



Supply Chain

Fix Price has a well-balanced supply chain, which is central to the Company's business model and gives us a crucial competitive edge. Our sourcing capabilities and distribution platform facilitate efficient and rapid geographical expansion and support our low pricing proposition and constantly changing product range.

Our supply chain includes:



Suppliers

Sourcing

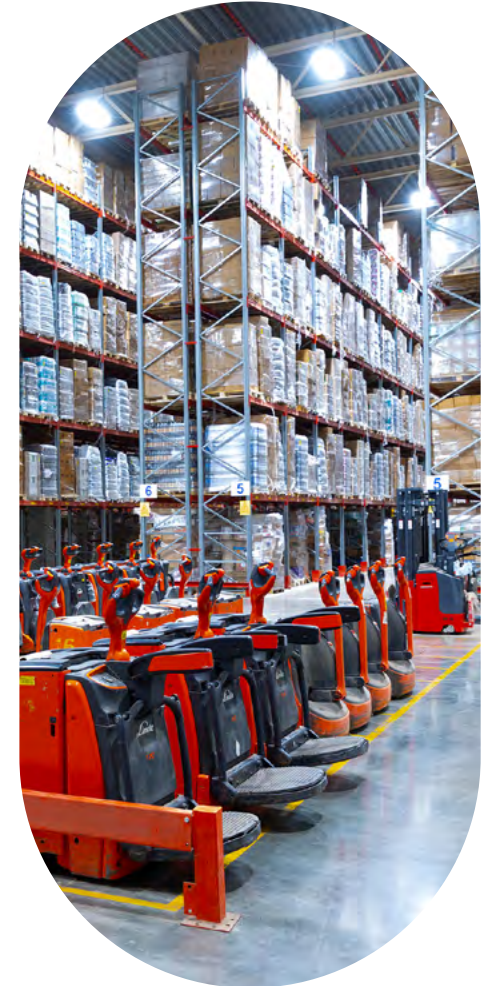
Fix Price's sourcing is designed to optimise costs and enable agile responses, a frequent rotation of goods and a high sell-through rate. We strive to follow a transparent procurement model that sees us engage in proactive discussions of pricing architecture with suppliers to secure the best supply offers.

The Company boasts long-standing, direct, dynamic, and collaborative relationships with suppliers and vendors that unlock access to quality products at attractive prices.

In 2022, amid the geopolitical uncertainty, a turbulent economy and a number of foreign companies exiting Russia, we stepped up our efforts to attract new suppliers both internationally and domestically and took the necessary steps

to ensure seamless deliveries. In particular, we purchased safety stock, issued guarantees for the volume of purchases and tightened our collaboration with small and medium-sized local manufacturers.

Fix Price negotiates bespoke product features with suppliers, including packaging, taste, design, weight, and much more, leveraging our market position and scale to maximise profitability. We also benefit from exclusive arrangements for custom products from several suppliers. By tapping into the scale and pace of our chain's expansion, coupled with our knowledge of customer behaviour, well-developed supply chain and lean decision-making process, the Company can offer vendors a greater market share, which, in turn, translates to more attractive products on our shelves and increased traffic in our stores.



Our procurement department is divided into 11 category management teams, each acting as a full-cycle commercial unit. This structure provides substantial flexibility to the department, allowing for an agile and streamlined decision-making process around category management and sourcing. Each category management team is responsible for selecting SKUs and delivering stock to stores. A category manager effectively acts as the commercial head of the relevant product category.

The product teams' sourcing decisions are based on a thorough analysis of historical data and forecasts of the latest global trends in the industry, like-for-like sales in previous periods, consumer behaviour, and evolving customer needs.

Product managers are responsible for contract negotiations, private label management, refunds, and coordination with the marketing department. Supply managers or import managers — depending on the product category — are responsible for ordering, DC inventory management and shipment documentation.

We use an electronic trading system (CISLINK) for monitoring and obtaining favourable supply terms whenever the supplier selection process is based on a tender. The system automatically selects the best offer acceptable to us.

Fix Price has implemented a number of dedicated policies, such as the Code of Conduct and Business Ethics, the Anti-Modern Slavery and Human Trafficking Policy and the Anti-Bribery and Corruption Policy, which outline the rules and objectives to which the Company is committed when selecting suppliers. This leaves no room for forced or child labour and ensures the human rights of suppliers' employees are safeguarded: we have adopted a zero-tolerance approach towards any form of forced or child labour by any supplier. We also require our suppliers to comply with the Company's internal policies and applicable legislation and also carry out periodic audits for compliance.

~77%

of Fix Price purchases have been sourced from domestic suppliers

Supplier Base

Fix Price has a large, diversified and predominantly domestic supplier base. In 2022, the number of active suppliers was 509, compared to 686 in 2021 when the Company was actively testing new sourcing opportunities amid growing raw materials prices. This year we put particular emphasis on ensuring stable supplies of household chemicals, hygiene products and cosmetics, as well as packaging for goods. Thanks to our team's hard work, we managed to maintain and diversify the assortment, all while keeping prices low.

Our top five and ten suppliers accounted for 25% and 35% of the Company's cost of goods sold, respectively, in 2022. The top-five suppliers continued to be primarily Chinese agents that work directly with hundreds of manufacturers in China.

In 2022, Turkey became a major international hub for contracting new suppliers. We engaged nine new vendors of household chemicals, hygiene products, confectionery, and more.

We significantly increased the share of small and medium-sized local manufacturers we buy from, maintained volumes of supplies and diversified our product range with Russian brands. From among the CIS countries, we increased supplies from Belarus and Uzbekistan. Our imports from the CIS countries primarily consist of household chemicals and cosmetics.

In 2022, approximately 77% of our products were locally sourced, 3 pps higher than in 2021. Food, cosmetics and apparel are all broadly sourced locally, while toys, kitchenware, household goods, and accessories remain mostly imported.

We will continue to maintain and diversify our range of SKUs, as well as to ensure low prices. Our plans for 2023 include:

- developing a network of suppliers from new countries, primarily from Turkey;
- increasing the share of high-turnover and mid-priced goods;
- expanding the range of children's goods and allocating separate shelf space for them;
- expanding our line of locally sourced, high-quality and environmentally friendly detergents, as well as car chemicals and cleaning tools;
- running further holiday and seasonal campaigns for the New Year, Christmas, Valentine's Day, Halloween, etc.

Principal Supply Terms and Conditions

Fix Price generally enters into standard framework contracts with suppliers containing uniform terms, such as the rights and obligations of the parties, the quality and packaging of supplied goods and guarantee terms. The price terms and product range are stipulated in corresponding appendices to these contracts and are subject to periodic review. The Company provides the supplier with an order for each individual delivery specifying the assortment and quantity of goods to be delivered based on established price lists.

When sourcing products from abroad, Fix Price receives product samples from suppliers before order placement, which then undergo product certification by independent agencies. If the product does not go through the certification process due to any defects or other reasons, the order is put on hold so that the supplier could fix the deviation in order to obtain certification.



Distribution

We operate ten modern distribution centres (DCs) with a total space of 342,897 sq.m, including six owned DCs located in Pushkino and Vnukovo (the Moscow region), as well as the Yekaterinburg, St Petersburg, Novosibirsk, and Krasnodar regions. Four leased DCs are located in the Novosibirsk, Voronezh, and Samara regions and the Republic of Tatarstan. Our DCs are strategically located across our retail network's footprint in Russia and neighbouring countries. Almost 100% of the Company's stock is delivered directly from suppliers to our DCs for onward transportation to stores, with a small number of SKUs delivered directly to stores (such as ice-cream and similar products that must be stored at certain temperatures).

Fix Price DCs as at 31 December 2022

Location	Total storage area (sq.m)	Owned / Leased	Lease expiry date
Pushkino, Moscow region	27,774	Owned	–
Vnukovo, Moscow region	27,959	Owned	–
Yekaterinburg	22,061	Owned	–
Novosibirsk	44,117	Leased	Jun 25
Saint Petersburg	35,581	Owned	–
Kazan	32,867	Leased	Mar 27
Krasnodar	67,272	Owned	–
Voronezh	24,718	Leased	Dec 27
Samara (new)	37,162	Leased	Mar 32
Novosibirsk (relaunched)	23,387	Owned	–
Total	342,897		

In 2022, the Company launched a DC in the Samara region with a total area of 37,162 sq.m. The leased warehouse serves eight regions: Orenburg, Penza, Samara, Saratov, Volgograd and Ulyanovsk, as well as the Republics of Tatarstan and Bashkortostan. The new DC will boost delivery efficiency, reduce the load on existing warehouses in Kazan and Voronezh and contribute to the even more flexible supply management for our regional stores.

In 2022, Fix Price relaunched its owned second DC with a total area of 23,387 sq.m in Novosibirsk. The warehouse serves Company-operated stores in Kazakhstan.



In 2022, Fix Price increased its total number of DCs to ten as we launched:

an owned DC in Novosibirsk with a total area of

23,387 sq.m

a leased DC in the Samara region with a total area of

37,162 sq.m



Fix Price intends to increase the total space of its distribution centres gradually. In the Q1 of 2023, the Company opened a DC in Domodedovo with a total space of c. 68,000 sq.m. Fix Price invested approximately RUB 3.5 billion (excluding VAT) in the construction and equipment of the distribution centre. In 2023 we also plan to launch a second DC in Yekaterinburg with a total space of c. 68,000 sq.m. It will serve stores in the Urals and Siberian Federal districts, satisfy the warehousing needs of the Kazakhstan market and increase our ability to rapidly supply stores with a full range of products for years to come.

Transportation

All of our transportation needs for product delivery services are outsourced to a number of third-party logistics companies. Usually, Fix Price enters into open-ended contracts with these outsourcing companies that allow us to run regular tenders and offer performance incentives linked to delivery volumes. The performance, pricing and selection of these third-party providers are periodically reviewed to maximise value for money.

When Fix Price imports products, it engages a variety of land and sea transportation operators or agents for transportation from overseas to Russian ports and to our DCs. Customs clearance is obtained for imported goods. The customs clearance process is overseen by customs brokers.

In 2022, due to the geopolitical situation, we encountered some challenges in international logistics, but we were able to quickly reorganise and find new routes. At the same time, prices and delivery times, although increased, remained lower than they were during the COVID-19 pandemic.

The challenges were chiefly related to the unwillingness of a number of international shipping companies to deliver containers to Russian ports, the EU's ban on the transit of restricted / limited goods by road using Russian operators, as well as the increased load on rail services from China.

The Company has been working hard to develop solutions to emerging issues and has achieved impressive success. Notably, in 2022:



We shipped priority goods through stable transportation routes to ensure on-time delivery



We reached agreements with suppliers to prepare promotional and seasonal goods for shipment in advance



66% of imported products were delivered by rail



We began to work more closely with freight forwarders and to attract small and medium-sized carriers to test new sea routes



We expanded the base of suppliers producing goods in Russia



We now book more time for obtaining samples of goods for certification from our international suppliers, as we switched to the Russian Post (EMS) that made the process more time-consuming

In 2023, we will continue to make every effort to identify new routes and logistics solutions to keep supplies running smoothly.

