

Public Joint Stock Company “M.video”

Interim Condensed Consolidated
Financial Information (Unaudited)

Half-Year Ended 30 June 2019

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

TABLE OF CONTENTS

	Pages
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)	1
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2-3
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED):	
Interim condensed consolidated statement of financial position	4
Interim condensed consolidated statement of profit or loss and other comprehensive income	5
Interim condensed consolidated statement of changes in equity	6
Interim condensed consolidated statement of cash flows	7-8
Notes to the interim condensed consolidated financial information	9-33

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") as at 30 June 2019, and the consolidated results of its operations, cash flows and changes in equity for the half-year then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting".

In preparing the interim condensed consolidated financial information, 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 interim condensed consolidated financial information of the Group complies 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
- preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the half-year ended 30 June 2019 was approved on 26 August 2019.



B. Uzhakhov
Chief Executive Officer



E. Sokolova
Chief Financial Officer

Report on Review of Interim Financial Information

To the shareholders of
Public Joint Stock Company "M.video"

Introduction

We have reviewed the accompanying interim condensed consolidated financial information of Public Joint Stock Company "M.video" and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2019 and the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected notes to the consolidated interim condensed financial information ("interim financial information"). Management of Public Joint Stock Company "M.video" is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Other information

The audit of the consolidated financial statements of Public Joint Stock Company "M.video" and its subsidiaries for 2018 was conducted by another auditor, who expressed an unmodified opinion on these statements on 20 March 2019.

A review of the interim condensed consolidated financial information of Public Joint Stock Company "M.video" and its subsidiaries for the six months ended 30 June 2018 was conducted by another auditor, who issued an unmodified conclusion on the review of this financial information on 27 August 2018.

The information accompanying the interim condensed consolidated financial information which has been disclosed as supplementary financial information in the Note 31 is presented for purposes of additional analysis and is not within the scope of IAS 34. Such information has not been subjected to the procedures applied in our review of the interim condensed consolidated financial information and, accordingly, we do not make any conclusion on it.



I.Y. Ananyev
Partner
Ernst & Young LLC

26 August 2019

Details of the entity

Name: Public Joint Stock Company "M.video"
Record made in the State Register of Legal Entities on 25 September 2006,
State Registration Number 5067746789248.
Address: Russia 105066, Moscow, Nizhnaya Krasnoselskaya street, 40/12, building 20.

Details of the auditor

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 "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"


**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

	Notes	30 June 2019	31 December 2018 (1)
NON-CURRENT ASSETS:			
Property, plant and equipment	4	20 310	20 633
Investment property	5	381	417
Right-of-use assets	6	64 208	-
Goodwill	3	49 603	49 603
Intangible assets	7	19 442	19 372
Deferred tax assets, net		4 567	5 759
Other non-current assets	8	2 115	2 646
Total non-current assets		160 626	98 430
CURRENT ASSETS:			
Inventories	9	97 146	113 145
Accounts receivable	10	31 021	30 276
Advances issued	10	2 857	1 181
Income tax receivable		1 172	33
Other taxes receivable	11	14 738	16 112
Cash and cash equivalents	12	5 657	25 669
Assets held for sale	13	39	494
Other current assets		28	43
Total current assets		152 658	186 953
TOTAL ASSETS		313 284	285 383
EQUITY:			
Share capital	14	1 798	1 798
Additional paid-in capital		4 576	4 576
Treasury shares	14	(749)	(749)
Retained earnings		26 809	25 240
Equity attributable to owners of the Company		32 434	30 865
Non-controlling interests		492	510
Total equity		32 926	31 375
NON-CURRENT LIABILITIES:			
Non-current bank borrowings	15	42 406	45 720
Other liabilities		316	829
Lease liabilities	6	56 826	-
Deferred tax liabilities		327	1 734
Total non-current liabilities		99 875	48 283
CURRENT LIABILITIES:			
Current bank borrowings	15	19 246	13 789
Trade accounts payable		121 535	155 420
Other payables and accrued expenses	16	12 510	18 850
Income tax payable		272	1 397
Other taxes payable	17	2 484	3 592
Lease liabilities	6	13 464	-
Contract liabilities	18	9 767	11 439
Provisions	19	1 205	1 238
Total current liabilities		180 483	205 725
Total liabilities		280 358	254 008
TOTAL EQUITY AND LIABILITIES		313 284	285 383

(1) These amounts do not correspond with Financial statements data as of 31 December 2018, as they include adjustments stated in the Note 2, Change in presentation and classification, and adjustments related to completion of Eldorado purchase price allocation (see Note 3)

The Notes on pages 8 to 33 form an integral part of this interim condensed consolidated financial information.

Signed on 26 August 2019:



B. Uzhakhov
Chief Executive Officer



E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles, except earnings per share)

	Notes	For the half-year ended	
		30 June 2019	30 June 2018
REVENUE	20	161 475	118 118
COST OF SALES	21	(119 825)	(87 365)
GROSS PROFIT		41 650	30 753
Selling, general and administrative expenses	22	(36 082)	(25 828)
Other operating income	23	2 842	2 066
Other operating expenses		(473)	(375)
OPERATING PROFIT		7 937	6 616
Finance income	24	239	245
Finance expenses	24	(6 344)	(866)
PROFIT BEFORE INCOME TAX EXPENSE		1 832	5 995
Income tax expense		(467)	(1 311)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period		1 365	4 684
Total net profit and total comprehensive income for the year attributable to:			
Owners of the Company		1 569	4 762
Non-controlling interests		(204)	(78)
BASIC EARNINGS PER SHARE (in Russian Rubles)	25	8,79	26,52
DILUTED EARNINGS PER SHARE (in Russian Rubles)	25	8,79	26,52

The Notes on pages 8 to 33 form an integral part of this interim condensed consolidated financial information.

Signed on 26 August 2019:



B. Uzhakhov
Chief Executive Officer



E. Sokolova
Chief Financial Officer

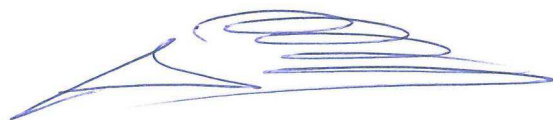
PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
Balance as at 31 December 2017		1 798	4 576	(52)	16 602	22 924	230	23 154
Impact of modified retrospective application of IFRS 15		-	-	-	56	56	-	56
Balance as at 1 January 2018		1 798	4 576	(52)	16 658	22 980	230	23 210
Purchase of treasury shares	14	-	-	(697)	-	(697)	-	(697)
Contribution into subsidiary's capital by owner of non-controlling interest	14	-	-	-	-	-	150	150
Total comprehensive income/(loss) for the period		-	-	-	4 762	4 762	(78)	4 684
Balance as at 30 June 2018		1 798	4 576	(749)	21 420	27 045	302	27 347
Balance as at 31 December 2018		1 798	4 576	(749)	25 240	30 865	510	31 375
Contribution into subsidiary's capital by owner of non-controlling interest	14	-	-	-	-	-	186	186
Total comprehensive income/(loss) for the period		-	-	-	1 569	1 569	(204)	1 365
Balance as at 30 June 2019		1 798	4 576	(749)	26 809	32 434	492	32 926

The Notes on pages 8 to 33 form an integral part of this interim condensed consolidated financial information.

Signed on 26 August 2019:



B. Uzhakhov
Chief Executive Officer



E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

	Notes	For the half-year ended	
		30 June 2019	30 June 2018
OPERATING ACTIVITIES:			
Total comprehensive income for the period		1 365	4 684
<i>Adjustments for:</i>			
Income tax expense		467	1 311
Depreciation and amortization	21, 22	11 803	2 400
Change in impairment allowance for advances issued		(89)	58
Change in inventory obsolescence and inventory losses, net of surpluses		(469)	393
Interest income	24	(238)	(237)
Interest expenses	24	6 344	866
Other non-cash reconciling items, net		(51)	254
Operating cash flows before movements in working capital		19 132	9 729
Decrease/(increase) in inventories		16 539	(570)
Increase in accounts receivable and advances issued		(2 986)	(2 522)
Decrease in other taxes receivable		1 161	2 573
Decrease in trade accounts payable		(33 884)	(12 212)
Decrease in other payables and accrued expenses		(2 049)	(1 335)
Decrease in contract liabilities		(1 672)	(1 537)
(Increase)/decrease in other liabilities		(252)	72
Decrease in other taxes payable		(882)	(2 790)
Other changes in working capital, net		31	(65)
Cash used in operations		(4 862)	(8 657)
Income taxes paid		(2 946)	(1 597)
Interest paid		(5 890)	(375)
Net cash used in operating activities		(13 698)	(10 629)

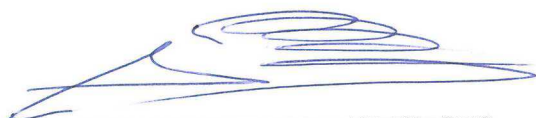
PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

	Notes	For the half-year ended	
		30 June 2019	30 June 2018
INVESTING ACTIVITIES:			
Repayment of loans issued		-	1 631
Purchase of property, plant and equipment		(2 182)	(973)
Proceeds from sale of property, plant and equipment		490	1
Purchase of intangible assets		(1 541)	(1 253)
Interest received		238	282
Net cash outflow from purchase of subsidiary/investment in associate	3	(134)	(44 088)
Net cash used in investing activities		(3 129)	(44 400)
FINANCING ACTIVITIES:			
Purchase of treasury shares		-	(697)
Contribution into subsidiary's capital by owner of non-controlling interest	14	186	150
Proceeds from loans and borrowings		17 814	59 659
Repayment of loans and borrowings		(15 639)	(18 298)
Repayment of finance lease		(5 549)	(16)
Net cash received from/(used in) financing activities		(3 188)	40 798
NET DECREASE IN CASH AND CASH EQUIVALENTS		(20 015)	(14 231)
CASH AND CASH EQUIVALENTS, at the beginning of the period		25 669	17 791
Impact of foreign exchange on cash and cash equivalents		3	4
CASH AND CASH EQUIVALENTS, at the end of the period		5 657	3 564

The Notes on pages 8 to 33 form an integral part of this interim condensed consolidated financial information.

Signed on 26 August 2019:



B. Uzhakhov
Chief Executive Officer



E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

1. GENERAL INFORMATION

The interim condensed consolidated financial information of Public Joint Stock Company "M.video" ("the Company") and its subsidiaries (the "Group") for the half-year ended 30 June 2019 was authorized for issue by management on 26 August 2019.

The interim condensed consolidated financial information for the half-year include assets, liabilities and result of operations of the Company and its subsidiaries as at 30 June 2019 and 31 December 2018:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30 June 2019	31 December 2018
LLC "M.video Management" (LLC "MVM")	Retailing	Russian Federation	100	100
LLC "MARKETPLACE"	Marketplace project development	Russian Federation	80	80
BOVESTO LIMITED	Holding company	Cyprus	100	100
LLC "Eldorado"	Retailing	Russian Federation	-	100
LLC "Invest-Nedvizhimost"	Operating lease of real estate	Russian Federation	100	100
LLC "Rentol"	Operating lease of real estate	Russian Federation	100	100
LLC "TC "Permsky"	Operating lease of real estate	Russian Federation	100	100
LLC "Eldomarket"	Retailing	Russian Federation	100	100
LLC "BT Holding"	Holding company	Russian Federation	100	100
MVEL Investition GmbH	Holding company	Germany	100	100
LLC "MVB Trade"	Retailing	Russian Federation	-	100
LLC "CE Trading solutions"	Retailing	Russian Federation	100	100
LLC "MV TVT"	Retailing	Russian Federation	100	100

On 30 April 2018 LLC "MVM" acquired 100% of the shares BOVESTO LIMITED (see Note 3). BOVESTO LIMITED was a holding company to LLC "Eldorado", LLC "Invest-Nedvizhimost", LLC "Rentol", LLC "TC "Permsky", 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.

Ultimate Shareholders

Mianello Limited owns 38,5632% of the voting ordinary shares of the Company. Mianello Limited is incorporated in Cyprus.

During April 2019 LTD "Safmar Retail" acquired 13,9488% of the shares PJSC "M.video".

At 30 June 2019 the ultimate controlling party of the Company is Gutseriev Said Mikhailovich.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED) (in millions of Russian Rubles)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The annual consolidated financial statements of PJSC "M.video" and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"). This interim condensed consolidated financial information for the half-year ended 30 June 2019 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

Functional and presentation currency – The amounts in the interim condensed consolidated financial information are presented in Russian Rubles ("RUB"), which is functional currency of the Group's entities and presentation currency, unless expressly indicated otherwise.

Seasonality of operations

Generally, the Group's revenue is subject to seasonal fluctuations with higher demand in the second half of the year. Business seasonality results from a combination of higher sales in holiday periods (for example, New Year) and certain costs such as depreciation, some general and administrative expenses that do not precisely follow sales trends. The timing of new store openings, cost associated with restructuring or asset impairment, if any, as well as general economic conditions, may also affect the Group's future results.

Shareholders

As at 30 June 2019 and 31 December 2018 the registered shareholders of the Company and their respective ownership and voting interests were as follows:

	30 June 2019	31 December 2018
Mianello Limited	38,5632%	38,5632%
MS CE Retail GmbH	15,0000%	15,0000%
LTD "Safmar Retail"	13,9488%	-
Treasury shares	1,0993%	1,0993%
Various shareholders	31,3887%	45,3375%
Total	100%	100%

Significant accounting policies

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 interim condensed consolidated financial information for the half-year ended 30 June 2019, except for the effect of adoption of IFRS 16 *Leases* from 1 January 2019.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED) (in millions of Russian Rubles)

The Group applied modified retrospective approach of IFRS 16 adoption in relation to all its contracts. Under this approach, the effect of IFRS 16 application is recognised as an adjustment to equity on 1 January 2019. Comparative information for prior periods is presented in accordance with the provisions of IAS 17 *Leases*. The Group recognised the cumulative effect of initially applying IFRS 16 as an adjustment to the opening balance of retained earnings at the beginning of the half-year ended 30 June 2019.

Income tax

Income tax in the interim periods is accrued using the effective tax rate that would be applicable to expected total annual earnings.

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 (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED) (in millions of Russian Rubles)

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 cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. According to the accounting policy, the useful life of the 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.

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.

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.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED) (in millions of Russian Rubles)

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.

Impact on the statement of financial position (increase/(decrease)) as at 01 January 2019:

Assets	
Right-of-use assets	71 480
Property, plant and equipment	(314)
Intangible assets	(604)
Other non-current assets	(506)
Accounts receivable and advances issued	(654)
Total assets	69 402
Liabilities	
Finance lease obligations	74 205
Other liabilities	(196)
Other payables and accrued expenses	(4 607)
Total liabilities	69 402

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of plant, machinery, 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 prepaid 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, except for short-term leases and leases of low-value assets. 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.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of 71 480 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 654 were derecognized;
- Lease liabilities of 74 205 were recognized. This includes the lease liabilities of 331 recognized previously under finance leases;

Operating lease commitments as at 31 December 2018	106 985
Weighted average incremental borrowing rates as at 1 January 2019	9,5%-10,7%
Discounted operating lease commitments at 1 January 2019	73 874

Add

Commitments relating to leases previously classified as finance leases	331
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Lease liabilities as at 1 January 2019	74 205
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Summary of new accounting policies

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.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

Short-term leases and leases of low-value assets

The Group does not apply the short-term lease recognition exemption 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 (i.e., below 0,3). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Change in presentation and classification

- (i) Set out below a change in presentation as at 31 December 2018, including those in order to comply with IFRS 15 *Revenue from Contracts with Customers*:

Consolidated statement of financial position as at 31 December 2018:

		Before reclassification	Reclassification	After reclassification
Current assets:				
Accounts receivable	(1)	31 457	(1 181)	30 276
Advances issued		-	1 181	1 181
Total current assets		186 953	-	186 953
Non-current liabilities				
Other liabilities	(3)	573	256	829
Provisions	(3)	256	(256)	-
Current liabilities:				
Advances received	(2)	5 309	(5 309)	-
Other payables and accrued expenses	(3)	17 126	1 724	18 850
Other taxes payable	(2)	2 782	810	3 592
Contract liabilities	(2)	6 940	4 499	11 439
Provisions	(3)	2 962	(1 724)	1 238
Total current liabilities		205 725	-	205 725

Interim condensed consolidated statement of cash flows for the half-year ended 30 June 2019:

		Before reclassification	Reclassification	After reclassification
Decrease in other payables and accrued expenses	(3)	(1 200)	(135)	(1 335)
Decrease in deferred revenue	(2)	(1 443)	(94)	(1 537)
Decrease in other obligations	(3)	(63)	135	72
Decrease in advances received from customers	(2)	(111)	111	-
Decrease in value added tax and other taxes payable	(2)	(2 773)	(17)	(2 790)
Cash used in operations		(5 590)	-	(5 590)

- (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. Taking into consideration that advances paid to suppliers are non-financial assets the group presented them separately in the current interim condensed consolidated statement of financial position as at 30 June 2019.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED) (in millions of Russian Rubles)

- (2) 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 in Advances received (including VAT of 810). 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. As the same approach was used in the Interim condensed consolidated statement of financial position as at 30 June 2018, the Group adjusted accordingly the Interim condensed consolidated statement of cash flows for the 6 months ended 30 June 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 as a short-term provision and long-term refund liabilities in amount of 256 as a long-term provision. In this interim condensed consolidated statement of financial position as at 30 June 2019 the Group reclassified these amounts to Other payables and accrued expenses in non-current and current liabilities. The same approach was used in the Interim condensed consolidated statement of financial position as at 30 June 2018, the Group accordingly adjusted the information in interim condensed consolidated statement of cash flow for half-year ended 30 June 2018.

The reclassifications above did not affect the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2018.

- (ii) The Group revised its assessment of purchase price allocation relating to acquisition of Bovesto Limited (Eldorado).

	Before reclassification	Reclassification	After reclassification
Property, plant and equipment	20 734	(101)	20 633
Investment property	575	(158)	417
Goodwill	–	49 603	49 603
Intangible assets	68 767	(49 395)	19 372
Deferred tax liabilities	1 785	(51)	1 734

3. BUSINESS COMBINATIONS

Subsidiaries acquired

In 2018 the Group acquired the following subsidiaries:

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideratio n transferred
BOVESTO LIMITED	Holding company	30.04.2018	100%	45 520
LLC "Media Saturn Russland" Media-Saturn Russland Beteiligungen Gmbh	Holding company	31.08.2018	99%	14 397
	Holding company	31.08.2018	100%	117
				60 034

The Group's subsidiary Bovesto Limited being the parent company to the Eldorado group was acquired as part of further extension of retail activity of the Group. At the date of acquisition Bovesto Limited was a company 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.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

Assets acquired and liabilities recognised at the date of acquisition

	Group Eldorado (final)	Media Markt (not 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
Current liabilities			
Trade accounts payable	(34 294)	-	(34 294)
Current borrowings	(11 918)	-	(11 918)
Other payables and accrued expenses	(2 746)	(2 918)	(5 664)
Other taxes payable	(2 589)	-	(2 589)
Contract liabilities and provisions	(2 608)	-	(2 608)
Non-current liabilities			
Deferred tax liabilities	(1 823)	(424)	(2 247)
Other liabilities	(622)	-	(622)
Fair value of net assets	9 343	1 088	10 431

The purchase price allocation of Media Markt was not finally completed as of the reporting date. Therefore, in preparation of financial information for the half-year ended 30 June 2019 the Management used preliminary assessment of values of assets and liabilities. When the assessment is completed, changes to assessed fair values are possible in respect of inventories, accounts receivable, intangible assets and assets held for sale, as well as deferred tax liabilities.

The Company revised the valuation of several assets of Eldorado group 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	(260)	10 618
Long-term liabilities			
Deferred tax liabilities	(1 874)	52	(1 822)
Fair value of net assets	9 551	(208)	9 343
Goodwill	49 395	208	49 603

Goodwill arising on acquisition

	Group Eldorado	Media Markt	Total
Consideration (i)	45 520	14 514	60 034
Less: fair value of identifiable net assets acquired	(9 343)	(1 088)	(10 431)
Goodwill arising on acquisition	36 177	13 426	49 603

Goodwill recognized on acquisition of group Eldorado and Media Markt arose from potential synergies embedded into the acquisition price. All of the Group's CGUs are expected to benefit from such synergies.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

- (i) The consideration was transferred in cash. Also as of 31 December 2018 accounts receivable of the Group include amount of 163 reimbursable by the seller.

Net cash outflow on acquisition of subsidiaries

	<u>Group Eldorado</u>	<u>Media Markt</u>	<u>Total</u>
Consideration paid in cash	45 520	14 677	60 197
Less: cash and cash equivalent balances acquired	<u>(1 432)</u>	<u>(3 612)</u>	<u>(5 044)</u>
Total	<u>44 088</u>	<u>11 065</u>	<u>55 153</u>

The payment for the half year ended 30 June 2018 amounted to 44,088. The remaining amount of payments relates to the second half of 2018.

Impact of acquisitions on the results of the Group

2 included in Group's profit and 16 333 included in revenue for the half-year ended 30 June 2019 are attributable to the acquired business.

Had this business combination been effected at 1 January 2019, the revenue of the Group from continuing operations for half-year ended 30 June 2019 would have been 149 600, and the profit for the year from continuing operations would have been 2 867. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group for the half-year adjusted for one-off adjustments related to embracing of Bovesto Limited by the Group.

In determining the 'pro-forma' revenue and profit of the Group had Bovesto Limited 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.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 June 2019 and 31 December 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	543	6 409	1 445	3 205	1 298	23 703
Additions	-	-	1 198	-	-	-	-	1 198
Assets acquired in a business combination	5 474	1 693	526	1 381	636	426	704	10 840
Transfers	2	119	(958)	283	79	376	99	0
Disposals	-	(62)	-	(96)	(45)	(63)	(48)	(314)
As at 30 June 2018	11 103	6 926	1 309	7 977	2 115	3 944	2 053	35 427
As at 31 December 2018	11 116	7 126	3 400	8 417	2 245	4 856	2 308	39 468
Reclassification to Right-of-use assets	(158)	-	-	-	-	-	(177)	(335)
As at 1 January 2019	10 958	7 126	3 400	8 417	2 245	4 856	2 131	39 133
Additions	-	-	2 224	-	-	-	-	2 224
Transfers	18	179	(1 860)	712	120	647	184	-
Disposals	-	(88)	-	(51)	(11)	(74)	(70)	(294)
As at 30 June 2019	10 976	7 217	3 764	9 078	2 354	5 429	2 245	41 063
Accumulated depreciation								
As at 31 December 2017	2 483	4 229	-	4 648	1 237	2 234	936	15 767
Charge for the year	226	208	-	421	102	283	150	1390
Disposals	-	(61)	-	(76)	(15)	(60)	(30)	(242)
As at 30 June 2018	2 709	4 376	-	4 993	1 324	2 457	1 056	16 915
As at 31 December 2018	3 115	4 688	-	5 443	1 478	2 873	1 238	18 835
Reclassification to Right-of-use assets	-	-	-	-	-	-	(21)	(21)
As at 1 January 2019	3 115	4 688	-	5 443	1 478	2 873	1 217	18 814
Charge for the year	381	307	-	547	185	499	237	2 156
Disposals	-	(55)	-	(45)	(7)	(53)	(57)	(217)
As at 30 June 2019	3 496	4 940	-	5 945	1 656	3 319	1 397	20 753
Net book value								
As at 31 December 2018	8 001	2 438	3 400	2 974	767	1 983	1 070	20 633
Reclassification to Right-of-use assets	(158)	-	-	-	-	-	(156)	(314)
As at 1 January 2019	7 843	2 438	3 400	2 974	767	1 983	914	20 319
As at 30 June 2019	7 480	2 277	3 764	3 133	698	2 110	848	20 310

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED) (in millions of Russian Rubles)

Depreciation expenses have been included in "Selling, general and administrative expenses" (Note 22).

Assets mainly related to the closed stores with net book value of 77 were disposed of by the Group in the half-year ended 30 June 2019 (in the half-year ended 30 June 2018: 72). Loss on disposal of these items of 73 (half-year ended 30 June 2018: 71) was recorded within other operating expenses.

Due to implementation of new standard IFRS 16 *Leases* leased assets were reclassified to the Right-of-use assets.

For more accurate presentation the Group added new group "Computers and telecom". The appropriate reclassifications were made on 31 December 2017 and 2018, respectively.

5. INVESTMENT PROPERTY

Investment property as at 30 June 2019 and 31 December 2018 consisted of the following:

	Premises and buildings
Cost	
As at 31 December 2017	-
Assets acquired in a business combination	436
As at 30 June 2018	436
As at 31 December 2018	436
Disposals	(24)
As at 30 June 2019	412
Accumulated amortization and impairment	
As at 31 December 2017	-
Charge for the period	5
As at 30 June 2018	5
As at 31 December 2018	19
Charge for the period	15
Disposals	(3)
As at 30 June 2019	31
Net book value	
As at 31 December 2018	417
As at 30 June 2019	381

For the half-year ended 30 June 2019, rental income from investment property and premises not occupied by the Group amounting to 207 was included in revenue in the Other revenue line item. Utilities and maintenance expenses included in selling and administration expenses (see Note 22) amounted to 161 (in the half-year ended 30 June 2018: 31). There were no significant direct operating expenses incurring by the Group in relation to investment property that did not generate rental income. At 30 June 2019, fair value of investment property is equal to 381 (on 31 December 2018: 417).

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

6. A 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:

	<u>Land</u>	<u>Stores</u>	<u>Ware- houses</u>	<u>Vehicles</u>	<u>Other assets</u>	<u>Total</u>
Cost						
Assets recognized 1 January 2019	291	64 303	4 264	-	1 704	70 562
Reclassification from fixed assets	158	633	-	127	-	918
As at 1 January 2019	449	64 936	4 264	127	1 704	71 480
New agreements	8	660	2	-	-	670
Modification of agreements	-	423	-	83	55	561
Disposals	-	(106)	-	(1)	-	(107)
As at 30 June 2019	457	65 913	4 266	209	1 759	72 604
Accumulated amortization and impairment						
As at 1 January 2019	-	-	-	-	-	-
Charge for the period	9	6 869	735	385	404	8 402
Disposals	-	(6)	-	-	-	(6)
As at 30 June 2019	9	6 863	735	385	404	8 396
Net book value						
As at 1 January 2019	-	-	-	-	-	-
As at 30 June 2019	448	59 050	3 531	(176)	1 355	64 208

Set out below is an overview of a book value of lease liabilities of the Group and changes for the period:

	<u>Lease liabilities</u>
As at 1 January 2019	74 205
Additions and modifications	1 130
Interest expense	3 590
Lease payments	(8 635)
As at 30 June 2019	70 290

During the half-year ended 30 June 2019, the Group recognized operating lease expenses and variable lease payments of 655.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

7. INTANGIBLE ASSETS

Intangible assets as at 30 June 2019 and 31 December 2018 consisted of the following:

	Software licenses, development and web site	Leasehold rights	Trademarks	Total
Cost				
As at 31 December 2017	10 366	701	40	11 107
Additions	1 202	-	1	1 203
Assets acquired in a business combination	961	-	9 130	10 091
Disposals	(501)	-	(2)	(503)
As at 30 June 2018	12 028	701	9 169	21 898
As at 31 December 2018	13 961	707	9 161	23 829
Additions	1 960	-	3	1 963
Disposals	(323)	-	-	(323)
Reclassification to Right-of-use assets	-	(707)	-	(707)
As at 30 June 2019	15 598	-	9 164	24 762
Accumulated amortization and impairment				
As at 31 December 2017	3 060	27	21	3 108
Charge for the year	965	38	2	1 005
Disposals	(500)	-	-	(500)
As at 30 June 2018	3 525	65	23	3 613
As at 31 December 2018	4 339	103	15	4 457
Charge for the period	1 284	-	3	1 287
Disposals	(321)	-	-	(321)
Reclassification to Right-of-use assets	-	(103)	-	(103)
As at 30 June 2019	5 302	-	18	5 320
Net book value				
As at 31 December 2018	9 622	604	9 146	19 372
As at 30 June 2019	10 296	-	9 146	19 442

During the half-year ended 30 June 2019 the Group incurred expenditures in the total amount of 1 963 which for the most part relate 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 Marketplace project, as well as development costs related to transformation and integration processes between M.video and Eldorado IT-systems.

Amortization expenses have been included in Selling, general and administrative expenses(Note 22).

As at 30 June 2019 M.video trademarks with carrying value 9 133 are pledged as collateral under a loan agreement.

As at 30 June 2019 and 31 December 2018 the Group had contractual commitments for the technical support of software licenses (Note 28).

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

8. OTHER NON-CURRENT ASSETS

Other non-current assets as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 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	1 757	1 540
Advances paid to related parties (Note 27)	286	226
Long-term advances paid for rent	17	824
Investment in associates	15	15
Less: impairment allowance for long-term advances paid for rent	(5)	(4)
Total non-financial assets	2 070	2 601
Total	2 115	2 646

9. INVENTORIES

Inventories as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
Goods for resale	95 198	111 330
Right of return assets	1 764	1 694
Other inventories	184	121
Total	97 146	113 145

10. ACCOUNTS RECEIVABLE AND ADVANCES ISSUED

Accounts receivable and advances issued as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
Accounts receivable		
Bonuses receivable from suppliers	24 830	22 757
Other accounts receivable	5 635	7 096
Advances paid to related parties (Note 27)	556	423
Total accounts receivable	31 021	30 276
Advances issued		
Advances paid to suppliers and prepaid expenses	3 313	1 826
Advances paid to related parties (Note 27)	142	60
Impairment allowance for advances issued	(598)	(705)
Total advances issued	2 857	1 181
Total	33 878	31 457

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

11. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
VAT recoverable	14 734	15 889
Other taxes receivable	4	223
Total	14 738	16 112

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
Cash in transit	3 745	10 124
Cash at banks	1 073	1 749
Short-term bank deposits	436	13 176
Petty cash and cash in stores	403	620
Total	5 657	25 669

Cash at banks as at 30 June 2019 and 31 December 2018 includes 108 and 80, respectively, collected by the Group from its customers for further transfer through "Qivi" payment system. The Group cannot use this cash in its operating activities as it is due to be transferred to the recipients.

Cash in transit represents acquiring and cash collected from the Group's stores and not yet deposited into the bank accounts at the period end.

Short-term bank deposits as at 30 June 2019 and 31 December 2018 consisted of the following:

	Interest rate	Maturity	30 June 2019	31 December 2018
Short-term bank deposit in RUB	6,15%-6,90%	July 2019	436	-
Short-term bank deposit in RUB	5%-7,56%	January 2019	-	13 176
Total			436	13 176

13. ASSETS HELD FOR SALE

During the next 12 months the Group considers 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.

14. EQUITY

Share capital

As at 30 June 2019 and 31 December 2018 the Company had the following number of outstanding, issued and authorized ordinary shares:

	Outstanding ordinary shares	Issued ordinary shares	Authorized ordinary shares
Balance as at 30 June 2019 and 31 December 2018	177 792 057	179 768 227	209 768 227

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

Each share has par value of 10 RUB per share. During the half-year ended 30 June 2019 there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid.

Treasury shares

As at 30 June 2019 and 31 December 2018 the Group owned 1 976 170 treasury shares held at cost of 749.

Non-controlling interests

During the half-year ended 30 June 2019 Mr. A. Tynkovan made a contribution to additional paid-in capital of LLC "MARKETPLACE" in the amount of 180.

During the half-year ended 30 June 2018 Mr. A. Tynkovan made a contribution to additional paid-in capital of LLC "MARKETPLACE" in the amount of 150.

Dividends declared

On 28 June 2019 the Annual General Shareholders' Meeting decided not to distribute the net profit for the year 2018 and not to pay dividends.

15. BANK BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing long-term and short-term interest-bearing bank borrowings which are measuring at amortized cost. The borrowings described below are denominated in rubles.

	<u>Maturity</u>	<u>30 June 2019</u>	<u>31 December 2018</u>
Non-current borrowings			
Secured borrowings			
PJSC Bank VTB	April 2025	42 436	45 720
Total non-current borrowings		42 436	45 720
Current borrowings			
Secured borrowings			
PJSC Bank VTB	October 2019 - April 2020	6 698	5 769
Unsecured borrowings		6 698	5 769
JSC Alfa Bank	September- December 2019	6 507	-
PJSC Bank VTB	December 2019	4 009	8 020
JSC UniCredit Bank	December 2019	2 001	-
Total current borrowings		19 215	13 789
Total		61 651	59 509

As at 30 June 2019, the Group was in compliance with financial covenants contained in lending agreements.

As at 30 June 2019, the Group had unutilized credit facilities of 26 890 (31 December 2018: 24 600).

As at 30 June 2019, borrowings are secured by trademarks with carrying amount of 9 133 (31 December 2018: 9 133) (Note 7).

100% stake in share capital of LLC "M.video Management" and LLC "Eldorado" as well as 100% shares of Bovesto Limited are pledged under credit contracts.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

16. OTHER PAYABLES AND ACCRUED EXPENSES

Other payable and accrued expenses as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
Purchase of property, plant and equipment and intangible assets	4 687	4 117
Salaries and bonuses	2 172	3 760
Refund liabilities for goods	1 562	1 724
Operating rent and utility expenses	928	5 699
Other current liabilities to related parties (Note 27)	492	628
Other payables and accrued expenses	2 669	2 922
Total	12 510	18 850

17. OTHER TAXES PAYABLE

Other taxes payable as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
VAT payable	1 690	2 174
Payroll taxes	584	940
Other taxes payable	210	478
Total	2 484	3 592

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

18. CONTRACT LIABILITIES

In order to comply with IFRS 15 *Revenue from Contracts with Customers* the Group changed classification of Deferred revenue. Prepayments relating to Gift certificates were reclassified from Advances received to Deferred revenue and were included into Gift certificates.

	30 June 2019	31 December 2018
Prepayments received for goods	3 849	3 415
Other advances received	444	348
Deferred revenue	5 474	7 676
Total	9 767	11 439

Deferred revenue for half-year periods ended 30 June 2019 and 30 June 2018 consisted of the following:

	For the half-year ended 30 June 2019				For the half-year ended 30 June 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	16 507	2 313	1 074	-	5 076	2 487	1 157	1 085
Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income	(17 405)	(2 605)	(1 668)	(418)	(5 679)	(2 698)	(1 913)	(1 169)
As at 30 June	1 980	444	261	2 789	1 382	364	229	3 204

Other programs represent other discounts to the Group's customers, primarily promotional vouchers.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

19. PROVISIONS

Provisions as at 30 June 2019 and 31 December 2018 consisted of the following:

	30 June 2019	31 December 2018
Provision for litigation and fines	949	960
Provision for tax risks	249	249
Warranty provision – repair of goods	7	29
Total	1 205	1 238

20. REVENUE

Revenue from contracts with customers for the half-year periods ended 30 June 2019 and 30 June 2018 consisted of the following:

	For the half-year ended	
	30 June 2019	30 June 2018
Retail revenue	159 375	116 413
Additional services revenue	1 155	1 169
Other revenue	945	536
Total	161 475	118 118

Retail revenue includes sales in stores, pick-up in stores, internet sales, home-delivery services and commission fees.

Other revenue for the half-year period ended 30 June 2018 includes revenue from services of installation, recycling and digital assistance. For the half-year period ended 30 June 2019 the structure of other revenue has not changed.

21. COST OF SALES

Cost of sales for the half-year periods ended 30 June 2019 and 30 June 2018 consisted of the following:

	For the half-year ended	
	30 June 2019	30 June 2018
Cost of goods sold		
- Cost of goods	117 381	85 816
- Transportation to stores	1 519	910
- Write-off / Restore write-offs of inventory losses	314	234
- Change in inventory obsolescence	(138)	159
Cost of additional services	50	41
Cost of other services	699	205
Total	119 825	87 365

Cost of other services includes depreciation of service equipment.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2019 and 30 June 2018 consisted of the following:

	For the half-year ended	
	30 June 2019	30 June 2018
Depreciation and amortisation	11 804	2 400
Payroll and related taxes	11 139	8 110
Advertising and promotional expenses, net	3 358	2 077
Bank charges	1 451	1 047
Credit broker service	1 369	922
Utilities expense	1 265	751
Repairs and servicing	1 029	565
Security	1 007	640
Warehouse services	855	748
Consulting services	813	634
Lease expenses, net of income from sublease (2019:5, 2018: 23)	655	5 664
Communication	163	133
Taxes other than income tax	118	137
Maintenance and other property operating costs	96	1 178
Other expenses	960	822
Total	36 082	25 828

Payroll and related taxes for the half-year ended 30 June 2019 include 1 670 contribution to the state pension fund (half-year ended 30 June 2018: 1 307) and social and medical insurance in the amount of 642 (half-year ended 30 June 2018: 499).

During half-year ended 30 June 2019 the Group received 518 from its suppliers as a compensation of advertising and promotional expenses (half-year ended 30 June 2018: 364).

23. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2019 and 2018 includes commissions received from banks on loans provided to customers, income earned from suppliers for advertising materials placed in the Group's stores, non-commission income from mobile operators, income from lease of commercial space owned by the Group and other items.

24. FINANCE INCOME AND EXPENSES

Finance income and expenses, net for the half-year periods ended 30 June 2019 and 2018 consisted of the following:

	For the half-year ended	
	30 June 2019	30 June 2018
Interest income	238	237
Exchange rate differences financial	1	8
Interest on bank borrowings	(2 756)	(866)
Interest expense on lease liabilities, net of interest income	(3 588)	-
Total	(6 105)	(621)

25. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the period attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

Diluted earnings per share 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 period 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:

	For the half-year ended	
	30 June 2019	30 June 2018
Net profit attributable to equity holders of the Company	1 563	4 762
Weighted average number of ordinary share in issue (millions of shares)	177,79	179,53
Basic earnings per share (in Russian Rubles)	8,79	26,52
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	177,79	179,53
Diluted earnings per share (in Russian Rubles)	8,79	26,52

26. SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

Starting from 1 January 2019 information reported to the Managing Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses based not on consolidated operating results of 'M.video' and 'Eldorado' brands but on the performance results of separate retail shops or consolidated results of retail business. Operational decisions of "Marketplace" business are made separately from retail business. Organisational structure of the Group for retail business and "Marketplace" is separated. Market place does not qualify quantitatively to be reported as a separate segment.

In accordance with IFRS 8 *Operating Segments* there is only one segment: in store and online trading of home appliances and electronic devices.

Segment include chains of retail shops and online internet stores of home appliances and digital equipment under the brands Eldorado and M.video. Segment specializes in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services.

27. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under the control of key management 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 during the half-year periods ended 30 June 2019 and 30 June 2018 and the outstanding balances owed by/to related parties as at 30 June 2019 and 31 December 2018, respectively:

	For the half-year ended 30 June 2019		30 June 2019		For the half-year ended 30 June 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)	-	1	1	-	1 602	45 997	-	-
Entities controlled by a party exercising significant influence (ii)	299	1 502	982	826	-	-	696	644
Entities under control of key management personnel (iii)	1	172	1	35	1	310	13	102
Total	300	1 675	984	861	1 603	46 307	709	746

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

The nature of transactions with related parties is as follows:

- (i) 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;
- (ii) 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;
- (iii) 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.

The following table provides the total amount of financial transactions, which have been entered into with related parties during the half-year periods ended 30 June 2019 and 30 June 2018 and the outstanding balances owed by/to related parties as at 30 June 2019 and 31 December 2018, respectively:

	<u>For the half-year ended 30 June 2019</u>		<u>30 June 2019</u>		<u>For the half-year ended 30 June 2018</u>		<u>31 December 2018</u>	
	<u>Financial income from related parties</u>	<u>Financial expenses from related parties</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>	<u>Financial income from related parties</u>	<u>Financial expenses from related parties</u>	<u>Amounts owed by related parties</u>	<u>Amounts owed to related parties</u>
Entities under common control (i)	-	2	-	57	-	-	-	-
Entities controlled by a party exercising significant influence (ii)	-	135	-	2 298	-	-	-	-
Entities under control of key management personnel (iii)	-	19	-	357	47	-	-	-
Total	-	156	-	2 712	47	-	-	-

- (i) Entities under common control – financial expenses and lease obligations;
- (ii) Entities controlled by a party exercising significant influence – financial expenses and lease obligations;
- (iii) Entities under control of key management personnel – financial expenses and lease obligations, as well as income received in 2018 under guarantee provided to related party.

During the half-year period ended 30 June 2019 Mr. A. Tynkovan made a contribution to additional paid-in capital of LLC "MARKETPLACE" in the amount of 180.

During the half-year period ended 30 June 2018 Mr. A. Tynkovan made a contribution to additional paid-in capital of LLC "MARKETPLACE" in the amount of 150.

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the half-year periods ended 30 June 2019 and 30 June 2018 was as follow:

	<u>For the half-year ended</u>	
	<u>30 June 2019</u>	<u>30 June 2018</u>
Short-term benefits*	1 607	839
Total	1 607	839

* Short-term benefits include salaries, bonuses and annual leave, medical and relocation expenses.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED) (in millions of Russian Rubles)

As at 30 June 2019 there is 336 outstanding payable to key management personnel (31 December 2018: 818).

As at 30 June 2019 the number of key management positions was 28 (31 December 2018: 27).

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. SSC relating to compensation of key management personnel amounted to 125 for the half-year period ended 30 June 2019 (half-year period ended 30 June 2018: 124) and is included in the amounts stated above.

28. 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. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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. This led to reduced access of the Russian businesses to international capital markets.

The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

License agreements

As 30 June 2019 The Group had non-cancellable contractual commitment of 1 310 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.

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 the 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 30 June 2019 the Group entered into such guarantee contracts for the total amount of 7 362 (31 December 2018: 9 311). As at 30 June 2019 and 31 December 2018 the Group has not pledged any assets as collateral under these guarantee contracts.

29. FINANCIAL ASSETS AND LIABILITIES

Categories of financial instruments

The carrying values of financial assets and liabilities grouped by each category of financial instruments as at 30 June 2019 and 31 December 2018 were as follows:

	<u>30 June 2019</u>	<u>31 December 2018</u>
Financial assets		
Assets carried at amortized cost	36 723	55 990
Financial liabilities		
Liabilities carried at amortized cost	265 987	229 371

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
FOR THE HALF-YEAR ENDED 30 JUNE 2019 (UNAUDITED)
(in millions of Russian Rubles)**

Fair value of financial instruments

	30 June 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	5 657	5 657	25 669	25 669
Accounts receivable	31 021	31 021	30 276	30 276
Total	36 723	36 723	55 990	55 990
Financial liabilities				
Loans and borrowings with fixed interest rate	61 652	60 840	59 509	56 152
Trade accounts receivable	121 535	121 535	155 420	155 420
Other payables and accrued expenses	12 510	12 510	14 442	14 442
Lease Liabilities	70 290	75 719	-	-
Total	265 987	270 604	229 371	226 014

30. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

After the balance sheet date no events have occurred which require disclosure in the interim condensed consolidated financial information.

31. IFRS 16 EFFECT ON FINANCIAL STATEMENTS

Additional information of IFRS 16 effect on reporting period and comparison with IAS 17 is not required in accordance with IFRS. This disclosure is presented for more useful comparison of operating results with prior period.

In accordance with IFRS 16 lease expenses are replaced by depreciation and finance cost. Finance cost is accrued on remaining lease liabilities. Therefore, finance expenses is greater during early years of lease agreement and decrease in later years.

The average lease period of right-of-use assets of the Group is 8 years.

Set out below, interim condensed consolidated statement of profit and loss and other comprehensive income for the half-year ended 30 June 2019 prepared as if IAS 17 was in place:

	For the half-year ended 30 June 2019		For the half-year ended 30 June 2018	
	IFRS 16	IAS 17	IAS 17	IAS 17 (i)
REVENUES	161 475	161 475	118 118	149 600
COST OF SALES	(119 825)	(119 825)	(87 365)	(111 180)
Gross profit	41 650	41 650	30 753	38 420
Selling, general and administrative expenses	(36 082)	(37 434)	(25 828)	(34 302)
Other operating income	2 842	2 785	2 066	2 487
Other operating expenses	(473)	(473)	(375)	(359)
OPERATING PROFIT	7 937	6 528	6 616	6 246
Finance income	239	239	245	288
Finance expenses	(6 344)	(2 770)	(866)	(1 281)
PROFIT BEFORE INCOME TAX EXPENSE	1 832	3 998	5 995	5 253
Income tax expense	(467)	(1 066)	(1 311)	(1 185)
One-off adjustments relating to aquisition of Bovesto Limited business	-	-	-	(1 201)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	1 365	2 931	4 684	2 867

- (i) Set out above interim condensed consolidated statement of profit and loss and other comprehensive income for the half-year ended 30 June 2018 as if Bovesto limited was consolidated starting from 1 January 2018.