

[Table of Contents](#)

- enter into any transaction other than a public offering involving the sale, issuance or potential issuance by the company of shares (or securities convertible into or exercisable for shares) equal to 20% or more of the outstanding share capital of the Company or 20% or more of the voting power outstanding before the issuance for less than the greater of book or market value of the stock, in contrast to Rule 5635(d), which would require shareholder approval for such issuance of shares (or securities convertible into or exercisable for shares).

Item 16 H. Mine Safety Disclosure

Not applicable.

Part III

Item 17. Financial Statements

We have elected to provide financial statements pursuant to Item 18.

Item 18. Financial Statements

The audited consolidated financial statements as required under Item 18 are attached hereto starting on page F-1 of this Annual Report. The audit report of JSC “KPMG”, an independent registered public accounting firm, is included herein preceding the audited consolidated financial statements.

Item 19. Exhibits

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
1.1	Articles of Association of Ozon Holdings PLC.	F-1	333-249810	3.1	November 2, 2020	
2.1	Form of Deposit Agreement among Ozon Holdings PLC, The Bank of New York Mellon as depositary, and Owners and Holders of American Depositary Shares issued thereunder.	F-1/A	333-249810	4.1	November 17, 2020	
2.2	Form of American Depositary Receipt (included in Exhibit 2.1).	F-1/A	333-249810	4.2	November 17, 2020	
2.3	Registration Rights Agreement among Ozon Holdings PLC, Sistema, BVFVNL, Ozon LP and BVSIL, dated November 22, 2020.					*
2.4	Description of Securities.					*
4.1	Office Premises Lease Agreement between City Center Investment B.V. as lessor and Internet Solutions LLC as tenant, dated April 28, 2018 (as amended).	F-1/A	333-249810	10.10	November 17, 2020	
4.2	Office Premises Lease Agreement between City Center Investment B.V. as lessor and Internet Solutions LLC as tenant, dated October 29, 2018.	F-1/A	333-249810	10.11	November 17, 2020	

Table of Contents

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
4.3	<u>English translation of Long-term Lease Agreement between Caravella LLC as lessor and Internet Solutions LLC as tenant, dated December 28, 2018 (as amended).</u>	F-1/A	333-249810	10.12	November 17, 2020	
4.4	<u>English translation of Preliminary Lease Agreement between Caravella LLC as lessor and Internet Solutions LLC as tenant, dated December 28, 2018 (as amended).</u>	F-1/A	333-249810	10.13	November 17, 2020	
4.5	<u>English translation of Preliminary Lease Agreement between BaltStone LLC as lessor and Internet Solutions LLC as tenant, dated November 8, 2019 (as amended).</u>	F-1/A	333-249810	10.14	November 17, 2020	
4.6	<u>English translation of Long-term Lease Agreement between Adva LLC as lessor and Internet Solutions LLC as tenant, dated July 1, 2020.</u>	F-1/A	333-249810	10.15	November 17, 2020	
4.7	<u>English translation of Preliminary Lease Agreement between ORC Zelenodolsk 2 LLC as lessor and Ozon Volga LLC as tenant, dated September 6, 2019 (as amended).</u>	F-1/A	333-249810	10.16	November 17, 2020	
4.8	<u>English translation of Preliminary Lease Agreement between Adva LLC as lessor and Internet Solutions LLC as tenant, dated November 6, 2019 (as amended).</u>	F-1/A	333-249810	10.17	November 17, 2020	
4.9	<u>English translation of Long-term Lease Agreement between Managing Company A-Class Capital (Fiduciary Manager of Combined Closed-End Investment Fund PNK Development) as lessor and Internet Solutions LLC as tenant, dated April 29, 2020 (as amended).</u>	F-1/A	333-249810	10.18	November 17, 2020	
4.10	<u>English translation of Preliminary Lease Agreement No. 26-10-20 PLA FF between Orientir Zapad-1 LLC as lessor and Internet Solutions LLC as tenant, dated October 26, 2020.</u>	F-1/A	333-249810	10.19	November 17, 2020	
4.11	<u>English translation of Preliminary Lease Agreement No. 26-10-20 PLA ST between Orientir Zapad-1 LLC as lessor and Internet Solutions LLC as tenant, dated October 26, 2020.</u>	F-1/A	333-249810	10.20	November 17, 2020	
4.12	<u>English translation of Long-term Lease Agreement between Internet Logistics LLC as lessor and Internet Solutions LLC as tenant, dated August 4, 2020.</u>	F-1/A	333-249810	10.21	November 17, 2020	

Table of Contents

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
4.13	English translation of Sale and Purchase Agreement between Internet Logistics LLC as seller and Tetis Capital (Fiduciary Manager of Closed-End Investment Fund Tetis Capital) as purchaser, dated September 25, 2020 (as amended).	F-1/A	333-249810	10.22	November 17, 2020	
4.14	English translation of Additional Agreement to Long-term Lease Agreement between Internet Solutions LLC as tenant, Internet Logistics LLC as former landlord and Tetis Capital (Fiduciary Manager of Closed-End Investment Fund Tetis Capital) as landlord, dated October 9, 2020.	F-1/A	333-249810	10.23	November 17, 2020	
4.15	Trust Deed between Ozon Holdings PLC and BNY Mellon Corporate Trustee Services Limited, dated February 24, 2021.					*
4.16†	Rules of the Equity Incentive Plan 2020.	S-8	333-252457	10.1	January 27, 2021	
4.17†	Amended and Restated Stock Option Agreement by and between Mr. Bernard Lukey and the Company, dated December 30, 2020.	S-8	333-252457	10.2	January 27, 2021	
4.18†	Notice of Senior Executive Option Award, dated August 1, 2018 (as amended and restated on November 17, 2020) and Amended and Restated Equity Incentive Agreement for Award of an Option to Purchase Ordinary Shares by and between Mr. Alexander Shulgin and the Registrant, dated November 17, 2020.	F-1/A	333-249810	10.9	November 17, 2020	
		S-8	333-252457	10.3	January 27, 2021	
4.19†	Rules of the Equity Incentive Plan 2018.	S-8	333-252457	10.4	January 27, 2021	
8.1	List of Subsidiaries.					*
12.1	Principal Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
12.2	Principal Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					*
13.1	Principal Executive Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
13.2	Principal Financial Officer Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					**
15.1	Consent of JSC “KPMG,” independent registered public accounting firm.					*

[Table of Contents](#)

Exhibit No.	Description	Form	File No.	Exhibit No.	Filing Date	Filed/ Furnished
101.INS	XBRL Instance Document.					#
101.SCH	XBRL Taxonomy Extension Schema Document.					#
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.					#
101.DEF	XBRL Taxonomy Definition Linkbase Document.					#
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.					#
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.					#
*	Filed herewith.					
**	Furnished herewith.					
†	Indicates management contract or compensatory plan or arrangement.					
#	To be filed by amendment pursuant to Rule 405(f)(2) of Regulation S-T.					

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

Date: March 30, 2021

Ozon Holdings PLC

By: /s/ Alexander Shulgin
Name: Alexander Shulgin
Title: Chief Executive Officer

By: /s/ Igor Gerasimov
Name: Igor Gerasimov
Title: Chief Financial Officer

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

ANNUAL CONSOLIDATED FINANCIAL STATEMENTS AS AT AND FOR THE YEARS ENDED
DECEMBER 31, 2020, 2019 AND 2018

Report of Independent Registered Public Accounting Firm	F-2
Consolidated Statements of Profit and Loss and Other Comprehensive Income	F-4
Consolidated Statements of Financial Position	F-5
Consolidated Statements of Changes in Equity	F-6
Consolidated Statements of Cash Flows	F-7
Notes to the Consolidated Financial Statements	F-8

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Ozon Holdings PLC:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated statements of financial position of Ozon Holdings PLC and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Change in Accounting Principle

As discussed in Note 2.3 to the consolidated financial statements, the Company has changed its method of accounting for leases as of January 1, 2019 due to the adoption of International Financial Reporting Standard 16, *Leases*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Measurement of inventory valuation allowance

As discussed in Note 16 to the consolidated financial statements, the Company has inventories of RUB 15,342 million and an inventory valuation allowance of RUB 1,082 million as of December 31, 2020. As discussed in Note 2.4 (n), the Company records an inventory valuation allowance to write down the cost of inventory to the estimated net realizable value. In determining the write-downs to inventories, the Company considers the historical demand for inventories and expected selling prices.

We identified the measurement of inventory valuation allowance as a critical audit matter. Evaluating the net realizable value required subjective and complex auditor judgment, specifically the identification of obsolete inventory.

The following are the primary procedures we performed to address this critical audit matter. We inquired with management to obtain an understanding of the changes in merchandising strategy and expected sales trends to assess the identification of obsolete inventory. We evaluated the completeness of obsolete inventory by assessing internal data such as internal audit reports and external data such as media reports. We compared actual realized inventory values to historical estimated valuation allowances to evaluate management’s ability to accurately estimate net realizable value adjustments.

/s/ JSC “KPMG”

We have served as the Company’s auditor since 2018.

Moscow, Russia
March 30, 2021

OZON HOLDINGS PLC
**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)**

	Notes	2020	2019	2018
Revenue:				
Sales of goods		81,414	53,487	33,920
Service revenue		22,936	6,617	3,300
Total revenue	4	104,350	60,104	37,220
Operating expenses:				
Cost of sales		(72,859)	(48,845)	(27,662)
Fulfillment and delivery	6	(30,676)	(16,808)	(8,232)
Sales and marketing	7	(10,015)	(7,153)	(3,335)
Technology and content	8	(4,394)	(3,520)	(2,123)
General and administrative	9	(3,729)	(2,390)	(1,742)
Total operating expenses		(121,673)	(78,716)	(43,094)
Operating loss		(17,323)	(18,612)	(5,874)
Loss on disposal of non-current assets		(35)	(7)	(3)
Finance costs		(2,115)	(980)	(66)
Finance income		311	179	195
Share of profit of an associate	10	112	54	82
Foreign currency exchange (loss) / gain, net		(1,984)	(213)	78
Other non-operating expenses	11	(1,000)	—	—
Total non-operating (expense) / income		(4,711)	(967)	286
Loss before income tax		(22,034)	(19,579)	(5,588)
Income tax (expense) / benefit	12	(230)	216	(73)
Loss for the year		(22,264)	(19,363)	(5,661)
Total comprehensive income for the year		(22,264)	(19,363)	(5,661)
Loss per share, in RUB				
Basic and diluted loss per share attributable to ordinary equity holders of the parent	13	(135.1)	(150.4)	(60.6)
Basic and diluted weighted average number of ordinary shares	13	164,605,952	128,597,975	92,999,825

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2020 AND 2019
(in millions of Russian Rubles)

	Notes	December 31, 2020	December 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	14	11,869	7,176
Right-of-use assets	15	14,579	9,269
Intangible assets		317	130
Investments in an associate	10	1,111	1,139
Deferred tax assets	12	44	253
Advances for non-current assets and security deposits		1,880	1,601
Total non-current assets		29,800	19,568
Current assets			
Inventories	16	15,342	10,774
Accounts receivable	17	3,405	2,743
Prepaid income tax		14	17
VAT receivable		908	1,378
Advances and prepaid expenses		1,055	933
Other current assets		382	19
Cash and cash equivalents	18	103,702	3,003
Total current assets		124,808	18,867
Total assets		154,608	38,435
Equity and liabilities			
Equity			
Share capital	19	11	6
Share premium	19	133,439	32,053
Equity-settled employee benefits reserves	24	1,152	541
Other capital reserves	19	—	1,043
Accumulated deficit		(55,345)	(32,826)
Total equity		79,257	817
Non-current liabilities			
Borrowings	20	2,323	166
Lease liabilities	15	12,267	7,790
Deferred tax liabilities	12	66	156
Deferred income	23	406	—
Other non-current liabilities	21	78	—
Total non-current liabilities		15,140	8,112
Current liabilities			
Trade and other payables	21	42,545	21,242
Borrowings	20	7,125	3,950
Lease liabilities	15	3,223	1,819
Taxes payable		816	186
Accrued expenses	22	1,677	907
Customer advances and deferred revenue	23	4,825	1,402
Total current liabilities		60,211	29,506
Total liabilities		75,351	37,618
Total equity and liabilities		154,608	38,435

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles)**

	Share capital	Share premium	Equity- settled employee benefits reserves	Other capital reserves	Accumulated losses	Total
Balance at January 1, 2018	3	9,999	301	—	(6,957)	3,346
Loss for the year	—	—	—	—	(5,661)	(5,661)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	(5,661)	(5,661)
Issue of ordinary shares, net of transaction costs	1	5,375	—	—	—	5,376
Issue of shares upon exercise of share-based awards	—	110	(110)	—	—	—
Sale of share options to employees	—	—	93	—	—	93
Share-based compensation expense	—	—	82	—	—	82
Balance at December 31, 2018	4	15,484	366	—	(12,618)	3,236
Balance at January 1, 2019	4	15,484	366	—	(12,618)	3,236
Impact of IFRS 16 adoption	—	—	—	—	158	158
Adjusted balance at January 1, 2019	4	15,484	366	—	(12,460)	3,394
Loss for the year	—	—	—	—	(19,363)	(19,363)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	(19,363)	(19,363)
Issue of ordinary shares, net of transaction costs (note 19)	2	16,554	—	—	—	16,556
Issue of shares upon exercise of share-based awards (note 24)	—	15	(15)	—	—	—
Share-based compensation expense	—	—	190	—	—	190
Convertible loans (note 19)	—	—	—	1,043	(1,003)	40
Balance at December 31, 2019	6	32,053	541	1,043	(32,826)	817
Loss for the year	—	—	—	—	(22,264)	(22,264)
Other comprehensive income	—	—	—	—	—	—
Total comprehensive income for the year	—	—	—	—	(22,264)	(22,264)
Issue of ordinary shares, net of transaction costs (note 19)	5	101,353	—	—	—	101,358
Issue of shares upon exercise of share-based awards (note 24)	—	33	(33)	—	—	—
Share-based compensation expense	—	—	644	—	—	644
Convertible loans (note 19)	—	—	—	(1,043)	(255)	(1,298)
Balance at December 31, 2020	11	133,439	1,152	—	(55,345)	79,257

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles)

	Notes	2020	2019	2018
Cash flows from operating activities				
Loss before income tax		(22,034)	(19,579)	(5,588)
Adjusted for:				
Depreciation and amortization of non-current assets		4,963	2,590	487
Finance costs		2,115	980	66
Finance income		(311)	(179)	(195)
Foreign currency exchange loss / (gain), net		1,984	213	(78)
Write-downs and losses of inventories	16	482	1,217	243
Loss on disposal of non-current assets		35	7	3
Share of profit of an associate	10	(112)	(54)	(82)
Changes in allowances on accounts receivable and advances paid		131	169	12
Forgiveness of lease payments	15	(21)	—	—
Share-based compensation expense		644	190	82
Movements in working capital:				
Changes in inventories		(5,005)	(5,577)	(3,539)
Changes in accounts receivable		(482)	(1,146)	(572)
Changes in advances paid and other assets		(481)	(2,089)	(1,005)
Changes in trade accounts payable		20,885	8,776	6,355
Changes in other liabilities		5,202	1,051	278
Cash generated from / (used) in operations		7,995	(13,431)	(3,533)
Interest paid		(1,356)	(876)	(58)
Income tax paid		(69)	(5)	(8)
Net cash generated from / (used in) operating activities		6,570	(14,312)	(3,599)
Cash flows from investing activities				
Purchase of property, plant and equipment		(6,714)	(4,742)	(2,472)
Purchase of intangible assets		(126)	(26)	(93)
Proceeds from disposal of property, plant and equipment		—	—	6
Interest received		260	158	192
Dividends received from an associate		—	71	80
Acquisition of interest in an associate		—	—	(576)
Net cash used in investing activities		(6,580)	(4,539)	(2,863)
Cash flows from financing activities				
Convertible loans issue proceeds	19	6,171	20,099	—
Equity instruments issue proceeds	19	90,480	—	5,471
Proceeds from borrowings		8,711	413	—
Repayment of borrowings		(499)	(310)	(162)
Payment of principal portion of lease liabilities		(2,296)	(867)	(39)
Net cash generated from financing activities		102,567	19,335	5,270
Net increase / (decrease) in cash and cash equivalents		102,557	484	(1,192)
Cash and cash equivalents at the beginning of the year		2,994	2,684	3,803
Effects of exchange rate changes on the balance of cash held in foreign currencies		(1,849)	(174)	73
Cash and cash equivalents at the end of the year		103,702	2,994	2,684

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

1. CORPORATE INFORMATION

These consolidated financial statements of Ozon Holdings PLC (hereinafter “the Company”) and its subsidiaries (collectively, “the Group”) for the year ended December 31, 2020 were authorized for issue in accordance with a resolution of the directors on March 30, 2021.

Ozon Holdings PLC (until October 22, 2020—Ozon Holdings Limited and until November 8, 2007—Jolistone Enterprises Limited) is a public limited company that was incorporated on August 26, 1999 under the law of the Republic of Cyprus (“Cyprus”). The Company’s registered office is located at Arch. Makariou III, 2-4, Capital Center, 9th Floor, 1065 Nicosia, Cyprus.

The principal subsidiaries of the Company, all of which have been included in these consolidated financial statements, are as follows:

<u>Subsidiary</u>	<u>Principal activity</u>	<u>% equity interest</u>	
		<u>2020</u>	<u>2019</u>
Internet Solutions LLC	Internet retailer of consumer goods	100%	100%
Internet Logistics LLC	Management of fulfillment facilities	100%	100%
Internet Travel LLC	Internet retailer of travel services	100%	100%
Ozon Technologies LLC	IT services and development	100%	100%

All the principal subsidiaries of the Company are incorporated in the Russian Federation (“Russia”).

The Group is an internet retailer of multi-category consumer products to the general public through the Group’s mobile apps and websites (ozon.ru and ozon.travel). The Group also manages an online marketplace platform that enables third-party sellers to offer their products to consumers on its mobile app and website. In addition, the Group provides advertising services to vendors and third-party sellers.

On November 27, 2020, the Company completed an initial public offering (“IPO”) of 37,950,000 newly issued ordinary shares, represented by 37,950,000 American depositary shares (“ADSs”), on Nasdaq. In addition, the Group issued 4,500,000 ordinary shares to its existing shareholders, Sistema PJSFC and Baring Vostok Private Equity Funds (“Baring Vostok”), in concurrent private placements. Sistema PJSFC and Baring Vostok are the Group’s major shareholders with the ownership share of 32.68% and 32.62%, respectively, as at December 31, 2020. The Group has no ultimate controlling party since March 5, 2012.

The Group’s principal geographic market is Russia.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared on a going concern basis and in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The consolidated financial statements have been prepared on a historical cost basis.

2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power to affect its returns.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.3 New standards, interpretations and amendments adopted by the Group

The Group applied for the first-time certain standards, interpretations and amendments, which are effective for annual periods beginning on or after January 1, 2020. These standards, interpretations and amendments do not have a significant impact on the consolidated financial statements of the Group.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The following amended standards and interpretations are not expected to have a significant impact on the Group’s consolidated financial statements:

- IFRS 17 Insurance Contracts (effective date – January 1, 2023).
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (effective date – January 1, 2023).
- Reference to the Conceptual Framework – Amendments to IFRS 3 (effective date – January 1, 2022).
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (effective date – January 1, 2022).
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37 (effective date – January 1, 2022).
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter (effective date – January 1, 2022).
- IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities ((effective date – January 1, 2022).
- IAS 41 Agriculture – Taxation in fair value measurements (effective date – January 1, 2022).

Nature of the effect of adoption of IFRS 16 from January 1, 2019

As at January 1, 2019, the Group applied IFRS 16 Leases for the first time. IFRS 16 superseded IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group adopted IFRS 16 using the modified retrospective approach with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts for which the underlying asset is of low value (“low-value assets”).

The effect of adoption IFRS 16 as at January 1, 2019 (increase / (decrease)) is as follows:

	January 1, 2019
Assets	
Right-of-use assets	5,534
Property, plant and equipment	(85)
Advances paid and other current non-financial assets	(185)

Total assets	<u>5,264</u>
Liabilities	
Lease liabilities	5,264
Trade and other payables	<u>(158)</u>
Total liabilities	<u>5,106</u>
Equity	
Accumulated losses	<u>158</u>
Total equity	<u>158</u>

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

The Group has lease contracts of office premises, warehouses, vehicles, pickup points and sorting centers. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognized as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for leases of low-value assets. The standard provides specific transition requirements and practical expedients, which has been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognized assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognized under IAS 17). The requirements of IFRS 16 was applied to these leases from January 1, 2019.

Leases previously accounted for as operating leases

The Group recognized right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for leases of low-value assets. The right-of-use assets were recognized based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognized in the consolidated statement of financial position immediately before the date of initial application. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- Not separated non-lease components from lease components, and instead accounted for each lease component and any associated non-lease components as a single lease component.

Based on the foregoing, as at January 1, 2019:

- Right-of-use assets of 5,534 were recognized and presented separately in the consolidated statement of financial position. This includes the lease assets recognized previously under finance leases of 85 that were reclassified from Property, plant and equipment.
- Additional lease liabilities of 5,264 were recognized.
- Prepayments of 185 related to previous operating leases were derecognized.
- Accrued provision of 158 for straight-line adjustments under SIC-15 Operating Leases-Incentives in trade and other payables was adjusted to accumulated losses.

The lease liabilities as at January 1, 2019 can be reconciled to the operating lease commitments as of December 31, 2018 as follows:

Operating lease commitments as at December 31, 2018	7,212
Weighted average incremental borrowing rate as at January 1, 2019	11.3%
Discounted operating lease commitments as at January 1, 2019	5,264
Add: Commitments relating to leases previously classified as finance leases	<u>69</u>
Lease liabilities as at January 1, 2019	<u>5,333</u>

Information on the Group’s accounting policies with respect to leases is provided in note 2.4(d). Information on the carrying amounts of the Group’s right-of-use assets and lease liabilities and the movements since the initial adoption date is provided in note 15.

2.4 Summary of significant accounting policies

a) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are accounted for using the equity method. Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate since the acquisition date. Dividends received or receivable from an associate reduce the carrying amount of the investments in associates. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)**

The consolidated statement of profit or loss and other comprehensive income reflects the Group’s share of the results of operations of the associate. When there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group’s share of profit or loss of an associate is shown on the face of the consolidated statement of profit or loss and other comprehensive income. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate, the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss within “Share of profit / (loss) of an associate” in the consolidated statement of profit or loss and other comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

b) Foreign currencies

The Group’s consolidated financial statements are presented in Russian Rubles (“RUB”), which is also the parent company’s functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The functional currency of all of the Company’s subsidiaries is the RUB.

Transactions in foreign currencies are initially recorded by the Group’s subsidiaries in their functional currency at exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at exchange rates prevailing at the reporting date. Differences arising on settlement or translation of monetary items are recognized within “Foreign currency exchange gain / (loss), net”, in the consolidated statement of profit and loss and other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The RUB is not a fully convertible currency outside Russia. Within the Russian Federation, official exchange rates are determined by the Central Bank of the Russian Federation.

c) Revenue from contracts with customers

The Group evaluates whether it is appropriate to record the gross amount of product sales and related costs or the net amount earned as commissions based on a determination of whether it is a principal in providing a good or a service to a customer (a principal controls the goods or services before they are transferred to customers) or whether it is an agent of another entity. When the Group is primarily obligated in a transaction, is subject to inventory risk, has discretion in establishing prices, or has several but not all of these indicators, revenues should be recorded on a gross basis. When the Group is not the primary obligor, does not bear the inventory risk and does not have the ability to establish the price, revenues are recorded on a net basis.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

i. Revenue from sales of goods

The Group recognizes revenue from sales of goods on a gross basis as the Group is acting as a principal in these transactions and is primarily obligated in these transactions, is subject to inventory risk and has discretion in establishing prices. Payment for the purchased goods is generally made either before delivery or upon delivery. Revenue is recognized at the point in time when control of the promised goods is transferred to customers which generally occurs upon delivery to the customers. The Group recognizes revenue net of return allowances when the goods are delivered to customers. Delivery of goods to customers, who place their orders for goods online through the Group’s website and mobile app, is not separately identifiable from sales of goods, and the Group accounts for sales of goods and delivery services to its customers as a single performance obligation.

ii. Right of return

For certain categories of goods customers have a right to return these goods within a specified period. Return allowances, which reduce revenues from sales of goods, are estimated based on historical experiences. The Group updates its estimates on a quarterly basis.

For goods that are expected to be returned from the customers, the Group recognizes a refund liability (included in Accrued expenses in the consolidated statement of financial position). The liability is measured at the amount the Group ultimately expects it will have to return to the customer. A right of return asset (included in Inventories in the consolidated statement of financial position) and corresponding adjustment to cost of sales are also recognized for the right to recover products from the customers.

iii. Financing component in revenue arrangements

The Group has a service (“Ozon Installment”) that allows customers to pay for goods in installments generally over a six-month period. The Group applies the practical expedient and does not adjust the promised amount of consideration for the effects of a significant financing component because the period between the transfer of the promised good and the payment is less than one year.

iv. Loyalty program

The Group has a loyalty points program which allows customers to accumulate points that can be redeemed against future purchases, subject to a certain threshold. The loyalty points give rise to a separate performance obligation as they provide a material right to the customer. A portion of the transaction price is allocated to the loyalty points awarded to customers based on a stand-alone selling price of points and recognized as deferred revenue (contract liability) in the consolidated statement of financial position. Deferred revenue is recognized as revenue when loyalty points are redeemed, expire or the likelihood of the customer redeeming the points becomes remote. When estimating the stand-alone selling price of the loyalty points, the Group considers the likelihood that the customer will redeem the points. The Group updates its estimates of the points that will be redeemed on a quarterly basis and any adjustments to the deferred revenue balance are charged against revenue.

v. Gift certificates

The Group sells gift certificates which can be redeemed to purchase products sold on the Group’s website ozon.ru or mobile app. The cash collected from the sales of gift certificates is initially recorded as deferred revenue (contract liability) in the consolidated statement of financial position and subsequently recognized as revenue upon the sales of the respective products through redemption of gift certificates. Revenue from redeemed gift certificates is included in Revenue from sales of goods (note 4). Revenue from unredeemed gift certificates is recognized over the expected customer redemption period (usually 12 months) and included in service revenue.

vi. Premium subscription

In 2019, the Group launched an Ozon Premium program (“Ozon Premium”), a subscription-based service which provides customers with free delivery and additional discounts. The cash collected from the sales of Ozon Premium is initially recorded as deferred revenue (contract liability) in the consolidated statement of financial position and subsequently recognized as revenues over the subscription period (1, 6 or 12 months). Revenue from Ozon Premium is included in service revenue.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

vii. Marketplace commission

Marketplace commission represents commission fees charged to third-party sellers for selling their goods through the Group’s online marketplace. The Group offers a marketplace platform that enables sellers to sell their products through the Group’s website. Upon sale, the Group charges the third-party sellers a commission fee, which consists of a base fee component and a variable fee component. The base fee is based on the percentage of the selling price depending on the product category. The variable fee component of the commission is paid by the sellers based on the additional services the Group renders to the sellers, such as storage and fulfillment fees for products stored at the Group’s fulfillment centers and delivery fees. The Group’s performance obligation with respect to these transactions is to arrange the transaction through the online platform. Marketplace commission is recognized on a net basis at the point of delivery of products as the Group generally is not the primary obligor, does not bear the inventory risk, and does not have the ability to establish prices for the other party’s goods. The commission revenue is generally withheld by the Company from the payments collected from the customers, either before delivery or upon delivery.

viii. Advertising revenue

The Group’s advertising services allow vendors and third-party sellers to place advertisements in particular areas of the Group’s websites at fixed or variable prices (cost per click or cost per view). Advertising revenue is recognized evenly over the period in which the advertisement is displayed or based on the number of views or clicks, when the advertisement has been displayed. Payment is generally due within 30 to 60 days from providing advertising services.

ix. Travel services

Revenue from travel services consists of commission fees and ticketing fees charged from the travel supplier and/or traveler for the sale of airline and railway tickets through the Group’s website ozon.travel. The Group acts as the agent in these transactions, passing reservations booked by the traveler to the relevant travel provider. Commission fees and ticketing fees are recognized upon booking of airline and railway transactions as the Group has no significant post-delivery obligations. In addition, revenue from travel services also includes volume incentive fees from certain airlines and global distribution systems partners that control the computer systems through which these reservations are booked. Volume incentive fees are recognized evenly on a monthly basis based on performance estimates under agreements.

d) Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Fulfillment and sorting centers	3-10
Office premises	2-7
Pick-up points	3
Vehicles	3-4

Right-of use assets are also subject to impairment. Refer to the accounting policies in section (p) Impairment of long-lived assets.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)**

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Leases of low-value assets

The Group applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Sale and leaseback transactions

In a sale and leaseback transaction, an entity (seller-lessee) sells an asset to another entity (buyer-lessor) who then leases it back to the seller-lessee. The Group applies the requirements of IFRS 15 for determining when a performance obligation is satisfied in order to determine whether the transfer of an asset is accounted for as a sale of that asset.

If the transfer of an asset by the seller-lessee does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the asset, the seller-lessee continues to recognize the transferred asset and recognizes a financial liability equal to the transfer proceeds. The Group accounts for the financial liability applying IFRS 9.

Presentation in the consolidated statement of cash flows

The Group classifies cash payments for the principal portion of lease liabilities within financing activities and cash payments for the interest portion of the lease liabilities within operating activities.

e) Cost of sales

Cost of sales consists of purchase price of consumer products, including vendor's rebates and subsidies, write-downs and losses of inventories, cost of travel services and costs of obtaining and fulfilling contracts with third-party sellers on the marketplace platform.

Rebates and subsidies

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to costs of purchased goods and therefore the Group records such amounts as a reduction of cost of sales when such sales occur. Vendor rebates typically depend on reaching minimum purchase thresholds for a specified period. When volume rebates can be reasonably estimated based on the Group's past experiences, a portion of the rebates is recognized as the Group makes progress towards the purchase threshold. Subsidies are calculated based on the volume of products sold through the Group and are recorded as a reduction of cost of sales when the sales have been completed and the amount is determinable.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

f) Fulfillment and delivery expenses

Fulfillment and delivery expenses primarily consist of outbound shipping costs, packaging material costs, costs incurred in operating and staffing the Group’s fulfillment centers, sorting centers, customer service centers and pickup points, expenses related to payment processing, costs associated with use by these functions of facilities and equipment, such as depreciation expenses, and other related costs. Fulfillment and delivery expenses also include amounts paid to third parties that assist the Group in fulfillment, sorting, delivery and customer service operations. Fulfillment and delivery costs are expensed as incurred.

g) Sales and marketing expenses

Sales and marketing expenses consist primarily of advertising costs and payroll including related expenses for employees involved in marketing and sales activities.

The Group pays commissions to participants in the affiliates program when their customer referrals result in successful product sales and records such costs in sales and marketing expenses. The Group also participates in cooperative advertising arrangements with certain of the Group’s vendors and third-party sellers. Sales and marketing costs are expensed as incurred.

h) Technology and content expenses

Technology and content expenses include payroll and related expenses for employees involved in the research and development of new and existing products and services, development, design, and maintenance of the Group’s websites and mobile apps, and technology infrastructure costs. Technology and content expenses are expensed as incurred.

i) General and administrative expenses

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

j) Share-based awards

All of the Group’s share-based awards are equity-settled.

Certain employees of the Group receive remuneration in the form of share-based compensation, whereby employees render services as consideration for equity instruments.

The Group issues equity-settled share-based awards, including share options, share appreciation rights and restricted share units, and accounts for these awards in accordance with IFRS 2. The cost of equity-settled share-based awards is measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant using a Black-Scholes valuation model. That cost is recognized as an employee benefits expense, together with a corresponding increase in equity (equity-settled employee benefits reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Market-based performance criteria are taken into account when determining the fair value at the date of grant. Non-market based performance criteria are taken into account when estimating the number of share-based awards expected to vest. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified to the employee's benefit, the Company continues to recognize the grant date fair value of the award over the original vesting term. Further, from the modification date through the modified vesting date, the Company recognizes an additional expense for any modification that increases the total fair value of the share-based compensation transaction, or is otherwise beneficial to the employee.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

k) Income taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. Income taxes are computed in accordance with the laws of the Company's and its subsidiaries' jurisdictions. Taxable income of the Group's companies incorporated in Russia and Cyprus is subject to local income taxes at rates of 20.0% and 12.5%, respectively.

Deferred tax

Deferred income taxes are accounted for under the balance sheet method and reflect the tax effect of temporary differences between the tax basis of assets and liabilities and their carrying amounts in the accompanying consolidated financial statements.

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. A valuation allowance is recorded when it is no longer probable that sufficient taxable profit will be available against which the deductible temporary differences can be recognized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

l) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost of an item of property, plant and equipment is recognized as an asset if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The Group does not apply any thresholds for capitalising items of property, plant and equipment.

Property, plant and equipment include major expenditures for new assets, improvements and replacement assets that extend the useful lives of assets or increase their revenue-generating capacities. Repair and maintenance costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Land	Indefinite
Buildings	16-50
Engineering facilities	5-30
Warehouse equipment	1-10
Transportation vehicles	4-7
Computer equipment	2-4
Other computer hardware and office facilities	1-10
Other assets	5-20

Depreciation of property, plant and equipment used in delivery and fulfillment activities is included in Fulfillment and delivery expenses in the consolidated statement of profit or loss and other comprehensive income. Depreciation of other property, plant and equipment is included within General and administrative expenses.

The carrying amount of an item of property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in “Gain / (loss) on disposal of non-current assets, net” in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognized.

Management of the Group reviews the carrying amount of property, plant and equipment for impairment when there is an indication that the carrying amount may exceed the expected recoverable amount.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

n) Inventories

Inventories, consisting of products available for sale, are primarily accounted for using the weighted average cost method, and are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less estimated costs necessary to make the sale. Adjustments are recorded to write down the cost of inventory (including slow-moving merchandise and damaged goods) to the estimated net realisable value based on assumptions about the write-down percentage that is applicable to various aging groups of goods. In determining the allowance percentages on inventories, the Group considers the historical and forecasted demand for inventories and expected selling prices. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write-downs and losses of inventories are recorded in Cost of sales.

The Group also provides fulfillment-related services in connection with the Group’s online marketplace. Third-party sellers maintain ownership of their inventories and therefore these products are not included in the Group’s inventories. The Group estimates and recognizes a provision for reimbursements, where Group is liable for the third-party sellers’ goods which were damaged or lost in the Group’s fulfillment and delivery infrastructure.

o) Intangible assets

An intangible asset is recognized if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the useful economic life. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the consolidated statement of profit and loss and other comprehensive income when the asset is derecognized.

Management of the Group reviews the carrying amount of intangible assets for an impairment as a part of the respective cash-generating unit when there is an indication that the carrying amount of such cash-generating unit may exceed the expected recoverable amount.

p) Impairment of long-lived assets

The Group assesses, at each reporting date, whether there is any indication that an asset may be impaired. If any indication exists, the Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (“CGU”) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)**

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statement of profit or loss and other comprehensive income.

q) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

r) Value added tax

Expenses and assets are recognized net of the amount of value added tax (“VAT”), except when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item.

The net amount of the VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

s) Financial instruments

Initial recognition and measurement

In accordance with IFRS 9, financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

In accordance with IFRS 9, financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortized cost, as appropriate.

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group’s financial assets include cash and cash equivalents, security deposits (accounted for as cash collateral provided to the lessor) and accounts receivable. The Group’s financial liabilities include trade and other payables, accrued expenses, lease liabilities, and loans and borrowings including bank overdrafts.

Subsequent measurement

Financial assets and financial liabilities at amortized cost

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in interest expense in the consolidated statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group’s consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss and other comprehensive income.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all financial assets measured at amortized cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. ECLs are discounted at the effective interest rate of the financial asset in case of long-term assets.

Under IFRS 9, ECLs are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group applies a simplified approach in calculating lifetime ECLs for accounts receivable. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For all other financial assets, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)**

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- the financial instrument has a low risk of default – when the counterparty has an external credit rating of ‘investment grade’ in accordance with the globally understood definition (rating BBB- or higher, based on Standard & Poor’s and Fitch ratings);
- the debtor has a strong capacity to meet its contractual cash flow obligations in the near term.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

At each reporting date, the Group assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Allowances for expected credit losses for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. Impairment losses related to accounts receivable are presented as part of cost of sales.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

t) Convertible instruments

Convertible instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group’s consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that in the foreseeable future the Group will have taxable profits against which tax losses can be utilized. Significant management judgement is required to determine whether the Group has convincing evidence of probable future taxable profit. Further details on income taxes are disclosed in note 12.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Inventory valuation

Inventory is valued at the lower of cost or net realisable value. Net realisable value represents the estimated selling price less estimated costs necessary to make the sale. Adjustments are recorded to write down the cost of inventory (including slow-moving merchandise and damaged goods) to the estimated net realisable value based on assumptions about the write-down percentage that is applicable to various aging groups of goods. In determining the allowance percentages on inventories, the Group considers the historical and forecasted demand for inventories and expected selling prices. The valuation allowance for inventory represents the difference between cost of inventory and its estimated net realisable value. The changes in estimates may impact the amount of allowance for inventory that may be required. Further details about inventory valuation allowance are provided in note 16.

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers by type and timing of revenue recognition:

For the year ended December 31, 2020

	At a point in time	Over time	Total revenue
Sales of goods	81,414	—	81,414
Service revenue:			
Marketplace commission	16,503	—	16,503
Delivery services	1,481	280	1,761
Advertising revenue	—	3,965	3,965
Travel ticketing commission	425	20	445
Other revenue	262	—	262
Total service revenue	18,671	4,265	22,936
Total revenue	100,085	4,265	104,350

For the year ended December 31, 2019

	At a point in time	Over time	Total revenue
Sales of goods	53,487	—	53,487
Service revenue:			
Marketplace commission	2,132	—	2,132
Delivery services	1,574	184	1,758
Advertising revenue	—	1,421	1,421
Travel ticketing commission	950	237	1,187
Other revenue	119	—	119
Total service revenue	4,775	1,842	6,617
Total revenue	58,262	1,842	60,104

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

For the year ended December 31, 2018

	At a point in time	Over time	Total revenue
Sales of goods	33,920	—	33,920
Service revenue:			
Marketplace commission	45	—	45
Delivery services	1,595	—	1,595
Advertising revenue	—	282	282
Travel ticketing commission	991	283	1,274
Other revenue	104	—	104
Total service revenue	2,735	565	3,300
Total revenue	36,655	565	37,220

4.2 Contract balances

The following table provides information about the Group's accounts receivable and contract liabilities from contracts with customers:

	2020	2019
Accounts receivable (included in the total accounts receivable in note 17)	1,550	787
Contract liabilities (note 23)	(5,231)	(1,402)

Contract liabilities include customer advances, unredeemed gift certificates, deferred revenue of Ozon Premium, incentive fees from the depository and loyalty points not yet redeemed. The outstanding balances of contract liabilities increased in 2020 due to the continuous increase in the Group's customer base.

4.3 Right of return assets and refund liabilities

The following table provides information about the Group's right of return assets and refund liabilities from contracts with customers:

	2020	2019
Right of return assets (note 16)	231	125
Refund liabilities arising from right of return (note 22)	(231)	(124)

5. SEGMENT INFORMATION

The Group has two operating segments, as described below, which are the Group's strategic business units. These business units are managed separately and the results of their operations are reviewed by the chief operating decision maker (CODM) on a regular basis for the purpose of making decisions about resource allocation and performance assessment.

Ozon.ru – sales of multi-category consumer products through our Ozon mobile app and our Ozon website; and

Ozon.travel – sales of airline and train tickets through our Ozon.Travel mobile app and our Ozon.Travel website.

Ozon.ru represents over 99%, 98% and 96% of the Group's revenue for the years ended December 31, 2020, 2019 and 2018, respectively, therefore, the Group presents Ozon.ru as the only reportable operating segment, as this reflects the consolidated view of operating segments noted above.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

6. FULFILLMENT AND DELIVERY EXPENSES

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employee-related cost	8,417	6,029	3,632
Outsourcing services	5,103	1,889	535
Delivery fees	3,909	1,783	844
Depreciation and amortization	3,690	1,643	337
Transportation services and vehicle maintenance	3,367	2,097	897
Fees for cash collection	2,795	1,447	789
Premises maintenance and packaging costs	1,589	1,032	530
Share-based compensation expense (reversal)	53	19	(18)
Premises rental	—	—	416
Other fulfillment and delivery expenses	1,753	869	270
	<u>30,676</u>	<u>16,808</u>	<u>8,232</u>

7. SALES AND MARKETING EXPENSES

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Online marketing	5,447	4,553	2,150
Employee-related cost	2,265	1,178	703
Offline media	1,502	1,146	344
Share-based compensation expense (reversal)	81	14	(42)
Other sales and marketing expenses	720	262	180
	<u>10,015</u>	<u>7,153</u>	<u>3,335</u>

8. TECHNOLOGY AND CONTENT EXPENSES

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employee-related cost	3,490	2,956	1,826
IT and telecommunication services	615	446	222
Share-based compensation expense	152	16	18
Other technology and content expenses	137	102	57
	<u>4,394</u>	<u>3,520</u>	<u>2,123</u>

9. GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employee-related cost	1,600	924	680
Depreciation and amortization	1,273	947	150
Share-based compensation expense	358	141	124
Premises rental	—	—	428
Other general and administrative expenses	498	378	360
	<u>3,729</u>	<u>2,390</u>	<u>1,742</u>

10. INVESTMENT IN ASSOCIATE

The Group has a 42.27% interest in Litres Holdings Limited (together with its subsidiaries “Litres”), which is incorporated and domiciled in Cyprus. Litres is a leading distributor of e-books and audiobooks in Russia. Litres is not publicly listed. The Group accounts for the investment in Litres using the equity method.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

The following table summarizes the financial information of Litres as included in its own consolidated financial statements, adjusted for fair value adjustments at acquisition (disclosed below separately) and differences in accounting policies. The table also reconciles the summarized financial information to the carrying amount of the Group's interest in Litres.

	December 31, 2020	December 31, 2019	
Current assets	805	713	
Non-current assets	360	267	
Current liabilities	(951)	(682)	
Non-current liabilities	(2)	(19)	
Net assets of the associate	212	279	
Group's share of net assets – 42.27% (2019: 42.27%)	90	118	
Goodwill	964	964	
Fair value adjustments (including the effect of the subsequent accounting)	57	57	
Group's carrying amount of the investment	1,111	1,139	
	2020	2019	2018
Revenue	5,077	3,823	2,600
Profit for the year	278	168	236
Other comprehensive income	—	—	—
Total comprehensive income	278	168	236
The Group's share of profit before fair value adjustments	118	71	99
Amortization of assets based on their fair values at acquisition	(6)	(17)	(17)
The Group's share of total comprehensive income	112	54	82

The movement of the investment in Litres is presented below:

	December 31, 2020	December 31, 2019
Carrying amount of the investment at the beginning of the year	1,139	1,156
Share of total comprehensive income	112	54
Dividends received / receivable	(140)	(71)
Carrying amount of the investment at the end of the year	1,111	1,139

The associate had no contingent liabilities or capital commitments as at December 31, 2020 and 2019.

11. OTHER NON-OPERATING EXPENSES

In November 2020, the Company and Sberbank of Russia PJSC (“Sberbank”) reached an agreement relating to an alleged breach of an exclusivity undertaking contained in the term sheet that had been entered into between the Company, its principal shareholders and Sberbank in June 2020. The agreement resolved all disputes and waived any claims against each other relating to the term sheet and confirmed absence of any known non-contractual claims between the Company and Sberbank. While the Company did not admit any breach nor concede any liability under the term sheet, the Company agreed under the settlement agreement to pay Sberbank 1,000 (reported as an operating cash outflow in the cash flow statement).

12. INCOME TAX

The major components of income tax expense / benefit for the years ended December 31, 2020, 2019 and 2018 are:

	2020	2019	2018
Current income tax expense	(111)	(9)	(1)
Deferred tax (expense) / benefit	(119)	188	(62)
Tax provision	—	37	(10)
Income tax (expense) / benefit for the year	(230)	216	(73)

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)**

The major part of the Group's pre-tax losses and income tax expenses / benefits is generated in Russia. Pre-tax gains or losses of the Group's companies in Cyprus mainly relate to foreign exchange gains and losses and other items which are generally non-taxable (non-deductible) in that jurisdiction. These items affect pre-tax loss but do not have any impact on income tax expense / benefit.

Below is a reconciliation of theoretical income tax based on the Russian statutory income tax rate of 20% to the actual tax recorded in the consolidated statement of profit or loss and other comprehensive income:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Loss before income tax	(22,034)	(19,579)	(5,588)
Income tax benefit calculated at Russia's statutory tax rate (20%)	4,407	3,915	1,118
Effect of unrecognized deferred tax assets	(3,669)	(3,463)	(1,100)
Effect of non-deductible expenses in determining taxable profit	(559)	(234)	(94)
Effect of accrued tax provision	—	37	(10)
Effect of foreign exchange loss that is exempt from taxation	(409)	(39)	13
Income tax (expense) / benefit for the year	<u>(230)</u>	<u>216</u>	<u>(73)</u>

Set out below is the summary of deferred tax assets and liabilities as at December 31, 2020 and 2019:

	Consolidated statement of financial position as at December 31,		Consolidated statement of profit or loss and OCI	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Deferred tax assets arising from:				
Tax losses carried forward	8,739	5,557	3,182	3,463
Inventories	298	232	66	190
Leases	248	114	134	114
Employee benefits	195	87	108	(1)
Accounts receivable and advances paid	80	57	23	33
Loyalty points program	21	3	18	(12)
Prepaid and accrued expenses	8	5	3	(33)
Other items	15	—	15	—
Total deferred tax assets	<u>9,604</u>	<u>6,055</u>	<u>3,549</u>	<u>3,754</u>
less: unrecognized deferred tax assets	(9,226)	(5,557)	(3,669)	(3,463)
Total deferred tax assets, net of unrecognized deferred tax assets	<u>378</u>	<u>498</u>	<u>(120)</u>	<u>291</u>
Deferred tax liabilities arising from:				
Property, plant and equipment	(311)	(352)	41	(110)
Accrued revenue	(89)	(49)	(40)	6
Other items	—	—	—	1
Total deferred tax liabilities	<u>(400)</u>	<u>(401)</u>	<u>1</u>	<u>(103)</u>
Net deferred tax asset / (liability)	<u>(22)</u>	<u>97</u>	<u>—</u>	<u>—</u>
Net deferred tax asset	44	253	—	—
Net deferred tax liability	(66)	(156)	—	—
Deferred tax (expense) / benefit	<u>—</u>	<u>—</u>	<u>(119)</u>	<u>188</u>

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

Deferred tax assets have not been recognized in respect of tax losses and other deductible temporary differences in the cumulative amounts of 43,700 and 2,430, respectively, as at December 31, 2020, and tax losses in the amount of 27,785 as at December 31, 2019. The tax losses and deductible temporary differences do not expire. Deferred tax assets have not been recognized in respect of tax losses and other deductible temporary differences, because it is not probable that sufficient taxable profit will be available in the foreseeable future against which the Group will be able to utilize the respective benefits.

13. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit / (loss) for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit / (loss) attributable to ordinary equity holders of the parent (after adjusting for the effect of dilution) by the weighted average number of ordinary shares outstanding after adjustments for the effects of all dilutive potential ordinary shares.

At December 31, 2020, 2019 and 2018, outstanding share-based awards and a convertible loan recognized as a financial liability were excluded from the diluted weighted average number of ordinary shares calculation because their effect would have been antidilutive.

The following table reflects the loss and share data used in the basic and diluted EPS calculations:

	2020	2019	2018
Loss attributable to the parent entity	(22,264)	(19,363)	(5,661)
Effects of the settlement of preference shares classified as equity	33	15	29
Loss attributable to ordinary equity holders of the parent entity	(22,231)	(19,348)	(5,632)
Weighted average number of ordinary shares	164,605,952	128,597,975	92,999,825
Basic and diluted loss per share (RUB)	(135.1)	(150.4)	(60.6)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these consolidated financial statements.

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)**
14. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Engineering facilities</u>	<u>Warehouse equipment</u>	<u>Transportation vehicles</u>	<u>Computer equipment</u>	<u>Other computer hardware and office facilities</u>	<u>Construction in-progress</u>	<u>Total</u>
Cost									
Balance at January 1, 2019	80	1,279	221	1,733	172	588	800	660	5,533
Additions	—	—	—	—	—	—	—	3,833	3,833
Transfer	—	544	68	2,070	—	445	1,124	(4,251)	—
Reclassification to right-of-use assets	—	—	—	—	(118)	—	—	—	(118)
Disposals	—	—	—	(10)	—	(13)	(16)	—	(39)
Balance at December 31, 2019	80	1,823	289	3,793	54	1,020	1,908	242	9,209
Additions	—	—	—	—	—	—	—	6,618	6,618
Transfer	—	—	14	4,240	—	792	1,452	(6,498)	—
Disposals	—	—	—	(93)	—	(80)	(113)	—	(286)
Balance at December 31, 2020	80	1,823	303	7,940	54	1,732	3,247	362	15,541
Accumulated depreciation									
Balance at January 1, 2019	—	(135)	(109)	(419)	(79)	(140)	(335)	—	(1,217)
Charge for the year	—	(38)	(19)	(352)	(7)	(250)	(213)	—	(879)
Reclassification to right-of-use assets	—	—	—	—	33	—	—	—	33
Disposals	—	—	—	5	—	10	15	—	30
Balance at December 31, 2019	—	(173)	(128)	(766)	(53)	(380)	(533)	—	(2,033)
Charge for the year	—	(40)	(24)	(755)	(1)	(495)	(534)	—	(1,849)
Disposals	—	—	—	80	—	74	56	—	210
Balance at December 31, 2020	—	(213)	(152)	(1,441)	(54)	(801)	(1,011)	—	(3,672)
Carrying amounts									
Balance at December 31, 2019	80	1,650	161	3,027	1	640	1,375	242	7,176
Balance at December 31, 2020	80	1,610	151	6,499	—	931	2,236	362	11,869

The accompanying notes are an integral part of these financial statements

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

As at December 31, 2020, the Group pledged part of its property, plant and equipment with a carrying amount of 297 (December 31, 2019: 1,238) in order to fulfil the collateral requirements for certain Group's borrowings (note 20).

15. LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets					Lease liabilities
	Fulfillment and sorting centers	Office premises	Pick-up points	Vehicles	Total	
As at January 1, 2019	1,295	3,898	256	85	5,534	5,333
Additions	3,064	495	1,016	796	5,371	5,171
Remeasurement / modification	(65)	27	10	—	(28)	(28)
Reclassification	31	—	(31)	—	—	—
Depreciation expense	(636)	(660)	(167)	(145)	(1,608)	—
Interest expense	—	—	—	—	—	833
Payments	—	—	—	—	—	(1,700)
As at December 31, 2019	3,689	3,760	1,084	736	9,269	9,609
Additions	5,931	435	1,503	574	8,443	8,275
Remeasurement / modification	145	—	(2)	—	143	143
Change in use of leased premises	518	(518)	—	—	—	—
Disposals	(25)	(6)	(232)	—	(263)	(275)
Adjustment of lease payments	—	—	—	—	—	(21)
Depreciation expense	(1,320)	(647)	(682)	(364)	(3,013)	—
Interest expense	—	—	—	—	—	1,299
Payments	—	—	—	—	—	(3,540)
As at December 31, 2020	8,938	3,024	1,671	946	14,579	15,490

The Group recognized variable lease payments of 169 for the year ended December 31, 2020 (2019: 93).

Lease commitments

The Group entered into lease contracts for offices, fulfillment and sorting centers that have not yet commenced as at December 31, 2020. The lease terms are from 3 to 10 years. The future lease payments for these lease contracts are 848 during 2021, 6,175 from 2022 to 2024, 6,730 from 2025 to 2027 and 5,368 thereafter.

16. INVENTORIES

	December 31, 2020	December 31, 2019
Merchandise held for resale	15,977	11,439
Right of return assets	231	125
Other inventories	216	119
Inventory valuation allowance	(1,082)	(909)
	15,342	10,774

In 2020, inventories of 75,929 (2019: 49,524) were recognized as an expense during the year, in which the related revenue is recognized, and included in cost of sales. In addition, the Group recorded 4,871 (2019: 2,488) of rebates and subsidies from certain vendors which were recognized as a reduction of cost of sales.

In 2020, inventories were reduced by 173 (2019: 703) as a result of the write-down to net realizable value. In addition, losses of inventories amounted to 309 (2019: 514). The write-downs and losses of inventories were recognized as an expense during the period and included in cost of sales.

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

17. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
Accounts receivable	3,451	2,826
Allowance for expected credit losses and impaired receivables	(46)	(83)
	<u><u>3,405</u></u>	<u><u>2,743</u></u>

Set out below is the movement in the allowance for expected credit losses of accounts receivable:

	2020	2019
Balance at the beginning of the year	(83)	(94)
Allowance for expected credit losses	(20)	(17)
Amounts written off during the year as uncollectable	57	28
Balance at the end of the year	<u>(46)</u>	<u>(83)</u>

Information about the Group's exposure to credit and market risks is presented in note 26.

18. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Short-term deposits	59,331	1,955
Current bank accounts	43,749	701
Cash in transit	606	320
Petty cash	16	27
Cash and cash equivalents in the consolidated statements of financial position	103,702	3,003
Bank overdrafts	—	(9)
Cash and cash equivalents in the consolidated statements of cash flows	<u>103,702</u>	<u>2,994</u>

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Information about the credit risk over cash and cash equivalents is presented in note 26.

19. SHARE CAPITAL, SHARE PREMIUM AND OTHER CAPITAL RESERVES

Capital reorganization

In October 2020, pursuant to a special resolution at a general meeting of shareholders, the Company

- converted all issued redeemable preference shares into ordinary shares and eliminated redeemable preference shares as a separate class of shares; and
- made a 25-for-1 split of its ordinary shares. All shares, per-share amounts and related information in these consolidated financial statements have been retroactively adjusted, where applicable, to reflect the impact of the share split and are presented on a split-adjusted basis; and
- increased the authorized share capital by the creation of additional 374,999,998 ordinary shares of USD 0.001 each and two class A shares of USD 0.001 each up to 559,999,998 ordinary shares and two class A shares and issued one class A share to each of its major shareholders, Sistema PJSFC and Baring Vostok. Each class A share confers the right to appoint and remove two directors so long as such class A shareholder holds at least 15% of voting power of the ordinary shares or one director so long as such class A shareholder holds less than 15% but at least 7.5% of voting power of the ordinary shares and each ordinary share has the right to one vote at a meeting of shareholders.

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

	Authorised		Issued and fully paid	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Ordinary shares of USD 0.001 each	559,999,998	147,525,950	203,729,958	137,472,875
Preference shares of USD 0.001 each	—	9,974,050	—	134,575
Class A shares of USD 0.001 each	2	—	2	—
	560,000,000	157,500,000	203,729,960	137,607,450

Share capital and share premium

	Quantity		Share capital	Share premium
	Ordinary shares	Preference shares		
At January 1, 2019	98,780,600	91,675	4	15,484
Issue of shares from a conversion of loans	38,692,275	—	2	16,558
Issue of shares upon exercise of share-based awards	—	42,900	—	15
Transaction costs	—	—	—	(4)
At December 31, 2019	137,472,875	134,575	6	32,053
Issue of shares in the IPO	37,950,000	—	3	85,899
Issue of shares in the private placement	4,500,000	—	—	10,186
Issue of shares from a conversion of loans	23,484,183	—	2	11,088
Issue of shares upon exercise of share-based awards	—	188,325	—	33
Conversion of preference shares	322,900	(322,900)	—	—
Issue of Class A shares	2	—	—	—
Transaction costs	—	—	—	(5,820)
At December 31, 2020	203,729,960	—	11	133,439

On November 27, 2020, the Group issued an aggregate of 37,950,000 ordinary shares, represented by the ADSs, in the IPO on Nasdaq. In addition, the Group issued 4,500,000 ordinary shares to the existing shareholders, Sistema PJSC and Baring Vostok, in concurrent private placements.

The Group received 90,480 in net proceeds from the IPO and the concurrent private placement after deducting underwriting commissions and other transaction costs. The Group incurred 5,820 of total expenses (transaction costs) in connection with the IPO, which included 5,512 of underwriting commissions (withheld by underwriters from the proceeds) and 308 of other transaction costs directly related to the offering.

Other capital reserves

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

20. BORROWINGS

	Effective interest rate	Currency	Maturity	December 31, 2020	December 31, 2019
				Amount, incl. accrued interest	Amount, incl. accrued interest
Convertible loan	n/a	RUB	n/a	—	3,594
Bank loans	15.0%	RUB	March 2021	6,639	246
Equipment financing	9.8%	RUB	2021-2030	2,809	267
Bank overdrafts	n/a	RUB	n/a	—	9
Total				9,448	4,116
Current				7,125	3,950
Non-current				2,323	166

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

Convertible loan

In December 2020, the Group converted the loan of 3,594 from a third party into 8,397,474 ordinary shares of the Company.

Bank loans

In March 2020, the Group received 6,000 in cash under a one-year loan facility agreement with a third party. In order to secure financing under the loan, the Group pledged shares of its key operating subsidiary. In January 2021, this loan was repaid in full (note 28). The pledge was released after the full repayment of the loan.

Equipment financing

The Group ("the seller-lessee") entered into a sale and leaseback of warehouse equipment and fulfillment center with third parties ("the buyers-lessors"). The Group has determined that these sale and leaseback transactions do not meet the requirements of IFRS 15 to be accounted for as a sale of the asset. The Group continued to account for the warehouse equipment and fulfillment center as part of property, plant and equipment and recognized financial liabilities equal to the transfer proceeds.

The Group pledged part of its property, plant and equipment to fulfil collateral requirements under a sale and leaseback transaction. Refer to note 14 for details.

21. TRADE AND OTHER PAYABLES

	December 31, 2020	December 31, 2019
Trade payables	32,437	18,725
Payables to third-party sellers on the marketplace platform	9,437	1,912
Payables under the reverse factoring program	223	—
Payroll payables, including related taxes	372	299
Other payables	154	306
Total	42,623	21,242
Current	42,545	21,242
Non-current	78	—

The average credit period on domestic purchases of certain goods is 1-4 months. No interest is charged on the trade payables from the invoice received. Information about the Group's exposure to currency and liquidity risk in relation to its trade and other payables is included in note 26.

The Group participates in a reverse factoring program under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating.

The Group has not derecognized the original liabilities to which the arrangement applies because neither a legal release was obtained nor the original liability was substantially modified on entering into the arrangement. The Group includes the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables.

The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating. The payments to a supplier by the bank are considered non-cash transactions.

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

22. ACCRUED EXPENSES

	December 31, 2020	December 31, 2019
Holiday provision, including payroll related taxes	665	351
Provision for reimbursements to third-party sellers	407	256
Employee bonuses, including payroll related taxes	309	86
Refund liability	231	124
Tax provisions	65	90
Total	1,677	907

23. CUSTOMER ADVANCES AND DEFERRED INCOME

	December 31, 2020	December 31, 2019
Customer advances	3,763	972
Unredeemed gift certificates	864	374
Upfront fees under ADS program	408	—
Loyalty points program	148	15
Ozon Premium	48	41
Total	5,231	1,402
Current	4,825	1,402
Non-current	406	—

24. SHARE-BASED COMPENSATION

The Group maintains the 2020 Equity Incentive Plan (the “EIP” or “2020 Plan”) and its predecessor, the 2018 Equity Incentive Plan (the “2018 Plan”). The Group also has outstanding awards under a 2018 Equity Incentive Agreement (“2018 EIA”) and a 2009 Stock Option Agreement (“2009 SOA”).

The EIP

The 2020 Plan was approved the Company’s Board of Directors on December 21, 2020. Awards under the 2018 Plan have been amended and are now subject to the same terms as the 2020 Plan. Subsequently, on January 27, 2021, the Company registered 30,800,000 ordinary shares available for issuance under the 2020 Plan, including in respect of previously granted awards. The EIP authorizes the grant of equity awards in the form of restricted share units (“RSUs”), share appreciation rights (“SARs”) or stock options (“Options”) to employees, consultants and advisors of the Group.

Under the 2020 Plan, all awards will expire on the tenth anniversary of the date of grant or, in the case of an award that has vested but not lapsed, if earlier, 90 days after the date on which the recipient ceases to be an eligible participant. All vested awards remain exercisable until delivery of an acquisition notice by participant to the Company. Awards under the 2020 Plan generally vest over a four-year period. 1/16 of each award vests at the end of each calendar quarter following the grant of the award. Awards provide the participant with the right to receive ADSs (while ADSs remain listed) immediately upon vesting or any other date after the vesting.

2018 EIA

The 2018 EIA represents a share option agreement between the Company and Mr. Shulgin, Chief Executive Officer of the Company’s key operating subsidiary, Internet Solutions LLC, to purchase, in whole or in part, subject to vesting and other terms, at his voluntary decision or mandatory upon occurrence of some events such as control stake sale transaction as defined in the Company’s articles of association or on the tenth anniversary from the award date up to 1,058,275 ordinary shares of the Company. The exercise price per option will be determined by a certain formula based on a total exercise price of USD 4 million and 8% p.a. interest rate. The option has vested but has not been exercised as of the date of these consolidated financial statements. The shares can be acquired by the payment of the exercise price or on a net basis by forfeiting rights to a portion of shares.

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

2009 SOA

The 2009 SOA is an agreement made between the Company and its former CEO, Bernard Lukey, giving Mr. Lukey the right to purchase up to 500,000 ordinary shares exercisable after a vesting period, which has now been completed, and up to June 10, 2021 at an exercise price of USD 1.95304 per share.

Awards are, other than upon retirement or in exceptional circumstances, subject to the condition that the contractual arrangement with the recipient remains in place at the time of exercise. No amounts are paid or payable by the recipient on receipt of the award, except for purchase price of USD 1.5 million paid in 2018 by the participant under the 2018 EIA. The awards do not carry voting rights. The number of shares to which each award relates and the vesting conditions of awards granted to participants are approved by the Board of Directors.

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

The following table reconciles awards outstanding at the beginning and the end of the year:

	Weighted average remaining contractual life (in years)	Options		SARs		RSUs	
		Quantity	Weighted average exercise price per share, RUB	Quantity	Weighted average exercise price per share, RUB	Quantity	Weighted average grant date fair value per share
As at December 31, 2018	8.6	1,558,275	240	833,650	258	4,905,000	324
Granted	—	—	—	—	—	3,207,875	428
Forfeited	—	—	—	(180,750)	260	(1,795,000)	340
As at December 31, 2019	8.2	1,558,275	240	652,900	257	6,317,875	364
Granted	—	—	—	—	—	5,288,725	1,713
Exercised	—	—	—	(8,050)	260	(187,850)	326
Forfeited	—	—	—	(121,036)	258	(1,008,163)	411
As at December 31, 2020	8.2	1,558,275	240	523,814	257	10,410,587	1,047
Exercisable as at December 31, 2020	6.8	1,558,275	240	506,494	257	3,140,056	355

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

Stock-based compensation expense

Stock-based compensation expense is allocated based on the cost center to which the award holder belongs. The following table summarizes total stock-based compensation expense / (reversal) by function for the years ended December 31, 2020, 2019 and 2018.

	2020	2019	2018
Fulfillment and delivery (note 6)	53	19	(18)
Sales and marketing (note 7)	81	14	(42)
Technology and content (note 8)	152	16	18
General and administrative (note 9)	358	141	124
	<u>644</u>	<u>190</u>	<u>82</u>

Measurement of fair values

The fair values of awards have been measured using the Black-Scholes model. The weighted average inputs used in the measurement of the fair values at grant date of the equity incentive plans for the years ended December 31, 2020, 2019 and 2018 are the following:

	2020	2019	2018
Expected annual volatility	48%	45%	42%
Expected term, years	4	4	4
Dividend yield	None	None	None
Risk-free interest rate	5.7%	7.3%	7.4%

Expected volatility. Because the Company’s shares are publicly traded since November 24, 2020, expected volatility has been estimated based on an analysis of the historical share price volatility of comparable public companies for a preceding period equal to 4 years.

Expected term. The expected terms of the instruments have been based on general award holder behavior. Where relevant, the expected life has been adjusted based on management’s best estimate for the effects of non-transferability, exercise restrictions and behavioral considerations.

Dividend yield. Expected dividend yield is nil, the Company did not declare any dividends with respect to 2018, 2019 and 2020 and does not have any plans to pay dividends in the near term.

Risk-free rates were assessed based on Russian government bonds yield for RUB-denominated awards and US Treasury bonds yield for USD-denominated awards.

Fair value of ordinary share

Subsequent to the Company’s IPO in November 2020, the fair value of ordinary share was determined on the grant date using the closing price of the Company’s ADS traded on Nasdaq.

Prior to the IPO, the absence of an active market for the Company’s ordinary shares required the Board of Directors, the members of which the Company believes have extensive business, finance and venture capital experience, to determine the fair value of its ordinary share to grant stock-based awards and to calculate stock-based compensation expense. The Company obtained contemporaneous third-party valuations to assist the Board of Directors in determining fair value.

Factors taken into consideration in assessing the fair value of the Company’s ordinary share included: the sale of the Company’s shares to investors in private offerings; the Company’s capital resources and financial condition; the likelihood and timing of achieving a qualifying event, such as an IPO or sale of the Company

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

given prevailing market conditions; the Company’s historical operating and financial performance as well as the Company’s estimates of future financial performance; valuations of comparable companies; the hiring of key personnel; the status of the Company’s development, product introduction and sales efforts; industry information such as market growth and volume and macro-economic events; and, additional objective and subjective factors relating to its business.

25. RELATED PARTIES

Notes 10 and 19 provide information about the Group’s ownership structure and investment in an associate. The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties*	Amounts owed to related parties*
Entities with significant influence over the Group:					
Sistema PJSFC	2020	—	193	—	9
Sistema PJSFC	2019	—	309	—	18
Sistema PJSFC	2018	5	226	—	15
Associate:					
Litres	2020	6	11	144**	2
Litres	2019	5	6	1	3
Litres	2018	5	1	—	1

* The amounts are classified as accounts receivable and trade payables, respectively.
** Including 141 of accrued but not paid dividends for the year ended December 31, 2020.

The Group has several accounts at MTS-Bank PJSC (a subsidiary of Sistema PJSFC), related party, including short-term deposit accounts. As at December 31, 2020 total cash balance of the Group’s current and deposit accounts at MTS-Bank PJSC was 86 (December 31, 2019: 26). In 2020, the Group received interest income of 2 (2019: 37) from holding short-term deposits at MTS-Bank PJSC.

Purchases from Sistema PJSFC (as a group of companies) relate mainly to the purchases of telecommunication services (phone service, internet, etc.), payment processing services and agent services (cash collection from the Group’s customers). Purchases from Litres relate to the subscription for the library of e-books. Sales to Litres relate to the commission for the participation in the affiliates program when the Group’s customer referrals result in successful sales by Litres.

Outstanding balances with related parties at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2020, the Group recognized no provision for expected credit losses relating to amounts owed by related parties (2019 and 2018: nil).

Transactions with key management personnel

The remuneration of key management personnel for the year ended December 31, 2020, 2019 and 2018 amounted to:

	2020	2019	2018
Short-term employee benefits (i)	53	33	31
Share-based compensation expense (ii)	224	93	188
	<u>277</u>	<u>126</u>	<u>219</u>

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

- i. Short-term benefits include salaries, bonuses, paid annual leave and social security contributions.
- ii. Amounts related to the participation of the key management personnel in the incentive scheme posted in consolidated statements of profit or loss and other comprehensive income.

26. FINANCIAL INSTRUMENTS, RISK MANAGEMENT AND CAPITAL MANAGEMENT

26.1 Financial assets and financial liabilities

The following table shows the carrying amounts of financial assets and financial liabilities. The Group does not hold any financial assets and financial liabilities other than those measured at amortized cost. Management assessed that the carrying values of the Group’s financial assets and financial liabilities measured at amortized cost are a reasonable approximation of their fair values.

	December 31, 2020	December 31, 2019
Financial assets measured at amortized cost		
Cash and cash equivalents (note 18)	103,702	3,003
Accounts receivable (note 17)	3,405	2,743
Security deposits	332	213
Other financial assets	111	—
Total financial assets	107,550	5,959
Financial liabilities measured at amortized cost		
Trade and other payables (note 21)	42,623	21,242
Lease liabilities (note 15)	15,490	9,609
Borrowings (note 20)	9,448	4,116
Accrued expenses (note 22)	1,677	907
Total financial liabilities	69,238	35,874

26.2 Financial risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. The Group has exposure to the following risks arising from financial instruments: market risk, credit risk and liquidity risk. There have been no substantive changes in the Group’s exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods.

26.2.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk, which mostly impacts the Group, comprises two types of risk: interest rate risk and currency risk. Financial instruments affected by market risk include cash and cash equivalents, accounts receivable and trade and other payables.

The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group’s exposure to the risk of changes in market interest rates is currently limited as the Group manages its interest risk having all its cash deposits and its borrowings at fixed rates of interest.

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	USD denominated		EUR denominated	
	2020	2019	2020	2019
Assets	68,224	148	58	34
Liabilities	(314)	(32)	(94)	(27)
Net position	67,910	116	(36)	7

The Group keeps part of its cash and cash equivalents in USD and EUR interest-bearing accounts to manage against the risk of RUB decline or devaluation, and also to match its foreign currency liabilities.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR exchange rates, with all other variables held constant. The table provides information about the impact on the Group's profit before tax due to changes in the fair value and future cash flows of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

	Change in foreign exchange rates	Effect on profit before tax
Year ended December 31, 2020		
USD	+30%/-30%	20,373/(20,373)
EUR	+30%/-30%	(11)/11
Year ended December 31, 2019		
USD	+30%/-30%	35/(35)
EUR	+30%/-30%	2/(2)

26.2.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily accounts receivable) and from its cash and cash equivalents held with banks.

Accounts receivable

The Group's accounts receivable mainly consist of amounts due from vendors (advertising services, rebates and subsidies). Accounts receivable owed by vendors have low credit risk because the debtors have a strong capacity to meet their contractual cash flow obligations in the near term.

The table below reflects the allowance for expected credit losses of accounts receivable by customer types:

	December 31, 2020	December 31, 2019
Cash collectors	20	66
Others	26	17
Total allowance for expected credit losses	46	83

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018 (in millions of Russian Rubles, unless otherwise stated)

Generally, accounts receivable are written-off if past due for more than three years. The maximum exposure to credit risk at the reporting date is the carrying value of accounts receivable disclosed in note 17.

Cash and cash equivalents

The Group held cash and cash equivalents of 103,702 at December 31, 2020 (2019: 3,003). The cash and cash equivalents are primarily held with banks, which are rated not less than BBB- to BBB, based on Standard & Poor's and Fitch ratings. As at December 31, 2020, the Group held over 99% of its cash and cash equivalents with banks having external credit ratings of BBB-/BBB (2019: 97%).

Impairment on cash and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. No impairment allowance was recognized at December 31, 2020 (2019: nil).

26.2.3 Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle all liabilities as they fall due. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecasts and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	<u>On demand</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
2020						
Trade and other payables	—	42,545	78	—	—	42,623
Borrowings	—	7,582	1,121	572	1,521	10,796
Lease liabilities	—	4,763	7,637	4,845	2,865	20,110
Accrued expenses	—	1,677	—	—	—	1,677
Total financial liabilities	<u>—</u>	<u>56,567</u>	<u>8,836</u>	<u>5,417</u>	<u>4,386</u>	<u>75,206</u>
	<u>On demand</u>	<u>Within 1 year</u>	<u>1 to 3 years</u>	<u>3 to 5 years</u>	<u>> 5 years</u>	<u>Total</u>
2019						
Trade and other payables	—	21,242	—	—	—	21,242
Borrowings	3,840	110	166	—	—	4,116
Lease liabilities	—	2,737	5,042	3,183	1,613	12,575
Accrued expenses	—	907	—	—	—	907
Total financial liabilities	<u>3,840</u>	<u>24,996</u>	<u>5,208</u>	<u>3,183</u>	<u>1,613</u>	<u>38,840</u>

26.3 Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	<u>January 1, 2020</u>	<u>Financing cash flows</u>	<u>Leases (non-cash)</u>	<u>Conversion of the loan into equity</u>	<u>Other</u>	<u>December 31, 2020</u>
Borrowings	4,116	8,212	—	(3,594)	714	9,448
Lease liabilities	9,609	(2,296)	8,122	—	55	15,490
	<u>13,725</u>	<u>5,916</u>	<u>8,122</u>	<u>(3,594)</u>	<u>769</u>	<u>24,938</u>

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

	January 1, 2019	Financing cash flows	Leases (non-cash)	Other	December 31, 2019
Borrowings	409	3,603	—	104	4,116
Lease liabilities	5,333	(867)	5,143	—	9,609
	<u>5,742</u>	<u>2,736</u>	<u>5,143</u>	<u>104</u>	<u>13,725</u>

The ‘Other’ column includes the effect of accrued but not yet paid interest on the Group’s borrowings and lease liabilities. The Group classifies interest paid as cash flows from operating activities.

26.4 Capital management

The Group manages its capital to ensure that companies in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net cash (cash and cash equivalents offset by borrowings as detailed in note 20) and equity (as detailed in the consolidated statements of financial position).

In order to achieve this overall objective, the Group’s capital management, among other things, aims to ensure that it meets financial covenants attached to the borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call borrowings.

No changes were made in the objectives, policies or processes for managing capital during the years ended December 31, 2020 and 2019.

27. CONTINGENCIES

Legal proceedings

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in the aggregate, a material adverse impact on the Group. Management believes that the resolution of all current and potential legal matters will not have a material adverse impact on the Group’s financial position or operating results.

Russian Federation tax and regulatory environment

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by a number of authorities, which may impose severe fines, penalties and interest charges.

Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. As such, significant additional taxes, penalties and interest may be assessed. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years. Under certain circumstances reviews may cover longer periods.

The Group estimates that possible exposure in relation to the above mentioned risks, as well as other tax risks (e.g. unjustified tax benefits), that are more than remote, but for which no liability is required to be recognized, could be up to approximately 169. This estimation is provided for possible taxes disclosure only and should not be considered as an estimate of the Group’s potential tax liability.

Operating environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

OZON HOLDINGS PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018
(in millions of Russian Rubles, unless otherwise stated)

Starting in 2014, the United States of America, the European Union and some other countries have imposed and gradually expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian Ruble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The long-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management’s assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

COVID-19

In March 2020, the World Health Organization declared the COVID-19 virus a global pandemic. The highly contagious disease has spread to most of the countries including Russia, creating a negative impact on customers, workforces, and suppliers, disrupting economies and financial markets, and potentially leading to a worldwide economic downturn. However, the full impact of the COVID-19 outbreak continues to evolve as at the date of issuance of these consolidated financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Group’s financial condition, liquidity, and future results of operations.

28. EVENTS AFTER THE REPORTING DATE

In January 2021, the Group repaid all the bank loans outstanding at December 31, 2020 in the amount of 6,639 (note 20).

In February 2021, the Company completed an offering of USD 750 million in aggregate principal amount of 1.875% senior unsecured convertible bonds due 2026 at par. Interest is payable semi-annually in arrears in each year, with the first payment beginning on August 24, 2021. The bonds are convertible into cash, ordinary shares of the Company, represented by the ADSs, or a combination of cash and the ADSs, at the Group’s discretion, based the conversion price set at USD 86.6480.

In March 2021, the Company granted to certain employees 314,230 RSUs with zero exercise price. Under this grant, each RSU entitles the recipient, subject to vesting and other terms, to receive on the fourth anniversary from the award date for nil consideration one ordinary share of the Company.

In March 2021, the Company issued 193,358 ordinary shares upon exercise of 200,000 options under 2009 SOA.