

Memorandum on taxation of dividends

The subject of this Memorandum is to analyze the application of Russian withholding tax to the distribution of dividends by the Company. This Memorandum was prepared for informational purposes only and may contain preliminary conclusions as well as incomplete information. In all cases, the shareholders are advised to consult with their own tax advisors on the specifics of their individual tax position and the effect on the matters discussed in this Memorandum. This Memorandum is based on the provisions of the legislation of the Russian Federation that were in effect on the date hereof, and the Company is not obligated to update this Memorandum from time to time.

On June 19, 2019, the Company completed its change of strategic and day-to-day place of management from Cyprus to Russia, and as a result, the Company became a Russian tax resident. The legal seat of the Company remains in Cyprus.

As the Russian taxpayer, the Company is now governed by the Russian Tax Code, which provides that dividends paid by the Company that are made up of Russian-sourced income are subject to Russian taxation.

The Company acts in the capacity of a tax agent and will pay dividends net of the statutory withholding tax rate of 15% pursuant to Russian tax laws, which could be reduced depending on the tax status of each shareholder. More detailed information on the withholding tax rules and the applicable tax rates for each taxpayer are provided below.

Types of Shareholders

Withholding tax rates are determined based on the tax status of the shareholder:

Russian legal entities

Dividends paid by the Company to the beneficial owners of legal entities that are incorporated in Russia, as well as foreign legal entities that are recognized as Russian tax residents and foreign legal entities that have permanent establishments in Russia, are subject to Russian corporate income tax at a standard rate of 13%. Shareholders are required to send an application and relevant documents to the Company in order to apply for the 13% tax rate. Otherwise, the Company is required to withhold a 15% tax on dividends.

Individuals that are Russian tax residents

Dividends paid by the Company to individuals that are Russian tax residents are subject to Russian personal income tax at a statutory rate of 13%. In order to be deemed a Russian tax resident, an individual must reside in the Russian Federation for an aggregate period of 183 days or more in a period comprising 12 consecutive months, including days of medical treatment and education outside the Russian Federation, that do not exceed the period of six months. Such shareholders are required to send an application and relevant documents to the Company to apply for the 13% tax rate. Otherwise, the Company is required to withhold a 15% tax on dividends.

Foreign legal entities

Dividends paid by the Company to foreign legal entities (legal entities that are incorporated under the laws of the countries other than Russian Federation and that are not recognized as Russian tax residents under applicable national laws or a double taxation treaty ("DTT")) are subject to Russian withholding tax at a statutory rate of 15%.

Foreign legal entities may be entitled to apply for reduced withholding tax rates pursuant to the provisions of their respective DTT, if a DTT exists between Russia and the country of residence of the ultimate beneficiary of a dividend payment (more detail on DTTs and applicable tax rates are available at: <https://investor.hh.ru/static-files/363cbeae-4797-42f8-b17a-11e5b0e025a9>). In order to obtain a reduced withholding tax rate, a shareholder must be a tax resident of a jurisdiction that has an effective DTT with Russia and qualify as the beneficial recipient of income and must provide the tax agent (in this case, the Company) with certain documents in the manner and form as set out herein.

Individuals that are non-Russian tax residents

Dividends paid by the Company to individuals that are not Russian tax residents will be subject to Russian income tax at a rate of 15%.

Other special cases

The Company, as a tax resident of Russia, may apply for simplified procedures in order to apply reduced DTT rates for some shareholders, such as sovereign funds and public companies. These investors are recommended to consult with their tax advisors when preparing submissions to the Company for the

application of reduced withholding taxes.

Beneficial Recipient of Income

The provisions of the Russian Tax Code stipulate that a person is considered to be the beneficial recipient of income if:

- the person has the right to use and/or dispose of this income, or
- another person has the right to use and/or dispose of this income for the benefit of that person.

At the same time, a person cannot be regarded as the beneficial recipient of income if at least one of the following in relation to this person is true:

- the presence of the right of another person to use and/or dispose of income due to direct/indirect participation in or control over the person (organization) or on account of other circumstances;
- the presence of limited powers to dispose of income;
- the performance of intermediary functions in favor of another person;
- the presence of limited functions and risks with respect to the received income; or
- the payment of the income fully or partially to another person who would not be entitled to apply a reduced tax rate or tax exemption under the DTT if this person received the income from the Russian source directly.

In assessing the beneficial recipient status, various factors shall be analyzed on a case by case basis.

The conclusive factors regarding the beneficial recipient status of a foreign entity (“FE”), in general, are the following:

FACTORS POINTING TO THE PRESENCE OF THE BENEFICIAL RECIPIENT RIGHT	FACTORS POINTING TO THE ABSENCE OF THE BENEFICIAL RECIPIENT RIGHT
<ul style="list-style-type: none"> - FE carries out active trade of business activities in the jurisdiction of tax residency, especially when such activities are directly connected to the activities of a Russian company or represent an active holding function; - FE uses the received income to finance its ongoing activities and reinvests the income into other income-generating activities; - FE has a sufficient level of qualified personnel, office premises and other assets necessary to conduct actual business activities; - FE has other sources of income apart from Russia, including of another nature (active income rather than passive); - FE pays taxes in its tax residency jurisdiction on the income received. 	<ul style="list-style-type: none"> - The powers of the directors of a company to use or dispose of the income received from a Russian source are limited (by documents governing the FE’s activities or legal arrangements) or nominal directors are present; - FE is considered to be “empty,” an intermediary or a conduit, i.e. does not have any real economic presence in the jurisdiction of its tax residency; - The received income is passed on to another person (fully or partially), especially to persons that would not be entitled to the benefits comparable to those the recipient enjoys under the DTT if that person received the income directly for a Russian company; - FE has a low level of presence in the jurisdiction of its tax residency, lacks qualified personnel, assets, does not bear, or bear low, expenses, etc.; - The income from Russia is the main source of income for the FE; - The directors serve on the board of directors of other companies (they are nominal directors or/and are directors of the parent company).

The factors that may influence the beneficial recipient’s status:

Please note that the below factors are not exhaustive. Moreover, these factors may indicate the absence of such right both in combination and separately depending on the case. Therefore, different factors may be assigned different levels of influence depending on the risk of challenge to the beneficial recipient’s status.

CRITERIA	FACTORS	<i>Level of negative influence on the risk of</i>
-----------------	----------------	---

		<i>recognition of the absence of the beneficial recipient right</i>
I. Right to dispose of the received dividend income	<ul style="list-style-type: none"> – The documents governing the FE’s activities contain provisions limiting the powers of the directors (personnel) to dispose of the received income; – FE is bound by legal arrangements to limit the possibility to use the received income and/or set a necessity to use the received income exclusively for a stated purpose. 	
	<ul style="list-style-type: none"> – The directors (personnel) of the FE lack sufficient qualification for independent use and/or disposal of income; – FE has nominal directors (personnel, managers); – General powers of attorney or powers of attorney are in place granting broad authority to management and decision-making given by a recipient of the income to third persons; – FE is managed by third parties (other than management bodies stated in incorporation documents (Articles of Association) of the company); – Powers of the FE’s shareholders go beyond the powers pertaining to shareholders’ control (e.g. approval of all/major deals concluded by the FE). 	
	<ul style="list-style-type: none"> – The directors of the FE are supplied by service providers; – The level of directors’ compensation (employee’s salary) does not correspond to their authorities and duties; – The number of directors (employees) does not correspond to the volume of activities the FE performs; – FE is managed outside the jurisdiction of its permanent location (tax residency), including the remote participation of the directors in board meetings, holding meetings of the management body in other jurisdictions and absentee meetings; – The minutes of the meetings of the board of directors are absent; – Third parties (other than directors, employees, managers) have control over bank accounts of the FE. 	
II. Functions performed and risks taken in relation to received dividend income	<ul style="list-style-type: none"> – The income is not recognized in a tax declaration and/or the financial statements of the company. 	
	<ul style="list-style-type: none"> – There is no office with sufficient equipment in the jurisdiction of tax residency of the FE; – There is not a sufficient number of qualified personnel to carry out the functions of the FE; – No common commercial risks related to the activities of the company are borne by the FE; – The assets owned by the FE are not sufficient to perform the functions and bear risks taken by the FE; – Expenses do not correspond to the functions and risks of the FE; – The received income is the only/major source of income of the FE). 	
	<ul style="list-style-type: none"> – The amount of dividends to be distributed and/or the payment terms are not determined by employees/directors of the FE and the preparation of respective resolutions are not drafted by employees/directors of the FE (e.g. these are performed by employees of the Russian company paying the dividends) while the functions of the directors of the FE come down to mere signing of the respective draft 	

	<p>documents;</p> <ul style="list-style-type: none"> - The value of the FE's net assets is negative. 	
<p>III. Acting as an intermediary in relation to the received income in favor of another person, direct or indirect payment of the income (fully or partially) to another person</p>	<ul style="list-style-type: none"> - There is a transit nature of the payment; - FE has legal/contractual obligations to pass the received income on to a third person under founding documents, bylaws and/or agreements; - The received income is not recognized (not recognized in full) in the FE's profit and loss statement; - The transaction (chain of transactions) lacks a business purpose. 	
	<ul style="list-style-type: none"> - FE does not have other types of income (activities); - FE does not have any agreements with independent service providers; - The directors of the FE hold positions of authority in other companies, especially other companies involved in a transaction (chain of transactions); - FE's record keeping is carried out outside the jurisdiction of its tax residency. 	
<p>IV. Abuse of a DTT</p>	<ul style="list-style-type: none"> - FE does not incur any tax obligations or incurs minimal tax liability in the jurisdiction of tax residency; - Third parties that the recipient of income pays this income to and/or that have control over the recipient are residents of a jurisdiction that does not have a DTT with Russia or has a DTT allowing for less beneficial taxation at source for the said income if received directly by this person. 	