly through Euroclear or Clearstream, Luxembourg if they are accountholders (“**Direct Participants**”) or indirectly (“**Indirect Participants**”) and together with Direct Participants, “**Participants**”) through organisations which are accountholders therein.

### DTC

DTC has advised the Issuer as follows: DTC is a limited-purpose trust company organized under the laws of the State of New York, a “banking organisation” under the laws of the State of New York, a member of the U.S. Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants (“**DTC Participants**”) and facilitate the clearance and settlement of securities transactions between DTC Participants through electronic computerized book-entry changes in accounts of its DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly.

Investors may hold their interests in the Rule 144A Global Note Certificate directly through DTC if they are DTC Participants in the DTC system, or indirectly through organisations which are DTC Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more DTC Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Note Certificate as to which such DTC Participant or DTC Participants has or have given such direction.

### Book-Entry Ownership

#### *Euroclear and Clearstream, Luxembourg*

The Regulation S Global Note Certificate will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depository on behalf of, Euroclear and Clearstream, Luxembourg.

The address of Euroclear is 1 Boulevard du Roi Albert 11, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

## **DTC**

The Rule 144A Global Note Certificate will have a CUSIP number, an ISIN and a Common Code and will be deposited with a custodian (the “**Custodian**”) for, and registered in the name of a nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC, system. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

### **Relationship of Participants with Clearing Systems**

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note Certificate must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note Certificate and in relation to all other rights arising under that Global Note Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note Certificate, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants’ or accountholders’ accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants or DTC Participants (as the case may be) in any clearing system to owners of beneficial interests in such Global Note Certificate held through such Direct Participants or DTC Participants (as the case may be) in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note Certificate in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

### **Settlement and Transfer of Notes**

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants or DTC Participants (as the case may be), which will receive a credit for such Notes on the clearing system’s records. The ownership interest of each actual purchaser of each such Note (the “**Beneficial Owner**”) will in turn be recorded on the Direct Participants’, Indirect Participants’ or DTC Participants’ records (as the case may be).

Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant, Indirect Participant or DTC Participant (as the case may be) through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Direct Participants, Indirect Participants or DTC Participants (as the case may be) acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note Certificate held within a clearing system are exchanged for individual note certificates.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants or DTC Participants (as the case may be) to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct Participants or the DTC Participants (as the case may be) will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants or DTC Participants (as the case may be), by Direct Participants to Indirect Participants, and by Direct Participants, Indirect Participants or DTC Participants (as the case may be) to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in the Global Note Certificates to such persons may be

limited. In particular, because DTC can only act on behalf of DTC Participants the ability of a person having an interest in the Rule 144A Global Note Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

#### **Trading between Euroclear and/or Clearstream, Luxembourg Participants**

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

#### **Trading between DTC Participants**

Secondary market sales of book-entry interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to U.S. corporate debt obligations in DTC's Same-Day Funds Settlement system in same-day funds, if payment is effected in US dollars, or free of payment, if payment is not effected in US dollars. Where payment is not effected in US dollars, separate payment arrangements outside DTC; are required to be made between DTC Participants.

#### **Trading between DTC Seller and Euroclear/Clearstream, Luxembourg Purchaser**

When book-entry interests in Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in the Rule 144A Global Note Certificate to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in the Regulation S Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12:00 p.m., New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg Participant. On the settlement date, the custodian of the Rule 144A Global Note Certificate will instruct the Registrar to (1) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate of the relevant class and (2) increase the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

#### **Trading between Euroclear/Clearstream, Luxembourg Seller and DTC Purchaser**

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note Certificate (subject to the certification procedures provided in the Paying Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7:45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depository for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depository for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note Certificate who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (1) decrease the amount of Notes registered in the name of the nominee of the common depository for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note Certificate; and (2) increase the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note Certificate.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Note Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedure, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance, by Euroclear, Clearstream, Luxembourg or DTC or their

respective Direct Participants, Indirect Participants or DTC Participants, as the case may be, of their respective obligations under the rules and procedures governing their operations.

#### **Pre-issue Trades Settlement**

It is expected that delivery of Notes will be made against payment therefor on the Closing Date, which could be more than three business days following the date of pricing. Settlement procedures in different countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the Closing Date should consult their own advisors.

## TAXATION

*The following is a general description of certain tax considerations relating to the Notes and does not purport to be a comprehensive discussion of the tax treatment of the Notes. Prospective investors in the Notes should consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes in light of their particular circumstances, including but not limited to the consequences of receipt of interest and sale or redemption of the Notes.*

### CERTAIN BELARUSIAN TAX CONSIDERATIONS

#### General

The following is an overview of certain Belarusian tax considerations relevant to the purchase, ownership and disposal of the Notes. The overview is based on the laws of the Republic of Belarus in effect on the date of these Listing Particulars (where these laws are subject to potential changes, which could occur frequently, at short notice and may have retroactive effect). The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes.

The overview does not seek to address tax implications arising for the Noteholders applying special tax regimes available under Belarusian tax legislation, nor does it seek to address tax implications for individuals resulting from their entrepreneur activity in the territory of Belarus. The overview neither seeks to address the availability of double tax treaty relief in respect of income payable on the Notes, or practical difficulties connected with claiming such double tax treaty relief.

Prospective investors should consult their own tax advisors regarding the tax consequences of investing in the Notes that may arise in their own particular circumstances. No representation with respect to the Belarusian tax consequences pertinent to any particular Noteholder is made hereby.

Many aspects of the Belarusian tax laws are subject to significant uncertainty and lack of interpretive guidance, resulting in inconsistent interpretations and application thereof. Further, provisions of the Belarusian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Belarusian tax authorities may be subject to more rapid and unpredictable changes (possibly with retroactive effect) and inconsistent interpretation than in jurisdictions with more developed capital markets or more developed taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates and relevant interpretations may constantly change. In practice, interpretation by different tax inspectorates may be inconsistent or contradictory, and may result in imposition of conditions, requirements or restrictions that are not explicitly stated in the Belarusian Tax Code. Similarly, in the absence of binding precedents, court rulings on tax or other related matters taken by different Belarusian courts relating to the same or similar facts and circumstances may also be inconsistent or contradictory.

For the purposes of this overview, the term “**Resident Noteholder**” means:

- a Noteholder which is a legal entity or an organisation and is:
  - a Belarusian legal entity or an organisation;
  - a foreign legal entity or an organisation recognized as a Belarusian tax resident based on the provisions of an applicable double tax treaty (for the purposes of application of such double tax treaty);
  - a foreign legal entity or organisation recognized as a Belarusian tax resident based on Belarusian domestic law (in case Belarus is recognized as the place of effective management of such legal entity or organisation as determined in the Belarusian Tax Code unless otherwise envisaged by an applicable double tax treaty);
  - a foreign legal entity or an organisation which holds and/ or disposes of the Notes through its permanent establishment in Belarus (as defined by Belarusian tax law),(the “**Resident Noteholder–Legal Entity**”), and



- a Noteholder who is an individual and is actually present in Belarus for an aggregate period of more than 183 calendar days in a calendar year (the “**Resident Noteholder–Individual**”), if otherwise is not provided by the Belarusian tax regulations. While calculating duration of presence, the days of arrival are disregarded, when the days of departure are included. Presence in Belarus is not considered interrupted if an individual departs for short periods from Belarus for medical treatment, vacation or a business trip. Double tax treaties may provide for different interpretation of an individual’s tax residency, including taking into account, amongst others, such factors as permanent home and centre of vital interest. However, due to lack of established practice of double tax treaties’ application, there is a risk that an individual, who meets the physical presence test but claims non-resident status based on a relevant double tax treaty, may be still treated as a Belarusian based on the approach set in the Belarusian tax law.

For the purposes of this overview, the term “**Non-Resident Noteholder**” means any Noteholder (including any individual (the “**Non-Resident Noteholder–Individual**”) and any legal entity or an organisation (the “**Non-Resident Noteholder–Legal Entity**”)) that does not qualify as a Resident Noteholder.

Noteholders should seek professional advice on their tax status in Belarus.

## **Taxation of the Notes**

### ***Resident Noteholders***

Resident Noteholders will be subject to all applicable Belarusian taxes in respect of income derived by them in connection with the acquisition, ownership and/or disposal of the Notes (including interest received on the Notes).

Resident Noteholders should consult their own tax advisors with respect to the effect that the acquisition, holding and disposal of the Notes may have on their tax position.

### ***Non-Resident Noteholders***

A Non-Resident Noteholder should not generally be subject to any Belarusian taxes in respect of payments of interest and repayments of principal on the Notes received from the Issuer. A Non-Resident Noteholder also generally should not be subject to any Belarusian taxes in respect of any gains or other income realized on redemption, sale or other disposal of the Notes outside Belarus, provided that the proceeds from such redemption, sale or other disposal of the Notes are not received from a source within Belarus. However, in the absence of a clear definition of what constitutes income from sources within Belarus in case of sale of securities, there is a risk that the income from disposal of the Notes may be considered as received from Belarusian sources for Non-Resident Noteholders.

Non-Resident Noteholders should consult their own tax advisors with respect to the effect that the acquisition, holding and disposal of the Notes may have on their tax position.

## ***Taxation of Non-Resident Noteholders–Legal Entities***

### ***Acquisition of the Notes***

The acquisition of the Notes should not trigger any Belarusian tax implications for the Non-Resident Noteholder–Legal Entity.

### ***Interest on the Notes and repayment of principal on the Notes***

Non-Resident Noteholders–Legal Entities generally should not be subject to any Belarusian taxes in respect of interest payments and repayments of principal on the Notes received from the Issuer.

### ***Sale and/or other Disposal of the Notes***

There should be no Belarusian tax on gains from sale or other disposal of the Notes imposed on a Non-Resident Noteholder–Legal Entity provided such gains are not recognized as Belarusian-sourced income.

Under the Belarusian tax legislation, income received from sale, redemption or other disposal of securities

should be treated as having been received from a Belarusian source if such sale, redemption or disposal occurs in Belarus. In absence of any guidance as to what should be considered as a sale or other disposal of securities “in Belarus”, the Belarusian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, the location of the purchaser or other similar criteria. There is no assurance, therefore, that proceeds received by Non-Resident Noteholders–Legal Entities from a sale, redemption or other disposal of the Notes will not become subject to tax in Belarus.

In case the sales or other disposal proceeds are considered as derived from Belarusian sources, Belarusian withholding tax will apply to the gross amount of proceeds decreased by the amount of any available cost deductions (including expenses relating to the acquisition and sale or other disposal) provided that duly executed supporting documentation is provided to the person obliged to calculate and withhold Belarusian tax in relation to this income in a timely manner. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Belarusian tax authorities or by the person remitting the proceeds to a Non-Resident Noteholder–Legal Entity (where such person is considered the tax agent, obliged to calculate and withhold Belarusian withholding tax and remit it to the Belarusian budget), the cost deductions may be disallowed and the tax will apply to the gross amount of the sales, redemption or disposal proceeds.

Non-Resident Noteholders–Legal Entities should consult their own tax advisors with respect to the tax consequences of the sale or other disposal of the Notes.

### ***Taxation of Non-Resident Noteholders–Individuals***

#### ***Acquisition of the Notes***

The acquisition of the Notes by a Non-Resident Noteholder–Individual (whether upon issuance or in the secondary market) should not generally constitute a taxable event under the Belarusian tax law as long as the Non-Resident Noteholder–Individual pays fair market value of the Notes upon acquisition thereof. Consequently, the acquisition of the Notes should not trigger any Belarusian tax implications for the Non-Resident Noteholder–Individual.

If the Notes are acquired free of charge or are partially paid for, the Belarusian tax law may require, subject to qualification of the income as Belarusian-sourced, personal income tax to be paid at a rate of 13 per cent. There is some uncertainty with regard to tax base determination. Most likely taxable income is determined as difference between fair market value of the Notes and the amount paid by the Non-Resident Noteholder–Individual upon the Notes acquisition.

Although the Belarusian Tax Code does not contain any provisions as to how the source of the related income should be determined, in practice the Belarusian tax authorities may infer that such income should be considered Belarusian-sourced if the Notes are purchased “in Belarus”. In the absence of any additional guidance as to what should be considered as a purchase of securities in Belarus, the Belarusian tax authorities may apply various criteria to determine the source of the related income, including looking at the place of conclusion of the acquisition transaction, the location of the Issuer, the location of the seller or other similar criteria.

Where income related to an acquisition of the Notes becomes taxable in Belarus, the obligation to withhold the tax or to declare the income to the Belarusian tax authorities lies with a seller having the status of a tax agent. Should the income be received from a seller having no tax agent status, the Non-Resident Noteholder–Individual who receives the income will be obliged to report the income to the Belarusian tax authorities and pay the tax.

There is no assurance therefore that as a result any benefit received by the Non-Resident Noteholders–Individuals in connection with the acquisition of the Notes will not become taxable in Belarus.

#### ***Interest on the Notes and repayment of principal on the Notes***

Non-Resident Noteholders–Individuals generally should not be subject to any Belarusian taxes in respect of interest payments and repayments of principal on the Notes received from the Issuer.

#### ***Sale or other Disposal of the Notes***

Non-resident Noteholders–Individuals should not be subject to any Belarusian taxes in respect of gains or other income realised on redemption, sale or other disposal of the Notes outside of Belarus, provided that the proceeds

of such sale, redemption, or disposal are not received from a source within Belarus.

If proceeds from the sale, redemption or other disposal of the Notes are received from a Belarusian source, a Non-Resident Noteholder–Individual will generally be subject to Belarusian personal income tax at a rate of 13 per cent (or such other tax rate as may be effective at the time of disposal) subject to any available double tax treaty relief as discussed below in “*Double Tax Treaty Relief*”, in respect of the gross proceeds from such sale, redemption or other disposal less any available cost deduction.

Under Belarusian tax legislation, income received from a sale, redemption or other disposal of securities should be treated as having been received from a Belarusian source if such sale, redemption or disposal occurs in Belarus. In absence of any guidance as to what should be considered as a sale or other disposal of securities “in Belarus”, the Belarusian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, the location of the purchaser or other similar criteria. There is no assurance, therefore, that proceeds received by Non-Resident Noteholders–Individuals from sale, redemption or other disposal of the Notes will not become subject to tax in Belarus.

In case the sales or other disposal proceeds are considered as derived from Belarusian sources, Belarusian personal income tax will apply to the gross amount of proceeds decreased by the amount of any available cost deductions (including expenses relating to the acquisition, holding and sale or other disposal) provided that duly executed supporting documentation is provided to the person obliged to calculate and withhold Belarusian personal income tax in relation to this income in a timely manner. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Belarusian tax authorities or by the person remitting the proceeds to a Non-Resident Noteholder–Individual (where such person is considered the tax agent, obliged to calculate and withhold Belarusian personal income tax and remit it to the Belarusian budget), the cost deductions may be disallowed and the tax will apply to the gross amount of the sales, redemption or disposal proceeds. A Non-Resident Noteholder–Individual, however, is entitled to claim a deduction in the amount of 10 per cent of the proceeds instead of submission of documents supporting expenses related to the proceeds from the Notes disposal.

If Belarusian personal income tax obligation arises as a result of the sale, redemption or other disposal of the Notes but the tax cannot be withheld, a Non-Resident Noteholder–Individual is required to file a personal income tax return in Belarus to report the amount of income received to the Belarusian tax authorities and apply for a deduction in the amount of the expenses related to the acquisition, holding, sale or other disposal of the Notes, based on the provision of supporting documentation (or a deduction in the amount of 10 per cent of proceeds). The applicable personal income tax will then have to be paid by the individual on the basis of the filed personal income tax return.

Non-resident Noteholders–Individuals should consult their own tax advisors with respect to the tax consequences of the acquisition and disposal of the Notes.

#### ***Taxation of Resident Noteholders–Legal Entities***

A Resident Noteholder–Legal entity should, *prima facie*, be subject to Belarusian profits tax at the rate of up to 25 per cent on interest (coupon) income on the Notes as well as on the capital gain from sale, redemption or other disposal of the Notes. Generally, Resident Noteholders–Legal Entities are required to submit Belarusian profits tax returns, and assess and pay tax on capital gains and interest (coupon) income. The tax base is determined based on the gross amount of income accrued to them by the source of payment (including any gross up) and may include taxes withheld in the source country. Any double tax arising for a Resident Noteholder–Legal Entity is subject to double tax relief provided by a relevant tax treaty. If such relief is not provided Resident Noteholders–Legal Entities may generally treat taxes paid abroad as non-operating expenses deductible for profits tax purposes subject to meeting conditions set in the Belarusian Tax Code. In practice Resident Noteholders–Legal Entities may face difficulties in meeting the conditions, therefore there can be no assurance that double tax risk is mitigated.

Resident Noteholders–Legal Entities should consult their own tax advisors with respect to the effect that the acquisition, holding and disposal of the Notes may have on their tax position.

#### ***Taxation of Resident Noteholders–Individuals***

A Resident Noteholder - Individual should generally be subject to personal income tax at a rate of 13 per cent

on (i) deemed income resulting from the acquisition of the Notes free of charge or on a “partially-paid” basis, (ii) on interest (coupon) income on the Notes and (iii) income received from the sale, redemption or other disposal of the Notes. If such income is paid to a Resident Noteholder–Individual by a tax agent, the applicable Belarusian personal income tax should be withheld at source by such person. In case the Belarusian personal income tax has not been withheld or could not be withheld Resident Noteholders–Individuals are required to submit annual personal income tax returns, assess and pay the tax. The tax base is determined based on the gross amount of income accrued to them by the source of payment (including any gross up) and may include taxes withheld in the source country. Any double tax arising for a Resident Noteholder–Individual is subject to double tax relief provided by a relevant tax treaty or a tax credit provided by domestic tax regulations as described below.

If income received by a Resident Noteholder–Individual is not related to Belarusian sources, the Resident Noteholder–Individual is entitled to a tax credit with regard to the tax paid in the source country. This provision does not apply to income received in countries or territories that are included into the List of offshore zones under the Belarusian law. To claim the credit the Resident Noteholder–Individual is required to provide the Belarusian tax authorities with a confirmation issued by the tax authorities of the respective country on the income received and taxes paid by the Resident Noteholder–Individual. Such confirmation should be submitted to the Belarusian tax authorities within a year from the date of applying for a refund. At the date of filing the application for a refund the Resident Noteholder–Individual should provide the Belarusian tax authorities at least with a written confirmation on the income received and taxes paid in the source country issued by the source of income.

In practice, Resident Noteholders–Individuals may face difficulties in meeting the conditions for double tax treaty relief or a tax credit provided by domestic tax regulations, therefore there can be no assurance that double tax risk is mitigated.

Resident Noteholders–Individuals should consult their own tax advisors with respect to their tax position regarding the Notes.

### **Double Tax Treaty Relief**

The Republic of Belarus has concluded double tax treaties with a number of countries and honours some double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions that allow for the reduction or elimination of Belarusian withholding taxes with respect to income received by Non-Resident Noteholders from Belarusian sources, including income from the sale, redemption or other disposal of the Notes. To the extent double tax treaty relief is available, a Non-Resident Noteholder must comply with the certification, information, documentation and reporting requirements which are in force in Belarus in order to obtain such relief.

In order to benefit from the double tax treaty, a Non-Resident Noteholder–Legal Entity should have the actual right to receive income (i.e. qualify as a “beneficial owner of income” - the concept of beneficial ownership for Belarusian tax purposes is discussed in “*The Belarusian taxation system is continually evolving and is subject to frequent changes, which could have an adverse effect on the Group*” section), where it is required by a relevant tax treaty or the Belarusian tax regulations, and provide the tax agent with a certificate of tax residence issued by the competent authority of their country of residence for tax purposes before the date of each income accrual or payment (which is earlier). This certificate should confirm that the respective Non-Resident Noteholder–Legal Entity is a tax resident of the relevant double tax treaty country for the purposes of the relevant treaty in the particular calendar year during which the income is paid. This certificate should be apostilled or legalised and needs to be renewed on an annual basis (with certain exceptions). Belarusian / Russian translation of the certificate is required. However, the tax agent in practice may request additional documents confirming eligibility of the Non-Resident Noteholder— Legal Entity for the benefits of the double tax treaty. There can be no assurance, however, that the advance double tax treaty relief will be available in practice.

In order to obtain the double tax treaty relief at source, a Non-Resident Noteholder–Individual should confirm to a tax agent or the tax authorities that he or she is tax resident in a relevant foreign jurisdiction having a double tax treaty with Belarus by providing the tax agent / the tax authorities with a tax residency certificate issued by the competent authorities of his or her country of residence for tax purposes. Belarusian / Russian translation of the certificate is required. The above provisions are intended to provide a tax agent with the opportunity of applying reduced (or zero) withholding tax rates under an applicable double tax treaty at source. Currently, the Belarusian tax regulations do not have a direct requirement for individuals applying for double tax treaty relief to be beneficial owners of the income. However, there is no assurance that this requirement will not apply in

practice based on tax treaty interpretation similar to that with respect to legal entities.

Non-Resident Noteholders should consult their own tax advisors with respect to the applicability of any double tax treaty relief and the relevant procedures required in Belarus.

### ***Refund of Tax Withheld or Paid***

If (i) Belarusian withholding tax or personal income tax on income derived from Belarusian sources by a Non-Resident Noteholder has been withheld at source or (ii) tax on such income has been paid by a Non-Resident Noteholder on the basis of a tax return, and such Non-Resident Noteholder is entitled to relief from tax on such income under an applicable double tax treaty allowing it not to pay the tax or to pay the tax at a reduced rate, a claim for a refund of such tax that was excessively withheld at source or paid by the Non-Resident Noteholder can be filed with the Belarusian tax authorities within three years from the day when the tax was withheld or paid (subject to limitations described below).

In order to obtain a refund, the Non-Resident Noteholder would need to file with the tax agent / the Belarusian tax authorities a duly issued, apostilled and translated certificate of tax residence issued by the competent tax authority of the relevant double tax treaty country.

The tax agent / the Belarusian tax authorities may, in practice, require a wide variety of documentation confirming a Noteholder's right to benefits under a double tax treaty. Such documentation, in practice, may not be explicitly required by the Belarusian Tax Code or the relevant double tax treaty and may to a large extent depend on the position of the tax agent / the local tax inspectors.

Obtaining a refund of Belarusian taxes withheld / paid may be a time-consuming process and can involve considerable practical difficulties, including the possibility that a tax refund may be denied for various reasons.

Non-Resident Noteholders should consult their own tax advisors regarding the procedures required to be fulfilled in order to obtain a refund of Belarusian income tax which was excessively withheld at source or paid.

## **CERTAIN IRISH TAX CONSIDERATIONS**

The following is a summary of the principal Irish tax consequences for individuals and companies of ownership of the Notes based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Noteholders who beneficially own their Notes as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Notes, such as dealers in securities, trusts, etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Notes should consult their professional advisers on the tax implications of the purchase, holding, redemption or sale of the Notes and the receipt of interest thereon under the laws of their country of residence, citizenship or domicile.

### **Taxation of Noteholders**

#### ***Withholding tax***

In general, tax at the standard rate of income tax (currently 20 per cent.) is required to be withheld from payments of Irish source interest which should include interest payable on the Notes. The Issuer will not be obliged to make a withholding or deduction for or on account of Irish income tax from a payment of interest on a Note where:

- (a) the Notes are Quoted Eurobonds, i.e. securities which are issued by a company (such as the Issuer), which are listed on a recognised stock exchange (such as the Irish Stock Exchange) and which carry a right to interest; and
- (b) the person by or through whom the payment is made is not in Ireland, or if such person is in Ireland, either:
  - (i) the Notes are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised); or

- (ii) the person who is the beneficial owner of the Notes is not resident in Ireland and has made a declaration to a relevant person (such as a paying agent located in Ireland) in the prescribed form; and
- (c) one of the following conditions is satisfied:
  - (i) the Noteholder is resident for tax purposes in Ireland or, if not so resident, is otherwise within the charge to corporation tax in Ireland in respect of the interest; or
  - (ii) the interest is subject, under the laws of a Relevant Territory, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which corresponds to income tax or corporation tax in Ireland and which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory; or
  - (iii) the Noteholder is not a company which, directly or indirectly, controls the Issuer, is controlled by the Issuer, or is controlled by a third company which also directly or indirectly controls the Issuer, and neither the Noteholder, nor any person connected with the Noteholder, is a person or persons:
    - i. from whom the Issuer has acquired assets;
    - ii. to whom the Issuer has made loans or advances; or
    - iii. with whom the Issuer has entered into a Swap Agreement,

where the aggregate value of such assets, loans, advances or Swap Agreements represents not less than 75 per cent. of the aggregate value of the assets of the Issuer, or

- (iv) the Issuer is not aware at the time of the issue of any Notes that any Noteholder of those Notes is (i) a person of the type described in (c)(iii) above AND (ii) is not subject, without any reduction computed by reference to the amount of such interest or other distribution, to a tax in a Relevant Territory which generally applies to profits, income or gains received in that territory, by persons, from sources outside that territory,

where for these purposes, the term

**“Relevant Territory”** means a member state of the European Union (other than Ireland) or a country with which Ireland has signed a double tax treaty; and

**“Swap Agreement”** means any agreement, arrangement or understanding that –

(i) provides for the exchange, on a fixed or contingent basis, of one or more payments based on the value, rate or amount of one or more interest or other rates, currencies, commodities, securities, instruments of indebtedness, indices, quantitative measures, or other financial or economic interests or property of any kind, or any interest therein or based on the value thereof, and

(ii) transfers to a person who is a party to the agreement, arrangement or undertaking, or to a person connected with that person, in whole or in part, the financial risk associated with a future change in any such value, rate or amount without also conveying a current or future direct or indirect ownership interest in the asset (including any enterprise or investment pool) or liability that incorporates the financial risk so transferred.

Thus, so long as the Notes continue to be quoted on the Irish Stock Exchange are held in a clearing system recognised by the Irish Revenue Commissioners; (DTC, Euroclear and Clearstream, Luxembourg are, amongst others, so recognised), and one of the conditions set out in paragraph (c) above is satisfied, interest on the Notes can be paid by any Paying Agent acting on behalf of the Issuer free of any withholding or deduction for or on account of Irish income tax. If the Notes continue to be quoted but cease to be held in a recognised clearing system, interest on the Notes may be paid without any withholding or deduction for or on account of Irish income tax provided such payment is made through a Paying Agent outside Ireland, and one of the conditions set out in paragraph (c) above is satisfied.

### ***Encashment Tax***

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) from interest on any Note, where such interest is collected or realised by a bank or encashment agent in Ireland on behalf of any Noteholder. There is an exemption from encashment tax where the beneficial owner of the interest is not resident in Ireland and has made a declaration to this effect in the prescribed form to the encashment agent or bank.

### ***Income Tax, PRSI and Universal Social Charge***

Notwithstanding that a Noteholder may receive interest on the Notes free of withholding tax, the Noteholder may still be liable to pay Irish income tax with respect to such interest. Noteholders resident or ordinarily resident in Ireland who are individuals may be liable to pay Irish income tax, pay related social insurance (PRSI) contributions and the universal social charge in respect of interest they receive on the Notes.

Interest paid on the Notes may have an Irish source and therefore may be within the charge to Irish income tax, notwithstanding that the Noteholder is not resident in Ireland. In the case of Noteholders who are non-resident individuals such Noteholders may also be liable to pay the universal social charge in respect of interest they receive on the Notes.

Ireland operates a self-assessment system in respect of tax and any person, including a person who is neither resident nor ordinarily resident in Ireland, with Irish source income comes within its scope.

There are a number of exemptions from Irish income tax available to certain non-residents. Firstly, interest payments made by the Issuer are exempt from income tax so long as the Issuer is a qualifying company for the purposes of Section 110 of the Taxes Consolidation Act 1997 (TCA), the recipient is not resident in Ireland and is resident in a Relevant Territory and, the interest is paid out of the assets of the Issuer. Secondly, interest payments made by the Issuer in the ordinary course of its trade or business to a company are exempt from income tax provided the recipient company is not resident in Ireland and is a company which is either resident for tax purposes in a Relevant Territory which imposes a tax that generally applies to interest receivable in that Relevant Territory by companies from sources outside that Relevant Territory and which tax corresponds to income tax or corporation tax in Ireland or, in respect of the interest is exempted from the charge to Irish income tax under the terms of a double tax agreement which is either in force or which is not yet in force but which will come into force once all ratification procedures have been completed. Thirdly, interest paid by the Issuer free of withholding tax under the quoted Eurobond exemption is exempt from income tax, where the recipient is a person not resident in Ireland and resident in a Relevant Territory or is a company not resident in Ireland which is under the control, whether directly or indirectly, of person(s) who by virtue of the law of a Relevant Territory are resident for the purpose of tax in a Relevant Territory and are not under the control of person(s) who are not so resident or is a company not resident in Ireland where the principal class of shares of the company or its 75% parent is substantially and regularly traded on a recognised stock exchange. For the purposes of these exemptions and where not specified otherwise, residence is determined under the terms of the relevant double taxation agreement or in any other case, the law of the country in which the recipient claims to be resident. Interest falling within the above exemptions is also exempt from the universal social charge.

Notwithstanding these exemptions from income tax, a corporate recipient that carries on a trade in Ireland through a branch or agency in respect of which the Notes are held or attributed, may have a liability to Irish corporation tax on the interest.

Relief from Irish income tax may also be available under the specific provisions of a double tax treaty between Ireland and the country of residence of the recipient.

Interest on the Notes which does not fall within the above exemptions is within the charge to income tax and, in the case of Noteholders who are individuals, is subject to the universal social charge. In the past the Irish Revenue Commissioners have not pursued liability to income tax in respect of persons who are not regarded as being resident in Ireland except where such persons have a taxable presence of some sort in Ireland or seek to claim any relief or repayment in respect of Irish tax. However, there can be no assurance that the Irish Revenue Commissioners will apply this treatment in the case of any Noteholder.

### ***Capital Gains Tax***

A Noteholder will not be subject to Irish tax on capital gains on a disposal of Notes unless (i) such holder is either resident or ordinarily resident in Ireland or (ii) such holder carries on a trade in Ireland through a branch or agency in respect of which the Notes were used or held or (iii) the Notes cease to be listed on a stock exchange in circumstances where the Notes derive their value or more than 50% of their value from Irish real estate, mineral rights or exploration rights.

### ***Capital Acquisitions Tax***

A gift or inheritance of Notes will be within the charge to capital acquisitions tax (which subject to available exemptions and reliefs, will be levied at 33 per cent.) if either (i) the disponer or the donee/successor in relation to the gift or inheritance is resident or ordinarily resident in Ireland (or, in certain circumstances, if the disponer is domiciled in Ireland irrespective of his residence or that of the donee/successor) on the relevant date or (ii) if the Notes are regarded as property situate in Ireland (i.e. if the Notes are physically located in Ireland or if the register of the Notes is maintained in Ireland).

### ***Stamp Duty***

No stamp duty or similar tax is imposed in Ireland on the issue, transfer or redemption of the Notes provided the Issuer is a qualifying company for the purposes of Section 110 of the TCA and the proceeds of the Notes are used in the course of the Issuer's business.

## **CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS**

The following discussion is a summary of certain US federal income tax considerations relevant to the purchase, ownership and disposition of the Notes. This discussion addresses only US Holders (as defined below) other than the section discussing FATCA. This discussion addresses tax consequences to US Holders who purchase Notes in the original offering at the issue price (generally the first price at which a substantial amount of the Notes is sold for money, excluding sales to bond houses, brokers or similar persons or organisations acting in the capacity of underwriters, placement agents or wholesalers) and hold the Notes as capital assets. This discussion does not apply to US Holders who do not use the US dollar as their functional currency. This discussion is not a complete description of all US tax considerations relating to the purchase, ownership and disposition of Notes that may be relevant to particular purchasers. It does not address the tax treatment of prospective purchasers subject to special rules, such as banks, dealers in currencies and securities, traders that elect to mark-to-market, insurance companies, US expatriates, tax-exempt entities or persons holding Notes as part of a hedge, straddle, conversion or other integrated financial transaction. It also does not address the tax treatment of prospective purchasers that will hold the Notes in connection with a permanent establishment outside of the United States. This discussion does not consider US federal estate and gift tax, US state or local tax matters, Medicare contribution tax, alternative minimum tax or non-US tax considerations. Finally, this discussion does not address prospective purchasers of further Notes, which may be issued at a discount or premium.

This summary is based on the US Internal Revenue Code of 1986, as amended (the ***US Tax Code***), existing and proposed US Treasury Regulations, administrative pronouncements and judicial decisions, each as available and in effect on the date hereof. All of the foregoing are subject to change, possibly with retroactive effect, or differing interpretations, which could affect the tax consequences described herein.

For purposes of this discussion, a ***US Holder*** is a beneficial owner of a Note that is, for purposes of US federal income taxation, (i) an individual who is a citizen or resident of the United States, (ii) a corporation or other business entity treated as a corporation for US federal income tax purposes created or organised under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a US person and the primary supervision of a US court or that has in effect a valid election under applicable US Treasury Regulations to be treated as a US person, or (iv) an estate the income of which is subject to US federal income taxation regardless of its source.

If an entity or arrangement treated as a partnership for US federal income tax purposes acquires or holds the Notes, the tax treatment of the partnership and a partner in such partnership generally will depend upon the status of the partner and the activities of the partnership. A prospective investor that is a partnership for US federal income tax purposes should consult its own tax advisors about the tax consequences for its partners of the partnership purchasing, holding and disposing of Notes.



## Characterisation of the Notes

No authority directly addresses the US federal income tax characterisation of securities like the Notes and the Issuer has not and will not seek a ruling from the US Internal Revenue Service (**IRS**) as to their characterisation for such purposes. Although the matter is not free from doubt, to the extent relevant for US tax purposes, the Issuer intends to take the position (and the discussion below assumes) that a beneficial owner of a Note will be treated as the beneficial owner of a debt instrument that is not a contingent payment debt instrument. No assurance can be given that the IRS will not assert, or a court would not sustain, a position regarding the characterisation of the Notes that is contrary to this treatment. Alternative characterisations include treatment of the Notes as equity in the Issuer or the Company, as contingent payment debt instruments subject to special rules relating to accrual of original issue discount (**OID**) and contingent interest, or as other types of financial instruments. If the Notes were to be treated as contingent payment debt instruments or as equity, US Holders may be required, among other things, to recognise income for US federal income tax purposes at different times and in different amounts, or subject to higher rates of tax, than described below and may suffer additional adverse US federal income tax consequences. Prospective investors should seek advice from their own tax advisors as to the consequences to them of alternative characterisations of the Notes for US federal income tax purposes.

## Interest

Stated interest paid on the Notes, including any additional payments, will be includible in the gross income of a US Holder in accordance with the holder's regular method of tax accounting. The interest, including any amounts withheld therefrom in respect of non-US taxes and additional amounts paid on account of such withheld tax, and OID, if any, accrued on the Notes will generally be ordinary income from sources outside the United States.

A US Holder of a Note issued with OID must accrue the OID into income on a constant yield to maturity basis whether or not it receives cash payments. Generally, a Note will have OID to the extent that its stated redemption price at maturity exceeds its issue price. However, a Note will not be treated as issued with OID if the stated redemption exceeds its issue price by less than  $\frac{1}{4}$  of 1 percent of the Note's stated redemption price at maturity multiplied by the number of complete years to maturity (*de minimis* **OID**). The stated redemption price at maturity of a Note is the total of all payments due on the Note other than payments of qualified stated interest. In general, qualified stated interest is interest that is unconditionally payable at least annually at a single fixed rate. Interest would be treated as unconditionally payable if reasonable legal remedies exist to compel timely payment or the terms of which make non-payment remote. In the event that the Notes are issued with OID, the amount of OID with respect to a Note includible in income by a US Holder is the sum of the "daily portions" of OID with respect to the Note for each day during the taxable year or portion thereof in which such US Holder holds such Note. A daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID that accrued in such period. The accrual period of a Note may be of any length and may vary in length over the term of the Note, provided that each accrual period is no longer than one year and each scheduled payment of principal or interest occurs either on the first or last day of an accrual period. The amount of OID that accrues with respect to any accrual period is the excess of (i) the product of the Note's "adjusted issue price" at the beginning of such accrual period and its "yield to maturity", determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of such period, over (ii) the amount of stated interest allocable to such accrual period. The adjusted issue price of a Note at the start of any accrual period is equal to its issue price, increased by the accrued OID for each prior accrual period and decreased by the amount of any payments previously made on the Notes that were not stated interest payments. The yield to maturity of a Note is the discount rate that, when used in computing the present value of all principal and interest payments to be made under the Note, produces an amount equal to the issue price of the Note.

A US Holder may elect to recognise all yield on a Note (including *de minimis* **OID**) using a constant yield method. The constant yield election generally will apply only to the Note with respect to which it is made, and it may not be revoked without the consent of the IRS.

Stated interest income and OID, if any, on the Notes will be treated as foreign source income and generally will be considered “passive category income” or, in the case of certain US Holders, “general category income” in computing the foreign tax credit allowable to US Holders for US federal income tax purposes. To the extent payments under the Loan are subject to Belarusian withholding tax, it is unclear whether a US Holder could claim a deduction or foreign tax credit or any other treaty relief for any such tax withheld from payments on the Loan. Each US Holder should consult its own tax advisor about its eligibility for exemption from, and its ability to credit or deduct any non-US withholding tax which reduces payments on the Notes.

### ***Disposition***

A US Holder will recognise gain or loss on the sale, exchange, retirement or other disposition of a Note in an amount equal to the difference between the US dollar value of the amount realised (less any accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income) and the US Holder’s adjusted basis in the Note. A US Holder’s adjusted tax basis in a Note generally will equal the US Holder’s cost of the Note increased by previously accrued OID, if any, and reduced by payments on the Notes other than payments of qualified stated interest. Any such gain or loss will generally be considered US source and will be long-term capital gain or loss if the Note has been held for more than one year. The long term capital gains of non-corporate US Holders may be taxed at lower rates. Deductions for capital losses are subject to limitations.

To the extent proceeds from the sale or other disposition of the Notes are subject to Belarusian tax, it is unclear whether a US Holder could claim a deduction, foreign tax credit or any treaty relief for any such tax imposed on the proceeds from the sale or other disposition of the Notes. Moreover, because a US Holder’s gain from the sale or other disposition of the Notes would generally constitute US source income, the US Holder may not be eligible to claim a foreign tax credit for any Belarusian taxes imposed (even if such Belarusian taxes are otherwise creditable for US federal income tax purposes) with respect to such gain unless the US Holder has foreign source income or gain from other sources. Each US Holder should consult its own tax advisor about its eligibility for exemption from, and its ability to credit or deduct any Belarusian tax imposed on the proceeds from the sale or other disposition of the Notes.

### ***Substitution of the Issuer***

The terms of the Notes and the Trust Deed provide that, in certain circumstances and without the consent of the Noteholders, another entity may be substituted in place of the Issuer as creditor under the Loan Agreement and as issuer and principal obligor in respect of the Notes. In certain circumstances, it is possible that such an assumption might be treated as a deemed disposition of Notes by a US Holder in exchange for new notes issued by the new obligor for US federal income tax purposes. As a result of this deemed disposition, a US Holder could be required to recognise capital gain or loss equal to the difference, if any, between the issue price of the new notes (as determined for US federal income tax purposes, which may equal the fair market value of the Notes at the time of the deemed exchange), and the US Holder’s adjusted tax basis in the Notes, and may be treated as acquiring the new notes with OID. US Holders should consult their own tax advisors concerning the US federal income tax consequences to them of a change in obligor with respect to the Notes.

### **Information Reporting and Backup Withholding**

Information reporting requirements may apply to payments of stated interest (including the accrual of OID, if any) on the Notes and to the proceeds of the sale or other disposition (including a retirement or redemption) of a Note paid to a US Holder unless such US Holder is an exempt recipient, and, when required, provides evidence of such exemption. Backup withholding may apply to such payments if the US Holder fails to provide a taxpayer identification number or a certification that it is not subject to backup withholding or to comply with applicable certification requirements.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a US Holder’s US federal income tax liability provided the required information is timely furnished to the IRS.

Certain US Holders are required to report to the IRS information with respect to certain “specified foreign financial assets,” including Notes not held through an account with certain financial institutions. Investors who fail to report required information could become subject to substantial penalties. Potential investors should consult their own tax advisors regarding the possible implications of this reporting obligation for their investment in the Notes.

THE ABOVE DISCUSSION IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR IS STRONGLY URGED TO CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE NOTES.

## **FATCA**

Pursuant to certain provisions of the US Tax Code, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (foreign passthru payments) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including Ireland and the Republic of Belarus) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (*IGAs*), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply to foreign passthru payments prior to 1 January 2019, and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the US Federal Register generally would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

## SUBSCRIPTION AND SALE

Each of J.P. Morgan Securities plc, Renaissance Securities (Cyprus) Limited and SIB (Cyprus) Limited (together the “**Joint Bookrunners**” and each a “**Joint Bookrunner**”) have, in a subscription agreement dated 19 October 2017 (the “**Subscription Agreement**”) among the Issuer, the Company and the Joint Bookrunners upon the terms and subject to the conditions contained therein, severally and not jointly, agreed to subscribe and pay for the Notes at their issue price of 100 per cent. of their principal amount.

The Joint Bookrunners shall make any offers and sales into the United States, to the extent necessary, through their U.S. registered broker-dealer affiliates as permitted by FINRA regulations.

The Joint Bookrunners are entitled to commissions and reimbursement of certain expenses pursuant to the Subscription Agreement. The Joint Bookrunners are entitled in certain circumstances to be released and discharged from their obligations under the Subscription Agreement prior to the closing of the issue of the Notes.

### **Selling Restrictions**

#### *United States*

The Notes and the Loan have not been and will not be registered under the Securities Act or the securities laws of any State or other jurisdiction of the United States, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, except in certain transactions exempt from the registration requirements of the Securities Act.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. The Subscription Agreement provides that the Joint Bookrunners may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes in the United States only to persons whom they reasonably believe are QIBs that are also QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers that own and invest on a discretionary basis less than US\$25 million in securities of unaffiliated issuers; (c) they are not participant directed employee plans, such as a 401(k) plan; (d) they are acting for their own account, or the account of one or more QIBs each of which is also a QP; (e) they are not formed for the purpose of investing in the Issuer or the Notes; (f) each account for which they are purchasing will hold and transfer at least US\$200,000 in principal amount of Notes at any time; (g) they understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositaries; and (h) they will provide notice of the transfer restrictions set forth in this Listing Particulars to any subsequent transferees.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by a dealer that is participating in the Offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

The Issuer and the Joint Bookrunners reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Listing Particulars does not constitute an offer to any person in the United States or to any U.S. person other than any QIB who is also a QP and to whom an offer has been made directly by one of the Joint Bookrunners or its U.S. broker-affiliate.

#### *United Kingdom*

Each Joint Bookrunner has severally and not jointly nor jointly and severally represented and agreed that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “**FSMA**”)) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

### ***Republic of Belarus***

Each Joint Bookrunner has severally represented, warranted and undertaken to the Issuer that the Notes will not be offered, transferred or sold as part of their initial placement (initial distribution) to or for the benefit of any persons (including legal entities) being residents of the Republic of Belarus.

No action constituting an “advertisement” of the Notes may be undertaken in the Republic of Belarus.

### ***Ireland***

Each Joint Bookrunner has represented and agreed that:

- (a) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended, the “**MiFID Regulations**”), including, without limitation, Regulations 7 (Authorisation) and 152 (Restrictions on advertising) thereof, any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes otherwise than in conformity with the provisions of the Companies Act 2014 (as amended, the “**Companies Act**”), the Central Bank Acts 1942-2015 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank under Section 1363 of the Companies Act; and
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of, the Notes otherwise than in conformity with the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

### ***General***

Each Joint Bookrunner has agreed that it has, to the best of its knowledge and belief, complied and will comply with applicable laws and regulations in each jurisdiction in which it offers, sells or delivers Notes or distributes this Listing Particulars or any other offering or publicity material relating to the Notes, the Issuer or the Company.

No action has or will be taken in any jurisdiction by the Issuer, the Company or any of the Joint Bookrunners that would, or is intended to, permit a public offer of the Notes or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Accordingly, each Joint Bookrunner has undertaken to the Issuer and the Company that it will not, directly or indirectly, offer or sell any Notes or distribute or publish this Listing Particulars, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

These selling restrictions may be modified by the agreement of the Issuer, the Company and the Joint Bookrunners following a change in a relevant law, regulation or directive.

The Joint Bookrunners and their respective affiliates have engaged in transactions with the Company and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business and the Joint Bookrunners performed various investment banking, financial advisory, and other services for the Company, for which they received customary fees, and the Joint Bookrunners and their respective affiliates may provide such services in the future.

## **INDEPENDENT AUDITORS**

The consolidated financial statements of the Group as of and for the years ended 31 December 2016, 2015, and 2014 included herein have been audited by KPMG LLC, independent auditors, as stated in their report appearing herein.

The interim condensed consolidated financial information of the Group as of and for the six-month periods ended 30 June 2017 and 2016 included herein have been reviewed by KPMG LLC, independent auditors, as stated in their report appearing herein. With respect to the unaudited interim condensed consolidated financial information of the Group as of and for the six-month periods ended 30 June 2017 and 2016, included herein, KPMG LLC reported that they applied limited procedures in accordance with professional standards for a review of such information. However, its report included herein states that they did not audit and they do not express an opinion on such interim condensed consolidated financial information. Accordingly, the degree of reliance on their report of such information should be restricted in light of the limited nature of the review procedures applied.

KPMG LLC was registered under the laws of Belarus on 20 October 2010 by the Minsk City Executive Committee under a registered number 191434140, and is located at 57 Dzerzhinsky avenue, 13th floor, office 53-2, 220089, Minsk, Belarus. Under Belarusian law, KPMG is not required to have a license or membership of any professional auditor's organization to conduct audit activity in Belarus.

## GENERAL INFORMATION

1. The Company was incorporated in the Republic of Belarus on 28 October 1996, as a limited liability company for an unlimited duration. The Company operates under the laws of the Republic of Belarus. The Company has its registered office at Kazintsa str., 52A-22, Minsk, Republic of Belarus, with state registration number 101168731, and its telephone number is +375 17 279 80 00.
2. The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and the ISIN numbers for the Regulation S Notes are 157795201 and XS1577952010, respectively. The Common Code, CUSIP and ISIN numbers for the Rule 144A Notes are 111731152, US09821LAA98 and 09821LAA9, respectively.
3. It is expected that admission of the Notes to trading on the Global Exchange Market of the Irish Stock Exchange will be granted on or before 31 October 2017, subject only to the issue of the Notes. Transactions will normally be effected for settlements in US dollars and for delivery on the third business day after the day of the transaction.
4. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to trading on the Global Exchange Market, through the Listing Agent, Arthur Cox Listing Services Limited (“**ACLSL**”). ACLSL is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission to the Official List or trading on the Global Exchange Market for the purposes of the Global Exchange Market Listing and Admission to Trading Rules of the Irish Stock Exchange.
5. For as long as the Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market, hard copies of the following documents may be inspected at the registered office of the Issuer and the specified offices of the Principal Paying Agent during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted):
  - a copy of this Listing Particulars, together with any supplement to this Listing Particulars;
  - the constitution of the Issuer;
  - the charter of the Company (English translation);
  - the Annual Consolidated Financial Statements, including the independent auditor’s reports thereon, and the Interim Consolidated Financial Information, including the review report thereon;
  - the Loan Agreement;
  - the Paying Agency Agreement; and
  - the Trust Deed, which includes the forms of the Global Certificates and the Definitive Certificates.
6. The issue of the Notes and the entry into the Loan Agreement was authorised by a decision of the Board of Directors of the Issuer on 18 October 2017.
7. No consents, approvals, authorisations or orders of any regulatory authorities are required by the Issuer under the laws of the Ireland for maintaining the Loan or for issuing the Notes.
8. Since 21 August 2017, the date of incorporation of the Issuer, there has been no material adverse change in the financial position or prospects of the Issuer. The Issuer has no subsidiaries.
9. Save for the fees payable to the Joint Bookrunners, the Trustee and the Agents, so far as the Issuer is aware, no person involved in the issue of the Notes has an interest that is material to the issue of the Notes.
10. There has been no significant change in the financial or trading position of the Company or of the Group since 30 June 2017 and no material adverse change in the financial position or prospects of the Company or of the Group since 31 December 2016.

11. There has been no material adverse change in the prospects of the Issuer and no significant change in the financial or trading position of the Issuer since 21 August 2017, the date of incorporation of the Issuer.
12. There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which any of the Issuer is aware), during the previous 12 months in relation to the Issuer which may have, or have had in the recent past, significant effects on the Issuer's financial position or profitability.
13. The Company has obtained all necessary consents, approvals and authorisations in the Republic of Belarus in connection with its entry into, and performance of its obligations under, the Loan Agreement.
14. The Bank of New York Mellon SA/NV Luxembourg Branch will act as Registrar in relation to the Regulation S Notes. The Bank of New York Mellon SA/NV Luxembourg Branch will act as Registrar in relation to the Rule 144A Notes.
15. The loan to value ratio of the Notes is 100 per cent.
16. The Trust Deed provides that the Noteholders shall together have the power, exercisable by Extraordinary Resolution, to remove the Trustee (or any successor trustee or additional trustees) provided that the removal of the Trustee or any other trustee shall not become effective unless there remains a trustee in office after such removal. Furthermore, the Trust Deed provides, inter alia, that the Trustee may act and/or rely on the opinion or advice of or a certificate or any information obtained from any lawyer, banker, valuer, surveyor, broker, auctioneer, accountant, auditor or other expert (whether or not addressed to the Trustee), notwithstanding that such opinion, advice, certificate or information contains a monetary or other limit on the liability of any of the above mentioned persons in respect thereof.
17. The language of the Listing Particulars is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.
18. The Issuer does not intend to provide any post-issuance transaction information regarding the Notes or the Loan.



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**"Eurotorg" LLC**  
**Condensed consolidated interim financial information**  
as at and for the six-month period  
ended 30 June 2017

# "Eurotorg" LLC

Condensed consolidated interim financial information  
as at and for the six-month period ended 30 June 2017

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## **Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information**

### **To the Participants of "Eurotorg" LLC**

#### *Introduction*

We have reviewed the accompanying condensed consolidated interim statement of financial position of "Eurotorg" Limited liability company ("the Company") and its subsidiaries ("the Group") as at 30 June 2017 and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month periods ended 30 June 2017 and 2016, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our reviews.

#### *Scope of Reviews*

We conducted our reviews in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



### *Conclusion*

Based on our reviews, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information as at 30 June 2017 and for the six-month periods ended 30 June 2017 and 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting.

Vasyl Pavlenko

Director

"KPMG" LLC

26 September 2017



### *Details of the audited entity*

Name: "Eurotorg" LLC

Registration details: Registered by the Minsk City Executive Committee on September 7, 2000.

Registration number in the Unified State Register of entities and individual entrepreneurs № 101168731

Legal address: 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

### *Details of the audit company*

Name: "KPMG" LLC

Registration details: registered by the Minsk City Executive Committee on 10 February 2011,

Registration number in the Unified State Register of entities and individual entrepreneurs № 191434140

Legal address: 57 Dzerzhinsky Avenue, office 53-2, 220089 Minsk, Republic of Belarus

KPMG, a Limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative («KPMG International»), a Swiss entity.

Registered in Belarus № 191434140  
Registered office: 57-53 Dzierżyńska ave.  
13th floor, office 53-2  
220089 Minsk Belarus

## "Eurotorg" LLC

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Note	For the six-month period ended	
		30 June 2017	30 June 2016
Revenue, interest and commission income	4	1 897 646	1 758 910
Cost of goods and services sold and interest expenses	5	(1 392 893)	(1 365 600)
<b>Gross profit</b>		<b>504 753</b>	<b>393 310</b>
Administrative and selling expenses	6	(356 351)	(323 250)
Other income	8	5 682	5 036
Other expenses	9	(13 246)	(12 993)
<b>Operating profit</b>		<b>140 838</b>	<b>62 103</b>
Finance income		3 266	64
Finance costs		(78 121)	(185 550)
<b>Net finance costs</b>	7	<b>(74 855)</b>	<b>(185 486)</b>
<b>Profit (loss) before income tax</b>		<b>65 983</b>	<b>(123 383)</b>
Income tax benefit (expense)	10	(7 067)	19 320
<b>Profit (loss) for the period</b>		<b>58 916</b>	<b>(104 063)</b>
<b>Other comprehensive income (loss)</b>			
<i>Items that are or may be reclassified to profit or loss:</i>			
Foreign operations - foreign currency translation differences		(38)	(1 783)
<b>Total other comprehensive loss</b>		<b>(38)</b>	<b>(1 783)</b>
<b>Total comprehensive income (loss) for the period</b>		<b>58 878</b>	<b>(105 846)</b>
<i>Income (loss) attributable to:</i>			
Owners of the Company		58 921	(104 053)
Non-controlling interests		(5)	(10)
		<b>58 916</b>	<b>(104 063)</b>
<i>Total comprehensive income (loss) attributable to:</i>			
Owners of the Company		58 883	(105 836)
Non-controlling interests		(5)	(10)
		<b>58 878</b>	<b>(105 846)</b>

On behalf of the Management:

  
**Chief Executive Officer**  
**Andrei Zubkou**

  
**Chief Financial Officer**  
**Alesia Sapunova**

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.

# "Eurotorg" LLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Note	30 June 2017	31 December 2016
<b>Assets</b>			
Property and equipment	11	1 433 941	1 458 437
Prepayments for non-current assets		25 853	31 369
Intangible assets		4 892	5 452
Goodwill	26	6 359	7 410
Loans granted	12	21 673	35 780
Deferred tax assets	10	58 816	61 089
Other investments		1 513	2 692
<b>Total non-current assets</b>		<b>1 553 047</b>	<b>1 602 229</b>
Inventories	13	242 518	237 830
Trade and other receivables	14	84 267	83 524
Current tax assets		26	1 351
VAT recoverable		21 540	31 762
Prepayments	15	45 496	42 626
Loans granted	12	29 382	15 519
Cash and cash equivalents	16	42 852	74 511
Other investments		38 805	17 951
<b>Total current assets</b>		<b>504 886</b>	<b>505 074</b>
<b>Total assets</b>		<b>2 057 933</b>	<b>2 107 303</b>
<b>Equity</b>			
Share capital	17	132 242	132 242
Revaluation reserve		355 140	355 140
Accumulated loss		(304 763)	(363 692)
<b>Equity, attributable to owners of the Group</b>		<b>182 619</b>	<b>123 690</b>
Non-controlling interests		262	346
<b>Total equity</b>		<b>182 881</b>	<b>124 036</b>
<b>Liabilities</b>			
Loans and borrowings	18	808 128	672 660
Non-current liabilities under finance lease	19	74 506	79 516
Deferred income		4 693	5 854
Deferred tax liabilities	10	724	702
<b>Total non-current liabilities</b>		<b>888 051</b>	<b>758 732</b>

## "Eurotorg" LLC

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION


AS AT 30 JUNE 2017

(in thousands of Belarusian Rubles)

Loans and borrowings	18	373 848	514 569
Accrued interests		7 970	9 659
Current liabilities under finance leases	19	12 487	18 688
Trade and other payables	20	523 992	618 925
Current income tax liabilities		2 025	396
Deferred income		2 921	772
Other current liabilities	21	63 758	61 526
<b>Total current liabilities</b>		<b>987 001</b>	<b>1 224 535</b>
<b>Total equity and liabilities</b>		<b>2 057 933</b>	<b>2 107 303</b>

On behalf of the Management:

  
 Chief Executive Officer  
 Andrei Zubkou

  
 Chief Financial Officer  
 Alesia Sapunova

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.



## "Eurotorg" LLC

### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Note	Share capital	Revaluation reserve	Retained earnings (accumulated loss)	Total equity	Non- controlling interests	Total
As at 1 January 2016		132 242	416 551	(318 675)	230 118	272	230 390
Total comprehensive income for the period							
Loss for the period		-	-	(104 053)	(104 053)	(10)	(104 063)
Other comprehensive income							
Foreign currency translation differences		-	-	(1 783)	(1 783)	-	(1 783)
Total comprehensive income for the period		-	-	(105 836)	(105 836)	(10)	(105 846)
Transactions with owners of the Group							
Change in non-controlling interests	17	-	-	(89)	(89)	89	-
Total transactions with owners of the Group		-	-	(89)	(89)	89	-
As at 30 June 2016		132 242	416 551	(424 600)	124 193	351	124 544

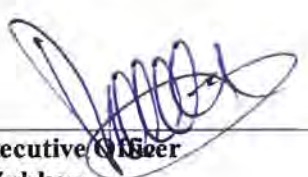
## "Eurotorg" LLC


### CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Notes	Share capital	Revaluation reserve	Retained earnings (accumulated loss)	Total equity	Non-controlling interests	Total
As at 1 January 2017		132 242	355 140	(363 692)	123 690	346	124 036
Total comprehensive income for the period							
Profit for the period		-	-	58 921	58 921	(5)	58 916
Other comprehensive income							
Foreign currency translation differences		-	-	(38)	(38)	-	(38)
Total comprehensive income for the period		-	-	58 883	58 883	(5)	58 878
Transactions with owners of the Group							
Change in non-controlling interests	17	-	-	46	46	(79)	(33)
Total transactions with owners of the Group		-	-	46	46	(79)	(33)
As at 30 June 2017		132 242	355 140	(304 763)	182 619	262	182 881

On behalf of the Management:

  
Chief Executive Officer  
Andrei Zubkou

  
Chief Financial Officer  
Alesia Sapunova

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.

# "Eurotorg" LLC

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

	Notes	For the six-month period ended	
		30 June 2017	30 June 2016
<b>Cash flows from operating activities:</b>			
Profit (loss) for the period		58 916	(104 063)
<i>Adjustments for:</i>			
Income tax expense (benefit)		7 067	(19 320)
Depreciation of property and equipment	11	40 411	34 468
Amortization of intangible assets		1 097	34
Net finance costs	7	74 855	185 486
Loss on disposal of property and equipment	9	1 607	3 382
Change in allowance for impairment of trade and other receivables	6	1 314	10 334
		<b>185 267</b>	<b>110 321</b>
<i>Changes in:</i>			
Inventories		(4 688)	(3 476)
Trade and other receivables		(2 057)	(23 275)
VAT recoverable		10 222	5 834
Prepayments		(2 870)	(16 571)
Deferred income		988	(377)
Trade and other payables		(104 578)	102 913
Loans granted		(1 412)	(1 540)
Other current liabilities		(178)	1 929
<b>Cash generated from operating activities</b>		<b>80 694</b>	<b>175 758</b>
Income tax paid		(1 888)	(4 882)
<b>Net cash from operating activities</b>		<b>78 806</b>	<b>170 876</b>
<b>Cash flows from investing activities:</b>			
Acquisition of subsidiary with non-controlling interests		(33)	-
Proceeds from sale of property and equipment		5 070	3 125
Acquisition of property and equipment		(11 447)	(36 149)
Acquisition of bonds		(20 854)	(7 091)
Deposits interest received		9	64
Acquisition of intangible assets		(534)	-
<b>Net cash used in investing activities</b>		<b>(27 789)</b>	<b>(40 051)</b>

# "Eurotorg" LLC

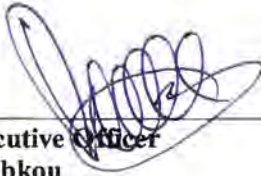
## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

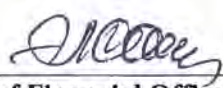
(in thousands of Belarusian Rubles)

### Cash flow from financial activities:

Loans and borrowings received		320 869	303 758
Loans and borrowings repaid		(326 239)	(366 630)
Loan interest paid		(62 091)	(65 493)
Repayment of debt under finance lease		(10 789)	(11 412)
Lessors' remuneration under finance lease		(4 256)	(5 233)
<b>Net cash used in financial activities</b>		<b>(82 506)</b>	<b>(145 010)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(31 489)</b>	<b>(14 185)</b>
<b>Cash and cash equivalents as at the beginning of the period</b>	16	<b>74 511</b>	<b>59 063</b>
Effect of translation to presentation currency		(170)	(1 766)
<b>Cash and cash equivalents as at the end of the period</b>	16	<b>42 852</b>	<b>43 112</b>

On behalf of the Management:

  
Chief Executive Officer  
Andrei Zubkou

  
Chief Financial Officer  
Alesia Sapunova

25 September 2017

The notes on pages 12 – 41 form an integral part of this condensed consolidated interim financial information.

# "Eurotorg" LLC

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**  
(in thousands of Belarusian Rubles)

## 1. GENERAL INFORMATION

"Eurotorg" LLC ("the Company") operates in the Republic of Belarus since October 28, 1996. The Company's registered office is located at 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

The principal activities of the Company include retail trade with food and other consumer goods. These activities include sale of domestic and imported goods on the territory of the Republic of Belarus.

As at 30 June 2017 the retail chain comprised 460 stores under "Euroopt" banner in 123 cities of Belarus (including 95 owned stores and 365 – leased ones) and 9 stores under "TEKHNO Plyus" banner in 7 cities of Belarus.

As at 31 December 2016 the retail chain comprised 453 stores under "Euroopt" banner in 123 cities of Belarus (including 95 owned stores and 358 – leased ones) and 9 stores under "TEKHNO Plyus" banner in 7 cities of Belarus.

The Company is the parent entity to the following companies:

Name	Country of operation	Type of operations	Ownership interest as at 30 June 2017	Ownership interest as at 31 December 2016	Date of acquisition
"BelRosKompani" LLC	Russian Federation	Construction	100%	100%	19.03.2012
"AVA-stail" LLC	Belarus	Construction	100%	99.9%	26.03.2012
"PakHaus" Unitary enterprise	Belarus	Packaging	100%	100%	06.12.2012
"Yulain" ALC	Belarus	Production of meat products	100%	99.99%	24.01.2012
"Eurooptavto" LLC	Belarus	Transportation services	100%	99.99%	02.03.2012
"Retorsia-invest" LLC	Belarus	Construction	100%	99.9%	07.09.2010
"Sotrudnichestvo" OJSC	Belarus	Construction	100%	99.9%	20.05.2010
"Diskontnyi club" LLC	Belarus	Retail sales	100%	99.9%	26.12.2012
"Dzerzhinskii myasokombinat" CJSC	Belarus	Production of meat products	100%	99.9%	13.06.2013
"Barentsevo" LLC	Belarus	Production of seafood	100%	99.01%	28.06.2012
"SitiBalt" LLC	Belarus	Construction	100%	99.0%	01.06.2010
"VARMINEKSPO" JLLC	Belarus	Production of meat products	100%	98.03%	19.10.2011
"ElitPartner" LLC	Belarus	Production of bakery products	100%	99.9995%	02.04.2013
"EurooptAgro" LLC	Belarus	Poultry	100%	99.02%	09.04.2014
"E-market" LLC	Belarus	Retail sales	100%	99.9%	15.10.2014
"Vladalinoks" LLC	Belarus	Wholesale	99.9%	99.9%	28.10.2016

## "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
(in thousands of Belarusian Rubles)

"Statusbank" OJSC (Bank)	Belarus	Banking	99.5168%	99.5168%	22.05.2012
"Tekhno Media Treid" LLC	Belarus	Retail sales	96.5%	96.5%	06.12.2012
"Mayakinvest" LLC	Belarus	Construction	Merged*	99.9%	26.05.2011
"Rudsal-invest" LLC	Belarus	Construction	Merged*	99.9%	01.09.2011

The actual number of employees of the Group as at 30 June 2017 and 31 December 2016 was 33 447 and 33 936 respectively.

In 2017 the Group acquired additional interests in companies "VARMINEKSPO" JLLC, "SitiBalt" LLC, "Barentsevo" LLC, "Dzerzhinskii myasokombinat" CJSC, "Diskontnyi club" LLC, "Sotrudnichestvo" OJSC, "Retorsia-invest" LLC, "Eurooptavto" LLC, "Yulain" ALC having increased its share of ownership in these companies to 100%. As a result of the increases in the shares in "VARMINEKSPO" JLLC and "Yulain" ALC, the Group also increased its ownership to 100% in the companies "EurooptAgro" LLC, "ElitPartner" LLC, "Barentsevo" LLC.

# **"Eurotorg" LLC**

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**  
(in thousands of Belarusian Rubles)

## **2. BASIS OF PREPARATION**

### **Accounting basis**

This condensed consolidated interim financial information has been prepared in accordance IAS 34 Interim Financial Reporting. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial information as at and for the year ended 31 December 2016.

This condensed consolidated interim financial information has been prepared under the acquisition cost convention, except for buildings which are accounted using the revaluation method, and bonds measured at fair value.

This condensed consolidated interim financial information was authorized for issue by the Management on 25 September 2017.

The significant judgments made by the management in applying the Group's accounting policies and the sources of estimation uncertainty used were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2016.

Having analyzed the current liquidity position, management has concluded that the projected cash flows from operating and financial activities are sufficient to finance current operations of the Group (Note 24).

### **Use of judgements and estimates**

In preparing this condensed consolidated interim financial information management has made judgements, estimates and assumptions that effect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

### ***Fair value of Property and equipment***

The Group made no measurement of the fair value of buildings as at 30 June 2017 and as at 30 June 2016, as the management believes that there were no significant changes in the fair value of buildings at the reporting dates compared to 31 December 2016 and 31 December 2015, respectively.

### ***Measurement of fair values***

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 in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

# **"Eurotorg" LLC**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)**

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

The methods determined for measurement of fair values and/or disclosure purposes are stated below. If applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group were consistent with those applied in the consolidated financial statements as at and for the year ended 31 December 2016. During the period from 1 January 2017 to 30 June 2017 the Group did not adopt new and revised IFRS and interpretations which would have significant influence on this condensed consolidated interim financial information.



# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
(in thousands of Belarusian Rubles)

## 4. REVENUE, INTEREST AND COMMISSION INCOME

	For the six-month period ended 30 June	
	2017	2016
Retail sales	1 751 987	1 645 209
Wholesale	87 100	65 337
Revenue from advertising	28 696	15 390
Lease income	13 882	14 309
Interest and commission income of the Bank	9 169	12 190
Own products	5 985	5 663
Other revenue	827	812
<b>Total revenue</b>	<b>1 897 646</b>	<b>1 758 910</b>

## 5. COST OF GOODS AND SERVICES SOLD AND INTEREST EXPENSES

	For the six-month period ended 30 June	
	2017	2016
Cost of merchandise	1 365 147	1 335 338
Transportation costs and handling operations	23 118	24 293
Cost of own products	2 859	2 706
Bank interest expenses	1 400	2 405
Other costs	369	858
<b>Total cost of goods and services sold and interest expenses</b>	<b>1 392 893</b>	<b>1 365 600</b>

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
(in thousands of Belarusian Rubles)

## 6. ADMINISTRATIVE AND SELLING EXPENSES

	For the six-month period ended 30 June	
	2017	2016
Employee benefits	125 341	117 633
Rent	41 672	42 647
Social security contributions	40 139	38 554
Utility costs	38 555	38 378
Depreciation	37 914	32 397
Marketing and advertising	18 493	5 172
Taxes other than income taxes	16 580	13 905
Other materials and stationary	16 080	8 004
Professional services	5 306	4 142
Repair and maintenance	3 787	3 012
Amortization	1 097	34
Change in receivables' impairment allowance	1 314	10 334
Other expenses	10 073	9 038
<b>Total administrative and selling expenses</b>	<b>356 351</b>	<b>323 250</b>

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
(in thousands of Belarusian Rubles)

## 7. NET FINANCE COSTS

	For the six-month period ended 30 June	
	2017	2016
Interest expenses	(60 088)	(58 145)
Financial lease expenses	(5 990)	(7 152)
Bank commissions	(5 213)	(5 316)
Purchase/sale of foreign currency	(5 174)	(2 220)
Change in financial assets' impairment allowance	(1 656)	(2 548)
Loss from foreign exchange differences	-	(110 169)
<b>Total finance costs</b>	<b>(78 121)</b>	<b>(185 550)</b>
Gain on foreign exchange differences	3 257	-
Interest income on bank deposits	9	64
<b>Total finance income</b>	<b>3 266</b>	<b>64</b>
<b>Net finance costs</b>	<b>(74 855)</b>	<b>(185 486)</b>

## 8. OTHER INCOME

	For the six-month period ended 30 June	
	2017	2016
Sale of materials	3 170	784
Purchase/sale of foreign currency	1 879	1 713
Fines and penalties	-	907
Other income	633	1 632
<b>Total other income</b>	<b>5 682</b>	<b>5 036</b>

## 9. OTHER EXPENSES

	For the six-month period ended 30 June	
	2017	2016
Charity	4 764	4 389
Loss from disposal of property and equipment	1 607	3 382
Fines and penalties	821	818
Write-off of expenses due to termination of land lease rights	-	1 111
Other expenses	6 054	3 293
<b>Total other expenses</b>	<b>13 246</b>	<b>12 993</b>

# **"Eurotorg" LLC**

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)**

### **10. INCOME TAX**

The Group provides for current income tax based on the statutory tax accounting maintained and prepared in accordance with the Belarusian statutory tax regulations, which may differ from amounts calculated under the IFRS. In the Republic of Belarus the income tax rate constitutes 18% for the periods starting 1 January 2016. The income tax for banks in the Republic of Belarus for the periods starting 1 January 2016 constitutes 25%. In the Russian Federation the aggregate income tax rate constitutes 20% for the periods starting 1 January 2016.

Deferred tax reflects the net tax effect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. As at balance sheet dates temporary differences result mostly from different methods of income and expense recognition as well as differences between tax and accounting carrying values of property and equipment items.

As at 30 June 2017 the net value of deferred tax asset consisted of deferred tax liability in the amount of BYN 724 thousand (as at 31 December 2016: BYN 702 thousand), and deferred tax asset in the amount of BYN 58 816 thousand (as at 31 December 2016: BYN 61 089 thousand).

Recognized deferred tax asset is measured at the tax rates enacted as at 30 June 2017. It is recognized in the amount that under the management's estimates is probable to bring taxable profit against which the deductible amounts can be utilized. In determining estimated future taxable profit against which the deductible amounts can be utilized, management has considered the existence of taxable temporary differences that will reverse in the same period and also has considered appropriate tax planning opportunities. Taxable profit is determined according to the local accounting standards. According to the local accounting standards the Company is profitable and has the taxable profit sufficient to utilize the deferred tax asset.

For seven month-period ended 31 July 2017 according to unaudited accounting statements prepared under requirements of Belarusian laws the Company received a pre-tax profit of BYN 24 271 thousand and budgeted that this indicator will further increase in the foreseeable future. Therefore management believes that the receipt of future taxable profits, against which the Group could use the respective tax benefits, is highly probable.

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
(in thousands of Belarusian Rubles)

## 11. PROPERTY AND EQUIPMENT

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Construction in progress and equipment not installed	Total
<b>Initial cost</b>						
<b>31 December 2015</b>	<b>1 289 026</b>	<b>222 293</b>	<b>25 058</b>	<b>7 653</b>	<b>137 084</b>	<b>1 681 114</b>
Additions	4 374	2 729	774	-	30 926	38 803
Transfers*	15 809	9 453	743	687	(26 692)	-
Disposals	(1 212)	(1 943)	(668)	(56)	(3 383)	(7 262)
Effect of translation to presentation currency	12	-	-	-	4 507	4 519
<b>30 June 2016</b>	<b>1 308 009</b>	<b>232 532</b>	<b>25 907</b>	<b>8 284</b>	<b>142 442</b>	<b>1 717 174</b>
<b>31 December 2016</b>	<b>1 288 424</b>	<b>255 937</b>	<b>31 991</b>	<b>9 357</b>	<b>105 642</b>	<b>1 691 351</b>
Additions	2	6 869	3 488	185	11 649	22 193
Transfers*	6 311	6 008	909	231	(13 459)	-
Disposals	(2 696)	(2 435)	(186)	(147)	(2 605)	(8 069)
Effect of translation to presentation currency	376	3	-	-	20	399
<b>30 June 2017</b>	<b>1 292 417</b>	<b>266 382</b>	<b>36 202</b>	<b>9 626</b>	<b>101 247</b>	<b>1 705 874</b>
<b>Accumulated depreciation</b>						
<b>31 December 2015</b>	<b>(77 100)</b>	<b>(70 534)</b>	<b>(7 991)</b>	<b>(2 652)</b>	<b>-</b>	<b>(158 277)</b>
Charged for the period	(19 005)	(12 950)	(2 026)	(487)	-	(34 468)
Disposals	53	550	132	20	-	755
<b>30 June 2016</b>	<b>(96 052)</b>	<b>(82 934)</b>	<b>(9 885)</b>	<b>(3 119)</b>	<b>-</b>	<b>(191 990)</b>
<b>31 December 2016</b>	<b>(117 569)</b>	<b>(96 887)</b>	<b>(14 847)</b>	<b>(3 611)</b>	<b>-</b>	<b>(232 914)</b>
Charged for the period	(20 559)	(16 027)	(3 258)	(567)	-	(40 411)
Disposals	109	1 113	128	42	-	1 392
<b>30 June 2017</b>	<b>(138 019)</b>	<b>(111 801)</b>	<b>(17 977)</b>	<b>(4 136)</b>	<b>-</b>	<b>(271 933)</b>
<b>Carrying amount</b>						
<b>31 December 2015</b>	<b>1 211 926</b>	<b>151 759</b>	<b>17 067</b>	<b>5 001</b>	<b>137 084</b>	<b>1 522 837</b>
<b>30 June 2016</b>	<b>1 211 957</b>	<b>149 598</b>	<b>16 022</b>	<b>5 165</b>	<b>142 442</b>	<b>1 525 184</b>
<b>31 December 2016</b>	<b>1 170 855</b>	<b>159 050</b>	<b>17 144</b>	<b>5 746</b>	<b>105 642</b>	<b>1 458 437</b>
<b>30 June 2017</b>	<b>1 154 398</b>	<b>154 581</b>	<b>18 225</b>	<b>5 490</b>	<b>101 247</b>	<b>1 433 941</b>

## "Eurotorg" LLC

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

Depreciation of property and equipment in the statement of profit or loss and other comprehensive income is allocated to the following items:

	<b>For the six-month period ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
Cost of goods and services sold and interest expenses	2 497	2 071
Administrative and selling expenses	37 914	32 397
<b>Total depreciation</b>	<b>40 411</b>	<b>34 468</b>

The Company extends its trade premises by constructing and modernizing of trade facilities. As at 30 June 2017 and 2016 construction-in-progress included expenses for construction and improvement of trade premises in various regions of Belarus.

As at 30 June 2017 and 31 December 2016 the historical cost of fully depreciated but still used items of property and equipment amounted to BYN 7 090 thousand and BYN 1 261 thousand, respectively.

For six-month period 30 June 2017 and 30 June 2016 property and equipment acquired under financial lease agreements comprised BYN 4 176 thousand and BYN 3 679 thousand, respectively.

As at 30 June 2017 and 31 December 2016 the residual value of property and equipment held under finance lease agreements amounted to BYN 93 556 thousand and BYN 90 861 thousand, respectively.

As at 30 June 2017 and 31 December 2016 the carrying value of property and equipment pledged by the Group to secure bank loans, guarantees and finance lease agreements was BYN 1 003 998 thousand and BYN 999 259 thousand, respectively.

As at 30 June 2017 the Group's capitalized borrowing costs were BYN 1 422 thousand (the six-month period ended 30 June 2016: BYN 3 396 thousand).

Buildings and constructions are accounted under the revaluation method. Revaluations are made with a sufficient regularity to ensure that the carrying amount does not significantly differ from that which would be determined using fair value at the end of the reporting period. The Group has analyzed the trends in the market of trade real estate and concluded that its value has not changed significantly as compared to the beginning of the reporting period (the USD exchange rate has increased by 8%, the average foreign currency prices for trade real estate have decreased by 9%). The Group plans to conduct a revaluation in the end of 2017 in order to present property and equipment at their fair value as at 31 December 2017.

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 12. LOANS GRANTED

*Breakdown by type of client*

	30 June 2017	31 December 2016
Loans granted to corporate clients	32 675	35 235
Consumer loans granted to individuals	22 980	21 625
<b>Total loans granted before allowance for impairment</b>	<b>55 655</b>	<b>56 860</b>
Allowance for impairment	(4 600)	(5 561)
<b>Total loans granted</b>	<b>51 055</b>	<b>51 299</b>
<b>Short-term part of loans granted</b>	<b>29 382</b>	<b>15 519</b>
<b>Long-term part of loans granted</b>	<b>21 673</b>	<b>35 780</b>

*Security for loans*

In order to reduce credit risk, the Bank requires the provision of security, the size and type of which depends on the assessment of the credit risk of the counterparty.

The main types of security received for loans to legal entities and individual entrepreneurs are real estate, equipment, cars, goods in circulation, the right to receivables and lease payments. Loans to individuals are secured by penalties or guarantees of individuals.

The Bank has no overdue and unimpaired loans granted.

*Information about the quality of the loan portfolio*

<b>Impairment of loans as at 30 June 2017</b>	<b>Loans</b>	<b>Allowance for impairment</b>	<b>Total loans granted</b>
Impairment of loans assessed individually	28 695	(2 981)	25 714
Impairment of loans assessed collectively	26 960	(1 619)	25 341
<b>Total</b>	<b>55 655</b>	<b>(4 600)</b>	<b>51 055</b>

<b>Impairment of loans as at 31 December 2016</b>	<b>Loans</b>	<b>Allowance for impairment</b>	<b>Total loans granted</b>
Impairment of loans assessed individually	32 356	(4 033)	28 323
Impairment of loans assessed collectively	24 504	(1 528)	22 976
<b>Total</b>	<b>56 860</b>	<b>(5 561)</b>	<b>51 299</b>

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## *Movement in allowance for impairment on loans granted*

<b>1 January 2016</b>	<b>5 407</b>
Accrued for the year	3 546
Foreign exchange differences	(153)
Write-off against allowance	(3 239)
<b>31 December 2016</b>	<b>5 561</b>
Accrued for the year	(961)
<b>30 June 2017</b>	<b>4 600</b>

## 13. INVENTORIES

	<b>30 June 2017</b>	<b>31 December 2016</b>
Goods for sale located at retail outlets	133 215	140 267
Goods for sale located at the warehouse	82 216	64 608
Raw and other materials	13 871	13 016
Own production	4 990	6 174
Tare and packing materials	4 678	4 795
Other inventories	3 548	8 970
<b>Total inventories</b>	<b>242 518</b>	<b>237 830</b>

As at 30 June 2017 and 31 December 2016 the Group pledged inventories as additional security for bank loans and guarantees in the amount of BYN 172 906 thousand and BYN 172 050 thousand respectively.

## 14. TRADE AND OTHER RECEIVABLES

	<b>30 June 2017</b>	<b>31 December 2016</b>
Trade receivables	70 595	72 183
Allowance for impairment	(2 263)	(2 788)
<b>Total trade receivables, net</b>	<b>68 332</b>	<b>69 395</b>
Other accounts receivables	19 670	16 025
Allowance for impairment	(3 735)	(1 896)
<b>Total other receivables, net</b>	<b>15 935</b>	<b>14 129</b>
<b>Total trade and other receivables, net</b>	<b>84 267</b>	<b>83 524</b>

The movement of allowance for impairment of trade and other receivables:

<b>31 December 2015</b>	<b>2 265</b>
Changes in allowance	10 334
<b>30 June 2016</b>	<b>12 599</b>
<b>31 December 2016</b>	<b>4 684</b>
Changes in allowance	1 314
<b>30 June 2017</b>	<b>5 998</b>



# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 15. PREPAYMENTS

	30 June 2017	31 December 2016
Prepayments for rent of premises and land	16 442	17 623
Prepayments for inventory	16 339	11 938
Prepayments for services	5 770	4 880
Prepayments for taxes, except for income tax	1 140	3 397
Other prepayments	5 805	4 788
<b>Total prepayments</b>	<b>45 496</b>	<b>42 626</b>

## 16. CASH AND CASH EQUIVALENTS

	30 June 2017	31 December 2016
Cash in transit	14 198	46 579
Cash on current bank accounts	12 753	4 061
Bank deposits	7 677	12 094
Cash on hand	7 259	9 065
Balances with the National Bank of the Republic of Belarus (excluding mandatory cash balances with NB RB)	965	2 712
<b>Total cash and cash equivalents</b>	<b>42 852</b>	<b>74 511</b>

Cash in transit is represented by cash collected by the bank, as well as by cash received from credit card settlements.

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 17. EQUITY

Participants	30 June 2017	31 December 2016
LITINVEST LIMITED, Cyprus	49.75%	49.75%
CURGIL VENTURES LIMITED, Cyprus	49.75%	49.75%
STORASS LIMITED, Cyprus	0.50%	0.50%
<b>Total participants' interest</b>	<b>100%</b>	<b>100%</b>

The ultimate controlling parties of the Company are Mr. Sergey Litvin (citizen of the Republic of Belarus) and Mr. Uladzimir Vasilko (citizen of the Republic of Belarus). All participants' stakes in the Company are fully contributed.

In accordance with the Belarusian legislation the Group distributes its profits in the form of dividends or transfers profits to reserves in the manner provided for by the Belarusian accounting standards.

During the six-month period ended 30 June 2017 and 2016 no dividends were declared.

Within the six-month period of 2016, the Group made additional contribution in the share capital of subsidiary "Tekhno Media Treid" LLC in the amount of BYN 2 500 thousand. However, ownership share remained unchanged. Resulting from the transaction the Group recognized:

- increase in NCI by BYN 89 thousand;
- decrease in retained earnings by BYN 89 thousand.

In 2017 the Group acquired additional interests in companies "VARMINEKSPO" JLLC, "SitiBalt" LLC, "Dzerzhinskii myasokombinat" CJSC, "Diskontnyi club" LLC, "Sotrudnichestvo" OJSC, "Retorsia-invest" LLC, "Eurooptavto" LLC, "Yulain" ALC having increased its share of ownership in these companies to 100%. As a result of the increases in the shares in "VARMINEKSPO" JLLC and "Yulain" ALC, the Group also increased its ownership to 100% in the companies "EurooptAgro" LLC, "ElitPartner" LLC, "Barentsevo" LLC.

<i>In thousands of Belarussian rubles</i>	<b>2017</b>
Net assets attributable to the acquired non-controlling interest at the redemption date	79
Reimbursement cost	(33)
Increase in retained earnings	<b>46</b>

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 18. LOANS AND BORROWINGS

Loans and borrowings as at 30 June 2017 were as follows:

	Currency	Rate	Maturity date	30 June 2017	31 December 2016
Bank loan	USD	5.50-13.00%	2017-2023	821 323	1 039 391
Bank loan	BYN	11.50%-16.00%	2017-2018	208 903	15 769
Bank loan	EUR	3.09-11.50%	2017-2018	46 118	34 574
Bank loan	RUB	8.70-19.50%	2017-2019	41 533	29 390
Bonds issued	USD	6.00-13.00%	2018-2020	46 025	50 629
Bonds issued	EUR	11%	2019	9 034	8 364
Loans from related parties	RUB	0%	2017	-	75
Other loans	BYN	10-27%	2017-2018	9 040	9,037
<b>Total loans and borrowings</b>				<b>1 181 976</b>	<b>1 187 229</b>
Less short-term part				(373 848)	(514 569)
<b>Total long-term part</b>				<b>808 128</b>	<b>672 660</b>

The Group pledged property and equipment and inventories (Note 11, 13) to secure bank loans.

As at 30 June 2017 and 31 December 2016 49,0% of the ownership interest of "Eurotorg" LLC (24,5% CURGIL VENTURES LIMITED and 24,5% LITINVEST LIMITED) was pledged under loan agreements with "BPS-Sberbank".

As at 30 June 2017 and 31 December 2016 100% of the ownership interest of the subsidiary company "BelRosKompani" LLC was pledged under loan agreements with "Alfa-Bank".

As at 30 June 2017 and 31 December 2016 the Group met its contractual obligations under loan agreements, except for fulfilling the covenant "Net debt ratio/EBITDA" of a Belarusian bank. Breach of this obligation is an "Event of Default" and may, upon notice from the creditors, lead to the demand for an immediate return of the respective borrowings. Thus, as at 30 June 2017 and 31 December 2016 the amounts of BYN 17 694 thousand and BYN 23 455 thousand, respectively, are presented in current liabilities.

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 19. FINANCE LEASE LIABILITIES

	Minimum lease payments		Present value of minimum lease payments	
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
Amounts payable under finance lease agreements:				
Payable within 12 months	22 274	28 978	12 487	18 688
<b>Total current liabilities under finance leases</b>	<b>22 274</b>	<b>28 978</b>	<b>12 487</b>	<b>18 688</b>
Payable within second year	25 409	26 587	16 889	17 892
Payable within the period from the third to fifth year (inclusive)	73 755	81 144	57 617	61 624
<b>Total long-term liabilities under finance leases</b>	<b>99 164</b>	<b>107 731</b>	<b>74 506</b>	<b>79 516</b>
Less future short-term finance charges	(9 784)	(10 290)	-	-
Less future long-term finance charges	(24 661)	(28 215)	-	-
<b>Total future finance charges</b>	<b>(34 445)</b>	<b>(38 505)</b>	<b>-</b>	<b>-</b>
<b>Total liabilities under finance lease</b>	<b>86 993</b>	<b>98 204</b>	<b>86 993</b>	<b>98 204</b>

## 20. TRADE AND OTHER PAYABLES

	30 June 2017	31 December 2016
Trade accounts payable	432 313	550 124
Bank customers' accounts	50 145	27 627
Payables for property and equipment	15 996	9 775
Payables for services	15 079	15 033
Settlements with construction contractors	389	589
Other accounts payable	10 070	15 777
<b>Total trade and other payables</b>	<b>523 992</b>	<b>618 925</b>

## 21. OTHER CURRENT LIABILITIES

	30 June 2017	31 December 2016
Taxes payable, other than income taxes	32 487	28 567
Accrued provision for unused vacations	10 666	10 486
Amounts payable to employees	13 611	14 080
Prepayments received from third parties	5 327	6 022
Salary taxes and social security fund payable	1 667	2 371
<b>Total other current liabilities</b>	<b>63 758</b>	<b>61 526</b>

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 22. TRANSACTIONS WITH RELATED PARTIES

The Group sells goods and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions.

Related parties in this condensed consolidated interim financial information comprise the shareholders of the Group, companies which are under common control with the Group, key management personnel of the Group and the companies under their control, their close family members, companies that are controlled or significantly influenced by shareholders.

Settlements with related parties under common control and the parent company are as follows:

	30 June 2017	31 December 2016
<b>Entities under common control with the Group</b>		
Trade and other receivables	42 630	44 849
Loans granted	15	4 067
Trade and other payables	(21 491)	(32 385)
Prepayments	4 629	4 267
Financial investments in securities	361	361
Loans received	-	(75)

Information about the Group's transactions with related parties for six-month period ended 30 June 2017 and 30 June 2016 is presented below:

	For the six-month period ended 30 June	
	2017	2016
<b>Entities under common control with the Group</b>		
Purchase of goods	41 351	68 069
Revenue	28 393	32 971
Other income from property and equipment sale	252	266
Administrative and selling expenses	3 331	3 835
Acquisition of property and equipment	67	190
<b>Key management personnel</b>		
Remuneration to key management personnel	2 988	2 022

The Group sells the goods to a company under common control which in its turn sells goods to ultimate customers through online grocery service. This company was established in 2014 and is still in stage of development. Agreements with this company stipulate a delay of payment to 365 days. Since 2016 the company has started generating profit and has had no overdue debts payable to the Group. The management analyzed budgets of this company and concluded that receivables from it as at 30 June 2017 in the amount of BYN 35 451 thousand will be fully repaid. No allowance for doubtful debts was made for this counterparty.

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 23. CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

### *Commitments under operating lease*

The Group rents commercial, warehouse and subsidiary premises and production equipment under operating lease agreements. The lease agreement is usually initially concluded for a term of five to ten years with the right of its subsequent extension. Rent payments are regularly reviewed in accordance with market rates.

The Group rents premises and equipment with the right of early termination upon notice to the lessor provided, as a rule, at least 3 months before the date of such termination. Therefore, the Group has obligations of lease payments under operating leases.

Below are the minimum amounts of future lease payments under operating lease that cannot be cancelled in cases where the Group acts as a lessee:

	30 June 2017	31 December 2016
Within one year	19 742	20 358
<b>Total liabilities under operating leases</b>	<b>19 742</b>	<b>20 358</b>

### *Legal claims*

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

### *Credit-related commitments*

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

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

The credit-related commitments of the Bank were as follows:

	30 June 2017	31 December 2016
Guarantees issued	6 573	4 706
<b>Total credit-related commitments</b>	<b>6 573</b>	<b>4 706</b>
Provision for credit-related commitments	(1 157)	(1 367)
<b>Net credit-related commitments</b>	<b>5 416</b>	<b>3 339</b>

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 24. FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES

Management of risk and capital is an essential element of the Group's operations. The main financial risk inherent to the Group's operations is the liquidity risk. A description of the Group's risk management policies in relation to this liquidity risk follows.

### **Liquidity risk**

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

The Group's approach to managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group's reputation. The Group monitors liquidity by preparing monthly forecast statements of cash flow. In case a liquidity gap is expected according to the monthly forecast statements, additional loan agreements are negotiated.

The Group's current liabilities as at 30 June 2017 exceeded current assets by BYN 482 115 thousand (31 December 2016: BYN 719 461 thousand). Excess of current liabilities over current assets is a common practice for retail companies.

### *Refinancing of current payments*

The Company undertakes a number of efforts to control liquidity risk: refinancing of short-term loan debts at a later maturity date, searching for investors for sale of buildings for the subsequent operating lease.

In the first half of 2017, the Group actively worked with major creditors and managed to restructure a significant portion of the debt. Thus, in April 2017, the deadlines for the final repayment of liabilities to the largest lending banks - the Alfa-Bank Group and "BPS-Sberbank" OJSC, were postponed from 2020 to 2022-2023. According to the revised schedules, in 2017 settlement of debt to these banks will amount to USD 27.8 million (BYN 54.5 million) instead of USD 107.4 million (BYN 210.3 million), which led to a reduction in the short-term portion of long-term liabilities in 2017 by USD 79.6 million (BYN 155.9 million).

During 2017 the lending banks, based on the long-term and mutually beneficial cooperation with the Group, confirmed their intention to retain the level of debt in the amounts in accordance with the previously concluded contracts, providing new credit resources within repayments carried out in accordance with the established schedules. The creditors confirmed their intention to maintain the current level of debt in foreseeable future.

The Company negotiates with creditors translation of liabilities denominated in a foreign currency into the national currency. This would significantly reduce currency risks and would help to avoid an uncontrolled increase in the cost of supporting the loan portfolio in the event of a significant devaluation of the national currency.

## "Eurotorg" LLC

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

Information concerning contractual maturity dates of financial liabilities as at 30 June 2017 including interest payments is presented below:

	<b>Carrying amount</b>	<b>Cash flows under contract</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	(1 181 976)	(1 448 734)	(461 669)	(912 959)	(74 106)
Trade and other accounts payable	(523 992)	(523 992)	(523 992)	-	-
Liabilities under finance lease	(86 993)	(121 438)	(22 274)	(99 164)	
Accrued interests	(7 970)	(7 970)	(7 970)	-	-
<b>Total liabilities</b>	<b>(1 800 931)</b>	<b>(2 102 134)</b>	<b>(1 015 905)</b>	<b>(1 012 123)</b>	<b>(74 106)</b>
Operating lease	-	(19 742)	(19 742)	-	-
Bank guarantees	-	(6 573)	(6 573)	-	-

Information concerning contractual maturity dates of financial liabilities as at 31 December 2016 including interest payments is presented below:

	<b>Carrying amount</b>	<b>Cash flows under contract</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	(1 187 229)	(1 356 424)	(582 888)	(771 548)	(1 988)
Trade and other payables	(618 925)	(618 925)	(618 925)	-	-
Liabilities under finance leases	(98 204)	(136 709)	(28 978)	(107 731)	-
Accrued interests	(9 659)	(9 659)	(9 659)	-	-
<b>Total liabilities</b>	<b>(1 914 017)</b>	<b>(2 121 717)</b>	<b>(1 240 450)</b>	<b>(879 279)</b>	<b>(1 988)</b>
Operating lease	-	(20 358)	(20 358)	-	-
Bank guarantees	-	(4 706)	(4 706)	-	-



# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
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## 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the statement of financial position of the Group is presented below:

30 June 2017	Carrying value		Fair value			
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>						
Loans granted	51 055	-	-	-	51 055	<b>51 055</b>
Trade and other receivables	84 267	-	-	-	-	-
Cash and cash equivalents	42 852	-	-	-	-	-
Other investments	40 318	-	-	-	40 318	<b>40 318</b>
<b>Total</b>	<b>218 492</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91 373</b>	<b>91 373</b>
<b>Financial liabilities</b>						
Loans and borrowings	-	(1 181 976)	-	-	(1 202 347)	<b>(1 202 347)</b>
Accrued interests	-	(7 970)	-	-	(7 970)	<b>(7 970)</b>
Liabilities under finance lease	-	(86 993)	-	-	(85 494)	<b>(85 494)</b>
Trade and other payables	-	(523 992)	-	-	-	-
Other current liabilities	-	(63 758)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(1 864 689)</b>	<b>-</b>	<b>-</b>	<b>(1 295 811)</b>	<b>(1 295 811)</b>
<b>31 December 2016</b>	<b>Carrying value</b>		<b>Fair value</b>			
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>						
Loans granted	51 299	-	-	-	51 299	<b>51 299</b>
Trade and other receivables	83 524	-	-	-	-	-
Cash and cash equivalents	74 511	-	-	-	-	-
Other investments	20 643	-	-	-	20 643	<b>20 643</b>
<b>Total</b>	<b>229 977</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>71 942</b>	<b>71 942</b>
<b>Financial liabilities</b>						
Loans and borrowings	-	(1 187 229)	-	-	(1 210 407)	<b>(1 210 407)</b>
Accrued interests	-	(9 659)	-	-	(9 659)	<b>(9 659)</b>
Liabilities under finance lease	-	(98 204)	-	-	(98 204)	<b>(98 204)</b>
Trade and other payables	-	(618 925)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(1 914 017)</b>	<b>-</b>	<b>-</b>	<b>(1 318 270)</b>	<b>(1 318 270)</b>

# "Eurotorg" LLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

The Group did not perform measurement of fair value measurement of cash and cash equivalents, deposits, trade and other receivables and other payables, as due to short-term nature of these financial instruments their carrying values are approximately equivalent to their fair values.

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs
Loans and receivables	Discounted cash flows	Market interest rates published by the National Bank of the Republic of Belarus
Other financial liabilities	Discounted cash flows	

There were no transfers between fair value hierarchy levels in 2017 and 2016.

## 26. GOODWILL

As at the reporting date the goodwill by companies is as follows:

Company	30 June 2017	31 December 2016
“Dzerzhinskii myasokombinat” CJSC	3 103	3 103
“Statusbank” OJSC (Bank)	2 667	2 667
“SitiBalt” LLC	304	304
“Yulain” ALC	170	170
“PakHaus” Unitary enterprise	107	107
“Vladalinoks” LLC	8	8
“Mayakinvest” LLC	-	1 051
<b>Total</b>	<b>6 359</b>	<b>7 410</b>

# "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
(in thousands of Belarusian Rubles)

## 27. OPERATING SEGMENTS

The Group has the following two strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment.

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

Condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2017:

	Retail and wholesale	Banking business	Consolidation entries	Total for the six- month period ended 30 June 2017
Revenue, interest and commission income (external customers)	1 888 436	9 210	-	1 897 646
Revenue, interest and commission income (between operating segments)	445	256	(701)	-
Cost of goods and services sold and interest expenses	(1 391 464)	(1 429)	-	(1 392 893)
<b>Gross profit</b>	<b>497 417</b>	<b>8 037</b>	<b>(701)</b>	<b>504 753</b>
Administrative and selling expenses	(350 371)	(6 425)	445	(356 351)
Other income	3 583	2 099	-	5 682
Other expenses	(13 156)	(90)	-	(13 246)
<b>Operating profit</b>	<b>137 473</b>	<b>3 621</b>	<b>(256)</b>	<b>140 838</b>
Finance costs	(76 673)	(1 704)	256	(78 121)
Finance income	3 266	-	-	3 266
<b>Profit before income tax</b>	<b>64 066</b>	<b>1 917</b>	<b>-</b>	<b>65 983</b>
Income tax expense	(6 536)	(531)	-	(7 067)
<b>Total profit for the period</b>	<b>57 530</b>	<b>1 386</b>	<b>-</b>	<b>58 916</b>

# "Eurotorg" LLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

Condensed consolidated interim statement of financial position as at 30 June 2017:

	Retail and wholesale	Banking business	Consolidation entries	30 June 2017
<b>Assets</b>				
Property and equipment	1 431 641	2 300	-	1 433 941
Prepayments for non-current assets	25 853	-	-	25 853
Intangible assets	4 114	778	-	4 892
Goodwill	3 692	-	2 667	6 359
Loans granted	-	22 124	(451)	21 673
Deferred tax asset	58 816	-	-	58 816
Other non-current assets	50 164	-	(48 651)	1 513
<b>Total non-current assets</b>	<b>1 574 280</b>	<b>25 202</b>	<b>(46 435)</b>	<b>1 553 047</b>
Inventories	242 395	123	-	242 518
Trade and other receivables	83 416	862	(11)	84 267
Current income tax assets	26	-	-	26
VAT recoverable	21 540	-	-	21 540
Prepayments	45 456	46	(6)	45 496
Loans granted	120	33 663	(4 401)	29 382
Cash and cash equivalents	27 257	15 595	-	42 852
Other investments	-	38 805	-	38 805
<b>Total current assets</b>	<b>420 210</b>	<b>89 094</b>	<b>(4 418)</b>	<b>504 886</b>
<b>Total assets</b>	<b>1 994 490</b>	<b>114 296</b>	<b>(50 853)</b>	<b>2 057 933</b>
<b>Equity</b>				
Share capital	132 242	52 817	(52 817)	132 242
Revaluation reserve	355 140	-	-	355 140
Accumulated loss	(313 614)	2 284	6 567	(304 763)
<b>Equity attributable to owners of the Group</b>	<b>173 768</b>	<b>55 101</b>	<b>(46 250)</b>	<b>182 619</b>
Non-controlling interests	(4)	-	266	262
<b>Total equity</b>	<b>173 764</b>	<b>55 101</b>	<b>(45 984)</b>	<b>182 881</b>
<b>Liabilities</b>				
Loans and borrowings	802 184	6 401	(457)	808 128
Liabilities under finance lease	74 479	27	-	74 506
Deferred income	4 693	-	-	4 693
Deferred tax liabilities	404	320	-	724
<b>Total non-current liabilities</b>	<b>881 760</b>	<b>6 748</b>	<b>(457)</b>	<b>888 051</b>

# "Eurotorg" LLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

Loans and borrowings	378 243	-	(4 395)	373 848
Accrued interests	7 970	-	-	7 970
Current liabilities under finance lease	12 487	-	-	12 487
Trade and other payables	471 607	52 220	165	523 992
Current income tax liabilities	1 809	216	-	2 025
Deferred income	2 921	-	-	2 921
Other current liabilities	63 929	11	(182)	63 758
<b>Total current liabilities</b>	<b>938 966</b>	<b>52 447</b>	<b>(4 412)</b>	<b>987 001</b>
<b>Total equity and liabilities</b>	<b>1 994 490</b>	<b>114 296</b>	<b>(50 853)</b>	<b>2 057 933</b>

Condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2017:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation entries</b>	<b>Total for the six-month period ended 30 June 2017</b>
<b>Cash flows from operating activities:</b>				
Profit for the period	57 530	1 386	-	58 916
<i>Adjustments for:</i>				
Income tax expense	6 536	531	-	7 067
Depreciation	40 411	-	-	40 411
Amortization	1 097	-	-	1 097
Net finance costs	72 895	1 704	256	74 855
Loss on disposal of property and equipment	1 607	-	-	1 607
Increase in allowance for impairment of trade and other receivables	1 314	-	-	1 314
	<b>181 390</b>	<b>3 621</b>	<b>256</b>	<b>185 267</b>
<i>Changes in:</i>				
Inventories	(4 611)	(77)	-	(4 688)
Trade and other receivables	(1 898)	(159)	-	(2 057)
VAT recoverable	10 222	-	-	10 222
Prepayments	(3 136)	266	-	(2 870)
Deferred income	988	-	-	988
Trade and other payables	(127 069)	22 491	-	(104 578)
Loans granted	(279)	(1 412)	279	(1 412)
Other current liabilities	(178)	-	-	(178)
<b>Cash from operating activities</b>	<b>55 429</b>	<b>24 730</b>	<b>535</b>	<b>80 694</b>
Income tax paid	(1 615)	(273)	-	(1 888)
<b>Net cash from operating activities</b>	<b>53 814</b>	<b>24 457</b>	<b>535</b>	<b>78 806</b>

## "Eurotorg" LLC

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017  
(in thousands of Belarusian Rubles)

### Cash flows from investing activities:

Acquisition of subsidiary with non-controlling interests	(33)	-	-	(33)
Proceeds from disposal of property and equipment	4 898	172	-	5 070
Acquisition of property and equipment	(11 447)	-	-	(11 447)
Acquisition of bonds	-	(20 854)	-	(20 854)
Deposits interest received	9	-	-	9
Acquisition of intangible assets	(354)	(180)	-	(534)
<b>Net cash used in investing activities</b>	<b>(6 927)</b>	<b>(20 862)</b>	<b>-</b>	<b>(27 789)</b>

### Cash flows from financial activities:

Loans and borrowings received	316 639	-	4 230	320 869
Loans and borrowings repaid	(311 703)	(10 039)	(4 497)	(326 239)
Interest paid on loans and borrowings	(61 823)	-	(268)	(62 091)
Repayment of debt under finance lease	(10 789)	-	-	(10 789)
Lessors' remuneration on finance lease	(4 256)	-	-	(4 256)
<b>Net cash used in financial activities</b>	<b>(71 932)</b>	<b>(10 039)</b>	<b>(535)</b>	<b>(82 506)</b>
Net decrease in cash and cash equivalents	(25 045)	(6 444)	-	(31 489)
<b>Cash and cash equivalents as at the beginning of the period</b>	<b>52 472</b>	<b>22 039</b>	<b>-</b>	<b>74 511</b>
Effect of translation to presentation currency	(170)	-	-	(170)
<b>Cash and cash equivalents as at the end of the period</b>	<b>27 257</b>	<b>15 595</b>	<b>-</b>	<b>42 852</b>

# "Eurotorg" LLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

Condensed consolidated interim statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2016:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation entries</b>	<b>Total for the six-month period ended 30 June 2016</b>
Revenue and interest and commission income (external customers)	1 746 689	12 221	-	1 758 910
Revenue and interest and commission income (between operating segments)	189	362	(551)	-
Cost of goods and services sold and interest expenses	(1 363 178)	(2 422)	-	(1 365 600)
<b>Gross profit</b>	<b>383 700</b>	<b>10 161</b>	<b>(551)</b>	<b>393 310</b>
Administrative and selling expenses	(317 531)	(5 908)	189	(323 250)
Other income	2 416	2 620	-	5 036
Other expenses	(12 899)	(94)	-	(12 993)
<b>Operating profit</b>	<b>55 686</b>	<b>6 779</b>	<b>(362)</b>	<b>62 103</b>
Finance costs	(183 333)	(2 579)	362	(185 550)
Finance income	21	43	-	64
<b>Profit before income tax</b>	<b>(127 626)</b>	<b>4 243</b>	<b>-</b>	<b>(123 383)</b>
Income tax benefit	20 236	(916)	-	19 320
<b>Total loss for the period</b>	<b>(107 390)</b>	<b>3 327</b>	<b>-</b>	<b>(104 063)</b>

Condensed consolidated interim statement of financial position as at 31 December 2016:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation entries</b>	<b>31 December 2016</b>
<b>Assets</b>				
Property and equipment	1 455 965	2 472	-	1 458 437
Prepayments for non-current assets	31 369	-	-	31 369
Intangible assets	4 854	598	-	5 452
Goodwill	4 743	-	2 667	7 410
Loans granted	-	36 578	(798)	35 780
Other investments	51 343	-	(48 651)	2 692
Deferred tax assets	61 089	-	-	61 089
<b>Total non-current assets</b>	<b>1 609 363</b>	<b>39 648</b>	<b>(46 782)</b>	<b>1 602 229</b>

## "Eurotorg" LLC

### NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017

(in thousands of Belarusian Rubles)

Inventories	237 784	46	-	237 830
Trade and other receivables	83 030	633	(139)	83 524
Current tax assets	1 351	-	-	1 351
VAT recoverable	31 762	-	-	31 762
Prepayments	42 314	312	-	42 626
Loans granted	121	19 829	(4 431)	15 519
Cash and cash equivalents	51 665	22 039	807	74 511
Other investments	-	17 951	-	17 951
<b>Total current assets</b>	<b>448 027</b>	<b>60 810</b>	<b>(3 763)</b>	<b>505 074</b>
<b>Total assets</b>	<b>2 057 390</b>	<b>100 458</b>	<b>(50 545)</b>	<b>2 107 303</b>

#### Equity

Share capital	132 242	52 817	(52 817)	132 242
Revaluation reserve	355 140	-	-	355 140
Accumulated loss	(371 163)	898	6 573	(363 692)
<b>Equity attributable to owners of the Group</b>	<b>116 219</b>	<b>53 715</b>	<b>(46 244)</b>	<b>123 690</b>
Non-controlling interests	86	-	260	346
<b>Total equity</b>	<b>116 305</b>	<b>53 715</b>	<b>(45 984)</b>	<b>124 036</b>

#### Liabilities

Long-term loans and borrowings	661 743	10 917	-	672 660
Non-current liabilities under finance lease	79 516	-	-	79 516
Deferred income	5 854	-	-	5 854
Deferred tax liabilities	382	320	-	702
<b>Total non-current liabilities</b>	<b>747 495</b>	<b>11 237</b>	<b>-</b>	<b>758 732</b>
Short-term loans and borrowings	513 468	5 523	(4 422)	514 569
Accrued liabilities	9 659	-	-	9 659
Current liabilities under finance lease	18 688	-	-	18 688
Trade and other payables	589 341	29 620	(36)	618 925
Current income tax liabilities	33	363	-	396
Deferred income	772	-	-	772
Other current liabilities	61 629	-	(103)	61 526
<b>Total current liabilities</b>	<b>1 193 590</b>	<b>35 506</b>	<b>(4 561)</b>	<b>1 224 535</b>
<b>Total equity and liabilities</b>	<b>2 057 390</b>	<b>100 458</b>	<b>(50 545)</b>	<b>2 107 303</b>



# "Eurotorg" LLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

Condensed consolidated interim statement of cash flows for the six-month period ended 30 June 2016:

	Retail and wholesale	Banking business	Consolidation entries	Total for the six-month period ended 30 June 2016
<b>Cash flows from operating activities:</b>				
Profit (loss) for the period	(107 390)	3 327	-	(104 063)
<i>Adjustments for:</i>				
Income tax benefit	(20 236)	916	-	(19 320)
Depreciation	34 468	-	-	34 468
Amortization	34	-	-	34
Net finance costs	182 588	2 536	362	185 486
Profit on disposal of property and equipment	3 382	-	-	3 382
Increase (decrease) in allowance for impairment of trade and other receivables	10 334	-	-	10 334
	<b>103 180</b>	<b>6 779</b>	<b>362</b>	<b>110 321</b>
<i>Changes in:</i>				
Inventories	(3 476)	-	-	(3 476)
Trade and other receivables	(23 313)	38	-	(23 275)
VAT recoverable	5 834	-	-	5 834
Prepayments	(16 402)	(169)	-	(16 571)
Deferred income	(377)	-	-	(377)
Trade and other payables	116 719	(13 806)	-	102 913
Loans granted	5 007	(1 540)	( 5 007)	(1 540)
Other current liabilities	(2 737)	4 666	-	1 929
<b>Cash generated from operating activities</b>	<b>184 435</b>	<b>(4 032)</b>	<b>(4 645)</b>	<b>175 758</b>
Income tax paid	(4 116)	(766)	-	(4 882)
<b>Net cash from operating activities</b>	<b>180 319</b>	<b>(4 798 )</b>	<b>(4 645)</b>	<b>170 876</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of property and equipment	3 125	-	-	3 125
Acquisition of property and equipment	(35 968)	(181)	-	(36 149)
Acquisition of bonds	-	(7 091)	-	(7 091)
Deposits interest received	64	-	-	64
Acquisition of intangible assets	-	-	-	-
<b>Net cash used in investing activities</b>	<b>(32 779)</b>	<b>(7 272)</b>		<b>(40 051)</b>
<b>Cash flows from financial activities:</b>				
Loans and borrowings received	284 554	7 052	12 152	303 758
Loans and borrowings repaid	(359 502)	-	(7 128)	(366 630)
Interest paid on loans	(65 114)	-	(379)	(65 493)
Repayment of debt under finance lease	(11 412)	-	-	(11 412)
Lessors' remuneration on finance lease	(5 233)	-	-	(5 233)
<b>Net cash used in financial activities</b>	<b>(156 707)</b>	<b>7 052</b>	<b>4 645</b>	<b>(145 010)</b>

# "Eurotorg" LLC

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017 (in thousands of Belarusian Rubles)

Net outflow of cash and cash equivalents	(9 167)	(5 018)		(14 185)
<b>Cash and cash equivalents as at 1 January</b>	27 725	31 338	-	59 063
Effect of translation to presentation currency	(1 766)	-	-	(1 766)
<b>Cash and cash equivalents as at 30 June</b>	<b>16 792</b>	<b>26 320</b>	<b>-</b>	<b>43 112</b>

### 28. UNCERTAINTES

**Legislation** - Certain provisions of Belarusian business and tax legislation in particular may contain different treatments and may be applied inconsistently. In addition, interpretations made by Management may be different from official interpretations and compliance established by law may be challenged by the authorities. As a result, the Group may be subject to additional tax payments and fines and other preventive actions. Management of the Group considers that it has made the required tax and other payments and no additional provisions are needed in the condensed consolidated interim financial information. The previous financial years remain open for consideration by the authorities.

**Operating environment** – The principal business activities of the Group are within the Republic of Belarus. In 2015-2016 Belarus faced macroeconomic downturn: real Gross Domestic Product (GDP) decreased by -3.8% in 2015 and -2.6% in 2016, year-on-year inflation rate accounted for 13.5% in 2015 and 11.8% in 2016. The crisis led to reduction in real disposable income. Since the beginning of 2017 Belarus stepped into recovering economic growth with real GDP turned positive and accounted to +1.0% in first half 2017. Macroeconomic stabilization processes contributed a lot to inflation slowdown: inflation in June 2017 was 6.5% year-on-year in line with the National Bank's one-digit target for the December 2017 vs December 2016 level to be contained to 9%. Although economic conditions in Belarus have now stabilized, any downturn in general economic conditions in Belarus or decreases in disposable incomes, consumer spending, consumer demand, and/or consumer credit availability could have impact on the Group's business, results of operations and financial condition.

Laws and regulations defining the business environment in the Republic of Belarus are at the stage of development and subject to frequent changes. The future direction of the economic policy of the Government of the Republic of Belarus can have an effect on the recoverability of the Group's assets and the ability of the Group to pay its debts as they mature.

The management of the Group made its best estimate on the recoverability and classification of recorded assets and completeness of recorded liabilities. However, the uncertainties described above still exist and the Group may continue to be affected by them.

### 29. SUBSEQUENT EVENTS

The consumer price index for January-August 2017 constituted 2,5%.

On 21 August 2017 the Group incorporated new subsidiary Special Purpose Vehicle/Entity Bonitron for Eurobonds issue purposes.

**"Eurotorg" LLC**  
**Consolidated Financial Statements**  
**As at and for the Year Ended**  
**31 December 2016**

# "Eurotorg" LLC

Consolidated Financial Statements as at and for the year ended 31 December 2016

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## INDEPENDENT AUDITORS' REPORT

To the Management and the Participants of "Eurotorg" LLC

### *Opinion*

We have audited the consolidated financial statements of the Limited Liability Company "Eurotorg" ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statements of financial position as at 31 December 2016, 31 December 2015 and 31 December 2014, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, 31 December 2015 and 31 December 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

### *Basis for Opinion*

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

### *Emphasis of Matter*

We draw attention to Note 2 of the consolidated financial statements, which describes that management has prepared the consolidated financial statements as at and for the years ended 31 December 2016, 2015 and 2014 for the purposes of a planned bond issuance. The Group previously issued consolidated financial statements in accordance with IFRS for those years, and these consolidated financial statements are, in all material respects, consistent with the previously issued consolidated financial statements of the Group except for certain adjustments made to the presentation of consolidated financial position, financial performance and cash flows. Our opinion is not modified in respect of this matter.



## Key Audit Matters

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

<b>Group liquidity</b>	
Please refer to the Note 30 in the consolidated financial statements.	
<b><i>The key audit matter</i></b>	<b><i>How the matter was addressed in our audit</i></b>
<p>Current liabilities of the Group as at 31 December 2016 exceeded its current assets by BYN 719 461 thousand. Having analysed the Group's current liquidity position, management has concluded that the budgeted cash flows from operating and financing activities are sufficient to finance current operations of the Group.</p> <p>Management applied significant judgement in the preparation of the Group's cash flow budgets. Also, economic instability in the country results in additional uncertainty regarding the assumptions used by management and the sensitivity of the Group's cash flows to other market and non-market risks.</p> <p>We consider the Group's liquidity position as a key audit matter due to limited access of Belarussian companies to foreign capital markets, the Group's performance in the last few years, as well as increased interest rates during last years on loans in local currency.</p>	<p>We carried out a liquidity analysis of the Group. In the course of our analysis, we examined in details the Group's actual results for 6 months of 2017, monthly budgets for the second half of 2017 and the first half of 2018.</p> <p>We compared, on a monthly basis, the cash inflows for the period of 18 months after the reporting date with the Group's cash outflows including those from investing and financing activities. We assessed the reasonableness of those cash flows by analysis of correlation with previous years' comparatives, current and future inflation rates, investing decisions etc.</p> <p>We compared monthly budgets for July and August 2017 with actual financial results.</p> <p>We compared assumptions used by management in the budgets to available external information such as inflation rates and projected economic growth.</p> <p>We compared the Group's budget for financing activities with available loan agreements with banks, agreements on debt prolongation and refinancing, as well as information letters from the banks on further cooperation and maintenance of current loan portfolio level.</p> <p>We assessed the adequacy and completeness of disclosures on liquidity risk.</p>

## **Revaluation of property and equipment**

Please refer to Note 16 to the consolidated financial statements.

<b><i>The key audit matter</i></b>	<b><i>How the matter was addressed in our audit</i></b>
<p>As at 31 December 2016 the Group has 94 stores accounted at revalued amount in accordance with International Audit Standard (IAS) 16 "Property, plant and equipment". Due to the unstable economic situation in Belarus as well as the volatility of the real estate market in recent years, management annually engages independent appraisers to estimate the market value of buildings and constructions.</p> <p>Due to the lack of active trade real estate market, appraisers use judgments in relation to the main assumptions when measuring the value of items under evaluation: market rental rates, discount rates and weighted average cost of capital, terminal value of future cash flows.</p> <p>We paid particular attention to these key judgement areas due to the fact that in the process of forecasting and discounting future cash flows significant inherent uncertainty exists for certain assumptions used for estimation.</p>	<p>We involved our internal valuation specialists to evaluate the assumptions and methodology applied by independent appraisers.</p> <p>Our specialists challenged on a sample basis the key assumptions of the appraisers. In particular, our specialists compared the rates of economic growth, inflation, rental rates, capitalization rates, data on sales of similar stores, used in the model, with publicly available sources. We also checked the mathematical accuracy of the valuation reports.</p> <p>We evaluated the assumptions applied by the Group using our own expectations based on knowledge of the Group's business and the industry in which it operates.</p> <p>We assessed the objectivity and competence of independent appraisers engaged by the Group.</p> <p>We also evaluated whether the information disclosed by the Group in Note 16 regarding the main assumptions used in the revaluation of buildings and construction is appropriate and sufficient.</p>



## **Responsibilities of Management and Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

KPMG, a Limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative («KPMG International»), a Swiss entity.

Registered in Belarus № 191434140  
Registered office: 57-53 Dzyaržynskaha ave.  
13th floor, office 53-2  
220089 Minsk Belarus





exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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



The engagement partner on the audit resulting in this independent auditors' report is:

Vasyl Pavlenko  
Director

KPMG Belarus  
Minsk  
26 September 2017



*Audited entity*

Name: "Eurotorg" LLC

Registration details: Registered by the Minsk City Executive Committee, 7 September 2000.

Registration number in the Unified State Register of Entities and Individual Entrepreneurs No. 101168731

Legal address: 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

*Audit company*

Name: "KPMG" LLC

Registration details: Registered by the Minsk City Executive Committee on 10 February 2011,

Registration number in the Unified State Register of Entities and Individual Entrepreneurs No. 191434140

Legal address: 57 Dzierżyńska ave., office 53-2, 220089 Minsk, Republic of Belarus

KPMG, a Limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative («KPMG International»), a Swiss entity.

Registered in Belarus № 191434140  
Registered office: 57-53 Dzierżyńska ave.  
13th floor, office 53-2  
220089 Minsk Belarus

# "Eurotorg" LLC

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

	Note	For the year ended 31 December		
		2016	2015	2014
<b>Continuing operations</b>				
Revenue, interest and commission income	8	3 638 760	2 986 568	2 407 930
Cost of goods and services sold and interest expenses	9	(2 789 399)	(2 299 849)	(1 870 701)
<b>Gross profit</b>		<b>849 361</b>	<b>686 719</b>	<b>537 229</b>
Administrative and selling expenses	10	(655 642)	(524 032)	(401 660)
Other income	11	12 227	19 256	2 184
Other expenses	12	(22 433)	(15 434)	(12 222)
<b>Operating profit</b>		<b>183 513</b>	<b>166 509</b>	<b>125 531</b>
Finance income		50	321	1 144
Finance costs		(232 932)	(590 140)	(178 116)
<b>Net finance costs</b>	13	<b>(232 882)</b>	<b>(589 819)</b>	<b>(176 972)</b>
Gain on net non-monetary position		-	-	81 938
<b>Profit/(loss) before tax</b>		<b>(49 369)</b>	<b>(423 310)</b>	<b>30 497</b>
Income tax benefit/(expense)	14	6 594	98 607	(12 107)
<b>Profit/(loss) from continuing operations</b>		<b>(42 775)</b>	<b>(324 703)</b>	<b>18 390</b>
<b>Discontinued operation</b>				
Loss from discontinued operation	15	-	(10 231)	(5 619)
<b>Profit/(loss) for the year</b>		<b>(42 775)</b>	<b>(334 934)</b>	<b>12 771</b>
<b>Other comprehensive income (loss)</b>				
<i>Items that will never be reclassified to profit or loss:</i>				
Revaluation of property and equipment	16	(74 892)	350 809	78 686
Related tax	14, 16	13 481	(63 146)	(14 164)
		<b>(61 411)</b>	<b>287 663</b>	<b>64 522</b>
<i>Items that are or may be reclassified to profit or loss:</i>				
Foreign currency translation reserve		(2 168)	(339)	591
		<b>(2 168)</b>	<b>(339)</b>	<b>591</b>
<b>Total other comprehensive income (loss)</b>		<b>(63 579)</b>	<b>287 324</b>	<b>65 113</b>
<b>Total comprehensive income (loss) for the year</b>		<b>(106 354)</b>	<b>(47 610)</b>	<b>77 884</b>

## "Eurotorg" LLC

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands BYN)

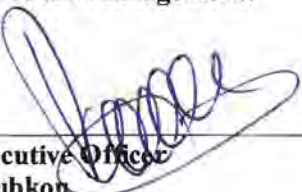
*Profit (loss) attributable to:*

Owners of the Company	(42 760)	(334 759)	12 822
Non-controlling interests	(15)	(175)	(51)
	<b>(42 775)</b>	<b>(334 934)</b>	<b>12 771</b>

*Total comprehensive profit (loss) attributable to:*

Owners of the Company	(106 339)	(47 435)	77 935
Non-controlling interests	(15)	(175)	(51)
	<b>(106 354)</b>	<b>(47 610)</b>	<b>77 884</b>

**On behalf of the Management:**

  
\_\_\_\_\_  
**Chief Executive Officer**  
**Andrei Zubkov**

  
\_\_\_\_\_  
**Chief Financial Officer**  
**Alesia Sapunova**

25 September 2017

The notes on pages 17-89 are an integral part of these consolidated financial statements.

# "Eurotorg" LLC

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

(in thousands BYN)

	Notes	31 December 2016	31 December 2015	31 December 2014
<b>Assets</b>				
Property and equipment	16	1 458 437	1 522 837	1 013 889
Prepayments for non-current assets		31 369	38 504	51 201
Intangible assets		5 452	2 301	2 798
Goodwill	32	7 410	8 836	8 853
Loans granted	17	35 780	24 305	19 388
Other investments	18	2 692	2 777	6 392
Deferred tax assets	14	61 089	32 904	259
<b>Total non-current assets</b>		<b>1 602 229</b>	<b>1 632 464</b>	<b>1 102 780</b>
Inventories	19	237 830	211 488	244 294
Trade and other receivables	20	83 524	77 801	27 807
Current tax assets		1 351	119	432
VAT recoverable		31 762	26 367	39 100
Prepayments	21	42 626	19 717	31 420
Loans granted	17	15 519	23 677	21 510
Cash and cash equivalents	22	74 511	59 063	53 622
Other investments	18	17 951	-	301
<b>Total current assets</b>		<b>505 074</b>	<b>418 232</b>	<b>418 486</b>
<b>Total assets</b>		<b>2 107 303</b>	<b>2 050 696</b>	<b>1 521 266</b>
<b>Equity</b>				
Share capital	23	132 242	132 242	132 242
Revaluation reserve	23	355 140	416 551	128 888
Retained earnings / (accumulated loss)		(363 692)	(318 675)	3 017
<b>Equity, attributable to owners of the Company</b>		<b>123 690</b>	<b>230 118</b>	<b>264 147</b>
Non-controlling interests		346	272	186
<b>Total equity</b>		<b>124 036</b>	<b>230 390</b>	<b>264 333</b>
<b>Liabilities</b>				
Long-term loans and borrowings	24	672 660	755 400	577 997
Non-current liabilities under finance leases	25	79 516	90 780	9 832
Deferred income		5 854	6 626	-
Deferred tax liabilities	14	702	2 895	15 669
<b>Total non-current liabilities</b>		<b>758 732</b>	<b>855 701</b>	<b>603 498</b>

# "Eurotorg" LLC

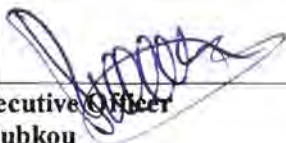
## CONSOLIDATED STATEMENT OF FINANCIAL POSITION


AS AT 31 DECEMBER 2016

(in thousands BYN)

Short-term loans and borrowings	24	514 569	435 831	225 894
Accrued interests		9 659	8 564	4 052
Short-term liabilities under finance leases	25	18 688	17 333	7 750
Trade and other payables	26	618 925	446 195	370 949
Short-term income tax liabilities		396	3 731	16
Deferred income		772	780	-
Other short-term liabilities	27	61 526	52 171	44 774
<b>Total short-term liabilities</b>		<b>1 224 535</b>	<b>964 605</b>	<b>653 435</b>
<b>Total equity and liabilities</b>		<b>2 107 303</b>	<b>2 050 696</b>	<b>1 521 266</b>

On behalf of the Management:

  
Chief Executive Officer  
Andrei Zubkou

  
Chief Financial Officer  
Alesia Sapunova

25 September 2017

The notes on pages 17-89 are an integral part of these consolidated financial statements.



# "Eurotorg" LLC


## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

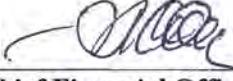
	Notes	Share capital	Revaluation reserve	Retained earnings (accumulated loss)	Total equity	Non-controlling interests	Total
As at 1 January 2014		132 242	64 577	(1 332)	195 487	300	195 787
<b>Total comprehensive income for the year</b>							
Profit for the year		-	-	12 822	12 822	(51)	12 771
<b>Other comprehensive income</b>							
Foreign currency translation reserve		-	-	591	591	-	591
Change in revaluation reserve	16	-	78 686	-	78 686	-	78 686
Tax effect of increase in revaluation reserve	14	-	(14 164)	-	(14 164)	-	(14 164)
Transfer of reserve			(211)	211	-	-	-
<b>Total comprehensive income for the year</b>		-	64 311	13 624	77 935	(51)	77 884
<b>Transactions with owners of the Group</b>							
Changes in interest in subsidiaries	23	-	-	63	63	(63)	-
Transactions between entities under common control	15	-	-	15 551	15 551	-	15 551
Dividends	23	-	-	(24 889)	(24 889)	-	(24 889)
<b>Total transactions with owners of the Group</b>		-	-	(9 275)	(9 275)	(63)	(9 338)
As at 31 December 2014		132 242	128 888	3 017	264 147	186	264 333
As at 1 January 2015		132 242	128 888	3 017	264 147	186	264 333
<b>Total comprehensive income for the year</b>							
Loss for the year		-	-	(334 759)	(334 759)	(175)	(334 934)
<b>Other comprehensive income</b>							
Foreign currency translation reserve		-	-	(339)	(339)	-	(339)
Change in revaluation reserve	16	-	350 809	-	350 809	-	350 809
Tax effect of increase in revaluation reserve	14	-	(63 146)	-	(63 146)	-	(63 146)
<b>Total comprehensive income for the year</b>		-	287 663	(335 098)	(47 435)	(175)	(47 610)
<b>Transactions with owners of the Group</b>							
Transactions between entities under common control	15	-	-	13 667	13 667	-	13 667
Changes in interest in subsidiaries	23	-	-	(261)	(261)	261	-
<b>Total transactions with owners of the Group</b>		-	-	13 406	13 406	261	13 667
As at 31 December 2015		132 242	416 551	(318 675)	230 118	272	230 390

**"Eurotorg" LLC**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**  
*(in thousands BYN)*

<b>As at 1 January 2016</b>		<b>132 242</b>	<b>416 551</b>	<b>(318 675)</b>	<b>230 118</b>	<b>272</b>	<b>230 390</b>
<i><b>Total comprehensive income for the year</b></i>							
Loss for the year		-	-	(42 760)	(42 760)	(15)	(42 775)
<b>Other comprehensive income</b>							
Foreign currency translation reserve		-	-	(2 168)	(2 168)	-	(2 168)
Change in revaluation reserve	16	-	(74 892)	-	(74 892)	-	(74 892)
Tax effect of decrease in revaluation reserve	14	-	13 481	-	13 481	-	13 481
<b>Total comprehensive income for the year</b>		-	(61 411)	(44 928)	(106 339)	(15)	(106 354)
<i><b>Transactions with owners of the Group</b></i>							
Changes in interest in subsidiaries	23	-	-	(89)	(89)	89	-
<b>Total transactions with owners of the Group</b>		-	-	(89)	(89)	89	-
<b>As at 31 December 2016</b>		<b>132 242</b>	<b>355 140</b>	<b>(363 692)</b>	<b>123 690</b>	<b>346</b>	<b>124 036</b>

**On behalf of the Management:**

  
**Chief Executive Officer**  
**Andrei Zubkou**

  
**Chief Financial Officer**  
**Alesia Sapunova**

25 September 2017

The notes on pages 17-89 are an integral part of these consolidated financial statements.



## LLC "Eurotorg"

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)


		For the year ended 31 December		
	Notes	2016	2015	2014
<b>Cash flows from operating activities:</b>				
Profit/(loss) for the year		(42 775)	(334 934)	12 771
<i>Adjustments for:</i>				
Income tax expense (benefit)	14	(6 594)	(98 607)	12 107
Gain on net monetary position		-	-	(81 938)
Depreciation	16	73 742	54 812	33 921
Amortization		168	156	66
Net finance costs	13	232 882	589 819	176 972
Change in allowance for impairment on trade and other receivables	20	2 419	937	199
Impairment of property and equipment	16	6 093	690	5 203
(Profit)/loss on disposal of property and equipment		(1 889)	(1 723)	515
		<b>264 046</b>	<b>211 150</b>	<b>159 816</b>
<i>Changes in:</i>				
Inventories		(26 342)	29 444	(70 485)
Trade and other receivables		9 508	(42 868)	(17 693)
VAT recoverable		(5 395)	11 334	(19 049)
Prepayments		(22 909)	11 160	(14 334)
Deferred income		(780)	7 406	-
Trade and other payables		184 049	130 695	195 493
Loans granted		(8 444)	(17 376)	(29 038)
Other current liabilities		9 339	7 397	15 746
<b>Cash generated from operating activities</b>		<b>403 072</b>	<b>348 342</b>	<b>220 456</b>
Income tax paid		(14 003)	(1 026)	(20 903)
<b>Net cash from operating activities</b>		<b>389 069</b>	<b>347 316</b>	<b>199 553</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of property and equipment		14 965	67 546	22 078
Acquisition of property and equipment		(72 902)	(185 786)	(326 054)


# LLC "Eurotorg"

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

		For the year ended 31 December		
	Notes	2016	2015	2014
Acquisition of bonds	18	(17 951)	-	(299)
Proceeds from sale of bonds		-	301	-
Acquisition of intangible assets		(3 320)	-	(16)
Disposed cash from discontinued operations	15	-	(428)	(385)
Deposits interest received		50	321	1 144
<b>Net cash used in investing activities</b>		<b>(79 158)</b>	<b>(118 046)</b>	<b>(303 532)</b>
<b>Cash flow from financing activities:</b>				
Payment of dividends	23	-	-	(24 889)
Loans and borrowings received		399 733	338 703	460 579
Loans and borrowings repaid		(520 164)	(419 935)	(185 453)
Interest paid on loans and borrowings		(127 647)	(103 942)	(56 348)
Repayment of debt under finance leases		(34 595)	(31 784)	(7 588)
Lessors' remuneration on finance leases		(9 639)	(6 183)	(2 628)
<b>Net cash used in financing activities</b>		<b>(292 312)</b>	<b>(223 141)</b>	<b>183 673</b>
<b>Net increase in cash and cash equivalents</b>		<b>17 599</b>	<b>6 129</b>	<b>79 694</b>
Cash and cash equivalents as at 1 January	22	59 063	53 622	29 826
Translation to presentation currency		(2 151)	(688)	632
Hyperinflation effect		-	-	(56 530)
<b>Cash and cash equivalents as at 31 December</b>	<b>22</b>	<b>74 511</b>	<b>59 063</b>	<b>53 622</b>

On behalf of the Management:

  
Chief Executive Officer  
Andrei Zubkou

  
Chief Financial Officer  
Alesia Sapunova

25 September 2017

The notes on pages 17-89 are an integral part of these consolidated financial statements.

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 1. GENERAL INFORMATION

Limited liability company "Eurotorg" ("the Company") operates in the Republic of Belarus since 28 October 1996. The Company's registered office is located at 52a-22, Kazintsa str., 220099, Minsk, Republic of Belarus.

The main activities of the Company include retail trade in food and other consumer goods. These activities include sale of domestic and imported goods in the territory of the Republic of Belarus.

As at 31 December 2016 the retail chain comprised 453 stores under "Euroopt" banner in 123 cities of Belarus (including 95 owned stores and 358 – leased ones) and 9 stores under "TEKHNO Plyus" banner in 7 cities of Belarus.

Most stores of "Euroopt" retail chain are located in Minsk Region - 76 stores, in Minsk City - 66, in Brest Region - 61, in Gomel Region - 72, in Grodno Region - 56, in Mogilev Region - 67, in Vitebsk Region - 55 stores. The retail chain is developing in different segments, which are determined by the area and characterized by a product range (the average number of SKUs (stock keeping units)).

As at 31 December 2016 the total retail chain area was 712 647 m<sup>2</sup>, shopping space – 274 874 m<sup>2</sup>. In the structure of the total area, the share of own premises is 52,4%, and the share of owned shopping space – 45,0%.

Beside stationary points of sale, as at 31 December 2016 the Euroopt retail chain comprises 35 mobile shops in 14 districts of the Republic of Belarus: Braslav, Orsha, Smorgon, Volkovysk, Zhabinka, Buda-Koshelevo, Volozhin, Uzda, Nesvizh, Borisov, Minsk, Krugloye, Grodno and Molodechno. Shopping services are provided to 1 024 rural settlements with the population of 37,3 thousand people.

As at 31 December 2015 the retail chain comprised 438 stores under "Euroopt" banner in 116 cities of Belarus (including 92 owned stores and 346 leased ones) and 10 stores under "TEKHNO Plyus" banner in 7 cities of Belarus. In 2015 the Company expanded its presence in the country, including in those regions where Euroopt had not worked before, mostly with shops opened in leased premises. As at 31 December 2015 total retail chain area was 663 297 m<sup>2</sup>, shopping space - 254 572 m<sup>2</sup>. The share of own premises within the total area is 53,1%, and the share of owned shopping space – 46,5%.

As at 31 December 2014 the retail chain comprised 298 stores under "Euroopt" banner in 67 cities of Belarus (including 77 owned stores and 221 leased ones) and 17 stores under "TEKHNO Plyus" banner in 14 cities of Belarus. By the end of 2014 the total area of Euroopt retail chain stores comprised 517 745 m<sup>2</sup>, including shopping space of 194 825 m<sup>2</sup>. Own premises within the total area is 58,3%, and the share of owned shopping space – 52,0%.

The growth of own shops was financed by investment loans from banks and by own funds.

In July 2015 the Group lost control of the "Internet-magazin Euroopt" CJSC and so the Group had no online stores as at 31 December 2015 (see Note 15) and in 2016.

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

The Company is a parent entity to the following companies:

Name	Country of operation	Type of operations	Ownership interest as at 31 December 2016	Ownership interest as at 31 December 2015	Ownership interest as at 31 December 2014	Date of acquisition
"BelRosKompani" LLC	Russian Federation	Construction management	100.00%	100.00%	100.00%	19.03.2012
"PakHaus" Unitary enterprise	Belarus	Packaging	100.00%	100.00%	100.00%	06.12.2012
"Yulain" ALC	Belarus	Production of meat products	99.99%	99.99%	99.99%	24.01.2012
"Eurooptavto" LLC	Belarus	Transportation services	99.99%	99.99%	99.99%	02.03.2012
"ElitPartner" LLC	Belarus	Production of bakery products	99.99%	99.99%	99.99%	02.04.2013
"Mayakinvest" LLC	Belarus	Construction	99.90%	99.90%	99.99%	26.05.2011
"Rudsal-invest" LLC	Belarus	Construction management	99.90%	99.90%	99.90%	01.09.2011
"Retorsia-invest" LLC	Belarus	Construction	99.90%	99.90%	99.90%	07.09.2010
"Sotrudnichestvo" OJSC	Belarus	Construction	99.90%	99.90%	99.90%	20.05.2010
"AVA-stail" LLC	Belarus	Construction management	99.90%	99.90%	99.90%	26.03.2012
"Diskontnyi club" LLC	Belarus	Retail sales	99.90%	99.90%	99.90%	26.12.2012
"Dzerzhinskii myasokombinat" CJSC	Belarus	Production of meat products	99.90%	99.90%	99.90%	13.06.2013
"E-market" LLC	Belarus	Retail sales	99.90%	99.90%	99.90%	15.10.2014
"Vladalinoks" LLC	Belarus	Wholesale	99.80%	-	-	28.10.2016
"Statusbank" OJSC ("Eurotorginvestbank" OJSC)	Belarus	Banking	99.5168%	99.5168%	99.3917%	22.05.2012
"EurooptAgro" LLC	Belarus	Poultry	99.02%	99.02%	99.02%	09.04.2014
"Barentsevo" LLC	Belarus	Production of seafood	99.01%	99.01%	99.01%	28.06.2012
"SitiBalt" LLC	Belarus	Construction	99.00%	99.00%	99.00%	01.06.2010
"VARMINEKSPO" JLLC	Belarus	Production of meat products	98.03%	98.03%	98.03%	19.10.2011
"Tekhno Media Treid" LLC	Belarus	Retail sales	96.50%	96.50%	96.50%	06.12.2012
"InRudInvest" LLC	Belarus	Construction management	Merged *	99.9995%	99.9995%	13.08.2012
"Rud-Yug" LLC	Belarus	Construction management	Merged *	99.90%	99.90%	01.09.2011
"Sam-invest" LLC	Belarus	Construction management	Merged *	99.90%	99.90%	08.07.2011
"Biznes MIDL" LLC	Belarus	Construction	Merged *	98.9%	98.9%	28.06.2012
"Internet-magazin Euroopt" CJSC	Belarus	Retail sales	*Lost control	* Lost control	99.9%	05.02.2013

## **LLC "Eurotorg"**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)**

\* In 2016 several subsidiaries were merged to “Eurotorg” LLC:

- On 16 March 2016, “Sam-invest” LLC was merged with “Rud-Yug” LLC.
- On 30 September 2016, the General Participants’ Meeting reorganized “Eurotorg” LLC by merging “Biznes MIDL” LLC. “Eurotorg” LLC acquired all rights and obligations of “Biznes MIDL” LLC.
- On 23 November the General Participants’ Meeting reorganized “Eurotorg” LLC by merging “Rud-Yug” LLC. “Eurotorg” LLC acquired all rights and obligations of “Rud-Yug” LLC.
- On 23 November the General Participants’ Meeting reorganized “Eurotorg” LLC by merging “InRudInvest” LLC. “Eurotorg” LLC acquired all rights and obligations of “InRudInvest” LLC.
- On 12 December 2016, “E-market” LLC acquired 100% share in “Naiz Praiz” LLC. On 26 December 2016, “Naiz Praiz” LLC was merged with “E-market” LLC.

In its turn, on 28 November 2016, “Naiz Praiz” LLC acquired 99,90% of “Vladalinoks” LLC, which as a result of the reorganization of “Naiz Praiz” LLC became a subsidiary of “E-market” LLC.

The actual number of employees of the Group as at 31 December 2016, 31 December 2015 and 31 December 2014 was 33 936, 33 442 and 31 293 respectively.

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 2. BASIS OF PREPARATION

#### Statement of compliance with IFRS

These consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards.

These consolidated financial statements have been authorized for issue by the Management of the Group on 25 September 2017.

Having analyzed the current liquidity position, management has concluded that the budgeted cash flows from operating and financing activities are sufficient to finance current operations of the Group (Note 30).

The Group has prepared the consolidated financial statements according to IFRS for prior periods, including 2016, 2015 and 2014. Consolidated financial statements for these reporting periods were adjusted for more correct and consistent presentation of consolidated financial position, consolidated financial performance and consolidated cash flows for the purposes of a planned bond issuance.

#### Hyperinflation

During 2014 and prior years the economy of the Republic of Belarus was considered to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. Starting from 1 January 2015, the economy of the Republic of Belarus is no longer considered hyperinflationary. Thus, the value of non-monetary assets, liabilities, equity and items of Statement of Profit and Loss and Other Comprehensive Income of the Group presented in measuring units as at 31 December 2014, were used to form the opening balances as at 1 January 2015.

#### *Hyperinflation*

In 2011, the economy of the Republic of Belarus was recognized as hyperinflationary, therefore, IAS 29 was applied retrospectively in these consolidated financial statements.

IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy should be presented in measuring units that are effective at the reporting date. Therefore, application of IAS 29 results in an adjustment to the statement of comprehensive income by profit or loss from purchasing power of the Belarusian ruble under "Gain/loss on net monetary position". This gain or loss on net monetary position is calculated as a difference arising from the recalculation of non-monetary assets, non-monetary liabilities, equity and items in the income statement.

The statement of financial position of the Group as at 31 December 2014 was restated for non-monetary items (non-monetary assets, liabilities and equity) measured at historical cost to reflect the effect of inflation from the date of acquisition of assets and the occurrence or undertaking of liabilities, as well as the effect on deferred tax as at that date.

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Adjustments were calculated using the conversion factors derived from the Consumer Price Index (CPI) published by the National Committee of Statistics of the Republic of Belarus. The CPIs for the last years were as follows:

Year	%
2011	108.7%
2012	21.8%
2013	16.5%
2014	16.2%

### 3. FUNCTIONAL AND PRESENTATION CURRENCY

The national currency of Belarus is the Belarusian ruble ("BYN") and the same currency is the functional currency of the Company, as well as the currency in which these consolidated financial statements are presented. The functional currency of the Russian company is the Russian ruble (RUB). All figures in these financial statements presented in Belarusian rubles ("BYN") are rounded to the nearest thousand, except where otherwise indicated.

On 1 July 2016, the national currency in the Republic of Belarus was denominated by 10 000. The international code of the Belarusian ruble was changed from "BYR" to "BYN". The comparative values from the consolidated financial statements for the years ended 31 December 2015 and 2014 were restated.

### 4. USE OF JUDGEMENTS AND ESTIMATES

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

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

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

#### *Useful lives of property and equipment*

The Group estimates and reassesses useful lives of property and equipment annually based on planned residual periods of use, information on technology changes, physical state of property and equipment. Applicable depreciation policy is outlined further in Note 6 (i) to these consolidated financial statements.

#### *Determining whether a lease is finance or operating*

Management records finance lease separately from operating lease using criteria as described in Note 6 (o).

#### *Fair value of loans granted, liabilities under finance lease and other financial instruments*

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

The amortized cost of loans received at floating interest rates represents their fair value. The fair value of loans and finance lease liabilities at fixed interest rates is based on calculation of discounted cash flows by applying interest rates at the money market for financial instruments with similar credit risk and maturities. The Group's management believes that the amortized cost of loans granted, finance lease liabilities and other financial instruments as at 31 December 2016, 31 December 2015 and 31 December 2014 did not significantly differ from their fair value. Consequently, interest on the major part of balances is accrued at rates which approximate market interest rates.

### *Fair value of buildings*

Based on the judgment that the fair value of buildings, which are owned or leased by the Group, will be more representative than their historical cost, the Group's management decided to recognize buildings at revalued amount, representing fair value less subsequent accumulated depreciation and subsequent accumulated impairment losses, starting from 2009. The fair value of buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers.

The Group estimates impairment by assessing whether factors indicating impairment exist, e.g. adverse trends in Belarusian economy, decrease in sales of individual supermarkets. Should impairment be identified, the Group will test the expenses related to impairment of PPE (see Note 6 (n)).

### *Smallest cash generating unit*

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

### *Deferred tax assets*

Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. The estimate of probability is based on the Group's management forecasts in relation to the future taxable profit and includes a significant degree of judgment of the Group's management (Note 14).

### *Measurement of fair values*

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

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

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.



# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

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

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

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

### 5. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared on historical cost basis, except for buildings accounted for using revaluation method and bonds measured at fair value.

### 6. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and are uniform for all the Group entities.

#### a) Basis for consolidation

##### *i) Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the difference is negative, a bargain purchase gain is recognized immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

### *ii) Non-controlling interests*

Non-controlling interest is measured as a proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### *iii) Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### *iv) Loss of control*

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as investment in an associated company (using the equity method) or as an available-for-sale financial asset depending on the level of influence retained.

### *v) Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### *vi) Transactions with owners of the Group*

The dividends paid to the owners of the Group are recognized directly in equity once the decision on the payment takes place. The transfer of assets to the related parties (companies under common control of the Group's ultimate shareholders) or other benefits to such related parties are recognized on the basis of balance sheet amounts according to Group's accounting data directly in equity as distribution to the owners of the Company.

## **b) Discontinued operations**

A discontinued operation is a business component of the Group, activities and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

- is part of a single coordinated 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.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

### c) Revenue

#### i) Sale of goods

The Group recognizes revenue from the sale of goods at the moment of sale at the store. Revenue is recognized when persuasive evidence exists (usually in the form of an executed sales agreement), that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates.

#### ii) Services

Revenue from services rendered is recognized in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenues are recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs.

The Group provides marketing services for broadcasting by the internal radio of advertising information about the goods specified in the advertising texts. Revenues from sales of marketing services are reflected based on the actual number of seconds of advertising during the reporting period and are measured based on the completed volume of services.

### d) Finance income and costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;
- leasing costs – consideration to lessors;
- bank's charges;
- the foreign currency gain or loss on financial assets and financial liabilities;
- allowance for impairment on financial assets.

Interest income or expense is recognized using the effective interest method.

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position

### e) Other income and other expenses

Other income is recognised in the statement of profit or loss and other comprehensive income when the related transactions are completed. Operating and other expenses are generally recorded on an accrual basis when the product has been received or the service has been provided.

### f) Foreign currency

#### i) Transactions in foreign currency

Transactions in foreign currencies are translated to the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost of the corresponding item in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost of the item in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

Exchange rates as at 31 December 2016, 31 December 2015 and 31 December 2014 were as follows:

	<b>31 December 2016</b>	<b>31 December 2015</b>	<b>31 December 2014</b>
USD/BYN	1,9585	1,8569	1,1850
RUB/BYN	0,03244	0,02553	0,02145
EUR/BYN	2,0450	2,0300	1,4380

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### *ii) Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such item form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

### **g) Employee benefits**

#### *i) Short-term benefits*

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

#### *ii) Pension liabilities*

In accordance with the requirements of the legislation of the Republic of Belarus and the Russian Federation, the Group withholds amounts of pension contributions from employee salaries and pays them to the State pension fund. Such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the state. The Group does not have any pension arrangements separate from the state pension system of the Republic of Belarus. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

### **h) Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### *i) Current tax*

The current tax expense is based on taxable profit for the year and is calculated in accordance with legislation of the Republic of Belarus and the Russian Federation. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it also excludes items that are never taxable or deductible.

Current tax assets and liabilities are offset only if certain criteria are met.

### *ii) Deferred tax*

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognized for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow 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 if there is a legally enforceable right to offset current tax assets against current tax liabilities and these assets and liabilities relate to income taxes charged by the same tax authority from the same taxable entity, or from different taxable entities, but these entities intend to settle current tax liabilities and assets on a net basis or the tax assets of these entities will be realized simultaneously with the repayment of their tax obligations.

In accordance with the requirements of the tax legislation of the Republic of Belarus, a company of the Group cannot offset its tax losses and assets for current income tax against tax benefit and current income tax liabilities of other companies of the Group.

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### i) Property and equipment

Items of property and equipment, except for buildings, are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of buildings at 1 January 2007, the Group's date of transition to IFRSs, was determined by reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalized borrowing costs. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance are expensed as incurred.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Items of property and equipment are depreciated from the date they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using straight-line basis over the estimated useful lives. Depreciation is generally recognized in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives for leased assets are from 2 to 16 years.

The estimated useful lives for the current and comparative periods of significant items of property and equipment are as follows:

Buildings and constructions	15-100 years
Trade and warehouse equipment	5-50 years
Vehicles	4-11 years
Office and other equipment	3-50 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains or losses arising on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized in profit or loss.

Buildings are accounted using the revaluation method. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Revaluated amount is based on its fair value at the date of the revaluation less any subsequent accumulated depreciation and accumulated impairment losses. At the revaluation date, the Group restates both the gross carrying amount of the asset and the related accumulated

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

depreciation proportionately. A revaluation increase on a real estate item is recognized in other comprehensive income except to the extent that it reverses a previous revaluation decrease recognized in the profit or loss. A revaluation decrease on a real estate item is recognized in the profit or loss except to the extent that it reverses a previous revaluation increase recognized in other comprehensive income, in which case it is recognized in other comprehensive income.

### **j) Intangible assets and goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

### **k) Inventories**

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of inventories produced by the Company and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

### **l) Financial instruments**

The Group classifies non-derivative financial assets into the following categories: loans and receivables and financial assets available for sale.

#### ***Non-derivative financial assets and financial liabilities – recognition and derecognition***

The Group initially recognizes loans and receivables and issued debt securities issued at the date of their occurrence/release. All other financial assets and liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.



# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations expire or are discharged or cancelled. Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Group and all counterparties.

### ***Loans and receivables***

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value, which is increased by the amount of directly attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost, calculated using the effective interest method, less any impairment losses.

Loans and receivables category comprise the following classes of financial assets: trade and other receivables, cash and cash equivalents and issued loans.

### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and used by the Group within an integrated system of cash management are included in cash and cash equivalents in the statement of cash flows.

### ***Financial assets available for sale***

Financial assets available for sale are represented by non-derivative financial assets which were included in this category or which were not classified in any of the abovementioned categories of financial assets. At initial recognition such assets are measured at fair value which is increased by the amount directly attributable transaction costs. After initial recognition they are measured at fair value with any changes, other than impairment losses, and foreign exchange differences on debt instruments available for sale, recognized in other comprehensive income and presented within equity in the reserve for changes in the fair value. At the time of derecognition of investments the amount of profit or loss accumulated in equity is reclassified to profit or loss for the period. Unquoted equity instruments which fair value cannot be reliably measured are recognized at cost.

Assets available for sale includes equity and debt securities.

### ***Non-derivative financial liabilities – measurement***

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are initially recognized at fair value less any directly attributable transaction costs.

# LLC "Eurotorg"

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, trade and other payables and finance lease liabilities.

### **m) Impairment**

#### *Non-derivative financial assets*

At each reporting date, a financial asset not classified as a financial instrument measured at fair value through profit or loss is assessed for objective evidence of its impairment. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include:

- default or delinquency by a debtor, restructuring of a loan or receivable by the Group on terms that the Group would not otherwise consider,
- indications that a debtor or issuer will enter bankruptcy,
- adverse changes in the payment status of the debtor or issuers in the Group,
- economic conditions that correlate with defaults,
- disappearance of an active market for a security, or
- observable data indicating a measurable decrease in expected cash flows from a group of financial assets.

#### *Financial assets at amortized cost*

The evidence of impairment of such assets is considered by the Group both at the level of individual assets and jointly, at the level of a group of assets. All assets that are significant individually are assessed for impairment on an individual basis. Those assets for which there was no impairment at the level of an individual asset are collectively assessed for impairment that has already occurred but has not yet been identified. Non-significant assets are assessed for impairment jointly by combining assets with similar risk characteristics.

In assessing impairment at the level of the a group of assets, the Group uses historical trends of the likelihood of losses, the timing of recovery and the amount of losses incurred adjusted taking into account management's judgments as to whether current economic and credit conditions are such that actual losses may be more or less than the expected ones based on historical trends of losses.

The amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original effective interest rate of that asset. Losses are recognized in profit or loss for the period and are reflected in the allowance for impairment. If the Group believes that the prospects for recovering the asset are not realistic, the corresponding amounts are written off. Interest on the depreciated asset continues to accrue through the reflection of the "release of discount". In the event of any subsequent event that leads to a decrease in the amount of the impairment loss

# LLC "Eurotorg"

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and this decrease can be objectively related to an event occurring after the impairment was recognized, the recovered amount previously attributed to the impairment loss is recognized in profit or loss for the period.

### *Financial assets available for sale*

Impairment losses of financial assets classified as available for sale are recognized through the reclassification of losses accumulated in the reserve of changes in fair value in equity to the profit or loss for the period. The amount of accumulated impairment loss eliminated from the equity and recognized in profit or loss represents the difference between the asset acquisition cost (excluding received principal payments and amortization) and current fair value less any impairment loss of this financial asset previously recognized in profit or loss. The changes in accrued allowances for impairment due to application of the effective interest method are recognized as a component of interest income. If subsequently the fair value of the impaired debt securities classified as available for sale increases and this increase can be objectively attributable to an event occurring after the recognition of the impairment loss in profit or loss for the period, then the amount written off as loss will be recovered and recognized in profit or loss for the period. However, any subsequent recovery in the fair value of impaired equity securities classified as available for sale is recognized in other comprehensive income.

### *ii) Non-financial assets*

The carrying amounts of the Group's non-financial assets, other than real estate, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually at the same date.

For the purposes of the impairment test, assets that cannot be individually tested are combined into the smallest group that generates cash inflows as a result of the continued use of the relevant assets, largely independent of other assets or the CGU. Subject to the restriction that the level of testing cannot be higher than the level of operating segments, for the purposes of impairment testing of goodwill, those CGUs to which goodwill has been allocated are combined so that the impairment test is carried out at the lowest level where goodwill is monitored for internal reporting purposes. Cash-generating units were determined at the level of each component (legal entity) included in the Group, except for the parent company, "Eurotorg" LLC. Cash-generating units for this Company are determined at the level of each store.

The recoverable amount of assets or CGUs is the greater of their 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 or CGU.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognized in profit or loss for the period. Impairment losses of a CGU are allocated to the relevant CGU (or a group of CGUs), and then proportionally to reduction of the carrying amount of other assets within this CGU (the group of CGUs).

Amounts written-off for loss from goodwill impairment are not recovered. With respect to other assets, at each reporting date, an impairment loss recognized in a previous period is analyzed to identify signs that the loss

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should be reduced or no longer recovered. Amounts written-off for impairment losses are restored if there have been changes in the estimates used in calculating the recoverable amount. An impairment loss is recovered only to the amount that makes it possible to recover the value of the assets to their carrying amount at which they would be reflected (net of accumulated depreciation) if no impairment loss was recognized.

### **n) Lease**

#### ***i) Determining whether an agreement contains a lease***

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the fulfilment of the arrangement is dependent on the use of a specific asset and the arrangement conveys a right to use the asset.

At inception or upon reassessment of an arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognized using the Group's incremental borrowing rate.

#### ***ii) Leased assets***

Assets held by the Group under leases that transfer to the Group substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present (discounted) value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other lease agreements are operating leases and the leased assets are not recognized on the Group's statement of financial position.

#### ***iii) Lease payments***

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### ***iv) Leaseback operations***

If a sale-and-leaseback results in a finance lease, then any gain on the sale is deferred and recognised as income over the lease term. The amortization of the deferred gain presented as a reduction of depreciation expense. No loss is recognised unless the asset is impaired.

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If the leaseback is classified as an operating lease, then any gain is recognised immediately if the sale-and-leaseback terms are clearly at fair value. Otherwise, the sale and leaseback are accounted for as follows:

- If the selling price is at or below fair value, then the gain or loss is recognised immediately. However, if a loss is compensated for by future rentals at a below-market price, then the loss is deferred and amortised over the period in which the asset is expected to be used.
- If the selling price exceeds fair value, then that excess is deferred and amortised over the period for which the asset is expected to be used.
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognised immediately as a loss on the sale.

### **o) Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by top management staff (one person or group of persons) responsible for operational decisions on resources allocation and carrying out financial performance analysis.

The financial information should be presented on the same basis as it is used by the Group for evaluating operating segment performance and making decisions on resources allocation among operating segments.

### **p) Share capital**

Share capital and retained earnings (accumulated loss) of the Company are represented in equity.

Charter of the Company incorporated as limited liability company provides that each participant may unilaterally withdraw from the Company. In this case, the Company is obliged to pay to participant its share of net assets as at the moment of withdrawal not later than one months from the application date. Value of the retired participant's share in the Company's net assets is specified on the basis of the Company net assets calculated under the Company's financial statements prepared according to Belarusian legislation.

IFRS (IAS) 32 "Puttable financial instruments and obligations arising on liquidation" issued in February 2008 amended IFRS (IAS) 32 "Financial instruments: Presentation" and IFRS (IAS) 1 "Presentation of Financial Statements". Amendments become effective for annual periods from 1 January 2009. The effect of differences between Belarussian accounting principles and IFRS on equity is temporary and it is expected to be reduced to zero during the lifetime of the instrument. Consequently, the contributions of the participants are classified as share capital.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)**

### **7. NEW STANDARDS AND INTERPRETATIONS**

A number of new standards, amendments to standards and interpretations enter into force after 31 December 2016, early application is permitted. Preparing these consolidated financial statements, the Group has not yet applied the following new standards or amendments to standards:

#### **Disclosure Initiative (Amendments to IAS 7)**

The amendments require disclosure of information that will allow users of financial statements to assess changes in liabilities that arise from financial activities, including changes that are related or not related to changes in cash flows.

The amendments become effective for annual periods beginning on or after 1 January 2017. Early application is permitted.

In order to meet the new disclosure requirements, the Group intends to present a reconciliation of the balance of liabilities at the beginning and end of the reporting period with disclosure of changes caused by the financial activities.

#### **Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to IAS 12)**

The amendments clarify the accounting for deferred tax assets in respect of unrealized losses that arose on debt instruments measured at fair value.

The amendments become effective for annual periods beginning on or after 1 January 2017. Early application is permitted.

The Group is assessing the possible impact of the amendments on the consolidated financial statements. Currently, the Group does not expect any significant effect.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 sets out the basic principles for determining whether revenue should be recognized, in what amount and when. The standard supersedes the current guidance on revenue recognition, including IAS 11 Construction Contracts, IAS 18 Revenue and Clarification of IFRIC 13 Customer Loyalty Programs.

IFRS 15 becomes effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted).

The Group has completed the initial assessment of the possible impact of IFRS 15 on its consolidated financial statements. The Group does not expect significant changes in the timing of revenue recognition based on the requirements of the new standard.

The Bank is currently conducting a detailed assessment of the impact of IFRS 15 on its financial statements. The impact assessment is aimed at commission income received by the Bank from rendering banking services

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The Bank receives commission income (excluding commissions included in calculating the effective interest rate) for the provision of the following services:

- Commission for operations with plastic cards;
- Settlement and cash services;
- Currency exchange operations;
- Documentary operations;
- Securities;
- Other.

The initial analysis indicates that IFRS 15 will not have a significant impact on the timing of recognition or measurement of commission income. The Group is currently conducting a detailed impact assessment and plans to apply IFRS 15 in its financial statements for the year ended December 31, 2018. The Group plans to use the method of estimating the cumulative effect, which assumes the recognition of the cumulative effect of applying the new standard on the date of its initial application, while the comparative information is not recalculated. In this case, the Group will apply the new standard only to those contracts that, according to the current guidelines for revenue recognition, have not yet been completed as of the date of the initial application of the new standard.

### **IFRS 9 Financial Instruments**

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments. IFRS 9 becomes effective for annual periods beginning on or after 1 January 2018. Early application is permitted.

At present, the Group plans to apply IFRS 9 from 1 January 2018. The actual impact of the adoption of IFRS 9 on the Group's financial statements in 2018 is not known and cannot be reliably estimated, as it will depend on the financial instruments owned by the Group at that time, and on future economic conditions, as well as on selected options for accounting and judgments that will be made by the Company in the future. The new Standard will require the Group to review the accounting processes and elements of internal control related to the reflection of financial instruments in the accounting, and these changes have not yet been completed. However, the Group has made a preliminary assessment of the possible impact of the application of IFRS 9, based on the positions as at 31 December 2016, determined by the Group in 2016 in accordance with IAS 39.

#### *Classification – financial assets*

IFRS 9 introduces a new approach to the classification and measurement of financial assets, reflecting the business model used to manage these assets and the characteristics of the cash flows associated with them.

IFRS 9 specifies three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income and measured at fair value through profit or loss. The standard thus replaces the category of financial assets currently established in IAS 39: held to maturity, loans and receivables and available-for-sale.

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In accordance with IFRS 9, derivatives that are embedded in contracts where the host contract is a financial asset within the scope of IFRS 9 shall never be separated from the host contract. Instead, the requirements of the standard for classification apply to the entire hybrid financial instrument.

According to the Group's preliminary assessment, the application of the new requirements for the classification of financial assets as at 31 December 2016 would not have a significant impact on the accounting of trade receivables, other investments.

With respect to the Bank's loans issued, a preliminary assessment is being made.

### *Impairment – financial assets and contractual assets*

With respect to impairment, IFRS 9 introduces a new, forward-looking model of "expected credit losses" that replaces the "incurred credit loss" model established by IAS 39. Applying the new impairment model will require significant professional judgments from the Company as to how changes in economic factors affect the expected credit losses, determined by weighting by probability of occurrence.

The new impairment model will be applied to financial assets measured at amortized cost or at fair value through other comprehensive income.

In accordance with IFRS 9, estimated reserves for expected credit losses will be assessed in one of the following ways:

- based on 12-month expected credit losses. These are the expected credit losses that will arise as a result of defaults possible within 12 months after the reporting date.
- on the basis of expected credit losses for the entire period. These are the expected credit losses arising from all possible cases of default throughout the expected life of the financial instrument.

An estimate of the expected credit losses for the entire period is applied if the credit risk on the financial asset at the reporting date has increased significantly since the initial recognition. Otherwise, the estimated credit loss is evaluated for 12 months after the reporting date. In this case, the Group is entitled to use the assumption that the credit risk on the financial instrument has not increased significantly since the initial recognition if it was determined that the financial instrument has a low credit risk as at the reporting date. However, in respect of trade receivables that do not contain significant components of financing, an estimate of the expected credit losses for the entire period should always be applied. The Group can choose as its accounting policy the same approach for trade receivables that contain significant components of financing.

The Group believes that applying the new impairment model in accordance with IFRS 9 is likely to lead to an increase in impairment losses, as well as to greater volatility. According to the Group's preliminary assessment, the application of IFRS 9 with respect to impairment as at 31 December 2016 would have resulted in an insignificant increase in estimated provisions for expected credit losses as compared to provisions recognized in accordance with IAS 39. However, the Group has not yet completed the process of establishing an impairment methodology that will be applied in accordance with IFRS 9.



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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### *Classification – financial liabilities*

IFRS 9 generally preserves the existing requirements of IAS 39 regarding the classification of financial liabilities.

However, in accordance with IAS 39, all changes in fair value of financial liabilities classified at fair value through profit or loss are recognized in profit or loss, whereas in accordance with IFRS 9, in the general case, they are recognized in the following order:

- the amount reflecting the change in fair value of the financial liability due to changes in credit risk for such a liability is recognized in other comprehensive income;
- the remaining amount of the change in fair value of the liability is recognized in profit or loss.

The Group does not classify at its sole discretion any financial liabilities as measured at fair value through profit or loss, and it does not currently have any intention to do so. According to the Group's preliminary assessment, the application of the requirements of IFRS 9 regarding the classification of financial liabilities as at 31 December 2016 would not have a significant impact on the consolidated financial statements.

### *Disclosure*

In accordance with IFRS 9, detailed new disclosures will be required, in particular on hedge accounting, credit risk and expected credit losses. During the preliminary assessment, the Group conducted an analysis to identify the missing information. The Group plans to implement changes that it believes will enable it to collect the necessary data.

### *Transition to the new standard*

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group plans to apply the exemption allowing not to recalculate the comparative data for prior periods in terms of changes in the classification and measurement (including depreciation) of financial instruments. The differences between the previous carrying value of the instruments and their carrying values in accordance with IFRS 9 will generally be recognized in retained earnings and reserves as at 1 January 2018.

### **IFRS 16 Lease**

IFRS 16 introduces a single model for recording lease agreements by lessees, which implies their reflection on the lessee's balance sheet. According to this model, the lessee must recognize the asset in the form of the right to use, which is the right to use the underlying asset, and the lease obligation, which is the obligation to make lease payments. There are optional simplifications for short-term leases and rentals of low-cost properties. For the lessors, the accounting rules are generally preserved - they will continue to classify the lease as financial and operating.

IFRS 16 replaces the existing lease guidance, including IAS 17 Leases, Clarification of IFRIC 4, Determination of Lease Characteristics in the Agreement, Clarification of SIC 15 Operating Leases - Incentives and Clarification of SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

IFRS 16 becomes effective for annual periods beginning on or after 1 January 2019. An early adoption of the standard is permitted for enterprises that apply IFRS 15 Revenue Under Contracts with Customers on or before the date of initial application of IFRS 16.

The Group commenced an initial assessment of the possible impact of IFRS 16 on its consolidated financial statements. To date, the most significant identified impact is the need for the Group to recognize assets and liabilities under operating lease agreements for storage facilities and leased stores. In addition, the nature of the costs recognized for these contracts will change, because, in accordance with IFRS 16, instead of the lease expenses that are evenly recognized over the term of the contract, the Group will have to reflect the cost of depreciation of assets in the form of the right to use and interest expenses related to the liabilities under leases. The Group has not yet decided whether it will use optional simplifications. In respect of financial leases, the Group does not expect a significant impact on the consolidated financial statements.

### *Determination of lease characteristics in a contract*

In the transition to IFRS 16, the Group may, at its sole discretion, decide:

- whether to apply to all of its contracts the definition of leases established by IFRS 16; or
- to take advantage of practical simplification and not reconsider whether the existing contracts are generally lease contracts or whether they contain separate components of the lease.

The Group is currently assessing whether to apply this simplification of a practical nature or not, what are the possible effects on the consolidated financial statements and whether the application of the simplification will affect the number of contracts identified as leases at the date of transition.

### *Transition to the new standard*

As a lessee, the Group can apply the standard using one of the following transfer options:

- retrospective approach; or
- a modified retrospective approach with optional simplifications of a practical nature.

The lessee must apply the chosen option consistently in relation to all of its lease contracts under which it is a lessor. The Group is currently planning the initial application of IFRS 16 as for 1 January 2019. The Group has not yet determined which transfer option will be applied.

As a lessor, the Group is not required to make any adjustments to the lease agreements under which it is the lessor to transfer to IFRS 16, unless the Group is an intermediate lessor under a sublease contract.

The Group has not yet quantified the impact of IFRS 16 on its assets and liabilities. The quantitative effect will depend, in particular, on the chosen method of transfer to the new standard, the extent to which the Group will use practical simplification and exemption from recognition, as well as on which new lease agreements will be entered into by the Group. The Group plans to disclose information on the selected transfer option and quantitative information before applying the standard.

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## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

*(in thousands BYN)*

#### **Other amendments**

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).*

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 8. REVENUE, INTEREST AND COMMISSION INCOME

	For the year ended 31 December								
	Continuing operations			Discontinued operations (Note 15)			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Retail sales	3 403 881	2 854 582	2 339 435	-	38 343	19 963	3 403 881	2 892 925	2 359 398
Wholesale	130 872	56 807	19 565	-	37	47	130 872	56 844	19 612
Revenue from advertising	36 943	16 537	16 155	-	-	-	36 943	16 537	16 155
Lease income	25 411	22 286	10 235	-	-	-	25 411	22 286	10 235
Interest and commission income of the Bank	21 860	20 436	14 038	-	-	-	21 860	20 436	14 038
Own production	18 981	15 613	8 266	-	-	-	18 981	15 613	8 266
Other revenue	812	307	236	-	233	74	812	540	310
<b>Total revenue and interest and commission income</b>	<b>3 638 760</b>	<b>2 986 568</b>	<b>2 407 930</b>	<b>-</b>	<b>38 613</b>	<b>20 084</b>	<b>3 638 760</b>	<b>3 025 181</b>	<b>2 428 014</b>

### 9. COST OF GOODS AND SERVICES SOLD AND INTEREST EXPENSES

	For the year ended 31 December								
	Continuing operations			Discontinued operations (Note 15)			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Cost of merchandise	2 724 027	2 239 220	1 833 496	-	31 566	14 867	2 724 027	2 270 786	1 848 363
Transportation costs	48 863	44 757	28 495	-	-	31	48 863	44 757	28 526
Cost of own products	12 336	10 932	2 602	-	-	-	12 336	10 932	2 602
Bank interest expenses	2 866	3 699	3 640	-	-	-	2 866	3 699	3 640
Other cost	1 307	1 241	2 468	-	-	-	1 307	1 241	2 468
<b>Total cost of goods and services sold and interest expenses</b>	<b>2 789 399</b>	<b>2 299 849</b>	<b>1 870 701</b>	<b>-</b>	<b>31 566</b>	<b>14 898</b>	<b>2 789 399</b>	<b>2 331 415</b>	<b>1 885 599</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands BYN)

### 10. ADMINISTRATIVE AND SELLING EXPENSES

	For the year ended 31 December								
	Continuing operations			Discontinued operations (Note 15)			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Employee benefits	236 738	218 501	186 943	-	8 092	4 009	236 738	226 593	190 952
Rent	86 375	62 368	36 434	-	4 066	1 272	86 375	66 434	37 706
Utility costs	78 684	52 601	27 088	-	306	274	78 684	52 907	27 362
Social security contribution	77 470	72 973	62 063	-	2 658	1 271	77 470	75 631	63 334
Depreciation	68 716	50 484	31 235	-	107	115	68 716	50 591	31 350
Taxes other than income tax	28 816	14 763	8 503	-	-	-	28 816	14 763	8 503
Other materials and stationary	19 726	13 420	14 344	-	385	195	19 726	13 805	14 539
Marketing and advertising	15 463	5 673	4 826	-	107	7	15 463	5 780	4 833
Professional services	9 911	9 390	4 992	-	-	-	9 911	9 390	4 992
Repair and maintenance	6 489	6 954	6 509	-	129	205	6 489	7 083	6 714
Impairment of property and equipment	6 093	690	5 203	-	-	-	6 093	690	5 203
Other	21 161	16 215	13 520	-	1 499	655	21 161	17 714	14 175
<b>Total administrative and selling expenses</b>	<b>655 642</b>	<b>524 032</b>	<b>401 660</b>	<b>-</b>	<b>17 349</b>	<b>8 003</b>	<b>655 642</b>	<b>541 381</b>	<b>409 663</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 11. OTHER INCOME

	Continuing operations			For the year ended 31 December Discontinued operations (Note 15)			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Currency purchase/sale	3 904	6 191	864	-	-	-	3 904	6 191	864
Sale of property and equipment	3 746	7 635	63	-	-	-	3 746	7 635	63
Sale of materials	899	2 374	1 257	-	-	-	899	2 374	1 257
Other income	3 678	3 056	-	-	63	23	3 678	3 119	23
<b>Total other income</b>	<b>12 227</b>	<b>19 256</b>	<b>2 184</b>	<b>-</b>	<b>63</b>	<b>23</b>	<b>12 227</b>	<b>19 319</b>	<b>2 207</b>

### 12. OTHER EXPENSES

	Continuing operations			For the year ended 31 December Discontinued operations (Note 15)			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Charity	10 027	4 134	2 130	-	-	-	10 027	4 134	2 130
Other disposal of property and equipment	1 857	5 912	578	-	-	-	1 857	5 912	578
Fines, penalties	1 408	1 051	388	-	-	-	1 408	1 051	388
Write-off of expenses related to termination of lease of a land plot	1 276	-	-	-	-	-	1 276	-	-
Other expenses	7 865	4 337	9 126	-	-	68	7 865	4 337	9 194
<b>Total other expenses</b>	<b>22 433</b>	<b>15 434</b>	<b>12 222</b>	<b>-</b>	<b>-</b>	<b>68</b>	<b>22 433</b>	<b>15 434</b>	<b>12 290</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands BYN)

### 13. NET FINANCE COSTS

	For the year ended 31 December								
	Continuing operations			Discontinued operations (Note 15)			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Interest expenses	(121 927)	(98 110)	(45 734)	-	-	(388)	(121 927)	(98 110)	(46 122)
Foreign exchange loss	(73 198)	(464 000)	(122 911)	-	-	(1 989)	(73 198)	(464 000)	(124 900)
Lessors' remuneration on finance lease	(14 462)	(6 183)	(2 628)	-	(15)	(637)	(14 462)	(6 198)	(3 265)
Bank commission	(11 190)	(7 475)	(62)	-	-	-	(11 190)	(7 475)	(62)
Currency purchase/ sale	(7 028)	(4 080)	(897)	-	-	-	(7 028)	(4 080)	(897)
Allowance for impairment of financial assets	(5 127)	(10 292)	(5 884)	-	-	-	(5 127)	(10 292)	(5 884)
<b>Total finance costs</b>	<b>(232 932)</b>	<b>(590 140)</b>	<b>(178 116)</b>	<b>-</b>	<b>(15)</b>	<b>(3 014)</b>	<b>(232 932)</b>	<b>(590 155)</b>	<b>(181 130)</b>
Interest income on bank deposits	50	321	1 144	-	23	1	50	344	1 145
<b>Total finance income</b>	<b>50</b>	<b>321</b>	<b>1 144</b>	<b>-</b>	<b>23</b>	<b>1</b>	<b>50</b>	<b>344</b>	<b>1 145</b>
<b>Profit/loss from financial activities</b>	<b>(232 882)</b>	<b>(589 819)</b>	<b>(176 972)</b>	<b>-</b>	<b>8</b>	<b>(3 013)</b>	<b>(232 882)</b>	<b>(589 811)</b>	<b>(179 985)</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 14. INCOME TAX

The Group calculates Current tax based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations. In the Republic of Belarus the income tax rate constitutes 18% for the periods starting from 1 January 2014. The income tax for banks in the Republic of Belarus for the periods starting from 1 January 2014 constitutes 25%. In the Russian Federation the income tax rate is 20% for the periods starting from 1 January 2014.

Deferred tax reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2016, 2015 and 2014 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

	Assets			Liabilities			Net		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Property and equipment	47 297	27 566	-	(1 388)	(3 790)	(18 813)	45 909	23 776	(18 813)
Intangible assets	-	-	-	(6)	(6)	-	(6)	(6)	-
Trade and other receivables	772	2 278	498	(320)	-	-	452	2 278	498
Trade and other payables	2 108	1 986	1 298	-	-	-	2 108	1 986	1 298
Liabilities under finance lease	11 452	2 702	312	-	-	-	11 452	2 702	312
Inventories	1 997	1 690	1 601	(74)	(70)	-	1 923	1 620	1 601
Prepaid expenses	-	309	842	(695)	(2 581)	-	(695)	(2 272)	842
Deferred income (lease)	1 054	1 193	-	-	-	-	1 054	1 193	-
Other investments	-	-	-	(1 407)	(1 268)	(1 148)	(1 407)	(1 268)	(1 148)
Other current liabilities	2	-	-	(405)	-	-	(403)	-	-
<b>Net tax assets (liabilities)</b>	<b>64 682</b>	<b>37 724</b>	<b>4 551</b>	<b>(4 295)</b>	<b>(7 715)</b>	<b>(19 961)</b>	<b>60 387</b>	<b>30 009</b>	<b>(15 410)</b>
<b>Deferred tax assets</b>							61 089	32 904	259
<b>Deferred tax liabilities</b>							(702)	(2 895)	(15 669)



# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Relationship between income tax expenses and accounting profit before taxation for the years ended 31 December 2016, 2015 and 2014 is presented as follows:

	2016			2015			2014		
<b>Profit (loss) before tax from continuing operations</b>		<b>(49 369)</b>				<b>(423 310)</b>			<b>30 497</b>
Theoretical tax at the statutory tax rate	18.0%	(8 886)	18.00%	(76 196)	18.00%		5 489		
Non-deductible expenses	(3.53%)	1 743	(2.01%)	8 509	38.32%		11 686		
Effect of banking tax rate	(1.11%)	549	(0.08%)	330	(0.62%)		(188)		
Effect of local revaluation adjustment	-	-	7.38%	(31 250)	1.15%		351		
Effect of equity hyperinflation	-	-	-	-	(17.15%)		(5 231)		
<b>Total income tax expense (benefit)</b>	<b>13.36%</b>	<b>(6 594)</b>	<b>23.29%</b>	<b>(98 607)</b>	<b>(71.70%)</b>		<b>12 107</b>		

Relationship between income tax expense and other comprehensive income before income tax for the years ended 31 December 2016, 2015 and 2014 is presented as follows:

	2016			2015			2014		
<b>Other comprehensive income (loss) before income tax</b>		<b>(74 892)</b>				<b>350 809</b>			<b>78 686</b>
Theoretical tax at the statutory tax rate	18.00%	13 481	18.00%	(63 146)	18.00%		(14 164)		
<b>Income taxes expense (benefit) in other comprehensive income</b>	<b>18.00%</b>	<b>13 481</b>	<b>18.00%</b>	<b>(63 146)</b>	<b>18.00%</b>		<b>(14 164)</b>		

Components of income tax expense, recognized in profit or loss were as follows:

	2016			2015			2014		
<b>Continuing operations</b>									
Current tax expenses		10 303				9 958			11 499
Change in deferred tax		(16 897)				(108 565)			608
<b>Total income taxes expense (benefit)</b>		<b>(6 594)</b>				<b>(98 607)</b>			<b>12 107</b>
<b>Discontinued operations</b>									
Current tax expense		-				-			7
Change in deferred tax		-				-			28
<b>Total expense on income tax</b>		<b>-</b>				<b>-</b>			<b>35</b>
<b>Total tax expense (benefit)</b>		<b>(6 594)</b>				<b>(98 607)</b>			<b>12 142</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Reconciliation of deferred taxes recognized in the statement of profit or loss and other comprehensive income is presented as follows:

	2016	2015	2014
Deferred tax asset (tax liability) at the beginning of the year, net	30 009	(15 410)	(571)
Recognized in profit or loss from continuing operations	16 897	108 565	(688)
Deferred tax asset disposed from discontinued operations	-	-	(62)
Recognized in other comprehensive income	13 481	(63 146)	(14 164)
Effect of changes in exchange rates	-	-	(4)
Effect of inflation	-	-	79
<b>Deferred tax liability at the year end, net:</b>	<b>60 387</b>	<b>30 009</b>	<b>(15 410)</b>
<b>Deferred tax asset</b>	<b>61 089</b>	<b>32 904</b>	<b>259</b>
<b>Deferred tax liability</b>	<b>(702)</b>	<b>(2 895)</b>	<b>(15 669)</b>

For seven month-period ended 31 July 2017 according to unaudited accounting statements prepared under requirements of Belarusian laws the Company received a pre-tax profit of BYN 24 271 thousand and budgeted that this indicator will further increase in the foreseeable future. Therefore management believes that the receipt of future taxable profits, against which the Group could use the respective tax benefits, is highly probable.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 15. DISCONTINUED OPERATION

- "Eurotorg-Zapad" LLC was a subsidiary of "Eurotorg" LLC as at 31 December 2013. As at 31 December 2013 and 31 July 2014 "Eurotorg-Zapad" LLC was a loss-making company (as at 31 July 2014 accumulated loss was equal to RUB 515 022 499 (BYN 11 047 thousand). "Eurotorg-Zapad" LLC had loans and borrowings received from Hanlon Industrial Limited. In March 2014 equity of "Eurotorg-Zapad" LLC was increased by offsetting cash paid by Hanlon Industrial Limited, new participant of "Eurotorg-Zapad" LLC, under loan agreements.

According to the Minutes #1 of the General Meeting of Participants of "Eurotorg-Zapad" LLC dated 7 March 2014, Hanlon Industrial Limited made contribution to the equity of "Eurotorg-Zapad" LLC in the amount of RUB 794 618 223 (BYN 21 534 thousand, EUR 16 022 436). As a result, equity of "Eurotorg-Zapad" LLC was increased up to RUB 804 618 223 (BYN 17 259 thousand). Thus, "Eurotorg" LLC lost its control over "Eurotorg-Zapad" LLC and its equity share in "Eurotorg-Zapad" LLC amounted to 1.24%.

According to the Minutes #3 of the General Meeting of Participants of "Eurotorg-Zapad" LLC dated 22 May 2014, Hanlon Industrial Limited made contribution to the equity in the amount of RUB 56 189 422 (BYN 1 205 thousand, EUR 1 187 445). Share of "Eurotorg" LLC in the equity of "Eurotorg-Zapad" LLC decreased to 1.16%.

- "Internet-magazin Euroopt" CJSC was a subsidiary of "Eurotorg" LLC as at 31 December 2014. As at 31 December 2014 and 31 July 2015 "Internet-magazin Euroopt" CJSC was a loss-making company (as at 31 July 2015 accumulated loss was equal to BYN 13 663 thousand. On 31 July 2015 "Eurotorg" LLC sold 99.1% shares of "Internet-magazin Euroopt" CJSC to "E-Shop Group B.V", the Netherlands. The transaction was fully closed.

#### a) Results of discontinued operation

	Notes	2016	2015	2014
Revenue	8	-	38 613	20 084
Cost of goods and services sold	9	-	(31 566)	(14 898)
<b>Gross profit</b>		-	<b>7 047</b>	<b>5 186</b>
Administrative and selling expenses	10	-	(17 349)	(8 003)
Other expenses	12	-	-	(68)
Other income		-	63	23
<b>Operating loss</b>		-	<b>(10 239)</b>	<b>(2 862)</b>
Finance costs	13	-	8	(3 013)
Net monetary position		-	-	291
<b>Loss before tax</b>		-	<b>(10 231)</b>	<b>(5 584)</b>
Income tax expenses		-	-	(35)
<b>Loss from discontinued operations</b>		-	<b>(10 231)</b>	<b>(5 619)</b>
Gain on disposal of discontinued operation	13 (c)	-	13 667	15 551

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Since shares of "Internet-magazin Euroopt" CJSC and "Eurotorg-Zapad" LLC were sold to companies controlled by participants of "Eurotorg" LLC, these transactions were recorded as transactions under common control and results of these transactions were recognized directly in the consolidated statement of changes in equity.

### b) Cash flow from (used in) discontinued operation

	2016	2015	2014
Net cash from operating activities	-	1 399	(1 936)
Net cash from finance activities	-	-	<b>4 928</b>
Net cash used in investing activities	-	(1 240)	(3 628)
<b>Net cash flow for the period</b>	<b>-</b>	<b>159</b>	<b>(636)</b>

### c) Effect of disposal on the financial position of the Group

	31 July 2015	30 June 2014
Property and equipment	(3 118)	(5 794)
Goodwill	(17)	-
Inventories	(3 362)	-
Trade and other receivables	(200)	(1 466)
VAT recoverable	(1 407)	(22)
Prepayments to supplies and other current assets	(488)	(3 602)
Cash and cash equivalents	(428)	(385)
Other non-current assets	(49)	93
Prepayments from third parties	-	597
Current tax liabilities	50	86
Other investments	-	(3 467)
Deferred tax assets	-	(62)
Long-term loans and borrowings	-	5 657
Short-term loans and borrowings	-	(3 779)
Trade and other payables	22 681	27 695
<b>Net liabilities</b>	<b>13 662</b>	<b>15 551</b>
Consideration received, satisfied in cash	5	-
<b>Excess of consideration received over net liabilities disposed</b>	<b>13 667</b>	<b>15 551</b>
Cash and cash equivalents disposed of	(428)	(385)
<b>Net cash outflow</b>	<b>(423)</b>	<b>(385)</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 16. PROPERTY AND EQUIPMENT

	Buildings and constructions	Trade, production and warehouse equipment	Vehicles	Office and other equipment	Constructi on in progress and equipment not installed	Total
<b>Historical cost</b>						
<b>31 December 2013</b>	<b>389 122</b>	<b>121 336</b>	<b>15 182</b>	<b>5 287</b>	<b>166 087</b>	<b>697 014</b>
Additions	233 100	54 689	10 130	3 373	55 959	357 251
Transfer *	11 943	159	-	-	(10 479)	1 623
Disposals	(5 045)	(3 270)	(1 369)	(207)	(16 317)	(26 208)
Disposal due to discontinued operations	-	(2 175)	(383)	(295)	(3 241)	(6 094)
Revaluation	80 898	-	-	-	-	80 898
Reclassification	(1 455)	1 456	-	(1)	-	-
Effect of movements in exchange rates	-	(38)	(18)	(14)	-	(70)
<b>31 December 2014</b>	<b>708 563</b>	<b>172 157</b>	<b>23 542</b>	<b>8 143</b>	<b>192 009</b>	<b>1 104 414</b>
Additions	51 833	22 036	3 745	170	211 626	289 410
Reclassification	7 589	(6 064)	174	(1 699)	-	-
Transfer	194 046	40 475	6 084	1 278	(241 883)	-
Disposal due to discontinued operations	-	(2 752)	-	(96)	(389)	(3 237)
Transfer to finance lease	-	-	(8 263)	-	-	(8 263)
Disposals	(37 736)	(3 559)	(224)	(143)	(25 761)	(67 423)
Revaluation	364 730	-	-	-	-	364 730
Effect of movements in exchange rates	1	-	-	-	1 482	1 483
<b>31 December 2015</b>	<b>1 289 026</b>	<b>222 293</b>	<b>25 058</b>	<b>7 653</b>	<b>137 084</b>	<b>1 681 114</b>
Additions	3 082	35 736	7 551	1 903	49 620	97 892
Transfer	77 745	380	-	(91)	(78 034)	-
Disposals	(2 236)	(2 472)	(618)	(108)	(8 511)	(13 945)
Revaluation	(79 209)	-	-	-	-	(79 209)
Effect of movements in exchange rates	16	-	-	-	5 483	5 499
<b>31 December 2016</b>	<b>1 288 424</b>	<b>255 937</b>	<b>31 991</b>	<b>9 357</b>	<b>105 642</b>	<b>1 691 351</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

<b>Accumulated depreciation</b>						
<b>31 December 2013</b>	<b>(18 353)</b>	<b>(28 539)</b>	<b>(3 036)</b>	<b>(1 530)</b>	<b>-</b>	<b>(51 458)</b>
Accrued for the period	(9 437)	(20 272)	(3 403)	(809)	-	(33 921)
Transfer *	(1 623)	-	-	-	-	(1 623)
Acquisitions through merger	(3)	(44)	-	(4)	-	(51)
Disposals	624	1 893	958	140	-	3 615
Disposal due to discontinued operations	-	198	54	48	-	300
Impairment	(5 203)	-	-	-	-	(5 203)
Revaluation	(2 212)	-	-	-	-	(2 212)
Reclassification	383	(383)	-	-	-	-
Effect of movements in exchange rates	-	25	2	1	-	28
<b>31 December 2014</b>	<b>(35 824)</b>	<b>(47 122)</b>	<b>(5 425)</b>	<b>(2 154)</b>	<b>-</b>	<b>(90 525)</b>
Accrued for the period	(21 525)	(28 987)	(3 458)	(842)	-	(54 812)
Reclassification	(5 207)	4 883	60	264	-	-
Acquisitions through merger	(48)	-	-	-	-	(48)
Transfer	-	(686)	686	-	-	-
Disposal due to discontinued operations	-	116	-	3	-	119
Disposals	115	1 262	146	77	-	1 600
Revaluation	(13 921)	-	-	-	-	(13 921)
Reversal of previously recognized impairment	11 158	-	-	-	-	11 158
Impairment	(11 848)	-	-	-	-	(11 848)
<b>31 December 2015</b>	<b>(77 100)</b>	<b>(70 534)</b>	<b>(7 991)</b>	<b>(2 652)</b>	<b>-</b>	<b>(158 277)</b>
Accrued for the period	(38 785)	(26 992)	(6 954)	(1 011)	-	(73 742)
Reclassification	-	-	1	(1)	-	-
Acquisitions through merger	11	-	-	1	-	12
Disposals	81	639	97	52	-	869
Revaluation	4 317	-	-	-	-	4 317
Impairment	(6 093)	-	-	-	-	(6 093)
<b>31 December 2016</b>	<b>(117 569)</b>	<b>(96 887)</b>	<b>(14 847)</b>	<b>(3 611)</b>	<b>-</b>	<b>(232 914)</b>

<b>Carrying value</b>						
<b>31 December 2014</b>	<b>672 739</b>	<b>125 035</b>	<b>18 117</b>	<b>5 989</b>	<b>192 009</b>	<b>1 013 889</b>
<b>31 December 2015</b>	<b>1 211 926</b>	<b>151 759</b>	<b>17 067</b>	<b>5 001</b>	<b>137 084</b>	<b>1 522 837</b>
<b>31 December 2016</b>	<b>1 170 855</b>	<b>159 050</b>	<b>17 144</b>	<b>5 746</b>	<b>105 642</b>	<b>1 458 437</b>

Net carrying value without revaluation

<b>31 December 2014</b>	<b>591 451</b>	<b>125 035</b>	<b>18 117</b>	<b>5 989</b>	<b>192 009</b>	<b>932 601</b>
<b>31 December 2015</b>	<b>785 520</b>	<b>151 759</b>	<b>17 067</b>	<b>5 001</b>	<b>137 084</b>	<b>1 096 431</b>
<b>31 December 2016</b>	<b>815 696</b>	<b>159 050</b>	<b>17 144</b>	<b>5 746</b>	<b>105 642</b>	<b>1 103 278</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

\* In 2014 some property and equipment items were transferred from “Construction in progress and equipment for installation” to “Buildings and constructions”. In 2013 these items were transferred to “Construction in progress and equipment for installation” due to reconstruction. In 2014 after transfer from reconstruction the Group recognized historical cost and accumulated depreciation of such assets.

The Group is expanding retail areas by means of construction of new and modernization of old stores. As at 31 December 2016, 2015 and 2014 Construction in progress included costs on construction and re-equipment of new stores in different regions of Belarus.

As at 31 December 2016, 31 December 2015 and 31 December 2014 the historical cost of fully depreciated but still used items of property and equipment amounted to BYN 1 261 thousand, BYN 843 thousand and BYN 10 281 thousand respectively.

The amount of property and equipment acquired under finance leases in 2016 was BYN 8 070 thousand (2015: BYN 103 060 thousand; 2014: BYN 15 084 thousand). As at 31 December 2016, 2015 and 2014 residual value of property and equipment acquired under finance leases amounted to BYN 90 861 thousand, BYN 115 783 thousand and BYN 23 202 thousand respectively.

As at 31 December 2016, 31 December 2015 and 31 December 2014 residual value of pledged property and equipment amounted to BYN 999 259 thousand, BYN 1 091 814 thousand and BYN 556 743 thousand respectively.

In 2016 the Group capitalized borrowing costs included in property and equipment amount to BYN 4 731 thousand (2015: BYN 8 108 thousand, 2014: BYN 26 095 thousand).

The fair value of buildings was classified within Level 3 of the fair value hierarchy based on the inputs for the applied assessment methods. The fair value of buildings is determined by the market and discounted cash flow methods based on the report of the qualified professional appraisers. In most cases, the cost is determined by the weighted average cost of these two methods in a ratio of 50%/50%. However, the results of the two methods are usually comparable. When using the discounted cash flow method, one of the key inputs is:

- the discounting rate from the use of items (9.2-13.4%, 14%-15% and 14.5%-15.5% for cash flows in USD as at 31 December 2016, 2015 and 2014);
- the calculation of the income method was carried out on the basis of market rental rates applied in a particular region of Belarus. The rental rate (for shopping spaces rental rate was EUR 6-18, for office spaces – EUR 3-10, for warehouses – EUR 1-5).

Accumulated revaluation reserve for buildings net of tax effects amounted to BYN 355 140 thousand, BYN 416 551 thousand and BYN 128 888 thousand as at 31 December 2016, 31 December 2015 and 31 December 2014, respectively.

In 2015 the Group sold its two stores with residual value of BYN 26 858 thousand. The contractual amount of the transaction was BYN 34 654 thousand. The stores were leased back on finance lease term for 10 years.

The contractual amount of stores was equal to present value of minimum lease payments, therefore, property and equipment and lease liabilities were recognized at transaction date in the amount of BYN 34 654 thousand. Gain on the sale in the amount of BYN 7 795 thousand was deferred and recognised as deferred income in the

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

consolidated statement of financial position at the date of transaction. Deferred income is amortized over the period of lease agreements and is recognized in depreciation.

Summary of the revaluation of buildings and structures is presented below:

	Notes	31 December 2016	31 December 2015	31 December 2014
Carrying amount of the buildings and structures before revaluation		1 251 840	861 807	597 131
Net decrease (increase) as a result of revaluation and impairment, including	16	(80 985)	350 119	73 483
<i>Changes in revaluation reserve</i>		(74 892)	350 809	78 686
<i>Impairment in excess of the accumulated revaluation reserve</i>		(6 093)	(11 848)	(5 203)
<i>Reversal of previously recognized impairment</i>		-	11 158	-
<b>Net impairment of property and equipment</b>	<b>10</b>	<b>(6 093)</b>	<b>(690)</b>	<b>(5 203)</b>
<b>Carrying amount of the buildings and structures after revaluation</b>	<b>16</b>	<b>1 170 855</b>	<b>1 211 926</b>	<b>672 739</b>
Tax effect of the decrease (increase) of the revaluation reserve	14	13 481	(63 146)	(14 164)

In the statement of profit or loss and other comprehensive income depreciation is classified as:

	2016	2015	2014
Cost of goods and services sold, interest expenses	5 026	4 328	2 686
Administrative and selling expenses	68 716	50 484	31 235
<b>Total depreciation</b>	<b>73 742</b>	<b>54 812</b>	<b>33 921</b>

Impairment test was performed for each store. The recoverable amount was based on use of discounted cash flows. The key assumptions used in estimation of the recoverable amount are set out below. The management did not include the growth in cash flows after 2017. The values assigned to the key assumptions represent management assessment of future trends in the relevant industries and have been based on historical data from both external and internal resources. No impairment had been identified.

	2016	2015	2014
Pre-tax discount rate	19.2%	18.8%	16.3%



# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 17. LOANS GRANTED

*By types of customers*

	31 December 2016	31 December 2015	31 December 2014
Loans granted to legal entities	35 235	31 171	30 121
Consumer loans granted to individuals	21 625	22 218	14 304
<b>Total loans granted before allowance for impairment</b>	<b>56 860</b>	<b>53 389</b>	<b>44 425</b>
Allowance for impairment	(5 561)	(5 407)	(3 527)
<b>Total loans granted</b>	<b>51 299</b>	<b>47 982</b>	<b>40 898</b>
<b>Short-term loans granted</b>	<b>15 519</b>	<b>23 677</b>	<b>21 510</b>
<b>Long-term loans granted</b>	<b>35 780</b>	<b>24 305</b>	<b>19 388</b>

*Security for loans*

In order to reduce credit risk, the Bank requires the provision of security, the size and type of which depends on the assessment of the credit risk of the counterparty.

The main types of security received for loans to legal entities and individual entrepreneurs are real estate, equipment, cars, goods in circulation, the right to receivables and lease payments. Loans to individuals are secured by guarantees of individuals.

The Bank has no overdue but non-impaired loans issued.

*Information on the quality of the loan portfolio*

<b>Impairment of loans in 2016</b>	<b>Loans</b>	<b>Allowance for impairment</b>	<b>Total loans granted</b>
Impairment of loans assessed individually	32 356	(4 033)	28 323
Impairment of loans assessed collectively	24 504	(1 528)	22 976
<b>Total</b>	<b>56 860</b>	<b>(5 561)</b>	<b>51 299</b>
<b>Impairment of loans in 2015</b>	<b>Loans</b>	<b>Allowance for impairment</b>	<b>Total loans granted</b>
Impairment of loans assessed individually	20 979	(1 387)	19 592
Impairment of loans assessed collectively	32 410	(4 020)	28 390
<b>Total</b>	<b>53 389</b>	<b>(5 407)</b>	<b>47 982</b>
<b>Impairment of loans in 2014</b>	<b>Loans</b>	<b>Allowance for impairment</b>	<b>Total loans granted</b>
Impairment of loans assessed individually	5 969	(393)	5 577
Impairment of loans assessed collectively	38 456	(3 134)	35 321
<b>Total</b>	<b>44 425</b>	<b>(3 527)</b>	<b>40 898</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands BYN)

### *Movement in allowance for impairment on loans issued*

<b>1 January 2014</b>	<b>1 039</b>
Accrued for the year	5 302
Hyperinflation effect	(145)
Write-off against allowance	(2 669)
<b>31 December 2014</b>	<b>3 527</b>
Accrued for the year	8 735
Translation difference	(242)
Write-off against allowance	(6 613)
<b>31 December 2015</b>	<b>5 407</b>
Accrued for the year	3 546
Translation difference	(153)
Write-off against allowance	(3 239)
<b>31 December 2016</b>	<b>5 561</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 18. OTHER INVESTMENTS

	31 December 2016	31 December 2015	31 December 2014
<i>Non-current assets</i>			
Investments available for sale:			
Measured at cost	2 692	2 777	6 392
	<b>2 692</b>	<b>2 777</b>	<b>6 392</b>
<i>Current assets</i>			
Investments available for sale:			
Measured at fair value	17 951	-	301
	<b>17 951</b>	<b>-</b>	<b>301</b>

Interest rates for interest bearing financial assets available for sale with carrying value as at 31 December 2016 in amount of BYN 17 951 thousand (in 2015, these were no such assets) were in the range of 12.24% to 12.28%, and the maturities of these instruments ranged from 7 to 35 days.

As at 31 December 2014 investments available for sale comprised bonds issued by “Novoe partnerstvo” FLLC with carrying value of BYN 301 thousand at 9% interest rate.

In respect to the following investments with a total carrying value in amount of BYN 17 951 thousand which are represented by short-term bonds of the National Bank of the Republic of Belarus, the fair value was determined based on discounted cash flows. Having analyzed the market rates of similar financial instruments, the Group’s management concluded that carrying amount of these instruments does not differ from their fair value.

Available for sale investments carried at cost include unquoted equity securities in various small companies. For these investments there is no market and no recent transactions with them, which could be used as the basis for determining fair value. In addition, the method of discounting future cash flows provides a wide range of possible fair values indicators due to uncertainty of future cash flows in the industry.

Information about the Group's exposure to credit, currency and interest rate risks arising due to other investments is disclosed in Note 30.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 19. INVENTORIES

	31 December 2016	31 December 2015	31 December 2014
Merchandise for sale located at retail outlets	140 267	108 680	97 290
Merchandise for sale located at the warehouse	64 608	75 265	125 705
Raw materials and materials	13 016	11 010	9 228
Own production	6 174	5 896	3 721
Tare and packing materials	4 795	4 362	3 843
Other inventories	8 970	6 275	4 507
<b>Total inventories</b>	<b>237 830</b>	<b>211 488</b>	<b>244 294</b>

As at 31 December 2016, 31 December 2015 and 31 December 2014 the Group pledged inventories as additional security on bank loans and guarantees in the amount of BYN 172 050 thousand, BYN 175 555 thousand and BYN 131 047 thousand, respectively.

### 20. TRADE AND OTHER RECEIVABLES

	31 December 2016	31 December 2015	31 December 2014
Trade receivables	72 183	59 855	17 660
Allowance for impairment losses	(2 788)	(1 017)	(588)
<b>Total trade receivables, net</b>	<b>69 395</b>	<b>58 838</b>	<b>17 072</b>
Other receivables	16 025	20 211	11 475
Allowance for impairment losses	(1 896)	(1 248)	(740)
<b>Total other receivables, net</b>	<b>14 129</b>	<b>18 963</b>	<b>10 735</b>
<b>Total trade and other receivables, net</b>	<b>83 524</b>	<b>77 801</b>	<b>27 807</b>

The movement of allowance for impairment losses on trade and other receivables:

<b>31 December 2013</b>	<b>1 312</b>
Movement in allowance	199
Hyperinflation effect	(183)
<b>31 December 2014</b>	<b>1 328</b>
Movement in allowance	937
<b>31 December 2015</b>	<b>2 265</b>
Movement in allowance	2 419
<b>31 December 2016</b>	<b>4 684</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 21. PREPAYMENTS

	31 December 2016	31 December 2015	31 December 2014
Prepayments for rent of premises and land	17 623	9 575	8 969
Prepayments for inventory	11 938	1 677	7 391
Prepayments for services	4 880	7 172	6 828
Prepayments for taxes, except for income tax	3 397	806	6 814
Other prepayments	4 788	487	1 418
<b>Total prepayments to suppliers and other current assets</b>	<b>42 626</b>	<b>19 717</b>	<b>31 420</b>

### 22. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015	31 December 2014
Cash in transit	46 579	21 289	17 595
Bank call deposits	12 094	18 471	405
Cash on hand	9 065	4 427	2 967
Cash on current bank accounts	4 061	14 223	31 364
Balances with the National Bank of the Republic of Belarus (excluding mandatory cash balances with NB RB)	2 712	653	1 291
<b>Total cash and cash equivalents</b>	<b>74 511</b>	<b>59 063</b>	<b>53 622</b>

Cash in transit is represented by cash collected by the bank, as well as by cash received on credit card settlements.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 23. EQUITY

Participants	31 December 2016	31 December 2015	31 December 2014
LITINVEST LIMITED, Cyprus	49,75%	49,75%	49,75%
CURGIL VENTURES LIMITED, Cyprus	49,75%	49,75%	49,75%
STORASS LIMITED, Cyprus	0,50%	0,50%	0,50%
<b>Total participants' interest</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

The ultimate controlling parties of the Group are Mr. Sergey Litvin (citizen of the Republic of Belarus) and Mr. Uladzimir Vasilko (citizen of the Republic of Belarus). All participants' stakes in the Company are fully paid in.

In accordance with the Belarusian legislation, the Group distributes profits in the form of dividends or allocates profits for provisions in accordance with the national accounting standards.

During the years ended 31 December 2016 and 31 December 2015 no dividends were declared and paid. In the year ended 31 December 2014 the Company declared dividends in the amount BYN 24 889 thousand (with account of revaluation for inflation). Dividends were paid to the full extent.

In August and November of 2014 the Group made an additional contribution to the equity of "Statusbank" OJSC unilaterally in the amount of BYN 27 659 thousand, and thus increased its share in the entity from 96.8% to 99.3917%. The Group has recognized:

- Decrease in non-controlling interests by BYN 63 thousand;
- Increase in retained earnings by BYN 63 thousand.

In 2015 the Group made an additional contribution to the equity of its subsidiary "Tekhno Media Treid" LLC unilaterally in the amount of BYN 7 500 thousand. Though, as a result of this transaction the share of "Eurotorg" LLC has not changed, net assets have been reclassified. The Group has recognized:

- Increase in non-controlling interests by BYN 263 thousand;
- Decrease in retained earnings by BYN 263 thousand.

In March 2015 the Group made an additional contribution to the equity of "Statusbank" OJSC unilaterally in the amount of BYN 7 341 thousand, and thus increased its share in the entity from 99.3917% to 99.4994%. The Group has recognized:

- Decrease in non-controlling interests by BYN 1 thousand;
- Increase in retained earnings by BYN 1 thousand.

As at 31 December 2015 the share was increased to 99.5168%. The Group made an additional contribution to the equity of "Statusbank" OJSC in the amount of BYN 1 508 thousand. The Group has recognized:

- Decrease in non-controlling interests by BYN 1 thousand;
- Increase in retained earnings by BYN 1 thousand.

In 2016 the Group made an additional contribution to the equity of its subsidiary "Tekhno Media Treid" LLC in the amount of BYN 2 500 thousand. Though, as a result of this transaction the share of "Eurotorg" LLC has not changed, net assets have been reclassified. The Group has recognized:

- Increase in non-controlling interests by BYN 89 thousand;
- Decrease in retained earnings by BYN 89 thousand.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands BYN)

### 24. LOANS AND BORROWINGS

The loans and borrowings received as at 31 December 2016 were the following:

	Currency	Rate	Maturity	31 December 2016	31 December 2015	31 December 2014
Bank loan	USD	5.87-13.50%	2017-2021	1 039 391	1 086 295	752 158
Bank loan	BYN	23%	2017-2018	15 769	8 000	-
Bank loan	EUR	1.75%-11.50%	2017-2018	34 574	40 761	29 041
Bank loan	RUB	8.00-19.50%	2017-2019	29 390	-	3 970
Issued bonds	USD	6.00-13.00%	2018-2020	50 629	41 748	12 428
Issued bonds	EUR	10.71%	2019	8 364	8 303	5 881
Issued bonds	BYN	30%	2015	-	-	4
Loans from related parties	RUB	-	2017	75	59	50
Other loans	BYN	10-27%	2017	9 037	6 065	3
Other loans	USD	1%	2016	-	-	356
<b>Total loans and borrowings</b>				<b>1 187 229</b>	<b>1 191 231</b>	<b>803 891</b>
Less the short-term part				(514 569)	(435 831)	(225 894)
<b>Total long-term part</b>				<b>672 660</b>	<b>755 400</b>	<b>577 997</b>

The Group pledged property and equipment (Note 16) and inventories (Note 19) to secure bank loans.

As at 31 December 2015 and 31 December 2014 the share of "Eurotorg" LLC of 42% (21% "CURGIL VENTURES LIMITED" and 21% "LITINVEST LIMITED") was pledged under loan agreements with BPS-Sberbank. As at 31 December 2016 pledged share constituted 49.0% (24.5% "CURGIL VENTURES LIMITED" and 24.5% "LITINVEST LIMITED").

As at 31 December 2016 and 31 December 2015 100% of subsidiary "BelRosKompani" LLC was pledged under loan agreements with "Alfa-Bank".

As at 31 December 2016 and 2015 the Group met its contractual obligations under loan agreements, except for fulfilling the covenant "Net debt ratio/EBITDA" of a Belarusian bank. Breach of this obligation is the "Event of default" and can result in claim for immediate refund, according to creditors' notification. The Group received comfort letters that the bank will not require early repayment of loans due to non-compliance with these covenants, however the letters were received after the reporting date. Thus, as at 31 December 2016 and 2015 the amounts of BYN 23 455 and 33 009 thousand were included in short-term liabilities, respectively.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 25. LIABILITIES UNDER FINANCE LEASE

	Minimum lease payments			Present value of minimum lease payments		
	31 December 2016	31 December 2015	31 December 2014	31 December 2016	31 December 2015	31 December 2014
Amounts payable under finance lease agreements:						
Within 12 months	28 978	29 414	10 084	18 688	17 333	7 750
<b>Total short-term liabilities under finance leases</b>	<b>28 978</b>	<b>29 414</b>	<b>10 084</b>	<b>18 688</b>	<b>17 333</b>	<b>7 750</b>
Within second year	26 587	28 771	7 168	17 892	18 951	5 866
In the third to fifth year inclusive	81 144	97 596	4 324	61 624	71 829	3 966
<b>Total long-term liabilities under finance leases</b>	<b>107 731</b>	<b>126 367</b>	<b>11 492</b>	<b>79 516</b>	<b>90 780</b>	<b>9 832</b>
Less future short-term finance charges	(10 290)	(12 082)	(2 335)	-	-	-
Less future long-term finance charges	(28 215)	(35 586)	(1 659)	-	-	-
<b>Total future finance charges</b>	<b>(38 505)</b>	<b>(47 668)</b>	<b>(3 994)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities under finance lease</b>	<b>98 204</b>	<b>108 113</b>	<b>17 582</b>	<b>98 204</b>	<b>108 113</b>	<b>17 582</b>

### 26. TRADE AND OTHER PAYABLES

	31 December 2016	31 December 2015	31 December 2014
Trade accounts payable	550 124	397 100	305 632
Bank customers' accounts	27 627	22 139	33 626
Accounts payable for services	15 033	15 125	7 453
Accounts payable for property and equipment	9 775	2 214	11 601
Settlements with construction contractors	589	3 534	8 070
Other accounts payable	15 777	6 083	4 567
<b>Total trade and other payables</b>	<b>618 925</b>	<b>446 195</b>	<b>370 949</b>



# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 27. OTHER CURRENT LIABILITIES

	31 December 2016	31 December 2015	31 December 2014
Taxes payable others than income taxes	28 567	20 751	8 588
Amounts payable to employees	14 080	13 147	12 487
Accruals for unused vacations	10 486	10 678	7 065
Prepayments received from third parties	6 022	4 842	13 560
Salary taxes and social security fund payable	2 371	2 753	3 074
<b>Total other short-term liabilities</b>	<b>61 526</b>	<b>52 171</b>	<b>44 774</b>

### 28. TRANSACTIONS WITH RELATED PARTIES

The Group sells goods and performs other transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence on the other party when making financial and operational decisions.

Related parties in these consolidated financial statements comprise the shareholders of the Group, companies which are under common control with the Group, key management personnel of the Group and the companies under their control, their close family members, companies that are controlled or significantly influenced by shareholders.

Balances with related parties under common control and the parent company are the following:

	31 December 2016	31 December 2015	31 December 2014
<b>Entities under common control with the Group</b>			
Trade and other receivables	44 849	31 473	5 666
Loans granted	4 067	4 152	8 072
Trade and other payables	(32 385)	(25 998)	(41 729)
Prepayments	4 267	4 269	5 813
Financial investments in securities	361	378	274
Loans and borrowings	(75)	(59)	(50)

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Information on Group's transactions with related parties for 2016, 2015 and 2014 is presented below:

	For the year ended 31 December		
	2016	2015	2014
<b>Entities under common control with the Group</b>			
Purchase of goods	120 069	123 246	108 636
Revenue	49 286	26 213	21 149
Other income from sale of property and equipment	266	15 417	-
Administrative and selling expenses	8 182	4 496	-
Acquisition of property and equipment	340	2 052	10 994

Key management remuneration for the years ended 31 December 2016, 2015 and 2014 is BYN 4 592 thousand, BYN 4 026 thousand and BYN 3 847 thousand, respectively.

In 2014 the Company accrued and paid dividends in the amount of BYN 24 889 thousand. In 2016 and 2015 no dividends were accrued and paid.

The Group sells goods to the company under the common control, which, in its turn, sells goods to ultimate customers through online grocery service. This company was established in 2014 and still in the stage of development. Agreements on sale of goods with this company stipulate a delay of payment to 365 days. Since 2016 the company has started generating profit and has had no overdue debts payable to the Group. The management analyzed budgets of this company and concluded that receivables from it as at 31 December 2016 in the amount of BYN 37 478 thousand will be fully repaid. No allowance for doubtful debts was made for this counterparty.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 29. COMMITMENTS AND CONTINGENCIES

#### *Commitments under operating lease*

The Group rents commercial, warehouse and subsidiary premises and production equipment under operating leases. The lease contract is usually initially concluded for a term of five to ten years with the right of its subsequent extension. Rent payments are regularly reviewed in accordance with market rates.

The Group rents premises and equipment with the right of early termination upon notice to the lessor provided, as a rule, at least 3 months before the date of such termination. Therefore, the Group has obligations of lease payments under operating leases.

Below are the minimum amounts of future lease payments under operating leases that cannot be cancelled in cases where the Group acts as a lessee:

	31 December 2016	31 December 2015	31 December 2014
Within one year	20 358	20 203	10 987
<b>Total liabilities under operating leases</b>	<b>20 358</b>	<b>20 203</b>	<b>10 987</b>

#### *Legal claims*

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

#### *Credit-related commitments*

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

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

The credit-related commitments of the Bank were as follows:

	31 December 2016	31 December 2015	31 December 2014
Guarantees issued	4 706	4 160	305
Letters of credit	-	-	33
<b>Total credit-related commitments</b>	<b>4 706</b>	<b>4 160</b>	<b>338</b>
Provision for credit-related commitments	(1 367)	-	-
<b>Net credit-related commitments</b>	<b>3 339</b>	<b>4 160</b>	<b>338</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 30. FINANCIAL RISK AND CAPITAL MANAGEMENT POLICIES

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

#### Credit risk

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

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

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

As at 31 December 2016, 31 December 2015 and 31 December 2014 the maximum exposure to credit risk, taking into account impairment losses, was as follows:

	Note	31 December 2016	31 December 2015	31 December 2014
Other investments	18	20 643	2 777	6 693
Cash and cash equivalents	22	74 511	59 063	53 622
Trade and other receivables	20	83 524	77 801	27 807
Loans granted	17	51 299	47 982	40 898
<b>Total</b>		<b>229 977</b>	<b>187 623</b>	<b>129 020</b>

Credit risk related to financial instruments not included in the statement of financial position is assessed as a probability of losses incurred if one party to a financial instrument will fail to discharge an obligation. As for credit risk related to commitments under loans granted, the Bank is potentially exposed to losses amounting to the total amount of unused commitments. However, the estimated amount of losses is less than the total amount of unused commitments, since most of the commitments under loans granted depend on customers who maintain certain credit standards. The Bank applies the same credit policy in respect of contingencies as it does for financial instruments recorded in the statement of financial position, based on the procedures of transaction approvals, risk restricting limits and monitoring. The Bank controls the maturity of credit-related commitments not reflected in the statement of financial position, as the longer the maturity of contingencies, the higher the credit risk. The amount of unused credit-related commitments and financial guarantees is disclosed in Note 29.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### Liquidity risk

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

The Group's approach to managing liquidity risk is to maintain sufficient level of cash and other financial assets that can be converted into cash within short period of time to be able to discharge its obligations when they fall due, and avoid unnecessary costs and risk of damage to the Group's reputation. The Group monitors liquidity by preparing monthly forecast statements of cash flow. In case a liquidity gap is expected additional loan agreements are negotiated. In particular, the agreements with several banks were reached to postpone the repayment of principal.

As at 31 December 2016 current liabilities of the Group exceeded its current assets by BYN 719 461 thousand (2015: BYN 546 373 thousand, 2014: BYN 234 949 thousand). Excess of current liabilities over current assets is a common practice for retail companies.

### *Refinancing of current payments*

The Company undertakes a number of efforts to control liquidity risk: refinancing of short-term loan debts at a later maturity date, searching for investors for sale of buildings and structures for the subsequent operating lease.

In the first half of 2017 the Group actively worked with major creditors and managed to restructure a significant portion of the debt. Thus, in April 2017, the deadlines for the final repayment of liabilities to the largest lending banks, the Alfa-Bank Group and OJSC "BPS-Sberbank", were postponed from 2020 to 2022-2023. According to the revised schedules, in 2017 settlement of debt to these banks will amount to USD 27.8 million (BYN 54.5 million) instead of USD 107.4 million (BYN 210.3 million), which led to a reduction in the short-term portion of long-term liabilities in 2017 by USD 79.6 million (BYN 155.9 million).

During 2017 the lending banks, based on the long-term and mutually beneficial cooperation with the Group, maintained the level of credit debt in accordance with the previously concluded contracts, providing new credit resources within repayments carried out in accordance with the established schedules. The creditors confirmed their intention to maintain the current level of debt in the future.

The Company negotiates with creditors translation of liabilities denominated in a foreign currency into the national currency. This would significantly reduce currency risks and would help to avoid an uncontrolled increase in the cost of supporting the loan portfolio in the event of a significant devaluation of the national currency.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Information concerning contractual maturity dates of financial liabilities as at 31 December 2016 including interest payments is presented below:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	(1 187 229)	(1 356 424)	(582 888)	(771 548)	(1 988)
Liabilities under finance leases	(98 204)	(136 709)	(28 978)	(107 731)	-
Trade and other payables	(618 925)	(618 925)	(618 925)	-	-
Accrued interests	(9 659)	(9 659)	(9 659)	-	-
<b>Total liabilities</b>	<b>(1 914 017)</b>	<b>(2 121 717)</b>	<b>(1 240 450)</b>	<b>(879 279)</b>	<b>(1 988)</b>
Liabilities under operating lease	-	(20 358)	(20 358)	-	-
Bank guarantees	-	(4 706)	(4 706)	-	-

Information concerning contractual maturity dates of financial liabilities, including interest payments, as at 31 December 2015 is presented below:

	<b>Carrying amount</b>	<b>Contractual cash flows</b>	<b>Up to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>
Loans and borrowings	(1 191 231)	(1 540 201)	(474 931)	(1 061 500)	(3 770)
Liabilities under finance leases	(108 113)	(155 781)	(29 414)	(126 367)	-
Trade and other payables	(446 195)	(446 195)	(446 195)	-	-
Accrued interests	(8 564)	(8 564)	(8 564)	-	-
<b>Total liabilities</b>	<b>(1 754 103)</b>	<b>(2 150 741)</b>	<b>(959 104)</b>	<b>(1 187 867)</b>	<b>(3 770)</b>
Liabilities under operating lease	-	(20 203)	(20 203)	-	-
Bank guarantees	-	(4 160)	(4 160)	-	-

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Information concerning contractual maturity dates of financial liabilities, including interest payments, as at 31 December 2014 is presented below:

	Carrying amount	Contractual cash flows	Up to 1 year	1 to 5 years	Over 5 years
Loans and borrowings	(803 891)	(970 954)	(286 169)	(631 224)	(53 561)
Liabilities under finance leases	(17 582)	(21 576)	(10 084)	(11 492)	-
Trade and other payables	(370 949)	(370 949)	(370 949)	-	-
Accrued interests	(4 052)	(4 052)	(4 052)	-	-
<b>Total liabilities</b>	<b>(1 196 474)</b>	<b>(1 367 531)</b>	<b>(671 254)</b>	<b>(642 716)</b>	<b>(53 561)</b>
Liabilities under operating lease	-	(10 987)	(10 987)	-	-
Bank guarantees	-	(305)	(305)	-	-

### Currency risk

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

As a rule, loans are denominated in currencies that do not correspond to the currency in which cash flows are generated by the relevant transactions of the Group, mainly in EUR and USD. The management of the Group as quickly as possible adjusts the prices of goods in line with changing exchange rates, and the potential risks of a significant devaluation of the national currency are offset by a significant difference between the interest rates for loans in foreign currency and Belarusian rubles. The Group does not use financial hedging instruments.

As at 31 December 2016 the Company's exposure to the currency risk was as follows:

31 December 2016	USD	EUR	RUB	Other	Total
<b>Financial assets</b>					
Trade and other receivables	-	-	1 214	-	<b>1 214</b>
Loans granted	21 417	4 988	370	-	<b>26 775</b>
Cash and cash equivalents	2 394	1 477	834	5	<b>4 710</b>
<b>Total financial assets</b>	<b>23 811</b>	<b>6 465</b>	<b>2 418</b>	<b>5</b>	<b>32 699</b>
<b>Financial liabilities</b>					
Loans and borrowings	(1 090 020)	(42 938)	(29 465)	-	<b>(1 162 423)</b>
Accrued interests	(9 050)	(266)	(6)	-	<b>(9 322)</b>
Liabilities under finance leases	(32 525)	(62 214)	(2 335)	-	<b>(97 074)</b>
Trade and other payables	(27 523)	(74 441)	(31 182)	-	<b>(133 146)</b>
<b>Total financial liabilities</b>	<b>(1 159 118)</b>	<b>(179 859)</b>	<b>(62 988)</b>	<b>-</b>	<b>(1 401 965)</b>
<b>Total open currency position</b>	<b>(1 135 307)</b>	<b>(173 394)</b>	<b>(60 570)</b>	<b>5</b>	<b>(1 369 266)</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

As at 31 December 2015 the Company's exposure to the currency risk was as follows:

<b>31 December 2015</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Trade and other receivables	-	-	936	-	<b>936</b>
Loans granted	12 820	7 435	790	-	<b>21 045</b>
Cash and cash equivalents	32	-	268	-	<b>300</b>
<b>Total financial assets</b>	<b>12 852</b>	<b>7 435</b>	<b>1 994</b>	<b>-</b>	<b>22 281</b>
<b>Financial liabilities</b>					
Loans and borrowings	(1 128 043)	(49 064)	(59)	-	<b>(1 177 166)</b>
Accrued interests	(7 647)	(617)	-	-	<b>(8 264)</b>
Liabilities under finance leases	(32 903)	(71 147)	(2 533)	-	<b>(106 583)</b>
Trade and other payables	(26 082)	(36 603)	(16 613)	-	<b>(79 298)</b>
<b>Total financial liabilities</b>	<b>(1 194 675)</b>	<b>(157 431)</b>	<b>(19 205)</b>	<b>-</b>	<b>(1 371 311)</b>
<b>Total open currency position</b>	<b>(1 181 823)</b>	<b>(149 996)</b>	<b>(17 211)</b>	<b>-</b>	<b>(1 349 030)</b>

As at 31 December 2014 the Company's exposure to the currency risk was as follows:

<b>31 December 2014</b>	<b>USD</b>	<b>EUR</b>	<b>RUB</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
Trade and other receivables	322	-	-	-	<b>322</b>
Other investments	301	-	-	-	<b>301</b>
Loans granted	12 181	6 214	295	-	<b>18 690</b>
Cash and cash equivalents	11 593	2 122	2 962	-	<b>16 677</b>
<b>Total financial assets</b>	<b>24 397</b>	<b>8 336</b>	<b>3 257</b>	<b>-</b>	<b>35 990</b>
<b>Financial liabilities</b>					
Loans and borrowings	(764 942)	(34 922)	(4 020)	-	<b>(803 884)</b>
Accrued interests	(3 802)	(250)	-	-	<b>(4 052)</b>
Liabilities under finance leases	(8 862)	(7 086)	(553)	-	<b>(16 501)</b>
Trade and other payables	(28 713)	(29 265)	(4 746)	-	<b>(62 724)</b>
<b>Total financial liabilities</b>	<b>(806 319)</b>	<b>(71 523)</b>	<b>(9 319)</b>	<b>-</b>	<b>(887 161)</b>
<b>Total open currency position</b>	<b>(781 922)</b>	<b>(63 187)</b>	<b>(6 062)</b>	<b>-</b>	<b>(851 171)</b>

### Currency risk sensitivity analysis

The following tables detail the Group's sensitivity to increase and decrease of exchange rates of US dollar, Euro and Russian Ruble to Belarusian Ruble. 10% (10-40% in 2015 and in 2014) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. Significant changes in the sensitivity rate are caused by the actual exchange rate fluctuations of the Belarusian ruble during the reporting period. Given the stabilization of the currency situation in Belarus, the management lowered the expected rate of devaluation expectations. The sensitivity analysis for equity as at 31 December 2016, 31 December 2015 and 31 December 2014 was calculated using the income tax rate of 18%.



# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

	31 December 2016		31 December 2015		31 December 2014	
	USD/BYN	USD/BYN	USD/BYN	USD/BYN	USD/BYN	USD/BYN
	10%	-10%	40%	-10%	40%	-10%
Effect on profit or loss before income taxes	(113 531)	113 531	(472 729)	118 182	(312 769)	78 192
Effect on net equity	(93 095)	93 095	(387 638)	96 909	(256 471)	64 117

	31 December 2016		31 December 2015		31 December 2014	
	EUR/BYN	EUR/BYN	EUR/BYN	EUR/BYN	EUR/BYN	EUR/BYN
	15%	-15%	20%	-10%	20%	-10%
Effect on profit or loss before income taxes	(26 009)	26 009	(29 999)	15 000	(12 637)	6 319
Effect on net equity	(21 327)	21 327	(24 599)	12 300	(10 362)	5 182

	31 December 2016		31 December 2015		31 December 2014	
	RUB/BYN	RUB/BYN	RUB/BYN	RUB/BYN	RUB/BYN	RUB/BYN
	10%	-10%	20%	-10%	20%	-10%
Effect on profit or loss before income taxes	(6 057)	6 057	(3 442)	1 721	(1 212)	606
Effect on net equity	(4 967)	4 967	(2 822)	1 411	(994)	497

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. However, there is a correlation between the assumptions and other factors.

### Interest rate risk

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

As at 31 December 2016 the structure of the Group's financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
Trade and other receivables	83 524	-	-	83 524
Loans granted	-	51 299	-	51 299
Cash and cash equivalents	74 511	-	-	74 511
Other investments	2 692	17 951	-	20 643
Loans and borrowings	(81)	(646 219)	(540 929)	(1 187 229)
Accrued interests	-	(4 822)	(4 837)	(9 659)
Liabilities under finance leases	-	(98 204)	-	(98 204)
Trade and other payables	(618 925)	-	-	(618 925)
<b>Total open position</b>	<b>(458 279)</b>	<b>(679 995)</b>	<b>(545 766)</b>	<b>(1 684 040)</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

As at 31 December 2015 the structure of the Group's financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
Trade and other receivables	77 801	-	-	77 801
Loans granted	-	47 982	-	47 982
Cash and cash equivalents	59 063	-	-	59 063
Other investments	2 777	-	-	2 777
Loans and borrowings	(924)	(629 569)	(560 738)	(1 191 231)
Accrued interests	-	(3 598)	(4 966)	(8 564)
Liabilities under finance leases	-	(108 113)	-	(108 113)
Trade and other payables	(446 195)	-	-	(446 195)
<b>Total open position</b>	<b>(307 478)</b>	<b>(693 298)</b>	<b>(565 704)</b>	<b>(1 566 480)</b>

As at 31 December 2014 the structure of the Group's financial instruments grouped by the types of nominal interest rate was as follows:

	Interest-free	Fixed rate	Floating rate	Total
Trade and other receivables	27 807	-	-	27 807
Loans granted	-	40 898	-	40 898
Cash and cash equivalents	53 622	-	-	53 622
Other investments	6 392	301	-	6 693
Loans and borrowings	(53)	(421 098)	(382 740)	(803 891)
Accrued interests	-	(1 382)	(2 670)	(4 052)
Liabilities under finance leases	-	(17 582)	-	(17 582)
Trade and other payables	(370 949)	-	-	(370 949)
<b>Total open position</b>	<b>(283 181)</b>	<b>(398 863)</b>	<b>(385 410)</b>	<b>(1 067 454)</b>

Changes in interest rates affect mainly received loans and borrowings, changing either their fair value (fixed-rate liabilities) or future cash flows (floating rate liabilities).

The following table presents the sensitivity analysis of interest rate risk, which has been determined based on reasonably possible changes in the risk variable applied to floating rate financial instruments. The level of these changes is determined by management. The sensitivity analysis represents the effect of increase/reduction in interest rates existing as at 31 December 2016, 2015 and 2014 on the net profit/loss of the Group by 100 (one hundred) points assuming that the change took place at the beginning of the financial year and held constant throughout the reporting period, provided all other variables, including currency exchange rates, were held constant.

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

A possible change in interest rates by 100 basis points (1%) at the balance sheet date would reasonably increase/reduce the amount of equity and profit or loss for the period by the amounts before tax indicated below.

	31 December 2016		31 December 2015		31 December 2014	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Effect on profit or loss before income taxes	(5 458)	5 458	(5 657)	5 657	(3 854)	3 854
Effect on equity	(4 476)	4 476	(4 639)	4 639	(3 160)	3 160

Loan rates in the Republic of Belarus vary significantly at each reporting date. Changes in fair value when using fixed rate financial instruments and changes in market rates by 1% for the reporting dates were as follows:

	31 December 2016		31 December 2015		31 December 2014	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Changes in fair value	(6 800)	6 800	(6 933)	6 933	(3 989)	3 989

The Group does not account for any fixed-rate financial instruments as fair value through profit or loss or as available-for-sale. Therefore a change in interest rates at the reporting date would not have an effect in profit or loss or in equity.

### Capital management

The Management of the Group aims to maintain an adequate capital structure and capital value to gain confidence of creditors, the market and to expand Group's operations.

Belarusian legislation does not contain specific regulatory requirements applicable to the capital of entities, except for time limits within which declared shareholders capital should be actually contributed, distributable reserves, and minimum amount contributed by shareholders, which are non-residents of the Republic of Belarus.

The National Bank of the Republic of Belarus establishes and monitors the implementation of the following regulatory requirements to the level of the regulatory capital of the Bank calculated on the basis of financial information prepared in accordance with the requirements of the legislation of the Republic of Belarus:

- the ratio of the value of the Tier I capital to the risk weighted assets – 4.5% (taking into account the conservation buffer – 5.125%, from 1 January 2017 – 5.75%);
- the ratio of the value of the Tier I capital to the risk weighted assets – 6% (taking into account the conservation buffer – 6.625%, from 1 January 2017 – 6.375%);

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

- the ratio of the value of the Tier I capital to the risk weighted assets – 10% (taking into account the conservation buffer – 10.625 %, from 1 January 2017 – 7%).

In 2015 “Eurotorg” LLC increased its share in “Statusbank” OJSC to 99,5168%. The required amount of the minimum regulatory capital for banks was set at EUR 25 mln (BYN 50 750 thousand) as at 31 December 2015. “Statusbank” OJSC was not in compliance with regulatory requirements due to growth of exchange rate as at the reporting date and generally in 2015. From the 1 January 2016 the requirement was changed to BYN 45 000 thousand and the Bank achieved the required minimum level of regulatory capital (BYN 46 729 thousand).

In 2016 the Bank has fully complied with the external requirements to the capital.

### **Operational risk**

The Group’s organizational structure, precise job specifications, clear division of responsibilities as well as control procedures allows the Company to monitor operational risks. The Group’s finance and legal departments ensure that the Group’s activities comply with existing legislation, approved plans, policies and other internal documents.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities of the Group compared with the corresponding carrying amount in the statement of financial position of the Group is presented below:

31 December 2016	Carrying amount		Fair value			
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>						
Loans granted	51 299	-	-	-	51 299	<b>51 299</b>
Trade and other receivables	83 524	-	-	-	-	-
Cash and cash equivalents	74 511	-	-	-	-	-
Other investments	20 643	-	-	-	20 643	<b>20 643</b>
<b>Total</b>	<b>229 977</b>	-	-	-	<b>71 942</b>	<b>71 942</b>
<b>Financial liabilities</b>						
Loans and borrowings	-	(1 187 229)	-	-	(1 210 407)	<b>(1 210 407)</b>
Accrued interests	-	(9 659)	-	-	(9 659)	<b>(9 659)</b>
Liabilities under finance leases	-	(98 204)	-	-	(98 204)	<b>(98 204)</b>
Trade and other payables	-	(618 925)	-	-	-	-
<b>Total</b>	-	<b>(1 914 017)</b>	-	-	<b>(1 318 270)</b>	<b>(1 318 270)</b>

31 December 2015	Carrying amount		Fair value			
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>						
Loans granted	47 982	-	-	-	47 982	<b>47 982</b>
Trade and other receivables	77 801	-	-	-	-	-
Cash and cash equivalents	59 063	-	-	-	-	-
Other investments	2 775	-	-	-	2 775	<b>2 775</b>
<b>Total</b>	<b>187 621</b>	-	-	-	<b>50 757</b>	<b>50 757</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b>Financial liabilities</b>						
Loans and borrowings	-	(1 191 231)	-	-	(1 181 223)	(1 181 223)
Accrued interests	-	(8 564)	-	-	(8 564)	(8 564)
Liabilities under finance leases	-	(108 113)	-	-	(108 113)	(108 113)
Trade and other payables	-	(446 195)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(1 754 103)</b>	<b>-</b>	<b>-</b>	<b>(1 297 900)</b>	<b>(1 297 900)</b>

31 December 2014	Carrying amount		Fair value			
	Loans and receivables	Other financial liabilities	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>						
Loans granted	40 898	-	-	-	40 898	40 898
Trade and other receivables	27 807	-	-	-	-	-
Cash and cash equivalents	53 622	-	-	-	-	-
Other investments	6 693	-	-	-	6 693	6 693
<b>Total</b>	<b>129 020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>47 591</b>	<b>47 591</b>

<b>Financial liabilities</b>						
Loans and borrowings	-	(803 891)	-	-	(797 546)	(797 546)
Accrued interests	-	(4 052)	-	-	(4 052)	(4 052)
Liabilities under finance leases	-	(17 582)	-	-	(17 582)	(17 582)
Trade and other payables	-	(370 949)	-	-	-	-
<b>Total</b>	<b>-</b>	<b>(1 196 474)</b>	<b>-</b>	<b>-</b>	<b>(819 180)</b>	<b>(819 180)</b>

The Group did not perform fair value analysis on cash and cash equivalents, deposits, trade and other receivables and other payables, as due to short-term nature of these financial instruments their carrying values are generally equivalent to their fair values.

The following table shows the valuation techniques use in measuring Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs
Loans and receivables	Discounted cash flows	Market interest rates published by the National Bank of the Republic of Belarus
Other financial liabilities	Discounted cash flows	

There were no transfers between fair value hierarchy levels in 2016, 2015, and 2014.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 32. GOODWILL

As at the reporting date the goodwill by companies is as follows:

Company	31 December 2016	31 December 2015	31 December 2014
"Dzerzhinskii myasokombinat" CJSC	3 103	3 103	3 103
"Statusbank" OJSC	2 667	2 667	2 667
"Mayakinvest" LLC	1 051	1 051	1 051
"SitiBalt" LLC	304	304	304
"Yulain" ALC	170	170	170
"PakHaus" Unitary enterprise	107	107	107
"Vladalinoks" LLC	8	-	-
"Biznes MIDL" LLC	-	661	661
"Rud-Yug" LLC	-	773	773
"Internet-magazin Euroopt" CJSC	-	-	17
<b>Total</b>	<b>7 410</b>	<b>8 836</b>	<b>8 853</b>

For the purpose of testing goodwill for impairment, goodwill is allocated between production complexes that represent the lowest level within the Group at which goodwill is monitored for internal control purposes and which does not exceed the level of the Group's operating segment.

The recoverable amount of each CGU was calculated on the basis of the value in use and was determined by discounting the cash flows expected to be received from the CGU in the future as a result of its continuing use. The analysis showed that the carrying value of the corresponding CGUs does not exceed their recoverable amount.

The main assumptions used to calculate the value in use include the discount rate, the growth rate for the terminal value calculation, and the EBITDA margin.

The applied discount rate is the pre-tax weighted average cost of equity calculated on the basis of the risk-free interest rate for 10-year government bonds in the relevant market and in the same currency as cash flows. The rate was adjusted to reflect the risk premium in order to reflect both the increased risk of investing in equity securities and the systematic risk of a specific division of the Group. The weighted average cost of equity was 17.9% -18.1% for industrial enterprises and 11.7% for the Bank.

Within the discounted cash flow model, cash flows were forecast for the period of 6-7 years. The growth of terminal value and EBITDA were not applied.

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 33. OPERATING SEGMENTS

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

- *Retail and wholesale.* Includes production, procurement, and distribution of retail goods (food, household appliances, and other household products). The sale of goods is performed all over the Republic of Belarus.
- *Banking.* Taking household and corporate funds on deposit, granting commercial and consumer loans to legal entities and individuals.

Below is the information on the results of each of the reportable segments.

Statement of profit or loss and other comprehensive income for the year ended 31 December 2016:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation</b>	<b>2016</b>
<i><b>Continuing operations</b></i>				
Revenue and interest and commission income (external buyers)	3 616 890	21 870	-	3 638 760
Revenue and interest and commission income (between operating segments)	658	655	(1 313)	-
Cost of goods and services sold and interest expenses	(2 786 351)	(3 048)	-	(2 789 399)
<b>Gross profit</b>	<b>831 197</b>	<b>19 477</b>	<b>(1 313)</b>	<b>849 361</b>
Administrative and selling expenses	(644 241)	(12 059)	658	(655 642)
Other income	6 667	5 560	-	12 227
Other expenses	(22 418)	(15)	-	(22 433)
<b>Operating profit</b>	<b>171 205</b>	<b>12 963</b>	<b>(655)</b>	<b>183 513</b>
Finance costs	(228 460)	(5 127)	655	(232 932)
Finance income	50	-	-	50
<b>Net finance costs</b>	<b>(228 410)</b>	<b>(5 127)</b>	<b>655</b>	<b>(232 882)</b>
<b>Profit (loss) before tax</b>	<b>(57 205)</b>	<b>7 836</b>	<b>-</b>	<b>(49 369)</b>
Income tax benefit	8 191	(1 597)	-	6 594
<b>Profit (loss) from continuing operations</b>	<b>(49 014)</b>	<b>6 239</b>	<b>-</b>	<b>(42 775)</b>
<i><b>Discontinued operations</b></i>				
Profit from discontinued operations, net of tax	-	-	-	-
<b>Profit (loss) for the year</b>	<b>(49 014)</b>	<b>6 239</b>	<b>-</b>	<b>(42 775)</b>



# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Statement of financial position as at 31 December 2016:

	Retail and wholesale	Banking business	Consolidation	31 December 2016
<b>Assets</b>				
Property and equipment	1 455 965	2 472	-	1 458 437
Prepayments for non-current assets	31 369	-	-	31 369
Intangible assets	4 854	598	-	5 452
Goodwill	4 743	-	2 667	7 410
Loans granted	-	36 578	(798)	35 780
Other investments	51 343	-	(48 651)	2 692
Deferred tax assets	61 089	-	-	61 089
<b>Total non-current assets</b>	<b>1 609 363</b>	<b>39 648</b>	<b>(46 782)</b>	<b>1 602 229</b>
Inventories	237 784	46	-	237 830
Trade and other receivables	83 030	633	(139)	83 524
Current tax assets	1 351	-	-	1 351
VAT recoverable	31 762	-	-	31 762
Prepayments	42 314	312	-	42 626
Loans granted	121	19 829	(4 431)	15 519
Cash and cash equivalents	51 665	22 039	807	74 511
Other investments	-	17 951	-	17 951
<b>Total current assets</b>	<b>448 027</b>	<b>60 810</b>	<b>(3 763)</b>	<b>505 074</b>
<b>Total assets</b>	<b>2 057 390</b>	<b>100 458</b>	<b>(50 545)</b>	<b>2 107 303</b>
<b>Equity</b>				
Share capital	132 242	52 817	(52 817)	132 242
Revaluation reserve	355 140	-	-	355 140
Accumulated loss	(371 163)	898	6 573	(363 692)
<b>Equity attributable to shareholders of the Company</b>	<b>116 219</b>	<b>53 715</b>	<b>(46 244)</b>	<b>123 690</b>
Non-controlling interest	86	-	260	346
<b>Total equity</b>	<b>116 305</b>	<b>53 715</b>	<b>(45 984)</b>	<b>124 036</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### Liabilities

Long-term loans and borrowings	661 743	10 917	-	672 660
Non-current liabilities under finance leases	79 516	-	-	79 516
Deferred income	5 854	-	-	5 854
Deferred tax liabilities	382	320	-	702
<b>Total non-current liabilities</b>	<b>747 495</b>	<b>11 237</b>	<b>-</b>	<b>758 732</b>
Short-term loans and borrowings	513 468	5 523	(4 422)	514 569
Accrued interests	9 659	-	-	9 659
Current liabilities under finance leases	18 688	-	-	18 688
Trade and other payables	589 341	29 620	(36)	618 925
Current tax liabilities	33	363	-	396
Deferred income	772	-	-	772
Other current liabilities	61 629	-	(103)	61 526
<b>Total current liabilities</b>	<b>1 193 590</b>	<b>35 506</b>	<b>(4 561)</b>	<b>1 224 535</b>
<b>Total equity and liabilities</b>	<b>2 057 390</b>	<b>100 458</b>	<b>(50 545)</b>	<b>2 107 303</b>

Statement of cash flows for the year ended 31 December 2016:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation</b>	<b>2016</b>
<b>Cash flows from operating activities:</b>				
Profit (loss) for the year	(49 014)	6 239	-	(42 775)
<i>Adjustments for:</i>				
Income tax benefit	(8 191)	1 597	-	(6 594)
Depreciation	73 742	-	-	73 742
Amortization	168	-	-	168
Profit/loss from financial activities	227 100	5 127	655	232 882
Impairment of property and equipment	6 093	-	-	6 093
Profit on disposal of property and equipment	(1 889)	-	-	(1 889)
Increase in allowance for impairment on trade and other receivables	2 419	-	-	2 419
	<b>250 428</b>	<b>12 963</b>	<b>655</b>	<b>264 046</b>
<i>Changes in:</i>				
Inventories	(26 342)	-	-	(26 342)
Trade and other receivables	9 841	(333)	-	9 508
VAT recoverable	(5 395)	-	-	(5 395)
Prepayments	(22 597)	(312)	-	(22 909)
Deferred income	(780)	-	-	(780)
Trade and other payables	181 701	2 348	-	184 049

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands BYN)

Loans granted	4 311	(8 444)	(4 311)	(8 444)
Other current liabilities	9 339	-	-	9 339
<b>Cash generated from operating activities</b>	<b>400 506</b>	<b>6 222</b>	<b>(3 656)</b>	<b>403 072</b>
Income tax paid	(12 821)	(1 182)	-	(14 003)
<b>Net cash from operating activities</b>	<b>387 685</b>	<b>5 040</b>	<b>(3 656)</b>	<b>389 069</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of property and equipment	14 965	-	-	14 965
Acquisition of property and equipment	(72 594)	(308)	-	(72 902)
Acquisition of bonds	-	(17 951)	-	(17 951)
Deposit interest received	50	-	-	50
Acquisition of intangible assets	(2 912)	(408)	-	(3 320)
<b>Net cash used in investing activities</b>	<b>(60 491)</b>	<b>(18 667)</b>	<b>-</b>	<b>(79 158)</b>
<b>Cash flow from financial activities:</b>				
Loans and borrowings received	372 827	4 328	22 578	399 733
Loans and borrowings repaid	(501 982)	-	(18 182)	(520 164)
Interest paid on loans and borrowings	(126 907)	-	(740)	(127 647)
Repayment of debt under finance leases	(34 595)	-	-	(34 595)
Lessors' remuneration on finance leases	(9 639)	-	-	(9 639)
<b>Net cash used in finance activities</b>	<b>(300 296)</b>	<b>4 328</b>	<b>3 656</b>	<b>(292 312)</b>
<b>Net inflow of cash and cash equivalents</b>	<b>26 898</b>	<b>(9 299)</b>	<b>-</b>	<b>17 599</b>
Cash and cash equivalents as at 1 January	<b>27 725</b>	<b>31 338</b>	<b>-</b>	<b>59 063</b>
Translation to presentation currency	(2 151)	-	-	(2 151)
<b>Cash and cash equivalents as at 31 December</b>	<b>52 472</b>	<b>22 039</b>	<b>-</b>	<b>74 511</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Statement of profit or loss and other comprehensive income for the year ended 31 December 2015:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation</b>	<b>2015</b>
<i><b>Continuing operations</b></i>				
Revenue and interest and commission income (external buyers)	2 966 062	20 506	-	2 986 568
Revenue and interest and commission income (between operating segments)	283	766	(1 049)	-
Cost of goods and services sold and interest expenses	(2 296 150)	(3 699)	-	(2 299 849)
<b>Gross revenue</b>	<b>670 195</b>	<b>17 573</b>	<b>(1 049)</b>	<b>686 719</b>
Administrative and selling expenses	(513 616)	(10 699)	283	(524 032)
Other income	11 118	8 138	-	19 256
Other expenses	(15 434)	-	-	(15 434)
<b>Operating profit</b>	<b>152 263</b>	<b>15 012</b>	<b>(766)</b>	<b>166 509</b>
Finance costs	(580 613)	(10 293)	766	(590 140)
Finance income	321	-	-	321
<b>Net finance costs</b>	<b>(580 292)</b>	<b>(10 293)</b>	<b>766</b>	<b>(589 819)</b>
<b>Profit (loss) before tax</b>	<b>(428 029)</b>	<b>4 719</b>	<b>-</b>	<b>(423 310)</b>
Income tax benefit	99 790	(1 183)	-	98 607
<b>Profit (loss) from continuing operations</b>	<b>(328 239)</b>	<b>3 536</b>	<b>-</b>	<b>(324 703)</b>
<i><b>Discontinued operations</b></i>				
Loss from discontinued operations, net of tax	(10 231)	-	-	(10 231)
<b>Profit (loss) for the year</b>	<b>(338 470)</b>	<b>3 536</b>	<b>-</b>	<b>(334 934)</b>

Statement of financial position as at 31 December 2015:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation</b>	<b>31 December 2015</b>
<b>Assets</b>				
Property and equipment	1 520 673	2 164	-	1 522 837
Prepayments for non-current assets	38 504	-	-	38 504
Intangible assets	2 111	190	-	2 301
Goodwill	6 169	-	2 667	8 836
Loans granted	-	24 784	(479)	24 305
Other investments	51 419	9	(48 651)	2 777
Deferred tax assets	32 904	-	-	32 904
<b>Total non-current assets</b>	<b>1 651 780</b>	<b>27 147</b>	<b>(46 463)</b>	<b>1 632 464</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Inventories	211 447	41	-	211 488
Trade and other receivable	77 527	300	(26)	77 801
Current tax assets	119	-	-	119
VAT recoverable	26 367	-	-	26 367
Prepayments	19 717	-	-	19 717
Loans granted	137	23 612	(72)	23 677
Cash and cash equivalents	27 246	31 338	479	59 063
Other investments	-	-	-	-
<b>Total current assets</b>	<b>362 560</b>	<b>55 291</b>	<b>381</b>	<b>418 232</b>
<b>Total assets</b>	<b>2 014 340</b>	<b>82 438</b>	<b>(46 082)</b>	<b>2 050 696</b>

### Equity

Share capital	132 242	52 817	(52 817)	132 242
Revaluation reserve	416 551	-	-	416 551
Accumulated loss	(319 938)	(5 341)	6 604	(318 675)
<b>Equity attributable to shareholders of the Company</b>	<b>228 855</b>	<b>47 476</b>	<b>(46 213)</b>	<b>230 118</b>
Non-controlling interest	43	-	229	272
<b>Total equity</b>	<b>228 898</b>	<b>47 476</b>	<b>(45 984)</b>	<b>230 390</b>

### Liabilities

Long-term loans and borrowings	752 059	3 341	-	755 400
Non-current liabilities under finance leases	90 780	-	-	90 780
Deferred income	6 626	-	-	6 626
Deferred tax liabilities	2 646	249	-	2 895
<b>Total non-current liabilities</b>	<b>852 111</b>	<b>3 590</b>	<b>-</b>	<b>855 701</b>
Short-term loans and borrowings	427 132	8 771	(72)	435 831
Accrued interests	8 564	-	-	8 564
Current liabilities under finance leases	17 333	-	-	17 333
Trade and other payables	423 613	22 582	-	446 195
Current tax liabilities	3 712	19	-	3 731
Deferred income	780	-	-	780
Other current liabilities	52 197	-	(26)	52 171
<b>Total current liabilities</b>	<b>933 331</b>	<b>31 372</b>	<b>(98)</b>	<b>964 605</b>
<b>Total equity and liabilities</b>	<b>2 014 340</b>	<b>82 438</b>	<b>(46 082)</b>	<b>2 050 696</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Statement of cash flows for the year ended 31 December 2015:

	Retail and wholesale	Banking business	Consolidation	2015
<b>Cash flows from operating activities:</b>				
Loss for the year	(338 470)	3 536	-	(334 934)
<i>Adjustments for:</i>				
Income tax benefit	(99 790)	1 183	-	(98 607)
Depreciation	54 812	-	-	54 812
Amortization	156	-	-	156
Net finance costs	578 760	10 293	766	589 819
Impairment of property and equipment	690	-	-	690
Profit on disposal of property and equipment	(1 723)	-	-	(1 723)
Increase in allowance for impairment on trade and other receivables	937	-	-	937
	<b>195 372</b>	<b>15 012</b>	<b>766</b>	<b>211 150</b>
<i>Changes in:</i>				
Inventories	29 444	-	-	29 444
Trade and other receivables	(42 711)	(157)	-	(42 868)
VAT recoverable	11 334	-	-	11 334
Prepayments	4 569	6 591	-	11 160
Deferred income	7 406	-	-	7 406
Trade and other payables	137 780	(7 085)	-	130 695
Loans granted	(6 770)	(17 376)	6 770	(17 376)
Other current liabilities	7 397	-	-	7 397
<b>Cash generated from operating activities</b>	<b>343 821</b>	<b>(3 015)</b>	<b>7 536</b>	<b>348 342</b>
Income tax paid	(432)	(594)	-	(1 026)
<b>Net cash from operating activities</b>	<b>343 389</b>	<b>(3 609)</b>	<b>7 536</b>	<b>347 316</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of property and equipment	67 546	-	-	67 546
Acquisition of property and equipment	(185 532)	(254)	-	(185 786)
Proceeds from sale of bonds	-	301	-	301
Deposit interest received	321	-	-	321
Disposal of discontinued operations	(428)	-	-	(428)
<b>Net cash used in investing activities</b>	<b>(118 093)</b>	<b>47</b>	<b>-</b>	<b>(118 046)</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### Cash flow from finance activities:

Increase in authorized capital	(8 848)	8 848	-	-
Loans and borrowings received	321 079	-	17 624	338 703
Loans and borrowings repaid	(394 604)	(948)	(24 383)	(419 935)
Interest paid on loans and borrowings	(103 165)	-	(777)	(103 942)
Repayment of debt under finance leases	(31 784)	-	-	(31 784)
Lessors' remuneration on finance leases	(6 183)	-	-	(6 183)
<b>Net cash used in finance activities</b>	<b>(223 505)</b>	<b>7 900</b>	<b>(7 536)</b>	<b>(223 141)</b>

<b>Net inflow of cash and cash equivalents</b>	<b>1 791</b>	<b>4 338</b>	<b>-</b>	<b>6 129</b>
Cash and cash equivalents as at 1 January	<b>26 622</b>	<b>27 000</b>	<b>-</b>	<b>53 622</b>
Translation to presentation currency	(688)	-	-	(688)
<b>Cash and cash equivalents as at 31 December</b>	<b>27 725</b>	<b>31 338</b>	<b>-</b>	<b>59 063</b>

Statement of profit or loss and other comprehensive income for the year ended 31 December 2014:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation</b>	<b>2014</b>
<i>Continuing operations</i>				
Revenue and interest and commission income (external buyers)	2 393 835	14 095	-	2 407 930
Revenue and interest and commission income (between operational segments)	129	93	(222)	-
Cost of goods and services sold and interest expenses	(1 867 061)	(3 640)	-	(1 870 701)
<b>Gross profit</b>	<b>526 903</b>	<b>10 548</b>	<b>(222)</b>	<b>537 229</b>
Administrative and selling expenses	(395 334)	(6 455)	129	(401 660)
Other income	1 308	876	-	2 184
Other expenses	(12 222)	-	-	(12 222)
<b>Operating profit</b>	<b>120 655</b>	<b>4 969</b>	<b>(93)</b>	<b>125 531</b>
Finance costs	(172 525)	(5 684)	93	(178 116)
Finance income	1 144	-	-	1 144
<b>Net finance costs</b>	<b>(171 381)</b>	<b>(5 684)</b>	<b>93</b>	<b>(176 972)</b>
Gain on net monetary position	83 293	(1 527)	172	81 938
<b>Profit (loss) before tax</b>	<b>32 567</b>	<b>(2 242)</b>	<b>172</b>	<b>30 497</b>
Income tax expense	(12 248)	141	-	(12 107)
<b>Profit (loss) from continuing operations</b>	<b>20 319</b>	<b>(2 101)</b>	<b>172</b>	<b>18 390</b>
<i>Discontinued operations</i>	-	-	-	-
Loss from discontinued operations, net of tax	(5 619)	-	-	(5 619)
<b>Profit (loss) for the year</b>	<b>14 700</b>	<b>(2 101)</b>	<b>172</b>	<b>12 771</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Statement of financial position as at 31 December 2014:

	Retail and wholesale	Banking business	Consolidation	31 December 2014
<b>Assets</b>				
Property and equipment	1 011 979	1 910	-	1 013 889
Prepayments for non-current assets	51 201	-	-	51 201
Intangible assets	2 798	-	-	2 798
Goodwill	6 186	-	2 667	8 853
Loans granted	-	20 315	(927)	19 388
Other investments	46 049	146	(39 803)	6 392
Deferred tax assets	-	259	-	259
<b>Total non-current assets</b>	<b>1 118 213</b>	<b>22 630</b>	<b>(38 063)</b>	<b>1 102 780</b>
Inventories	244 294	-	-	244 294
Trade and other receivable	55 465	6	(27 664)	27 807
Current tax assets	432	-	-	432
VAT recoverable	39 100	-	-	39 100
Prepayments	30 532	6 591	(5 703)	31 420
Loans granted	121	25 586	(4 197)	21 510
Cash and cash equivalents	26 622	27 000	-	53 622
Other investments	-	301	-	301
<b>Total current assets</b>	<b>396 566</b>	<b>59 484</b>	<b>(37 564)</b>	<b>418 486</b>
<b>Total assets</b>	<b>1 514 779</b>	<b>82 114</b>	<b>(75 627)</b>	<b>1 521 266</b>
<b>Equity</b>				
Share capital	132 242	43 969	(43 969)	132 242
Revaluation reserve	128 888	-	-	128 888
Accumulated loss	5 274	(8 876)	6 619	3 017
<b>Equity attributable to shareholders of the Company</b>	<b>266 404</b>	<b>35 093</b>	<b>(37 350)</b>	<b>264 147</b>
Non-controlling interest	(28)	-	214	186
<b>Total equity</b>	<b>266 376</b>	<b>35 093</b>	<b>(37 136)</b>	<b>264 333</b>
<b>Liabilities</b>				
Long-term loans and borrowings	578 924	4	(931)	577 997
Non-current liabilities under finance leases	9 832	-	-	9 832
Deferred tax liabilities	15 669	-	-	15 669
<b>Total non-current liabilities</b>	<b>604 425</b>	<b>4</b>	<b>(931)</b>	<b>603 498</b>
Short-term loans and borrowings	217 031	13 056	(4 193)	225 894
Accrued interests	4 052	-	-	4 052



# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

Current liabilities under finance leases	7 750	-	-	7 750
Trade and other payables	364 647	33 961	(27 659)	370 949
Current tax liabilities	16	-	-	16
Other current liabilities	50 482	-	(5 708)	44 774
<b>Total current liabilities</b>	<b>643 978</b>	<b>47 017</b>	<b>(37 560)</b>	<b>653 435</b>
<b>Total equity and liabilities</b>	<b>1 514 779</b>	<b>82 114</b>	<b>(75 627)</b>	<b>1 521 266</b>

Statement of cash flows for the year ended 31 December 2014:

	<b>Retail and wholesale</b>	<b>Banking business</b>	<b>Consolidation</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>				
Profit for the year	14 872	(2 101)	-	12 771
<i>Adjustments for:</i>				
Income tax expense	12 248	(141)	-	12 107
Gain on net non-monetary position	(83 465)	1 527	-	(81 938)
Depreciation	33 921	-	-	33 921
Amortization	66	-	-	66
Net finance costs	171 195	5 684	93	176 972
Impairment of property and equipment	5 203	-	-	5 203
Loss from disposal of property and equipment	515	-	-	515
Increase in allowance for impairment on trade and other receivables	199	-	-	199
	<b>154 754</b>	<b>4 969</b>	<b>93</b>	<b>159 816</b>
<i>Changes in:</i>				
Inventories	(70 485)	-	-	(70 485)
Trade and other receivables	(18 302)	609	-	(17 693)
VAT recoverable	(19 049)	-	-	(19 049)
Prepayments	(7 743)	(6 591)	-	(14 334)
Trade and other payables	175 717	19 776	-	195 493
Loans granted	3 385	(29 038)	(3 385)	(29 038)
Other current liabilities	15 746	-	-	15 746
<b>Cash generated from operating activities</b>	<b>234 023</b>	<b>(10 275)</b>	<b>(3 292)</b>	<b>220 456</b>
Income tax paid	(20 648)	(255)	-	(20 903)
<b>Net cash from operating activities</b>	<b>213 375</b>	<b>(10 530)</b>	<b>(3 292)</b>	<b>199 553</b>
<b>Cash flows from investing activities:</b>				
Proceeds from sale of property and equipment	22 078	-	-	22 078
Acquisition of property and equipment	(325 116)	(938)	-	(326 054)
Acquisition of bonds	-	(299)	-	(299)

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2016

(in thousands BYN)

Deposit interest received	1 144	-	-	1 144
Acquisition of intangible assets	-	(16)	-	(16)
Disposal of discontinued operations	(385)	-	-	(385)
<b>Net cash used in investing activities</b>	<b>(302 279)</b>	<b>(1 253)</b>	<b>-</b>	<b>(303 532)</b>

#### Cash flow from finance activities:

Dividends paid	(24 889)	-	-	(24 889)
Increase in authorized capital	(28 160)	28 160	-	-
Loans and borrowings received	449 947	6 154	4 478	460 579
Loans and borrowings repaid	(184 422)	-	(1 031)	(185 453)
Interest paid on loans and borrowings	(56 193)	-	(155)	(56 348)
Repayment of debt under finance leases	(7 588)	-	-	(7 588)
Lessors' remuneration on finance leases	(2 628)	-	-	(2 628)
<b>Net cash used in finance activities</b>	<b>146 067</b>	<b>34 314</b>	<b>3 292</b>	<b>183 673</b>

<b>Net inflow of cash and cash equivalents</b>	<b>57 163</b>	<b>22 531</b>	<b>-</b>	<b>79 694</b>
Cash and cash equivalents as at 1 January	<b>24 134</b>	<b>5 692</b>	<b>-</b>	<b>29 826</b>
Effect of hyperinflation	(55 307)	(1 223)	-	(56 530)
Translation to presentation currency	632	-	-	632
<b>Cash and cash equivalents as at 31 December</b>	<b>26 622</b>	<b>27 000</b>	<b>-</b>	<b>53 622</b>

# "Eurotorg" LLC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016 (in thousands BYN)

### 34. UNCERTAINTIES

**Legislation.** Certain provisions of Belarusian business and tax legislation in particular may contain different treatments and may be applied inconsistently. In addition, interpretations made by management may be different from official interpretations and compliance with the law may be challenged by the authorities. As a result, the Group may be subject to additional tax payments and fines and other preventive actions. The management of the Group considers that it has made the required tax and other payments and no additional provisions are needed in the consolidated financial statements. The previous financial years remain open for consideration by the authorities.

**Operating environment** – The principal business activities of the Group are within the Republic of Belarus. In 2015-2016 Belarus faced macroeconomic downturn: real Gross Domestic Product (GDP) decreased by -3.8% in 2015 and -2.6% in 2016, year-on-year inflation rate accounted for 13.5% in 2015 and 11.8% in 2016. The crisis led to reduction in real disposable income. Since the beginning of 2017 Belarus stepped into recovering economic growth with real GDP turned positive and accounted to +1.0% in first half 2017. Macroeconomic stabilization processes contributed a lot to inflation slowdown: inflation in June 2017 was 6.5% year-on-year in line with the National Bank's one-digit target for the December 2017 vs December 2016 level to be contained to 9%. Although economic conditions in Belarus have now stabilized, any downturn in general economic conditions in Belarus or decreases in disposable incomes, consumer spending, consumer demand, and/or consumer credit availability could have impact on the Group's business, results of operations and financial condition.

Laws and regulations defining the business environment in the Republic of Belarus are at the stage of development and subject to frequent changes. The future direction of the economic policy of the Government of the Republic of Belarus can have an effect on the recoverability of the Group's assets and the ability of the Group to pay its debts as they mature.

The management of the Group made its best estimate on the recoverability and classification of recorded assets and completeness of recorded liabilities. However, the uncertainties described above still exist and the Group may continue to be affected by them.

### 35. SUBSEQUENT EVENTS

The increase of consumer price index for the period January-August 2017 was 2.5%.

In April 2017 loan debts due to the largest banks-creditors - Alfa-Bank Group and "BPS-Sberbank" JSC underwent restructuring, and as a result the final repayments were postponed from 2020 to 2022 and 2023, respectively (Note 30).

In the first half of 2017 operating indicators of unaudited condensed consolidated interim financial statements of "Eurotorg" LLC significantly improved in comparison with the period of the previous year. For the six-month period ended 30 June 2017 comparing to the six-month period ended 30 June 2016 Revenue of the Group increased by 8,4% (unaudited).

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