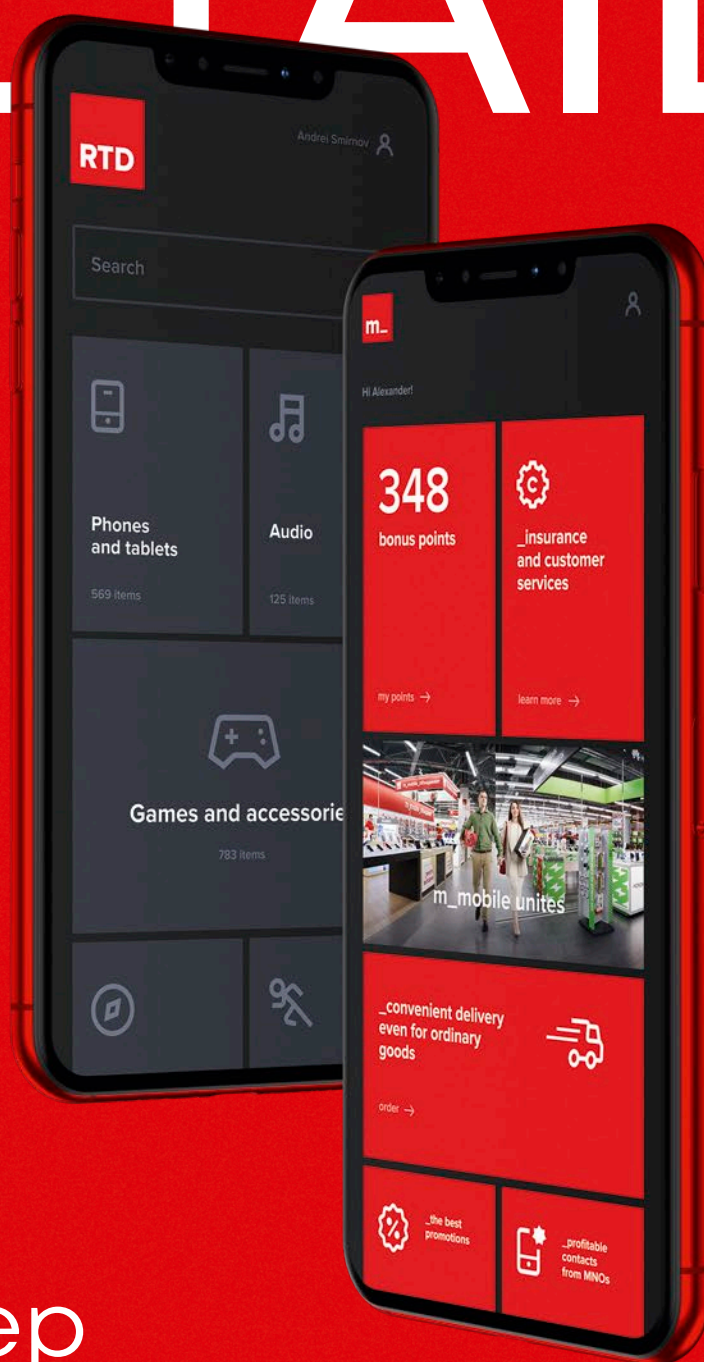


ONE RETAIL



Next Step
in Retail Evolution

Approved
by PJSC M.video Board of Directors

Minutes №182/2020
from 17 may 2020



Gutseriev Said Michailovitch
*Chairman of the Board of Directors,
PJSC M.video*

In this Annual Report, the following terms are used:

- “M.Video-Eldorado” Group, the Group, the Company – PJSC M.video Public Joint-Stock Company (hereinafter – PJSC M.video, the Company), as well as all companies, directly or indirectly controlled by the Group as of 31 December 2019 and 2018.
- M.Video retail network – the retail network of the MVM Limited Liability Company (MVM LLC) (before 31 October 2018 – Limited Liability Company “M.video Management”) under the M.Video brand.
- Eldorado retail network – the retail network of the MVM limited liability company (MVM LLC) (before 31 October 2018 – limited liability company “M.video Management”) under the Eldorado brand.

The Report is prepared using GRI Standards as reporting standards in the area of sustainability.

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STATEMENTS REGARDING EVENTS AFTER THE REPORTING DATE

THIS ANNUAL REPORT OF PJSC M.VIDEO HAS BEEN PREPARED BY THE COMPANY IN EARLY 2020 AND BASED ON THE RESULTS OF 2019. PART OF THE INFORMATION PROVIDED IN THIS REPORT OR COMMUNICATED OTHERWISE CONTAINS FORWARD-LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES AND DEPEND ON CIRCUMSTANCES THAT MAY OR MAY NOT OCCUR IN THE FUTURE.

Since the beginning of 2020, the COVID-19 outbreak has spread around the world, forcing the governments of most countries, including Russia, to take several restrictive measures aimed at containing the spread of the virus, which significantly affected supply logistics and the global economy as a whole. The consequences of the COVID-19 outbreak and restrictive measures, as well as related volatility in global markets, may significantly affect the supply chain of products sold by the Company, the economic situation in the country and the retail market, and, therefore, the Group's business, operating and financial performance.

As of the date of the Report's publication, the Company was unable to accurately assess the quantitative impact of these events on its financial position in 2020 and on future business development.

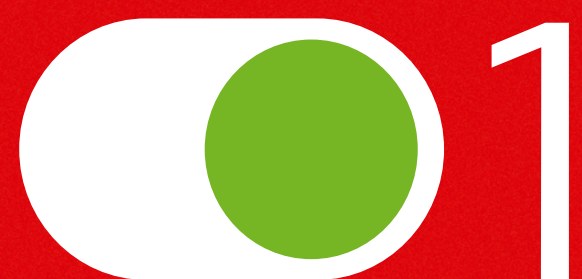
At the same time, due to the threat of the spread of the coronavirus infection, in the first quarter of 2020 the Group implemented a whole range of measures for ensuring health and safety of employees, customers and business partners in all offices, logistics and retail facilities.

In addition, the pandemic played an important role for the Group, accelerating its transformation into an online business. The ONE RETAIL concept was previously planned to be fully implemented within three years, yet due to the COVID-19 epidemic the duration of this process was reduced to three weeks.

The Group is a leading player in the sales of home appliances and electronics. We are actively implementing full-scale business digitalization and have sufficient financial

stability for the period of 2020 and beyond. In particular, the Company estimates that:

- M.Video-Eldorado Group has significant resources and expertise in the e-commerce sector, including for implementing further growth plans in this segment. This allows us (even in the critical epidemiological situation and the implementation of legislation which restricts people's movement) to redirect additional resources to ensure the continuous operation of the online segment, to restructure the business processes in our stores in order to implement e-commerce and pick-up points and continue to sell goods of social importance, such as household appliances and electronics.
- The Group has a stable financial position including a comfortable repayment schedule for existing debt.
- The Company effectively manages working capital and costs.
- The Company is resistant to volatility in the currency markets by implementing all purchases and settlements in rubles.
- In the first quarter of 2020, the Company noted increased consumer demand for household appliances and electronics, partly caused by the weakening of the Russian national currency. Nevertheless, the inventory formed in the beginning of 2020 allows the Company to meet the demand for products, as well as to minimize the impact of the exchange rate on retail prices, and to avoid a price shock for consumers.



About the Group

UNQUESTIONED LEADERSHIP, EFFICIENCY & ESG COMMITMENT



FOR

PERFORMANCE HIGHLIGHTS

UNQUESTIONED LEADERSHIP,
EFFICIENCY AND ESG COMMITMENT

TOP⁻¹⁰

The Group is among the 10 largest public appliance and electronics retailers in the world in terms of sales.¹

+45%

GROWTH OF ADJUSTED NET PROFIT²

144^{bn ₺}

GROUP'S TOTAL ONLINE SALES

RTD

SYSTEM WAS LAUNCHED IN ALL M.VIDEO STORES

1000th

STORE OPENED IN 2019

1 Selection of peers made by the Group based on 2019 revenue (excl. VAT) from Thompson Reuters and companies' data. Please see the list at p. 17.
2 Net income adjusted for losses in associates and joint ventures.



1st

ON EBITDA MARGIN
Among the 10 largest public peers in the world¹

7.3%

BEST IN THE INDUSTRY
EBITDA MARGIN

>70%

BUYERS OF THE GROUP USE THE INTERNET, MAKING A PURCHASE
Today the Group is an online business with a developed retail network that provides effective contact with a growing number of customers

QR

THE GROUP BECAME A MARKET PIONEER BY LAUNCHING THE FASTER PAYMENTS SYSTEM

28.5^k

AVERAGE NUMBER OF EMPLOYEES

34%

EMPLOYEE TURNOVER
One of the lowest in the industry

300^t

RECYCLED
Of home appliances replaced by our clients was taken away to be recycled

6^{bn ₺}

DIVIDENDS PAID IN 2019

KEY INDICATORS

Operational Performance¹

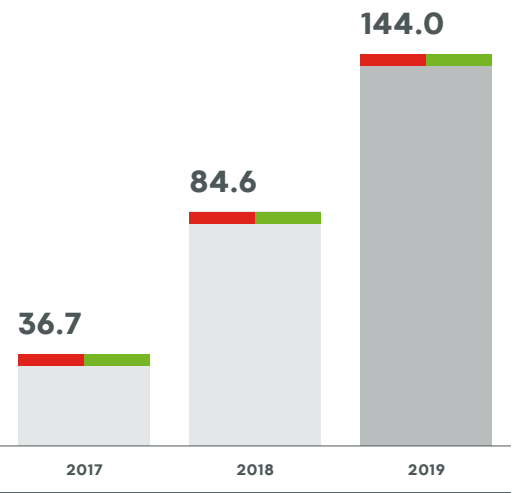
The Group constantly outpaces the Consumer Electronics market by revenue growth, while persistently increasing its market share.

The Group is the largest Russian retail business of consumer electronics and home appliances

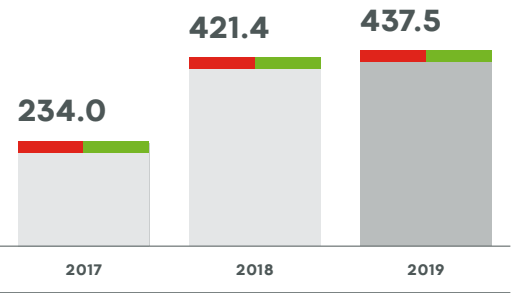
+70.2%

TOTAL GROUP'S ONLINE SALES IN 2019

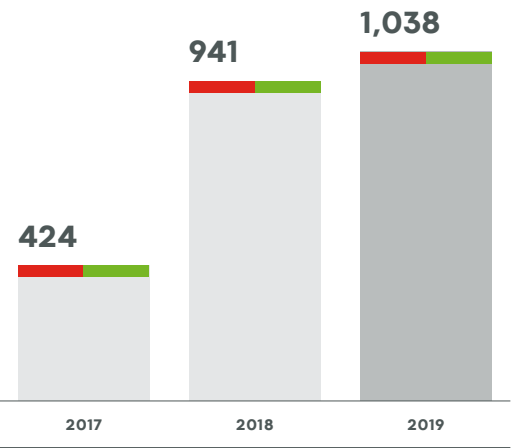
Total online sales, bn ₺



Net sales, bn ₺



Total number of stores



Financial Performance²

M.Video-Eldoreado Group demonstrates sustainable growth of all its major financial indicators.

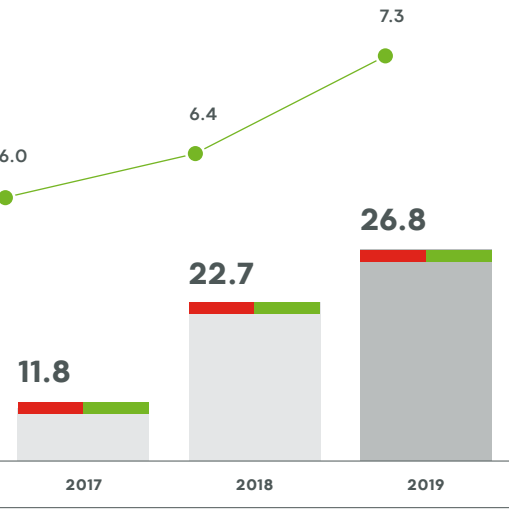
EBITDA margin reached 7.3% in 2019 and set a historical record for profitability level for the last several years.

11.2 bn ₺

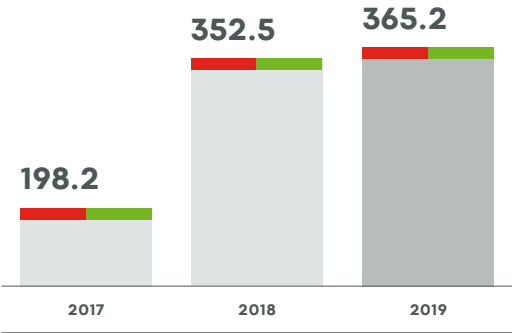
+45%

ADJUSTED NET PROFIT

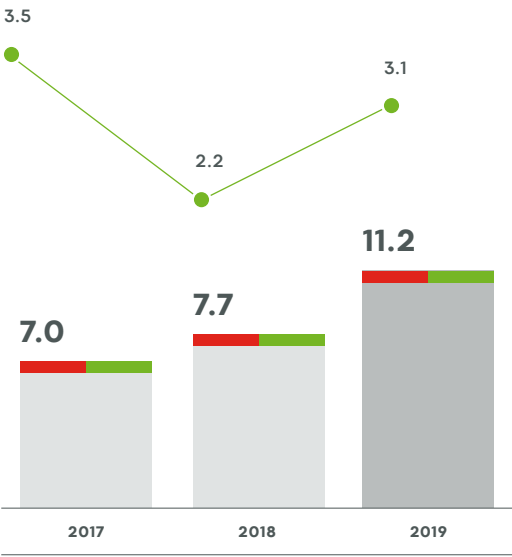
EBITDA, bn ₺
EBITDA margin dynamics, %



Net revenue, bn ₺



Adjusted net profit, bn ₺
Adjusted net profit margin dynamics, %



1 Sales numbers include VAT

2 For purposes of comparability, the financial results for the Group include:

- Eldorado's financial results from the beginning of 2018, i.e., for the full year 2018. The data have been prepared in accordance with the International Financial Reporting Standard IAS 17, which was in force until 2019.
- Results for 2018 were restated due to the deconsolidation of the marketplace goods.ru.
- Net profit adjusted for losses in associated and joint ventures.

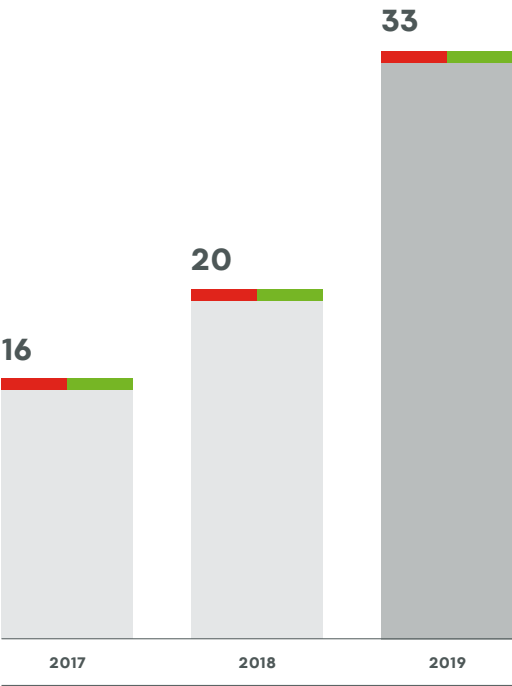
KEY INDICATORS

Online Sales Performance

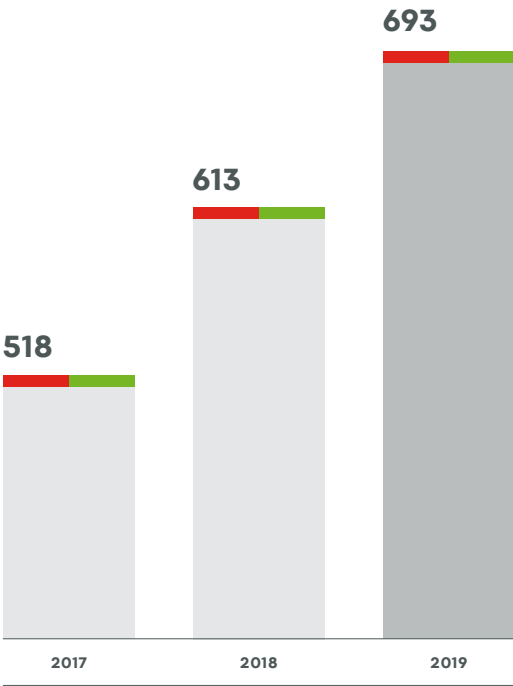
M.Video-Eldorado Group has transformed into an online business and now is an undisputable market leader.

The Group's share of the online Consumer Electronics market reaches 31%, which is already higher than the Group's total market share.

Share of total online sales in Group's sales,
%



Combined traffic to Group's web sites,
million of visitors



KEY EVENTS & ACHIEVEMENTS

56
M.VIDEO AND ELDORADO
STORES ARE OPENED
IN PREMIUM LOCATIONS

>10^k
M.VIDEO SHOP
ASSISTANTS CAN CHECK-
IN A CUSTOMER AT A STORE
VIA RTD APPLICATION

6^{bn P}
THE TOTAL AMOUNT
OF DIVIDENDS PAID

FEBRUARY – MARCH 2019

The Group successfully completes the legal and IT integration of Eldorado LLC, thus building a strong foundation for further streamlining of business processes and operating efficiency.

The Group begins a new phase of development under a renewed ONE RETAIL strategy built around key goals of Russian market leadership and support for a high, stable EBITDA margin.

The brand new M.Video mobile app was launched by Feb 2019 for both iOS and Android and enjoyed over a million downloads and one of the highest ratings in its class.

We rebranded the last 10 ex-MediaMarkt stores and thus finalized the integration process of the acquired network. As a result, 56 M.Video and Eldorado stores are opened in premium locations.

JUNE 2019

Eldorado's business model restart has been completed, which includes a transition to an omni-channel model, an increased focus on digital products, a brand update and the launch of a new format called Eldorado 600.

AUGUST 2019

The innovative RTD solution (mobile application for shop assistants) is rolled out across all M.Video stores. Since August 2019, over 10 thousand M.Video shop assistants can check-in the customer at a store via this application and provide a personalized experience and unique offering, thereby positively impacting sales. Today M.Video is able to compare and analyze the client behavior online and in-store. We get unique inputs for creating a convenient environment and personalized proposals for each customer.

DECEMBER 2019

The Extraordinary General Meeting of Shareholders, held on December 3, 2019, approved payment of dividends for the first nine months of 2019 in the amount of RUB 33.37 per one ordinary share of PJSC M.Video. The total amount of dividends was RUB 6 billion based on the results of the successfully completed integration of Eldorado.

M.VIDEO-ELDORADO AT A GLANCE

M.VIDEO-ELDORADO GROUP IS RUSSIA’S LEADING RETAILER OF CONSUMER ELECTRONICS. COMBINING TWO LEADING RUSSIAN RETAIL BRANDS — M.VIDEO AND ELDORADO — WE MANAGE RUSSIA’S LARGEST ONLINE SALES PLATFORM FOR HOUSEHOLD APPLIANCES AND ELECTRONICS AND MORE THAN A THOUSAND STORES IN ALL REGIONS ACROSS THE COUNTRY. WE ARE ALSO DEVELOPING A NETWORK OF DIGITAL PRODUCT STORES UNDER THE M_MOBILE BRAND.

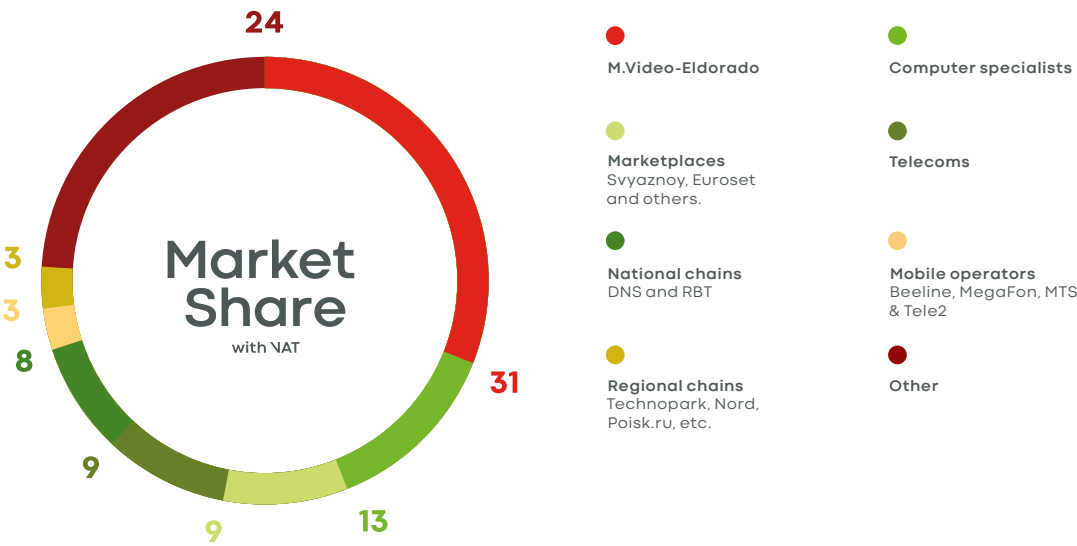
In the new reality of online-driven retail, we strive to be the unquestionable leader in innovation and digital business transformation. We are creating new mobile web-based experiences for customers, and we offer user-friendly ways to make purchases along with

a unified service experience both in our physical stores and online. The Company attracts two-thirds of its customers via the Internet, and is de facto an online business with a developed retail network ensuring effective contact with a growing number of buyers.

One of Russia's Largest Online Retailers

Based on 2019 performance results, the Group is Russia’s largest e-commerce player in consumer electronics.

Russia CE online market, %

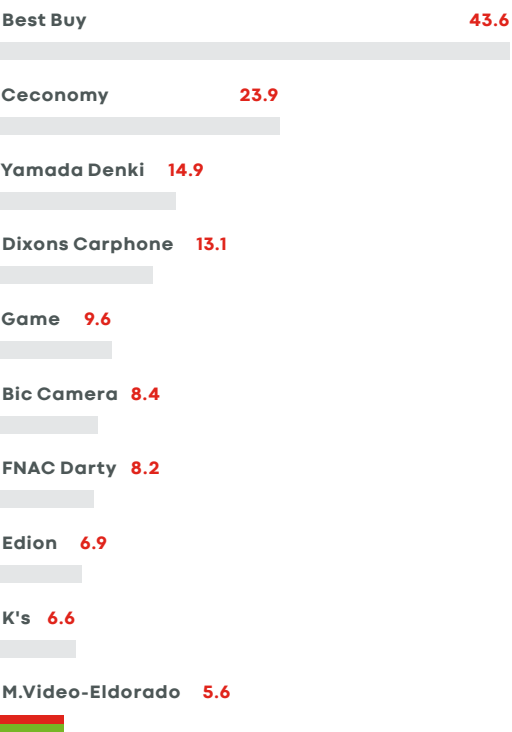


Top 10 Global Consumer Electronics Retailers

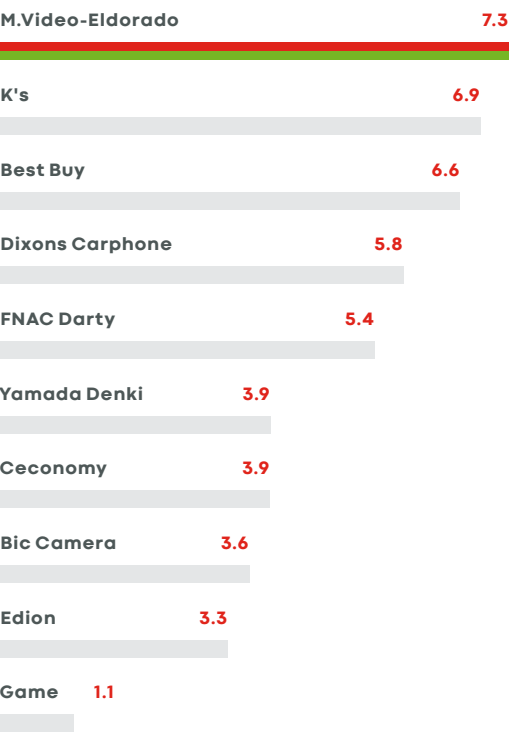
Owing to both M&A activity and organic growth, the Group has been able to ensure strong earnings growth and ranked among the 10 largest publicly traded retailers in its segment

globally, with the revenue of USD 5,642 billion in 2019. Moreover, M.Video-Eldorado managed to become #1 on EBITDA margin among the largest global peers.

World’s largest publicly traded CE retailers by revenue in 2019², USD billion



EBITDA margin of the world’s largest public CE retailers, 2019³, %



1 GfK and Company data.
2 Selection of peers made by the Group based on 2019 revenue (excl. VAT) sourced from Thompson Reuters and companies’ websites.

3 EBITDA margin of Game based on analysts’ consensus estimates sourced from Thompson Reuters.

ONE RETAIL

The Yin and Yang Approach to Customer Journey

→ **SINGLE SPACE**
Channels no longer quantized:
consumer experience seamless

→ **SINGLE AUDIENCE**
Buyers are no longer divided
into online and offline

→ **FULL DIGITALIZATION**
Of external and internal processes
for personalization based on big data



Group Development Strategy till 2022



2018

BUSINESS MODEL

CENTRALIZATION OF OPERATIONS AND DUAL-BRAND STRATEGY



2019

EBITDA MARGIN

COMPETITIVE EBITDA MARGIN



2022

MARKET SHARE >30%

CE MARKET SHARE > 30 %

THE ONE RETAIL STRATEGY REPRESENTS THE NEXT STEP IN THE DIGITAL TRANSFORMATION OF OUR BUSINESS, WHICH AIMS TO CREATE A UNIFIED EXPERIENCE FOR PURCHASING CONSUMER ELECTRONICS AT ALL POINTS OF CONTACT BETWEEN US AND THE CUSTOMER – ON THE WEBSITE, IN THE MOBILE APP AND IN STORES – WITH THE MOST PERSONALIZED SERVICE.

The boundaries between traditional retail and online sales are disappearing. Over 70% of our customers use Internet when making a purchase – to search and compare products, select, order and pay. Online customers, in turn, are becoming more mobile by using devices to shop 24/7 at home, at work, while commuting or directly at store shelves.

In accordance with the ONE RETAIL strategy, the Company considers stores as the organic extension of the website and mobile application united by one platform. Mobile technologies give us an opportunity to authorize customers not only online, but also in stores, which allows us to better understand our consumers, make personalized offers, and more accurately plan business processes. This improves our brand recognition, loyalty, and, ultimately, provides for sales growth and efficiency.

>70%
OF CUSTOMERS USE THE INTERNET WHEN MAKING A PURCHASE¹

24/7
CUSTOMERS SHOP AT HOME, AT WORK, WHILE COMMUTING OR DIRECTLY AT STORE SHELVES WHERE PRODUCTS ARE KEPT.

The ONE RETAIL strategy is designed to strengthen the Group’s leadership in today’s new reality where e-commerce is at the forefront. The Group has identified three key elements of the ONE RETAIL concept:

- single space: creating a unified retail environment that provides full-format service regardless of the sales channel or means of communication;
- single audience: treating customers as a single audience, regardless of the sales channel, throughout the entire interaction cycle – from initial contact to sales and after-sales service;
- business digitalization: digital transformation of both the front and back office, which aims to grow revenue and optimize internal processes in order to reduce operating costs.

By 2022, the Group intends to deliver on the following strategic objectives:

- achieving a market share above 30%;
- maintaining a competitive EBITDA margin;
- providing the best customer experience in the consumer electronics and digital equipment sector by implementing the ONE RETAIL strategy.

¹ According to marketing research “Stages of decision-making when purchasing consumer electronics and home appliances. Customer experience”, conducted by Insight Research and Consulting (ICR) in 2019 in cities with population over 500,000 across major CE categories (Kitchen, Home appliances and TV, Digital).

COMMITMENT TO VALUE CREATION

Our Mission
#ACTIVATETHEFUTURE

By bringing technology to the world, we give people time and inspiration to create a future we can all take pride in.

Our Values

- 

Responsibility for the future
We ensure that responsibility to the company, the industry and society lie at the heart of our decisions and business planning.
- 

Teamwork and collaboration
We are firmly convinced that trust, mutual support and respect for all are essential for our success.
- 

Concern for everything we do
We believe in our power to make the world a better place.
- 

Courage in innovation
We relentlessly seek out and implement new technologies to grow the market and affirm our leadership.
- 

Openness to change
We view change as an opportunity to improve and achieve our full potential.

M.VIDEO-ELDORADO GROUP HISTORY



FOR MORE THAN 25 YEARS SINCE ITS FOUNDATION, THE COMPANY HAS GONE FROM BEING A SMALL STORE IN MOSCOW TO THE LARGEST PLAYER IN ITS INDUSTRY, BRINGING TOGETHER TWO LEADING BRANDS IN THE FIELD OF HOME APPLIANCES AND CONSUMER ELECTRONICS IN RUSSIA.



BRAND PORTFOLIO

THE GROUP BRINGS TOGETHER TWO LEADING RETAIL BRANDS IN THE ELECTRONICS MARKET — M.VIDEO AND ELDORADO, THE DIFFERENT POSITIONING OF THESE BRANDS PROVIDES ACCESS TO THE WIDEST POSSIBLE AUDIENCE AND THE FULL REALIZATION OF ECONOMIES OF SCALE.

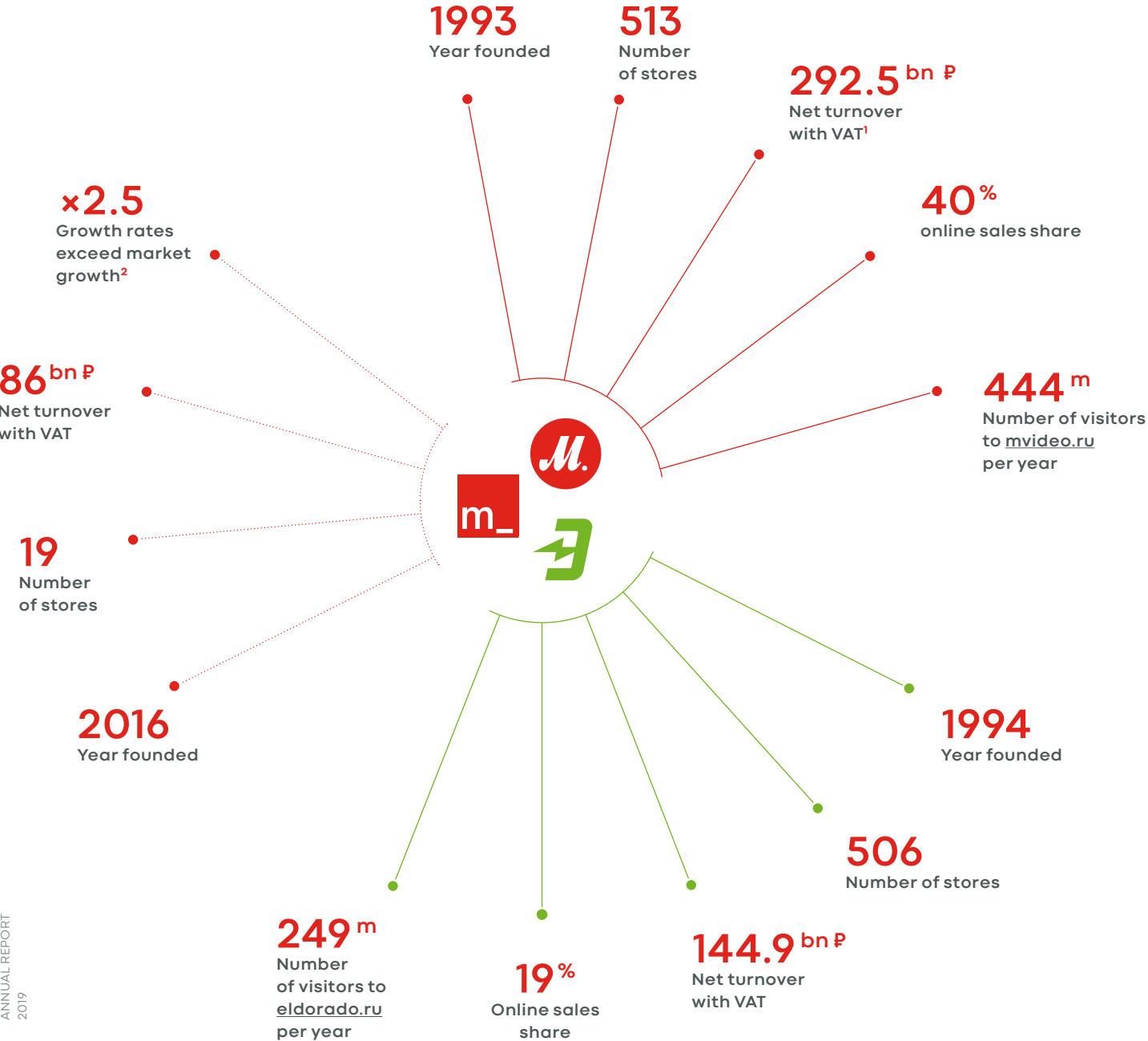
The Group's strategic development is based on a unique concept in the Russian market – “one company, one business model, two brands”. This approach enables us to realize all the benefits of our business model within one legal entity and unified support systems, and provides access to all customer segments.

M.Video has been successfully working in the medium and premium price segments for over 26 years. The acquisition of Eldorado created an opportunity for the Group to achieve full geographic coverage in Russia and gain access to the widest-possible customer base in different price segments and store formats ranging from flagship to neighbourhood stores depending on the location's potential.

Since 2017 M.Video has been developing the m_mobile sub-brand which is the leader in digital equipment retailing. Previously, the concept had been developing successfully as a shop-in-shop format in the M.Video network and in 2018, M.Video-Eldorado Group began developing stand-alone stores under the m_mobile brand.



BRAND PORTFOLIO



1 Includes m_mobile.
2 Mobile device market growth in the Russian Federation + 7% in 2019, source: GfK.

M.VIDEO BRAND

Customer value proposition

M.Video is developing as a universal retailer in the household appliances and electronics sector, providing an excellent customer experience, premium service and the best-possible combination of new products and leading electronics brands on one website or in the ONE RETAIL network. The M.Video brand is meant to deliver a unique form of emotional engagement and to provide customers with an attractive offer while conveying the benefits associated with long-term loyalty. The ONE RETAIL concept, an integrated digital environment and service based on in-depth knowledge of customer needs, will be a key driver for M.Video's development in the years to come.

m_mobile BRAND

Customer value proposition and brand strategy

m_mobile zones in "store within a store" format have been operating in M.Video retail stores since the end of 2016; the brand was launched in the format of individual stores in 2018.

m_mobile is a trendsetting brand in digital equipment retail. Stores offer premium service in the best locations and the best offers using a "price plus value" formula for mobile devices. The network is a leader in the distribution

Strategy

The goal of M.Video's strategy is to strengthen its position as the Group's leading brand and as the best-known and most reliable retailer in the Russian market for household appliances, digital equipment and gaming devices. M.Video's market share will be increased by expanding its audience, developing its online business, providing a better product range in the mid-price and premium-class segments, as well as improving the quality of service through the introduction of digital technologies, ecosystems and implementing the ONE RETAIL concept.

of state-of-the-art mobile devices in the field of mobile devices, gadgets and accessories, while providing qualified, independent and personalised sales assistance.

The new m_mobile sales points can be found in high-end, high-traffic locations and are managed cross-functionally within the framework of the M.Video business structure.

ELDORADO BRAND

Customer value proposition

Eldorado is developing as an affordable retailer and a convenient universal online platform. The brand's key advantage for consumers is that it provides the best offers the best deals through promotions and an affordable range of consumer electronics and digital equipment. Simplicity and customer focus are key aspects of the brand's new approach to merchandising, with a single customer service centre inside stores. The brand's main values are thus represented by the best offers, simplicity and proximity.

Strategy

Eldorado's strategy is to become an aggressive player in the consumer electronics market with strong expertise in digital equipment. Within the Group, Eldorado is a tactical brand. The network uses a model of effective cost control, offering customers savings on the latest offers with a basic set of services here and now both in proximity stores and through its omni-channel model.

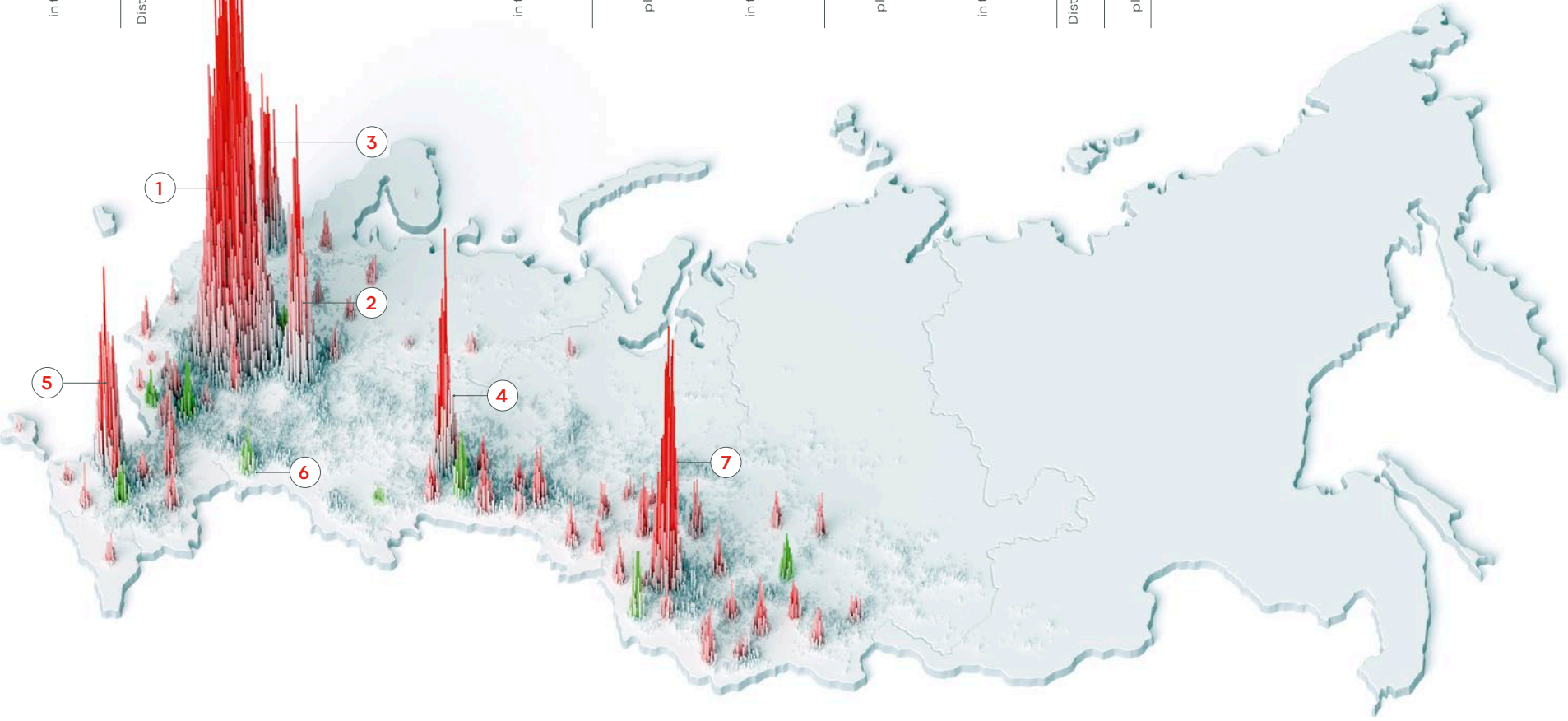
RETAIL NETWORK

THE GROUP'S KEY COMPETITIVE ADVANTAGE

1,038 STORES

Total number in the network

1	2	3	4
MOSCOW & THE REGION	CENTER ¹	NORTH	URAL
234 STORES	140 STORES	99 STORES	116 STORES
30.7% Share, in turnover, with VAT	10.6% Share, in turnover, with VAT	10.8% Share, in turnover, with VAT	9.3% Share, in turnover, with VAT
3 Distribution centers	11 Multi-platforms	7 Multi-platforms	1 Distribution center, 9 Multi-platforms



5	6	7
SOUTH	VOLGA	SIBERIA ²
127 STORES	145 STORES	177 STORES
12.1% Share, in turnover, with VAT	11.4% Share, in turnover, with VAT	15.2% Share, in turnover, with VAT
1 Distribution centers, 9 Multi-platforms	2 Distribution centers	2 Distribution centers, 21 Multi-platforms

75% ONLINE CUSTOMERS PREFER TO PICK UP PURCHASES IN STORES

+10-15% INCREASED ONLINE TRAFFIC WITH EACH NEW SALES POINT OPENING

Stores are at the core of the Group’s ecosystem, the basis for the M.Video and Eldorado growth strategy as two leading brands in Russia’s consumer electronics market. Stores are the extension of online shopping experience and provide an emotional and entertaining touch & feel experience. Customers also have the opportunity to ask the sales staff about the products and related services.

At all M.Video stores, customers have an opportunity to select and order products according to the “endless shelf” principle. Using the sales assistant’s tablet, which is connected to the m_RTD system, customers can gain access to goods not only in the Group’s stores or warehouses but also in suppliers’ warehouses, which greatly expands the product range and is one of the tools used to erase the boundaries between online and offline sales channels.

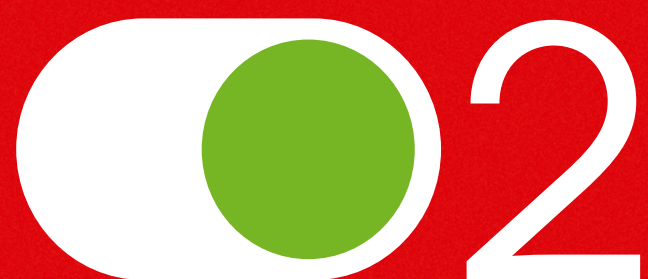
A diverse retail network is a key competitive advantage in developing M.Video-Eldorado’s online business and the basis for the Group’s transition to the ONE RETAIL strategy, which provides for the creation of a completely seamless customer experience at all points of the Group’s interaction with online and offline shoppers.

The Group is striving to ensure full geographic coverage of the Russian market. Today, our network includes 1,038 stores, including 532 M.Video stores, 19 m_mobile stores and 506 Eldorado stores in 252 Russian cities. The distance between the easternmost store owned by the Group in Petropavlovsk-Kamchatsky and our westernmost point in Kaliningrad spans more than 7,420 kilometres.

Around 75% of the Group’s customers who make purchases online prefer to pick them up in stores. The opening of each new sales point increases traffic to our online platform in the area where it opens by 10-15%.

Moreover, each store serves to concentrate the Group’s merchandise inventory, supporting online sales in its region and enabling us to reduce delivery time to consumers, thus increasing profitability from sales.

1 Excl. Moscow & the region.
2 Includes Far East.
3 Based on 2019 data
4 As of 31 december 2019.



Strategic Report

Note from the Chairman of the Board of Directors

Dear Shareholders and Partners,

In 2019, M.Video-Eldorado Group laid down solid foundations for its successful transition to a digital platform as part of the ONE RETAIL model. Our strategy aims to totally revolutionize the Company, by ushering in new thinking and making advanced digital technology commonplace across the organization to meet ever increasing demand from our Russian customers.

Years of investment in e-commerce, improvements to customer experience and recruiting and developing the best talent available have borne fruit. M.Video-Eldorado is now an online business which operates Russia’s largest network of consumer electronics stores and is a leading player in the Russian online retail market, as convincingly demonstrated by last year’s explosive growth in online sales.

In 2019, the Group completed its integration of Eldorado, realizing all targeted synergies and highlighting the efficiency of its business model, where two brands are run by one company and reinforce one another. In parallel, the Company achieved robust sales growth, again outpacing the Russian home appliance and electronics market and setting another record for profitability, with its EBITDA margin reaching 7.3%.

Based on its 2019 performance, M.Video-Eldorado Group has firmly cemented its position as a Top 10 listed appliance and electronics retailer globally by sales. We are now ranked 1st on EBITDA margin among all publicly listed peers in the world, and we have fully deserved it. At the same time, we are strongly committed to further developing M.Video-Eldorado Group as a sustainable and socially responsible business.



The Board of Directors is delighted with the Group’s performance and its progress towards its strategic objectives. As a result, in late 2019 we recommended PJSC M.video shareholders to return to the practice of dividend payments after a two-year break. On receiving approval from our shareholders and investors, we allocated RUB 6 billion towards the dividend payment last December. By drawing on the Group’s sound financial and economic footing, as well as its historical commitment to continuously driving shareholder value, I am confident that we will continue with dividend payments for the foreseeable future.

I would like to thank the M.Video-Eldorado team and the Board of Directors for all they have done to build the Group’s business in the interests of our shareholders and other stakeholders, guided by best international practice. I would also like to express my gratitude to all of our investors and partners for what we have achieved together in 2019

Said Gutseriev
Chairman of the Board of Directors of PJSC M.video



Interview with Alexander Tynkovan, Group President

MR. TYNKOVAN, CAN YOU ELABORATE ON THE GROUP'S 2019 PERFORMANCE? HOW DID IT CONTRIBUTE TOWARDS THE COMPANY'S STRATEGIC GOALS?

I am very positive about our performance last year. We managed to achieve stable sales growth while overall consumption in our segment showed a downward trend. The Consumer Electronics market dynamic in Russia was weaker than expected, but we again outpaced the market. Our business model proved its viability and resilience despite a contraction in our annual performance was particularly impressive given that we were finalizing the integration of M.Video and Eldorado.

Thanks to the launch of the ONE RETAIL concept, which we began to implement in all M.Video stores in 2019, we transfer all our sales to a digital platform, that is, sales in stores are carried out online. And our customers showed a quick and positive response – by the end of the year, the share of total online sales in the M.Video brand reached 40%. We are also developing digital sales technologies

ONE RETAIL transfers the entire purchase process to the customer's smartphone, which allows him to make purchases at home, at work, on the road and in stores.

in the Eldorado brand, which will further strengthen the Group's online presence. This means that today the M.Video-Eldorado Group is a major player in Russian e-commerce and continues to enhance its leadership in this business.

In 2019, we also demonstrated strong financial performance. The joint company's EBITDA margin set another record and exceeded 7%, effectively making M.Video-Eldorado Group the most profitable player compared to any global public peer. In 2019, our adjusted net income rose by 45% year-on-year to RUB 11.2 billion. We are still maintaining a comfortable leverage (with Net Debt to EBITDA at 1.7x in 2019), confirming the Group's healthy financial position.

I would say that we have successfully passed a test in 2019, by showing impressive financial results amidst the integration of two businesses and a slowdown in the market. After our successful integration, we were able to pay RUB 6 billion as a dividend in December 2019.

Strategy-wise, we have built a strong organizational and financial foundation in 2019 to further transform our business in accordance with the ONE RETAIL model and grow our market share.

CAN YOU TELL US MORE ABOUT THE INTRODUCTION OF THE ONE RETAIL CONCEPT. IS IT AN EVOLUTION OF YOUR CURRENT BUSINESS MODEL? HOW FAR DOES ONE RETAIL RESPOND TO MARKET CHALLENGES, ESPECIALLY WITH REGARD TO THE CHANGING CONSUMER BEHAVIOR?

ONE RETAIL is first and foremost about consumer choices; it is a new reality for which we have been largely prepared. Why? Because we have been making massive investments in e-commerce, user interfaces and services for many years. As a result, M.Video-Eldorado Group has already become an online business which operates Russia's largest technology-enabled network of brick-and-mortar stores integrated with advanced digital platforms.

Today, the customer journey becomes increasingly digital. We believe that all points of contact with customers will move to mobile devices in the foreseeable future. Therefore, retailers need to speak the same "mother tongue" language with their clients. The full digitalization of our business and seamless customer experience between online and stores are key elements of the ONE RETAIL strategy. This model provides for the full transformation of our organization by adopting a digital approach at all its levels, both at points of contact with customers, and across all back-office and support functions.

In fact, ONE RETAIL enables us to move our entire business to a smartphone or other customer device. The client can use ONE RETAIL at home, at work, on the road and in stores. In 2019, the Group completed the transition to Real Time Dealing, or m_RTD, technology across all M.Video stores. Over 10 thousand of our shop assistants now serve customers using a smartphone and customer authorization app, which enables much better tailored offers and a more personalized shopping experience, boosting loyalty among M.Video's customers and gaining further insights into consumer behavior and preferences.

Last year, we launched M.Video's new mobile app, currently one of the highest rated in its class. We are planning a further digital transformation of our business to support future growth and strengthen our performance.

DOES IT MEAN THAT THE GROUP’S TWO BRANDS WILL GRADUALLY DIMINISH THEIR FOCUS ON DEVELOPING OFFLINE FORMATS AS YOU PROCEED WITH DIGITAL TRANSFORMATION?

The superior shopping experience provided by M.Video and Eldorado stores is unavailable online. Physical stores provide us as an online business with a unique competitive edge. Customers who shop for electronics and home appliances like to personally examine or try a product out, and also get advice from shop assistants, regardless whether they shop online or offline. Up to 75% of our customers use the internet in one way or another when making purchases, while about 5% of customers never visit physical stores and only shop online using courier delivery. Around 75% of our customers who make purchases online prefer to pick them up in stores. Therefore, physical stores and shop assistants make an essential contribution to the transition to the ONE RETAIL model. Moreover, stores are vital to our supply chain, considerably reducing our last-mile delivery expenses and cost of returns.

We make a very strong commitment to continue the efficient expansion of our two brands’ store network as a solid foundation for the development of the Company as an online business. In a world where online and offline will converge into a single retail universe, the only retailers to succeed will be those whose value proposition is delivered in the way most preferred by customers.

HOW COULD YOU EVALUATE THE GROUP’S MANAGEMENT TEAM PERFORMANCE IN 2019?

Digital technologies and big data will be the key to the retail model of the future. However, only a strong like-minded team of professionals can build such a model. M.Video-Eldorado Group enjoys having an efficient and successful management team, which has deserved full respect for the Company’s performance over the past, particularly in 2019 when the merger was completed. I am confident that all our stakeholders highly appreciate the performance of M.Video-Eldorado Group’s management.

WHAT ARE YOUR LONGER-TERM FINANCIAL TARGETS UNDER THE ONE RETAIL STRATEGY?

Based on our three-year strategic plan, we expect that the market development and our efforts will help us to win over 30% of the market in 2022, while maintaining our EBITDA margin at a competitive level.

DO YOU EXPECT FURTHER CONSOLIDATION OF THE RUSSIAN CONSUMER ELECTRONICS MARKET? ARE YOU PLANNING TO CAPITALIZE ON THIS TREND BY MAKING NEW ACQUISITIONS? HOW WILL THE GROUP INCREASE ITS MARKET SHARE?

The Russian market is becoming increasingly competitive, and operational efficiency, technology enhancements, agility and ability to implement cutting-edge innovations become key competitive advantages. At the same time, some smaller and less efficient players are going to lose their market shares to leaders, particularly in a time of market volatility and especially during the slowdown in consumption that we witnessed in 2019.



We expect that online platforms, including marketplaces, will gain more and more weight in the market. As one of Russia’s major online retailers, M.Video-Eldorado Group is going to cement its position in this segment. On the other hand, our unique offering as part of the ONE RETAIL model keeps us a step ahead of the market. We successfully leverage the experience and advantages of our e-commerce platform and our largest store network in Russia.

WHAT PLACE DOES SUSTAINABLE DEVELOPMENT HAVE IN THE GROUP’S STRATEGY? WHAT KEY PROJECTS ARE YOU IMPLEMENTING IN THIS AREA?

For many years, our motto has been “We do care!”, and this applies not only to our business, but also lies at the heart of our equal approach to the well-being of all stakeholders – employees, customers, partners, investors and shareholders. Over the last few years, M.Video-Eldorado Group has become an increasingly important, integral part of the Russian market. As such, we have always kept in mind our social and environmental responsibility, and seek to leverage our expertise and scale to drive positive change both in the industry and globally, with a special focus on our customers, employees and partners.

M.Video’s team has always embraced green, eco-friendly, and ethical business approaches, and has been a vocal advocate for their practical implementation for years. We were the first major retailer in the Russian market to stop using plastic bags, with both M.Video and Eldorado swapping them out for FSC certified paper bags produced in the most environmentally friendly way possible. The proceeds from the sale of our paper bags are partially used to fund forest restoration in Russia. We actively support and promote the transition to energy-saving technologies among our employees, customers, suppliers, and retail partners, while also encouraging the return and recycling of waste. The Company has launched Russia’s first large-scale program for the continuous collection, registration, and disposal of old home appliances, in order to significantly reduce the amount of waste generated by the use of electronics in Russia. Any person can bring their unwanted home appliances and leave them in our store. We will register them into a special system and send them to an appropriate recycling facility. The registration system helps us track the movement of items from stores to recycling facilities, and to make sure that everything our customers have brought to us has been correctly recycled. Approximately one third of our stores were accepting unwanted home appliances at end-2019, and we will continue this project into 2020.

Alexander Tynkovan

*Founder, the Group President
and Chairman of the
Management Board*



Interview with Group CEO Enrique Fernandez

MR FERNANDEZ, WHICH TRENDS HAD THE STRONGEST IMPACT ON M.VIDEO-ELDORADO GROUP'S PERFORMANCE IN 2019?

Online or e-commerce is the key driver of changes in human minds and behavior, in the market and in business models. And this trend only deepens year on year. The boundaries between traditional retail and online sales are blurring or disappearing altogether. More than 70% of the Group's customers use our web-platforms in one way or another when making purchases (learning about products, obtaining other information and placing orders). Online customers, in turn, are becoming more mobile by using devices to shop 24/7 at home, at work, while commuting or directly at store shelves where products are kept.

The Consumer Electronics market in Russia can be defined as mature, but far from saturated. The consumption of home appliances is driven by product replacement and new technologies; some categories like smartphones, wearables, gaming demonstrate solid year-on-year growth. The stable mature market gives leading companies like ours opportunities to fight for customers and increase our market share.

And last but not least, we see the ongoing digital transformation of retail worldwide. New digital platforms and ecosystems are transforming the retail business through the use of more and more digital technologies. You can use "big data" now in order to make faster and better decisions and to get access to a much broader range and a much greater number of customers. Digital data allows technology-driven retailers like us to personalize further their customer value proposition. And the consumer's mindset has changed as well. Customers are getting used to the new level of personalisation, the assortment and variety of choice, that is, full and immediate access to the market.

¹ According to the marketing research "Decision Making Stages of Purchasing CE Products. Customer Experience" conducted by Insight Research and Consulting (LLC "IRC") in 2019 in cities with a population of over 500 thousand inhabitants in key categories of CE (kitchen goods, home goods and TV, Digital).

AND HOW DID M.VIDEO-ELDORADO REACT TO THOSE CHALLENGES AND OPPORTUNITIES?

In 2019, we developed and started implementation of the ONE RETAIL strategy to strengthen the Group’s leadership and its role as the number one destination for all consumer electronics needs in today’s new retail reality where e-commerce sets the rules of the game. The ONE RETAIL strategy represents the next step in the digital transformation of our business, which aims to create a unified customer experience at all points of contact between the Group and its clients – on the website, on the mobile app and in stores – with a truly personalized offer.

Mobile technologies, such as the tailor-made m_RTD solution (smartphone with special application for the sales people in the stores), give us the opportunity to authorize customers in stores just the same way they do it online, which allows us to better understand their needs, make individual proposals and use data analytics for more accurate business processes . This improves our brand recognition, loyalty and, ultimately, provides for sales growth and efficiency.

ONE RETAIL is part of the whole digital transformation of the Group that enables us to use Data Analytics in two major areas: CVM (Customer Value Management), which is about how to remain top of mind for a customer and to personalize all of our relationship with him, and APP (Assortment, Price, Promo) which is the core of our business. The new strategy guides us in how we deliver the smooth transition of the core of our business to a new level of data-driven decision-making.

Certainly we will continue the efficient expansion of our traditional (M.Video and Eldorado brands) and innovative (m_mobile) stores as our key asset and the organic development of websites and mobile applications united in one platform. The store network is a crucial success factor in supporting our growth in the digital ONE RETAIL reality.

ARE YOU SATISFIED WITH THE DEVELOPMENT AND IMPLEMENTATION OF THE M.VIDEO-ELDORADO DUAL BRAND APPROACH IN 2019?

Our business model – one company, one business model, two brands – means that each brand offers customers a differentiated value proposition, in terms of assortment, promotion and services, but we are one legal entity and have joint stock and back-office functions. Both brands are equally important for the Group and complement each other: M.Video secures its role as industry leader and innovation center while Eldorado targets those customer segments where the M.Video brand and formats are less competitive.



The difference between the M.Video and Eldorado approaches is how they sell their product mix. For M.Video, the priority is to create a long-term relationship with customers and build an ecosystem encompassing a loyalty programme, additional services, like warranties, credit payment options and digital content. Eldorado, on the other hand, is more focused on products for everyday needs, quick transactions etc., although we are introducing elements of the ecosystem approach in this network as well.

Operating two of the most recognized national Consumer Electronics retail brands the Group has access to the full market audience and a vast geographic presence in Russia, covering all product segments and categories and selling at all price points. We also enjoy some optimization of our portfolio as we can choose locations, consider alternative types of shopping malls and differentiate our CVP based on customer needs rather than purely because of brand positioning. At the end of the day, you cannot be both a premium player and discounter at the same time with the same brand. But when you own two brands you can afford it.

TO WHAT EXTENT ARE M.VIDEO AND ELDORADO’S PRODUCT LINES DIFFERENT?

The M.Video and Eldorado product lines overlap by about 70-80%, which represents an important element of the combined Supply Chain and logistics system of both brands. The Eldorado brand is still in transition, we have updated the product matrix, focused on the lower price segment and are now establishing the perception of this positioning among customers. We have also added a larger weight of digital products, where we have competitive advantages versus some pure online or telecom players in terms of extra efficiencies in transportation and delivery costs.

The Group became an early adopter of a customer categorization by their needs, rather than by other traditional metrics (age, gender, income etc.) and depending on those needs in each particular situation the same customer may prefer the M.Video or Eldorado brand.

WHY DID THE GROUP LAUNCH A BRAND NEW FORMAT – M_MOBILE AND HOW DID THIS PROJECT EVOLVE IN 2019?

In 2019, the digital products segment showed low single digit growth of +3.2%, according to GfK. However, digital products still represent 63% of the Russian consumer electronics market, and the Group intends to conquer this market.

To win strategic leadership in digital products, the Company has been developing the m_mobile project since 2017. Thanks to our strategic project m_mobile, last year the Group outpaced market growth by 2.5 times, but still sees plenty of room to increase penetration.

The role of m_mobile is to target high-end gadget-savvy audience by providing unique mobile retail expertise and enforcing M.Video’s leadership in mobile devices.

As of the end of 2019, the Group operated 513 m_mobile shop-in-shops and digital zones in all M.Video stores, as well as 19 standalone stores under the m_mobile brand placed in high traffic, premium locations.

The m_mobile format is aimed at consumers interested in high-tech gadgets and a high level of service. All products are on open display, and any device can be held and tested (e.g., listening to music with headphones, measuring quality of a smartphone camera, etc). At the same time, customers can receive personalized expert advice on digital devices and mobile communications.

All 19 m_mobile stores also work as pickup points for small equipment, with customers having the ability to order smartphones, laptops small devices and accessories at mvideo.ru and collect them at the nearest m_mobile store.

HOW DO YOU EVALUATE THE RESULTS OF ELDORADO’S INTEGRATION AND ADAPTATION OF EX-MEDIAMARKT STORES IN GENERAL? DID YOU MANAGE TO ACHIEVE THE TARGETED SYNERGIES?

In 2019, M.Video-Eldorado Group demonstrated steady growth in its key operational and financial metrics, which indicates the timely and effective acquisition of Eldorado and the successful integration of the two companies: we created one legal entity, moved all operations to a single ERP-system and realized all planned synergies.

The merger of the two largest national networks in terms of revenue unlocked unprecedented buying power for a Russian CE retailer; moreover, thanks to the size of operations and dual brand strategy, M.Video-Eldorado Group is able to provide its suppliers with access to the full market through one window – all price points, all customers segments, all regions. Therefore we create huge added value for our vendors. In turn, the ultimate combination of size and access to the full



market allows the Group to obtain an unlimited selection of exclusive and differentiated assortments from suppliers, including access to wholly exclusive brands in the Russian market.

At the same time, thanks to the wider audience coverage, the Group increased its market share in most categories, especially in those digital products that are growing faster than the market: smartphones, laptops and accessories.

In 2019, we also accomplished the full rebranding of the former MediaMarkt stores and thus finalized the integration of the acquired network. As a result, we opened 56 M.Video and Eldorado stores in premium locations. Our business model once again proved its efficiency: ex-MediaMarkt stores rebranded into M.Video and Eldorado demonstrated sales density growth of about 70% in 2019 versus 2017 (before rebranding).

The strategic goal of the acquisition of Eldorado was to create value for consumers and for all Group stakeholders. Fully in line with its integration strategy, the Group reached a new sustainable EBITDA margin level and, in December 2019, paid a special dividend to share with our shareholders our financial success as a result of the completion of integration. Starting from this year and moving forward, management is focused on the top line and market share growth, while keeping the EBITDA margin at the 6%+ level in the mid-term.

It is crucially important that our M&A activities in 2018-2019 created a firm basis for the Group’s further development as an online player and the implementation of our ONE RETAIL strategy, which involves digital transformation of the business and customer experience both on the Internet and in retail, as well as full integration of all channels of engagement with each customer.

M.VIDEO-ELDORADO GROUP MANAGEMENT

THE COMBINED BUSINESS OF M.VIDEO-ELDORADO IS MANAGED BY AN EXPERIENCED TEAM OF TOP MANAGERS. MR. TYNKOVAN AS CHAIRMAN OF THE MANAGEMENT BOARD AND PRESIDENT OF PJSC M.VIDEO OVERSEES STRATEGY AND SUSTAINABILITY ISSUES. MR. FERNANDEZ AS CEO OF LLC MVM IS RESPONSIBLE FOR THE OPERATIONAL MANAGEMENT OF THE GROUP'S ENTIRE BUSINESS.

Key business decisions of the Group's operating companies are made at the level of the executive bodies of PJSC "M.video", in particular, by the Management Board and sole executive bodies of the Company.

As part of the Group's dual brand strategy, the retail business of the M.Video brand is headed by Managing Director Steven Lewis, and Eldorado brand's business is headed by Managing Director Sergey Lee. Managing Directors of both brands report directly to the Group's CEO Enrique Fernandez.

For more information, please see the section "Corporate governance" of this Annual Report.



ALEXANDER TYNKOVAN
President, Chairman of the
Management Board of PJSC M.video

Founder of M.Video. In 1992, he graduated from the Moscow Power Engineering Institute; in 1993, he and his partners opened their first store and created the M.Video brand and company. From 1993 to 2017, he remained the unwavering CEO of the company's growing business. Under Mr. Tynkovan, the company held an IPO in 2007. He has been a member of the Board of Directors of PJSC M.video since 2007. From 2013 to 2017, he was CEO of PJSC M.video. From 2008 to 2015, he was a member of the Supervisory Board of X5 Retail Group N.V. He has been Chairman of the Management Board of PJSC M.video since June 2017 and President of M.Video-Eldorado Group since 2018.



PAVEL BREEV
Member of the Management Board
of PJSC M.video

One of the founders of M.Video Group. In 1986, he graduated from the S. K. Tumansky Moscow Aviation Engine-Building Technical College. He has been a member of the Board of Directors of PJSC M.video since 2006. From 2013 to 2017, he was CEO of LLC M.video Management. He has been an executive director of PJSC M.video since 2013 and a member of the Management Board of PJSC M.video since June 2017. From July 2017 to February 2019, he was a member of the Board of Directors and a member of the Management Board of LLC ELDORADO. He has been Vice President of LLC MVM since August 2017.



BILAN UZHAKHOV
Chief Executive Officer, member
of the Management Board of PJSC M.video

In 2010 Mr. Uzhakhov graduated from Hamburg university and in 2012 from the Russian – from Russian economic university named after Plekhanov, in 2015 – National research university of the “Higher School of Economics”, in 2017 he graduated from the corporate university of Sberbank together with London Business School. From 2010 to 2012 he was working in the JSC “Oil Company “RussNeft” being responsible for capital markets and credit department. From 2012 to 2013 he was Deputy General director for finance of JSC “Russian coal”. From 2013 to 2017 he was General Director of the JSC “Russian coal”. Since 2017 he has been a Member of the Management Board of the PJSC “M.video”, serving 2017 till 2019 as a Member of the Board of LLC ELDORADO, and since 2017 as a member of the Board of Directors of PJSC “M.video” and General director of LLC “M.video Management” and General Director of PJSC “M.video”. Also in 2018-2019 he served as General Director of LLC ELDORADO and member of the Management.



ENRIQUE FERNANDEZ
Chief Executive Officer of M.Video-Eldorado
Group, member of the Management Board
of PJSC M.video

Mr. Fernandez has more than 20 years of experience in the consumer electronics market in both manufacturing companies and in retail companies in Europe and the Russian CE Market

Before moving to the retail consumer electronics industry, he held sales and marketing positions at Whirlpool Europe. From 2003 to 2007, Mr. Fernandez held various management positions at Media-Saturn Holding GmbH. In his last position at Media-Saturn Holding, he was responsible for procurement for the MediaMarkt and Saturn brands. From 2007 to 2009, he served as Vice President for Procurement for Eldorado. Mr. Fernandez joined M.Video in 2009 as a commercial director, and he became CEO of the company in 2016. Following the merger of M.Video and Eldorado in 2018, Mr. Fernandez became the CEO of M.Video-Eldorado Group.

Mr. Fernandez has a University Degree in Economics from the University of Zaragoza and MBA ICADE from the University of Comillas. He also took executive programs such as Advanced Management Program (IESE/ Harvard Business School), Value Creation Through Effective Boards (IESE/Harvard Business School), Board Membership Program (Deloitte/Spencer Stuart).



EKATERINA SOKOLOVA
Chief Financial Officer, member
of the Management Board of PJSC M.video

Ms Sokolova has 20 years of experience in finance. She began her career at Deloitte, where she spent eight years working in various departments. In 2004, she moved to TNK-BP during the merger of TNK and BP, where she headed up the financial service for the retail business. After six years, she became the head of the finance function for the processing and trading unit. As a result of TNK-BP’s merger with Rosneft, Ms Sokolova took a similar position in 2013 as the head of finance for the processing and trading unit. She joined M.Video in 2016 as finance director. She holds an MBA from California State University, ACCA (Association of Chartered Certified Accountants) professional certification, as well as certificates of participation in INSEAD programmes in France and Singapore and at the Kellogg School of Management in the United States. She is currently the Chief Financial Officer of M.Video-Eldorado Group.



STEVE LEWIS
Managing Director of M.Video
(till February, 2020)

Mr. Lewis has been working in the field of electronics and household appliances for more than 18 years; he spent more than 15 years working for Britain’s largest retail chain, Dixons International, including as director of retail sales from 1997 to 2001. He was also operations director for the British companies Woolworths and Entertainment UK. Mr. Lewis is a graduate of the Wharton School at the University of Pennsylvania (USA). He joined M.Video in 2010 as retail sales director; he has been the Managing Director of M.Video since 2018 till 2020.



DAGMARA IVANOVA
Managing Director of M.Video brand

Ms. Ivanova graduated from the faculty of mechanics and mathematics at Moscow State University in 2002. She has over 20 years of work experience in the consumer and retail sector. Ms Ivanova served as marketing director at several leading Russian and foreign companies, such as X5 Retail Group, CentrObuv, ORKLA (Norway). Prior to joining M.Video-Eldorado Group in 2019, Dagmara served as senior vice-president at Svyaznoy-Euroset (before 2018 – commercial director at Svyaznoy) where she was responsible for strategic planning, operations of over 5,000 retail stores with headcount exceeding 25,000 employees, marketing, category management and procurement, e-commerce, logistics, financial services and HR. In the middle of 2019 she joined M.Video as Deputy Managing Director and in February 2020 Ms.Ivanova was appointed as Managing Director of M.Video brand.



MARCIN TOKARZ
Retail Operations Support Director

Marcin Tokarz graduated from Cracow University of Economics with a degree in strategic marketing in 1998. Marcin started his retail career at Carrefour (Poland) as a Mass Merchandise Sales Director. In 2002-2010 he held various managerial positions at such food retail companies as X5 Retail Group (“Karusel”), Mosmart, RegionMart etc. In 2009-2014 he headed the development of CentrObuv, serving initially as Commercial Director, then as CEO for Russia, Poland and Ukraine. In 2014-2016 he was a Managing Director of Karusel hypermarkets in Russia. Before joining M.Video-Eldorado Group, Marcin served as General Director of OBI in Russia and Kazakhstan for three years. Mr. Tokarz was appointed as Retail Operations Support Director of M.Video-Eldorado Group in February 2020.



SERGEY LI
Managing Director of Eldorado

Mr. Li has held managerial positions in household appliances and consumer electronics companies for over 15 years. Before moving to Eldorado, he worked as director of the Consumer Electronics Division of M.Video. From 2004 to 2008, he held the positions of manager and executive director of Eldorado and Sulpak (Kazakhstan); from 2001 to 2004, he was responsible for business development at the Philips Consumer Electronics Export representative office in Russia. He graduated from the Moscow Technical University of Communications and Informatics. On 1 January 2018, Mr. Li was appointed Managing Director of Eldorado, where he is responsible for operational management of the company, retail and marketing, and customer service.



OLEG MURAVIEV
Commercial Director

Mr. Muraviev has 21 years of experience in the area of consumer electronics and digital equipment. He came to M.video in 2009 as the head of the Audio-Video Division; he has been the head of the Commercial Division since 2016. He previously held various management positions at LG Electronics Rus (LG representative office in Russia) and BSH Hausgeräte (the Bosch/Siemens representative office in Russia). Mr. Muraviev has expertise in the areas of management and marketing, with higher degrees in two specialisations: the first in management (MAMI) and the second in marketing (MIRBIS). In 2005, he also received an MBA in marketing (MIRBIS).



IRINA IVANOVA
Chief Operating Officer

From 1996 to 2006, Ms Ivanova was the Supply Chain Manager for the Ice Cream & Food Division of Nestle in Russia. From 2004 to 2005, she was the project manager for the implementation of best global practices in building and managing business processes for the Nestle production association in Russia, and also for the unified information system for manufacturing enterprises and business units. In 2006, she joined M.Video as a project director in order to establish the supply chain function; in 2008, she became the head of the Supply Management, Distribution and Logistics Division. She became responsible for the Information Technologies and Projects Divisions in 2014 and later for the Administrative and Business Division as well. She was appointed Chief Operating Officer of M.Video in 2015. In 2017, she led the transformation involved in the merger of M.Video and Eldorado. Ms Ivanova is currently the Chief Operating Officer of M.Video-Eldorado Group. She holds an Executive MBA from the State University of Management and certificates from the INSEAD business school for the Leading Digital Transformation and Innovation programme and the Artificial Intelligence for Business programme.



IRINA DEMENTIEVA
Head of the Supply, Distribution and Logistics Department

Ms Dementieva has been working for M.Video since 1996. She has extensive experience in various areas of distribution and logistics: strategic modelling, warehousing and transport logistics, customs clearance and import, fulfilment of online sales, as well as procurement and inventory management. For the last four years, she has been the head of Supply, Distribution and Logistics at M.Video, and she has been in charge of this function in the consolidated M.Video-Eldorado Group since 2018. Ms Dementieva is among the top three logistics and supply chain directors in her segment, according to the Top 1,000 Russian Managers rating by the Russian Managers Association. She holds an Executive MBA from the Moscow School of Management SKOLKOVO.



NATALYA MALEEVA
Human Resources Director

Natalya Maleeva’s professional experience counts more than 20 years of HR-managment in leading foreign and Russian companies. Natalya graduated from Moscow State University with a degree in Psychology, is a Candidate of Psychological Sciences and has a university degree in economics. She received an MBA degree from Thunderbird School of Global Management. In 2017, Natalia studied at the Skolkovo Moscow School of Management (“Managing a Company in the Context of Digital Transformation”), has a certificate from INSEAD Business School for the Leading Digital Transformation Program. Natalia’s professional career began at Troika Dialog, one of the leading Russian investment companies. Subsequently, Natalya led the personnel management divisions in a number of large Russian and international corporations, including Mary Kay, Provident Financial PLC and IFD Kapital. Prior to joining M.Video in 2010 as a Director of Human Resources, Natalya led the work of the Human Resources Department at Detsky Mir. Since 2018, she has been heading the combined HR function of the M.Video-Eldorado Group.



VALERIY SIMANOV
Group Retail Expansion Officer

Mr. Simanov graduated from the Riga Higher Military Aviation Engineering School and completed postgraduate studies at the N.E. Zhukovsky Air Force Engineering Academy. He holds a PhD in Technical Sciences. In 2003, he graduated from the Russian Presidential Academy of National Economy and Public Administration (Russian-German Higher School of Management) with a specialisation in economics and enterprise management. He holds an MBA. He has 21 years of experience in retail. He started his career at Sportmaster as a store manager, and then worked as the retail manager at Pan sportsmen and as the sales director at Tvoe. In 2006, he moved to M.Video as the regional expansion director for Siberia before later becoming the Operating Director for Expansion. He has been the Retail Expansion Director for M.Video-Eldorado Group since 2018.



ANDREY GUBANOV
Managing Director of m_mobile

Mr. Gubanov has more than 20 years of experience in digital electronics sales. From 2004 to 2006, as the Business Development Director, he headed the Computer Hardware Department at R&K. From 2006 to 2009, he held the positions of Computer Hardware Director and Commercial Director for Digital Equipment at Eldorado. In 2009, he joined the M.Video team as head of the Digital Equipment Department, and he was responsible for the procurement and promotion of the company's entire range of digital equipment. In 2016, as director of the digital stream, he headed up an m_mobile project focused on sales of smartphones and other digital equipment within M.Video. Sales in the company's digital categories have increased at twice the market rate in the last year. In 2018, M.Video-Eldorado Group began developing stand-alone stores under the m_mobile brand, spinning off the project as a separate retail line headed by Mr. Gubanov as Managing Director. Since 2019 Mr. Gubanov is also responsible for B2B sales of the Group. He graduated from the Moscow Engineering Physics Institute with a degree in experimental nuclear physics and from the Russian Presidential Academy of National Economy and Public Administration with a degree in marketing management. He holds an Executive MBA from IE Business School, one of the world's leading business schools.



ALEXEY SUKHOV
Corporate and Legal Relations Director

Mr. Sukhov graduated from the Peoples' Friendship University of Russia with a degree in law, and he has an LLM degree. He began his professional career at Transmashholding, a leader in the Russian transport engineering market. His professional activities have included numerous mergers and acquisitions, including JSC Metrovagonmash, PJSC Luganskteplovoy (Ukraine), JSC REZ (Latvia), JSC Lisichanskaya soda (Ukraine), LLC Russian Coal-Kuzbass, LLC ELDORADO and others. Since 2008, Mr. Sukhov has headed up various departments in the companies of Safmar Group; since February 2011, he has been the Deputy CEO for Corporate and Property Relations of JSC Russian Coal. In May 2017, he became Vice President for Corporate and Legal Relations of Eldorado. Since 2018, he has been the head of the Corporate and Legal Relations Division of M.Video-Eldorado Group.



DENIS GOLYSHEV
Security Director

In 1996, Mr. Golyshev graduated from the Institute of the Federal Security Service of Russia; in 2003, from the Academy of the Federal Security Service of Russia; and, in 2008, from the Russian Civil Service Academy under the President of the Russian Federation. From 1994 to 2009, he served in the Federal Security Service of Russia. He is a lieutenant-colonel in the reserves. From 2009 to 2016, he worked in senior positions at KIN Group, where he oversaw the safety of production and commercial processes, as well as the security of tangible and intangible assets. In 2017, he was appointed Deputy CEO of Eldorado, and he has been the Security Director for M.Video-Eldorado Group since 2018.

MARKET REVIEW¹

Macroeconomic Environment

IN 2019, THE RUSSIAN MACRO-ECONOMIC SITUATION DEVELOPED IN RELATIVELY FAVOURABLE CONDITIONS. THE STRENGTHENING OF THE RUSSIAN ROUBLE AND THE INCREASED OIL PRICE INCREASED THE STABILITY OF THE DOMESTIC ECONOMY WHILE RUSSIAN CONSUMER SENTIMENT ABOUT THE LATEST TECHNOLOGY AND INNOVATIVE LIFESTYLE SOLUTIONS REMAINED IN PLACE.

The following key macroeconomic trends in Russia impacted the Group’s business in 2019:

- Strengthening of the RUB against the USD by 11%
- Minor slowdown of consumer inflation to 3.8%
- The increase in VAT from 18% to 20% as of 1 January 2019 which resulted in increased vendor prices and, as a result, a slight increase of retailer prices
- A reduction in real wages in connection with falling income from bank deposits and increased tax and loan payments.

In 2019, the Central Bank of Russia consistently reduced interest rates. At the same time, in 2019 banks started to tighten the terms of their consumer loans, which resulted in a slowdown of loan financed purchases. However, growth of consumer lending in 2019 was still at the double-digit level of 13% according to GfK and is expected to stay stable. Meanwhile the increased indebtedness of consumers negatively impacted the spending on Consumer Electronics, especially spending on high discretionary items.

KEY MACROECONOMIC PERFORMANCE INDICATORS IN 2019²



1 The "Market Review" section has been prepared based on the data of the Company and GfK, unless otherwise noted

2 Source: Ministry of Economic Development of the Russian Federation, Federal State Statistics Service, Central Bank of the Russian Federation

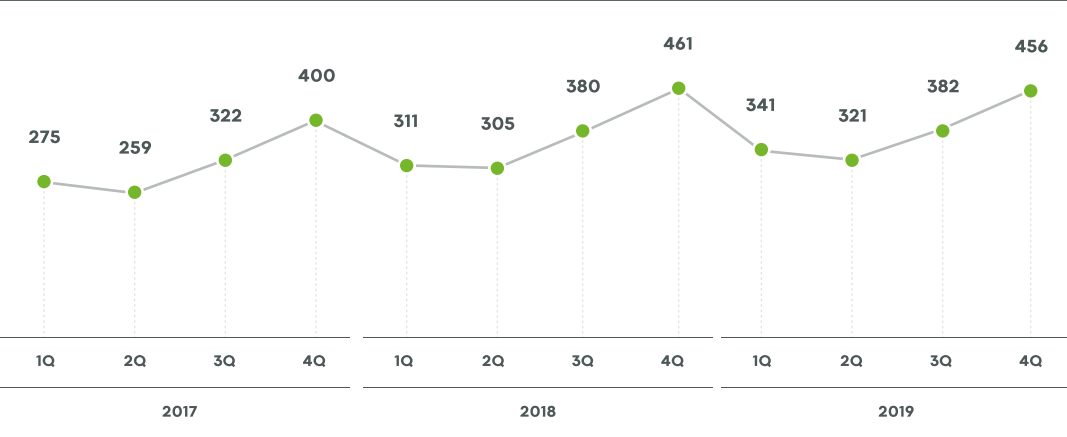
Consumer Electronics Market in 2019: Moderate Growth

The Consumer Electronics market in Russia recorded 1.5 RUB trillion of sales in 2019.

The key segments of consumer electronics sales include:

- Telecom products (smart/mobile phones, core wearables, accessories, etc.)
 - Small domestic appliances (kitchen, home and personal care products)
 - Major domestic appliances (fridges, cookers, washing machines, etc.)
 - IT/office (mobile pcs, desk pc, printers, etc.)
 - Consumer electronics/photo (audio, video and photo products).
- Due to the relatively stable economic situation, the Consumer Electronics market has continued its growth in 2019, however growth rates have started to decrease due to market maturity, more neutral consumer sentiment and the already high base of 2018. The market continues to be driven by the 8% growth of Smartphones. The revenue growth for the rest of the market was driven primarily by new product and innovative segments, such as Core Wearables, Hot Beverage Makers, new product segments in SDA product groups, rather than from existing product lines.

CE market quarterly dynamics 2017-2019
GfK source, bn ₺



1.5 **TN ₺**
The CE market sales in Russia in 2019.

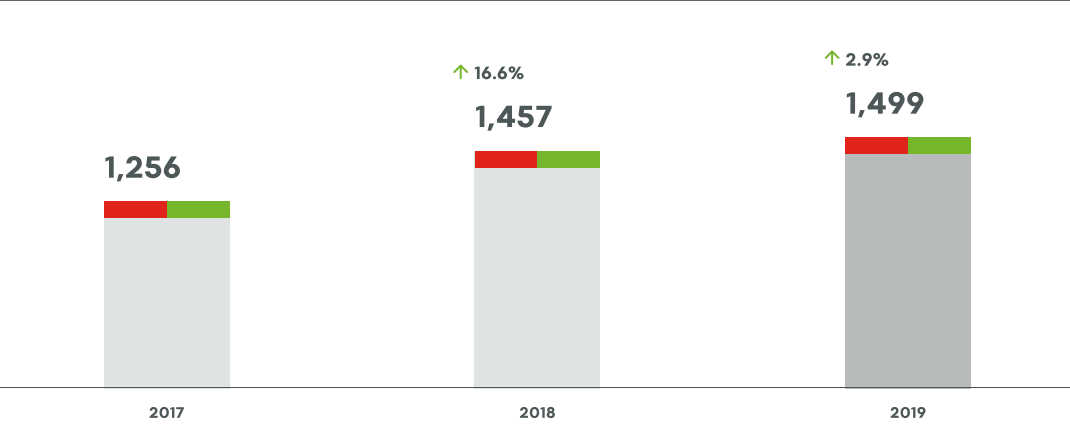
In 2019 prices have remained at about the same level as in 2018 as a result of the stronger Ruble, higher oil prices and a more stable economic situation in Russia. In 2019 the market had more stable dynamics with 0.4% growth in units and 2.5% growth of average prices, which resulted in the overall growth of 2.9% in Rubles.

One of the reasons for the growth in premium price classes is a consumer switch to more innovative higher performance products, such as 4K (UHD) TVs, Smartphones with bigger screens, MDA products with higher capacity, Robot Vacuum Cleaners etc.

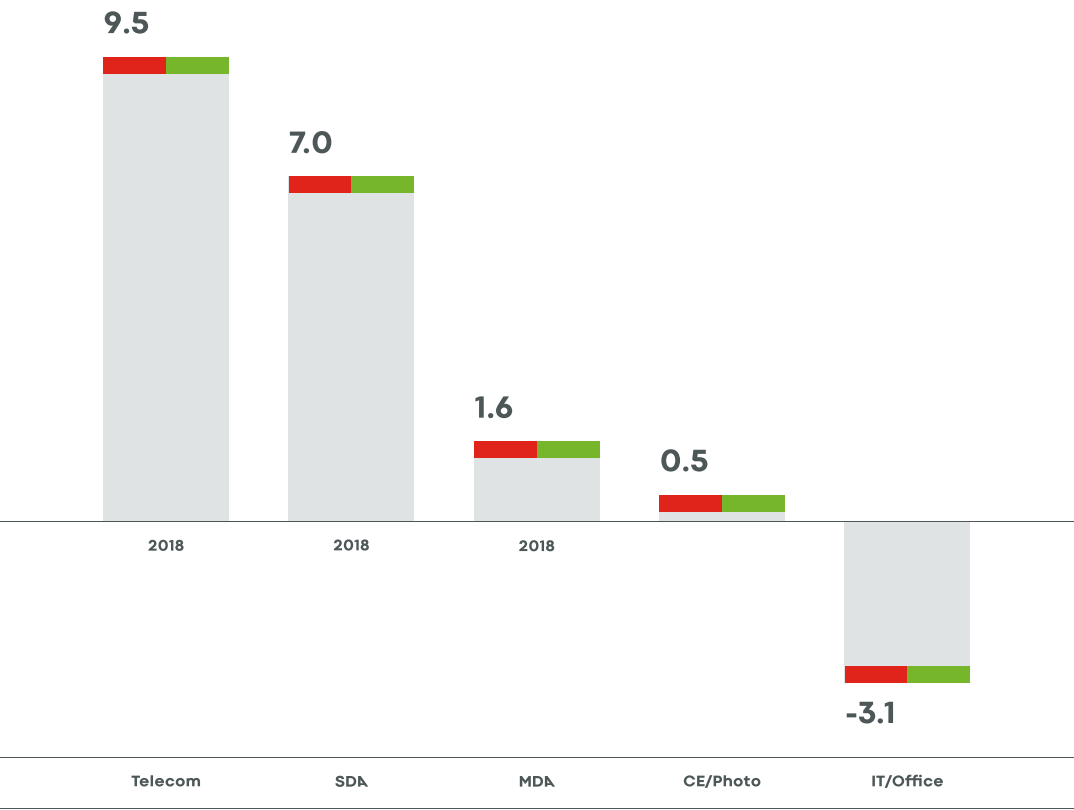
Promo events have started to lower seasonality with more shoppers making purchases during the promo events instead of waiting till the New Year holiday peak season. Due to the high availability of promo campaigns, growth of Internet and changes in consumer attitudes, consumers prefer to purchase products at the moment of need.

The Telecom sector has been the growth driver for the whole market for the last years. Telecom is already contributing to 40% of consumer expenditures on CE products and in the future it is expected that its share will continue to grow.

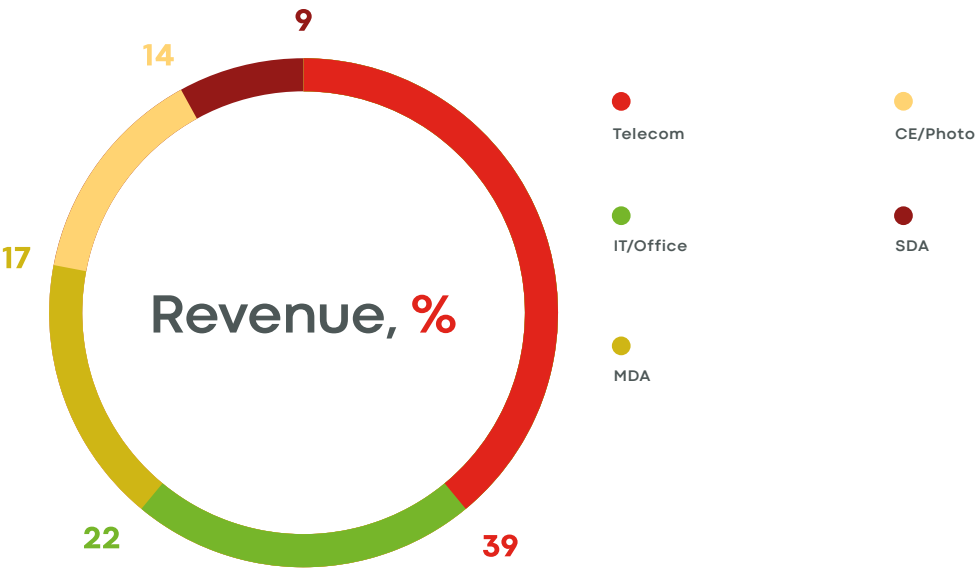
CE market annual dynamics in 2017-2019
GfK source, bn ₺



CE market dynamics in 2019 by key sectors
y-o-y, GfK source, %



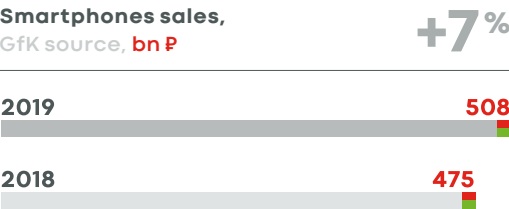
CE market revenue distribution by key sectors in 2019
GfK source, %



Telecom

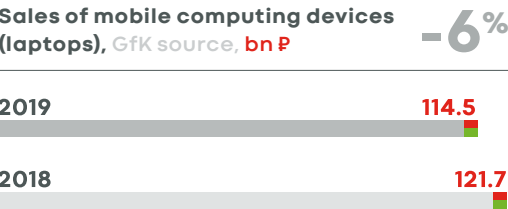
+10%
SALES GROWTH
OF TELECOM MARKET
BY VALUE, Y-O-Y

+4%
SALES GROWTH
OF TELECOM MARKET
BY VALUE, Y-O-Y



The most attractive sector within the whole CE market, with sales growth of 10% by value and 4% by volume, y-o-y. The biggest share within the Telecom sector belongs to smartphones, however, the most rapidly growing product group is Wearables (Smartwatches, Fitness Trackers, etc.)

In line with a consumer trend of high interest in personal devices, decreasing average price and increased activity of Chinese and Russian (Jet, Elari, etc.) producers in the market, who provide more affordable devices, the Wearables product group is expected to be the most rapidly growing product group within the Telecom sector in the future.



The Wireless technology sector continues to grow for all devices such as Headphones, Wearables, Mobile Enhance. Smartphones with wireless charging in December 2019 already had a market share of 43.4% by value.

Consumer penetration of smartphones is already high, and the majority of sales are usually replacement of previous versions of smartphones than first-time purchases. While Apple and Samsung are still the market leaders, Chinese brands such as Huawei/Honor, Xiaomi, Oppo/Vivo continue to win customers by providing devices with good performance at lower prices

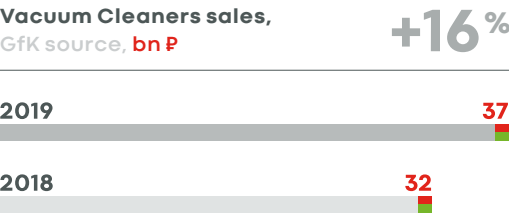
Small Domestic Appliances (SDA)

+7%

SALES GROWTH OF SDA
BY VALUE, Y-O-Y

+1.8%

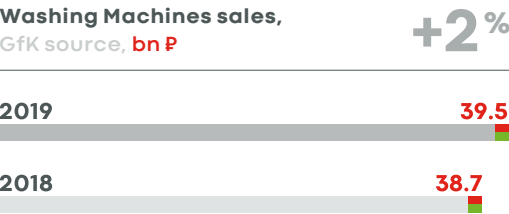
SALES GROWTH OF MDA
BY VALUE, Y-O-Y



SDA sector is the second-best performing sector with sales growth of 7% by value (2019 to 2018). The sector is driven by innovative product groups and innovative segments such as Handstick and robot Vacuum Cleaners, Hot Beverage Makers, Dental Care, etc.

In the nearest future, the market trend towards higher sales for personal care and lifestyle product groups will be maintained.

Major Domestic Appliances (MDA)

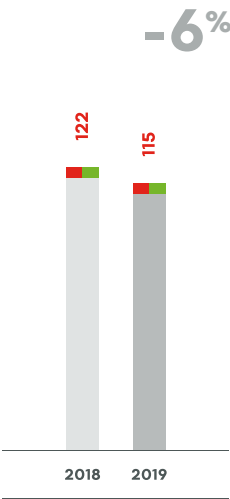


In 2019, the sector has demonstrated growth of 1.8% in value terms and slightly negative performance in units (-1%). High product group penetration and an accelerated product life cycle lead to the market maturity of the MDA sector. However, if for traditional product groups, such as Fridges, Washing Machines, Microwave Ovens, the penetration is already high, relatively innovative product groups, such as Built In Hobs, Air Conditioners, Dishwashers still have less than 30% penetration with higher penetration among households in Moscow vs. other regions. Therefore, it is expected that these groups will have very constant demand in the future and the importance of these product groups within the MDA portfolio will increase.

The sector is driven by models with technical characteristics providing better performance: Built In, higher capacity (Fridges, Washing Machines), new innovative features.

IT/Office Equipment

Sales of notebooks
GfK source, bn ₺



In line with the global performance, the IT sector in Russia has started to decline due to market maturity and cannibalization from Telecom product groups. In 2019, the market has recorded changes of -3% in sales value and -1% in sales of units (2019 to 2018). The back to school season is producing a lower spike in sales and this trend is expected to continue in the future.

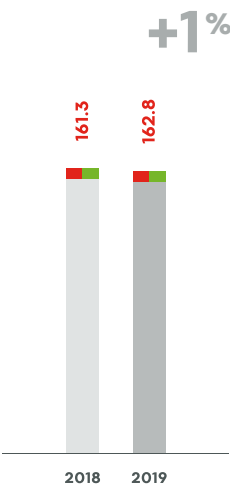
The market is already relatively mature with 70% of households already having a Mobile PC, Desk PC or Tablet at home. Therefore, if a consumer buys such products, it is more for the replacement of old products. Additionally,

the cannibalization from other product groups, such as Smartphones cannot be underestimated. At the current moment, the average Smartphone can perform most of the same functions as a Mobile PC or Desk PC with respect to the needs of the average consumer.

From the other side, the importance of devices that offer functionality that other devices cannot provide is increasing. The best performing segments within the IT/OE sector are Gaming products and technical features that represent better performance, such as Full HD and higher resolution, SSD, processors with higher operational capacities etc.

Consumer Electronics/Photo

Flat & Plasma TV sets sales,
GfK source, bn ₺



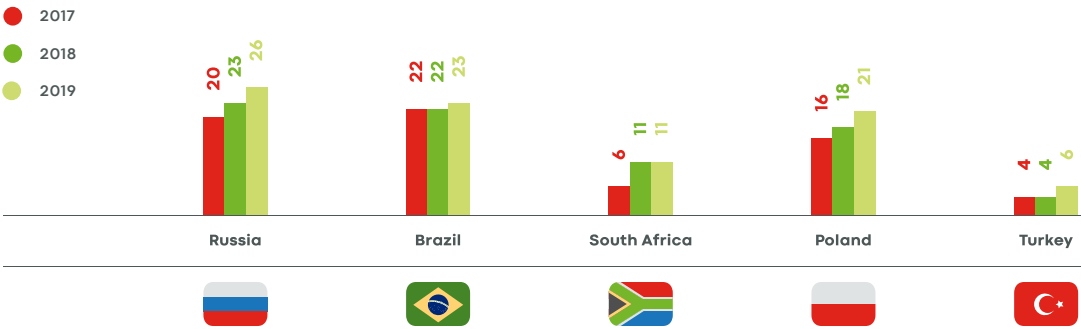
The sector demonstrated market growth of +1% in value and +3% in units. Over 74% of sales were Panel TVs.

2019 for Russia was marked as a year of the switch from Analog to Digital TV due to the Russian Government's earlier regulations. The switch to Digital TV was imposed in all regions of Russia in different periods within a year. The older versions of TV sets did not support the new format and had to be upgraded or to be used with DVBT receivers. As a result, the market was driven by demand for smaller and often C-Brand TV sets (as a replacement for old TVs that did not support the new Digital format). Since the sales of TVs were spread out across the year and the Black Friday period, there was a lower than usual demand for TVs during the New Year holiday season.

In terms of technologies, 4K technology is slowly attaining popularity, partially due to a decreased price tag for this technology. Also, voice assistant technology is becoming popular and one of the most rapidly growing product groups within the CE/Photo sector in 2019 was smart mini speakers with voice assistant technology.

Online Sales Development: the Leading Edge

CE online sales penetration by countries 2017-2019,
GfK source, %



ONLINE SALES CONTINUED TO DEVELOP WITH HIGHER GROWTH RATES THAN TRADITIONAL SALES IN 2019 AND HAD A SALES GROWTH RATE OF 20% BY VALUE VS -2% GROWTH RATE OF SALES IN PHYSICAL STORES.

32%
OF RUSSIAN CONSUMERS
USED ONLINE CHANNELS
TO SEARCH FOR
INFORMATION ON GOODS
AND TECHNOLOGIES

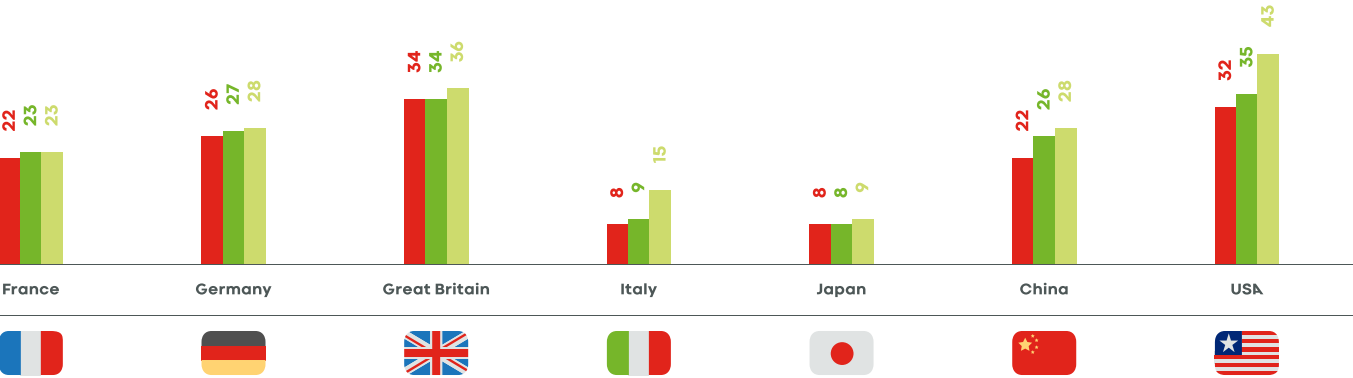
Online sales contributed to 26% of CE Total Sales in 2019 with the highest share in the IT/OE sector and a relatively low share in Telecom due to the nature of the sector since a smartphone is a high involvement product, so, the majority of consumers prefer to come to the offline store to check the product.

In 2019, 32% of people used online channels only for information search (as compared to 30% in 2018), decreasing the share of people who used the offline channel only. It is worth mentioning that the share of people who used both channels for information search (or omni-channel) remains at the same level (24%).

At the same time, the share of people, who search for information in-store and purchase online is increasing from 7% to 15%, while the share of those who search for information online, but purchase in-store is decreasing from 66% to 50%. Therefore, there is still a high number of people who use online channels just for information search, but still prefer to come to the store for the actual product purchase.

If for some categories, the customer can easily search and purchase the products online only, for others touching and feeling the product cannot be underestimated. The offline touchpoints are still very important for consumers, with the highest importance for high discretionary products, such as MDA products, when half of the respondents who purchased the products online prefer to come to an offline store to touch and feel them.

+20% CE online sales growth, y-o-y
26% Online sales share of CE total sales



While being in-store, the consumers continue to search for information about the products, and instore information is not enough for them. They use smartphones to collect more information about the product characteristics and prices with 16% of respondents claiming that they have used smartphones for information search while being in-store and half of the respondents used it for comparing prices. That is why it is important to use all the means to keep the customers using in-store staff, offering additional benefits, creating additional value, i.e. implementing unified strategies such as ONE RETAIL to create the “seamless experience” for consumers.

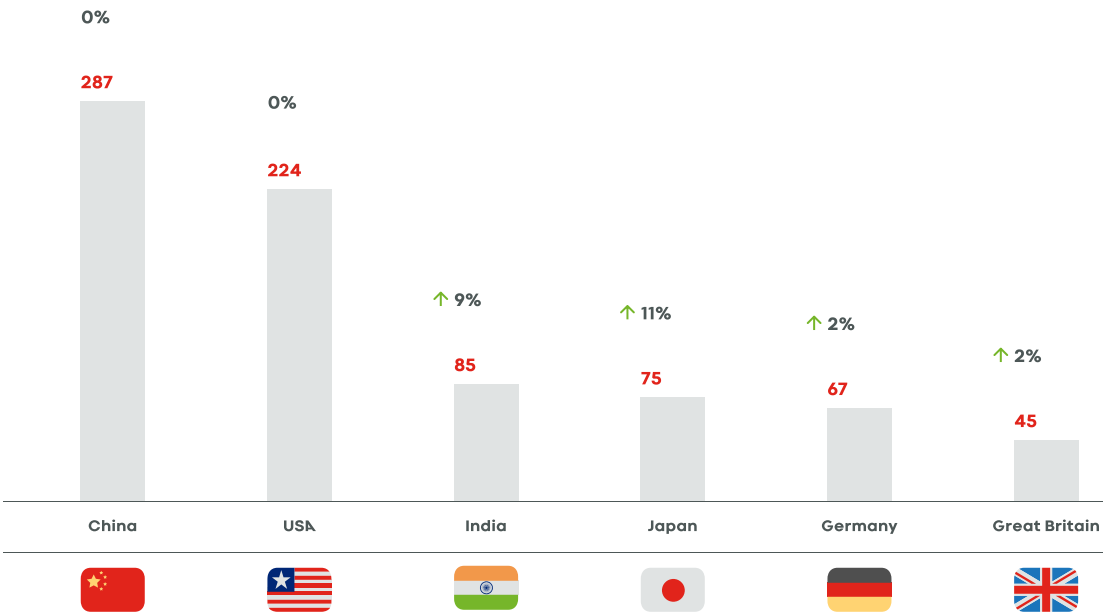
Online sales are expanding everywhere however, the share of online sales differs by country globally. As an example, the online sales share in the Western world is at the level of 30-40%. At the same time, online sales in South Africa, Turkey, Italy and Japan are below 20%. This phenomenon can be explained by cultural differences, wide distribution of traditional stores and cautious consumer attitudes towards the use of credit card payments. The Russian market fits in the middle with the share of online sales at the level of 26%, according to GfK.

Additionally, the positive in-store experience is key to the competitive advantage of physical retail. Despite the convenience of shopping online and lower prices, some of the customers’ needs, such as seeing, touching, testing the products can be met only by visiting the store. The ONE RETAIL model and in-store digitalization of customer experience are the keys for long term success.

50%
OF CUSTOMERS SEARCH
FOR INFORMATION ONLINE,
BUT PURCHASE IN-STORE

Competition and Global Outlook

2019 global CE market in value terms by countries, GfK source, USD bn; y-o-y, %

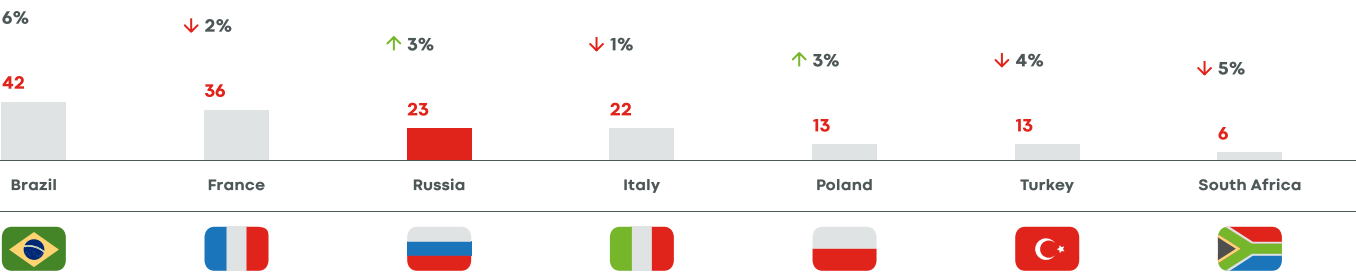


THE CONSUMER ELECTRONICS RETAIL LANDSCAPE IN RUSSIA IS COMPETITIVE WITH SEVERAL PLAYERS IN THE INDUSTRY OF LEADERSHIP QUALITY. AT THE SAME TIME, THE LEVEL OF CONSOLIDATION IS QUITE HIGH WITH THE TOP 10 RETAILERS COMPRISING ALMOST 70% OF THE LOCAL MARKET.

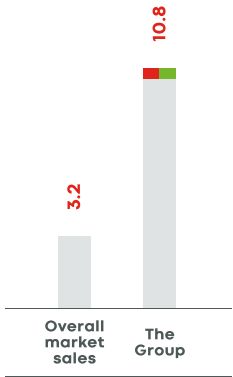
+17 %
THE GROUP SMARTPHONES SALES BY VALUE, Y-O-Y

The global Consumer Electronics market is generally flat in most of the developed economies due to its deep maturity and flat markets in both China and the USA have a significant impact on the global performance. In 2020 the global market for Consumer Electronics is expected to show slightly more positive dynamics with 2.5% sales growth by value, according to GfK.

In 2019, M.Video-Eldorado Group continued to outperform the Russian Consumer Electronics market and improved its leading positions in the best-selling categories and the fastest growing online sector:



Sales growth in digital segment in 2019, %



- M.Video-Eldorado's total market share at the end of the year stood at 25.9%, up from 25.6% at the end of 2018, according to GfK
- M.Video-Eldorado boosted its total online sales in 2019 to the ever highest total, 144 billion Rubles, while the growth of the Group's online business, +70% more than three times outpaced the +20% increase of the online channel in the market
- 33% of the Group's top line comes from online, indicating the Company's successful transformation from omni-channel to the ONE RETAIL model
- The Group secured its position as Russia's largest public e-commerce retailer and the largest online player in the electronics and appliances category both by the volume of online sales and by the number of online purchases
- The Telecom segment remained one of the key consumer electronics market drivers. M.Video-Eldorado Group smartphones sales were up by 17% YoY in value terms in 2019, above the market dynamics
- Overall, in digital products: mobile technology, home office, entertainment & photo/video the Group sales grew 10.8% while the market gained 3.2% in 2019 y-o-y.

STRATEGY & BUSINESS MODEL



The Group's technology solutions enable customers to make a virtually seamless transition between online and offline in the selection and purchase process. Uniform prices, assortment, services, authorization and personal offers allow our customers to complete the transaction in any convenient way. Nowadays the classical approach classifying sales by channels – stores and web – does not reflect anymore either all possible scenarios of clients' behavior, or business processes of the companies which have successfully implemented omni-model and are evolving further. The approach of M.Video-Eldorado Group shows the new business-model inspired by the opportunities and technologies of the digital world – ONE RETAIL. We combine the best form online and offline to make simple and comfortable shopping experience for our customer. We authorize our customers through any touch-point, whether it is a website, a customer's mobile application, or a mobile device of a shop assistant (RTD or Real Time Dealing). The higher the share of authorized users, the more the company knows about its customers, communicates with them more successfully and conducts business more efficiently.

The strategy of development of two competing brands within one Group allows us to get access to the widest possible audience. M.Video continues to focus on innovation and premium technologies, accompanying them with the best service on the market. In turn, Eldorado, as an attacking brand, relies on accessibility, available product range and simple promotional mechanics.

Alexander Tynkovan

PJSC M.Video President

THE GROUP'S STRATEGY: GROWTH AND DIGITALIZATION BASED ON BUSINESS EFFICIENCY OF TWO LEADING RETAIL BRANDS



We put customer at heart of all our decisions and while progressing further with the ONE RETAIL approach we will bring together a full scope of information on the consumer's behaviour and aspirations available from our web, mobile app and stores.

We get unique inputs for creating a convenient environment and personalized proposals for each customer. ONE RETAIL allows us to offer the best service to customers and increase sales through individual offers and business processes built on Data Analytics and we will proceed with the digital transformation of our business to secure future growth and efficiency gains.

The developed online platform enhanced by additional advantages of our stores, such as delivery within 15-30 minutes, the ability to test any equipment before buying, fast exchange, allow the Group to grow faster than the market and increase its market share. Already now, our clients use both the Internet-store, shops, and the mobile applications for purchases.

As part of ONE RETAIL concept, we will continue to further integrate all points of contact with customers – website, mobile app, loyalty program, contact center and mobile RTD to be top of the mind for our loyal clients and create a completely seamless customer journey.

Enrique Fernandez

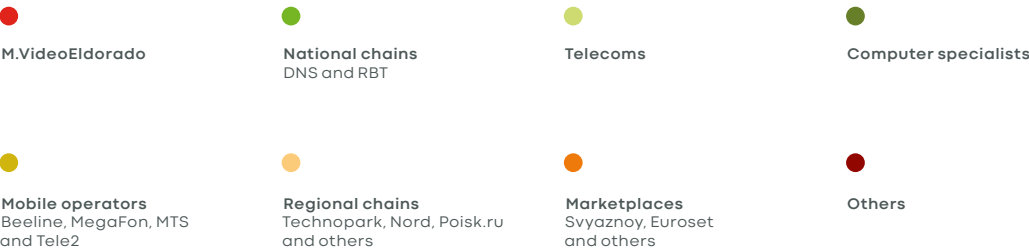
M.Video-Eldorado Group Chief Executive Officer

M.VIDEO-ELDORADO GROUP DEMONSTRATED A STEADY GROWTH OF ITS MAJOR FINANCIAL AND OPERATIONAL METRICS IN 2019, WHICH INDICATE THE TIMELY AND EFFECTIVE ACCESSION OF ELDORADO AND THE SUCCESSFUL INTEGRATION OF THE TWO COMPANIES.

Both M.Video and Eldorado, even taking into account the conservative market development in 2019, continued to grow and have further progress potential due to the unique business model that combines the best in online and offline retail.

What is the foundation on which we build our growth strategy? The Group is an undisputed market leader with c. 26% market share in Consumer Electronics and the major online-retailer in CE market, with high level of awareness and trust among consumers for both brands.

Russia CE total market, %



Russia CE online market, %



>30^m
CLIENTS IN EACH BRAND

26%
MARKET SHARE
IN CONSUMER
ELECTRONICS IN RUSSIA

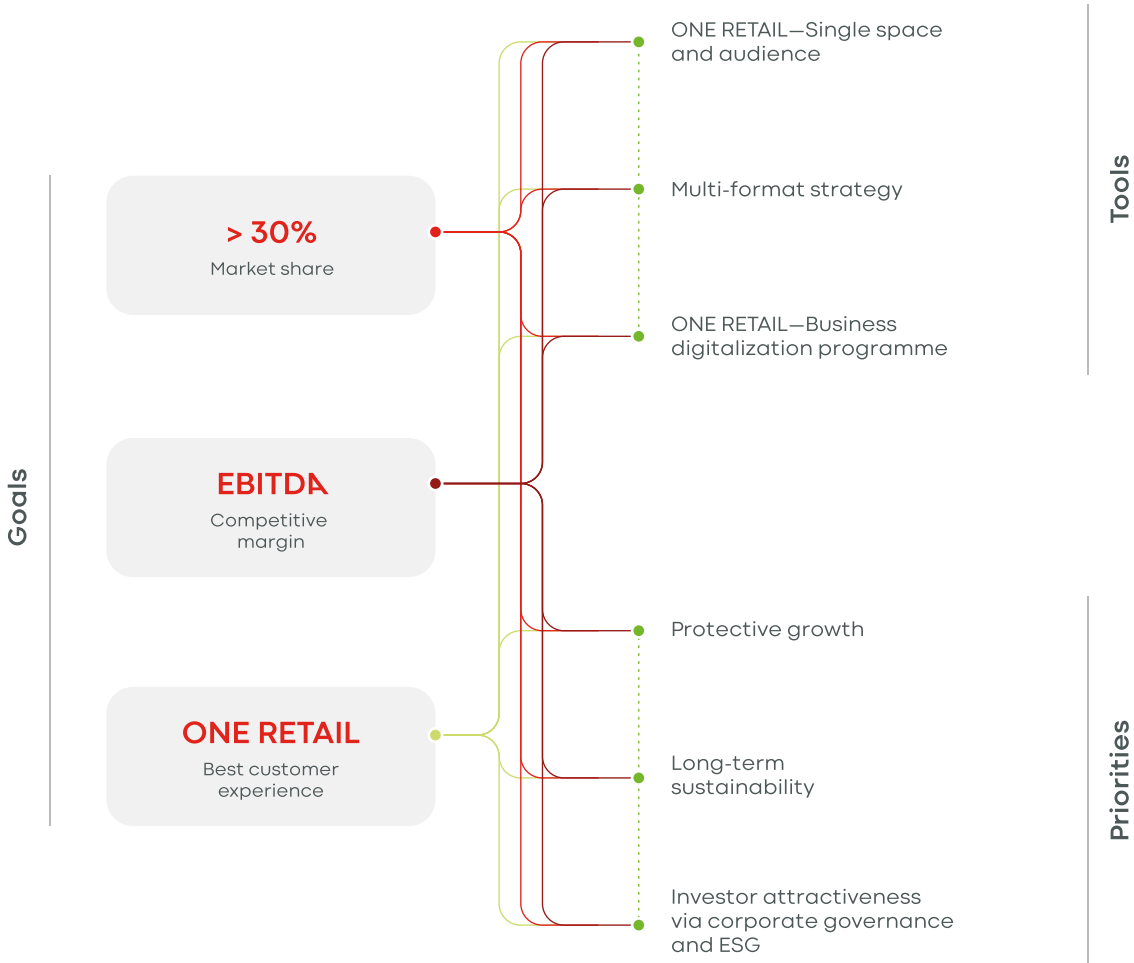
1 According to MP Analytics.
2 According to Company data.

We have the best physical Consumer Electronics stores in Russia with 84% NPS for M.Video and 67% for Eldorado¹. We are a number one player in the Russian CE market with 26% share and a leader in the Russian CE online market with 31% share. Our in-house expertise encompasses massive data on the consumer behaviour: history of purchases and contacts available for over 30 mn clients in each brand. We have a strong commercial model and relationships with suppliers, including unique terms and exclusive assortment in our stores. And last but not least: we have a stable and effective financial backbone of our business (competitive EBITDA margin) to support our strategic initiatives and innovations.

The Group's Strategy to 2022 describes the objectives regarding its market positioning and competitive advantages. In the period leading up to the end of 2022, the Group intends to deliver on the following strategic objectives:

- Maintaining a competitive EBITDA margin
- Achieving a market share above 30%
- Providing the best customer experience in the consumer electronics market by implementing the ONE RETAIL concept.

STRATEGIC OBJECTIVES, TOOLS AND PRIORITIES



1 — 1 — 2



One company

In February 2019, the Group completed the legal incorporation of the M.Video and Eldorado businesses. We carried out the centralization of key commercial functions, as well as all support functions, while maintaining two independent retail chains that were still competing.

One business model

In 2019, the Group brought both brands under one business model in order to implement uniform standards for procurement, distribution and logistics management, cost control and efficiency.

Two brands

The Group is the only retailer in Russia’s consumer electronics market with a portfolio that includes two leading brands. The strategy to develop the two M.Video and Eldorado brands ensures the Group’s presence in all market segments and regions across Russia. Both brands are competing successfully in traditional retail and online, ensuring an expanding customer base and full realization of economies of scale.



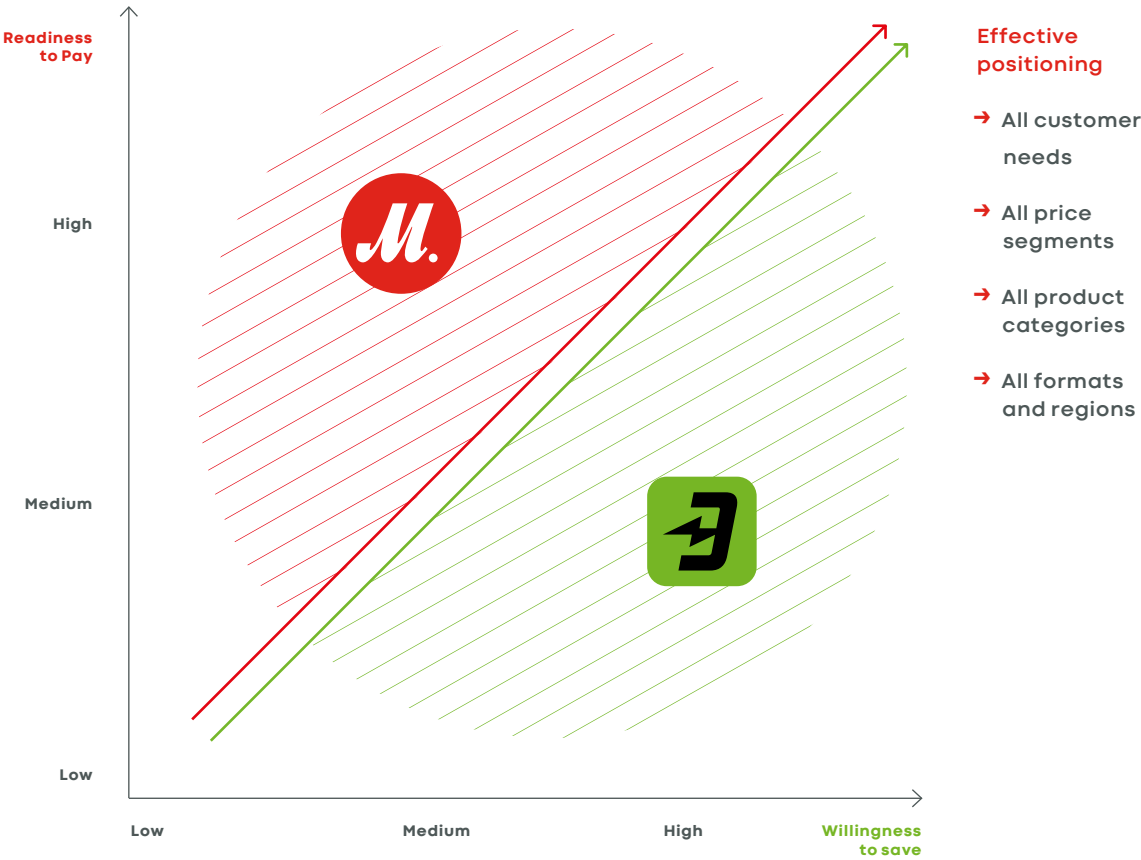
Multi-Format Advantage

FOR MORE THAN 25 YEARS, M.VIDEO GREW SUCCESSFULLY AS THE LEADING BRAND IN THE MIDDLE AND PREMIUM CUSTOMER SEGMENTS, ALTHOUGH ITS PRESENCE IN THE LOW-END MARKET SEGMENT WAS LIMITED.

The M.Video stores concept and business model works efficiently in the cities and big towns, while the small towns were beyond reach. The acquisition of Eldorado created an opportunity for the Group to achieve full

geographic coverage in Russia and gain access to the widest-possible customer base, as well as to all store formats in all segments ranging from mass market to premium.

Maximising customer coverage and minimizing cannibalization via distinctive dual brand strategy



Strategic role of the M.Video and Eldorado brands



M.Video is the core brand of the Group and the most well-known and trusted consumer electronic retail brand with market leadership in home appliances, digital and gaming aiming to keep growing its market share through continued expansion, providing best assortment in middle and premium market price segments, enhancing customer experience through digitalization, eco-system and providing the best ONE RETAIL proposition. Profitability remains a key priority for M.Video.



m_mobile stores is a sub-brand of M.Video which is setting trends in digital equipment retail. Stores provide premium service in the best locations and the best offers using a “price plus value” formula for mobile devices. The network is a leader in the distribution of new products in the field of mobile devices, gadgets and accessories, while providing qualified, independent and personalised sales assistance. The new m_mobile sales points can be found in high-end, high-traffic locations and are managed cross-functionally within the framework of the M.Video business structure.



Eldorado is to become a leading consumer electronics promo driven aggressive brand with expertise in Digital. It will be a tactical brand in the Group with a cost efficient model, providing budget-led customers with the best new product offers and basic service, here and now, in a simple convenient and OMNI-channel way in local stores. Operating efficiency is supported by tight control over operating costs.

BOTH BRANDS ADHERE TO STATE-OF-THE-ART BUSINESS PRACTICES BY COMBINING ALL ADVANTAGES OF THE PHYSICAL PRESENCE AND ONLINE UNIVERSE AND OFFERING CUSTOMERS A SEAMLESS TRANSITION BETWEEN THE WEB AND THE STORE, AS WELL AS UNIFORM PRICES, PRODUCT LINES AND SERVICES. THE GROUP LINKS THE FUTURE OF ITS BUSINESS WITH THE ONE RETAIL APPROACH — THE FURTHER INTERACTION OF ONLINE AND OFFLINE CUSTOMER EXPERIENCE, THE PERSONALIZATION OF OFFERS AND THE DEVELOPMENT OF PROCUREMENT MANAGEMENT, LOGISTICS AND MARKETING BASED ON DATA ANALYTICS AND MOBILE TECHNOLOGIES.

Dual-brand strategy: full market coverage and audience

	<i>M.Video</i>	<i>ЭЛЬДОРАДО.RU</i>
Target audience	<ul style="list-style-type: none">• Medium and premium price segments• Willingness to pay for an outstanding customer experience• High value of technology and quality of service	<ul style="list-style-type: none">• Mass market and medium price segments• Desire to save• Optimum price-to-quality ratio• Simplicity and proximity to the customer
Network and store format	<ul style="list-style-type: none">• Large cities• First-class location, key shopping centres• Large stores with a premium design	<ul style="list-style-type: none">• Cities with populations above 50,000• Class B shopping centres (or Class A next to M.Video), neighbourhood stores• Simple design, Eldorado 600 format
Average check ¹	RUB 8,492	RUB 6,048
Service offer and customer loyalty	<ul style="list-style-type: none">• Long-term relationships and an ecosystem approach• Realization of full product potential• Successful long-term loyalty programme	<ul style="list-style-type: none">• Simple services at a base cost• Attractive short-term offers
Strategic projects	<ul style="list-style-type: none">• Real Time Dealing (m_RTD)• m_mobile• Customer 360° project	<ul style="list-style-type: none">• Completing a restart of the business model — transition to an omnichannel model• Consumer lending via a credit broker• Eldorado 600 format

¹ Average check (including VAT) as at the end of 2019

Positioning the Group’s brands

THE COMBINATION OF THE HIGHLY RECOGNIZABLE M.VIDEO AND ELDORADO BRANDS IN THE GROUP’S PORTFOLIO INVOLVES A DETAILED ELABORATION OF THE POSITIONING AND RETAIL FORMATS FOR EACH OF THE NETWORKS.

The two brands are located on opposite ends of the spectrum of consumer spending attitudes and represent both sides of consumers’ approach to the use of technology. Such positioning creates maximum coverage of the market audience, with a partial overlap in the medium price segment, and ensures long-term business success. It supports a natural flow of customers from one brand to another as consumers’ incomes and personal preferences grow and evolve.

M.Video is continuing its traditions and fulfilling its mission “to be the best place for people and consumer electronics to come together”. M.Video focuses on state-of-the-art products

and technology, leading consumer brands and services that create value and simplify customers’ lives. M.Video customers look to invest in a high quality of life with the support of technology and consider the brand to be a reliable place for an advanced customer experience.

Eldorado concentrates on lower price segments and relatively affordable product lines. The focus on successful purchases and the best deals in specific categories “here and now” attracts customers who attach high value to product price, as well as those who want to take advantage of state-of-the-art technologies and control their spending.

Group’s business model evolution under ONE RETAIL concept development

ON THE BACK OF TECHNOLOGICAL DEVELOPMENT AND THE EMERGENCE OF NEW GENERATIONS OF CONSUMERS, THE GROUP IS CONSTANTLY TRANSFORMING ITS OPERATING MODEL IN ORDER TO STRENGTHEN ITS COMPETITIVE ADVANTAGES.

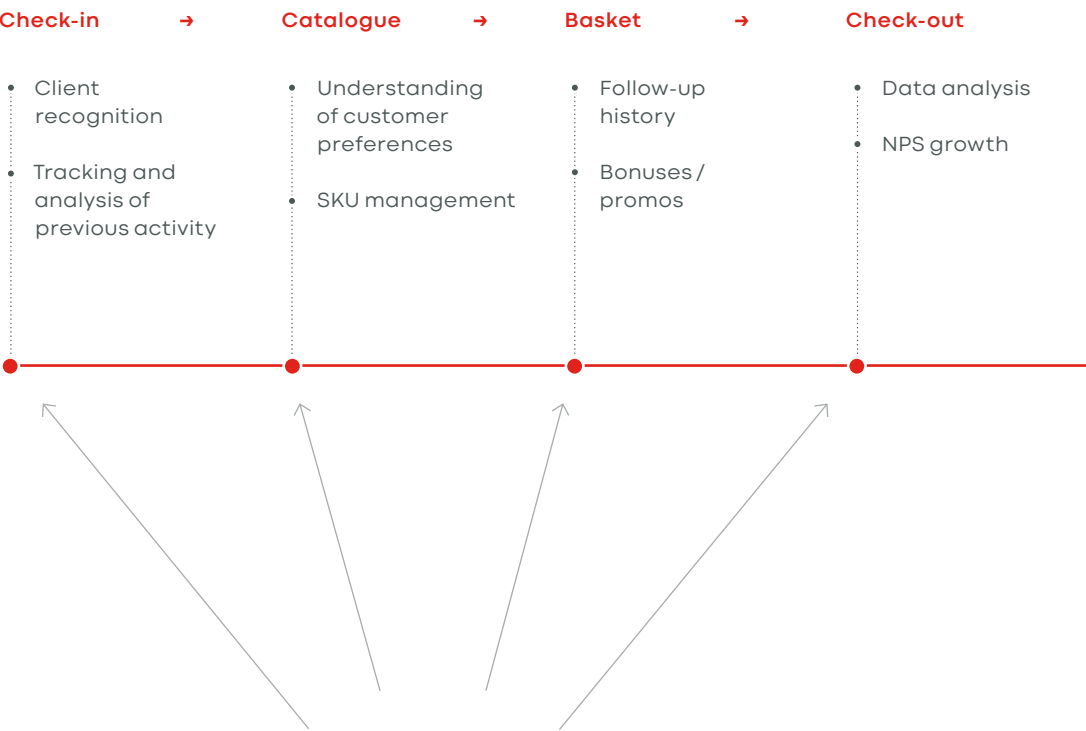
Over the course of ten years, we have gone from a traditional chain of stores in a single format with a popular website to one of Russia’s largest online retailers operating as a modern, multi-format retail network with two leading retail brands. Today, the Group is developing as an innovative digital company that is creating a uniform customer experience at all points of interaction with the consumer. The One Retail concept represents the next step in the digital transformation of our business, which aims to create a unified and unique experience for buying consumer electronics at all points of contact between the Group and the customer.

Modern shopping is moving to the smartphone. Clients will be able to check in, choose products, form their basket and check out from any place (at home, at work, on the road or right at the shelf in the store) for buying consumer electronics at all points of contact between the Group and the customers.

The Company believes that ONE Retail is a game changing business model able to provide the same best-in-class customer experience across all contact-points with our clients, including stores. Uniform prices, assortment, services, authorization and personal offers enable our customers to complete transactions in any way that is convenient. This means that the classical approach of categorizing sales by channels no longer reflects all possible scenarios of client behavior, nor does it illustrate the business processes of companies that have successfully implemented omni-channel models and are evolving further.

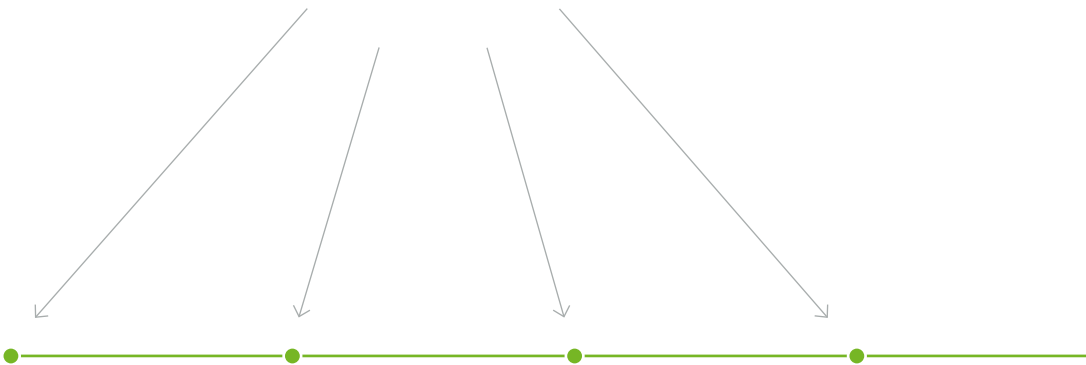
The approach of M.Video-Eldorado Group shows the real impact of online business, as it records customers authorized through any channel, whether a website, a mobile application or a mobile device of a shop assistant. The higher the share of authorized users, the more the company knows about its customers, communicates with them much more successfully and conducts business more efficiently.

Company



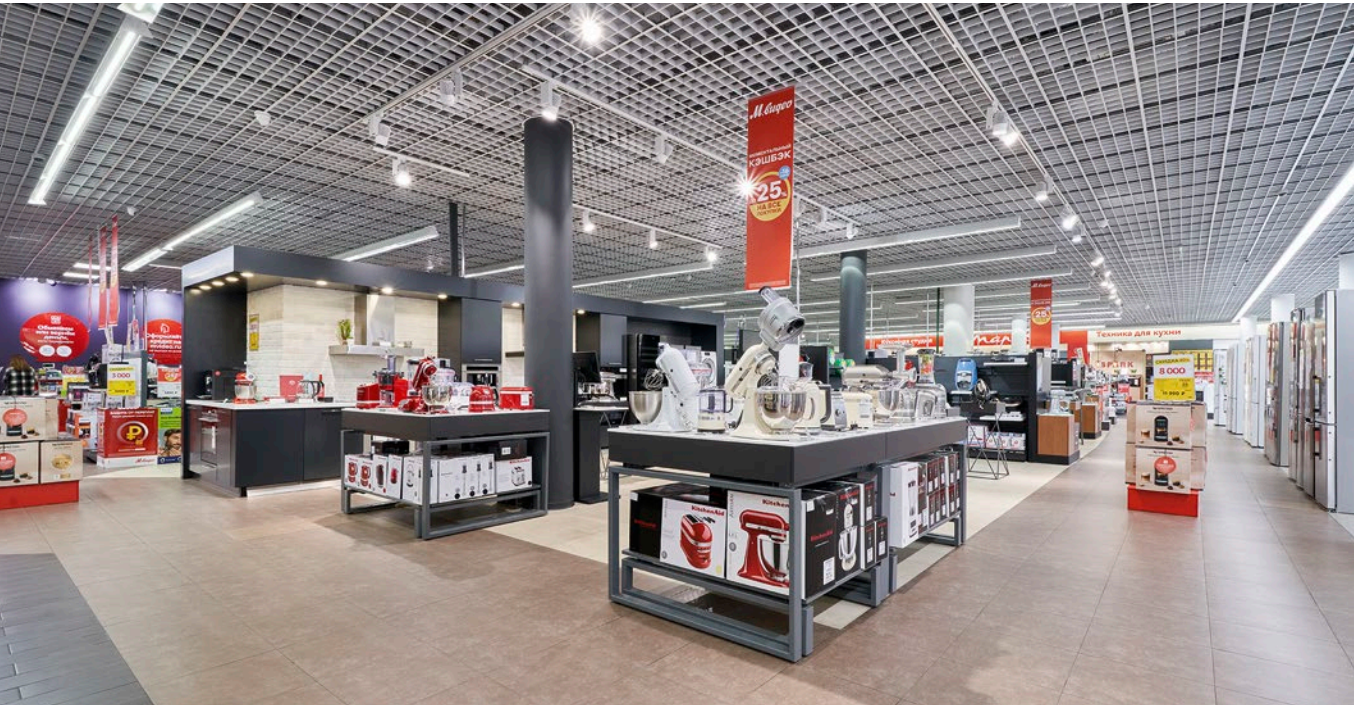
ONE RETAIL

A game changing strategy



Customer

- Personalized experience
- Loyalty program
- Endless shelf
- Personalized price
- Dynamic pricing
- Pre-selected purchase history
- Seamless transaction
- Data storage



Front-office digitalization

OUR PRIORITY IS TO CREATE A BETTER AND MORE CONSISTENT CUSTOMER EXPERIENCE ACROSS ALL SALES CHANNELS.

In 2017, M.Video launched the m_RTD project, whereby sales staff in stores began serving clients using smartphones equipped with software in order to provide personalization and digitalization of customer experience¹. Thereby we offer customers **a level of service that is unique in the Russian market**. More than 90% of customers in Russian CE market use store while making a choice or closing a deal. m_RTD tool gives M.Video the unique opportunity to authorise customers in stores just the same way customers do it themselves online. After check-in the customer gets access to personal service and offers and may get the best offer meeting his needs. At the same time, the Group gets more information about customers' behaviour in stores, their preferences to enrich corporate's data, make business-processes more efficient and customers' offers more relevant.

In 2020-2021, M.Video's key projects in the digitalisation of customer interaction will be the further improvements of mobile apps and web sites for both brands, an upgrade of the CRM system and Customer 360° project, which foresees the creation of a single customer vision in all points of contact with the Company.

Ongoing customization of customer experience and client service is one of the cornerstones of ONE RETAIL concept. In this regard, the Company aims to centralize all necessary data about customers in order to offer them individually selected products and services at all stages of their contact with us as a seller.



Digitalization of back-office processes

The Group plans to carry out the following initiatives in order to optimize internal processes:

- Development of transaction support processes, including the introduction of advanced automation tools and the use of robots
- Implementation of an approach to develop further in-house data analysis and machine learning capabilities, smart services based on predictive algorithms, etc.
- Introduction and development of a digital workplace – a technology that supports employee mobility and the availability of IT services in any place and on any device
- Upgrade of the existing Front Office – Back Office interface, a bridge from cash registers in stores to the back office

ESG Strategy

As the largest player in the Russian market, and one of the biggest companies in its sector globally, the Group sees its strategic priority as building a long-term sustainable organisation focused on its customers, employees and partners. The company strives to integrate social initiatives into everything it does, aiming to combine profitable growth and sustainable development ensuring the creation

of long-term value for all stakeholders of M.Video-Eldorado Group.

In 2019, the Mission for joint M.Video-Eldorado Group was defined, which is "Filling the world with technology, we give people the time and inspiration. we are creating the future that we will be proud of."²

¹ Please see "Shopping Experience" section, p.122.
² Please see "Sustainable Development" section, p.238.

RISK MANAGEMENT

IN ADDRESSING ISSUES RELATED TO VALUE CREATION FOR SHAREHOLDERS, THE GROUP HAS TO MAKE MANAGEMENT DECISIONS THAT TAKE INTO ACCOUNT DIVERGENT FACTORS THAT COULD HAVE EITHER A POSITIVE OR NEGATIVE IMPACT ON THE ACHIEVEMENT OF ITS GOALS.

One way of reducing the uncertainty caused by such factors is to increase awareness on the part of the Group’s shareholders, executives and employees of those factors that can affect the achievement of goals and to assess the potential damage they can cause.

The objectives of the risk management process are to identify, in a timely manner, all material risks; to assess the likelihood of the occurrence of such risks, as well as the materiality and consequences should they occur; and to create systems and take measures that minimise the negative and maximise the positive impact of the occurrence of such risks.

Risk Management System

Within the M.Video-Eldorado Group, risk management is centralised at the level of the holding company, PJSC M.Video, and is governed by the Company’s Risk Management Policy. The objectives of this policy are to introduce and maintain an effective risk management system (RMS) that is commensurate to the scale and complexity of the Company’s business and that facilitates the achievement of key corporate objectives.

As part of the strategic management of the Company, the RMS involves a comprehensive set of measures and interrelated processes aimed at:

- development of risk management as a constant cyclical process within the range of corporate management activities;
- integration of risk management principles and instruments into the Company’s routine ongoing processes;
- development of risk management as a key management competency;
- development of risk management as an integral part of the Company’s corporate culture and all its business processes.



THE RISK MANAGEMENT SYSTEM CONSISTS OF EIGHT INTERRELATED ELEMENTS

INTERNAL ENVIRONMENT

Every employee should understand the importance of risk management. Risk-based approaches should be developed and applied to all of the Company’s activities.

GOAL SETTING

The existence of a system of benchmarks to identify the Company’s risks, i.e. threats to achieving its goals, and opportunities for further development.

RISK IDENTIFICATION

The Company ensures that there are effective and impactful procedures in place to identify internal and external events that could affect the achievement of the Company’s goals.

RISK ASSESSMENT

The Company develops risk assessment criteria in terms of the likelihood, potential damage and controllability of such risks in order to rank them on the basis of these criteria and to allocate resources.

RISK RESPONSE

Company executives are responsible for developing action plans aimed at reducing identified risks to an acceptable level or for responding to risks in other prudent ways.

MONITORING PROCEDURES

The Company approves the processes and procedures that ensure oversight of the proper and timely implementation of risk management plans.

INFORMATION ABOUT RISKS

Channels for exchanging risk-related information are designed to ensure the completeness, timeliness and accuracy of this information; that above information is disclosed to the necessary individuals; that it is provided in the best-possible form and with suitable content; and that it meets requirements for data privacy and provides adequate feedback.

MONITORING AND LEARNING

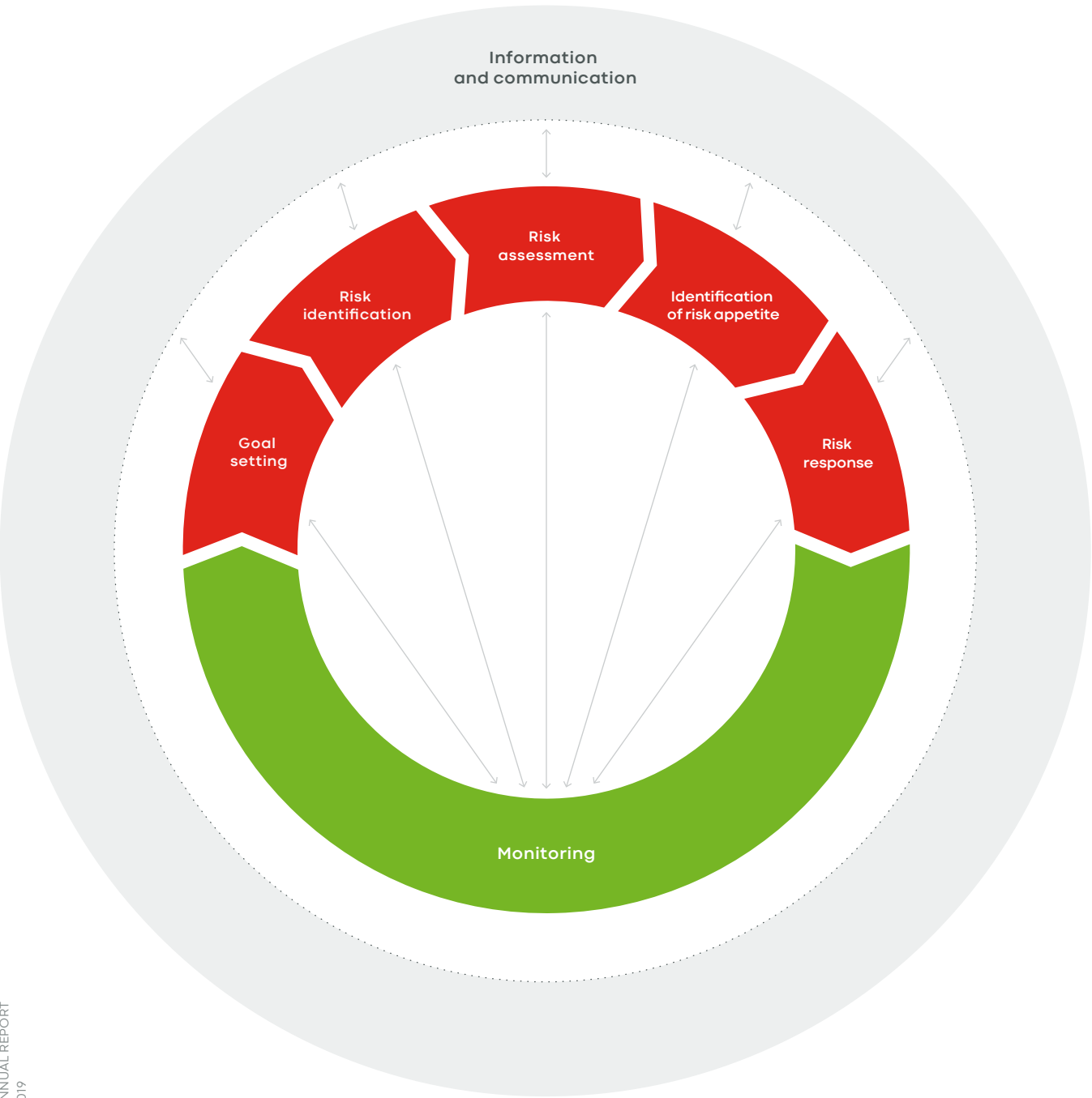
Monitoring the effectiveness of the RMS is carried out in the course of day-to-day management activities, as well as through reporting to the Board of Directors Audit Committee, through audits by internal and external auditors, and through training in risk management, etc.

Risk management system

	Stages of risk management	Board of Directors	Senior management	Internal Control and Risk Management Department	Internal audit
1	Internal environment (philosophy and risk management policy)	Corporate governance and ethical values.	Leadership role in the Company, creating a positive internal environment. Establishment of corporate values at the level of senior management.	Organisation and coordination of the structure of the RMS. Methodology for risk assessment and for determining risk appetite and the acceptable risk level in individual functional areas.	Promoting the ideas behind the RMS. Consulting support. Assessment of the methods for determining risk appetite and the acceptable risk level.
2	Goal setting	Setting strategic goals and developing a plan to achieve them.	Establishing objectives in the framework of achieving strategic goals. Breakdown of strategic goals into operational equivalents.	Analysis of operational goals for conformity to the strategy. Analysis of key performance indicators (KPIs) for their consistency with operational goals.	Audit of strategic goals, analysis of operational goals for compliance with the strategy (within the framework of the plan).
3	Identification of potential events and risks	Approval of the risk register.	Identification of risks at the level of setting strategic goals and their breakdown into operational equivalents. Identification of risks in key processes.	Risk identification methodology. Analysis of impact factors, key processes, key risk indicators and thresholds. Maintaining the risk register.	Assessment of the risk identification methodology at the stage of annual planning and during individual audits.
4	Risk assessment	Approval of assessment results. Approval of the risk map and risk appetite.	Risk assessment. Determination of the Company's risk appetite.	Risk assessment methodology. Determination and analysis of the assessment methodology. Maintaining the risk register and risk matrix.	Risk assessment at the stage of annual planning and during individual audits.
5	Risk response	Approval of risk responses (avoidance, transfer, reduction, acceptance).	Identification of risk responses.	Analysis of a response in terms of compliance with the relevant risk assessment and acceptable risk levels. Cost-benefit analysis.	Assessment of the risk response methodology and its application during audits.
6	Internal control system (ICS) and control procedures	Approval of a risk management action plan.	Documenting the implementation of control procedures. Keeping the ICS up to date. Determination of a risk management action plan.	Formulation of activities or consultation on their formulation. Analysis of the adequacy of the selected activities and monitoring their implementation. Development of an assessment methodology/approach and assessment of the ICS.	Analysis of the adequacy of selected activities and their implementation during audits. Recommendations for improvement of the ICS.
7	Information and communication	Obtaining information about the most significant risks and measures taken by management in relation to such risks.	Cooperation procedures in the framework of the RMS. Establishing and maintaining communication channels.	Cooperation within the framework of the RMS at all levels of the hierarchy and between all Company divisions.	Preparation of independent reporting on the performance of the RMS.
8	Monitoringng	Knowledge of the extent to which senior management has implemented effective risk management within the Company.	Establishment of ongoing monitoring in the course of ordinary management activities (for example, KPI analysis, plan/actual, etc.).	Monitoring and verification. Preparation of reports on the performance of risk management. Implementation of measures to improve risk management. Monitoring the implementation of measures. Preparation of reports on the internal control and risk management system.	Assessment of the RMS process. Monitoring the implementation of measures.

RISK MANAGEMENT PROCESS

THE COMPANY’S RISK MANAGEMENT PROCESS IS CYCLICAL AND CONTINUOUS; IT COVERS ALL OF THE COMPANY’S BUSINESS PROCESSES AND PROJECTS.



For the purposes of building an effective RMS, the Company divides all risks into the following categories:

- **Strategic risks** – risks that affect the Company’s strategic long-term goals and its activities, namely issues related to the performance of corporate governance, political risks, natural risks, risks related to legislative changes or changes in the consumer market, etc.
- **Operational risks** – events in the Company’s business processes that are unregulated, that are caused by internal and external factors and that result in operational losses. This group also includes risks related to the preparation of financial statements.
- **Financial risks** – risks that could potentially have a negative impact in terms of managing the Company’s finances. Financial risks include credit, interest-rate, currency and liquidity risks, etc.

In assessing its risks, the Company performs both qualitative and quantitative assessments. Within the assessment system, each risk is given a score and is categorised as a low, medium or high risk. Depending on the risk category, elimination and/or mitigation measures should be taken. For low risks, action must be taken within 12 months after an assessment; for medium risks, within six to nine months after an assessment; and for high risks, within six months of a risk assessment.

Key risks

Risk		Description	Risk rating In 2018	Change in risk assessment in 2019	Risk rating in 2019
Strategic risks					
1	Negative macroeconomic situation	Risk of new economic sanctions, increase in interest rates, slowdown of consumption	11	no	11
2	Loss of supplier and pressure on commercial margin	Risk of the closure of major suppliers in Russia	7	yes	6
3	Change in the competitive environment and loss of market share	Risk of the strengthening of major competitors, the entry of new online players, alliances, parallel import legalization, cross-border trade	9	No	9
4	Loss of reputation	Risk of negative feedbacks in traditional/social media, loss of customer loyalty, decrease in investor interest and confidence in the Company	6	No	6
5	Force majeure	Risk of fire at a store or warehouse, loss or theft of goods at transportation	8	No	8
6	Violation of antimonopoly, advertising and other legislation	Risk of violation of antimonopoly legislation in commercial purchases/retail pricing	4	Yes	6
7	E-commerce project risk	Risk of increased competition in online sales on the part of both domestic and international players	8	No	8
8	Risk of legislation changes in Russia	Risk of food-retail Trade regulation extension	new	new	6
9	Risk of IT Architecture inefficiency	Risk of failure to meet the requirements after implementation and update of IT systems	new	new	9

Risk Heat Map



Risk		Description	Risk rating In 2018	Change in risk assessment in 2019	Risk rating in 2019
Operational risks					
10	Supply chain failure	Risk of key logistics provider or operator failure	6	Yes	4
11	Failure of IT systems	Risk of the inaccessibility of critical IT services used in daily operations	7	Yes	8
12	Loss of inventory	Risk of inaccuracy of inventory records, fraud	5	No	5
13	Risk of increased staff turnover	Risk of the loss of the most competent staff, including those with unique knowledge about the Company	5	Yes	6
14	Health, Safety and Environment risk	Risk of non-compliance with OHS standards, risk of store closure	5	Yes	7
15	Risk of data leakage	Risk of leakage of clients' personal data, theft of loyalty points and/or confidential data	8	No	8
Financial risks					
16	Liquidity risk	Risk of lack of liquidity due to high leverage	6	Yes	8
17	Exchange risk	Risk related to changes in exchange rates	4	Yes	3
18	Risk of ineffective internal control	Risk of failure in segregation of duties and weak internal control system	4	Yes	6
19	Legislation & tax risk	Risk of failure to compensate VAT as a result of poor supplier practices.	6	No	6



RISK RESPONSE

The Company applies the following risk response strategies:

- Risk transfer.** The strategy of risk transfer eliminates risk by transferring to a third party a risk’s potential negative consequences and the onus for responding to the risk. Risk transfer usually involves the payment of a risk premium to the party taking on the risk and responsibility for the management thereof. For IT projects, a thirdparty consulting company could be responsible for risk management. This is applied when the residual risk (after transfer) is assessed as acceptable.
- Risk acceptance.** No action is taken to reduce the likelihood of, or potential damage from, an event. Applied when the current level of risk is within acceptable levels.
- Risk reduction.** This strategy involves efforts to reduce to an acceptable level the likelihood and/ or consequences of a risk. A risk reduction strategy involves the inclusion of additional oversight procedures in the Company’s activities that are performed regardless of risk occurrence, such as conducting additional testing of the functionality of the information system, conducting regular reconciliations, delineating authority, etc. This is applied if it is possible to carry out measures aimed at reducing the likelihood of the occurrence of a threat or to increasing the likelihood of the occurrence of opportunities.
- Risk avoidance.** Termination of the activities causing the risk. Risk avoidance may include closing a facility, refusing to enter new geographic markets, or deciding to sell a unit. This strategy is applied if a risk threatens the continuity of the Company’s operations.
- Combined events.** This strategy may include any combination of the above measures.
- Exit plan in case of adverse events.** This strategy assumes that the Company is unable to influence a risk, but it must have an exit plan in case such a risk occurs. This strategy is applicable to global risks with zero controllability, such as natural risks, political risks, etc.

The choice of strategy in relation to an identified risk is the responsibility of the risk owner, i.e. the Company employee who, by virtue of his or her authority and duties, can and should manage this risk. The choice of strategy must, without fail, be agreed with the Department of Internal Control and Risk Management.

RISK MANAGEMENT AS PART OF THE COMPANY’S CORPORATE CULTURE

The Company recognizes risk management as an integral part of its corporate culture, strives to increase awareness on the part of employees of the RMS and to encourage every employee to see risk management as an element of their day-to-day activities.

The Company considers the participation of employees in risk management, including the identification and assessment thereof, to be a valuable and mandatory contribution on the part of employees to the Company’s continued development.

Description of the Main Risk Factors Associated with the Activities of the Company

THE RISK MANAGEMENT POLICY IN THE M.VIDEO-ELDORADO GROUP IS CENTRALIZED AT THE LEVEL OF THE HOLDING COMPANY – PJSC M.VIDEO. THE COMPANY TAKES INTO ACCOUNT BOTH INTERNAL AND EXTERNAL FACTORS RELATED TO THE ECONOMIC AND POLITICAL SITUATION, THE SITUATION ON THE CAPITAL AND LABOR MARKETS, AND OTHER RISKS, THE NATURE AND LEVEL OF WHICH THE COMPANY DOES NOT DIRECTLY AFFECT.

Industry risks

The company operates in the territory of the Russian Federation and does not export goods (works, services). In this regard, industry risks associated with the activities of the Company arise mainly when carrying out activities in the domestic market, which is typical for most business entities operating in the Russian Federation.

The main activity of M.Video and Eldorado retail chains is retail trade in CE. The Company manages large and rapidly growing retail chains, maintains good conditions with suppliers and is able to successfully compete in its segment. In addition, M.Video and Eldorado retail chains are working to expand the range of goods and related services, which may allow them to increase their market share and maintain profitability.

The retail chains M.Video and Eldorado sell goods for which demand is sensitive to changes in economic conditions that affect consumer spending. Economic conditions and other factors, including consumer confidence, population employment rates, interest rates, consumer credit debt and the availability of consumer credit, affect consumer spending and preferences. A global slowdown

in the Russian and global economies or uncertain economic prospects may adversely affect the Group's consumer preferences and operating results.

A sharp deterioration of the situation in the industry, which may affect the fulfillment by the Company of its obligations, is not predicted. However, in the event of deterioration in the industry caused by changes in macro- or microeconomic situations or changes in applicable legislation that were not predicted by the Company in advance, the Company plans to quickly develop and apply all necessary measures to eliminate the negative impact of these changes on its activities.

According to the Federal State Statistics Service, retail sales in 2019 amounted to 33,532 billion rubles, which in comparable prices is 105.4% compared to the corresponding period of the previous year. In 2019, retail sales turnover by 94.6% was formed by trading organizations and individual entrepreneurs operating outside the market, the share of retail markets and fairs was 5.4% (in 2018 – 94.8% and 5.2%, respectively), in December 2019 – 94.6% and 5.4% (in December 2018 – 94.6%

33,592

BN ₪

Retail sales in 2019

+1.6%

1 According to www.fedstat.ru/indicator/45596.

2 According to www.cbr.ru/Collection/Collection/File/27272/EC_2019-12.pdf.

and 5.4%, respectively). In 2019, the share of food products, including drinks, and tobacco products in the structure of retail trade turnover amounted to 47.6%, non-food products – 52.4% (in 2018 – 47.7% and 52.3%, respectively), in December 2019 – 48.1% and 51.9% (in December 2018 – 48.1% and 51.9%, respectively) . According to the Bank of Russia, in December 2019, the growth rate of retail trade remained high, despite a slight slowdown compared to November. After the November surge (2.3%), including the one related to the more successful Black Friday sales than in 2018, the growth in retail sales in December 2019 slowed to 1.9% in annual terms. Nevertheless, it remained high compared to the third quarter. This was due to both a slowdown in inflation and an improvement in consumer sentiment amid rising incomes. Thus, according to surveys of InFOM LLC, in December 2019 – January 2020, the consumer sentiment index remained high .

In particular, the expansion of consumer activity was facilitated by a positive attitude of respondents to large purchases. In 2020, according to Bank of Russia estimates, the GDP growth rate will be 1.5–2.0%. This will be facilitated by the expansion of domestic demand, associated with an improvement in the dynamics of real wages and accelerated spending of budget funds, including in the framework of national projects. At the same time, the existing restrictions on oil production under the OPEC+ agreement, the uncertainty regarding the parameters of the transaction on the 2020 horizon, as well as weakening external demand amid a possible slowdown in global economic growth due to coronavirus and other external factors, can have a restraining effect on GDP growth.

- The most significant possible changes in CE market include:**
- The general deterioration of the economic situation in the country, a decrease in the growth and development of the economy and, as a consequence, a high level of inflation, a decrease in the purchasing power of the population and the demand for goods sold in retail chain stores. Based on the above statistics from Rosstat and the Central Bank of the Russian Federation, by the end of 2019, the likelihood of an event occurring remains at a high level, the Company estimates the effect in case this risk is realized as high
 - The development of the regional CE market, the entry into the market by foreign competitors and their implementation of price dumping policies to gain market share. Taking into account an actively developing market, the Company estimates the probability of the occurrence of this event as high, the effect, if this risk is realized, will also be significant. In turn, the Company has developed a detailed mitigation plan for this risk
 - The growth of Internet penetration in the field of CE sales (retailers focus on the development of the Internet channel and integrated sales)
 - Strengthening government regulation in the field of E-commerce, further increasing transparency and consolidating the E-commerce market.

A decrease in the purchasing power of the population can lead, on the one hand, to a decrease in the capacity of CE market, and, on the other hand, to a shift in sales towards inexpensive appliances. The Company, due to its financial stability, as well as due to its wide range and focus on the mass buyer, is ready to properly manage this risk.

Given the most probable arrival of large foreign networks in megacities (Moscow, St. Petersburg), the Company has been expanding into the regions of the country for a long time. Also, M.Video and Eldorado retail chains have an already formed base of loyal customers in the capital and regions of the Russian Federation. In the event of adverse situations associated with industry risks, the Company will take appropriate decisions in each case.

The Company does not use raw materials in its activities. Risks associated with changes in commodity prices are absent. Services provided by the Company do not significantly affect its activities. The risks associated with changes in their prices are negligible. Services that the Company uses in its activities are replaceable and do not have a significant impact on the activities of the Company. Risks associated with changes in prices for services are insignificant.

Changes in prices for the products and (or) services of the Group are possible due to the weakening of the national currency and changes in the costs of carrying out the core business of the Company (performing the functions of the Group, transferring rights to use trademarks), including due to a significant change in the market conditions in connection with the activities on transfer of non-exclusive rights to use the Company's

trademarks. Due to the specifics of the core business of the Company, risks associated with changes in prices for products and (or) services of the Company are present, but their impact is assessed as insignificant.

The Company maintains good conditions with suppliers and is able to successfully compete in its segment. In addition, it is working to expand the range of goods and related services, which will allow it to increase its market share, while maintaining profitability.

In addition to factors affecting both the state of the industry as a whole and the Group's activities, the most significant and possible changes in CE trade industry can also include:

- Increased penetration of the Internet in the field of sales of CE (retailers focus on the development of the Internet channel and integrated sales);
- Changes in government regulation in the field of online commerce
- A decrease in the purchasing power of the population can lead, on the one hand, to a decrease in the size of the BC&E market, and, on the other hand, to a shift in sales towards inexpensive equipment.

The Group, due to its financial stability and also due to its focus on the mass buyer, is ready to properly manage this risk.

After the reporting date, we began to feel the impact of the coronavirus pandemic, which could have significant consequences for our business model, but we are taking all necessary steps to reduce the negative effect on the business



Country and Regional Risks

SINCE THE COMPANY OPERATES IN THE RUSSIAN FEDERATION, THE MAIN COUNTRY AND REGIONAL RISKS AFFECTING ITS ACTIVITIES ARE THOSE ASSOCIATED WITH THE RUSSIAN FEDERATION. THE INCREASING GLOBALIZATION OF THE WORLD ECONOMY, THE VOLATILITY OF THE NATIONAL CURRENCY CAN LEAD TO A DECREASE IN THE SOLVENCY OF THE POPULATION AND, AS A RESULT, A DECREASE IN DEMAND FOR THE COMPANY'S PRODUCTS AND SERVICES.

The Group's activities are subject to risks such as political instability in the country, as well as the consequences of potential disagreements between federal and regional authorities on various disputed issues, including regional and local taxes and fees, local autonomy and areas of responsibility of state and municipal authorities and regulation. Along with this, the Company is exposed to the risks of a decline in domestic industrial production, negative dynamics of exchange rates, an increase in unemployment and other things that could lead to a drop in living standards in the country and adversely affect the activities of the Company.

Political instability in Russia and in the world can have a negative impact on investments in the Russian Federation and its stock market and, as a result, on the value of the Company's securities. The instability of the political situation can have a negative impact on the activities of the Company as a whole.

The Russian Federation is a state with a developing economy. Countries with developing economies are characterized by constant recessions and booms, the economic situation is not stable. After the global financial crisis of 2008-2009, the economic situation in the Russian Federation continued to stabilize (a decrease in the budget surplus, an increase in the GDP, an increase in the price of oil, gas and precious metals on the world market).

Due to the fact that Russia produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to changes in world oil and gas prices. During 2014-2015, there was a significant decrease in energy prices, which led to a significant depreciation of the Russian ruble. The sharp weakening of the Russian ruble against foreign currencies, caused by the rapid decline in world oil prices, the export of which largely determines the revenue side of the Russian budget, as well as the introduction of economic sanctions against Russia in connection with the events in Ukraine, led to the currency crisis in 2014-2015. These factors caused a significant depreciation of the ruble against foreign currencies, and then led to higher inflation, lower consumer demand, economic recession, increased poverty and lower real incomes. However, these factors did not significantly affect the activities of the Company.

In 2016-2019, the macroeconomic situation in the country improved slightly – the Russian ruble exchange rate remained fairly stable throughout the year, which had a positive effect on consumer demand for goods and services of M.Video and Eldorado retail chains.

Any of the risks indicated below, which the Russian economy was exposed to in the past, can significantly affect the investment climate in Russia and the activities of the Company. In the past, and in the present, the Russian economy, in particular, suffered from the following negative phenomena:

- A significant reduction in GDP
- Hyperinflation
- Currency instability
- High level of public debt in relation to GDP
- Lack of an effective bankruptcy procedure
- Widespread use of barter and illiquid bills in settlements for commercial transactions
- Widespread practice of tax evasion
- Sustainable outflow of capital
- A significant increase in full and partial unemployment

Most of the risks of an economic and political nature indicated in this section, due to their global nature, are beyond the control of the Company.

In the event of a significant political instability in Russia or in a particular region, which could negatively affect the activities and incomes of the Company, it is planned to take measures for crisis management in order to optimize business and minimize the negative impact of the political situation in the country and a specific region.

The Russian Federation is a multinational state, includes regions with different levels of social and economic development, and therefore it is impossible to completely exclude the possibility of internal conflicts in Russia, including the use of military force. Also, the Company cannot completely exclude the risks associated with the possible introduction of a state of emergency, as well as with strikes.

The Company is registered as a taxpayer and operates in the Central Federal District of the Russian Federation (Moscow), where the risks of military conflicts, the imposition of a state of emergency and mass strikes are assessed as insignificant. The political and social situation in the territory of the Company is characterized as calm. This allows you to carry out business activities with minimal socio-political risks. In the event of the occurrence of these events, the Company and organizations included in the Group will act in accordance with the legislation of the Russian Federation.

Risks associated with the geographical features of the country and regions in which the Group's companies operate (dramatic climate change, the likelihood of significant natural disasters) are assessed by the Company as insignificant.

Climatic conditions in the regions where the Group operates are favorable.

Transport infrastructure is quite developed, so the termination of transport communication due to remoteness or inaccessibility is unlikely.

In the event of force majeure circumstances, including, but not limited to, natural disasters, possible termination of transport communications, terrorist acts, the Company will take all actions to minimize the impact of these events, actually incurred losses, and restore normal activities of all organizations included in the Group.

Financial Risks

THE COMPANY IS EXPOSED TO RISKS ASSOCIATED WITH CHANGES IN INTEREST RATES, FOREIGN CURRENCY EXCHANGE RATES, SINCE CHANGES IN INTEREST RATES, EXPRESSED AS AN INCREASE IN THE COST OF LOANS AND CREDITS, CAN LEAD TO A DECREASE IN THE SOLVENCY AND LIQUIDITY OF THE COMPANY, AS WELL AS TO A DECREASE IN THE AMOUNT OF BORROWED FINANCING, BUT THIS RISK IS ZERO DUE TO THE FACT THAT THE COMPANY DOES NOT HAVE ANY OBLIGATIONS IN FOREIGN CURRENCIES RELATED TO DEBT SERVICING.

In 2018, a significant event took place on the Russian market – the integration of the two M.Video and Eldorado networks, the incorporation of a major international player MediaMarkt into the group of companies. These events entail major obligations. The materiality of the risk of a lack of liquidity is assessed at a high level, the probability of an event occurring is average. Since a sufficient level of liquidity is one of the most important conditions for the daily operational stability of a business, the Company carefully monitors this risk and takes all measures to control it. Manageability is rated medium.

Among the factors affecting the financial position of the Company, risks associated with changes in the exchange rate, which entail changes in the monetary policy of Russia, inflation and investment in the Russian economy, are assessed by the Company as low, the likelihood of such an event is also low, manageability is assessed as high.

In the event of a significant increase in the foreign exchange rate (US dollar, euro) in the conditions of receipt of revenue from the main economic activity in rubles, payments on obligations denominated in foreign currencies will increase, which may negatively affect

the financial condition of the Company, however, the Company's policy in managing this risk involves the exclusion or reduction of the number of contracts denominated in foreign currency.

The proposed actions of the Company in the event of adverse effects of changes in the exchange rate and interest rates on the activities of the Company:

- A negative change in the exchange rate will affect the activities of the Company
- Despite possible changes in the exchange rate, the management plans to maintain the structure of liabilities (borrowed funds) in the currency of the Russian Federation. In case of negative impact of changes in interest rates on the activities carried out, the Company intends to take the following measures:
 1. Optimise costs
 2. Transfer liabilities denominated in foreign currencies into rubles
 3. Take measures to increase the turnover of receivables and services sold

Due to the specifics of the core business of the Company, a significant change in the inflation rate may affect payments on securities, cause an increase in expenses that are sensitive to an increase in the general price level in Russia, such as personnel costs, transportation costs, etc. High rates of growth in media inflation can lead to the growth of marketing expenses of the Company to maintain competitiveness. In particular, an increase in the price growth rate can lead both to a decrease in the level of sales, and to an increase in the Company's costs and become a reason for a decrease in profitability indicators. Inflation has the greatest impact on profits, and hence on future payments on the Company's securities, in the area of costs. The inflation rate in 2019 at 3% became the second value in the new history from the point of view of the minimum price increase after 2017 (then prices rose by only 2.5%). This should not lead to an increase in interest rates on financial resources and, consequently, to the unprofitability of investments from borrowed funds. The current inflation rate should not critically affect the increase in the Group's costs due to the slowdown in prices for goods, fixed assets, work and services of counterparties and, as a result, should not have a significant impact on the profit and profitability of the Group.

The proposed actions of the Company to reduce the risk of inflation growth: in the event of a critical inflation rate, the Company will reduce borrowing and will make investments mainly at its own expense. The Group also intends to pay particular attention to increasing the turnover of current assets. In case of significant excess of actual inflation rates over analysts' forecasts, namely, with an increase in inflation rates to more than 30% per annum, the Company plans to take the necessary measures to immediately adapt activities to changing inflation dynamics.

The main indicators of the financial statements of the Group, which are affected by the above financial risks, are:

- Further growth in interest rates – the probability of occurrence is average. The nature of the changes in the financial statements is an increase in operating expenses
- Increase in inflation. The probability of occurrence is average. The nature of the changes in the financial statements is an increase in the balance sheet of accounts payable and receivable, an increase in the profit and loss statement of revenue and cost
- Growth of the USD and the Euro against the ruble. The probability of occurrence is average. The nature of the changes in the financial statements is an increase in operating expenses, an increase in liabilities on loans and borrowings received in foreign currency (if any). The aforementioned financial risks can have the greatest impact on the volume of costs and profits received by the Company, as well as on an increase in the terms for repayment (execution) of accounts payable, a decrease in the amount of free cash

Operational Risks

In this group, the following are the most significant and requiring the most attention factors:

- Risk of insufficient efficiency / refinement of business processes
- Legal and tax risks
- Reputational risks.

BUSINESS PROCESSES

In 2018 and 2019, the Company carried out constant monitoring, control and analysis of the quality of business processes aimed at eliminating situations associated with violation of established procedures.

LEGAL AND TAX RISK

Legal risks are caused by deficiencies inherent in the Russian government, the Russian legal system and Russian law. The existence of legal risks leads to an atmosphere of uncertainty in the field of long-term investment planning and commercial activities.

The current Russian legislation is rather complicated and ambiguous in interpretation, the prevailing judicial practice is contradictory, which entails the possibility of adopting judicial acts that impede the enforcement of court decisions that have entered into force.

Changes in currency legislation affect both the activities of the Company itself and the activities of its subsidiaries. Until recently, foreign exchange regulation was restrictive, providing for the establishment of requirements for opening special bank accounts, as well as the obligation to reserve funds when performing currency transactions specified by law. Legal risks associated with changes in currency regulation are currently considered by the Company as minimal. According

to the Company, these risks will not have a significant impact on the Group.

The tax laws of the Russian Federation are subject to frequent changes.

Existing norms of tax legislation allow an ambiguous interpretation of some of its provisions. Normative legal acts on taxes and fees, in particular the Tax Code of the Russian Federation, contain a number of fuzzy and (or) inaccurate wordings. There are also significant gaps in tax legislation that indicate that the Russian tax system is in the process of formation, which can seriously complicate long-term tax planning and have a negative impact on the Company's activities and the volume of investments in shares. The Company may be subject to periodic tax audits. Given the uncertainty of tax legislation, this can lead to the imposition of fines (penalties), obligations for additional tax payments. According to the Company, these risks have the same effect on the Company as on other market entities. The Company considers this risk as medium.

Since the Company does not have overdue debts on taxes and fees to the budget, tax risks are considered to be minimal in the framework of a bona fide taxpayer.

Since the activities of the Company at the moment are not subject to licensing, the risks associated with changing requirements for licensing the activities of the Company are minimal.

Trading network "M. Video" operates in the domestic market. Due to the specifics of the core business of the Company, the risks associated with changes in the rules of customs control and duties may have minimal impact on such activities, as the Company does not carry out and does not plan to carry out foreign economic activity.

In 2019, the Company did not participate in lawsuits that could negatively affect the results of its activities. Risks associated with changes in judicial practice on issues related to the activities of the Company, which may affect the results of its activities, as well as the results of ongoing litigation in which the Company participates, are assessed as minimal.

Goodwill risk (reputation risk) is a set of risks arising as a result of a Company's activity and associated with unsuccessful use of the brand, poor-quality production of goods and services, failure to comply with relevant laws, as well as damage to its reputation that threatens trust

in the long run shown to the Company by customers, employees, shareholders, regulatory authorities, partners, contractors and other interested parties.

The risk of losses incurred by the Company as a result of a decrease in the number of customers (contractors) due to the formation of a negative idea of its financial stability, the financial position of the Company, the quality of its products (work, services) or the nature of its activities is generally assessed as average. Over the 27 years of the Group's activities, there have been no situations that threaten its business reputation.

Risks Associated with the Activities of the Company

The liability of the Company for the obligations of subsidiaries is assessed as minimal, since the Company controls the activities of its subsidiaries. However, in the event of deterioration in the industry caused by changes in the macro- or microeconomic situation

or changes in applicable legislation that were not predicted by the Company in advance, the Company plans to quickly develop and apply all necessary measures to eliminate the negative impact of these changes on its activities.



Operational Report



Note from the Chief financial officer of the Group

In 2019, M.Video-Eldorado Group continued to grow ahead of the market and increased net sales by 3.8% year-on-year to RUB 437.5 billion (including VAT), while, according to GfK, the market for home appliances and electronics in Russia grew by 2.9% over the same period. This was made possible, inter alia, by integrating all the advantages of online and offline channels within one business model.

The Group's Total Online Sales grew by 70% year-on-year to RUB 144 billion (including VAT). Over 30% of Group's total net sales comes from online channels, which indicates the successful transformation of the business from an omnichannel model into ONE RETAIL.

Against the moderate dynamics in the Russian consumer electronics market, the Group showed a noticeable increase in its key financial indicators – EBITDA margin reached a record high of 7.3% over the past few years, and adjusted net profit increased by 45%, to RUB 11,178 million. The strong financial results of the Company in 2019 are associated with the completion of the integration of M.Video and Eldorado in an unprecedentedly short time. In a little more than a year, the Group's team managed to switch to a single legal entity and a common IT system, as well as to restructure all key business processes – from procurement to customer service, which provided additional synergies and was reflected in the record EBITDA margin since business integration commenced. Following the results of integration in 2018-2019, the Company paid dividends in the amount of RUB 6 billion in December 2019.

It is important to emphasize that the growth of the indicators was due to increased efficiency and not to the detriment of the financial stability of the Group. At the end of 2019, the Group's total debt amounted to RUB 49,410 million, remaining at a comfortable level of 1.7× net debt / EBITDA ratio, and the total debt / EBITDA ratio fell to 1.8× from 2.6× at the end of 2018.

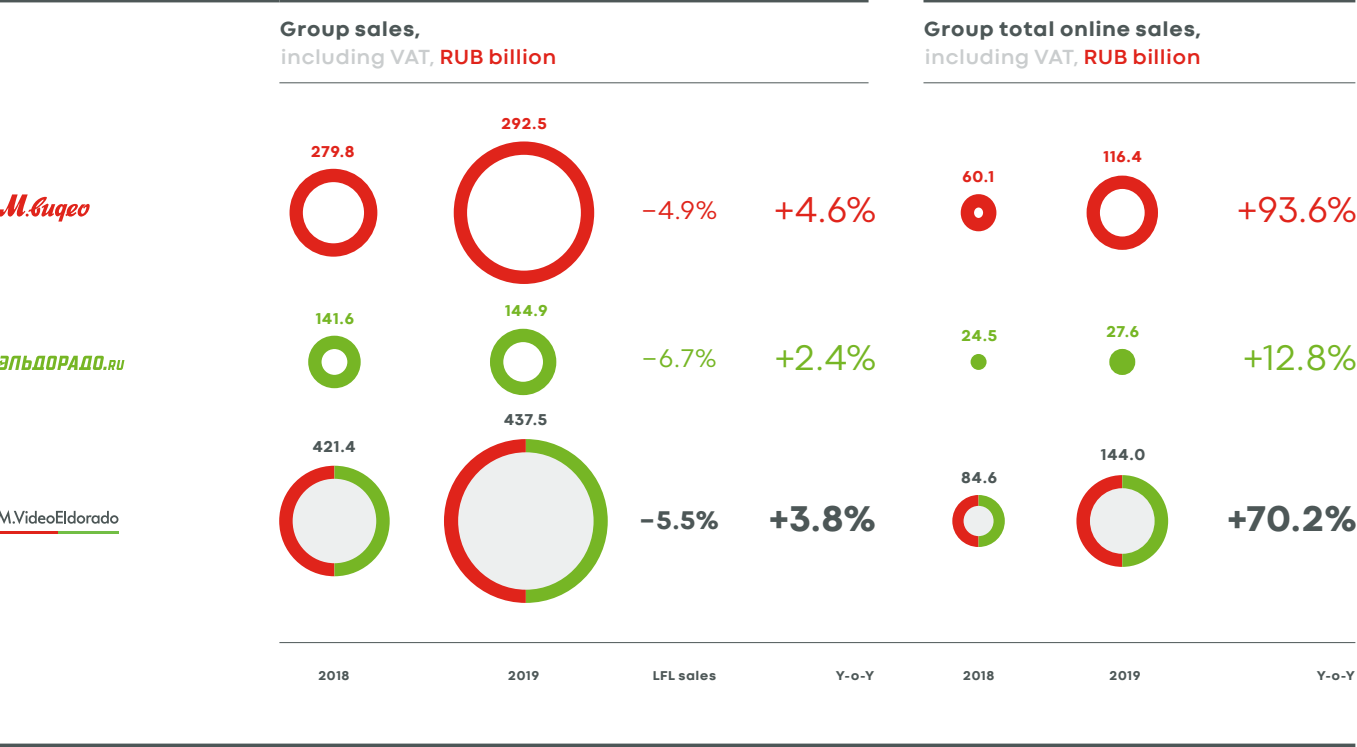
Ekaterina Sokolova

CFO of M.Video-Eldorado Group

OPERATIONAL AND FINANCIAL PERFORMANCE

Group Operating Results

GROUP ONLINE SALES GROWTH BOOSTED BY ONE RETAIL IN 2019



IN 2019, THE GROUP’S NET SALES INCREASED BY 3.8% YEAR-ON-YEAR TO RUB 437.5 BILLION (INCLUDING VAT) IN THE FULL YEAR, DRIVEN BY THE EXPAN-SION PROGRAM AND SUPPORTED BY TOTAL ONLINE SALES GROWTH. THE NET SALES OF THE M.VIDEO BRAND ROSE BY 4.6% YEAR-ON-YEAR TO RUB 292.5 BILLION (INCLUDING VAT). NET SALES OF THE ELDORADO BRAND INCREASED BY 2.4% YEAR-ON-YEAR TO RUB 144.9 BILLION (INCLUDING VAT).



The Group showed a decrease of 5.5% in LFL (like-for-like or same stores) sales in 2019 mainly due to the high base effect from 2018. By comparison, the Group’s LFL sales improved by +7.1% for the 12 months of 2019 relative to the 12 months of 2017, demonstrating the high base in 2018 and the sustainability of the M.Video and Eldorado business model in the longer term.

The Group’s total online sales grew by 70.2% year-on-year to RUB 144 billion (including VAT) and amounted to 33% of total net sales in 2019 (38% in Moscow and 29% in St-Petersburg). Total online sales (TOS) of M.Video-Eldorado Group, in-line with the ONE RETAIL strategy, include all sales to authorized clients through various channels: home delivery, in-store pick-up, and sales to clients checked-in through shop assistants’ mobile devices connected to the Real-Time Dealing platform (RTD). RTD is currently available in M.Video stores only.

M.Video’s total online sales almost doubled year-on-year to RUB 116.4 billion (including VAT) on the back of the RTD project implementation, as well as online traffic and growth in the conversion rate.

Eldorado’s online sales grew by 12.8% year-on-year to RUB 27.6 billion (including VAT) driven by a growing number of transactions and the higher average ticket resulting from increasing penetration into digital categories supported by a successful transition to the omnichannel model in 2019.

In 2019, the Group opened 97 stores (net of closing), including 38 M.Video, 45 Eldorado and 14 m_mobile stores, bringing the total number of stores to 1,038 as of 31 December 2019. As of the end of 2019, 983 stores were leased, 55 were owned; 925 stores are located in shopping malls, 113 stores are standalone. We maintain 100% online coverage in the cities where we are present.

The Group’s Financial Results

THE GROUP’S KEY FINANCIAL HIGHLIGHTS FOR FY 2019^{1, 2}

REVENUE

365.2^{bn ₺} +3.6%
Y-o-Y

GROSS PROFIT

91.0^{bn ₺} +4.8%
Y-o-Y

GROSS MARGIN

24.9% +0.3^{pp}
Y-o-Y

EBITDA

26.8^{bn ₺} +18.1%
RUB 46.6 bn under IFRS 16
Y-o-Y

EBITDA MARGIN

7.3% +0.9^{pp}
12.8% under IFRS 16
Y-o-Y

Adjusted net income⁵

11.2^{bn ₺} +44.8%
RUB 9.1 bn under IFRS 16
Y-o-Y

Key consolidated financial results for the M.Video-Eldorado Group for FY 2019³, mil ₺

	2019	2018	Change	2019
Net of VAT	IAS 17, Audited	IAS 17, Pro-forma	y-o-y	IAS 16, Audited
Revenue	365,216	352,483	+3.6%	365,216
Gross profit	91,015	86,839	+4.8%	91,073
Gross margin	24.9%	24.6%	+0.3 p. p.	24.9%
Selling, general and administrative expenses	(76,767)	(75,986)	+1.0%	(72,546)
Other operating income, net	5,451	5,965	-8.6%	5,587
Operating profit	19,699	16,819	+17.1%	24,114
Finance income / (cost), net	(5,452)	(3,490)	-56.2%	(12,666)
Profit before income tax	12,294	12,333	-0.3%	9,493
Income tax expense	(3,069)	(3,581)	-14.3%	(2,359)
One-off adjustment ⁴	n/a	(2,029)	n/a	n/a
Adjusted net income ⁵	11,178	7,718	+44.8%	9,089
Adjusted net margin ⁵	3.1%	2.2%	+0.9 p. p.	2.5%
EBITDA	26,754	22,652	+18.1%	46,617
EBITDA margin	7.3%	6.4%	+0.9 p. p.	12.8%

3 FY 2018 figures refer to M.Video and Eldorado pro-forma results (Eldorado results are represented on a full year basis) under IAS 17 standard, restated as a result of deconsolidation of Goods.ru

4 In 2018 there were one-off non-cash write-offs of assets and additional depreciation related to the fair price revaluation of acquired Eldorado assets

5 Net profit adjusted for losses in associated and joint ventures.

The M.Video-Eldorado Group’s **net revenue** grew by 3.6% year-on-year to RUB 365.2 billion in 2019, driven by the expansion of the M.Video and Eldorado retail chains (the opening of 97 new stores), as well as growth in traffic and online sales for both brands.

The Group’s **gross profit** increased by 4.8% year-on-year and amounted to RUB 91 billion, while the gross margin improved by 0.3 percentage points year-on-year to 24.9% in 2019, due to an efficient procurement, promo and assortment management system.

The Group’s **EBITDA** grew by 18.1% year-on-year and amounted to RUB 26.8 billion, while **the EBITDA margin** increased by 0.9 percentage points year-on-year to 7.3% in 2019. This is a record level of profitability delivered by the Group. The Group’s EBITDA margin grew year-on-year mainly due to gross margin improvement and effective management of selling, general and administrative expenses, primarily personnel costs, which were partially offset by an increase in rent and utilities expenses.

Rent and utilities expenses, as a percentage of revenue, increased by 0.5 percentage points year-on-year to 5.8% in 2019. The increase was mainly due to the Group’s active expansion program in late 2018 and 2019, offset partially by rental rate renegotiations.

Personnel costs declined, as a percentage of revenue, by 0.6 percentage points year-on-year to 6.4% in 2019, partially driven by the integration of M.Video and Eldorado and synergies resulting from optimization of business processes.

Other SG&A, as a percentage of revenue, decreased by 0.6 percentage points year-on-year. The decline was mainly explained by the reversal of reserves for taxes and duties, and bad debt provisions, as well as savings from the integration of MediaMarkt legal entities acquired in 2018 and consolidated during 2019.

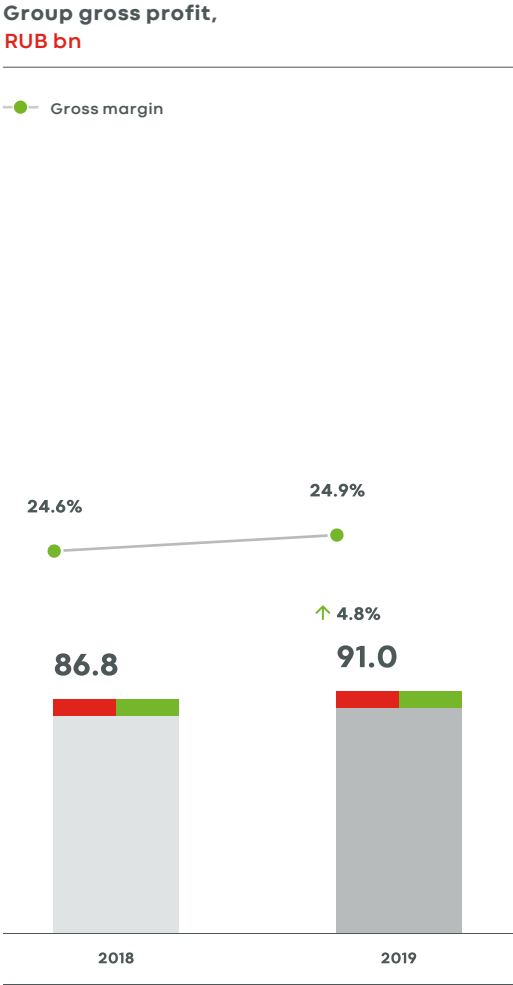
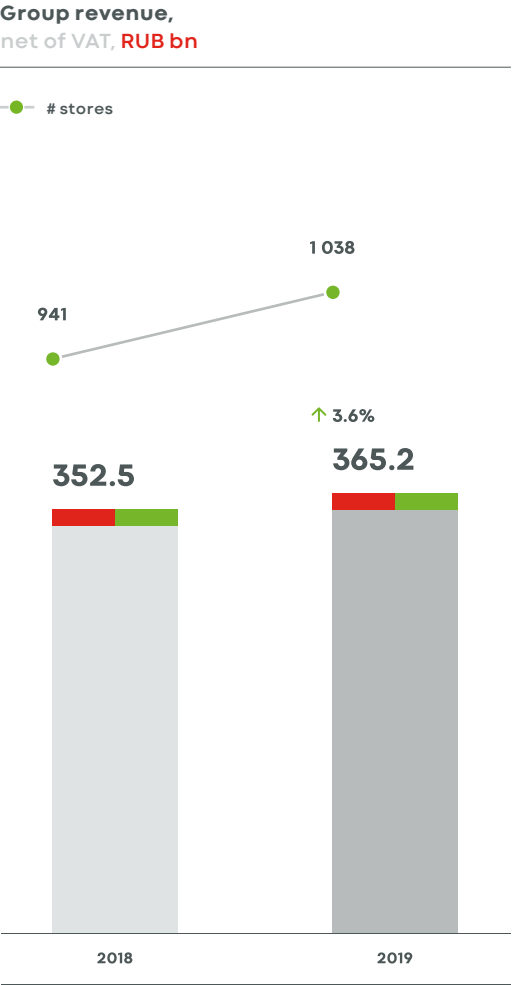
1 For purposes of comparability, the financial results for the Group include Eldorado’s financial results from the beginning of 2018, i.e. for the full year 2018 (pro-forma). The FY 2018 data are based on management accounts and have been prepared in accordance with the International Financial Reporting Standard IAS 17.

2 Results for 2018 were restated due to the deconsolidation of Marketplace LLC (goods.ru). As a result of amendments in the shareholder agreement relating to Marketplace LLC in 2017, the Group lost control over the marketplace goods.ru, but obtained joint control over the Marketplace LLC. Accordingly, the Group recognised the investment in Marketplace LLC as an investment in a joint venture starting from 31 December 2017 and adjusted the comparative information in the consolidated statement of financial position as at 31 December 2018, as well as the consolidated statement of profit and loss and other comprehensive income for 2018 and consolidated statement of cash flow for 2018.

M.VIDEO-ELDORADO GROUP NET REVENUE,
GROSS PROFIT AND GROSS MARGIN DYNAMICS IN 2019, Y-O-Y¹

+3.6%
REVENUE GROWTH

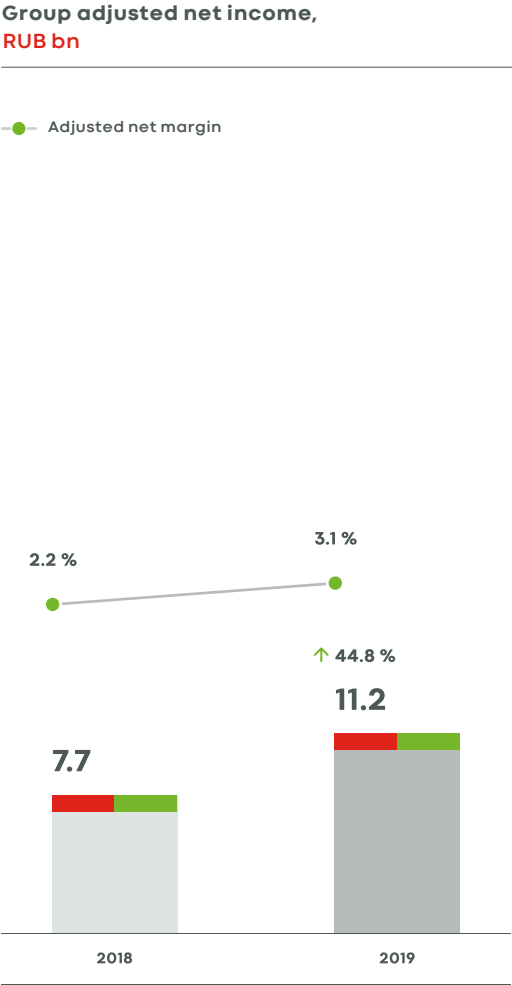
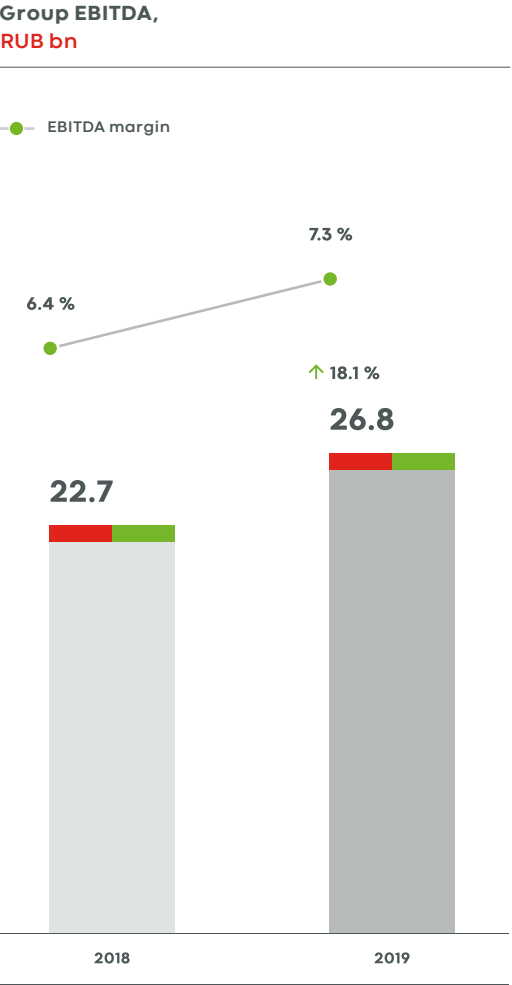
+4.8%
GROSS PROFIT GROWTH



The Company demonstrated overall operational efficiency and disciplined cost management in a soft market. M.Video-Eldorado Group aims to implement the ONE RETAIL strategy in the foreseeable future and to secure a sustainable EBITDA margin by the end of 2022.

Adjusted net income grew by 44.8% year-on-year and amounted to RUB 11.2 billion in 2019, despite higher finance costs in 2019 compared to 2018, primarily due to EBITDA growth of RUB 4.1 billion year-on-year driven by a combination of revenue growth (by 3.6%, net of VAT) and EBITDA margin expansion as mentioned above.

FY 2019 GROUP CASH BALANCE EVOLUTION



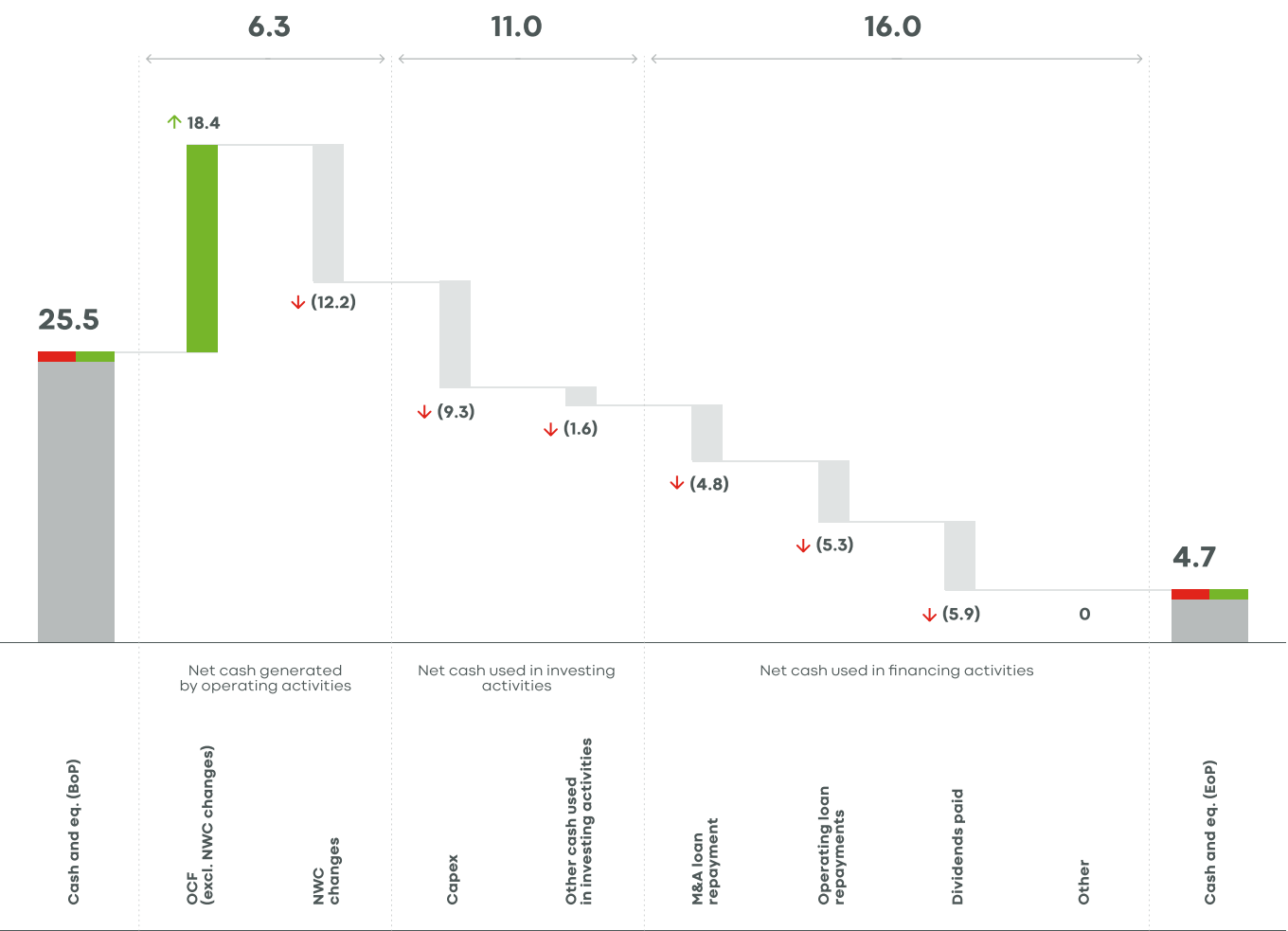
Depreciation and amortization expenses increased to RUB 7 billion in 2019 from RUB 5.8 billion in 2018, due mainly to strong expansion, integration of Eldorado and MediaMarkt assets and investments in business digitalization and IT initiatives.

Finance costs increased by 56% year-on-year to RUB 5.7 billion in 2019 from RUB 3.5 billion in 2018, mainly due to long-term debt interest expenses related to the Eldorado acquisition in April 2018.

The Group demonstrated strong operating cash flow of RUB 18.4 billion (excluding Net Working Capital Changes, NWC) which were partially offset by adverse NWC changes of RUB 12.2 billion. This was mainly attributable to the increase of VAT receivables year-on-year related to both a higher VAT rate and inventories by the end of 2019. At the same time, trading working capital stood flat year-on-year.

¹ FY 2018 figures refer to M.Video and Eldorado pro-forma results (Eldorado results are represented on a full year basis) under IAS 17 standard, restated as a result of deconsolidation of Goods.ru

M.Video-Eldorado Group cash balance evolution in 2019, y-o-y¹



The Group demonstrated strong **operating cash inflow** of RUB 18.4 billion (excl. NWC changes) which were partially offset by adverse NWC changes of RUB 12.2 billion. That was mainly attributable to an increase in VAT receivables year-on-year related to both higher VAT rate and inventories by the end of 2019.

The Group's **CAPEX** amounted to RUB 9.3 billion.

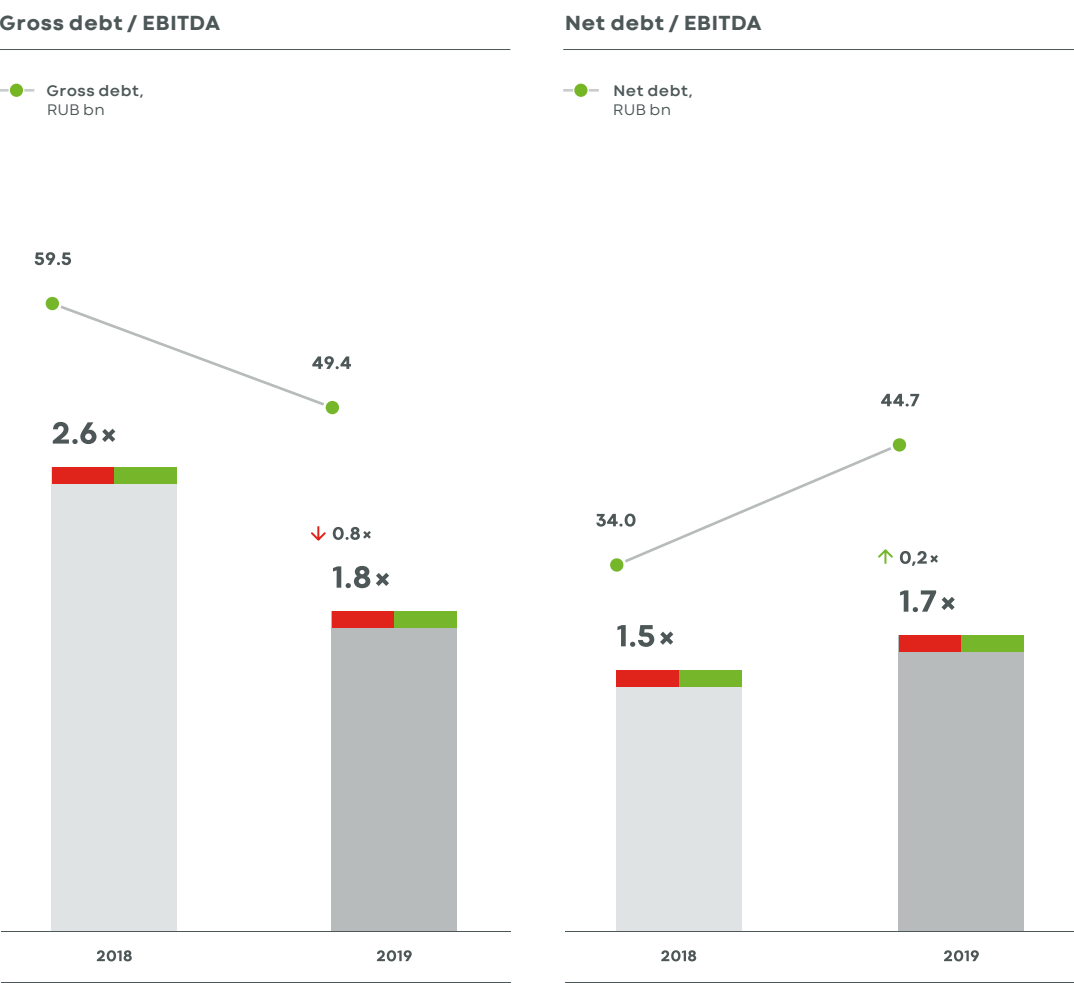
The Group's **net repayment of loans** related to the Eldorado acquisition constituted RUB 4.8 billion and net repayment of operating debt amounted to RUB 5.3 billion in 2019.

At the end of 2019, the Group paid RUB 6 billion in **dividends**, following its successful integration with Eldorado.

The Group's **gross debt** decreased by RUB 10.1 billion or 17% and stood at RUB 49.4 billion at the end of 2019 while all of the related loans were nominated in Russian rubles. At the same time, the Group's gross leverage decreased significantly from 2.6x in the end of 2018 to 1.8x in the end of 2019.

The Group's **net leverage** remained at a comfortable 1.7x at the end of 2019.

M.Video-Eldorado Group leverage in 2019, y-o-y²



¹ FY 2018 results are represented under IAS 17 standard as reported (i.e. include Eldorado from the acquisition date) and restated as a result of deconsolidation of Goods.ru
² FY 2018 figures refer to M.Video and Eldorado pro-forma results (Eldorado results are represented on a full year basis) under IAS 17 standard, restated as a result of deconsolidation of Goods.ru. FY 2018 cash flow items as reported (i.e. not pro-forma for Eldorado acquisition).

Impact of IFRS 16 on M.Video-Eldorado Group's Financial Statements

THE INTRODUCTION OF IFRS 16 LEASES REPORTING STANDARD, WHICH TOOK EFFECT ON 1 JANUARY 2019, AFFECTED THE GROUP'S EBITDA, OPERATING PROFIT AND NET INCOME.

The introduction of IFRS 16 did not affect free cash flow in the cash flow statement. However, the IFRS 16 standard affected the reporting view of the cash flow statement, as the principal lease payments are classified as financial activities, prepayments as investment activity and interest payments as interest paid in operating activity.

EFFECT ON EBITDA

The Group's EBITDA was significantly higher under the new IFRS 16 standard, as the main part of rent & utilities expenses previously recognized as SG&A have been moved partially to interest expense in the Income Statement, and to liabilities in the balance sheet.

Rent & utilities have decreased under IFRS 16 by RUB 17.2 billion, and maintenance and other operating expenses before D&A decreased by RUB 2.5 billion. Thus, **the Group's EBITDA** under IFRS 16 grew to RUB 46.6 billion compared to RUB 26.7 billion under the IAS 17 standard. **The EBITDA margin** under IFRS 16 amounted to 12.8%, an increase of 5.5 percentage points compared to the EBITDA margin of 7.3% under IAS 17 in 2019.

EFFECT ON ADJUSTED NET INCOME

The Group's adjusted net income for 2019 was impacted by additional depreciation of RUB 15.6 billion related to leased assets according to IFRS 16.

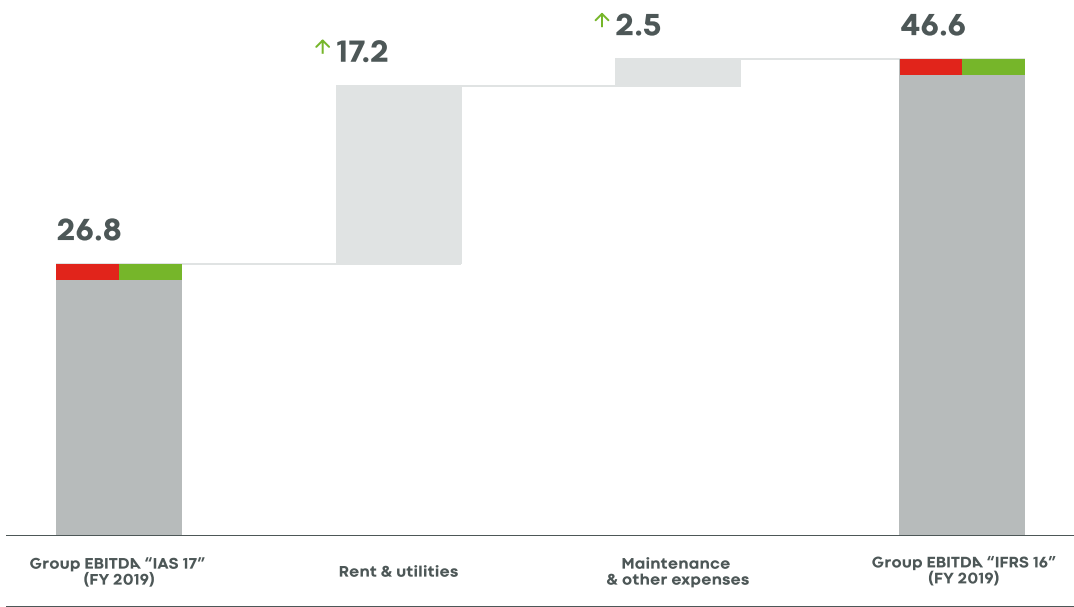
These additional D&A expenses were fully offset by the extraction of long-term lease and maintenance expenses, as discussed above.

Therefore, net positive effect of operating expenses on net income under IFRS 16 amounted to RUB 4.4 billion in 2019. Finance costs increased by RUB 7.2 billion under the IFRS 16 standard due to additional interest expenses on lease liabilities in 2019. The new IFRS 16 standard also resulted in lower income tax expenses due to lower profits reported before taxes in 2019.

As a result, the Group's adjusted net income was RUB 9.1 billion, compared to RUB 11.2 billion under IAS 17 in 2019. The adjusted net margin was 2.5% under the new standard, versus 3.1% under IAS 17 in 2019. The adjusted net margin was 2.5% under the new standard, versus 3.1% under IAS 17 in 2019.

M.VIDEO-ELDORADO GROUP "IFRS 16" VS. "IAS 17" EBITDA AND ADJUSTED NET INCOME OVERVIEW IN 2019

"IFRS 16" EBITDA higher
Due to changes in long-term lease expenses recognition



"IFRS 16" Net Income lower
Mainly due to changes in finance cost



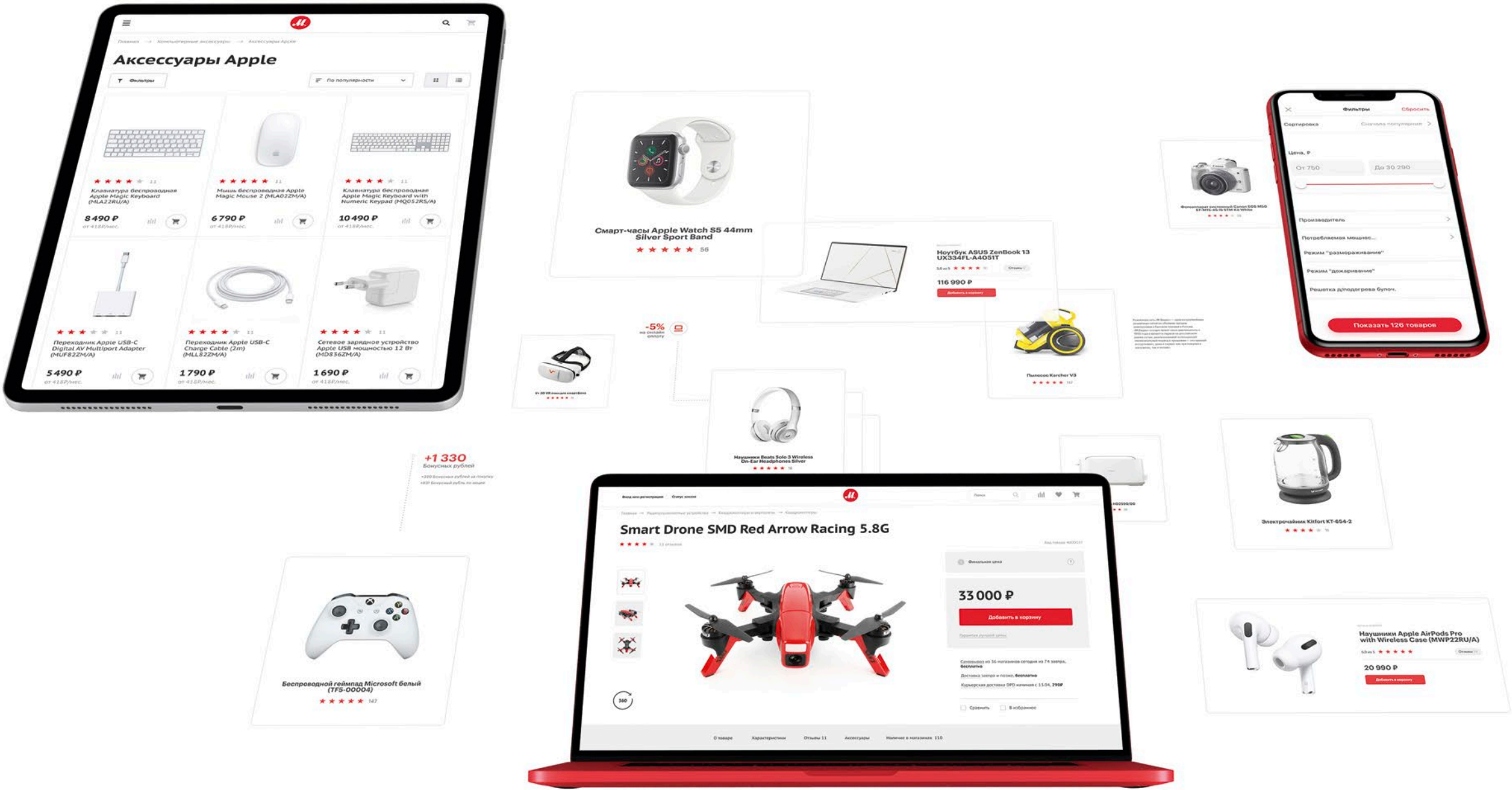
1 Includes changes in COGS, advertising and marketing expenses as well as other operating income
2 Net income adjusted for loss from investments in associates (RUB 1 bn in FY 2018, RUB 2 bn in FY 2019)

FY 2018 figures refer to M.Video and Eldorado pro-forma results (Eldorado results are represented on a full year basis) under IAS 17 standard, restated as a result of deconsolidation of Goods.ru

INNOVATION & INFORMATION TECHNOLOGIES

The business model of the M.Video-Eldorado Group, which combines all the support functions for two retail brands and the seamless integration of online and offline processes, implies the highest level of IT solutions. We are constantly looking for, piloting and introducing new technologies both to increase operational efficiency and to improve customer service.

The Group introduces innovations to strengthen the competitive advantages of its business, using a wide range of technologies: from blockchain solutions in working with suppliers to machine learning in forecasting supply chains. In the future M.Video-Eldorado is going to develop as a technological company and to become a digital retailer with the best customer service.



IT Transformation of M.Video-Eldorado Group

IN 2018, AS PART OF THE CONSOLIDATION OF M.VIDEO AND ELDORADO INTO A SINGLE COMPANY, THE GROUP LAUNCHED AN UNPRECEDENTED PROJECT TO INTEGRATE THE IT FUNCTIONS OF BOTH RETAIL NETWORKS WITH DIFFERENT MANAGEMENT MODELS.

>200
SPECIALISTS
WERE INVOLVED
IN THE TRANSITION
TO A SINGLE ERP SYSTEM

>300^k
CHECKS ARE PROCESSED
PER DAY BY ERP SYSTEM

In February 2019, the legal merger between the Group’s main operating company, LLC MVM, and LLC Eldorado and the transition of commercial, logistic and financial operations to a single platform took place. The detailed plan of transition included more than 1,500 steps, most of which was completed in a few hours. Transition of Eldorado stores and website was done in one day. In the process of integration, more than 220 specialists were involved, infrastructure capacities were doubled.

As a result, the Group maintained the independence of the two brands and their front-systems presented to customers (website, trading system, mobile app). At the same time, the back office, where one landscape and common information systems are used, was completely combined. These parts are interconnected by a layer of microservices. M.Video even before the merger developed a microservice approach, therefore, during the transformation, we extended it to the Eldorado brand.

The key project results were as follows:

- The successful integration of back-end processes based on joint technological platform;
- The processing of about 300 thousand checks per day by the unified system;
- An essential update of Eldorado’s front-office systems.



Technological Backbone for Future Leadership

IT PROSPECTS ARE DETERMINED BY TRADE DEVELOPMENT TRENDS. FURTHER DISTRIBUTION OF MOBILE TECHNOLOGIES WILL RESULT IN THE RETAILERS OF A NEW FORMAT. WE CALL IT ONE RETAIL.

ONE RETAIL involves integration of online and physical stores into a single user space, the introduction of “smart” machine learning-based services in all areas of business: procurement, logistics, marketing, staff management. Most importantly, ONE RETAIL implies the ultrapersonalization of customer experience based on data analysis.

Retail will become a part of global ecosystems, uniting completely different businesses within the framework of common IT systems and consumer data. These changes and future growth of the Company should be based on an effective IT platform that can easily adapt to and initiate changes.

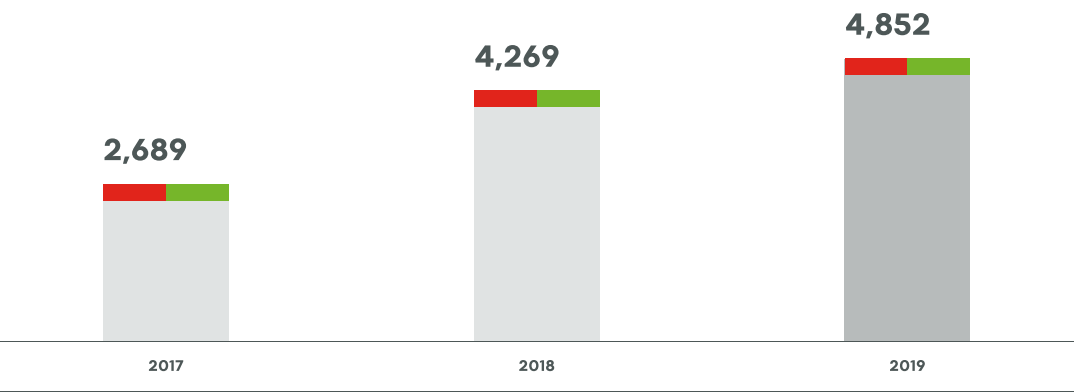
Besides the IT platform, to effectively support the transition to the ONE RETAIL model, technological solutions are being developed using a product approach. Management forms product teams responsible for the continuous development of key IT products such as the M.Video

and Eldorado websites, mobile apps, the order management system, etc.

To provide flexibility and expertise in key solutions the Group is expanding its own development division — all new products are made on their own. At the same time, the Company engages external experts in some work, which allows diversification of risks with the high speed of launching new solutions. The Group controls key IT functions, such as management, architecture, key process management. Only the standardized processes and solutions that the IT services market provides are outsourced, such as: servicing workstations, data centers, infrastructure, setting up network equipment.



M.Video-Eldorado Group investments in IT, E-commerce and ONE RETAIL, RUB mil



M.Video-Eldorado Group is constantly in search of technical solutions to its business tasks improve operational efficiency, develop an online store and services for customers. In search of innovations we collaborate with major startup accelerators and foundations, participate in system integrator

DATA ANALYTICS AND MACHINE LEARNING

The Company extensively uses Data Analytics both to improve operational efficiency and reduce costs, and to improve the customer experience in retail and online to increase the level of personalized communications and offers, and as a result, increase sales. The group M. Video Eldorado created the Data Science Center for the development and improvement of digital technologies in retail. The main task of the center is to accumulate and use expertise in the field of data analysis and machine learning, as well as the development and implementation of mathematical algorithms in the key business processes of the Group: marketing, online sales, logistics, personnel management, etc.

events, conduct our own hackathons, and start-up battles. The Group plans to develop projects in the areas of improving customer experience based on data analytics, improving the efficiency of assortment planning and logistics operations.

Machine learning algorithms are the main tool for forecasting demand. Unlike standard approaches, such as, for example, linear forecasting based on past periods taking into account seasonality, such algorithms allow, on the one hand, to achieve high accuracy of forecasts, and on the other hand, to take into account non-obvious relationships in the data without loss of interpretability. Due to the specifics of the business, we are developing our models in two directions: a forecast of regular demand and a forecast during the period of promotions. Demand forecasting works for 20 thousand positions in more than 1 thousand retail stores M.Video and Eldorado on a weekly basis, taking into account the geographical location of the store, traffic, seasonality, as well as the speed of retail sales and potential

DEMAND FORECASTING WORKS FOR 20 THOUSAND POSITIONS IN MORE THAN 1 THOUSAND RETAIL STORES

volumes of self-delivery of online orders. Thus, the introduction of machine learning algorithms can significantly optimize not only the forecast itself, but also the associated costs, for example, the use of storage facilities or the organization of transport logistics.

One of the priorities of the center in 2019 was the personalized marketing, as well as the optimization of customer experience on the site, which ensured an increase in the level of value proposition for each client.

We analyze a large amount of personal data from internal and external sources. For example, the history of purchases, search queries and the use of bonus points, abandoned baskets and responses to various marketing newsletters. Then we segment the entire customer base and identify those who are ready to make a purchase, determine the most effective way to bring them to the site or store, and try to understand which categories and brands are primarily interesting to buyers. Thus, the clients receive information about those promotions (interest-free credit, cashback, or discount promo code), which are likely to be of interest to them. As a result, the response to promotional mailings increased by 60%, and also

the annoyance of the client from irrelevant information reduced.

If the desired product is not available or delivery takes a long time, the internally developed machine learning algorithm provides alternatives with similar characteristics and the shorter delivery time. A customer also receives recommendations about the most suitable related products and accessories. If a customer leaves the site without buying, the system continues to interact with personalized e-mail messages: offers a selection of alternative products, sends a notification that the price of the goods viewed was changed or that previously unavailable goods returned to stock.

Digitalization of Customer Experience

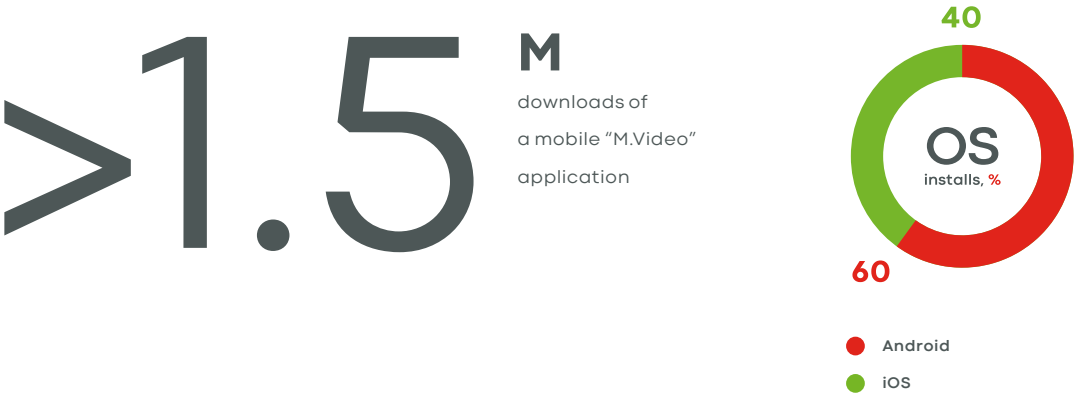
M. VIDEO-ELDORADO GROUP IN THE MIDDLE OF 2019 LAUNCHED FIRST ON THE RUSSIAN MARKET PILOT NAVIGATION SYSTEM IN SHOPS, BASED ON AUGMENTED REALITY TECHNOLOGIES.

M.VIDEO MOBILE APPLICATION

M.Video mobile application helps customers to navigate a wide range of equipment and acts as a personal assistant, demonstrates promotions, provides access to the bonus program and helps to quickly place an order with contactless delivery to the apartment's door or to be received at one of the nearest stores. One may pay for the purchase in the application by credit card or using the services

of Apple Pay and Google Pay. The application integrates a number of functions that expand and simplify the user experience at different stages of the purchase: saving selected products and the ability to share them with friends, personal offers, geolocation and location tips for the nearest store, smart and quick search, reviews of popular products and a section with the most advantageous offers.





4.8

GOOGLE PLAY RATING



4.3

APP STORE RATING

18-44

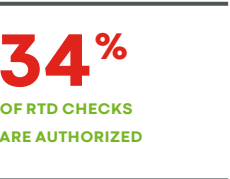
AGE OF M.VIDEO APPLICATION CORE AUDIENCE

While in the store, the client may use the scanner to read barcodes and QR codes to find out detailed product characteristics, compare prices or arrange home delivery. For participants of the M.Club loyalty program, the application implements quick authorization using a phone number and all the functionality is available, including checking the balance, writing off bonuses and detailed accrual.

At the moment, the free M.Video app has been downloaded over 1.5 million times. Mobile devices with Android OS account for 60% of installations, and devices with iOS account for 40%. The core audience is people between 18 to 44 years old, interested in technology and new products, actively use social networks, instant messengers and is used to interacting often with applications. The M.Video app

has one of the highest ratings in its category. In the Google Play store the customer rating reaches 4.8, in the App Store service the rating is 4.3.

The M.GO application, developed by a Russian startup, allows customers to quickly navigate in large-area stores and easily find the desired product categories. We expect that the use of AR solutions in retail will allow us to expand our customer experience and attract a young audience. The technology exists on the basis of a separate software product and, if successfully piloted, can be added to the functionality of the M.Video mobile application for customers.



APPLICATION FOR SELLERS M_RTD (REAL TIME DEALING)

An application on a smartphone for authorization of customers in the store, consultations, basket formation and checkout.

In 2019, the main focus is to provide the maximum possible number of functions to sales staff to engage them in transactions using RTD mobile application:

- Registration of services;
- Loans and installments;
- Use of discounts available in retail;
- Application of customer discounts (promo code, bonus rubles);
- Personalization of product offers based on the recommendation engine.

As a result, 84% of M.Video in-store tickets went through RTD in 2019. 34% of RTD checks are authorized and are classified as a part of our online sales.

The main focus of the development of m_RTD in the future is the increase in the share of authorized checks, as well as improving the quality of interaction with the client, for example, the implementation of the function of receiving payments through the seller’s mobile device, which will save the buyer from having to pay for goods at the checkout and make the purchase process more comfortable.

SHOPPING EXPERIENCE

M. VIDEO-ELDORADO GROUP IS THE LARGEST IN IT'S SEGMENT AND ACTIVELY GROWING E-COMMERCE PLAYER, SUCCESSFULLY COMBINING ONLINE PLATFORM POSSIBILITIES WITH ADVANTAGES OF THE DEVELOPED RETAIL-CHAIN AS POINTS OF ATTRACTION FOR CUSTOMERS.



SHOPPING EXPERIENCE

The boundaries between traditional retail and online sales are disappearing. More than 70% of the Group’s customers use our web or application in one way or another when making purchases (learning about products, obtaining other information and placing orders)¹.

Online customers are becoming more mobile by using devices to shop 24/7 at home, at work, while commuting or directly at store shelves where products are kept.

We see that a growing number of consumers start their journeys online, actively compare prices online and become more price conscious.

In M.Video-Eldorado we have several points of contact with a customer: stores, our website, a mobile application for customers and a mobile application for sales assistants based on the Real-time Dealing platform or RTD (at M.Video stores), and we strive to ensure that communication and service are completely homogeneous and equally effective at all these points.

Online shopping – a primary business driver

Today, e-commerce is the fastest growing part of our business. Over the last 7 years the share of online sales in the Group’s net turnover grew to 33% in 2019 from 5.5% in 2013.

In 2014, M.Video, one of Russia’s first retailers, was transformed to a full omni-channel model, harmonizing its product range, pricing

and services in its retail network and online. In 2019, Eldorado after joining the Group, also successfully completed the transition to an omni-channel model. The Company implemented major upgrades to its website, including an improved navigation system, shopping carts, product banners, etc.



Real Time Dealing (RTD) – a game changing technology

Since 2017, M.Video has been developing a unique m_RTD platform. The technology allows our sales staff to use smartphones with special software integrated with the Group’s ERP systems; this helps them to advise customers with a higher level of personalisation.

Using an m_RTD device, a shop assistant can quickly select the equipment and accessories that are the most suitable for the customer, compare M.Video prices in real-time with those of key competitors, offer the best price, update customers on their bonus point balance, and make the best offer that takes into account all current promotions and discounts. If a customer needs more time to think about a purchase, the seller can add the selected items to an online shopping cart and send the customer a link to the shopping cart by email. This functionality creates a significant increase in the probability of purchase: about 13% of customers who receive a link to the online shopping cart return to complete the payment.

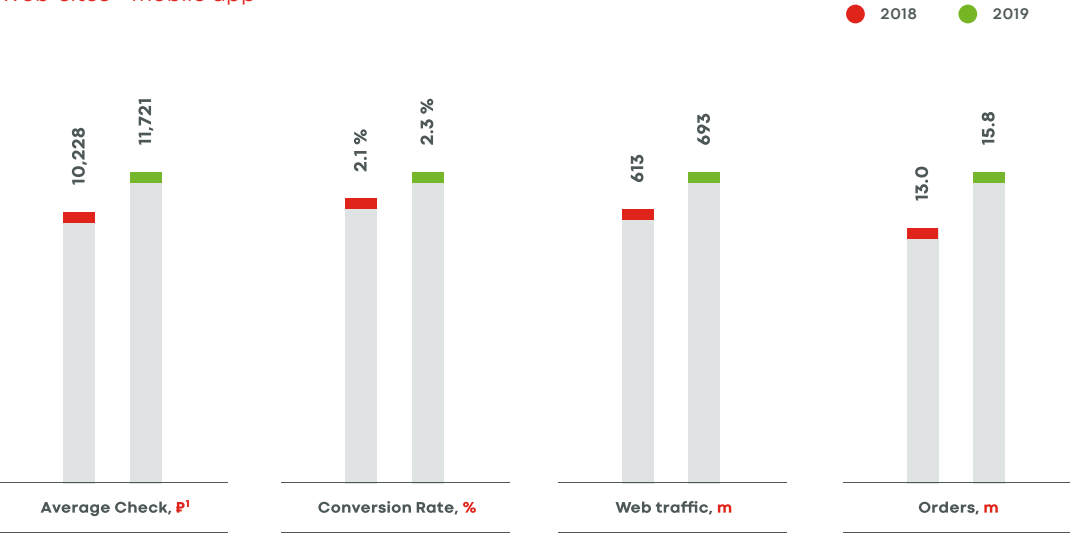
The innovative m_RTD solution has been successfully rolled out across all M.Video stores since August 2019. Throughout 2019 around 10.7 million customers checked in via m_RTD in our stores (34% of all RTD checks). The average ticket amounted to 16,440 rubles, almost twice that recorded in M.Video retail stores while the number of units sold with m_RTD were 1.5 times more than the M.Video retail average.

In 2020, we plan to add an immediate check-out functionality to those devices as well as to work further on the improvement of the customer value proposition involving deeper and more customized promotions and special offers.

¹ According to marketing research “Stages of decision-making when purchasing consumer electronics and home appliances. Customer experience”, conducted by Insight Research and Consulting (ICR) in 2019 in cities with population over 500,000 across major CE categories (Kitchen, Home appliances and TV, Digital).

GROUP KEY ONLINE METRICS

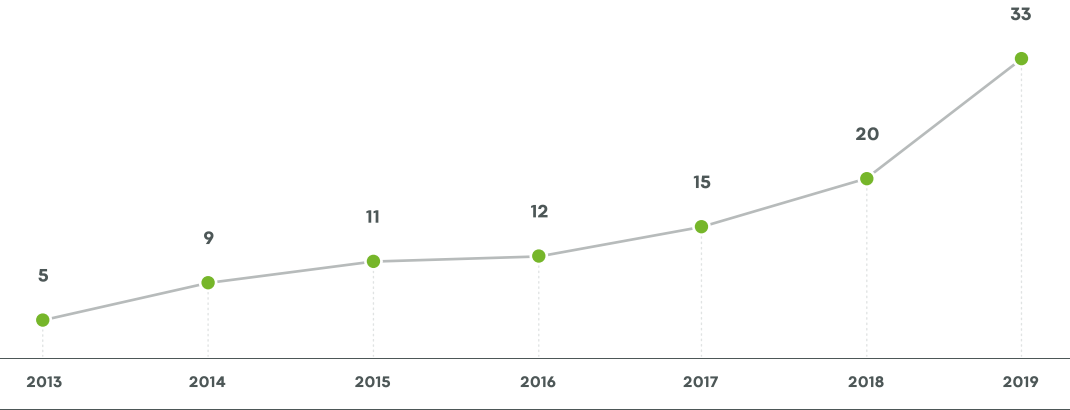
Web-sites + mobile app



In 2019, as part of implementing our ONE RETAIL concept, we have revised the Group's approach to accounting for online sales. Starting from Q3 2019 total online sales of M.Video-Eldorado Group include all sales to authorized clients through various channels: home delivery, in-store pick-up, and sales to clients checked-in through shop assistants' mobile devices connected to the m_RTD. m_RTD technology is currently available in M.Video stores only.

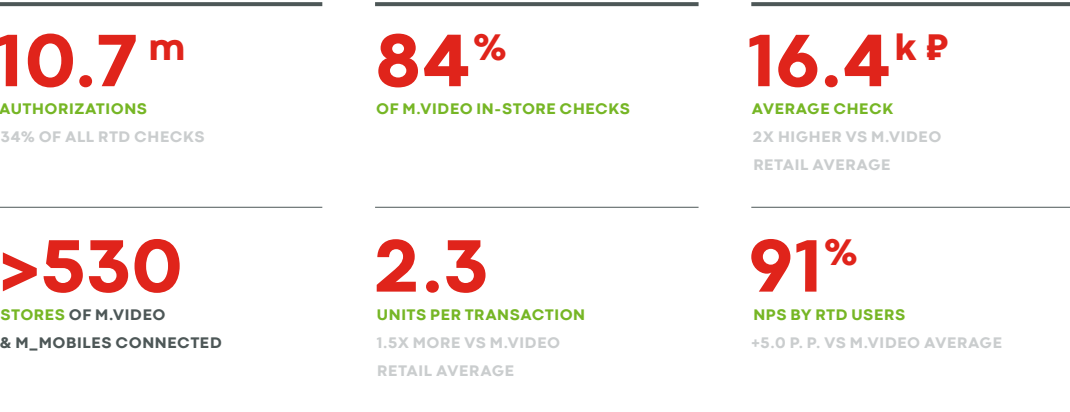
This approach allows M.Video-Eldorado Group to unlock the real impact of its online business, as it records customers authorized through any channel, whether it is a website, a customer's mobile application, or the mobile device of a shop assistant. The higher the share of authorized users, the more the Company knows about its customers, communicates with them more successfully and conducts business more efficiently. The Group's technology solutions enable customers to make a virtually seamless transition between online and offline in the selection and purchase process.

Share of online sales in the Group's net turnover², %

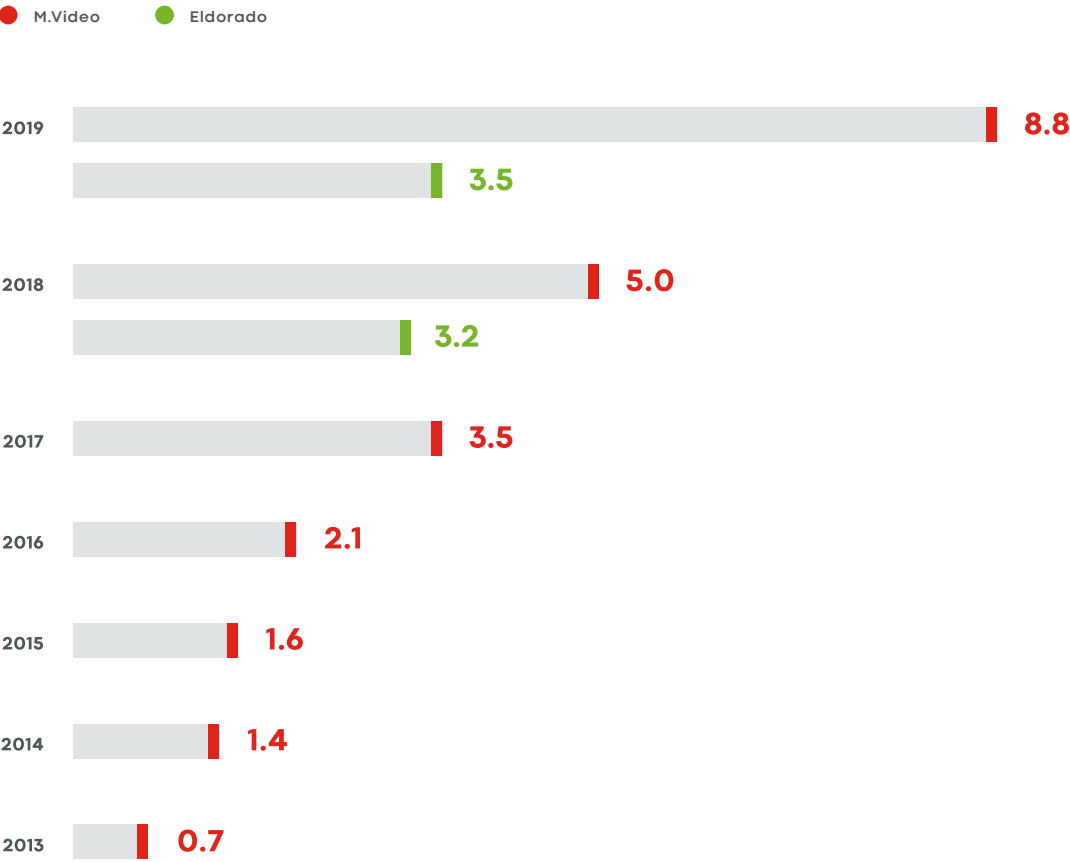


FIRST RESULTS OF ONE RETAIL IMPLEMENTATION

Real-time dealing fully rolled out at M.Video stores by August 2019



Number of online purchases in the Group², million transactions



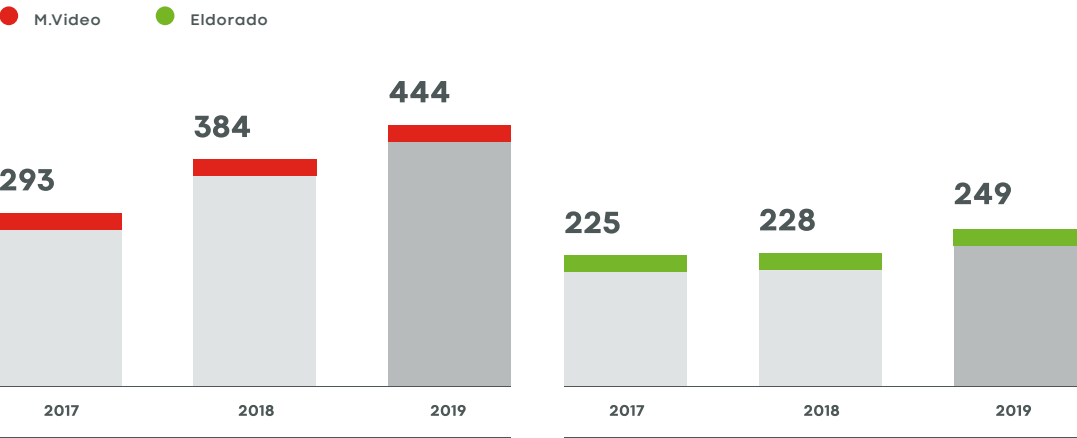
¹ Average check numbers refer to total online sales of M.Video-Eldorado Group and include all sales to authorized clients through various channels: home delivery, in-store pick-up, and sales to clients checked-in through shop assistants' mobile devices connected to Real-Time Dealing platform (m_RTD). m_RTD is currently available in M.Video stores only.

² Before 2018, the figure includes only M.Video results

Websites – an Important Sales Tool

THE GROUP’S WEBSITES ARE A UNIVERSALLY ACCESSIBLE AND CONVENIENT SALES TOOL FOR CUSTOMERS AND ONE OF THE PRIMARY CHANNELS FOR COMMUNICATING WITH THEM. ACCORDING TO THE YANDEX.RADAR RATING, MVIDEO.RU WAS RUSSIA’S LARGEST HOME APPLIANCE WEBSITE, AND ELDO-RADO.RU RANKED THIRD AS OF DECEMBER 2019.

Number of visits to Group websites, m¹



At the end of 2019, the number of visits to the Group’s websites was 693 million, having increased by 13% year-on-year.

The websites’ functionality is constantly expanding. Along with standard purchase functions, including promotions, the websites feature a smart search system, sections with personalized offers, and a personal account that gives customers full access to M.Video and Eldorado loyalty programmes. The personal account also gives users access to their bonus cards and the ability to make transactions using bonus points.

As part of its transition to the omnichannel business model, in January 2019, Eldorado redesigned the eldorado.ru website and

launched a comprehensive site update, significantly increasing its functionality and usability. Among the key innovations were a smart search function, increased page loading speed, an improved interface, faster ordering, easier to use shopping basket etc. Transition to the omni-channel model produced positive results: in 2019, Eldorado’s total online sales increased almost 13% year-on-year. The mobile version was also optimized, since approximately 55% of sessions on eldorado.ru take place using smartphones and tablets.

The Group is developing web portals as a source of useful and interesting information on consumer electronics, technology and market innovation. One of the website’s most popular services is a tool that can be used

¹ Eldorado and the eldorado.ru website became part of the Group in April 2018. For the purpose of comparability, numbers include Eldorado results from the beginning of 2018, i.e. for the full 2018 (pro-forma).

to compare the characteristics of various similar products. The site regularly publishes customer reviews of electronics products, including those left by visitors to the site. Users are also given an opportunity to leave feedback and give public ratings for certain items.

In 2019 M.Video started to aggregate commentaries and ratings from various social media on mvideo.ru web pages to signal our transparency and adherence to honest and ethical business conduct.

Mobile Applications

In 2019, M.Video tested and launched a fully functional mobile app, where users can access online shopping, a product catalogue with a search function, information about new products, promotions, a map with locations of stores in their city, as well as access to a personal account with information

about bonus points. After being launched in the beginning of 2019, the M.Video mobile application had over 1.3 million downloads. By the end of 2019 sales via the M.Video mobile app comprised about 10% of all total online sales, and won a customer review score of 4.8 (out of 5.0) at Apple Store and Google Play.

Customer pickup: synergy between online platforms and retail stores

Our extensive retail network of more than 1,000 stores in Russia is significantly expanding our customers’ opportunities to pick up online orders in store. When picking up a product in the store, customers can try out their new devices, choose required accessories or content, and consult with store managers. Given the favorable location of the Group’s stores and ongoing digitalization, customer pickup remains the most popular way to receive purchases. By the end of 2019, its share of total online sales was 75.3%. The high popularity of the customer pickup gives us the ability to effectively control logistics costs, as well as increase traffic and conversion in stores by generating additional sales.

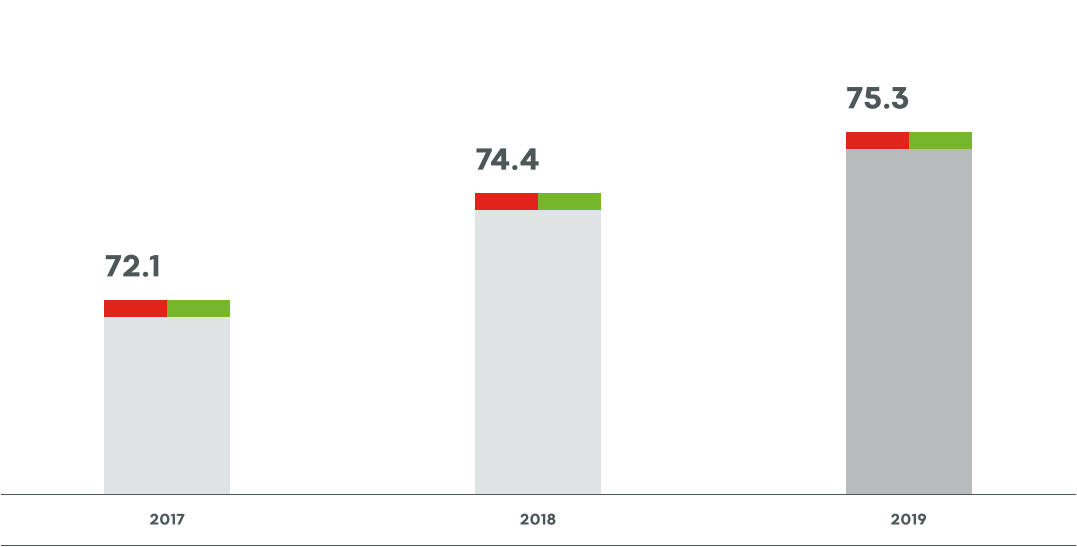
Keeping in mind that stores are a part of our distribution chain, we managed to secure stock availability in all regions where we are present. In 2019, we accelerated the confirmation time for online orders available for pick-up from 30 to 15 minutes for M.Video clients in Moscow.

M.QUEUE – THE TAILOR MADE PICKUP OPTIMIZATION

In 2019, we launched the M.Queue pilot initiative in M.Video stores – a fully in-house developed algorithm allowing the pickup time for our customers to be reduced to up to 15 minutes after placing an online order. The workload of the service zones personnel has been reorganized to separate the flows of pickup

customers from those returning previously acquired goods. We plan to fully digitalize this algorithm so a customer will be able to join a pickup queue in a selected store via smartphone and monitor in real-time how long it would take to get the order.

Share of customer pickup in the Group’s online sales¹, %



1 Before 2018, the figure includes only M.Video results.

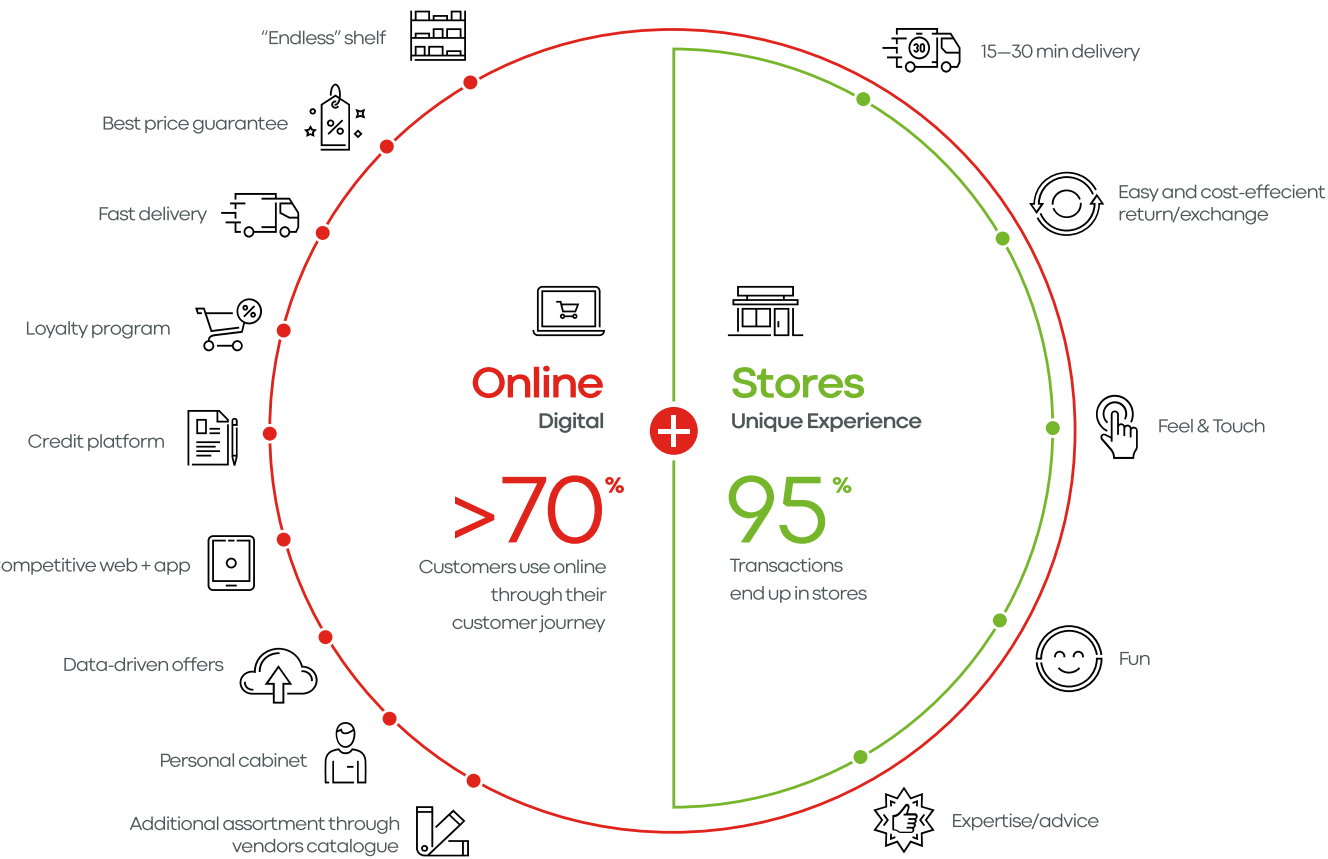
Store Network – as a Key Success Factor for Growing Online Company

STORE FORMATS AS OF 31 DECEMBER 2019

Format	Average sales area, m ²	Average number of employees	Locations	Concepts	Stores, unit ²
M.VIDEO	1,600	29	<ul style="list-style-type: none">Large citiesPopulation >200,000Key shopping centres	Top customer experience and service level, state-of-the-art technology, leading brands	513
ELDORADO	1,450	23	<ul style="list-style-type: none">Large citiesPopulation >200,000Class B and Class C shopping centres, less commonly Class A	Neighborhood stores, simplicity and speed, best deal here and now	465
ELDORADO 600	650	15	<ul style="list-style-type: none">All types of citiesPopulation >50,000.Street retail, Class B and Class C shopping centres		41
M_MOBILE	190	11	<ul style="list-style-type: none">Large citiesPremium locations	Digital products store with high-end service	19

2 As of 31.12.2019

M.Video-Eldorado Group is online business with stores advantages



BEST-IN-CLASS CUSTOMER VALUE PROPOSITION MAXIMIZING CUSTOMER COVERAGE VIA DISTINCTIVE DUAL BRAND STRATEGY

Brands	Brand mission	Brand awareness ¹	Unique selling points	Leading loyalty programs	NPS by clients
M.VIDEO M_MOBILE	Trendsetting	100%	<ul style="list-style-type: none">Center of competenceTechnology expertBest brands	25 m loyal customers	88%
ELDORADO ELDORADO 600	Attacking	100%	<ul style="list-style-type: none">Place of best dealsSimple, convenientBest value for money	33 m loyal customers	72%



- Personalization**
- Customized in-store assistance
 - Data-driven offers
 - Personalized approach



- Value for money**
- Best price guarantee via online price match
 - Supported by superior purchasing power
 - Ongoing promotions



- High-quality assortment**
- >30,000 SKUs and access to the most popular assortment
 - Endless online shelf
 - Exclusive assortment and expertise-heavy categories



- Entertaining in-store experience**
- Game zones
 - Smart home solutions
 - SoundCafe: head-phones testing area
 - AR in-store navigation

¹ Brand awareness based on aided recall test. Source: Company data

M.Video Stores

M.Video stores are constantly developing their concept and format with advances in technology, changing customer preferences and the opportunities afforded by retail design.

The standard M.Video format is a store with an average sales area measuring 1,600 m2 and a product range of 5,000-7,000 SKUs on store shelves. M.Video stores offer access to the Group’s entire product range – more than 30,000 SKUs – through the m_RTD information system and Vendor Catalogue.

A store’s retail space is divided into 13 zones according to primary product type and service: checkout, product pickup, service, and lending. Inventory storage is located alongside the sales area in each store.

Along with M.Video’s corporate design elements, an important component of the retail space design is dedicated vendor display areas, such as Apple, Samsung, Miele, Perenio Smart Home zone, and many others. At the end of 2019, over 10,000 vendor zones and demo-stands had been set up by suppliers in the M.Video network. The costs of design and maintenance for these vendor displays are co-financed by suppliers.

m_mobile Stores

Digital products represent 63% of the Russian consumer electronics market, according to GFK, and the Group is well positioned to play the leading role in this segment.

In 2017, M.Video launched stores in a unique format for the Russian market – m_mobile (previously, the concept had been used successfully for shop-in-shop format in the M.Video stores). A typical m_mobile store, measuring c. 200 m2, offers a wide range of digital products: about 75% of all sales in m_mobile stores are represented by mobile devices and their accessories, another 15% comes from computers and the balance of 8% is gaming devices, video games and photo equipment.

The m_mobile format is aimed at consumers interested in high-tech gadgets and a high level of service. All products are on open display, and any device can be held and tested

(e.g., listening to music with headphones, measuring quality of a smartphone camera, etc). At the same time, customers can receive personalized expert advice on digital devices and mobile communications. Visitors have access to tariff plans from any of Russia’s four mobile service providers.

The m_mobile stores offer credit sales, and stores also work as pickup points for small equipment, with customers having the ability to order any small home appliances or mobile devices and accessories at mvideo.ru and collect them at the nearest m_mobile store. M_mobile sales staff can also advise customers on goods from M.Video catalog and place an order through m_RTD-system.

In 2019, the Group piloted a co-brand m_mobile store with one of the leading Russian telecom operators, Mobile Telesystems (MTS). The pilot store offers about

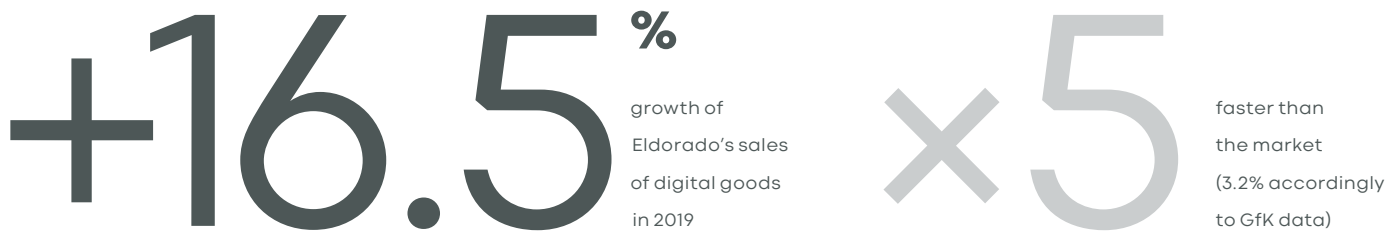


3,000 SKUs of various digital products and provides for a broader proposition of services from the telecom operator, i.e. broader range of tariff plans, satellite TV and mobile games subscriptions, etc.

Thanks to the successful implementation of the m_mobile strategic project (both shop-in-shop format and standalone stores), the M.Video brand increased the share of digital products, services and accessories to 44% of its net sales in 2019. We sell over half of all devices together with accessories, therefore increasing the average ticket and securing margins.

m_mobile 2019 development highlights:

- 17% sales growth (up to 86 RUB billion including VAT), more than twice the market rate
- +25% increase in SIM-cards sales



Eldorado Stores

The standard Eldorado store format is represented by stores with an average sales area measuring 1,450 m² and a product range of 5,000-7,000 SKUs on store shelves.

In 2018-2019, the Group carried out a complete relaunch of Eldorado's business in three areas.

First, Eldorado again became a specialized retailer of household appliances. Previously, the network pushed non-core categories, which blurred the business focus and brand perception. We removed non-core categories from the product range and significantly increased the digital electronics segment. In 2019, Eldorado's sales of digital goods increased by 16.5%, outpacing by five times the market growth of 3.2% (according to GfK).

Second, we switched to an omnichannel model, balancing our product range, prices and services both online and offline, and we combined the philosophy of these two channels.

Third, we updated our brand and our logo and continued to roll-out the new format of Eldorado 600 stores.

A focus on simplicity and minimalism in line with global trends became the basis of the Eldorado store design concept. Retail space is divided into two parts: traditional household appliances (the zone is structured as a warehouse showroom) and the entry zone, conceived as an open display of smartphones and other digital products. The rebranding provides for the creation of customer service centers in all stores, which combine the sales and service functions in a single place, including an online orders pickup area and a consumer loan counter. By the end of 2019, these customer service centers were installed in 198 Eldorado stores.

As part of the strategy to increase the share of digital product sales, digital zones are being created in Eldorado stores: at the end of 2019, 282 stores featured such digital zones. More than 4,800 vendor dedicated areas had been also installed in the majority of stores.

ELDORADO 600 FORMAT

In 2019, the Eldorado network also expanded to include the new Eldorado 600 format, where stores have an average sales area of just over 600 square meters. These are small shops within walking distance and are mostly located outside shopping centers. The stores' product range, which starts at 2,000 SKUs, primarily includes household appliances and electronics models that have proven to be best sellers in Eldorado stores.

Eldorado 600 stores are opened in cities and towns with populations of 50,000 or more. The introduction of this format expands the brand's presence in priority regions, while reducing the cost of opening stores. In 2019, the total number of Eldorado 600 stores reached 41.

Loyalty Programmes & Customer Satisfaction

Loyalty programmes

THE M.VIDEO AND ELDORADO BRANDS AIM TO ENSURE LONG-TERM CUSTOMER LOYALTY BOTH THROUGH LONG-TERM PROGRAMMES AND ATTRACTIVE SHORT-TERM OFFERS.

In September 2019, M.Video relaunched its loyalty programme, previously known as M.Bonus. Now the renewed M.Club programme is fully digital since clients use virtual cards linked to their personal mobile number. A customer can obtain M.Club membership either offline (in store, via call center) or online. The bonus card also can be added to any type of digital wallets available in different ecosystems (e.g. Apple Wallet, Google Pay etc.).

Our loyal customers are entitled to receive 3% cashback in Russian rubles and up to 25% in bonus points which can be spent

on purchases (up to 50% of the product price) based on individual preferences and personalized promo. In 2019 we accrued over 17 billion bonus points to our clients.

Eldorado's bonus programme operates using a similar mechanism. Members of the club are awarded from 3% to 30% of the value of every purchased product or service as bonus points on their bonus accounts. Bonus points can be used to pay up to 50% of the cost of a new purchase in stores or on the eldorado.ru website. The bonus card is also available in a virtual form and can be linked to a customer's digital wallet.

Key indicators of the implementation of M.Video and Eldorado loyalty programmes in 2019		
	M.Video	Eldorado
Total number of cardholders, million	36.7	35.5
Number of cardholders dynamics (year-on-year, %)	+23	+12.2
Purchases of the loyalty programmes members as % of turnover (2019)	78	86.2
Average transaction amount of the loyalty programmes members, RUB	9,992	7,363

Customer satisfaction

BOTH M.VIDEO AND ELDORADO ARE CONSTANTLY WORKING TO IMPROVE CUSTOMER SATISFACTION AND MEASURE RELEVANT PERFORMANCE. THE MAIN CUSTOMER SATISFACTION INDICATOR USED BY THE GROUP IS THE NPS (NET PROMOTERS SCORE) INDEX, WHICH IS THE WILLINGNESS OF CUSTOMERS TO RECOMMEND A RETAIL STORE/CHAIN WHERE TO BUY HOME APPLIANCES AND ELECTRONICS.

1 TOP-2 – by the sum of positive ratings

According to a marketing research conducted by MP ANALITIKA LLC from January to December 2019, the M.Video NPS continued to grow and reached a level of 84% (+8 p.p. y-o-y). Eldorado for the same period showed a similar increase and reached the level of 67% (+8 p.p. y-o-y).

M. Video, along with the growth of NPS, also recorded continued increases in customer satisfaction with all aspects of the store’s work, achieving results in a range from 93% (“Sales staff approach customers first”) to 99% (“Sales staff approach customers first”) to 99%

(“General satisfaction with the sales assistants work”, “Satisfaction with the quality of the goods”).

Eldorado also noted high customer satisfaction for most parameters, resulting in comparable to M.Video levels – ranging from 89% (“Sales staff approach customers first”) to 98%¹ (“General satisfaction with the sales assistants work”, “Satisfaction with the quality of the goods”).

Purchases Made on Credit

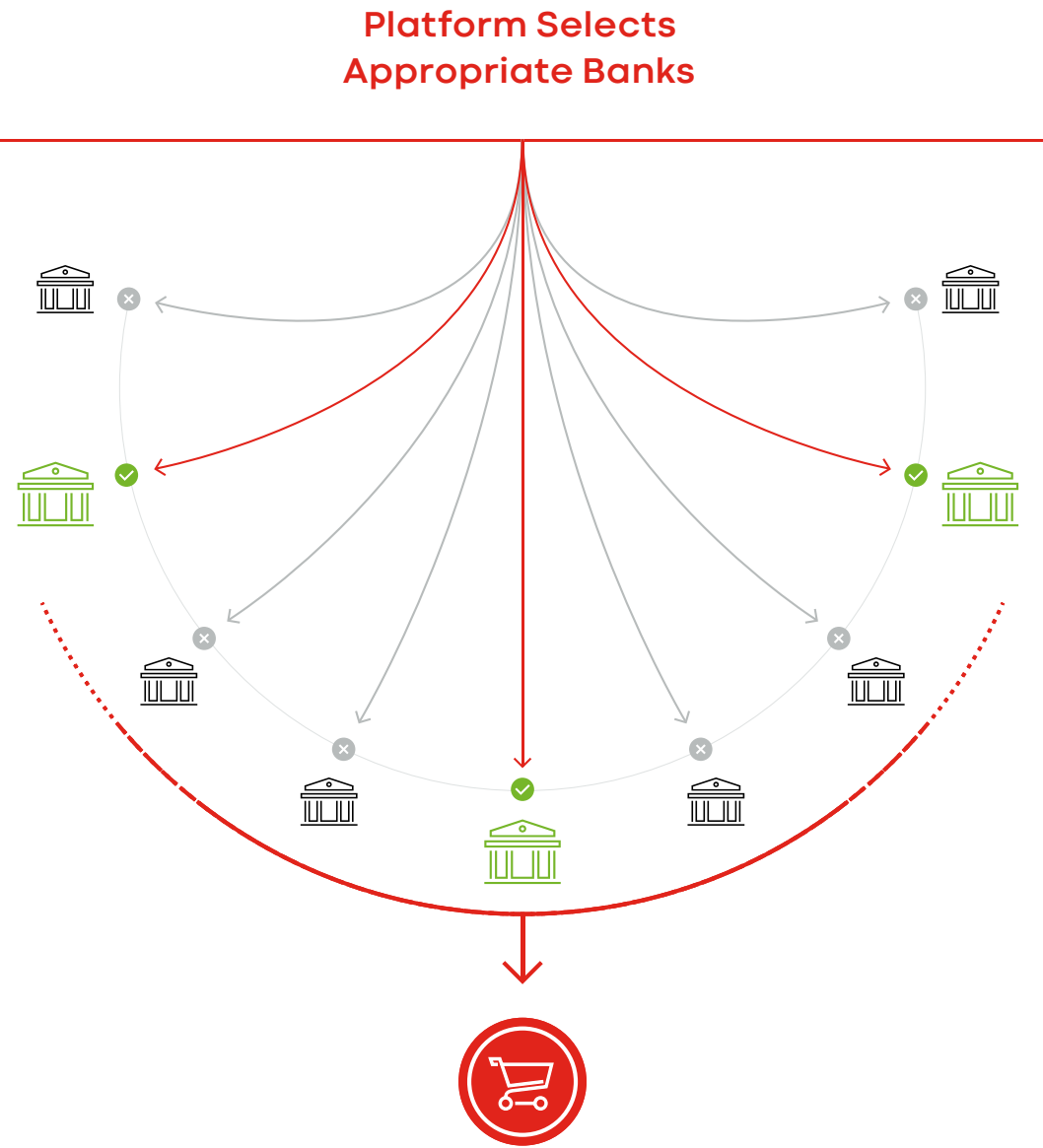
CUSTOMERS ARE DEMONSTRATING CONSIDERABLE DEMAND FOR OPPORTUNITIES TO PURCHASE CONSUMER ELECTRONICS ON CREDIT. ONE OF THE GROUP’S COMPETITIVE ADVANTAGES IS ITS CONSUMER LOAN PLATFORM, WHICH IS UNIQUE ON THE RUSSIAN MARKET. THIS PLATFORM ALLOWS CUSTOMERS TO BUY GOODS ON CREDIT BOTH IN THE GROUP'S STORES AND THROUGH THE MVIDEO.RU AND ELDORADO.RU WEBSITES.

The broker platform deployed across the M.Video and Eldorado networks provides customers with access to the lending programs of partner banks. After choosing a product at a store, customers can contact representative of the broker platform and submit a loan application, which will be sent for consideration to partner banks.

Online lending is available through the Group’s websites for products with a total value in the range of RUB 3 -250 thousand.

After placing goods in their online shopping cart, customers can fill out a form directly on the site and send an application to several banks. Review of applications takes less than 3 minutes, after which customers may receive several loan offers and choose the one that is most attractive to them. In the case of a loan through the website, loan documents are delivered to customers by the bank’s courier, and the purchased goods are delivered by the store’s courier. Customers can

CREDIT BROKER PLATFORM



also receive products and sign documents in a store.

This service has significantly increased the level of loan approvals, as the banks tender a single application simultaneously. Approval on the broker platform exceeds 80% compared to approximately 64% in cases where representatives of partner banks work only in stores. Additionally, the platform saves customers time – the time for getting a loan with the broker platform was reduced

by almost 3 times to around 20 minutes per client.

At the end of 2019, the number of partner banks taking part in the broker platform comprised 11, including 8 banks which operate in the online lending service.

The share of loan-based sales in the total Group turnover in 2019 amounted to 22% while the number of related transactions increased by 15% year-on-year.

Product Range

THE COMBINED PRODUCT RANGE OF THE M.VIDEO-ELDORADO GROUP EXCEEDS 30,000 ITEMS. THE M.VIDEO AND ELDORADO PRODUCT LINES ARE BUILT ON THE BASIS OF EACH OF THE BRANDS’ VALUE PROPOSITION AND IN GENERAL CONSIST OF CLOSELY RELATED PRODUCT RANGES.

The M.Video product line is oriented towards the mid-range and upper price segments, which also includes hi-end and premium

products. Eldorado’s product line is focused on the mid-range and mass market price segments, with relatively lower margin products.

An endless shelf concept

SINCE 2016, M.VIDEO HAS BEEN DEVELOPING A SERVICE CALLED VENDOR CATALOGUE, WHICH INVOLVES SALES OF PRODUCTS STORED IN SUPPLIERS' WAREHOUSES.

Using a sales team member’s m_RTD tablet in the store or on the mvideo.ru website or mobile app, customers can order products that are in stock at the warehouse of an accredited Group supplier. The service therefore provides for a significant expansion of the available product range (i.e., “an unlimited product line”) without increasing logistics costs.

In 2019, the Group expanded the product range being sold via the vendor catalogue by 2.8 thousand SKUs bringing the total assortment of the “endless shelf” to over 10 thousands SKUs.



COMMERCIAL PURCHASES

SUPPLIER RELATIONS

ONE OF THE KEY BUSINESS PRIORITIES OF THE GROUP IS TO BUILD A LONG-TERM STRATEGIC PARTNERSHIP AND MUTUALLY BENEFICIAL RELATIONS WITH SUPPLIERS IN ORDER TO MAINTAIN THE STABILITY OF THE BUSINESS MODEL AND SUSTAINABLE DEVELOPMENT OF THE MARKET.

Manufacturers and distributors are one of the key stakeholders of the M.Video-Eldorado Group. Mutual success and market development, the creation of a unique customer offer depends on our mutual relations and common projects with the suppliers. The Group builds relationships with suppliers based on mutual support and mutual effectiveness, implementing joint projects and focusing on long-term relationships. During 2019, as part of commercial procurement, the Group was focused on maintaining a leading position in the Russian market and ensuring the growth of market share in the most dynamically developing digital categories by expanding its portfolio of brands and models. One of the key projects for the Group was the transfer of commercial procurement to electronic document management. Currently, almost all calculations are made without paper.

Since 2018, the M.Video-Eldorado Group has been carrying out centralized commercial purchases for all of its brands — M.Video, Eldorado and m_mobile. The Group’s brands take advantage of joint commercial purchases, and suppliers have the opportunity to cooperate with a larger player, able to position their product in all market segments and all audiences, to ensure full geographical coverage in the Russian market. For many manufacturers, the M.Video-Eldorado Group

is the main channel for entering the Russian market, as it can ensure the availability of goods for consumers throughout Russia, offer advice, service and after-sales support, marketing tools.

The number of regular suppliers of the Group is about 300 companies. The largest vendors include global leaders in the household appliance and electronics sectors, such as Samsung, Apple, LG, Sony, Huawei, Bosch, etc. About 75% of the Group’s commercial purchases come from direct contracts with manufacturers. The Group purchases part of the assortment through distributors.

M.Video-Eldorado Group is a key partner in the Russian market for the most well-known brands. The Group provides not only a network of more than 1 thousand stores, capable of ensuring the presence of goods in every corner of the country, but acts as a retailer able to show customers technical innovation, new solutions for each of the manufacturers.

Together with suppliers, the Group implements dozens of promotions and projects every day — from testing and performance presentations in stores to federal advertising campaigns. Joint projects are an important element in the development of the ecosystem approach to retail, in which the Group, in addition to its range of products, offers customers

THE 10 LARGEST BRANDS IN TERMS OF SALES IN RUSSIA, WHICH IN 2019 INCLUDED APPLE, LG, SONY, SAMSUNG, HUAWEI / HONOR, HP, BOSCH, LENOVO, PHILIPS AND ACER, AC-COUNTED FOR ABOUT 65% OF COMMERCIAL PURCHASES.

participation in promotions and events, additional services, accessories and content that significantly enrich the customer experience. In 2018, the M.Video network first in Russia (in addition to Apple's dedicated zones) began to open authorized service centers of Apple in stores. The services use certified equipment, as well as parts obtained directly from Apple. At the end of 2019, 10 service centers were operating in Moscow, St. Petersburg, Yekaterinburg and Rostov-on-Don.

The M.Video-Eldorado Group also expands the current product range presented on the networks through an online catalog that allows one to access both the regular product line and additional offers from suppliers. Retailer partners have the opportunity to display their product offers through the online store. In this case, the Group does not purchase these goods, but can provide their sale, delivery and all related services for customers. For Group customers, this approach allows one to order any model of equipment, including rare or exclusive, the retailer expands the range without additional risks for working capital, and the manufacturer increases sales and can test consumer demand for experimental models.

In 2019, the Group launched the production and sale of equipment under its own brand Hi, this brand is represented in the Eldorado network. Eldorado within the Group acts as an attack brand, both in terms of entering new cities and attracting a new audience. Since in some categories, for example, on TV, the models that meet the demand of our customers in low price segments are practically not represented on the Russian market, it was decided to develop

our own brands (STM). Based on many years of experience and understanding of the market and direct contracts with manufacturers, Eldorado offers its customers practical TV sets with truly sought-after functionality at an attractive price – about 30% below the average market.

STM development was launched with the start of sales of Hi TVs; by the end of 2019, the share of this brand in unit sales of televisions in Eldorado stores was approximately 10%. In addition to televisions, the Group plans to sell other categories of goods under its own brand – kitchen appliances, large household appliances, including built-in appliances, accessories.

Another area of range of products development was the premium segment. The high price segment is in demand among Russian consumers and requires a separate approach both in working with partners and in marketing tools. In 2019, the M.Video brand launched sales of premium-class equipment from leading world manufacturers that can make users' lives more comfortable and become a stylish addition to the interior of the house. We are talking about such product categories as built-in large household appliances, televisions, smartphones, refrigerators, washing and drying machines, computer equipment, vacuum cleaners, coffee machines, kitchen appliances, photographic equipment and other goods. Regardless of the purchase price and the selected acquisition channel, customers expect a high level of service. In M. Video there is a ready-made M.Price solution, which includes not only sales, but also full service support for the goods: delivery, installation, content filling, configuration and training for operation.

Opportunities	Examples and results
Promotion and information on the site	
<ul style="list-style-type: none">About 700 million visits to mvideo.ru and eldorado.ru sites per year.Flexible site architecture expands the possibilities for carrying out promotions.	M. Video and Eldorado regularly hold partnership contests, promotions and sales – more than 100 projects per year.
Retail Positioning	
<ul style="list-style-type: none">A network of more than 1 thousand stores throughout Russia.24 thousand vendor zones and demo stands in M.Video and Eldorado stores.	<ul style="list-style-type: none">Brand zones of large vendors (Apple, Samsung, etc.).Thematic zones: dishes and kitchen goods (Tefal, Tescona, etc.), beauty zones (SEB, Philips, etc.).
Active marketing	
<p>A wide range of tools to increase user interest:</p> <ul style="list-style-type: none">online broadcasting of presentations of new products from Samsung, Apple, etc.;detailed materials on updates on the Group's websites.	<ul style="list-style-type: none">M.Video annually hosts on its website exclusive broadcast of the presentation of new Apple smartphones with real time translation. Broadcast collects several tens of thousands of views annuallyM.Video-Eldorado Group is one of the market leaders in organizing pre-orders and sales starts of gadgets of the largest vendors (Samsung, Apple, Huawei, etc.)
Ecosystem approach	
<ul style="list-style-type: none">Additional services, warranty and insurance products, digital contentEntertainment, free testing of gaming systems, VR stations, etc.	M.Video is the only retailer that creates unique streaming content for game fans on popular social networks. The ecosystem created by the Group for gamers (gaming zones, cyber tournaments, etc.) has made the Group one of the market leaders in the game consoles (about 50%) and laptops (about 20%) sales.

Supplier Selection

IN ORDER TO MINIMIZE CUSTOMS, TAX AND OTHER TYPES OF RISKS, THE GROUP CONDUCTS AN INTERNAL AUDIT OF ALL SUPPLIERS. AUDITORS OF THE FINANCIAL DIRECTORATE, CORPORATE AND LEGAL RELATIONS DIRECTORATE AND SECURITY DIRECTORATE SIMULTANEOUSLY PARTICIPATE IN THE AUDIT OF EACH SUPPLIER.

When evaluating the integrity of counterparties, inter alia, an analysis of the following factors is carried out:

- the validity of the choice of counterparty (including an assessment of the terms of the transaction);
- goodwill, deadlines for creating a counterparty's legal entity, frequency of rotation of legal entities that were previously counterparties of the Group's companies;
- lack of facts of artificial understatement by the counterparty of their tax obligations;
- availability of qualified personnel;
- availability of production capacities for doing business (warehouse, office, fixed assets, etc.);

- a chain of suppliers from the manufacturer / importer, the dynamics of price changes;
- fulfillment of tax obligations;
- assessment of financial stability (no loss for three years);
- correct customs declaration.

The term for concluding an agreement for audited suppliers is no more than three years.

The Group has a committee on accreditation of counterparties for commercial procurement to review complex cases and approve important counterparties for which there are discrepancies in the opinions of auditors.

M.Video Electronics Show 2019

In October 2019, the M.Video – Eldorado Group, in partnership with leading suppliers, held the first consumer electronics exhibition in Russia, M.Video Electronics Show 2019, which allowed to present the most interesting new products in the consumer electronics market to a wide audience. The exhibition featured more than 500 new products from 40 leading brands in more than 15 of the most popular product categories: from smartphones, accessories, computer equipment and televisions to large and small household appliances, electric vehicles, drones and services.

Many new products were demonstrated for the first time in Russia, for example smartphones with support of 5G-network. Within the framework of the exhibition, Samsung and MTS organized the first 5G-indoor network in Russia in the 28 GHz band and demonstrated the work on a pre-sale sample of the Samsung Galaxy S10 5G smartphone. The exhibition also became the platform for the announcement of several products significant for the market, for example, the first smartphones with a flexible display.



Partners: Samsung Electronics, HP, Beko, Braun, DeLonghi, Duracell, Electrolux, GFK Rus, Huawei, Hommyn, Hotpoint, iconBIT, INTERSTEP, iRobot, JBL, JET, Kenwood, LEGO, Microsoft, Miele, OPPO, Philips, Red Square, QUB, RSQ, Siemens, Sony, Tefal, vivo, Whirlpool, W.O.L.T, Xiaomi, Okko, AlfaStrakhovanie, Kaspersky Lab, Pilotage, VSK Insurance House, Halva from Sovcombank, ER-Telecom.

LOGISTICS

LOGISTICS PLAYS ONE OF THE MOST CRUCIAL ROLES IN THE BUSINESS OF THE M.VIDEO-ELDORADO GROUP. OUR LOGISTIC SYSTEM IS DESIGNED TO ENSURE THE AVAILABILITY OF GOODS ON STORE SHELVES AND DELIVERY OF ORDERS TAKING INTO ACCOUNT THE NEEDS OF CUSTOMERS IN EACH REGION.

The continuous development and optimization of inventory and transportation management systems is a necessary condition for the effective expansion of the Group’s retail network and online business in accordance with the ONE RETAIL concept.

served in-house. As part of the merger of M.Video and Eldorado, the Group retained the best practices of both networks and achieved significant synergies through the scaling and optimization of operational processes and resources.

In 2019, M.Video-Eldorado Group completed a deep restructuring of its logistics systems and processes as part of the integration of the two companies.

In particular, to support the sales of both brands, a centralized distribution network was implemented; processes for combining central and regional warehouses, long-haul transportation and home deliveries to customers were launched; and uniform rules for receiving/shipping goods were introduced.

Initially, the organisation of logistics at M.Video and Eldorado was based on different approaches: M.Video outsourced the majority of its processes, while Eldorado supported its own operations. Since the completion of integration, the Group has been using a mixed logistics model with focus on outsourcing while some operations are

In 2019, the Group completed the transition to a single SAP ERP system for M.Video and Eldorado networks. The current logistics system successfully serves both brands in every region of operations.

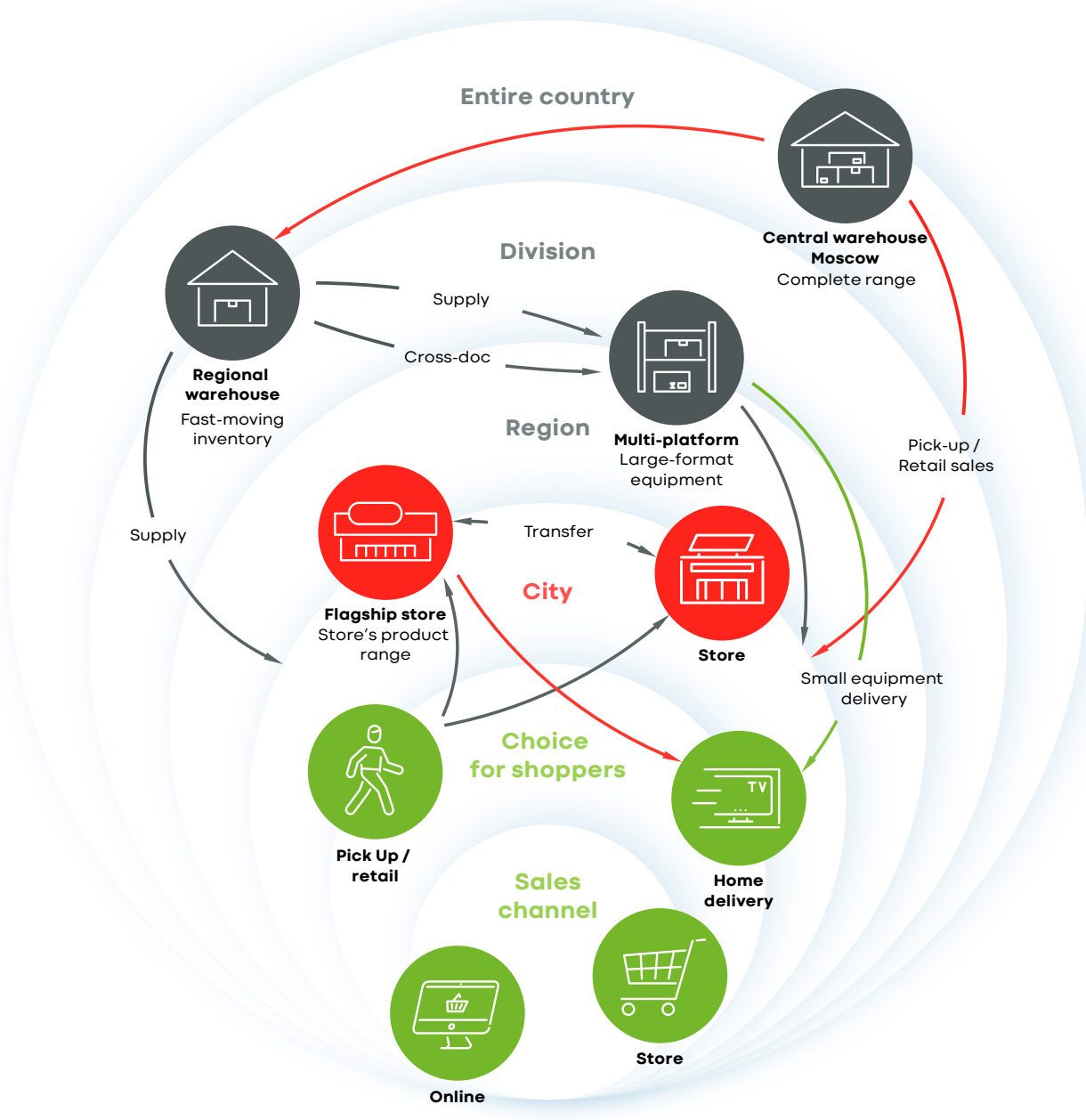
Group distribution network as of 31 December 2019

Property	Description and functionality	Locations
9 central distribution warehouses 45% of the inventory	<ul style="list-style-type: none">Concentration of all goods purchased by the Group from over 300 suppliers in a total area of more than 250 thousand square metersDistribution of goods to stores and regional delivery platformsProcessing of customer orders for delivery	Moscow (2), Saint Petersburg, Novosibirsk, Kazan, Rostov-on-Don, Yekaterinburg, Nizhny Novgorod, Vladivostok
57 regional delivery platforms 8% of the inventory	<ul style="list-style-type: none">Storage of large home appliancesDelivery of goods to stores and customers within a radius of 150-200 km	Large and medium-sized cities in various regions of Russia (Novorossiysk, Tyumen, Irkutsk, Ulyanovsk, Yakutsk, etc.)
1,038 stores in the M.Video, Eldorado and m_mobile chains 47% of the inventory	<ul style="list-style-type: none">Presentation of home appliances samples in a display, as well as storage of small home appliances and digital goodsIssuing orders to customers, including those who placed their order on the website	252 cities in Russia

Supply Chain Model

THE FOCUS OF THE GROUP’S TRANSPORT LOGISTICS IS TO CONSTANTLY ACCELERATE DELIVERY TIMES FOR THE ENTIRE RANGE OF DIGITAL AND HOME APPLIANCES.

COMMODITY SUPPLY MODEL



7^K SKUs is the standard product matrix for one M.Video or Eldorado store

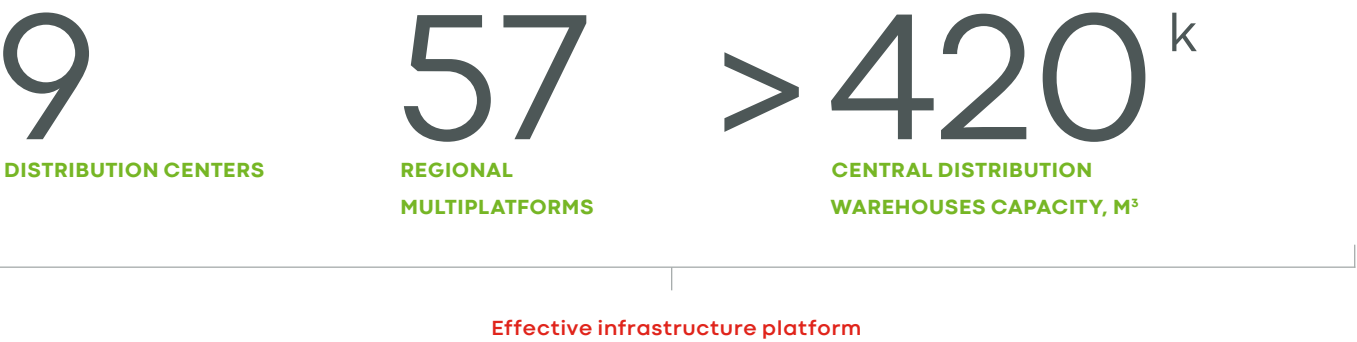
20^K SKUs is stored at the central warehouse in Moscow or at the supplier’s warehouse

The focus of the Group’s transport logistics is to constantly accelerate delivery times for the entire range of digital and home appliances. The standard product matrix for one M.Video or Eldorado store is about 7 thousand SKUs depending on the size, geographical location and the specific features of each individual store (for cities with a large number of stores, up to 9 thousand SKUs). A less popular range exceeding 20 thousand SKUs is stored at the central warehouse in Moscow or at the supplier’s warehouse (products are available through the Vendor Catalog service).

Along with DCs, we use larger stores serving as a showcase, a mini-warehouse and pick-up points for online buyers and other smaller stores, in each city of our presence. Logistics service exploits machine learning technologies to forecast inventory levels for every store, taking into account the dynamics of sales, seasonality, traffic, promotions, and also the prospective amount of pickups after ordering online. Since our trucks deliver goods to our stores for both offline and online sales simultaneously, we use the existing logistic infrastructure to trade up online sales.

All long-haul shipments are carried out by the Group’s counterparties. The choice of transport service providers, including for long-haul transport and home delivery of goods to customers, is based on tender procedures. For those goods that customers cannot receive as part of the service in a particular city, the Group uses a system to reduce order delivery-times through less-than-truck-load shipping (LTL), cross-docking, express delivery by plane, etc.

2019 Supply Chain Key Figures



Delivery of goods

NOWADAYS OUR CUSTOMERS PREFER TO PICK UP 75% OF ONLINE ORDERS AT ANY CONVENIENT STORE. MOST ORDERS ARE READY TO COLLECT WITHIN 15-30 MINUTES AFTER ORDERING VIA THE WEBSITE OR MOBILE APPLICATION.

M.Video-Eldorado's extensive retail network of more than 1,000 stores nationwide allows us to provide our clients with high quality service and to reduce transportation expenses: if a customer refuses to collect an online order, we do not return goods to a warehouse as they can be offered to another customer almost immediately in a store.

Orders are delivered to customers by counter-parties. Home delivery is available the same day in Moscow and some other cities with over one million inhabitants. Next day delivery is provided in the rest of the country for 90% of the assortment. In some cases we may schedule a delivery for the next day or later if a client requires some specific products (normally this occurs on less than 10% of the needs).

In 2019, we started to test a crowdsourcing platform which helps with tenders for courier providers to deliver any of 13,000 SKUs (all costing under RUB 8,000) to clients within 90 minutes in Moscow.

A wide range of service offerings is available to our customers: urgent delivery, free of charge lift of equipment to the relevant floor, acceptance of all discount mechanisms at the delivery address, etc. In addition to standard home delivery, we offer combined delivery and installation service of equipment in a number of cities. We also take away and transport for recycling old home appliances which are replaced by our customers.



Digital logistics technologies

DIGITAL TECHNOLOGIES ARE ONE OF THE KEY DRIVERS FOR THE DEVELOPMENT OF THE LOGISTICS PLATFORM AND CUSTOMER SERVICE.

For many years, M.Video-Eldorado Group has been investing in state-of-the-art IT systems and solutions that support logistics: SAP ERP, SAP TMS, Predictix, VeeRoute and others, for most of which the Group was a pioneer in the industry and a significant reference point in the market.

M.Video-Eldorado Group is exploiting a new system for managing consumer data and product technical specifications. This system allows the Group to pinpoint and correctly manage recommendations of accessories for basic products on the Group's sites; to create and edit SEO-search collections to simplify product searches, to create and highlight on the Group's sites information on technical differences of goods (e.g., colour, memory size, etc.); and to speed up the viewing of product

data-pages (PDP). Product reviews and ratings are also combined for the convenience of customers.

The Company is using VeeRoute, a mobile application for delivery couriers that is integrated with an order management system and other systems that enables the Company to receive the status of orders in real time, to quickly change drivers' electronic route list, etc. M.Video was one of the first to pilot this mobile solution, produced by a Russian startup, which helped significantly improve the quality of last-mile delivery.

The Group has built a process of end-to-end inventory planning from supplier to store. The planning system, based on Predictix technologies, uses various mathematical models

to predict the optimal level of service at each stage in the supply chain for more than 20 thousand active SKUs, with the product line changing by 40% per year.

In 2019, we started testing a system of dynamic matrices, which, unlike fixed matrices, is based on machine learning technologies. It allows better than standard analysis to predict the shelf fulfilment and to manage assortment availability.

The Group uses paperless document flow in most transactional processes, which helps to speed up the documentation flow processing and to monitor information exchange at all

stages of the supply chain. Electronic data interchange (EDI) has been implemented with more than 100 key vendors, which made it possible to optimise procurement processes.

A SAP SRM-based electronic tender platform makes the purchasing process of non-commercial services as transparent as possible. During 2019 the Supply Chain, Distribution and Logistics Department and in conjunction with the Tender Department conducted multiple large-scale tenders and concluded circa 250 new 3PL long term agreements in order to optimise its warehouse capacities and reduce transportation costs.

~50^k
vehicles
deliver
goods
annually

SAP Yard Logistics Implementation

In February 2020 M.Video-Eldorado Group announced the first commercial implementation of SAP Yard Logistics as a warehouse management solution in Russia. The logistics module, which has been customised to the Company's needs, is designed to manage and control traffic at warehouses, as well as to automate workflow at all sites. The solution will help M.Video-Eldorado to build an integrated system for managing and monitoring all product flows, increasing the processing capacity of warehouses and the quality of logistics services.

EVERY YEAR AROUND 50,000 VEHICLES DELIVER GOODS TO THE NINE CENTRAL WAREHOUSES OF THE GROUP FROM MORE THAN 300 SUPPLIERS.

From there the goods are transported to regional distribution platforms and stores across Russia. This process requires synchronization and clear, uniform rules that help to minimize queues and control overloading.

THE COMPANY ESTIMATES THAT IT WILL BE ABLE TO REDUCE BY 5% DURING THE HIGH-PEAK SEASON BOTH THE VEHICLE PROCESSING TIME AND THE TIME GOODS SPEND AT THE WAREHOUSE THUS INCREASING WAREHOUSING THROUGHPUT CAPACITY

300^{suppliers}

SAP YARD LOGISTICS IS THE FIRST SOLUTION IMPLEMENTED IN THE RUSSIAN MARKET THAT ALLOWS TO MANAGE CENTRALIZED GOODS FLOWS ACROSS MULTIPLE SITES SIMULTANEOUSLY.

An integrated solution displays the real-time situation in all warehouses, as well as the status of planned and priority deliveries, provides more detailed status information for deliveries at each step of their journey (checkpoint, documentation verification, gate allocation, start and end of unloading and departure).

The net benefits from the newly adopted technology are to come in 2020, meanwhile the Company estimates that it will be able

to reduce both the vehicle processing time (by 5% during the high-peak season) and the time goods spend at the warehouse thus increasing warehousing throughput capacities. As a result, the goods will be available for online purchasing sooner and will reach the store faster.

In 2020, the key focus of the Group's Supply Chain, Distribution and Logistics team will be on improving the availability of a wider product mix to customers as well as fine-tuning of the consumer service. The Group will also concentrate its efforts and continue to invest in "last mile" upgrades, employing and implementing the newest IT solutions to optimize deliveries to customers.



Corporate Governance

STATEMENT OF THE COMPANY'S BOARD OF DIRECTORS

**On compliance with
the principles and recommendations
of corporate governance stipulated
by the Corporate Governance Code**

IN ACCORDANCE WITH THE CORPORATE GOVERNANCE CODE APPROVED BY THE BANK OF RUSSIA AND RECOMMENDED FOR USE BY LISTED JOINT-STOCK COMPANIES (LETTER NO. 06-52/2463 OF 10 APRIL 2014), HEREIN- AFTER REFERRED TO AS "CODE" AND ALSO THE CLARIFICATION GIVEN IN THE LETTER OF BANK OF RUSSIA FROM 17 FEBRUARY 2016 № IN-06-52/8 "ON DISCLOSURE OF COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE IN THE ANNUAL REPORT OF PUBLIC JOINT STOCK COMPANY", WHICH ESTABLISHES THE RULES OF CORPORATE GOVERNANCE IN JOINT-STOCK COMPANIES, THE COMPANY'S BOARD OF DIRECTORS ADHERES TO FOLLOW THE MOST COMPLETE AND ACCURATE COMPLIANCE WITH THEM. AT THE SAME TIME, THE COMPANY'S BOARD OF DIRECTORS STATES THAT CERTAIN PROVISIONS (PRINCIPLES) OF THE CODE IS CURRENTLY NOT BEING IMPLEMENTED (PARTIALLY OR FULLY) DUE TO A NUMBER OF CIRCUMSTANCES DESCRIBED IN DETAIL IN THE SECTION "EXPLANATIONS OF NONCOMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLES" IN THE APPENDIX TO THIS ANNUAL REPORT.

THE METHODOLOGY USED BY THE COMPANY TO ASSESS COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF CORPORATE GOVERNANCE SET OUT IN THE CODE WAS BASED ON THE RECOMMENDATIONS SET OUT IN THE BANK OF RUSSIA'S LETTER № IN-06-52/8 "ON DISCLOSURE OF COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE IN THE ANNUAL REPORT OF PUBLIC JOINT STOCK COMPANY",

INFORMATION ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CODE IS REVIEWED BY THE COMPANY'S BOARD OF DIRECTORS AS PART OF THIS ANNUAL REPORT.

M.VIDEO-ELDORADO GROUP'S CORPORATE GOVERNANCE SYSTEM

M.VIDEO-ELDORADO GROUP CONSIDERS THE ESTABLISHMENT OF AN EFFECTIVE CORPORATE GOVERNANCE MODEL TO BE A KEY FACTOR IN ENSURING SHAREHOLDERS' RIGHTS AND CREATING TRUSTING RELATIONSHIPS WITH INVESTORS AND OTHER GROUP STAKEHOLDERS.

As part of the development of its corporate governance system and improving the quality of corporate governance of PJSC M.video, the Group is guided by the requirements of the laws of the Russian Federation, including Federal Law dated 26 December 1995 №208-FZ "On Joint Stock Companies", Federal Law dated 22 April 1996 №39-FZ "On Securities Market, the Listing Rules of PJSC "Moscow Exchange" and the principles and recommendations of the Corporate Governance Code recommended for use by the Bank of Russia.

The key elements of the PJSC M.video's corporate governance model are:

1. the General Meeting of Shareholders,
2. the Board of Directors and its committees,
3. the Management Board — collegial executive body,
4. the sole executive bodies (the President and Chief Executive Officer).

An integral part of the Company's corporate governance model are control functions supervising its operational and financial activities, i.e. internal audit, internal control and risk management, which provides for improving decision-making processes, promptly identifying, preventing and limiting operational and financial risks. Those functions are executed by the following structural divisions:

1. Audit Commission;
2. Internal Audit Department;
3. Internal Control and Risk Management Department.

The Company's internal control and risk management ensures proper protection of shareholders' investment in the Company's assets, supporting an investor confidence. The internal control and risk management provides an objective, fair and clear view of the current situation and development prospects of the Company, integrity and transparency

of the Company's reporting, fairness and acceptability of the risks taken by the Company.

The Company engages an external (independent) auditor who performs an audit of the Company's operational and financial activities. The external auditor is approved by the General Meeting of Shareholders of the Company. Detailed information on the procedures used to elect external auditors and ensure their independence and objectivity, as well as information on remuneration of external auditors for audit and non-audit services, is provided in the section "External Auditor" of this Annual Report.

The Audit Committee of the Board of Directors regularly reviews the reports of the head of the internal audit division and assesses his/her proficiency.

The Corporate Secretary, who is appointed by the Board of Directors, carries out the oversight of the Company's compliance with applicable corporate laws, the provisions of the Charter and the Company's bylaws safeguarding the exercise of the rights and legitimate interests of shareholders, as well as supports the efficient work of the Board

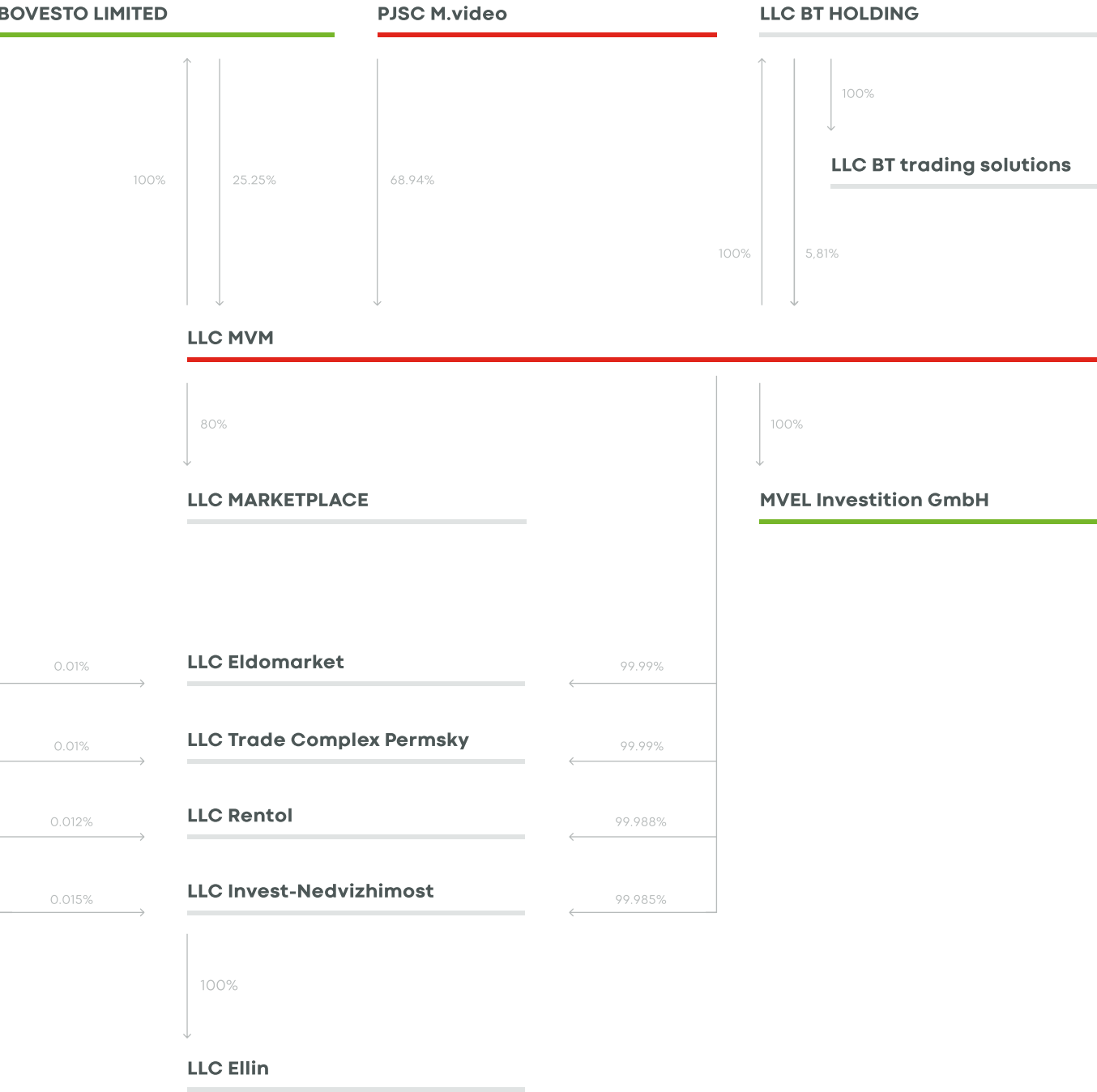
of Directors and its committees and provides the timely disclosure of information in accordance with the requirements of Federal Law №224-FZ "On Countering the misuse of the insider information and market manipulation and on amendments to certain legislative acts of the Russian Federation".

The Company complies with the requirements of public disclosure, providing shareholders and other interested parties with the opportunity to obtain reliable information about the Company and its daughter companies. The Company regularly and timely releases information in the dedicated public source updated in real time and provided by LLC News Agency Interfax (hereinafter referred to as the News Feed) and in the Internet, using the Internet page provided by LLC News Agency Interfax (hereinafter referred to as the Internet Page), as well as on its own website.

Access to the information posted on the Company's website, in the News Feed and on the Internet Page is provided free of charge and does not require additional efforts (i.e., obtaining passwords, registration or other technical restrictions) to get acquainted with it.

M.Video-Eldorado Group Corporate Structure

AS OF 31 DECEMBER 2019, M.VIDEO-ELDORADO GROUP INCLUDED THE FOLLOWING LEGAL ENTITIES:



Principles of Corporate Governance

THE COMPANY ADHERES TO THE FOLLOWING KEY PRINCIPLES, WHICH ARE DESIGNED TO SECURE THE INTERESTS OF SHAREHOLDERS AND TO ENSURE A REASONABLE BALANCE BETWEEN THE POWERS OF THE EXECUTIVE BODIES AND THOSE OF THE OVERSIGHT BODIES:

- providing shareholders with a genuine opportunity to exercise their rights related to investing in the Company;
- implementation by the Board of Directors of the strategic management of the Company's operations and its effective oversight of the activities of the Company's executive bodies as well as accountability of the members of the Company's Board of Directors to shareholders;
- executive management of the Company's day-to-day activities in the interests of ensuring its long-term sustainable development, shareholder value and accountability of executive bodies to the Board of Directors and the Company's shareholders;
- timely disclosure of complete and accurate information about the Company that is necessary for shareholders to make informed decisions;
- ensuring effective oversight of the Company's financial and commercial operations in order to protect shareholders' rights and legitimate interests;
- social responsibility and respect for the rights and legitimate interests of other interested parties.

Development of the Corporate Governance System in 2019

THE COMPANY ADHERES TO A POLICY OF CONTINUOUS DEVELOPMENT OF ITS CORPORATE GOVERNANCE SYSTEM.

In January 2019, the Extraordinary General Meeting (EGM) of Shareholders of the Company voted for the election as the Board Member a representative of a minority shareholder, Andreas Blase; at the same time, Maxim Kalyuzhny stepped down as a Board Member.

On 3 December 2019, the EGM of Shareholders of the Company determined the future composition of the Board of Directors as comprising of 9 members effective for the next AGM/ EGM authorized to elect the Board of Directors following the decision date (as starting from August 2017, during 2018 and in 2019 the Board of Directors comprised of 14 members).

At the same time, the EGM of Shareholders of the Company approved the payment of dividends for the first nine months of 2019 in the amount of RUB 33.37 per one ordinary share of PJSC M.video.

The Board of Directors, striving to comply with principles and recommendations of the Corporate Governance Code approved by the Central Bank of Russia and recommended for public joint stock companies, in 2019 approved the Regulation on the Board’s performance assessment in course of the corporate governance assessment procedures adopted by the Company.

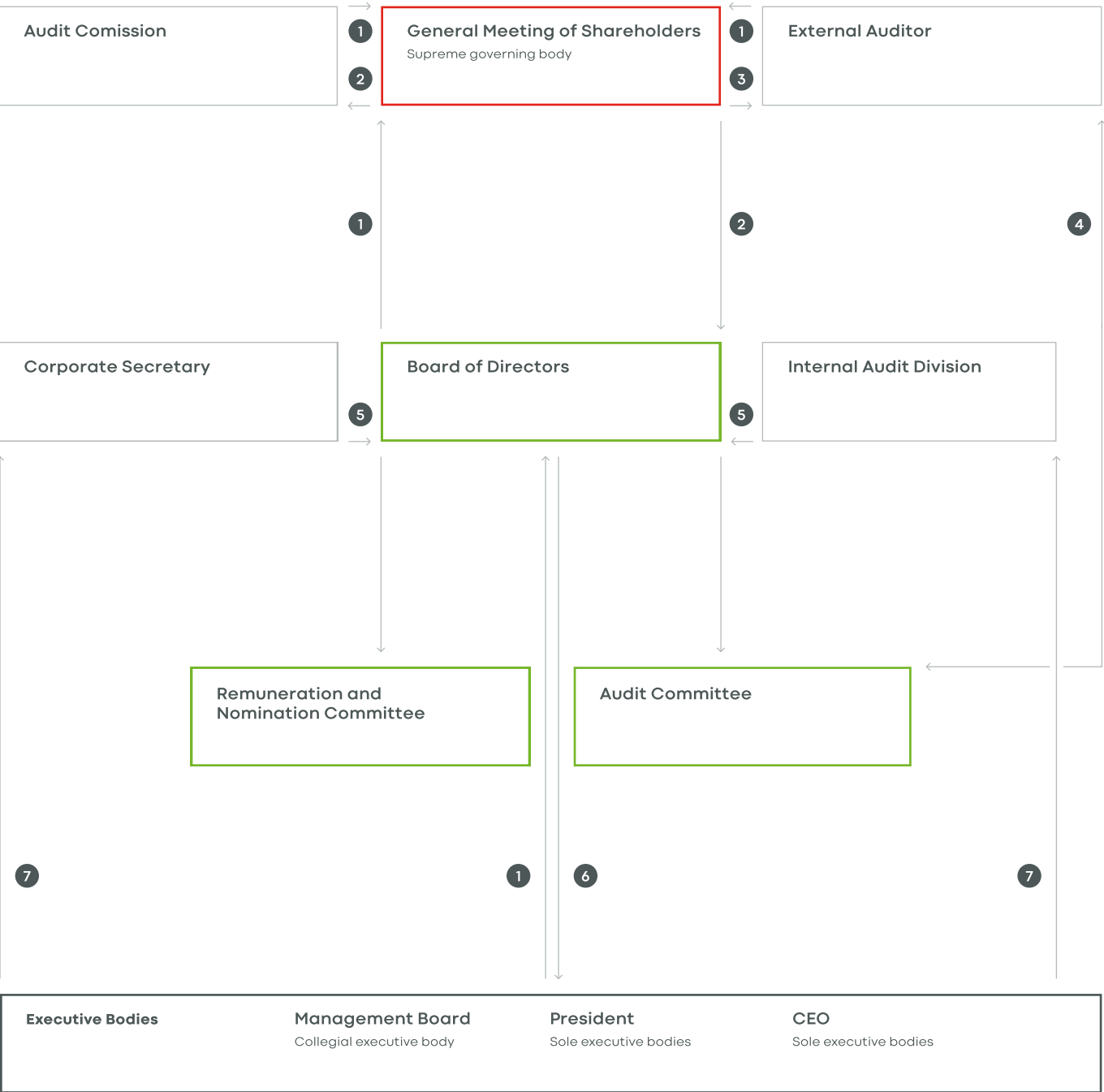
Improvements to the corporate governance system significantly strengthened oversight of decisions made in PJSC M.video subsidiaries.

On 25 February 2019, the reorganization in the form of joining LLC ELDORADO and LLC MVB TRADE to LLC MVM was completed.

In 2019, the reorganization in the form of joining Ellin LLC to Invest-Nedvizhimost LLC was initiated (on 25 February 2020, the procedure was completed), and the liquidation of Eldomarket LLC (date of termination – 27 January 2020) and BT trading solutions LLC (date of termination – 23 January 2020) was initiated. Also in 2019, MV TVT LLC was liquidated (the date of termination was 26 December 2019) and the liquidation of MVEL Investment GmbH was initiated.

PJSC M.video’s Corporate Governance System

- 1 Reports to
- 2 Elects
- 3 Approves
- 4 Communication
- 5 Functionally subordinate to
- 6 Develops a strategy and monitors its implementation
- 7 Appointed on the basis of a decision of the Board of Directors



GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's supreme governing body. The competence of the General Meeting of Shareholders is defined by Federal Law № 208-FZ «On Joint-Stock Companies» and the Company's Charter. It is convened by the Board of Directors at least once a year.

On the basis of a decision by the Board of Directors, the Annual General Meeting of Shareholders is held not earlier than two months and not later than six months after the end of the fiscal year.

requirements of the Audit Commission, external auditor and shareholders (shareholder) being owners not less than 10% of the voting shares of the company at the date of presentation of the claim.

An Extraordinary General Meeting of Shareholders is held by decision of the Board of Directors on its own initiative,

In 2019, three General Meetings of the Company's shareholders were held.

Extraordinary General Meeting of Shareholders on 18 January 2019

On 18 January 2019, an Extraordinary General Meeting of the Company's Shareholders was held, and the following decisions were taken:

- prematurely terminate the powers of members of the Company's Board of Directors;
- determine the number of members of the Company's Board of Directors as 14 (fourteen) people;
- elect the Company's Board of Directors as follows:
 - Blase Andreas;
 - Breev Pavel Yuryevich;
 - Derekh Andrey Mikhailovich;
 - Eliseev Vilen Olegovich;
 - Gutseriev Mikail Safarbekovich;
 - Gutseriev Said Mikhailovich;
 - Makhnev Alexey Petrovich;
 - Mirakyan Avet Vladimirovich;
 - Lella Janusz Alexander;
 - Preobrazhensky Vladimir Vladimirovich;
 - Tynkovan Alexander Anatolievich;
 - Uzhakhov Bilan Abdurakhmanovich;
 - Vagapov Eldar Rustamovich.
 - Zhuchenko Anton Aleksandrovich;

Annual General Meeting of Shareholders on 26 June 2019

On 26 June 2019, the Company's Annual General Meeting of Shareholders was held, where the following decisions were taken:

- do not distribute the company's net profit based on the results of 2018, and do not pay dividends;
- determine the number of members of the Company's Board of Directors as 14 (fourteen) people;
- elect the Company's Board Directors as follows:
 - Blase Andreas
 - Breev Pavel Yuryevich;
 - Derekh Andrey Mikhailovich;
 - Eliseev Vilen Olegovich;
 - Gutseriev Mikail Safarbekovich;
 - Gutseriev Said Mikhailovich;
 - Makhnev Alexey Petrovich;
 - Mirakyan Avet Vladimirovich;
 - Lella Janusz Alexander;
 - Preobrazhensky Vladimir Vladimirovich;
 - Tynkovan Alexander Anatolievich;
 - Uzhakhov Bilan Abdurakhmanovich;
 - Vagapov Eldar Rustamovich.
 - Zhuchenko Anton Aleksandrovich;
- elect members of the Auditing Commission of the Company:
 - Bezlik Yevgeny Vladimirovich;
 - Gorokhov Andrey Aleksandrovich;
 - Rozhkovsky Alexey Leonidovich;
- determine the following amount of remuneration and compensation for expenses for members of the Board of Directors and members of the Company's Audit Commission for the period of July 2019 till June 2020:
 - remuneration to members of the Company's Board of Directors in the total amount of no more than RUB 52,000,000 (fifty-two million);
 - compensation of expenses incurred by members of the Company's Board of Directors in the course of performing the functions of members of the Company's Board of Directors in the total amount of no more than RUB 10,000,000 (ten million);
 - remuneration to members of the Company's Audit Commission in the total amount of RUB 150,000 (one hundred and fifty thousand);
- approve Ernst & Young LLC as an auditor to perform an audit of the Company's Annual Financial Statements in accordance with RAS and IFRS.

Extraordinary General Meeting of Shareholders of the Company on 3 december 2019

On 3 December 2019, an Extraordinary General Meeting of the Company's Shareholders was held, where the following decisions were taken:

- pay dividends in the amount of RUB 33.37 per one outstanding ordinary share of PJSC M.video based on the results of the nine months of 2019 performance in the cash form;
- approve the register close date as 16 December 2019;
- payment of dividends shall be made within the following terms from the date on which the persons entitled to receive dividends are determined:
 - within 10 business days – to a Nominee Holder and a Trustee who is a professional participant in the securities market, who are registered in the shareholders' register;
 - within 25 business days – to other persons registered in the shareholders' register;
- determine the composition of the Company's Board of Directors as 9 (nine) people. The number of members of the Board of Directors determined by this decision is applied when voting for the election of the Board of Directors at General Meetings of Shareholders of PJSC M.video following this Extraordinary General Meeting of Shareholders of PJSC M.video.

BOARD OF DIRECTORS

14 MEMBERS OF THE BOARD OF DIRECTORS

THE BOARD OF DIRECTORS IS A COLLEGIAL BODY THAT EXERCISES OVERALL STRATEGIC MANAGEMENT OF THE ACTIVITIES OF PJSC M.VIDEO, THE FORMATION OF EXECUTIVE BODIES AND OVERSIGHT OF THEIR ACTIVITIES, THE OBSERVANCE OF THE RIGHTS AND LEGITIMATE INTERESTS OF THE COMPANY'S SHAREHOLDERS AS WELL PERFORMING OTHER FUNCTIONS AS STIPULATED BY THE COMPANY'S CHARTER AND THE LEGISLATION OF THE RUSSIAN FEDERATION.

The Board of Directors is responsible for making the following key decisions on issues related to management of the Company:

- take decisions based only on reliable information about the Company's activities;
- eliminate any restrictions on shareholders' rights to participate in course of the management of the Company, receive dividends and obtain information about the Company;
- achieve a balance of interests between various groups of shareholders and take the fairest decisions in favor of all shareholders of the Company.

The Board of Directors is formed by the General Meeting of Shareholders and is accountable to the General Meeting.

The Board of Directors must have at least seven members in accordance with the Company's Charter. The size of the Board of Directors is determined by the General Meeting of Shareholders of the Company.

At the Annual General Meeting of Shareholders on 29 June 2018, at the Extraordinary General Meeting of Shareholders on 18 January 2019 and at the Annual General Meeting of Shareholders on 26 June 2019 the size of the Board of Directors was set up as comprising of 14 members. Meanwhile on the Extraordinary General Meeting of Shareholders on 3 December 2019 the composition of the Company's Board of Directors

was set as 9 people. The number of members of the Board of Directors determined by this decision is applied when voting for the election of the Board of Directors at General Meetings of Shareholders of PJSC M.video following this Extraordinary General Meeting of Shareholders of PJSC M.video.

The principles for the formation of the Board of Directors laid down in the Charter and the Company's bylaws are formulated taking into account the requirements of applicable laws, the PJSC Moscow Exchange Listing Rules applicable to the Company and the recommendations of the Corporate Governance Code.

In particular, in order for the Board of Directors to effectively carry out its oversight functions and to prevent potential conflicts of interest,

- members of the Company's executive bodies may not constitute, in the aggregate, more than one-quarter of the members of the Board of Directors, and they are elected by a collegial decision of the Board of Directors; and
- the Board of Directors must include at least three independent members.

The Regulations on the General Meeting of Shareholders of PJSC M.video stipulates that information (materials) to be provided to persons entitled to participate in the General Meeting of Shareholders in course of its preparation (depending on the issues of the Meeting's agenda) includes information about candidates

for members of the Board of Directors, as well as information about their written consent to election. In 2019, in course of the election of the Board of Directors at the Annual General Meeting of Shareholders the following information on candidates to the Board of Directors were provided: year of birth, information about education, job positions of the candidate over the last five years, information on the ownership of shares of PJSC M.video, his written consent on the election, information about his compliance with an independency criteria of the Board's membership.

ONE OF THE MOST IMPORTANT FUNCTIONS OF THE COMPANY'S BOARD OF DIRECTORS IS TO FORM EFFECTIVE EXECUTIVE BODIES AND ENSURE EFFICIENT CONTROL OVER THEIR ACTIVITIES.

In order to perform this function, the Charter of PJSC M.video assigns the following powers to the Board of Directors:

- election of the sole Executive Bodies and termination of their powers, approval of the terms of agreements concluded by the Company with the sole Executive Bodies of the Company, including the terms of early termination of their powers, approval of the amount of their salaries, bonuses, compensation and benefits;
- making a proposal to the General Meeting of Shareholders on the transfer of powers

of the sole Executive Bodies to a managing company or a manager, approving such a management company (manager) and determining the terms of the agreement concluded by the Company with it (him);

- taking a decision on the establishment (formation) of the collegial Executive Body (Management Board);
- election of the Management Board members and termination of powers of members of the Management Board, determination of remuneration and compensation to be paid to members of the Management Board.

The procedure and terms for convening and holding meetings of the Board of Directors, the decision-making processes, the rights and obligations of the members of the Board of Directors, its Chairman and other matters related to the activities of the Board of Directors are ruled by the laws of the Russian Federation, the Company's Charter and the Regulation on the Board of Directors, which new edition was approved by the General Meeting of Shareholders in 2016 (minutes No. 21 of 23 June 2016).

The liabilities of the Company's Directors and executive officers are insured.

ORIENTATION PROGRAMME FOR NEW MEMBERS OF THE BOARD OF DIRECTORS

The orientation programme for newly elected members is organised on an individual basis by the Chairman of the Board of Directors or the Corporate Secretary upon the instruction of the Chairman.

Results of the Work of the Board of Directors in 2019

During the year, meetings of the Board of Directors were held on a regular, scheduled basis, in addition to when it was necessary to make decisions on issues falling within the remit of the Board of Directors. A total of 16 meetings of the Board of Directors were held in 2019, including eight in-person meetings and eight meetings in the form of absentee voting.

In January of 2019 at the meeting of the Board of Directors, Chairman of the Board of Directors was elected, as well as Chairman of the Audit Committee and its members and Chairman of the Remuneration and Nomination Committee and its members.

In March 2019, based on the proposals from the Company's shareholders, the list of nominees to the Board of Directors and the Audit Commission for voting on the Company's Annual General Meeting of Shareholders in 2019 was approved by the Board.

At the end of March 2019, the Company's consolidated Financial Statements for 2018, prepared in accordance with IFRS, and the Company's Financial Statements for 2018, prepared in accordance with Russian Accounting Standards (RAS), were approved by the Board.

In May 2019, the Board of Directors took a decision to convene the Company's Annual General Meeting of Shareholders (AGSM) on 26 June 2019 and made decisions on other issues related to the preparation, convening and holding of the Company's AGSM, as well as approved the Company's Annual Report for 2018.

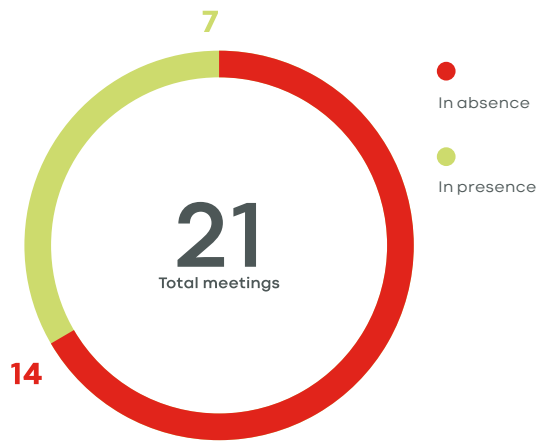
On 20 June 2019, the Board of Directors agreed the interested party transaction – the purchase by MVM LLC the amount of 1,739,180 ordinary shares from the Company.

In June 2019, following the Company's Annual General Meeting of Shareholders, the Board of Directors elected the Chairman of the Board of Directors, Chairman and members of the Audit Committee, as well Chairman and members of the Remuneration and Nomination Committee.

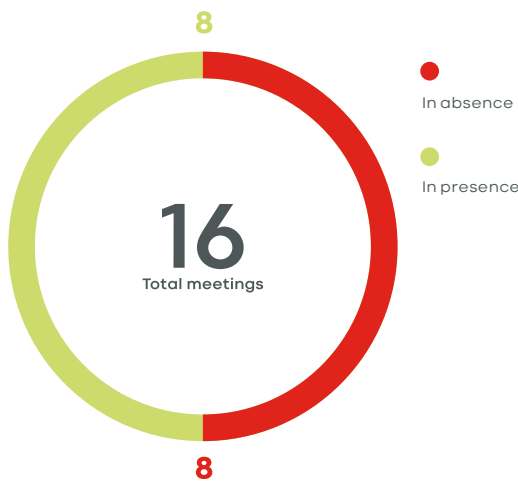
In July 2019, the Board of Directors approved the amount of compensation paid to the Company's auditor, Ernst & Young LLC for the execution of the audit of the Company's financial and operational activities in 2019.

On 13 September 2019 a new version of the risk matrix was approved by the Board.

Board of Directors meetings in 2018



Board of Directors meetings in 2019



In October 2019, the Board of Directors approved the Regulation on Assessment of the Company's Board of Directors. At its another meeting in October the Board of Directors decided to convene an Extraordinary General Meeting of the Company's Shareholders on 3 December 2019 with the following agenda:

1. payment (declaration) of dividends for the first nine months of 2019;
2. determining the size (number of members) of the Board of Directors.

At the same meeting, the Board of Directors also made decisions on other issues related to the preparation and holding of the Company's Extraordinary General Meeting of Shareholders (EGSM), and recommended to EGSM:

1. vote for paying dividends in the amount of RUB 33,37 per one outstanding ordinary share of PJSC M. video based on its financial performance in the period of nine months of 2019;
2. pay dividends in a cash form;
3. approve the register close date as 16 December 2019;
4. payment of dividends shall be made within the following terms from the date

on which the persons entitled to receive dividends are determined:

- within 10 business days – to a Nominee Holder and a Trustee who is a professional participant in the securities market, who are registered in the shareholders' register;
- within 25 business days – to other persons registered in the shareholders' register.

In its meeting on 13 December 2019, the Board of Directors approved additions and changes to the Company's Strategic Development Plan until 2022.

Also during the reporting year, the Board of Directors took decisions as part of the preliminary approval of actions and decisions of the General Director and (or) the Company's representatives at meetings of shareholders (participants) of the subsidiaries entities and other entities, where the Company acts as shareholder (participant), and when making decisions as the sole shareholder (participant).

The list of full agendas of the Board of Directors meetings in 2019 can be found in the Appendix to this Annual Report.

The Board of Directors Membership

The Board of Directors membership in the beginning of the reporting year

- 1. Said Gutseriev – Chairman of the Board of Directors
- 2. Breev Pavel
- 3. Derekh Andrey – Independent Director
- 4. Eliseev Vilen
- 5. Gutseriev Mikail
- 6. Kalyuzhny Maxim
- 7. Makhnev Alexei
- 8. Mirakyan Avet
- 9. Lella Janusz – Independent Director
- 10. Preobrazhensky Vladimir – Independent Director
- 11. Tynkovan Alexander
- 12. Uzhakhov Bilan
- 13. Vagapov Eldar
- 14. Zhuchenko Anton

This Board of Directors was elected at the Annual General Meeting of Shareholders on 29 June 2018 (minutes No. 26 of 2 July 2018). The Chairman of the Board of Directors was elected at the meeting of the Board of Directors on 30 June 2018 (minutes no. 150/2018 of 2 July 2018).

The Board of Directors membership starting from 18 January 2019

- 1. Said Gutseriev – Chairman of the Board of Directors
- 2. Blase Andreas
- 3. Breev Pavel
- 4. Derekh Andrey – Independent Director
- 5. Eliseev Vilen
- 6. Gutseriev Mikail
- 7. Makhnev, Alexei
- 8. Mirakyan Avet
- 9. Lella Janusz – Independent Director
- 10. Preobrazhensky Vladimir – Independent Director
- 11. Tynkovan Alexander
- 12. Uzhakhov Bilan
- 13. Vagapov Eldar
- 14. Zhuchenko Anton

This Board of Directors was elected at the Extraordinary General Meeting of Shareholders on 18 January 2019 (minutes No. 27 of 21 January 2019). The Chairman of the Board of Directors was elected at the meeting of the Board of Directors on 22 January 2019 (minutes no. 160/2019 of 23 January 2019).

At the Annual General Meeting of shareholders on 26 June 2019, the Board of Directors was elected in the same composition (minutes No. 28 of 28 June 2019). The Chairman of the Board of Directors was elected at the meeting of the Board of Directors on 30 June 2019 (minutes no. 168/2019 of 30 June 2019).

In the reporting year, the following changes occurred to the Board of Directors of PJSC M.video composition: Maxim Kalyuzhny left the Board of Directors and Andreas Blase joined the Board of Directors.

Structure of the Board of Directors in Terms of the Status of Directors

As of 31 December 2019

Director's Name	Director's Status		
	Non-Executive Director	Executive Director	Independent Director
Alexander Tynkovan		✓	
Alexey Makhnev	✓		
Andreas Blaze	✓		
Andrey Derekh			✓
Anton Zhuchenko	✓		
Avet Mirakyan	✓		
Bilan Uzhakhov		✓	
Eldar Vagapov	✓		
Janusz Lella			✓
Mikail Gutseriev	✓		
Pavel Breev		✓	
Said Gutseriev	✓		
Vilen Eliseev	✓		
Vladimir Preobrazhensky			✓

Members of the Board of Directors



SAID GUTSERIEV
Chairman of the Board of Directors

Date of birth
1988

- Education
- Plymouth Business School, University of Plymouth,
 - University of Oxford (St. Peter’s College).

Current position
General Director of JSC FortelInvest

0.0455%
The individual’s equity holding in the authorized capital of the Company

0.0455%
The stake of ordinary shares of the Company owned by the individual

IN THE REPORTING YEAR SAID GUTSERIEV MADE SEVERAL ACQUISITIONS OF THE COMPANY’S SHARES:

Categories (types) of the Company's shares that were the subject of transactions:
Registered ordinary non-documentary shares.

The content of transactions:
Purchase of shares of Public Joint Stock Company M.video.

Transaction date and number of shares of the Company that were the subject of the transaction:			
9 October 2019	10 October 2019	11 October 2019	
49,760	1,210	30,900	

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company’s Name	Position
Feb 2012	Oct 2014	Glencore UK Ltd	Manager, asset management analyst in the Department of structured finance of oil projects
16 Dec 2014	currently	JSC FortelInvest	General Director
17 Dec 2014		PJSC NK RussNeft	Member of the Board of Directors
25 Dec 2014		JSC Russian Coal	
25 Jun 2015		PJSC Orsknefteorgsintez	
29 Jun 2015		JSC NK Neftisa	
22 Sep 2015		JSC FortelInvest	
17 Dec 2015		LLC Geoprogress	Member of the Board of Directors (Chairman of the Board of Directors since 18 December 2015)
8 Dec 2014		JSC Preobrazhenskneft	Member of the Board of Directors (Chairman of the Board of Directors since 22 January 2015)
20 Feb 2015		JSC Oilgastet	Member of the Board of Directors (Chairman of the Board of Directors since 24 February 2015)
9 Nov 2016		LLC A101	Member of the Board of Directors
30 Nov 2016		JSC Korporatsiya A.N.D	
28 Dec 2016	25 Sep 2017	JSC INTEKO	
12 Jan 2017	2 Mar 2018	PJSC Mospromstroy	
13 Jan 2017	currently	LLC Pioneer Estate	
30 Jan 2017		JSC A101 DEVELOPMENT	
30 Jan 2017	10 Oct 2017	JSC BINBANK kreditnye karty	
31 Jan 2017	currently	JSC SAFMAR Group	
31 Jan 2017	1 Aug 2017	LLC ROST CAPITAL	
10 Feb 2017	2 Aug 2017	JSC ROST BANK	
22 Feb 2017	currently	JSC KOMPANIYA ADAMAS	
28 Feb 2017	20 Sep 2017	PJSC BINBANK	
3 Mar 2017	26 May 2017	JSC Doverie National Pension Fund	
6 Mar 2017	11 May 2018	LLC Safmar Retail	Member of the Board of Directors (Chairman of the Board of Directors since 04 May 2017)
10 Mar 2017	10 Nov 2017	JSC SAFMAR National Pension Fund	Member of the Board of Directors
1 Mar 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors (Chairman of the Board of Directors since 13 March 2017)

SAID GUTSERIEV

Term, since	till	Company's Name	Position
17 Apr 2017	currently	JSC Proekt-grad	Member of the Board of Directors
15 Jun 2017		JSC Avgur Estate	
8 Aug 2017		PJSC M.video	
26 Jun 2017		PJSC SAFMAR Financial Investments	Member of the Board of Directors
23 Oct 2017		LLC Larnabel Ventures	
22 Nov 2017		JSC Europlan Leasing Company	
22 Dec 2017	30 Mar 2018	JSC Doverie National Pension Fund	
18 Jan 2018	currently	JSIC VSK	
6 Feb 2018	29 Mar 2019	FLLC Slavkali	
23 Sep 2019	currently	LLC Afipskiy Refinery	Member of the Board of Directors (Chairman of the Board of Directors since 18 October 2019)

Said Gutseriev was an interested party to transactions in 2019. This fact was taken into account when approving such transactions by the Company's management bodies. The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



ANDREAS BLASE

Date of birth

1983

Education

Dipl.- Kaufmann (2007)

Current position

Chief Investment Officer, member of the Management Board of MediaMarktSaturn Retail Group

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
May 2015	Oct 2016	Federal Mogul GmbH	M&A Director
Mar 2010	Apr 2015	Capvis Equity Partners AG	Investment Director
Oct 2018	currently	MediaMarktSaturn Retail Group	Chief Investment Officer, member of the Management Board
Oct 2016	31 Jul 2019	Ceconomy AG	Vice-President for M&A and portfolio management
18 Jan 2019	currently	PJSC M.video	Member of the Board of Directors

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).

0%

The individual's equity holding in the authorized capital of the Company

0%

The stake of ordinary shares of the Company owned by the individual



PAVEL BREEV

Date of birth
1967

0%
The individual's equity holding in the authorized capital of the Company

Education
S. K. Tumansky Moscow Aviation Engine-Building Technical College

Current position
Vice-President of LLC MVM

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
1 Jul 2006	currently	PJSC M.video (formerly – OJSC Kompaniya M.video	Member of the Board of Directors
04 Apr 2013	22 Aug 2017	LLC MVM	General Director
03 Apr 2013	currently	PJSC M.video	Executive Director
May, 2016	4 Dec 2017	Private Limited Liability Company Svece Limited	Director
7 Jun 2017	currently	PJSC M.video	Member of the Management Board
3 Jul 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors
21 Aug 2017	currently	LLC MVM	Vice-President
22 Sep 2017		Tonesino Limited	Director
7 Dec 2017		Starwolf Limited	Alternative Director
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Member of the Management Board

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



ELDAR VAGAPOV

Date of birth
1981

0%
The individual's equity holding in the authorized capital of the Company

Education
Cambridge University, economics.

Current position
General Director of LLC Larnabel Ventures

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
10 Mar 2009	16 Oct 2015	LLC ERFID	General Director
18 Apr 2014	currently	Automatic Identification Association UNISCAN/GS1 RUS	Member of the Board of Directors
16 Oct 2015		LLC ERFID	
7 Dec 2015	1 Dec 2016	JSC ForteInvest	Advisor to General Director
1 Dec 2016	29 Dec 2017		Director of Investment Department
23 Oct 2017	currently	LLC Larnabel Ventures	Member of the Board of Directors
23 Oct 2017			General Director
29 Jun 2018		PJSC M.video	Member of the Board of Directors
1 Aug 2019		LLC Region Estate	Director for Finance

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



MIKAIL GUTSERIEV

Date of birth
1958

- Education
- Institute of Technology, Dzhambul (now Taraz), Kazakh SSR;
 - Gubkin Russian State University of Oil and Gas, Moscow;
 - Financial Academy under the Government of the Russian Federation, Moscow;
 - St. Petersburg Law University

Current position
Chairman of the Board of PJSC NK RussNeft.

0.0000006%
The individual's equity holding in the authorized capital of the Company

0.0000006%
The stake of ordinary shares of the Company owned by the individual

IN THE REPORTING YEAR MIKAIL GUTSERIEV MADE AN ACQUISITION OF THE COMPANY'S SHARES

Categories (types) of the Company's shares that were the subject of transaction:
registered ordinary non-documentary shares.

The content of transaction:
purchase of shares of Public Joint Stock Company M.video.

Transaction date and number of shares of the Company that were the subject of the transaction
24 January 2019
1

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
29 Jun 2010	2 Feb 2015	PJSC NK RussNeft	President
28 Jun 2010	3 Feb 2015		Member of the Board of Directors
3 Feb 2015	currently		Chairman of the Board of Directors
30 Jun 2010		JSC Russian Coal	Member of the Board of Directors (Chairman of the Board of Directors since 12.07.2010)
3 Nov 2011		FLLC Slavkali	Member of the Board of Directors, Chairman of the Board of Directors
5 Nov 2013		JSC NK Neftisa	Chairman of the Board of Directors
22 Sep 2015	5 Oct 2015	JSC ForteInvest	Member of the Board of Directors
5 Oct 2015	currently		Chairman of the Board of Directors
3 Nov 2015	24 Jul 2018	CJSC IP Slavneftekhim	Member of the Board of Directors
26 May 2016	19 Sep 2017	LLC PO Mekhovye Promysly	
19 Sep 2017	currently		Chairman of the Board of Directors
5 Aug 2016	15 Aug 2016	LLC SAFMAR CAPITAL Group	Member of the Board of Directors
15 Aug 2016	27 Sep 2019		Chairman of the Board of Directors
27 Sep 2019	currently		Member of the Board of Directors (Chairman of the Board of Directors since 26 November 2019)
28 Jul 2016	15 Aug 2016	LLC SAFMAR Plaza	Member of the Board of Directors
15 Aug 2016	27 Sep 2019		Chairman of the Board of Directors
27 Sep 2019	currently		Member of the Board of Directors (Chairman of the Board of Directors since 26 November 2019)
16 Aug 2016	17 Aug 2016	LLC Pioneer Estate	Member of the Board of Directors
17 Aug 2016	27 Sep 2019		Chairman of the Board of Directors
27 Sep 2019	23 Oct 2019		Member of the Board of Directors
23 Oct 2019	3 Dec 2019		Chairman of the Board of Directors
3 Dec 2019	30 Jan 2020		Member of the Board of Directors
30 Jan 2020	currently		Chairman of the Board of Directors
7 Sep 2016	16 Sep 2016	PJSC Mospromstroy	Member of the Board of Directors
16 Sep 2016	currently		Chairman of the Board of Directors
22 Dec 2016	23 Dec 2016	LLC ROST CAPITAL	Member of the Board of Directors
23 Dec 2016	21 Sep 2017		Chairman of the Board of Directors
28 Dec 2016	12 Jan 2017	JSC INTEKO	Member of the Board of Directors
12 Jan 2017	25 Sep 2017		Chairman of the Board of Directors
23 Sep 2016	27 Jan 2017	JSC Korporatsiya A.N.D	Member of the Board of Directors
27 Jan 2017	currently		Chairman of the Board of Directors

MIKAIL GUTSERIEV

Term, since	till	Company's Name	Position	
31 Jan 2017	10 Feb 2017	JSC SAFMAR Group	Member of the Board of Directors	
10 Feb 2017	13 Feb 2018		Chairman of the Board of Directors	
13 Feb 2018	currently		President, Chairman of the Board of Directors	
10 Feb 2017	17 Feb 2017	JSC ROST BANK	Member of the Board of Directors	
17 Feb 2017	19 Sep 2017		Chairman of the Board of Directors	
22 Feb 2017	14 Apr 2017	JSC KOMPANIYA ADAMAS	Member of the Board of Directors.	
14 Apr 2017	currently		Chairman of the Board of Directors	
28 Feb 2017	20 Sep 2017	PJSC BINBANK	Member of the Board of Directors (Chairman of the Board of Directors)	
1 Mar 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors	
7 Mar 2017	25 Sep 2017	LLC Stroitel'naya kompaniya Strategiya		
9 Mar 2017	25 Sep 2017	JSC PATRIOT		
15 Mar 2017	25 Sep 2017	JSC Delovoi tsentr		
9 Nov 2016	18 Mar 2017	LLC A101		
18 Mar 2017	22 Aug 2018			
23 Aug 2018	7 Nov 2018			
7 Nov 2018	currently			
27 Mar 2017		JSC Servis-Reestr		Member of the Board of Directors
30 Jan 2017	29 Mar 2017	JSC A101 DEVELOPMENT		
29 Mar 2017	6 Jun 2018			Chairman of the Board of Directors
7 Jun 2018	currently			Member of the Board of Directors
17 Apr 2017	20 May 2017	JSC Proekt-Grad		
20 May 2017	currently		Chairman of the Board of Directors	
3 Mar 2017	25 Apr 2017	JSC Doverie National Pension Fund	Member of the Board of Directors	
25 Apr 2017	30 Mar 2018		Chairman of the Board of Directors	
31 Mar 2018	26 Jun 2018		Member of the Board of Directors	
26 Jun 2018	6 Mar 2019		Chairman of the Board of Directors	
10 Mar 2017	25 Apr 2017	JSC SAFMAR National Pension Fund	Member of the Board of Directors	
25 Apr 2017	30 Mar 2018		Chairman of the Board of Directors	
31 Mar 2018	26 Jun 2018		Member of the Board of Directors	
26 Jun 2018	currently		Chairman of the Board of Directors	
15 Jun 2017	23 Jun 2017	JSC Avgur Estate	Member of the Board of Directors	
23 Jun 2017	6 Jun 2018		Chairman of the Board of Directors	
7 Jun 2018	currently		Member of the Board of Directors	
18 Aug 2016	1 Jun 2017	LLC Green Point		
1 Jun 2017	currently		Chairman of the Board of Directors	
8 Aug 2017		PJSC M.video	Member of the Board of Directors	
9 Aug 2017		PJSC SAFMAR Financial Investments		



Term, since	till	Company's Name	Position
23 Oct 2017	24 Oct 2017	LLC Larnabel Ventures	Member of the Board of Directors
24 Oct 2017	12 Feb 2018		Chairman of the Board of Directors
12 Feb 2018	currently		Member of the Board of Directors
30 Oct 2017	17 Dec 2017	Mospromstroy-Fund National Pension Fund	Member of the Fund's Board of Directors
18 Dec 2017	14 Dec 2018		Chairman of the Fund's Board of Directors
14 Dec 2018	9 Jan 2019	JSC Mospromstroy-Fund National Pension Fund	Member of the Board of Directors
9 Jan 2019	currently		Chairman of the Board of Directors
7 Feb 2019		FLLC U-stroy	Member of the Board of Directors
18 Nov 2019		PJSC KTK	Member of the Board of Directors (Chairman of the Board of Directors since 21 November 2019)

Mikhail Gutseriev was an interested party to transactions in 2019. This fact was taken into account when approving such transactions by the Company's management bodies. The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



ANDREY DEREKH
Independent Director

Date of birth
1968

- Education**
- Minsk Radio Engineering Institute;
 - International Management Institute of the Republic of Belarus, diploma from the Royal Institute of Marketing,
 - specialized training in development and management in the oil and gas sector for managers from the CIS through the SABIT programme in the United States

Current position
Chairman of the Board of Directors of CJSC UNITER Investment Company

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
2012	currently	CJSC UNITER Investment Company	Chairman of the Board of Directors, Deputy Director for foreign trade
1 Mar 2016	04 Sep 2017	FLLC Slavkali	Member of the Board of Directors
1 Sep 2016	currently	PJSC NK RussNeft	Member of the Board of Directors (independent director)
8 Aug 2017		currently	
1 May 2017	Feb 2019	New Economic Strategy Fund of the Republic of Belarus	Member of the Management Board

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



VILEN ELISEEV

Date of birth
1987

- Education**
- Kuban State University (qualified as an IT manager with a specialisation in applied informatics in management),
 - Kuban State Agrarian University (diploma in economics with a specialisation in finance and credit)

Current position
Director of the Investments and Capital Markets Department of PJSC SAFMAR Financial Investments.

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
1 Nov 2012	1 Oct 2014	LLC PwC Russia B.V	Senior Consultant
1 Oct 2014	1 Sep 2015	LLC PwC Russia Consulting	Junior Manager
1 Sep 2015	1 Jan 2016	PJSC BINBANK	Head of the Centre for Attracting Share Capital
1 Jan 2016	1 Feb 2018	JSC SAFMAR Group	Investment Director
1 Jul 2017	1 Feb 2018	PJSC SAFMAR Financial Investments	
16 Oct 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors
18 Dec 2017	currently	PJSC M.video	
1 Feb 2018		PJSC SAFMAR Financial Investments	Director of the Investments and Capital Markets Department
1 Feb 2018		JSC SAFMAR Group	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



ANTON ZHUCHENKO

Date of birth
1975

Education
Lomonosov Moscow State University

Current position
Director of GCM Global Energy PLC

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
28 Aug 2008	currently	GCM Global Energy PLC	Director
29 Sep 2010		JSC Russian Coal	Member of the Board of Directors
23 Jun 2011		PJSC Mosstroyplastmass	
25 Oct 2011		FLLC Slavkali	
28 Oct 2013	29 Jun 2018	JSC NK Neftisa	OJSC Arsenal Machine-Building Plant
16 Apr 2014		OJSC Arsenal Machine-Building Plant	
22 Sep 2015		JSC FortInvest	
12 Oct 2015		JSC Caspian Oil	
4 Jul 2016	currently	LLC Green Point	Chairman of the Board of Directors
28 Jul 2016		LLC SAFMAR Plaza	
5 Aug 2016		LLC SAFMAR CAPITAL Group	
16 Aug 2016		LLC Pioneer Estate	
1 Aug 2016	1 Aug 2016	JSC Grand Hotel	Member of the Advisory Board
1 Aug 2016		LLC Hotel Avrora-Lux	
1 Aug 2016		JSC Sadko Hotel	Chairman of the Board of Directors
1 Aug 2016		LLC Mospromstroy Hotel Management	Member of the Advisory Board



Term, since	till	Company's Name	Position
1 Aug 2016	currently	JSC MPS-GRAND	Chairman of the Board of Directors
1 Aug 2016		JSC MPS-LUX	
1 Aug 2016		JSC MPS-STAR	
1 Aug 2016		JSC MPS-MIR	
1 Aug 2016		JSC MPS-FOREST	
7 Sep 2016	30 Nov 2016	PJSC Mospromstroy	Member of the Board of Directors
30 Nov 2016		JSC Korporatsiya A.N.D	
22 Dec 2016	21 Sep 2017	LLC ROST CAPITAL	JSC INTEKO
28 Dec 2016	25 Sep 2017	JSC INTEKO	
30 Jan 2017	currently	JSC A101 DEVELOPMENT	
31 Jan 2017		JSC SAFMAR Group	LLC A101
21 Feb 2017		LLC A101	
7 Mar 2017	25 Sep 2017	LLC Strategiya Construction Company	JSC PATRIOT
9 Mar 2017	25 Sep 2017	JSC PATRIOT	
15 Mar 2017	25 Sep 2017	JSC Delovoi tsentr	
17 Apr 2017	currently	JSC Proekt-Grad	JSC Avgur Estate
15 Jun 2017		JSC Avgur Estate	
1 Jun 2017	8 Aug 2017	CJSC GOSTINITSA TVERSKAYA	Member of the Board of Directors (since 08.2017 Chairman of the Board of Directors)
8 Aug 2017		PJSC M.video	Member of the Board of Directors
9 Aug 2017	28 May 2018	PJSC SAFMAR Financial Investments	LLC Larnabel Ventures
23 Oct 2017	currently	LLC Larnabel Ventures	
28 Apr 2018		LLC PO Mekhovye Promysly	
24 Jul 2018	7 Feb 2019	CJSC IP Slavneftekhim	Member of the Board of Directors (Chairman of the Board of Directors since 25 July 2018)
7 Feb 2019		FLLC U-stroy	Member of the Board of Directors
27 Jun 2019	27 Jun 2019	PJSC KTK	Member of the Board of Directors (since 05 July 2019 till 18 November 2019 Chairman of the Board of Directors)

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual 's participation in the management bodies of the company's competitors).



MAXIM KALYUZHNY¹

Date of birth
1974

Education
Peoples’ Friendship University of Russia, Master of Law

Current position
Director for Legal and Corporate Affairs at GCM Global Energy PLC

0%
The individual’s equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company’s Name	Position
8 Dec 2012	12 Oct 2015	JSC Caspian Oil	Member of the Board of Directors
29 Sep 2010	5 Feb 2016	JSC Russian Coal	
10 Oct 2017	currently	GCM Global Energy PLC	Director for Legal and Corporate Affairs
19 Dec 2017	18 Jan 2019	PJSC M.video	Member of the Board of Directors

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).

1 Information about Maxim Kalyuzhny is provided not at the end of the reporting year, but at the end of the period when he served as a member of the Company's Board of Directors.



LELLA JANUSZ ALEKSANDER

Independent Director

Date of birth
1957

Education
– Warsaw Technical University,
– Institute of Chemical Technology

Current position
Owner of the individual private company Janusz Lella Consulting

0%
The individual’s equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company’s Name	Position
4 Jul 1905	currently	Janusz Lella Consulting	Individual private company, owner
1 Sep 2013	1 Nov 2014	X5 Retail Group Russia (LLC X5 FINANCE)	Chief Executive Officer of Supermarket format
1 May 2015	8 Oct 2017	Malpka S.A.	Chief Executive Officer
1 Jan 2017	1 Aug 2017	OJSC Sedmoi Kontinent	Member of the Board of Directors
8 Aug 2017	currently	PJSC M.video	Member of the Board of Directors (independent director)
14 Sep 2017		BRW S.A. (Black Red White)	Member of the Advisory Board
1 Oct 2018	30 Sep 2019	TXM S.A.	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



ALEXEI MAKHNEV

Date of birth
1976

- Education
- St. Petersburg State University of Economics and Finance;
 - St. Petersburg State University of Economics and Finance Postgraduate School.

Current position
Chief Executive Officer of the Investment Banking in Global Markets Department of JSC VTB Capital

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
1 Jun 2009	1 Jun 2015	PJSC Magnit	Member of the Board of Directors
25 Jan 2013	15 Mar 2018	JSC VTB Capital	Head of the Consumer Sector, Retail and Real Estate Division, Corporate and Investment Department
25 Jan 2013	15 Mar 2018	PJSC VTB Bank	Head of the Retail, Agro, Consumer Goods and Pharmaceuticals Unit in the Department for Client Relations with Market Industries, and Senior Vice President
16 Mar 2018	currently	JSC VTB Capital	Chief Executive Officer of the Investment Banking in Global Markets Department
16 Mar 2018		PJSC VTB Bank	Advisor to the First Deputy President and Chairman of the Management Board, Senior Vice President of the Department for Client Relations with Market Industries
1 Apr 2015		PJSC LSR Group	Member of the Board of Directors
8 Aug 2017		PJSC M.video	
13 Mar 2018		LLC VTB Nedvizhimost	
19 Apr 2018		PJSC Magnit	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



AVET MIRAKYAN

Date of birth
1974

Education
Yerevan State University

Current position
General Director of JSC SAFMAR Group

0.000807%
The individual's equity holding in the authorized capital of the Company

0.000807%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
7 Dec 2009	31 Dec 2015	Ernst & Young (CIS) B.V., Moscow branch	Partner, Head of Advisory Services for Transaction Support in Financial Markets
1 Jan 2016	currently	JSC SAFMAR Group	General Director
6 Jun 2016		PJSC SAFMAR Financial Investments (formerly – PJSC Europlan)	Member of the Board of Directors
24 Jun 2016		JSIC VSK	
5 Dec 2016		JSC SAFMAR National Pension Fund	
28 Dec 2016	8 Nov 2017	JSC INTEKO	
31 Jan 2017	currently	JSC SAFMAR Group	
30 Jan 2017	19 Sep 2017	JSC ROST BANK	
20 Feb 2017	currently	LLC A101	
28 Feb 2017	23 Mar 2018	PJSC BINBANK	Member of the Board of Directors (resignation letter submitted on 20 September 2017)
1 Mar 2017	3 Jul 2017	LLC ELDORADO	Member of the Board of Directors
6 Mar 2017	currently	JSC A101 DEVELOPMENT	
6 Mar 2017	11 May 2018	LLC Safmar Retail	
24 Mar 2017	27 May 2017	JSC Doverie National Pension Fund	

AVET MIRAKYAN

Term, since	till	Company's Name	Position
31 Mar 2017	currently	FLLC Slavkali	Member of the Board of Directors
27 Jun 2017		PJSC NK RussNeft	
8 Aug 2017		PJSC M.video	
10 Aug 2017		PJSC SAFMAR Financial Investments	
15 Jun 2017		JSC Avgur Estate	Member of the Board of Directors
17 Apr 2017		JSC Proekt-Grad	
23 Oct 2017		LLC Larnabel Ventures	
22 Nov 2017		JSC Europlan Leasing Company	Member of the Board of Directors, Chairman of the Board of Directors since 08 December 2017
31 Mar 2018	6 Mar 2019	JSC Doverie National Pension Fund	Member of the Board of Directors
18 Dec 2018	currently	LLC DIREKT KREDIT TSENTR	Member of the Board of Directors (Chairman of the Board of Directors)
19 Jun 2019		JSC Mospromstroy-Fund National Pension Fund	Member of the Board of Directors

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



VLADIMIR PREOBRAZHENSKY
Independent Director

Date of birth
1961

Education
Moscow Aviation Institute

Current position
not available

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
2013	currently	Non-governmental educational institution of higher education the Russian Economic School (institute)	Visiting professor
May 2014		LLC Volga-Dnepr Moskva	Member of the Board of Directors
20 Jun 2016		PJSC M.video	Member of the Board of Directors, Independent Director
Oct 2016		LLC MULTIKUBIK	Chairman of the Board of Directors
Nov 2018		Volga-Dnepr Logistics B.V.	Member of the Board of Directors, Independent Director
Apr 2019		BI Capital Group (Republic of Kazakhstan)	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



ALEXANDER TYNKOVAN

Date of birth
1967

Education
Moscow Power Engineering Institute (diploma cum laude)

Current position
President of LLC MVM

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
26 Feb 2007	currently	PJSC M.video (formerly – OJSC Kompaniya M.video)	Member of the Board of Directors
16 Jun 2008	7 May 2015	X5 Retail Group N.V.	Member of the Advisory Board
1 Oct 2010	1 May 2017	LLC Avtoritet	First Deputy CEO (part-time)
2 Apr 2013	20 Dec 2017	PJSC M.video (formerly – OJSC Kompaniya M.video)	General Director
1 Apr 2013	currently	LLC MVM	President
1 May 2016	4 Dec 2017	Private Limited Liability Company Svece Limited	Director
7 Jun 2017	currently	PJSC M.video	Chairman of the Management Board
3 Jul 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors
21 Dec 2017	currently	PJSC M.video	President
7 Dec 2017		Norateno Holding Limited	Director
7 Dec 2017		Starwolf Limited	
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Member of the Management Board

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



BILAN UZHAKHOV

Date of birth
1987

Education
– University of Hamburg,
– Plekhanov Russian University of Economics,
– Sberbank Corporate University in cooperation with the London Business School,
– Higher School of Economics – National Research University.

Current position
General Director of LLC MVM.

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
24 Jul 2013	13 Jul 2017	JSC Russian Coal	General Director
8 Oct 2013	currently		Member of the Board of Directors
10 Mar 2017		JSC SAFMAR National Pension Fund	
6 Mar 2017	11 May 2018	LLC Safmar Retail	
3 Mar 2017	26 May 2017	JSC Doverie National Pension Fund	
28 Apr 2017	20 Dec 2017	PJSC M.video	Deputy General Director
14 Jul 2017	currently	JSC Russian Coal	Advisor to General Director
7 Jun 2017		PJSC M.video	Member of the Management Board
26 Jun 2017		PJSC SAFMAR Financial Investments	Member of the Board of Directors
1 Mar 2017	25 Feb 2019	LLC ELDORADO	
8 Aug 2017	currently	PJSC M.video	
10 Aug 2017	17 Oct 2017	LLC MVM	Vice-President
18 Oct 2017	currently		General Director
22 Nov 2017		JSC Europlan Leasing Company	Member of the Board of Directors
21 Dec 2017		PJSC M.video	General Director
1 Jan 2018	25 Feb 2019	LLC ELDORADO	

BILAN UZHAKHOV

Term, since	till	Company's Name	Position
18 Jan 2018	currently	JSIC VSK	Member of the Board of Directors
31 Mar 2018	6 Mar 2019	JSC Doverie National Pension Fund	
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Chairman of the Management Board
19 Jun 2019	currently	JSC Mospromstroy-Fund National Pension Fund	Member of the Board of Directors
9 Sep 2019		PJSC KTK	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

Bilan Uzhakhov was an interested party to transactions in 2019. This fact was taken into account when approving such transactions by the Company's management bodies. The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).

Board of Directors Committees

IN 2019, THE BOARD OF DIRECTORS HAD TWO COMMITTEES: THE AUDIT COMMITTEE AND THE REMUNERATION AND NOMINATION COMMITTEE. BOTH COMMITTEES ARE COMPOSED ENTIRELY OF INDEPENDENT DIRECTORS.

The Board of Directors committees are responsible for preliminary consideration of, and work on, issues raised at meetings of the Board of Directors. The main purpose of the committees' work is to improve the quality and speed of the Board of Directors' decision-making, as well as the effectiveness of the Board's interaction with the Company's executive bodies and its subsidiary companies.

AUDIT COMMITTEE

Members of the Audit Committee in 2019:

1. Vladimir Preobrazhensky, independent director, Committee Chairman;
2. Janusz Lella, independent director;
3. Andrey Derekh, independent director.

The Audit Committee held 11 meetings in 2019, including five meetings in person (by joint presence), and six meetings in the form of absentee voting.

Vladimir Preobrazhensky, Chairman of the Audit Committee, took part in 11 meetings out of 11 held.

Andrey Derekh, member of the Audit Committee, participated in 11 meetings out of 11 held.

Janusz Lella, member of the Audit Committee, participated in 11 meetings out of 11 held.

REMUNERATION AND NOMINATION COMMITTEE

Members of the Remuneration and Nomination Committee in 2019

1. Janusz Lella, independent director, Committee Chairman;
2. Vladimir Preobrazhensky, independent director;
3. Andrey Derekh, independent director.

The Remuneration and Nomination Committee held eight meetings in 2019, five of them in person (by joint presence) and three in person and in absentia, held via conference calls.

The reports on the work of the Audit Committee and the Remuneration and Nomination Committee are attached to this Annual report.

CORPORATE SECRETARY

The remit of PJSC M.video’s Corporate Secretary includes interaction with the Company’s shareholders; monitoring compliance with the requirements of applicable corporate laws, the provisions of the Company’s Charter and bylaws; ensuring the exercise of shareholders’ rights and legitimate interests; supporting the effective work of the Board of Directors and its committees; preparing and holding general meetings of shareholders; ensuring the timely disclosure of information on the part of the Company, and carrying out the oversight of the Company’s compliance with the requirements of Federal Law №224-FZ “On Countering the misuse of the insider information and market manipulation and on amendments to certain legislative acts of the Russian Federation”.

One of the Corporate Secretary’s important functions is working with insiders. The Corporate Secretary maintains a list of insiders and a list of insider information and monitors whether transactions are carried out by insiders involving the Company’s securities based on the information provided to it.

THE CORPORATE SECRETARY IS APPOINTED BY, AND SUBORDINATE AND ACCOUNTABLE TO, THE BOARD OF DIRECTORS.

The Corporate Secretary is guided by applicable legislation, the Company’s Charter, the Company’s Regulation on the Corporate Secretary and other Company bylaws.

Corporate Secretary of PJSC M.video

Olga Shalgacheva

Date of birth
1983

- Education
- Peoples’ Friendship University of Russia (2007).
 - A.S. Griboedov Institute of International Law and Economics (2011).

Current position
Corporate Secretary of PJSC M.video

0%
The individual’s equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company’s Name	Position
Apr 2014	Jan 2017	PJSC MDM Bank	Corporate Secretary
Jan 2017	Apr 2017	PJSC FG Budushcheye	Head of Corporate Affairs
Apr 2017	Apr 2018		Corporate Secretary
Apr 2018	currently	PJSC M.video	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company’s shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual’s participation in the management bodies of the company’s competitors).

As of 31 December 2019, the Corporate Secretary did not have any equity holdings or own any ordinary shares of the Company, nor did she conclude any transactions involving the acquisition or disposal of Company shares in 2019.

MANAGEMENT BOARD

Alexander Tynkovan

Chairman
of the Management Board



Management Board
of PJSC M.video







Pavel Breev
Vice-President
of LLC MVM

Bilan Uzhakhov
General Director
of LLC MVM

Enrique Fernandez
Chief Executive Officer
of LLC MVM

Ekaterina Sokolova
Chief Financial Officer
of LLC MVM





Steven Lewis
Managing Director
of M.Video of LLC MVM

Sergey Lee
Managing Director
of Eldorado
of LLC MVM

Key functions
HR
Logistics
Finance
Commerce

The Management Board is a collegial executive body that manages the Company’s day-to-day operations.

The formation of the Management Board, including the determination

of the number of members and the election of its members, with the exception of the President and the CEO, who are members of the Management Board ex officio, is determined by decision of the Board of Directors.

Oversight of the Management Board’s activities is performed by the Company’s Board of Directors and the General Meeting of Shareholders .

The Management Board in its activities takes into account the legislation of the Russian Federation, the Company’s Charter and the Regulations on the Management Board of the Company.

Members of the Management Board

1. Alexander Tynkovan –
Chairman of the Management Board

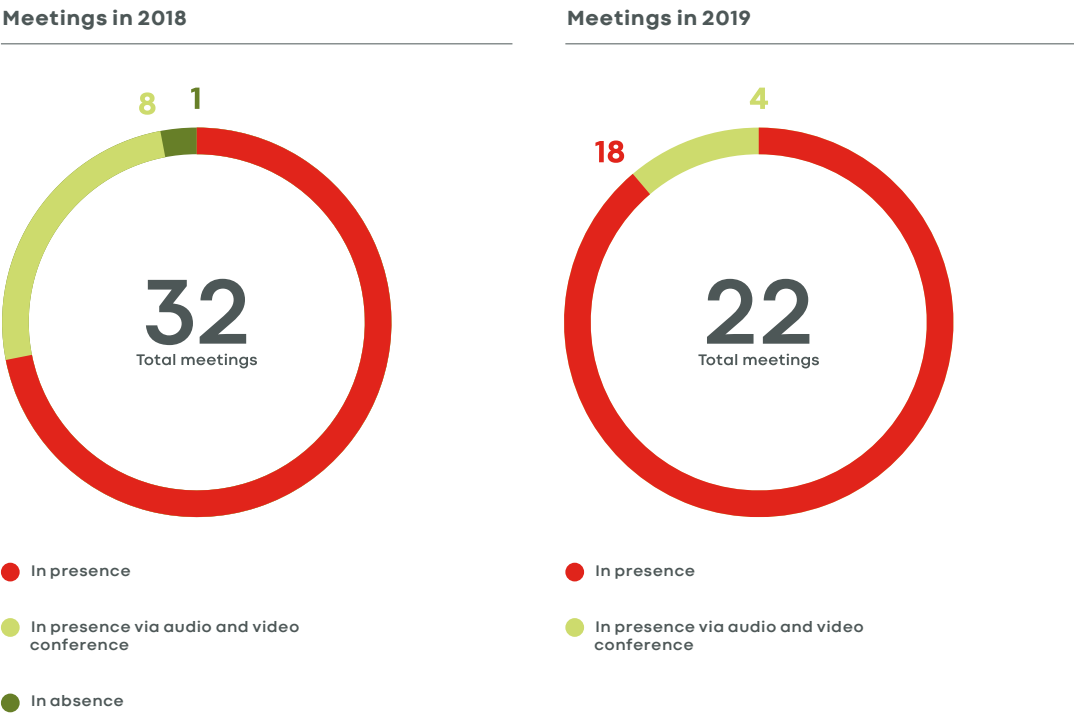
2. Pavel Breev

3. Bilan Uzhakhov

4. Enrique Fernandez

5. Ekaterina Sokolova

Meetings of the Management Board





Members of the Management Board

Alexander Tynkovan

CHAIRMAN OF THE MANAGEMENT BOARD

Date of birth
1967

Education
Moscow Power Engineering
Institute (diploma cum laude)

Current position
President of LLC MVM

0%
The individual's equity
holding in the authorized
capital of the Company

0%
The stake of ordinary
shares of the Company
owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
26 Feb 2007	currently	PJSC M.video (formerly – OJSC Kompaniya M.video)	Member of the Board of Directors
16 Jun 2008	7 May 2015	X5 Retail Group N.V.	Member of the Advisory Board
1 Oct 2010	1 May 2017	LLC Avtoritet	First Deputy CEO (part time)
2 Apr 2013	20 Dec 2017	PJSC M.video (formerly – OJSC Kompaniya M.video)	General Director
1 Apr 2013	currently	LLC MVM	President
1 May 2016	4 Dec 2017	Private Limited Liability Company Svece Limited	Director
7 Jun 2017	currently	PJSC M.video	Chairman of the Management Board
3 Jul 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors
21 Dec 2017	currently	PJSC M.video	President
7 Dec 2017		Norateno Holding Limited	Director
7 Dec 2017		Starwolf Limited	
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Member of the Management Board

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



Pavel Breev

Date of birth
1967

Education
S. K. Tumansky Moscow Aviation Engine-Building Technical College

Current position
Vice-President of LLC MVM

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
1 July 2006	currently	PJSC M.video (formerly – OJSC Kompaniya M.video)	Member of the Board of Directors
4 Apr 2013	22 Aug 2017	LLC MVM	General Director
22 Aug 2017	17 Oct 2017	PJSC M.video	Executive Director
3 Apr 2013	currently	Private Limited Liability Company Svece Limited	Director
May, 2016	4 Dec 2017	PJSC M.video	Member of the Management Board
7 June 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors
21 Aug 2017	currently	LLC MVM	Vice-President
22 Sep 2017		Tonesino Limited	Director
7 Dec 2017		Starwolf Limited	Alternative Director
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Member of the Management Board

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



Bilan Uzhakhov

Date of birth
1987

- Education
- University of Hamburg,
 - Plekhanov Russian University of Economics,
 - Sberbank Corporate University in cooperation with the London Business School,
 - Higher School of Economics – National Research University.

Current position
General Director of LLC MVM.

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
24 Jul 2013	13 Jul 2017	JSC Russian Coal	General Director
8 Oct 2013	currently		Member of the Board of Directors
10 Mar 2017		JSC SAFMAR National Pension Fund	
6 Mar 2017	11 May 2018	LLC Safmar Retail	
3 Mar 2017	26 May 2017	JSC Doverie National Pension Fund	
28 Apr 2017	20 Dec 2017	PJSC M.video	Deputy General Director
14 Jul 2017	currently	JSC Russian Coal	Advisor to General Director
7 Jun 2017		PJSC M.video	Member of the Management Board
26 Jun 2017		PJSC SAFMAR Financial Investments	Member of the Board of Directors
1 Mar 2017	25 Feb 2019	LLC ELDORADO	
8 Aug 2017	currently	PJSC M.video	
10 Aug 2017	17 Oct 2017	LLC MVM	Vice-President
18 Oct 2017	currently		General Director
22 Nov 2017		JSC Europlan Leasing Company	Member of the Board of Directors
21 Dec 2017		PJSC M.video	General Director
1 Jan 2018	25 Feb 2019	LLC ELDORADO	
18 Jan 2018	currently	JSIC VSK	Member of the Board of Directors
31 Mar 2018	6 Mar 2019	JSC Doverie National Pension Fund	
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Chairman of the Management Board
19 Jun 2019	currently	JSC Mospromstroy-Fund National Pension Fund	Member of the Board of Directors
9 Sep 2019		PJSC KTK	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

Bilan Uzhakhov was an interested party to transactions in 2019. This fact was taken into account when approving such transactions by the Company's management bodies. The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



Ekaterina Sokolova

Date of birth
1974

- Education
- ACCA Diploma in International Financial Reporting,
 - Institute of Business and Economics at the Russian Presidential Academy of National Economy and Public Administration,
 - California State University, MBA.

Current position
Chief Financial Officer of LLC MVM

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
Jan 2016	currently	PJSC M.video	Chief Financial Officer
Jan 2016		LLC MVM	
17 Feb 2018		PJSC M.video	Member of the Management Board
10 Jul 2018	25 Feb 2019	LLC ELDORADO	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).



Enrique Fernandez

Date of birth
1968

- Education
- University of Zaragoza, Faculty of Economics,
 - MBA from the ICADE School of Business and Economics (Madrid)

Current position
Chief Executive Officer of LLC MVM.

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
24 Jun 2009	30 Nov 2016	LLC MVM	Commercial Director
01 Dec 2016	21 Aug 2017		CEO
22 Aug 2017	17 Oct 2017		General Director
18 Oct 2017	currently		CEO
17 Feb 2018		PJSC M.video	Member of the Management Board
10 Jul 2018	25 Feb 2019	LLC ELDORADO	

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

Enrique Fernandez was an interested party to transactions in 2019. This fact was taken into account when approving such transactions by the Company's management bodies. The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).

SOLE EXECUTIVE BODIES

THE SOLE EXECUTIVE BODIES OF PJSC M.VIDEO ARE THE PRESIDENT AND THE GENERAL DIRECTOR, WHO ACT INDEPENDENT OF ONE ANOTHER WITHIN THE REMIT STIPULATED BY THE CHARTER AND THE RELEVANT REGULATIONS ON THE SOLE EXECUTIVE BODIES.

As of the end of 2019, as well as at the time when this Annual Report has been written, the Company's Regulation on the Sole Executive Body (General Director), approved in 2007, was in force. As of the end of 2019, as well as at the time when this Annual Report has been written, the Company has no analogous Regulation for the President.

The remit of the Sole Executive Bodies includes the resolution of all issues related to the management of the day-to-day activities of PJSC M.video, with the exception of issues falling within the remit of the General Meeting of Shareholders, the Board of Directors or the Management Board, as well as implementation of the decisions of the General Meeting of Shareholders, the Board of Directors and the Management Board.

The President and the General Director are elected (dismissed) by a decision of the Board of Directors and are accountable to the General Meeting of Shareholders and the Board of Directors.

In the event that a President is not elected, or in the case of the short-term or prolonged inability of the President to fulfil his official duties, the duties of the President are performed by the General Director.

In the event that the General Director is not elected, or in the case of the short-term or prolonged inability of the General Director to fulfil his official duties, the duties of the General Director are performed by the President.

President

THE PRESIDENT CHAIRS THE MEETINGS OF THE MANAGEMENT BOARD AND ENSURES THAT MINUTES ARE KEPT AT MANAGEMENT BOARD MEETINGS.

IN 2019, THE COMPANY'S PRESIDENT WAS ALEXANDER TYNKOVAN.



ALEXANDER TYNKOVAN
Chairman of the Management Board

Date of birth
1967

Current position
President of LLC MVM.

Education
Moscow Power Engineering Institute (diploma cum laude).

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
26 Feb 2007	currently	PJSC M.video (formerly – OJSC Kompaniya M.video)	Member of the Board of Directors
16 Jun 2008	7 May 2015	X5 Retail Group N.V.	Member of the Advisory Board
1 Oct 2010	1 May 2017	LLC Avtoritet	First Deputy CEO (part time)
2 Apr 2013	20 Dec 2017	PJSC M.video (formerly – OJSC Kompaniya M.video)	General Director
1 Apr 2013	currently	LLC MVM	President
1 May 2016	4 Dec 2017	Private Limited Liability Company Svece Limited	Director
7 Jun 2017	currently	PJSC M.video	Chairman of the Management Board
3 Jul 2017	25 Feb 2019	LLC ELDORADO	Member of the Board of Directors
21 Dec 2017	currently	PJSC M.video	President
7 Dec 2017		Norateno Holding Limited	Director
7 Dec 2017		Starwolf Limited	
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Member of the Management Board

The Company did not have any information about transactions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

The Company is unaware of the existence of a conflict of interest of the individual (including one related to the individual's participation in the management bodies of the company's competitors).

General Director

IN 2018,
THE COMPANY'S
GENERAL DIRECTOR
WAS BILAN
UZHAKHOV.



BILAN UZHAKHOV

Date of birth
1967

- Education
- University of Hamburg,
 - Plekhanov Russian University of Economics,
 - Sberbank Corporate University in cooperation with the London Business School,
 - Higher School of Economics – National Research University.

Current position
General Director of LLC MVM.

0%
The individual's equity
holding in the authorized
capital of the Company

0%
The stake of ordinary
shares of the Company
owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
24 Jul 2013	13 Jul 2017	JSC Russian Coal	General Director
8 Oct 2013	currently		Member of the Board of Directors
10 Mar 2017		JSC SAFMAR National Pension Fund	
6 Mar 2017	11 May 2018	LLC Safmar Retail	
3 Mar 2017	26 May 2017	JSC Doverie National Pension Fund	
28 Apr 2017	20 Dec 2017	PJSC M.video	Deputy General Director
14 Jul 2017	currently	JSC Russian Coal	Advisor to General Director
7 Jun 2017		PJSC M.video	Member of the Management Board
26 Jun 2017		PJSC SAFMAR Financial Investments	Member of the Board of Directors
1 Mar 2017	25 Feb 2019	LLC ELDORADO	
8 Aug 2017	currently	PJSC M.video	
10 Aug 2017	17 Oct 2017	LLC MVM	Vice-President
18 Oct 2017	currently	LLC MVM	General Director

Term, since	till	Company's Name	Position
22 Nov 2017	currently	JSC Europlan Leasing Company	Member of the Board of Directors
21 Dec 2017		PJSC M.video	General Director
1 Jan 2018	25 Feb 2019	LLC ELDORADO	
18 Jan 2018	currently	JSIC VSK	Member of the Board of Directors
31 Mar 2018	6 Mar 2019	JSC Doverie National Pension Fund	
10 Jul 2018	25 Feb 2019	LLC ELDORADO	Chairman of the Management Board
19 Jun 2019	currently	JSC Mospromstroy-Fund National Pension Fund	Member of the Board of Directors
9 Sep 2019		PJSC KTK	

The Company did not have any information about trans- actions made by the individual related to the acquisition or disposal of the Company's shares in 2019.

Bilan Uzhakhov was an interested party to transactions in 2019. This fact was taken into account when approving such trans- actions by the Company's management bodies. The Company is unaware of the existence of a conflict of interest of the indi- vidual (including one related to the individual's participation in the management bodies of the company's competitors).

CONTROL & AUDIT

Key regulations

- Bylaw on internal control over business and financial activities of OJSC “Kompaniya M.video”, approved by the Board of Directors of the Company (minutes No. 81/2013 of 12 December 2013);
- Bylaw on the Audit Commission of OJSC “Kompaniya M.video”, approved by the General Meeting of Shareholders of the Company (minutes No. 16 of 10 June 2013);
- Bylaw on internal audit of OJSC “Kompaniya M.video”, approved by the Company's Board of Directors (minutes No. 94/2014 of 15 December 2014);
- Risk Management Policy of PJSC M.video, approved by the Company's Board of Directors (minutes No.116/2016 of 16 December 2016).

Audit Commission

- In accordance with Article 15 of the Company's Charter, the Audit Commission oversees the Company's finance, operations and property management. The number of members of the Audit Commission and the procedure for its activities are determined by the Bylaw on the Audit Commission and is approved by the General Meeting of Shareholders. Members of the Audit Commission may not simultaneously be members of the Board of Directors or occupy other positions in the Company's executive bodies.

The Audit Commission periodically monitors the Company's financial and business operations, and the activities of its executive bodies and officials through documentary and factual audits of the following points:

 - the legality, economic merits and efficiency (expediency) of business and financial operations performed by the Company during the audit period;
 - the completeness and veracity of the information on business and financial operations reflected in the Company's management documents;
 - the legality, economic merits and effectiveness of actions taken by Company executives and heads of structural divisions in terms of compliance with the laws of the Russian Federation, as well as the Company's Charter, approved plans, programmes and other bylaws.
- Members of the Audit Commission in 2019:**

 - Evgeny Bezlik.
 - Andrey Gorokhov.
 - Alexey Rozhkovsky.

The Audit Commission in this composition was elected at the Annual General Meeting of Shareholders on 29 June 2018 (minutes No. 26 of 2 July 2018) and at the Annual General Meeting of Shareholders on 26 June 2019 (minutes No. 28 of 28 June 2019).

Information on Audit Commission Members

EVGENY BEZLIK

Date of birth 1975 Education Tashkent Military Technical College.

0% The individual's equity holding in the authorized capital of the Company

0% The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
2 Nov 2011	10 Jul 1905	LLC MVM	Head of the Internal Investigations Department
6 Jun 2013	currently	PJSC M.video (formerly – OJSC Kompaniya M.video)	Chairman of the Audit Commission
1 May 2018		LLC MVM	Head of the Internal Investigations Department
30 Oct 2018		LLC MARKETPLACE	Auditor

GOROKHOV ANDREY ALEKSANDROVICH

Date of birth 1980 Education Ivanovo State University of Chemistry and Technology.

0% The individual's equity holding in the authorized capital of the Company

0% The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
1 Jul 2007	1 Oct 2015	LLC PromSvyazKapital	Head of Financial and Investment Analysis Department
1 Oct 2015	1 Feb 2017	PJSC Promsvyazbank	Head of the Financial and Investment Analysis Division
28 Feb 2017	currently	LLC Corporate Investment and Technologies (LLC KliIT)	Deputy General Director for Management Accounts, Reporting and New Projects
21 Jun 2017		JSC Russian Coal	Member of the Board of Directors
8 Aug 2017		PJSC M.video	Member of the Audit Commission

Term, since	till	Company's Name	Position
1 Nov 2017	28 May 2018	PJSC SAFMAR Financial Investments	Member of the Board of Directors
3 Nov 2017	currently	PJSC Mospromstroy	
30 Mar 2018	6 Mar 2019	JSC Doverie National Pension Fund	Auditor
30 Mar 2018	18 Jun 2019	JSC SAFMAR National Pension Fund	
18 Jun 2019	currently		Member of the Audit Commission
28 May 2018	28 May 2019	PJSC SAFMAR Financial Investments	Auditor
28 May 2019	currently		Member of the Audit Commission
4 Jun 2018		JSC Europlan Leasing Company	
24 Jul 2018		CJSC IP Slavneftekhim	Member of the Board of Directors

ALEXEY ROZHKOVSKY

Date of birth 1984 Education – Novosibirsk State University of Economics and Management, – Diploma in International Financial Reporting (DiplFR ACCA), – Management College of South Africa, PhD in Economics.

0% The individual's equity holding in the authorized capital of the Company

0% The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company's Name	Position
1 Aug 2012	31 Dec 2015	PJSC MDM Bank	Head of the Analytical Department
11 Jan 2016	28 Dec 2017	JSC SAFMAR Group	Head of the Department for Work with Non-bank Financial Institutions
29 Dec 2017	currently	PJSC SAFMAR Financial Investments	Director of the Finance Department and Deputy Finance Director
8 Aug 2017		PJSC M.video	Member of the Audit Commission
16 May 2018		JSIC VSK	
4 Jun 2018		JSC Europlan Leasing Company	
28 May 2019		PJSC SAFMAR Financial Investments	

Internal Audit Division

THE COMPANY HAS AN INTERNAL AUDIT DIVISION IN ITS ORGANIZATION. THE HEAD OF THE INTERNAL AUDIT DIVISION UNTIL 24 SEPTEMBER 2019 WAS LARISA RUDENKO. AS OF THE END OF 2019, THE HEAD OF THE INTERNAL AUDIT DIVISION HAS NOT BEEN APPOINTED.

The head of the Internal Audit Division reports to the Board of Directors and is appointed and dismissed by the sole executive body based on a decision of the Board of Directors.

The activities of the Internal Audit Division are governed by the Regulation on Internal Audit of the Open Joint-Stock Company M.video, approved by the Company’s Board of Directors (minutes No. 94/2014 of 15 December 2014).

The key competences of the Internal Audit Division are as follows:

- Assisting the executive bodies and employees in the implementation and monitoring of procedures and measures for the development of risk management, internal control and corporate governance
 - Coordination with the external auditor and consultants in the field of risk management, internal control and corporate governance
 - Conduct internal audits of subsidiary companies
- Preparation and submission to the Board of Directors and executive bodies of reports on the results of the activities of the Internal Audit Division
 - Verification of compliance on the part of the Company’s Executive Bodies and employees with the provisions of laws and the Company’s internal policies regarding insider information and the fight against corruption, compliance with the requirements of the Code of Ethics

Information on the Head of the Internal Audit Division

As of 24 September 2019

Larisa Rudenko

Date of birth
1984

Education
Russian State Social University.

0%
The individual’s equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

Term, since	till	Company’s Name	Position
Apr 2013	24 Sep 2019	LLC MVM	Head of the Internal Audit Division
Jul 2013	24 Sep 2019	PJSC M.video	

Internal Control and Risk Management Department

FOR THE EFFECTIVE FUNCTIONING OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM, THE COMPANY HAS ESTABLISHED AN INTERNAL CONTROL AND RISK MANAGEMENT DEPARTMENT. BORIS OGARKOV WAS HEAD OF THE INTERNAL CONTROL AND RISK MANAGEMENT DEPARTMENT IN THE REPORTING YEAR.

The objectives of internal control within the Company are as follows:

- deliver on implementation and coordination in building a risk management system;
- obtain identification and assessment of risks and risk response methods;
- provide efficient functioning of the risk management system;
- ensure methodological support of the internal control and risk management system.

The risk management system is an integral part of the company's strategic management and is defined as a set of risk management processes implemented on the basis of the existing organizational structure, internal policies and regulations, procedures and methods of risk management applied in the Company at all levels of organization and within all functional areas in order to bring the Company's risks in line with the established level of risk appetite. The purpose of risk management is to anticipate and, if possible, avoid negative manifestations of risks or minimize such negative manifestations.

Key regulations in the field of internal control and risk management are as follows:

- Bylaw on internal control over the financial and economic activities Of open joint stock company “M. video Company”, approved by the Board of Directors of the Company (minutes No. 81/2013 of 12 December 2013);
- Risk Management Policy approved by the Company's Board of Directors (minutes no.116/2016 of 16 December 2016).

At the meeting of the Board of Directors of PJSC M. video held on 13 September 2019 (minutes No. 171/2019 of 16 September 2019), the Risk Matrix was approved in a new version.

Information on the Head of the Internal Control and Risk Management Department

Boris Ogarkov

Date of birth
1987

Education
Moscow State Institute of International Relations (MGIMO),
Bachelor of Commerce, Master's in International Finance

0%
The individual's equity holding in the authorized capital of the Company

0%
The stake of ordinary shares of the Company owned by the individual

Positions

All positions held by this individual in the Company and other organizations over the past five years and currently, in chronological order, including part-time:

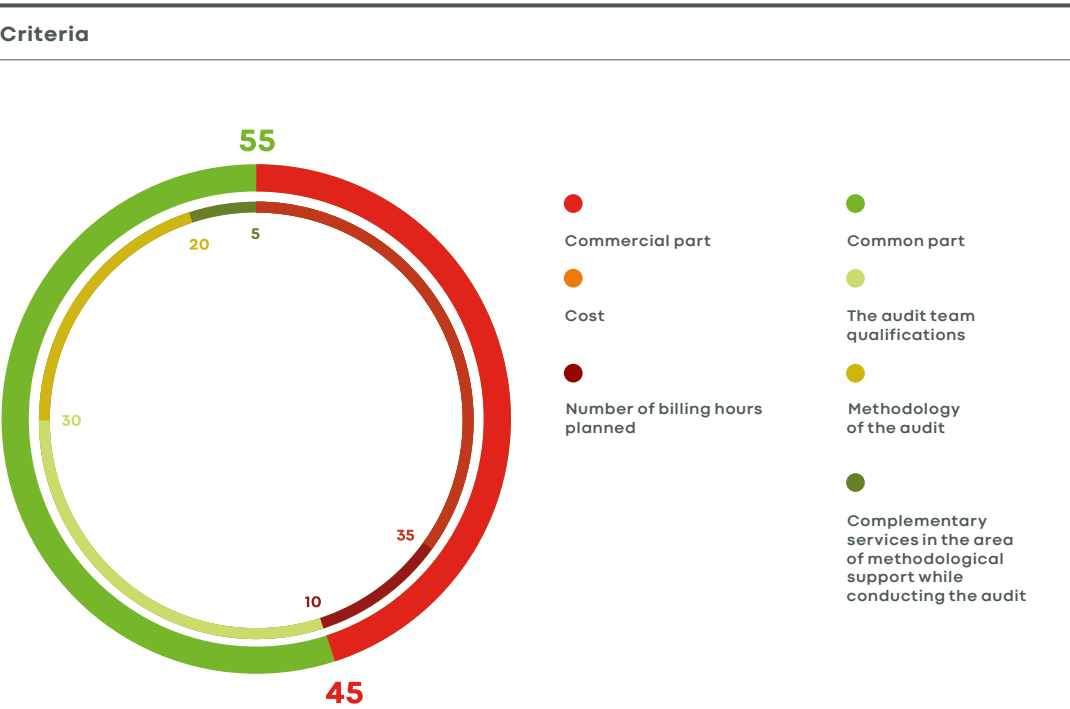
Term, since	till	Company's Name	Position
17 Sep 2014	1 Oct 2015	CJSC Independent Oil and Gas Company	Head of the Department of Financial Control, Contracting Systems and Working Capital Management in the Department of Economics and Finance
1 Oct 2015	18 Dec 2015	JSC Independent Oil and Gas Company	Head of the Department of Financial Control of the Economy and Finance Unit
15 Jan 2016	18 Mar 2016	LLC Sibirskaya internet-kompaniya	Deputy Finance Director
21 Mar 2016	31 Oct 2017	LLC MVM	Head of the Internal Control and Risk Management Department, Finance Department
1 Nov 2017	currently		Head of the Internal Control and Tender Procedures Department
15 Jun 2016		PJSC M.video	Head of the Internal Control and Risk Management Department

External Auditor

PJSC M.VIDEO ENGAGES AN EXTERNAL AUDITOR WHO CARRIES OUT AN AUDIT OF THE COMPANY’S FINANCIAL AND BUSINESS OPERATIONS. THE EXTERNAL AUDITOR IS APPROVED BY THE GENERAL MEETING OF SHAREHOLDERS. THE OBJECTIVITY OF THE CHOICE OF THE EXTERNAL AUDITOR IS ENSURED THROUGH A TENDER PROCEDURE.

The tender procedure is carried out by a subsidiary company, LLC MVM on the basis of a service agreement concluded between LLC MVM and PJSC M. video (hereinafter – the Tender Committee). Only applicants who meet the requirements for the independence

of audit providers set out in article 8 of Federal Law No. 307-FZ of 30 December 2008 “On Audit Activities” are invited to participate in the tender. Evaluation of bids of participants in the tender procedure is carried out using the following criteria:



The final rating of the application is calculated as the sum of ratings based on the evaluation criteria. The assessment consists of two blocks:

- the Commercial part (cost criterion) is evaluated automatically by the formula of deviation from the minimum price among suppliers (the provider of services with the minimum price gets the highest score) and from the maximum number of audit hours included in the offer (the provider of services with the maximum number of hours gets the highest score);
- the General part (beyond the cost criterion) is evaluated by a representative of PJSC M. video according to the methodology agreed on by the Tender Committee, with further independent verification by an employee of the Department of Tender Procedures of LLC MVM. PJSC M. video evaluates the audit methodology, the qualification of the audit team, and complementary services based on expert judgment.

The scores of both assessment blocks are summed up in Microsoft Excel, followed by an automatic ranking in ascending order starting from 1 referring to the decrease in the number of points. The maximum number of points is 10. Rank 1 is awarded to the participant with the maximum number of points.

In accordance with clause 17 of Article 11.1 of the Company's Charter, the Board of Directors is responsible for determining the amount of payment for the auditor's services, approving the terms of agreement with the auditor who audits the Company's Financial Statements prepared in accordance with both Russian Accounting Standards and IFRS.

In accordance with clause 11 and clause 10.1 of Article 10 of the Company's Charter, the issue of approval of the Company's auditor falls within the exclusive competence of the General Meeting of Shareholders.

On 5 February 2019, the decision of the Tender Committee initiated tender procedures for selecting an external auditor to audit the business and financial activities of PJSC M.video for 2019. The tender was conducted in the form of a secured request for price proposals among such provider of audit services as JSC Deloitte and Touche CIS, JSC PwC Audit, JSC KPMG, LLC Ernst & Young.

The tender specification for the provision of audit services for PJSC M. video included the following services:

- review of the semi-annual condensed Consolidated Financial Statements of PJSC M.video;
- audit of Consolidated Financial Statements of PJSC M.video under IFRS for 2019;
- audit of Financial Statements of PJSC M.video according to RAS for 2019;
- agreed procedures for confirmation of the correctness of calculation of financial indicators conforming four compliance certificates;
- complementary services.

As part of the tender process, commercial offers (bids) of applicants were collected and evaluated. At the Tender Committee, in the meeting held on 14 May 2019, it was decided to recommend Ernst & Young LLC as the auditor of PJSC M. video.

Based on the tender results and the recommendation given by the Audit Committee of the Board of Directors (minutes No. 71/2019 of may 17, 2019), on 23 May 2019, the Board of Directors of PJSC M.video (minutes No. 166/2019 of may 23, 2019) decided to recommend to the Company's General Meeting of Shareholders to take the following decision on the approval of the company's auditor:

"TO APPROVE ERNST & YOUNG LLC AS AN AUDITOR FOR THE AUDIT OF THE COMPANY'S BUSINESS AND FINANCIAL PERFORMANCE IN 2019."

At the Annual General Meeting of Shareholders of PJSC M.video on 26 June 2019 (minutes No. 28 of 28 June 2019), it was decided to approve Ernst & Young LLC as an auditor of the Company's business and financial performance in 2019.

The cost of audit services provided by Ernst & Young LLC as the Company's auditor amounted to RUB 13,870 thousand. This amount was determined by the Board of Directors of PJSC M.video (Protocol No. 169/2019 of 11 July 2019), which decided to approve payment for the services of the auditor, Ernst & Young LLC of the Company's business and financial performance in 2019 in the amount not exceeding 13,870,000 (thirteen million eight hundred and seventy thousand) rubles without VAT, including complimentary services.

The Tender Committee on 24 January 2020, and the Audit Committee of the Board of Directors of PJSC M.video (minutes No. 79/2020 of 21 February 2020) approved complimentary services provided by Ernst & Young LLC to the Company for the amount of 2,200 thousand rubles on 21 February 2020, including:

- translation of the Financial Statements in English (200 thousand rubles),
- audit of the main reporting forms prepared in accordance with IAS 17, effective before 1 January 2019, to ensure comparability of the 2019 report with previous periods (1,850 thousand rubles),
- overhead costs (150 thousand rubles).

On the basis of the recommendation of the audit Committee of the Board of Directors of PJSC M.video (minutes No. 79/2020 of 21 February 2020) and on the basis of the decision of the Board of Directors (minutes No. 169/2019 of 11 July 2019), on 23 March 2020 the Board of Directors determined the amount of payment for the services of Ernst & Young LLC for the audit of the Financial Statements of PJSC M.video for 2019, for a total amount not exceeding 16,070,000 (sixteen million seventy thousand) rubles without VAT, including complimentary services.

There are no deferred or overdue payments for services provided by the auditor.

Use of Insider Information Code of Conduct

THE GROUP STRIVES TO EFFECTIVELY MANAGE POSSIBLE CONFLICTS OF INTEREST BOTH IN THE FIELD OF CORPORATE GOVERNANCE AND IN COURSE OF EXECUTING OF DUTIES BY EACH EMPLOYEE.

IN 2017, THE GROUP ADOPTED A CODE OF BUSINESS ETHICS AND RECOMMENDED BEHAVIOUR (HEREINAFTER, THE "CODE OF CONDUCT" OR THE "CODE") AT THE LEVEL OF THE KEY OPERATING COMPANY, LLC MVM, WHICH SPECIFIES THE FUNDAMENTAL PRINCIPLES AND STANDARDS OF BUSINESS AND PERSONAL ETHICS WITHIN PJSC M.VIDEO.

The key principles established and governed by the Code are as follows:

- | | |
|---|---|
| • antitrust compliance (the Group has also adopted an Antitrust Policy); | • protection of commercial secrets, proprietary information and personal data; |
| • a safe working environment; | • management of conflicts of interest, including in relations with counterparties, when making personal purchases within the M.Video network; |
| • the prohibition of any form of discrimination, harassment, pressure or intimidation; | • opportunities for professional and personal growth and development; |
| • integrity, honesty and fairness in interpersonal relationships; | • restrictions on the possibility of receiving gifts from counterparties; |
| • veracity and completeness of documentation and reporting; | • the need to identify and counter suspicious transactions; |
| • a conscientious approach to the Group's assets; | • separation of political and professional activities. |
| • impermissibility of transactions involving the Company's securities based on insider information; | |

Ethics Committee

LLC MVM HAS A STANDING ETHICS COMMITTEE, WHOSE ACTIVITIES ARE AIMED AT MAINTAINING THE COMPANY’S BUSINESS REPUTATION, ENSURING THAT ITS ACTIVITIES IN GENERAL AND THOSE OF ITS EMPLOYEES COMPLY WITH HIGH STANDARDS OF BUSINESS ETHICS AND BEHAVIOUR, AS WELL AS AVOIDING AND RESOLVING CONFLICTS OF INTEREST.

The remit of the Ethics Committee includes:

- consideration of cases related to violations of the regulations contained within the Code of Business Ethics, other ethical principles and norms that specify the Company’s values and corporate culture;
- consideration of situations involving a potential or actual conflict of interest;
- consideration of ethical issues arising from and/or related to workers and/or the personal relationships between workers that have an impact on work processes or day-to-day interaction;
- consent to appointments (transfers) of employees to positions as provided for by the Code of Conduct and other bylaws;
- the determination of rules of business behaviour and the Company’s corporate culture;
- the formation of proposals for amendments and additions to the Code of Conduct, as well as to other Company documents.

The Ethics Committee is chaired by the Chief Executive Officer of LLC MVM, Enrique Fernandez.

PRINCIPLES FOR THE DETERMINATION AND AMOUNT OF REMUNERATION of Management and Control Bodies

THE COMPENSATION PACKAGE OFFERED BY THE COMPANY INCLUDES A SALARY, MEDICAL INSURANCE PROGRAMMES, ADDITIONAL BENEFITS AND A BONUS SYSTEM.

The compensation package offered by the Company includes a salary, medical insurance programmes, additional benefits and a bonus system.

According to the Regulation on Remuneration and Compensation Paid to Members of the Board of Directors of PJSC M.video (hereinafter referred to as the “Regulation on Remuneration”), the total amount of remuneration and compensation paid to members of the Board of Directors and to members

Basic remuneration is paid for:

1. participation in in-person meetings of the Board of Directors;
2. participation in strategic or budget sessions;
3. participation of a member of the Board of Directors at the request of the Chairman of the Board of Directors,

of the Audit Commission is approved by the General Meeting of Shareholders.

The remuneration for the Corporate Secretary and the Head of the Internal Audit Division is determined by the Board of Directors.

For participation in the work of the Board of Directors and/or committees of the Board of Directors, members of the Board of Directors are paid the following types of remuneration:

chairmen of the committees of the Board of Directors or the CEO in meetings of thematic working groups, meetings or discussions related to the activities of the Company and its subsidiaries that are held at the Company’s office or elsewhere.

Compensation for performing additional duties is paid for:

4.

performing duties of a member of a Board of Directors committee;
5.

performing duties of a Chairman of a Board of Directors committee;
6.

performing the duties of a Chairman of the Board of Directors.

Members of the Board of Directors who are residents of the Russian Federation are paid remuneration in Russian roubles. Members of the Board of Directors who are not residents of the Russian Federation are paid remuneration in a foreign currency at the exchange rate of the Bank of Russia on the date of payment.

In accordance with the Regulation on Remuneration, each member of the Board of Directors may be reimbursed for the following expenses:

- actually incurred and documented transportation costs associated with the travel of a member of the Board of Directors to the venue of a meeting of the Board of Directors and/or a Board of Directors committee and back, other transportation costs incurred in connection with travel associated with the Board of Directors;
 - living expenses of a member of the Board of Directors during meetings of the Board

- of Directors and/or meetings of Board of Directors committees;
 - expenses for meals for a member of the Board of Directors during meetings of the Board of Directors and/or meetings of Board of Directors committees;
 - miscellaneous expenses (payment for communications, fuel, meals and entertainment expenses, etc.).

The maximum amount of compensation for expenses for members of the Board of Directors is approved by the General Meeting of Shareholders upon a proposal of the Board of Directors.

Based on a decision of the Annual General Meeting of Shareholders of 29 June 2018, and the Annual General Meeting of Shareholders of 26 June 2016 the following amount of remuneration was determined to be paid to members of the Board of Directors:

- remuneration for members of the Board of Directors in a total amount not to exceed RUB 52 million for the period July 2018 – June 2019 and no more than RUB 52 million for the period of July 2019 – June 2020

- reimbursement of expenses incurred by members of the Board of Directors as part of their functions as members of the Board of Directors in a total amount not to exceed RUB 10 million for the period July 2018 – June 2019 and no more than RUB 10 million for the period of July 2019 – June 2020.

The compensation of members of the Management Board is paid in accordance with their job agreements. In relation to the members of the Management Board, in 2019 the authorized executive bodies did not make any decisions regarding the amount of remuneration payable and (or) the amount of expenses subject to compensation. There are no other job agreements regarding the amount of remuneration payable or the amount of expenses subject to compensation.



Compensations paid in 2019, RUB thousand.

	12m 2019	
Type of remuneration	Board of Directors	The Management Board
Remuneration for participation in the work of the executive body	30,000	0
Wages	0	651
Performance bonuses	0	0
Fees	0	0
Other types of remuneration	0	0
Total	30,000	651
Reimbursement	1,060	0

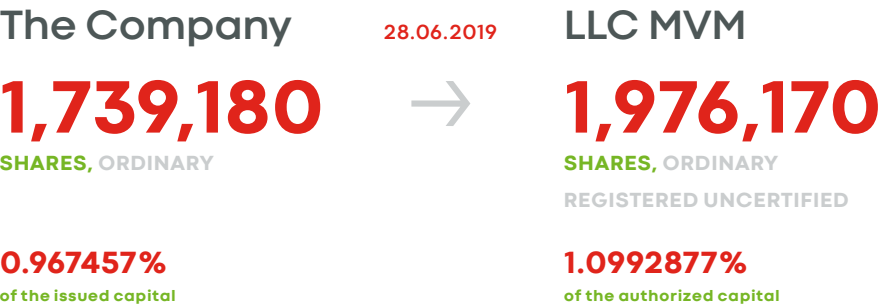
CAPITAL, SHARES & DIVIDENDS

179,768,227 SHARES OF THE COMPANY

Category of shares
Ordinary (voting) shares.

Information on the number of shares of the Company

INFORMATION ON THE NUMBER OF SHARES OF THE COMPANY HELD BY THE COMPANY, AS WELL AS THE NUMBER OF SHARES OF THE COMPANY OWNED BY LEGAL ENTITIES CONTROLLED BY THE COMPANY



NUMBER OF SHARES HELD BY THE COMPANY

Until 28 June 2019, the Company held 1,739,180 shares of the Company (0.967457% of the issued capital). These shares were placed at the disposal of PJSC M.video as a result of repurchase from shareholders in connection with the decision of the General Shareholder Meeting of PJSC M.video on the agreement on a major interested party transaction.

On 28 June 2019, all shares held by the Company were disposed of by the Company and acquired by the LLC MVM controlled by the Company.

As of the end date of the reporting year, there were no Company shares held by the Company.

SHAREHOLDER STRUCTURE IN 2018-2019

Changes in persons who have the right to directly or indirectly dispose of at least 5% of the voting shares of PJSC M.video), %

	31.12.2019 Share of the authorized capital	Share of votes	31.12.2018 Share of the authorized capital	Share of votes
ERICARIA HOLDINGS LIMITED	73.51	73.51	0	0
MIANELLO LIMITED	0	0	38.56	38.94
MS CE RETAIL GMBH	15	15	15	15.15
JSC DOVERIE NATIONAL PENSION FUND	0	0	6.97	7.03
JSC BUDUSHCHEYE NATIONAL PENSION FUND ¹	0	0	n/a	n/a
PJSC M.video	0	0	0.97	0 ²
Other shareholders	11.49	11.49	38.5	38.88
Total	100	100	100	100

¹ Information concerning JSC Budushcheye National Pension Fund as of 31 December 2018 is provided in accordance with information from the List of Registered Persons in the register of holders of the Company's registered securities as of 31 December 2018 (including the disclosure of nominal holders). JSC Budushcheye National Pension Fund is not included in the mentioned list.

Information concerning JSC Budushcheye National Pension Fund as of 31 December 2019 is provided in accordance with information from the List of Registered Persons in the register of holders of the Company's registered securities as of 31 December 2019 (including the disclosure of nominal holders). JSC Budushcheye National Pension Fund is not included in the mentioned list. At the same time, on 6 August 2019, the share of JSC Budushcheye National Pension Fund in the authorized capital of PJSC M.video reduced to 4.92%.

During the reporting year, the share of MIANELLO LIMITED in the authorized capital of the Company decreased to 0%, subsequently increased to 8.3052% and subsequently decreased to 0%.

In the reporting year, ERICARIA HOLDINGS LIMITED acquired a stake in the authorized capital of the Company in the amount of 59.6144%, in the subsequent indicated share increased to 73.5058%.

² Shares do not grant voting rights

Information on the total number of shareholders of the Company

10

The total number of persons with non-zero balances on personal accounts registered in the register of shareholders of the Company at the end date of the reporting quarter

1

Total number of nominee shareholders of the Company

4,026

The total number of persons included in the last list of persons who had (at present or in the past) the right to participate in the General Shareholder Meeting of the Company (another list of persons drawn up for the purpose of exercising rights to the shares of the Company and for which nominee holders shares of the Company provided data on persons in whose interests they own (at present or in the past) shares of the Company)




11.11.19

The date of compilation of the list of persons included in the last list of persons who had (at present or in the past) the right to participate in the General Shareholder Meeting of the Company (another list of persons drawn up for the purpose of exercising rights to the shares of the Company and for which nominee holders shares of the Company provided data on persons in whose interests they own (at present or in the past) shares of the Company)

4,026

Holders of ordinary shares of the Company, which were to be included in such a list

Information on direct or indirect ownership of shares of the Company by members of the Board of Directors and executive bodies of the Company

	Name	Position, held in the management bodies of PJSC M.video	Type of ownership
	GUTSERIEV SAID MICHAILOVICH	CEO	0.0455% Direct ownership 73.51% Indirect ownership ¹
	GUTSERIEV MIKAIL SAFARBEKOVICH	Member of the Board of Directors	0.0000006% Direct ownership
	MIRAKYAN AVET VLADIMIROVICH	Member of the Board of Directors	0.000807% Direct ownership

The Company's executive bodies declare that the Company does not possess any information about the existence of ownership interests in shares exceeding five percent, in addition to those already disclosed by the Company.

The Company has no information about the acquisition / possible acquisition by certain shareholders of a degree of control disproportionate to their participation in the Company's equity, including on the basis of shareholder agreements or due to the presence of common and preferred shares with different nominal value.

1 Indirect ownership (through DAWLARIA HOLDINGS LIMITED, LLC Safmar Retail and ERICARIA HOLDINGS LIMITED).

Market capitalization

As of 29.12.2018¹, P

73,740,926,715.40

As of 30.12.2019¹, P

93,623,292,621.60

¹ Last trading day of the year

PJSC M.video authorized capital

1,797,682,270	The PJSC M.video authorized capital, P	THE COMPANY'S AUTHORIZED CAPITAL WAS PAID IN FULL
179,768,227	Ordinary registered non-documentary shares with a par value of 10 (ten) rubles	

Information on PJSC M.video securities

Type of securities	State registration number of the securities issue and the date of the state registration
Shares (nominal)	1-02-11700-A
Stock category	August 23, 2007
Ordinary shares	
Form of securities	State registration number of the additional issue of securities and the date of the state registration
Non-documentary	1-02-11700-A-001D
	October 25, 2007

10P	179,768,227	0	30,000,000
Par value of each share	Total number of outstanding shares	Number of additional shares in the process of placement	Authorized shares, ordinary nominal non-documentary shares, each with par value of 10 RUB.

Share price performance

In 2019 PJSC M.video shares showed the growth of 26.03% amidst the general growth of the Russian stock market in the reporting period due to the geopolitical and macro-economic factors. At the same time during 2019, the PJSC M.video stock price noticeably outpaced dynamics of the Moscow Exchange Consumer Sector Index (+8.36%) amidst the news about successful integration of M.Video and Eldorado retail chains, as well as about the news about the resumption of the Group’s dividend payments. The average trading volume (in units of stocks) in 2019 increased by 86.2% compared with 2018.

The code of the PJSC M.video shares			
Security code	Trading platform	Type and category of security	Listing
MVID	Moscow Exchange	Ordinary share	Quotation list of the first (highest) level

Report on the declared and paid out dividends on the Company shares

Category of the shares

Ordinary shares

Date of state registration number

23 August 2007

Individual state registration number of the securities issue/ISIN

1-02-11700-A

Reporting period	Total amount of the declared dividend, RUB	Amount of the declared dividend per share, RUB	The share of the declared dividend in the net profit, %	Total amount of the paid out dividend, RUB	Governing body which took a resolution, date of the resolution, date and number of the Minutes of meeting (session) of the Governing body, where such resolution was made	
2012 and 9M 2013	2,480,801,532.60	13.8	31.01	2,480,801,532.60	General Shareholder Meeting Date of the resolution Date of the Minutes Minutes No.	11 Dec 2013 13 Dec 2013 17
2013	3,595,364,540	20	73.86	3,595,364,540	General Shareholder Meeting Date of the resolution Date of the Minutes Minutes No.	17 Jun 2014 20 Jun 2014 18
9M 2014	4,494,205,675	25	98.34	4,494,205,675	General Shareholder Meeting Date of the resolution Date of the Minutes Minutes No.	05 Dec 2014 08 Dec 2014 19
2014	4,853,742,129	27	53	4,853,742,129	General Shareholder Meeting Date of the resolution Date of the Minutes Minutes No.	16 Jun 2015 16 Jun 2015 20
2015	3,595,364,540	20	99.86	3,595,364,540	General Shareholder Meeting Date of the resolution Date of the Minutes Minutes No.	20 Jun 2016 23 Jun 2016 21
2016	General Shareholder Meeting held on 05.06.2017 (Minutes No. 22 of 08 Jun 2017) decided not to pay dividends for 2016.					
2017	General Shareholder Meeting held on 29.06.2018 (Minutes No. 26 of 02 Jul 2018), decided not to pay dividends for 2017.					
2018	General Shareholder Meeting held on 26.06.2019 (Minutes No. 28 of 28 Jun 2019), decided not to pay dividends for 2018.					
9M 2019	5,998,865,734.99	33.37	97.83	5,998,865,734.99	General Shareholder Meeting Date of the resolution Date of the Minutes Minutes No.	03 Dec 2019 03 Dec 2019 29

Major or interested party transactions

Lists of transactions made and approved in 2019 and recognized under Federal Law “On Joint-Stock companies” as major or interested party transaction could be found in the Appendix to the Annual Report (in Russian).

Registrar of the Company

REGISTRAR OF THE COMPANY IN 2018 AND UNTIL 4 FEBRUARY 2019¹

Full company’s name

Joint-Stock Company
Independent Register Company.

Postal address

107076, Moscow, 18
Stromynka str., bld. 5B.

Location

Russian Federation, Moscow.

Phone/fax

+7 (495) 989-76-50
+7 (495) 989-76-82

nrcreg.ru

INFORMATION ON THE REGISTRAR MAINTAINING THE REGISTER OF HOLDERS OF REGISTERED SECURITIES OF THE COMPANY FROM 5 FEBRUARY 2019

Full company’s name

Joint-Stock Company
Service-Register

Postal address

107045, Moscow, 12 Sretenka str.

Short company’s name

JSC Service-Register

Phone, fax

+7 (495) 608-10-43
+7 (495) 783-01-62

Location

107045, Moscow, 12 Sretenka str.

servis-reestr.ru

THE FULL AND ABBREVIATED NAME OF THE COMPANY INFORMATION ABOUT THE STATE REGISTRATION OF PJSC M.VIDEO

Full company’s name

Public joint-stock
company M.video

The date of the State Registration

25 September 2006

Short company’s name

PJSC M.video

The number of the Certificate of the State Registration (or other document confirming the State Registration of the Company)

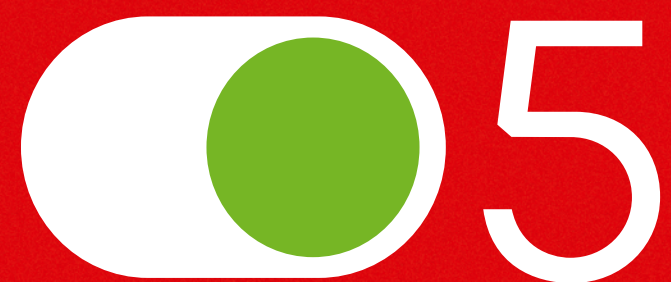
Series 77 № 008748648

The Primary State Registration Number

5067746789248

Public joint-stock company M.video (hereinafter – PJSC M.video or the Company). The Company was created as a result of the reorganization in the form of a transformation of the Company M.video limited liability company.

¹ On 4 February 2019, the activities of the Joint Stock Company Independent Registrar Company were discontinued in the form of a merger with the Joint Stock Company Independent Registrar Company R.O.S.T (Primary State Registration Number 1027739216757).



Sustainable Development

SUSTAINABILITY APPROACH

Our Mission

Bringing technology into lives, we give people the gifts of time and inspiration. We build the future to be proud of.

Our Values



Partnership within the team



Responsibility for the future



We do care



Openness to changes



Courage to innovate

WE ARE ONE OF THE LEADERS IN THE RUSSIAN MARKET FOR HOME APPLIANCES AND CONSUMER ELECTRONICS. AS SUCH, WE UNDERSTAND OUR RESPONSIBILITY FOR THE DEVELOPMENT OF THE INDUSTRY AND FOR ESTABLISHING BEST PRACTICE IN THE RUSSIAN CE MARKET. THE GROUP AIMS TO USE ITS SIZE AND EXPERIENCE TO POSITIVELY CHANGE THE INDUSTRY, THE COUNTRY, AND THE WORLD.

We consider it our duty to focus attention on sustainable development and to work responsibly. It is important for our customers, employees, and partners, as well as for the environment and society as a whole.

Recent social and environmental initiatives introduced by M.Video-Eldorado Group have been recognized by the market and show that we are willing to change the traditional approach to the Russian market for domestic appliances and consumer electronics. In 2019, we assigned an ambitious task to ourselves: to assess our readiness for the challenges posed by the modern world and to strengthen our commitment to the sustainable development principles of M.Video-Eldorado Group.

OUR APPROACH TO SUSTAINABLE DEVELOPMENT GOES BEYOND MINIMIZATION OF OUR IMPACT ON THE ENVIRONMENT OR REDUCTION OF RISKS. WE WANT TO ENCOURAGE COMMON ACTIONS AIMED AT IMPROVING ENVIRONMENTAL, SOCIAL, AND ECONOMIC SUSTAINABILITY IN THE SECTOR IN THE LONG RUN.

To face the future with confidence and live in harmony with the world, M.Video-Eldorado Group strives to fulfill the following tasks:

- paying particular attention to the demands and interests of our customers and other stakeholders;
- building an environment attractive for talented professionals who can advance within it;
- involving every employee in the process of establishing more a balanced, socially attractive, and ecologically friendly business;
- providing safe high-quality domestic appliances and consumer electronics meeting advanced standards and requirements;
- providing products and information promoting the development of a sustainable economy;
- combating climate change;
- building long-term partnerships aimed at minimizing the impact of domestic appliances and the consumer electronics market on the environment;
- developing an inclusive environment in stores and online;
- providing expert social and charitable support to the most vulnerable groups.

Our aim is to be the leader in the field of sustainable development and to implement the principle of social and environmental responsibility as part of our brand's DNA.

Stakeholder Engagement

ITS RELATIONSHIP WITH STAKEHOLDERS IS AN IMPORTANT ELEMENT OF M.VIDEO-ELDORADO GROUP’S SUCCESS IN TERMS OF ITS OPERATIONAL AND FINANCIAL RESULTS, AS WELL AS ITS NON-FINANCIAL GOALS. STAKEHOLDERS INCLUDE PEOPLE OR AGENCIES THAT CAN BE DIRECTLY OR INDIRECTLY AFFECTED BY OUR ACTIONS, AS WELL AS THOSE WHO CAN INFLUENCE THE DECISIONS MADE BY THE GROUP.

The key stakeholders of the Group:



The Group strives to actively interact with stakeholders and to build open, respectful, and mutually beneficial relationships with them, as well as to inform them in a timely manner about challenges, achievements, and events taking place within the Group. The Policy on Stakeholder Engagement specifies the common approach to managing relationships with stakeholders.

While interacting with customers the Company continuously works on:

- building trust and open relationships with customers before the purchase is made, during the buying process, and afterwards;
- increasing awareness about the M.Video and Eldorado brands;
- providing customers with important information about new products, services, special offers, etc.;
- getting feedback from customers to further improve product lines and services;
- informing customers about the Group’s efforts to solve ongoing social and environmental problems.

The Group strives to:

- generate new mobile Internet user experiences for customers;
- provide convenient means and tools for making purchases, developing a coherent service space for our customers at our offline and online stores;
- give our customers access to the latest technologies and top brands.

Cooperation with suppliers and partners is based on the principle of long-term and mutually beneficial joint work. The aim of such cooperation is to:

- develop long-term relationships with suppliers and other counterparties in order to ensure the high quality of the Group’s products and stable competitive performance of the Company;
- raise awareness among its partners about the Group’s performance, plans, and further development in the long run;
- improve communication with partners, find and introduce new tools and channels of interaction;
- reach a common understanding of mutual obligations and expectations for such cooperation.

The Company is based on the following cooperation principles:

- the Group is a reliable partner and a major counterparty for a wide range of suppliers;
- the Group adheres to high standards of quality control and corporate behaviour, and it requires that its suppliers should comply with these same standards;
- introduction of advanced IT solutions to improve automation and efficiency in the supply chain.

The Group pays particular attention to the cooperation with shareholders and investors in order to:

- raise awareness of the Group’s investment case and its development, as well as to facilitate the growth of the Group’s market capitalization;
- disclose information about the Group’s current activities, as well as to implement its development strategy, financial and non-financial indicators;
- expand and diversify the Group’s investor base to ensure that the Company has access to a wide range of capital market instruments;
- receive feedback from the investment community, generate new ideas through the dialogue with investors;
- inform the investment community about the Group’s efforts to ensure the sustainability of its business.

The Group creates value for shareholders and investors by:

- implementation of a profitable growth strategy, strengthening of its market standing, unlocking its investment potential, and
- diversification of its shareholder base, and adherence to high standards of transparency and corporate management.

Analysis of Material Issues

IN 2019, M.VIDEO-ELDORADO GROUP EVALUATED THE MATERIAL ASPECTS OF SUSTAINABLE DEVELOPMENT FOR THE FIRST TIME. THE LIST FOR ANALYSIS WAS DETERMINED ON THE BASIS OF THE KEY TOPICS INCLUDED IN THE AGENDA ON SUSTAINABLE DEVELOPMENT FOR THE PERIOD UP TO 2030, GOST R ISO “26000-2012. GUIDANCE ON SOCIAL RESPONSIBILITY”, AS WELL AS RECOMMENDATIONS GIVEN BY THE GLOBAL SUSTAINABILITY STANDARDS BOARD (GSSB) AND THE SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB).

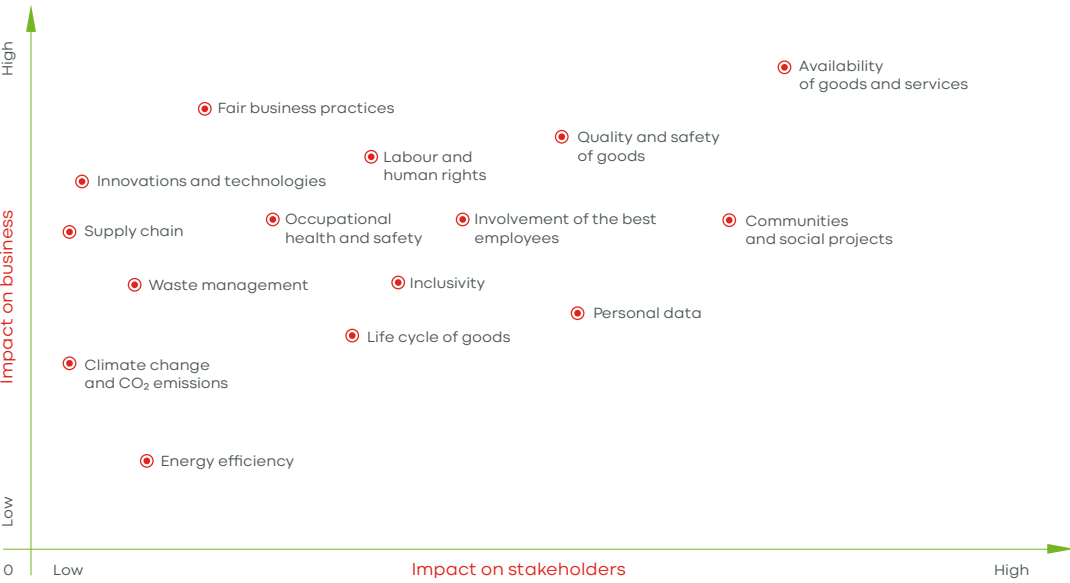
List of sustainable development aspects for the beginning of analysis

Environment	GHG emissions	Air quality	Energy consumption	Water consumption	Waste management	Climate change and its consequences	Biodiversity
Business model and innovations	Life cycle and product design	Stability of the business model	Supply chain	Procurement and efficiency	Physical impact of climate change		
Social capital	Human rights	Local communities development	Customers' personal data	Online security	Product quality and safety	Responsible marketing and labeling	
Human capital	Personnel management	Occupational safety and health	Involvement of personnel	Inclusion and accessible environment			
Corporate governance and management	Business ethics	Fair competition	Legal and GR risks	Critical incidents	Risks assessment		

The materiality assessment was carried out as a part of a comprehensive analysis of performance of the domestic appliance and consumer electronics market participants both from Russia and other countries, relevant speeches and programme statements by the heads of leading institutions for development, and in-depth interviews with the Group's employees and customers.

Another instrument for this assessment was observation of the expectations of the Group's shareholders and investors. The key criterion for defining the significance of each aspect for the Group and stakeholders was the importance of this aspect for, as well as its impact on, stakeholders and business processes in the short and long run.

Material aspects of M.Video-Eldorado Group sustainable development



Working on our sustainable development strategy, we have identified seven priority UN sustainable development goals. They are the following:

M.VideoEldorado



- Goal 3:** Good health and well-being
- Goal 8:** Decent work and economic growth
- Goal 11:** Sustainable cities and communities
- Goal 12:** Responsible consumption and production
- Goal 13:** Climate action
- Goal 15:** Life on land
- Goal 17:** Partnerships for the goals

The Group will make a most significant and remarkable contribution to achieving the goals of the global agenda for sustainable development.

Plans and prospects

The key priorities for 2020 will be implementation of sustainable development projects focused on:

- expansion, extension, and enhancement of Group's sustainable development;
- granting employees more opportunities to participate in resolving environmental issues;
- evaluation of social impact of our investments, and search for new options for project implementation.

PERSONNEL MANAGEMENT

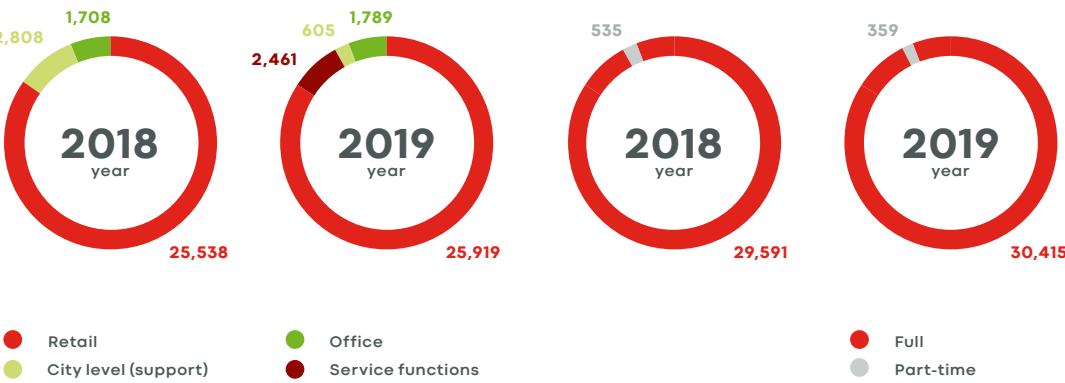
M.VIDEO-ELDORADO GROUP IS THE MAJOR RETAILER OF DOMESTIC APPLIANCES AND CONSUMER ELECTRONICS IN RUSSIA AND RANKED AMONG THE WORLD'S TOP 10. DURING THE 27 YEARS OF ITS PRESENCE ON THE RUSSIAN MARKET, IT HAS EVOLVED FROM A SMALL STORE IN MOSCOW TO A LEADER IN ITS SECTOR AND THE MAJOR PUBLIC ONLINE RETAILER IN THE COUNTRY. ALL ACHIEVEMENTS OF THE GROUP ARE THE ACHIEVEMENTS OF PEOPLE WORKING HERE.

Key Numbers and Facts

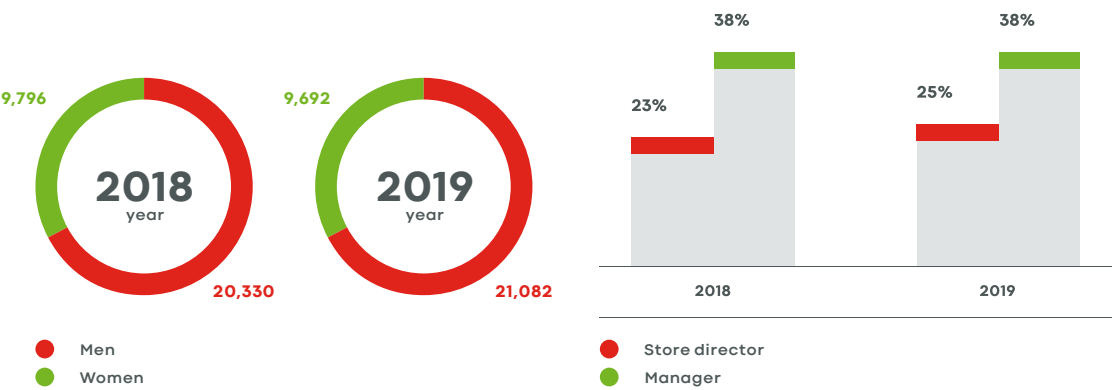
99%
EMPLOYEES WORK FULL-TIME

85%
EMPLOYEES WORK IN THE GROUP'S RETAIL STORES²

Retail personnel structure by divisions in 2018-2019¹, people



Share of women among the whole staff and among the directors and managers



25% & 38%
share of women among the directors and managers in 2018 and 2019 respectively

31%
SHARE OF WOMEN AMONG THE WHOLE STAFF

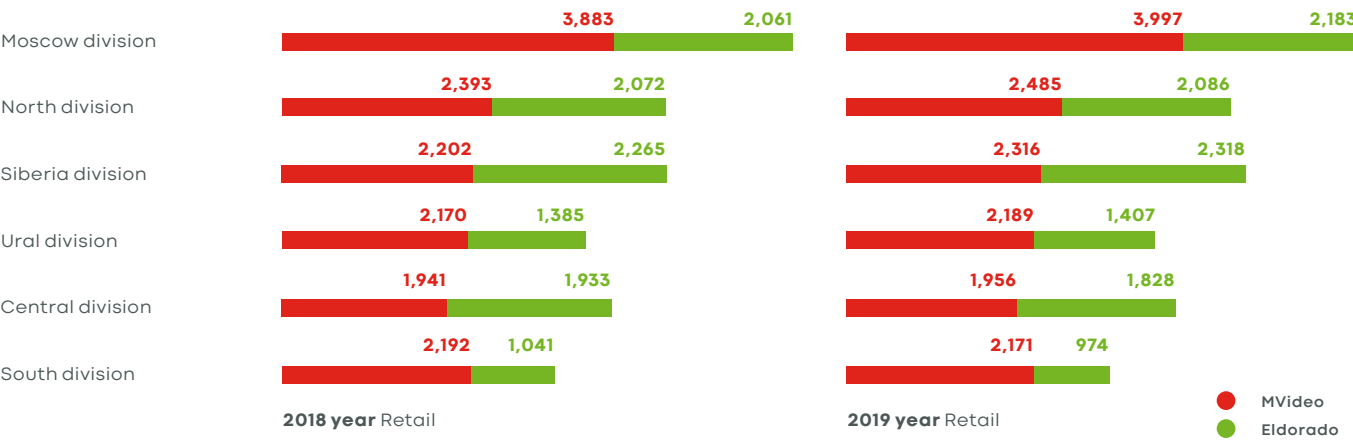
×1.5
EMPLOYEES WITH SPECIAL NEEDS INCREASE IN 2019 COMPARED TO 2018

31^Y
AVERAGE AGE OF THE GROUP'S EMPLOYEES

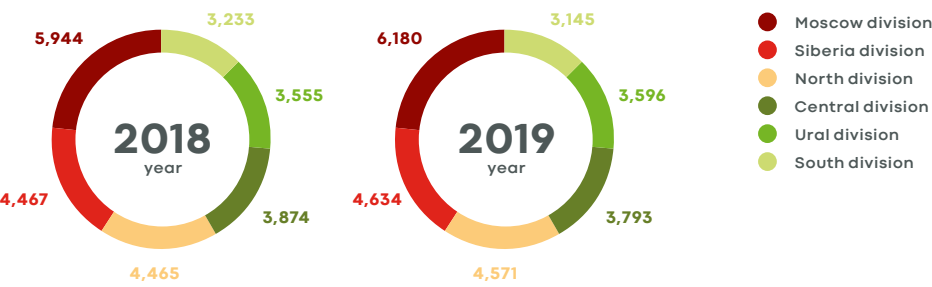
46^Y
AVERAGE AGE OF THE GROUP'S MANAGERS

34.2%
AVERAGE STAFF TURNOVER REMAINED THE SAME AS IN 2018

Retail personnel structure by divisions in 2018-2019, people



Regional personnel structure by divisions remained stable in 2018-2019



¹ In 2019, all service functions were classified as regional office (city level) and service support (logistics, transport, etc.).
² To compare the results, all indices in Personnel Management section are given for 2017-2019 and within the Group, i.e. combining M.Video and Eldorado brands, central and regional offices, and service support (logistics, transport, etc.).

2019 Performance Highlights

ACHIEVEMENTS OF M.VIDEO-ELDORADO GROUP ARE WIDELY RECOGNIZED BY THE PROFESSIONAL COMMUNITY. WE WON THE MOST PRESTIGIOUS AWARDS AND PRIZES IN THE FIELD OF HR MANAGEMENT AND INTERNAL COMMUNICATIONS IN 2019.

CRYSTAL PYRAMID	RETAIL WEEK AWARDS	KINCENTRIC	"BEST INTRANETS RUSSIA"	RATING OF RUSSIAN EMPLOYERS FROM HH.RU
Grand Prix in Transformation of Organization and Corporate Culture nomination	M.Video-Eldorado Group – best employer of the year	M.Video – best employer of the year	Intranet of the year	M.Video-Eldorado Group took 9th place in the ranking of the best employers in Russia, 1st among retail

M.Video-Eldorado Group unites the strongest brands within a strong corporate culture.

M.VIDEO

>90%

VACANT MANAGER POSITIONS FILLED BY THE INTERNAL CANDIDATES

52

NEW STORES OPENED



WE BROKE RECORDS FOR PARTICIPATION AND FUNDRAISING IN FEDERAL CHARITY PROGRAMMES

ELDORADO

>92%

VACANT MANAGER POSITIONS WERE FILLED BY INTERNAL CANDIDATES

45

NEW STORES OPENED



FIRST SCHOOL FOR PERSONNEL DEVELOPMENT WAS LAUNCHED

Personnel Management System

OUR COLLEAGUES IN STORES, OFFICES AND SERVICE SUPPORT IS THE KEY FACTOR FOR BUILDING A SUSTAINABLE AND PROFITABLE ORGANISATION.

All employees of M.Video-Eldorado Group are provided with ample opportunities for career management, training, and professional development. We also work to provide appropriate social conditions for every employee and to secure the rights of employees, including compliance with the principles of equality and non-discrimination.

As part of the merger of M.Video and Eldorado in 2018, the Group faced a task of developing a shared corporate vision and transforming the corporate culture and employer brand. That is why the main focus for 2019 was integration of the best practices of the two brands and an absolute smooth migration of employees to changed systems and methods. The work performed in 2018-2019 revealed material synergistic effects and increased business efficiency.

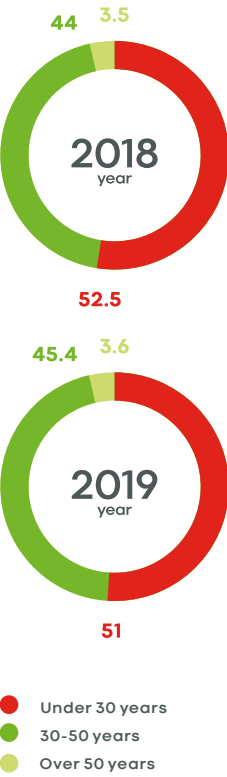
In 2019, we launched huge projects for the comprehensive digitalization of the business and transforming the approach to divisional management, development processes, retaining staff, and evaluation of performance efficiency. Thus, in 2019 we started the Digital HR programme, which has enhanced the effectiveness of personnel management procedures and yielded noticeable results:

- complete automation of hiring for retail;
- all workers in stores and warehouses are included in biometric access control system;
- we started EM.Life 2.0 communication and service system joining all employees within the shared information space.

TENFOLD INCREASE IN THE DAILY NUMBER OF EM.LIFE 2.0 VISITORS BY THE END OF 2019

In 2019-2020, the Group is going to continue the integration of personnel management and business via further development of HR business partnership. HR business partners have become a vital link between the Group's divisions and HR centers of expertise, which improves interaction with personnel within all functions.

The breakdown of employees by age in 2018-2019, %



The share of executives by age in 2019, %



Selection and Integration

THE RETAIL SECTOR OFTEN SERVES AS A STARTING POINT FOR A CAREER, A PLACE PROVIDING VALUABLE SKILLS, AND IS A SIGNIFICANT PART OF LABOUR MARKET IN RUSSIA. RECOGNIZING THIS FACT, M.VIDEO-ELDORADO GROUP WORKS STEADILY TOWARDS BECOMING A SOURCE OF OPPORTUNITIES, I.E. THE PLATFORM FOR ACQUIRING NEW SKILLS AND EXPERIENCE NECESSARY FOR LONG-TERM CAREER GROWTH.

As a part of the employer brand development, in 2019 a new concept for M.Video-Eldorado Group was initiated. Its motto is #embrace-thefuture, and the symbol is a fingerprint with an ON button. The two colours of the fingerprint stand for the colours of the two retail brands, which underlines their quality.

While the fingerprint itself symbolizes distinctive features that we all have — it is what unites us and makes unique at the same time. Fingerprint elements are the common element for both brands, therefore they became the symbols of the retail brands.



SWITCH THE FUTURE ON

Together with the best employees, the best partners we work with the best customers to build a strong brand.

#SWITCHTHEFUTUREON
WITH THE BEST, YOU ARE
NUMBER ONE!

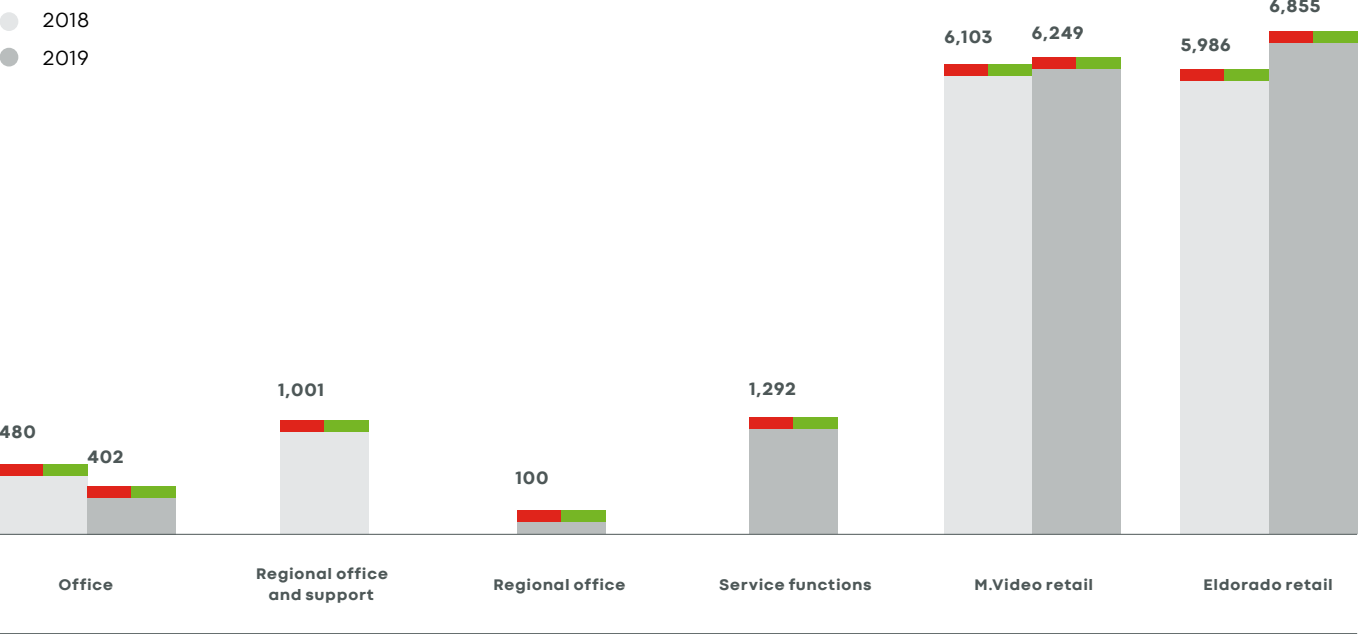


We emphasize the shift to the economy of experiences and the uniqueness of the brand. We provide a unique service to our customers, giving them a new experience of the purchasing process. We “charge” our employees, as we charge electric devices, giving them new experiences from their work and opportunities to grow.



Energy, good vibe, high speed, and efficiency are part of the DNA of Eldorado employees. It is the basis for their positioning.

Amount of new employees and key divisions of the Group in 2018-2019



Hired in 2019, totally

14.8
TH. EMPLOYEES

The new concept was the basis for a comprehensive revision of communication materials for current and future employees and influenced greatly the process of selection and training because it showed real employees and their lives in the company.

The key result in recruiting was hiring more than 14,800 people all across the Russian Federation. The best recruiting trend was observed in Eldorado (increase by 15% compared to 2018), mainly due to the new stores opened in the Moscow division and the consequent rise in the number of employees (+43% compared to 2018). Maximum growth within the M.Video brand was witnessed in the Siberian division and amounted to approx. 22%.

STAFF INTEGRAITON

Introduction and orientation are the key means of helping new employees to experience the corporate culture of the company and fit in. In 2019, we did our best to make the orientation process more comfortable, smooth, and exciting.

In 2019, for the new employees in our Moscow head office we optimized the integration system that starts from the date of signing the job offer. Thus, for the sake of convenience we launched EMMA @EMmaHelperBot chatbot answering newcomers' FAQ and referring to all necessary documents.

It takes our new employees eight weeks to adapt to retail sales. Throughout this period, our novices take essential courses, learn theory with a tutor, and reach sales targets. The adaptation period is considered completed after the new employee passes a test. The results of the test and the analysis of the sales goals reached determine the category and the salary of this employee.

In 2019, on the basis of the retail solution, we successfully launched the adaptation system in call centers. It increased the engagement of the workers and helped to efficiently introduce them to the working culture.

Another significant result of 2019 was the start of a training course in the IT department. It is aimed at attracting, retaining, and developing talented professionals with top skills.

SAP Meet Up

IN JULY 2019, WE HOLD THE FIRST SAP MEET UP IN RUSSIA TO OBSERVE REAL BUSINESS CASES.



50 SAP experts, instructors, and junior developers took part in this event. We discussed the SAP landscape in our company, searched for the most fascinating cases, talked about records in both the Group's SAP systems and the business as a whole, and analyzed key trends in today's retail.

The participants took part in express workshop on design thinking, promoting development of innovative products and services.

This meeting let us speak about the long experience of SAP implementation and learn more about young experts who may become a part of the M.Video-Eldorado Group one day.

Training and Growth

THE SHIFT TO A MORE FLEXIBLE, DIGITAL, AND CUSTOMER-FOCUSED COMPANY IS BASED ON THE SKILLS AND EXPERIENCE OF OUR EMPLOYEES. THEY ARE THE CRUCIAL ASSET FOR ADDRESSING STRATEGIC CHALLENGES FOR THE GROUP'S DEVELOPMENT.

In 2019, we were actively improving economically effective practical tools for a quick evolution of employee skills, looking for flexible methods of introduction to the corporate culture of the joint company, as well as generating opportunities for life-long training. We especially focused on generating clear training programmes aimed at building skills and responsibilities essential for further professional growth and career advancement.

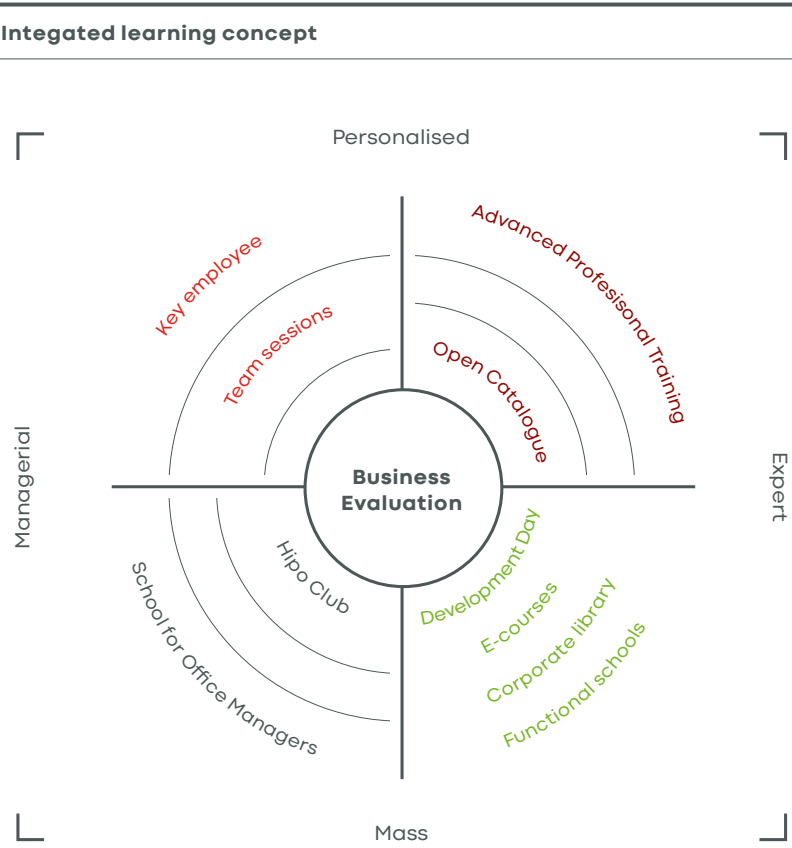
The key results were the launch of the training media for office staff in the open catalogue and training portal, the establishment of the School for Office Managers and the School of Digital Analytics, as well as forming a centralized personnel reserve for regional director positions. In 2019, we also introduced a new system of personnel training based on the company values given the current sales results (Active learning).

We are sure that up-to-date learning and training programmes lay a sound base for reaching the Group's long-term development goals. Therefore, we have created the concept of Integrated Learning. It allows for a flexible curriculum and for the management of the careers of talented and promising employees in offices, stores, and service support.






The Group consistently invests in building skills and experience in order to deepen the awareness of its workers about our services and products. It helps to find unique solutions for any customer.



Our training programmes include offline and online learning and meet the current expectations of the market. It allows both sales assistants and office staff to work more efficiently.

DOUBLED TRAINING COVERAGE OF OFFICE STAFF IN 2019



Training programmes for office staff

 <div>KEY EMPLOYEE</div>	<p>The “Key Employee” programme is implemented to provide career security to the managers of the Company and retain key employees.</p> <p>A key employee is a promising office employee enthusiastic about vertical career growth and approved by the Committee on Staff.</p>	<ul style="list-style-type: none">• 66 key employees became members of the programme.• One of the partners was Stockholm School of Economics.• More than 50 projects are being implemented by programme members.
 <div>HI PO</div>	<p>'Company HiPo' is a programme aimed at self-improvement and retaining employees with high potential.</p> <p>It is a one-year programme.</p>	<ul style="list-style-type: none">• 1,580 employees became members of HiPo Club in 2019.• HiPo employees take part in the HIPO Forum and use tools for self-improvement
 <div>SCHOOL FOR OFFICE MANAGERS</div>	<p>'School for Office Managers' is a programme making new office managers more self-aware and efficient. The programme takes six months to one year. All programme activities are short and in-person.</p>	<ul style="list-style-type: none">• 101 employees became members of the programme.• 35.2 training hours.
 <div>DEVELOPMENT DAY</div>	<p>'Development Day' is a programme aimed at developing employees. It consists of functional workshops and management. Development days enhance the training environment of the Company. The event occurs once every quarter. Any office employee can take part in it.</p>	<ul style="list-style-type: none">• 370 office employees attended the four Development days in 2019.
 <div>OPEN CATALOGUE</div>	<p>'Open Catalogue' is a programme aimed at improving skills of head office employees. This programme produces media to inculcate corporate values and skills.</p>	<ul style="list-style-type: none">• 366 people have chosen training from the Open catalogue to improve their leadership and expertise.

<div>“ADVANCED PROFESSIONAL TRAINING (APT)”</div>	<p>“Advanced Professional Training (APT)” is represented by courses for employees in external educational facilities to advance their expertise. APT is carried out upon requests from employees and (or) managers four times a year.</p>	<ul style="list-style-type: none">• 90 external education providers ran courses for the Group's 182 employees in 2019.• 28.7 training hours were allocated to our employees involved in APT.
 <div>I AM TUTOR</div>	<p>'I Am Tutor' is a programme encouraging and developing learning skills of the Group's tutors. The event occurs once a year for the company's tutors who take part in training programmes for office and retail employees.</p>	<ul style="list-style-type: none">• 82 employees were tutors and gave workshops all across Russia.
 <div>DATA SCIENCE SCHOOL</div>	<p>Data Science School – independent training, one of the priorities for Company employees. On the company's training portal, each employee can independently take e-courses.</p>	<ul style="list-style-type: none">• 824 people took courses from the Group's electronic catalogue.• 24 e-courses are publicly available.
<div>TEAM SESSIONS</div>	<p>Team sessions are specially organized events for management teams of the office board of administrators in order to develop common goals and rules of interaction. Team sessions are held once a year upon the request of the corresponding manager.</p>	<ul style="list-style-type: none">• In 2019, we held four sessions for 118 participants.

In 2019, the average number of training hours per employee was 17 academic hours¹, with 7.8 hours for office employees² and 19 hours for retail employees.

1

In 2018, the average number of training hours was 35 hours. The reduced number of hours in 2019 is associated with an increase in the share of online learning.

2

In 2019, average training time for men was 7.9 hours and 7.7 hours for women. The maximum training time was 18.4 hours taken by middle managers (heads of departments and divisions).

Training programs for retail employees

“ADAPTING NEWCOMERS”	<p>A mandatory training programme in both brands for all line positions. Its purpose is to teach new employees the key skills necessary for working in a store. The program includes:</p> <ul style="list-style-type: none">• product training (e-courses and training materials);• courses on business processes;• full-time “I Am a Sales Master” training;• training with a mentor according to the adaptation plan.
LEARNING RETAIL BUSINESS PROCESSES	<p>A regular training programme supporting changes in trade-related and non-trade-related operations for various position. It is carried out as webinars, courses, and in-person sessions with experts. It includes training materials from central office experts.</p>
PRODUCT TRAINING	<p>A regular training programme covering all new technology and key product categories. It is carried out as courses, webinars, mini-trainings in stores, and micro-training via an exclusive channel on a social network.</p>
SALES AND CUSTOMER-ORIENTED APPROACH TRAINING	<p>Scheduled programmes for line staff that develop customer service skills and consultative selling experience.</p>
MENTOR TRAINING	<p>A programme for developing mentoring skills that help share knowledge with new colleagues and prepare experienced ones for a different role.</p> <p>About 6 thousand employees act as mentors every year.</p>
MANAGEMENT TRAINING	<p>The development of management skills for managers at all levels in the store, as well as for those who are preparing to take these positions. A mixed format of training is given, including e-courses, corporate library, as well as in-person classes that are conducted by a team of corporate training managers.</p>



The main result of 2019 in the field of improving retail staff was the transformation of the training function aimed at building a centralized system and methods of evaluation, training and developing the personnel reserve.

In order to support the Group's common values and competencies and to establish an exchange of experience, M.Video and Eldorado launched full-time training in mixed groups for their employees. Also in 2019, new training programmes and methods were introduced. One of them was a VK private group and a flexible programme of personalized training based on the sales results of employees.

Training becomes more effective if one quickly receives feedback from one's colleagues who have passed a particular programme. In 2019, we launched real time feedback on training and staff development, which allows to evaluate the effectiveness of the course, the skills of the tutor, and other indicators. To analyze the level of satisfaction with a course or a programme, we also launched the learning satisfaction index (LSI). Based on the results of 2019, the LSI rate was 84%.

Staff Assessment & Development

THE GROUP UNDERSTANDS THE IMPORTANCE AND SIGNIFICANCE OF TIMELY FEEDBACK ON THE RESULTS OF WORK, THE CURRENT LEVEL OF SKILLS AND COMPETENCIES FOR EACH EMPLOYEE. THE PERFORMANCE OF THE GROUP'S EMPLOYEES IS EVALUATED AS PART OF THE ANNUAL BUSINESS ASSESSMENT AND STAFF CERTIFICATION.

Number of certified employees in 2019

Eldorado

3,314 (32%)
Women

7,090 (68%)
Men

M.Video

4,138 (28%)
Women

10,434 (72%)
Men

STAFF CERTIFICATION

Regular assessment of the store employees performance (up to the director) is delivered through certification twice a year and analyzes:

- professional expertise;
- competencies;
- fulfillment of monthly sales goals.

More than 24,000 employees participate in the certification, and the results affect the salary of most categories of personnel .

ANNUAL BUSINESS ASSESSMENT

Implementation of the assessment allows us to comprehensively evaluate the development of corporate competencies and the effectiveness of office and retail employees, establish a feedback system, and determine the personnel reserve for managerial positions in the office and retail, as well as:

- determine the company's performance and the level of the key competencies for achieving goals;
- evaluate whether the goals set last year were achieved;
- give all employees feedback on the results of their work;
- select the best employees, i.e. those who will enter the category of high-potential employees and become nominees for the position of key employee.

All employees of the head office and retail managers (division directors, regional managers, store directors) are subject to the annual business assessment. In 2019, 2,452 people passed the business assessment.

Performance evaluation is an annual process for evaluating the achievement of individual goals, as well as analyzing the performance of the business as a whole.

1 The evaluation is performed for all employees who have worked for more than three months by the time of the evaluation procedure starts.

Number of employees who went through performance evaluation

M.Video

4,294 (77%)

Men

1,273 (23%)

Women

Total →

5,567

Eldorado

3,157 (75%)

Men

1,046 (25%)

Women

Total →

4,203

Group

1,305 (53%)

Men

1,147 (47%)

Women

Total →

2,452

FORMING PERSONNEL RESERVE

FOR THE RESERVE FOR EACH MANAGERIAL POSITION, COMPREHENSIVE TRAINING PROGRAMMES HAVE BEEN DEVELOPED. THEY ARE NAMED “SCHOOLS” AND AIMED AT TEACHING BUSINESS PROCESSES UNDERTAKEN IN THE FUTURE POSITION, AS WELL AS DEVELOPING BASIC MANAGERIAL COMPETENCIES. FOR A MORE EFFECTIVE IMMERSION IN BUSINESS PROCESSES AND UNDERSTANDING CURRENT EFFECTIVE PRACTICES, THERE IS AN INTERNSHIP PROGRAM.

Business assessment and certification of staff allows the Group to support talented professionals and create opportunities for them to grow and develop, including through internal competitions for open positions.

In 2019, 71% of mid level manager vacant positions were filled by internal candidates. 46% of top managers (heads of departments and directorates) were assigned in the same manner. The only vacancy opened at the top management level in 2019 was also filled by an employee from the personnel reserve.

In M.Video 90% of vacancies for managerial positions are filled from the brand's personnel reserve, in Eldorado the figure is 92%.

Due to a comprehensive effort to improve the effectiveness of learning and development processes in 2019, we managed to achieve significant changes compared to 2018. The deadlines were shortened, evaluation of employee performance and transformational potential was introduced, as well as criteria determined for forming a club of high-potential employees.

Records on career growth within the company



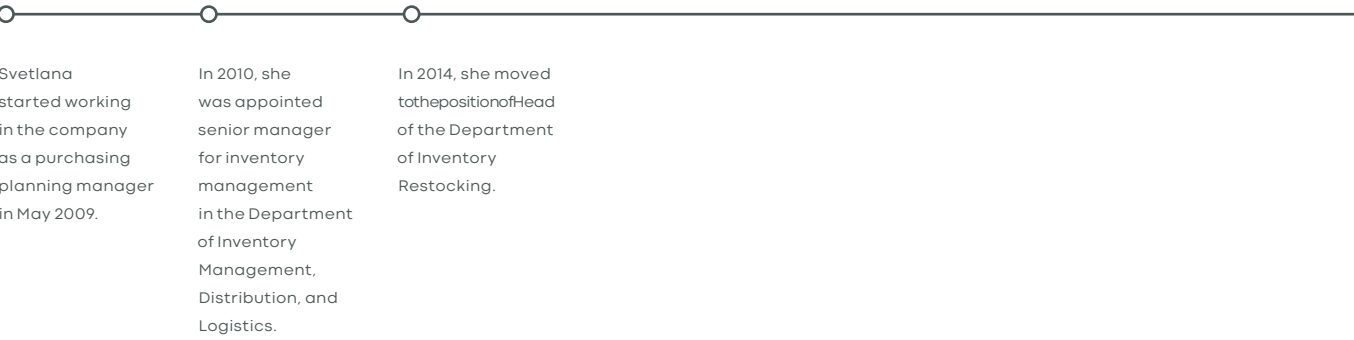
ANDREY GUSTAITIS

On December 9, 2019, Andrey was appointed Head of the Operational Marketing Department for marketing and e-commerce for the M.Video brand with direct reporting to Dagmar Ivanova, Managing Director of the M.Video brand.



SVETLANA SEMYONOVA

On April 1, 2019, Svetlana was appointed Head of the Department of Inventory Restocking and Supply Chain Development.



Salaries and Benefits

M.VIDEO-ELDORADO GROUP TAKES CARE OF EVERY EMPLOYEE AND OFFERS COMPETITIVE SALARIES AND BENEFITS PACKAGES. WE ARE AWARE OF THE CURRENT CHALLENGES AND RISKS WITH RESPECT TO REMUNERATION STRUCTURES IN THE RETAIL SECTOR. THUS, WE ATTENTIVELY MONITOR THE FAIRNESS AND BALANCE OF OUR EMPLOYEES' INCOME, AND MAINTAIN OPEN AND TRANSPARENT RELATIONSHIPS WITH COLLEAGUES.

The average income of the Group's retail staff is five times higher than the Federal minimum wage in 2019¹

The competitiveness and fairness of the remuneration structure is achieved by evaluating positions in accordance with the international grading system based on the Mercer IPE. The Group annually reviews employee remuneration based on the company's positioning policy and analysis of the labour market in all cities where the company operates.

For each job level, the ratio of the constant and target variable part of income is set in accordance with the level of influence on business results. The share of the target variable part in total revenue increases with the increasing importance of this position for business. The actual size of the variable part is determined based on a centralized system for setting, evaluating, and monitoring KPIs. Key performance indicators allow the fair evaluation of both individual and joint results of employees and divisions of the company.

In order to achieve the highest efficiency for employees engaged in retail sales, we use a bonus scheme based on a percentage of the sales. Shop assistants can obtain information about the bonus level online via mobile devices.

All employees of the Group are provided with a package of social benefits, including

voluntary medical insurance, insurance against accidents at work, medical examinations, vaccination, financial assistance, temporary disability insurance, access to fitness clubs, as well as a package of employment benefits (compensation for transport expenses, mobile communication expenses, compensation for relocation under the particular policy).

Each employee has access to the “Benefits Cafeteria”, which allows changes to the benefits package provided based on individual needs within the established limits for the appropriate job level.

The company has a large number of programs for non-financial motivation. On a quarterly and annual basis, the best employees receive awards. We support a large number of ratings, competitions, and contests aimed at improving both personal effectiveness and the effectiveness of divisions.

BEST SHOP ASSISTANT

EVERY MONTH, THE BEST SHOP ASSISTANT IS DETERMINED IN EACH STORE OF THE GROUP BY BUILDING A RATING BASED ON ESTABLISHED BUSINESS INDICATORS. THE COMPETITION LASTS FOR 10 MONTHS FROM NOVEMBER TO AUGUST. THE BEST SHOP ASSISTANT REPRESENTING THE STORE IS DETERMINED FOR THE ENTIRE ACCOUNTING PERIOD. SHOP ASSISTANTS CAN TRACK INTERIM RESULTS ON A MONTHLY BASIS. AWARD: THE CONFERENCE FOR BEST SHOP ASSISTANCE IN MOSCOW, WHICH OFFERS BOTH COMPREHENSIVE DEVELOPMENT PROGRAMMES, AND LEISURE AND ENTERTAINMENT EVENTS.

At the end of 2019, the most notable results in the field of compensations and benefits were:

- automated HR analytics in a new format allowing retail employees to check their performance and see motivational material on their smartphones;
- synchronization of motivational systems of M.Video and Eldorado;
- flexible approaches to store structures and quantities depending on formats.

Corporate Culture

80%

EMPLOYEE ENGAGEMENT
RATE IN 2019

+7% COMPARED TO 2018

The life of the Group consists of the energy of employees and the focus on results. Today, we have more than 1 thousand M.Video and Eldorado stores across the country, a chain of stores selling digital products under the m_mobile brand. We know all about new technologies and implement innovations to change the Russian market. For example, we have our own Data Science center, which helps us perform logistics planning, marketing campaigns, and make personalized offers to customers. We also make blockchain

payments to suppliers, as well as use biometrics and augmented reality in retail. We are building ONE RETAIL which is an absolutely seamless format combining the best aspects of online and offline.

The corporate culture of the Group is based on the updated mission and values formulated after the successful merger of M.Video and Eldorado.

In addition to marketing accounts for customers, the Group has corporate accounts in major social media popular in Russia, namely, VK and Instagram. In 2019, we started actively promoting ourselves through digital channels, for example, on our career pages, a new career website, and specialized media resources. We do it to talk to current and future employees about life in the company and the work of our colleagues in different regions. In total 500 thousand users follow our corporate groups, with more than 237 thousand of them subscribing on Instagram, and more than 250 thousand subscribers on VK. The total traffic from our online community to the job search site was almost 12 thousand clicks.

We experimented and tried new formats. Thus, in 2019, interactive displays and kiosks for communication with employees emerged in the office, and mobile applications were developed.

The Group pays great attention to personal contact and communication with employees. We have held 19 major events within the framework of the new vision of the merged company, including 12 departmental conferences, two large-scale roadshows, and two conferences for the best shop assistants.



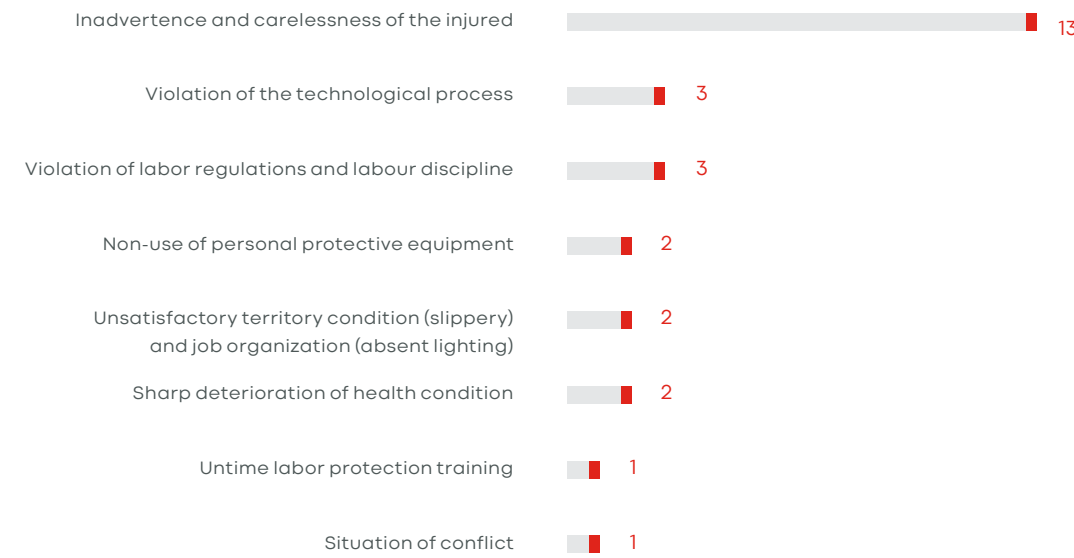
Occupational Health & Safety

EVERY YEAR, ABOUT 300 MILLION VISITORS COME TO OUR STORES. WE CO-OPERATE WITH MORE THAN 300 PARTNERS AND VENDORS. THE GROUP EMPLOYS MORE THAN 30 THOUSAND PEOPLE. IT MAKES US RESPONSIBLE FOR THE SAFETY AND COMFORT OF ALL THESE PEOPLE. THE GROUP HAS ZERO TOLERANCE FOR VIOLATIONS OF SAFETY RULES AND DISREGARD FOR THE SAFETY AND HEALTH OF OTHER PEOPLE.

In 2019, 99% of employees passed mandatory training on occupational health and safety. All store managers and members of commissions for testing employee knowledge about occupational safety principles and regulations about working at height routinely undergo mandatory training (primary when hiring and repeated after three years) in training centers.

We conduct quarterly webinars on occupational safety and working at height in order to prevent the most common causes of accidents in retail stores. In 2019, however, 27 industrial injuries were recorded.

Analysis of the causes of industrial injuries in 2019



Social Projects and Volunteering

CARING AND RESPONSIBILITY FOR THE FUTURE ARE AMONG THE KEY VALUES OF M.VIDEO-ELDORADO GROUP. BASED ON THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT, THE GROUP PAYS GREAT ATTENTION TO SOCIAL PROJECTS AND SUPPORTS VOLUNTEERING ACTIVITIES PERFORMED BY OUR EMPLOYEES.

The main value of the Group's participation in social and volunteer projects is a thoughtful assessment of the impact and all the consequences of our work, search for the most appropriate assistance, a thorough analysis of the results, and constant support of project implementation. We want to help and be where we are most needed and useful. This is the only way to create the future that we will be proud of.

M.Video-Eldorado Group pays great attention to the development of corporate volunteering. We understand the importance of developing local communities and encourage our employees to change our world.

Competition for volunteer projects

In 2019, we held a competition for volunteer projects. We used the following criteria for selection:

- productivity. The project must be urgent, relevant, and needed;
- consistency. The project should be a long-term, repeated event;
- scalability. The project should be easily implemented in any city of the country, have a description and instructions for volunteers;
- not charity, but volunteering. Unlike charity, a volunteer does not help with money or property, but with working.

The volunteer movement of M.Video-Eldorado Group involves approx. 3 thousand members. Our employees volunteer to plant trees, to take care of the clean-up and landscaping of conservation areas (Bashkiriya, Taganai, Orlovskoye Polesye and Zabaykalsky National Parks, among others); to help children, the elderly and veterans; and to support animal shelters.



Project winners

MOSCOW
MOVE WITH THE TIMES

SIBERIA
ELDOHEART

NORTHERN REGION
ELDOGREEN

THE FAR EAST
MOVE WITH THE TIMES

SOUTHERN REGION
WE REMEMBER

CALL CENTER
ANTI-PLASTIC

CENTRAL REGION
ALLIES

THE CENTRAL OFFICE
ENVIRONMENTAL ENLIGHTENMENT.
3R: REDUCE. REUSE. RECYCLE

URAL
CLEAN NUGUSH

Project for restoring the forest and reintroducing bison

The Group's volunteers traditionally participate vigorously in forest restoration together with the charity fund "Beautiful children in a beautiful world" in Ugra national conservation area. Volunteer trips to the Park have become a good tradition; two trips to Ugra were arranged in 2019.

Former employees of M.Video-Eldorado Group participate too, because good deeds unite for a long time. In total, more than 200 thousand broadleaves and canifors have been planted in the Park during the entire project.

MORE THAN 10.8 THOUSAND PINES AND 9 THOUSAND OAKS WERE PLANTED BY 140 VOLUNTEERS OF THE GROUP ON OVER 7 HECTARES IN 2019.



#EMRUNNERS charity run

A race is an annual event that helps to combine good deeds and sport. Not only employees, but also their friends and family can participate in #EMRUNNERS.

Traditionally, races are held in September in different cities and last for two weeks. To participate, one needs to make a charitable contribution. Good mood, joyful movement, conquering new distances, and a lot of bright photos in social networks – all these remain in the memory

of the participants of #EMRUNNERS charity race and viewers. Collected funds are handed over to the programmes of the “Beautiful children in a beautiful world” fund.

The race in 2019 was held under the motto “Turn on the Future” and became the most popular one in the company's history, with 5,438 employees of the Group from 204 cities participating. The race managed to collect 1.6 million roubles.

ENVIRONMENTAL PROTECTION

WORKING IN THE DOMESTIC APPLIANCE AND CONSUMER ELECTRONICS MARKET, THE GROUP INFLUENCES THE CLIMATE AND AVAILABILITY OF RESOURCES. MORE THAN 1 THOUSAND STORES, WAREHOUSES, AND DISTRIBUTION CENTERS CONSUME ENERGY, ACCUMULATE AND DISPOSE OF WASTE, AND USE OTHER RESOURCES. GREENHOUSE GAS EMISSIONS FROM OUR TRANSPORT, LOGISTICS AND SERVICE OPERATIONS ALSO AFFECT THE CLIMATE.

In 2019, in terms of environmental impact management, we focused on launching a programme for proper disposal of equipment and batteries, reducing power consumption and other resource usage, and reducing the amount of waste generated in our stores.

Club of Responsible Retailers

We care about the world we live in. For more than 10 years, the Group has been developing environmental initiatives, involving partners, employees, and customers.

In June 2019, major Russian retailers signed a Memorandum on Sustainable Development under the auspices of the World Wildlife Fund (WWF). M.Video-Eldorado Group was one of the most active participants and promoters of the project.

Together, partner companies plan to integrate the principles of sustainable development into their business strategies and promote them both inside and outside their organizations, introduce practices that reduce the burden on the environment, draw customers' attention to products manufactured from eco-friendly materials, and work out possible techniques and technologies for waste collection and disposal, including proposals for regulating this sphere. The principles of the Memorandum will be implemented in the format of a Club of Responsible Retailers.

Proper Disposal of Appliances and Batteries

THE GOAL
of proper disposal is to reduce hazardous waste in landfills and promote a circular economy model.

RECYCLING OF DOMESTIC APPLIANCES AND CONSUMER ELECTRONICS

The World Economic Forum stated that the global market for domestic appliances and consumer electronics generates about 25-50 billion tons of waste around the world. E-waste is the fastest to be generated. In 2019 year, the M.Video-Eldorado Group became the first Russian company that started collecting old equipment and electronics from consumers on a permanent basis, tracking the life cycle of collected goods and controlling the recycling process.

E-waste consists of precious metals (gold, copper, nickel, etc.), as well as rare strategically important materials (for example, indium and palladium). The problem of recycling lies in the incredible complexity of the recycled objects that can consist of more than 1 thousand different substances. E-waste can make up about 2% of total solid waste, but it makes up 70% of hazardous waste dumped in landfills.

Our main goal was to make the process of domestic appliances and consumer electronics recycling transparent and reliable for all participants, namely, consumers, manufacturers and importers of equipment, as well as recycling companies themselves. Our main guiding criteria were the proper treatment of all elements of the product and traceability of the life cycle.

To solve this problem, a special Association was established and collection of old equipment through stores and as a special service was arranged. The process is controlled through a three-party IT system connecting the retailer, the Association, and recycling companies.

Because of the proper disposal of old equipment and electronics, 50-80%

of the materials are delivered back to production. M.Video-Eldorado Group took all the costs associated with collection of equipment, i.e. paperwork, storage in each store, training of staff. The Association pays for transportation of equipment to recycling companies and all recycling processes. The project is aimed at a wide range of consumers of domestic appliances and consumer electronics.

By committing to innovative and responsible management of outdated electronics, together with our partners, we have been able to achieve following impressive results:

- more than 300 stores collect appliances and electronics from customers;
- more than 300 thousand tons of e-waste was collected and transferred to recycling companies;
- smooth operation of a procedure that tracks the mass, type, and details of the recycling process

Thanks to our well-coordinated work with our partners, we were able to show customers the importance of proper waste management, the simplicity and convenience of the process of equipment recycling, and offer a new option for handling e-waste – just bring it to a store, order a service for garbage collection instead of storing it at home or throwing it in bins for solid waste.

RECYCLING OF BATTERIES

The battery recycling programme was launched in late 2018. In 2019, the project has grown with boxes installed in more than a thousand stores of the chain. Since October 2018, visitors have recycled more than 7 tons of used batteries.

The Group Minimizes its Ecological Footprint

IN 2019, WE WORKED VIGOROUSLY TO COMBINE SUPPORT SERVICES AND OPERATIONAL EFFICIENCY OF M.VIDEO AND ELDORADO RETAIL STORES.

PROMOTION OF ECO-FRIENDLY PAPER BAGS IN STORES

M.Video was one of the first companies in the Russian market to refuse to sell plastic bags in stores, replacing them with FSC certified paper packaging produced in the most eco-friendly way.

By purchasing a bag with the FSC mark on it, the Group's clients promote careful forest management and protection of forest flora and fauna. Part of the money from the sale of paper bags was used to restore the historical landscapes of deciduous forests in the Ugra national Park as part of the Project for restoring the forest and reintroducing bison, organized jointly with the charity fund “Beautiful children in a beautiful world”.

WASTE MANAGEMENT

One of the priorities for minimizing our own waste is to build a unified process for collecting and storing recyclable raw materials. The peculiarities of the business impose certain restrictions on the complete recycling of cardboard and film accumulated in stores. In 2019, we disposed more than 186 thousand tons of waste. Increasing the share of treated recyclables will be one of the priorities in 2020.

PROMOTING ENERGY EFFICIENCY OF STORES

We strive to use modern lighting systems and reduce our impact on the power grid. Since 2015, during the construction of new M.Video and Eldorado stores, only led lighting has been installed and the modernizing of lighting in existing stores has been undertaken. First of all, work is carried out in stores more than seven years old. Every year, about 50 projects are implemented to modernize lighting in stores, warehouses, and offices.

Since 2017, we have launched a project to introduce remote control of the power supply. Since the launch of the project, more than 192 stores of the Group have been equipped with such systems, which significantly reduced power consumption and minimized fire risks.

As a result of the implemented changes, the average electricity consumption of the Group's stores decreased by 6%.

Disposed in 2019

186↑
TH. TONNES OF WASTE

CHARITY & SPONSORSHIP

PROFESSIONAL CORPORATE CHARITY IS OF GREAT IMPORTANCE FOR INCREASING EMPLOYEE ENGAGEMENT, PRODUCTIVITY, PRIDE IN THE COMPANY AND IMPROVING CUSTOMER ATTITUDES.

THE KEY SPHERES OF THE GROUP'S CHARITY IN 2019 WERE SUPPORTING CHILDREN, HELPING PEOPLE EXPERIENCING DIFFICULTIES, AND PROTECTING THE ENVIRONMENT.

Beautiful Children in a Beautiful World



More information about the projects can be found on the website of the "Beautiful children in a beautiful world" Foundation www.detipriroda.ru

In 2019, for the first time since the Foundation was established, the share of funds raised from individuals exceeded the donations of the Foundation's founder and amounted to 58%.

Children and the environment are what we live with, depend on, and cherish. They are our shared, enduring values. Established in 2013, "Beautiful children in a beautiful world" fund states the following key goals:

- improving health and quality of life: the Fund supports families in need for treatment, rehabilitation, and social adaptation of children with maxillofacial pathologies;
- conservation: the Fund helps reserves and national parks to implement projects aimed at preserving Russia's natural and cultural heritage;
- education and involvement: the Fund aims to talk about the value of protected areas in Russia, to promote a sense of pride in the unique nature of the country and the desire to participate in its conservation.

In 2019, the "Beautiful children in a beautiful world" fund continued to implement two charity programs, which were "Beautiful Children" and "Beautiful World", actively attracting external financial resources and involving volunteers.

Beautiful Children Beautiful World

TASK

Organizational and financial assistance in the treatment of children with congenital maxillofacial pathologies. If they are not treated promptly not only the health and physical development of the child suffers. His/her entire future life follows a negative scenario. The Beautiful Children Programme gives every kid a chance to be happy!

2019 RESULTS

The surgical treatments carried out with the support of the Fund and other stages of treatment have presented 154 smiles.



THE "BEAUTIFUL CHILDREN" PROGRAMME GIVES A CHANCE TO EVERY KID TO BE HAPPY!

TASK

Preserving the nature of Russia, the nature that we love, are proud of, and want to leave for our children. The focus of our efforts is to support the standards of nature displayed in Russian nature reserves and national parks.

2019 RESULTS

Completed projects:

- "In the footsteps of a reindeer" in the Vodlozersky National Park, Republic of Karelia;
- "Unknown neighbors. Contacting the white-tailed eagle" in the Volga-Kama National Reserve, Republic of Tatarstan;
- "Whales" in the Kronotsky National Reserve, the Kamchatka region;
- "Help now, save the forest reserve forever" in Reserved Podlemorye, Republic of Buryatia.

Projects in the process of implementation:

- for restoring the forest and reintroducing bison;
- for preserving natural reserves of Altai;
- "Primeval Forests of Russia" photo exhibition;
- Manuls. To know and empathize with in order to preserve;
- Kamchatka. The story about foxes.

The financing of treatment of children was 24% higher than in 2018

847,951
RUBLES

“EVERY LITTLE BIT HELPS” CAMPAIGN

Traditional promotion of M.Video-Eldorado Group, dedicated to the children's day. In 2019, it was first held simultaneously in online and offline formats. In stores, our employees collected small cash in charity piggy banks, and in the Central office, we launched a campaign in digital format “Your help is significant: a kind click”.

687 M.Video and Eldorado stores participated in the campaign. The joint efforts of the office and stores managed to finance the treatment of seven children with maxillofacial pathologies, having collected 847,951,82 roubles, which is 24% higher than the sum collected in 2018.

'KRONOTSKY RESERVE. WILD SALMON ARE PRESERVED HERE' PHOTO SHOW

The “Kronotsky reserve. Wild salmon are preserved here” photo show displayed in Teply Stan MEGA was carried out by the Foundation together with the Group and supported by Teply Stan MEGA. Thanks to the exhibition, visitors could become acquainted with the unique nature of Kamchatka, see the amazing ecosystem and learn more about this protected area, which should be preserved for future generations.

The guests witnessed 67 unique pictures taken in the protected areas of the region by photographer Igor Shpilenok.

IGOR SHPILENOK AND KAMCHATKA

IGOR SHPILENOK IS THE FOUNDER AND FIRST DIRECTOR OF THE BRYANSK FOREST RESERVE. HE IS THE AUTHOR OF WILDLIFE PHOTOBOOKS, A MEMBER OF THE INTERNATIONAL LEAGUE OF CONSERVATION PHOTOGRAPHERS. IN 2006 AND 2009, HE WON THE URBAN AND GARDEN WILDLIFE CATEGORY OF THE BBC BEST WILDLIFE PHOTOGRAPHER AWARD. HE ALSO WON THE GOLDEN TURTLE PHOTO CONTEST SEVERAL TIMES. HE IS A MEMBER OF THE JURY OF MANY PHOTO CONTESTS.

THE KAMCHATKA PENINSULA IS HIS FAVORITE PLACE TO WORK. THE PHOTOBOOKS “VALLEY OF GEYSERS”, “KURIL LAKE”, “MY KAMCHATKA NEIGHBOURS” AND “KAMCHATKA THAT I LOVE” ARE DEDICATED TO ITS PROTECTED NATURE.

THE AUTHOR HAS BEEN PHOTOGRAPHING THE NATURE OF KAMCHATKA FOR 13 YEARS AND WAS ABLE TO CAPTURE THE ECOSYSTEM OF THE REGION.

GOOD TOYS

The “Good Toys” campaign allows each customer to feel like a wizard and perform a new year's miracle — to give a smile to a child with maxillofacial pathology or help to preserve protected nature. Customers only needed to add a good toy costing 50 rubles to their purchase at the checkout at M.Video and Eldorado stores. Thanks to our active concerned customers, we managed to collect more than 16.8 million roubles in 2019. It was record amount for us, exceeding the figures of previous years by almost 4.9 million roubles.

In 2020, all the collected funds will be used for the treatment of 87 children with maxillofacial pathologies and for the implementation of four environmental projects under the “Beautiful World” programme.

Our Initiative

The “Our initiative” charity fund was founded in 2006 and is the economic mechanism for the implementation of the “M.Video-Eldorado” Group's social projects. In 2019, the following long-term programmes were implemented:

THE “LET’S GROW TOGETHER” PROGRAMME

Aimed at supporting children from birth to four years old who are fully provided for by the state. The programme has contributed to improvements in medical, pedagogical, and social assistance provided to children, as well as assisting in the adoption of children. In 2019, we supported 75 institutions.

THE “TEENAGER’S WORLD” PROGRAMME

Aimed at socialization of children from orphanages, boarding schools, centers for the promotion of family education and social centers for minors. In 2019, 164 institutions for children and teenagers took part in the programme.

THE “21ST-CENTURY PROFESSIONS” PROGRAMME

Aimed at assisting Federal general educational institutions to prepare educated and patriotic citizens, and supporting children and teenagers from 10 to 18 years of age who are being educated at cadet schools, Suvorov Military Schools, the Nakhimov Naval Academy and the Moscow Military Music School of the Ministry of Defence of the Russian Federation. 19 educational institutions were covered by the programme in 2019.

THE “VETERANS” PROGRAMME

Aimed at supporting veterans of World War II, as well as families whose breadwinners were involved in hostilities and were

killed in the line of duty. This programme is being implemented in cooperation with interregional public organizations of veterans who participated in military parades on Moscow’s Red Square on 7 November 1941 and 24 June 1945. In 2019, we helped 70 veterans and four families.

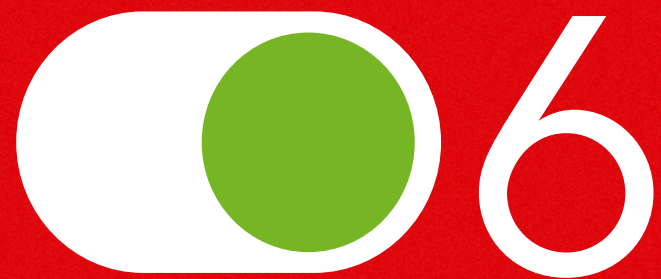
THE “COMMONWEALTH” PROGRAMME

Provides for joint charitable activities on a partnership basis with other non-profit, commercial, and government organizations. In 2019, the following projects were implemented under the above described programme:

- “A Happy Child Is a Healthy Child”;
- “Stairway of Creativity”;
- joint project together with the Charitable Foundation for the Revival of Culture and Traditions of the Small Cities of Russia;
- the “Emergency Situations” campaign;
- the “New and Experimental Areas and Projects” campaign, etc.

The majority of charitable donations in 2019 were aimed at support for children and childhood development. Costs for helping children and adolescents in 2019 amounted to 67.7% of total charitable donations; the remaining 25.5% of funds was donated to adult support programmes, including families suffering from the floods in the Irkutsk region.

We persistently work on improving the efficiency of our charity projects and strive for maximum engagement of our employees.



Financial Statements



CONSOLIDATED FINANCIAL STATEMENTS

For the year ended
31 December 2019

STATEMENT OF MANAGEMENT’S

Responsibilities for the preparation and approval of the consolidated financial statements for the year ended 31 december 2019

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company “M.video” (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2019, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards (“IFRS”).

In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance;
- Making an assessment of the Group’s ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2019 were approved on 23 March 2020.

B. UZHAKHOV
Chief Executive Officer

E. SOKOLOVA
Chief Financial Officer

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of PJSC M.video

OPINION

We have audited the consolidated financial statements of PJSC M.video and its subsidiaries (the “Company”, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019 and its consolidated financial performance and its consolidated cash flows for the year 2019 in accordance with International Financial Reporting Standards (IFRSs).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

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

below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Recognition of bonuses from suppliers	
<p>The Group receives various types of bonus- es and compensations from its suppliers.</p> <p>The amount of the received bonuses and compensations forms a significant part of the cost of sales and is recog- nized as the decrease in inventories. In addition, at the end of each year there is a significant outstanding amount of bo- nuses that is recognized within trade receivables.</p> <p>Recognition of bonuses to suppliers is one of the most sig- nificant key audit matters due to the fact that there are one the most important differences in the terms of the agreements with the suppliers in respect of bonuses, and classification of such bonuses as decreasing cost of sales, as well as rec- ognition of the respective receivables, require judgments.</p> <p>Information on bonuses from suppliers is provided in Note 13 to the consolidated financial statements. Information on accounting policies applied to bonuses from suppliers is provided in Note 3 to the consolidated financial statements.</p>	<p>We obtained an understanding of the internal pro- cesses and controls over recognition of bonus- es received by the Group from suppliers.</p> <p>We tested random agreements concluded by the Group with suppliers, primary documents which confirm Group's right to these bonuses and other relevant data.</p> <p>We send inquiries to random suppliers and compared the amounts of bonuses and balances of bonuses payable to the Group as at the end of the reporting year confirmed by the suppliers with the Group's accounting records.</p> <p>In addition, we analyzed allocation of the bonuses received to the balances of inventories at the end of the report- ing year considering their commercial substance.</p> <p>We also obtained information on the amounts of bonuses received after the reporting date and checked the accuracy of random amounts of accounts receivable recognized.</p>
Effect of adopting IFRS 16 Leases	
<p>The Group leases significant number of stores from different counterparties.</p> <p>The terms and conditions of the leases may differ. The Group takes an ongoing effort to improve the con- ditions of the leased areas and to find new sites.</p> <p>We believe this matter to be one of the most significant key audit matters since the adoption of this standard has a significant effect on the Group's consolidated fi- nancial statements, as well as due to the fact that its application requires significant judgments in assessing the lease terms and determining the discount rates.</p> <p>Information on the effect of the first application of IFRS 16 is provided in Note 4; information on the right- of-use assets and corresponding liabilities is provided in Note 9 to the consolidated financial statements.</p>	<p>We analyzed the Group's accounting policy regarding application of IFRS 16 and reviewed the Group's ap- proach to measuring the effect of transition to IFRS 16.</p> <p>We analyzed key assumptions and judgments used by management, including those used to de- termine lease terms and discount rates.</p> <p>We compared random inputs used to calculate the amounts of the right-of-use assets and corresponding liabilities with the data of related lease agreements and analyzed the algorithms used in automated calculation, including in- volvement of our internal information technology specialists.</p> <p>We performed procedures in respect of the completeness of ledgers of lease assets and liabilities by comparing them against the register of agreements both at the date of transition and at the end of the reporting period.</p> <p>We assessed the disclosures in the financial statements in accordance with IFRS 16.</p>
Goodwill impairment testing	
<p>As a result of the acquisition of the groups Eldorado and Media Markt in 2018, the Group recognized goodwill.</p> <p>The amount of recognized goodwill is significant to the consolidated financial statements, and assumptions on the Group's operating performance and discount rate, underlying the model of goodwill impairment testing, are subjective. Therefore, this matter is one of the key matters of the audit of the consolidated financial statements.</p> <p>Information on the amount of goodwill and the results of goodwill impairment testing is disclosed in Note 6 to the consolidated financial statements.</p>	<p>Our audit procedures included, in particular, the analysis of the assumptions and methodologies used by manage- ment for goodwill impairment testing, with the involvement of our valuation specialists. We analyzed the assump- tions and methodologies used by the Group with respect to calculations of recoverable amounts of cash-generating units. We analyzed future cash flows by comparing them with the current operating performance and business plans of the Group. We reviewed the assumptions used and compared them with historical data and other avail- able information. We compared the assumptions used by management in the model with key indicators of market development and other available data. We also analyzed the sensitivity of the model to changes in key indicators.</p> <p>We analyzed information on goodwill testing disclosed by the Group, including information on assumptions and methodology used.</p>
Net realizable value of inventories	
<p>According to IAS 2, inventories should be stated at the lower of cost and net realizable value.</p> <p>Determination of the carrying amount of inventories is the one of the most important audit matters due to the significance of the carrying amount of goods for resale, and due to the sensitivity of the expected net realizable value to changes in assumptions, as well as to different accounting judgments and estimates.</p> <p>Information on inventories is disclosed in Note 12 to the consolidated financial statements.</p>	<p>During the performed audit procedures, we analyzed assumptions used to measure net realizable value. We analyzed the turnover of goods to identify idle inventories.</p> <p>We compared random resell price set for goods to be sold after the reporting date with the val- ue of goods for resale as at 31 December 2019.</p> <p>We analyzed disclosures on the value of invento- ries in the consolidated financial statements.</p>



OTHER MATTERS

The audit of the consolidated financial statements of PJSC M.video and its subsidiaries for 2019 was performed by another auditor who expressed an unmodified opinion in respect of these financial statements on 20 March 2019.

OTHER INFORMATION INCLUDED IN THE 2019 ANNUAL REPORT OF PJSC M.VIDEO

Other information consists of the information included in the Annual Report and quarterly reports of PJSC M.video, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for other information. We expect to receive the Annual Report of PJSC M.video for 2019 after the date of this auditor's report.

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

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

REPORT ON SUPPLEMENTARY FINANCIAL INFORMATION

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements of the Group as a whole. Management is responsible for the preparation of the information accompanying the consolidated financial statements, presented as the supplementary financial information in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019 and in Note 36. This information is provided for the purposes of additional analysis and is outside the scope of IFRS. We performed audit procedures in respect to this supplementary financial information during the audit of the consolidated financial statements, and, in our opinion, it was properly prepared, in all material respects, in relation to the Group's consolidated financial statements as a whole.

RESPONSIBILITIES OF MANAGEMENT, THE BOARD OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors and the Audit Committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with it all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor’s report is I. Yu. Ananyev.

I. Y. ANANYEV
Partner
Ernst & Young LLC
23 March 2020

Details of the audited entity	Details of the auditor
Name: PJSC M.video Record made in the State Register of Legal Entities on 25 September 2006, State Registration Number 5067746789248. Address: Russia 105066, Moscow, ul. Nizhnaya Krasnoselskaya, 40/12, block 20.	Name: Ernst & Young LLC Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203. Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1. Ernst & Young LLC is a member of Self-regulated Organization of Auditors Association "Sodruzhestvo" ("SRO AAS"). Ernst & Young LLC is included in the controlled copy of the register of auditors and audit organizations, main registration number 12006020327.

CONSOLIDATED STATEMENT

Of financial position as at 31 december 2019

In millions of Russian Rubles

	Notes	31 December 2019	31 December 2018 ¹	31 December 2017 ¹
NON-CURRENT ASSETS				
Property, plant and equipment	7	19,777	20,597	7,899
Investment property	8	349	417	–
Intangible assets	10	20,063	18,624	7,355
Goodwill	6	48,975	49,648	–
Right-of-use assets	9	62,832	–	–
Investment in an associate and a joint venture		1,982	1,617	624
Non-current financial assets		–	–	2,471
Deferred tax assets	18	3,302	5,319	4,155
Other non-current assets	11	1,431	2,633	977
Total non-current assets		158,711	98,855	23,481
CURRENT ASSETS				
Inventories	12	129,115	113,145	52,283
Accounts receivable	13	34,136	30,127	21,563
Advances issued	13	1,181	1,054	10
Income tax receivable		84	33	16
Other taxes receivable	14	21,316	15,092	5,983
Other current assets		44	43	1
Cash and cash equivalents	15	4,738	25,487	17,678
Assets held for sale	16	303	494	–
Total current assets		190,917	185,475	97,534
TOTAL ASSETS		349,628	284,330	121,015



	Notes	31 December 2019	31 December 2018 ¹	31 December 2017 ¹
EQUITY				
Share capital	17	1,798	1,798	1,798
Additional paid-in capital		4,576	4,576	4,576
Treasury shares	17	(749)	(749)	(52)
Retained earnings		26,502	25,309	16,695
Total equity		32,127	30,934	23,017
NON-CURRENT LIABILITIES				
Non-current bank borrowings	19	38,752	45,720	–
Other liabilities		373	829	–
Lease liabilities	9	57,927	–	–
Deferred tax liabilities	18	270	1,713	–
Total non-current liabilities		97,322	48,262	–
CURRENT LIABILITIES				
Trade accounts payable		176,065	155,358	77,690
Other payables and accrued expenses	20	12,975	19,101	8,851
Contract liabilities	22	8,112	11,418	8,396
Lease liabilities	9	10,532	–	–
Current bank borrowings	19	10,658	13,789	–
Finance obligations		–	–	780
Income tax payable		9	1,397	531
Other taxes payable	21	1,460	2,833	1,638
Provisions	23	368	1,238	112
Total current liabilities		220,179	205,134	97,998
Total liabilities		317,501	253,396	97,998
TOTAL EQUITY AND LIABILITIES		349,628	284,330	121,015

Signed on
23 March 2020 by:

B. UZHAKHOV
Chief Executive Officer

E. SOKOLOVA
Chief Financial Officer

CONSOLIDATED STATEMENT

Of profit or loss and other comprehensive income for the year ended 31 december 2019

In millions of Russian Rubles, except earnings per share

	Notes	2019	2018¹
REVENUE	24	365,216	321,066
COST OF SALES	25	(274,143)	(242,296)
GROSS PROFIT		91,073	78,770
Selling, general and administrative expenses	26	(72,546)	(67,803)
Other operating income	27	6,408	6,078
Other operating expenses	28	(821)	(796)
OPERATING PROFIT		24,114	16,249
Finance income	29	295	497
Finance expenses	29	(12,961)	(3,617)
Share of profit/(loss) of an associate and a joint venture		(1,955)	(995)
PROFIT BEFORE INCOME TAX EXPENSE		9,493	12,134
Income tax expense	18	(2,359)	(3,519)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period		7,134	8,615
BASIC EARNINGS PER SHARE (in Russian Rubles)	30	40.13	48.22
DILUTED EARNINGS PER SHARE (in Russian Rubles)	30	40.13	48.22
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture²		9,089	9,610

Signed on 23 March 2020 by: B. UZHAKHOV Chief Executive Officer E. SOKOLOVA Chief Financial Officer

The Notes an integral part of these consolidated financial statements. 1 These amounts were restated – Note 2. 2 Information provided for reference purposes only.

CONSOLIDATED STATEMENT

Of changes in equity for the year ended 31 december 2019

In millions of Russian Rubles

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2018¹		1,798	4,576	(52)	16,695	23,017
Purchase of treasury shares	17	–	–	(697)	–	(697)
Total comprehensive income for the year		–	–	–	8,614	8,614
Balance as at 31 December 2018¹		1,798	4,576	(749)	25,309	30,934
Dividends declared	17	–	–	–	(5,941)	(5,941)
Total comprehensive income for the year		–	–	–	7,134	7,134
Balance as at 31 December 2019		1,798	4,576	(749)	26,502	32,127

Signed on 23 March 2020 by: B. UZHAKHOV Chief Executive Officer E. SOKOLOVA Chief Financial Officer

The Notes an integral part of these consolidated financial statements. 1 These amounts were restated – Note 2.

CONSOLIDATED STATEMENT

Of cash flows for
the year ended 31 december 2019

In millions of Russian Rubles

	Notes	2019	2018¹
OPERATING ACTIVITIES			
Net profit for the year		7,134	8,615
Adjustments for:			
Income tax expense		2,359	3,519
Depreciation and amortization	25, 26	22,502	5,921
Change in allowance for long-term advances paid		(96)	275
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		976	1,017
Interest income	29	(295)	(497)
Interest expenses	19, 29	12,949	3,604
Share of (profit)/loss of an associate and a joint venture		1,955	995
Provision for insurance claims		(600)	331
Other non-cash reconciling items, net		(769)	(58)
Operating cash flows before movements in working capital		46,115	23,722
Increase in inventories		(16,946)	(32,114)
(Increase)/decrease in accounts receivable and advances issued		(4,012)	2,742
Increase in other taxes receivable		(5,895)	(5,716)
Increase in trade accounts payable		20,707	36,579
(Decrease)/increase in other payables and accrued expenses		(1,147)	3,052
(Decrease)/increase in contract liabilities		(3,329)	1,098
(Decrease)/increase in other liabilities		(324)	113
Decrease in other taxes payable		(2,138)	(290)
Other changes in working capital, net		694	(189)
Cash generated by operations		33,725	28,997
Income tax paid		(3,253)	(3,024)
Interest paid		(12,325)	(2,820)
Net cash from operating activities		18,147	23,153

	Notes	2019	2018¹
INVESTING ACTIVITIES			
Repayment of loans issued		–	1,711
Purchase of property, plant and equipment		(4,763)	(4,239)
Proceeds from sale of property, plant and equipment		571	292
Payments for intangible assets		(4,573)	(3,286)
Interest received		295	510
Net cash outflow from purchase of subsidiary	6	(134)	(55,019)
Investment in joint venture		(2,380)	(1,428)
Net cash used in investing activities		(10,984)	(61,459)
FINANCING ACTIVITIES			
Dividends paid	19	(5,941)	–
Purchase of treasury shares		–	(697)
Proceeds from borrowings	19	25,000	71,209
Repayment of borrowings	19	(35,050)	(24,207)
Repayment of loans	19	–	(124)
Repayment of lease liabilities	9, 19	(11,926)	(67)
Net cash (used in)/from financing activities		(27,917)	46,114
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(20,754)	7,808
CASH AND CASH EQUIVALENTS, at the beginning of the year		25,487	17,678
Impact of foreign exchange on cash and cash equivalents		5	1
CASH AND CASH EQUIVALENTS, at the end of the year		4,738	25,487

Signed on
23 March 2020 by:
B. UZHAKHOV
Chief Executive Officer
E. SOKOLOVA
Chief Financial Officer

The Notes an integral part of these consolidated financial statements.
1 These amounts were restated – Note 2.
Changes in financial liabilities are presented in Note 19.

NOTES

To the consolidated financial statements
for the year ended 31 december 2019

In millions of Russian Rubles

01 — GENERAL INFORMATION

The consolidated financial statements of Public Joint Stock Company “M.video” (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 23 March 2020.

The Company is incorporated in the Russian Federation.

Following the initial public offering in November 2007, the Company’s ordinary shares were admitted to trading on MICEX stock exchange (Moscow Exchange) in the Russian Federation.

The Group is the operator of a chain of consumer electronic outlets and online internet stores operating in the Russian Federation. The Group specializes in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services. The Group comprises a chain of owned and leased stores.

The accompanying consolidated financial statements include assets, liabilities and result of operations of the Company and its subsidiaries as at 31 December 2019 and 2018:

Table with 5 columns: Name of subsidiary, Principal activity, Place of incorporation and operation, 31 December 2019, 31 December 2018. Rows include LLC "MVM", BOVESTO LIMITED, LLC "ELDORADO", LLC "Invest-Reality", LLC "Rentol", LLC "Trade center 'Permskiy'", LLC "Eldomarket", LLC "BT HOLDING", MVEL Investition GmbH, and LLC "MVB Trade".

Table with 5 columns: Name of subsidiary, Principal activity, Place of incorporation and operation, 31 December 2019, 31 December 2018. Rows include LLC "CE Trading solutions" and LLC "MV TVT".

On 30 April 2018 LLC “MVM” acquired 100% of the shares BOVESTO LIMITED (see Note 6). BOVESTO LIMITED was a holding company to LLC “ELDORADO”, LLC “Invest-Reality”, LLC “Rentol”, LLC “Trade center “Permskiy”, LLC “Eldomarket”.

On 31 August 2018 LLC “MVM” acquired 99% of the shares LLC “Media Saturn Russland” and 100% of the shares Media-Saturn Russland Beteiligungen Gmbh. After acquisition LLC “Media Saturn Russland” was renamed to LLC “BT HOLDING” and Media-Saturn Russland Beteiligungen Gmbh was renamed to MVEL Investition GmbH.

Reorganization of LLC “ELDORADO” and LLC “MVB Trade” by way of accession to LLC “MVM” took place on 25 February 2019.

Liquidation of LLC “MV TVT” took place on 26 December 2019.

The Group owns 80% of the joint venture LLC “MARKETPLACE” (Note 2).

SHAREHOLDERS

As at 31 December 2019 and 2018, the registered shareholders of the Company and their respective ownership and voting interests were as follows:

Table with 3 columns: Shareholder Name, 2019, 2018. Rows include ERICARIA HOLDINGS LIMITED, MIANELLO LIMITED, MS CE Retail GmbH, Treasury shares, Various shareholders, and Total.

ULTIMATE SHAREHOLDERS

ERICARIA HOLDINGS LIMITED owns 73.5058% of the voting ordinary shares of the Company. ERICARIA HOLDINGS LIMITED is incorporated in Cyprus. At 31 December 2019 the ultimate shareholder of ERICARIA HOLDINGS LIMITED is Said Mikhailovich Gutseriev.

At the 31 December 2018 MIANELLO LIMITED owned 38.5632% of the voting ordinary shares of the Company. MIANELLO LIMITED is incorporated in Cyprus. At 31 December 2019 the ultimate shareholder of MIANELLO LIMITED is Said Mikhailovich Gutseriev.

02 — BASIS OF PREPARATION

STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

BASIS OF ACCOUNTING

The consolidated financial statements have been prepared on a historical cost basis except for the valuation of financial instruments in accordance with Financial Reporting Standard 9 *Financial Instruments* (“IFRS 9”) and International Financial Reporting Standard 13 *Fair Value Measurement* (“IFRS 13”) and valuation of items of property, plant and equipment measured at fair value which was used as deemed cost of the property, plant and equipment as at the date of transition to IFRS on 1 January 2006.

The Group’s entities maintain their accounting records in compliance with the local legislation on accounting and reporting adopted in jurisdictions of the countries in which they were founded and registered. The accounting principles and reporting procedures and these jurisdictions may differ from generally accepted IFRS principles. Accordingly, financial statements of individual entities of the Group have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter, “mln Rubles”), except for per share amounts which are in Rubles or unless otherwise indicated.

The consolidated financial statements provide comparative information in respect of the previous period.

FUNCTIONAL AND PRESENTATION CURRENCY

The consolidated financial statements are presented in Russian Rubles (“RUB”), which is the functional of each company of the Group, with operating activities. Functional currency for each company of the Group has been determined as the currency of the primary economic environment in which the company operates.

ADOPTION OF NEW STANDARDS AND INTERPRETATIONS

The accounting policies applied by the Group are consistent with those of the financial year ended as at 31 December 2018, except for the adoption of the new standards and interpretations described below:

- IFRS 16 *Leases*;
 - IFRIC 23 *Uncertainty Over Income Tax Treatments*;
 - Amendments to IAS 28 — *Long-Term Interests in Associates and Joint Ventures*;
- Amendments to IAS 19 — *Employee Benefits*;
 - Amendments to IFRS 9 — *Prepayment Features With Negative Compensation*;
 - Annual Improvements to IFRSs 2015–2017 Cycle.



Adoption of these new and amended standards and interpretations has not had any material impact on the consolidated consolidated financial statements for the year ended 31 December 2019, except for the effect of adoption of IFRS 16 *Leases* from 1 January 2019.

IFRS 16 LEASES

IFRS 16 supersedes 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 most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Nature of the effect of adoption of IFRS 16

The Group adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the following practical expedients:

- Practical expedient that allows not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component;
 - Practical expedient that allows application of a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- Practical expedient that allows to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application;
 - Practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17.

Short-term leases and leases of low-value assets

The Group does not apply the short-term lease recognition practical expedient to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also does not apply the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value.

Set out below is the impact on the statement of financial position (increase/(decrease)) as at 1 January 2019:

Assets	
Right-of-use assets	71,455
Property, plant and equipment	(314)
Intangible assets	(604)
Other non-current assets	(506)
Accounts receivable and advances issued	(652)
Total assets	69,379
Liabilities	
Finance lease obligations	74,182
Other liabilities	(196)
Other payables and accrued expenses	(4,607)
Total liabilities	69,379

The average lease period of right-of-use assets of the Group is 5 years.

For the year ended 31 December 2019 year the amounts of rent income and expenses were the following:

	2019
Depreciation expense of right-of-use assets (included in selling, general and administrative expenses)	15,553
Interest expense on lease liabilities	7,243
Variable lease payments (included in selling, general and administrative expenses)	1,561
Total amount recognised in profit or loss	24,357

The variable lease payments presented in the table above are expenses depending on the sales volume of a store.

The Group has lease contracts for various stores, offices, warehouses, land, vehicles and other equipment. 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 capitalised 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 (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any pre-paid rent and accrued rent were recognised under Prepayments and Trade and other payables, respectively.



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 1 January 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. The right-of-use assets for most leases were recognized based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, 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. 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.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of 71,455 were recognized and presented separately in the statement of financial position. This includes the lease assets recognized previously under finance leases of 314 that were reclassified from Property, plant and equipment, 604 reclassified from Intangible assets and straight-line liability of 4,408 which were reclassified from Other payables and accrued expenses.
- Other non-current assets of 506 and Accounts receivable and advances issued of 652 were derecognized;
 - Lease liabilities of 74,182 were recognized. This includes the lease liabilities of 331 recognized previously under finance leases.

Operating lease commitments as at 31 December 2018	106,957
Weighted average incremental borrowing rate as at 1 January 2019	10.12%
Discounted operating lease commitments at 1 January 2019	73,851
Add	
Commitments relating to leases previously classified as finance leases	331
Lease liabilities as at 1 January 2019	74,182

CHANGE IN PRESENTATION AND CLASSIFICATION

- (A) In 2019 the Group adjusted the presentation of some parts of consolidated statement of financial position, statement of profit or loss and other comprehensive income and statement of cash flows in order to comply with IFRS 15 *Revenue from Contracts with Customers*, and also reflected additional reclassifications for better presentation. In order to apply new approach consistently, the Group adjusted the following comparative information:

1.

The Group has reflected short term advances paid to suppliers in the amount of 1,181 as part of Accounts Receivable in the statement of financial position as at 31 December 2018 (42 as at 1 January 2018 (31 December 2017)). Taking into consideration that advances paid to suppliers are non-financial assets the Group presented them separately in the current consolidated financial statements.

In the consolidated statement of financial position as at 31 December 2018 the Group included advances for gift certificates, prepayments for goods and other prepayments under contracts with customers in amount of 5,309 (2,656 as at 1 January 2018) in Advances received, including VAT in amount of 833 (127 as at 1 January 2018). Due to adoption of IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018 such advances should be accounted for as contract liabilities net of VAT. Accordingly, the Group reclassified these amounts from Advances received to Contract liabilities and Other taxes payable.

The Group adjusted accordingly the consolidated statement of cash flows for the year ended 31 December 2018.
3.

In accordance with IFRS 15 *Revenue from Contracts with Customers* the Group recognized refund liabilities for expected returns of goods to decrease Revenue. However, in the consolidated statement of financial position as at 31 December 2018 the Group recognized a short-term refund liabilities in amount of 1,724 (336 as at 1 January 2018) as a short-term provision and long-term refund liabilities in amount of 256 (0 as at 1 January 2018) as a long-term provision. Accordingly, in this consolidated financial statements the Group reclassified these amounts to Other payables and accrued expenses in non-current and current liabilities.

The Group accordingly adjusted the information in consolidated statement of cash flow for the year ended 31 December 2018.

- (B)

During preparation of the consolidated financial statements for 2019 year, it was noted that as a result of amendments in 2017 in participants' agreement relating to LLC Marketplace, previously recognized as a subsidiary, the Group lost control over the LLC Marketplace, but obtained joint control over this entity. Accordingly, the Group had to discontinue consolidation of LLC Marketplace and recognize an investment in Marketplace LLC as an investment in joint venture using equity method starting from the date of control lost. As a result, the Group adjusted the comparative information in the consolidated statement of financial position as at 31 December 2018 and 1 January 2018 (31 December 2017), as well as consolidated statement of profit and loss and other comprehensive income and consolidated statement of cash flow for the year ended 31 December 2018.

The change in net assets due to the deconsolidation of LLC Marketplace as at 1 January 2018 (31 December 2017) and 31 December 2018 amounted to 193 and 441, respectively. The Group recognized an investment in a joint venture in the consolidated statement of financial position in the amount of 609 as at 1 January 2018 (31 December 2017) and 1,602 as at 31 December 2018. The Group derecognized non-controlling interest in the consolidated statements of financial position as at 1 January 2018 (31 December 2017) and 31 December 2018 in the amount of 230 and 510, respectively.

The effect on the Group's Equity due to the deconsolidation of Marketplace LLC amounted to 37 as at 1 January 2018 (31 December 2017).

The effect on net profit in 2018 due to derecognition of income and expenses relating to LLC Marketplace amounted to 1,243. The share of the Group's loss from the joint venture LLC Marketplace amounted to 995 in 2018. In addition, the Group derecognise the contribution of non-controlling interest to the capital of LLC Marketplace in amount of 497, which

previously was recognised in consolidated statement of changes in equity. As a result, consolidated statement of changes in equity for 2018 was adjusted.

- (C)

The Group has revised purchase price allocation relating to acquisition of Bovesto Limited (Eldorado) and Media Saturn Russland (Media Markt) during the finalization of acquisition process. The revision affected preliminary valuations, which were previously recognised in consolidated financial statements.

For a better presentation of consolidated statement of financial position as at 31 December 2018, goodwill in the amount of 49,648 has been reclassified to a separate line.

Changes of consolidated statement of financial statement at 31 December 2018

		(A)	(B)	(C)	
	Before reclassification	Reclassification	Effect of deconsolidation	Reassessment of purchase price allocation	31 December 2018
NON-CURRENT ASSETS					
Property, plant and equipment	20,734	—	(36)	(101)	20,597
Investment property	575	—	—	(158)	417
Intangible assets	68,767	—	(748)	(49,395)	18,624
Deferred tax assets	5,759	—	(440)	—	5,319
Goodwill	—	—	—	49,648	49,648
Investment in an associate and a joint venture	15	—	1,602	—	1,617
Other non-currents assets	2,631	—	2	—	2 633
Total non-current assets	98,481	—	380	(6)	98,855
CURRENT ASSETS					
Accounts receivable	(1) 31,457	(1,181)	(149)	—	30,127
Advances issued	(1) —	1,181	(127)	—	1,054
Other taxes receivable	(2) 16,112	(833)	(187)	—	15,092
Cash and cash equivalents	25,669	—	(182)	—	25,487
Total current assets	186,953	(833)	(645)	—	185,475
TOTAL ASSETS	285,434	(833)	(265)	(6)	284,330
EQUITY					
Retained earnings	25,240	—	69	—	25,309
Non-controlling interests	510	—	(510)	—	—
Total equity	31,375	—	(441)	—	30,934
NON-CURRENT LIABILITIES					
Other liabilities	(3) 573	256	—	—	829
Provisions	(3) 256	(256)	—	—	—
Deferred tax liabilities	1,785	—	(21)	(51)	1,713
Total non-current liabilities	48,334	—	(21)	(51)	48,262

Changes of consolidated statement of financial statement at 31 December 2018

		(A)	(B)	(C)	
	Before reclassification	Reclassification	Effect of deconsolidation	Reassessment of purchase price allocation	31 December 2018
CURRENT LIABILITIES					
Advances received	(2)	5,309	(5309)	—	—
Trade accounts payable		155,420	—	(62)	155,358
Other payables and accrued expenses	(3)	17,126	1,724	251	19,101
Other taxes payable		2,782	—	6	2,833
Contract liabilities	(2)	6,940	4,476	2	11,418
Provisions	(3)	2,962	(1,724)	—	1,238
Total current liabilities	205,725	(833)	197	45	205,134
Total liabilities	254,059	(833)	176	(6)	253,396
TOTAL EQUITY AND LIABILITIES	285,434	(833)	(265)	(6)	284,330

Changes of consolidated statement of financial statement at 1 January 2018

		(A)	(B)	
	Before reclassification according to reported FS*	Reclassification	Effect of deconsolidation	1 January 2018
NON-CURRENT ASSETS				
Property, plant and equipment	7,936	—	(37)	7,899
Intangible assets	7,999	—	(644)	7,355
Deferred tax assets	4,264	—	(109)	4,155
Goodwill	—	—	—	—
Investment in an associate and a joint venture	15	—	609	624
Total non-current assets	23,663	—	(181)	23,481
Accounts receivable	(1)	21,611	(42)	21,563
Advances issued	(1)	—	42	10
Other taxes receivable	(2)	6,154	(127)	5,983
Cash and cash equivalents		17,791	—	17,678
Other current assets		7	—	1
Total current assets	97,862	(127)	(201)	97,534
TOTAL ASSETS	121,525	(127)	(382)	121,015
EQUITY				
Retained earnings	16,658	—	37	16,695
Non-controlling interests	230	—	(230)	—
Total equity	23,210	—	(193)	23,017



		(A)	(B)	
	Before reclassification according to reported FS*	Reclassification	Effect of deconsolidation	1 January 2018
CURRENT LIABILITIES				
Advances received	(2)	2,656	(2,656)	—
Trade accounts payable		77,698	—	(8)
Other payables and accrued expenses	(3)	8,708	336	(193)
Other taxes payable		1,627	—	11
Contract liabilities	(2)	5,867	2,529	—
Provisions	(3)	448	(336)	—
Total liabilities	98,315	(127)	(190)	97,998
Total current liabilities	98,315	(127)	(190)	97,998
TOTAL EQUITY AND LIABILITIES	121,525	(127)	(383)	121,015

* The amount before adjustments and reclassifications includes the effect of the first application of IFRS 15 Revenue from Contracts with Customers in the amount of 56. The effect of the first adoption was accounted for as contract liabilities and retained earnings.

Changes in consolidated statement of profit and loss and other comprehensive income for the year ended 31 December 2018

	Before reclassification	Restatement	After reclassification
REVENUE	321,102	(36)	321,066
COST OF SALES	(242,463)	167	(242,296)
GROSS PROFIT	78,639	131	78 770
Selling, general and administrative expenses	(69,234)	1,431	(67,803)
Other operating income	6,079	(1)	6,078
Other operating expenses	(801)	5	(796)
OPERATING PROFIT	14,683	1,566	16,249
Finance income	509	(12)	497
Finance expenses	(3,617)	—	(3,617)
Share of profit/(loss) of an associate and a joint venture	—	(995)	(995)
PROFIT BEFORE INCOME TAX EXPENSE	11,575	559	12,134
Income tax expense	(3,210)	(309)	(3,519)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	8,365	250	8,615
BASIC EARNINGS PER SHARE (in Russian Rubles)	48.04	00.16	48.22
DILUTED EARNINGS PER SHARE (in Russian Rubles)	48.04	00.16	48.22

Changes in consolidated statement of cash flows for the year ended 31 December 2018

		Before reclassification	Effect of deconsolidation	Reclassification	After reclassification
OPERATING ACTIVITIES					
Net profit for the year	(B)	8,365	250	—	8,615
Income tax expense	(B)	3,210	309	—	3,519
Share of (profit)/loss of an associate and a joint venture	(B)	—	995	—	995
Depreciation and amortization	(B)	6,107	(186)	—	5,921
Interest income	(B)	(509)	12	—	(497)
Provision for insurance claims		—	—	331	331
Other non-cash reconciling items, net		273	—	(331)	(58)
Operating cash flows before movements in working capital		22,342	1,380	—	23,722
(Increase)/decrease in accounts receivable and advances issued	(B)	1,930	812	—	2,742
(Increase)/decrease in other taxes receivable	(B), (2)	(6,017)	142	159	(5,716)
Increase/(decrease) in trade accounts payable	(B)	36,635	(56)	—	36,579
Increase/(decrease) in other payables and accrued expenses	(B)	3,728	(676)	—	3,052
Increase/(decrease) in contract liabilities	(B), (2)	682	(2)	418	1,098
Increase/(decrease) in other taxes payable	(B)	(273)	(17)	—	(290)
Other changes in working capital, net	(B)	(187)	(3)	1	(189)
Increase/(decrease) in advances received	(2)	577	—	(577)	—
Cash generated by operations		27,416	1,580	1	28,997
Net cash generated by operating activities		21,572	1,580	1	23,153
INVESTING ACTIVITIES					
Net cash outflow from purchase of subsidiaries/investment in associate		(55,019)	—	—	(55,019)
Investment in joint venture	(B)	—	(1,428)	—	(1,428)
Purchase of property, plant and equipment	(B)	(4,251)	12	—	(4,239)
Payments for intangible assets	(B)	(3,562)	276	—	(3,286)
Interest received	(B)	522	(12)	—	510
Net cash used in investing activities		(60,307)	(1,152)	—	(61,459)
FINANCING ACTIVITIES					
Contribution of non-controlling interests to the capital of subsidiary	(B)	497	(497)	—	—
Net cash generated by financing activities		46,611	(497)	—	46,114
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		7,876	(69)	1	7,808
CASH AND CASH EQUIVALENTS, at the beginning of the year		17,791	(113)	—	17,678
Impact of foreign exchange on cash and cash equivalents		2	—	—	2
CASH AND CASH EQUIVALENTS, at the end of the year		25,669	(182)	—	25,487

3 — SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

All intra-group transactions, balances, income and expenses or profits and losses resulting from intra-group transactions are eliminated in full on consolidation.

GOING CONCERN

These consolidated financial statements are prepared on the going concern basis.

FOREIGN CURRENCIES

The individual financial statements of each Group’s entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rate prevailing on the date when the most recent fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Exchange differences arising on loans and borrowings are reported as part of finance cost, while exchange differences related to operating items are included into other operating income or expenses.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Initial cost includes expenditure that is directly attributable to the acquisition of the items.

Major replacements or modernizations of property, plant and equipment are capitalized and depreciated over their estimated useful lives. All other repair and maintenance expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income during the financial period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	20–30 years
Leasehold improvements	7 years
Trade equipment	3–5 years
Security equipment	3 years
Other fixed assets	3–5 years

Leasehold improvements are depreciated over the shorter of useful life or the related lease term.

Trade equipment and leasehold improvements are depreciated over the estimated useful life specified above unless there is a plan to fully renovate the store prior to reaching the predetermined estimated useful life. In this situation, the net book value of trade equipment will be depreciated over the remaining estimated useful life being the period of time up to the planned renovation works.

The assets’ residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Where there are indicators that an asset’s or cash generating unit’s carrying amount is greater than its estimated recoverable amount, it is written down to its recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss and other comprehensive income.

Construction in progress comprises the cost of equipment in the process of installation and other costs directly relating to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

INTANGIBLE ASSETS

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over estimated useful lives of these intangible assets. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.



The estimated useful lives per class of intangible assets are as follows:

Software licenses, development and web site	1–10 years
Trademarks	5–10 years

The Group owns the trademark “Eldorado”, which has an indefinite useful life, due to the fact that there is no foreseeable limit to the period over which this asset is expected to generate economic benefits for the Group.

INTERNALLY-GENERATED INTANGIBLE ASSETS

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- It is probable that the asset will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

IMPAIRMENT OF NON-CURRENT ASSETS

At each balance sheet date the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An asset’s recoverable amount is the higher of an asset’s or cash-generating units (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group

of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price if available or other fair value indicators.

For non-current assets the CGU is deemed to be each group of stores located in one city. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Impairment test for goodwill, intangible assets with indefinite useful life and those intangible assets that are not yet available for use, is performed by the Group annually at each year-end by comparing their carrying amount with the recoverable amount calculated as discussed above. If the carrying amount of such assets does not yet include all the cash outflows to be incurred before they are ready for use, the estimate of future cash outflow includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use.

INCOME TAX

Income tax expense represents the sum of the tax currently payable and deferred tax.

CURRENT TAX

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

DEFERRED TAX

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable



future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to be reversed in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Prior period losses and are planned to be utilized to reduce taxable profit in current and future periods. Tax losses carried forward are recognized as a deferred tax asset.

CURRENT AND DEFERRED INCOME TAX FOR THE PERIOD

Current and deferred income tax are recognized as an expense or income in the consolidated statement of profit or loss and other comprehensive income, except when they relate to items credited or debited directly to equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

JOINT ARRANGEMENTS

The Group carries out joint arrangements in the form of joint ventures.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is a legal entity where the Group has a share together with other participants. The investment in joint venture is accounted for using the equity method.

The Group’s share in profit and loss and other comprehensive income of a joint venture is presented in the Consolidated Statement of Profit and Loss and Other Comprehensive Income from the date the joint control was obtained and till the date of its termination.

If the Group’s share in losses exceeds the book value of the interest in the joint venture, the Group discontinues recognizing its share of further losses. If a joint venture subsequently reports profits,

than the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The book value of the interest in the joint venture is subject to impairment test whenever the objective evidence of its impairment exists. The impairment test is performed by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its book value.

BUSINESS COMBINATIONS

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination.

ASSETS HELD FOR SALE

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its



present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (groups of assets to be disposed) classified as held for sale are measure at the lower of a) net book value as of the date of reclassification; and b) fair value less cost to sell, and are presented in the Group Financial statements as Current assets.

Assets classified as held for sale are not amortized.

Assets classified as held for sale are stated separately as current/short-term assets in the Consolidated Statement of Financial Position.

INVESTMENT PROPERTY

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties are measured at cost, including transaction costs.

Depreciation is recognised so as to write off the actual cost or revalued cost of investment property less their residual values over their useful lives, using the straight-line method. In accordance with the accounting policy estimated useful life of Investment property is 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques, which include using recent arm’s length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis, or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories:

- Those to be measured at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in either profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial asset is measured at amortized value, if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- (b) 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.

All regular routine purchases or sales of financial assets are recognized on a trade date basis. Regular routine purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

EFFECTIVE INTEREST METHOD

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Discount rate presents minimum return on investment, when the investor do not prefer the alternative investment of the same resources with the same risk level.

MEASUREMENT

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.



Transaction costs of the financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

DEBT INSTRUMENTS

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flows characteristics of the asset. The major part of the Group’s debt instrument are presented by trade accounts and loans receivable and are measured at amortised cost applying the effective interest rate as these instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

IMPAIRMENT OF FINANCIAL ASSETS

Financial assets, other than those as at FVTPL, are assessed for indicators of impairment at each balance sheet date.

The Group always recognizes lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, 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.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring in the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert resorts, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations.

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;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognized in profit or loss.

If in the following reporting periods impairment loss is reduced, and this reduction relates to the event that has taken place after the loss is recognized, then previously recorded impairment loss is recovered by adjustment in profit or loss. Meanwhile carrying value of the financial assets on the recovery date must not exceed depreciated value that would have been reported if the impairment loss had not been recognized.

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP

CLASSIFICATION AS DEBT OR EQUITY

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



EQUITY INSTRUMENT

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

FINANCIAL LIABILITIES

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Otherwise financial liabilities are measured subsequently at amortised cost using the effective interest method.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss.

FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IFRS 9; and
- The amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies

DERECOGNITION OF FINANCIAL LIABILITIES

The Group derecognises financial liabilities when, and only when, the Group’s obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

VALUE ADDED TAX

Value added tax (“VAT”) related to sales is payable to tax authorities on the earliest of (a) cash received from customers in advance or (b) transfer of the goods or rendering services to customers. Input VAT is generally recoverable against sales VAT upon receipt of the VAT invoice. Input VAT

on construction in progress can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction in progress project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work.

VAT is generally allowed to be settled on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

At each reporting date the Group reviews outstanding balance of input VAT for recoverability and creates impairment provision for the amounts which recoverability is doubtful.

INVENTORIES

Inventories are recorded at the lower of average cost or net realizable value. In-bound freight related costs from the suppliers incurred to deliver inventories to the Group’s central distribution warehouse are included as part of the net cost of merchandise inventories. Certain supplier bonuses that are not reimbursement of specific, incremental and identifiable costs to promote a supplier’s products are also included in the cost of inventory. Other costs associated with storing and transporting merchandise inventories from the central distribution warehouse to the retail stores are expensed as incurred and included either in “Cost of sales” (costs of transporting merchandise from central distribution warehouses to the retail stores) or in “Selling, general and administrative expenses” (all other costs).

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at banks, in transit and on hand in stores and short-term deposits with an original maturity of three months or less, and credit card payments received within 24 hours of the next working day.

Repayments and receipts of loans and borrowings during period of less 3 months are presented on gross basis in the consolidated statement of cash flows.

BORROWING COSTS

The borrowing costs are capitalized by the Group as part of the cost of the asset when the costs are directly attributable to the acquisition, construction of a qualifying asset.

The Group defines qualifying assets as leasehold improvements and other assets acquired in connection with the new store openings which generally take three months or longer to become operational. Other borrowing costs are expensed as incurred.



PROVISIONS

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and VAT. Inter-company revenue is eliminated.

Revenue from the sale of goods is recognized on a 5-step approach as introduced in IFRS 15:

- | | |
|---|---|
| • The Group identifies the contract with the customer; | • The transaction price is allocated to the performance obligations in the contracts; |
| • The Group identifies the performance obligations in the contract; | • Revenue is recognized only when the Group satisfies a performance obligation. |
| • The transaction price is determined by the Group; | |

The Group recognizes revenue when or as a performance obligation is satisfied, i.e. when control over goods or services representing the Group’s obligation is transferred to a buyer: when the goods are sold in retail stores for retail revenues or delivered to customers for online sales (including in-store pick-up).

LOYALTY PROGRAMS

The Group operates customer loyalty programs “M.video Bonus”, “Co-brand”, Card “Home Credit-Eldorado” and “Eldoradosty” which allow customers to accumulate points when they purchase goods in the Group’s retail stores. Prior to adoption of IFRS 15, the customer loyalty programs offered by the Group resulted in the allocation of a portion of the transaction price to the bonus points issued based on their fair value and recognition of the deferred revenue in relation to points issued but not yet redeemed or expired. The Group concluded that under IFRS 15 the points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the customer loyalty programs is insignificantly different from the previous accounting policy.

ADDITIONAL SERVICE AGREEMENTS

The Group sells additional service agreements (“ASA”) and has an obligation to the buyer to perform services throughout the period of the contract. Revenue from the ASA is deferred and recognized on a straight-line basis over the term of the service contract. Related costs, such as cost of services performed under the contract, general and administrative expenses and advertising expenses are charged to expense as incurred.

AGENT FEES

The Group recognizes as revenue any sales performed as an agent at net amounts (i.e. at the amount of commission, owed to the Group). Such fees include sales of goods, telephone and television service contracts and other services fees.

GIFT CARDS

The Group sells gift cards to its customers in its retail stores and through its website. The gift cards have an expiration date and are required to be used during specified periods of time. The Group recognizes income from gift cards at the earlier date when: (i) the gift card is redeemed by the customer; or (ii) when the gift cards expire.

INTEREST INCOME

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in the finance cost in the consolidated statement of profit or loss and other comprehensive income.

COST OF SALES

Cost of sales include the cost of inventories and services acquired from suppliers, freight in, costs related to transporting inventories from distribution centers to stores, allowance for obsolete and slow-moving inventory, inventory losses and supplier bonuses.

SUPPLIER BONUSES

The Group receives supplier bonuses in the form of cash payments or other allowances for various programs, primarily volume incentives, reimbursements for advertising expenses and other costs as well as contributions towards margin protection during specific marketing and promotional activities and other fees. The Group has agreements in place with each vendor setting forth the specific conditions for each allowance or payment. Depending on the arrangement, the Group either recognizes the allowance as a reduction of current costs or defers the payment over the period the related merchandise is sold.



If the payment is a reimbursement of specific, incremental and identifiable costs incurred to promote a supplier’s products, it is offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise.

Supplier bonuses which are earned by achieving certain volume purchases are recorded when it is reasonably assured the Group will reach these volumes. Such payments are accounted for as a reduction of inventory purchases and recognized in the consolidated statement of profit or loss and other comprehensive income when the related inventory is sold.

Markdown reimbursements related to merchandise that has been sold, contributions towards promotional activities and similar payments are negotiated and documented by the Group’s buying teams and are credited directly to cost of goods sold in the period the performance conditions for their receipt are met by the Group.

PRE-OPENING EXPENSES

Expenses incurred in the process of opening new stores which do not meet capitalization criteria under IAS 16 *Property, Plant and Equipment* are expensed as incurred. Such expenses include rent, utilities and other operating expenses.

EMPLOYEE BENEFITS

Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period. The Group contributes to the Russian Federation state pension, medical and social insurance funds on behalf of all its current employees (a defined contribution plan) by paying social security contributions (“SSC”). The Group’s only obligation is to pay contributions to the funds as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. Any related expenses are recognized in the consolidated statement of profit or loss and other comprehensive income as they become due. Contribution for each employee varies from 15.1% to 30% depending on the annual gross remuneration of each employee. The Group does not operate any employer sponsored pension plans.

DIVIDENDS

Dividends are recognized as a liability in the period in which they have been declared by the shareholders in a general meeting and become legally payable. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

TREASURY SHARES

If the Group reacquires its own equity instruments, those instruments (“treasury shares”) are recognized as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Such treasury shares may be acquired and held by the Company or by the subsidiaries of the Company.

LEASES (ACCOUNTING POLICY APPLICABLE FOR 2019 YEAR IN ACCORDANCE WITH IFRS 16)

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

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. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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.

DETERMINATION OF LEASE TERM – GROUP IS A LESSOR

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The lease term determined by management can be different from contractual lease term. Group's lease terms are up to 10 years.



LEASES (ACCOUNTING POLICY APPLICABLE FOR 2018 YEAR IN ACCORDANCE WITH IAS 17)

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised 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 are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance costs in the statement of profit or loss.

Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases, including maintenance costs, are recognized as an expense in the period in which they are incurred.

If in accordance with lease agreement maintenance costs are included in fixed rent payments these costs are allocated over the lease term on a straight-line basis.

The benefits received from the lessor as incentives for the conclusion of lease agreements (if any) are apportioned over the lease term on a straight-line basis. Sublease income and rental expenses relating to the same assets are netted.

The Group defines the lease term as non-cancelable together with an extension option and additional payments (if any) if it is probable that an option will be exercised.

4 – NEW AND REVISED STANDARDS IN ISSUE NOT YET ADOPTED

IFRIC AND IFRS INTERPRETATIONS ADOPTED IN REPORTING PERIOD

The Group has applied all IFRS standards and interpretations that relate to its operating activities and are effective for reporting periods beginning on or after 1 January 2019. The application of IFRS 16 Leases has an impact on the financial position and performance of the Group. The application of other standards and amendments did not affect the financial position, results of operations and cash flows of the Group.

IFRIC AND IFRS INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the time of approval of these consolidated financial statements, the following standards and interpretations were published, which are mandatory for the reporting periods of the Group beginning no earlier than January 1, 2020 or after this date, and which the Group has not applied:

Standards	Effective from
IFRS 17 <i>Insurance Contracts</i>	1 Jan 2021
Amendments to IFRS 10 and IAS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Related Entity</i>	The IASB has deferred the effective date of these amendments indefinitely
Amendment to IFRS 3 <i>Business Definition</i>	1 Jan 2020
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-current</i>	1 Jan 2022
Amendment to IFRS 9, IAS 39 and IFRS 7 <i>Interest Rate Benchmark Reform</i>	1 Jan 2020
Amendment to IAS 1 and IAS 8 <i>Definition of Material</i>	1 Jan 2020
Amendments to the references to Conceptual Framework	1 Jan 2020

AMENDMENTS TO IFRS 10 AND IAS 28: SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

The management of the Group does not expect that the adoption of these standards and interpretations will have an effect on the consolidated financial statements of the Group.

AMENDMENTS TO IFRS 3 BUSINESS DEFINITION

The amendments clarify that although a business usually has earning, that is not necessary in order to qualify an integrated set of activities and assets as a business. To be considered a business, an integrated set of activities and assets must include a contribution and a fundamentally significant process, which together can substantially contribute to earnings.

The amendments introduce an optional concentration test, which allows a simplified assessment of whether the acquired combination of activities and assets is a business. Based on the test, the acquired combination of activities and assets does not constitute a business if almost the entire fair value of the acquired gross assets is concentrated in one identifiable asset or in a group of similar assets.

The amendments are applied prospectively with respect to acquisition transactions that have occurred since the beginning of the annual reporting periods beginning on or after 1 January 2020, early adoption is permitted.

The management of the Group plans to apply these amendments for future transactions.



AMENDMENT TO IAS 1 AND IAS 8 DEFINITION OF MATERIAL

The purpose of the amendments is to simplify the understanding of the definition of materiality under IAS 1, and not to change the basic concept of materiality used in IFRS. In the new definition, the concept of “masking” of essential information was added by presenting it together with non-essential information.

The threshold of materiality, which affects users, has been changed from “may affect” to “can reasonably be expected to affect”.

The definition of materiality is similar in IAS 8 and IAS 1, as well as in the Conceptual Framework and other standards that define or refer to the term “materiality” to ensure uniformity. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with early adoption permitted.

The management of the Group does not expect that the adoption of these amendments will have an effect on the consolidated financial statements of the Group.

AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

The amendments are intended to facilitate the understanding that a liability is classified as non-current if the organization expects and has the authority to refinance the obligation or to postpone its maturity by at least 12 months after the reporting date under an existing credit line with the previous lender, on equal or similar terms.

The amendments only amend the presentation of liabilities in the statement of financial position, i.e. not regarding the amount, the moment of recognition or disclosure of information.

The amendments clarify that classification should be based on the existence at the end of the reporting period the right to defer repayment of an obligation for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist “at the end of the reporting period” should affect the classification of the obligation. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of an obligation, which means transferring money, equity instruments, or other assets or services to a counterparty. The amendments enter into force for periods beginning on or after 1 January 2022 and are applied retrospectively. Early adoption is acceptable.

The management of the Group does not expect that the adoption of these amendments as well as all other amendments and standards will have an effect on the consolidated financial statements of the Group.

5 – CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group’s accounting policies, which have been described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including, but not limited to, the uncertainties and ambiguities of the Russian legal and

taxation systems and the difficulties in securing contractual rights as defined in contracts. Actual results may differ from these estimates.

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

SIGNIFICANT ESTIMATES AND ASSUMPTIONS

INVENTORY VALUATION

In accordance with the Group’s accounting policy management reviews the inventory balances to determine if inventories can be sold at amounts greater than or equal to their carrying amounts plus costs to sell. This review includes identification of slow moving inventories, obsolete inventories and partially or fully damaged inventories. The identification process includes assessing historical performance of the inventory and analysis of sales of merchandise at prices below their carrying amounts less costs to sell in the recent years. Damaged stock is either provided for or written off depending on the extent of damage. Management makes an allowance for any items considered to be obsolete. The allowance represents the difference between the cost of inventory and its estimated net realizable value.

The net realizable value allowance is calculated using the following methodology:

- Stock held for resale — comparison of expected selling price versus the carrying value on a stock keeping unit basis;
- Damaged goods — examination of historical data relating to discounts associated with damaged goods and comparison to book value at the balance sheet date, and also examination of historical data on compensations, received from suppliers for damaged goods;
- Stock held at service centers — an allowance is applied based on management’s estimate of the carrying value of the inventory and based on historical data on sales of respective inventories and compensations, received from suppliers in relation to stock held at service centers;
- Additional allowance is accrued if there is actual evidence of a decline in selling prices after the end of the reporting period to the extent that such decline confirms conditions existing at the end of the reporting period.

If actual results differ from management’s expectations with respect to the selling of inventories at amounts equal to or less than their carrying amounts, management would be required to adjust the carrying amount of inventories.

TAX AND CUSTOMS PROVISIONS AND CONTINGENCIES

The Group is subject to various taxes arising in the Russian Federation. The majority of its merchandise is imported into Russian Federation and is therefore subject to the Russian customs regulations. Significant judgment is required in determining the provision for income taxes and other taxes. The Group recognizes liabilities for anticipated tax issues based on estimates of whether



it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provision in the period in which such determination is made.

DETERMINATION OF A PORTION OF LEASE PAYMENTS THAT DOES NOT REPRESENT A PAYMENT FOR THE USE OF PREMISES

As disclosed in Note 3, for the lease agreements which stipulate that payments for reimbursement of maintenance costs incurred by the lessor are embedded in the fixed periodic lease payments, the Group performs a calculation of such costs to be recognized as current period expense on an agreement-by-agreement basis. The calculation is performed based on amounts of factual maintenance costs incurred on similar leases for comparable premises where the amounts of maintenance costs are clearly stated in the documents. Where possible, comparable premises are selected within the same city or region.

LEASES — ESTIMATING THE INCREMENTAL BORROWING RATE

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and make certain entity-specific estimates.

DETERMINING THE LEASE TERM OF CONTRACTS WITH RENEWAL AND TERMINATION OPTIONS — GROUP AS LESSEE

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

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether it is reasonably certain not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive whether or not to exercise termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability whether or not to exercise the option to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). Periods when it is not reasonably certain that termination options will not be exercised are included in lease term.

REVENUE ATTRIBUTED TO LOYALTY PROGRAMS

The Group accounts for customer loyalty points as a separate component of the sale transaction in which they are granted. A portion of a fair value of the consideration received from customers is allocated to the award points and deferred, and is recognized then as a revenue over the period

that the award credits are redeemed. Therefore, management has to make assumptions about expected redemption rates, which are subject to availability of prior periods’ statistics and significant uncertainty at the balance sheet date, as far as issued points are expired through the passage of time in the future.

6 – BUSINESS COMBINATIONS

SUBSIDIARIES ACQUIRED

In 2018 the Group acquired the subsidiaries:

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred
BOVESTO LIMITED	Holding company	30 Apr 2018	100%	45,520
LLC “Media Saturn Russland”	Holding company	31 Aug 2018	99%	13,730
Media-Saturn Russland Beteiligungen Gmbh	Holding company	31 Aug 2018	100%	110
				59,360

The Group’s subsidiary Bovesto Limited being the parent company to the Eldorado group (“group Eldorado”) was acquired as part of further extension of retail activity of the Group. At the date of acquisition group Eldorado was a group under common control with the Group.

The Group’s subsidiaries LLC “Media Saturn Russland” and Media-Saturn Russland Beteiligungen Gmbh being controlling companies to the Media Markt group in Russia (“Media Markt”) were acquired as part of further extension of retail activity of the Group. At the date of acquisition both companies were companies under common control with the Group.

ASSETS ACQUIRED AND LIABILITIES RECOGNIZED AT THE DATE OF ACQUISITION

	Eldorado Group (final)	Media Markt (final)	TOTAL
Current assets			
Inventories	28,741	–	28,741
Cash and cash equivalents	1,432	3,612	5,044
Accounts receivable and other assets	13,273	341	13,614
Assets held for sale	704	34	738
Non-current assets			
Property, plant and equipment	10,840	313	11,153
Investment property	436	–	436
Intangible assets	10,220	47	10,267
Other non-current assets	297	83	380



	Eldorado Group (final)	Media Markt (final)	TOTAL
Current liabilities			
Trade accounts payable	(34,294)	(196)	(34,490)
Current borrowings	(11,918)	–	(11,918)
Other payables and accrued expenses	(2,746)	(690)	(3,436)
Other taxes payable	(2,589)	(2,075)	(4,664)
Contract liabilities and provisions	(2,608)	(3)	(2,611)
Non-current liabilities			
Deferred tax liabilities	(1,823)	(424)	(2,247)
Other liabilities	(622)	–	(622)
Fair value of net assets	9,343	1,042	10,385

The Company revised the valuation of several Real estate objects of Eldorado as at the date of acquisition, due to detection of new factors, not accounted beforehand, that affect the valuation of the asset. As a result of this adjustment, Goodwill recognized in connection with the acquisition has increased. Comparable data as of 31 December 2018 have been adjusted. Additionally, see Note 2.

	Preliminary valuation	Adjustment	Final valuation
Non-current assets			
Property, plant and equipment	10,941	(101)	10,840
Investment property	594	(158)	436
Long-term liabilities			
Deferred tax liabilities	(1,874)	51	(1,823)
Fair value of net assets	9,551	(208)	9,343
Goodwill	35,969	208	36,177

The Group revised the assessment of Media Markt Group income tax payables at the acquisition date, as factors previously unaccounted for affecting the assessment of debt recognized at acquisition date. As a result of this adjustment, goodwill recognized in connection with the acquisition was decreased. Comparative information as of December 31, 2018 have been adjusted. Additionally, see Note 2.

As a result of adjustment of working capital in accordance with the purchase agreement of Media Markt, the Group also revised the amount of consideration as per SPA. The amount of consideration is 13,840, including consideration paid in cash in amount of 14,514 less 674, which should be compensated by working capital adjustment as at the date of acquisition.

	Preliminary valuation	Adjustment	Final valuation
Current liabilities			
Other taxes payable	(2,030)	(45)	(2,075)
Fair value of net assets	1,088	(45)	1,042
Consideration adjustment as per SPA	14,514	(674)	13,840
Goodwill	13,426	(628)	12,798

GOODWILL ARISING ON ACQUISITION

	Eldorado Group	Media Markt	Total
Consideration ⁽ⁱ⁾	45,520	13,840	59,360
Less: fair value of identifiable net assets acquired	(9,343)	(1,042)	(10,385)
Goodwill arising on acquisition	36,177	12,798	48,975

(i) The consideration was paid in cash. At reporting date accounts receivable of the Group include amount of 911 reimbursable by the seller.

Goodwill recognized on acquisition of group Eldorado and Media Markt relates to the synergy effect of combined operations of the Group and businesses of Eldorado Group and Media Markt. It is expected, that the amount of recognized goodwill will not be deducted for tax purposes nether fully nor partly. Full amount of goodwill is related to CGUs, which are included in the only one Group’s operating segment.

NET CASH OUTFLOW ON ACQUISITION OF SUBSIDIARIES

	Eldorado Group	Media Markt	Total
Consideration paid in cash	45,520	14,677	60,197
Less: cash and cash equivalent balances acquired	(1,432)	(3,612)	(5,044)
Total	44,088	11,065	55,153

Purchase price allocation relating to Media Markt and Eldorado was finalised as at 31 December 2019.

IMPACT OF ACQUISITIONS ON THE RESULTS OF THE GROUP

Profit of 3 020 included in Group’s profit for the year is attributable to the acquisition of group Eldorado. Loss of 1 237 included in Group’s profit for the year is attributable to the acquisition of Media Markt. The revenue of the Group increased by 86 175 and 0, respectively, as a result of the acquisitions.

Profit from the continuing operations of the Media Markt prior to the acquisition date is not possible to determine due to large number of assumptions, therefore, net profit disclosed only for M.video and Eldorado. Had business combination been effected at 1 January 2018, the revenue of the Group



for the year ended 31 December 2018 would have been 352,483. This estimate is obtained by directly adding the actual revenue of the Group’s companies for the calendar year, after eliminating intra-group transactions, but without any corrections for synergies that would have been possible if business combinations had occurred at 1 January 2018. Had the acquisition of group Eldorado been effected at 1 January 2018, the estimate profit for the year from continuing operations would have been 6 723, that represents an approximate measure of the performance of the combined group for the year adjusted for one-off adjustments related to embracing of group Eldorado by the Group.

In determining the “pro-forma” profit of the Group had group Eldorado been acquired at the beginning of the current year, the management used the following approaches:

- Depreciation of acquired property, plant and equipment was calculated on the basis of fair value of assets estimated in business combination and not on the basis of carrying value of property, plant and equipment in the books of subsidiaries before acquisition;
- In order to harmonize the accounting policies of M.video and Eldorado, transportation costs capitalized in inventories were written off to statement of profit and loss and other comprehensive income. Also inventory allowances and the provision on goods return were recalculated based on the Group’s provision rates;
- Impairment of certain back-office licenses and software including income tax was recognized in anticipation of transfer of the joint business to a new IT platform.

GOODWILL IMPAIRMENT TESTING

Goodwill related to the acquisition of the Eldorado and Media Markt business was tested for impairment at the Group’s only one operating segment.

The recoverable amount of the Group’s CGU was determined as value in use.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5 years was used, as this period was determined by the management of the Group as an acceptable planning horizon.

Cash flows beyond 5 years are extrapolated using growth rates comparable to the forecast growth rates of the consumer price index.

The assumptions used to calculate the value in use for which the recoverable amount is most sensitive are: growth in the average check at 4% and the number of stores to be opened on average 100 stores per year over the forecast period of 5 years, the pre-tax discount rate applicable to the projected cash flows, in the amount of 12.3%; cash flow growth rates beyond 5 years in the amount of 3%.

Management reviewed the impact of changes in key assumptions on recoverable amount. Changes in key assumptions that could result in a possible impairment of goodwill are not probable under current market conditions.



7 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2019 and 2018 consisted of the following:

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer and Telecomm	Other fixed assets	Total
Cost								
As at 31 December 2017	5,627	5,176	535	6,403	1,445	3,189	1,284	23,659
Additions	–	–	5,357	–	–	–	–	5,357
Assets acquired in a business combination	5,474	1,737	526	1,431	644	588	753	11,153
Transfers	15	293	(3,027)	795	235	1,193	496	–
Disposals	–	(80)	–	(218)	(79)	(141)	(240)	(758)
As at 31 December 2018	11,116	7,126	3,391	8,411	2,245	4,829	2,293	39,411
Reclassification to Right-of-use assets	(158)	–	–	–	–	–	(177)	(335)
As at 1 January 2019	10,958	7,126	3,391	8,411	2,245	4,829	2,116	39,076
Additions	–	–	4,392	–	–	–	–	4,392
Transfers	77	1,088	(5,536)	2,240	546	1,077	508	–
Disposals	(79)	(197)	–	(135)	(17)	(140)	(174)	(742)
Reclass to current assets	(351)	–	–	–	–	–	–	(351)
As at 31 December 2019	10,605	8,017	2,247	10,516	2,774	5,766	2,450	42,375
Accumulated depreciation								
As at 31 December 2017	2,483	4,229	–	4,648	1,237	2,230	933	15,760
Charge for the year	632	532	–	958	280	759	416	3,577
Disposals	–	(73)	–	(164)	(40)	(128)	(118)	(523)
As at 31 December 2018	3,115	4,688	–	5,442	1,477	2,861	1,231	18,814
Reclassification to Righ-of-use assets	–	–	–	–	–	–	(21)	(21)
As at 1 January 2019	3,115	4,688	–	5,442	1,477	2,861	1,210	18,793
Charge for the year	775	622	–	1,122	399	1,045	459	4,422
Disposals	(12)	(150)	–	(122)	(13)	(113)	(159)	(569)
Reclass to current assets	(48)	–	–	–	–	–	–	(48)
As at 31 December 2019	3,830	5,160	–	6,442	1,863	3,793	1,510	22,598
Net book value								
As at 31 December 2018	8,001	2,438	3,391	2,969	768	1,968	1,062	20,597
Reclassification to Right-of-use assets	(158)	–	–	–	–	–	(156)	(314)
As at 1 January 2019	7,843	2,438	3,391	2,969	768	1,968	906	20,283
As at 31 December 2019	6,775	2,857	2,247	4,074	911	1,973	940	19,777

Depreciation expenses have been included in “Cost of Sales” (Note 25) and “Selling, general and administrative expenses” (Note 26).

Assets mainly related to the closed stores with net book value of 173 were disposed of by the Group in the year ended 31 December 2019 (2018: 235). Loss on disposal of these items of 116 (2018: 195) was recorded within other operating expenses (Note 28).

As at 31 December, 2019 and 31 December, 2018, the Group did not pledge fixed assets.

Due to adoption of IFRS 16, leased assets were reclassified to Right-of-use assets as at 1 January 2019.

In order to present information more accurately the Group separated assets relating to Computer and telecommunication equipment. Comparative information as at 31 December 2018 and 31 December 2018 was adjusted.

8 – INVESTMENT PROPERTY

Investment property as at 31 December 2019 and 2018 consisted of the following:

	Premises and buildings
Cost	
As at 31 December 2017	–
Assets acquired in a business combination	436
As at 31 December 2018	436
Disposals	(24)
As at 31 December 2019	412
Accumulated amortization and impairment	
As at 31 December 2017	–
Charge for the period	19
As at 31 December 2018	19
Charge for the period	47
Disposals	(3)
As at 31 December 2019	63
Net book value	
As at 31 December 2018	417
As at 31 December 2019	349

For the period from business combination to 31 December 2019, rental income from investment property and premises not occupied by the Group amounting to 387 (2018: 288) was included in revenue in the Rental income from investment property line item. Utilities and maintenance expenses included in selling, general and administrative expenses (see Note 26) amounted to 328 (in 2018: 224). There were no significant direct operating expenses incurred by the Group in relation to investment property that did not generate rental income. At 31 December 2019, fair value of investment property is equal to 349 (on 31 December 2018: 417).

9 – RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below is an overview of a book value of right-of-use assets of the Group and changes for the period:

	Land	Stores	Ware-houses	Vehicles	Other assets	Total
Cost						
Assets recognized 1 January 2019	297	65,356	3,204	–	1,680	70,537
Reclassification from fixed assets	158	747	–	199	–	1,104
As at 1 January 2019	455	66,103	3,204	199	1,680	71,641
New agreements	15	7,160	22	48	1	7,246
Modification of agreements	3	5,824	3,360	4	(293)	8,898
Disposals	–	(735)	(157)	(10)	(252)	(1,154)
Termination options expected to be exercised	–	(8,253)	–	–	–	(8,253)
As at 31 December 2019	473	70,099	6,429	241	1,136	78,378
Accumulated amortization and impairment						
Reclass of accumulated depreciation from other assests	–	114	–	72	–	186
As at 1 January 2019	–	114	–	72	–	186
Charge for the period	18	14,127	1,147	61	200	15,553
Disposals	–	(131)	(44)	(9)	(9)	(193)
As at 31 December 2019	18	14,110	1,103	124	191	15,546
Net book value						
As at 1 January 2019	455	66,103	3,204	199	1,680	71,641
As at 31 December 2019	455	55,989	5,326	117	945	62,832



Set out below is an overview of a book value of lease liabilities of the Group and changes for the period:

	Lease liabilities
As at 1 January 2019	74,182
Additions and modifications	15,634
Interest expense	7,243
Disposal of lease agreements	(1,253)
Lease payments	(19,094)
Termination options expected to be exercised	(8,253)
As at 31 December 2019	68,459
Current	10,532
Non-current	57,927

Payments for most leases are fixed in nature. Payments for some lease agreements are variable and depend on store revenue. For the year ended 31 December 2019, fixed rent payments amounted to 19,094, while a variable rent payments, depending on the store’s revenue, amounted to 1,443.

Obligations as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019
Minimum lease payments, including:	
Current portion (less than 1 year)	19,783
More than 1 to 5 years	48,948
Over 5 years	21,502
Total minimum lease payments	90,233

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of termination options that are not included in the lease term:

	31 December 2019
Termination options expected to be exercised:	
Within 5 years	5,409
Over 5 years	14,394
Total	19,803

10 — INTANGIBLE ASSETS

Intangible assets as at 31 December 2019 and 2018 consisted of the following:

	Software licenses, development and web site	Leasehold rights	Trademarks	Total
Cost				
As at 31 December 2017	9,657	701	35	10,393
Additions	3,319	6	2	3,327
Assets acquired in a business combination	1,137	—	9,130	10,267
Disposals	(1,137)	—	(12)	(1,149)
As at 31 December 2018	12,976	707	9,155	22,838
Additions	4,616	—	10	4,626
Disposals	(1,026)	—	—	(1,026)
Reclassification to Right-of-use assets	—	(707)	—	(707)
As at 31 December 2019	16,566	—	9,165	25,731
Accumulated amortization and impairment				
As at 31 December 2017	2,990	27	21	3,038
Charge for the year	2,240	76	5	2,321
Disposals	(1,134)	—	(11)	(1,145)
As at 31 December 2018	4,096	103	15	4,214
Charge for the year	2,573	—	7	2,580
Disposals	(1,023)	—	—	(1,023)
Reclassification to Right-of-use assets	—	(103)	—	(103)
As at 31 December 2019	5,646	—	22	5,668
Net book value				
As at 31 December 2018	8,880	604	9,140	18,624
As at 31 December 2019	10,920	—	9,143	20,063

During 2019 the Group incurred capital expenses in the total amount of 4,626 which for the most part were related to the development of the new front-office / back-office system, the new web site platform, additional functionality of the Group’s ERP system SAP R/3 and development of joint IT platform for M.video, Eldorado and Media Markt.

Amortization expenses have been included in “Selling, general and administrative expenses” (Note 26).

As at 31 December 2019 trademarks with carrying value of 9 133 (9 133 as at 31 December 2018) were pledged as collateral under the loan agreement (Note 19).

As at 31 December 2019 and 2018 the Group had contractual commitments for the technical support of software licenses (Note 33).



IMPAIRMENT TESTING

As at December 31, 2019, the Group conducted an impairment test for intangible assets with an indefinite useful life. Intangible assets with indefinite useful lives are represented by the “Eldorado” trademark, which amounted to 9,130 as at December 31, 2019.

The recoverable amount of intangible assets was determined based on the calculation of value in use. The value in use was calculated by discounting future cash flows.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5 years was used, as this period was determined by the management of the Group as an acceptable planning horizon.

Cash flows beyond 5 years are extrapolated using growth rates comparable to the forecast growth rates of the consumer price index.

The assumptions used to calculate the value in use to which the recoverable amount is most sensitive are: the discount rate applied to the projected cash flows of 12.3%, the growth rate of cash flows beyond 5 years is 3%.

Management reviewed the impact of changes in key assumptions on recoverable amount. Changes in key assumptions that could result in a possible impairment of intangible assets with indefinite useful lives are not probable under current market conditions.

11 — OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Financial assets		
Long-term loans and notes receivable	45	45
Total financial assets	45	45
Non-financial assets		
Advances paid for non-current assets	1,285	1,541
Advances paid to related parties (Note 32)	19	227
Long-term advances paid for rent	82	824
Less: impairment allowance for long-term advances paid for rent	—	(4)
Total non-financial assets	1,386	2,588
Total	1,431	2,633

12 – INVENTORIES

Inventories as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Goods for resale	127,101	111,330
Right of return assets	1,846	1,694
Other inventories	168	121
Total	129,115	113,145

Cost of inventories recognized as an expense in the amount of 268,678 and 237,773 and inventory losses net of surpluses in the amount of 770 and 493 for the years ended 31 December 2019 and 2018, respectively, were recorded within cost of sales in the consolidated statement of profit or loss and other comprehensive income.

During 2019, 206 (2018: 490) were recognized as an expense in respect of inventories carried at their net selling price. These amounts were recognized as cost of sales.

13 – ACCOUNTS RECEIVABLE AND ADVANCES ISSUED

Accounts receivable and prepaid expenses as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Accounts receivable		
Bonuses receivable from suppliers	25,921	22,757
Other accounts receivable	7,375	6,947
Advances paid to related parties (Note 32)	840	423
Total accounts receivable	34,136	30,127
Advances issued		
Advances paid to suppliers and prepaid expenses	1,549	1,699
Advances paid to related parties (Note 32)	192	60
Impairment allowance for advances issued	(560)	(705)
Total advances issued	1,181	1,054
Total	35,317	31,181

As at 31 December 2019 and 2018 the Group did not have accounts receivable past due but not impaired.

Movement in the allowance for doubtful accounts receivable and prepaid expenses is as follows:



	2019	2018
Balance at the beginning of the year	705	73
Acquired in a business combination	–	451
Impairment losses recognized on accounts receivable and prepaid expenses	21	297
Amounts written off as uncollectible	(162)	(94)
Amounts recovered during the year	(4)	(22)
Balance at the end of the year	560	705

The accounts receivable impaired as at 31 December 2019 and 2018 were aged of more than 120 days.

In determining the recoverability of accounts receivable the Group considers any change in the credit quality of receivables and prepaid expenses from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related management activities are provided in Note 34.

14 – OTHER TAXES RECEIVABLE

Other taxes receivable as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
VAT recoverable	21,300	14,869
Other taxes receivable	16	223
Total	21,316	15,092

15 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Cash in transit	2,874	10,120
Cash at banks	1,303	1,737
Cash on hand in stores and petty cash	561	620
Short-term bank deposits	–	13,010
Total	4,738	25,487

Cash at banks as at 31 December 2019 and 2018 includes the amounts of 48 and 80, respectively, collected by the Group from its customers for further transfer through “Qíwi” payment system.

Cash in transit represents acquiring and cash collected from the Group’s stores and not yet deposited into the bank accounts at the year end.

Cash denominated in rubles with the exception of 1 in US dollars as of 31 December 2019 and 60 as of 31 December 2018.

16 – ASSETS HELD FOR SALE

During the next 12 months the Group intends to sell its own land plots, buildings and premises, which the Group does not use. The carrying value of the property reflects the estimated selling price without VAT as the Group pre-agreed such price with potential buyers of the property.

17 – EQUITY

SHARE CAPITAL

As at 31 December 2019 and 2018 the Company had the following number of authorized, issued and outstanding ordinary shares:

	Outstanding ordinary shares	Issued ordinary shares	Authorized ordinary shares
Balance as at 31 December 2019 and 2018	177,792,057	179,768,227	209,768,227

Each share has par value of 10 RUB per share. During 2019 number of authorized, issued and outstanding ordinary shares remained constant.

All issued ordinary shares were fully paid.

ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital consists of share premium which is the excess between proceeds from issuance of 30,000,000 additional ordinary shares issued at 1 November 2007 and their par value, less share issuance costs and related current and deferred income tax amounts.

TREASURY SHARES

As at 31 December 2019 and 2018 the Group owned 1,976,170 treasury shares held at cost of 749.

DIVIDENDS DECLARED

In 2019, at the General Meeting of Shareholders it was decided to pay dividends for the first 9 months of 2019 year in the amount of 33.37 rubles per share. Dividends attributable to repurchased ordinary shares were completely eliminated during the preparation of these consolidated financial statements. Declared and paid dividends amounted to 5,941. Declared dividends were recognized as a decrease in equity during 2019 year.

Declared and paid dividends to related parties during 2019 year amounted to 5,312.

In 2018 no dividends were declared or paid.



18 – INCOME TAX

The Group’s income tax expense for the years ended 31 December 2019 and 2018 was as follows:

	2019	2018
Current tax		
Current tax expense in respect of the current year	(1,989)	(3,805)
Provision for income tax	322	(223)
	(1,667)	(4,028)
Deferred tax		
Deferred tax benefit/(expense) recognized in the current year	(692)	509
	(692)	509
Total income tax expense recognized in the current year	(2,359)	(3,519)

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2019 and 2018 is presented below:

	31 December 2019	31 December 2018
Deferred tax assets		
Supplier bonuses allocated to inventories	541	1,728
Accrued expenses	583	1,523
Deferred revenue and prepayments received for goods	481	832
Difference in depreciable value of property, plant and equipment	100	452
Salary-related accruals	588	747
Allowance for obsolete and slow-moving inventories	338	297
Right-of-use assets	1,499	–
Other items	44	30
Total	4,174	5,609
Tax offset	(872)	(290)
Net tax assets	3,302	5,319
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(830)	(855)
Difference in amortizable value of intangible assets	(312)	(1,027)
Other items	–	(121)
Total	(1,142)	(2,003)
Tax offset	872	290
Net tax liabilities	(270)	(1,713)
Deferred tax assets, net	3,032	3,606

As at 31 December 2019 and 2018 the Group measured deferred tax assets and deferred tax liabilities using tax rate of 20%, which is the rate expected to be applied in the period in which the asset is realized or the liability is settled.

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax expense. Below is a reconciliation of theoretical income tax expense at the statutory rate of 20% effective for 2019 and 2018 to the actual expense recorded in the Group’s consolidated statement of profit or loss and other comprehensive income:

	2019	2018
Profit before income tax expense	9,493	12,134
Income tax expense calculated at 20%	(1,899)	(2,427)
Change in recognized deductible temporary differences	322	–
Effect of expenses that are not deductible in determining taxable profit:		
Loss due to provision for profit tax	–	(249)
Inventory losses	(210)	(151)
Non-deductible payroll expenses	(14)	(114)
Other non-deductible expenses, net	(558)	(578)
Income tax expense recognized in profit or loss	(2,359)	(3,519)

19 – BANK BORROWINGS

This note provides information about the contractual terms of the Group’s long-term and short-term interest-bearing bank borrowings which are measuring at amortized cost. The borrowings described below are denominated in rubles.

	Maturity	31 December 2019	31 December 2018
Non-current borrowings			
Secured borrowings			
PJSC Bank VTB	April 2025	38,752	45,720
Total non-current borrowings		38,752	45,720
Current borrowings			
Secured borrowings			
PJSC Bank VTB	April-October 2020	7,654	5,769
		7,654	5,769
Unsecured borrowings			
JSC Alfa Bank	January-March 2020	3,004	–
PJSC Bank VTB	December 2019	–	8,020
		3,004	8,020
Total current borrowings		10,658	13,789
Total borrowings		49,410	59,509

As at 31 December 2019 the Group complied with loans covenants.



As at 31 December 2019, borrowings are secured by trademarks with carrying amount of 9,133 (31 December 2018: 9 133) (Note 10).

100% stake in share capital of LLC “MVM”, LLC “BT HOLDING” and 100% shares of Bovesto Limited are pledged under credit contracts.

MOVEMENT IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below presents changes in liabilities arising from financing activities, including both changes related to cash flows and changes not related to cash flows. Liabilities arising from financing activities include liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	31 December 2018	IFRS 16 adoption	1 January 2019	Cash flows from financing activities	Interest paid	New leases and modifications	Interest expense	Other changes	31 December 2019
Bank borrowings	59,509	–	59,509	(10,050)	(5,157)	–	5,077	31	49,410
Dividends	–	–	–	(5,941)	–	–	–	5 941	–
Lease liabilities	331	73,851	74,182	(11,926)	(7,167)	6,128	7,244	(2)	68,459
	59,840	73,851	133,691	(27,917)	(12,324)	6,128	12,321	5,970	117,869

	31 December 2017	Cash flows from financing activities	Interest paid	Business combination	Interest expense	Other changes	31 December 2018
Bank borrowings	–	47,002	(2,795)	11,898	3,430	(26)	59,509
Loans	–	(124)	–	124	–	–	–
Finance lease	–	(67)	(25)	251	25	147	331
	–	46,811	(2,820)	12,273	3,455	121	59,840

20 – OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Purchase of property, plant and equipment and intangible assets	3,911	4,116
Salaries and bonuses	3,120	3,666
Refund liabilities for goods	1,561	853
Operating rent and utility expenses	1,498	5,699
Other current liabilities to related parties (Note 32)	542	628
Other payables and accrued expenses	2,343	4,139
Total	12,975	19,101

21 – OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2019 and 2018 consisted of the following:

	31 December 2019	31 December 2018
Payroll taxes	852	946
VAT payable	367	1,409
Other taxes payable	241	478
Total	1,460	2,833

22 – CONTRACT LIABILITIES

In order to comply with IFRS 15 Revenue from Contracts with Customers the Group changed clas-sification of Deferred revenue. Prepayments relating to Gift certificates were reclassified from Advances received to Deferred revenue and were included into Gift certificates.

	31 December 2019	31 December 2018
Prepayments received for goods	2,524	3,394
Other advances received	1,393	348
Deferred revenue	4,195	7,676
Total	8,112	11,418

Deferred revenue for 2019 and 2018 consisted of the following:

	2019				2018			
	Customer loyalty programs	Gift certificates	Other programs	Additional services	Customer loyalty programs	Gift certificates	Other programs	Additional services
As at 1 January	2,877	736	856	3,207	1,705	575	944	3,218
Deferred revenue acquired in a business combination	–	–	–	–	280	–	41	70
Revenue deferred during the period	12,973	4,030	1,702	833	13,355	5,735	2,199	2,343
Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income	(13,820)	(4,503)	(2,457)	(2,239)	(12,463)	(5,574)	(2,328)	(2,424)
As at 31 December	2,030	263	101	1,801	2,877	736	856	3,207

Other programs represent primarily granting of gift cards to the Group’s customers.



23 – PROVISIONS

Movements of provisions in 2019 is follows:

	31 December 2018	Additions	Arising during the year	Unused amounts reversed	31 December 2019
Provision for litigation and fines	960	75	(56)	(619)	360
Provision for tax risks	249	–	–	(249)	–
Warranty provision – repair of goods	29	8	–	(29)	8
Total	1,238	83	(56)	(897)	368

Movements of provisions in 2018 is follows:

	31 December 2017	Additions	Assets acquired in a business combination	Arising during the year	Unused amounts reversed	31 December 2018
Provision for litigation and fines	95	146	997	(275)	(3)	960
Provision for tax risks	–	249	–	–	–	249
Warranty provision – repair of goods	17	29	–	–	(17)	29
Total	112	424	997	(275)	(20)	1,238

24 – REVENUE

Revenue for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Retail revenue	361,470	317,189
Additional services revenue	1,845	2,352
Rental income from investment property	387	288
Other services	1,514	1,237
Total	365,216	321,066

Retail revenue includes sales of goods in stores, pick-up in stores, internet home-delivery and commission fees.

Other revenue for the year ended 31 December 2018 includes revenue from services of installa-tion, recycling and digital assistance. For the year period ended 31 December 2019 the structure of other revenue has not changed.

In 2019 revenue recognized at a point in time was 363,371, and revenue recognized over time was 1,845.

25 — COST OF SALES

Cost of sales for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Cost of goods sold		
• Cost of goods	268,541	238,139
• Transportation	3,216	2,594
• Inventory losses net of surpluses and related compensations from suppliers (2019: 210; 2018: 177)	700	625
Cost of additional services	98	79
Cost of other services	1,588	859
Total	274,143	242,296

Cost of other services includes depreciation of service equipment.

26 — SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Payroll and related taxes	23,438	21,480
Depreciation and amortization	22,502	5,884
Advertising and promotional expenses, net	5,914	5,306
Bank charges	3,141	2,605
Credit broker services	2,781	2,498
Utilities	2,584	1,809
Repairs and servicing	2,342	1,665
Security	2,135	1,653
Consulting services	1,894	1,445
Warehouse services	1,847	1,687
Contingent lease expenses, net of income from sublease (2019: 14; 2018: 71)	1,561	14,906
Communication	309	336
Taxes other than income tax	269	942
Maintenance and other property operating costs	81	2,632
Other expenses	1,748	2,955
Total	72,546	67,803

Payroll and related taxes for the year ended 31 December 2019 include 3,913 contribution to the state pension fund (2018: 3,315) and social and medical insurance in the amount of 1,503 (2018: 1,281).



During 2019 the Group received 1,429 from its suppliers as a compensation of advertising and promotional expenses (2018: 1,308).

27 — OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2019 and 2018 includes commissions received from banks on loans provided to customers, non-commission income from mobile operators and other items.

28 — OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2019 include loss on disposal of property, plant and equipment of 116 (2018: 195), expenses on corporate events in the amount of 48 (2018: 99), charity expense of 55 (2018: 91), and other individually insignificant items.

29 — FINANCE INCOME AND EXPENSES

Finance income/(expenses) for the years ended 31 December 2019 and 2018 consisted of the following:

	2019	2018
Interest income	295	497
Exchange loss from revaluation of investments	(12)	(13)
Interest expense on bank loans	(5,709)	(3,604)
Interest expense on lease liabilities, net of interest income	(7,240)	—
Total	(12,666)	(3,120)

30 — EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2019	2018
Net profit attributable to equity holders of the Company	7,134	8,615
Weighted average number of ordinary share in issue (millions of shares)	177.79	178.65
Basic and diluted earnings per share (in Russian rubles)	40.13	48.22

31 – SEGMENT INFORMATON

REPORTING SEGMENT GOODS AND SERVICES

The activities of the Group are carried out on the territory of the Russian Federation and consist mainly in the retail trade of household appliances and electronics. Despite the fact that the Group operates through various types of stores and in various regions of the Russian Federation, the management of the Group, which makes operational decisions, analyzes the operations of the Group and allocates resources by individual stores.

The group assessed the economic characteristics of individual stores, including Mvideo and Eldorado stores, online stores and others, and determined that the stores have similar margins, similar products, customers and methods of selling such products.

Therefore, the Group believes that it has only one segment in accordance with IFRS 8. The segment’s performance measurement is based on profit or loss, which is reflected in the consolidated financial statements.

32 – RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under control of key management personnel and entities over which the Group has significant influence.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year and the outstanding balances owed by/to related parties as at 31 December 2019 and 2018, respectively:

	2019		31 December 2019		2018		31 December 2018	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities under common control ⁱ	–	–	–	–	–	11,664	–	–
Associate and a joint venture ⁱⁱ	549	17	5	507	265	10	2	563
Entities under common control ⁱⁱⁱ	1	290	373	3	1,731	46,218	–	–
Entities controlled by a party exercising significant influence ^{iv}	1,798	2,586	673	862	436	4,251	696	644
Entities under control of key management personnel ^v	7	301	1	35	3	607	13	102
	2,355	3,194	1,052	1,407	2,435	62,750	711	1,309

The nature of transactions with related parties is as follows:

- i

Parent company – acquisition of share in Media Markt;
- ii

Joint ventures – revenue from the sale of goods through Marketplace, agency fees for the sale of goods through Marketplace;
- iii

Entities under common control – acquisition of share in Eldorado group, sale and purchase of the Groups’ goods, agent services for sales of insurance, warehouses and trade premises leasing;
- iv

Entities controlled by a party exercising significant influence – agent services for sales of insurance, warehouses and trade premises rent, acquisition of fixed assets, credit broker services;
- v

Entities under control of key management personnel – store and head office security services, car leasing service to the Group and logistic services, after-sale and other servicing of the Group’s merchandise, redecoration and engineering repair services in the central office and shops located in Moscow.



As at 31 December 2019 the liability of related parties in respect of the loan issued and the financial guarantee issued, including interest, was as follows:

	2019		31 December 2019		2018		31 December 2018	
	Financial income from related parties	Financial expenses from related parties	Amounts owed by related parties	Amounts owed to related parties	Financial income from related parties	Financial expenses from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities under common control	–	19	–	224	75	1	–	–
Entities controlled by a party exercising significant influence	–	11	–	–	–	–	–	–
Entities under control of key management personnel	–	358	–	5,123	–	–	–	–
Total	–	388	–	5,347	75	1	–	–

TERMS AND CONDITIONS OF TRANSACTIONS WITH RELATED PARTIES

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Outstanding balances at the year end are unsecured and settlement occurs in cash. There were no guarantees received or provided on receivables and payables in favor of related parties. For the years ended 31 December 2019 and 2018 the Group has an allowance for doubtful accounts receivable from related parties in the amount of 9. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

COMPENSATION OF KEY MANAGEMENT PERSONNEL OF THE GROUP

The remuneration of directors and other members of key management during the years ended 31 December 2019 and 2018 was as follows:

	2019	2018
Short-term benefits*	1,984	1,573
Total	1,984	1,573

* Short-term benefits include salaries, bonuses and annual leave, medical and relocation expenses.

As at 31 December 2019 there were outstanding payables of 345 to key management personnel (2018: 818).

The number of key management positions was 27 in 2019 (2018: 26).

The Group did not provide any material post-employment, termination, or other long-term benefits to key management personnel during the period other than contributions to state pension fund and the social funds as a part of payments of social security contributions (“SSC”) on salaries and bonuses. Social security contributions paid relating to compensation of key management personnel amounted to 273 for the year ended 31 December 2019 (2018: 103) and are included in the amounts stated above.

33 — COMMITMENTS AND CONTINGENCIES

OPERATING ENVIRONMENT

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A recent downturn in the Russian economy and general slowdown in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group’s operating results.

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies.

The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

RUSSIAN FEDERATION TAX AND REGULATORY ENVIRONMENT

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management’s interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Management believes that it appropriately presents tax liabilities based on clarification of current and previous tax legislation, it is possible that tax authorities may challenge controversial tax issues. As at 31 December 2019 and 31 December 2018 Management believes that exposure to tax risks is remote.

CUSTOMS

During the years ended 31 December 2019 and 2018, the Group purchased a significant portion of its foreign manufactured goods on the territory of the Russian Federation from Russian legal entities,



including Russian wholesalers or resellers, which may or may not have imported the goods into the Russian Federation directly. As the Group was not involved in clearing customs for the goods purchased on the territory of the Russian Federation, management cannot be certain that the entities which imported the goods into the Russian Federation were in full compliance with the applicable regulations of the Russian customs code.

As described above in Russian Federation tax and regulatory environment section, the relevant authorities may take a more assertive position in their interpretation of the applicable laws.

Under Russian law a company in possession of goods that were imported with proven violations of the customs law may be subject to significant administrative or civil penalties and/or confiscation of the goods, if it was involved in, aware of, or should have known that violation of the customs code were occurring. To date, the Group has not been subject to any notification of violations of the customs code.

Management believes that the Group entities were acting in compliance with all applicable tax and legal requirements in respect of imported products, were not involved, not aware and could not be expected to know of any significant violations of the applicable customs code by the Russian wholesalers or resellers. Accordingly, management did not recognize any provisions in respect of such contingencies in these consolidated financial statements and determined that with current limitations in access to customs clearance documents it is not practicable to estimate the likely potential financial effect, if any, of such contingent liabilities.

LICENSE AGREEMENTS

As at 31 December 2019 The Group had non-cancellable contractual commitment (without VAT) of 1,566 for technical support services with respect to existing SAP licenses and software during the period till 2022 (31 December 2018: 981).

The Group uses SAP software for finance, supply chain and human resources functions.

LITIGATION

In the normal course of business, the Group is subject to proceedings, lawsuits, and other claims. While such matters are subject to other uncertainties, and outcomes are not predictable with assurance, the management of the Group believes that any financial impact arising from these matters would not exceed amount disclosed as a provision for litigation and fines in Note 23.

ENVIRONMENTAL MATTERS

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its environmental obligations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental matters.

FINANCIAL GUARANTEES

In the normal course of its operating activity the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts banks provide guarantees in favour of the Group’s suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. As at 31 December 2019 the Group entered into such guarantee contracts for the total amount of 9,179 (as at 31 December 2018: 9,311). On the 31 December 2019 and 2018 the Group has not pledged any assets as collateral under these guarantee contracts.

34 – FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Generally, the Group’s principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group’s operations. The Group has trade and other receivables and cash and short-term deposits that arrive directly from its operations.

The main risks arising from the Group’s financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group’s senior management oversees the management of these risks. The Group’s senior management provides assurance to the Group’s Board of Directors that the Group’s financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group’s policies. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

CATEGORIES OF FINANCIAL INSTRUMENTS

The carrying values of financial assets and liabilities grouped by each category of financial instruments as at 31 December 2019 and 2018 were as follows:

	31 December 2019	31 December 2018
Financial assets		
Assets carried at amortized cost	38,919	55,659
Financial liabilities		
Liabilities carried at amortized cost	238,450	233,968



FAIR VALUE OF FINANCIAL INSTRUMENTS

	31 December 2019		31 December 2018	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Long-term loans and notes receivable	45	45	45	45
Cash and cash equivalents	4,738	4,738	25,487	25,487
Accounts receivable	34,136	34,136	30,127	30,127
Total	38,919	38,919	55,659	55,659
Financial liabilities				
Loans and borrowings with fixed interest rate	49,410	50,982	59,509	56,152
Trade accounts receivable	176,065	176,065	155,358	155,358
Other payables and accrued expenses	12,975	12,975	19,101	19,101
Total	238,450	240,022	233,968	230,611

The fair value of assets and liabilities such as long-term loans issued, receivables, trade payables and other payables is close to carrying amount. due to the short maturities of these instruments.

Fair value of loans received in rubles at a fixed interest rate in 2019 and 2018, was estimated using borrowing rates of 6.46-7.43% and 9.9-10.3%, respectively.

FOREIGN CURRENCY RISK MANAGEMENT

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group’s exposures to foreign currency risk arise from cash and cash equivalents held in US Dollars and Euro as well as from lease payments tied-in to currencies other than functional currency. At 31 December 2019 approximately 0.5% (at 31 December 2018: 2%) of the Group’s operating lease agreements for stores and warehouses were tied-in to either US Dollars or Euro. The Group minimizes, to the extent possible, the risk arising from foreign currency-denominated lease contracts by negotiating a fixed exchange rate or a cap for an exchange rate with the lessors.

During the years ended 31 December 2019 and 2018 the Group did not use forward exchange contracts to eliminate the currency exposures.

The carrying amount of the Group’s foreign currency-denominated assets and liabilities at the reporting date are as follows:

	US Dollar		Euro	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Assets				
Cash and cash equivalents	–	55	1	5
Total assets	–	55	1	5
Liabilities				
Accounts payable and accruals for operating leases (shown within other accounts payable)	(1,596)	(235)	(147)	(24)
Total liabilities	(1,596)	(235)	(147)	(24)
Total net position	(1,596)	(180)	(146)	(19)

FOREIGN CURRENCY SENSITIVITY ANALYSIS

As mentioned above, the Group is mainly exposed to changes in the exchange rates of the US Dollar and Euro. The following table details the Group’s sensitivity to a 10% (31 December 2018: 10%) change of the Russian Ruble against these two currencies. As at 31 December 2019 the sensitivity rate of 10% represents management’s assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities at year end and adjusts their translation for a movement in foreign currency exchange rates. Positive numbers below indicate an increase in profit and respective increase in equity where the Russian Ruble appreciates against the relevant currency. For a depreciation of the Russian Ruble against the relevant currency, there would be an equal and opposite impact on profit and equity.

	US Dollar		Euro	
	Changes in exchange rate, %	Effect on profit before income tax	Changes in exchange rate, %	Effect on profit before income tax
2019	10%	(160)	10%	(15)
	(10%)	160	(10%)	15
2018	10%	(189)	10%	(40)
	(10%)	189	(10%)	40

INTEREST RATE RISK MANAGEMENT

The Group is exposed to insignificant interest rate risk as entities in the Group borrow funds on fixed rates primarily. The Group is exposed to risk of fair value of financial liabilities changes because of changes of market interest rates.

The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.



The following analysis of changes in the fair value was performed for non-derivative financial instruments at the reporting date. In purpose of preparing risk management reports for key managers of the Group, the assumption of a change in interest rate of 100 basis point is used, which is in line with management's expectations regarding reasonably possible fluctuations in interest rates.

The increase/(decrease) of market interest rate by 1%, if other conditions remain constant, would lead to decrease/(increase) of bank borrowings fair value by 1,571/(1,037). The Group is exposed to risk of floating fair value of bank borrowings with fixed rates.

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which are potentially subject the Group to credit risk consist primarily of bonuses receivable from suppliers, other receivables, short-term investments as well as cash on current and deposit accounts with banks and other financial institutions.

Bonuses receivable from suppliers are either offset against respective accounts payable or paid in cash. At 31 December 2019 bonuses receivable from four major suppliers comprised 29% of the Group’s consolidated accounts receivable and prepaid expenses (31 December 2018: 35%). The Group believes no significant credit risk is associated with these receivables since all of the debtors are represented by the Group’s major suppliers.

The credit risk on liquid funds (see the table below) is managed by the Group’s treasury. The management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

The table below shows the balances that the Group had with 4 of its major counterparties as at 31 December 2019 and 2018:

Counterparty	Currency	Rating	Carrying amount	
			31 December 2019	31 December 2018
PJSC Bank VTB	RUB	Baa3	981	6,350
Alfa-bank	RUB	Ba1	173	4,974
Sberbank	RUB	Ba2	67	877
Sovcombank	RUB	Ba3	–	1,900
Other	RUB	–	82	646
Total			1,303	14,747

The carrying amount of financial assets recorded in the consolidated statement of financial position, which is net of impairment losses, represents the Group’s maximum exposure to credit risk. There were no other concentrations of credit risk as at 31 December 2019 and 2018.

LIQUIDITY RISK MANAGEMENT

The Group’s treasury monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group’s objective is to maintain a continuity of funding and flexibility through the use of bank overdrafts and bank loans. Each year the Group analyses its funding needs and anticipated cash flows, so that it can determine its funding obligations. The seasonality of the business, the store expansion plan, capitalized projects and the anticipated working capital requirements form the basis of the evaluation. When necessary the Group uses long-term instruments (loans and borrowings) to cover its base liquidity needs. The Group uses short-term loans and bank over-drafts to cover seasonality needs. Every quarter the Group updates its liquidity needs and secures facilities with several banks to ensure that the Group has a sufficient amount of approved undrawn borrowing facilities.

As at 31 December 2019 the Group obtained uncommitted standby borrowing facilities in the total amount of 44,290 (31 December 2018: 24,600).

The table below summarizes the maturity profile of the Group’s financial liabilities as at 31 December 2019 and 2018 based on contractual undiscounted payments:

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2019					
Trade accounts payable	175,666	399	–	–	176,065
Borrowings	3,978	9,792	36,297	12,509	62,576
Lease liabilities	5,193	14,589	48,948	21,502	90,232
Other accounts payable and accrued expenses	12,804	73	98	–	12,975
Total	197,641	24,853	85,343	34,011	341,848
As at 31 December 2018					
Trade accounts payable	137,363	17,995	–	–	155,358
Borrowings	1,249	16,383	37,507	22,065	77,204
Other accounts payable and accrued expenses	13,248	294	–	–	13,542
Total	151,860	34,672	37,507	22,065	246,104



CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in objectives, policies or processes during the years ended 31 December 2019 and 2018.

The capital structure of the Group consists of issued capital (less treasury shares), additional paid in capital and retained earnings.

The primary objective of the Group’s capital management program is to maximize shareholder value while minimizing the risks associated with the loan portfolio. The consumer electronics business is a cyclical business and as such requires short-term fluctuations in capital to purchase goods to satisfy the seasonal demand. The Group uses a combination of short-term loans and supplier credit terms to meet the seasonal capital needs. The store expansion program adds to the capital needs as the capital and pre-opening costs associated with the new stores put additional pressure on the Group’s financial resources. While the Group has not established any formal policies regarding debt to equity proportions the Group reviews its capital needs periodically to determine actions to balance its overall capital structure through shareholders’ capital contributions or new share issues, return of capital to shareholders as well as the issue of new debt or the redemption of existing debt.

35 – SUBSEQUENT EVENTS

In January 2020 was liqjudated LLC “Eldomarket” and LLC “BT HOLDING”.

Due to the coronavirus epidemic in China and other countries emerging from December 2019, management analyzes the potential risks and possible consequences of delays in the supply of inventory from China and develops a risk mitigation plan. Management believes that the effect of coronavirus on the operations of the Group is not significant

36 — FINANCIAL INFORMATION PREPARED IN ACCORDANCE WITH IAS 17

The separate disclosure of additional financial information prepared in accordance with IAS 17 for three preceding reporting dates and two preceding reporting periods is not required in accordance with IFRS. Accounting police of IAS 17 which was used for preparation this financial information below is presented in Charter 3 “Significant accounting policies”.

Set out below, consolidated statement of financial statement at 31 December 2019, 31 December 2018, 31 December 2017 prepared as if IAS 17 was in place:

	31 December 2019	31 December 2018	31 December 2017
NON-CURRENT ASSETS			
Property, plant and equipment	19,946	20,597	7,899
Investment property	502	417	–
Goodwill	48,975	49,648	–
Intangible assets	20,696	18,624	7,355
Deferred tax assets	2,592	5,319	4,155
Non-current financial assets	–	–	2,471
Investment in an associate and a joint venture	2,761	2,633	977
Other non-current assets	1,985	1,617	624
Total non-current assets	97,457	98,855	23,481
CURRENT ASSETS			
Inventories	129,115	113,145	52,283
Accounts receivable	34,247	30,127	21,563
Advances issued	2,527	1,054	10
Income tax receivable	84	33	16
Other taxes receivable	20,851	15,092	5,983
Cash and cash equivalents	4,738	25,487	17,678
Assets held for sale	303	494	–
Other current assets	44	43	1
Total current assets	191,909	185,475	97,534
TOTAL ASSETS	289,366	284,330	121,015
EQUITY			
Share capital	1,798	1,798	1,798
Additional paid-in capital	4,576	4,576	4,576
Treasury shares	(749)	(749)	(52)
Retained earnings	28,593	25,309	16,695,
Total equity	34,218	30,934	23,017

	31 December 2019	31 December 2018	31 December 2017
NON-CURRENT LIABILITIES			
Non-current bank borrowings	38,752	45,720	–
Other liabilities	711	829	–
Deferred tax liabilities	260	1,713	–
Total non-current liabilities	39,723	48,262	–
CURRENT LIABILITIES			
Current bank borrowings	10,658	13,789	–
Trade accounts payable	176,211	155,358	77,690
Other payables and accrued expenses	18,607	19,101	8,851
Income tax payable	9	1,397	531
Other taxes payable	1,460	2,833	1,638
Contract liabilities	8,112	11,418	8,396
Finance obligations	–	–	780
Provisions	368	1,238	112
Total current liabilities	215,425	205,134	97,998
Total liabilities	255,148	253,396	97,998
TOTAL EQUITY AND LIABILITIES			
	289,366	284,330	121,015

Set out below, consolidated statement of profit and loss and other comprehensive income for the 2019 and 2018 years prepared as if IAS 17 was in place:

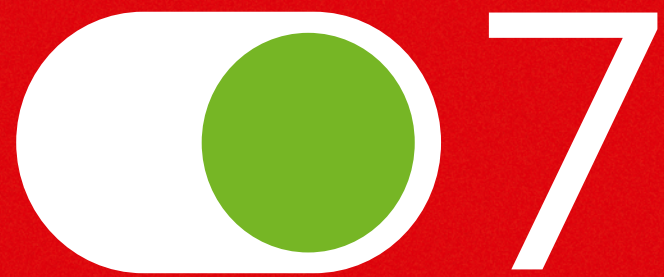
	2019	2018
REVENUE	365,216	321,066
COST OF SALES	(274,201)	(242,296)
GROSS PROFIT	91,015	78,770
Selling, general and administrative expenses	(76,767)	(67,803)
Other operating income	6,235	6,078
Other operating expenses	(784)	(796)
OPERATING PROFIT	19,699	16,249
Finance income	295	497
Finance expenses	(5,747)	(3,617)
Share of profit of an associate and a joint venture	(1,953)	(995)
PROFIT BEFORE INCOME TAX EXPENSE	12,294	12,134
Income tax expense	(3,069)	(3,519)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	9,225	8,615
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture*	11,178	9,610

Set out below, consolidated statement of cash flows for 2019 and 2018 years prepared as if IAS 17 was in place:

	2019	2018
OPERATING ACTIVITIES		
Net profit for the year	9,225	8,615
Adjustments for:		
Income tax expense	3,069	3,519
Depreciation and amortization	7,047	5,921
Change in allowance for long-term advances paid	(96)	275
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses	976	1,017
Interest income	(295)	(497)
Interest expenses	5,747	3,604
Share of (profit)/loss of an associate and a joint venture	1,952	995
Provision for insurance claims	(600)	331
Other non-cash reconciling items, net	(168)	(58)
Operating cash flows before movements in working capital	26,857	23,722
Increase in inventories	(16,946)	(32,114)
(Increase)/decrease in accounts receivable and advances issued	(4,012)	2,742
Increase in other taxes receivable	(5,895)	(5,716)
Increase in trade accounts payable	20,707	36,579
(Decrease)/increase in other payables and accrued expenses	(925)	3,052
(Decrease)/increase in contract liabilities	(3,329)	1,098
(Decrease)/increase in other liabilities	(324)	113
Decrease in other taxes payable	(2,138)	(290)
Other changes in working capital, net	694	(189)
Cash generated by operations	14,689	28,997
Income tax paid	(3,253)	(3,024)
Interest paid	(5,167)	(2,820)
Net cash from operating activities	6,269	23,153



	2019	2018
INVESTING ACTIVITIES		
Repayment of loans issued	–	1,711
Purchase of property, plant and equipment	(4,763)	(4,239)
Proceeds from sale of property, plant and equipment	571	292
Payments for intangible assets	(4,573)	(3,286)
Interest received	295	510
Net cashoutflow from purchase of subsidiary	(134)	(55,019)
Investment in joint venture	(2,380)	(1,428)
Net cash used in investing activities	(10,984)	(61,459)
FINANCING ACTIVITIES		
Dividends paid	(5,941)	–
Purchase of treasury shares	–	(697)
Proceeds from borrowings	25,000	71,209
Repayment of borrowings	(35,050)	(24,207)
Repayment of loans	–	(124)
Repayment of finance lease	(48)	(67)
Net cash (used in)/from financing activities	(16,039)	46,114
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(20,754)	7,808
CASH AND CASH EQUIVALENTS, at the beginning of the year	25,487	17,678
Impact of foreign exchange on cash and cash equivalents	5	1
CASH AND CASH EQUIVALENTS, at the end of the year	4,738	25,487



Appendix

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102-4	Location of operations	Retail Network as the Group's key advantage	30
102-5	Ownership and legal form	Capital, shares and dividends	241
102-6	Markets served	Market Review Strategy and Business Model Shopping experience	60 70 126
102-7	Scale of the organization	2019 Performance Highlights M.Video-Eldorado at a Glance Brand Portfolio Retail Network as the Group's key advantage Strategy and Business model Capital, shares and dividends Personnel Management	10 16 28 30 72 234 248
102-8	Information on employees and other workers	Personnel Management	248
102-9	Supply chain	Strategy and Business Model Shopping experience Commercial Purchases: Supplier Relations Logistics	79 126 141 145
102-10	Significant changes to the organization and its supply chain	About the Report 2019 Performance Highlights Interview with Group President Alexander Tynkovan Interview with Group CEO Enrique Fernandez Risk Management	1 10 37 43 82
102-11	Precautionary Principle or approach	The Group is strictly following the precautionary approach and focuses on preventing damage instead of compensating it. Sustainability approach Environmental protection	240 267



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102-13	Membership of associations	SKO “Electronics-Utilization” Association Association of retail companies (ACORT) Association of e-commerce companies (AKIT) Association of Trading Companies and Manufacturers of Electrical Household and Computer Equipment (RATEK) Association of European Business (AEB) Chamber of Commerce and Industry of the Russian Federation “OPORA RUSSIA” Business Russia Russian Union of Industrialists and Entrepreneurs (RSPP) Association of Managers of Russia	—
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		Interview with Group CEO Enrique Fernandez	43
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102-40	List of stakeholder groups	Sustainability approach	240
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102-47	List of material topics	Sustainability approach	240
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102-51	Date of most recent report	Annual Report 2018 was approved and published on May 24, 2019	—
102-52	Reporting cycle	Annual	—
102-53	Contact point for questions regarding the report	Olga Shalgacheva PJSC M.Video Corporate Secretary Olga.Shalgacheva@mvideo.ru	—
		Tatyana Polyakova Head of Sustainability Tatyana.Polyakova@mvideo.ru	
102-54	Claims of reporting in accordance with the GRI Standards	The Report is prepared with the use of GRI Standards	—
102-55	GRI content index	GRI Content index	358
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103-1	Explanation of the material topic and its Boundaries	All material topics are disclosed within the organization's boundaries	—
103-2	The management approach and its components	Corporate Governance system	156
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205-2	Communication and training about anti-corruption policies and procedures	No anti-corruption trainings were carried in 2019	—
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418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Risk Management	82
		Sustainability approach	240

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