

Public Joint Stock Company “M.video”

Consolidated Financial Statements
for the year ended 31 December 2020

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

TABLE OF CONTENTS

	Pages
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020	1
INDEPENDENT AUDITOR’S REPORT	2
CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020:	
Consolidated statement of financial position	8
Consolidated statement of profit or loss and other comprehensive income	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	13
ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16	68

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of Public Joint Stock Company “M.video” (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2020, and the consolidated results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

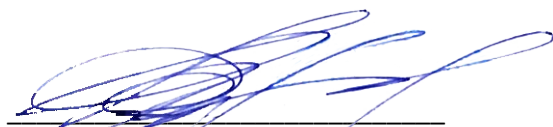
In preparing the consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group’s consolidated financial position and financial performance; and
- Making an assessment of the Group’s ability to continue as a going concern.

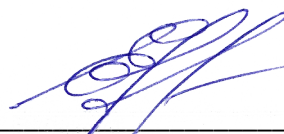
Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group’s transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards of Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements of the Group for the year ended 31 December 2020 were approved on 3 March 2021.



A. Izošimov
Chief Executive Officer



E. Sokolova
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Public Joint Stock Company "M.video" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes 1 to 36 to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter**Recognition of supplier bonuses**

The Group receives significant amounts of supplier incentives and bonuses (hereinafter “supplier bonuses”).

We consider this to be a key audit matter because judgment is required to determine:

- The commercial substance of supplier bonuses received by the Group;
- The moment when the Group has fulfilled all of its obligations to suppliers; and
- Their classification as those reducing the cost of sales or offsetting other costs and the period over which the related reduction or offset should be recognized.

This requires a thorough understanding of the contractual arrangements and complete and accurate source data. The variety of arrangements with suppliers and types of supplier bonuses received by the Group means that this area of accounting is complex and gives rise to potential errors in the source data and related calculations.

The Group’s principal accounting policy in respect of the supplier bonuses is disclosed in Note 3. Management judgments involved in estimating supplier bonuses recognized are disclosed in Note 5.

How the matter was addressed in the audit

During the audit we:

- Obtained an understanding of the Group’s internal processes and controls in respect of accounting for supplier bonuses and assessed whether the supplier bonuses recognition was in line with the Group’s accounting policies and IFRS;
- Examined the commercial substance of supplier bonuses by means of a sample-based analysis of contracts with suppliers, the primary documents confirming the Group’s right to receive supplier bonuses and other supporting documentation;
- Circularized a sample of suppliers to get assurance that the amounts of recorded supplier bonuses and balances owed at year-end were accurate and complete. Where responses were not received, we completed alternative procedures such as tracing the amounts recorded to documents confirming the Group’s right to a particular bonus;
- Recomputed management’s calculation of supplier bonuses allocated to year-end inventories based on their commercial substance; and
- Performed a retrospective analysis of bonuses recognized in the prior period to check the accuracy of estimates made by management.

Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. As at 31 December 2020 the value of inventories held by the Group was RUB 146 994 million (31 December 2019: RUB 129 115 million).

The valuation of inventories was identified as a key audit matter because it involves significant judgement, in particular, with respect to the estimated selling price of items held and compensations received from suppliers for damaged goods. The assessment process is subjective and includes studying the historical performance of the inventories, current operational plans as well as industry and customer specific trends.

During the audit we obtained assurance over the appropriateness of management’s assumptions applied in calculating the carrying value of inventories:

- Obtained an understanding of the Group’s processes and procedures related to the measurement of inventories;
- Verified the value of a sample of inventories to confirm it is held at the lower of cost and net realisable value, through comparing to supplier invoices and sales prices;
- Reviewed, recalculated and critically assessed the reasonableness of inventory provision considering historical performance and analysed the amount of provision as a percentage of gross inventory balance year to year; and
- Assessed the completeness and accuracy of historical data used by management in developing its estimates.

Why the matter was determined to be a key audit matter**Accounting for leases**

In course of its operating activities, the Group enters into a large number of lease agreements for its stores and warehouses. Given variety and complexity of terms of the underlying leases, significant judgment is required in assessing lease terms and determining discount rates.

In the year ended 31 December 2020 the Group renegotiated a few of its lease agreements which led to the need to account for lease modifications and to recognize the revaluation of right-of-use assets and lease liabilities. The Group also elected to adopt the exemption envisaged by IFRS 16 "Leases" and accounted for COVID-19-related rent concessions as if they were not lease modifications.

Considering significant number of contracts for which terms were renegotiated, and judgments required in accounting for modifications and COVID-19-related lease concessions, this has been identified as a key audit matter.

Information on the right-of-use assets and lease liabilities is disclosed in Notes 2 and 8 to the consolidated financial statements.

Non-current assets impairment assessment

Goodwill of RUB 48 975 million and intangible assets with indefinite useful life represented by trademarks of RUB 9 130 million as at 31 December 2020 are tested for impairment annually. Also, at the end of each reporting period, the Group assesses whether there is evidence of impairment of other non-current assets in cash-generating units ("CGUs") and, if any, makes an estimate of the recoverable amount of the assets.

Estimation of the value-in-use for both individual assets and CGUs requires a number of significant judgments and estimates including assessment of future margins, discount rate and growth rates. Also, considering the significance of the goodwill amount and the impact of the new coronavirus disease on the global and Russian economy, we have identified non-current assets impairment as a key audit matter.

Refer to Notes 6 and 34 to the consolidated financial statements.

How the matter was addressed in the audit

During the audit we:

- Obtained an understanding of the Group's internal processes and controls in respect of accounting for leases and specifically lease modifications and COVID-19-related concessions;
- Analysed and challenged key assumptions and judgments used by management while determining the lease term, including the probability of exercising the renewal and termination options, and the discount rate;
- Recalculated a sample of lease agreements with renegotiated terms to get assurance that accounting principles are applied consistently, revaluation of right-of-use assets and lease liabilities is recorded in accurate amounts and exemption for COVID-19-related rent concessions is applied appropriately; and
- Analysed completeness and accuracy of disclosures and their compliance with the requirements of IFRS 16 "Leases".

During the audit we:

- Obtained an understanding of key controls over the assessment of non-current assets impairment indicators and test for goodwill impairment;
- Considered indications that may evidence possible impairment of individual assets and cash-generating units;
- Compared the data used by management in impairment models with approved budgets and forecasts;
- Assessed reasonableness of the assumptions used in management's forecasts based on actual results, market data and trends;
- Performed sensitivity analysis of impairment models for key assumptions in the ranges of their possible change; and
- Analysed completeness and accuracy of disclosures and their compliance with the requirements of IAS 36 "Impairment of assets".

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.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Supplementary financial information

Our audit was conducted for the purpose of forming an opinion on the Group's consolidated financial statements as a whole. Management is responsible for the preparation of information accompanying the consolidated financial statements, which is presented as supplementary financial information on pages 68-71. This information is provided for the purposes of additional analysis and is not a required part of the consolidated financial statements for year ended 31 December 2020 prepared in accordance with IFRS.

The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.


Biryukov
Engagement Partner



3 March 2021

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”

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

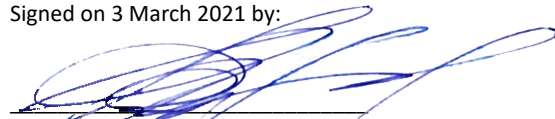
AS AT 31 DECEMBER 2020

(in millions of Russian Rubles)

	Notes	31 December 2020	31 December 2019
NON-CURRENT ASSETS			
Property, plant and equipment	7	17 025	19 777
Investment property		211	349
Intangible assets	9	21 870	20 063
Goodwill	6	48 975	48 975
Right-of-use assets	8	71 593	62 832
Investment in an associate and a joint venture	10	1 244	1 982
Deferred tax assets	18	5 714	3 302
Other non-current assets	11	907	1 431
Total non-current assets		167 539	158 711
CURRENT ASSETS			
Inventories	12	146 994	129 115
Accounts receivable	13	46 224	34 136
Advances issued	13	1 761	1 181
Income tax receivable		100	84
Other taxes receivable	14	25 352	21 316
Other current assets		60	44
Cash and cash equivalents	15	7 445	4 738
Assets held for sale	16	1 229	303
Total current assets		229 165	190 917
TOTAL ASSETS		396 704	349 628
EQUITY			
Share capital	17	1 798	1 798
Additional paid-in capital		4 576	4 576
Treasury shares	17	(749)	(749)
Retained earnings		28 014	26 502
Total equity		33 639	32 127
NON-CURRENT LIABILITIES			
Non-current bank borrowings	19	31 733	38 752
Other liabilities		454	373
Lease liabilities	8	70 702	57 927
Deferred tax liabilities	18	175	270
Total non-current liabilities		103 064	97 322
CURRENT LIABILITIES			
Trade accounts payable		207 862	176 065
Other payables and accrued expenses	20	14 346	12 975
Contract liabilities	22	6 604	8 112
Lease liabilities	8	10 051	10 532
Current bank borrowings	19	16 195	10 658
Income tax payable		1 643	9
Other taxes payable	21	2 312	1 460
Provisions	23	988	368
Total current liabilities		260 001	220 179
Total liabilities		363 065	317 501
TOTAL EQUITY AND LIABILITIES		396 704	349 628

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

Signed on 3 March 2021 by:


A. Izosimov
 Chief Executive Officer


E. Sokolova
 Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

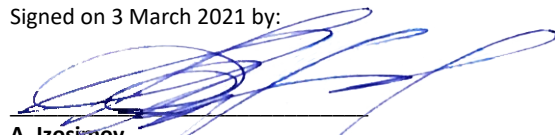
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles, except earnings per share)**

	Notes	2020	2019
REVENUE	24	417 857	365 216
COST OF SALES	25	(320 522)	(274 143)
GROSS PROFIT		97 335	91 073
Selling, general and administrative expenses	26	(78 818)	(72 546)
Other operating income	27	4 987	6 408
Other operating expenses	28	(577)	(821)
OPERATING PROFIT		22 927	24 114
Finance income	29	491	295
Finance expenses	29	(12 733)	(12 961)
Share of profit/(loss) of an associate and a joint venture	10	(2 468)	(1 955)
PROFIT BEFORE INCOME TAX EXPENSE		8 217	9 493
Income tax expense	18	(1 676)	(2 359)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period		6 541	7 134
BASIC EARNINGS PER SHARE (in Russian Rubles)	30	36.79	40.13
DILUTED EARNINGS PER SHARE (in Russian Rubles)	30	36.74	40.13
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture *		9 009	9 089

* Information provided for reference and additional analysis purposes only (Note 3).

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

Signed on 3 March 2021 by:


A. Izosimov
Chief Executive Officer


E. Sokolova
Chief Financial Officer

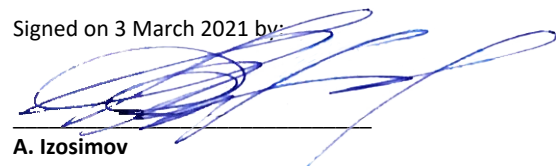
PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
Balance as at 1 January 2019		1 798	4 576	(749)	25 309	30 934
Dividends	17	-	-	-	(5 941)	(5 941)
Total comprehensive income for the year		-	-	-	7 134	7 134
Balance as at 31 December 2019		1 798	4 576	(749)	26 502	32 127
Dividends	17	-	-	-	(5 341)	(5 341)
Share-based payments	32	-	-	-	312	312
Total comprehensive income for the year		-	-	-	6 541	6 541
Balance as at 31 December 2020		1 798	4 576	(749)	28 014	33 639

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

Signed on 3 March 2021 by:



A. Izosimov
Chief Executive Officer



E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

	Notes	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES			
Net profit for the year		6 541	7 134
<i>Adjustments for:</i>			
Income tax expense	18	1 676	2 359
Depreciation and amortization	26	24 094	22 502
Change in allowance for long-term advances paid		167	(96)
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		609	976
Interest income	29	(491)	(295)
Interest expenses	29	12 723	12 949
Share of (profit)/loss of an associate and a joint venture		2 468	1 955
Change in provisions		(46)	(600)
Other non-cash reconciling items, net		<u>(1 806)</u>	<u>(769)</u>
Operating cash flows before movements in working capital		45 935	46 115
Increase in inventories		(18 488)	(16 946)
Increase in accounts receivable and advances issued		(12 937)	(4 012)
Increase in other taxes receivable		(4 139)	(5 895)
Increase in trade accounts payable		31 128	20 707
Increase/(decrease) in other payables and accrued expenses		1 957	(1 147)
Decrease in contract liabilities		(1 508)	(3 329)
Increase/(decrease) in other liabilities		707	(324)
Increase/(decrease) in other taxes payable		1 003	(2 138)
Other changes in working capital, net		<u>507</u>	<u>694</u>
Cash generated by operations		44 165	33 725
Income taxes paid		(2 613)	(3 253)
Interest paid		<u>(10 538)</u>	<u>(12 325)</u>
Net cash from operating activities		<u>31 014</u>	<u>18 147</u>

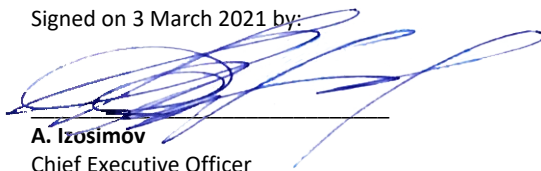
PUBLIC JOINT STOCK COMPANY “M.VIDEO”


**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

	Notes	2020	2019
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(3 186)	(4 763)
Proceeds from sale of property, plant and equipment		505	571
Purchase of intangible assets		(4 727)	(4 573)
Interest received		491	295
Net cash outflow from purchase of subsidiary		-	(134)
Investment in joint venture		(3 460)	(2 380)
Net cash used in investing activities		(10 377)	(10 984)
FINANCING ACTIVITIES			
Dividends paid	17	(5 341)	(5 941)
Proceeds from borrowings	19	42 461	25 000
Repayment of borrowings	19	(43 885)	(35 050)
Repayment of lease liabilities	9, 19	(11 166)	(11 926)
Net cash used in financing activities		(17 931)	(27 917)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		2 706	(20 754)
CASH AND CASH EQUIVALENTS, at the beginning of the year		4 738	25 487
Impact of foreign exchange rate changes		1	5
CASH AND CASH EQUIVALENTS, at the end of the year		7 445	4 738

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

Signed on 3 March 2021 by:


A. Izosimov
Chief Executive Officer


E. Sokolova
Chief Financial Officer

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

1. GENERAL INFORMATION

The consolidated financial statements of Public Joint Stock Company “M.video” (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2020 were authorized for issue by management on 3 March 2021.

The Company is incorporated in the Russian Federation.

Following the initial public offering in November 2007, the Company’s ordinary shares were admitted to trading on MICEX stock exchange (Moscow Exchange) in the Russian Federation.

The Group is the operator of a chain of household appliances and consumer electronics stores and online stores operating in the Russian Federation. The Group specializes in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services. The Group comprises a chain of owned and leased stores.

The Group is operating under two brands: M.video and Eldorado.

The accompanying consolidated financial statements include assets, liabilities and result of operations of the Company and its subsidiaries as at 31 December 2020 and 2019:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 December 2020	31 December 2019
LLC “MVM”	Retailing	Russian Federation	100	100
BOVESTO LIMITED	Holding company	Cyprus	100	100
LLC “Invest-Realty”	Operating lease of real estate	Russian Federation	100	100
LLC “Rentol”	Operating lease of real estate	Russian Federation	100	100
LLC “Trade center “Permskiy”	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
LLC “MV FINANCE”	Financial company	Russian Federation	100	-

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

In December 2020, LLC “MV FINANCE” was established.

The Group owns an 80% interest in charter capital of LLC “MARKETPLACE”, an investment that is classified as a joint venture. Part of the investment was classified as assets held for sale in December 2020 (Notes 10, 16).

Shareholders

As at 31 December 2020 and 2019, the registered shareholders of the Company and their respective ownership and voting interests were as follows:

	2020	2019
ERICARIA HOLDINGS LIMITED	63,5058%	73,5058%
Media-Saturn-Holding GmbH	15,0000%	-
WERIDGE INVESTMENTS LIMITED	9,9999%	-
Treasury shares	1,0993%	1,0993%
MS CE Retail GmbH	-	15,0000%
Various shareholders	10,3950%	10,3949%
Total	100%	100%

As of 31 December 2020, the ultimate controlling party of the Company is Said Mikhailovich Gutseriev.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(in millions of Russian Rubles)*

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”).

Basis of Accounting

The consolidated financial statements have been prepared on a historical cost basis as modified by the valuation of financial instruments in accordance with International Financial Reporting Standard 9 Financial Instruments (“IFRS 9”) and International Financial Reporting Standard 13 Fair Value Measurement (“IFRS 13”) and valuation of items of property, plant and equipment measured at fair value which was used as deemed cost of the property, plant and equipment as at the date of transition to IFRS on 1 January 2006.

The Group’s entities maintain their accounting records in compliance with the local legislation on accounting and reporting adopted in jurisdictions of the countries in which they were founded and registered. The accounting principles and reporting procedures and these jurisdictions may differ from generally accepted IFRS principles. Accordingly, financial statements of individual entities of the Group have been adjusted to ensure that the consolidated financial statements are presented in accordance with IFRS.

These consolidated financial statements are presented in millions of Russian Rubles (hereinafter, “mln rubles”), except for per share amounts which are in Rubles or unless otherwise indicated.

Functional and presentation currency

The consolidated financial statements are presented in Russian Rubles (“RUB”), which is the functional currency of each company of the Group, with operating activities. The functional currency for each company of the Group has been determined as the currency of the primary economic environment in which the company operates.

Adoption of New Standards and Interpretations

The accounting policies applied in the preparation of these consolidated financial statements are consistent with those used in the preparation of the Group’s consolidated financial statements for the year ended 31 December 2019, except for the effects of the application of the following new standards, changes in standards and interpretations:

Standards and interpretations	Effective from
Amendments to IFRS 16 “Leases”: COVID-19-Related Rent Concessions	1 June 2020
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

Except for the adoption of the Amendments to IFRS 16 “Leases”, the above standards and interpretations have not led to any changes to the Group’s accounting policies or have any other material impact on the consolidated financial position or performance of the Group.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Amendments to IFRS 16 “Leases”: COVID-19-Related Rent Concessions

In these annual consolidated financial statements, the Group has early adopted the Amendment to IFRS 16: COVID-19-Related Rent Concessions with effect from 1 April 2020 and, as a result, has treated rent concessions occurring as a direct consequence of COVID-19 meeting the following conditions as variable lease payments rather than as lease modifications:

- (a) The changes in lease payments result in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- (b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- (c) There is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all rent concessions that have met the above criteria.

The Group’s rent concessions that have occurred as a direct consequence of COVID-19 are mostly represented by reductions in fixed lease payments or replacement of fixed payments by variable payments for a limited period being 2-3 months on average.

Application of this practical expedient has resulted in:

- Recognition of a reduction in lease payments as negative variable lease payments in profit or loss of 1 989 (Note 26).
- Derecognition of 1 989 of lease liabilities that have been extinguished by lease concessions entered into by the Group (Note 8).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- Has power over investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power over the investee to affect its returns.

The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

All intra-group transactions, balances, income and expenses or profits and losses resulting from intra-group transactions are eliminated in full on consolidation.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Going concern

These consolidated financial statements are prepared on the going concern basis. The impact of a new coronavirus disease (COVID-19) on the operating activities of the Group is disclosed in Note 34.

Foreign currencies

The individual financial statements of each of the Group’s entities are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the exchange rate prevailing on the date when the most recent fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise. Exchange differences arising on loans and borrowings are reported as part of finance cost, while exchange differences related to operating items are included into other operating income or expenses.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Initial cost includes expenditure that is directly attributable to the acquisition of the items.

Major replacements or modernizations of property, plant and equipment are capitalized and depreciated over their estimated useful lives. All other repair and maintenance expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income during the financial period in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	20-30 years
Leasehold improvements	7 years
Trade equipment	3-5 years
Security equipment	3 years
Other fixed assets	3-5 years

Leasehold improvements are depreciated over the shorter of useful life or the related lease term.

Trade equipment and leasehold improvements are depreciated over the estimated useful life specified above unless there is a plan to fully renovate the store prior to reaching the predetermined estimated useful life. In this situation, the net book value of trade equipment will be depreciated over the remaining estimated useful life being the period of time up to the planned renovation works.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

The assets' residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date.

Where there are indicators that an asset's or cash generating unit's carrying amount is greater than its estimated recoverable amount, it is written down to its recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the consolidated statement of profit or loss and other comprehensive income.

Construction in progress comprises the cost of equipment in the process of installation and other costs directly relating to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of these assets, on the same basis as for other property assets, commences when the assets are ready for their intended use.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over estimated useful lives of these intangible assets. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The estimated useful lives per class of intangible assets are as follows:

Software licenses, development and web site	1-10 years
Trademarks	5-10 years

The Group owns the trademark “Eldorado”, acquired in a business combination, which has an indefinite useful life, due to the fact that there is no foreseeable limit to the period over which this asset is expected to generate economic benefits for the Group.

Internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- It is probable that the asset will generate future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Impairment of non-current assets

At each balance sheet date the Group reviews the carrying amounts of its non-current assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less cost to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset. In determining fair value less cost to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price if available or other fair value indicators.

For non-current assets the CGU is deemed to be each group of stores located in one city. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Impairment test for goodwill, intangible assets with indefinite useful life and those intangible assets that are not yet available for use, is performed by the Group annually at each year-end by comparing their carrying amount with the recoverable amount calculated as discussed above. If the carrying amount of such assets does not yet include all the cash outflows to be incurred before they are ready for use, the estimate of future cash outflow includes an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are not recognized for taxable temporary differences associated with investments in subsidiaries as the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis. Deferred tax assets and deferred tax liabilities resulting from accounting for leases in accordance with IFRS 16 are presented in the consolidated financial statements on a net basis.

Current and deferred income tax for the period

Current and deferred income tax are recognized as an expense or income in the consolidated statement of profit or loss and other comprehensive income, except when they relate to items credited or debited directly to equity (in which case the tax is also recognized directly in equity) or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Joint arrangements

The Group carries out joint arrangements in the form of joint ventures.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture is a legal entity where the Group has a share together with other participants. The investment in joint venture is accounted for using the equity method.

The Group's share in profit or loss and other comprehensive income of a joint venture is presented in the consolidated statement of profit or loss and other comprehensive income from the date the joint control was obtained and until the date of its termination.

If the Group's share in losses exceeds the book value of the interest in the joint venture, the Group discontinues recognizing its share of further losses. If a joint venture subsequently reports profits, than the Group resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized.

The book value of the investment in the joint venture is subject to impairment test whenever the objective evidence of its impairment exists. The impairment test is performed by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its book value.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Contingent consideration transferred by the Group in a business combination is measured at fair value at the acquisition date and is included in the total consideration transferred in a business combination.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to the groups of cash-generating units that are expected to benefit from the synergies of the combination.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Assets held for sale

Assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets (groups of assets to be disposed) classified as held for sale are measured at the lower of a) net book value as of the date of reclassification; and b) fair value less cost to sell, and are presented in the consolidated financial statements as Current assets.

Assets classified as held for sale are not amortized.

Assets classified as held for sale are stated separately as current assets in the Consolidated statement of financial position.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes).

Investment properties are measured at cost, including transaction costs.

Depreciation is recognised so as to write off the actual cost or revalued cost of investment property less their residual values over their useful lives, using the straight-line method. In accordance with the accounting policy estimated useful life of Investment property is 20 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 *(in millions of Russian Rubles)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques, which include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis, or other valuation models.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

Financial assets

Financial assets are classified into the following specified categories:

- Those to be measured at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Financial asset is measured at amortized value, if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets,
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All regular routine purchases or sales of financial assets are recognized on a trade date basis. Regular routine purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognized on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL.

Discount rate presents minimum return on investment, when the investor do not prefer the alternative investment of the same resources with the same risk level.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of the financial assets carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flows characteristics of the asset. The major part of the Group's debt instrument are represented by trade accounts and loans receivable and are measured at amortised cost applying the effective interest rate as these instruments are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

Impairment of financial assets

Financial assets, other than those as at FVTPL, are assessed for indicators of impairment at each balance sheet date.

The Group always recognizes lifetime ECL for trade and other receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring in the financial instrument at the reporting date with the risk of default occurring on the financial instrument at the date of initial recognition. In making such an assessment, the Group analyzes the change in the risk of default over the expected life of the financial instrument, taking into account reasonable and verifiable information available without excessive cost or effort that indicates a significant increase in credit risk since the initial recognition of the relevant instrument (including using forward-looking information).

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The carrying value of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of provision account. When a trade receivable is considered uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against the provision account. Changes in the carrying amount of the provision account are recognized in profit or loss.

If in the following reporting periods impairment loss is reduced, and this reduction relates to the event that has taken place after the loss is recognized, then previously recorded impairment loss is recovered by adjustment in profit or loss. Meanwhile carrying value of the financial assets on the recovery date must not exceed depreciated value that would have been reported if the impairment loss had not been recognized.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded as the proceeds received, net of direct issue costs.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL. Otherwise financial liabilities are measured subsequently at amortised cost using the effective interest method.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities only if the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Value added tax

Value added tax (“VAT”) related to sales is payable to tax authorities on the earliest of (a) cash received from customers in advance or (b) transfer of the goods or rendering services to customers. Input VAT is generally recoverable against sales VAT upon receipt of the VAT invoice. Input VAT on construction in progress can be reclaimed on receipt of VAT invoices for the particular stage of work performed or, if the construction in progress project cannot be broken down into stages, on receipt of VAT invoices upon completion of the contracted work.

VAT is generally allowed to be settled on a net basis. VAT related to sales and purchases which have not been settled at the balance sheet date is recognized in the consolidated statement of financial position on a gross basis and disclosed separately as an asset and liability. Where a provision has been made for the impairment of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

At each reporting date the Group reviews outstanding balance of input VAT for recoverability and creates impairment provision for the amounts which recoverability is doubtful.

Inventories

Inventories are recorded at the lower of average cost or net realizable value. In-bound freight related costs from the suppliers incurred to deliver inventories to the Group's central distribution warehouse are included as part of the net cost of merchandise inventories. Certain supplier bonuses that are not reimbursement of specific, incremental and identifiable costs to promote a supplier's products are also included in the cost of inventory. Other costs associated with storing and transporting merchandise inventories from the central distribution warehouse to the retail stores are expensed as incurred and included either in “Cost of sales” (costs of transporting merchandise from central distribution warehouses to the retail stores) or in “Selling, general and administrative expenses” (all other costs).

Net realizable value is the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks, in transit, including credit card payments, on hand in stores and short-term deposits with an original maturity of three months or less.

Repayments and receipts of loans and borrowings during a period of less than 3 months are presented on gross basis in the consolidated statement of cash flows.

Borrowing costs

The borrowing costs are capitalized by the Group as part of the cost of the asset when the costs are directly attributable to the acquisition, construction of a qualifying asset. Borrowing costs are capitalized provided that these costs could have been avoided if the Company had not made capital investments.

The Group defines qualifying assets as leasehold improvements and other assets acquired in connection with the new store openings which generally take three months or longer to become operational.

Other borrowing costs are expensed as incurred.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

Revenue is recognized by the Group as the promised goods or services are transferred to customers in an amount that corresponds to the expected consideration to which the Group is entitled in exchange for the goods and services. The estimated cost of customer returns, discounts and VAT are deducted from the revenue. Revenues from sales of goods to companies within the Group are not recognized for the purposes of the consolidated financial statements.

Revenue from the sale of goods is recognized on a 5-step approach as introduced in IFRS 15:

- The Group identifies the contract with the customer;
- The Group identifies the performance obligations in the contract;
- The transaction price is determined by the Group;
- The transaction price is allocated to the performance obligations in the contracts;
- Revenue is recognized only when the Group satisfies a performance obligation.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

The Group recognizes revenue when or as a performance obligation is satisfied, i.e. when control over goods or services representing the Group’s obligation is transferred to a customer: when the goods are sold in retail stores (offline retail revenue) or delivered to customers for online sales including in-store pick-up (online retail revenue).

Loyalty programs

The Group operates customer loyalty programs “M.video Bonus” and “Eldoradosty” which allow customers to accumulate points when they purchase goods in the Group’s retail stores. The Group concluded that under IFRS 15 the points give rise to a separate performance obligation because they provide a material right to the customer and allocated a portion of the transaction price to the loyalty points awarded to customers based on the relative stand-alone selling price.

Additional service agreements

Until 15 May 2019 the Group sold additional service agreements (“ASA”) under which the Group had obligations to its customers for the maintenance of ASA during the entire period of the service contract. Revenue from the ASA is deferred and recognized on a straight-line basis over the term of the service contract. Revenue arising in connection with certificates sold by the Group in prior periods will be recognized until July 2024. Related costs, such as cost of services performed under the contract, general and administrative expenses and advertising expenses are charged to expense as incurred.

Agent fees

The Group recognizes as revenue any sales performed as an agent at net amounts (i.e. at the amount of commission owed to the Group). Such fees include sales of goods, telephone and television service contracts, insurance policies and other services fees.

Gift cards

The Group sells gift cards to its customers in its retail stores and through its website. The gift cards have an expiration date and are required to be used during specified periods of time. The Group recognizes income from gift cards at the earlier date when: (i) the gift card is redeemed by the customer; or (ii) when the gift cards expire.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Interest income is included in the finance cost in the consolidated statement of profit or loss and other comprehensive income.

Cost of sales

The cost of sales includes the cost of goods and services purchased from suppliers, the cost of delivering goods to distribution centers, costs associated with transporting goods from distribution centers to stores, allowance for obsolete and slow-moving inventory, allowance for shortages and suppliers bonuses.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Supplier bonuses

The Group receives supplier bonuses in the form of cash payments or other allowances for various programs, primarily volume incentives, reimbursements for advertising expenses and other costs as well as contributions towards margin protection during specific marketing and promotional activities and other fees. The Group has agreements in place with each vendor setting forth the specific conditions for each allowance or payment. Depending on the arrangement, the Group either recognizes the allowance as a reduction of current costs or defers the payment over the period the related merchandise is sold.

If the payment is a reimbursement of specific, incremental and identifiable costs incurred to promote a supplier's products, it is offset against those related costs; otherwise, it is treated as a reduction to the cost of merchandise.

Supplier bonuses which are earned by achieving certain volume purchases are recorded when it is reasonably assured the Group will reach these volumes. Such payments are accounted for as a reduction of inventory purchases and recognized in the consolidated statement of profit or loss and other comprehensive income when the related inventory is sold.

Markdown reimbursements related to merchandise that has been sold, contributions towards promotional activities and similar payments are negotiated and documented by the Group's buying teams and are credited directly to cost of goods sold in the period the performance conditions for their receipt are met by the Group.

Pre-opening expenses

Expenses incurred in the process of opening new stores, which do not meet capitalization criteria under IAS 16 Property, Plant and Equipment are expensed as incurred. Such expenses include rent, utilities and other operating expenses.

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.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Employee benefits

Remuneration to employees in respect of services rendered during the reporting period is recognized as an expense in that reporting period. The Group contributes to the Russian Federation state pension, medical and social insurance funds on behalf of all its current employees (a defined contribution plan) by paying social security contributions (“SSC”). The Group’s only obligation is to pay contributions to the funds as they fall due. As such, the Group has no legal obligation to pay and does not guarantee any future benefits to its Russian employees. Any related expenses are recognized in the consolidated statement of profit or loss and other comprehensive income as they become due. Contribution for each employee varies from 15.1% to 30% depending on the annual gross remuneration of each employee. The Group does not operate any employer sponsored pension plans.

Dividends

Dividends are recognized as a liability in the period in which they have been declared by the shareholders in a general meeting and become legally payable. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Treasury shares

If the Group reacquires its own equity instruments, those instruments (“treasury shares”) are recognized as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments. Such treasury shares may be acquired and held by the Company or by the subsidiaries of the Company.

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Determination of lease term – Group is a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The lease term determined by management can be different from contractual lease term. Group's lease terms are up to 10 years.

Alternative Performance Measures (“APMs”)

In the 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:

APM	Closest equivalent IFRS measure	Adjustments to reconcile to IFRS measure	Definition and purpose
Profit measure 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:

	2020	2019
Net profit for the period being total comprehensive income for the period	6 541	7 134
Add: share of (profit)/loss of an associate and a joint venture	2 468	1 955
Net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture	9 009	9 089

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

4. NEW AND REVISED STANDARDS IN ISSUE NOT YET ADOPTED

At the time of approval of these consolidated financial statements, the following standards and interpretations were published, which are mandatory for the reporting periods of the Group beginning no earlier than 1 January 2021 or after this date, and which the Group has not applied:

Standards and Interpretations	Effective from
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined by the IASB
Amendments to IAS 1 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to IFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to IAS 16 <i>Property, Plant and Equipment—Proceeds before Intended Use</i>	1 January 2022
Amendments to IAS 37 <i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group will apply these amendments when they become effective.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

The amendments are intended to facilitate the understanding that a liability is classified as non-current if the organization expects and has the authority to refinance the obligation or to postpone its maturity by at least 12 months after the reporting date under an existing credit line with the previous lender, on equal or similar terms.

The amendments only amend the presentation of liabilities in the statement of financial position, i.e. not regarding the amount, the moment of recognition or disclosure of information.

The amendments clarify that classification should be based on the existence at the end of the reporting period the right to defer repayment of an obligation for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist “at the end of the reporting period” should affect the classification of the obligation. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of an obligation, which means transferring money, equity instruments, or other assets or services to a counterparty. The amendments enter into force for periods beginning on or after 1 January 2022 and are applied retrospectively. Early adoption is acceptable.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 *Conceptual Framework* instead of the 1989 *Framework*. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 *Levies*, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018–2020

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

IFRS 9 Financial Instruments

The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The management of the Group does not expect that the adoption of these amendments as well as all other amendments and standards will have an effect on the consolidated financial statements of the Group.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION OF UNCERTAINTY

In the application of the Group’s accounting policies, which have been described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, including, but not limited to, the uncertainties and ambiguities of the Russian legal and taxation systems and the difficulties in securing contractual rights as defined in contracts. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions

Inventory valuation

In accordance with the Group’s accounting policy management reviews the inventory balances to determine if inventories can be sold at amounts exceeding or equal to their carrying amounts plus costs to sell. This review includes identification of slow-moving inventories, obsolete inventories and partially or fully damaged inventories. The identification process includes assessing historical performance of the inventory and analysis of sales of merchandise at prices below their carrying amounts less costs to sell in the recent years. Damaged stock is either provided for or written off depending on the extent of damage. Management makes an allowance for any items considered to be obsolete. The allowance represents the difference between the cost of inventory and its estimated net realizable value.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

The net realizable value allowance is calculated using the following methodology:

- Stock held for resale – comparison of expected selling price versus the carrying value on a stock keeping unit basis;
- Damaged goods – examination of historical data relating to discounts associated with damaged goods and comparison to book value at the balance sheet date, and also examination of historical data on compensations, received from suppliers for damaged goods;
- Stock held at service centers – an allowance is applied based on management’s estimate of the carrying value of the inventory and based on historical data on sales of respective inventories and compensations, received from suppliers in relation to stock held at service centers;
- Additional allowance is accrued if there is actual evidence of a decline in selling prices after the end of the reporting period to the extent that such decline confirms conditions existing at the end of the reporting period.

If actual results differ from management’s expectations with respect to the selling of inventories at amounts equal to or less than their carrying amounts, management would be required to adjust the carrying amount of inventories.

Tax and customs provisions and contingencies

The Group is subject to various taxes arising in the Russian Federation. The majority of its merchandise is imported into Russian Federation and is therefore subject to the Russian customs regulations. Significant judgment is required in determining the provision for income taxes and other taxes. The Group recognizes liabilities for anticipated tax issues based on estimates of whether it is probable that additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provision in the period in which such determination is made.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the interest rate that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The interest rates used in the calculations require the use of estimates. The Group estimates the IBR using observable inputs (such as market interest rates) when available and make certain entity-specific estimates.

Revenue attributed to loyalty programs

The Group accounts for customer loyalty points as a separate component of the sale transaction in which they were granted. As a result, a portion of the fair value of consideration received from customers for goods related to bonus points is recognized in the consolidated statement of financial position as deferred revenue. Bonus points are recognized as revenue during the period when they are used or cancelled in accordance with the terms of the loyalty program. Therefore, management has to make assumptions about expected redemption rates, which can be based on accumulated statistics from previous periods. This assessment is carried out under conditions of high uncertainty, which exists at each reporting date, since bonus points are cancelled after the specified time.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Significant judgments made in applying the Group’s accounting policies

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include termination options. The Group applies judgement in evaluating whether it is reasonably certain not to exercise the option to terminate the lease. That is, it considers all relevant factors that create an economic incentive whether or not to exercise termination option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability whether or not to exercise the option to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset). Periods when it is reasonably certain that termination options will be exercised are not included in lease term.

Classification of supplier financing arrangements

As mentioned in Note 35, for liquidity risk management the Group uses various instruments to manage working capital and obtain the necessary payment deferral from suppliers, including factoring agreements, commercial loans and bills of exchange. Management reviews each instrument for classification as trade payables or financial liabilities. In its analysis, the Group considers such factors as the commercial substance of the instrument, its effect on working capital, the consistency of the received payment deferral with market conditions, the presence or absence of collateral, etc.

Suppliers bonuses

Management makes estimates in determining the amount and timing of recognition of income received from suppliers for various programs, including volume incentives and reimbursements for specific programs such as markdowns, margin protection and advertising. In determining the amount of volume-related bonuses recognized in any period, management estimates the probability that the Group will meet contractual target volumes, based on historical and forecast performance. There is usually less uncertainty involved in determining the amount of income to be recognized for promotional and other bonuses.

Management assesses its performance against the obligations conditional on earning the income, with the income recognized either over time as the obligations are met, or recognized at the point when all obligations are met, dependent of the contractual requirements. Income from supplier bonuses is recognized as a credit within cost of sales unless it relates to compensation of specific, incremental and identifiable costs incurred to promote a supplier’s products, in which case it is offset against those expenses. Where the income earned relates to inventories which are held by the Group at period ends, the income is included within the cost of those inventories.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

6. GOODWILL

At 31 December 2020, the Group performed an impairment test for goodwill related to the acquisition of the Eldorado and Media Markt businesses and “Eldorado” trademark.

For the purpose of impairment testing, the CGUs (being each group of stores located in one city) were grouped at the level of the Group’s single operating segment. The recoverable amount of CGUs was determined as value in use.

Cash flows were projected based on budgets approved by the Group. A forecast period of 5 years was used, as this period was determined by the management of the Group as an acceptable planning horizon.

Cash flows beyond 5 years are extrapolated using growth rates comparable to the forecast growth rates of the consumer price index.

The assumptions used to calculate the value in use for which the recoverable amount is most sensitive are: EBITDA annual growth in the average at 5%, the pre-tax discount rate applicable to the projected cash flows of 11.69% and terminal growth rates 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.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

7. PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer and Telecomm	Other fixed assets	Total
Cost								
As at 1 January 2019	10 958	7 126	3 391	8 411	2 245	4 829	2 116	39 076
Additions	-	-	4 392	-	-	-	-	4 392
Transfers	77	1 088	(5 536)	2 240	546	1 077	508	-
Disposals	(79)	(197)	-	(135)	(17)	(140)	(174)	(742)
Reclassification to assets held for sale	(351)	-	-	-	-	-	-	(351)
As at 31 December 2019	10 605	8 017	2 247	10 516	2 774	5 766	2 450	42 375
Additions	-	-	2 378	-	-	-	-	2 378
Transfers	45	1 321	(4 005)	1 404	411	598	226	-
Disposals	(128)	(147)	-	(260)	(45)	(111)	(83)	(774)
Reclassification to assets held for sale	(6)	-	-	-	-	-	-	(6)
As at 31 December 2020	10 516	9 191	620	11 660	3 140	6 253	2 593	43 973
Accumulated depreciation								
As at 1 January 2019	3 115	4 688	-	5 442	1 477	2 861	1 210	18 793
Charge for the year	775	622	-	1 122	399	1 045	459	4 422
Disposals	(12)	(150)	-	(122)	(13)	(113)	(159)	(569)
Reclassification to assets held for sale	(48)	-	-	-	-	-	-	(48)
As at 31 December 2019	3 830	5 160	-	6 442	1 863	3 793	1 510	22 598
Charge for the year	784	778	-	1 358	561	1 012	484	4 977
Disposals	(87)	(93)	-	(229)	(38)	(104)	(76)	(627)
As at 31 December 2020	4 527	5 845	-	7 571	2 386	4 701	1 918	26 948
Net book value								
As at 31 December 2019	6 775	2 857	2 247	4 074	911	1 973	940	19 777
As at 31 December 2020	5 989	3 346	620	4 089	754	1 552	675	17 025

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

Depreciation expense has been included in “Selling, general and administrative expenses” (Note 26).

Assets with net book value of 147 were disposed of by the Group for the year ended 31 December 2020 (for the year ended 31 December 2019: 173) and mainly related to closed stores. Loss on disposal of these items of 23 (for the year ended 31 December 2019: 116) was recorded within other operating expenses (Note 28).

As at 31 December 2020 and 2019, the Group did not have any pledged fixed assets.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

Set out below is the carrying value of right-of-use assets of the Group and changes for the period:

	<u>Land</u>	<u>Stores</u>	<u>Warehouses</u>	<u>Vehicles</u>	<u>Other assets</u>	<u>Total</u>
Cost						
As at 1 January 2019	455	66 103	3 204	199	1 680	71 641
New agreements	15	7 160	22	48	1	7 246
Modification of agreements	3	5 824	3 360	4	(293)	8 898
Disposals	-	(735)	(157)	(10)	(252)	(1 154)
Termination options expected to be exercised	-	(8 253)	-	-	-	(8 253)
As at 31 December 2019	473	70 099	6 429	241	1 136	78 378
New agreements	2	5 945	6	3	42	5 998
Modification of agreements	20	19 335	1 936	-	(198)	21 093
Disposals	(109)	(2 557)	(22)	(10)	(45)	(2 743)
Termination options expected to be exercised	-	(213)	-	-	-	(213)
As at 31 December 2020	386	92 609	8 349	234	935	102 513
Accumulated amortization and impairment						
As at 1 January 2019	-	114	-	72	-	186
Charge for the period	18	14 127	1 147	61	200	15 553
Disposals	-	(131)	(44)	(9)	(9)	(193)
As at 31 December 2019	18	14 110	1 103	124	191	15 546
Charge for the period	18	14 861	1 300	60	184	16 423
Disposals	(5)	(987)	(22)	(9)	(26)	(1 049)
As at 31 December 2020	31	27 984	2 381	175	349	30 920
Net book value						
As at 31 December 2019	455	55 989	5 326	117	945	62 832
As at 31 December 2020	355	64 625	5 968	59	586	71 593

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

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

	<u>2020</u>	<u>2019</u>
As at 1 January	68 459	74 182
Additions	5 943	6 980
Modifications	21 367	8 654
Disposal of lease agreements	(2 279)	(1 253)
Interest expense	6 493	7 243
Lease payments	(17 021)	(19 094)
Extinguishment of lease liabilities by lease concessions	(1 989)	-
Termination options expected to be exercised	(220)	(8 253)
As at 31 December	<u>80 753</u>	<u>68 459</u>
Current	10 051	10 532
Non-current	70 702	57 927

The Group has lease agreements for retail premises, office buildings, warehouses, land, vehicles and other equipment.

During 2020, the Group recognized expenses related to variable lease payments in the amount of 1 235 (2019: 1 443).

Undiscounted obligations as at 31 December 2020 and 2019 consisted of the following:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Minimum lease payments, including:		
Current portion (less than 1 year)	20 474	19 783
More than 1 to 5 years	54 018	48 948
Over 5 years	26 936	21 502
Total minimum lease payments	<u>101 428</u>	<u>90 233</u>

The Group has lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio. Management exercises significant judgement in determining whether these termination options are reasonably certain to be (or not to be) exercised.

Set out below are the undiscounted potential future rental payments as at 31 December 2020 and 2019 relating to periods following the exercise date of termination options that are not included in the lease term:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Termination options expected to be exercised:		
Within 5 years	3 375	5 409
Over 5 years	12 065	14 394
Total	<u>15 440</u>	<u>19 803</u>

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

9. INTANGIBLE ASSETS

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

	Software licenses, development and web site	Leasehold rights	Trademarks	Total
Cost				
As at 31 December 2018	12 976	707	9 155	22 838
Additions	4 616	-	10	4 626
Disposals	(1 026)	-	-	(1 026)
Reclassification to right-of-use assets	-	(707)	-	(707)
As at 31 December 2019	16 566	-	9 165	25 731
Additions	4 793	-	2	4 795
Disposals	(2 127)	-	(2)	(2 129)
As at 31 December 2020	19 232	-	9 165	28 397
Accumulated amortization				
As at 31 December 2018	4 096	103	15	4 214
Charge for the year	2 573	-	7	2 580
Disposals	(1 023)	-	-	(1 023)
Reclassification to right-of-use assets	-	(103)	-	(103)
As at 31 December 2019	5 646	-	22	5 668
Charge for the year	2 983	-	5	2 988
Disposals	(2 127)	-	(2)	(2 129)
As at 31 December 2020	6 502	-	25	6 527
Net book value				
As at 31 December 2019	10 920	-	9 143	20 063
As at 31 December 2020	12 730	-	9 140	21 870

During 2020, the Group incurred capital expenses in the total amount of 4 795 which for the most part were related to the development of the front-office / back-office system and the new web site platform implementation.

Amortization expense has been included in “Selling, general and administrative expenses” (Note 26).

As at 31 December 2020, trademarks with carrying value of 9 132 (31 December 2019: 9 133) were pledged as collateral under the loan agreement (Note 19).

As at 31 December 2020 and 2019, the Group had contractual commitments for the technical support of software licenses (Note 34).

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

10. INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

Investment in an associate and a joint venture is set out as follows:

Name	Activity	Incorporation	% of ownership		31 December 2020	31 December 2019
			31 December 2020	31 December 2019		
Joint venture						
LLC “MARKETPLACE”	Online sales	Russia	80	80	1 229	1 967
Associate						
OJSC “Vesna 23”	Real estate management	Russia	33	33	15	15
Total					1 244	1 982

Summarised financial information in respect of joint venture LLC “MARKETPLACE” is presented below:

	31 December 2020	31 December 2019
Statement of financial position		
Non-current assets	2 776	1 947
Cash and cash equivalents	619	168
Other current assets	466	1 252
Non-current liabilities	(60)	(38)
Trade and other payables	(727)	(871)
Net assets	3 073	2 459
Ownership of the Group, %	80%	80%
Equity attributable to the Group	2 458	1 967
Less: classified as assets held for sale (Note 16)	(1 229)	-
Book value of Group’s investment	1 229	1 967
	2020	2019
Statement of profit and loss		
Revenue	868	315
Operating and other expenses	(4 301)	(3 065)
Amortization and depreciation	(412)	(316)
Finance income/(expenses), net	11	22
Loss before tax	(3 834)	(3 044)
Income tax benefit	749	600
Loss for the year	(3 085)	(2 444)
Ownership of the Group, %	80%	80%
Share of loss of a joint venture	(2 468)	(1 955)

At the end of December 2020, the Group decided to sell part of its share in LLC “MARKETPLACE” to external investor. The deal is expected to be closed during the first half of 2021. Consequently, the Group reclassified a respective portion of its interest in LLC “MARKETPLACE” into assets held for sale as of 31 December 2020.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

11. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2020 and 2019 consisted of the following:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Financial assets		
Long-term loans and notes receivable	85	45
Total financial assets	<u>85</u>	<u>45</u>
Non-financial assets		
Advances paid for non-current assets	612	1 285
Advances paid to related parties (Note 33)	126	19
Long-term advances paid for rent	101	82
Less: impairment allowance for long-term advances paid for rent	(17)	-
Total non-financial assets	<u>822</u>	<u>1 386</u>
Total	<u>907</u>	<u>1 431</u>

12. INVENTORIES

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Goods for resale (at lower of cost or net realisable value)	144 574	127 101
Right of return assets (at lower of cost or net realisable value)	2 158	1 846
Other inventories (at lower of cost or net realisable value)	262	168
Total	<u>146 994</u>	<u>129 115</u>

Cost of inventories recognized as an expense in the amount of 314 469 and 268 335 and inventory losses net of surpluses in the amount of 703 and 770 for the years ended 31 December 2020 and 2019, respectively, were recorded within cost of sales in the consolidated statement of profit or loss and other comprehensive income.

During 2020, 94 were recognized as an income (2019: 206 as an expense) in respect of inventories carried at their net realisable price. This amount is included in cost of sales line in the consolidated statement of profit or loss and other comprehensive income.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

13. ACCOUNTS RECEIVABLE AND ADVANCES ISSUED

Accounts receivable and advances issued as at 31 December 2020 and 2019 consisted of the following:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Accounts receivable		
Bonuses receivable from suppliers	33 960	25 921
Other accounts receivable	10 759	7 375
Accounts receivable from related parties (Note 33)	1 659	840
Expected credit losses on accounts receivable	<u>(154)</u>	<u>-</u>
Total accounts receivable	<u>46 224</u>	<u>34 136</u>
Advances issued		
Advances issued to suppliers and prepaid expenses	1 388	1 549
Advances issued to related parties (Note 33)	851	192
Impairment allowance for advances issued	<u>(478)</u>	<u>(560)</u>
Total advances issued	<u>1 761</u>	<u>1 181</u>
Total	<u>47 985</u>	<u>35 317</u>

As at 31 December 2020 and 2019, the Group did not have accounts receivable past due but not impaired.

Movement in the allowance for doubtful accounts receivable and advances issued is as follows:

	<u>2020</u>	<u>2019</u>
Balance at the beginning of the year	560	705
Impairment losses recognized on accounts receivable and advances issued	154	21
Amounts written off as uncollectible	(34)	(162)
Amounts recovered during the year	<u>(31)</u>	<u>(4)</u>
Balance at the end of the year	<u>649</u>	<u>560</u>

In determining the recoverability of accounts receivable the Group considers any change in the credit quality of receivables and advances issued from the date credit was initially granted up to the reporting date. Details about concentration of credit risk and related management activities are provided in Note 35.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

14. OTHER TAXES RECEIVABLE

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
VAT recoverable	25 342	21 300
Other taxes receivable	<u>10</u>	<u>16</u>
Total	<u><u>25 352</u></u>	<u><u>21 316</u></u>

15. CASH AND CASH EQUIVALENTS

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Cash in transit	3 434	2 874
Cash at banks	2 810	1 303
Short-term bank deposits	650	-
Cash on hand in stores and petty cash	<u>551</u>	<u>561</u>
Total	<u><u>7 445</u></u>	<u><u>4 738</u></u>

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

Cash was denominated in rubles with the exception of 0 in US dollars as at 31 December 2020 (31 December 2019: 1).

As at 31 December 2020 short-term bank deposits denominated in RUB earned interest ranging from 3.05% to 3.9% per annum. The short-term deposits matured in January 2021.

16. ASSETS HELD FOR SALE

As at 31 December 2020, assets held for sale are mainly represented by a portion of investment in a joint venture (Note 10).

As at 31 December 2019, assets held for sale consisted of own land plots, buildings and premises, which the Group did not use and intended to sell. The carrying value of the property reflected the estimated selling price without VAT as the Group pre-agreed such price with potential buyers of the property.

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

17. EQUITY

Share capital

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

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

Each share has par value of 10 RUB per share. During 2020, number of authorized, issued and outstanding ordinary shares remained constant.

All issued ordinary shares were fully paid.

Additional paid-in capital

Additional paid-in capital consists of share premium which is the excess between proceeds from issuance of 30 000 000 additional ordinary shares issued at 1 November 2007 and their par value, less share issuance costs and related current and deferred income tax amounts.

Treasury shares

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

Dividends declared

In 2020, at the General Meeting of Shareholders it was decided to pay dividends for 2019 in the amount of 30.00 rubles per share. Dividends attributable to repurchased ordinary shares were completely excluded during the preparation of these consolidated financial statements. The dividends payable to the holders of the outstanding ordinary shares of the Company in the total amount of 5 341 have been recognized as a decrease in equity in these consolidated financial statements.

In 2019, at the General Meeting of Shareholders it was decided to pay dividends for the first 9 months of 2019 year in the amount of 33.37 rubles per share. Dividends attributable to repurchased ordinary shares were completely excluded during the preparation of these consolidated financial statements. Subsequent to these decisions, the dividends payable to the holders of the outstanding ordinary shares of the Company in the total amount of 5 941 have been recognized as a decrease in equity during 2019 year.

Declared and paid dividends to related parties during 2020 year amounted to 4 783 (2019: 5 312).

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

18. INCOME TAX

The Group’s income tax expense for the years ended 31 December 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Current tax		
Current tax expense in respect of the current year	(4 058)	(1 989)
Change in provision for income tax	(125)	322
	<u>(4 183)</u>	<u>(1 667)</u>
Deferred tax		
Deferred tax benefit recognized in the current year	1 446	(692)
Previously unrecognized temporary differences	1 061	-
	<u>2 507</u>	<u>(692)</u>
Total income tax expense recognised in the current year	<u>(1 676)</u>	<u>(2 359)</u>

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2020 and 2019 is presented below:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Deferred tax assets		
Right-of-use assets and lease liabilities, net	2 083	1 499
Accrued expenses	1 263	583
Salary-related accruals	1 041	588
Deferred revenue and prepayments received for goods	592	481
Assets held for sale	581	-
Allowance for obsolete and slow-moving inventories	320	338
Difference in depreciable value of property, plant and equipment	373	100
Supplier bonuses allocated to inventories	-	541
Other items	374	44
Total	<u>6 627</u>	<u>4 174</u>
Tax offset	(913)	(872)
Net tax assets	<u>5 714</u>	<u>3 302</u>
Deferred tax liabilities		
Difference in amortizable value of intangible assets	(609)	(830)
Supplier bonuses allocated to inventories	(300)	-
Difference in depreciable value of property, plant and equipment	(179)	(312)
Total	<u>(1 088)</u>	<u>(1 142)</u>
Tax offset	913	872
Net tax liabilities	<u>(175)</u>	<u>(270)</u>
Deferred tax assets/(liabilities), net	<u>5 539</u>	<u>3 032</u>

As at 31 December 2020 and 2019, the Group measured deferred tax assets and deferred tax liabilities using tax rate of 20%, which is the rate expected to be applied in the period in which the asset is realized or the liability is settled.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax expense. Below is a reconciliation of theoretical income tax expense at the statutory rate of 20% effective for 2020 and 2019 to the actual expense recorded in the Group’s consolidated statement of profit or loss and other comprehensive income:

	<u>2020</u>	<u>2019</u>
Profit before income tax expense	8 217	9 493
Income tax expense calculated at 20%	(1 643)	(1 899)
Previously unrecognized temporary differences	1 061	-
Effect of expenses that are not deductible in determining taxable profit:		
<i>Loss of a joint venture</i>	<i>(494)</i>	<i>(391)</i>
<i>Change in provision for profit tax</i>	<i>(125)</i>	<i>322</i>
<i>Inventory losses</i>	<i>(277)</i>	<i>(210)</i>
<i>Non-deductible payroll expenses</i>	<i>(17)</i>	<i>(14)</i>
<i>Other non-deductible expenses, net</i>	<i>(181)</i>	<i>(167)</i>
Income tax expense recognized in profit or loss	<u>(1 676)</u>	<u>(2 359)</u>

19. BANK BORROWINGS

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

	<u>Maturity</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Non-current borrowings			
Secured borrowings			
Bank VTB (PJSC)	April 2025	31 733	38 752
Total non-current borrowings		<u>31 733</u>	<u>38 752</u>
Current borrowings and credit lines			
Secured borrowings			
Bank VTB (PJSC)	April-October 2021	10 957	7 654
		<u>10 957</u>	<u>7 654</u>
Unsecured borrowings and credit lines			
Bank VTB (PJSC)	April-June 2021	4 836	-
JSC “ALFA BANK”	April 2021	402	3 004
		<u>5 238</u>	<u>3 004</u>
Total current borrowings and credit lines		<u>16 195</u>	<u>10 658</u>
Total borrowings		<u><u>47 928</u></u>	<u><u>49 410</u></u>

As at 31 December 2020 and 2019, the Group was in compliance with financial covenants contained in loan agreements.

As at 31 December 2020, the Group had unutilized uncommitted credit facilities of 47 290 (31 December 2019: 44 290).

As at 31 December 2020, borrowings are secured by trademarks with carrying amount of 9 132 (31 December 2019: 9 133) (Note 9).

As at 31 December 2020 and 2019, 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.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

Movement in liabilities arising from financing activities

The table below presents changes in liabilities arising from financing activities, including both changes related to cash flows and changes not related to cash flows. Liabilities arising from financing activities include liabilities for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	31 December 2019	Cash flows from financing activities	Interest paid	New leases and modifications	Interest expense	Other changes*	31 December 2020
Bank borrowings	49 410	(1 424)	(4 683)	-	4 781	(156)	47 928
Dividends	-	(5 341)	-	-	-	5 341	-
Lease liabilities	68 459	(11 166)	(5 855)	24 811	6 493	(1 989)	80 753
	117 869	(17 931)	(10 538)	24 811	11 274	3 196	128 681

	31 December 2018	IFRS 16 adoption	1 January 2019	Cash flows from financing activities	Interest paid	New leases and modifications	Interest expense	Other changes*	31 December 2019
Bank borrowings	59 509	-	59 509	(10 050)	(5 157)	-	5 077	31	49 410
Dividends	-	-	-	(5 941)	-	-	-	5 941	-
Lease liabilities	331	73 851	74 182	(11 926)	(7 167)	6 128	7 244	(2)	68 459
	59 840	73 851	133 691	(27 917)	(12 324)	6 128	12 321	5 970	117 869

*Other changes include charge of dividends payable, accrued expenses for bank commissions, net of income from subsidies on bank borrowings, extinguishment of lease liabilities by lease concessions.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

20. OTHER PAYABLES AND ACCRUED EXPENSES

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

	31 December 2020	31 December 2019
Salaries and bonuses	4 320	3 120
Purchase of property, plant and equipment and intangible assets	2 689	3 911
Contingent lease and utility expenses	1 972	1 498
Refund liabilities for goods	1 832	1 561
Other current liabilities to related parties (Note 33)	745	542
Other payables and accrued expenses	2 788	2 343
Total	14 346	12 975

21. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2020 and 2019 consisted of the following:

	31 December 2020	31 December 2019
Payroll taxes	1 120	852
VAT payable	1 048	367
Other taxes payable	144	241
Total	2 312	1 460

22. CONTRACT LIABILITIES

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

	31 December 2020	31 December 2019
Deferred revenue	3 334	4 195
Prepayments received for goods	2 939	2 524
Other advances received	331	1 393
Total	6 604	8 112

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

Deferred revenue for 2020 and 2019 consisted of the following:

	2020					2019				
	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total
As at 1 January	2 030	263	101	1 801	4 195	2 877	736	856	3 207	7 676
Revenue deferred during the period	15 178	2 390	1 962	-	19 530	12 973	4 030	1 702	439	19 144
Revenue recognized in the consolidated statement of profit or loss and other comprehensive income	(14 712)	(2 408)	(2 063)	(1 208)	(20 391)	(13 820)	(4 503)	(2 457)	(1 845)	(22 625)
As at 31 December	2 496	245	-	593	3 334	2 030	263	101	1 801	4 195

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

Revenue for the year ended 31 December 2020 includes the amount of obligations under contracts with customers at the beginning of the year in the amount of 7 494 (2019: 10 013).

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

23. PROVISIONS

Provisions as at 31 December 2020 and 2019 were presented as follows:

	31 December 2019	Accrual of provision	Utilization of provision	Write-off of provision	31 December 2020
Provision for litigation and fines	360	96	(98)	(44)	314
Provision for tax risks *	-	666	-	-	666
Warranty provision – repair of goods	8	-	-	-	8
Total	368	762	(98)	(44)	988

	31 December 2018	Accrual of provision	Utilization of provision	Write-off of provision	31 December 2019
Provision for litigation and fines	960	75	(56)	(619)	360
Provision for tax risks	249	-	-	(249)	-
Warranty provision – repair of goods	29	8	-	(29)	8
Total	1 238	83	(56)	(897)	368

* The provision for tax risks was accrued as a result of the field audit of LLC “ELDORADO” conducted by the Russian tax authorities for 2015-2017, relating to the period before LLC “ELDORADO” was acquired by the Group and included in the “Selling, general and administrative expenses”. 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 50% of potential tax additional charges based on the results of the field audit (or 458) is reflected in accounts receivable in correspondence with the respective accounts of the statement of profit or loss and other comprehensive income (Note 33).

24. REVENUE

Revenue for the years ended 31 December 2020 and 2019 consisted of the following:

	2020	2019
Retail revenue	415 099	361 470
Additional services revenue	1 204	1 845
Rental income from investment property	302	387
Other revenue	1 252	1 514
Total	417 857	365 216

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

Other revenue for the year ended 31 December 2020 and 2019 includes revenue from services of installation, recycling and digital assistance.

Revenue for the year ended 31 December 2020 recognized at a point in time was 416 653 (2019: 363 371), and revenue recognized over time was 1 204 (2019: 1 845).

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

25. COST OF SALES

Cost of sales for the years ended 31 December 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cost of goods sold		
- Cost of goods sold	314 377	268 541
- Transportation	3 752	3 216
- Inventory losses net of surpluses and related compensations from suppliers	575	700
Cost of additional services	56	98
Cost of other services	<u>1 762</u>	<u>1 588</u>
Total	<u>320 522</u>	<u>274 143</u>

26. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Payroll and related taxes*	26 261	23 438
Depreciation and amortization	24 094	22 502
Advertising and promotional expenses, net	5 688	5 914
Bank charges	4 346	3 141
Utilities expenses	2 400	2 584
Warehouse services	2 347	1 847
Credit broker services	2 322	2 781
Security	2 008	2 135
Repairs and maintenance	2 006	2 342
Consulting services	1 978	1 894
Contingent lease expenses	1 254	1 561
Taxes other than income tax	755	269
Office expenses**	752	447
Communication	381	309
Service center	305	302
Packaging and raw materials	226	257
Training and recruitment	156	175
Maintenance and other property operating costs	115	81
Travel	67	234
Other expenses	<u>1 357</u>	<u>333</u>
Total	<u>78 818</u>	<u>72 546</u>

* Payroll and related taxes for the year ended 31 December 2020 include one-off incentive payments totaling 1 300 for the Company's top management (A. Tynkovan, P. Breev) for their roles in crisis management related to the COVID-19 pandemic and the efficient handover of responsibilities to the new Chief Executive Officer based on the Decision of Board of Director.

** Office expenses for the year ended 31 December 2020 include one-off expenses of 298 incurred by the Group for personal protective equipment and disinfection supplies for personnel and customers.

Payroll and related taxes for the year ended 31 December 2020 include 3 580 contribution to the state pension fund (2019: 3 691) and social and medical insurance in the amount of 1 355 (2019: 1 398).

During 2020, the Group received 1 420 from its suppliers as a compensation of advertising and promotional expenses (2019: 1 429).

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Contingent lease expenses represent variable lease costs that are expensed as incurred. Contingent lease expenses for the year ended 31 December 2020 are shown net of negative variable lease payments of 1 989 (2019: nil) recognised upon adoption the Amendment to IFRS 16: COVID-19-Related Rent Concessions and net of income from sublease of 11 (2019: 14).

Taxes other than income tax include the expense for the accrual of provision based on the field tax audit of LLC "ELDORADO" for 2015-2017 in the amount of 333, net of the expected compensation from the previous owners of LLC "ELDORADO" of 333 (Notes 23, 33, 34).

27. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2020 and 2019 includes commissions received from banks on loans provided to customers, other marketing income, income from government grants (Note 34) and other items.

28. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2020 include loss on disposal of property, plant and equipment of 23 (2019: 116), expenses on corporate events in the amount of 20 (2019: 48), charity expense of 22 (2019: 55) and other individually insignificant items.

29. FINANCE INCOME AND EXPENSES

Finance income/(expenses) for the years ended 31 December 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Interest income	491	295
Exchange loss from revaluation of investments	(10)	(12)
Interest expense on lease liabilities, net of interest income	(6 492)	(7 240)
Interest on bank borrowings, credit lines and other	<u>(6 231)</u>	<u>(5 709)</u>
Total	<u>(12 242)</u>	<u>(12 666)</u>

30. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company, by the weighted average number of ordinary shares outstanding during the period, plus 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.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2020	2019
Net profit attributable to equity holders of the Company	6 541	7 134
Weighted average number of ordinary share in issue (millions of shares)	177.79	177.79
Basic earnings per share (in Russian rubles)	36.79	40.13
Net income attributable to equity holders of the Company, adjusted for the effect of dilution	6 541	7 134
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)*	178.02	177.79
Diluted earnings per share (in Russian rubles)	36.74	40.13

* Weighted average number of ordinary shares for the purpose of diluted earnings per share does not include 225 471 shares by LTIP 1 (Note 32) due to anti-dilution effect.

31. SEGMENT INFORMATION

Products and services of operating segments

The activities of the Group are carried out on the territory of the Russian Federation and consist mainly of the retail trade of household appliances and electronics. Despite the fact that the Group operates through various types of stores and in various regions of the Russian Federation, the management of the Group, which makes operational decisions, analyzes the operations of the Group and allocates resources by individual stores.

The group assessed the economic characteristics of individual stores, including “M.video” and “Eldorado” stores, online stores and others, and determined that the stores have similar margins, products, customers and methods of selling such products. Therefore, the Group believes that it has only one operating segment in accordance with IFRS 8 “Operating segments”. The segment’s performance measurement is based on net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture profit or loss.

32. SHARE-BASED PAYMENTS

Long-term incentive program 1

In March 2020, the Group’s Board of Directors approved a three-year long-term incentive program 1 (the “LTIP 1”) for key management personnel of the Group. The program is effective from 1 April 2020 to 31 December 2023. According to the program, participants of LTIP 1 will receive remuneration if the Group achieves budgeted EBITDA target calculated applying IAS 17 principles (“Budgeted Target”) for the relevant calendar year (non-market condition) or if a contingent condition (the “Condition”) occurs by 31 December 2022 (non-market condition). To receive remuneration, program participants must be actively employed at least 70% of time during the corresponding annual period and remain employees of the Group as of the vesting date.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

If the Condition occurs, employees are paid remuneration in the form of ordinary shares of the Company. If the Condition does not occur, but the Group reaches the Budgeted Target for the corresponding calendar year, employees are provided with a choice of either receiving ordinary shares of the Company or receiving cash remuneration based on the Company's share market price. In case of cash settlement, the fair value of remuneration is 10% lower than the fair of remuneration of equity alternative. The program was therefore classified by the Group as consisting of two elements: cash-settled and equity-settled.

Each tranche of remuneration for the corresponding calendar year is considered as a separate share-based payment. 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.

Individual terms of the first tranche of LTIP 1 relating to the year ended 31 December 2020 were agreed by the Group with participants during the reporting period, with total remuneration amounting up to 225 471 shares. Both at grant date and as at 31 December 2020 the Group considered only a scenario that the Group would reach established Budget Target for the period ended 31 December 2020 as being probable. Another scenario (i.e. occurrence of Condition) was not considered probable at grant date and did not happen up to 31 December 2020. Grant dates of any further tranches of LTIP 1 did not occur as at 31 December 2020.

The fair value of the remuneration was based on the assumption that all of the employees participating would stay employed by the Group until their rights vest. At the grant date total fair value of 225 471 awards amounted to 100 (or 460 Russian Rubles per share), at 31 December 2020 total fair value of 225 471 awards amounted to 160 (or 712 Russian Rubles per share). The fair value of the award at grant date and reporting date were calculated based on the market value of the Company's ordinary share at respective date.

Long-term incentive program 2

In September 2020, the Group's Board of Directors approved a three-year long-term incentive program 2 (the "LTIP 2") for key management personnel of the Group. The program is effective from 30 September 2020 until 31 December 2022. According to the program, participants of LTIP 2 will receive remuneration if the market price of the Company's ordinary shares achieves certain targets (market condition) and if the Condition occurs by 31 December 2022 (non-market condition). To receive remuneration, program participants must be actively employed by the Group for certain amount of time during the corresponding annual period and remain employees of the Group as of the vesting date.

If the Condition occurs and ordinary shares achieve target market price, employees will receive remuneration in the form of ordinary shares of the Company. The program was therefore classified by the Group as equity-settled.

The individual terms of the program for the calendar year 2020 were agreed by the Group with participants, whose total remuneration may amount to 900 000 shares.

The fair value of the award was assessed on the assumption that all of the employees participating will stay employed by the Group until their rights vest. At the grant date total fair value of 900 000 awards amounted to 611 (or 679 Russian Rubles per share) and was calculated based on the market value of the Company's ordinary share.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Information on the share-based payments program as at 31 December 2020 is presented as follows:

Program	Period of vesting	Number of shares assigned to program participants	Expected number of shares as at the due date (i)	Fair value as at 31 December 2020	Weighted average exercise price, RUB	Time to maturity, years
LTIP 1	April 2021	225 471	225 471	107	-	0.3
LTIP 2	By the end of 2021	900 000	900 000	305	-	0.3

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

The shares assigned to LTIP participants will be collected from the pool of treasury shares or will be bought by the Group from the open market if necessary.

Amounts recognized as an expense

During the year ended 31 December 2020, the Group recognized a share-based compensation expense, net of social insurance contributions, of 412 (2019: 0), as part of “Selling, general and administrative expenses” under “Payroll and related taxes” line (Note 26). Short-term portion of liabilities relating to cash-settled share-based payments in the amount of 100 (as at 31 December 2019: 0) is included in “Other payables and accrued expenses”. In equity, the “Share-based payments” item reflects 312 (as at 31 December 2019: 0) that relate to equity-settled share-based payments.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

33. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under the control of key management and entities over which the Group has significant influence.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year and the outstanding balances owed by/to related parties as at 31 December 2020 and 2019, respectively:

	2020		31 December 2020		2019		31 December 2019	
	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Joint ventures (i)	104	59	12	27	549	17	5	507
Entities under common control (ii)	-	61	578	5	-	106	373	3
Entities under significant influence of the controlling shareholder (iii)	2 820	2 157	2 047	2 281	1 798	1 974	673	862
Entities controlled by a party exercising significant influence (iv)	-	-	-	-	1	128	-	-
Entities under control of key management personnel (v)	-	134	-	-	7	301	1	35
Total	2 924	2 411	2 637	2 313	2 355	2 526	1 052	1 407

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 policies, warehouses and trade premises rent, acquisition of fixed assets, credit broker services;
- (iv) Entities controlled by a party exercising significant influence – lease of warehouses and trade premises, acquisition of fixed assets;
- (v) Entities under control of key management personnel – stores and head office security services, 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 head office and stores located in Moscow.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in millions of Russian Rubles)**

The following table provides the total amount of financial transactions, which have been entered into with related parties during the year periods ended 31 December 2020 and 2019 and the outstanding balances owed by/to related parties as at 31 December 2020 and 2019, respectively:

	2020		31 December 2020		2019		31 December 2019	
	Financial income from related parties	Financial expense from related parties	Amounts owed by related parties	Amounts owed to related parties	Financial income from related parties	Financial expenses from related parties	Amounts owed by related parties	Amounts owed to related parties
Entities under common control (i)	-	325	-	5 143	-	334	-	4 962
Entities controlled by a party exercising significant influence (ii)	-	-	-	-	-	11	-	-
Entities under control of key management personnel (iii)	-	31	-	-	-	43	-	385
Total	-	356	-	5 143	-	388	-	5 347

(i) Entities under common control – finance expenses and lease obligations;

(ii) Entities controlled by a party exercising significant influence – finance expenses and lease obligations;

(iii) Entities under control of key management personnel – finance expenses and lease obligations.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Terms and conditions of transactions with related parties

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. Outstanding balances at the year-end are unsecured and settlement occurs in cash. There were no guarantees received or provided on receivables and payables in favor of related parties. As at 31 December 2020 and 2019, the Group has an allowance for doubtful accounts receivable from related parties in the amount of 9. The Group performs expected credit loss analysis of related parties balances as described in Note 3.

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the years ended 31 December 2020 and 2019 was as follows:

	<u>2020</u>	<u>2019</u>
Short-term benefits*	2 238	1 984
Share-based payments (Note 32)	475	-
Total	<u>2 713</u>	<u>1 984</u>

* Short-term benefits includes salaries, bonuses, annual leave and medical expenses and for the year ended 31 December 2020 one-off incentive payments totaling 1 300 for the Company's top management (A. Tynkovan, P. Breev) for their roles in crisis management related to the COVID-19 pandemic and the efficient handover of responsibilities to the new Chief Executive Officer based on the Decision of Board of Director.

As at 31 December 2020, there is 1 384 outstanding payable to key management personnel (as at 31 December 2019: 345).

As at 31 December 2020, the number of key management positions was 27 (as at 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 32 and 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 187 for the year ended 31 December 2020 (for the year ended 31 December 2019: 273) and were included in the amounts stated above.

34. 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.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

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.

Impact of COVID-19

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.

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 31 December 2020, the Group received government loans from Bank VTB (PJSC) in the total amount of 4 876 at a below-market rate of interest as part of state support. For the year ended 31 December 2020, the Group recognized grant income of 186 as part of other operating income.

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

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 4 738 as at 31 December 2019 to 7 445 as at 31 December 2020.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

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) (Notes 8 and 26).

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. The Group also performed annual impairment testing of goodwill and trademarks as at 31 December 2020 (Note 6).

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.

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. The Group's management believes that all applicable taxes have been accrued based on market practices and many years of expertise in the interpretation 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 31 December 2020, the Group recognized the tax provision and income tax accruals as an estimated amount of additional charges. Also, as a result of negotiations conducted with the previous owners, the Group recognized the expected compensation of 50% of respective expenses (or 458) as an asset (Notes 13, 23 and 33).

Customs

During the years ended 31 December 2020 and 2019, the Group purchased a significant portion of its foreign manufactured goods on the territory of the Russian Federation from Russian legal entities, including Russian wholesalers or resellers, which may or may not have imported the goods into the Russian Federation directly. As the Group was not involved in clearing customs for the goods purchased on the territory of the Russian Federation, management cannot be certain that the entities which imported the goods into the Russian Federation were in full compliance with the applicable regulations of the Russian customs code.

As described above in Russian Federation tax and regulatory environment section, the relevant authorities may take a more assertive position in their interpretation of the applicable laws.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Under Russian law a company in possession of goods that were imported with proven violations of the customs law may be subject to significant administrative or civil penalties and/or confiscation of the goods, if it was involved in, aware of, or should have known that violation of the customs code were occurring. To date, the Group has not been subject to any notification of violations of the customs code.

Management believes that the Group’s entities were acting in compliance with all applicable tax and legal requirements in respect of imported products, were not involved, not aware and could not be expected to know of any significant violations of the applicable customs code by the Russian wholesalers or resellers. Accordingly, management did not recognize any provisions in respect of such contingencies in these consolidated financial statements and determined that with current limitations in access to customs clearance documents it is not practicable to estimate the likely potential financial effect, if any, of such contingent liabilities.

License agreements

As at 31 December 2020, the minimum payments excluding VAT on future contractual obligations of the Group are 1 567 (as at 31 December 2019: 1 566). These obligations arise in relation to technical support services of existing SAP software licenses until 2025.

The Group uses SAP software for finance, supply chain and human resources functions.

Litigation

In the normal course of business, the Group is subject to proceedings, lawsuits and other claims. While such matters are subject to other uncertainties, and outcomes are not predictable with assurance, the management of the Group believes that any financial impact arising from these matters would not exceed amount disclosed as a provision for litigation and fines in Note 23.

Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its environmental obligations. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental matters.

Financial guarantees

In the normal course of its operating activity the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts banks provide guarantees in favour of the Group’s suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. As at 31 December 2020, the Group entered into such guarantee contracts for the total amount of 10 849 (as at 31 December 2019: 9 179). As at the 31 December 2020 and 2019, the Group has not pledged any assets as collateral under these guarantee contracts.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Generally, the Group’s principal financial liabilities comprise bank borrowings, lease liabilities and trade and other payables. The main purpose of these financial liabilities is to raise finance for the Group’s operations. The Group has trade and other receivables and cash and short-term deposits that are generated directly from its operations.

The main risks arising from the Group’s financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group’s senior management oversees the management of these risks. The Group’s senior management provides assurance to the Group’s Board of Directors that the Group’s financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group’s policies. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Categories of financial instruments

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

	31 December 2020	31 December 2019
Financial assets		
Assets carried at amortized cost	53 754	38 919
Financial liabilities		
Liabilities carried at amortized cost	270 136	238 450

Fair value of financial instruments

	31 December 2020		31 December 2019	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Long-term loans and notes receivable	85	85	45	45
Cash and cash equivalents	7 445	7 445	4 738	4 738
Accounts receivable	46 224	46 224	34 136	34 136
Total	53 754	53 754	38 919	38 919
Financial liabilities				
Borrowings with fixed interest rate	47 928	48 284	49 410	50 982
Trade accounts payables	207 862	207 862	176 065	176 065
Other payables and accrued expenses	14 346	14 346	12 975	12 975
Total	270 136	270 492	238 450	240 022

The fair value of assets and liabilities such as long-term loans issued and notes receivable, cash and cash equivalents, accounts receivable, trade payables and other payables is close to carrying amount due to the short maturities of these instruments.

Fair value of borrowings received in rubles at a fixed interest rate in 2020 and 2019, was estimated using borrowing rates of 6.5%-7.5% respectively using Level 3 of fair value hierarchy.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Foreign currency risk management

Foreign currency risk is the risk that the financial results of the Group will be adversely impacted by changes in exchange rates to which the Group is exposed. The Group’s exposures to foreign currency risk mainly arise from lease payments tied-in to currencies other than functional currency. As at 31 December 2020 approximately 0.5% (as at 31 December 2019: 0.5%) of the Group’s lease contracts for stores and warehouses were tied-in to either US Dollars or Euro. The Group minimizes, to the extent possible, the risk arising from foreign currency-denominated lease contracts by negotiating a fixed exchange rate or a cap for an exchange rate with the lessors.

During the years ended 31 December 2020 and 2019, the Group did not use forward exchange contracts to eliminate the currency exposures.

The carrying amount of the Group’s foreign currency-denominated assets and liabilities at the reporting date are as follows:

	US Dollar		Euro	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Assets				
Advances issued	3	-	2	-
Cash and cash equivalents	-	-	-	1
Total assets	3	-	2	1
Liabilities				
Lease liabilities	(2 331)	(1 596)	-	(147)
Total liabilities	(2 331)	(1 596)	-	(147)
Total net position	(2 328)	(1 596)	2	(146)

Foreign currency sensitivity analysis

As mentioned above, the Group is mainly exposed to changes in the exchange rates of the US Dollar and Euro. The following table details the Group’s sensitivity to a 10% (31 December 2019: 10%) change of the Russian Ruble against these two currencies. The sensitivity analysis includes only outstanding foreign currency denominated assets and liabilities at year-end and adjusts their translation for a movement in foreign currency exchange rates. Positive figures below indicate an increase in profit and respective increase in equity where the Russian Ruble appreciates against the relevant currency. For a depreciation of the Russian Ruble against the relevant currency, there would be an equal and opposite impact on profit and equity.

	US Dollar		Euro	
	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity
2020	10%	(233)	10%	-
	(10%)	233	(10%)	-
	US Dollar		Euro	
	Changes in exchange rate, %	Effect on profit before income tax and equity	Changes in exchange rate, %	Effect on profit before income tax and equity
2019	10%	(160)	10%	(15)
	(10%)	160	(10%)	15

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Interest rate risk management

The Group is exposed to insignificant interest rate risk as entities in the Group borrow funds on fixed rates primarily. The Group is exposed to risk of fair value of financial liabilities changes because of changes of market interest rates.

The Group’s exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

The following analysis of changes in the fair value was performed for non-derivative financial instruments at the reporting date. For purpose of preparing risk management reports for key managers of the Group, the assumption of a change in interest rate of 100 basis points is used, which is in line with management’s expectations regarding reasonably possible fluctuations in interest rates.

The increase/(decrease) of market interest rate by 100 basis points, if other conditions remain constant, would lead to decrease/(increase) of bank borrowings fair value by 228/(226) (1 571/(1 037) in 2019).

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 to credit risk consist primarily of bonuses receivable from suppliers, other receivables, short-term investments as well as cash on current and deposit accounts in banks and other financial institutions.

Bonuses receivable from suppliers are either offset against respective accounts payable or paid in cash. As at 31 December 2020, bonuses receivable from four major suppliers comprised 32% of the Group’s consolidated accounts receivable and prepaid expenses (as at 31 December 2019: 29%). The Group believes no material 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 department. 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 31 December 2020 and 2019:

	Currency	Rating	Carrying amount	
			31 December 2020	31 December 2019
JSC “ALFA BANK”	RUB	Ba1	1 636	173
Bank VTB (PJSC)	RUB	Baa3	1 453	981
PJSC Sberbank	RUB	Baa3	269	67
Other	RUB		102	82
Total			3 460	1 303

The carrying amount of financial assets recorded in the consolidated statement of financial position, net of impairment losses, represents the Group’s maximum exposure to credit risk. There were no other concentrations of credit risk as at 31 December 2020 and 2019.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Liquidity risk management

The Group’s treasury department monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group’s objective is to maintain a continuity of funding and flexibility through the use of bank overdrafts and bank loans. Each year the Group analyses its funding needs and anticipated cash flows, so that it can determine its funding obligations. The seasonality of the business, the store expansion plan, capitalized projects and the anticipated working capital requirements form the basis of the evaluation. When necessary the Group uses long-term instruments (loans and borrowings) to cover its base liquidity needs. The Group uses short-term loans and bank overdrafts 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 factoring agreements, commercial loans and bills of exchange. As the Group does not receive significant benefits of additional financing and does not provide additional collateral using these mechanisms, the corresponding liabilities are recorded as trade payables, interest expenses as finance expenses, and cash flows - as cash flows from operating activities.

As at 31 December 2020, trade payables in respect of which the Group used mechanisms to obtain an additional deferral of payment with the involvement of financial institutions amounted to 18 632 (as at 31 December 2019: 7 134), the corresponding interest expense for the year ended 31 December 2020 of 822 (for the year ended 31 December 2019: 530). Also, as at 31 December 2020, the Group had trade payables to suppliers in the amount of 701 (as at 31 December 2019: 4 197), in respect of which a compensated deferral of payment was provided. Finance expenses incurred by the Group in connection with the provision of such a grace period by suppliers amounted to 596 and 158 for the years ended 31 December 2020 and 2019, respectively.

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

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2020					
Trade accounts payable	205 328	2 534	-	-	207 862
Bank borrowings	923	48 951	27	-	49 901
Lease liabilities	6 729	13 745	54 018	26 936	101 428
Other payables and accrued expenses	14 272	73	1	-	14 346
Total	227 252	65 303	54 046	26 936	373 538
	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2019					
Trade accounts payable	175 666	399	-	-	176 065
Bank borrowings	3 978	9 792	36 297	12 509	62 576
Lease liabilities	5 193	14 589	48 948	21 502	90 232
Other payables and accrued expenses	12 804	73	98	-	12 975
Total	197 641	24 853	85 343	34 011	341 848

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020 (in millions of Russian Rubles)

Capital risk management

The Group manages its capital to ensure that all Group companies will continue to operate in the foreseeable future and at the same time maximize return for shareholders by optimizing the debt to equity ratio. For the years ended 31 December 2020 and 2019, there have been no changes in objectives, policies and processes.

The Group's equity includes shares issued net of treasury shares repurchased, additional paid-in capital and retained earnings.

The main goal of the Group's capital management program is to maximize shareholder value and minimize the risks of the loan portfolio. The consumer electronics industry is a cyclical business and, accordingly, requires short-term fluctuations in the amount of capital used to purchase goods in order to satisfy seasonal demand. To cover seasonal capital requirements, the Group combines such types of borrowings as short-term loans and payables to suppliers. The store expansion program increases the capital requirement as the costs of opening new stores increase the Group's financial burden. Although the Group does not have any formal policy regarding the optimal ratio of debt and equity, the Group periodically analyzes its capital requirements to determine the necessary measures to maintain a balanced capital structure by attracting shareholders' contributions to the authorized capital, issuing new shares, returning capital to shareholders, issuing new or paying off existing debt obligations.

36. SUBSEQUENT EVENTS

There were no events after the reporting date that required disclosure in the financial statements.

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16

Starting from 1 January 2019, when preparing consolidated financial statements the Group applies the provisions of IFRS 16 “Leases” in relation to accounting for 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 year ended 31 December 2020 based on the Group’s accounting policies set out in Note 3 to the consolidated financial statements for the year ended 31 December 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 are set out in Note 3 to the consolidated financial statements for the year ended 31 December 2020.

The following statements are not IFRS statements and should only be considered in addition to the information contained in the consolidated financial statements for the year ended 31 December 2020.

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16

(in millions of Russian Rubles)

The consolidated statement of financial position as at 31 December 2020 and 2019 prepared in accordance with the basis discussed above is presented as follows:

	31 December 2020	31 December 2019
NON-CURRENT ASSETS		
Property, plant and equipment	17 085	19 946
Investment property	351	502
Intangible assets	22 339	20 696
Goodwill	48 975	48 975
Investment in an associate and a joint venture	1 244	1 985
Deferred tax assets	4 653	2 592
Other non-current assets	1 875	2 761
Total non-current assets	96 522	97 457
CURRENT ASSETS		
Inventories	146 994	129 115
Accounts receivable	45 610	34 247
Advances issued	5 525	2 527
Income tax receivable	100	84
Other taxes receivable	25 017	20 851
Other current assets	61	44
Cash and cash equivalents	7 445	4 738
Assets held for sale	1 229	303
Total current assets	231 981	191 909
TOTAL ASSETS	328 503	289 366
EQUITY		
Share capital	1 798	1 798
Additional paid-in capital	4 576	4 576
Treasury shares	(749)	(749)
Retained earnings	32 030	28 593
Total equity	37 655	34 218
NON-CURRENT LIABILITIES		
Non-current bank borrowings	31 733	38 752
Other liabilities	5 094	3 816
Finance obligations	134	338
Deferred tax liabilities	175	260
Total non-current liabilities	37 136	43 166
CURRENT LIABILITIES		
Trade accounts payable	207 862	176 211
Other payables and accrued expenses	18 017	15 164
Contract liabilities	6 604	8 112
Current bank borrowings	16 196	10 658
Income tax payable	1 643	9
Other taxes payable	2 312	1 460
Finance obligations	90	112
Provisions	988	256
Total current liabilities	253 712	211 982
Total liabilities	290 848	255 148
TOTAL EQUITY AND LIABILITIES	328 503	289 366

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16

(in millions of Russian Rubles)

The consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2020 and 2019, prepared in accordance with the basis discussed above, is presented as follows:

	<u>2020</u>	<u>2019</u>
REVENUE	417 857	365 216
COST OF SALES	<u>(320 582)</u>	<u>(274 201)</u>
GROSS PROFIT	97 275	91 015
Selling, general and administrative expenses	(82 876)	(76 767)
Other operating income	4 860	6 235
Other operating expenses	<u>(577)</u>	<u>(784)</u>
OPERATING PROFIT	18 682	19 699
Finance income	491	295
Finance expenses	(6 269)	(5 747)
Share of profit/(loss) of an associate and a joint venture	<u>(2 468)</u>	<u>(1 953)</u>
PROFIT BEFORE INCOME TAX EXPENSE	10 436	12 294
Income tax expense	<u>(1 970)</u>	<u>(3 069)</u>
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	<u>8 466</u>	<u>9 225</u>
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture	<u>10 934</u>	<u>11 178</u>

The consolidated statement of cash flows for the years ended 31 December 2020 and 2019, prepared in accordance with the basis discussed above, is presented as follows:

	<u>2020</u>	<u>2019</u>
OPERATING ACTIVITIES		
Net profit for the year	8 466	9 225
<i>Adjustments for:</i>		
Income tax expense	1 970	3 069
Depreciation and amortization	8 194	7 047
Change in allowance for long-term advances paid	167	(96)
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses	609	976
Interest income	(491)	(295)
Interest expenses	6 268	5 747
Share of (profit)/loss of an associate and a joint venture	2 468	1 952
Change in provisions	(46)	(600)
Other non-cash reconciling items, net	<u>210</u>	<u>(168)</u>
Operating cash flows before movements in working capital	27 815	26 857
Increase in inventories	(18 488)	(16 946)
Increase in accounts receivable and advances issued	(14 630)	(4 012)
Increase in other taxes receivable	(4 269)	(5 895)
Increase in trade accounts payable	30 981	20 707
Increase/(decrease) in other payables and accrued expenses	3 447	(925)
Decrease in contract liabilities	(1 508)	(3 329)
Increase/(decrease) in other liabilities	2 016	(324)
Increase/(decrease) in other taxes payable	1 003	(2 138)
Other changes in working capital, net	<u>867</u>	<u>694</u>
Cash generated by operations	27 234	14 689
Income taxes paid	(2 613)	(3 253)
Interest paid	<u>(4 720)</u>	<u>(5 167)</u>

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16

(in millions of Russian Rubles)

	<u>19 901</u>	<u>6 269</u>
	<u>2020</u>	<u>2019</u>
Net cash from operating activities		
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(3 186)	(4 763)
Proceeds from sale of property, plant and equipment	505	571
Purchase of intangible assets	(4 727)	(4 573)
Interest received	491	295
Net cash outflow from purchase of subsidiary	-	(134)
Investment in joint venture	(3 460)	(2 380)
Net cash used in investing activities	<u>(10 377)</u>	<u>(10 984)</u>
FINANCING ACTIVITIES		
Dividends paid	(5 341)	(5 941)
Proceeds from borrowings	42 461	25 000
Repayment of borrowings	(43 885)	(35 050)
Repayment of lease liabilities	(53)	(48)
Net cash used in financing activities	<u>(6 818)</u>	<u>(16 039)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2 706	(20 754)
CASH AND CASH EQUIVALENTS, at the beginning of the year	4 738	25 487
Impact of foreign exchange rate changes	<u>1</u>	<u>5</u>
CASH AND CASH EQUIVALENTS, at the end of the year	<u><u>7 445</u></u>	<u><u>4 738</u></u>