

# **Public Joint Stock Company “M.video”**

Interim Condensed Consolidated  
Financial Statements (Unaudited)  
Half-Year Ended 30 June 2020

# **PUBLIC JOINT STOCK COMPANY “M.VIDEO”**

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## **PUBLIC JOINT STOCK COMPANY "M.VIDEO"**

### **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED)**

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Management is responsible for the preparation of the interim condensed 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 30 June 2020, 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 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 interim condensed 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
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial statements of the Group for the half-year ended 30 June 2020 were approved on 20 August 2020.

On behalf of the management:



**B. Uzhakhov**  
Chief Executive Officer



**E. Sokolova**  
Chief Financial Officer

## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

To: Shareholders and Board of Directors of Public Joint Stock Company "M.video"

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the half-year then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements 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 condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 "Interim financial reporting".

### **Other information**

The consolidated financial statements of Public Joint Stock Company "M.video" and its subsidiaries for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on these statements on 23 March 2020.

The interim condensed consolidated financial information of Public Joint Stock Company "M.video" and its subsidiaries for the half-year ended 30 June 2019 was reviewed by another auditor who issued an unmodified conclusion on this financial information on 26 August 2019.

## Additional financial information

Our review was conducted to form a conclusion on the Group's interim condensed consolidated financial statements for the half-year ended 30 June 2020. Management is responsible for the preparation of information accompanying the interim condensed consolidated financial statements, which is presented as additional financial information on pages 32-34. This information is provided for the purpose of additional analysis and is not part of the interim condensed consolidated financial statements for the half-year ended 30 June 2020 prepared in accordance with IAS 34 "Interim Financial Reporting". We have performed review procedures with respect to this additional financial information in course of our review of the interim condensed consolidated financial statements, based on which nothing has come to our attention that causes us to believe that the additional financial information has not been prepared properly in all material respects in accordance with the principles set out on page 32.

  
Biryukov V.E.,  
Team leader  
20 August 2020



The Entity: Public Joint Stock Company "M.video"

Certificate of state registration № 77 №008748648 of 25.09.2006, issued by Interdistrict Inspectorate of the Russian Ministry of Taxation № 46 in Moscow.

Address: 40/12, building 20 (room 5A, premise II, floor 5), Nizhnaya Krasnoselskaya Street, Moscow, 105066, Russian Federation

Audit Firm: AO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

**PUBLIC JOINT STOCK COMPANY "M.VIDEO"**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020 (UNAUDITED)  
(in millions of Russian Rubles)**

|  | Notes | 30 June<br>2020 | 31 December<br>2019 |
|--|-------|-----------------|---------------------|
| <b>NON-CURRENT ASSETS</b>                      |       |                 |                     |
| Property, plant and equipment                  | 3     | 18 241          | 19 777              |
| Investment property                            |       | 298             | 349                 |
| Intangible assets                              | 5     | 20 663          | 20 063              |
| Goodwill                                       |       | 48 975          | 48 975              |
| Right-of-use assets                            | 4     | 67 633          | 62 832              |
| Investment in an associate and a joint venture |       | 2 234           | 1 982               |
| Deferred tax assets                            |       | 3 423           | 3 302               |
| Other non-current assets                       |       | 1 035           | 1 431               |
| <b>Total non-current assets</b>                |       | <b>162 502</b>  | <b>158 711</b>      |
| <b>CURRENT ASSETS</b>                          |       |                 |                     |
| Inventories                                    | 6     | 105 579         | 129 115             |
| Accounts receivable                            | 7     | 35 842          | 34 136              |
| Advances paid                                  | 7     | 1 097           | 1 181               |
| Income tax receivable                          |       | 130             | 84                  |
| Other taxes receivable                         | 8     | 18 013          | 21 316              |
| Other current assets                           |       | 56              | 44                  |
| Cash and cash equivalents                      | 9     | 25 327          | 4 738               |
| Assets held for sale                           |       | -               | 303                 |
| <b>Total current assets</b>                    |       | <b>186 044</b>  | <b>190 917</b>      |
| <b>TOTAL ASSETS</b>                            |       | <b>348 546</b>  | <b>349 628</b>      |
| <b>EQUITY</b>                                  |       |                 |                     |
| Share capital                                  | 10    | 1 798           | 1 798               |
| Additional paid-in capital                     |       | 4 576           | 4 576               |
| Treasury shares                                | 10    | (749)           | (749)               |
| Retained earnings                              |       | 29 014          | 26 502              |
| <b>Total equity</b>                            |       | <b>34 639</b>   | <b>32 127</b>       |
| <b>NON-CURRENT LIABILITIES</b>                 |       |                 |                     |
| Non-current bank borrowings                    | 11    | 38 368          | 38 752              |
| Other liabilities                              |       | 370             | 373                 |
| Lease liabilities                              | 4     | 63 275          | 57 927              |
| Deferred tax liabilities                       |       | 119             | 270                 |
| <b>Total non-current liabilities</b>           |       | <b>102 132</b>  | <b>97 322</b>       |
| <b>CURRENT LIABILITIES</b>                     |       |                 |                     |
| Trade accounts payable                         |       | 145 819         | 176 065             |
| Other payables and accrued expenses            | 12    | 12 592          | 12 975              |
| Contract liabilities                           | 13    | 6 352           | 8 112               |
| Lease liabilities                              | 4     | 14 161          | 10 532              |
| Current bank borrowings                        | 11    | 29 857          | 10 658              |
| Income tax payable                             |       | 609             | 9                   |
| Other taxes payable                            |       | 1 273           | 1 460               |
| Provisions                                     | 14    | 1 112           | 368                 |
| <b>Total current liabilities</b>               |       | <b>211 775</b>  | <b>220 179</b>      |
| <b>Total liabilities</b>                       |       | <b>313 907</b>  | <b>317 501</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>            |       | <b>348 546</b>  | <b>349 628</b>      |

The Notes form an integral part of these interim condensed consolidated financial statements.

Signed on 20 August 2020 by:



**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 2020 (UNAUDITED)**  
*(in millions of Russian Rubles, except earnings per share)*

|   | Notes | For the half-year ended |               |
|---|-------|-------------------------|---------------|
|   |       | 30 June 2020            | 30 June 2019* |
| REVENUE   | 15    | 173 934                 | 161 402       |
| COST OF SALES   | 16    | (129 253)               | (119 626)     |
| <b>GROSS PROFIT</b>   |       | <b>44 681</b>           | <b>41 776</b> |
| Selling, general and administrative expenses  | 17    | (36 159)                | (34 971)      |
| Other operating income  | 18    | 1 954                   | 2 841         |
| Other operating expenses  |       | (348)                   | (469)         |
| <b>OPERATING PROFIT</b>   |       | <b>10 128</b>           | <b>9 177</b>  |
| Finance income  | 19    | 348                     | 226           |
| Finance expenses  | 19    | (5 869)                 | (6 342)       |
| Share of profit/(loss) of an associate and a joint venture  |       | (1 267)                 | (790)         |
| <b>PROFIT BEFORE INCOME TAX EXPENSE</b>   |       | <b>3 340</b>            | <b>2 271</b>  |
| Income tax expense  |       | (830)                   | (778)         |
| <b>NET PROFIT for the period, being<br/>TOTAL COMPREHENSIVE INCOME for the period</b>   |       | <b>2 510</b>            | <b>1 493</b>  |
| BASIC EARNINGS PER SHARE (in Russian Rubles)  | 20    | 14,12                   | 8,40          |
| DILUTED EARNINGS PER SHARE (in Russian Rubles)  | 20    | 14,12                   | 8,40          |
| <b>NET PROFIT for the period, being<br/>TOTAL COMPREHENSIVE INCOME for the period excluding<br/>share of profit/(loss) of an associate and a joint venture **</b> |       | <b>3 777</b>            | <b>2 283</b>  |

\* Some amounts were restated – Note 2.

\*\* Information provided for reference and additional analysis purposes only – Note 2.

The Notes form an integral part of these interim condensed consolidated financial statements.

Signed on 20 August 2020 by:



**B. Uzhakhov**  
Chief Executive Officer



**E. Sokolova**  
Chief Financial Officer

**PUBLIC JOINT STOCK COMPANY "M.VIDEO"**

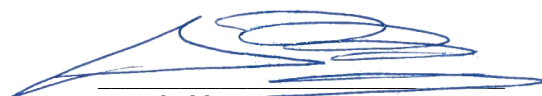
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED)  
(in millions of Russian Rubles)**

|  | Notes | Share capital | Additional paid-in capital | Treasury shares | Retained earnings | Total         |
|--|-------|---------------|----------------------------|-----------------|-------------------|---------------|
| <b>Balance as at 31 December 2018</b>              |       | <b>1 798</b>  | <b>4 576</b>               | <b>(749)</b>    | <b>25 309</b>     | <b>30 934</b> |
| <b>Total comprehensive income for the period *</b> |       | <b>-</b>      | <b>-</b>                   | <b>-</b>        | <b>1 493</b>      | <b>1 493</b>  |
| <b>Balance as at 30 June 2019 *</b>                |       | <b>1 798</b>  | <b>4 576</b>               | <b>(749)</b>    | <b>26 802</b>     | <b>32 427</b> |
| <b>Balance as at 31 December 2019</b>              |       | <b>1 798</b>  | <b>4 576</b>               | <b>(749)</b>    | <b>26 502</b>     | <b>32 127</b> |
| Share-based payments                               | 22    | -             | -                          | -               | 2                 | 2             |
| <b>Total comprehensive income for the period</b>   |       | <b>-</b>      | <b>-</b>                   | <b>-</b>        | <b>2 510</b>      | <b>2 510</b>  |
| <b>Balance as at 30 June 2020</b>                  |       | <b>1 798</b>  | <b>4 576</b>               | <b>(749)</b>    | <b>29 014</b>     | <b>34 639</b> |

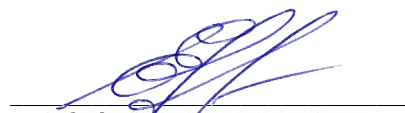
\* Some amounts were restated – Note 2.

The Notes form an integral part of these interim condensed consolidated financial statements.

Signed on 20 August 2020 by:



**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 2020 (UNAUDITED)  
(in millions of Russian Rubles)**

|  | Notes | For the half-year ended |                 |
|--|-------|-------------------------|-----------------|
|  |       | 30 June 2020            | 30 June 2019*   |
| <b>OPERATING ACTIVITIES</b>  |       |                         |                 |
| Total net profit for the period  |       | 2 510                   | 1 493           |
| <i>Adjustments for:</i>  |       |                         |                 |
| Income tax expense   |       | 830                     | 778             |
| Depreciation and amortization  | 17    | 11 856                  | 11 661          |
| Change in allowance for advances paid  |       | 16                      | (92)            |
| Change in allowance for obsolete and slow-moving inventories<br>and inventory losses, net of surpluses |       | 46                      | 193             |
| Interest income  | 19    | (348)                   | (226)           |
| Interest expenses  | 19    | 5 858                   | 6 343           |
| Share of (profit)/loss of an associate and a joint venture   |       | 1 267                   | 790             |
| Other non-cash reconciling items, net  |       | 273                     | (43)            |
| <b>Operating cash flows received from operations before<br/>movements in working capital</b>           |       | <b>22 308</b>           | <b>20 897</b>   |
| Decrease in inventories  |       | 23 490                  | 15 877          |
| Increase in accounts receivable and advances paid  |       | (1 389)                 | (3 052)         |
| Decrease in other taxes receivable   |       | 3 285                   | 1 209           |
| Decrease in trade accounts payable   |       | (30 246)                | (33 857)        |
| Decrease in other payables and accrued expenses  |       | (53)                    | (2 148)         |
| Decrease in contract liabilities   |       | (1 760)                 | (1 637)         |
| Increase/(decrease) in other liabilities   |       | 675                     | (252)           |
| Decrease in other taxes payable  |       | (290)                   | (873)           |
| Other changes in working capital, net  |       | 384                     | 30              |
| <b>Cash received from/(used in) operations</b>   |       | <b>16 404</b>           | <b>(3 806)</b>  |
| Income taxes paid  |       | (693)                   | (2 970)         |
| Interest paid, including interest for rent   |       | (4 935)                 | (5 890)         |
| <b>Net cash received from/(used in) operating activities</b>   |       | <b>10 776</b>           | <b>(12 666)</b> |
| <b>INVESTING ACTIVITIES</b>  |       |                         |                 |
| Purchase of property, plant and equipment  |       | (1 987)                 | (2 177)         |
| Proceeds from disposal of property, plant and equipment  |       | 411                     | 490             |
| Purchase of intangible assets  |       | (1 838)                 | (1 394)         |
| Interest received  |       | 348                     | 226             |
| Net cash outflow from purchase of subsidiary/investment<br>in associate                                |       | -                       | (134)           |
| Investment in joint venture  |       | (1 680)                 | (1 280)         |
| <b>Net cash used in investing activities</b>   |       | <b>(4 746)</b>          | <b>(4 269)</b>  |
| <b>FINANCING ACTIVITIES</b>  |       |                         |                 |
| Proceeds from loans  |       | 24 065                  | 17 814          |
| Repayment of loans   |       | (5 065)                 | (15 639)        |
| Repayment of lease liabilities   |       | (4 439)                 | (5 535)         |
| <b>Net cash received from/(used in) financing activities</b>   |       | <b>14 561</b>           | <b>(3 360)</b>  |
| <b>NET INCREASE/(DECREASE) IN CASH AND<br/>CASH EQUIVALENTS</b>  |       | <b>20 591</b>           | <b>(20 295)</b> |
| <b>CASH AND CASH EQUIVALENTS, at the beginning of<br/>the period</b>                                   |       | <b>4 738</b>            | <b>25 487</b>   |
| Effect of foreign exchange rate changes  |       | (2)                     | 3               |
| <b>CASH AND CASH EQUIVALENTS, at the end of the period</b>   |       | <b>25 327</b>           | <b>5 195</b>    |


\* Some amounts were restated – Note 2.

The Notes form an integral part of these interim condensed consolidated financial statements.

Signed on 20 August 2020 by:



**B. Uzhakhov**  
Chief Executive Officer



**E. Sokolova**  
Chief Financial Officer

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

#### 1. GENERAL INFORMATION

The interim condensed consolidated financial statements of Public Joint Stock Company "M.video" ("the Company") and its subsidiaries (the "Group") for the half-year ended 30 June 2020 were authorized for issue by management on 20 August 2020.

The interim condensed consolidated financial statements for the half-year include assets, liabilities and result of operations of the Company and its subsidiaries as at 30 June 2020 and 31 December 2019:

| Name of subsidiary         | Principal activity             | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Group |                  |
|----------------------------|--------------------------------|--------------------------------------|---|------------------|
|                            |                                |                                      | 30 June 2020  | 31 December 2019 |
| LLC "MVM"                  | Retailing                      | Russian Federation                   | 100   | 100              |
| BOVESTO LIMITED            | Holding company                | Cyprus                               | 100   | 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              |
| LLC "BT Holding"           | Holding company                | Russian Federation                   | 100   | 100              |
| MVEL Investition GmbH      | Holding company                | Germany                              | 100   | 100              |
| LLC "CE Trading solutions" | Retailing                      | Russian Federation                   | -   | 100              |

In January 2020, LLC "CE Trading solutions" and LLC "Eldomarket" were liquidated.

The Group owns an 80% interest in charter capital of LLC "MARKETPLACE", an investment that is classified as a joint venture.

#### Shareholders

As at 30 June 2020 and 31 December 2019, registered shareholders PJSC "M.video" and their ownership interests are presented as follows:

|                                    | 30 June 2020 | 31 December 2019 |
|------------------------------------|--------------|------------------|
| Ericaria Holdings Limited (Cyprus) | 73,5058%     | 73,5058%         |
| MS CE Retail GmbH                  | 15,0000%     | 15,0000%         |
| Treasury shares                    | 1,0993%      | 1,0993%          |
| Various shareholders               | 10,3949%     | 10,3949%         |
| <b>Total</b>                       | <b>100%</b>  | <b>100%</b>      |

At 30 June 2020, the ultimate controlling party of the Company is Gutseriev Said Mikhailovich.

#### 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"). These interim condensed consolidated financial statements for the half-year ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The interim condensed consolidated financial statements do 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 2019.

**Functional and presentation currency** – The amounts in the interim condensed consolidated financial statements are presented in Russian Rubles ("RUB"), which is functional currency of the Group's entities. The functional currency of the Group's entities was defined as the currency of the primary economic environment in which the respective entity operates.

## **PUBLIC JOINT STOCK COMPANY "M.VIDEO"**

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)**

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#### **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 of fixed assets, of rights-of-use assets, and 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.

#### **Significant accounting policies**

The accounting policies applied in the preparation of these interim condensed consolidated financial statements are consistent with the accounting policies applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2019, except for the effects of new standards, changes in standards and interpretations effective from 1 January 2020. The Group has not early applied any standards, clarifications or amendments that have been issued but are not yet effective. The Group opted not to use the practical expedient contained within amendments to IFRS 16 "Leases", which allow not to assess whether rent concessions, resulting from the pandemic due to the spread of coronavirus (COVID-19) in 2020, are modifications of lease agreements.

Some changes to IFRS standards and interpretations became effective in 2020, but had no impact on the interim condensed consolidated financial statements:

| <b>Standards and interpretations</b>   | <b>Effective from</b> |
|--|-----------------------|
| Amendments to IFRS 3 "Definition of a business"  | 1 January 2020        |
| Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest rate benchmark reform"   | 1 January 2020        |
| Amendments to IAS 1 and IAS 8 "Definition of material"   | 1 January 2020        |
| Amendments to references to the Conceptual Framework in IFRS standards, which became effective upon publication on 29 March 2018 | 1 January 2020        |

#### **Income tax**

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

#### **Share-based payments**

##### ***Cash-settled share-based payments***

The Group's liabilities for cash-settled share-based payments are recorded as "Cash-settled share-based payments" and initially measured at the fair value of these liabilities. The fair value of the liability is revalued at the end of each reporting period until the liability is settled, as well as at the maturity date, and changes in fair value are recorded in profit or loss for the period.

##### ***Equity-settled share-based payments***

Employee benefits that are based on the market value of shares and paid in the form of shares are carried at the fair value of equity instruments at the date when the remuneration is granted. The fair value of the equity-settled share-based payments, determined at the grant date, is expensed over the vesting period.

#### **Government grants**

Government grants are recognized in the Group's financial statements only if there is reasonable assurance that all the conditions necessary to obtain them are met and the grants will be received.

Grants are associated with obtaining loans at preferential interest rates.

Grant income arising as the difference between the market interest rate and contractual interest rate on loans received for the payment of wages and financing of current activities is estimated for the entire period of the loan and recognized in other operating income over the periods in which the corresponding expenses compensated by grants are incurred.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

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#### Alternative Performance Measures ("APMs")

In the interim condensed consolidated financial statements management has adopted various APMs. These measures are not defined by International Financial Reporting Standards and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry.

APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Management believes that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. APMs are also used to enhance the comparability of information between reporting periods and provide useful information on core retail business of the Group by adjusting for uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, APMs are used by the Board of Directors and management for performance analysis, planning, reporting and incentive-setting purposes.

The APMs used by the Group are discussed below:

| <b>APM</b>  | <b>Closest equivalent IFRS measure</b>                                    | <b>Adjustments to reconcile to IFRS measure</b>                    | <b>Definition and purpose</b>   |
|---|---|--|---|
| <b>Profit measure</b><br>Net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture | Net profit for the period being total comprehensive income for the period | Exclude share of profit/(loss) of an associate and a joint venture | This is a key performance and management incentive metric. This measure excludes share of profit/(loss) of an associate and a joint venture. This measure is used to exclude the performance of companies that are not part of the Group and whose financial performance the Group cannot control |

Reconciliation of APMs discussed above to the closest equivalent IFRS measure is as follows:

|  | <b>For the half-year ended 30 June 2020</b> | <b>For the half-year ended 30 June 2019</b> |
|--|---|---|
| Net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture | 3 777                                       | 2 283                                       |
| Add: share of profit/(loss) of an associate and a joint venture  | (1 267)                                     | (790)                                       |
| Net profit for the period being total comprehensive income for the period  | 2 510                                       | 1 493                                       |

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### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2020 (UNAUDITED) (in millions of Russian Rubles)

#### Changes in comparative information presented in the financial statements

During preparation of the consolidated financial statements for 2019 year, it was noted that as a result of amendments in participants' agreement relating to LLC "MARKETPLACE" in 2017, the Group lost control over the LLC "MARKETPLACE", but obtained joint control over LLC "MARKETPLACE". Accordingly, the Group had to discontinue consolidation of LLC "MARKETPLACE" and recognize the investment in LLC "MARKETPLACE" as an investment in a joint venture using equity method starting from the date when control was lost. As a result, the Group adjusted the comparative information in the consolidated statements for the year ended 31 December 2019.

The Group also made respective adjustments to the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the half-year ended 30 June 2019.

The effect on net profit for the half-year ended 30 June 2019 due to derecognition of income and expenses relating to LLC "MARKETPLACE" was 128. The share of the Group's loss from the joint venture LLC "MARKETPLACE" for the half-year ended 30 June 2019 amounted to 790. In addition, the Group discontinued consolidation of the non-controlling participant's contribution to the capital of LLC "MARKETPLACE" in the amount of 492 previously recorded in the consolidated statement of changes in equity as at 30 June 2019. Accordingly, the consolidated statement of changes in equity for the half-year ended 30 June 2019 was also adjusted.

#### Changes in the consolidated statement of profit or loss and other comprehensive income for the half-year ended 30 June 2019

|  | Before<br>restatement | Effect of<br>restatement | After<br>restatement |
|--|-----------------------|--------------------------|----------------------|
| REVENUE  | 161 475               | (73)                     | 161 402              |
| COST OF SALES  | (119 825)             | 199                      | (119 626)            |
| <b>GROSS PROFIT</b>  | <b>41 650</b>         | <b>126</b>               | <b>41 776</b>        |
| Selling, general and administrative expenses                           | (36 082)              | 1 111                    | (34 971)             |
| Other operating income   | 2 842                 | (1)                      | 2 841                |
| Other operating expenses   | (473)                 | 4                        | (469)                |
| <b>OPERATING PROFIT</b>  | <b>7 937</b>          | <b>1 240</b>             | <b>9 177</b>         |
| Finance income   | 239                   | (13)                     | 226                  |
| Finance expenses   | (6 344)               | 2                        | (6 342)              |
| Share of profit/(loss) of an associate and a joint venture             | -                     | (790)                    | (790)                |
| <b>PROFIT BEFORE INCOME TAX EXPENSE</b>                                | <b>1 832</b>          | <b>439</b>               | <b>2 271</b>         |
| Income tax expense   | (467)                 | (311)                    | (778)                |
| <b>NET PROFIT for the period, being<br/>TOTAL COMPREHENSIVE INCOME</b> | <b>1 365</b>          | <b>128</b>               | <b>1 493</b>         |
| BASIC EARNINGS PER SHARE (in Russian Rubles)                           | 8,79                  | (0,39)                   | 8,40                 |
| DILUTED EARNINGS PER SHARE<br>(in Russian Rubles)                      | 8,79                  | (0,39)                   | 8,40                 |

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**Changes in the consolidated statement of cash flows for the half-year ended 30 June 2019**

|   | <u>Before<br/>restatement</u> | <u>Effect of<br/>restatement</u> | <u>After<br/>restatement</u> |
|---|-------------------------------|----------------------------------|------------------------------|
| <b>OPERATING ACTIVITIES</b>   |                               |                                  |                              |
| Total net profit for the period   | 1 365                         | 128                              | 1 493                        |
| Income tax expense  | 467                           | 311                              | 778                          |
| Depreciation and amortization   | 11 803                        | (142)                            | 11 661                       |
| Change in impairment allowance for advances paid                          | (89)                          | (3)                              | (92)                         |
| Interest income   | (238)                         | 12                               | (226)                        |
| Interest expenses   | 6 344                         | (1)                              | 6 343                        |
| Share of (profit)/loss of an associate and a joint venture                | -                             | 790                              | 790                          |
| Other non-cash reconciling items, net                                     | (51)                          | 8                                | (43)                         |
| <b>Operating cash flows before movements in working capital</b>           | <b><u>19 794</u></b>          | <b><u>1 103</u></b>              | <b><u>20 897</u></b>         |
| Increase in accounts receivable and advances paid                         | (2 986)                       | (66)                             | (3 052)                      |
| Decrease in other taxes receivable  | 1 161                         | 48                               | 1 209                        |
| Decrease in trade accounts payable  | (33 884)                      | 27                               | (33 857)                     |
| Decrease in other payables and accrued expenses                           | (2 049)                       | (99)                             | (2 148)                      |
| Decrease in contract liabilities  | (1 672)                       | 35                               | (1 637)                      |
| Decrease in other taxes payable   | (882)                         | 9                                | (873)                        |
| Other changes in working capital, net                                     | 31                            | (1)                              | 30                           |
| <b>Cash used in operations</b>  | <b><u>(4 862)</u></b>         | <b><u>1 056</u></b>              | <b><u>(3 806)</u></b>        |
| Income taxes paid   | (2 946)                       | (24)                             | (2 970)                      |
| <b>Net cash used in operating activities</b>                              | <b><u>(13 698)</u></b>        | <b><u>1 032</u></b>              | <b><u>(12 666)</u></b>       |
| <b>INVESTING ACTIVITIES</b>   |                               |                                  |                              |
| Purchase of property, plant and equipment                                 | (2 182)                       | 5                                | (2 177)                      |
| Purchase of intangible assets   | (1 541)                       | 147                              | (1 394)                      |
| Interest received   | 238                           | (12)                             | 226                          |
| Investment in joint venture   | -                             | (1 280)                          | (1 280)                      |
| <b>Net cash used in investing activities</b>                              | <b><u>(3 129)</u></b>         | <b><u>(1 140)</u></b>            | <b><u>(4 269)</u></b>        |
| <b>FINANCING ACTIVITIES</b>   |                               |                                  |                              |
| Non-controlling participant's contribution to the capital of a subsidiary | 186                           | (186)                            | -                            |
| Repayment of lease liabilities  | (5 549)                       | 14                               | (5 535)                      |
| <b>Net cash received used in financing activities</b>                     | <b><u>(3 188)</u></b>         | <b><u>(172)</u></b>              | <b><u>(3 360)</u></b>        |
| <b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>                          | <b>(20 015)</b>               | <b>(280)</b>                     | <b>(20 295)</b>              |
| <b>CASH AND CASH EQUIVALENTS, at the beginning of the period</b>          | <b>25 669</b>                 | <b>(182)</b>                     | <b>25 487</b>                |
| <b>CASH AND CASH EQUIVALENTS, at the end of the period</b>                | <b>5 657</b>                  | <b>(462)</b>                     | <b>5 195</b>                 |

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**3. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment as at 30 June 2020 and 31 December 2019 consisted of the following:

|   | <b>For the half-<br/>year ended<br/>30 June 2020</b> | <b>For the half-<br/>year ended<br/>30 June 2019</b> |
|---|--|--|
| <b>Cost</b>                             |  |  |
| <b>As at 31 December</b>                | <b>42 375</b>  | <b>39 411</b>  |
| Reclassification to right-of-use assets | -  | (335)  |
| <b>As at 1 January</b>                  | <b>42 375</b>  | <b>39 076</b>  |
| Additions                               | 1 095  | 2 219  |
| Disposals                               | (355)  | (294)  |
| Reclassification to current assets      | (6)  | -  |
| <b>As at 30 June</b>                    | <b>43 109</b>  | <b>41 001</b>  |
| <b>Accumulated depreciation</b>         |  |  |
| <b>As at 31 December</b>                | <b>22 598</b>  | <b>18 814</b>  |
| Reclassification to right-of-use assets | -  | (21)   |
| <b>As at 1 January</b>                  | <b>22 598</b>  | <b>18 793</b>  |
| Charge for the period                   | 2 514  | 2 147  |
| Disposals                               | (244)  | (217)  |
| <b>As at 30 June</b>                    | <b>24 868</b>  | <b>20 723</b>  |
| <b>Net book value</b>                   |  |  |
| <b>As at 31 December /1 January</b>     | <b>19 777</b>  | <b>20 283</b>  |
| <b>As at 30 June</b>                    | <b>18 241</b>  | <b>20 278</b>  |

During the half-year ended 30 June 2020, the Group's total capital expenditures were 1 095 (for the half-year ended 30 June 2019: 2 219), which were primarily related to leasehold improvements, computer and trade equipment.

Depreciation expenses have been included in "Selling, general and administrative expenses" (Note 17).

Assets mainly related to the closed stores with net book value of 111 were disposed of by the Group in the half-year ended 30 June 2020 (for the half-year ended 30 June 2019: 77). Loss on disposal of these items of 4 (for the half-year ended 30 June 2019: 73) was recorded within other operating expenses.

As at 30 June 2020 and 31 December 2019, the Group did not pledge fixed assets.

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**4. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

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

|                               | <u>Right-of-use<br/>assets</u> | <u>Lease liabilities</u> |
|-------------------------------|--------------------------------|--------------------------|
| <b>As at 31 December 2019</b> | <b>62 832</b>                  | <b>(68 459)</b>          |
| New agreements                | 1 981                          | (1 946)                  |
| Modification of agreements    | 11 248                         | (11 363)                 |
| Amortization                  | (8 069)                        | -                        |
| Disposals                     | (359)                          | 439                      |
| Interest expenses             | -                              | (2 828)                  |
| Lease payments                | -                              | 6 721                    |
|                               | <u><b>67 633</b></u>           | <u><b>(77 436)</b></u>   |
| Current lease liabilities     |                                | (14 161)                 |
| Non-current lease liabilities |                                | (63 275)                 |
|                               |                                |                          |
|                               | <u>Right-of-use<br/>assets</u> | <u>Lease liabilities</u> |
| <b>As at 1 January 2019</b>   | <b>71 455</b>                  | <b>(74 182)</b>          |
| New agreements                | 670                            | (625)                    |
| Modification of agreements    | 561                            | (574)                    |
| Amortization                  | (8 388)                        | -                        |
| Disposals                     | (101)                          | 69                       |
| Interest expenses             | -                              | (3 590)                  |
| Lease payments                | -                              | 8 635                    |
|                               | <u><b>64 197</b></u>           | <u><b>(70 267)</b></u>   |
| Current lease liabilities     |                                | (13 441)                 |
| Non-current lease liabilities |                                | (56 826)                 |

During the half-year ended 30 June 2020, the Group recognized expenses related to variable lease payments in the amount of 1 432 (for the half-year ended 30 June 2019: 655).



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#### 5. INTANGIBLE ASSETS

Intangible assets as at 30 June 2020 and 31 December 2019 consisted of the following:

|   | <b>For the half-<br/>year ended<br/>30 June 2020</b> | <b>For the half-<br/>year ended<br/>30 June 2019</b> |
|---|--|--|
| <b>Cost</b>                             |  |  |
| <b>As at 1 January</b>                  | <b>25 731</b>  | <b>22 838</b>  |
| Additions                               | 2 016  | 1 816  |
| Disposals                               | (172)  | (322)  |
| Reclassification to right-of-use assets | -  | (707)  |
| <b>As at 30 June</b>                    | <b>27 575</b>  | <b>23 625</b>  |
| <b>Accumulated depreciation</b>         |  |  |
| <b>As at 1 January</b>                  | <b>5 668</b>   | <b>4 214</b>   |
| Charge for the period                   | 1 417  | 1 168  |
| Disposals                               | (173)  | (321)  |
| Reclassification to right-of-use assets | -  | (103)  |
| <b>As at 30 June</b>                    | <b>6 912</b>   | <b>4 958</b>   |
| <b>Net book value</b>                   |  |  |
| <b>As at 1 January</b>                  | <b>20 063</b>  | <b>18 624</b>  |
| <b>As at 30 June</b>                    | <b>20 663</b>  | <b>18 667</b>  |

The total cost of acquisition of intangible assets was 2 016 and 1 816 in the half-year ended 30 June 2020 and 30 June 2019, respectively, which for the most part relate to the development of the "front-office / back-office" system.

Depreciation expenses have been included in Selling, general and administrative expenses (Note 17).

As at 30 June 2020 Group's trademarks with carrying value 9 133 are pledged as collateral under a loan agreement.

As at 30 June 2020 and 31 December 2019, the Group had contractual commitments for the technical support of software licenses (Note 24).

#### 6. INVENTORIES

Inventories as at 30 June 2020 and 31 December 2019 consisted of the following:

|  | <b>30 June<br/>2020</b> | <b>31 December<br/>2019</b> |
|--|-------------------------|-----------------------------|
| Goods for resale (at lower cost or net realisable value)       | 103 548                 | 127 101                     |
| Right of return assets (at lower cost or net realisable value) | 1 861                   | 1 846                       |
| Other inventories (at cost)                                    | 170                     | 168                         |
| <b>Total</b>   | <b>105 579</b>          | <b>129 115</b>              |

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#### 7. ACCOUNTS RECEIVABLE AND ADVANCES PAID

Accounts receivable and advances paid as at 30 June 2020 and 31 December 2019 consisted of the following:

|  | <u>30 June<br/>2020</u> | <u>31 December<br/>2019</u> |
|--|-------------------------|-----------------------------|
| <b>Accounts receivable</b>                         |                         |                             |
| Bonuses receivable from suppliers                  | 26 190                  | 25 921                      |
| Other accounts receivable                          | 7 737                   | 7 375                       |
| Accounts receivable from related parties (Note 23) | 1 915                   | 840                         |
| <b>Total accounts receivable</b>                   | <u><b>35 842</b></u>    | <u><b>34 136</b></u>        |
| <b>Advances paid</b>                               |                         |                             |
| Advances paid to suppliers and prepaid expenses    | 1 495                   | 1 549                       |
| Advances paid to related parties (Note 23)         | 157                     | 192                         |
| Impairment allowance for advances paid             | (555)                   | (560)                       |
| <b>Total advances paid</b>                         | <u><b>1 097</b></u>     | <u><b>1 181</b></u>         |
| <b>Total</b>                                       | <u><b>36 939</b></u>    | <u><b>35 317</b></u>        |

#### 8. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2020 and 31 December 2019 consisted of the following:

|                        | <u>30 June<br/>2020</u> | <u>31 December<br/>2019</u> |
|------------------------|-------------------------|-----------------------------|
| VAT recoverable        | 17 983                  | 21 300                      |
| Other taxes receivable | 30                      | 16                          |
| <b>Total</b>           | <u><b>18 013</b></u>    | <u><b>21 316</b></u>        |

#### 9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2020 and 31 December 2019 consisted of the following:

|                               | <u>30 June<br/>2020</u> | <u>31 December<br/>2019</u> |
|-------------------------------|-------------------------|-----------------------------|
| Cash at banks                 | 23 952                  | 1 303                       |
| Cash in transit               | 995                     | 2 874                       |
| Petty cash and cash in stores | 380                     | 561                         |
| <b>Total</b>                  | <u><b>25 327</b></u>    | <u><b>4 738</b></u>         |

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.

#### 10. EQUITY

##### Share capital

As at 30 June 2020 and 31 December 2019, the Company had the following number of outstanding, issued and authorized ordinary shares:

|  | <u>Outstanding<br/>ordinary shares</u> | <u>Issued<br/>ordinary shares</u> | <u>Authorized<br/>ordinary shares</u> |
|--|--|-----------------------------------|---------------------------------------|
| <b>Balance as at 30 June 2020 and<br/>31 December 2019</b> | <u><b>177 792 057</b></u>              | <u><b>179 768 227</b></u>         | <u><b>209 768 227</b></u>             |

Each share has par value of 10 RUB per share. During the half-year ended 30 June 2020, there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid.

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#### Treasury shares

As at 30 June 2020 and 31 December 2019 the Group owned 1 976 170 treasury shares held at cost of 749.

#### Dividends declared

No dividends were declared or paid for the half-year ended 30 June 2020 and 30 June 2019.

## 11. 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 and credit lines which are measuring at amortized cost. The borrowings described below are denominated in rubles.

|  | <u>Maturity</u>             | <u>30 June<br/>2020</u> | <u>31 December<br/>2019</u> |
|--|-----------------------------|-------------------------|-----------------------------|
| <b>Non-current borrowings</b>                    |                             |                         |                             |
| <b>Secured borrowings</b>                        |                             |                         |                             |
| PJSC Bank VTB                                    | April 2025                  | 38 368                  | 38 752                      |
| <b>Total non-current borrowings</b>              |                             | <b>38 368</b>           | <b>38 752</b>               |
| <b>Current borrowings and credit lines</b>       |                             |                         |                             |
| <b>Secured borrowings</b>                        |                             |                         |                             |
| PJSC Bank VTB                                    | October 2020-<br>April 2021 | 7 891                   | 7 654                       |
|  |                             | <b>7 891</b>            | <b>7 654</b>                |
| <b>Unsecured borrowings and credit lines</b>     |                             |                         |                             |
| JSC Alfa Bank                                    | September 2020              | 6 442                   | 3 004                       |
| PJSC Sovcombank                                  | March 2021                  | 5 000                   | -                           |
| JSC UniCredit Bank                               | September 2020              | 3 501                   | -                           |
| JSC Gazprombank                                  | August 2020                 | 3 005                   | -                           |
| PJSC Promsvyazbank                               | September 2020              | 2 013                   | -                           |
| PJSC Bank VTB                                    | April 2021                  | 2 005                   | -                           |
|  |                             | <b>21 966</b>           | <b>3 004</b>                |
| <b>Total current borrowings and credit lines</b> |                             | <b>29 857</b>           | <b>10 658</b>               |
| <b>Total borrowings and credit lines</b>         |                             | <b>68 225</b>           | <b>49 410</b>               |

As at 30 June 2020, the Group was in compliance with financial covenants contained in loan agreements.

As at 30 June 2020, the Group had unutilized uncommitted credit facilities of 38 680 (31 December 2019: 44 290).

As at 30 June 2020, borrowings are secured by trademarks with carrying amount of 9 133 (31 December 2019: 9 133) (Note 5).

100% stake in share capital of LLC "MVM" and LLC "BT Holding" as well as 100% shares of BOVESTO LIMITED are pledged under credit contracts.

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**12. OTHER PAYABLES AND ACCRUES EXPENSES**

Other payables and accrued expenses as at 30 June 2020 and 31 December 2019 consisted of the following:

|   | <b>30 June<br/>2020</b> | <b>31 December<br/>2019</b> |
|---|-------------------------|-----------------------------|
| Purchase of property, plant and equipment and intangible assets | 2 729                   | 3 911                       |
| Variable lease and utility expenses                             | 2 331                   | 1 498                       |
| Salaries and bonuses  | 1 728                   | 3 120                       |
| Refund liabilities for goods                                    | 1 566                   | 1 561                       |
| Other current liabilities to related parties (Note 23)          | 1 549                   | 542                         |
| Other payables and accrued expenses                             | 2 689                   | 2 343                       |
| <b>Total</b>  | <b>12 592</b>           | <b>12 975</b>               |

**13. CONTRACT LIABILITIES**

Contract liabilities as at 30 June 2020 and 31 December 2019 consisted of the following:

|                                | <b>30 June<br/>2020</b> | <b>31 December<br/>2019</b> |
|--------------------------------|-------------------------|-----------------------------|
| Deferred revenue               | 2 743                   | 4 195                       |
| Prepayments received for goods | 2 661                   | 2 524                       |
| Other advances received        | 948                     | 1 393                       |
| <b>Total</b>                   | <b>6 352</b>            | <b>8 112</b>                |

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Deferred revenue for half-year periods ended 30 June 2020 and 30 June 2019 consisted of the following:

|   | For the half-year ended 30 June 2020 |                   |                |                     | For the half-year ended 30 June 2019 |                   |                |                     |
|---|--------------------------------------|-------------------|----------------|---------------------|--------------------------------------|-------------------|----------------|---------------------|
|   | Customer loyalty programs            | Gift certificates | Other programs | Additional services | Customer loyalty programs            | Gift certificates | Other programs | Additional services |
| <b>As at 1 January</b>  | <b>2 030</b>                         | <b>263</b>        | <b>101</b>     | <b>1 801</b>        | <b>2 877</b>                         | <b>736</b>        | <b>856</b>     | <b>3 207</b>        |
| Revenue deferred during the period  | 8 739                                | 958               | 1 431          | -                   | 13 756                               | 2 313             | 1 074          | 737                 |
| Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income | (9 206)                              | (1 145)           | (1 519)        | (710)               | (14 654)                             | (2 605)           | (1 668)        | (1 155)             |
| <b>As at 30 June</b>  | <b>1 563</b>                         | <b>76</b>         | <b>13</b>      | <b>1 091</b>        | <b>1 979</b>                         | <b>444</b>        | <b>262</b>     | <b>2 789</b>        |

Other programs represent other discounts to the Group's customers, mainly coupons.

Revenue for the half-year ended 30 June 2020 includes the amount of obligations under the contract with customers at the beginning of the year in the amount of 5 164 (for the half-year ended 30 June 2019: 8 810).

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#### 14. PROVISIONS

Provisions as at 30 June 2020 and 31 December 2019 consisted of the following:

|                                      | <b>31 December<br/>2019</b> | <b>Accrual of<br/>provision</b> | <b>Utilization of<br/>provision</b> | <b>30 June<br/>2020</b> |
|--------------------------------------|-----------------------------|---------------------------------|-------------------------------------|-------------------------|
| Provision for tax risks *            | -                           | 666                             | -                                   | 666                     |
| Provision for litigation and fines   | 360                         | 134                             | (56)                                | 438                     |
| Warranty provision – repair of goods | 8                           | -                               | -                                   | 8                       |
| <b>Total</b>                         | <b>368</b>                  | <b>800</b>                      | <b>(56)</b>                         | <b>1 112</b>            |

|                                      | <b>31 December<br/>2018</b> | <b>Accrual of<br/>provision</b> | <b>Utilization of<br/>provision</b> | <b>Write-off of<br/>provision</b> | <b>30 June<br/>2019</b> |
|--------------------------------------|-----------------------------|---------------------------------|-------------------------------------|-----------------------------------|-------------------------|
| Provision for litigation and fines   | 960                         | 85                              | (56)                                | (39)                              | 950                     |
| Provision for tax risks              | 249                         | -                               | -                                   | -                                 | 249                     |
| Warranty provision – repair of goods | 29                          | 8                               | -                                   | (29)                              | 8                       |
| <b>Total</b>                         | <b>1 238</b>                | <b>93</b>                       | <b>(56)</b>                         | <b>(68)</b>                       | <b>1 207</b>            |

\* Provision was accrued as a result of field audit of LLC "ELDORADO" conducted by the Russian tax authorities for 2015-2017, period before LLC "ELDORADO" was acquired by the Group. The Group has also accrued a liability of 249 for uncertain income tax position which was reflected within income tax expense. The expected compensation for potential tax accruals from the previous owners of LLC "ELDORADO" in the amount of 915 is reflected in accounts receivable in correspondence with the respective accounts of the statement of profit or loss and other comprehensive income (Note 25).

#### 15. REVENUE

Revenue from contracts with customers for the half-year periods ended 30 June 2020 and 30 June 2019 consisted of the following:

|  | <b>For the half-year ended</b> |                         |
|--|--------------------------------|-------------------------|
|  | <b>30 June<br/>2020</b>        | <b>30 June<br/>2019</b> |
| Retail revenue                         | 171 991                        | 159 189                 |
| Additional services revenue            | 710                            | 1 155                   |
| Wholesale revenue                      | 144                            | 207                     |
| Rental income from investment property | 465                            | 112                     |
| Other revenue                          | 624                            | 739                     |
| <b>Total</b>                           | <b>173 934</b>                 | <b>161 402</b>          |

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

Other revenue includes revenue from services of installation, recycling of home appliances and digital assistance.

Revenue for the half-year ended 30 June 2020 recognized at a point in time was 173 224 (for the half-year ended 30 June 2019: 160 247), and revenue for the half-year ended 30 June 2020 recognized over a period of time was 710 (for the half-year ended 30 June 2019: 1 155).

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#### 16. COST OF SALES

Cost of sales for the half-year periods ended 30 June 2020 and 30 June 2019 consisted of the following:

|  | For the half-year ended |                 |
|--|-------------------------|-----------------|
|  | 30 June<br>2020         | 30 June<br>2019 |
| Cost of goods sold:  |                         |                 |
| - Cost of goods sold   | 127 073                 | 117 264         |
| - Transportation to stores   | 1 518                   | 1 438           |
| - Inventory losses net of surpluses and related compensations from suppliers | 281                     | 314             |
| - Recovery of write-down of inventory  | (309)                   | (138)           |
| Cost of additional services  | 25                      | 50              |
| Cost of other services   | 665                     | 698             |
| <b>Total</b>   | <b>129 253</b>          | <b>119 626</b>  |

#### 17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the half-year periods ended 30 June 2020 and 30 June 2019 consisted of the following:

|   | For the half-year ended |                 |
|---|-------------------------|-----------------|
|   | 30 June<br>2020         | 30 June<br>2019 |
| Depreciation and amortization   | 11 856                  | 11 661          |
| Payroll and related taxes   | 11 004                  | 10 959          |
| Advertising and promotional expenses, net                               | 2 630                   | 2 708           |
| Bank charges  | 1 763                   | 1 427           |
| Variable lease expenses, net of income from sublease (2020: 8, 2019: 3) | 1 433                   | 655             |
| Utilities expenses  | 1 188                   | 1 265           |
| Credit broker services  | 1 038                   | 1 369           |
| Security  | 1 003                   | 1 006           |
| Warehouse services  | 1 003                   | 847             |
| Repairs and maintenance   | 869                     | 1 026           |
| Consulting services   | 861                     | 748             |
| Communication   | 209                     | 150             |
| Taxes other than income tax   | 204                     | 118             |
| Maintenance and other property operating costs                          | 56                      | 96              |
| Other expenses  | 1 042                   | 936             |
| <b>Total</b>  | <b>36 159</b>           | <b>34 971</b>   |

Payroll and related taxes for the half-year ended 30 June 2020 include 1 844 of contribution to the state pension fund (for the half-year ended 30 June 2019: 1 670) and social and medical insurance in the amount of 695 (for the half-year ended 30 June 2019: 642).

During half-year ended 30 June 2020 the Group received 498 from its suppliers as a compensation of advertising and promotional expenses (for the half-year ended 30 June 2019: 518).

#### 18. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2020 and 30 June 2019 includes commissions received from banks on loans provided to customers, other marketing income, income from government grants and other items.

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#### 19. FINANCE INCOME AND EXPENSES

Finance income and expenses for the half-year periods ended 30 June 2020 and 30 June 2019 consisted of the following:

|   | For the half-year ended |                 |
|---|-------------------------|-----------------|
|   | 30 June<br>2020         | 30 June<br>2019 |
| Interest income   | 348                     | 226             |
| Foreign exchange financial differences                        | (11)                    | 1               |
| Interest on bank borrowings, credit lines and other           | (3 031)                 | (2 755)         |
| Interest expense on lease liabilities, net of interest income | (2 827)                 | (3 588)         |
| <b>Total</b>  | <b>(5 521)</b>          | <b>(6 116)</b>  |

#### 20. 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.

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company (while share-based payments accounted as equity-settled only), by the weighted average number of ordinary shares outstanding during the period, plus the weighted average number of all potentially dilutive common shares that will be issued in the event of payment of remuneration to key management personnel in the form of shares.

The earnings and number of shares used in calculating basic and diluted earnings per share are set out below:

|   | For the half-year ended |                 |
|---|-------------------------|-----------------|
|   | 30 June<br>2020         | 30 June<br>2019 |
| Net profit attributable to equity holders of the Company  | 2 510                   | 1 493           |
| Weighted average number of ordinary shares in issue (millions of shares)                                      | 177,79                  | 177,79          |
| <b>Basic earnings per share (in Russian Rubles)</b>   | <b>14,12</b>            | <b>8,40</b>     |
| Net income attributable to equity holders of the Company, adjusted for the effect of dilution                 | 2 511                   | 1 493           |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares) | 177,82                  | 177,79          |
| <b>Diluted earnings per share (in Russian Rubles)</b>   | <b>14,12</b>            | <b>8,40</b>     |

#### 21. SEGMENT INFORMATION

##### Products and services of reportable segments

The activities of the Group are carried out on the territory of the Russian Federation and consist mainly of the retail trade of home appliances and digital equipment. 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 separate stores, including "M.video" and "Eldorado" stores, online stores and others, and determined that the stores have similar margin, similar products, customers and methods of selling such products. Therefore, the Group believes that it has only one reportable segment in accordance with IFRS 8 "Operating Segments". The segment's performance measurement is based on profit or loss reflected in the consolidated financial statements.



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#### 22. SHARE-BASED PAYMENTS

In March 2020, the Group's Board of Directors approved a three-year long-term remuneration program (the "LTRP") for key management personnel of the Group. The program is effective from 1 April 2020 to 31 December 2022. According to the program, participants of LTRP will receive remuneration if the Group achieves certain budget targets for the relevant calendar year (non-market condition) or if an event related to capital markets (the "Event") occurs by 31 December 2022 (non-market condition). To receive remuneration, program participants must work a certain amount of time during the corresponding annual period and remain employees of the Group as of the vesting date.

If the Event occurs, employees are paid remuneration in the form of ordinary shares of the Company. If the Event does not occur, but the Group reaches the budget target for the corresponding calendar year, the employee has the right to select the form of remuneration: either in cash or in the form of shares. In the case of cash settlement, the amount of remuneration will be 10% less than the amount of remuneration in the form of shares.

The program was classified by the Group as consisting of two elements: cash-settled and equity-settled. For the purposes of the consolidated financial statements preparation, the Group considered only a scenario that the Group will reach established budget target for the period ended 31 December 2020 as being probable. Another scenario (i.e. the occurrence of an Event) at the reporting date was considered unlikely for accounting purposes.

The amount of remuneration payable if the target budget indicator is met for the corresponding year is calculated as the weighted average share price for three calendar months (from December of the reporting year to February of the year following the reporting year), taking into account the equivalent of shares assigned to each employee. Remuneration is to be paid until 30 April of each year following the reporting year. Each tranche of remuneration for the corresponding calendar year is considered as a separate share-based payment for the accounting purposes.

During the half-year ended 30 June 2020, the individual terms of the program for the calendar year 2020 were agreed by the Group with 9 participants, whose total remuneration may amount to 169 650 shares.

The fair value of remuneration as at the grant date of the program, as well as the fair value of the liability as at 30 June 2020, were calculated using the Black-Scholes model. Where applicable, the calculations reflect management's assessment regarding the expected employee turnover.

Information on the share-based payments program as at 30 June 2020 is presented as follows:

| <b>Period of vesting</b> | <b>Expected number of participants as at the due date (i)</b> | <b>Number of shares assigned to program participants</b> | <b>Expected number shares as at the due date (i)</b> | <b>Fair value as at 30 June 2020</b> |
|--------------------------|---|--|--|--------------------------------------|
| April 2021               | 9   | 169 650  | 169 650  | 19                                   |

(i) This indicator was calculated based on management's assessment regarding the expected employee turnover taking into account historical data available.

#### Expenses by share-based payment program

During the period ended 30 June 2020, the Group recognized a share-based compensation expense of 19 (for the half-year ended 30 June 2019: 0) as part of "Selling, general and administrative expenses" under "Payroll and related taxes" line (Note 17). Short-term portion of liabilities in the amount of 17 (as at 31 December 2019: 0) is included in "Other payables and accrued expenses" in the part of the program classified as cash-settled share-based payments. In equity, the "Share-based payments" item reflects 2 (as at 31 December 2019: 0) in the part of the program classified as equity-settled share-based payments.

#### 23. 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.

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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 2020 and 30 June 2019 and the outstanding balances owed by/to related parties as at 30 June 2020 and 31 December 2019, respectively:

|   | For the half-year ended<br>30 June 2020 |   | 30 June 2020                             |  | For the half-year ended<br>30 June 2019 |   | 31 December 2019                         |  |
|---|---|---|--|--|---|---|--|--|
|   | Sales to<br>related<br>parties          | Purchases<br>from<br>related<br>parties | Amounts<br>owed by<br>related<br>parties | Amounts<br>owed to<br>related<br>parties | Sales to<br>related<br>parties          | Purchases<br>from<br>related<br>parties | Amounts<br>owed by<br>related<br>parties | Amounts<br>owed to<br>related<br>parties |
| Joint ventures (i)  | 34                                      | 24                                      | 8  | 343                                      | 19                                      | 7                                       | 5  | 507                                      |
| Entities under common control (ii)  | 916                                     | 14                                      | 1 183                                    | 5  | -                                       | 211                                     | 373                                      | 3  |
| Entities under significant influence of the controlling shareholder (iii) | 943                                     | 976                                     | 873                                      | 1 253                                    | 236                                     | 1 295                                   | 673                                      | 862                                      |
| Entities controlled by a party exercising significant influence           | -                                       | -                                       | -  | -  | -                                       | (26)                                    | -  | -  |
| Entities under control of key management personnel (iv)                   | 3                                       | 57                                      | 14                                       | 20                                       | 1                                       | 172                                     | 1  | 35                                       |
| <b>Total</b>  | <b>1 896</b>                            | <b>1 071</b>                            | <b>2 078</b>                             | <b>1 621</b>                             | <b>256</b>                              | <b>1 659</b>                            | <b>1 052</b>                             | <b>1 407</b>                             |

The nature of transactions with related parties is as follows:

- (i) Joint ventures – agency fee for selling products through LLC “MARKETPLACE”, remuneration for participation in the loyalty program;
- (ii) Entities under common control – purchase and sale of Group’s goods, warehouses and trade premises rent, charity, reimbursement of tax charges and fines, etc.;
- (iii) Entities under significant influence of the controlling shareholder – agent services for sales of insurance, warehouses and trade premises rent, acquisition of fixed assets, credit broker services;
- (iv) Entities under control of key management personnel – 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 stores located in Moscow.

Transactions with related parties are concluded on market terms.

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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 2020 and 30 June 2019 and the outstanding balances owed by/to related parties as at 30 June 2020 and 31 December 2019, respectively:

|   | For the half-year ended<br>30 June 2020        |   | 30 June 2020                             |  | For the half-year ended<br>30 June 2019        |  | 31 December 2019                         |  |
|---|--|---|--|--|--|--|--|--|
|   | Financial<br>income from<br>related<br>parties | Financial<br>expense from<br>related<br>parties | Amounts<br>owed by<br>related<br>parties | Amounts<br>owed to<br>related<br>parties | Financial<br>income from<br>related<br>parties | Financial<br>expenses<br>from related<br>parties | Amounts<br>owed by<br>related<br>parties | Amounts<br>owed to<br>related<br>parties |
| Entities under common control (i)                                       | -  | 337   | -  | 5 052                                    | -  | 124  | -  | 4 962                                    |
| Entities controlled by a party exercising<br>significant influence (ii) | -  | -   | -  | -  | -  | 12   | -  | -  |
| Entities under control of key management<br>personnel (iii)             | -  | 44  | -  | 435                                      | -  | 19   | -  | 385                                      |
| <b>Total</b>  | <b>-</b>                                       | <b>381</b>                                      | <b>-</b>                                 | <b>5 487</b>                             | <b>-</b>                                       | <b>155</b>                                       | <b>-</b>                                 | <b>5 347</b>                             |

- (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.

Transactions with related parties are concluded on market terms.

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#### Compensation of key management personnel of the Group

The remuneration of directors and other members of key management paid during the half-year periods ended 30 June 2020 and 30 June 2019 was as follows:

|                       | For the half-year ended |              |
|-----------------------|-------------------------|--------------|
|                       | 30 June 2020            | 30 June 2019 |
| Short-term benefits * | 820                     | 1 607        |
| <b>Total</b>          | <b>820</b>              | <b>1 607</b> |

\* Short-term benefits include salaries, bonuses and annual leave, medical and relocation expenses, payments under a long-term remuneration program.

As at 30 June 2020 there is 261 outstanding payable to key management personnel (31 December 2019: 345).

As at 30 June 2020 the number of key management positions was 29 (31 December 2019: 27).

During the reporting period, the Group did not assume any significant obligations for pension payments or other obligations to key management personnel, other than those disclosed in Note 22, as well as obligations to pay contributions to the state pension fund and social insurance funds as part of social contributions for salaries and bonuses. Social contributions relating to compensation of key management personnel amounted to 72 for the half-year ended 30 June 2020 (for the half-year ended 30 June 2019: 123) and are included in the amounts stated above.

## 24. 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 global slowdown in the Russian and world 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. The Russian economy is also particularly sensitive to changes in world oil and gas prices.

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.

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

Starting from early 2020 a new coronavirus disease (COVID-19) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. In the first half of 2020, the COVID-19 outbreak caused significant turmoil in the global market: it led to significant operational difficulties for many companies, changed the daily habits of people in different countries, contributed to a decline in oil prices, a fall in stock market indices, and the volatility of the national currency.

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In response to the potentially serious threat posed to public health by the COVID-19 epidemic, government authorities in various countries have introduced restrictive measures. In particular, the Russian government declared non-working days in the period from the end of March to mid-June 2020. In many regions of the Russian Federation, including Moscow and Saint Petersburg, a high-alert regime was introduced and a number of measures were taken to combat coronavirus infection, which are mandatory for all citizens, including self-isolation.

During non-working days, the Group continued to operate in formats permitted by law and local regulations as an online retailer. Stores operated as online order pick-up points, mini-warehouses (dark stores) for walking courier delivery, or were closed. After the end of non-working days, stores gradually restored their normal operation during June-July 2020. Most of the employees of the central office were transferred to remote work starting from March 2020 to the current date.

In addition, as at 30 June 2020, the Group received government loans from PJSC Bank VTB in the total amount of 2 065 at a below-market rate of interest as part of state support. For the 6 months of 2020, the Group recognized grant income of 43 as part of other operating income.

PJSC Bank VTB also granted a deferral on payment of debt on borrowings received for the purpose of acquiring Eldorado and Media Markt business.

In addition, the Group has optimized costs and working capital and as a result of applying measures to strengthen liquidity during the pandemic, the Group has increased its cash and cash equivalents balance from RUB 5 billion as at 31 December 2019 to RUB 25 billion as at 30 June 2020.

The Group also renegotiated a number of leases and switched from fixed rent to a percentage of turnover for the period of restrictions (mainly April and May 2020).

The Group identified the COVID-19 pandemic as an indicator of possible impairment of non-current assets and, consequently, as at 30 June 2020, tested goodwill, trademarks, right-of-use assets and property, plant and equipment for impairment. Based on the results of testing conducted by the Group, no impairment was identified.

Since events caused by the new coronavirus pandemic are developing rapidly and cannot be reliably predicted, the impact of changes in the operating environment on the Group's future results and financial position is currently difficult to determine.

#### **Impairment test**

Goodwill related to the acquisition of the Eldorado and Media Markt business and trademarks were tested for impairment at the Group's only segment. Trademarks are represented by "Eldorado" trademark.

The recoverable amount of CGU was determined as value in use.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5.5 years was used, as this period was determined by the management of the Group as an acceptable planning horizon.

Cash flows beyond 5.5 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: EBITDA annual growth in the average at 5%, the number of stores to be opened on average 55 stores per year over the forecast period of 5.5 years, the pre-tax discount rate applicable to the projected cash flows of 11.69%; cash flow growth rates beyond 5.5 years 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 specified non-current assets are not probable under current market conditions.

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#### **Tax risk management**

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.

The Russian tax authorities conducted field audit of LLC "ELDORADO" for 2015-2017, period before LLC "ELDORADO" was acquired by the Group. Compensation from previous owners of LLC "ELDORADO" for potential tax surcharges, identified during the tax audit, is provided by the terms of the transaction for the acquisition of LLC "ELDORADO". In accordance with current market practices and international financial reporting standards, as at 30 June 2020, the Group recognized the tax provision and income tax accruals as an estimated amount of additional charges, and recognized the expected compensation for these expenses from previous owners as an asset (Notes 7, 14 and 23).

Management believes that it appropriately presents tax liabilities based on clarification of current and previous tax legislation, although, it is possible that tax authorities may challenge controversial tax issues. As at 30 June 2020 and 31 December 2019, management believes that Group's exposure to tax risks is remote.

#### **License agreements**

As at 30 June 2020 the Group had non-cancellable contractual commitment of 1 424 (including VAT) for technical support services with respect to existing SAP licenses and software during the period until 2024 (31 December 2019: 1 566).

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 banks provide guarantees in favor 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 2020 the Group entered into such guarantee contracts for the total amount of 7 410 (31 December 2019: 9 179). As at 30 June 2020 and 31 December 2019, the Group has not pledged any assets as collateral under these guarantee contracts.

## **25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

Generally, the Group's principal financial liabilities comprise loans, trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group also 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, 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.

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#### Categories of financial instruments

The carrying values of financial assets and liabilities grouped by each category of financial instruments as at 30 June 2020 and 31 December 2019 were as follows:

|                                       | <u>30 June<br/>2020</u> | <u>31 December<br/>2019</u> |
|---------------------------------------|-------------------------|-----------------------------|
| <b>Financial assets</b>               |                         |                             |
| Assets carried at amortized cost      | 62 319                  | 38 919                      |
| <b>Financial liabilities</b>          |                         |                             |
| Liabilities carried at amortized cost | 226 636                 | 238 450                     |

#### Fair value of financial instruments

|                                | <u>30 June 2020</u>   |                       | <u>31 December 2019</u> |                       |
|--------------------------------|-----------------------|-----------------------|-------------------------|-----------------------|
|                                | <u>Carrying value</u> | <u>Fair value</u>     | <u>Carrying value</u>   | <u>Fair value</u>     |
| <b>Financial assets</b>        |                       |                       |                         |                       |
| Long-term loans                | 53                    | 53                    | 45                      | 45                    |
| Cash and cash equivalents      | 25 327                | 25 327                | 4 738                   | 4 738                 |
| Accounts receivable            | 36 939                | 36 939                | 34 136                  | 34 136                |
| <b>Total</b>                   | <b><u>62 319</u></b>  | <b><u>62 319</u></b>  | <b><u>38 919</u></b>    | <b><u>38 919</u></b>  |
| <b>Financial liabilities</b>   |                       |                       |                         |                       |
| Loans with fixed interest rate | 68 225                | 70 597                | 49 410                  | 50 982                |
| Trade accounts receivable      | 145 819               | 145 819               | 176 065                 | 176 065               |
| Other payables                 | 12 592                | 12 592                | 12 975                  | 12 975                |
| <b>Total</b>                   | <b><u>226 636</u></b> | <b><u>229 008</u></b> | <b><u>238 450</u></b>   | <b><u>240 022</u></b> |

#### Foreign currency risk management

As at 30 June 2020 and for the half-year then ended, the impact of currency risk on the Group was limited, as the Group had no significant assets and liabilities denominated in foreign currencies as at 30 June 2020 and 31 December 2019.

#### 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 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 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.

In addition, in order to manage liquidity risk, the Group uses a balanced approach to working capital management with balancing the terms of inventory and accounts payable turnover, and therefore certain requirements are imposed on suppliers to provide deferred payment conditions. Various mechanisms are used to provide the necessary deferred payment, including supply financing agreements, commercial credit, etc. The corresponding liabilities are recorded as trade payables, and interest expenses are recorded as finance expenses of the Group.

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The table below summarizes the maturity profile of the Group's financial liabilities as at 30 June 2020 and 31 December 2019 based on contractual undiscounted payments:

|  | <b>Less than<br/>3 months</b> | <b>3-12<br/>months</b> | <b>1-5 years</b> | <b>More than<br/>5 years</b> | <b>Total</b>   |
|--|-------------------------------|------------------------|------------------|------------------------------|----------------|
| <b>As at 30 June 2020</b>                      |                               |                        |                  |                              |                |
| Trade accounts payable                         | 145 770                       | 48                     | -                | -                            | 145 818        |
| Borrowings                                     | 20 988                        | 12 281                 | 46 895           | -                            | 80 164         |
| Lease liabilities                              | 5 131                         | 14 415                 | 51 646           | 26 590                       | 97 782         |
| Other accounts payable and<br>accrued expenses | 12 469                        | 73                     | 50               | -                            | 12 592         |
| <b>Total</b>                                   | <b>184 358</b>                | <b>26 817</b>          | <b>98 591</b>    | <b>26 590</b>                | <b>336 356</b> |

|  | <b>Less than<br/>3 months</b> | <b>3-12<br/>months</b> | <b>1-5 years</b> | <b>More than<br/>5 years</b> | <b>Total</b>   |
|--|-------------------------------|------------------------|------------------|------------------------------|----------------|
| <b>As at 31 December 2019</b>                  |                               |                        |                  |                              |                |
| 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<br>accrued expenses | 12 804                        | 73                     | 98               | -                            | 12 975         |
| <b>Total</b>                                   | <b>197 641</b>                | <b>24 853</b>          | <b>85 343</b>    | <b>34 011</b>                | <b>341 848</b> |

**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 30 June 2020 bonuses receivable from four major suppliers comprised 31% of the Group's accounts receivable (31 December 2019: 29%). 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 four of its major counterparties as at 30 June 2020 and 31 December 2019:

|               | <b>Currency</b> | <b>Rating</b> | <b>Carrying amount</b>  |                             |
|---------------|-----------------|---------------|-------------------------|-----------------------------|
|               |                 |               | <b>30 June<br/>2020</b> | <b>31 December<br/>2019</b> |
| PJSC Bank VTB | RUB.            | Ba2           | 12 357                  | 981                         |
| Alfa-bank     | RUB             | Ba2           | 8 253                   | 173                         |
| Sberbank      | RUB             | Ba2           | 3 186                   | 67                          |
| Other         | RUB             |               | 156                     | 82                          |
| <b>Total</b>  |                 |               | <b>23 952</b>           | <b>1 303</b>                |

The carrying amount of financial assets recorded in the interim condensed consolidated financial statements, is net of impairment losses, represents the Group's maximum exposure to credit risk. There were no other concentrations of credit risk as at 30 June 2020 and 31 December 2019.



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**26. SUBSEQUENT EVENTS**

After the reporting date the Group repaid borrowings in the amount of 21 554 ahead of the schedule for the purposes of partial refinancing and received tranches in the amount of 15 005 at a lower interest rates.

**ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16**

Starting from 1 January 2019, the Group when preparing consolidated financial statements, applies the provisions of IFRS 16 "Leases" in relation to the accounting of lease agreements. In comparison with the previous IAS 17 "Leases", IFRS 16 introduced new requirements for lease accounting for lessees. In order to ensure comparability of the Group's consolidated financial results, consolidated financial position and consolidated cash flows for recent years, the Group has decided to disclose additional statements for the half-year ended 30 June 2020 based on the Group's accounting policies set out in Note 2 to the interim condensed consolidated financial statements for the half-year ended 30 June 2020, but applying the principles of IAS 17 instead of IFRS 16 for accounting for lease agreements.

In accordance with the principles of IAS 17, which was effective until 31 December 2018, the Group, for the purposes of preparing the additional statements set out below, recognizes operating lease payments, which are rent fees for the use of premises, as expenses on a straight-line basis over the lease term. Contingent lease payments under operating leases, including reimbursement of operating expenses of the lessor, are recorded as expenses in the period in which they are incurred. If the lessor's operating and utility expenses are included in the fixed lease payments in the lease agreement, the amount of the lessor's operating expenses to be recognized as expenses of the reporting period is determined by calculation.

The main accounting principles for leases under IFRS 16 applied by the Group for preparation of the consolidated financial statements and interim condensed consolidated financial statements are set out in Note 3 to the consolidated financial statements for the year ended 31 December 2019, and Note 2 to the interim condensed consolidated financial statements for the half-year ended 30 June 2020.

The following statements are not IFRS statements and should only be considered in addition to the information contained in the interim condensed consolidated financial statements for the half-year ended 30 June 2020.

The consolidated statement of financial position as at 30 June 2020 and 31 December 2019 prepared in accordance with IAS 17 is presented below:

|  | <b>30 June<br/>2020</b> | <b>31 December<br/>2019</b> |
|--|-------------------------|-----------------------------|
| <b>NON-CURRENT ASSETS</b>                      |                         |                             |
| Property, plant and equipment                  | 18 331                  | 19 946                      |
| Investment property                            | 441                     | 502                         |
| Intangible assets                              | 21 296                  | 20 696                      |
| Goodwill                                       | 48 975                  | 48 975                      |
| Investment in an associate and a joint venture | 2 236                   | 1 985                       |
| Deferred tax assets                            | 2 205                   | 2 592                       |
| Other non-current assets                       | 1 916                   | 2 761                       |
| <b>Total non-current assets</b>                | <b>95 400</b>           | <b>97 457</b>               |
| <b>CURRENT ASSETS</b>                          |                         |                             |
| Inventories                                    | 105 579                 | 129 115                     |
| Accounts receivable                            | 35 646                  | 34 247                      |
| Prepaid expenses                               | 2 888                   | 2 527                       |
| Income tax receivable                          | 130                     | 84                          |
| Other taxes receivable                         | 17 949                  | 20 851                      |
| Other current assets                           | 56                      | 44                          |
| Cash and cash equivalents                      | 25 327                  | 4 738                       |
| Assets held for sale                           | -                       | 303                         |
| <b>Total current assets</b>                    | <b>187 575</b>          | <b>191 909</b>              |
| <b>TOTAL ASSETS</b>                            | <b>282 975</b>          | <b>289 366</b>              |
| <b>EQUITY</b>                                  |                         |                             |
| Share capital                                  | 1 798                   | 1 798                       |
| Additional paid-in capital                     | 4 576                   | 4 576                       |
| Treasury shares                                | (749)                   | (749)                       |
| Retained earnings                              | 32 656                  | 28 593                      |
| <b>Total equity</b>                            | <b>38 281</b>           | <b>34 218</b>               |

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**ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16**

|                                      | <b>30 June<br/>2020</b> | <b>31 December<br/>2019</b> |
|--------------------------------------|-------------------------|-----------------------------|
| <b>NON-CURRENT LIABILITIES</b>       |                         |                             |
| Non-current bank borrowings          | 38 368                  | 38 752                      |
| Other liabilities                    | 518                     | 711                         |
| Deferred tax liabilities             | 120                     | 260                         |
| <b>Total non-current liabilities</b> | <b>39 006</b>           | <b>39 723</b>               |
| <b>CURRENT LIABILITIES</b>           |                         |                             |
| Trade accounts payable               | 145 815                 | 176 211                     |
| Other payables and accrued expenses  | 20 670                  | 18 607                      |
| Contract liabilities                 | 6 352                   | 8 112                       |
| Current bank borrowings              | 29 857                  | 10 658                      |
| Income tax payable                   | 609                     | 9                           |
| Other taxes payable                  | 1 273                   | 1 460                       |
| Provisions                           | 1 112                   | 368                         |
| <b>Total current liabilities</b>     | <b>205 688</b>          | <b>215 425</b>              |
| <b>Total liabilities</b>             | <b>244 694</b>          | <b>255 148</b>              |
| <b>TOTAL EQUITY AND LIABILITIES</b>  | <b>282 975</b>          | <b>289 366</b>              |

The consolidated statement of profit loss and other comprehensive income for the half-year ended 30 June 2020 and 30 June 2019, prepared in accordance with IAS 17, is presented below:

|  | <b>For the half-year ended</b> |                     |
|--|--------------------------------|---------------------|
|  | <b>30 June 2020</b>            | <b>30 June 2019</b> |
| REVENUE  | 173 934                        | 161 402             |
| COST OF SALES  | (129 283)                      | (119 655)           |
| <b>GROSS PROFIT</b>  | <b>44 651</b>                  | <b>41 747</b>       |
| Selling, general and administrative expenses   | (36 790)                       | (36 334)            |
| Other operating income   | 1 856                          | 2 784               |
| Other operating expenses   | (345)                          | (433)               |
| <b>OPERATING PROFIT</b>  | <b>9 372</b>                   | <b>7 764</b>        |
| Finance income   | 348                            | 227                 |
| Finance expenses   | (3 050)                        | (2 782)             |
| Share of profit/(loss) of an associate and a joint venture   | (1 267)                        | (790)               |
| <b>PROFIT BEFORE INCOME TAX EXPENSE</b>  | <b>5 403</b>                   | <b>4 419</b>        |
| Income tax expense   | (1 343)                        | (1 514)             |
| <b>NET PROFIT for the period, being<br/>TOTAL COMPREHENSIVE INCOME for the period</b>  | <b>4 060</b>                   | <b>2 905</b>        |
| BASIC EARNINGS PER SHARE (in Russian Rubles)   | 22,84                          | 16,34               |
| DILUTED EARNINGS PER SHARE (in Russian Rubles)   | 22,84                          | 16,34               |
| <b>NET PROFIT for the period, being<br/>TOTAL COMPREHENSIVE INCOME for the period excluding<br/>share of profit/(loss) of an associate and a joint venture</b> | <b>5 327</b>                   | <b>3 695</b>        |

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**ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16**

The consolidated statement of cash flows for the half-year ended 30 June 2020 and 30 June 2019, prepared in accordance with IAS 17, is presented below:

|  | <b>For the half-year ended</b> |                     |
|--|--------------------------------|---------------------|
|  | <b>30 June 2020</b>            | <b>30 June 2019</b> |
| <b>OPERATING ACTIVITIES</b>  |                                |                     |
| Total net profit for the period  | 4 060                          | 3 091               |
| <i>Adjustments for:</i>  |                                |                     |
| Income tax expense   | 1 343                          | 1 325               |
| Depreciation and amortization  | 4 012                          | 3 364               |
| Change in impairment allowance for advances paid   | 16                             | (92)                |
| Change in inventory obsolescence and inventory losses, net of surpluses                  | 46                             | 193                 |
| Interest income  | (348)                          | (228)               |
| Interest expenses  | 3 050                          | 2 776               |
| Share of loss of an associate and a joint venture  | 1 267                          | 790                 |
| Other non-cash reconciling items, net  | 138                            | (83)                |
|  | <b>13 584</b>                  | <b>11 136</b>       |
| <b>Operating cash flows received from operations before movements in working capital</b> |                                |                     |
| Decrease in inventories  | 23 490                         | 15 877              |
| Increase in accounts receivable and advances paid  | (1 527)                        | (2 845)             |
| Decrease in other taxes receivable   | 2 884                          | 1 208               |
| Decrease in trade accounts payable   | (30 396)                       | (33 857)            |
| Decrease/(increase) in other payables and accrued expenses                               | 2 372                          | (600)               |
| Decrease in contract liabilities   | (1 760)                        | (1 637)             |
| Decrease/(increase) in other liabilities   | 485                            | (234)               |
| Decrease in other taxes payable  | (283)                          | (1 121)             |
| Other changes in working capital, net  | 833                            | (482)               |
|  | <b>9 682</b>                   | <b>(12 555)</b>     |
| <b>Cash received from/(used in) operations</b>   |                                |                     |
| Income taxes paid  | (693)                          | (2 975)             |
| Interest paid, including interest for rent   | (2 652)                        | (2 592)             |
|  | <b>6 337</b>                   | <b>(18 122)</b>     |
| <b>Net cash received from/(used in) operating activities</b>                             |                                |                     |
| <b>INVESTING ACTIVITIES</b>  |                                |                     |
| Purchase of property, plant and equipment  | (1 987)                        | (2 177)             |
| Proceeds from disposal of property, plant and equipment                                  | 411                            | 490                 |
| Purchase of intangible assets  | (1 838)                        | (1 394)             |
| Interest received  | 348                            | 226                 |
| Net cash outflow from purchase of subsidiary/investment in associate                     | -                              | (134)               |
| Investment in joint venture  | (1 680)                        | (1 280)             |
|  | <b>(4 746)</b>                 | <b>(4 269)</b>      |
| <b>Net cash used in investing activities</b>   |                                |                     |
| <b>FINANCING ACTIVITIES</b>  |                                |                     |
| Proceeds from loans  | 24 065                         | 17 814              |
| Repayment of loans   | (5 065)                        | (15 639)            |
|  | <b>19 000</b>                  | <b>2 175</b>        |
| <b>Net cash received from financing activities</b>                                       |                                |                     |
| <b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>                              |                                |                     |
|  | <b>20 591</b>                  | <b>(20 214)</b>     |
| <b>CASH AND CASH EQUIVALENTS, at the beginning of the period</b>                         |                                |                     |
|  | <b>4 738</b>                   | <b>25 487</b>       |
| Effect of foreign exchange rate changes  | (2)                            | 3                   |
|  | <b>25 327</b>                  | <b>5 276</b>        |
| <b>CASH AND CASH EQUIVALENTS, at the end of the period</b>                               |                                |                     |