Public Joint Stock Company “M.video”

Consolidated Financial Statements
for the year ended 31 December 2021

PUBLIC JOINT STOCK COMPANY “M.VIDEO”

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PUBLIC JOINT STOCK COMPANY "M.VIDEO"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021, 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").

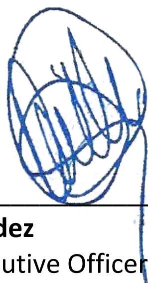
In preparing the consolidated financial statements, management is responsible for:

- 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 IFRS 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 2021 were approved on 5 March 2022.



E. Fernandez
Chief Executive Officer

E. Sokolova
Chief Financial Officer

AO Deloitte & Touche CIS
5 Lesnaya Street
Moscow, 125047,

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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 2021, 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 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 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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 Auditor's Independence Rules and the Auditor's Professional Ethics Code, that are relevant to our audit of the financial statements in the Russian Federation together with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code"), 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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.	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 2021 the value of inventories held by the Group was RUB 163 840 million (31 December 2020: RUB 146 994 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, estimated cost to sell of items held and compensations received from suppliers for	During the audit we: • 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 and performing critical assessment of costs to sell estimate;

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
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. The Group's principal accounting policy in respect of the net realisable value of inventories is disclosed in Note 3. Information regarding to inventory are disclosed in Note 5.	• 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.
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 years ended 31 December 2021 and 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 3 and 9 to the consolidated financial statements.	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".

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Non-current assets impairment assessment Goodwill of RUB 50 007 million and intangible assets with indefinite useful life represented by trademarks of RUB 9 140 million as at 31 December 2021 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.	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".

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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company'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 Company'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 Company'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 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 Company 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 72-75. 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 2021 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.

Vladimir Biryukov
(ORNZ № 21906100113),
Engagement partner,
Acting based on the power of attorney issued by the General Director on 24.12.2021
to sign off the audit report on behalf of AO "Deloitte & Touche CIS" (ORNZ № 12006020384)

5 March 2022

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021
(in millions of Russian Rubles)

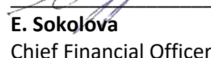
	Notes	31 December 2021	31 December 2020*	31 December 2019*
NON-CURRENT ASSETS				
Property, plant and equipment	8	17 675	17 025	19 777
Investment property		194	211	349
Intangible assets	10	27 830	21 870	20 063
Goodwill	7	50 007	48 975	48 975
Right-of-use assets	9	74 075	71 593	62 832
Investment in an associate and a joint venture	11	15	1 244	1 982
Financial assets	12	5 575	54	45
Deferred tax assets	20	5 366	5 714	3 302
Other non-current assets	13	1 632	853	1 386
Total non-current assets		**182 369**	**167 539**	**158 711**
CURRENT ASSETS				
Inventories	14	163 840	146 994	129 115
Accounts receivable	15	46 865	39 641	30 537
Advances issued	15	1 622	1 761	1 181
Income tax receivable		2 637	100	84
Other taxes receivable	16	33 910	25 352	21 316
Other current assets		68	60	44
Cash and cash equivalents	17	12 053	7 445	4 738
Assets held for sale	18	8	1 229	303
Total current assets		**261 003**	**222 582**	**187 318**
TOTAL ASSETS		**443 372**	**390 121**	**346 029**
EQUITY				
Share capital	19	1 798	1 798	1 798
Additional paid-in capital		4 576	4 576	4 576
Treasury shares	19	(557)	(749)	(749)
Retained earnings		17 395	28 014	26 502
Total equity		**23 212**	**33 639**	**32 127**
NON-CURRENT LIABILITIES				
Non-current borrowings and other financial liabilities	21	28 964	31 733	38 752
Other liabilities	9	68 628	70 702	57 927
Lease liabilities	20	94	175	270
Deferred tax liabilities		577	454	373
Total non-current liabilities		**98 263**	**103 064**	**97 322**
CURRENT LIABILITIES				
Trade accounts payable		237 324	201 279	172 466
Other payables and accrued expenses	22	18 003	14 346	12 975
Contract liabilities	24	7 998	6 604	8 112
Lease liabilities	9	15 797	10 051	10 532
Current borrowings and other financial liabilities	21	40 174	16 195	10 658
Income tax payable		9	1 643	9
Other taxes payable	23	2 428	2 312	1 460
Provisions	25	164	988	368
Total current liabilities		**321 897**	**253 418**	**216 580**
Total liabilities		**420 160**	**356 482**	**313 902**
TOTAL EQUITY AND LIABILITIES		**443 372**	**390 121**	**346 029**

* Certain line items were represented (Note 2).

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

Signed on 5 March 2022 by:

E. Fernandez
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 2021
(in millions of Russian Rubles, except earnings per share)

	Notes	2021	2020*
REVENUE	26	476 364	422 089
COST OF SALES	27	(381 419)	(322 844)
GROSS PROFIT		**94 945**	**99 245**
Selling, general and administrative expenses	28	(87 192)	(76 496)
Other operating income	29	6 403	755
Other operating expenses	30	(414)	(577)
OPERATING PROFIT		**13 742**	**22 927**
Finance income	31	164	491
Finance expenses	31	(14 417)	(12 733)
Gain from change in fair value of financial instruments measured at fair value through profit or loss	12	4 576	–
Share of profit/(loss) of an associate and a joint venture	11	(945)	(2 468)
PROFIT BEFORE INCOME TAX EXPENSE		**3 120**	**8 217**
Income tax expense	20	(740)	(1 676)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period		**2 380**	**6 541**
BASIC EARNINGS PER SHARE (in Russian Rubles)	32	13,36	36,79
DILUTED EARNINGS PER SHARE (in Russian Rubles)	32	13,32	36,74
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture **		**3 325**	**9 009**

* Certain line items were represented (Note 2).

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

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

Signed on 5 March 2022 by:

E. Fernandez
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 2021
(in millions of Russian Rubles)

	Notes	Share capital	Additional paid–in capital	Treasury shares	Retained earnings	Total
Balance as at 31 December 2019		**1 798**	**4 576**	**(749)**	**26 502**	**32 127**
Dividends	19	–	–	–	(5 341)	(5 341)
Accrual of compensation under share–based payments	34	–	–	–	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**
Dividends	19	–	–	–	(13 030)	(13 030)
Accrual of compensation under share–based payments	34	–	–	–	223	223
Settlements under share–based payments	34	–	–	192	(192)	–
Total comprehensive income for the year		–	–	–	**2 380**	**2 380**
Balance as at 31 December 2021		**1 798**	**4 576**	**(557)**	**17 395**	**23 212**

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

Signed on 5 March 2022 by:

E. Fernandez
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 2021
(in millions of Russian Rubles)

	Notes	2021	2020*
OPERATING ACTIVITIES			
Net profit for the year		2 380	6 541
Adjustments for:			
Income tax expense	20	740	1 676
Depreciation and amortization	28	25 338	24 095
Gain on disposal of investment in joint venture		(3 571)	–
Gain on equity instruments at fair value through profit or loss		(4 576)	–
Change in allowance for advances paid		52	167
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		1 321	609
Interest income	31	(142)	(491)
Interest expenses	31	14 417	12 723
Income from debt forgiveness	29	(2 520)	-
Share of (profit)/loss of an associate and a joint venture		945	2 468
Other non-cash reconciling items, net		(368)	(1 808)
Operating cash flows before movements in working capital		**34 016**	**45 980**
Increase in inventories		(18 166)	(18 488)
Increase in accounts receivable and advances issued		(6 833)	(9 953)
Increase in other taxes receivable		(8 009)	(4 139)
Increase in trade accounts payable		35 915	28 550
Increase in other payables and accrued expenses		1 679	2 816
Increase/(decrease) in contract liabilities		1 394	(1 508)
(Decrease)/increase in other liabilities		(677)	661
Increase in other taxes payable		(15)	1 003
Other changes in working capital, net		(781)	508
Cash generated by operations		**38 523**	**45 430**
Income taxes paid		(4 456)	(2 613)
Interest paid		(14 172)	(11 803)
Net cash from operating activities		**19 895**	**31 014**

PUBLIC JOINT STOCK COMPANY "M.VIDEO"

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2021
(in millions of Russian Rubles)

	Notes	2021	2020*
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(5 662)	(3 186)
Proceeds from sale of property, plant and equipment		185	505
Purchase of intangible assets		(8 904)	(4 727)
Interest received		142	491
Proceeds from disposal of investment in joint venture		4 134	–
Loans issued to joint venture		(400)	–
Repayment of loans by joint venture		400	–
Net cash outflow from purchase of subsidiary	6	(1 042)	–
Investment in joint venture		–	(3 460)
Net cash used in investing activities		**(11 147)**	**(10 377)**
FINANCING ACTIVITIES			
Dividends paid	19	(13 030)	(5 341)
Proceeds from bonds		19 000	–
Proceeds from borrowings	21	89 684	42 461
Repayment of borrowings	21	(84 788)	(43 885)
Repayment of lease liabilities	9, 21	(15 006)	(11 166)
Net cash used in financing activities		**(4 140)**	**(17 931)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**4 608**	**2 706**
CASH AND CASH EQUIVALENTS, at the beginning of the year		**7 445**	**4 738**
Impact of foreign exchange rate changes		–	1
CASH AND CASH EQUIVALENTS, at the end of the year		**12 053**	**7 445**

* Certain line items were represented (Note 2).

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

Signed on 5 March 2022 by:

E. Fernandez
Chief Executive Officer

E. Sokolova
Chief Financial Officer

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 2021 were authorized for issue by management on 5 March 2022.

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 2021 and 2020:

			Proportion of ownership interest and voting power held by the Group	
Name of subsidiary	**Principal activity**	**Place of incorporation and operation**	**31 December 2021**	**31 December 2020**
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 "BT HOLDING"	Holding company	Russian Federation	100	100
MVEL Investition GmbH	Holding company	Germany	100	100
LLC "MV FINANCE"	Financial company	Russian Federation	100	100
LLC "Direct Credit Center"	Financial company	Russian Federation	100	–
LLC "Direct Credit"	Financial company	Russian Federation	100	–
LLC "Aliance Credit"	Financial company	Russian Federation	100	–
LLC "DC Finance"	Financial company	Russian Federation	100	–

In 2021 Group acquired 100% ownership of LLC "Direct Credit Centr", which is ownership 100% of LLC "Direct Credit", LLC "Aliance Credit", LLC "DC Finance". (Note 6).

Shareholders

As at 31 December 2021 and 2020, the registered shareholders of the Company and their respective ownership and voting interests were as follows:

	2021	**2020**
ERICARIA HOLDINGS LIMITED	50,0000%	63,5058%
Media-Saturn-Holding GmbH	15,0000%	15,0000%
WERIDGE INVESTMENTS LIMITED	10,3735%	9,9999%
Treasury shares	0,8171%	1,0993%
Various shareholders	23,8094%	10,3950%
Total	**100%**	**100%**

As of 31 December 2021, the ultimate controlling party of the Company is Said Mikhailovich Gutseriev.

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 2020, 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 April 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS4, IFRS 16: Interest rate benchmark reform phase 2	1 January 2021

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.

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

In consolidated financial statements for the year ended 31 December 2020, the Group early adopted the Amendment to IFRS 16: COVID-19-Related Rent Concessions with effect from 1 April 2020 and, as a result, 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.

In 2021, the IASB published a new amendment to IFRS 16 " *Covid-19-Related Rent Concessions*", which extends for one year the amendment to IFRS 16 adopted in May 2020 and allows the lessee not to assess whether the concession caused by COVID-19 is a modification of the lease agreement. The amendment is applicable to periods beginning on 1 April 2021 (early application is allowed). The Group has applied this amendment in these consolidated financial statements.

As a result of the application of practical expedient, the Group:

- recognized the decrease in lease payments as "negative" variable lease payments in profit or loss in the amount of 330 (for 2020: 1 989) (Note 28);
- derecognized lease obligations in the amount of 330 (for 2020: 1 989) as a result of receiving concessions (Note 9).

Reclassifications and re-presentation of comparative information

In connection with the development of consumer lending activities followed by the growth of respective revenues, acquisition of Direct Credit by the Group in October 2021, as well as the management's intention to develop the FinTech Segment of the business, the Group has changed the presentation of consumer lending income and related expenses in the consolidated statement of profit and loss and other comprehensive income as follows:

- the Group's income from consumer lending is presented a commission fee received from Banks for the volume of loans provided and additional services provided within the framework of lending and are reflected on within "Revenue" line while previously such income was presented under the line "Other operating income";
- expenses corresponding to this revenue (including expenses for credit broker services and labor costs) are presented within the line "Cost of sales", while previously they were presented within "Selling, general and administrative expenses".

These changes in the presentation have been made by the Group retrospectively. Changes in the comparative information of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 are presented as follows:

	Before reclassification	Reclassification	After reclassification
REVENUE	417 857	4 232	422 089
COST OF SALES	(320 522)	(2 322)	(322 844)
GROSS PROFIT	**97 335**	**1 910**	**99 245**
Selling, general and administrative expenses	(78 818)	2 322	(76 496)
Other operating income	4 987	(4 232)	755
OPERATING PROFIT	**22 927**	**–**	**22 927**
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	**6 541**	**–**	**6 541**

In addition, in accordance with IFRS the Group reflected a net-off of accounts receivable and accounts payable in the consolidated statement of financial position as at 31 December 2020 and 2019 and adjusted the comparative information presented in these consolidated financial statements accordingly. The effect of net-off on comparative consolidated statement of financial position and the consolidated statement of cash flows is presented below.

Changes in consolidated statement of financial position as of 31 December 2020:

	Before adjustment	Net-off adjustment	After adjustment
CURRENT ASSETS			
Accounts receivable	46 224	(6 583)	39 641
Total current assets	**229 165**	**(6 583)**	**222 582**
TOTAL ASSETS	**396 704**	**(6 583)**	**390 121**
CURRENT LIABILITIES			
Trade accounts payable	207 862	(6 583)	201 279
Total current liabilities	**260 001**	**(6 583)**	**253 418**
Total liabilities	**363 065**	**(6 583)**	**356 482**
TOTAL EQUITY AND LIABILITIES	**396 704**	**(6 583)**	**390 121**

Changes in consolidated statement of financial position as of 31 December 2019:

	Before adjustment	Net-off adjustment	After adjustment
CURRENT ASSETS			
Accounts receivable	34 136	(3 599)	30 537
Total current assets	**190 917**	**(3 599)**	**187 318**
TOTAL ASSETS	**349 628**	**(3 599)**	**346 029**
CURRENT LIABILITIES			
Trade accounts payable	176 065	(3 599)	172 466
Total current liabilities	**220 179**	**(3 599)**	**216 580**
Total liabilities	**317 501**	**(3 599)**	**313 902**
TOTAL EQUITY AND LIABILITIES	**349 628**	**(3 599)**	**346 029**

In accordance with the provisions of IAS 7 "Statement of cash flow" which requires a disclosure of statement of cash flow the total amount of interest paid during the period, the Group changed the classification of interest paid under supplier deferred payment mechanisms and classified respective amount of 1 265 in the consolidated statement of cash flows for the year ended 31 December 2020 as "Interest paid, including lease" rather than "Increase/(decrease) of trade accounts payable" in the amount of 406 and "Increase/(decrease) of other accounts payable and accrued expenses" in the amount of 859. This classification change was also reflected in the comparative information for the year ended 31 December 2020, as part of the consolidated statement of cash flows

Changes in consolidated statement of cash flows for the year ended 31 December 2020:

	Before reclassification	Reclassification	After reclassification
OPERATING ACTIVITIES			
Change in provisions	(46)	46	–
Operating cash flows received from operations before movements in working capital	**45 935**	**46**	**45 981**
Increase in accounts receivable and advances paid	(12 937)	2 984	(9 953)
Increase in trade accounts payable	31 128	(2 578)	28 550
Increase in other payables and accrued expenses	1 957	859	2 816
Increase in other liabilities	707	(46)	661
Cash received from operations	**44 165**	**1 265**	**45 430**
Income taxes paid	(2 613)	–	(2 613)
Interest paid, including lease	(10 538)	(1 265)	(11 803)
Net cash received from operating activities	**31 014**	**–**	**31 014**
INVESTING ACTIVITIES			
Net cash used in investing activities	**(10 377)**	**–**	**(10 377)**
FINANCING ACTIVITIES			
Net cash used in financing activities	**(17 931)**	**–**	**(17 931)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2 706**	**–**	**2 706**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**4 738**	**–**	**4 738**
Impact of foreign exchange rate changes	1	–	1
CASH AND CASH EQUIVALENTS, at the end of the year	**7 445**	**–**	**7 445**

The changes in comparative information discussed above have not had impact on the Group's reported earning per share for the year ended 31 December 2020.

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.

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 36. The impact of subsequent events after the reporting date is disclosed in Note 38.

The Group has outstanding bank borrowings and bonds of 69 138 as of 31 December 2021, out of which 40 174 are due within 12 months after reporting date (Note 21). The Group’s management has performed a stress test taking into account subsequent events (Note 38) and based on available information at the moment publication of the consolidated financial statement believes that all short-term liabilities will be repaid or refinanced in the normal course of the Group's operating activities in accordance with documentary and/or legally defined deadlines, including the use of existing unused credit limits, where needed (Note 21).

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.

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.

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.The useful life of intangible assets is determined on the basis of expert opinion, taking into account the speed of software change in the modern economic environment. The useful life is regularly reviewed.

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 multiplies, quoted share price if available or other fair value indicators.

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

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

Income tax

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

Current tax

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

Deferred tax

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.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 may carry out joint arrangements in the form of joint ventures.

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

The Group's share in profit 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.

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.

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.

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).

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

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

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

Equity instrument

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

Financial liabilities

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

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

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.

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.

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).

The Group cooperates with banks to provide consumer loans to customers to finance the purchase of goods. Partner banks pay the Group a commission fee for the volume of loans provided and additional services within the framework of lending. The Group recognizes revenue at the time of providing the lending service to the buyer.

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.

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.

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.

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:

	2021	2020
Net profit for the period being total comprehensive income for the period	2 380	6 541
Add: share of (profit)/loss of an associate and a joint venture	945	2 468
Net profit for the period being total comprehensive income for the period excluding share of profit/(loss) of an associate and a joint venture	3 325	9 009

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 2022 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 *Classification of Liabilities as Current or Non-current*	1 January 2022
Amendments to IFRS 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16 *Property, Plant and Equipment—Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle	1 January 2022
Amendments to IAS 1 and Practical guide 2 "Disclosures in accounting policies"	1 January 2023
Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"	1 January 2023
Amendments to IAS 12 " Deferred tax related to assets and liabilities arising from a single transaction "	1 January 2023

The Group's management does not expect that these standards and interpretations will have a material impact on the consolidated financial position or consolidated results of operations 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.

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.

Change in accounting estimates - net realizable value of inventory

During the year ended 31 December 2021 the Group implemented an IT solution that allows for more accurate cost accounting when estimating costs to sell per inventory item. Further, management has reviewed the IFRIC guidance issued in 2021 with regards to determination of costs necessary to sell inventories. As a result, management has developed a more accurate estimate of costs necessary to sell inventories and reflected these while calculating allowance for net realizable value.

The impact of this change in estimate of net realizable value of inventories as of 31 December 2021 is as follows:

	Amount before change in estimate	Impact of change in estimate	Amount after change in estimate
Allowance for net realizable value of inventories	(697)	(304)	(1 001)

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.

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 37, 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 uncertainly 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.

6. BUSINESS COMBINATIONS

Acquisition of subsidiaries

On 13 October 2021 the Group acquired a subsidiary from a related party:

	Main activity	Date of acquisition	Ownership acquired (%)	Consideration paid
LLC "Direct Credit Centr"	Financial company	13.10.2021	100%	1 795
				1 795

LLC "Direct Credit Center", which is the parent company of the Direct Credit Group ("Direct Credit Group"), was acquired as part of the further expansion of the Group's activities in the field of fintech and improvement of its own customer service. At the date of acquisition, the Direct Credit Group was a related party of the Group.

Assets acquired and liabilities assumed at the acquisition date

The Group determined fair values of assets acquired and liabilities assumed on a preliminary basis with the involvement of an independent qualified appraiser:

	Direct Credit Group
Current assets	
Inventory	1
Cash and cash equivalents	550
Accounts receivable and other assets	304
Non-current assets	
Property, plant and equipment	39
Intangible assets	409
Right-of-use assets	8
Deferred tax assets	41
Current liabilities	
Accounts payable	(557)
Provisions	(24)
Lease liabilities	(8)
Fair value of net assets acquired, net	**763**

Goodwill from acquisition

	Direct Credit Group
Remuneration paid	1 795
Less: Fair value of acquired identifiable net assets	(763)
Goodwill	**1 032**

Goodwill arising on the acquisition of the Direct Credit Group relates to potential synergies associated with savings on staff salary costs, as well as due to the recognition of the M.video customer base as part of goodwill, which is not recognized as a separate intangible asset. It is expected that the benefits of such synergies will be received by all CGU of the Group.

Consideration for the acquisition is paid in cash. As of the reporting date, the unpaid portion of the consideration for the acquisition of the Direct Credit Group is 204.

Net cash outflow on acquisition of subsidiaries

	Direct Credit Group
Remuneration paid in cash	1 591
Net of acquired cash and cash equivalents	(550)
Total	**1 041**

Impact of acquisitions on the Group's financial results

As a result of the acquisition of the Direct Credit Group, the Group's profit for the year increased by 153. The Group's revenue increased by 103.

If the business combination had occurred on 1 January 2021, the Group's revenue for the year would have been 476 562. This estimate is obtained by direct addition of the actual revenue of the Group's companies for the calendar year, after excluding intra-group transactions, but without any adjustments for synergies that would have been possible if the business combination transactions had occurred on 1 January 2021. If the acquisition of the Direct Credit Group had occurred on 1 January 2021, the estimated profit for the year would have been 2 732, which reflects an approximate estimate of the results of the combined group's activities for the year, adjusted for one-time amounts related to the acquisition.

When determining the pro-forma amounts of the Group's profit for the year assuming the Direct Credit Group had been acquired at the beginning of the current year, the following assumptions were made:

- Depreciation on acquired property, plant and equipment and gain/loss on disposal of acquired property, plant and equipment were calculated on the basis of the fair value determined at the initial recognition of the business combination, and not on the basis of the carrying amount of fixed assets reflected in the financial statements of subsidiaries before the acquisition.

7. GOODWILL

At 31 December 2021, the Group performed an impairment test for goodwill related to the acquisition of the Eldorado, Media Markt and Direct Credit businesses as well as "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 15% 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.

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2021 and 2020 consisted of the following:

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer and Telecomm	Other fixed assets	Total
Cost								
As at 31 December 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**
Additions	–	–	5 633	–	–	–	–	5 633
Assets acquired in a business combination	–	–	–	–	–	–	39	39
Transfers	46	939	(4 793)	1 885	565	1 007	351	–
Disposals	(258)	(93)	–	(226)	(53)	(60)	(74)	(764)
Reclassification to assets held for sale	(50)	–	–	–	–	–	–	(50)
As at 31 December 2021	**10 254**	**10 037**	**1 460**	**13 319**	**3 652**	**7 200**	**2 909**	**48 831**
Accumulated depreciation								
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**
Charge for the year	776	748	–	1 457	455	979	403	4 818
Disposals	(113)	(60)	–	(214)	(52)	(56)	(73)	(568)
Reclassification to assets held for sale	(42)	–	–	–	–	–	–	(42)
As at 31 December 2021	**5 148**	**6 533**	**–**	**8 814**	**2 789**	**5 624**	**2 248**	**31 156**
Net book value								
As at 31 December 2020	**5 989**	**3 346**	**620**	**4 089**	**754**	**1 552**	**675**	**17 025**
As at 31 December 2021	**5 106**	**3 504**	**1 460**	**4 505**	**863**	**1 576**	**661**	**17 675**

Depreciation expense has been included in “Selling, general and administrative expenses” (Note 28).

Assets with net book value of 196 were disposed of by the Group for the year ended 31 December 2021 (for the year ended 31 December 2020: 147) and mainly related to closed stores. Loss on disposal of these items of 10 (for the year ended 31 December 2020: 23) was recorded within other operating expenses (Note 30).

As at 31 December 2021 and 2020, the Group did not have any pledged fixed assets.

9. 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:

	Land	Stores	Warehouses	Vehicles	Other assets	Total
Cost						
As at 31 December 2019	**473**	**70 099**	**6 429**	**241**	**1 136**	**78 378**
New lease agreements	2	5 945	6	3	42	5 998
Modifications	20	19 335	1 936	–	(198)	21 093
Disposals	(109)	(2 557)	(22)	(10)	(45)	(2 743)
Reassessment of termination options	–	(213)	–	–	–	(213)
As at 31 December 2020	**386**	**92 609**	**8 349**	**234**	**935**	**102 513**
New lease agreements	1	9 007	2	-	5	9 015
Modifications	(53)	11 986	1 077	19	90	13 119
Disposals	(17)	(2 253)	(52)	(2)	(277)	(2 601)
Assets acquired in a business combination	–	–	–	–	8	8
Reassessment of termination options	3	(2 242)	–	–	–	(2 239)
As at 31 December 2021	**320**	**109 107**	**9 376**	**251**	**761**	**119 815**
Accumulated amortization and impairment						
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**
Charge for the period	30	14 960	1 387	58	132	16 567
Disposals	(4)	(1 555)	(52)	(2)	(134)	(1 747)
As at 31 December 2021	**57**	**41 389**	**3 716**	**231**	**347**	**45 740**
Net book value						
As at 31 December 2020	**355**	**64 625**	**5 968**	**59**	**586**	**71 593**
As at 31 December 2021	**263**	**67 718**	**5 660**	**20**	**414**	**74 075**

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

	2021	2020
As at 1 January	**80 753**	**68 459**
New lease agreements	8 862	5 943
Modifications	13 552	21 367
Disposals	(962)	(2 279)
Assets acquired in a business combination	8	–
Interest expenses	6 058	6 493
Payments of principle and interest	(21 277)	(17 021)
Extinguishment of lease liabilities by lease concessions	(330)	(1 989)
Reassessment of termination options	(2 239)	(220)
As at 31 December	**84 425**	**80 753**
Current	15 797	10 051
Non-current	68 628	70 702

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

During 2021, the Group recognized expenses related to variable lease payments in the amount of 2 242 (2020: 1 235).

Undiscounted obligations as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Minimum lease payments, including:		
Current portion (less than 1 year)	23 606	20 474
More than 1 to 5 years	59 412	54 018
Over 5 years	27 192	26 936
Total minimum lease payments	**110 210**	**101 428**

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 2021 and 2020 relating to periods following the exercise date of termination options that are not included in the lease term:

	31 December 2021	31 December 2020
Termination options expected to be exercised:		
Within 5 years	8 656	3 375
Over 5 years	13 536	12 065
Total	**22 192**	**15 440**

10. INTANGIBLE ASSETS

Intangible assets as at 31 December 2021 and 2020 consisted of the following:

	Software licenses, capitalised development costs and web site	Trademarks	Total
Cost			
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**
Additions	9 506	1	9 507
Assets acquired in a business combination	409	–	409
Disposals	(1 854)	(1)	(1 855)
As at 31 December 2021	**27 293**	**9 165**	**36 458**
Accumulated amortization			
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**
Charge for the year	3 949	1	3 950
Disposals	(1 848)	(1)	(1 849)
As at 31 December 2021	**8 603**	**25**	**8 628**
Net book value			
As at 31 December 2020	**12 730**	**9 140**	**21 870**
As at 31 December 2021	**18 690**	**9 140**	**27 830**

During 2021, the Group incurred capital expenses in the total amount of 9 507 which for the most part were related to the development of the front-office / back-office system, new web site platform implementation, development of software for automation of business processes and purchase of software licenses.

Amortization expense has been included in "Selling, general and administrative expenses" (Note 28).

As at 31 December 2021, trademarks with carrying value of 9 132 (31 December 2020: 9 132) were pledged as collateral under the Group's loan agreements (Note 21).

As at 31 December 2021 and 2020, the Group had contractual commitments for the technical support of software licenses (Note 36).

11. INVESTMENT IN AN ASSOCIATE AND A JOINT VENTURE

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

			% of ownership			
Name	**Activity**	**Incorporation**	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Joint venture						
LLC "MARKETPLACE"	Online sales	Russia	10	80	–	1 229
Associate						
OJSC "Vesna 23"	Real estate management	Russia	33	33	15	15
Total					**15**	**1 244**

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

	31 December 2020
Statement of financial position	
Non-current assets	2 776
Cash and cash equivalents	619
Other current assets	466
Non-current liabilities	(60)
Trade and other payables	(727)
Net assets	**3 073**
Ownership of the Group, %	**80%**
Equity attributable to the Group	**2 458**
Less: classified as assets held for sale (Note 18)	(1 229)
Book value of Group's investment	**1 229**

	from 1 January 2021 to date of sale	**2020**
Statement of profit and loss		
Revenue	229	868
Operating and other expenses	(958)	(4 301)
Amortization and depreciation	(150)	(412)
Finance income/(expenses), net	14	11
Loss before tax	**(865)**	**(3 834)**
Income tax benefit	(1 498)	749
Loss for the year	**(2 363)**	**(3 085)**
Ownership of the Group, %	**40%**	**80%**
Share of loss of a joint venture	**(945)**	**(2 468)**

At the end of December 2020, the Group decided to sell part of its share in LLC "MARKETPLACE" to external investor. The Group reclassified a respective portion of its interest in LLC "MARKETPLACE" into assets held for sale as of 31 December 2020. The transaction was completed in April 2021 (Note 18).

12. FINANCIAL ASSETS

Financial assets as at 31 December 2021 consist of the Group's 10% interest in LLC "MARKETPLACE", ex-joint venture (Note 11), of 5 527 (31 December 2020: nil) and loans provided to employees of 49 (31 December 2020: 54).

Investment in equity of LLC "MARKETPLACE" is carried at fair value with changes in fair value recognized in profit and loss.

As shares of LLC "MARKETPLACE" are not quoted on a recognized stock exchange, the Group's internal specialists determine the fair value of this investment on the basis of Level 3 inputs using discounted cashflow method. The Group has also completed a peer analysis of estimated fair value against peer companies with shares quoted on recognized stock exchanges.

Cash flows were projected based on approved budgets. A forecast period of 10 years was used, since this period was determined by the management as an acceptable planning horizon. Cash flows beyond 10 years were extrapolated using growth rates comparable to the projected growth rates of the consumer price index.

The key unobserved inputs to which the fair value calculation is most sensitive are:

- Gross Merchandise Value average growth rate over forecast period of 57%;
- Target profitability determined as percentage of Earnings before interest, tax, depreciation and amortization to Gross Merchandise Value of 3.5%;
- Discount rate of 27.5% determined based on external sources and reflecting estimated risk of an investment.

Since the above assumptions are highly linked and interconnected management has performed a sensitivity of changes in fair value to changes in discount rate. Increase/(decrease) in discount rate by 5pp. with other assumptions being constant would result in decrease in fair value of the Group's investment in LLC "MARKETPLACE" by 1 853/(increase by 3 363).

13. OTHER NON-CURRENT ASSETS

Other non-current assets as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Advances paid for non-current assets	1 374	643
Advances paid to related parties (Note 35)	131	126
Long-term advances paid for rent	130	101
Less: impairment allowance for long-term advances paid for rent	(3)	(17)
Total	**1 632**	**853**

14. INVENTORIES

Inventories as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Goods for resale	161 158	144 574
Right of return assets	2 521	2 158
Other inventories	161	262
Total	**163 840**	**146 994**

Cost of inventories recognized as an expense in the amount of 371 662 and 314 469 and inventory losses net of surpluses in the amount of 395 and 703 for the years ended 31 December 2021 and 2020, respectively, were recorded within cost of sales in the consolidated statement of profit or loss and other comprehensive income.

During 2021, 926 were recognized as expenses (2020: 94 as an income) in respect of inventories carried at their net realisable value. This amount is included in cost of sales line in the consolidated statement of profit or loss and other comprehensive income.

15. ACCOUNTS RECEIVABLE AND ADVANCES ISSUED

Accounts receivable and advances issued as at 31 December 2021, 2020 and 2019 consisted of the following:

	31 December 2021	31 December 2020*	31 December 2019*
Accounts receivable	38 738	33 960	25 921
Bonuses receivable from suppliers	7 133	4 176	3 776
Other accounts receivable	1 204	1 659	840
Accounts receivable from related parties (Note 35)	(210)	(154)	–
Total accounts receivable	**46 865**	**39 641**	**30 537**
Advances issued			
Advances issued to suppliers and prepaid expenses	1 570	1 388	1 549
Advances issued to related parties (Note 35)	72	851	192
Impairment allowance for advances issued	(20)	(478)	(560)
Total advances issued	**1 622**	**1 761**	**1 181**
Total	**48 487**	**41 402**	**31 718**

* Certain line items were re-presented (Note 2)

As at 31 December 2021 and 2020, 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:

	2021	2020
Balance at the beginning of the year	649	560
Impairment losses recognized on accounts receivable and advances issued	58	154
Acquired in a business combination	7	–
Amounts written off as uncollectible	(464)	(34)
Amounts recovered during the year	(11)	(31)
Balance at the end of the year	**239**	**649**

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 37.

16. OTHER TAXES RECEIVABLE

Other taxes receivable as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
VAT recoverable	33 903	25 342
Other taxes receivable	7	10
Total	**33 910**	**25 352**

17. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Cash at banks	5 972	2 810
Cash in transit	4 224	3 434
Short-term bank deposits	1 268	650
Cash on hand in stores and petty cash	589	551
Total	**12 053**	**7 445**

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.

18. ASSETS HELD FOR SALE

In April 2021, the Group sold a 40% interest in LLC "MARKETPLACE". The consideration received by the Group amounted to 4 134, and the book value of the disposed interest was 563. As a result of the transaction, gain of 3 571 was recorded as part of other operating income. In addition, in April 2021, the new participant made an additional contribution to the capital of LLC "MARKETPLACE", as a result of which the Group's share decreased to 10%, and it lost significant influence on the activities of LLC "MARKETPLACE".

The Group ceased to account for the investment using the equity method and recognized it as a financial asset measured at fair value through profit or loss within the line "Financial assets" in the consolidated statement of financial position. The fair value of the remaining 10% interest was 951 at the date of disposal. As at 31 December 2021 the fair value was reassessed (Note 12).

19. EQUITY

Share capital

As at 31 December 2021 and 2020, the Company had the following number of authorized, issued and outstanding ordinary shares:

	Outstanding ordinary shares	Issued ordinary shares	Authorized ordinary shares
Balance as at 31 December 2020	**177 792 057**	**179 768 227**	**209 768 227**
Settlement of share-based payments (Note 34)	507 285	–	–
Balance as at 31 December 2021	**178 299 342**	**179 768 227**	**209 768 227**

Each share has par value of 10 RUB per share. During 2021, 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

A As at 31 December 2021 the Group owned 1 468 885 treasury shares (31 December 2020: 1 976 170 treasury shares) held at cost of 557 (31 December 2020: 749).

Dividends declared

In December 2021, at the General Meeting of Shareholders it was decided to pay dividends for 9 month 2021 in the amount of 35.00 rubles per share. Dividends attributable to repurchased ordinary shares were completely excluded during the preparation of these interim condensed consolidated financial statements. The dividends payable to the holders of the outstanding ordinary shares of the Company in the total amount of 6 247 have been recognized as a decrease in equity in these interim condensed consolidated financial statements.

In May 2021, at the General Meeting of Shareholders it was decided to pay dividends for 2020 in the amount of 38.00 rubles per share. Dividends attributable to repurchased ordinary shares were completely excluded during the preparation of these interim condensed consolidated financial statements. The dividends payable to the holders of the outstanding ordinary shares of the Company in the total amount of 6 783 have been recognized as a decrease in equity in these interim condensed consolidated financial statements.

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.

Declared and paid dividends to related parties during 2021 year amounted to 8 577 (2020: 4 783).

20. INCOME TAX

The Group’s income tax expense for the years ended 31 December 2021 and 2020 was as follows:

	2021	2020
Current tax		
Current tax expense in respect of the current year	(523)	(4 058)
Income tax penalty	(31)	–
Change in provision for income tax	125	(125)
	(429)	**(4 183)**
Deferred tax		
Deferred tax benefit recognized in the current year	403	1 446
Previously unrecognized temporary differences	(714)	1 061
	(311)	**2 507**
Total income tax expense recognised in the current year	**(740)**	**(1 676)**

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2021 and 2020 is presented below:

	31 December 2021	31 December 2020
Deferred tax assets		
Right-of-use assets and lease liabilities, net	2 323	2 083
Accrued expenses	1 505	1 263
Difference in depreciable value of property, plant and equipment	658	373
Supplier bonuses allocated to inventories	547	–
Deferred revenue and prepayments received for goods	512	592
Allowance for obsolete and slow-moving inventories	505	320
Salary-related accruals	478	1 041
Assets held for sale	–	581
Other items	524	374
Total	**7 052**	**6 627**
Tax offset	(1 686)	(913)
Net tax assets	**5 366**	**5 714**
Deferred tax liabilities		
Difference in valuation of financial assets	(915)	–
Difference in amortizable value of intangible assets	(605)	(609)
Difference in depreciable value of property, plant and equipment	(106)	(179)
Supplier bonuses allocated to inventories	(154)	–
Other items	–	(300)
Total	**(1 780)**	**(1 088)**
Tax offset	1 686	913
Net tax liabilities	**(94)**	**(175)**
Deferred tax assets/(liabilities), net	**5 272**	**5 539**

As at 31 December 2021 and 2020, the Group measured deferred tax assets and deferred tax liabilities using tax rate of 20%, which is the rate expected to be applied in the period in which the asset is realized or the liability is settled.

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax expense. Below is a reconciliation of theoretical income tax expense at the statutory rate of 20% effective for 2021 and 2020 to the actual expense recorded in the Group's consolidated statement of profit or loss and other comprehensive income:

	2021	2020
Profit before income tax expense	**3 120**	**8 217**
Income tax expense calculated at 20%	**(624)**	**(1 643)**
Previously unrecognized temporary differences	–	1 061
Effect of expenses that are not deductible in determining taxable profit:		
Loss of a joint venture	*(189)*	*(494)*
Change in provision for profit tax	*125*	*(125)*
Income from debt forgiveness	504	–
Income tax penalty	*(31)*	–
Inventory losses	*(253)*	*(277)*
Non-deductible payroll expenses	*(147)*	*(17)*
Other non-deductible expenses, net	*(125)*	*(181)*
Income tax expense recognized in profit or loss	**(740)**	**(1 676)**

21. BORROWINGS AND OTHER FINANCIAL LIABILITIES

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

	Maturity	31 December 2021	31 December 2020
Non–current borrowings and other financial liabilities			
Secured borrowings			
Bank VTB (PJSC)	October 2022	–	31 733
		–	**31 733**
Unsecured borrowings and credit lines			
Bank GPB (JSC)	April 2024	5 000	–
PJSK CREDIT BANK OF MOSCOW	April 2024	5 000	–
		10 000	**–**
Other financial liabilities			
Bonds	April 2023-August 2024	18 964	–
		18 964	**–**
Total non–current borrowings and other financial liabilities		**28 964**	**31 733**
Current borrowings and other financial liabilities			
Secured borrowings			
Bank VTB (PJSC)	April-October 2022	2 776	10 957
		2 776	**10 957**
Unsecured borrowings and credit lines			
Bank VTB (PJSC)	January-April 2022	9 840	4 836
Bank GPB (JSC)	March-November 2022	8 536	–
PJSC "Sovcombank"	March 2022	7 000	–
PJSC "Rosbank"	February 2022	2 507	–
JSC "ALFA BANK"	February-April 2022	3 704	402
PJSC "Promsvyazbank"	April 2022	3 022	–
PJSK CREDIT BANK OF MOSCOW	November 2022	2 546	–
		37 155	**5 238**
Other financial liabilities			
Bonds	February-April 2022	243	–
		243	**–**
Total current borrowings and other financial liabilities		**40 174**	**16 195**
Total borrowings and other financial liabilities		**69 138**	**47 928**

In 2021, the Group issued long-term non-convertible ruble-denominated bonds with a fixed coupon rate for a total amount of 19 000.

As at 31 December 2021, the Group had unutilized uncommitted credit facilities of 29 500 (31 December 2020: 47 290). The unused limit on the issue of bonds as of 31 December 2021 is 31 000 (31 December 2020: 0)

As at 31 December 2021, borrowings are secured by trademarks with carrying amount of 9 132 (31 December 2020: 9 132) (Note 10).

As at 31 December 2021 and 2020, 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.

In June 2021, the Group's debt on the loan received from Bank VTB (PJSC) under the state program of support for industries affected by the coronavirus was forgiven and the corresponding income was recognized as part of the item "Other operating income" in the amount of 2 520 (Note 29).

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 2020	Cash flows from financing activities	Interest paid	New leases and modifications	Interest expense	Other changes*	31 December 2021
Bank borrowings	47 928	4 896	(4 662)	–	4 196	(2 428)	49 930
Bonds	–	19 000	(546)	–	790	(36)	19 208
Dividends	–	(13 030)	–	–	–	13 030	–
Lease liabilities	80 753	(15 006)	(6 269)	19 219	6 058	(330)	84 425
	128 681	**(4 140)**	**(11 477)**	**19 219**	**11 044**	**10 236**	**153 563**

	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**

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

22. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Purchase of property, plant and equipment and intangible assets	5 615	2 689
Salaries and bonuses	4 594	4 793
Refund liabilities for goods	2 022	1 832
Contingent lease and utility expenses	1 814	1 972
Other current liabilities to related parties (Note 35)	720	592
Consulting expenses	633	342
Repairs and maintenance expenses	296	745
Other payables and accrued expenses	2 308	1 381
Total	**18 003**	**14 346**

23. OTHER TAXES PAYABLE

Other taxes payable as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Payroll taxes	1 246	1 120
VAT payable	812	1 048
Other taxes payable	370	144
Total	**2 428**	**2 312**

24. CONTRACT LIABILITIES

Contract liabilities as at 31 December 2021 and 2020 consisted of the following:

	31 December 2021	31 December 2020
Prepayments received for goods	4 271	2 939
Deferred revenue	3 315	3 334
Other advances received	412	331
Total	**7 998**	**6 604**

Deferred revenue for 2021 and 2020 consisted of the following:

	2021					2020				
	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total
As at 1 January	**2 496**	**245**	**–**	**593**	**3 334**	**2 030**	**263**	**101**	**1 801**	**4 195**
Revenue deferred during the period	23 844	2 518	1 119	–	27 481	15 178	2 390	1 962	–	19 530
Revenue recognized in the consolidated statement of profit or loss and other comprehensive income	(23 780)	(2 166)	(1 119)	(435)	(27 500)	(14 712)	(2 408)	(2 063)	(1 208)	(20 391)
As at 31 December	**2 560**	**597**	**–**	**158**	**3 315**	**2 496**	**245**	**–**	**593**	**3 334**

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

Revenue for the year ended 31 December 2021 includes the amount of obligations under contracts with customers at the beginning of the year in the amount of 5 939 (2020: 7 494).

25. PROVISIONS

Provisions as at 31 December 2021 and 2020 were presented as follows:

	31 December 2020	Accrual of provision	Utilization of provision	Write-off of provision	31 December 2021
Provision for litigation and fines	314	160	(57)	(253)	164
Provision for tax risks *	666	13	(13)	(666)	–
Warranty provision – repair of goods	8	–	(8)	–	–
Total	**988**	**173**	**(78)**	**(919)**	**164**

	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**

* 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. In addition, 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) was reflected in accounts receivable in correspondence with the respective accounts of the statement of profit or loss and other comprehensive income. In connection with the correction of the results of the field audit, as at 31 December 2021, the Group adjusted the amount of the previously accrued provision for tax risks to 13, and the uncertain income tax position to 18 in correspondence with the respective accounts of the statement of profit or loss and other comprehensive income, as a result of which, in the 2021, income from the recovery of the reserve and the uncertain tax position was recognized of 653 and 231, respectively (Note 29). Since the final amount of additional charges does not exceed the minimum threshold for compensation, the respective compensation receivable from the previous owners of LLC "ELDORADO" was derecognised, which is reflected within "Selling, general and administrative expenses" and "Income tax expenses" for the year ended 31 December 2021 (333 and 125, respectively).

26. REVENUE

Revenue for the years ended 31 December 2021 and 2020 consisted of the following:

	2021	2020
Retail revenue	468 251	415 099
Consumer loan revenue	6 088	4 232
Additional services revenue	434	1 204
Rental income from investment property	301	302
Other revenue	1 290	1 252
Total	**476 364**	**422 089**

* Consumer loan revenue was presented within other operating income (Note 2).

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

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

Revenue for the year ended 31 December 2021 recognized at a point in time was 475 930 (2020: 420 885), and revenue recognized over time was 434 (2020: 1 204).

27. COST OF SALES

Cost of sales for the years ended 31 December 2021 and 2020 consisted of the following:

	2021	2020
Cost of goods sold		
- Cost of goods sold	372 588	314 377
- Transportation to stores	4 261	3 752
- Inventory losses net of surpluses and related compensations from suppliers	198	575
Cost of credit broker services:		
- Purchased credit broker services	1 880	2 322
- Payroll of credit broker staff and related taxes	212	-
Cost of Additional services	41	56
Cost of other services	2 239	1 762
Total	**381 419**	**322 844**

28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2021 and 2020 consisted of the following:

	2021	2020
Payroll and related taxes*	27 921	26 261
Depreciation and amortization	25 337	24 094
Advertising and promotional expenses, net	7 963	5 688
Bank charges	5 085	4 346
Warehouse services	3 462	2 347
Consulting services	3 227	1 978
Repairs and maintenance	2 590	2 006
Utilities expenses	2 435	2 400
Security	2 320	2 008
Contingent lease expenses	2 262	1 254
Office expenses**	921	752
Taxes other than income tax (Note 25)	497	755
Packaging and raw materials	399	226
Communication	388	381
Training and recruitment	376	156
Service center	333	305
Maintenance and other property operating costs	120	115
Travel	80	67
Other expenses	1 476	1 357
Total	**87 192**	**76 496**

* 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 2021 include expenses of 283 (2020: 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 2021 include 4 456 contribution to the state pension fund (2020: 3 580) and social and medical insurance in the amount of 1 699 (2020: 1 355).

During 2021, the Group received 2 211 from its suppliers as a compensation of advertising and promotional expenses (2020: 1 420).

Contingent lease expenses represent variable lease costs that are expensed as incurred. Contingent lease expenses for the year ended 31 December 2021 are shown net of negative variable lease payments of 330 (2020: 1 989) recognised upon adoption the Amendment to IFRS 16: COVID-19-Related Rent Concessions and net of income from sublease of 14 (2020: 11).

29. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 2021 and 2020 includes gain on disposal of investment in LLC "MARKETPLACE" of 3 571 (Note 11), income from debt foregiveness of 2 520 (Note 21), other marketing income and other items.

30. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2021 include loss on disposal of property, plant and equipment of 10 (2020: 23), expenses on corporate events in the amount of 45 (2020: 20), charity expense of 33 (2020: 22) and other individually insignificant items.

31. FINANCE INCOME AND EXPENSES

Finance income/(expenses) for the years ended 31 December 2021 and 2020 consisted of the following:

	2021	2020
Interest income	142	491
Exchange loss from revaluation of investments	22	(10)
Interest expense on lease liabilities, net of interest income	(6 398)	(6 492)
Interest on bank borrowings, bonds and other	(8 019)	(6 231)
Total	**(14 253)**	**(12 242)**

32. 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.

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

	2021	2020
Net profit attributable to equity holders of the Company	2 380	6 541
Weighted average number of ordinary share in issue (millions of shares)	178.13	177.79
Basic earnings per share (in Russian rubles)	**13.36**	**36.79**
Net income attributable to equity holders of the Company, adjusted for the effect of dilution	2 380	6 541
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)*	178.64	178.02
Diluted earnings per share (in Russian rubles)	**13.32**	**36.74**

* Weighted average number of ordinary shares for the purpose of diluted earnings per share does not include 225 471 shares by LTIP 1 (Note 34) due to anti-dilution effect.

33. 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.

34. SHARE-BASED PAYMENTS

Long-term incentive program 1

In March 2020, a three-year long-term incentive program 1 (the "LTIP 1") for key management personnel of the Group was approved. 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 and continuously employed at least 70% of time during the corresponding annual period in a certain entity of the Group and remain its employees as of the vesting date.

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.

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.

First tranche of LTIP 1 for 2020

The program in part of the first tranche was classified by the Group as consisting of two elements: cash-settled and equity-settled.

Individual terms of the first tranche of LTIP 1 relating to the year ended 31 December 2020 were agreed 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.

The fair value of the remuneration was based on the assumption that all of the employees participating would stay employed by the certain entity of 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.

In April 2021, the first tranche of LTIP 1 was paid in the form of shares in total quantity of 166 959 shares and in cash of 41. The shares were paid out of treasury shares.

Second tranche of LTIP 1 for 2021

The program in part of the second tranche was classified by the Group as equity-settled.

Individual terms of the second tranche of LTIP 1 relating to the year ended 31 December 2021 were agreed with participants with total remuneration amounting up to 291 780 shares. In March 2021, the Condition occurred, in this regard, it is expected that remuneration for 2021 will be paid only in the form of shares.

The fair value of the remuneration was based on the assumption that all of the employees participating would stay employed by the certain entity of the Group until their rights vest. At the grant date of second tranche of LTIP 1 total fair value of 291 780 awards amounted to 212 (or 725 Russian Rubles per share), at 31 December 2021 total fair value of 291 780 awards amounted to 178 (or 616 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, a three-year long-term incentive program 2 (the "LTIP 2") for key management personnel of the Group was approved. 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 a certain amount of time during the corresponding annual period and remain employees of the certain entity 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 with participants, whose total remuneration may amount to 900 000 shares.

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.

In March 2021, the Condition occurred. In May 2021, the first tranche of LTIP 2 was paid in the form of shares in total quantity of 340 326 shares. The shares were paid out of treasury shares. No other payments are expected under this program.

Information on the share-based payments program as at 31 December 2021 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 2021
LTIP 1, tranche 2	April 2022	291 780	291 780	72

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
LTIP 1, tranche 1	April 2021	225 471	225 471	107
LTIP 2	By the end of 2021	900 000	900 000	305

(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 purchased by the Group from the open market if necessary.

Amounts recognized as an expense

During the 2021, the Group recognized a share-based compensation expense, net of social insurance contributions, of 207 (2020: 19), as part of "Selling, general and administrative expenses" under "Payroll and related taxes" line (Note 28). The short-term part of the liabilities as at 31 December 2021 was absent (as at 31 December 2020, it amounted to 100 and was recorded as part of "Other payables and accrued expenses" in part of the program classified as cash-settled share-based payments). In equity, the "Accrual of share-based payments" item reflects 140 (2020: 2) that relate to equity-settled share-based payments.

35. 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 2021 and 2020, respectively:

	2021		31 December 2021		2020		31 December 2020	
	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)	54	25	–	–	104	59	12	27
Entities under common control (ii)	3	3 888	203	292	–	61	578	5
Entities under significant influence of the controlling shareholder (iii)	4 302	1 088	1 203	1 384	2 820	2 157	2 047	2 281
Entities under control of key management personnel (iv)	–	–	–	–	–	134	–	–
Total	**4 359**	**5 001**	**1 406**	**1 676**	**2 924**	**2 411**	**2 637**	**2 313**

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. Transactions with MARKETPLACE LLC are included in the disclosure up to the point when the Group lost significant influence over the company in April 2021 (Note 6)

(ii) Entities under common control – acquisition of the Direct Credit Group, purchase and sale of Group's goods, warehouses and trade premises rent, charity, reimbursement of tax charges and fines, etc. As indicated in Note 6, on 13 October 2021, the Group acquired a subsidiary of Direct Credit Center LLC from a related party under common control;

(iii) Entities under significant influence of the controlling shareholder – agent services for sales of insurance policies, credit broker services. Transactions with Direct Credit Center LLC are included in the disclosure until the acquisition of the Direct Credit Group in October 2021 (Note 6);

(iv) 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.

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 2021 and 2020 and the outstanding balances owed by/to related parties as at 31 December 2021 and 2020, respectively:

	2021		31 December 2021		2020		31 December 2020	
	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)	1	–	–	–	–	325	–	5 143
Entities controlled by a party exercising significant influence (ii)	–	395	–	5 254	–	–	–	–
Entities under control of key management personnel (iii)	–	–	–	–	–	31	–	–
Total	**1**	**395**	**–**	**5 254**	**–**	**356**	**–**	**5 143**

(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.

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 2021 and 2020, the Group has an allowance for doubtful accounts receivable from related parties in the amount of 6. 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 2021 and 2020 was as follows:

	2021	2020
Short-term benefits*	2 104	2 238
Share-based payments (Note 34)	238	475
Total	**2 342**	**2 713**

* 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 2021, there is 258 outstanding payable to key management personnel (as at 31 December 2020: 1 384).

As at 31 December 2021, the number of key management positions was 29 (as at 31 December 2020: 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 34 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 423 for the year ended 31 December 2021 (for the year ended 31 December 2020: 187) and were included in the amounts stated above.

36. COMMITMENTS AND CONTINGENCIES

Operating environment

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A global slowdown in the Russian and world economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. The Russian economy is also particularly sensitive to changes in world oil and gas prices.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The above-mentioned events have led to reduced access of the Russian businesses to international capital markets.

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

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.

Most of the employees of the central office were transferred to remote work starting from March 2020 to the current date.

In November 2021, due to the announcement of a non-working week and a lockdown in Moscow, stores in Moscow were closed for several days, but continued to work in the online ordering mode.

In addition in 2021, the economy saw an increase in the market interest rate, due to an increase in the key rate of the Central Bank of the Russian Federation in order to curb rising inflation.

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. In June 2021, VTB Bank (PJSC) forgave the debt on one of the loan. In respect of these loans for the year ended 31 December 2021, the Group recognized grant income in the amount of 2 520 (2020: 43) as part of other operating income.

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 9 and 28).

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. Based on the decision of the tax authorities, additional tax charges were made in the amount of 31 (Notes 25 and 29).

Customs

During the years ended 31 December 2021 and 2020, the Group purchased a significant portion of its foreign manufactured goods on the territory of the Russian Federation from Russian legal entities, including Russian wholesalers or resellers, which may or may not have imported the goods into the Russian Federation directly. As the Group was not involved in clearing customs for the goods purchased on the territory of the Russian Federation, management cannot be certain that the entities which imported the goods into the Russian Federation were in full compliance with the applicable regulations of the Russian customs code.

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

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

Management believes that the Group’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 2021, the minimum payments excluding VAT on future contractual obligations of the Group are 508 (as at 31 December 2020: 1 567). 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 25.

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 2021, the Group entered into such guarantee contracts for the total amount of 12 038 (as at 31 December 2020: 10 849). As at the 31 December 2021 and 2020, the Group has not pledged any assets as collateral under these guarantee contracts.

37. 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 2021 and 2020 were as follows:

	31 December 2021	31 December 2020
Financial assets		
Assets carried at amortized cost	58 967	47 140
Assets carried at fair value	5 526	–
Financial liabilities		
Liabilities carried at amortized cost	324 465	263 553

Fair value of financial instruments

	31 December 2021		31 December 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Financial assets	5 526	5 526	–	–
Total	**5 526**	**5 526**	**–**	**–**
Financial liabilities				
Borrowings and other financial liabilities with fixed interest rate	69 138	69 967	47 928	48 284
Total	**69 138**	**69 967**	**47 928**	**48 284**

The fair value of the Group's other financial assets and liabilities is approximated to their carrying amounts.

Fair value of borrowings received in rubles at a fixed interest rate in 2021 and 2020, was estimated using borrowing rates of 10.6%-10.8% respectively using Level 3 of fair value hierarchy.

The fair value of such assets and liabilities as long-term financial assets, cash and cash equivalents, accounts receivable, trade payables and other payables corresponds to the current value at which they are recorded due to the short maturity of these instruments.

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 2021 approximately 0.5% (as at 31 December 2020: 0.3%) 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 2021 and 2020, 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 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Assets				
Advances issued	63	3	1	2
Total assets	**63**	**3**	**1**	**2**
Liabilities				
Lease liabilities	(3 837)	(2 331)	–	(147)
Total liabilities	**(3 837)**	**(2 331)**	**–**	**(147)**
Total net position	**(3 774)**	**(2 328)**	**1**	**(145)**

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 2020: 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**
2021	10%	(447)	10%	(1)
	(10%)	321	(10%)	(1)

	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%)	–

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 727/(713) (228/(226) in 2020).

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 2021, bonuses receivable from four major suppliers comprised 36% of the Group's consolidated accounts receivable and prepaid expenses (as at 31 December 2020: 32%). 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 2021 and 2020:

			Carrying amount	
	Currency	**Rating as of 31 December 2021**	**31 December 2021**	**31 December 2020**
Bank VTB (PJSC)	RUB	Baa3	4 715	1 453
JSC "ALFA BANK"	RUB	Ba1	1 038	1 636
Sovcombank	RUB	Ba2	1 002	2
Other	RUB		485	369
Total			**7 240**	**3 460**

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 2021 and 2020.

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 2021, 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 33 098 (as at 31 December 2020: 18 632), the corresponding interest expense for the year ended 31 December 2021 of 2 080 (for the year ended 31 December 2020: 822). Also, as at 31 December 2021, the Group had trade payables to suppliers in the amount of 6 278 (as at 31 December 2020: 701), 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 548 and 596 for the years ended 31 December 2021 and 2020, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2021 and 2020 based on contractual undiscounted payments:

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2021					
Trade accounts payable	237 110	214	–	–	237 324
Borrowings and other financial liabilities	24 008	19 864	34 387	–	78 259
Lease liabilities	6 034	17 572	59 412	27 192	110 210
Other payables and accrued expenses	18 003	–	–	–	18 003
Total	**285 155**	**37 650**	**93 799**	**27 192**	**443 796**

	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
As at 31 December 2020					
Trade accounts payable	198 744	2 534	–	–	201 278
Borrowings and other financial liabilities	923	18 194	38 604	–	57 721
Lease liabilities	6 729	13 745	54 018	26 936	101 428
Other payables and accrued expenses	14 272	73	1	–	14 346
Total	**220 668**	**34 546**	**98 623**	**26 936**	**374 773**

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 2021 and 2020, 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.

38. SUBSEQUENT EVENTS

The Board of Directors of PJSC M.Video appointed Enrique Fernandez as CEO of M.Video-Eldorado Group. Mr. Fernandez assumed office on 18 January 2022. Mr. Fernandez will remain a member of the Board of Directors of PJSC M.Video.

M.Video-Eldorado Group has become a co-founder of the ESG-Alliance. Alexander Tynkovan, Chairman of the Board of Directors and the company founder, was elected as a member of the Supervisory Board of the organization. As part of the Supervisory Board, he will be involved in addressing strategic tasks and determining key development areas.

Starting from 2014, sanctions have been imposed in several packages by the USA, the UK, the EU and other countries on certain Russian officials, businessmen and companies. On 21 February 2022, the President of the Russian Federation signed decrees recognizing the Donetsk People's Republic and Luhansk People's Republic. On 24 February 2022, a special military operation in Ukraine was announced. Then, the officials in foreign countries announced additional sanctions, as well as the intention to expand the existing sanctions. Against this background, since February 2022 there has been a significant increase in volatility in the foreign exchange and stock markets, the weakening of the RUB against the USD and the EUR. It is highly possible that these events will affect the activities of Russian organizations in various industries. In particular, this may result in limited access for Russian companies to international markets for capital, goods and services, further weakening of the RUB, a decline in stock markets and other negative economic consequences. In response, the Russian Government announced a series of measures, which include an increase of the Russian Central Bank refinancing rate to 20% starting from 28 February 2022 and certain restrictions on the exchange and transfer of foreign currency.

As at the date of authorization of these financial statements for issue, the above events had no significant immediate adverse effect on the Group's operations. However, there remains a high degree of uncertainty about the impact of these events and possible subsequent changes in the economic and geopolitical environment on the Group's future performance and financial position.

When issuing these financial statements, the Group regards the current situation as a non-adjusting subsequent event, the quantitative effect of which cannot be estimated reliably at this time.
The Group's management is currently analyzing the potential impact of volatile micro- and macroeconomic conditions on the Group's future performance and financial results.

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 2021 based on the Group's accounting policies set out in Note 3 to the consolidated financial statements for the year ended 31 December 2021, 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 2021.

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 2021.

Change in accounting estimate

In the normal course of its business, the Group enters into lease agreements for premises. Lease agreements entered into by the Group have variable term, may contain cancellation and/or renewal options and escalation clauses. The Group estimates a non-cancelable lease period under IAS 17 based on legal provisions of the contracts and considering economic factors which may impact the Group's decisions to execute cancellation or renewal options contained within its leases.

In the year ended 31 December 2021, in course of continued pandemic, the Group has performed an analysis of cancellation provisions of its leases (including, but not limited to significant fines for early cancelation that may or may not be contained within leases), existence of legal barriers, recent history of cancellations and renegotiating reduction in lease payments for leases with fixed escalation clauses. On the basis of analysis performed, the Group has concluded that certain contracts previously classified as non-cancelable are considered as cancelable.

This change in accounting estimate made by the Group in October 2021 has resulted in reduction in lease liabilities reflected within "Other liabilities" (long-term liabilities) and "Other accounts payable and accrued expenses" (short-term liabilities) of 4 641 and 463 with respective reduction in Selling, General and Administrative expenses.

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 2021 and 2020 prepared in accordance with the basis discussed above is presented as follows:

	31 December 2021	31 December 2020
NON-CURRENT ASSETS		
Property, plant and equipment	17 696	17 085
Investment property	331	351
Intangible assets	28 219	22 339
Goodwill	50 007	48 975
Investment in an associate and a joint venture	15	1 244
Financial assets	5 576	85
Deferred tax assets	2 981	4 653
Other non-current assets	2 718	1 791
Total non-current assets	**107 543**	**96 523**
CURRENT ASSETS		
Inventories	163 840	146 994
Accounts receivable	46 716	39 027
Advances issued	4 202	5 525
Income tax receivable	2 637	100
Other taxes receivable	33 412	25 017
Other current assets	69	61
Cash and cash equivalents	12 053	7 445
Assets held for sale	8	1 229
Total current assets	**262 937**	**225 398**
TOTAL ASSETS	**370 480**	**321 921**
EQUITY		
Share capital	1 798	1 798
Additional paid-in capital	4 576	4 576
Treasury shares	(557)	(749)
Retained earnings	26 732	32 030
Total equity	**32 549**	**37 655**
NON-CURRENT LIABILITIES		
Non-current borrowings and other financial liabilities	28 964	31 733
Other liabilities	576	5 094
Finance obligations	120	134
Deferred tax liabilities	94	175
Total non-current liabilities	**29 754**	**37 136**
CURRENT LIABILITIES		
Trade accounts payable	237 324	201 279
Other payables and accrued expenses	20 016	18 017
Contract liabilities	7 998	6 604
Current borrowings and other financial liabilities	40 174	16 196
Income tax payable	9	1 643
Other taxes payable	2 428	2 312
Finance obligations	64	91
Provisions	164	988
Total current liabilities	**308 177**	**247 130**
Total liabilities	**337 931**	**284 266**
TOTAL EQUITY AND LIABILITIES	**370 480**	**321 921**

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 2021 and 2020, prepared in accordance with the basis discussed above, is presented as follows:

	2021	2020
REVENUE	476 364	422 089
COST OF SALES	(381 477)	(322 902)
GROSS PROFIT	**94 887**	**99 187**
Selling, general and administrative expenses	(86 739)	(80 556)
Other operating income	6 318	629
Other operating expenses	(414)	(578)
OPERATING PROFIT	**14 052**	**18 682**
Finance income	142	490
Finance expenses	(8 048)	(6 268)
Gain on equity instruments at fair value through profit or loss	4 576	–
Share of profit/(loss) of an associate and a joint venture	(945)	(2 468)
PROFIT BEFORE INCOME TAX EXPENSE	**9 777**	**10 436**
Income tax expense	(2 071)	(1 970)
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period	**7 706**	**8 466**
NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period excluding share of profit/(loss) of an associate and a joint venture	**8 651**	**10 934**

ADDITIONAL INFORMATION ON THE IMPACT OF IFRS 16
(in millions of Russian Rubles)

The consolidated statement of cash flows for the years ended 31 December 2021 and 2020, prepared in accordance with the basis discussed above, is presented as follows:

	2021	2020
OPERATING ACTIVITIES		
Net profit for the year	7 706	8 466
Adjustments for:		
Income tax expense	2 071	1 970
Depreciation and amortization	8 925	8 254
Gain on disposal of investment in joint venture	(3 571)	–
Gain on equity instruments at fair value through profit or loss	(4 576)	–
Change in allowance for advances paid	52	167
Change in allowance for obsolete and slow–moving inventories and inventory losses, net of surpluses	1 321	609
Interest income	(142)	(491)
Interest expenses	8 048	6 268
Income from debt forgiveness	(2 520)	–
Share of (profit)/loss of an associate and a joint venture	945	2 468
Other non–cash reconciling items, net	134	148
Operating cash flows before movements in working capital	**18 393**	**27 859**
Increase in inventories	(18 166)	(18 488)
Increase in accounts receivable and advances issued	(6 115)	(11 646)
Increase in other taxes receivable	(7 905)	(4 269)
Increase in trade accounts payable	35 915	28 403
Increase/(decrease) in other payables and accrued expenses	57	4 306
Decrease in contract liabilities	1 394	(1 508)
Increase/(decrease) in other liabilities	(5 318)	1 970
Increase/(decrease) in other taxes payable	(21)	1 003
Other changes in working capital, net	(897)	869
Cash generated by operations	**17 337**	**28 499**
Income taxes paid	(4 456)	(2 613)
Interest paid	(7 932)	(5 985)
Net cash from operating activities	**4 949**	**19 901**
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(5 662)	(3 186)
Proceeds from sale of property, plant and equipment	185	505
Purchase of intangible assets	(8 904)	(4 727)
Interest received	142	491
Net cash outflow from purchase of subsidiary	4 134	–
Loans issued to joint venture	(400)	–
Repayment of loans by joint venture	400	–
Net cash outflow from purchase of subsidiary	(1 042)	–
Investment in joint venture	–	(3 460)
Net cash used in investing activities	**(11 147)**	**(10 377)**
FINANCING ACTIVITIES		
Dividends paid	(13 030)	(5 341)
Proceeds from bonds	19 000	–
Proceeds from borrowings	89 684	42 461
Repayment of borrowings	(84 788)	(43 885)
Repayment of lease liabilities	(60)	(53)
Net cash used in financing activities	**10 806**	**(6 818)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**4 608**	**2 706**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**7 445**	**4 738**
Impact of foreign exchange rate changes	–	1
CASH AND CASH EQUIVALENTS, at the end of the year	**12 053**	**7 445**