OneRETAIL
OneFUTURE

ANNUAL REPORT

M.VideoEldorado

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The Annual Report is approved by the Board of Directors (minutes of the meeting №222/2022 as of May 20, 2022)

A. Sukhov
CEO of PJSC M.video

ABOUT THIS REPORT

M.Video-Eldorado Group's Annual Report 2021 is addressed to a wide range of stakeholders. It presents the Group's key results in strategic and corporate governance, its financial and operating highlights and performance in sustainability. [102-50]

The Annual Report includes, among other things, M.Video-Eldorado Group's long- and medium-term plans and objectives. These plans and objectives, being forward-looking in nature, depend on various political, economic and legal factors, which are beyond the Group's control (such as current conditions in key markets, changes in tax and environmental legislation, etc.). As a result, actual future performance may differ from the forward-looking statements contained herein.

The title **OneRETAIL — OneFUTURE** reflects the relationship between our business strategy powered by the OneRetail platform and the interests of our key stakeholders — shareholders, investors, partners, customers and employees.

IN THIS ANNUAL REPORT, THE FOLLOWING TERMS ARE USED:

M.Video-Eldorado Group, the Group, the Company —
PJSC M.video Public Joint-Stock Company (PJSC M.video, the Company, the Group), and all companies directly or indirectly controlled by the Group as at December 31, 2021;

M.Video retail network (M.Video, the brand) —
the retail network of the MVM Limited Liability Company (MVM LLC) under the M.Video brand;

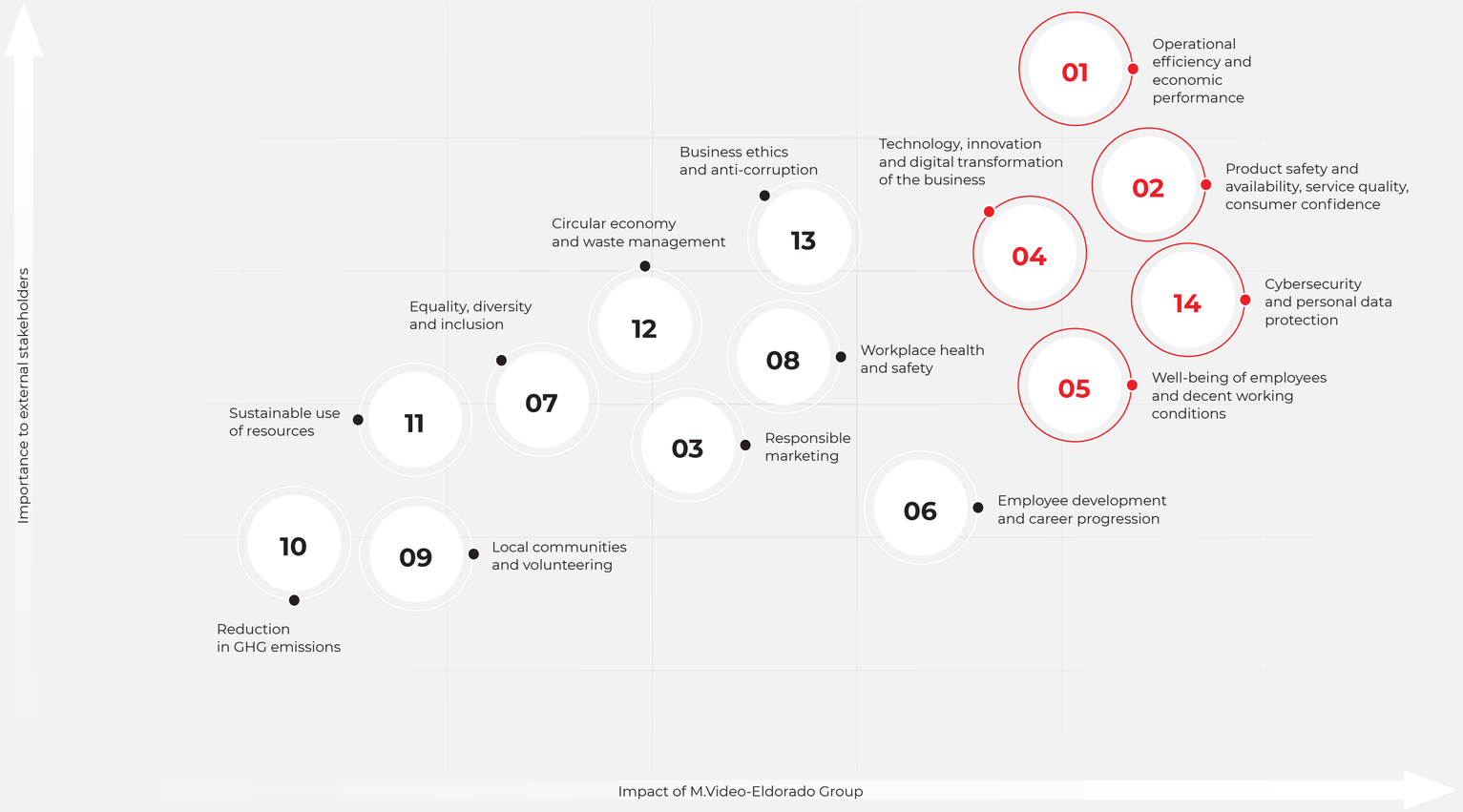
Eldorado retail network (Eldorado, the brand) —
the retail network of the MVM Limited Liability Company (MVM LLC) under the Eldorado brand.

The Annual Report is prepared in accordance with Russian laws and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards).

We are committed to balancing the interests of various stakeholders whilst making full and timely disclosure of the relevant information. Defining material topics makes up an important part of this effort, so we invited both internal and external stakeholders to contribute to it. [102-21]

As part of the work to prepare Annual Report 2021, we held an online survey involving M.Video-Eldorado Group's management team and external respondents. Their feedback was used to develop a materiality matrix, which takes into account the recommendations of GRI Standards, corporate and industry factors, the current global agenda and trends in public reporting. The disclosures in this Annual Report are based on the materiality analysis. [102-46]

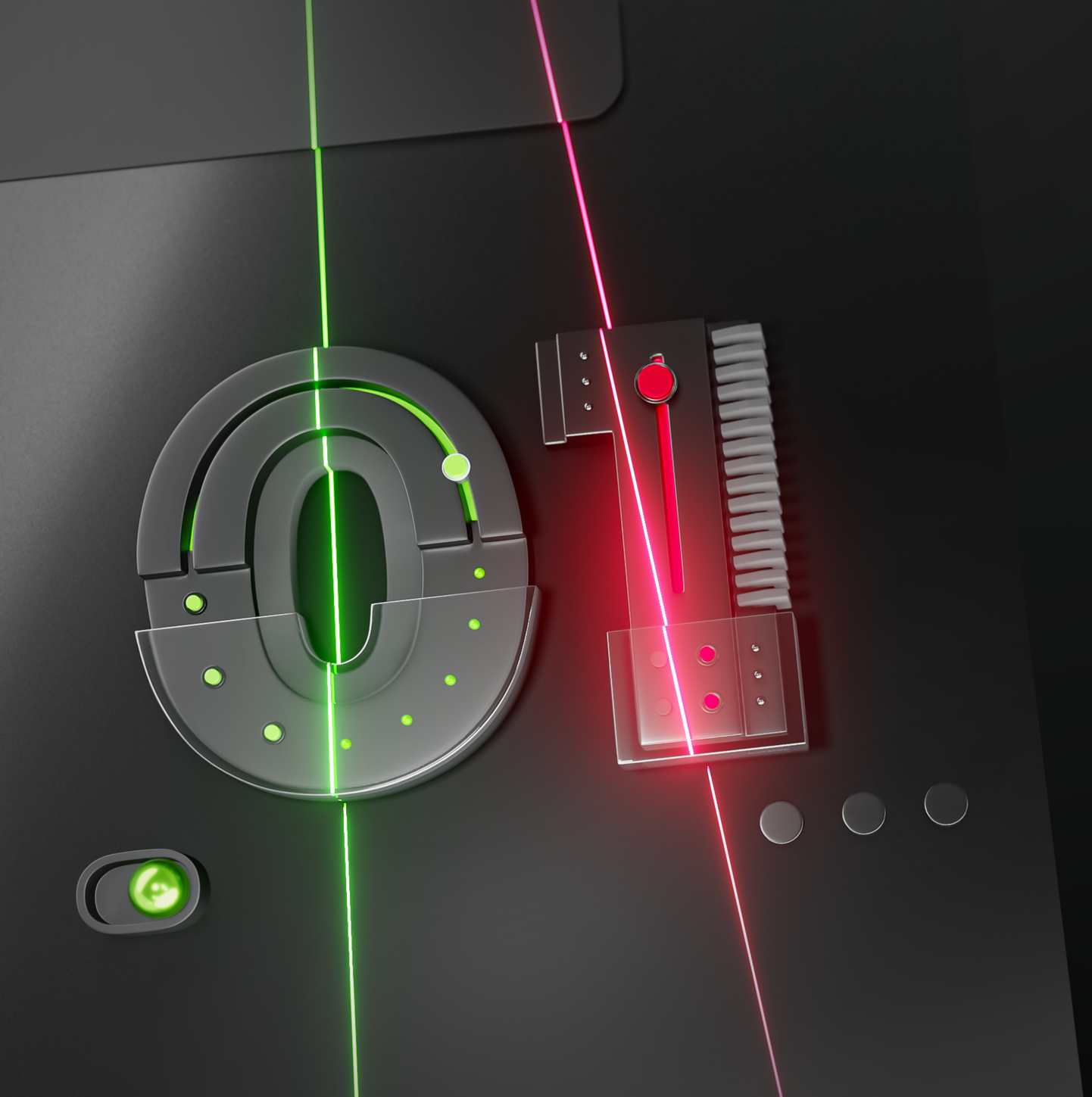
MATERIALITY MATRIX [102-47] [102-29]



To improve the quality of reporting, increase business transparency and strengthen confidence of its stakeholders, M.Video-Eldorado Group publishes an ESG Databook.

The ESG Databook provides information on the Group's performance in key sustainability areas. The information is grouped according to strategic priorities and includes economic and operating highlights. The topics and ESG indicators covered in the Databook are aligned with the global standards and evaluation criteria of major ESG rankings and indices.

The ESG Databook is available on the Company's official website



GROUP PROFILE

1.1 VALUE-BASED LEADERSHIP

M.Video-Eldorado Group is Russia's leading e-commerce and consumer electronics retailer. In 2021, the Group's gross merchandise value (GMV) was over RUB 571 billion. The Group was among Europe's Top 10 electronics retailers by sales. Total online sales accounted for 68% of the Group's GMV, making it one of the leading e-commerce players in Russia

M.Video-Eldorado is one of Russia's most tech-savvy retailers. We are doing our best to satisfy the needs of our customers, vendors, and partners and evolve a hybrid business model leveraging online operations and mobile technologies along with an extensive offline retail network and solid logistics infrastructure. Our websites, mobile apps, and brick-and-mortar stores, brought together on the OneRetail platform, complement one another and tangibly enhance the customer experience. This gives us an important competitive advantage over retailers that operate exclusively online or offline (for more details, see the **Business Model section**).

M.Video-Eldorado Group's responsible and efficient business practices create value for all stakeholders and both existing and future generations.

Our values

Responsibility for the future

We place responsibility to the Company, the industry and society at the heart of our decisions and business planning

Teamwork and collaboration

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

Concern for everything we do

We believe in our power to make the world a better place

Courage in innovation

We relentlessly seek out and implement new technologies to grow the market and affirm our leadership

Openness to change

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

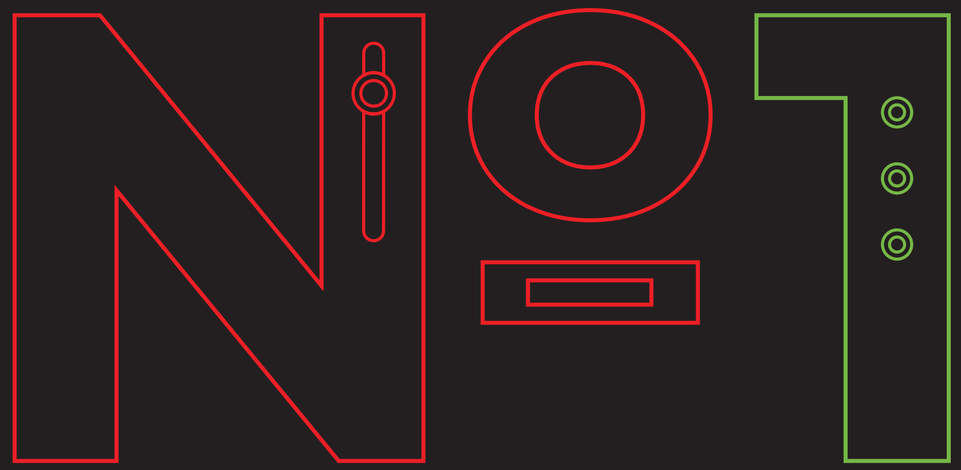
#ACTIVATE THE FUTURE

OUR MISSION

We bring technology to people to give them time and inspiration. We create the future that will make us proud.

In 2021, a number of respected international organizations acknowledged M.Video-Eldorado Group's achievements in several areas.

Recognition and awards are a reflection of the value that we create for key stakeholders, and one of the highest net promoter scores (NPS) in the industry proves that the Company has chosen the right strategy and business model.



for customers

- Leader of the 8th CE retailer awareness and business reputation rating presented by Romir research group
- Winner of Best Shopping Experience nomination at the 2021 Retail Week Awards annual industry event

for investors

- Winner of the Debut of the Year nomination at the 2021 Cbonds Awards annual industry event for an exchange-traded bond placement

for employees

- Awards in 5 nominations out of 14 at the 12th international corporate communications competition InterComm 2021: Strategy, Dream Job, Event, International Recognition, Anti-Crisis
- HR Project of the Year and Technological Solution of the Year awards at the Crystal Pyramid 2021 contest for outstanding human capital management
- Gold in the best employer rating according to Forbes and KPMG. In 2021, the rating focused on ESG principles and indicators. M.Video-Eldorado Group made it to the Top 5 in the retail and e-commerce segment
- The first Russian company to be recognized as a Top Employer by the reputable international organization Top Employers Institute

1.2 KEY HIGHLIGHTS IN 2021

STRONG GROWTH COUPLED WITH A RAPIDLY EVOLVING ONLINE PLATFORM

13%

The Group's gross merchandise value (GMV) rose to RUB 571 billion (incl. VAT)

29%

Total online sales increased to RUB 387 billion (incl. VAT), accounting for 68% of the Group's GMV

67%

Mobile platform turnover increased to RUB 258 billion accounting for 2/3 of total online sales

3.8x

M.Video and Eldorado customer mobile app installs reached some 30 million

2.4x

The total number of products in the category of electronics and household appliances available on the Group's online platforms and in its offline stores saw a year-to-date increase from 75,000 to almost 185,000

DIGITAL TRANSFORMATION AND TRANSITION TO PRODUCT APPROACH IN IT DEVELOPMENT

- M.Video-Eldorado's digital maturity stands at 62%, above the industry average
- A product approach has been introduced for IT product development, with over 100 product teams established for key areas of account management and interaction with partners

SECONDARY PUBLIC OFFERING (SPO)

- The Group announced a successful secondary public offering of its ordinary shares on 12 March 2021. As a result, M.Video-Eldorado's free float increased to 24%. The offering comprised 24,279,174 ordinary shares, which represented 13.5% of the Company's share capital. The shares were sold by ERICARIA Holdings Ltd. at RUB 725.00 per share. The deal fostered expansion and diversification of a pool of investors and improved the trading liquidity of the Company's shares

DEBUT PLACEMENT OF LOCAL BONDS

- On 21 April 2021, the Group announced a successful closing of the order book on RUB 10 billion of its 001P-01 series exchange traded bonds, issued by LLC MV Finance (a 100%-owned subsidiary of PJSC M.video) on Moscow Exchange. The coupon rate for the bonds, which have a 3-year maturity period, was set at 7.3% p.a.
- In August 2021 the Group raised another RUB 9 billion through a successful placement of 001R-02 series exchange-traded bonds with the coupon rate set at 8.1% p.a.

SOLID REGIONAL FOOTPRINT

- As at the end of December 2021, M.Video and Eldorado store network consisted of 1,258 stores spanning 371 Russian cities
- The Group expanded the network by adding 184 new stores over 12 months and penetrated 92 new cities

PROGRESS ON CIRCULAR ECONOMY PROJECTS

- In 2021, the program to collect and recycle electronic waste reached a new level with 1,500 tonnes of e-waste (60,000 units) collected and the number of participating outlets brought to 750. The project involves ten disposal plants focusing on e-waste

1.3 TWO LEADING BRANDS [102-2]

Our business relies on two leading retail brands, M.Video and Eldorado, each of them boasting near-absolute awareness in the Russian market. The brands cover all customer segments and ensure resilience in the face of changing consumer behaviour, as well as the flexibility to expand our chain

In 2018, we launched efforts to build M.Video-Eldorado, a joint business that brings together two leading CE retail brands. As a result, the Russian market saw a player with operations spanning all customer segments.

The Two Brands strategy helps reach out to all customers, from the mass to premium segment, while also enabling greater agility in responding to market changes and boosting efficient growth of the retail network. The online infrastructure and offline store networks of both brands are operated using a single IT system and a shared back office. In July 2021, the management functions of M.Video and Eldorado brands were consolidated into the single OneRetail unit to fast-track digital transformation simultaneously for both brands and beef up their competitive advantages. At the same time, we plan to further differentiate the positioning of each brand.

M.видео

- Wide assortment, including exclusive and premium products
- Highly personalized customer experience
- Complementary services

ЭЛЬДОРАДО.RU

- Accessible products and solutions for everyday use
- Best prices and proximity to customer
- Non-CE assortment

Full market coverage maximizing organic traffic

Resilience to changes in consumer sentiment

Roll-out flexbility via multiple store formats

	M.	Э	Э 250
Large	✓	✓	✓
Medium		✓	✓
Small			✓
Street retal			✓

Unified back-end for both brands

Logistics
+
Procurement
+
IT infrastructure

2021 GMV (gross merchandise value)
RUB 570.7 bln

Total online sales
RUB 386.9 bln

1,258
stores

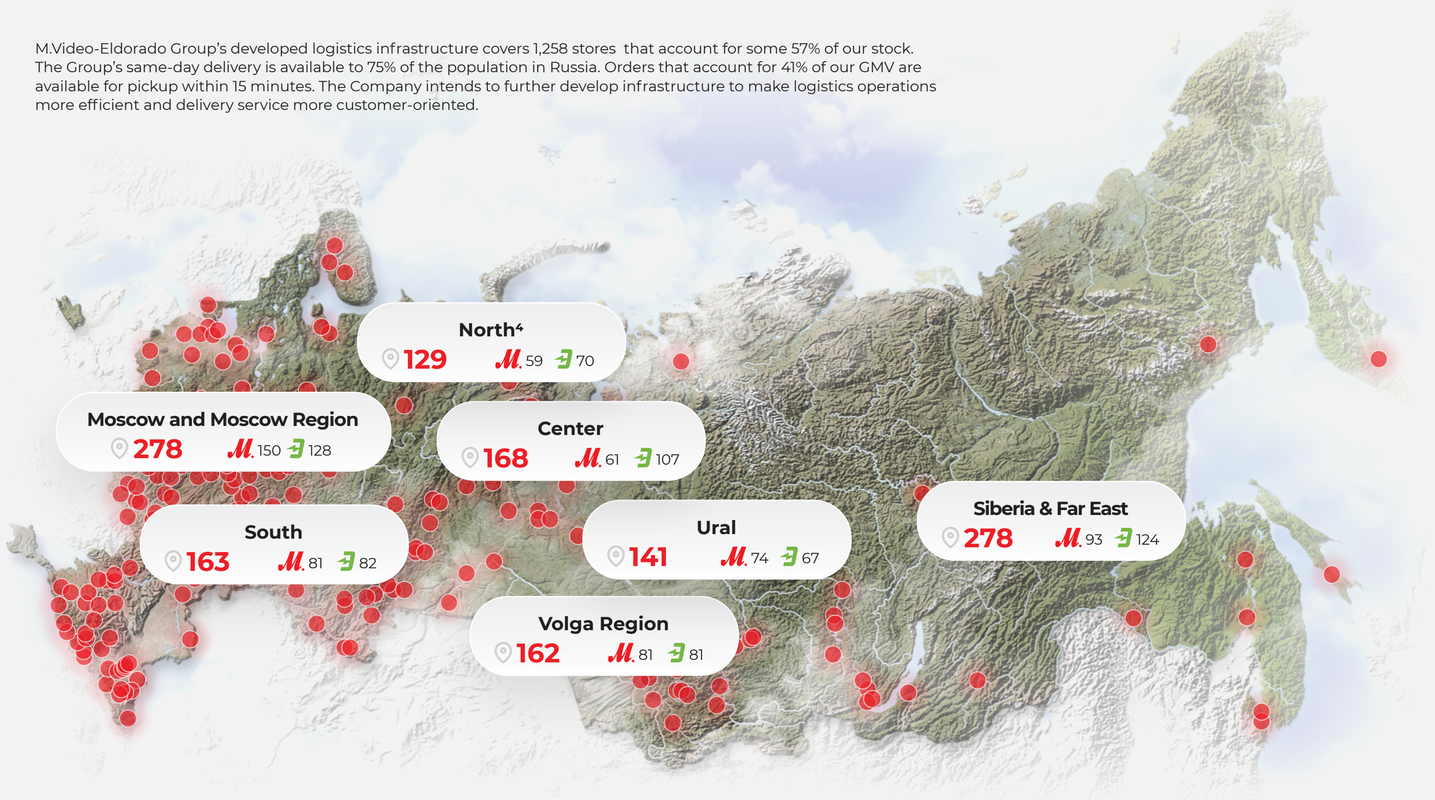
Average ticket
RUB 9,805

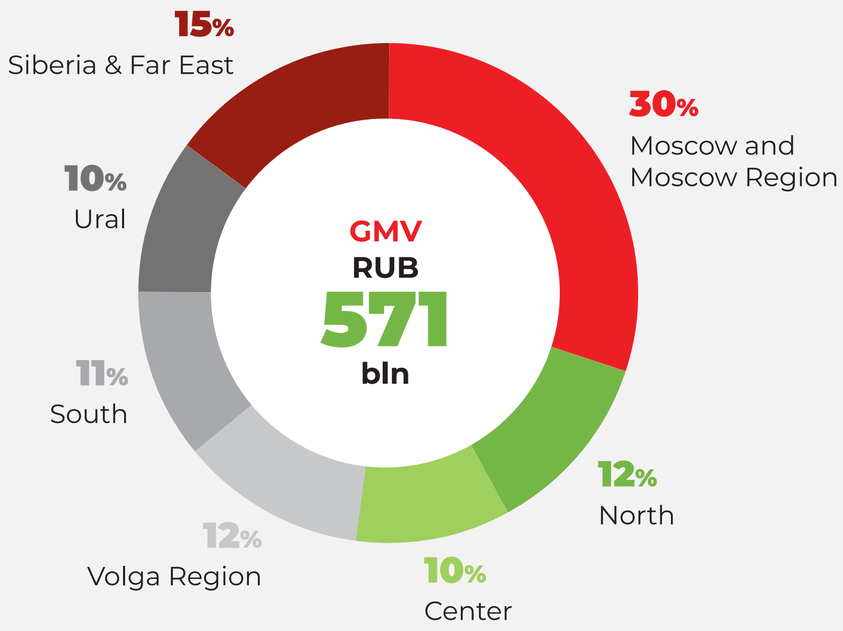
30 mln
mobile app installs

1.4 GEOGRAPHY [102-4]

Our successful business is largely underpinned by convenient geography of our stores, as well as delivery speed and accuracy. Despite booming online sales, brick-and-mortar stores remain the key customer touchpoint. In 2021, 92% of orders were fulfilled using their infrastructure. We are powering brick-and-mortar retail with new technology solutions that merge it with online sales and consider this one of our priorities

M.Video-Eldorado Group's developed logistics infrastructure covers 1,258 stores that account for some 57% of our stock. The Group's same-day delivery is available to 75% of the population in Russia. Orders that account for 41% of our GMV are available for pickup within 15 minutes. The Company intends to further develop infrastructure to make logistics operations more efficient and delivery service more customer-oriented.





1,258 stores in 371 cities in Russia,[2] incl. 92 new cities[3]

unique, well-invested store-based infrastructure with last-mile solutions

2,147K m²

stores' total floor space

+184

new stores in 2021

92% of all orders fulfilled using store infrastructure[3]

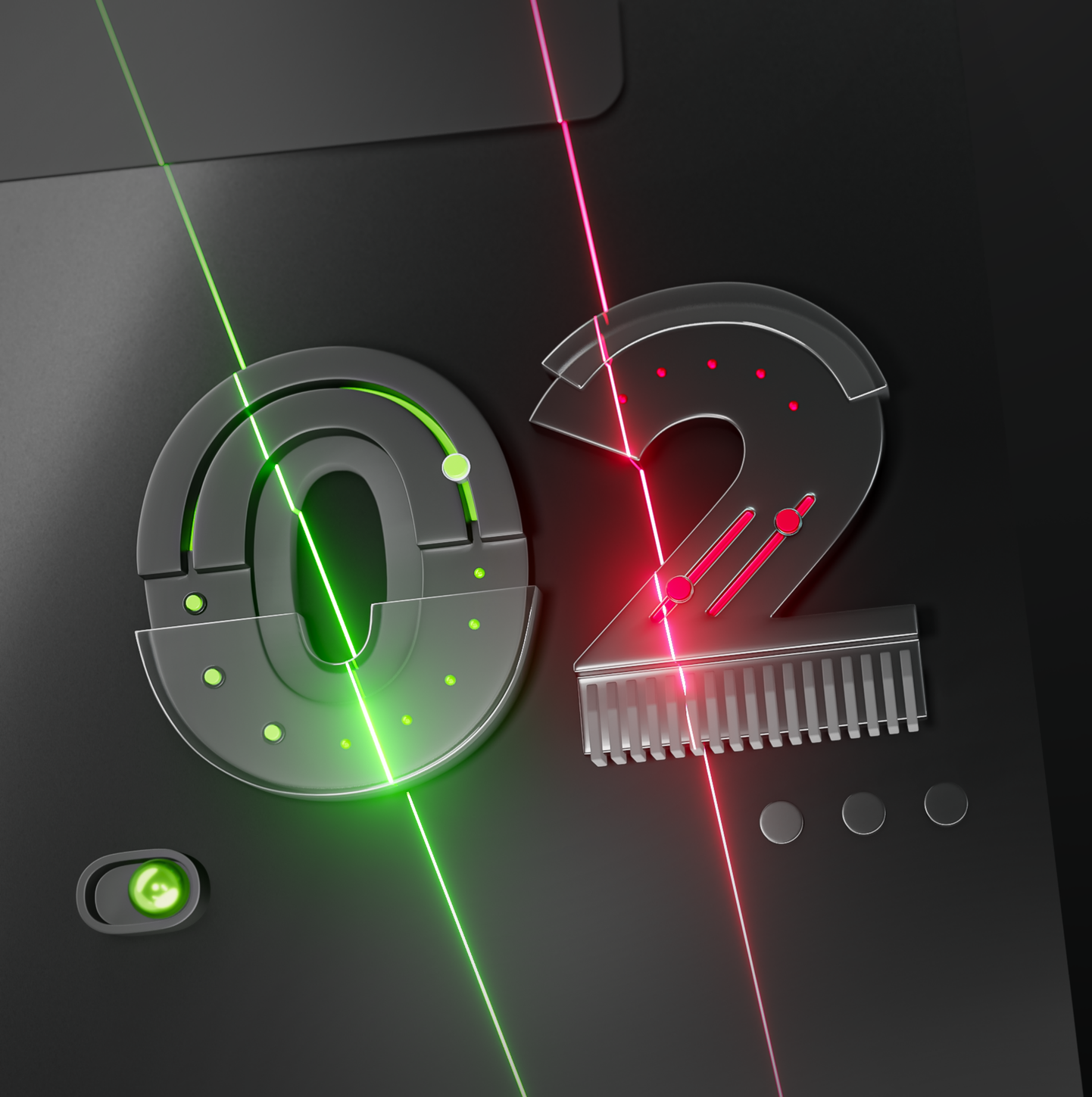
57% of stock value is located in stores[2]

41% of GMV is ready for pickup within 15 min[3]

75% of population covered by same-day delivery (within 24 hours)[3]

100% online coverage in cities of operation

[1] As of December 31, 2021. [2] As of December 31, 2021. [3] For 2021. [4] Including St. Petersburg.



STRATEGIC REPORT

2.1 STATEMENT OF EXECUTIVE DIRECTOR OF M.VIDEO-ELDORADO GROUP ENRIQUE FERNANDEZ [102-14]

Dear colleagues, shareholders, investors, and partners!

It has been an honor for me to rejoin the highly effective and professional management team at M.Video-Eldorado in 2022.

Over the past years, the world has faced unprecedented challenges that have transformed the lives of each and every one of us. COVID-19 has forced not only individual companies and markets, but also the economies of entire countries and regions to adapt to new realities, accelerate transformational processes and begin thinking one step ahead. M.Video-Eldorado has embraced this challenge and see it as a driver for new growth.

In 2021, M.Video-Eldorado Group expanded its chain by adding 184 new stores in 90 cities, and at the end of 2021, the Group operated 1,258 stores in 371 Russian cities. The Company's GMV reached RUB 571 billion, with online sales accounting for 68%.

We are consistently implementing a hybrid business model together with OneRetail technologies to ensure greater flexibility and ever more efficiency in the face of uncertainty. M.Video-Eldorado Group has made a big leap forward in terms of digital transformation, establishing itself as a retail tech business. In 2021, the number of OneRetail transactions increased by 22% year-on-year, with the average ticket for OneRetail customers being 35% higher compared to ordinary customers.

In March 2021, the Gorup successfully conducted an SPO that more than doubled the Company's free float. We also approved a new dividend policy that reflects the Company's potential capacity to generate substantial free cash flow.

In the current year, 2022, the period of turbulence for Russian business has continued, and in many areas the level of uncertainty has increased significantly. The geopolitical events of February 2022 have once again presented formidable challenges to people, society, Russian business, and the economy. Over its nearly 30-year history, M.Video-Eldorado has accumulated vast experience working in different environments and has consistently demonstrated to stakeholders a balance of flexibility and sustainability within our business.

We value the trust of our shareholders and partners and will make every effort to adapt as effectively as possible to the rapidly changing situation.

M.Video-Eldorado continues to develop the OneRetail platform with a focus on technological products for suppliers and marketplace partners, as well as personalization and recommendation systems for customers so that they can better navigate the assortment and continue to make profitable purchases. In addition, the company is implementing a number of new projects: new procurement formats, data analytics for the distribution of goods among stores based on current demand and supply.

Both brands' stores and online platforms continue to operate. In a climate of high uncertainty, we are using all the available tools to support consumers and ensure a reasonable and affordable product range. The interests and needs of our customers are at the center of everything we do. 'every detail is matter' is one of the founding principles of our brands. This was our approach during the pandemic, and we continue to adhere to it today.

M.Video-Eldorado has vast experience in the household appliance and electronics sector, as well as unique geographical and IT infrastructure. The Group maintains ongoing dialogue with all the major electronics manufacturers with a view to ensuring consistent supplies no matter the political or economic environment. Together with our financial partners, we are determining the optimal work plans and tools to adopt this year.

M.Video-Eldorado prioritizes safety, security and well-being of its employees. The Company will make every effort to retain employment while taking into account the Company's financial resilience and the stability of its business operations. To support its employees who are experiencing emotional strain, M.Video-Eldorado Group provides unlimited individual psychological aid through telemedicine consultations, webinars, networking sessions, emotional support volunteers, and a corporate email hotline.

Given the highly uncertain and constantly changing market environment, we plan to revise our forecasts for the current year and the medium term as and when the situation normalizes and after the analysis of various scenarios. However, the safety and well-being of our employees, as well as a transparent and open approach to customers, partners and shareholders, remain unwavering priorities

2.2 MARKET OVERVIEW

Since February 2022, stock and FX markets have been growing increasingly volatile, with Russian ruble weakening against US dollar and euro, more sanctions hitting Russian banks, businesses and individuals, and some foreign companies fleeing the Russian market.

These developments are highly likely to affect Russian legal entities operating in various industries. For the purposes of disclosing its annual statements, M.Video-Eldorado Group treats the evolving situation as non-adjusting events after the reporting period, whose effect cannot be quantified at this point with reasonable certainty. The Group's management is currently analyzing the potential impact of volatile micro- and macroeconomic conditions on M.Video-Eldorado's future operating and financial performance

2.2.1 MACROECONOMIC SITUATION IN RUSSIA IN 2021

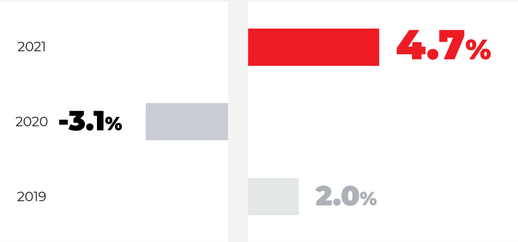
According to the Russian Ministry of Economic Development,[1] Russia's GDP grew 4.7%[2] in 2021, fully offsetting a 2.7% decline in 2020. Consumer demand was strongly recovering, while retail trade turnover added 7.3% versus a 3.2% drop in 2020. Throughout 2021, the labor market was continuously improving and pushing forward consumer demand. In December 2021, unemployment[3] remained at a historic low of 4.3% of the country's labor force. In November 2021, real wages rose by 3.4% year-on-year.

The improving labor market was driving real disposable income, which growth Rosstat estimates at 3.4% in 2021 versus a 1.4% decline in 2020 (as restated). The lending business was also boosting consumer and investment demand in Russia. Both corporate and consumer lending continued to grow.

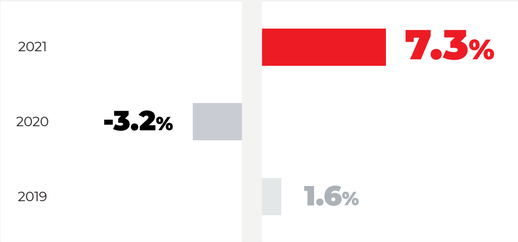
4.7%

growth of Russia's GDP in 2021

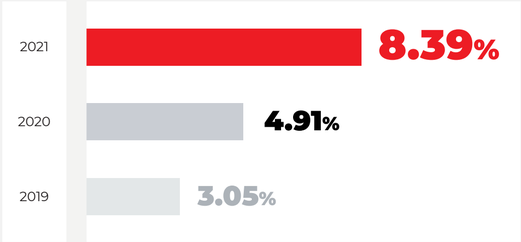
GDP growth, %



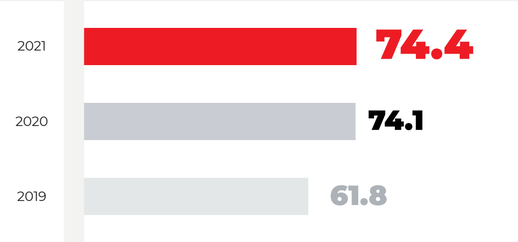
Retail trade turnover growth, %



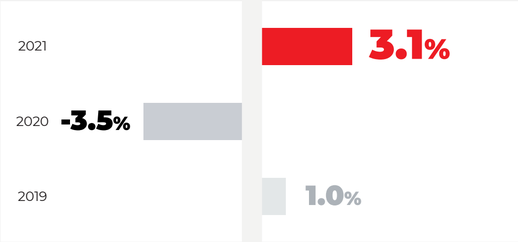
Inflation rate, %



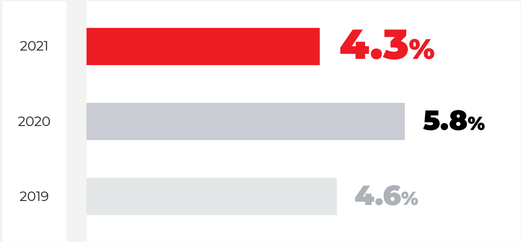
USD/RUB exchange rate (yearly average), RUB



Real disposable expense growth, %



Unemployment rate, %



[1] *For the Russian macroeconomic data, see the report by the Russian Ministry of Economic Development On the Current Situation in the Russian Economy in December 2021 through January 2022 at* https://www.economy.gov.ru/material/directions/makroec/ekonomicheskie_obzory/_o_tekushchey_situacii_v_rossiyskoy_ekonomike_dekabr_2021_yanvar_2022_goda.html.
[2] *GDP in 2021 is based on Rosstat's estimate dated February 18, 2022 available at* https://rosstat.gov.ru/folder/313/document/154254.
[3] *Based on the ILO methodology.*

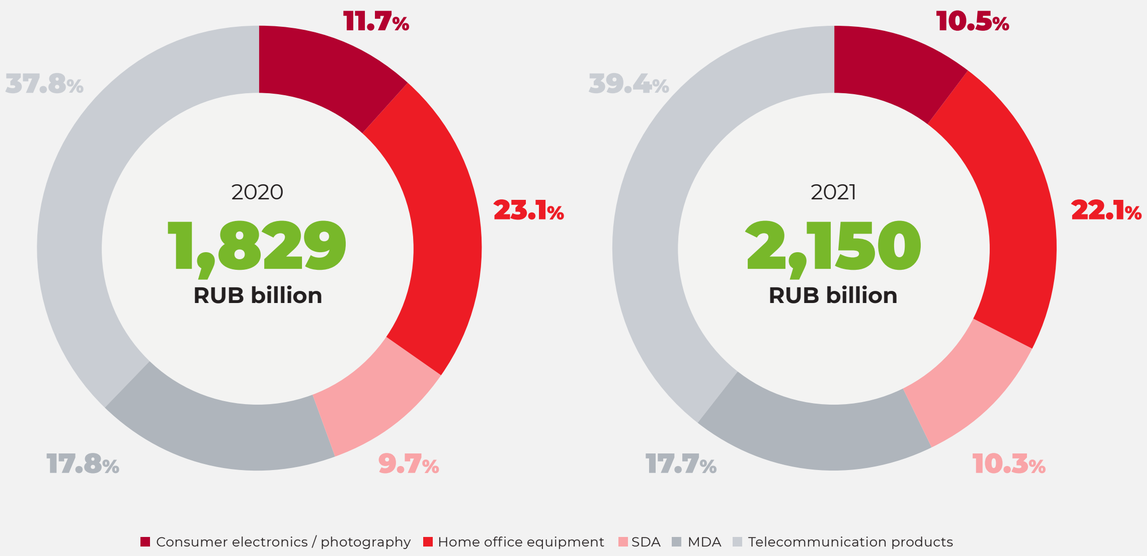
2.2.2 RUSSIAN CE MARKET: EVOLUTION AND KEY TRENDS IN 2021 [102-6]

The pandemic in 2020 and 2021 accelerated the pre-existing trends in household appliances and consumer electronics by several years.

One example of this is people working and studying in a completely remote or hybrid format. As a result, the accelerated transition to an online lifestyle led to higher demand not only for equipment to create work and study spaces at home but also for products that people specifically need to feel comfortable during their extended stay at home. People began to pay more attention to their living conditions and, as such, were more willing to invest in their own comfort, for example, by buying higher-quality durable equipment.

In 2021, Russia maintained its stance as one of the largest and fastest-growing consumer electronics markets in the world. The Company estimates it at about RUB 2,150 billion. The Russian CE market increased by some 15% year-on-year, with the key segments being household and personal care products (tumble dryers and washing machines, vacuum cleaners, other small home appliances, beauty and personal care products) (+23%), mobile devices (+23%), and kitchen appliances (+17%).

CE market trends and structure



Most product categories were dominated by higher price segments, as Russian consumers prefer to spend their money on more expensive and efficient devices.

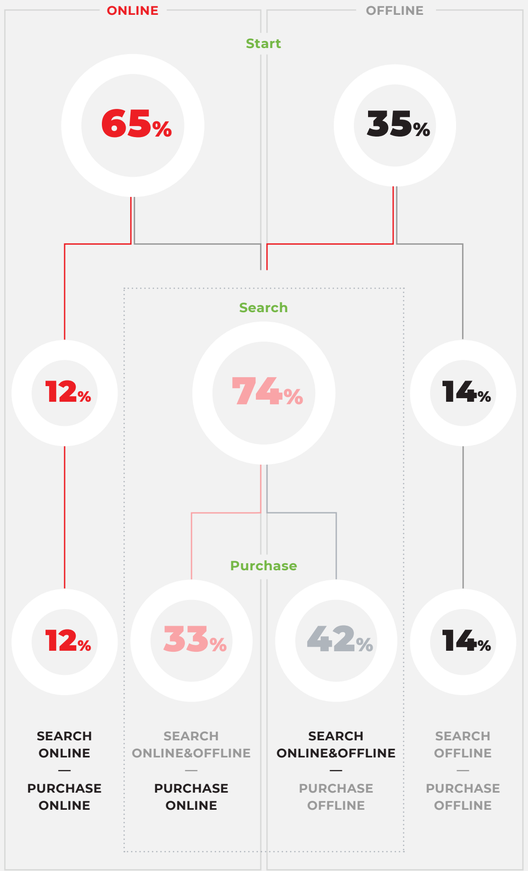
In 2021, about 55% of turnover on the CE market was generated by conventional sales with the remaining 45% sold online. This percentage remained virtually unchanged from the previous year when the pandemic and remote lifestyle spurred online sales both in Russia and globally. According to a study by IRC LLC, the share of Russian consumers who used both online and offline channels to find information about a product in 2021 was high, at 74%, while only 12% of all shoppers made a purchase exclusively online without any interaction with traditional channels — that is, 88% of those purchasing appliances and electronics interact with brick-and-mortar stores in one way or another.

This means that hybrid business models have an advantage over online-only formats in the consumer electronics market, as they better meet the needs of consumers in terms of service offering and access to products. By seamlessly combining the online format with conventional stores, M.Video-Eldorado offers customers flexible opportunities for interaction to maximize the benefits of both formats.

Personalization is another important trend both in Russia and globally. Consumers expect a more personalized experience at all stages of interaction.

M.Video-Eldorado is committed to building long-term customer relations and has rolled out a number of services based on data analysis and machine learning, including assortment planning, personalized prices and product recommendations. The Company offers a wide range of payment and delivery options and extras tailored to customers' personal preferences (for details, see the Customer Experience Enhancement section).

Share of customers in Russia shopping both online and offline[1]



[1] *According to the study of consumer behavior in the market of household appliances and electronics conducted by IRC LLC in 16 cities with a population of more than 500 thousand people. Base: buyers who made a purchase in the CE market in the previous six months, men and women, aged 18–55. Data was collected between August and October 2021.*

CONSUMER ELECTRONICS AND DIGITAL EQUIPMENT

Smartphones remained the key driver behind the Russian telecom segment growth in 2021. They are becoming increasingly important and even essential as a primary tool of communication, work, shopping, entertainment, and a whole host of other daily activities, more often than not serving as a partial replacement for a computer. In 2021, sales of smartphones increased by 23% in value terms to about RUB 720 billion.

Consumers tend to increasingly invest in more advanced models featuring higher productivity that will remain relevant in at least 2–3 years' time. Flagship smartphones priced above RUB 50,000 showed the strongest dynamics: sales rose by nearly 70% in volume terms, while their share in total smartphone sales exceeded 25%, up 17% year-on-year. Though still a premium niche product, foldable smartphones are gaining momentum. Every seventh smartphone sold by M.Video and Eldorado is 5G compatible.

M.Video continued to ramp up sales of upmarket smartphones on the back of a wide range and availability of new anchor products, convenient purchase processes, personalized prices, installment arrangements, and trade-ins. The number of purchases in exchange for old devices tripled in 2021.

For the 10th year in a row, Samsung has been the leader in volume terms in Russia. For the first time, Xiaomi (including POCO, its sub-brand) ranked second for the full year. Apple came third. The Top 5 manufacturers also include China's Realme (for the first time) and Honor.

For the first time in a decade, feature phones demonstrated growth in volume terms (+4% to 6.8 million items) driven by demand from migrant workers, senior citizens, kids, people who use them instead of landline telephones and those anxious about data security.

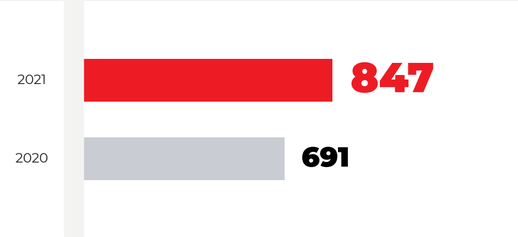
Mains and wireless chargers grew by about a half due to a more frequent use of smartphones and manufacturers excluding chargers from the package. In 2021, consumers used to purchase a charger with every fourth smartphone.

The demand for wireless earphones also enjoyed strong growth, with their share exceeding 50% for the first time ever, while True Wireless and standalone in-ear headphones led the way generating more than a third of the total sales (the demand skyrocketing by some 80% in volume terms).

+22.6%

Russian telecom market growth in 2021

Telecom market volume, RUB bln



Wearable devices became even more important amid the pandemic (achieving a growth of about 12% in volume and 38% in value terms), as they help go in for sports in a more conscious manner, track sleep, and monitor health. These include smart watches, fitness trackers, and children's watches.

HOME OFFICE EQUIPMENT

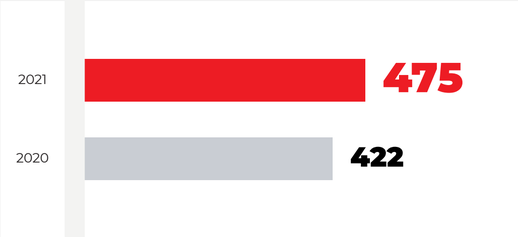
The home office equipment market growth was mainly driven by consistently high demand for gaming laptops and monitors (rising by more than a third in volume terms) amid the pandemic. Such equipment features high performance, enhanced capabilities and a bright design, making it universally fit for home office and gaming purposes.

All-in-one PCs and networking hardware also showed an upward sales trend (adding some 10% in volume terms). Certain peripherals and printers still remain in demand.

+12.5%

expansion of home office equipment segment of the Russian market in 2021

Home office equipment market volume, RUB bln



Products within the middle and upper price segments were rising in popularity. In value terms, these items generated over a half of total demand for laptops and tablets. They are likely to last and stay relevant longer, while also making the user's life easier, more convenient and streamlined thanks to better performance and extra functionality.

MAJOR HOME APPLIANCES

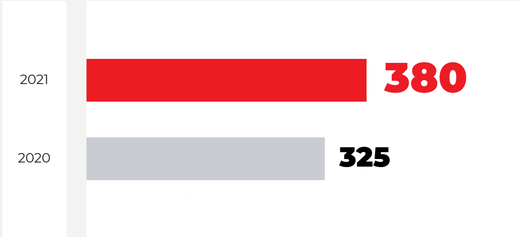
Amid the pandemic, consumers spent more time at home and kept actively investing in home comfort. Major domestic appliances (refrigerators, washing machines, cooktops, kitchen hoods, ovens, etc., including built-in models) grew by about 17% year-on-year in value terms.

The middle and upper price segments continue to enjoy popularity among Russian consumers. Premium products and features are becoming more advanced and affordable. Modular designer

+17.0%

expansion of major home appliances segment of the Russian market in value terms

MDA market volume, RUB bln



refrigerators, multi-door and side-by-side models are also gaining popularity. Dishwasher sales grew massively. As for cooktops, induction models are now in high demand, with extendable heating zones becoming a new popular feature. Ovens that offer steam cooking and preset baking programs are gaining traction as well. So are washer-dryers.

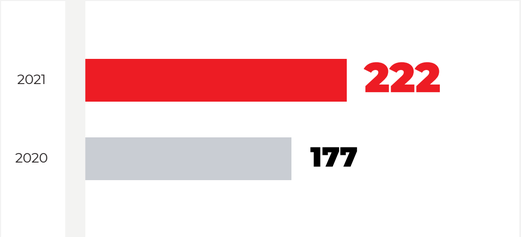
Other drivers behind the increase in household appliance sales in 2021 are the fast development of the housing market, mortgage lending growth and expenditure redistribution.

As per our estimate, the Group sells roughly every third major household and kitchen appliance and accounts for more than a half of higher-price segment sales.

+24.9%

expansion of small home appliances segment of the Russian market in 2021

SDA market volume, RUB bln



SMALL HOME APPLIANCES

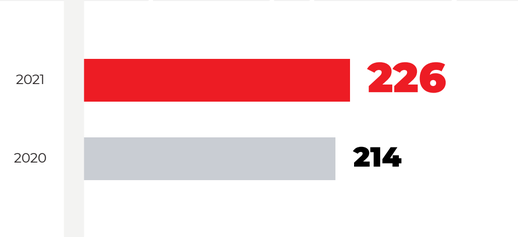
The small home appliances segment saw the highest growth in the CE market in 2021, as sales rose by 24.9% in value terms, also driven by investment in home comfort amid the pandemic.

In volume terms, the fastest-growing items were robot vacuum cleaners (2x), upright vacuums (1.5x), coffee machines (+20%), blenders (+17%), microwave ovens, irons, and kettles (adding some 15%). Personal care products also gained popularity as shaving accessories and hair clippers added more than 30%, while hair dryers and hair styling tools grew by 25% and 20%, respectively. As for innovative products, sous vide appliances are gaining visibility.

+5.8%

expansion of consumer electronics and photography equipment segment of the Russian market in 2021

Consumer electronics and photography equipment market volume, RUB bln



CONSUMER ELECTRONICS / PHOTOGRAPHY

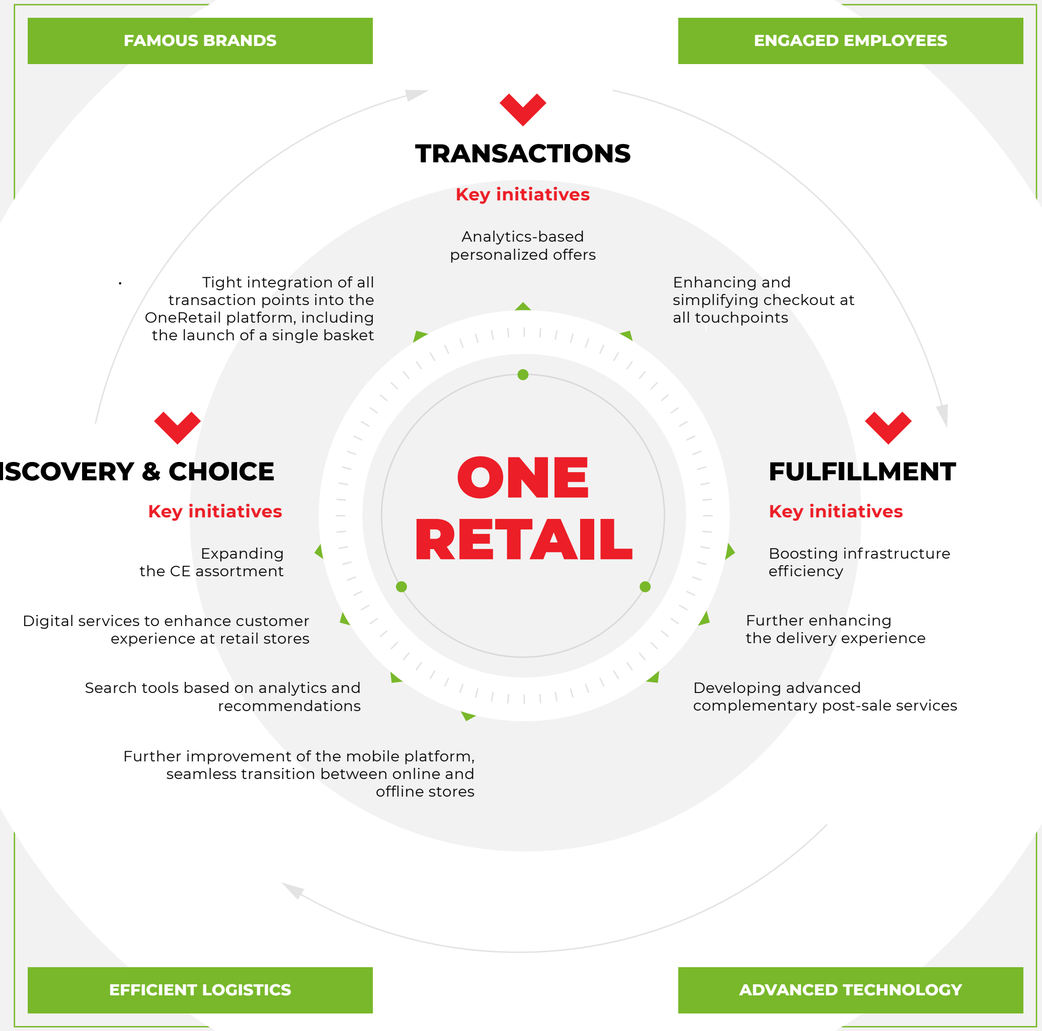
The demand for smart speakers more than doubled in 2021, demonstrating the highest growth in volume terms in the consumer electronics and photography equipment segment. Devices featuring Alice, a virtual assistant from Yandex, accounted for the vast majority of sales. The increased demand for smart speakers is driven by the release of new products with enhanced capabilities, the trend for voice communication, home improvements during the pandemic and the rising appeal of smart home solutions, which solutions also surged. These include smart plugs, lights, motion sensors, curtain, AC and TV control devices, CCTV cameras.

Smart and 4K TVs continued to penetrate the television segment and accounted for more than 70% and 40% of devices sold as customers sought to enjoy content in new ways.

Strong sales growth was also demonstrated by electric rideables and vinyl players, with the latter more than doubling in volume terms.

Demand for game consoles remained stable in 2021, while the Group accounted for over 60% of retail sales.

2.3 STRATEGIC PRIORITIES



[1] *Approved by the Company's Board of Directors on December 17, 2020.*

Our strategy aims to strengthen M.Video-Eldorado Group's position as the number one choice for Russians' consumer electronics needs.

In these highly uncertain times, the Group relies on its expertise, know-how and firm ties with suppliers to keep offering customers household appliances and electronics at affordable prices. With the market in flux, we plan to revise our guidance for this year and the medium term after the situation goes back to normal and following the analysis of various scenarios

Like its business model, which ties together online and offline shopping experiences through the unified technology stack, M.Video-Eldorado Group's strategy in 2021 was focused around customer needs. It aimed to increase the Group's market share and create competitive advantages by meeting the changing needs of consumers at all stages of interaction, from product discovery and selection to making a purchase and choosing the preferred fulfillment option.

We intend to scale up these advantages and maximize the efficiency of OneRetail technologies at each stage of the customer journey as we move toward three key overarching objectives, each with its own strategic initiatives. We are harnessing M.Video-Eldorado Group's key competitive advantages: advanced technology, efficient logistics, famous brands and engaged team.

Strategy implementation

		Progress
Item	**2020**	**2021**
GMV	RUB 505 bln	RUB 571 bln
DISCOVERY & CHOICE		
Product range	75 ths SKUs	185 ths SKUs
Share of innovative and premium products	21%	22%
Share of Mobile Platform sales	31%	45%
TRANSACTION		
Identified active customers	18.7 mln	19.7 mln
Share of OneRetail transactions	55.2%	65.3%
Share of OneRetail customers	53.3%	62.4%
FULFILLMENT		
No. of stores	1,074	1,258 (+184 openings)
Cities and towns	279	371 (+92 new ones)
One-day delivery coverage, % of Russian population	60%	75%
Share of orders with 15-minute pickup	34%	41%

2.3.1 OVERARCHING OBJECTIVES AND INITIATIVES OF THE STRATEGY

DISCOVERY & CHOICE

TRANSACTION

FULFILLMENT

Overarching objective

Maximum coverage of customers' needs in tech and electronics

Initiatives

- Expanding the CE assortment
- Further improvement of the mobile platform, seamless transition between online and offline stores
- Digital services to enhance customer experience at retail stores
- Search tools based on analytics and recommendations

We are committed to creating an environment for our customers where any needs around household appliances and electronics could be met. This means providing access to a wide range of technology and cutting-edge products, as well as offering quality consultations and the ability to choose an optimal solution. In doing so, we increase customer loyalty, reduce the risk of losing them to competitors and strengthen the perception of our brands as the touchpoint for meeting any consumer electronics needs.

PRIVATE LABEL DEVELOPMENT

In 2021, M.Video-Eldorado tripled its private label offering under the Novex and Hi brands to almost 300 SKUs. Demand for large and small private label household appliances grew by 70% year-on-year.

M.Video offers high-quality, technologically advanced and reasonably-priced Novex products, while Eldorado sells more basic appliances in the low-price segment under the Hi brand. Combined, these labels cover around 300 SKUs in 33 main categories (TVs, large and small home and kitchen appliances, beauty and personal care products, and accessories).

> **In volume terms, 2021 saw the maximum share of private label appliances in the following categories: top-freezer refrigerators (38%), 39–43 inch TVs (over 33%), single-door refrigerators (32%) and side-by-side models (20%).**

Around 7% of consumers who had bought Novex and Hi goods returned for new items by the same brands later during the year, which is on par with the leading manufacturers and reflects both high customer satisfaction and sound quality of the appliances.

M.Video-Eldorado private label goods are produced at the plants of the leading industry players such as Indesit, Midea and Vityas, with part of them manufactured locally (certain TV, refrigerator and washing machine models).

Scaling up and developing the mobile platform

Even the tech-savvy are finding it harder to keep up with the ever-growing amount of information, appliances and technology. We want our mobile platform to deliver maximum convenience and value to our OneRetail customers in the course of their cross-platform journey. The main elements of the mobile platform are the customer mobile app and the consultant app, which work both together and separately (for more details, see the Customer Experience Enhancement section). Our strategic goal is to increase the share of purchases on the mobile platform in order to gain a better understanding of our customers and improve our analytics and personalization tools. We identify what our customers want and make respective tweaks to both apps, which results in better recommendations, selection speed, and service quality.

M.Video and Eldorado customer mobile app installs reached

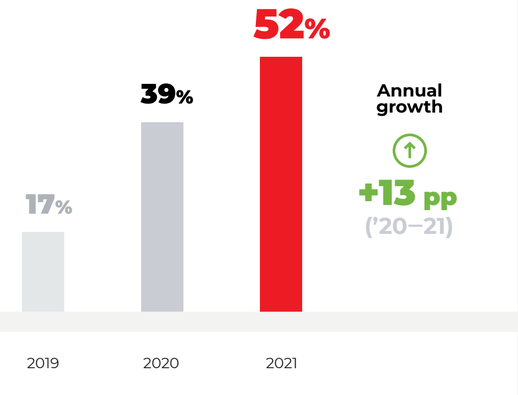
30 million

a 3.8x increase year-on-year

Development of digital customer consultation services

Personally communicating with shop assistants enables customers to make better decisions faster.. They get more information on products, help in differentiating similar models, and comfort of having expert input when making a purchase, especially if it is an expensive one. As a result, the average ticket and number of items for purchases made with the help of an assistant significantly exceed the corresponding indicators for purchases with no assistant input. To build on this, we are developing digital customer support services, such as digitally assisted consultations and web chats, as well as speech analytics tools like a chat bot with a recommendations module and more.

Share of consultant app sales in in-store sfles excluding pickup



Main functions of the consultant app:

- Ability to source all relevant customer data following authorization
- Data-driven recommendations based on machine learning helping to offer higher-end products, accessories and services
- Automatic synchronization with the customer's basket (ability to view recently browsed items)
- integration of consumer loans (pilot)
- Notifications about store visitors in need of assistance or customers picking up online orders

DISCOVERY & CHOICE

TRANSACTION

FULFILLMENT

Overarching objective

Mobile platform improvement

Initiatives

- Developing AI-driven personalized offers
- Tight integration of all transaction points into the OneRetail platform, including by launching a single basket (the OneRetail basket)
- Ensuring easy checkout with multiple payment options

We believe the mobile platform is our most flexible and effective tool for creating the best shopping experience. With that in mind, we are working to refine the OneRetail platform and motivate our customers to use its many functions at all touchpoints. Working towards this overarching goal will help us to continue increasing customer loyalty while maintaining sales efficiency.

Development of AI-driven personalized offering

In 2021, M.Video-Eldorado Group's personalized marketing, pricing and assortment management all came to rely on artificial intelligence. Machine learning and data analysis algorithms enable us to create tailored offers for OneRetail customers[1] that take into account shoppers' history of interaction with our brands. Customers then receive offers for products and accessories of interest, as well as attractive prices that incorporate individual discounts and accumulated bonus points. In 2021, M.Video's mobile platform introduced personalized price offers based on customers' purchase history and available bonuses. As a result of the new feature, the mobile app's conversion rate saw a 1.5x increase.

Tight integration of all transaction points into the OneRetail platform, including by launching a single basket (the OneRetail basket)

The Group aims to increase the share of purchases made through the OneRetail platform (purchases by identified users through websites and customer and consultant mobile apps). By the end of 2021, the number of active identified customers[2] grew to 19.7 million, of which 62.4% were OneRetail customers. During the reporting year, the overall number of OneRetail customers increased by 23.4%. The single basket (the OneRetail basket) enables customers to add to and continue to update their baskets at any touchpoint, be it online or at a physical location. The introduction of the single basket is critical to creating a seamless hybrid experience, increasing customer satisfaction and incentivizing users to make purchases using the OneRetail platform.

Ensuring easy checkout with multiple payment options

The payment stage is one of the most important components of the customer journey, which is why we are committed to providing customers with multiple convenient ways to pay for and finance a purchase, regardless of where they are located or how they prefer to pay. Most transactions in the app, on the website or at an offline store are carried out online and via contactless means. People can pay for in-store purchases without going to the checkout counter by simply using their smartphones to visit a payment link provided by a shop assistant.

We are growing our own lending platform, cooperating with over ten partner banks, and continuously improving the technology aspects of credit and installment plans offered both online and offline. The Group has plans to introduce services for loan approval in the consultant app and preapproved credit limits or installments for identified customers, as well as launch virtual credit cards, instant credit accounts and other innovative options.

Mobile platform sales growth

+67.9%

Their share in GMV exceeded

45%

in 2021

[1] *Authorized customers who have made at least one purchase in the previous year through websites, user apps or merchant apps.*
[2] *Authorized customers who have made at least one purchase through any sales channel in the previous year.*

DISCOVERY & CHOICE

TRANSACTION

FULFILLMENT

Overarching objective

Meeting customer expectations in terms of ready availability

Initiatives

- Scaling up the retail network and increasing the flexibility and adaptability of the logistics platform
- Improving the shopping experience through order fulfillment
- Developing complementary services around fulfillment

The speed and timeliness of order fulfillment are what drive retailers' competitiveness and customers' preference. We believe it is a key advantage for M.Video-Eldorado Group to have an extensive retail network that is fully integrated with its online platform. Our existing infrastructure allows for making products ready for pickup 15 minutes following an online order. In most Russian cities, these orders' share in GMV has reached 41%. We will continue improving our fast delivery and self-pickup options to make them even more readily available and give customers a frictionless and satisfying purchasing experience.

Scaling up the retail network and increasing the flexibility and adaptability of the logistics platform

As at the start of 2022, the Group could provide around 75% of the Russian population with delivery within 24 hours from the moment their orders were placed, which is something that no other Russian online retailer can do. We substantially increased our network's reach in 2021 by developing our presence in regions.

In 2021, M.Video-Eldorado entered 92 new cities and towns.

We are also paying greater attention to digital logistics technologies, including AI-powered solutions. Demand forecasting algorithms cover over 50% of the Group's assortment, substantially increasing the accuracy of inventory planning and distribution to stores. We also leverage AI to optimize the use of warehousing space and build retail store assortment, which helps to meet customer demand even faster.

Providing better last-mile customer experience is an important component of our strategy. In addition to own stores, we use partner pickup points, which gives our customers better access to our products; as at the end of 2021, the total number of pickup points exceeded 50,000 and is poised to grow further. On top of regular courier delivery, M.Video and Eldorado offer customers several other delivery formats with timeframes ranging from one to two hours. These include self-pickup and express delivery by taxi from the nearest store. Fast and safe delivery within two hours facilitated by the largest taxi aggregators is available in almost 300 cities and towns that have M.Video and Eldorado stores. We are also planning to invest in developing a courier app that can track orders in real time, allows for chatting with the customer and offers the option of making changes to orders.

300 cities and towns

feature fast and safe delivery by the largest taxi aggregators

92% of deliveries

made on time (excluding pickups)

92% of turnover

generated using store infrastructure

2.3.2 TECHNOLOGY: FOUNDATION FOR FURTHER DEVELOPMENT OF THE ONERETAIL PLATFORM

Innovation and technological development are an integral part of all the Group's strategic initiatives. M.Video-Eldorado has always been actively investing in developing IT systems, which has enabled the Group to successfully scale up its business by launching innovative products and services while ensuring a high level or information security.

In an effort to speed up the introduction of technological solutions (time to market), we are developing an approach powered by microservice and agile product teams. Priority areas for the expansion of technological systems include:

- mobile platform and a seamless space for OneRetail;
- development of CE marketplace solutions;
- urther development of AI-driven predictive analytics instruments for both stock management and pricing based on machine learning;
- technological support for vendors leveraging the OneRetail platform;
- further development of the cloud infrastructure.

In 2021, M.Video-Eldorado doubled its IT staff and formed over 100 product teams

Investments in software development and IT personnel

We prioritize creating and using high-quality technology products and solutions while scaling up the product approach, which involves forming agile teams tasked with continuous development of the key IT products.

The rollout of the OneRetail model requires us to realign our corporate culture, and all team members, from IT specialists to salespeople, to shift towards technological thinking. To foster employees' digital capabilities and skills, in 2021 we launched the Digital Academy — a competency center focused around technological know-how and innovations that we keep improving. At the academy, all employees can take part in a number of educational programs, including courses on technical, functional, leadership and management topics. There are various study formats available.

2.3.3 PROFITABLE GROWTH

In 2021, M.Video-Eldorado adopted a new dividend policy, which requires the Group to allocate at least 100% of its IAS 17 net profit[1] to dividend payment.

In 2021, M.Video-Eldorado distributed RUB 13 billion in dividends. Dividend yield was 11.2% — higher than the Russian retail average.

2.3.4 ESG STRATEGY

As the leader of the Russian household appliances and electronics market, M.Video-Eldorado Group is aware of its responsibility for pushing the industry forward and promoting best practices in the domestic CE market. We leverage the scale of our business and the vast management experience to deliver positive change in customers' thinking, which in turn translates into better practices in the industry, country and the world

Sustainable development is an integral part of M.Video-Eldorado Group's strategy. We recognize our responsibility to society and aim to attain leading positions in sustainable development by promoting social and environmental responsibility through everything we do.

Our approach in this regard is becoming more organized and structured, as reflected in both the public's recognition of our social and environmental initiatives and our adoption of new and even more ambitious challenges and obligations. We are bringing ESG practices to a whole new level by making them an integral part of M.Video-Eldorado Group's core strategy. Our commitment to ESG will help enhance the Company's investment case and strengthen our reputation among customers and talent who view the capability of making a positive impact on the world and local communities as increasingly important.

We go beyond minimizing our own impact and risk mitigation — our work gives impetus to collective action, helping bring about long-term sectoral change inspired by ESG

In 2021, we conducted an assessment of the key ESG risks and maturity of ESG practices across the Group, and based on that set quantitative targets for 2025. We are implementing a comprehensive action plan to achieve our goals, monitoring trends and challenges, evolving and improving to be a more transparent, open and efficient company. This is important for our customers, employees, and partners, as well as for the environment and society at large. Our common future depends on this.

[1] *Adjusted for profit/(loss) in associates and joint ventures.*

OneFUTURE: strategic ESG priorities until 2025

OnePLANET

- Reducing GHG emissions
- Fostering a circular economy and waste management
- Promoting goods related to conscious consumption

OneCOMMUNITY

- Fostering an environment that drives learning and growth
- Safety, inclusivity and diversity
- Developing local communities

OneSTANDARD

- ESG integration into corporate governance
- Cyber security and personal data protection

We support and share global sustainability initiatives and are consistently implementing the most relevant UN Sustainable Development Goals (SDGs) in tandem with our own targets and goals, with progress monitored throughout the entire process.

M.Video-Eldorado Group harmonizes its strategic priorities with due regard for the global context. In attaining our own targets, we strive to meaningfully contribute to UN SDGs as well

UN SDGs

OUR STRATEGIC TARGETS UNTIL 2025

12 ОТВЕТСТВЕННОЕ ПОТРЕБЛЕНИЕ И ПРОИЗВОДСТВО

Fostering a circular economy and waste management:

- Increasing e-waste collection and recycling
- Rolling out the e-waste recycling program across 100% of our stores
- Expanding the audience of our waste awareness raising programs to at least 10 million people
- Achieving an 85% recycling rate for the waste generated in our stores and DCs

Promoting goods related to conscious consumption:

- Having a considerable portion of revenue generated by products conducive to a healthy and environmentally conscious lifestyle

3 ХОРОШЕЕ ЗДОРОВЬЕ И БЛАГОПОЛУЧИЕ

8 ДОСТОЙНАЯ РАБОТА И ЭКОНОМИЧЕСКИЙ РОСТ

10 УМЕНЬШЕНИЕ НЕРАВЕНСТВА

Fostering an environment that drives learning and growth:

- Offering equal training opportunities to 100% of employees
- Filling at least 60% of vacancies with internal candidates
- Achieving an employee engagement rate of at least 80%

Safety, inclusivity and diversity:

- Maintaining a zero-incident safety culture
- Offering access to physical and mental health support programs to 100% of employees
- Boosting diversity in our teams at all levels
- Training 100% of employees in diversity, inclusivity and anti-discrimination on an annual basis
- Making 100% of the Group's online and offline stores accessible for people with disabilities

Developing local communities:

- Implementing volunteering programs for employees
- Providing direct and/or indirect charity help in line with the Group's strategic priorities

UN SDGs

OUR LONG-TERM TARGETS

13 БОРЬБА С ИЗМЕНЕНИЕМ КЛИМАТА

Reducing GHG emissions:

- Reducing by 30% specific Scope 1 and 2 emissions in our own operations by 2030
- Reducing by 20% specific Scope 3 emissions in our supply chain by 2030
- Achieving carbon neutrality by 2050

NEW ESG PARTNERSHIP

In January 2022, M.Video-Eldorado Group co-founded the National ESG Alliance, which brought together the Russian market's biggest players to promote the principles of social responsibility, business transparency and environmental protection.

The main focus areas of the Alliance include supporting the evolution of the regulatory environment, promoting ESG practices, facilitating knowledge exchange among business sectors, the government and society, developing a common framework for ESG assessment and disclosures, fostering the market for responsible financing, and assisting the development of infrastructure to create, test, implement and leverage sustainable practices.

2.4 BUSINESS MODEL 2021

HACKING RETAIL STRATEGY: Shift from traditional retail to an e-commerce story featuring a mature store network

Leadership in innovation:

- Digital transformation
- Big data and advanced analytics
- In-house Digital Academy, paradigm shift towards technological thinking

ONERETAIL: Technology platform providing a unique customer experience through online and offline integration

FAMOUS BRANDS

EFFECTIVE LOGISTICS

ENGAGEN PEOPLE

ADVANCED TECHNOLOGY

62.4%
share of OneRetail customers

65%
share of OneRetail transactions

The average ticket for OneRetail customers is
35%
higher than that for regular customers

Value creation for stakeholders in 2021

SHAREHOLDERS AND INVESTORS

- **RUB 11.3 bln** paid in dividends for 2020 and H1 2021
- **RUB 78.7 bln** market cap
- **24%** free float

CUSTOMERS

- **>4 mln** orders delivered (92% on time, excluding pickups)
- **184** new stores in 2021
- **41%** share of orders with 15-minute pickup

SUPPLIERS AND PARTNERS

- product range more than doubled in 2021
- development of own electronic goods marketplace

EMPLOYEES

- **48.7%** one of the lowest employee turnover rates in the industry, both nationally and globally
- **95.2%** of employees underwent regular performance and career development reviews
- zero-incident culture

SOCIETY

- **RUB 39.4 mln** in charity expenses
- **over 1,500 t** of electronics collected and sent for proper recycling
- **RUB 14.5 bln** in taxes and contributions to extrabudgetary funds

M.видео
Trendsetting

TWO LEADING BRANDS with fundamentally different positioning — wide audience coverage, adaptability to market fluctuations, efficient retail network development

differentiated value proposition

ЭЛЬДОРАДО.RU
Attacking

ASSORTMENT MANAGEMENT

185,000 SKU
(x2 expansion in 2021)

- Optimal balance between inventory and coverage of customer needs — our SKUs cover about 75% of the Russian CE market

ECOSYSTEM-DRIVEN APPROACH

- loyalty programs, promotions and special offers
- accessories
- complementary services and insurance
- digital content to enrich customer experience

INFRASTRUCTURE AND LOGISTICS **1,258** stores across **371** cities and towns **11** central distribution warehouses **59** regional multiplatforms

ESG STRATEGY: Commitment to observing sustainability principles and integrating them into all aspects of operations

ONE FUTURE: OnePLANET OneCOMMUNITY OneSTANDARD

2.5 OPERATIONAL AND FINANCIAL PERFORMANCE

2.5.1 OPERATIONAL PERFORMANCE IN 2021

In 2021, M.Video-Eldorado's GMV showed double-digit growth compared to both 2020 (+13.1%) and 2019 (+30%) on the back of mobile platform development and higher frequency of purchases and the average ticket, as well as the expansion of its store network

The Group's gross merchandise value (GMV[1]) rose by 13.1% to RUB 570.7 billion (incl. VAT). Total online sales[2] increased by 28.8% to RUB 386.9 billion (incl. VAT), accounting for 67.8% of the Group's GMV.

The double-digit sales growth compared to 2020 (+13.1%) and an even higher increase versus the relatively normalized 2019 level (+30%) were achieved through mobile platform development and higher frequency of purchases and the average ticket, as well as the expansion of M.Video-Eldorado Group's store network.

The Group continued to develop its OneRetail mobile platform, among other things, by moving users from the website to mobile solutions, as this will facilitate direct communication with customers and enable a more effective use of promotion and advertising mechanisms. As a result, the customer traffic to M.Video's and Eldorado's apps more than tripled, while visits to the web platform decreased by only 13%. In 2021, sales via the mobile platform reached RUB 258 billion, up 67% year-on-year.

In the reporting period, installations of the M.Video and Eldorado mobile apps reached approximately 30 million, up 3.8x year-on-year, while monthly active users (MAUs) of the customer mobile apps approached 4 million.

The number of identified active customers hit 19.7 million, of which 62% were OneRetail customers, that is those who made purchases through the customer app, consultant app or the Group's web platform. The number of OneRetail customers soared by 23.4% year-on-year.

In 2021, the average ticket for all categories of M.Video–Eldorado customers went up 9% year-on-year to RUB 9,805. The average ticket for OneRetail customers was RUB 11,195 (35% higher than that for non-OneRetail customers), which is attributable to personalized services and higher-quality recommendations based on data analytics. Besides a higher average ticket, OneRetail customers tend to purchase more frequently.

Other GMV drivers included:

- continuing growth in sales of services (+38%), including sales of certificates (+43%) and digital services (+35%);
- a rise in sales financed by consumer loans (+21%), owing in part to the continued development of online lending that is now available via the web and mobile platforms, and ongoing recovery in POS lending;
- an increase in the share of orders ready for delivery/pickup within 15 minutes to 41% of GMV;

In 2021, M.Video-Eldorado Group expanded its network by 184 stores and entered 92 new cities, with most new openings being small-format stores (114), which continue to deliver higher-than-expected sales. As at December 31, 2021, the Group's retail chain comprised 1,258 stores.

+13.1%
GMV increase in 2021

67.8%
share of online sales in GMV

+28.8%
total online sales growth

65.4%
share of OneRetail transactions

+67.1%
mobile platform sales growth

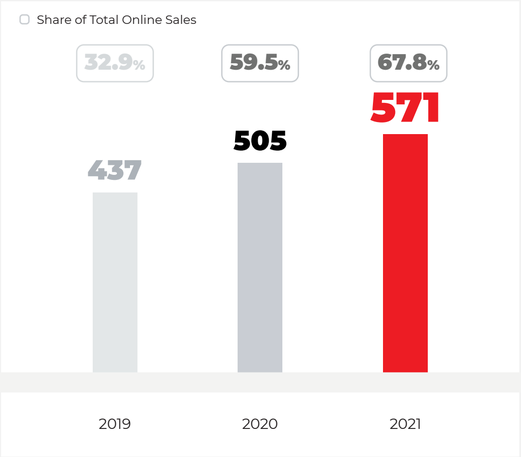
+21.8%
OneRetail transactions growth

+23.4%
growth of OneRetail client base in 2021

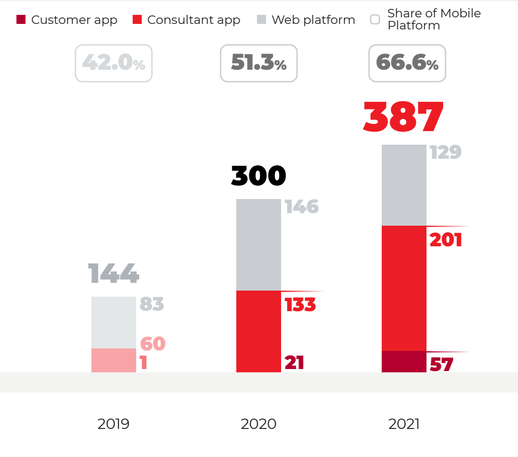
114
small-format store openings

[1] *GMV (gross merchandise value) comprises in-store purchases (including those from pickup points), paid and delivered online orders, and paid orders shipped from warehouses to corporate customers. Offline and online purchases can be made by both individuals and legal entities. GMV includes the Company's own and agency sales of goods and services. GMV includes VAT and is net of discounts granted to customers and returns made during the reporting period. GMV does not constitute the Company's revenue.*
[2] *Total online sales of M.Video-Eldorado Group, in line with its OneRetail strategy, include all sales to authorized customers via the Internet, including home delivery, in-store pickup and sales made to customers in-store through the consultant mobile app. Currently, sales through the consultant app are only available at M.Video stores.*

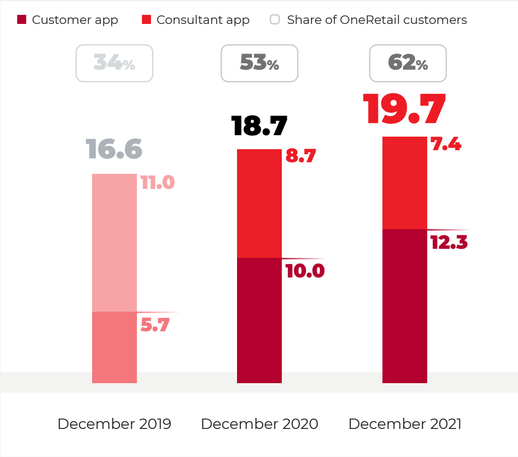
GMV, RUB bln



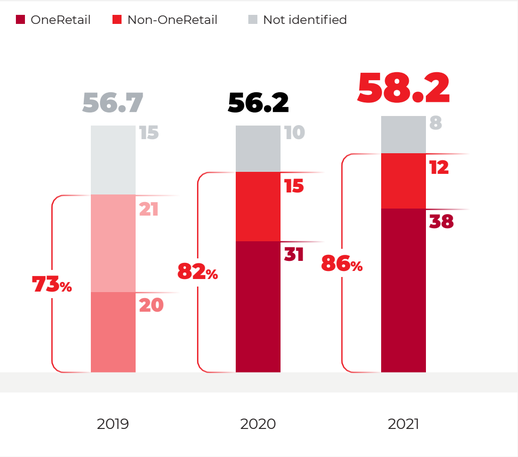
Total online sales, RUB bln



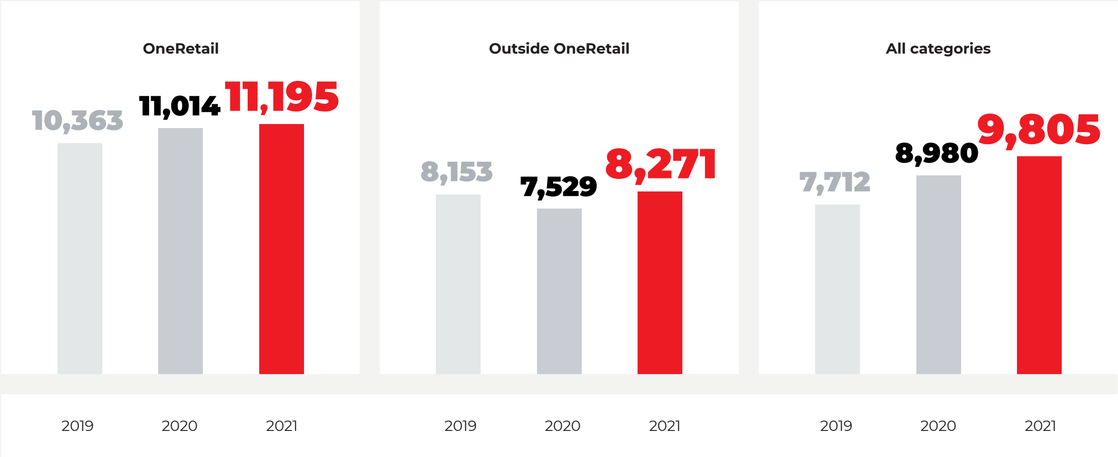
Identified active customers[1]**,** mln



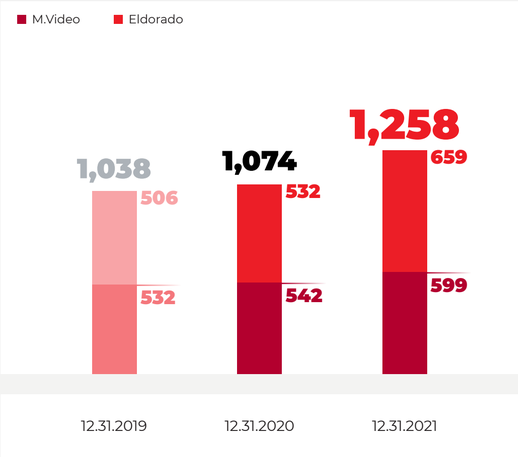
Transactions, mln tickets



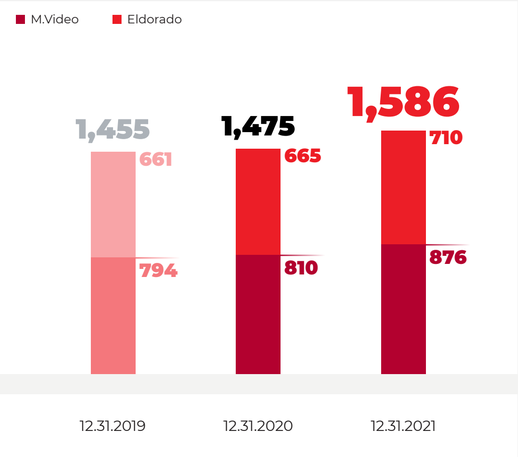
Average ticket, RUB



Number of stores



Selling space, ths sq. m.



[1] *The Company defines identified active customers as those who have logged in and made at least one purchase through any sales channel during the year.*

2.5.2 FINANCIAL PERFORMANCE IN 2021

GROUP'S FINANCIAL HIGHLIGHTS FOR FY2021:

EBITDA

RUB 27.5 bln

+2.3% year-on-year

EBITDA margin

5.8%

Net debt

RUB 57.1 bln

(up 41.0% versus December 31, 2020), with net debt / adjusted EBITDA at 2.06x (versus 1.44x as at December 31, 2020).

Revenue

RUB 476.4 bln

+12.9% year-on-year

Adjusted EBITDA

RUB 17.4 bln

–38.8% year-on-year

Adjusted EBITDA margin

3.7%

Net profit

RUB 8.6 bln

–20.9% year-on-year

Gross profit

RUB 95.2 bln

–4.0% year-on-year

Selling, general and administrative expenses (SG&A), excluding depreciation and amortization

RUB 77.9 bln

16.3% as a percentage of revenue

	IAS 17			IFRS 16		
RUB million (excl. VAT)	**2020**	**2021**	**Change y-o-y**	**2020**	**2021**	**Change y-o-y**
Revenue	422,089	476,364	+12.9%	422,089	476,364	+12.9%
Gross profit	99,187	95,191	-4.0%	99,245	95,250	-4.0%
Gross margin, %	23.5%	20.0%	-3.5 p.p.	23.5%	20.0%	-3.5 p.p.
Adjusted EBITDA	28,474	17,414	-38.8%	48,620	33,576	-30.9%
Adjusted EBITDA margin, %	6.7%	3.7%	-3.1 p.p.	11.5%	7.0%	-4.5 p.p.
Net profit	10,934	8,651	-20.9%	9,009	3,325	-63.1%
Net margin	2.6%	1.8%	-0.8 p.p.	2.1%	0.7%	-1.4 p.p.

REVENUE

The Group's revenue increased by 12.9% year-on-year to RUB 476,364 million on the back of solid growth in total online sales (+28.8% year-on-year), an increasing number of customers with a higher average ticket (+23.4% year-on-year), and a rise in mobile platform turnover (+67.1% year-on-year), as well as 184 new openings and entry into more than 90 new cities and towns.

GROSS PROFIT

The Company's gross profit was down 4.0% year-on-year to RUB 95,191 million. Gross margin dropped by 3.5 p.p. year-on-year to 20.0% due to the rising price pressure from competitors in the online segment, shortage of certain appliance categories and models and electronic components for their production, increasing logistics costs in procurement prices, and the growing share of digital product categories in the demand mix with margins below the Group average.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

SG&A, excluding depreciation and amortization, amounted to RUB 77,872 million. As a percentage of revenue, the indicator decreased by 0.8 p.p. year-on-year to 16.3% thanks to operational efficiency measures covering staff and lease expenses.

Staff expenses edged down by 0.4 p.p. to 5.9% as a percentage of revenue due to a one-off management compensation of RUB 1.3 billion for the successful implementation of the crisis management project.

Lease and utility expenses decreased as a percentage of revenue by 1.2 p.p. to 4.0% following changes in lease accounting estimates.

Depreciation and amortization expenses in the reporting period increased from RUB 8,194 million in 2020 to RUB 8,867 million in 2021 due to investments in the retail chain and IT infrastructure.

0.8 p.p.

decline in selling, general and administrative expenses (SG&A), excluding depreciation and amortization in 2021

EBITDA

EBITDA went up by 2.3% year-on-year to RUB 27,495 million, while EBITDA margin dropped by 0.6 p.p. year-on-year to 5.8%. The decline was driven by a lower gross margin. The impact of total net one-off income on EBITDA was RUB 10,080 million, and EBITDA adjusted for net one-off income amounted to RUB 17,414 million.

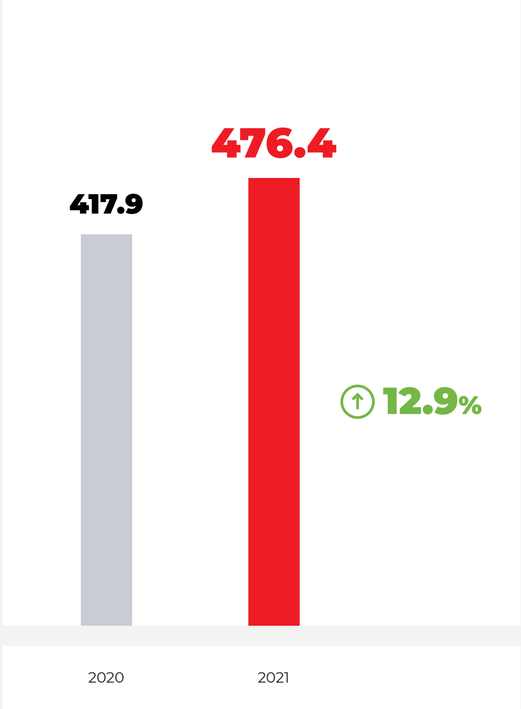
RUB 10.1 bln

total net one-off income impact on EBITDA

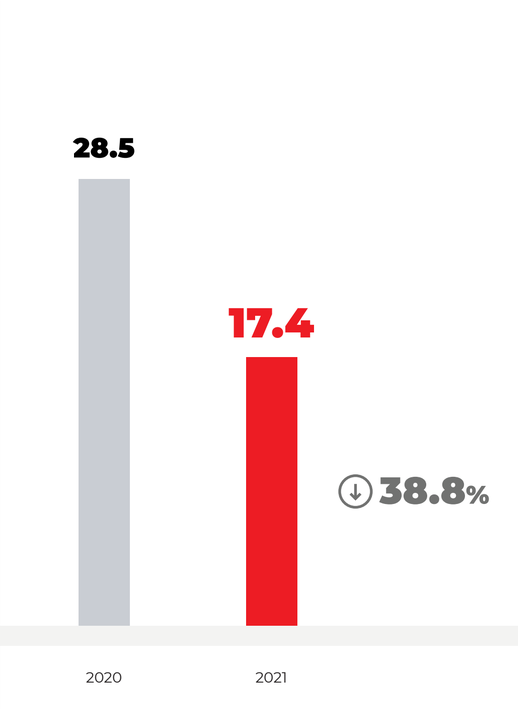
NET PROFIT

M.Video-Eldorado Group's net profit shrank by 20.9% year-on-year from RUB 10,934 million in 2020 to RUB 8,651 million in 2021, driven by a lower gross margin and higher financial expenses as a result of the growing loan portfolio.

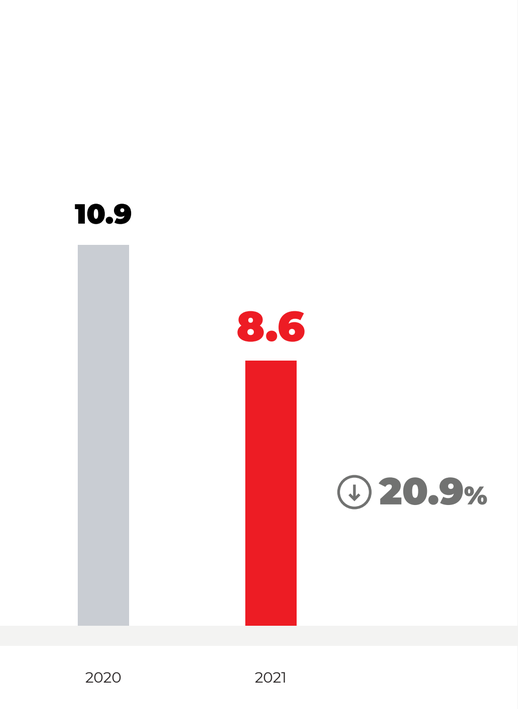
Revenue, RUB bln



Adjusted EBITDA, RUB bln



Net profit, RUB bln



LEVERAGE

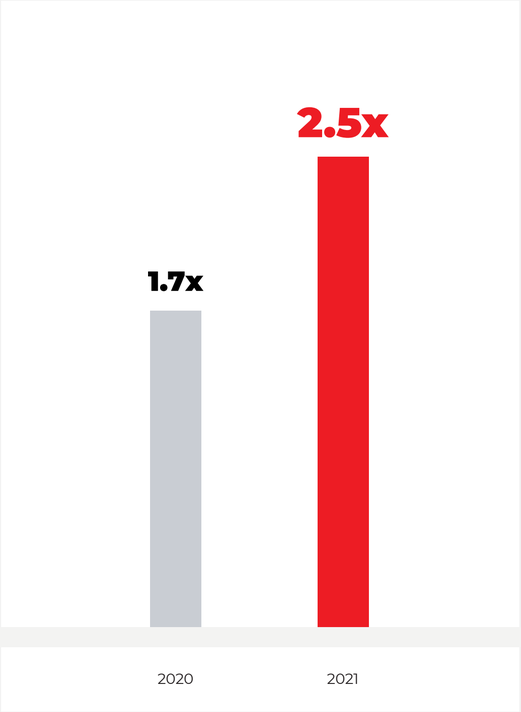
As at December 31, 2021, the Group's total debt was up RUB 21,209 million to RUB 69,138 million, including due to higher investments in digital transformation and the Group's faster expansion into new cities and towns. Cash and cash equivalents as at the end of the reporting period increased by RUB 4,608 million versus December 31, 2021 to RUB 12,053 million. The Group's net debt rose by RUB 16,601 million to RUB 57,085 million. All of the Group's debt is denominated in rubles.

As a result, net debt / EBITDA as at December 31, 2021 stood at 2.06x, up 0.62x year-on-year.

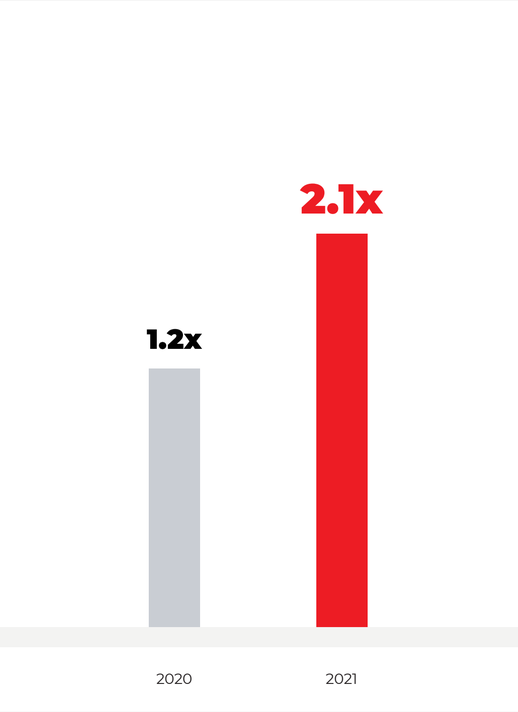
RUB 12.1 bln

cash and cash equivalents at the end of 2021

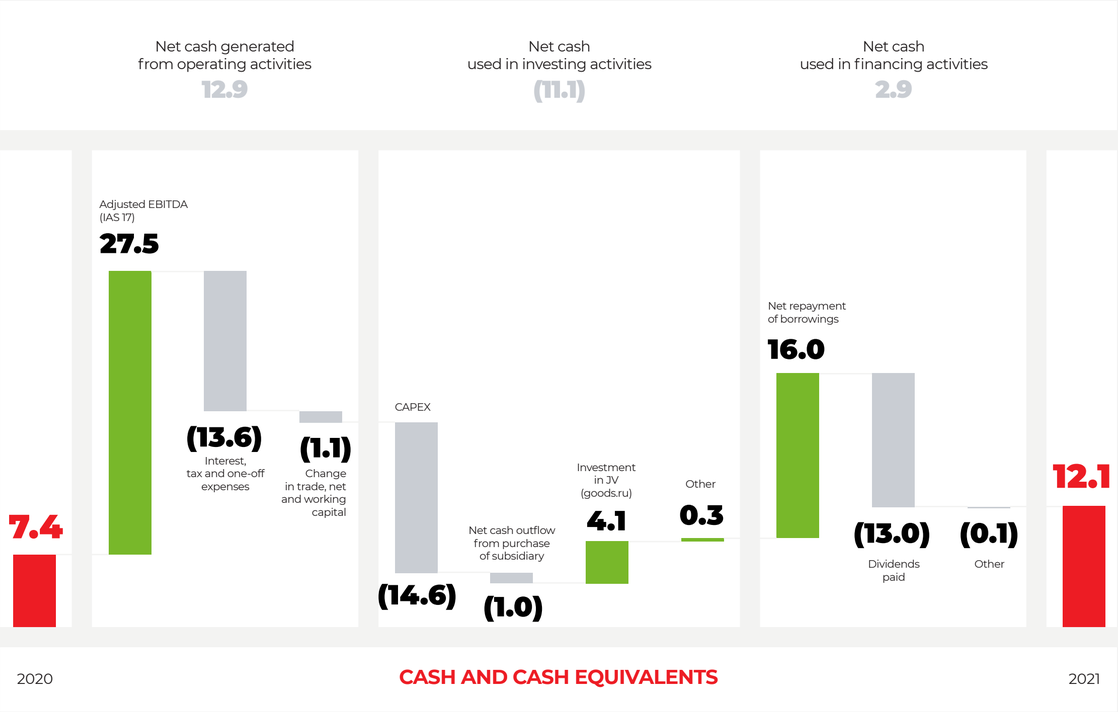
IAS 17 gross debt / IAS 17 EBITDA

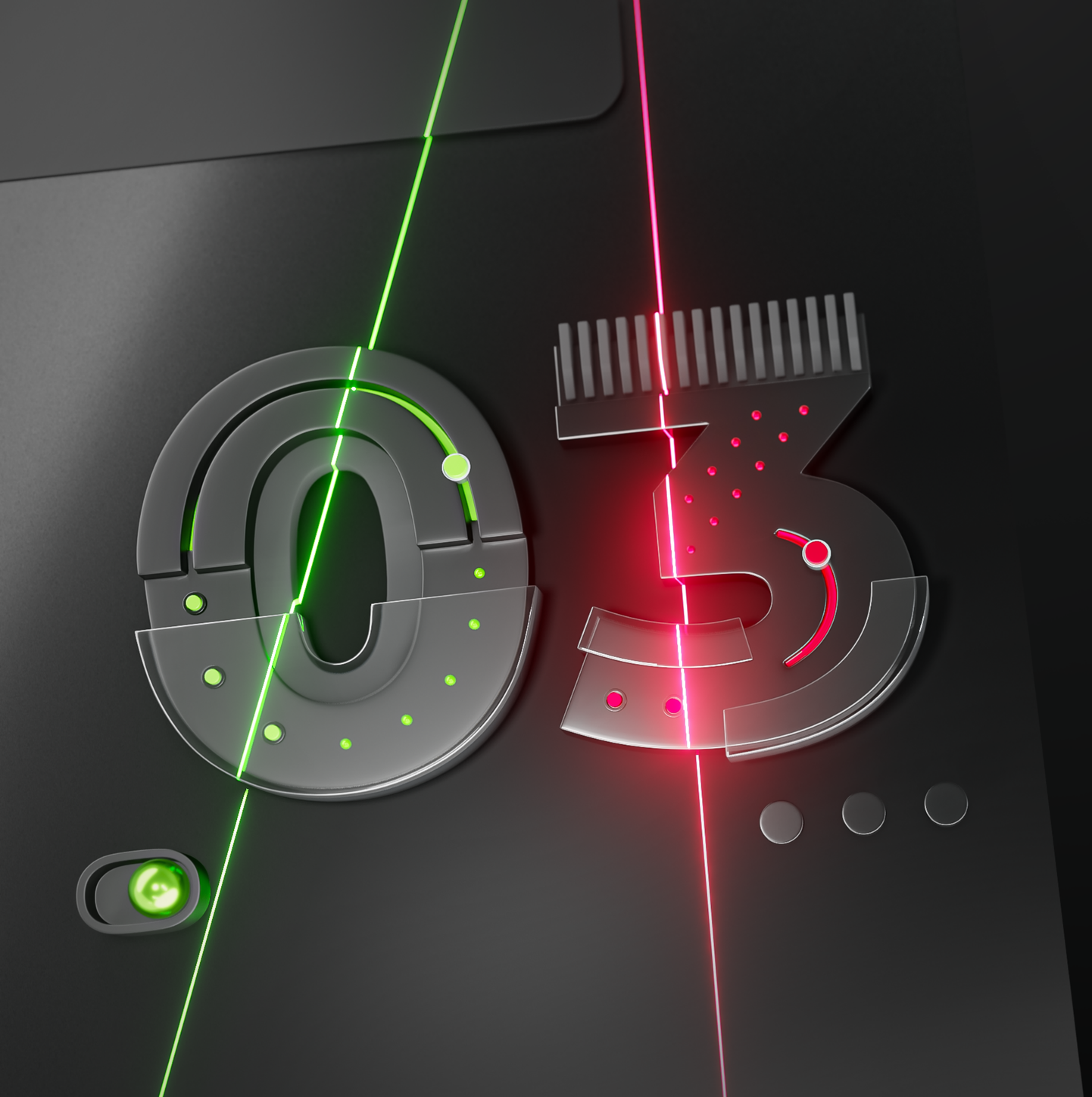


IAS 17 net debt / IAS 17 EBITDA



Cash flow, RUB bln





ONERETAIL — ONEFUTURE

3.1 TECHNOLOGY FOR BUSINESS

OneRetail is a suite of solutions that are constantly evolving to make sure our customers get the best service at any point of contact with the retailer wherever it may be convenient for them, at a store, on the website or in the mobile app, without sacrificing the speed of purchase or the quality of experience

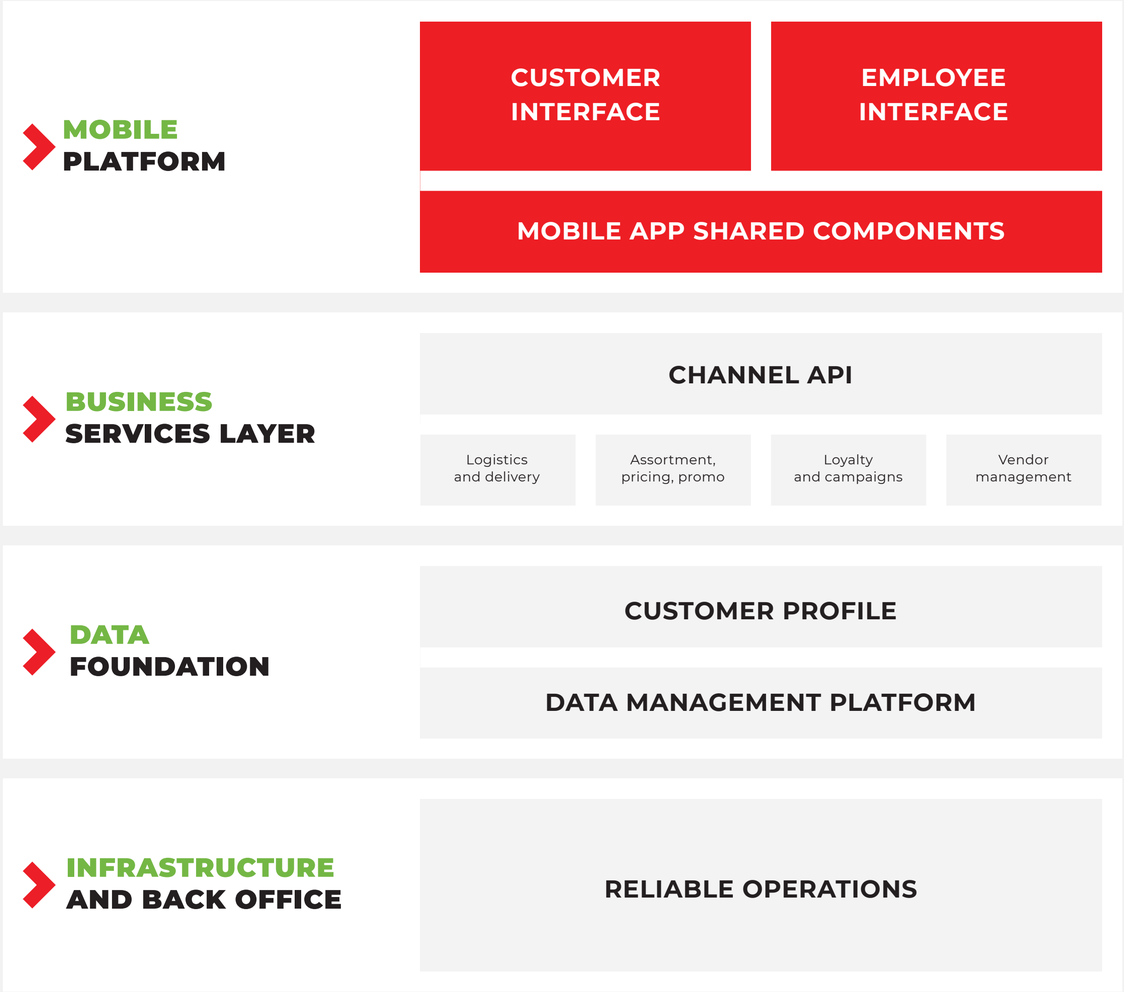
OneRetail as a mobile platform integrates the customer and the consultant apps, as well as related services and IT products. The customer app provides automatic online authorization, while the consultant app makes it possible to check in and identify the customer in-store. In combination with advanced data analysis systems, mobile technologies enable us to better understand the needs of customers, provide a highly personalized service and ensure customer loyalty, which ultimately leads to a higher average ticket and more frequent purchases. Hence the Group's strategic objective is to convert anonymous shoppers into a growing base of active identified customers who make their purchases via the customer and consultant mobile apps or the Group's websites.

Besides, OneRetail connects customers and vendors within a single space where high engagement of producers and other partners facilitates informed choice when it comes to browsing and buying, attractive pricing, and higher customer loyalty and expanding business as a result:

- the unique online and in-store customer experience increases customer loyalty and inflows of orders;
- the growing base of loyal customers and a wide range of opportunities to promote goods online and in stores make vendors more interested in cooperation;
- the engagement of vendors helps offer a wide range of goods at a great price, which also results in higher customer traffic.

According to Digital Assessment by McKinsey experts, the average digital maturity quotient score among technology companies as at the end of 2021 was 80 to 90. The traditional retail had a score of 50 to 60. In 2021, M.Video-Eldorado's digital maturity quotient grew from 50 to 62

OneRetail architecture



Thanks to its advanced IT competences and a high extent of business process digitalization, M.Video-Eldorado is able to provide the best customer experience and offer unique services through OneRetail, ensuring customer loyalty, as well as vendor and partner engagement, and boosting operational efficiency

3.1.1 A TECHNOLOGY-ORIENTED RETAILER

Development of high-tech products for customers and business functions, further enhancement of data analytics and machine learning tools are among the priorities of M.Video-Eldorado's business strategy and drivers of competitive advantage. We are constantly innovating, with a wide range of technologies: from cloud infrastructure to biometrics and video analytics.

ONERETAIL

is the backbone of our digital transformation and transition from a retailer featuring IT services to a tech company with physical points of presence

	BRICK-AND-MORTAR WITH AN E-COM CHANNEL	TECH RETAILER WITH PHYSICAL TOUCHPOINTS
Offline customer service experience	• Stores are the key customer touchpoints	• Stores as an extension of the customer's digital experience
Advanced analytics	• Decentralized and siloed data storage • Management decision-making based on expert judgement	• Single data platform and data governance process • Decision-making based on data nalytics ("centaurs") and analytics experts at the local level
Organization and capabilities	• Waterfall methodology • Functional silos, incl. IT • Externally, the Company is perceived as a retailer	• Extensive use of agile methods DevOps process and information security integration • Flat structure and cross-functional teams for business tasks • Externally, the Company is perceived as a tech player (EVP)
Architecture and infrastructure	• Solid-cast architecture, no flexibility or scalability • Local data center	• Microservice carry-over architecture • Cloud infrastructure

3.1.2 DIGITAL TRANSFORMATION OF M.VIDEO-ELDORADO GROUP

In recent years, we have invested heavily in developing IT, thereby creating an extensive, highly reliable infrastructure that supports work with large data streams across all key business functions.

However, the accelerated development of OneRetail and transition of the retail business online require even greater efficiency and flexibility in rolling out new IT solutions to the market. For us, these challenges mean that we need to evolve the business as a full-fledged technology retailer, one that uses IT best practices in customer service and all business processes. The Group is carrying out an ambitious digital transformation program in the following areas: development of the tech architecture and infrastructure, large-scale deployment of advanced analytics, a new approach to digital teams management and fostering talent.

Digital transformation is built around the core of the business model — the OneRetail platform — and aimed at maximizing its effect

ENHANCING IT SUPPORT OF BUSINESS PROCESSES

M.Video-Eldorado is actively expanding its tech expertise in development and analysis and automating operations to improve boost efficiency and speed. One of the business process optimization tools is the Celonis Process Mining solution. It maps real-world processes on the basis of data sourced from information systems, serving to analyze bottlenecks and eliminate them.

The technology was successfully tested on IT support processes. Over ten marts are now launched for incident management and service requests analysis. The analysis covers around 2.5 million chains (30 million events) a year.

> **The pilot deployed at the IT services management process helped reduce some requests handling periods up to ten times, with the SLA success rate reaching 97%.**

Product-based approach

Over 100 product teams work across business units of the Group to develop customer and business solutions. IT teams and products are based on the needs of customers and various user types. In 2021, the Group had over 100 product teams involving about 1,600 employees in six key domains — OneRetail (including products for customers and employees, retail projects, etc.), Commerce and Marketplace, Logistics, Finance, HR, IT, and Data.

The agile competence center established in 2021 promotes this product-based approach across the Group.

Agile approaches to development suggest working in short iterations so that products can be swiftly modified or adjusted amid increased uncertainty. As a result, services are promptly and regularly updated subject to the market environment, competitors' actions or market expectations. For more details on the product approach and the agile competence center of M.Video-Eldorado, see the Training and Development section.

>100 product teams

formed in 2021

"Technologies are to become our key competitive strength. Our product teams bring together business and IT people, so that technologies are within the remit of the whole Company, not one standalone unit."

Alexander Sokolovsky,
CIO of M.Video-Eldorado Group

A flexible and reliable IT landscape

In an effort to enhance the flexibility and reliability of the Group's IT landscape, we keep reshaping our IT architecture using a microservice approach, developing a data platform and products based on machine learning, and implementing projects in information security and transition to cloud infrastructure.

M.Video-Eldorado Group is assembling a modern microservice platform built on hundreds of independent components (services). This approach involves supporting independent competing front-end products (mobile apps and websites) and shared back-end systems used by both brands, including the logistics, finance, IT, and HR modules. A microservices-based architecture helps to rapidly respond to the demands of the business by adapting current products, while ensuring that applications run quickly and smoothly as workloads grow.

The Group transitioned to using cloud services as the basic infrastructure for digital products. M.Video-Eldorado is the first Russian retailer to fully take the development and operation of customer digital products to the cloud. The Group already has 70% of its retail operations supported by cloud solutions. Since the start of 2021, there has been a threefold increase in the Company's use of the cloud infrastructure services. Expanded capacity for ML (machine learning) development has enabled the Company to run about 100 pilots and tests at once. The Group has already transferred the development and operation of the websites and mobile apps for customers and consultants of both brands to a cloud platform. The team also makes strong use of automation services for container-based development to create new digital products, a managed data platform for data collection, storage, analysis and visualization, ML-based services, and serverless computing. M.Video-Eldorado plans to fully transition its front-end products to the cloud, channel investment into development, and ramp down its own basic IT infrastructure to a minimum. That way, the Company will be able to significantly expand the functionality of its key products and services in a quick and cost-efficient manner, as well as implement data analytics at all decision-making levels and ultimately make the business more digital.

>2/3 of Group's operations

are supported by cloud solutions

Teams and products within IT are formed depending on the needs of Customers and different types of users

Customers

- **Locations** (warehouses, stores)
- **Product teams**
- **Employees**

Types of IT products and teams

Automation-as-a-Service	Platform	Service	Competence centers
Products based on the largest possible **number of various IT services, platforms, IS**, and development tools	Products that aim to provide **a fault-tolerant and reliable platform**	Products designed to **provide a turnkey service or suite of services**	Organizational function allocating employees to meet the needs of product teams
E.g. Process automation on the SAP Finance and Controlling (FI) platform	**E.g.** Kubernetes platform	**E.g.** Cross-system development	**E.g.** Front-end development competence center

KEY AREAS OF THE IT INFRASTRUCTURE DEVELOPMENT

USERS

25 million people
Customers

>30 thousand people
Employees

01 STORES

2022-2023

SERVICES:

- **Purchase payments**
- **Product advice**
- **Loans**

IT INFRASTRUCTURE:

- Remote access to the IS
  Giving up local infrastructure — 2023
- Giving up communication channels
  Transition to 4G/5G — 2022
- Consultant's mobile device
  Giving up terminals — 2022
- Customer Wi-Fi,
  with no 4G/5G available — 2022

02 DATA PROCESSING CENTERS

2022

SERVICES:

- **Developing and operating ISs that cannot work in the cloud**

FAULT-TOLERANT ARCHITECTURE

Infrastructure as a service at a commercial data center:
Primary data center ⟷ Backup data center

03 CLOUD-BASED ENVIRONMENTS

10.2021

SERVICES:

- **Development and operation of proprietary apps**

MULTI-CLOUD STRATEGY

Yandex Cloud

Primary cloud
located in Russia in line with Law No. 152-FZ

INTERNET

04 CENTRAL OFFICE AND WORKING FROM HOME

06.2022

SERVICES:

- **Work of the central office employees**
- **Remote work of employees**

IT INFRASTRUCTURE:

- Office hardware and software
- Mobile devices
- Digital workplace
- Laptops

05 LOGISTICS FACILITIES

2021-2023

SERVICES:

- **Logistics operations**

IT INFRASTRUCTURE:

Logistics IS infrastructure at various types of locations

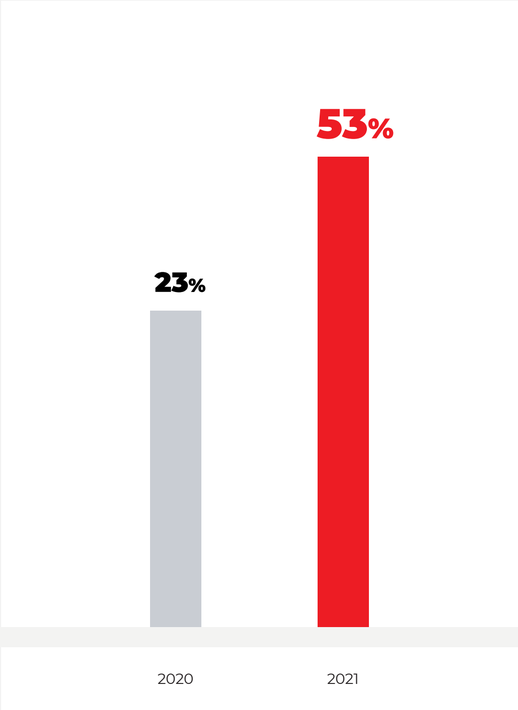
- Store – new logistics functions
- Urban Warehouse
- CDWs
- RDWs
- Order fulfillment points
- SLCs
- SCs

Development of internal tech capabilities

The Company focuses on strengthening its internal IT competences: all software used to support the OneRetail platform and create a competitive advantage for our business is to be largely developed in-house.

This approach requires bolstering internal resources and capabilities in development. In 2021, the number of IT specialists doubled, and the share of spending on in-house software development increased to over 50% of the total IT budget against 23% in 2020.

Share of in-house software development spending



As part of the digital transformation, M.Video-Eldorado is boosting its tech capacity: in 2021, the Group employed over 600 people in product teams. Higher technical education is not a key selection criterion; we value skills, experience, learning motivation, and we take on specialists trained at professional courses and on the job. M.Video-Eldorado is developing an internship program for recent graduates with no work experience or those switching from other career paths. In 2020–2021, about 40 interns were hired to entry-level IT positions. The Group launched several modules of the Product Management and Agile Coaching School, with over 150 people already trained and dozens promoted or transferred to another job.

The launch of the OneRetail model requires us to realign our corporate culture and shift towards tech thinking among all team members: shop assistants, business function and back-office employees, as well as all executives. We are committed to ensuring that our in-store retail staff serves as the vehicle for our approach to integrating online and offline shopping experiences, and our central-office staff is effective in cross-teaming with an agile approach. In order to foster ongoing development of the employees' digital capabilities and skills, we have created and are expanding the Digital Academy, a center of expertise and new knowledge in technology.

"Technologies are to become our key competitive strength. Our product teams bring together business and IT people, so that technologies are within the remit of the whole Company, not one standalone unit."

Alexander Sokolovsky,
CIO of M.Video-Eldorado Group

>150 employees

already trained at Product Management and Agile Coaching School

3.1.3 DATA ANALYTICS AND MACHINE LEARNING

M.Video-Eldorado uses data analytics and machine learning tools extensively to create innovative and personalized shopping experiences, as well as to improve operational efficiency and cut costs.

Recommender services and personalization

Creating predictive models for personalization in the consumer electronics segment requires extensive research and experimentation, as well as innovative approaches to working with data and algorithms due to the wide range and low frequency of purchases. Nevertheless, the Group has successfully introduced models that can:

- predict customers' susceptibility to different types of promotional tools (accruing bonus rubles, discounts or purchases by installments);
- determine interest in purchases in certain product categories;
- recommend accessories, consumables and replacement products.

Using these models across various customer touchpoints (marketing campaigns, the mobile app, website and retail) enables us to personalize the shopping experience and interaction, as well as increase conversion rates and the average ticket.

For example, machine learning models leverage data analytics to recommend suitable devices, related products and accessories to M.Video mobile app users with a high degree of accuracy. The Group's solutions analyze how authorized customers interact with the catalog, their viewing and search histories, purchases and abandoned carts. The data collected is used to personalize product recommendations. By doing so, the retailer can determine customers' willingness to buy, their need for different product categories, preferred price segments and brands. Machine learning models automatically predict different user behavior scenarios and recommend the most preferable offers accordingly. Product recommendations are implemented at all major stages of the customer journey (the main page, search, product card, shopping cart) and divided into top picks, new arrivals, trending, accessories, similar and related products. Smart picks account for up to 20% of the turnover generated by the mobile app and originate a fourth of all purchases.

Assortment planning

We automated our store assortment planning based on data mining and machine learning algorithms. The Company uses AI to analyze consumer behavior during product selection against business targets and product uniqueness, and maintain an optimal range on the shelves to meet the needs of different customer groups. The methodology helps factor in demand in each of more than 1,200 stores. Assortment planning based on this approach accounts for about three quarters of M.Video-Eldorado's turnover. 72% of automatic recommendations get accepted when planning the assortment. The Company intends to further increase its planning accuracy and the acceptance rate of recommendations through functionality enhancements, such as integration with supplier data on product availability, delivery schedules and new arrivals.

Speech analytics

Analytical models are also applied by creating chatbots that automate standard customer queries, thereby reducing the load on call center operators and boosting service speed.

In addition to chatbots, models have been introduced in speech analytics to examine customer product reviews and highlight key features from them. Analyzing customer reviews and queries helps to identify important product features for use in assortment planning, as well as improve scenarios for recommendations and product selection.

ALYONA CHATBOT

In 2021, M.Video launched a virtual assistant called Alyona to provide customer support. This goes beyond an online chat now inherent in virtually any selling website, actually being a customer retention system that supports, assists, consults and advises customers, all of the above being done by AI rather than an employee.

> **Speech processing technologies allowed the Company to decrease the call center workload, reduce customer service response times and boost customer satisfaction. The robot provides customer support on the website, in the mobile app and on the most popular messengers.**

Alyona recognizes up to 98% of queries and simulates live communication. With over 60,000 queries handled automatically every month, it actually covers 50% of incoming requests. The bot can advise on the order or request status, loyalty program rules, current promos, product availability, store working hours, delivery details, exchanges and returns, and credit processing options. Alyona can also access customers' shopping carts, their viewing and order histories to help them place an order or find the required accessories, services or consumables. The customer satisfaction index (CSI) averages at 85%.

Corporate neural network

In 2021, the Company introduced a corporate neural network to automate communications with 28,000 retail employees. AI-powered chatbots in Telegram and Viber help shop assistants with most of their routine tasks, from filing annual leave applications to supporting customers, which reduces the time and resources for handling customer requests fourfold. Today M.Video-Eldorado's neural network handles about 1 million knowledge base queries a month.

With the help of this technology, nearly 50% of requests are now handled automatically, another 30% are closed by the operator choosing the most suitable option from those suggested by the neural network. And it is only the remaining 20% that require the operator to take a deep dive, and look for relevant documents to come up with an answer.

VIDEO ANALYTICS

> **In 2021, we started rolling out the video analytics system developed by our own Data Office.**

The data from in-store IP cameras is processed by a neural network using cloud solutions. The neural network analyzes the real-time data flow from the store based on preset patterns. It can distinguish employees from visitors and then superimposes their location data on the store layout. There are three main scenarios for using the video data: lone customer, queued checkouts, and store heat map.

The first working scenario for testing in-store video analytics was to help customers who tend to stand or move around alone for some time. The solution helps quickly identify such customers and sends a signal to the store chatbot. After that a free consultant approaches the customer and provides personalized assistance.

> **This innovation contributes to better staff attention and customer service, resulting in a fivefold growth in employee engagement.**

The neural network also analyzes the number of visitors in the pick-up and checkout areas. If the limits are exceeded, shop assistants receive a message and take action to resolve the situation. The solution also builds a density distribution of store visitors by area, which helps understand customer behavioral patterns, assess the convenience of product placement, and choose locations for promo placement.

> **After the project was launched in pilot stores, the number of customer assistance or additional checkout opening notifications shrank by 75%, while the conversion rate went up by 35% compared to similar stores without video analytics.**

3.1.4 FINTECH

In late 2021, M.Video-Eldorado Group acquired a 100% stake in Direct Credit and intends to expand the lending platform into a leading fintech provider for the Group and the entire retail industry. The key focus areas include developing its own promising fintech business as part of its rapidly growing OneRetail mobile platform, exporting fintech solutions for the entire Russian retail market and further increasing Direct Credit's share in the Russian market for point-of-sale (POS) lending. The acquisition and integration of the advanced lending platform, which already accounts for a substantial share of M.Video-Eldorado's lending services, will enable the Group to quickly enhance the quality of its customer service and improve the economics of its credit products.

Direct Credit (Direct Credit Centre LLC or Direct Credit Group) is Russia's largest credit broker, accounting for 25% of the Russian POS lending market. As at the end of 2021, its platform brought together 17 banks and financial organizations. In 2021, about 2.3 million loans worth RUB 108.3 billion were issued via Direct Credit, of which 34% were online loans, with the latter adding 44% year-on-year.

The lending platform offers several significant advantages over working directly with banks: customers can submit a loan application to several banks at the same time, which greatly increases the chances of approval and improves the customer experience. The IT solutions used by Direct Credit and M.Video-Eldorado enable customers to receive a response to their application in a matter of minutes — loan approval takes an average of two minutes in stores and online.

+44%

issued online loans year-on-year

3.1.5 INFORMATION SECURITY

In 2021, M.Video-Eldorado Group continued implementing a strategy to enhance and maintain information security.

KEY RESULTS OF THE INFORMATION SECURITY STRATEGY IN LIGHT OF DIGITAL TRANSFORMATION ADVANCES

An audit by McKinsey revealed that our digital maturity had doubled vs 2019

This progress rested on **essential measures to protect the infrastructure** that were implemented alongside **information security services** identified and launched to be integrated into product teams. In addition, we arranged for educational events to raise employee **awareness**

IS objectives have been defined and are being delivered on **to achieve greater maturity in four focus areas**: Control, Security, Monitoring, Resilience

To achieve the objectives

11
IS development programs developed

88
security measures

>25 security measures
already in effect

The IS function **focuses** on the relevant objectives to advance our business goals.

In 2021, the Information Security Department was able to implement over 20 security measures to ensure our information systems and products were protected and fault-tolerant.

As part of the efforts to refine our product approach and operational processes, we integrated information security services into digital product development to reduce risks and potential losses from information security incidents.

Information security processes, infrastructure, and cloud-stored digital products underwent external auditing. Corrective actions were taken to mitigate security risks. In 2021, we continued developing and improving our IS Incident Response Center.

Distributing our objectives between the four focus areas helps optimize our resources and maximize the value for our business.

Security
Efficient and well-balanced protection against known threats

- Develop security measures that would account for the Company's risk appetite and technologies
- Identify and implement measures to protect personal data
- Protect data from leaks, distortion and tampering
- Protect customer services from failures related to IS incidents
- Help ensure new technologies are safe
- Protect information systems and products

Monitoring
Timely identification of new threats and vulnerabilities

- Shift left the identification of IS risks, including changes in projects and products
- Monitor and respond to security incidents

Control
Support for the Company's business development strategy and goals

- Propose efficient security measures
- Report IS risks to the management

Resilience
Mitigation of the fallout from information security incidents

- Devise an action plan to manage IS risks
- Help ensure new technologies are safe
- Maintain safe interaction with partners

88 security measures
to be implemented

24 measures in progress
5 canceled/ on hold
25 implemented and maintained
34 scheduled for 2022–2023

Security measures under IS development programs by focus area in 2021

Status	CONTROL	SECURITY	MONITORING	RESILIENCE
In progress	7	11	5	1
Canceled / on hold	–	4	–	1
Scheduled for 2022–2023	2	16	15	1
Implemented	4	15	6	–
Total number of programs	2	5	3	1

INFORMATION SECURITY IN THE CONTEXT OF THE ONERETAIL STRATEGY AND TECHNOLOGY STACK

Identification and mitigation of IS risks affecting our strategic goals

- Facilitation of secure technology deployment
- Regular reports on IS risks
- Continuous cooperation with business partners

Focus on business sustainability from the earliest stages of a project's life cycle

- Protection of customer products from failures related to IS incidents
- Data protection against tampering and leaks
- IT infrastructure security

Monitoring of and compliance with the applicable regulatory requirements

- Personal data protection and compliance with the relevant regulatory requirements
- Monitoring of regulatory changes
- IS assessment of potential business initiatives

Proactive and most efficient identification and prevention of IS threats

- Monitoring of the IS threat landscape using internal and external sources
- Use of new technologies and solutions to enhance IS capabilities

SECURITY TECHNOLOGY STACK

Network security	cisco, ARBOR, StormWall, Forcepoint, TREND MICRO
Protection of end devices	kaspersky, Qualys, TREND MICRO
Application security testing	Qualys, hp, CYBERARK
Data protection	BrandSecurity, f5, Forcepoint
Access control	Microsoft, SAP, INDEED ID
Web service protection	StormWall, GROUP-IB, solidwall
Security management	Jira Software, Confluence, splunk>, Microsoft
Mobile security	vmware, airwatch
Increased awareness	PHISHMAN, WEBTUTOR
Asset and patch management	Qualys

IS MEANS TO ADVANCE THE STRATEGY

01 **IS INTEGRATION INTO OPERATIONAL PROCESSES**

02 **REGULAR IS TRAINING**

03 **COMPREHENSIVE SOLUTIONS TO ENHANCE SYSTEMS AND SERVICES SECURITY**

04 **INTEGRATION OF IS TOOLS INTO IT SERVICES TO AUTOMATE ACCESS GRANTING**

05 **ENHANCED INCIDEN MONITORING AND RESPONSE**

06 **AUTOMATED IS INCIDENT RESPONSE**

M.Video-Eldorado takes a responsible approach to protecting the personal data it processes.

In 2021, the Group had an external auditor assess its personal data processing and protection procedures for compliance with the applicable laws and regulations. During the audit, more than 50 personal data processing procedures were identified, with recommendations issued to address the deficiencies.

In 2021, the Group made corrections to the most critical personal data processing and security mechanisms:

Business activities were brought in line with the applicable Russian laws on personal data

- Personal data processing procedures were updated
- An approach to updating the personal data protection system was devised

The IS level and state of information systems were assessed

- Current information systems for personal data processing were analyzed
- Information systems for personal data processing were updated in accordance with the applicable Russian laws on personal data
- Requirements for personal data processing via information systems were analyzed

Information security risks were assessed and measures to mitigate threats defined

- Deficiencies in personal data processing were risk-analyzed
- Measures were chosen to mitigate personal data processing risks

Required updates to the personal data protection system were identified

- Recommendations to update the personal data protection system were issued
- Responsibility areas for updating the personal data protection system were defined

A roadmap to align personal data processing and protection mechanisms was developed and is currently being implemented. A compliance analysis was integrated into the chain of business process changes.

3.2 E-COMMERCE AND BRICK-AND-MORTAR STORES COMBINED

Seamless integration of online retail and offline stores is gaining momentum as a key strategy to win customers. Therefore, our hybrid sales model, with the smartphone organically becoming its focal point, our extensive network of stores and our logistics infrastructure are a solid foundation for such integration and highly personalized customer experience at each and every touchpoint

Brick-and-mortar stores retain their important role in the household appliances and consumer electronics market amid booming e-commerce driven by the 2020–2021 pandemic and feature improvements in delivery formats and secure online payments. Normally purchasing electronics would mean a higher average ticket and a stronger engagement of shoppers when choosing an item to buy, which adds complexity to the customer journey.

88% of those purchasing appliances and electronics

interact with brick-and-mortar stores in one way or another when searching for and selecting products

The key to creating a seamless shopping experience has been the development of IT systems and logistics, which have made it possible for M.Video-Eldorado to introduce qualitative improvements in the customer journey across all stages, from choosing an item to having it delivered. Furthermore, technology advancements have enabled us to fine-tune delivery and installation services, making the overall experience as convenient and secure as possible. These trends are fully in line with M.Video-Eldorado Group's long-term vision, which was developed way before the pandemic.

M.VIDEO-ELDORADO GROUP'S RESPONSE

is further integration between online retail and offline stores based on a mobile platform and the OneRetail technology stack

As the boundaries between online and offline retail are blurring, competition for customers requires an increasingly complex approach. The Group has identified three key stages in the customer journey:

- discovery and choice;
- transaction;
- fulfillment.

At each of these stages, we strive to provide the best customer experience possible, satisfying the shopper's needs by offering a wide selection of products, the best value and complete convenience for every transaction. This, in turn, increases customer loyalty and encourages them to return more frequently and to recommend M.Video and Eldorado brands to other potential customers.

Providing the best service at each of these stages requires the ability to identify the customer at any point of contact with the seller and to have an in-depth understanding of the shopper's needs at every stage of the journey. OneRetail, our proprietary tech platform, makes it possible to identify customers at the stage when they are searching for and selecting items regardless of whether the contact occurs online or at a store.

OneRetail's architecture relies on back-end systems that enable us to leverage customer profile information and correlate it with a full range of internal data, from logistics and assortment to promotions and personalized offers. Based on data analytics, customers receive personal offers, recommendations and other information in their app or during authorization through the consultant app at a store, which can prompt a potential customer to make a new purchase, and our advanced logistics solutions and a range of additional services available within the hybrid model help maximize the number of customer journeys that end in a purchase.

Stages in the customer journey

DISCOVERY AND CHOICE

- Access to a wide assortment of goods via the endless shelf online catalogue and the inventory of marketplace merchants
- Powerful AI-based instruments for personalized service
- Shop assistants available anywhere, at any time, online and offline (via video consultations)

TRANSACTION

- The best price offer based on the customer's history with the Group's brands and personal bonuses
- A convenient purchase process and a wide range of payment methods, including contactless payment at stores
- Available financing, including through online lending

FULFILLMENT

- With 75% of the population covered, 85% of the total online orders will be delivered within 24 hours
- 41% of GMV is ready for pickup 15 minutes after an order is placed
- A range of delivery methods, including express delivery by taxi
- Opportunities for customer pickup thanks to an extensive network of stores and partner pickup points

In 2021, the number of OneRetail transactions grew by 22%, accounting for 65% of all transactions versus 56% in 2020. The share of OneRetail transactions in the Group's total reached 65%

OneRetail shoppers, by which we mean customers who have logged in and made at least one purchase during the year through the web platform or mobile platform, including customer and consultant apps, have a higher average ticket thanks to the convenient purchase process and personalization.

Average ticket

11,195 RUB

OneRetail Customer Group

35%

8,271 RUB

non-OneRetail Customer Group

3.3 MOBILE PLATFORM

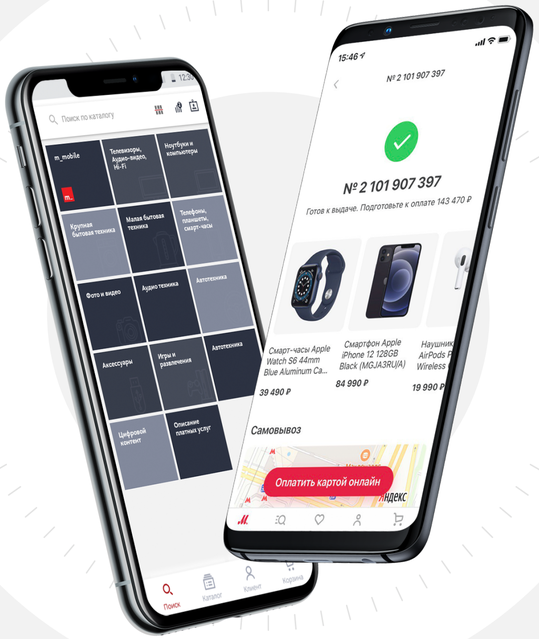
We seek to develop our mobile platform in a way that would enhance customer experience and enable access to all our products and services with a tap of a finger

The M.Video-Eldorado mobile platform, combining customer and consultant apps, represents a major milestone in the digital transformation of the Group's business and is geared towards creating unique customer experience across all touchpoints.

THE CONSULTANT APP

enables customer authorization as early as the communication and product selection stage rather than at the checkout counter, provides a detailed customer profile, and allows for seeing all relevant solutions, products and services that can be offered

- **Access to the customer's order history**
- **Understanding of customer preferences**
- **Awareness of possible personalized offers and promotions**
- **Shop assistants' access to the "endless shelf", i.e. the Company's complete assortment, including the vendor catalogue and marketplace**
- **Integration of the OneRetail basket with the customer app**



THE CUSTOMER APP

gives our customers access to a wide range of tools to enrich their shopping experience, both online and offline

- **Access to our complete assortment and the use of a smart adaptive search engine**
- **Generation of personalized offers and deals**
- **Notifications of promotions and bonuses**
- **Online payments**
- **Access to the lending platform**
- **Access to customer support**

Total online sales[1]

386.9 RUB bln

+28.8% 67,8% of Group's GMV

Mobile Platform Turnover

257.6 RUB bln

+67.1% 66,6% of totas online sales

Consultant App yield

78%

of mobile platform turnover

Customer Mobile App Installs

30 mln

3.8x year-on-year

[1] *Total online sales of M.Video-Eldorado Group, in line with its OneRetail strategy, include all sales to authorized customers via the Internet spanning home delivery, self-pickup, and sales made to customers in-store via the consultant app. Currently, sales through the consultant app are only available at M.Video stores. Mobile platform turnover includes sales through the M.Video and Eldorado customer apps, as well as in-store sales made through the consultant app.*

Mobile platform: 2021 product launch highlights

App improvements
Consultant app improvements

CONSULTANT APP

OneRetail order
purchase of a product stocked in stores via the customer app following consultation

Pickup reminders from shop assistants

Quick and simple return process
One-page return procedure and the change of business processes to simplify and digitalize product returns

OneRetail orders
Purchases of SIM cards and off-the-shelf insurance packages in stores via the customer app following consultation

Option to buy products in another store and pick them up at any convenient time

Hints and customer assistance in the consultant app (loans, order pickup)
Ability to fill out the loan form in the app, order pickup reminders

Off-the-shelf purchases and express delivery

CUSTOMER APP

Integration of a QR scanner into the customer app
QR codes scanned in stores provide access to product information and personalized offers

In-app loans in the customer app
Users can buy products now and pay later by clicking a link to the loan form on the website (full loan issuance via the app is scheduled to launch in 2022)

Cashless payments via the customer app
OneRetail payments via the customer app

I'm-in-store mode in the customer app
A "call the assistant" button for shelfside consultations

Highlighting best-in-market offers
In the customer app (pilot)

Product comparison feature in the customer app

Flexible loyalty program
Flexibility in using bonus rubles (SKUs, product categories)

App-assisted store pickups
Digital queueing without queue management kiosks

Purchases of products stored at a remote warehouse
booking delivery and services with payment via the mobile app following consultation

Consultations based on personal recommendations as regards brands and other preferences

Control over the cost and distance of express deliveries

Customer segmentation in the consultant app
When authorizing a customer, the consultant can see which segment they belong to and tailor the consultation accordingly

Better hints in the consultant app based on personalization models
Bundled promotions and information about products in the customer's basket

Better hints in the consultant app based on personalization models
Service and product recommendations

Expanded hypothesis testing and customer behavior modelling based on the data platform

Revamp of the customer app's home page
New design and personalized experience

Digital consultations from shop assistants

Updated basket format and functions
More information and new customer experience (pilot)

Improved product processing
Faster updates on product availability within the search database

Personalized pricing in the customer app and on the website
Product cards featuring personalized prices for customers based on data analytics

Relevant recommendations on top sellers and new products

Personalized discount categories

OneRetail orders are created in-store by a shop assistant together with a customer using the consultant app. In the customer app, the order can be edited and paid for in real time

The Group places a strong emphasis on providing a seamless online and offline shopping experience for its customers, which is where the customer app comes into play. On the one hand, customers can learn information about a product by scanning the price tag, or check their order; on the other hand, the Company learns more about customer behavior in stores and enriches its data models.

IN-APP REQUEST FOR HELP FROM A SHOP ASSISTANT

When looking into potential improvements of customer experience, the Company found that customers were in big need of a simpler solution to request assistance; to that end, we integrated the functions of the customer and consultant apps. In 2021, M.Video developed and started rolling out a new solution that enables customers to request the help of a shop assistant without the need to go and look for them around the store.

> **The new feature was implemented in the customer app. For a shop assistant to come, customers need to specify the department they are located at and describe what they look like.**

A pilot project showed that it only takes an average of three minutes for a shop assistant to respond, and customer satisfaction with the solution exceeded 82%. This approach enriches the conventional offline shopping experience and automates processes to save time and simplify the selection and purchase of products.

Currently, the M.Video-Eldorado mobile platform is the most powerful instrument in our toolkit, and we will continue working to expand its uptake among our customers. Our strategic initiatives are aimed at further enhancing customer experience and include:

- building fully customized and personalized offers (for more details, see the Data Analytics and Machine Learning section);
- developing a single basket;
- improving ordering options.

Personalization

M.Video continues to build long-term customer relations relying on a high degree of service personalization and development of a seamless digital experience. The Company introduced AI-powered personalized prices in its customer and consultant apps so that authorized users could see the potential final price based on individual discounts, other promos and accumulated bonuses at the very start of their customer journey.

Personalized prices are determined by AI based on the purchase history and various available discount tools. As a result, the customer app's conversion rate saw a 1.5x increase.

Developing a single basket

One of the Company's strategic priorities in enhancing customer experience is the improvement of the single basket, which enables easy selection and purchase of products via any convenient touchpoint, be that customer or consultant app, website, or chat bot, among others. The customer can add to or update the single basket at any point during discovery and choice, using any interface of their choice — offline or online. The development of the single basket is integral to maintaining a high level of satisfaction among M.Video-Eldorado Group's customers.

Improving ordering options

Payment solutions are a major aspect of customer experience. With respect to shopping carts, our aim is to improve customers' ability to pay at any touchpoint so that every cart results in a completed order, regardless of the customer's location and payment preferences. To that end, we are constantly expanding the payment and loan processing options available to our customers. Pre-approved credit limits for every identified customer represent a promising area for development, as they enable the purchase of products under a loan or installment arrangement as quickly and easily as with a regular purchase.

>82%

customer satisfaction with the shop assistant to respond average time

+50%

customer app's conversion rate increase due to AI personalization

3.4 RETAIL NETWORK

M.Video-Eldorado's retail network plays an important role in seamless omnichannnel customer experience and logistics infrastructure, and is key to boosting and supporting our online sales

3.4.1 WHAT M.VIDEO AND ELDORADO STORES GIVE OUR CUSTOMERS

- As at the end of December 2021, the M.Video and Eldorado store network consisted of 1,258 stores of all formats (an increase of 184 new stores in 12M 2021) spanning 371 cities in Russia (92 new cities added).
- The role of retail is changing: it also offers a space for inventory, enabling a rapid response to online purchases; it is a technology showroom and a space for customer consultations, as before — but this is also online now — and an interactive warehouse for those who want to minimize communication. In 2021, our customers placed and picked up about 92% of orders at stores.
- Taking into account the specifics of the goods we offer, people visit stores to get advice, try out gadgets before buying, and make purchases. According to the research prepared by IRC LLC, only 14% of all shoppers made a purchase exclusively online without any interaction with traditional channels in 2021 — that is, 86% of those purchasing appliances and electronics interact with brick-and-mortar stores in one way or another[1].
- Stores help us sell services and goods in higher-margin categories, as well as related products. Often, customers are not ready to make an expensive purchase blindly and prefer to first look at the product in person and consult with in-store experts.

>258 mln customers

visited Group's stores in 2021

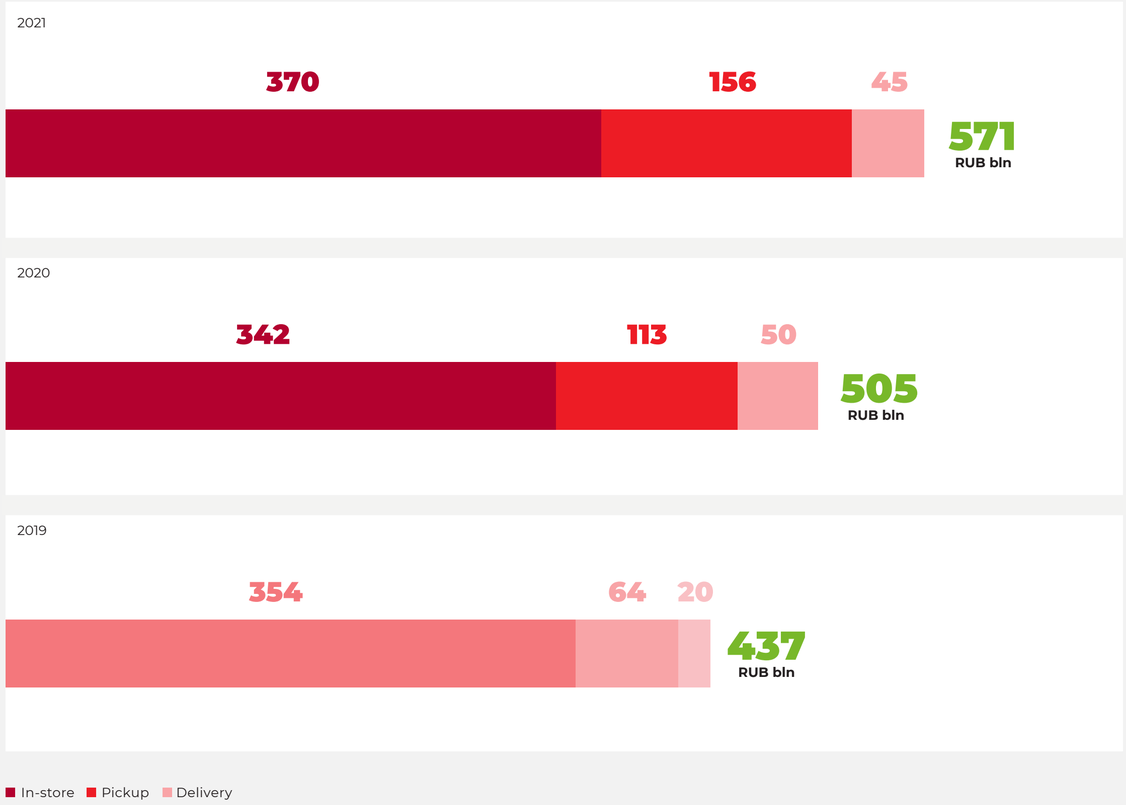
92% of orders

were picked up at stores

86% of customers

interact with brick-and-mortar stores in one way or another

GMV breakdown by fulfillment channel FY2021



[1] *According to the study of consumer behavior in the market of household appliances and electronics conducted by IRC LLC in 16 cities with a population of more than 500 thousand people. Base: buyers who made a purchase in the CE market in the previous six months, men and women, aged 18–55. Data was collected between August and October 2021.*

3.4.2 M.VIDEO–ELDORADO RETAIL FORMATS

M.Video stores

The concept and formats of M.Video stores evolve in line with technology advancement, as well as changing consumer preferences, and take advantage of opportunities offered by retail design. M.Video's standard format features stores with an average selling space of around 1,600 square meters and a product mix that includes 5,000–7,000 SKUs. The brand's stores give access to the Group's and marketplace partners' full assortment, or over 185,000 products.

In 2021, M.Video launched a new store format entirely built around the smartphone-driven customer experience. The brand relies on digital media solutions and predominantly eco-friendly design materials. The new format's design and zoning consider current consumer trends, including the strive for sustainability, smartphones and apps functioning as tools to learn about products, interact with store personnel, choose items and make purchases. Leveraging QR price tags and POS materials with QR codes, we enable our customers to learn about all the specifications of a product, find personalized price offers, read reviews, and get access to the full assortment through the mobile app and online platform. Any screen, including TVs, in the store can be used as a so-called endless shelf.

1.6K m²

average selling space of M.Video's standard format stores

A CO-BRANDED SHOWROOM IN PARTNERSHIP WITH XIAOMI

> **In 2021, M.Video and Xiaomi blazed a trail with Russia's first co-branded retail showroom opened in Moscow.**

The core assortment of this store is made up of Xiaomi digital devices and complemented with other product categories supplied by various manufacturers. M.Video provides the full cycle of customer support and personalized online and in-store shopping experience as part of OneRetail technologies. The Company also takes care of fintech solutions, logistics, and post-sale service.

> **The M.Video-Xiaomi store has been deeply integrated into the M.Video-Eldorado ecosystem. It operates as a pickup point for any brand's products ordered online and as a logistics hub for courier and express delivery.**

Vendors get tools in their hands to fully satisfy the needs of a broad audience: exclusive showcase of priority products, direct contact with customers, personalized relationship, enhanced awareness, fulfillment and technologies to boost sales.

Eldorado stores

Eldorado's standard format features stores with an average selling space of around 1,450 square meters and a product mix that includes 5,000–7,000 SKUs. Also there is Eldorado 600, the brand's second format. Its average selling space amounts to around 650 square meters, with a product mix counting 3,000–4,000 SKUs. Online terminals provide customers with access to the Group's and marketplace partners' full assortment consisting of over 185,000 SKUs. As part of our strategy to increase the sales of digital electronics across all Eldorado stores, we are creating digital zones.

In 2021, the Group put a great effort in Eldorado 250, yet another format, which features compact stores with a floor space of 250–500 square meters offering an extensive range of appliances and electronic goods via an online catalog. The stores are located primarily in small and medium-sized cities. Requiring three times less investment than full-size stores, the new format enables Eldorado to cover new towns and cities and strengthen its position in the regions where the brand is already present. The integration of offline and online operations, fast delivery and post-sale service are expected to boost the brand's online sales. Indeed, online sales have tripled in towns and cities where we offer this store format, primarily on the back of a convenient pickup option for online orders. Meanwhile, unlike regular pickup points, these stores will offer the most popular items available for pickup within 15 minutes. Eldorado 250 stores are already present in over 100 towns and cities nationwide.

Safety measures to counter the spread of COVID-19

During the pandemic in 2020 and 2021, M.Video-Eldorado Group swiftly responded to the restrictions and put in place measures to protect customers and employees.

First of all, there were changes to payment methods: now all in-store operations are available online and in a contactless form. For instance, people can pay for in-store purchases without going to the checkout counter by simply using their smartphones to visit a payment link provided by a shop assistant. Contactless payment terminals are available in all Group stores. Loan processing and shop assistance services are also possible without direct contact with staff. Using the mobile app, customers can scan QR codes on price tags in stores to instantly receive complete product information.

Furthermore, in 2021, the Group leveraged various store formats subject to local restrictions. Some of delivery services (e.g. operating through partner pickup points) were integrated into a standard service package.

The stores complied with requirements to counter the spread of COVID-19 (regular disinfection, ventilation, mask mandate, etc.). Retail operations delivered the best vaccination rates across the Group, with over 80% of the store personnel having a QR code after the jab. Store employees and management also receive regular training on measures aimed at preventing the spread of the infection. On top of that, our stores regularly offer audio and video information on safeguards available.

>100 towns and cities

are already covered with compact stores "Eldorado 250"

3.5 CUSTOMER EXPERIENCE ENHANCEMENT

Our absolute priority is to provide the most convenient, functional and seamless services to customers at all stages of their journey, from search to post-sale support

Comprehensive servicing of our customers along the entire journey is key to our interaction with them.

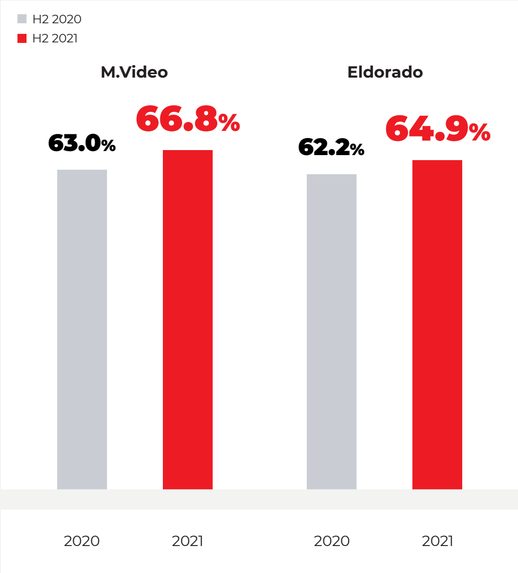
M.Video and Eldorado brands are constantly working to improve customer loyalty, which is also something they measure. The main indicator of customer loyalty that the Group uses is net promoter score (NPS), which measures shoppers' willingness to recommend a retailer or a particular store as a preferred place to buy consumer electronics.

In 2020, M.Video-Eldorado embraced the bottom-up NPS approach (the survey taking place after the transaction)[1]. According to the survey by M.Video, the bottom-up scores given by customers in H2 2021 remained on the upward curve and amounted to 66.80% (up 3.8 p.p. year-on-year). Bottom-up scores given by customers to Eldorado in H2 2021 also went up to 64.86% (gaining 2.7 p.p. year-on-year). H1 2021 saw NPS Voice reach 66.59% and 64.42% for M.Video and Eldorado, respectively.

BEST SHOPPING EXPERIENCE

In 2021, M.Video-Eldorado won the Best Shopping Experience award at the 2021 Retail Week Awards annual industry event for having developed a hybrid business model and OneRetail technology stack during the COVID-19 pandemic.

NPS bottom-up



3.5.1 LOYALTY PROGRAMS AND CUSTOMER SATISFACTION

Our goal is to develop an extensive base of loyal and engaged customers. A cohort analysis shows that we are able to keep approximately 30% of our customers active even after a lapse of five years. This helps us constantly increase the share of sales generated by our loyal customer base. Each of the brands develops its own loyalty program: M.Club and Eldoradosti. Their participants receive bonus rubles for every purchase they make and can use them to fund up to 50% of new purchases.

As at the year-end 2021, the number of identified active customers totaled 19.7 million, with 62% of them classified as OneRetail customers versus 53% in 2020.

LOYALTY PROGRAMS GOING DIGITAL

As part of the M.Club loyalty program's digital migration, M.Video collected and sent for recycling over 2 tonnes, or 400,000, plastic cards. A customer's bonus account is linked to their phone number, so there is no need for a plastic card anymore.

Using a smartphone, customers can access their bonus account anywhere, and assistants at retail stores will help find the best deal. Store assistants have a dedicated app that allows them to identify the customer, see their profile, make recommendations, and help spend the available bonus rubles.

> **Shifting away from plastic, recycling the already issued cards, and reducing our environmental footprint all constitute a natural step in pursuing sustainable development. This move also features programs for recycling electronics and batteries.**

[1] *M.Video-Eldorado Group's internal project focusing on the international measuring methods: daily surveys, July 2020 – December 2021, coverage: shoppers at offline stores and pickup points across the M.Video and Eldorado footprint, monthly surveys of M.Video's (80,000 to 140,000 respondents) and Eldorado's (70,000 to 100,000 respondents) customer base.*

3.5.2 DIGITAL CUSTOMER SUPPORT SERVICES

We are developing digital customer support services, such as video assistance, web chats, phone consultations and in-person consultations at stores. We are also launching new user-friendly services, including smart chatbots.

In 2021, the customer app gained a feature to ask for assistance while at a store: for a consultant to arrive, customers will need to specify the department they are located at and describe what they look like. A pilot project showed that it only takes an average of three minutes for a consultant to respond, with customer satisfaction with the solution now exceeding 82%.

In 2021, M.Video launched a virtual assistant called Alyona to provide customer support (for more details, see the Data Analytics and Machine Learning section).

All customer communication channels — the website and the consultant and customer mobile apps — feature recommendation services that make it easier to find the best offer among popular and newly added goods and choose alternatives, as well as accessories and complementary items. Product recommendations account for up to 20% of the turnover generated by the mobile app and originate a fourth of all purchases. One in three app users interact with items suggested by our smart algorithms. The Company also added the personal price offer to the online platform. Once authorized at the website, in the app or via an assistant's smartphone, the users will be able to see the discount they are entitled to based on their purchase history and available bonuses.

3 minutes

an average time for a consultant to respond on request via the app based on the pilot results

3.5.3 COMPLEMENTARY SERVICES

We strive to offer our customers comprehensive solutions, providing assistance in choosing not only goods, but also complementary accessories and services. The Group is expanding the range of available services, piloting a number of related projects.

Our customers value additional technical and digital services offered by consultants at stores. After the purchase, for example, they may ask for advice on how to choose and install screen protectors for gadgets, as well as on necessary software and apps to download and the right settings.

Additional services ecosystem at M.Video and Eldorado

01 IN-STORE SERVICES

- Installation of licensed software
- PCs, laptops, smartphones set-up
- Installation of screen protectors for smartphones, tablets, laptops

02 INSTALLATION

- Same-day delivery and installation (own fleet and expert teams) available exclusively at M.Video and Eldorado
- Assembly and installation of large-sized appliances: TVs, washing machines, dryers and built-in equipment

03 CERTIFICATES

- Medical services
- Laboratory diagnostics
- Special terms of exchange and return
- Guaranteed repair within 72 hours

04 INSURANCE

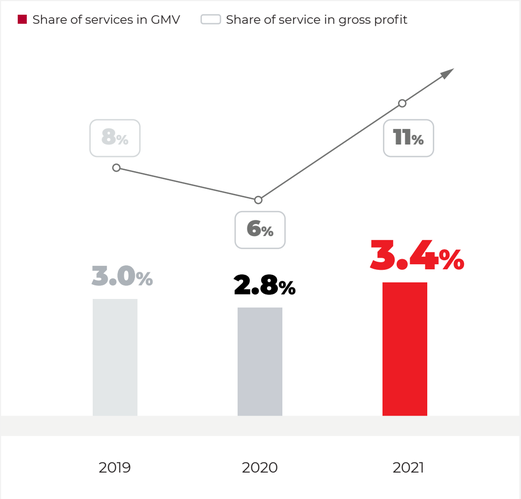
- Wide range of partner insurance services, including life, property, health and other types of insurance

05 RECYCLING

- Possibility to dispose of old large-sized appliances for recycling when buying new ones
- Free collection points for small-sized appliances at stores

In 2021, the share of services in GMV grew by more than one third year-on-year, from 2.8% to 3.4%. Importantly, services are more profitable in margin terms, with the segment accounting for 10.6% of the gross profit in 2021 versus 3.4% of GMV.

Share of services in GMV and gross profit



Installation

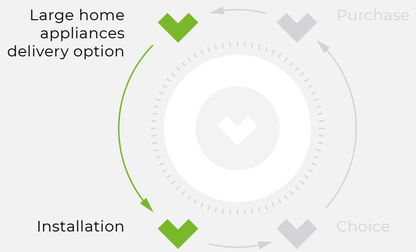
Boasting a unique assortment of large home appliances and unrivaled sales expertise, M.Video-Eldorado has also revolutionized post-sale customer support. Apart from delivery and installation, we offer additional services for customers to purchase along with large home appliances, both at stores and online. The list includes connection, set-up, disassembly, training in using the purchased item, collection of old equipment for recycling. Available across the entire country within 150–200 km of the stores, the services are performed by dedicated expert teams (over 670 own specialists and 1,000 outsourced partners).

Since 2018, M.Video-Eldorado has been developing its own delivery and installation service, with the in-house fleet and experts enabling the Company to deliver and install large home appliances during one visit, thus saving customers' time. The fleet of over 150 cars was acquired via an operating lease and deployed across 69 cities. In the past year, installation services were provided to over 550,000 customers, a 19% increase year-on-year. The most frequently installed items are washing machines, dryers, refrigerators, TVs, as well as built-in kitchen appliances and climate control.

The Company launched a new project to provide service teams with smartphones and specialized software used by assistants at stores. Using the app, it is easy to authorize the customer by phone number and pick personal offers with account of recommendations based on data analytics. With the solution gaining traction, the Company plans to expand it to all service team experts.

Installation service is integral to CE products purchase

Differentiated fulfillment qualification



Installation in line with EU service standards

Own branded installation service

Loans and cashless payments

One of M.Video-Eldorado Group's competitive advantages is the innovative consumer loan platform enabling purchases with a loan, both at stores and online, including via the mobile platform (for more details, see the Fintech section).

M.Video-Eldorado offers a wide range of in-store and online loan products from over 10 banks and lending organizations, while also developing its own loan platform.

With the loan platform services integrated into the consultant app, customers no longer need to undergo a separate procedure to fill out and sign a loan agreement in a dedicated store section. All purchase steps, from choosing to paying, including with loan tools involved, are now available via an assistant's smartphone anywhere in the store.

The option to pay for goods in installments is also a standard one for our customers at all points of contact with them.

The Group is also developing tools for cashless and contactless payments with a view to reducing cash payments to a minimum over the next few years.

Insurance

The household appliances and electronics that our customers buy are often expensive. In this regard, it is natural to provide insurance services for purchased goods. The Group offers a wide range of insurance programs for household goods, healthcare, travel, etc.

~2.9 mln insurance plans

sold by M.Video and Eldorado in 2021

Recycling

Very often, after buying new appliances, customers want to know if they can recycle their old ones. Not only have we worked out a solution, but we have done so in the most environmentally friendly way possible. M.Video-Eldorado Group launched Russia's first program for the recycling of home appliances, thus giving them a second life. The program is already available in 750 retail touchpoints across 17 Russian regions. In 2021, the amount of equipment collected for recycling both in-house and from customers increased 1.5 times to almost 1,550 tonnes. The Group intends to continue the program roll-out and reach a 100% region coverage by 2024. In 2022, the program expects to add another 200 stores in 10 regions. For more details on equipment recycling, see the Circular Economy and E-Waste Management section.

PROMOTION OF HEALTHCARE SERVICES

M.Video-Eldorado is actively developing complementary services, boasting the assortment of over 70 items, including insurance products and certificates for online medical consultations. Over the past year, due to the convenience of our online platforms and stores as purchase channels, the demand for services not tied directly to appliances and electronics grew by 34%.

> **In April, we were the first among retailers to partner with a leading Russian company in laboratory diagnostics, INVITRO.**

We expanded the range of complementary services and launched sales of certificates for health diagnostics available at stores and online.

The certificates purchased at M.Video and Eldorado are valid for one year and can be used at any of INVITRO's medical offices. M.Video-Eldorado customers buying the certificates for themselves or as a gift are entitled to bonus points under the M.Club loyalty program.ных баллов в программе лояльности M.Club.

3.6 LOGISTICS

The speed and timeliness of order fulfillment are what drive most of retailers' competitiveness and customers' preference. By offering a wide range of delivery and pickup options, we give customers a frictionless and satisfying purchasing experience

Thanks to our advanced logistics platform and extensive retail network with investments in excess of RUB 150 billion, we already offer unsurpassed delivery and pickup services throughout most of Russia. As at January 2022, same-day delivery of most of the orders was available for 75% of the country's population. At the same time, products that account for 41% of the Group's GMV are available for in-store pickup or delivery by courier within 15 minutes after an order is placed, a result that is unmatched in the Russian retail. In developing its logistics platform, the Group focuses on speed, alignment with customer expectations in terms of shopping experience, and process efficiency.

Within these focus areas, the Group works to ensure:

- expansion of the logistics system, including by opening new stores. In 2021, the Group opened 184 stores and expanded into 92 new cities and towns, enabling total coverage of 371 cities and towns and making next-day delivery available to 75% of the Russian population;
- further improvements in last-mile speed and service quality. We plan to expand cooperation with operators of pickup points and develop partnerships with courier services. In addition, the Group will be investing in real-time order tracking services;
- improved inventory and transportation management, including through the use of machine learning algorithms. Innovation and AI-based solutions will enable us to allocate inventory more precisely, make better use of warehouse capacity, and automate a considerable portion of storage and delivery processes.

The Group goes ahead with its efforts to develop a mixed logistics model using both outsourcing and in-house resources. Our unified logistics infrastructure supports both brands, M.Video and Eldorado, in every region where the Group operates, which increases the flexibility of our business model and makes it possible for us to fully unlock the economies of scale.

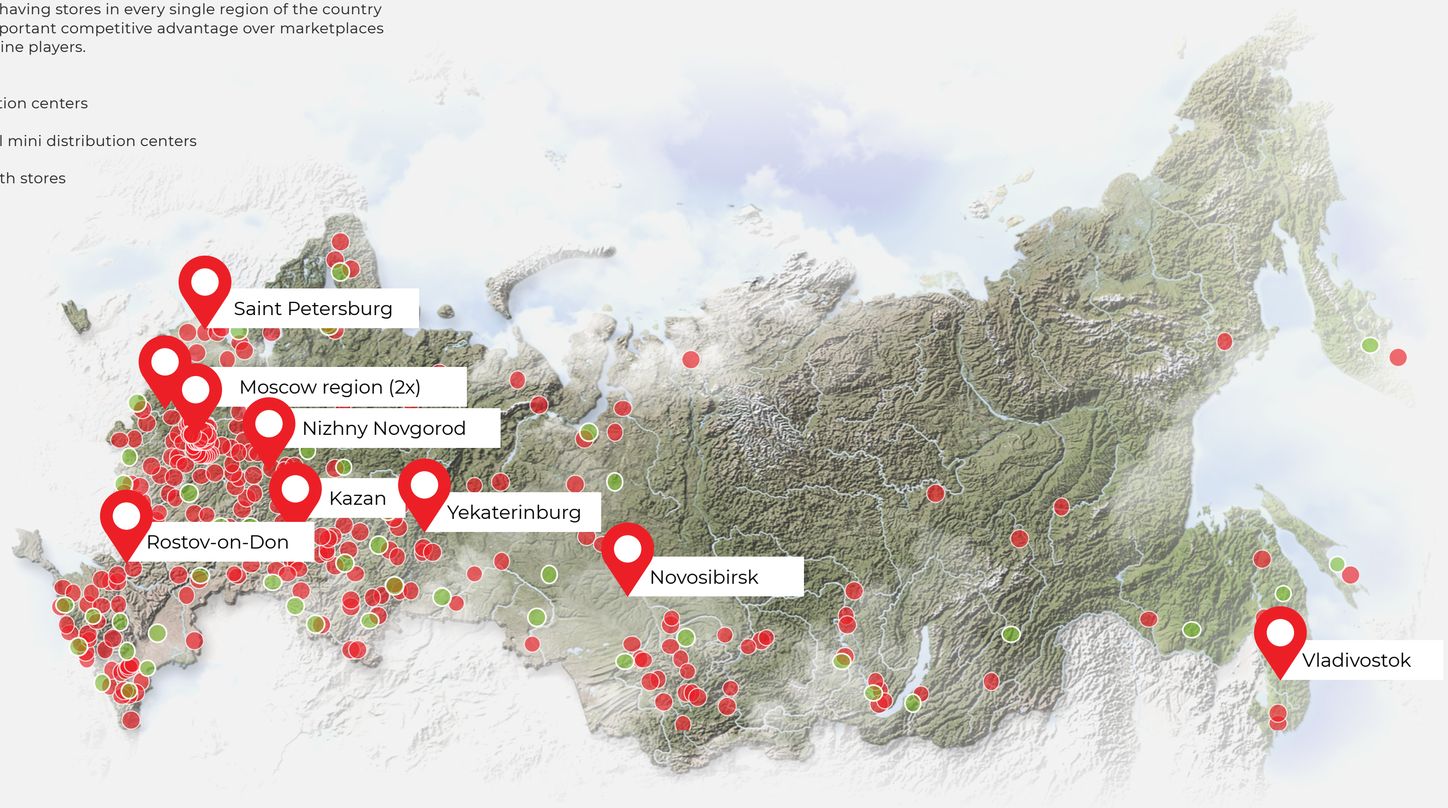
Our infrastructure for the storage, distribution and delivery of goods across Russia includes around 1.1 million square meters of fulfillment area, including central warehouses, regional distribution centers and storage areas in the stores. The latter account for more than 500 thousand square meters of the Group's warehouse space and for 57% of its inventory (as at the end of 2021). The density of the retail network helps to considerably increase the availability of goods and the speed of delivery in regions outside Moscow and St. Petersburg. Given the vast size of Russia, the Group believes that having stores in every single region of the country is its most important competitive advantage over marketplaces and other online players.

75% of Russia's population

covered by the next day delivery

800K m²

total Group's fulfillment area



>4 mln orders

were delivered in 2021

85%

24-hour stock availability

67%

of online orders picked up

92%

of deliveries made on time (excluding pickups)

55K

partner pickup points

>4.6 mln m³

of cargo transported over the year

RUB >150 bln

invested in stores and logistics since 1993

>300K m²

warehousing area in 1,258 stores

~500K m²

warehousing area in distribution centres of all formats

ENHANCING THE LOGISTICS FUNCTION

In 2021, the Group continued to strengthen and develop the logistics function in line with our strategic goals.

In July 2021, Andrey Pavlovich, previously head of logistics at Perekrestok Vprok, was appointed Director for Logistics and Fulfillment. In his new role, Andrey focuses on digitalization of all logistics processes at M.Video-Eldorado and will lead efforts to create a fulfilment infrastructure powered by a large chain of stores with deep national presence to enable capillary logistic coverage.

> **He is also responsible for developing new products and business models for last-mile delivery to improve the quality of customer service. On top of that, he will streamline work to leverage in-depth and detailed analytics and build a transparent system of monitoring at every stage of goods movement. All of the above are expected to boost logistics across the Group.**

Every store in the network is also used as a storage center for inventory available for pickup or delivery by courier. This way stores support online sales in their region and considerably reduce the costs of developing logistics infrastructure. Starting March 2022, the Group pursues a flexible approach to planning the assortment of each store by relying not only on classifications of goods but also on current demand and store performance.

3.6.1 STORAGE AND DISTRIBUTION OF INVENTORY

The storage and distribution system includes retail stores, large central distribution centers in Moscow and Russian regions, and smaller multiplatform warehouse centers.

FACILITIES	DESCRIPTION AND FUNCTIONALITY	GEOGRAPHY
1,258 M.Video and Eldorado stores	• Storage of small household appliances and digital devices • Limited storage of large household appliances • Distribution of online and offline orders to buyers and couriers • Presentation of equipment samples in showcases	**371** Russian cities
11 central distribution warehouses	• Concentration of all goods purchased by the Group in a total area of over 150 thousand square meters • Distribution of goods to stores and regional multiplatforms	Moscow (2), St. Petersburg, Novosibirsk, Kazan, Rostov-on-Don, Yekaterinburg, Nizhny Novgorod, Vladivostok
59 regional multiplatforms	• Storage of large household appliances • Delivery of goods to stores and customers within a radius of 150–200 kilometers	Large and medium-sized cities in various regions of Russia (Novorossiysk, Tyumen, Irkutsk, Ulyanovsk, Yakutsk, etc., including a new warehouse in Murmansk)

The focus of the Group's transport logistics is the constant improvement of delivery times for the entire range of household appliances and electronics. All long-haul shipments are carried out by Group counterparties. The choice of transport service providers, including for long-haul transport and home delivery of goods to customers, is based on tender procedures. For those products that customers cannot get within the available assortment in a particular city, the Group speeds up delivery by shipping consolidated cargo from central warehouses, while also using cross-docking technologies. Since 2020, the Group has been using daily cross-docking shipments between all its distribution warehouses to move its exclusive assortment along with customer orders to remote communities located a long distance from cities with a population of over 1 million. In the same year, the Group also introduced air shipments.

3.6.2 LAST MILE: DELIVERY AND PICKUP

Around 70% of online orders are picked up by customers at our stores or from pickup points of our partners: Pyaterochka retail chain, Russian Post offices, and PickPoint locations. In 2021, the Group made 81 thousand shipments to partner pickup points for online orders.

Home delivery is provided by Group partners. In 2021, we shipped orders for a total of RUB 45 billion.

Express delivery

M.Video and Eldorado offer their customers several delivery formats, with timeframes ranging from one to two hours. These include in-store pickup, regular courier delivery, and express delivery by taxi from the nearest store. Fast and safe delivery within two hours facilitated by the largest taxi aggregators is available in almost 300 cities and towns that have M.Video and Eldorado stores. The average waiting time (including picking, packing and delivery) is around 1.5 hours, with the fastest delivery taking just 30 minutes. Taxi accounts for some 10% of all courier deliveries.

In the reporting period, we implemented a key change in In-store Operations by introducing flexible prices for all cities depending on the taxi fare. Previously, we had a single delivery price that was not linked to the order price or distance.

Today, we have a new offer — the more expensive the order, the better value for money customers get for delivery. Expensive orders are shipped free of charge for distances shorter than 50 kilometers (instead of 30 kilometers), and orders priced within RUB 1,990 are only delivered within a 10 kilometer radius, with the delivery price set so as to only compensate for the costs

The Group is developing two aspects of its delivery and pickup services: increasing the speed of delivery and the number of delivery options available.

One of the key projects in this area is the launch of our own app for couriers that is integrated with our websites and our customer apps. The app will inform customers about the status of their order in real time and adjust the delivery process based on the customer's schedule.

As part of expanding our last-mile tools, we intend to develop new delivery methods, including environmentally friendly services on foot or by bike. In line with that, we also plan to launch a new tool — a platform that will automatically select the optimal vehicle for each order based on the specifications of the items and the terms of the order. This technology will reduce errors in the delivery of goods and increase our last-mile precision. The Group also plans to expand its pool of pickup service providers and continue improving the quality of these services.

KEY AREAS OF LAST-MILE DEVELOPMENT

New app for delivery drivers
Increases the accuracy of orders, oversight and transparency of E2E delivery, while also optimizing architecture.

Platform for selecting a delivery method
Offers efficient delivery options and optimizes the choice of shipment facility.

Everything from everywhere
Stock from all our stores is available for delivery, with the possibility of combining goods from different facilities into one basket.

Expanding our network of order collection points
Expanding our network of collection points by partnering with other players.

3.6.3 DIGITAL TECHNOLOGIES IN LOGISTICS

Continuous improvements in efficiency and the digitalization of our inventory and transportation management systems are prerequisites for increasing the availability of goods for customers and successfully expanding our online business.

For many years, M.Video-Eldorado has been investing in state-of-the-art IT systems to support logistics. The introduction of most of these systems has helped the Group become an industry pioneer and a major source of unique expertise in the market.

The Group has a process of end-to-end inventory planning from supplier to store. The Group is developing its own planning system that uses mathematical models to predict an optimal level of inventory at each stage in the supply chain. Machine learning technologies are also used to predict the volume of inventory for each store (for more details, see the Assortment and Marketplace Management section).

The SAP Yard Logistics system makes it possible to arrange and monitor the movement of transport from suppliers to all distribution warehouses, and also to automate work planning at all sites. In 2021, the system also covered shipments leaving warehouses.

The Group has introduced a system for managing customer data and product features that makes it possible to customize recommendations for accessories for the main products on our websites and through our mobile apps, to create and edit SEO collections to simplify product searches, and to create and highlight data indicating differences in the technical features of goods (for example, color, memory size, etc.) in order to view them more quickly.

The Group is introducing electronic document interchange (EDI) for most of its settlements with contractors and service providers to speed up the processing and sending of documents, and also to ensure closer monitoring of information exchange at all stages of the supply chain.

Information exchange in accordance with EDI standards is implemented with more than 100 key suppliers, which has greatly facilitated procurement procedures. An SAP SRM–based electronic tender platform makes the process of purchasing noncommercial services as transparent as possible

3.7 ASSORTMENT AND MARKETPLACE MANAGEMENT [102-9] [102-10]

Long-term and trust-based relationships with suppliers and partners are at the core of our efforts to expand the assortment and meet the needs of different consumer groups

3.7.1 SUPPLIER PARTNERSHIPS

Our robust and long-standing relationships with suppliers and merchants enable us to offer a high-quality product range comprising over 185,000 models of household appliances, consumer electronics, and complementary accessories. M.Video-Eldorado relies on an ecosystem-driven approach, in which it seeks to meet the needs of its customers in a comprehensive fashion, offering not only appliances, but also all services and associated goods necessary for their installation, set-up and comfortable use. In managing our assortment, we rejected the idea of traditional segmentation of products into major/minor appliances, telecom, etc.; instead, we use clear and understandable categories like «kitchen appliances», «household and personal care products», «home office» and others, which in turn allows us to continuously develop the ecosystem associated with each given area and manage not only the core assortment, but also the selection of accessories and related services.

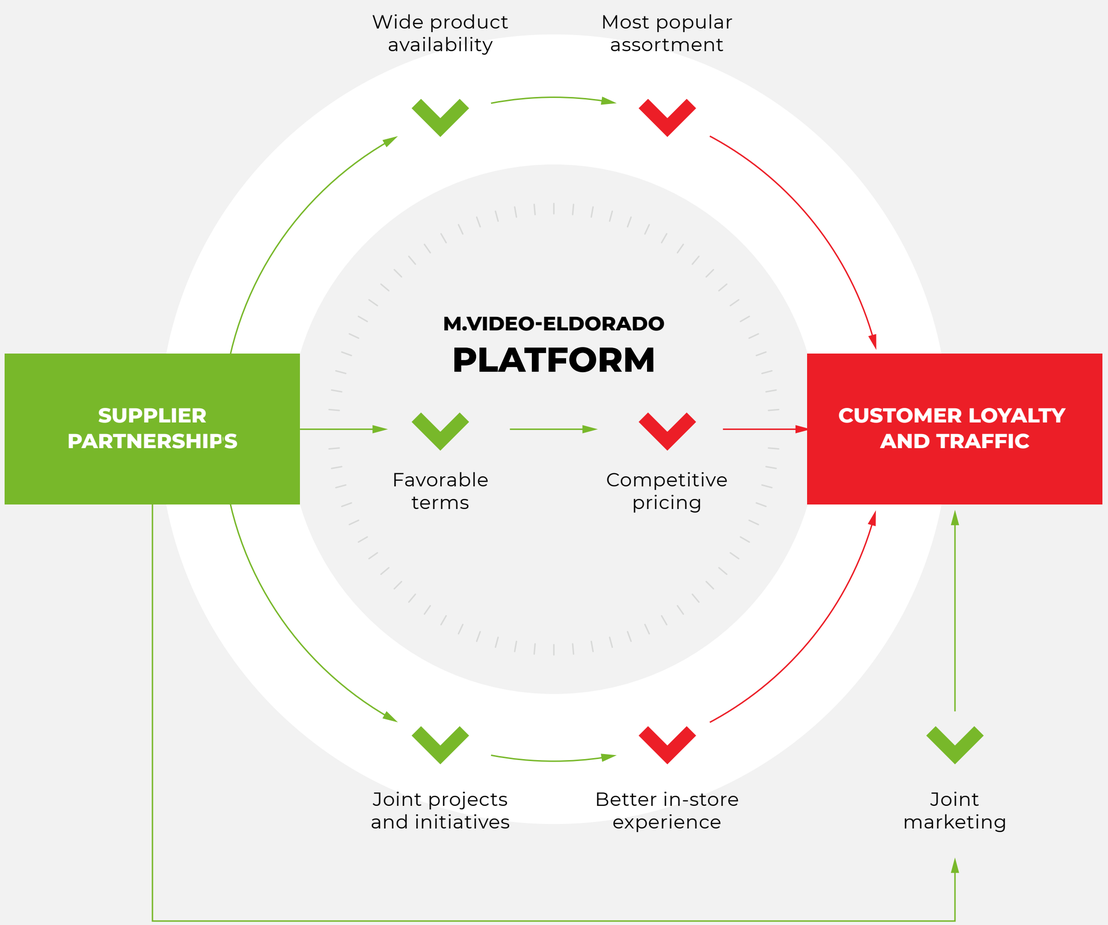
M.Video-Eldorado Group is a key partner for the world's largest consumer electronics vendors in the Russian market.

The OneRetail platform creates value not only for customers, but also for the Group's vendors and suppliers. In the face of increasing competition for shoppers' attention, it is becoming progressively more important that vendors use the most effective means available to inform customers about their products and services. This factor is especially important when it comes to consumer electronics, as customers prefer to not only see the product, but also feel it in their hands and test it out before buying. That is precisely why the Group's ability to showcase appliances and electronics both online and in stores, coupled with the wide array of expert customer support tools and personalized offers, generates increasing value for suppliers and merchants and makes partnering with the Group all the more attractive.

1.4 bln visits per year

M.Video-Eldorado total traffic

Vendor collaboration is a pillar of unique customer experience



A SINGLE INTERFACE FOR SUPPLIER MANAGEMENT

In 2021, we developed and began piloting an online platform for the automatic management of our assortment and supplier interaction. In 2022, we plan to further our efforts in this area.

> **The interface of suppliers' personal accounts will serve as a one-stop shop to launch and develop sales at M.Video and Eldorado stores and online platforms.**

Using their personal accounts on the web portal, suppliers will have access to its full functionality, from signing up to obtaining customer feedback. The personal account interface will allow suppliers to add items to the M.Video-Eldorado catalogue, create product cards, load extended product specifications, media files, instructions and certificates, update current prices, manage the stock and participation in promotions and bonus programs, track product movement, and correspond with responsible managers on any emerging issues.

> **In the future, we are planning to expand the toolkit of personal accounts, enabling suppliers to apply for participation in ads, obtain information on orders and product returns, book warehouse space, track supplies, and receive operational and accounting reports.**

Notably, the automation and integration of personal accounts with the Group's information systems already make it easier and several times faster for new merchants to enter the closed M.Video-Eldorado marketplace and launch sales.

The Group plans to completely move its interaction with suppliers under direct contracts to the platform and increase their sales management capabilities, including with the use of in-house predictive analytics solutions. The functionality of personal accounts will feature a number of new recommendation services to improve the efficiency of sales based on price history, turnover and overheads, and a data tool for personalized communications with the Group's customers, as well as enable suppliers to make use of the chain's offline storefront through accessing brand zones and training and motivation programs for consultants.

The platform is also used by the Group's own specialists, such as category managers, experts on pricing, logistics and complaints handling, customer support staff, etc. This solution was developed solely with the use of the Group's internal resources and will help digitalize the engagement between M.Video-Eldorado and its partners, as well as automate the related processes to the highest possible degree.

Our vendor collaboration also extends to joint marketing campaigns. Since our store shelves give our vendors a key point of contact with customers and a place to promote their products, they are an important part of the Group's marketing and advertising activities. In-store brand zones, events and media opportunities represent three main pillars of our joint marketing initiatives with suppliers.

3.7.2 MARKETPLACE DEVELOPMENT

The total number of models in the category of electronics and household appliances available on the Group's online platforms and in its offline stores saw a year-to-date increase of 2.4x, from 75,000 to almost 185,000.

M.Video-Eldorado Group aims to develop its marketplace in line with the 3P model (sales of partner products without accumulating stocks) while staying focused on its core assortment in the form of consumer electronics, appliances, and associated goods.

The marketplace model, wherein a portion of goods is sold for a fee without being procured directly, has been used by M.Video-Eldorado Group in its partnerships with manufacturers, retailers and distributors since 2020. By offering partner products via M.Video's and Eldorado's online storefronts and under the endless aisle concept, the Group is able to be more flexible with its assortment, explore new niches without risking efficiency or cash flows, and significantly broaden the range of products in the electronics and related categories, which has a positive effect on traffic, conversion rates and sales.

The Group was able to substantially expand its assortment through the marketplace platform, as well as to tap into new adjacent categories, such as power tools, baby care products, electronic toys, and exercise machines.

M.Video-Eldorado integrates partners both on its own and via the white label model, meaning some of its products come from other marketplaces, which does not require significant capital expenditures. Products sold on the marketplace have a «partner's product» label in the product card on M.Video and Eldorado websites, as well as in the customer and consultant apps. Customers buying these items can apply for loans and earn bonus points under loyalty programs. M.Video and Eldorado provide logistics and service support for merchants' goods. If a customer needs to exchange or return a purchase, they can contact the retailer and follow the standard procedures.

from 6 to 3 days

shortened the speed of delivery from our own marketplace in Moscow in 2021

The main channels for broadening the marketplace assortment:

- **direct contracts with suppliers and retailers**
- **integration with other marketplaces via the white label model, under which the Group has no direct contracts with merchants but displays their products on its storefront by means of direct integration with other marketplaces**
- **vendor catalogue – the Group procures goods from partner vendors for specific customer orders**

For several years now, M.Video and Eldorado have been working with partners through the vendor catalogue, offering customers certain products from the inventory of accredited manufacturers. The online catalogue enables shoppers to access both the regular product range and additional offers from suppliers. Retail partners are able to display their products through the online storefront. In this case, the Group does not purchase the product, but can facilitate its sale and delivery, as well as provide all related services for customers. This approach enables the Group's customers to order any appliance model, including rare or exclusive ones, which expands the retailer's assortment without additional risks for the working capital and increases the sales of manufacturers while also allowing them to assess consumer demand for experimental models.

"In these challenging times, it is important for us to provide the nation with the widest possible selection of affordable consumer electronics that are necessary for comfortable living, working, studying and recreation. To this end, M.Video and Eldorado, in addition to purchasing products for their own assortment, are developing a CE marketplace, where we make our platforms available to partners and thus broaden our product offering. We create special favourable conditions and develop technological solutions for conducting business, offering increasingly convenient and automated sales opportunities.

M.Video-Eldorado and our OneRetail platform enable some of the strongest marketplace vendors to offer their products through our retail stores, set up demo stands, and plan out their own distribution and visibility scenarios, which grants us a unique competitive advantage. This allows us to build long-term relationships with suppliers, who often employ multiple partnership formats at once, while our customers get everything they need in one place and enjoy a consistently high level of service and support in any channel, be that our app, website, or retail store."

Alexandra Ivanchenko,
Head of Assortment and Marketplace Management at M.Video-Eldorado

3.7.3 PRIVATE LABEL DEVELOPMENT

To meet the demand of price-sensitive customers for basic household appliances and consumer electronics, in 2019, the Group began the production and sale of appliances under its own Hi brand (Eldorado), before launching another private label in 2020 — Novex (M.Video). Customers have access to around 300 SKUs in 33 main categories (TVs, large and small home and kitchen appliances, beauty and personal care products, and accessories), which complements partner brands' offerings and provides customers with more affordable devices and solutions.

The demand for large and small private label household appliances grew by 70% year-on-year, with the Group's own brands accounting for up to 40% in certain categories and some product groups becoming cheaper by 30–35%.

M.Video offers high-quality, technologically advanced and reasonably-priced Novex products, while Eldorado sells more basic appliances in the low-price segment under the Hi brand.

In volume terms, 2021 saw the maximum share of private label appliances in the following categories: top-freezer refrigerators (38%), 39–43 inch TVs (over 33%), single-door refrigerators (32%) and side-by-side models (20%). Around 7% of consumers who had bought Novex and Hi goods returned for new items by the same brands, which is on par with the leading manufacturers and reflects both high customer satisfaction and sound quality of the appliances.

M.Video-Eldorado private label goods are produced at the plants of the leading industry players such as Indesit, Midea and Vityas, with part of them manufactured locally (certain TV, refrigerator and washing machine models). Together with its partners, the Company develops product lines, monitors quality and manages logistics. The entire assortment comes with a two-year warranty and post-sale maintenance service.

3.8 CIRCULAR ECONOMY AND E-WASTE MANAGEMENT

Growing consumer awareness is shaping new retail rules. Consumers today are opting for sustainable products and expect retailers to apply similar principles. As Russia's leading consumer electronics retailer, M.Video-Eldorado Group assumes broad environmental obligations. We seek to minimize our environmental impact and support our customers in their quest for a sustainable lifestyle

Our goal is to improve environmental performance across our operations and supply chain by reducing greenhouse gas emissions and helping foster a circular economy as a way to turn waste into useful resources. These efforts are the key pillars of our drive towards sustainability.

M.Video-Eldorado Group's ESG transformation extends to customers as well as we promote goods related to conscious consumption, adopt circular economy principles, raise awareness, and support green initiatives.

3.8.1 PROPER RECYCLING

We understand that we are responsible for our goods even after consumers no longer use them. For that reason, M.Video-Eldorado Group aims to promote a circular economy with zero waste and ample resources for new production. Our goal is to reduce harmful waste in landfills via a successful electronics drop-off service, and raise awareness around the impact of e-waste on the environment.

Since 2018, M.Video-Eldorado Group has been implementing ongoing programs in its stores across Russia to collect and properly recycle electronics. Supported by the Electronics Recycling Association, the scheme enables consumers to dispose of all types of used electronics in any condition. A similar arrangement for used batteries is running in partnership with Duracell. These projects, which are transparent for all stakeholders, aim to reduce hazardous waste in landfills. To date, the Company has collected more than 2,600 tonnes of equipment along with 70 tonnes of batteries. Electronic waste is transferred to licensed companies, which recycle 80–90% of it into secondary materials to be used in new products.

In 2021, the program reached a new level with 1,500 tonnes of e-waste (60,000 units) collected and 250 more stores joining in to bring the number of participating outlets to 750, or more than half of all M.Video-Eldorado stores. The bulk of the equipment came from the residents of Moscow, St. Petersburg, Novosibirsk, Yaroslavl and Samara. Most frequently people get rid of mobile phones, kettles and irons, as well as headphones and cables. Apart from the ongoing program, both chains hold regular promo events that encourage customers to dispose of their old equipment in exchange for discounts on new appliances from popular categories.

With the help of our customers, we collected and sent for recycling over 44 tonnes of used batteries (two million pieces) in 2021. All of our stores have drop-off boxes for used batteries. Residents in Moscow, St. Petersburg, Rostov-on-Don, Chelyabinsk and Kazan were most active in disposing of such batteries.

In the reporting year, the Group also piloted a project to install reverse vending machines in stores. Users can now return empty plastic bottles and aluminum cans up to two liters in volume to receive a promo code for a 10% discount on purchases in M.Video. To take advantage of the scheme, they will also need to enter their phone number onto the vending machine's screen.

>2,600 tonnes

of equipment were turned in by the customers under the Proper Recycling Program

750 Group's stores

collect equipment for recycling

ENVIRONMENTAL COURSE FOR SCHOOLCHILDREN

We have partnered with ECA, an interregional environmental NGO, to develop Russia's first interactive course on handling and disposing of electronic devices.

Called the Adventures of Electronics, the course is designed for students of all ages (grades 1 to 11) and covers issues relating to handling and disposing of popular gadgets. Teachers, parents, and volunteers across Russia can use it in any school without special training.

> **They only need to register on the приключенияэлектроники.рф website and download the course free of charge.**

The course helps raise the children's awareness about their gadgets. They realize that making consumer electronics takes a lot of resources and learn to properly handle and extend the lifespan of their devices.

> **The course also teaches a responsible attitude towards broken equipment.**

Students will understand the dangers of electronics ending up in landfills and the benefits of recycling for people and the environment.

3.8.2 ESG TRANSFORMATION ALONG THE CUSTOMER JOURNEY

ESG transformation is a major part of our strategic drive to digitalize the customer journey. Customers can use their mobile app at any store to learn more about product properties, check out user reviews, compare items, get a personalized price, pay for a product and reduce the time needed to receive it. To save paper and other consumables, we use in-store digital screens, including laptops, tablets, and TVs on display, for information and advertising purposes. When opening new retail facilities, the Company predominantly makes use of natural eco-friendly materials such as wood, glass, and concrete.

The trade-in program for smartphones and tablets has been in high demand from the outset as a way to save when buying new equipment. In 2021, smartphone sales through the trade-in program tripled. Customers of M.Video and Eldorado stores can trade in their old devices of any brand to get a discount on a new purchase.

An app on the old phone automatically checks its operability and functions to help determine the final price. If the customer agrees to the deal, the check proceeds with switching off lock functions, deleting passwords, testing search functions and signing out of user accounts to protect personal information. On request, shop assistants can also help with saving data in a cloud or transferring it to a new phone. The whole process takes 10–15 minutes.

Our trade-in program reflects the trend for more conscious and sustainable consumer behavior. We send all customer-traded smartphones for further taking apart, sale or recycling.

2 mln

used batteries were collected and sent for recycling with the help of the Group's customers

For several years, M.Video and Eldorado stores have been offering customers an alternative to plastic bags – FSC-certified paper packaging manufactured in an eco-friendly way.

A portion of the proceeds from the sale of paper bags goes to support the restoration of broadleaf forests, a project implemented in partnership with the Beautiful Children in a Beautiful World charitable foundation

3.8.3 SUSTAINABLE PRACTICES AT M.VIDEO-ELDORADO GROUP

M.Video-Eldorado Group works continuously to improve its environmental performance by adopting new waste management practices. We sort and recycle waste from our operations, including cardboard, paper, polyethylene, polystyrene, wood, PET bottles, plastics, sanitizer containers, office equipment, and advertising materials (45 tonnes have been collected and transferred for recycling). Also recycled are metallic elements of retail equipment that have become obsolete and are no longer used.

In 2021, we sent around one tonne of equipment from our stores and offices for recycling.

To increase energy efficiency, we have installed remote power management systems in 200 stores and put in place advanced lighting systems to reduce the load on the power grid (since 2015, all stores have been equipped with LED lighting).

We also created a CO2 emissions model, with the 2020 emissions estimated at 16 million tonnes of CO2-equivalent. Our goal is to reduce this value by 30% by 2030. To this end, we first of all seek to improve the energy efficiency of our facilities (stores and warehouses), optimize the logistics, and switch to less carbon-intensive fuels and freons. On top of that, we are migrating our IT services to cloud infrastructure and focusing on cloud-native development. For last-mile services, we are exploring the possibility of using electric vehicles.

To cut GHG emissions, we also consider purchasing energy from renewable sources through green certificates or direct contracts with generating companies.

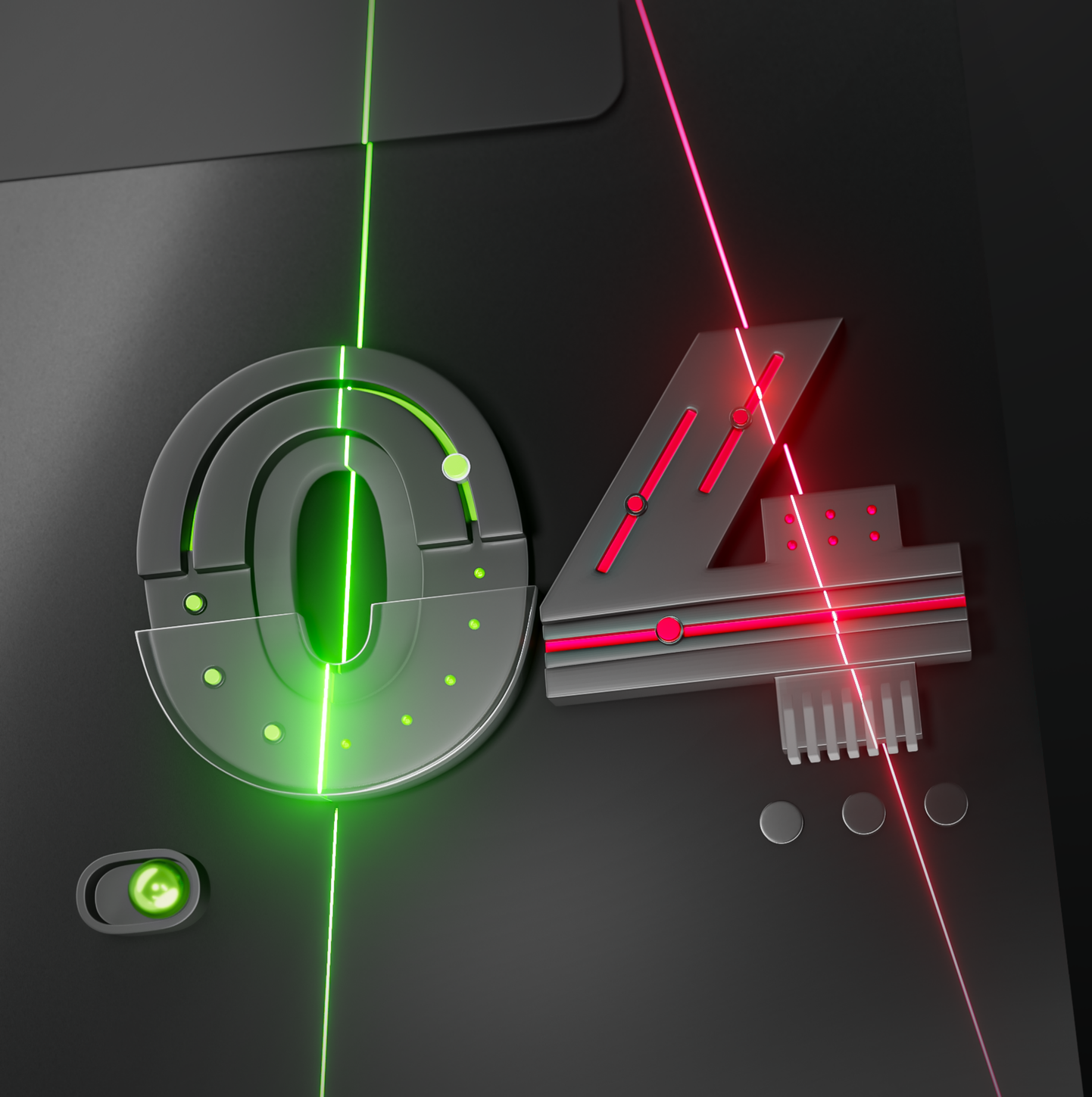
200 stores

have installed remote power management systems to reduce the load on the power grid

DIGITALIZING THE CARBON FOOTPRINT

M.Video-Eldorado Group has joined forces with FSC Russia to support a grant contest titled "Protecting Climate by Preserving Forest", a project of the Beautiful Children in a Beautiful World charitable foundation.

In 2022, the Group provided special-purpose funding to ten nature reserves and non-profits for projects seeking to preserve and restore forests, prevent forest fires using modern technologies, and promote responsible attitudes towards the woodland.



CARING FOR EMPLOYEES AND SOCIETY

4.1 FUNCTIONAL STRUCTURE AND DIGITAL TOOLS

A unique customer experience, state-of-the-art technology and modern services rely on a highly professional team of several thousand devotees eager to change retail. Everything M.Video-Eldorado Group has achieved so far is a joint success of our employees. People are our key asset and we strive to provide them with a safe and comfortable working environment to enable everyone to unlock their potential and help make a difference for society at large

M.Video-Eldorado Group is going through a major digital transformation. We are not just building a seamless customer experience using advanced technology, but introducing a new approach to business management, restructuring processes and, more importantly, changing the corporate culture and shaping technological thinking among our staff.

Today's employees, especially young ones, know how much they are worth as regards both salary and development potential, so every career step should increase their value. Candidates increasingly want to join a socially responsible company: they are becoming more demanding of their potential employer to be confident about the future.

Our HR team has to think outside the box in order to attract, develop and engage talent and also establish a highly creative and productive working environment.

Earlier, M.Video-Eldorado had a hierarchical governance structure with strict administrative subordination. In 2021, the Company's management introduced functions responsible for the development of new products, defined their roles and competencies and established a horizontal structure in which representatives of different structural units participate in product development. Products are grouped into domains, i.e. groups of employees from various organizational units with common functional tasks, and have designated product teams.

All digital competences present in the Group were organized into a unified directory of functional roles by families, specializations, and competence levels, which helps streamline management throughout the life cycle of employees and products. All the results are summarized in a single digital role model for M.Video-Eldorado Group.

In addition, a number of important digital tools were implemented during the reporting period, including:

- personnel portal — a self-service one-stop shop for applications (over 12 automated services to submit job applications, applications for transfer, etc.);
- response to and execution of emergency and routine requests for the operation of stores and warehouses;
- recommendation system for the active learning of sales personnel (training courses depend on the employee sales results);
- a business communication function added to the internal portal allowing for direct interaction with each retail employee via a mobile device;
- payment of social security benefits jointly with the Social Insurance Fund, automatic transfer of electronic sick lists to the employer;
- determining the number of employees and their schedules for specific processes and sales plans, with workforce needs and schedules detailed down to an hour;
- biometric working time recording and automatic generation of time sheets to pay remunerations;
- management of agreements with partners whose employees work as promoters, loan officers or warehouse/sales specialists, including actual biometrics-based accounting for rendered services.

ORGCITY: A DIGITAL PERSONNEL MANAGEMENT SYSTEM

To improve day-to-day management and enhance the functional structure, in 2021 M.Video-Eldorado created the Orgcity automated system.

> **It allows the manager to implement key processes as regards cross-functional teams working on the product development, quickly set up and manage product teams and recruit new personnel.**

An integral part of Orgcity is a dashboard with all personnel statistics, namely the number of products and employees in each domain, team staffing level, the number of employees in each of the allocated roles.

> **Thanks to the dashboard, the Group's management has real-time access to all data reflecting the current situation in all structural and functional units.**

UNIFIED RETAIL MANAGEMENT

In mid-2021, M.Video-Eldorado consolidated M.Video's and Eldorado's retail management functions, which had previously been supported by separate teams, within a single OneRetail unit. Combining brand management functions will enable the Group to foster digital transformation, focus brand efforts on strategic tasks and unleash the potential of OneRetail technologies while also adding to the speed and quality of management decisions. The Group plans to further differentiate the positioning of each brand.

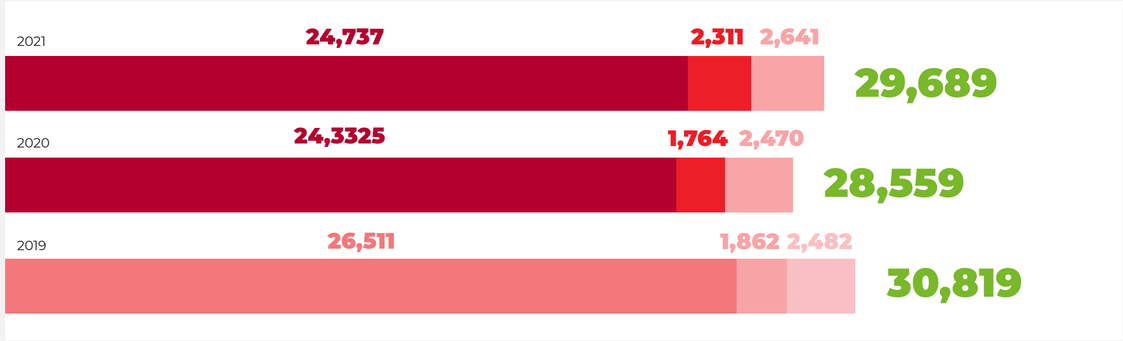
OneRetail team is responsible for the deployment of the product approach and digital transformation support for the two brands, rapid scaling up of OneRetail technologies across the Group's stores and improvement of the Company's competitive edge.

> **The key focus is on increasing GMV while maintaining operational efficiency, including through better coordination of brand strategies, developing personalised services based on data analytics, and building long-term and effective relationships with customers.**

A single back office contributes to the unification of business processes and their transfer to shared automated systems.

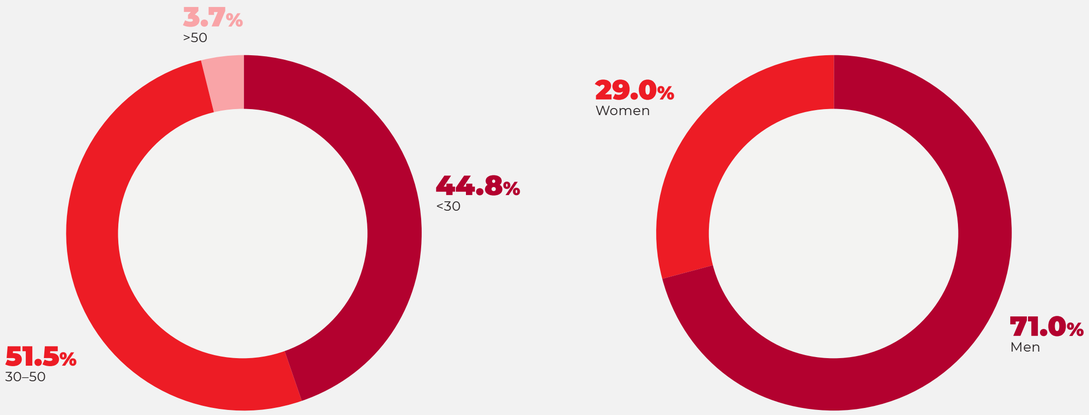
4.1.1 PERSONNEL STRUCTURE

Headcount, people



■ Retail, including city level (support) ■ Office ■ Service and logistics

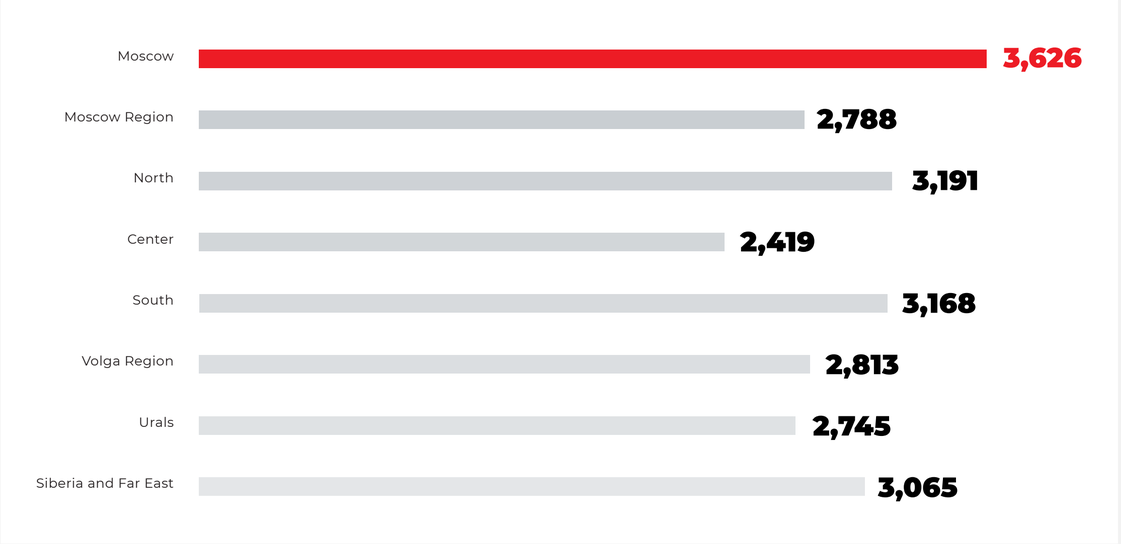
Personnel breakdown by age and gender in 2021 [405-1]



Number of employees by type of contract and employment, people [102-8]

Age groups	Permanent	Temporary	Full-time employment	Part-time employment
Men	18,811	2,082	20,655	238
Women	7,928	868	7,902	894
Total	**26,739**	**2,950**	**28,557**	**1,132**

Number of employees by division, people [102-7] [102-8]



4.1.2 M.VIDEO-ELDORADO GROUP IN THE LABOR MARKET

The active digital transformation of the business calls for more IT specialists. This task was addressed throughout the reporting period, with about 600 positions in the development and support of digital services filled.

Other 2021 recruiting priorities were attracting new employees to the Group's retail stores and logistics functions. This was due to significant regional expansion which saw the opening of over 190 new stores. We placed a strong focus on small Russian towns where we launched many Eldorado 250 stores during the year.

>1,000 vacancies

were filled in our retail network in the reporting period — the largest recruitment effort in the Group's history

>600 new employees

joined our product teams responsible for creating and developing digital products for customers, partners and staff

In addition to recruiting new people, M.Video-Eldorado HR Department was digitalizing its operations. Skillaz made it possible to automatically post job openings at various information platforms, quickly collect and process feedback and communicate with candidates.

Digitalization also offers advanced analytics and quantitative indicators to assess the quality of the search and hiring process. There are plans to further expand data and add new metrics to track the entire employee life cycle from job application to exit. By late 2021, we had had all search and recruitment functions transferred to Skillaz.

We also tested new recruitment sources for retail stores and service and logistics functions. The Group cooperated with various recruitment agencies and ran advertising campaigns aimed at attracting personnel.

Total number of employees hired and dismissed in 2021, people [401-1]

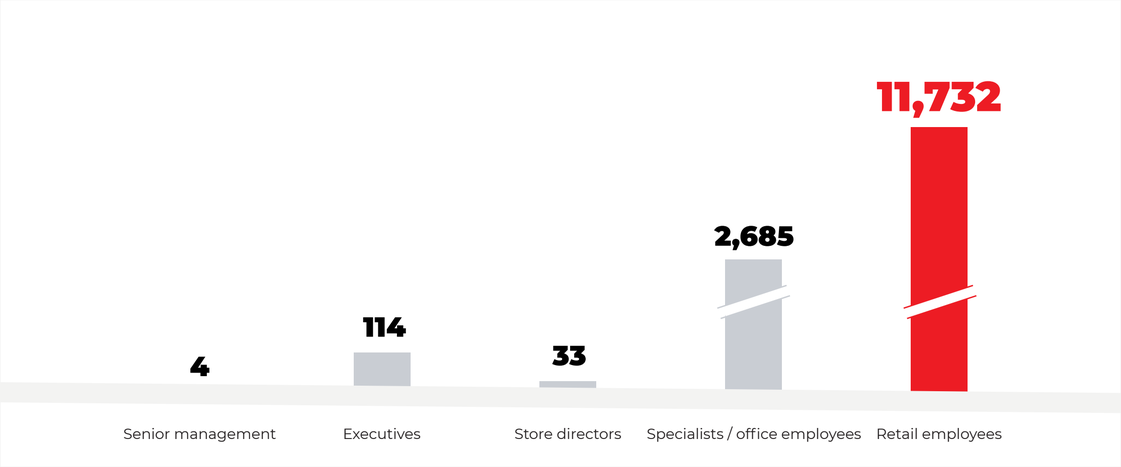
Division	Hires	Dismissals
Moscow	2,762	2,655
Moscow Region	2,001	1,880
North	1,857	1,766
Center	1,164	1,122
South	1,734	1,510
Volga Region	1,625	1,643
Urals	1,556	1,491
Siberia and Far East	1,869	1,743
Total for the Group	**14,568**	**13,810**

Due to the reorganization of management processes and the subsequent opening of new and closing of old logistics centers, M.Video-Eldorado Group has significantly changed its personnel allocation by region of presence. This process will continue into 2022, particularly in cities such as Chekhov (Moscow Region), Novosibirsk, Yekaterinburg and Artyom (Primorye Territory).

In 2022, the Company plans to pilot its own research center to expand recruitment sources, streamline communications with candidates and distribute newly hired employees among specific stores more efficiently.

In addition, M.Video-Eldorado Group is looking to implement an important project aimed at deepening a systematic approach to recruitment by creating funnels, monitoring interim results and introducing transparent analytics of process efficiency.

Employees hired in 2021, by category, people



4.1.3 PROVIDING EQUAL OPPORTUNITIES TO ALL EMPLOYEES

M.Video-Eldorado Group remains committed to the principle of equality when hiring new employees. When considering candidates, the Group's HR team is guided solely by their professional qualities, not their age or gender. Restrictions on employment apply to specific positions only.

M.Video-Eldorado Group pays particular attention to inclusive employment. In 2021, there were 142 employees with disabilities working for the Group.

>140 employees

with disabilities worked for the Group in 2021

4.1.4 ATTRACTING IT TALENT

Among the Group's goals is to accelerate the recruitment of personnel with strong digital capabilities. For this purpose, the Group actively launches projects aimed at attracting IT talent.

To celebrate the Computer Specialist Day on February 14, we created a special chatbot and invited IT specialists with their own Telegram channels to participate and exchange funny Valentine's Day stickers. The chatbot fostered networking between IT specialists and the leaders of the Company's digital projects and helped build informal relations. Over 1,000 people took part in the project, with 60 meetings held afterwards and 20 candidates selected to join M.Video-Eldorado Group.

The reporting year saw us run the TechMonster Night hackathon. Its participants were offered to hack a clone of the online store and pick up a certain product as a prize, with results evaluated by the Group's IT managers. The most successful contestants immediately got a job offer.

Another hackathon for IT specialists was aimed at solving three tasks at once: testing coding skills, promoting eco tourism, and raising awareness of charitable projects. Across Russia, we placed drones equipped with photo cameras, and the participants who correctly solved several coding problems gained access to their control panels. The photos they took with the drones were used to produce unique personalized M.Video-Eldorado corporate merchandise. All funds received from the sale of sweatshirts and T-shirts went to the Group's charitable foundation.

We were the first in Russia to launch a specialized podcast about information technology in retail. It delves into various projects and the specifics of development jobs.

In 2021, M.Video-Eldorado was named among the opinion leaders of Habr.com specialized web portal, which posted materials describing the work of the Group's specialists on digital products.

According to an independent study by the Konkretika agency, all these initiatives helped increase the Group's brand awareness among IT professionals to 56% from less than 3%.

4.1.5 STORE EMPLOYEES

In 2021, the labor market was influenced by a surge in supply coming from the development of e-commerce and the ongoing COVID-19 pandemic. Like all retailers in Russia, M.Video-Eldorado Group faced shortage of staff in its stores (the quality of customer service directly depends on how well stores are staffed). Nevertheless, shortages have been minimized as the Group has taken several measures to get over store understaffing.

One of them was introducing personal accounts for employees, where they can manage their working time using the Shift Exchange. Focusing on sales and staffing needs, store directors create open shifts in the scheduling interface, and employees in their personal account can manage their working time in line with the established rules. Employees can cover open shifts both in their own store or in any other understaffed store in the city. The Shift Exchange enables store directors to easily find someone to do the job, and employees — to increase their income. This approach has a positive impact on sales and employee engagement.

The Group's measures in recruitment and competent distribution of personnel between stores helped keep the employee turnover rate as low as in the prosperous 2019 — 48.7% — below the overall market benchmark.

This is primarily supported by a decent level of remuneration. A flexible financial incentive system enables employees to earn more depending on the quality of service, their knowledge of the equipment on sale in the store, sales volume and value.

Another factor of staff retention is "career tracks" — an incentive system that enables employees to develop and increase the amount of guaranteed payments without moving to other positions. We made a great progress in improving employee engagement, which becomes critical in turbulent times.

Despite some challenges, M.Video-Eldorado Group has maintained its commitment to the universalization of store staff, when employees are equally responsible for consulting customers, handing out goods, and check-out. This approach has a favorable effect on customer experience: shoppers can make a choice quickly and conveniently and pay for their purchase.

Hiring employees in cities and towns where the Group's stores are opening for the first time poses yet another challenge. Scarce personnel supply in small towns and poor qualifications of candidates were the main causes of the problem. We introduced local hiring by store directors, and held a number of training courses to that end. Additionally, a dedicated team shares expertise and skills with newcomers helping us obtain new experts in a new city or town very quickly. In 2022, the HR team plans to fully staff newly opened stores in new cities and towns across our geographies.

We pay close attention to developing our retail staff as expertise must be equally represented in large and in small-format stores, which are often the only place where residents of a small town can go for a real advice.

We pay such attention to staffing small-format stores because for them lacking even one employee is a true challenge. In this regard, we are looking at additional working hours for those employees who are ready for increased workload.

In 2021, we decided to change our approach to hiring management. Managers in charge of these processes will be responsible for working in specific regions and specific store formats. Greater authority will be given to store directors who know the local labor market better. These changes have already been implemented since early 2022.

48.7%

Group's employee turnover rate in 2021

4.1.6 MOTIVATING RETAIL PERSONNEL

Employee income depends on the performance of their stores. When calculating remuneration, both personal contribution of each employee and the success of the store's entire team are factored in. Team performance is dominant in the incentive system, which makes the results of the entire store, rather than an individual employee, the key criterion of success.

M.Video-Eldorado Group places fairness at the heart of calculating financial incentives. This approach enables us to properly evaluate the contribution of each employee in each store. The system takes into account the store's location, footfall, demand for high-margin products and the purchasing power of residents in each region and city of the Group's operations. Thus, luck is not part of the formula: employees of stores located in poor regions do not feel disadvantaged compared to their colleagues working in the most lucrative M.Video-Eldorado stores.

A dedicated digital tool, Sales KPI, has been introduced to calculate an employee's individual contribution in each store. It helps employees control key business indicators and their income depending on the quality of work, see their ranking in the store and improve it, creating healthy competition between participants.

4.1.7 PERSONNEL OF SERVICE AND LOGISTICS DEPARTMENTS

The main objectives of M.Video-Eldorado Group staff responsible for staffing the service and logistics departments are fast recruitment and minimizing time to reach their KPI targets.

All warehousing services in Russia are plighted by a high personnel turnover. No company in Russia can overcome it alone in the existing conditions (growth in the number of marketplaces and warehouses, strong demand for personnel by delivery services, etc.). The COVID-19 outbreak has aggravated instability in this labor market segment. This is why going back to pre-pandemic realities is next to impossible in the foreseeable future.

Even more, the speed and quality of logistics services play a vital role for any retailer today. Thus, the most crucial items in the to-do list are improving the expertise of the logistics team, developing digital competencies, and boosting employee engagement and morale.

The core focus in staffing the service and logistics departments has been on retaining the existing team while taking them to the next level, first and foremost, in the realm of digital tools.

On top of that, it is now of paramount importance to intensify work with couriers and freight forwarders who deliver purchased goods.

M.Video-Eldorado Group traditionally uses third-party contractors in deliveries. Hence, in this area we have been focused on organizing interaction with such companies, regulating the quality of their work and streamlining contractual relations.

Training the staff of the service and logistics departments has always been a daunting task. In most cases, digital tools are not effective for this audience. Besides, as the workload of these employees is high, online training becomes virtually impossible. Therefore, we are forced to engage in face-to-face training at the workplace, which requires a different approach and takes more time.

Still, M.Video-Eldorado Group is democratic towards candidates for warehouse staff. We are ready to consider people with little work experience to develop their skills while they are doing their job. The Group sets an ambitious deadline for these raw recruits to reach their performance targets — one month following the date when they were hired.

We are currently developing a set of metrics that will help us assess the competence of warehouse employees, and expect to introduce them in 2022.

4.1.8 INTERNSHIPS FOR YOUNG TALENT

M.Video-Eldorado Group is looking for candidates with advanced digital skills. However, like other market players, we encounter their shortage on the labor market. Hence, the focus is on attracting young talent, including senior students and university graduates. We are ready to invite them as interns so that we can continue to hone their skills and offer them career opportunities as they work.

Several targeted programs are running to this end. Senior students take part in internships, where we assess their basic technical skills and provide additional in-depth training required for participating in the Group's projects. Successful interns are eventually invited to join the Group as juniors.

Internships as a means of attracting and developing talent are not limited to the Group's IT unit. Similar initiatives are in place for the finance functions. By sourcing young talent, we tackle the shortage of experts in financial analysis. In addition to hiring staff directly, internship programs help us strike the right balance between cost and staff qualifications.

An internship program was also implemented in the Group's Commercial Division in 2021. It was a tailor-made program that involved employees of M.Video-Eldorado stores instead of external applicants. Not only they acquired new skills, but were also offered promising career opportunities.

In 2022, the internship program will be rolled out at other functions at M.Video-Eldorado Group.

5 of 25

interns sourced in 2021 have been officially employed

4.1.9 RETAIL STAFF TURNOVER

Like many other retailers, M.Video-Eldorado Group is struggling with high turnover rates. In our case, we have registered particularly frequent employee departures during and immediately after the probation period in recent years.

At M.Video-Eldorado Group, the employee turnover rate in 2021 as a whole was 48.7%, in the retail segment — 50.9%, and the employee group aged under 30 has seen the highest rate of 69.0%. [401-1]

To overcome the staff turnover issue, we have developed additional onboarding programs for new employees. They cover both adaptation in the team and getting to know technologies, information systems, and consumer electronics.

On top of that, efforts to retain employees willing to resign were intensified. In each case, we thoroughly study the causes of and underlying motives for leaving, and suggest ways of personal development. The HR team and executives devise career options at M.Video-Eldorado Group for employees wishing to resign. These efforts often succeed, with employees valuable for the Company changing their mind and withdrawing their resignations.

Anyway, an in-depth exit interview helps the HR Department to uncover flaws in human resources management and develop action plans. We will continue to enhance employee retention efforts throughout 2022.

4.2 CREATING A WOKING AND LIVING ENVIRONMENT

4.2.1 CORPORATE CULTURE AND EMPLOYEE ENGAGEMENT

For almost two years now, our office has been running under a hybrid model, with up to 80% of the team going fully or partially remote. At the same time, we can see their productivity go up as evidenced by the performance of the functions, digitalization pace and new corporate projects.

Going forward, we plan to adhere to this model and make full or hybrid working the new normal. That said, our teams, for instance those involved in product development, can spend more time together if needed to produce better results.

The hybrid model enables the Company to tap into a much wider talent pool, while also helping employees gain a unique experience typically offered at IT companies rather than traditional retailers.

To make this effort successful, we need to embrace new methods to build team relationships and boost engagement. To this effect, we developed a number of projects to create a kind of a corporate DNA with a strong focus on online activities.

4.2.2 COLIVING AND RELOCATION

One of the challenges presented by the hybrid model is erasing boundaries between work and personal life. To eliminate this effect, we seek to encourage our employees to have a rest.

With our product teams actively expanding in 2021, we saw new prospects for organizing their work. In September, in partnership with the Smena Station project, we were one of the first among large Russian corporates to introduce coliving spaces. This is a remote work arrangement enabling employees to live, work, communicate and train in recreational locations at the Company's expense.

Coliving is a community living concept for like-minded people to temporarily live together. Unlike hotels, coliving hubs have a well-equipped shared working space to meet all operational needs of employees

Coliving hubs are located in Russia (Krasnaya Polyana, Elbrus, Kaliningrad, Gelendzhik), Georgia, Morocco, Sri-Lanka and Turkey. The program has proven to be effective in uniting teams, preventing burnouts and maintaining good mental health. Leisure activities included regattas, hiking, and the ascent to Mount Elbrus done by some Group employees.

The program offers a wealth of opportunities for our people to gain a thrilling experience and new acquaintances, exchange knowledge and build new skills. In its turn, the Company can use this new format to motivate and develop its staff and build informal ties among various teams working fully or partially remotely.

In 2021, around 100 employees took advantage of coliving arrangements. Going forward, we consider rolling out this program, which saw more than 100 participants in the first weeks of 2022 alone.

In the reporting year, we focused on ways to foster career advancement for our people by offering relocation, which became increasingly important on the back of the Group's aggressive regional expansion.

We were able to open and staff around 50% of new stores from the existing workforce, attracting external talent only in some cities of presence.

4.2.3 ONBOARDING OF NEW EMPLOYEES

In 2021, we revised our onboarding process, which now provides for new employees to complete pre-onboarding before the start of work.

The procedure includes reading all mandatory policies and guidelines on the internal interactive website and getting information on routine organizational matters (work schedule, necessary addresses and phone numbers, employees in charge of various organizational matters, etc.). On the internal website, new hires can also choose options for mobile connection and salary payment and request workplace equipment.

Onboarding lasts another three months after the start of work. We widely use corporate information systems such as a chatbot, blogs and newsletters describing the onboarding process and procedures to be completed (target setting for the probation period, getting to know your colleagues, performing certain duties). The employee's direct superiors also receive such letters

Additionally, we made an important change to the onboarding of the head office staff who must take in-store internship led by a mentor. This is a necessary step for all Group employees to gain an in-depth understanding of the retail business.

During the probation, we survey each new hire to find out about their perception of the job and labor conditions, expectations versus reality and onboarding difficulties, while also monitoring their engagement. Depending on the results, the onboarding program may be subject to adjustment.

We plan to develop role rotation programs for IT functions employing a lot of junior professionals. They will be able to migrate between product teams to help us address such issues as lack of career advancement, outflow of scarce talent and burnout.

4.2.4 INFORMAL COMMUNICATIONS

We pay a lot of attention to informal communications with our people using in-house information systems, among other things. Such communications include numerous online activities with schedules available to all employees and chatbots in place to give an advice or send a message.

M.Video-Eldorado Group regularly run so called 'Random Coffee' informal meetings. These coffee gatherings bring together employees from across different functions to make new acquaintances, talk and share insights.

MET'UP is another informal activity for various product teams to discuss their products, techniques and practices. It aims at promoting involvement in digital transformation among the Group's employees.

On top of that, we are fostering an open dialog between the management and employees. Every month or two months, heads of functions meet with product team leads and line staff to discuss the current situation. We also hold online conferences to update our employees on the Group's business priorities and growth areas, with feedback collected after each event.

Online birthday celebrations and quests with prizes are also very popular. The reporting year saw us stage the first series of M.Video-Eldorado corporate esports competitions.

During the 2020–2021 pandemic, we placed a strong emphasis on keeping our people physically and mentally healthy by providing psychological support and advice on how to behave at work and in everyday life using internal information resources. Particular emphasis is placed on family budget planning and healthy nutrition along with the measures to curb the spread of the pandemic.

Random Coffee are informal meetings that bring together employees from across different functions to make new acquaintances, talk and share insights

HEALTH MARATHON

In April 2021, the Group held its first ever mass health marathon.

During a month, 1,300 employees communicated with fitness coaches and nutrition experts to achieve various health goals, such as losing weight or having a certain number of workouts, and compete with each other.

> **The majority gave a positive feedback on the event and their achievements.**

4.2.5 FINANCIAL ASSISTANCE [401-2]

When distributing financial aid, the Group seeks to give priority to employees in hardship. In 2021, with that in mind, the management decided to pay RUB 10,000 to every one stricken by COVID-19. On top of that, we encourage our people to join our vaccination program with certain fixed amount paid to each participant.

We offer financial assistance to those who incurred significant expenses due to a severe illness. Regretfully, the reporting year saw us make payments to the families of the deceased employees.

4.3 TRAINING AND DEVELOPMENT

Digital transformation has placed new knowledge and skill demands on senior executives, function managers and line specialists alike. In order to enable them to productively interact with teams working on digital products, a change in perception of the current changes and new backdrop was needed.

To that end, in 2021 the Group initiated a new project aimed at fostering employees' digital skills. This work went on all through 2021 and will continue in 2022. [404-2]

In addition, digital transformation involves active development of the business and digital products to respond to shifts in the dynamically changing market. A big part of digital transformation is customer experience improvement, which involves keeping track of changes in customer behavior and preferences, as well as of reactions to new products and services.

Average hours of training for full-time employees by gender and employee category in 2021 [404-1]

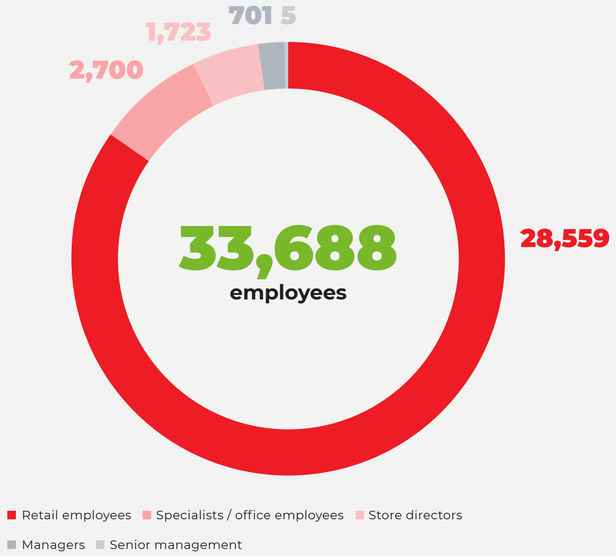
	2021
Men	21.49
Women	25.09
TOTAL	**22.54**

Senior management	139.00
Managers	17.38
Store directors	9.91
Specialists / office employees	4.13
Retail employees	26.22
TOTAL	**22.54**

95.2% employees

underwent regular performance and career development reviews in 2021 [404-3]

Employees covered by regular performance and career development reviews in 2021, by category



4.3.1 SWITCH TO PRODUCT APPROACH

Before the start of digital transformation, M.Video-Eldorado Group had been implementing a project-based approach to business, which was characterized by clearly defined goals and disregard for market uncertainty and its impact on company activities.

Product approach is about closely monitoring the element of uncertainty and making ongoing changes to the business and specific products, both those destined for the market and used within the Group.

New digital skills being imparted to employees can be divided into two big categories:

- fundamental skills such as data processing and data-oriented approach;
- soft skills, including teamwork, preparedness for change, and being receptive to new knowledge.

These changes also necessitate a revision of approaches to personnel development, namely a transition to continuous training with ongoing acquisition of new skills and knowledge that are needed "here and now", all in order to meet business demands and constantly evolving customer expectations.

Technology, rather than being the focus of this process, serves to facilitate and enable it. We are making active use of online courses, tests, and special apps to give employees plenty of opportunities to keep honing their skills as they work.

4.3.2 NEW FOCUS IN PERSONNEL DEVELOPMENT

Today, the key directions of personnel development at M.Video-Eldorado Group are the expansion of digital technology programs and personalization of training to account for the specifics of each employee's job description.

Traditional training programs are being updated with new corporate competencies and values, which become metrics that measure overall business development and growth of each individual employee. We keep tabs on the training, controlling the knowledge and skill acquisition process and using good results as basis for promotion.

In 2021, we launched training programs allowing for competency acquisition from scratch. Retail store employees, both shop assistants and managers, can now undergo retraining and become eligible for a completely new position, such as a software developer or an agile coach.

There were some notable changes in the process of developing various employee categories at M.Video-Eldorado Group, which had to do with material changes in top management responsible for certain business lines, as well as varying degrees of engagement in business process digitization. There is now a big emphasis on tailored approaches to manager training based on their area of work. The goal is to ensure that each manager makes the best possible fit for furthering digital transformation.

The training of top managers and heads of functions is now much more intensive, as they are the ones who drive digital transformation within their respective teams. The retraining process also focused on preparing specialists to directly work on effecting the digital shift.

Personalization approaches to manager training based on their area of work ensures that each manager makes the best possible fit for furthering digital transformation

4.3.3 SCHOOL FOR AGENTS OF CHANGE

A standalone focus in 2021 was an in-house Agile School to train agents of change across all areas of business, from human talent to retail operations. We opened our own agile competency center to facilitate the implementation of a product approach and flexible development methodologies, as well as corporate culture transformation.

The goals of the center include end-to-end rollout of the latest development management methodologies across all business functions, acceleration of product launches, and process efficiency improvement. The competency center's experts work with all of the Company's units, provide agile coaching to all business domains and teams, and develop the Agile School.

As part of digital transformation, M.Video-Eldorado Group formed over 100 business teams at all business units and put them to work on customer and business solutions ranging from the mobile app to data models for assortment planning. The agile competency center is tasked with developing the product approach. Its agile coaches focus on developing and implementing practices and tools based on flexible methodologies with a view to helping the Company to integrate technologies into all key business processes, automate routine operations, transition to data-driven decision-making, and put in place an efficient change implementation process.

Any specialist can enroll free of charge following a competitive selection process (out of over 100 applicants in the reporting period, 45 were accepted and graduated). Each module involves intensive instruction to foster skills and capabilities necessary both for performing better in the current role and for a potential career change.

The training course imparts skills in all of the key areas, including meetings facilitation and operating within the main programs and frameworks. Trainees get to not only improve their management competencies, but also master a completely new job.

Following the successful completion of both modules, the graduates can go in for an agile coach internship in one of M.Video-Eldorado Group's product teams, and later — an interview for an agile coach position at the competency center.

4.3.4 EMPLOYEE PERFORMANCE REVIEWS

The COVID-19 pandemic made a big portion of the M.Video-Eldorado Group's employees feel uncertain about their personal development. Because of that, in 2020 we reduced the number of personnel performance reviews, which in turn impacted the year's results. In 2021, we resumed the reviews, and the indicators came in by and large at pre-COVID levels.

Performance reviews are an important personnel development tool. To keep these procedures running during the ongoing pandemic, we broadened the use of digital tools and services. Starting 2021, many employees undergo evaluation online, which not only expedites the process, but also makes it more engaging thanks to things like new formats and gamification.

Additionally, digital performance review tools helped even out the workload for those conducting the process.

The Group relies on state-of-the-art tools for these reviews. They include VR and AI systems to simulate in-store customer interactions. We also use digital badges to validate the acquisition of skills and techniques of interacting with customers.

In 2022, we plan to implement other tools, including those for assessing the level of engagement or emotional burnout of employees.

In evaluating the effectiveness of training at the Group, we focus on the actionability of acquired knowledge. Control in this area can take the forms of assessments of daily performance, KPIs, or workplace audits featuring inspections of employees' toolsets.

Digital performance review tools helped even out the workload for those conducting the process

4.4 HEALTH AND SAFETY

M.Video-Eldorado Group prioritizes compliance with occupational health and safety laws. It is a cornerstone of our OHS management system and a basis for our financial strength and the well-being of the Company's employees.

M.Video-Eldorado Group organizes its OHS management in a centralized and hierarchical way, meaning each management level establishes occupational safety responsibilities for individual leaders and employees.

Reach of the occupational health and safety management system[1] [403-1] [403-8]

	2019	2020	2021
PERCENTAGE OF EMPLOYEES COVERED BY THE OHS MANAGEMENT SYSTEM	**100%**	**100%**	**100%**
Number of employees covered by the OHS management system	26,901	28,353	28,378
Total workplaces subject to a special assessment of working conditions (SAWC)	18,600	16,900	16,900
Number of workplaces that have undergone an SAWC	9,963	1,690	3,002
including class 1 workplaces	714	66	27
including class 2 workplaces	8,211	1,350	2,882
including class 3 workplaces	1,038	274	93
including class 4 workplaces	0	0	0

Training is an essential tool for educating employees and managers about hazards and risk management in the workplace. Another objective of training is to provide employees and managers with a deeper understanding of legal requirements and best practices in workplace health and safety so that they could also contribute to the development of a strong safety culture within M.Video-Eldorado Group.

Staff training in occupational health and safety, persons [403-5]

	2019	2020	2021
Occupational health and safety training	2,139	1,608	6,086
Occupational safety training when working at height	2,997	3,222	2,124
Electrical safety training	1,012	1,450	2,776
Industrial safety training	570	1,707	1,962
Mandatory testing of employees' knowledge	26,351	26,756	28,378

[1] *2019–2020 data were retroactively adjusted following calculation methodology update.*

M.Video-Eldorado Group has in place OHS and sanitation internal regulations , which it regularly updates and makes available through its corporate information resources.

The regulation on the OHS management system defines the policy and goals in health and safety, high-level requirements to OHS organisation, and key actions and processes to ensure safe working conditions and protect the life and well-being of employees.

All managers undergo mandatory training in OHS and legislative changes. In addition, each individual unit has a stand dedicated to OHS that contains relevant information and the respective internal regulations.

4.4.1 WORKING CONDITIONS IMPROVEMENT AND INJURY PREVENTION MEASURES

The Group implements a number of measures to protect the life and health of its employees, including special assessments of working conditions, professional risk management, and monitoring of sanitary compliance. Any deviations are addressed with prompt corrective actions and with the use of innovative technology and digital processes. [403-2] [403-3]

M.Video-Eldorado Group proactively invests additional funds in occupational health initiatives: we allocate 1% of operating costs to occupational health and safety expenses versus the 0.2% prescribed by law.

One such initiative is self-assessment by standalone business units (SBUs) of occupational safety based on checklists, powered by online platforms and with photo reports provided thereafter. These inspections are held at least twice a year and make for a harmonized approach to risk identification and timely corrective action.

We regularly organize webinars, dialogues and one-on-one coaching sessions, along with cascaded communications, for target audiences, line managers and OHS officers at SBUs. All SBU employees regularly undergo mandatory OHS training, which includes specially developed online courses for maximum efficiency and effectiveness. [403-5]

All managers and OHS officers are trained at certified specialized learning centers in a fully automated manner. This allows for 100% completion rate and optimized control and organization processes.

To promote OHS compliance and inculcate safety conscious culture in employees, SBUs display unique eye-catching posters and safety signs.

Employees are provided with special clothing and shoes to suit the work they perform. Based on their working conditions and a special assessment thereof, employees get certain compensations.

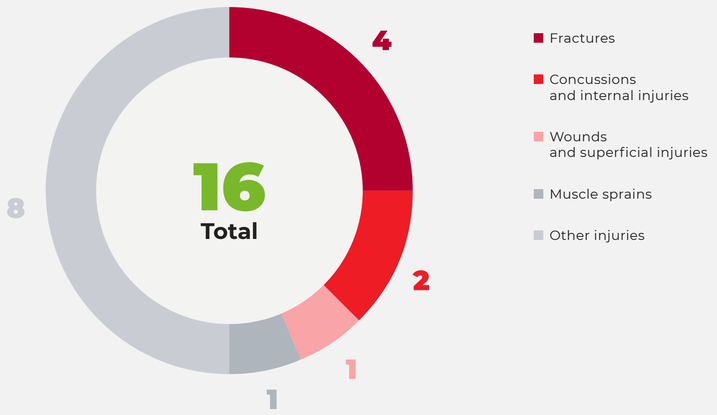
To ensure safe operation of industrial transport at warehouses, it is outfitted with additional warning lights to signal the vehicles' approach.

Strict adherence to OHS requirements and large-scale adoption of labor-saving solutions make it possible to keep work-related lost-time injury rates down.

Injury rates[1]

	2019	2020	2021
Number of people injured	11	12	16
Fatal accident rate (FAR)	0.00	0.00	0.00
Lost-time incident rate (LTIR)	0.20	0.23	0.30
Total recordable incident rate (TRIR)	0.20	0.23	0.30
Injury frequency rate	0.39	0.42	0.56

Number and type of work-related injuries in 2021 [403-9]



[1] *2019–2020 data were retroactively adjusted following calculation methodology update.*

4.4.2 EPIDEMIOLOGICAL MEASURES

The COVID-19 pandemic called for special measures to combat the disease. M.Video-Eldorado Group not only fully complies with the law and all applicable regulations, but also implements its own initiatives in this area. [403-6]

Social distancing rules are observes at all of the Group's facilities, including offices, stores and warehouses. All employees are provided with personal protective equipment, and every premise has disinfectants. Furthermore, we have outfitted all our stores with air purifiers and germicidal lamps.

In case of an employee falling sick, the Company's management resolved to, until official notice, have all of the store's premises disinfected and all of the traced contacts moved to self-isolation.

To prevent COVID cases, any and all corporate events and business trips were prohibited, and the number of in-person meetings was drastically reduced. M.Video-Eldorado Group's management arranged monitoring of disease rates at the units and centralized PCR testing.

An important epidemiological measure was on-site vaccination campaigns initiated and funded by the Group.

4.5 CHARITY AND VOLUNTEERING [203-1]

Charity is an integral part of M.Video-Eldorado Group's corporate culture. Systemic professional aid not only helps to resolve urgent problems but also has a positive effect on the mental and psychological health of the people who are involved in it. In 2021, the Group's targeted assistance was made available to 197 beneficiaries.

M.Video-Eldorado Group's charity spending in 2021, RUB mln

Area of focus	2020	2021
BEAUTIFUL CHILDREN IN A BEAUTIFUL WORLD FOUNDATION, INCLUDING	**27.5**	**36.6**
Beautiful Children program	18.7	21.1
Beautiful World program	8.8	15.5
OUR INITIATIVE FOUNDATION, INCLUDING	**12.6**	**2.8**
Let's Grow Together program	1.4	-
Teenager's World program	1.0	-
21st-Century Professions program	0.5	-
Veteran program	0.1	-
Commonwealth program	9.1	2.8
Transportation costs	0.4	-
TOTAL	**40.1**	**39.4**

197 beneficiaries

received the Group's targeted assistance in 2021

4.5.1 BEAUTIFUL CHILDREN IN A BEAUTIFUL WORLD

M.Video-Eldorado established Beautiful Children in a Beautiful World, a charitable foundation aimed at promoting general human values and addressing major social issues.

The foundation's first goal is to **deliver improvements in health and quality of life**. The foundation provides support to families who need assistance for the treatment, rehabilitation and social adaptation of children with maxillofacial trauma.

The second goal is to **preserve heritage** by helping nature reserves and national parks to implement projects associated with preservation of Russia's natural resources and cultural values.

The foundation's third goal is to **support awareness raising** by helping people to learn more about the value of Russia's protected areas and instilling a sense of pride for the country's unique nature and for contributing to its preservation.

In 2021, the Group increased the volume of its own donations to the foundation, bringing them to over RUB 20 million.

The Group's customers remain the foundation's active donors. They contribute through direct donations using dedicated boxes installed at each store of the Group, and by taking part in campaigns such as Good Christmas Toys.

Some of the financing for the foundation comes from the Good Cards — branded gift cards sold across the Group's stores. In 2021, they became available in Eldorado stores, too.

A major source of donations has been our employees, who donated a total of RUB 3.8 million in 2021.

A charity run that brought together some 5,000 employees helped collect RUB 1.8 million. Charity runs are held annually and are now a traditional activity for the Company. Held for the seventh time, in 2021, the initiative attracted a record number of runners.

Beautiful Children program

As part of its key focus, the foundation developed a platform for speech and language therapy to facilitate speech rehabilitation. Using this tool, parents can obtain supervision from a speech and language pathologist and help their kids get rehabilitation classes to improve their speech following surgery. During the year, we developed methodology for the platform and didactic materials. The platform is scheduled to go live in the first half of 2022.

Beautiful World program

In 2021, the foundation continued with its consistent approach to environmental protection. As part of the program, the foundation helps create best-in-class natural parks and ecosystems. Also, in the aftermath of numerous wildfires, the foundation allocated more funding to fire prevention and emergency response measures in nature reserves as part of the program. The program's contests now include a dedicated crisis response category to recognize projects that deal with emergencies.

Within this category, assistance was provided to two nature reserves in Russia: Orenburg Nature Reserve and Lena Pillars. The foundation continued its sponsorship of projects aimed at awareness raising, protection of biodiversity and preservation of rare species of plants and animals.

The increase in donations enabled the foundation to expand the budget of the Beautiful World program and to hold two large-scale competitions.

One of them, also titled "Beautiful World", was a nation-wide event open for any public sector and non-profit organizations engaged in environmental protection. Some 100 applications were submitted, with 12 becoming the winners.

The second contest, titled "Protecting Climate by Preserving Forest", aimed to support forest protection programs. Around 40 projects were submitted for the contest and ten were chosen the winners.

RUB 47 mln

total budget of the Beautiful Children in a Beautiful World charitable foundation

12 of 100 applications

submitted for the "Beautiful World" contest, became the winners

4.5.2 OUR INITIATIVE

Established in 2005, the Our Initiative charitable foundation is an economic tool for M.Video-Eldorado Group to implement its social programs.

In 2021, the foundation ran the Emergency Social Aid program worth more than RUB 2 million. The goal was to help seven hospitals repurposed for COVID-19 treatment by providing household appliances and electronics. The program was a targeted exercise, with assistance made available based on requests from hospitals.

Help from the foundation was extended to the Space of Equal Opportunities, a non-profit organization that develops programs to better integrate people with disabilities.

IMPORTANT THINGS

Helping people in hardship is among the focus areas of our sustainable development strategy. For many years, M.Video-Eldorado Group has been helping children care facilities and supporting volunteering initiatives of its employees.

In April, we launched Important Things, a grant contest for Russian non-profit organizations. The winners obtained up to RUB 500,000 worth of household appliances and electronics to use towards programs that help prevent abandonment of children, assist those who age out of foster care, and provide ongoing support to families in hardship.

> **The Important Things contest will serve as an additional resource for dedicated non-profit organizations.**

The grant format makes it possible to go beyond major high-profile projects and provide targeted assistance to small-scale local initiatives.

PARTNERSHIP TO PROMOTE EQUAL OPPORTUNITIES

M.Video-Eldorado Group and Microsoft agreed to provide joint support for an inclusive program for the professional development of people with disabilities.

In December 2021 and January 2022, RUB 1,000 from the sale of each laptop running on Windows 11 went to the Space of Equal Opportunities non-profit organization and its Everland program of equal opportunities. Featuring the latest inclusive technologies and an integrated approach, the project enables people with disabilities to socialize, integrate into an open labor market, and grow professionally and intellectually.

Equal opportunities and accessibility of technologies are among ESG focuses of M.Video-Eldorado Group. As a retailer operating in a customer-facing industry that serves very different people, we strive to continuously improve the accessibility of our stores, online platforms and services while also providing training to our employees.

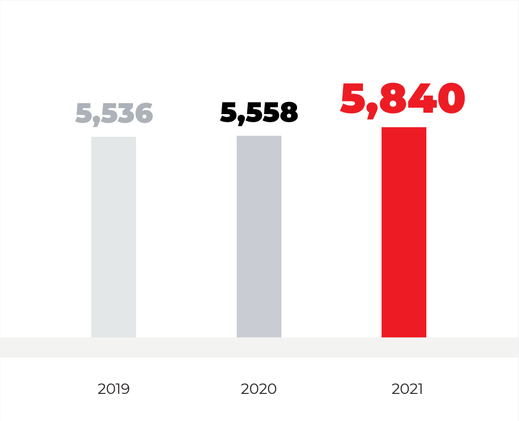
As part of the Everland social entrepreneurship project, we teamed up with Beeline and Diversity Brand to support the launch of Moscow's first inclusive coworking space. It will help to improve the quality of professional training for people with disabilities, provide more employment opportunities, and expand the range of options that inclusive projects offer for businesses. M.Video-Eldorado Group provided professional computer equipment to address a variety of tasks, including design and video editing. Usually those who have only recently embarked on a new profession lack a suitable computer or laptop. The coworking space will enable them to complete their first tasks, gain experience, and develop the competencies they need.

> **We believe that by joining forces of various brands and engaging people who care we can bring down all the unnecessary boundaries and make our society more open and comfortable for everyone.**

4.5.3 VOLUNTEERING

We regret to say that in the reporting period, the ongoing COVID-19 pandemic once again made it virtually impossible for the Group to engage in any active volunteering jointly with the foundation. To try and make up for that, we launched a campaign marking the Children's Day. As part of the initiative, M.Video-Eldorado's employees took part in a series of workshops and created a cartoon called "In Search of a Beautiful World".

Number of volunteers at M.Video-Eldorado Group



The campaign aimed to involve the families of our employees into environmental awareness raising while also helping kids and parents to understand just how important it is to protect nature reserves.

The second initiative we implemented was linked to the Good Toys. Together with their families, our employees created fairy tales where characters were represented by toys. Ten best fairy tales were included into an audio collection later distributed to all of the foundation's beneficiaries and patients of hospitals that carry out oral and maxillofacial surgery.

In 2022, a milestone for the foundation will be the launch of a speech and language therapy platform. It will be available to the general public once a pilot test is completed. The foundation also plans to pay more attention to legal support and counselling that it provides to families of beneficiaries as part of comprehensive rehabilitation. In environmental protection, the key focus area will be developing and implementing innovations and creating and introducing technologies to protect nature across Russia.

CORPORATE GOVERNANCE

5.1 THE GROUP'S CORPORATE GOVERNANCE SYSTEM

Statement of the Board of Directors on compliance with the corporate governance principles and recommendations stipulated by the Corporate Governance Code

In its activities, the Company's Board of Directors undertakes to fully and accurately follow these principles and recommendations in line with the Corporate Governance Code approved by the Bank of Russia and recommended for use by joint-stock companies whose securities are admitted to on-exchange trading (Letter No. 06-52 / 2463 dated April 10, 2014), the "Code", as well as the recommendations provided by the Bank of Russia regarding reports on compliance with the principles and recommendations of the Corporate Governance Code (Letter No. IN-06-28/102 On Disclosing the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint-Stock Company, the "Recommendations of the Bank of Russia"), which establish the principles of corporate governance in joint-stock companies. At the same time, the Company's Board of Directors reports that certain provisions (principles) of the Code are currently not being implemented (partially or fully) due to a number of circumstances described in detail in the Explanation of Deviations from the Corporate Governance Principles section in the Annex of this Annual Report describing compliance with the principles and recommendations of the Corporate Governance Code**.**

The methodology used by the Company to assess compliance with the corporate governance principles and recommendations stipulated by the Code was based on the recommendations of the Bank of Russia. The Company used the reporting form provided by the Bank of Russia to disclose its compliance with the principles and recommendations of the Corporate Governance Code.

The scope of the assessment included compliance of the Company's corporate governance practices and internal procedures with the principles and recommendations set out in the Code. The findings are contained in the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code, which is a part of this Annual Report.

Corporate governance refers to a system of relationships between the Company's executive bodies, Board of Directors, shareholders, and other stakeholders.

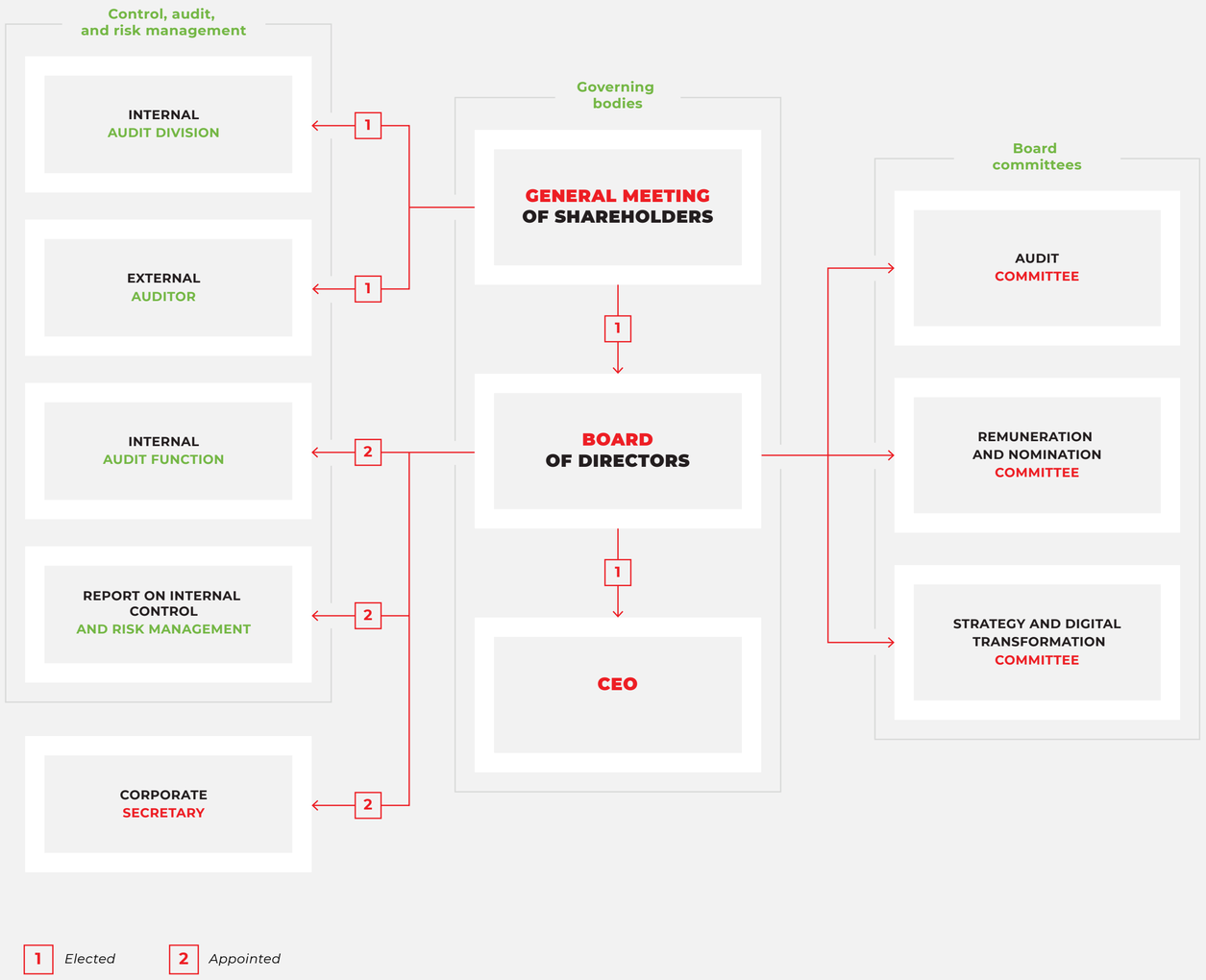
The Company's corporate governance system complies with the applicable Russian laws and the Listing Rules of PJSC Moscow Exchange.

When developing and streamlining its corporate governance, the Company is also guided by the principles and recommendations of the Code and other recommendations provided by the Bank of Russia.

Key principles of corporate governance:

- all shareholders receive fair and equitable treatment in exercising their rights to participate in the governance of the Company;
- the Board of Directors performs the strategic management of the Company, defines core principles and approaches regarding the internal control and risk management system, and oversees the Company's executive bodies;
- the Board of Directors is competent, effective and accountable to the Company's shareholders;
- executive bodies manage the Company's day-to-day operations to ensure its long-term sustainable development, create shareholder value and guarantee the accountability of executive bodies to the Board of Directors and the Company's shareholders;
- timely disclosure of complete and accurate information about the Company makes its activities transparent for shareholders, investors, and other stakeholders;
- effective oversight of the Company's financial and commercial operations serves to protect shareholders' rights and legitimate interests;
- the Company accepts its social responsibility and respects the rights and legitimate interests of other stakeholders;
- the Company puts ESG considerations high on its agenda and develops a sustainable development strategy for the Company and Group companies.

Corporate governance system[1] [102-18]



[1] *As of December 31, 2021*

5.1.1 KEY CHANGES IN CORPORATE GOVERNANCE IN 2021

1. SPO

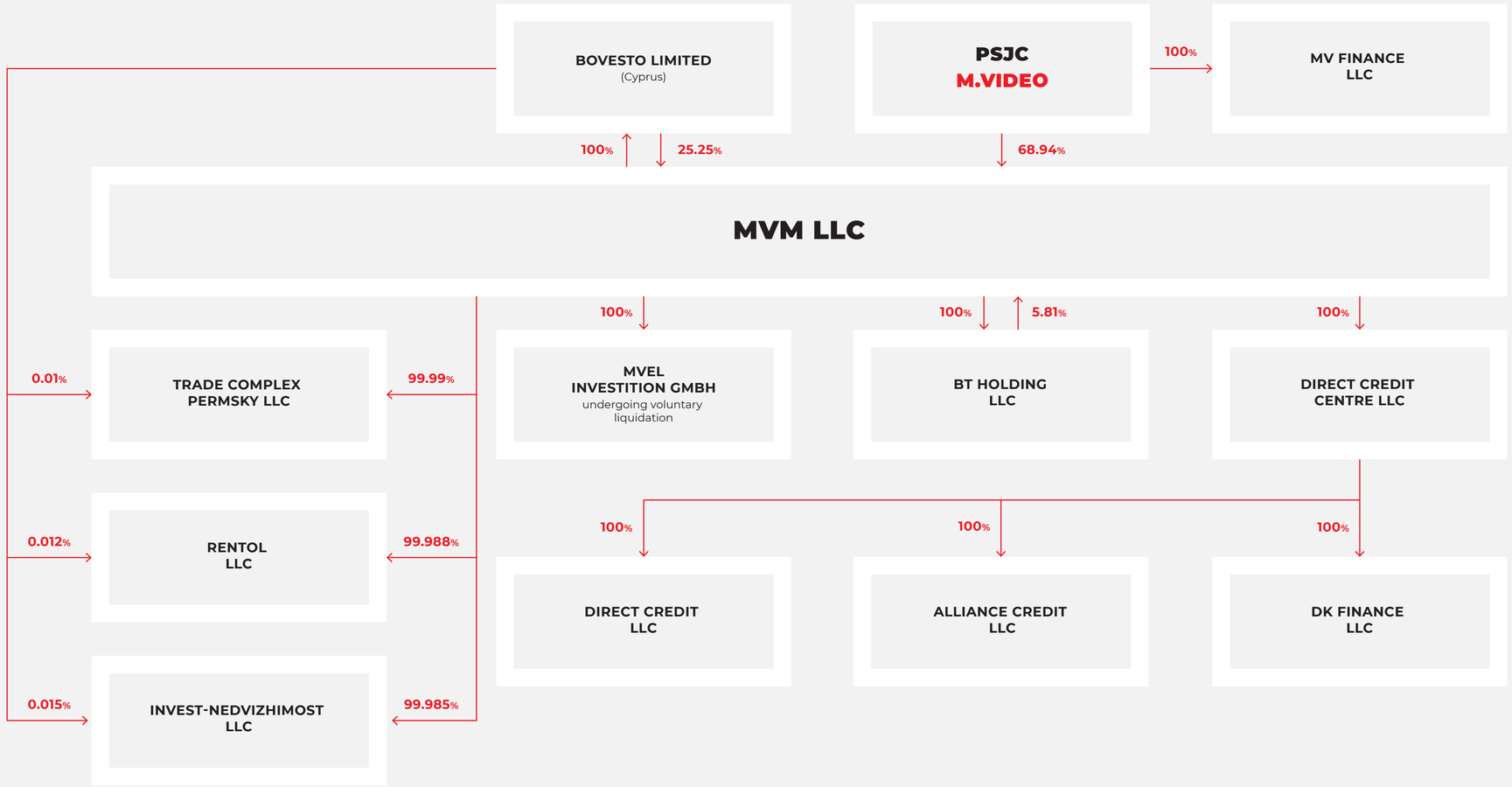
In the reporting year, Ericaria Holdings Limited, the Company's shareholder, sold 13.5% of its shares in the Company via the secondary public offering (SPO), which increased the Company's free float to 24%.

2. CHANGES IN THE GROUP'S CORPORATE STRUCTURE

In the reporting year, M.Video-Eldorado Group closed a deal to sell a controlling stake in goods.ru (MARKETPLACE LLC) to DIGITAL ASSETS LLC. The share of DIGITAL ASSETS LLC in the authorized capital of MARKETPLACE LLC amounted to 85%, with the remaining 10% and 5% owned by M.Video-Eldorado Group and Alexander Tynkovan, respectively. After this transaction, MARKETPLACE LLC was no longer a material entity controlled by the Company.

M.Video-Eldorado Group acquired a 100% stake in the authorized capital of Direct Credit Centre LLC (the Direct Credit lending platform). M.Video-Eldorado Group intends to transform Direct Credit into a leading fintech provider serving the entire retail industry, including online and offline lending services and payment solutions for customers and partners.

M.Video-Eldorado Group's corporate structure[1] [102-18]



[1] *As of December 31, 2021.*

3. CHANGES IN THE LINE-UP OF THE BOARD OF DIRECTORS

M.Video-Eldorado Group continues to improve its corporate governance practices and the relevant expertise of the Board of Directors. On December 28, 2020, the Extraordinary General Meeting of Shareholders resolved to change the number of directors on the Board from 14 to 9. The Company's Annual General Meeting of Shareholders held on May 7, 2021 (the "2021 AGM") elected a new Board of Directors.

Three in nine directors approved by the 2021 AGM were newly elected members. Three seats on the new Board were taken by independent directors in line with the recommendations of the Code and the Listing Rules of PJSC Moscow Exchange. Thus, the share of independent directors on the Board went up.

On 18 May, 2021, Alexander Tynkovan was elected Chairman of the Board of Directors.

4. CHANGES IN THE STRUCTURE OF EXECUTIVE BODIES

The 2021 AGM approved a new version of the Company's Charter, whereby the Management Board, the collective executive body, was abolished. Following this resolution, the Company's executive bodies were only represented by the CEO (the sole executive body). In early 2022, Enrique Fernandez was appointed the CEO of PJSC M.video, MVM LLC, and MV FINANCE LLC (M.Video-Eldorado Group companies).

These changes in the executive tier sought to accelerate decision-making and strike the right balance between operating activities and corporate procedures.

5.1.2 DEVELOPMENT OF THE CORPORATE GOVERNANCE SYSTEM IN 2021

In the reporting year, M.Video-Eldorado Group updated its corporate documents as part of the efforts to improve corporate governance practices.

The Extraordinary General Meeting of Shareholders held on December 3, 2021 approved a new version of the Regulation on the Board of Directors, which assigns the Board of Directors the key role in managing the sustainable development of the Company and M.Video-Eldorado Group companies, social and environmental responsibility, and corporate governance. The new version of the Regulation on the Board of Directors sets out a number of objectives, including:

- defining key focus areas for the Company and M.Video-Eldorado Group companies regarding sustainable development, social and environmental responsibility, and corporate governance;
- overseeing the implementation of sustainability principles, including those addressing social and environmental responsibility, and governance, in the Company's operations and across M.Video-Eldorado Group companies.

The Regulation on Remuneration and Compensation Payable to the Board of Directors of PJSC M.video was updated and approved in order to establish efficient and transparent remuneration practices.

An onboarding program was put in place for newly instated directors to support the Board's performance.

In addition, 2021 saw other regulations updated and approved, including the Regulation on the Company's Sole Executive Body, Regulation on the Audit Committee of the Company's Board of Directors, and Regulation on the Remuneration and Nomination Committee of the Company's Board of Directors.

The Regulation on Insider Information and lists of insider information relevant for certain of M.Video-Eldorado Group companies were updated/developed and approved in order to regulate access to insider information of M.Video-Eldorado Group, protect its confidentiality and ensure compliance with respective regulatory requirements.

The charters of M.Video-Eldorado Group companies were amended to align standards for Group-wide corporate decision-making.

5.2 GOVERNING BODIES

5.2.1 GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the Company's supreme governing body, which makes resolutions on the most important matters relating to the Company's operations.

The remit of the General Meeting of Shareholders is determined by Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995 and the Company's Charter.

In 2021, two General Meetings of Shareholders took place and considered the following items:

- profit distribution and dividend payment based on the Company's performance over the first nine months of 2021;
- election of the Board of Directors and the Audit Commission;
- approval of the Company's auditor;
- approval of new versions of the Company's Charter, Regulation on remuneration and compensations payable to the Board of Directors, Regulation on the Board of Directors, and Regulation on the Company's CEO.

5.2.2 BOARD OF DIRECTORS [102-19] [102-20] [102-22] [102-24] [102-26] [102-27]

The Board of Directors is the key element of the corporate governance system responsible for the overall management of the Company.

The Board of Directors is accountable to the General Meeting of Shareholders. Its members are elected, and their powers may be terminated at any time, by resolution of the General Meeting of Shareholders.

The remit of the Board of Directors is defined by the Company's Charter with a clear separation from the powers of the executive bodies, which manage M.Video's day-to-day operations. The Board of Directors is in charge of the strategic management of the Company. It defines the core principles of, and approaches to, internal control and risk management system of the Company.

In order to perform these functions, the Board of Directors has the following powers:

- to determine key focus areas for the Company; approve (change) long-term strategic development plans (strategies) of the Company and Group companies, including the marketing strategy, brand development and support strategy, approve reports on the implementation of strategies by the Company and Group companies, as well as determine the procedure and timelines for submitting such reports;
- to establish the internal control and risk management system of the Company, approve the Company's internal control and risk management policies, and its risk matrix.

The Board of Directors also performs other functions as set out in Federal Law No. 208-FZ On Joint-Stock Companies dated December 26, 1995 and the Company's Charter.

One of the most important functions of the Board of Directors is to establish effective executive bodies and oversee their performance. To that end, it exercises the following powers:

- election and early termination of the powers of the sole executive body, approval of the terms and conditions of the agreement between the Company and its sole executive body, including provisions pertaining to the early termination of the powers of the sole executive body, approval of the remuneration, the amount and payment of bonuses, compensations and benefits provided to the sole executive body; selecting a person authorized to sign the agreement (addendum thereto or a termination agreement) with the sole executive body of the Company; granting consent for the CEO to hold concurrent positions in the management bodies of other organizations, as well as other paid positions in other organizations;
- submitting proposals to the General Meeting of Shareholders on transferring the powers of the sole executive body to a management company or a manager, approving a management company (manager) and defining the terms and conditions of an agreement to be signed with them;
- overseeing the executive bodies' compliance with resolutions of the Board of Directors and the Company's General Meeting of Shareholders.

The reporting year saw changes in the composition of the Board of Directors:

1. before the 2021 Annual General Meeting of Shareholders held on May 5, 2021, the Board of Directors consisted of 14 members.

On December 28, 2020, an Extraordinary General Meeting of Shareholders resolved that the Board of Directors shall consist of nine members. The changes were to apply to the election of the Board of Directors at the next General Meeting of Shareholders to follow.

2. the 2021 Annual General Meeting of Shareholders held on May 5, 2021 elected a nine-member Board of Directors.

The procedure and timing for convening and holding meetings of the Board of Directors, the procedure for adopting resolutions, rights and duties of the members of the Board of Directors, and other matters related to the activities of the Board of Directors are governed by the Russian laws, the Company's Charter, and the Regulation on the Board of Directors of the Company.

Information on the Board of Directors' activities, including its members and meetings, is disclosed in press releases on the Company's official website, statements of material facts, and annual reports. This contributes to the transparency of the Board of Directors' work.

The directors and officers of M.Video-Eldorado Group are covered by liability insurance.

INDUCTION OF NEWLY ELECTED MEMBERS OF THE BOARD OF DIRECTORS

The Company has in place a formalized onboarding program for newly elected members of the Board of Directors.

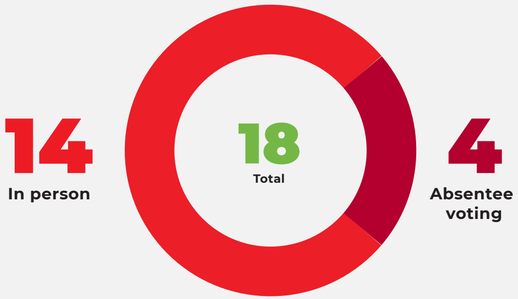
> **In the reporting year, the Company approved an induction program for newly elected directors, which aims to quickly and efficiently introduce them to all the key aspects of business operations of the Company and Group companies, as well as the existing corporate governance practices, in order to ensure smooth onboarding and provide the directors with deeper understanding of their roles.**

In 2021, the newly elected directors included John Browett, Ekaterina Lapshina and Riccardo Orcel. They all underwent the induction procedure.

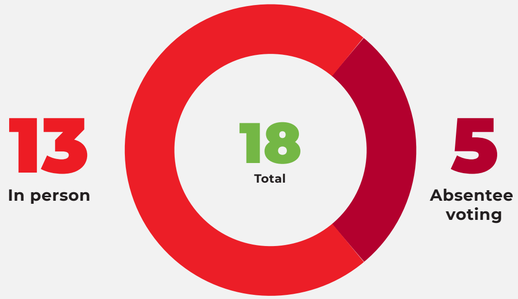
MEETINGS OF THE BOARD OF DIRECTORS

Meetings of the Board of Directors were held on a regular basis according to a set schedule. Additional meetings were held as necessary to resolve matters within the remit of the Board of Directors. In total, 18 meetings of the Board of Directors were held in the reporting year, of which 13 were in person and five took place in the form of absentee voting.

Meetings in 2020



Meetings in 2021



KEY MATTERS REVIEWED BY THE BOARD OF DIRECTORS IN 2021, AND RESOLUTIONS ADOPTED [102-29]

February: approval of a new dividend policy.

March: approval of

- 2020 performance reports of the Board of Directors' committees;
- 2020 performance and budget execution reports of the Company and Group companies;
- 2020 consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards and accounting (financial) statements prepared in accordance with the Russian Accounting Standards.

April: approval of the Company's 2020 Annual Report, resolution to convene the Annual General Meeting of Shareholders and subsequent resolutions on its preparation, convocation and holding; approval of the report on the external assessment of the Board of Directors' performance.

May: election of the Board of Directors' Chairman and appointment of committees following the Annual General Meeting of Shareholders; approval of the remuneration to be paid to Deloitte & Touche CIS (the auditor) for auditing the Company's financial and business operations in 2021.

September: approval of the Company's mid-term sustainable development strategy.

October: resolution to convene an Extraordinary General Meeting of Shareholders and subsequent resolutions on its preparation, convocation and holding.

December: approval of the budget and business plan of the Company and Group companies for the 2022 calendar year, as well as an internal audit plan for the 2022 calendar year.

Throughout the reporting year, the Board of Directors regularly addressed the material aspects of the Group companies' operations.

ASSESSMENT OF THE BOARD OF DIRECTORS' PERFORMANCE [102-28]

In 2020, the Board of Directors' performance was assessed by an independent expert, KPMG[1]. The external assessment report was reviewed and approved by the Board of Directors on April 1, 2021.

The Board of Directors gave high praise to the main components of its own and its committees' performance:

- the remit of the Board of Directors is in line with the Code;
- the efficiency of the Board's key functions was highly rated;
- high attendance rate at the Board meetings, coupled with professional discussions of the agenda items, demonstrates a high degree of directors' engagement;
- the Board of Directors has three committees covering the key focus areas of the Board;
- performance of the Board of Directors' Chairman was also highly acclaimed, including the Chairman's role in maintaining open discussions and constructive communication during the Board meetings and overseeing the implementation of the Board's resolutions, as well as ensuring effective interaction between the Board of Directors and other governing bodies of the Company.

At the same time, the assessment identified the following growth areas:

- optimizing the number of directors and increasing the share of independent directors on the Board;
- encouraging director training in advanced technology, risk management, domestic and global industry trends, marketing, and ESG.

In the reporting year, the Board of Directors was elected in line with recommendations developed following the assessment:

- the Extraordinary General Meeting of Shareholders held on December 28, 2020 resolved that the Board of Directors comprising nine members was to be elected at the next General Meeting of Shareholders;
- the Annual General Meeting of Shareholders held on May 7, 2021 elected the Board of Directors including three independent directors with vast expertise in retail, e-commerce, risk management and IT.

In December 2021, the Board of Directors elected on May 7, 2021 launched a self-assessment procedure. Its results will be reviewed by the Board of Directors in 2022 and reflected in the Company's 2022 Annual Report.

[1] *KPMG Tax and Consulting LLC. The Company and KPMG Tax and Consulting LLC are in no way affiliated and have nothing but business relations.*

MEMBERS OF THE BOARD OF DIRECTORS

Director status

Members of the Board of Directors as of June 22, 2020[1]	Members of the Board of Directors as of May 7, 2021[2]
INDEPENDENT DIRECTORS	
Vladimir Preobrazhensky	Vladimir Preobrazhensky
Andrey Derekh	John Browett
Janusz Lella	Ekaterina Lapshina
NON-EXECUTIVE DIRECTORS	
Andreas Blase	Andreas Blase
Said Gutseriev	Said Gutseriev
Avet Mirakyan	Avet Mirakyan
Alexander Tynkovan (a non-executive director since November 23, 2020)	Alexander Tynkovan
Enrique Fernandez	Enrique Fernandez
Eldar Vagapov	Riccardo Orcel
Vilen Eliseev	
Anton Zhuchenko	
Alexey Makhnev	
EXECUTIVE DIRECTORS	
Pavel Breev	
Bilan Uzhakhov	

[1] Minutes No. 30 dated June 22, 2020.
[2] Minutes No. 33 dated May 12, 2021.

Attendance at Board and Committee meetings in the reporting year

Board members	Attendance (number of meetings)[3]			
	Board of Directors (18)	Audit Committee (9)	Remuneration and Nomination Committee (12)	Strategy and Digital Transformation Committee (7)
Andreas Blase	18/18			
Pavel Breev	8/8			
John Browett	10/10		6/6	5/7
Eldar Vagapov	8/8			2/2
Said Gutseriev	16/18			3/5
Andrey Derekh	8/8	5/5	6/6	
Vilen Eliseev	8/8			2/2
Anton Zhuchenko	8/8			
Ekaterina Lapshina	10/10	4/4	6/6	
Alexey Makhnev	8/8			
Avet Mirakyan	18/18		6/6	
Riccardo Orcel	10/10	4/4		
Vladimir Preobrazhensky	18/18	9/9	12/12	6/7
Alexander Tynkovan	17/18		5/6	7/7
Bilan Uzhakhov	8/8			
Enrique Fernandez	18/18			7/7
Janusz Lella	8/8	5/5	6/6	

[3] The data in the 5/6 format means that a Board member attended five out of six meetings of the Board of Directors (or relevant committees).

Information about Board members as of December 31, 2021

ALEXANDER
TYNKOVAN

Chairman of the Board of Directors
since May 18, 2021

Born in 1967

Founder of M.Video.

In 1992, Alexander graduated with honors from Moscow Power Engineering Institute. A year later, he opened the first store together with his partners creating the M.Video brand and setting up a company.

Between 1993 and 2017, he remained at the helm of M.Video's growing business.

In 2007, Alexander led the company through its IPO.

Since 2006, he has been a member of the Board of Directors of PJSC M.video, taking over as Chairman on May 18, 2021.

In 2013–2017, Alexander used to be the CEO of PJSC M.video, then its President between December 2017 and November 2020.

In 2008–2015, Alexander had a seat on X5 Retail Group's Supervisory Board and was re-elected in 2021.

Since June 2021, he has also served on the Board of Directors at Fix Price Group Ltd.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on July 1, 2006.

Shareholding in the Company's charter capital	Common shares held
0%	**0%**

The Company is unaware of any transactions made by Mr. Tynkovan to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Tynkovan (including that related to his membership in governing bodies of the Company's peers).

SAID
GUTSERIEV

Chairman of the Board of Directors
before May 7, 2021

Born in 1988

In 2011, Said graduated from Plymouth Business School, part of the University of Plymouth, and in 2014 he obtained a master's degree from the University of Oxford (St. Peter's College).

In 2012–2014, he was with Glencore UK Ltd. In 2014, he left the company to become CEO at JSC ForteInvest, leading it all the way through 2021. In addition, Said was Chairman of the Board of Directors at JSC Preobrazhenskneft, JSC Oilgastet, Geoprogress LLC, and a Board member at PJSC NK RussNeft, JSC Russian Coal, JSC Neftisa Oil Company, JSC Korporatsiya A.N.D., and multiple other companies. He is also a Board member at PJSC SFI, PJSC Leasing Company Europlan, JSIC VSK, and MARKETLPLACE LLC.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on August 7, 2017.

Shareholdings

Direct ownership:

Shareholding in the Company's charter capital	Common shares held
0.0455%	**0.0455%**

The Company is unaware of any transactions made by Mr. Gutseriev to acquire or dispose of the Company's shares in the reporting period.

Indirect ownership:

Indirect shareholding *(through Ericaria Holdings Limited and its subsidiaries)*	Indirect shareholding *(through Veridge Investments Limited / Weridge Investments Limited and their subsidiaries)*
50.0000008%	**10.3735%**

In the reporting period, Said Gutseriev was an interested party to certain transactions. This fact was taken into account when such transactions were approved by the Company's governing bodies. The Company is unaware of any conflict of interest involving Mr. Gutseriev (including that related to his membership in governing bodies of the Company's peers).

ANDREAS
BLASE

Born in 1983

Vice-President M&A / Portfolio Management, Ceconomy. Chief Investment Officer, Member of the Executive Board at MediaMarktSaturn Retail Group.

In 2015–2016, M&A Director at Federal Mpgul GmbH, in 2010–2015, Investment Director at Capvic Equity Partners AG.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on January 18, 2019.

Shareholding in the Company's charter capital

0%

ДCommon shares held

0%

The Company is unaware of any transactions made by Mr. Blase to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Blase (including that related to his membership in governing bodies of the Company's peers).

JOHN
BROWETT

Born in 1963

John Browett is currently Non-Executive Chairman at Northern Building Plastics, Cifas, Dome House, and Roofmaker and a non-executive director at Yoti, Wehkamp, and Octopus Capital.

Since 2019, he has been Executive Chairman at Internet Fusion Group.

His track record also features Chief Executive of Dunelm PLC and Monsoon Accessorize, and Senior Vice-President of Retail at Apple.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on May 7, 2021.

Shareholding in the Company's charter capital

0%

Common shares held

0%

The Company is unaware of any transactions made by Mr. Browett to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Browett (including that related to his membership in governing bodies of the Company's peers).

EKATERINA
LAPSHINA

Born in 1983

Ekaterina graduated from the Institute of International Economic Relations (at the Russian Foreign Trade Academy) majoring in Global Economy and International Trade, and from Financial University under the Government of the Russian Federation with a master's degree in economics. She completed additional educational programs at NSEAD Business School and THNK School of Creative Leadership.

Ekaterina holds a CMA certificate (Certified Management Accountant, USA).

She is the founder of the investment company ERA Capital and co-founder of Okko, a VoD streaming service.

In 2017, Ekaterina founded ERA Capital, which manages a portfolio of mining assets and venture capital investments in the technology sector.

From 2015 to 2018, she headed the Moscow office of MARSFIELD CAPITAL LTD (UK) and was Director of Yota.

Ekaterina is CEO of ERA-Transportnye Resheniya LLC, Amur-Logistika LLC, ERA LLC, ERA-Dobycha LLC, Ogodzha LLC, ER-TIM LLC, ER-1 LLC, and M-KOM LLC.

She serves on the Board of Directors at RT-Razvitie Biznesa LLC, Spetsdorproekt LLC, Epokha Digital LLC, JSC Stalmost, JSC ER-Telecom Holding, and S-Telecom LLC.

On February 15, 2022, Ekaterina was appointed CEO of Akado Holding.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on May 7, 2021.

Shareholding in the Company's charter capital

0%

Common shares held

0%

The Company is unaware of any transactions made by Ms. Lapshina to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Ms. Lapshina (including that related to her membership in governing bodies of the Company's peers).

AVET
MIRAKYAN

Born in 1974

In 1996, Avet graduated from Yerevan State University with a degree in International Economic Relations.

For six years since 2009, he was with E&Y.

Since 2016, he has been a Board member at PJSC SFI and JSIC VSK, and since 2017, at PJSC Leasing Company Europlan.

Avet used to serve on the Board of Directors at Specialized Developer A101 LLC, JSC Mospromstroy-Fund National Pension Fund, PJSC Kuzbass Fuel Company, Proekt-Grad LLC, and other companies.

Since August 2017, he has worked as CEO of PJSC SFI.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on August 7, 2017.

Shareholding in the Company's charter capital

0.000807%

Common shares held

0.000807%

The Company is unaware of any transactions made by Mr. Mirakyan to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Mirakyan (including that related to his membership in governing bodies of the Company's peers).

RICCARDO

ORCEL

Born in 1965

In 2011–2021, Ricardo worked as Managing Director, Head of Global Banking at VTB Capital and was a member of its Executive Committee.

Since 2021, he has served as Vice Chairman at VTB Capital.

In 2014–2021, he was Senior Vice-President, Head of VTB International, including VTB India, VTB Shanghai, VTB Vietnam, VTB Serbia and VTB Angola, and also Senior Vice-President, Head of International Client Coverage at VTB Bank.

In 2012–2018, Riccardo served as a non-executive director on the Board of Directors of En+ Group (a holding company for such majors as EuroSibEnergo and RUSAL).

From 2006 to 2011, he was with Merrill Lynch and Bank of America Merrill Lynch in London and New York.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on May 7, 2021.

Shareholding in the Company's charter capital

0%

Common shares held

0%

The Company is unaware of any transactions made by Mr. Orcel to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Orcel (including that related to his membership in governing bodies of the Company's peers).

VLADIMIR

PREOBRAZHENSKY

Born in 1961

Graduated from Moscow Aviation Institute.

A Visiting Professor at the National Research University Higher School of Economics since 2013, he used to sit on the Board of Directors at Volga-Dnepr-Moscow LLC, Volga-Dnepr Logistics B.V. and MULTiKUBIK LLC.

At present, he serves as Independent Director at BI Capital Group (Republic of Kazakhstan).

First elected to the Company's Board of Directors by the General Meeting of Shareholders on June 20, 2016.

Shareholding in the Company's charter capital

0.0025%

Common shares held

0.0025%

The Company is unaware of any transactions made by Mr. Preobrazhensky to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Preobrazhensky (including that related to his membership in governing bodies of the Company's peers).

ENRIQUE FERNANDEZ

Born in 1968

Enrique graduated from the University of Zaragoza (Faculty of Economics) and also holds an MBA from ICADE School of Business and Economics (Madrid).

His track record includes over 15 years in both consumer electronics manufacturing and retail. Before stepping into CE retail, Enrique held sales and marketing roles at Whirlpool Europe.

Between 2003 and 2007, he held various leadership positions at Media-Saturn Holding GmbH. In his last role with Media-Saturn Holding, he was in charge of procurement for MediaMarkt and Saturn.

In 2007–2009, Enrique served as Vice-President for Procurement at Eldorado.

In 2009, he joined M.Video as Commercial Director and became CEO of MVM LLC in 2016.

He remained CEO of MVM LLC after the merge of M.Video and Eldorado in 2018 and until 2020.

Since June 2020, he has served on the Company's Board of Directors.

In January 2022, Enrique was appointed CEO of PJSC M.video, MVM LLC and MV FINANCE LLC (M.Video-Eldorado Group companies).

First elected to the Company's Board of Directors by the General Meeting of Shareholders on June 22, 2020.

Shareholding in the Company's charter capital

0%

Common shares held

0%

The Company is unaware of any transactions made by Mr. Fernandez to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Fernandez (including that related to his membership in governing bodies of the Company's peers).

Board members whose powers were terminated on May 7, 2021[1]

PAVEL BREEV

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1967

A founder of M.Video.

1986: graduated from Tumansky Moscow Aviation Engine-Building Technical College. 2006–2021: member of the Board of Directors at PJSC M.video, 2013–2017: CEO of MVM LLC (formerly M.video Management), April 2013 — November 2020: Executive Director of PJSC M.video, June 2017 — May 2021: member of the Management Board at PJSC M.video, July 2017 — February 2019: member of the Board of Directors at ELDORADO LLC, July 2018 — February 2019: member of the Management Board at ELDORADO LLC, August 2017 — September 2020: Vice-President of MVM LLC, since October 2020: Advisor at MVM LLC.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on July 1, 2006.

The Company is unaware of any transactions made by Mr. Breev to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Breev (including that related to his membership in governing bodies of the Company's peers).

ELDAR VAGAPOV

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1981

2002: graduated from the University of Cambridge. 2009–2015: Advisor to the CEO of ERFID LLC. 2015–2017: Advisor to the CEO, and Investment Director of JSC ForteInvest. Since 2017: CEO of Larnabel Ventures LLC. Since 2020: Director (sole Executive Body) of Region Estate LLC. Eldar is also a member of the Board of Directors at UNISCAN / GS1 RUS Association of Automatic Identification, ERFID LLC.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on June 29, 2018.

The Company is unaware of any transactions made by Mr. Vagapov to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Vagapov (including that related to his membership in governing bodies of the Company's peers).

[1] *As of the end of the reporting year, they were not members of the Company's Board of Directors. The information is valid as of the date of terminating the powers of the Board members.*

ANDREY DEREKH

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1968

1992: graduated from Minsk Radio Engineering Institute, 1994: International Institute of Management of the Republic of Belarus, 2020: obtained a Diploma from the Chartered Institute of Marketing, 2003: completed specialized training in development and management in the oil and gas sector for managers of the CIS based on the SABIT program in the U.S. Since 2012: Chairman of the Board of Directors, Deputy Director for Foreign Trade of CJSC UNITER Investment Company (Belarus), since September 2016: Independent Director of PJSC RussNeft, March 2016 — September 2017: member of the Board of Directors at Slavkaliy FLLC (Belarus), September 2017 — February 2019: member of the Management Board at New Economic Strategy Fund (Belarus).

First elected to the Company's Board of Directors by the General Meeting of Shareholders on August 7, 2017.

The Company is unaware of any transactions made by Mr. Derekh to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Derekh (including that related to his membership in governing bodies of the Company's peers).

ANTON ZHUCHENKO

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1975

Graduated from Lomonosov Moscow State University. Since 2008: Director of GCM Global Energy PLC and member of the Board of Directors at JSC Russian Coal, Slavkaliy FLLC, JSC Neftisa Oil Company, JSC ForteInvest, and other companies, Chairman of the Board of Directors at several hotel businesses.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on August 7, 2017.

The Company is unaware of any transactions made by Mr. Zhuchenko to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Zhuchenko (including that related to his membership in governing bodies of the Company's peers).

VILEN ELISEEV

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1987

2009: graduated from Kuban State University, 2010: Kuban State Agrarian University. Since 2016: supporting both public and M&A transactions, acting as Director of the Investments and Capital Markets Department at PJSC SFI since February 2018 (previously Investment Director at PJSC SFI). October 2017 — February 2019: member of the Board of Directors at ELDORADO LLC. Previously held various positions at PwC's business consulting department, specializing in the support of capital transactions.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on December 18, 2017.

The Company is unaware of any transactions made by Mr. Eliseev to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Eliseev (including that related to his membership in governing bodies of the Company's peers).

JANUSZ LELLA

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1957

1980: graduated from the Warsaw University of Technology, Faculty of Chemical and Process Engineering. May 2015 — October 2017: CEO at Malpka S.A. 2013–2014: General Director of Supermarket format at X5 Retail Group, Russia, 2009–2012: CEO at Castorama, Poland, 2005–2009: Retail Sales Director at M.video Management LLC. January–August 2017: member of the Supervisory Board at OJSC Sedmoi Kontinent. October 2018 — September 2019: member of the Supervisory Board at TXM S.A. Since September 2017: member of the Supervisory Board at BRW S.A. (Black Red White).

First elected to the Company's Board of Directors by the General Meeting of Shareholders on August 7, 2017.

The Company is unaware of any transactions made by Mr. Lella to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Lella (including that related to his membership in governing bodies of the Company's peers).

ALEXEY MAKHNEV

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1976

1998: graduated from the St. Petersburg State University of Economics and Finance, 2001: obtained a postgraduate degree from the St. Petersburg State University of Economics and Finance. 2009 — March 2018: Managing Director, Head of the Consumer Sector, Retail and Real Estate Division at JSC VTB Capital, January 2013 — March 2018: Head of the Retail, Agro, Consumer Goods and Pharmaceuticals Unit in the Department for Client Relations with Market Industries, and Senior Vice-President at VTB Bank (PJSC). June 2009 — June 2015: member of the Board of Directors at PJSC Magnit, since April 2015: member of the Board of Directors at PJSC LSR Group, since March 2018: member of the Board of Directors at VTB Real Estate LLC, since April 2018: member of the Board of Directors at PJSC Magnit. Since March 2018: Advisor to the First Deputy President and Chairman of the Management Board, and Senior Vice-President for Client Relations with Market Industries at VTB Bank (PJSC).

First elected to the Company's Board of Directors by the General Meeting of Shareholders on August 7, 2017.

The Company is unaware of any transactions made by Mr. Makhnev to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Makhnev (including that related to his membership in governing bodies of the Company's peers).

BILAN UZHAKHOV

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1987

2010: graduated from the University of Hamburg, 2011: Plekhanov Russian University of Economics, 2014: the Higher School of Economics, 2017: Sberbank Corporate University together with London Business School (Executive Development Program). November 2010 — October 2012: worked for OJSC RussNeft, specializing in lending, including in his role as Head of Loans and Capital Markets. July 2013 — July 2017: CEO at JSC Russian Coal, since 2013: member of the Board of Directors at JSC Russian Coal, since June 2017: member of the Management Board at PJSC M.video, March 2017 — February 2019: member of the Board of Directors at ELDORADO LLC, since August 2017: member of the Board of Directors at PJSC M.video, 2017 — September 2020: CEO at MVM LLC and CEO at PJSC M.video, January 2018 — February 2019: CEO at ELDORADO LLC, July 2018 — February 2019: member of the Management Board at ELDORADO LLC.

First elected to the Company's Board of Directors by the General Meeting of Shareholders on August 7, 2017.

The Company is unaware of any transactions made by Mr. Uzhakhov to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Uzhakhov (including that related to his membership in governing bodies of the Company's peers).

WORK OF COMMITTEES

Committees of the Board of Directors were created to facilitate the work of the Board of Directors and address issues that fall within their remit. There are three committees of the Company's Board of Directors:

- Audit Committee;
- Remuneration and Nomination Committee;
- Strategy and Digital Transformation Committee.

Audit Committee

The main focus of the Audit Committee is to ensure that the Board of Directors effectively deals with the matters of control over financial and business operations of the Company and Group companies.

Members of the Audit Committee

Before May 7, 2021	After May 18, 2021
Vladimir Preobrazhensky Independent Director — Chair of the Audit Committee	**Ekaterina Lapshina** Independent Director — Chair of the Audit Committee
Andrey Derekh Independent Director	**Vladimir Preobrazhensky** Independent Director
Janusz Lella Independent Director	**Riccardo Orcel** Non-Executive Director

In the reporting year, the Audit Committee held nine meetings of which six were in-person and three in the form of absentee voting.

For details on the participation of the Audit Committee members in its activities, see the Members of the Board of Directors section.

Remuneration and Nomination Committee

The main focus of the Remuneration and Nomination Committee is to ensure that the Board of Directors effectively deals with activities of the Company and Group companies in connection with nomination and remuneration of members of the Board of Directors, executive bodies, and other key executives of the Company and Group companies, as well as the Audit Commission members.

Members of the Remuneration and Nomination Committee

Before May 7, 2021	After May 18, 2021
Janusz Lella Independent Director — Chairman of the Remuneration and Nomination Committee	**John Browett** Independent Director — Chairman of the Remuneration and Nomination Committee
Vladimir Preobrazhensky Independent Director	**Ekaterina Lapshina** Independent Director
Andrey Derekh Independent Director	**Avet Mirakyan** Non-Executive Director
	Vladimir Preobrazhensky Independent Director
	Alexander Tynkovan Non-Executive Director

In the reporting year, the Remuneration and Nomination Committee held twelve meetings of which ten were in-person and two in the form of absentee voting.

For details on the participation of the Remuneration and Nomination Committee members in its activities, see the Members of the Board of Directors section.

Strategy and Digital Transformation Committee

The main focus of the Strategy and Digital Transformation Committee is to ensure that the Board of Directors effectively deals with matters related to the strategy of the Company and Group companies, as well as to the development of IT systems necessary for the Company and Group companies.

Members of the Strategy and Digital Transformation Committee

Before May 7, 2021	After May 18, 2021
Alexander Tynkovan Chairman of the Strategy and Digital Transformation Committee	**Vladimir Preobrazhensky** Independent Director — Chairman of the Strategy and Digital Transformation Committee
Eldar Vagapov Non-Executive Director	**John Browett** Independent Director
Vilen Eliseev Non-Executive Director	**Said Gutseriev** Non-Executive Director
Vladimir Preobrazhensky Independent Director	**Alexander Tynkovan** Non-Executive Director
Enrique Fernandez Non-Executive Director	**Enrique Fernandez** Non-Executive Director

In the reporting year, the Strategy and Digital Transformation Committee held seven meetings. All meetings were held in person.

For details on the participation of the Strategy and Digital Transformation Committee members in its activities, see the Members of the Board of Directors section.

For reports on the work of the Board committees, see the Annex to this Annual Report.

CORPORATE SECRETARY

The Corporate Secretary is a Company official appointed by the Board of Directors and taking all steps necessary to ensure the preparation and holding of the General Meeting of Shareholders and meetings of the Board of Directors and its committees in accordance with the requirements of the Russian laws and the Company's Charter and bylaws. The Corporate Secretary ensures the proper implementation of procedures aimed at exercising the rights and protecting the legitimate interests of shareholders, and oversight of such implementation. The Corporate Secretary is the person responsible for disclosing insider information.

The Corporate Secretary ensures the communication of the Company with government bodies, trade organizers, the registrar, and other professional participants in the securities market and performs their instructions within the Corporate Secretary's powers.

The functions of the Corporate Secretary also include organizing and monitoring of compliance with, and/or implementing the legal requirements for timely, complete and reliable disclosure of information by the Company; maintaining a list of the Company's insiders.

Information about the Corporate Secretary

OLGA SHALGACHEVA

(acted as Corporate Secretary until September 23, 2021)

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1983

2007: graduated from the People's Friendship University of Russia with a degree in Economics and Business Management (by sector) and the People's Friendship University of Russia with a degree in English-Russian Technical Translation. 2011: graduated from Griboedov Institute of International Law and Economics with a degree in Law.

2014–2017: Corporate Secretary at PJSC MDM Bank, 2017: Head of Corporate Affairs at PJSC FUTURE Financial Group, 2018 — September 2021: Corporate Secretary at PJSC M.video.

The Corporate Secretary has not held any positions in governing bodies of other legal entities over the last five years.

The Company is unaware of any transactions made by Ms. Shalgacheva to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Ms. Shalgacheva (including that related to her membership in governing bodies of the Company's peers).

ANASTASIA LESHCHENKO

(acting as Corporate Secretary since September 24, 2021)

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1991

Graduated from the Moscow State Institute of International Relations (MGIMO University) at the Russian Ministry of Foreign Affairs with a degree of Bachelor (2012) and Master (2014) of International Private and Civil Law.

Current position: Corporate Secretary at PJSC M.video.

The Corporate Secretary has not held any positions in governing bodies of other legal entities over the last five years.

Prior to her appointment as Corporate Secretary at PJSC M.video, Ms. Leshchenko exercised similar functions at Allianz Group in Russia and PJSC Rosgosstrakh Insurance Company, and was the Head of Corporate Secretary Office at En+ Group.

The Company is unaware of any transactions made by Ms. Leshchenko to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Ms. Leshchenko (including that related to her membership in governing bodies of the Company's peers).

The Corporate Secretary was elected by the Board of Directors of the Company (Minutes No. 207/2021 dated September 23, 2021).

MANAGEMENT BOARD

In 2021 up until May 21, the Company had a collective executive body in the form of its Management Board.

The Annual General Meeting of Shareholders approved a new version of the Company's Articles of Association, which established the Company's Chief Executive Officer as its sole and only executive body. On May 21, 2021, the revised Articles of Association underwent state registration.

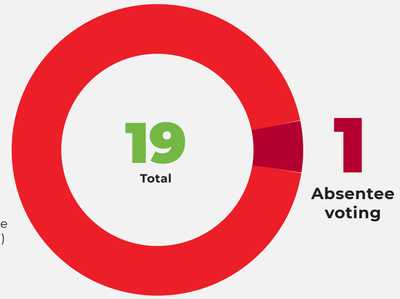
Prior to that date, the management of the Company's day-to-day activities fell within the remit of both the Management Board and the sole executive body. With the Management Board abolished, the CEO has now taken full control over the Company's operations.

The Management Board acted on the basis of the Company's Articles of Association and the Regulation on the Management Board, reporting directly to the Board of Directors and the General Meeting of Shareholders.

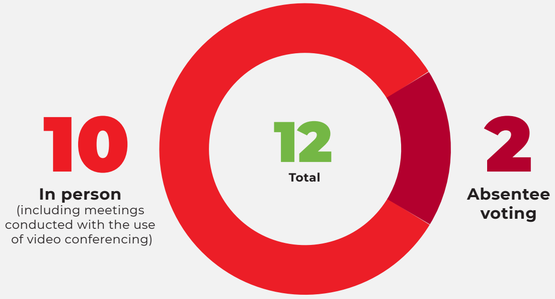
MEETINGS OF THE MANAGEMENT BOARD

The overwhelming majority of issues considered by the Management Board constituted matters on preliminary approval of the actions and resolutions of the Company's CEO or other authorized representatives for meetings of shareholders (members) of Group companies and other entities, where the Company is a shareholder (member), and when making decisions on behalf of the Company as the sole shareholder (member) of Group companies on issues within the remit of the Company's Management Board.

Meetings in 2020



Meetings in 2021



COMPOSITION OF THE MANAGEMENT BOARD

Information on the members of the Management Board

ALEXANDER IZOSIMOV
Chairman of the Management Board

Shareholding in the Company's charter capital
0.3264%

Common shares held
0.3264%

Born in 1964

Education: higher — Systems Engineer, Moscow Aviation Institute, 1987; MBA, INSEAD, 1995.

Alexander Izosimov was an interested party to certain transactions in 2021. This fact was taken into account by the Company's governing bodies when approving such transactions.

The Company is unaware of any other conflict of interest involving Mr. Izosimov, including that related to his membership in the governing bodies of the Company's peers.

PAVEL BREEV

Shareholding in the Company's charter capital
0%

Common shares held
0%

Born in 1967

Education: vocational — Tumansky Moscow Aviation Engine-Building Technical College.

The Company is unaware of any conflict of interest involving Mr. Breev, including that related to his membership in the governing bodies of the Company's peers.

DAGMARA IVANOVA

Shareholding in the Company's charter capital

0.01%

Common shares held

0.01%

Born in 1980

Education: higher — Faculty of Mechanics and Mathematics of Lomonosov Moscow State University.

The Company is unaware of any conflict of interest involving Mr. Breev, including that related to his membership in the governing bodies of the Company's peers.

SERGEY LI

Shareholding in the Company's charter capital

0.01%[1]

Common shares held

0.01%[1]

Born in 1975

Education: higher — Moscow Technical University of Communications and Informatics.

The Company is unaware of any conflict of interest involving Mr. Li, including that related to his membership in the governing bodies of the Company's peers.

EKATERINA SOKOLOVA

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1974

Education: higher – Institute of Business and Economics at the Russian Presidential Academy of National Economy and Public Administration; ACCA Diploma in International Financial Reporting; California State University, MBA.

The Company is unaware of any conflict of interest involving Mr. Breev, including that related to his membership in the governing bodies of the Company's peers.

ALEXEY SUKHOV

Shareholding in the Company's charter capital

0.0073%[2]

Common shares held

0.0073%[2]

Born in 1978

Education: higher — Degree in Law from Peoples' Friendship University of Russia.

Current position: Director for Corporate and Legal Relations at MVM LLC.

The Company is unaware of any conflict of interest involving Mr. Sukhov, including that related to his membership in the governing bodies of the Company's peers.

BILAN UZHAKHOV

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1987

Education: higher — University of Hamburg; Plekhanov Russian University of Economics; Sberbank Corporate University in cooperation with the London Business School; National Research University Higher School of Economics.

The Company is unaware of any conflict of interest involving Mr. Uzhakhov, including that related to his membership in the governing bodies of the Company's peers.

[1] *The data is provided as of the termination date of the member of the Management Board (21 May 2021).*
[2] *The data is provided as of the termination date of the member of the Management Board (21 May 2021). As of 31 January 2021, the individual's shareholding in the Company's charter capital was 0%.*

SOLE EXECUTIVE BODY — CHIEF EXECUTIVE OFFICER

The Company's CEO acts as its sole executive body, managing current activities of the Company and overseeing the implementation of resolutions made by the General Meeting of Shareholders and the Board of Directors.

The CEO has the right to make decisions on any matters outside the remit of the Company's General Meeting of Shareholders and the Board of Directors.

The CEO reports to the Company's General Meeting of Shareholders and Board of Directors.

Information on the CEO

ALEXANDER IZOSIMOV[1]

Shareholding in the Company's charter capital

0.3264%

Common shares held

0.3264%

Born in 1964

Education: higher — Systems Engineer, Moscow Aviation Institute, 1987; MBA, INSEAD, 1995.

Alexander began his management career in 1991 at international firm McKinsey & Company. 1996–2003: worked at Mars Inc.

2003–2009: held the position of CEO at OJSC VimpelCom (Beeline).

Since 2007: at various times a director on the boards of MTG AB, LM Ericsson AB, East Capital AB, Transcom AB, Teleopti AB, Nilar AB, and Hövding AB. Currently, a member of the board of directors at EVRAZ Plc and the supervisory board of PJSC Moscow Exchange.

October 1, 2020 — January 17, 2022: CEO of MVM LLC and PJSC M.video;
December 25, 2020 — January 17, 2022: CEO of MV FINANCE LLC (the Group's company).

Alexander Izosimov was an interested party to certain transactions in 2021. This fact was taken into account by the Company's governing bodies when approving such transactions.

The Company is unaware of any other conflict of interest involving Mr. Izosimov, including that related to his membership in the governing bodies of the Company's peers.

FERNANDEZ AISA ENRIQUE ANGEL[2]

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1968

Education: the University of Zaragoza (Faculty of Economics) and an MBA from ICADE School of Business and Economics (Madrid).

His track record includes over 15 years in both consumer electronics manufacturing and retail. Before stepping into CE retail, Enrique held sales and marketing roles at Whirlpool Europe.

2003–2007: held various leadership positions at Media-Saturn Holding GmbH. In his last role with Media-Saturn Holding, he was in charge of procurement for MediaMarkt and Saturn.

2007–2009: Vice President for Procurement at Eldorado. 2009: joined M.Video as Commercial Director; in 2016, he became CEO of MVM LLC.

He remained CEO of MVM LLC after the merge of M.Video and Eldorado in 2018 and until 2020.

Since June 2020: member of the Company's Board of Directors.

In January 2022, Enrique was appointed CEO of PJSC M.video, MVM LLC and MV FINANCE LLC (M.Video-Eldorado Group companies).

He was first elected to the Board of Directors by the General Meeting of Shareholders on June 22, 2020.

The Company is unaware of any transactions made by Mr. Fernandez to acquire or dispose of the Company's shares in the reporting period.

The Company is unaware of any conflict of interest involving Mr. Fernandez, including that related to his membership in the governing bodies of the Company's peers.

[1] *CEO from October 1, 2020 to January 17, 2022.*
[2] *After the end of the reporting period, the Board of Directors decided to terminate the powers of the Company's CEO Alexander Izosimov on January 17, 2022 (his last working day in this position) and elect Fernandez Aisa Enrique Angel as the Company's CEO effective January 18, 2022.*

5.3 RISKS, AUDIT, AND CONTROL

The Board of Directors of PJSC M.video and the united M.Video-Eldorado Group is responsible for developing, introducing and implementing an effective risk management and internal control system.

It was created to monitor progress in achieving the Company's strategic and operational goals, ensure reliable information disclosure and oversee regulatory compliance. System processes are designed to timely identify the key risks, assess their probability and effects, as well as to develop and ensure the implementation of actions intended to reduce risk probability and/or risk effect on the Company's business.

When dealing with issues related to creating shareholder value, the Company has to make management decisions based on various factors that could have both positive and negative impacts on its goals. One way to reduce the uncertainty caused by such factors is to raise awareness among shareholders, management and employees about the existence of factors that could influence the achievement of these goals, and to assess their possible impact.

To make sure that risk management and internal control processes are sufficiently efficient, the Company employs the following three-tier organizational model for its risk management and internal control system:

Tier 1 — business departments responsible for continuous risk management and arrangement of efficient controls;

Tier 2 — departments responsible for risk management and internal control coordination, compliance systems, and other business units that build and maintain an effective risk management and internal control system;

Tier 3 — internal audit responsible for audits and independent assessment of risk management and internal control system efficiency.

Throughout 2021, the Company continued to develop its risk management and internal control system in the following key areas:

- improvement of quantitative risk assessment methods that imply the use of statistical models;
- analysis of risks and control procedures in the key business processes / focus areas, identification of internal control weaknesses and drafting recommendations for their elimination;
- update of risk management and internal control processes, inter alia, to strengthen the synergies between risk management and internal control.

5.3.1 RISK MANAGEMENT [102-30]

Risk management in M.Video-Eldorado Group is centralized within the holding company, PJSC M.video, and constitutes a set of comprehensive measures and interrelated processes that aim to:

- Develop risk management as a continuous cyclical management process;
- Integrate risk management principles and tools into the Company's operational processes;
- Develop risk management as one of the key management skills of the Company's employees;
- Develop risk management as an integral part of the Company's corporate culture and all its business processes.

KEY RISKS OF THE COMPANY [102-15]

The Company sells products for which the demand is sensitive to changes in economic conditions and factors affecting consumer expenditures. The slowdown in Russia's economy and the uncertain economic prospects could adversely impact the consumer demand and consequently the Company's operating results.

Amid considerable international and economic uncertainties associated with the restrictions imposed on the Russian Federation by foreign states, the most significant risks for the Company may include the following:

- contraction in demand for goods sold by the Company as a result of rising interest rates and reduced availability of consumer lending, decline in the real incomes of households driven by inflation, mounting unemployment, higher prices for imported goods and products manufactured in Russia with the use of imported components;
- shortage of goods for sale as a result of suspension or complete cessation of deliveries by foreign manufacturers, reduced or discontinued production of goods from imported components in Russia, disruptions in the global supply chains;
- rising prices for the equipment and materials required to open new and maintain existing retail stores and warehouses;
- loss of stability and failures of IT systems as a result of restrictions imposed on the use of foreign software and termination of its support in Russia, as well as cessation of the activities of Russian IT developers in an unfavorable economic situation;
- escalation of the Company's debt management costs as a result of higher interest rates on loans, potentially rising finance-raising needs to ensure the sufficiency of products for sale amid growing prices, decreased grace period for the supply of goods, and transition of suppliers to prepayment;
- risk of stronger international sanctions, introduction of sanctions targeting the Company and/or its beneficiaries which can significantly limit the Company's ability to continue its activities.

In addition, the Company may also be exposed to the following risks:

- Risk of reduced sales volumes and profitability resulting from changes in the competitive environment and increased competition in the consumer electronics market;
- Working capital volatility and reduction in liquidity;
- COVID-19 pandemic risk;
- Business disruption due to IT system failures;
- Disruption in the supply chain;
- Cyberfraud and data leakage risks;
- Failure to achieve the goals of digital transformation;
- Risk of theft and fraud;
- Risk implying the application of the Law on Trade to non-food retail;
- Tax risk;
- Conflicts of interest and unfair business practices, corruption risk;
- Risk of infringing third-party intellectual property rights;
- Risk of violating antimonopoly laws;
- Risk of accidents at the Company's facilities;
- Risk of staffing shortages and personnel turnover;
- Failure to comply with sustainability requirements.

M.Video-Eldorado Group makes efforts and takes practical steps towards reducing the impact of such risks on its business.

RISK MANAGEMENT AS PART OF THE CORPORATE CULTURE

The Company acknowledges that risk management is an integral part of its corporate culture and is committed to raising employees' awareness in this field and encouraging them to embrace risk management as part of their daily activities.

> **The Company views employees' involvement in risk management, including identifying and assessing risks, as a valuable and obligatory contribution to its successful development.**

5.3.2 AUDIT AND CONTROL

Financial and business operations of the Company are overseen by:

- Board of Directors (Audit Committee of the Board of Directors);
- Audit Commission;
- Internal Audit function;
- Internal Control and Risk Management function;
- External auditor.

BOARD OF DIRECTORS (AUDIT COMMITTEE OF THE BOARD OF DIRECTORS)

Audit and control matters reserved to the Board of Directors are preliminarily reviewed by the Audit Committee of the Board of Directors. On behalf of the Board, the Committee communicates with the key participants of the Company's financial and business operations and is in charge of preliminary review of and recommendations for the Board on the matters of internal audit, including approval of the annual action plan for the Internal Audit Service.

AUDIT COMMISSION

The Audit Commission, a permanent control body elected annually by the General Meeting of Shareholders, is in charge of control over the Company's financial and business operations. The Audit Commission consists of three members. The Audit Commission is governed by PJSC M.video's Regulation on the Audit Commission as approved by the General Meeting of Shareholders[1].

The Company's financial and business operations are reviewed by the Audit Commission after the completion of each year, and also at any time as may be found reasonable by the Audit Commission, as requested by the General Meeting of Shareholders, Board of Directors or shareholders who hold collectively at least 10% of the Company's voting shares.

The Audit Commission periodically reviews the Company's financial and business operations, and the activities of its governing bodies and officials through audits of the following:

- legitimacy, economic rationale and viability (efficiency) of the Company's financial and business operations in the audit period;
- completeness and accuracy of the information on the financial and business operations in the Company's management accounts;
- legitimacy, economic merits and effectiveness of actions taken by the Company's officials, members of governing bodies and heads of structural units for compliance with the laws of the Russian Federation, as well as the Company's Charter and internal documents.

Audit Commission members in 2021

EVGENY BEZLIK

Born in 1975

Shareholding in the Company's charter capital	Common shares held
0%	0%

Education: higher — Tashkent Military Technical College.

On the Company's Audit Commission since 2013. 2011–2018: Head of Internal Investigation Office at MVM LLC; since 2018: Head of Internal Investigation Department at MVM LLC

ANDREY GOROKHOV

Born in 1980

Shareholding in the Company's charter capital	Common shares held
0%	0%

Education: higher — Ivanovo State University of Chemistry and Technology.

July 2007 — October 2015: Head of Financial and Investment Analysis Department, PromSvyazKapital LLC; October 2015 — February 2017: Head of Financial and Investment Analysis Division, PJSC Promsvyazbank. Currently Chairman of the Board of Directors at CJSC IP Slavneftekhim. 2017–2021: member of the Board of Directors at JSC Russian Coal and PJSC Mospromstroy. Currently member of the Audit Commission at JSC Europlan Leasing Company and PJSC SFI. On the Company's Audit Commission since August 2017.

ALEXEY ROZHKOVSKY

Born in 1984

Shareholding in the Company's charter capital	Common shares held
0%	0%

Education: higher — Novosibirsk State University of Economics and Management, Diploma in International Financial Reporting (DipIFR ACCA), Master of Business Administration, Management College of South Africa, PhD in Economics.

August 2012 — December 2015: Head of Analytical Department at PJSC MDM Bank. Currently member of the Audit Commission at PJSC SFI, JSC Europlan Leasing Company, JSIC VSK; Director of the Finance Department and Deputy Finance Director at PJSC SFI. On the Company's Audit Commission since August 2017.

[1] *Minutes No. 31 dated November 10, 2020.*

INTERNAL AUDIT

An Internal Audit function has been established in the Company. The Head of Internal Audit reports to the Company's Board of Directors, is appointed and dismissed by the CEO based on the decision of the Board of Directors.

The Head of Internal Audit reports to the Company's Board of Directors and is accountable to the Company's CEO.

The Internal Audit is governed by PJSC M.video's Regulation on the Internal Audit as approved by the Board of Directors[1].

The key competences of the Internal Audit are as follows:

- assistance to the Company's executive bodies and employees in the implementation and monitoring of procedures and measures for enhancing the internal control and risk management system and for corporate governance;
- coordination with the Company's external auditor and risk management, internal control and corporate governance consultants;
- conduct of internal audits of the Group companies as per the established procedure;
- preparation and submission to the Board of Directors and executive bodies of reports on the Internal Audit performance (including information on material risks, deficiencies, results and effectiveness of remedial activities, progress against the Internal Audit action plan, results of assessment of the actual status, reliability and efficiency of the internal control and risk management system and corporate governance framework);
- ensuring compliance on the part of the Company's executive bodies and employees with the provisions of laws and the Company's internal policies regarding insider information and countering corruption, and the Company's Code of Business Ethics.

The Audit Committee of the Board of Directors and the Board of Directors regularly review the reports of the Head of Internal Audit and assess their performance. According to the Board of Directors, the internal audit process is in line with the Company's expectations.

Head of Internal Audit in 2021

ARTEM YANKO

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1985

Education: higher — Nizhny Novgorod State University, Economics (Accounting and Audit).

August 2015 — January 2019: Head of Internal Audit Department at Media-Markt-Saturn LLC; since September 2020: Head of the Company's Internal Audit ad Head of Internal Audit Department at MVM LLC.

INTERNAL CONTROL AND RISK MANAGEMENT

An Internal Control and Risk Management function has been established in the Company. The key competences of the Internal Control and Risk Management are as follows:

- support of the internal control and risk management system, development and update of internal regulations and guidelines;
- development and update of the Company's risk management matrix, risk assessment, monitoring of risk management activities, and regular risk reporting;
- methodological and expert support to risk owners and coordinators as regards risk identification, analysis and assessment;
- analysis of key business processes for sufficiency and completeness of control procedures, identification of gaps and deficiencies and preparation of remedial activities.

Key regulations in internal control and risk management are as follows:

before December 15, 2021

- Regulation on Internal Control of Financial and Operating Activity of the Company approved by the Company's Board of Directors[2];
- PJSC M.video's Risk Management Policy approved by the Company's Board of Directors[3].

Since December 15, 2021

- Internal Control and Risk Management System Policy[4].

Head of Internal Control and Risk Management in 2021

IRINA ANDERSEN

Shareholding in the Company's charter capital

0%

Common shares held

0%

Born in 1971

Education: higher — Moscow State University.

2016–2019: Head of Financial and Operational Control, Office of Advisor to President on Downstream Planning, Performance Management, Development and Investments at PJSC Rosneft Oil Company. 2016–2020: member of the Board of Directors at PJSC Rosneft-Smolensknefteproduct Oil Company, PJSC Saratov Oil Refinery, OJSC Tulanefteproduct, OJSC RN-Yaroslavl. 2019–2020: Deputy Head of Downstream Economics and Planning Department at PJSC Rosneft Oil Company. 2020–2021: Head of Goods Not for Resale and Settlements Department at MVM LLC. Since 2021: Head of the Company's Internal Control and Risk Management, Head of Internal Control and Risk Management Department at MVM LLC.

[1] *Minutes No. 94/2014 dated December 15, 2014.*
[2] *Minutes No. 81/2013 dated December 12, 2013.*
[3] *Minutes No. 116/2016 dated December 15, 2016.*
[4] *Minutes No. 210/2021 dated December 17, 2021.*

EXTERNAL AUDITOR

The Company engages an external auditor responsible for reviewing the financial and business records of the Company. The external auditor is approved by the General Meeting of Shareholders.

The principal action taken by the Company and the auditor to reduce their interdependence is careful consideration of the auditor nominee with a view to ensuring its independence from the Company. The audit provider (persons holding positions in the governance bodies of the audit provider and bodies supervising the financial and economic activities of the audit provider) is completely independent from the Company (persons holding positions in the governance bodies of the Company and bodies supervising the Company's financial and economic activities) as required by article 8 of Federal Law No. 307-FZ On Audit Activities dated December 30, 2008. The amount of remuneration paid to the audit provider was not subject to the audit results.

The objectivity of the auditor selection process is ensured through a tender procedure. The auditor (audit provider) is selected at the level of M.Video-Eldorado Group based on the results of the tender. The audit provider selected through the tender is considered by the Audit Committee of the Board of Directors, with relevant recommendations submitted to the Board of Directors of PJSC M.video.

Only those applicants who meet the independence requirements set out in article 8 of Federal Law No. 307-FZ On Audit Activities dated December 30, 2008 are invited to participate in the tender. Tender bids are assessed against the price criterion.

As part of the tender process, commercial offers (bids) of applicants were collected and evaluated. Based on the tender results, it was decided to recommend that the Audit Committee of the Board of Directors advise the Board of Directors of PJSC M.video to adopt the following resolutions:

- recommend that the General Meeting of Shareholders of PJSC M.video approve Joint-Stock Company Deloitte & Touche CIS as the auditor responsible for reviewing the financial and economic records of PJSC M.video;
- approve Joint-Stock Company Deloitte & Touche CIS as the auditor responsible for reviewing the financial and economic records of separate companies included in M.Video-Eldorado Group.

According to clause 15.2. of the Company's Charter, the auditor of the Company is approved by the General Meeting of Shareholders. The amount to be paid for its services is determined by the Board of Directors. Pursuant to the Regulation on the Audit Committee of the Company's Board of Directors, the committee is responsible, inter alia, for drafting recommendations for the Board of Directors concerning nomination of the Company's auditor charged with reviewing the Company's accounting (financial) statements prepared in accordance with both the Russian Accounting Standards and International Financial Reporting Standards (IFRS) for the subsequent approval of such nominee by the Company's General Meeting of Shareholders and concerning the determination of the amount to be paid for the auditor's services, as well as for approving the terms of an agreement with the auditor responsible for such audit.

The Audit Committee of the Company's Board of Directors gave appropriate recommendations concerning selection by the Annual General Meeting of Shareholders of the auditor charged with reviewing the financial and economic records of the Company for 2021[1].

Based on the recommendation given by the Audit Committee, the Board of Directors recommended that the Company's General Meeting of Shareholders resolve as follows: "Approve Joint-Stock Company Deloitte & Touche CIS as the auditor responsible for reviewing the Company's financial and economic records for 2021."

The Company's Annual General Meeting of Shareholders decided to approve Joint-Stock Company Deloitte & Touche CIS as the auditor responsible for reviewing the financial and economic records of the Company for 2021[2].

After the appointment of the Company's auditor at the Annual General Meeting of Shareholders, the Board of Directors approved, based on the recommendation of the Audit Committee, the payment for the services of the auditor, Joint-Stock Company Deloitte & Touche CIS.

EVALUATION OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS IN RELATION TO THE AUDIT COMPLETED IN THE REPORTING PERIOD

During its meeting held on March 3, 2021, the Audit Committee of the Board of Directors considered PJSC M.video's accounts for 2020 with an audit opinion issued by an independent auditor, as well as PJSC M.video's consolidated financial statements for the year ended on December 31, 2020 with an audit opinion prepared by an independent auditor.

Based on the outcome of such consideration and information provided by the independent auditor, the Audit Committee unanimously resolved to recommend that the Board of Directors approve the Company's accounts for 2020 and the consolidated financial statements of PJSC M.video for the year ended on December 31, 2020.

The audit opinions provided by the independent external auditor give a true and fair view of PJSC M.video's accounts and consolidated statements for 2020.

[1] *Minutes No. 93/2021 dated March 23, 2021.*
[2] *Minutes No. 33 dated May 12, 2021.*

5.4 BUSINESS ETHICS AND COMPLIANCE

M.Video-Eldorado Group strictly observes the current legislation and principles of business ethics. The Group's management lays down the compliance approach through internal policies and procedures in compliance control, and provides support and top-down guidance to mitigate compliance risks and continuously develop the compliance culture

Compliance with legislation and the principles of business ethics for employees and business partners of the Group is regulated by the Code of Business Ethics of PJSC M.video, in addition to a number of special policies and procedures approved to enhance it.

The Group's firm commitment to legislation requirements and business ethics rules forms part of the bedrock of its business. Maintaining an effective compliance framework is always at the top of the management's agenda. The Group companies exercise ongoing compliance control through the efforts of the employees, business units, and counterparties based on the separation of powers.

PJSC M.video's Internal Control and Risk Management System Policy sets out the goals, objectives, principles and priorities of the Company in developing and operating the internal control and risk management system.

The Compliance Control Policy, being part of the internal control and risk management system, establishes the goals, objectives, principles and procedures of compliance control, as well as the main areas of developing the Group's compliance framework.

The Compliance Control Policy is based on global best practices in compliance, including ISO 37301:2021 and ISO 37001. It formalizes the Group's official approach to identifying, assessing, describing and mitigating compliance risks.

MVM LLC, the Group's key operating company, has in place the Committee on Business Ethics and Compliance (the "Committee"). In 2021, a new version of the Regulation on the Committee on Business Ethics and Compliance of MVM LLC was approved. The Committee is a standing collective structural unit at the Group's company. Its responsibilities include mitigating and eliminating compliance risks, as well as working out incentives in respect of identifying compliance violations.

5.4.1 PRIORITY AREAS

Based on the requirements applicable to the Group in 2021 and the Compliance Control Policy, the following compliance risk mitigation areas are deemed top-priority. [102-16]

Business ethics

M.Video-Eldorado Group strictly observes the business ethics standards set out by the Code of Business Ethics of PJSC M.video and the Group as a whole, which was approved in 2020[1]. In 2021, MVM LLC had a new version of the Code of Business Ethics approved.

The Code of Business Ethics (the "Code") contains fundamental principles of conduct that are consistent with the core values of M.Video-Eldorado Group. Adherence to the Code is mandatory for each and every employee, regardless of their position. Business partners also follow the Code and its rules.

The Code requires compliance with the highest standards of business ethics, even if they are not directly envisaged by the law or are not part of practices generally accepted in the Russian market. This approach allows the Group to conduct its business honestly and openly, effectively minimize the risks of abuse, and fully take into consideration the interests of investors, business partners, and the industry as a whole.

Each and every employee of the Group must undergo a mandatory course to become familiar with the Code and be guided by it in the performance of their daily duties. The principles established by the Code are further fleshed out by other policies and procedures in ethical business conduct.

In 2021, the Group conducted mandatory employee training in compliance that focused on:

- Code of Business Ethics and compliance;
- Antimonopoly compliance;
- Countering corruption.

In 2021, more than 18,000 employees from various units at the Group's companies completed the training.

The Group's employees and contractors can report violations of PJSC M.video's Code of Business Ethics, as well as corruption cases and suspicious transactions, via protected independent communication channels that are available on M.Video-Eldorado Group's website[2]. [102-17] [102-33]

The high bar set by M.Video-Eldorado Group's hotline was recognized by Transparency International — Russia in its 2021 study Hotlines for Corruption Whistleblowers in the Commercial Sector: 100 Russian Companies with Highest Incomes.

Avoidance of conflicts of interest [102-25]

M.Video-Eldorado Group works to minimize the risk of conflicts of interest occurring, as well as of any related breaches of business ethics rules and consequences thereof. The Regulation on the Conflict of Interest that has been in place at MVM LLC for many years now provides for a mandatory procedure of declaring and resolving such situations.

In 2021, an annual risk-based conflict of interest investigation was conducted that involved employees whose personal interests may affect the proper, objective and impartial performance of their duties. The Group's processes of declaring conflicts of interest, in addition to reporting alleged violations of law and infringements of business ethics, are automated. This mitigates the human factor and makes these processes more transparent and efficient.

All reports about conflicts of interest and compliance infringements are internally investigated and submitted to the Committee on Business Ethics and Compliance. Following the review, decisions are made on eliminating and/or mitigating the respective risks.

In 2021, the Committee on Business Ethics and Compliance held four meetings. All respondents received feedback. The Code of Business Ethics strictly prohibits any retaliation against the relevant parties.

Countering corruption [205-2] [205-3]

The Group enacts and adheres to a principle of zero tolerance for any manifestation of corruption, be it commercial bribery, bribery or any other form of power abuse. Any possibility of corruption is viewed by the management as a direct threat to the Group companies' business reputation, economic operations and compliance control effectiveness.

The Group continuously works to lower the risks of corruption in line with the Anti-Corruption Policy, which was approved in 2020 and sets out mandatory requirements for the Group companies and all their employees and counterparties[3].

MVM LLC, the Group's operating company, has in place rules for presenting and accepting gifts and for organizing of and participating in entertainment activities so as to prevent illicit influence on counterparties, employees, and other individuals.

Any agreement between a Group company and a counterparty contains, inter alia, a statement of the counterparty's obligations to comply with anti-corruption laws and the Anti-Corruption Policy, as well as to inform the Group company about any violations of anti-corruption laws or the Anti-Corruption Policy.

Antimonopoly compliance

The Group ensures strict compliance with Russian antimonopoly laws and ongoingly mitigates the risks of violations of law in accordance with the Antimonopoly Compliance Policy (Antimonopoly Policy) that applies to all Group companies, employees and counterparties[4]. As mentioned above, Group companies hold mandatory training and testing on antimonopoly compliance; the responsible unit gives employees clarification and recommendations on ambiguous situations to stamp out and minimize antimonopoly compliance risks. Agreements with counterparties include an antimonopoly clause.

[1] *The document is available on M.Video-Eldorado Group's website:* https://www.mvideoeldorado.ru/en/corporate-governance/compliance-and-internal-policies.
[2] *Linked on M.Video-Eldorado Group's website:* https://m.video-eldorado.integrityline.org/.
[3] *The document is available on M.Video-Eldorado Group's website:* https://www.mvideoeldorado.ru/en/corporate-governance/compliance-and-internal-policies.
[4] *The document is available on M.Video-Eldorado Group's website:* https://www.mvideoeldorado.ru/fileadmin/user_upload/corporate_documents/en/2016/antimonopoly_compliance_policy_mvideo_eng.pdf.

In 2021, the Group's operating company MVM LLC approved a Pricing Policy, which establishes general principles of setting retail prices for goods at offline and online stores, as well as officials' powers and responsibilities in respect of retail pricing.

Tax compliance

M.Video-Eldorado Group companies strictly comply with applicable tax laws and mitigate the risks of the respective violations on an ongoing basis (including through counterparty due diligence).

Counterparty due diligence

Group companies strive to maintain business relations exclusively with entities that comply with the requirements of the Russian law. Before starting partnerships with counterparties, the Group runs a check on each of them so that the relationship would be as mutually beneficial and transparent as possible. The procedure for such checks is set out in the Counterparty Due Diligence Policy of MVM LLC, with a new version approved in December 2021.

Group companies check counterparties based on the following principles:

- uniform standards that pursue risk mitigation for the respective categories of counterparties;
- transparency and openness. Group companies make due diligence results available to the counterparties, and clarify them where necessary;
- confidentiality. In keeping with the transparency and openness principles, Group companies recognize counterparties' right to confidentiality of data they provide as regards the kinds of data that may be classified as confidential under the applicable laws.

The checks are carried out by employees of designated structural units, who also request documents from the potential counterparty to assess possible risks.

Counterparty due diligence involves collection and analysis of information about the counterparty's operations, confirming its accuracy, and determining a consolidated risk index for the partnership with the counterparty, as well as storage of the due diligence findings.

In 2021, a total of 2,155 counterparties were checked. The goal of counterparty due diligence is to minimize the risk of Group companies going into business with unreliable counterparties by analyzing the information provided by counterparties.

Labor compliance

M.Video-Eldorado Group strictly adheres to Russian labour laws and always works to mitigate the risk of infringement in this area.

The Group also respects human rights and occupational safety, striving to ensure impeccable compliance and the right to work as part of its day-to-day operations. It strives to prevent any work-related accidents, injuries and diseases.

Environmental compliance

M.Video-Eldorado Group strictly follows Russian environmental laws and continuously works to mitigate the risk of infringement in this area. The respective provisions are set forth in PJSC M.video's Code of Business Ethics.

Group companies' business practices help maintain environmental balance. These include efforts to cut down on electricity consumption by using energy-saving technology, sustainable use of natural resources, and responsible e-waste and battery disposal practices focused around recycling and reducing. Employees from the Group companies undertake environmental expeditions to clean up Russia's nature.

Consumer rights protection

The Company strictly complies with consumer rights laws, taking timely and apt measures to minimize and eliminate the risk of infringement in this area. Group companies engage in responsible and truthful communication with consumers by providing full and accurate information about goods, works and services.

Protection of trade secrets, personal data and confidential information

The Group companies and employees exercise a highly responsible approach to collection, storage, processing and destruction of personal data and information constituting a trade secret, as well as other confidential information.

Standards and procedures intended to prevent infringement in this area are set forth in the Personal Data Processing Policy[1], as well as in the Confidential Information and Trade Secret Policy, whose new edition was approved at MVM LLC in 2021. It is mandatory for Group company employees to familiarize themselves with these documents.

M.Video-Eldorado Group ensures that its employees comply with the legislation pertaining to insider information, seeking to prevent any cases of its use to the detriment of the Group's interests. The relevant matters are governed by the Regulation on Insider Information[2].

[1] *The documents are available on M.Video-Eldorado Group's website:* https://www.mvideoeldorado.ru/ru/shareholders-and-investors/objazatelnoe-raskrytie-informacii/vnutrennie-dokumenty.
[2] *The document is available on M.Video-Eldorado Group's website:* https://www.mvideoeldorado.ru/ru/shareholders-and-investors/objazatelnoe-raskrytie-informacii/vnutrennie-dokumenty.

5.4.2 COMPLIANCE WITH NEW REGULATIONS IN CONNECTION WITH THE SPREAD OF COVID-19

In 2021, rules and restrictions to prevent COVID-19 were in effect across Russia. M.Video-Eldorado Group complied with all of them and did its best to prevent the spread of the infection and protect its employees and customers by outfitting stores with the needed equipment and following all applicable instructions.

5.4.3 INTERNATIONAL SANCTIONS

In 2021, leading international law firms engaged by PJSC M.video concluded that the sanctions introduced in mid-2021 by foreign countries against certain legal entities and individuals do not affect PJSC M.video and its subsidiaries, including MVM LLC.

The legal opinion is based on the criteria for being a “controlling person” and an “asset owner” set out by various EU institutions in a number of documents and other European and international laws.

M.Video-Eldorado Group continues cooperation and contractual relations with all its existing suppliers of goods and services, regardless of their jurisdiction and form of ownership, in line with the current Russian legislation.

5.4.4 PLANS FOR 2022

In 2022, the Group plans to further develop internal communications, expand training initiatives, watch out for compliance risks (including those related to international sanctions) and implement measures to mitigate and/or eliminate them, test the existing control procedures, and update the Antimonopoly Policy and the internal framework for antimonopoly compliance.

5.5 CAPITAL, SHARES AND DIVIDENDS

5.5.1 SHARES

179,768,227 pcs

Number of the Company's shares

Class of stock: common.
These shares of the Company are voting shares

Information on the number of the Company's shares held by the Company, as well as the number of the Company's shares held by legal entities controlled by the Company

In the reporting year, the Company did not hold any of the Company's shares.

The number of the Company's shares held by legal entities controlled by the Company: 1,468,885 shares (0.8171% of the charter capital) are held by MVM Limited Liability Company. Class and type of stock: common, registered, uncertified.

Capital movements for the year (changes in the list of entities which have the right to directly or indirectly control at least five percent of the votes attaching to the Company's voting shares), %

Shareholder	Share in charter capital as at December 31, 2021	Share of votes as at December 31, 2021	Share in charter capital as at December 31, 2020	Share of votes as at December 31, 2020
ERICARIA HOLDINGS LIMITED	50.0000008	50.0000008	63.5058	63.5058
Media-Saturn-Holding GmbH	15	15	15	15
WERIDGE INVESTMENTS LIMITED	10.3735	10.3735	9.9999	9.9999
Other shareholders	**24.6265**	**24.6265**	**11.4943**	**11.4943**
Total	**100**	**100**	**100**	**100**

During the reporting year, the share of ERICARIA HOLDINGS LIMITED in the Company's charter capital decreased from 63.5058% to 50.0000008%.

During the reporting year, the share of WERIDGE INVESTMENTS LIMITED in the Company's charter capital increased from 9.9999% to 10.3735%.

The free float of the Company grew to 24%.

5.5.2 NUMBER OF THE COMPANY'S SHAREHOLDERS

The total number of persons with non-zero balances on personal accounts recorded in the register of the Company's shareholders, as at the end of the reporting year: **19**.

The total number of the Company's nominee shareholders: **1**.

The total number of persons included in the latest list of persons where the Company's nominee shareholders provided information on the persons for the benefit of whom they held (hold) the Company's shares: **179,868**.

The class of the Company's shares whose holders were to be included in the Company's latest list: **common shares**.

The date as at which the persons entitled to exercise the rights attaching to the Company's shares were on that list: December 31, 2021.

The Company's executive bodies confirm that the Company is not aware of any shareholdings that exceed five percent, except for those already disclosed by the Company.

The Company is not aware if any shareholders can acquire or have acquired a degree of control disproportionate to their stake in the Company's charter capital, including pursuant to shareholder agreements or through holding common and preferred shares with different par values.

5.5.3 CHARTER CAPITAL

The charter capital of PJSC M.video is RUB **1,797,682,270**. The charter capital is formed by the placing of 179,768,227 common registered uncertified shares with a par value of RUB 10 each among shareholders. The Company's charter capital has been paid in full.

PJSC M.video's securities

Securities	Shares (registered)
Class of stock	Common
Type of securities	Uncertified
Securities issue state registration number and date	1-02-11700-A August 23, 2007
Par value of each share	RUB 10
Outstanding shares total	179,768,227 pcs
Additional shares in the process of issuance	0 pcs
Additional shares authorized for issuance	30,000,000 common registered uncertified shares, with a par value of RUB 10 each

PJSC M.video's ticker and details

Ticker	Trading platform	Class of stock	Listing
MVID	Moscow Exchange	Common shares	Level 1 quotation list

5.5.4 DIVIDENDS PAID

Class of stock: **common shares**.

Individual state registration number of the securities issue / **ISIN: 1-02-11700-A**.

Assigned on: **August 23, 2007**.

PJSC M.video's dividend history

Reporting period	Total dividend declared, RUB	Dividend per share, RUB	Dividend declared, % of net profit	Total dividend paid, RUB	Dividend approved by, resolution date, minutes date and No.
2012 and 9M 2013	2,480,801,532.6	13.8	31.01	2,480,801,532.6	General Meeting of Shareholders. Resolution date: **December 11, 2013**. Minutes date: **December 13, 2013**. Minutes No.: **17**
2013	3,595,364,540	20	73.86	3,595,364,540	General Meeting of Shareholders. Resolution date: **June 17, 2014**. Minutes date: **June 20, 2014**. Minutes No.: **18**
9M 2014	4,494,205,675	25	98.34	4,494,205,675	General Meeting of Shareholders. Resolution date: **December 5, 2014**. Minutes date: **December 8, 2014**. Minutes No.: **19**
2014	4,853,742,129	27	53	4,853,742,129	General Meeting of Shareholders. Resolution date: **June 16, 2015**. Minutes date: **June 16, 2015**. Minutes No.: **20**
2015	3,595,364,540	20	99.86	3,595,364,540	General Meeting of Shareholders. Resolution date: **June 20, 2016**. Minutes date: **June 23, 2016**. Minutes No.: **21**
2016					The Annual General Meeting of Shareholders held on **June 6, 2017** decided not to pay dividends for 2016[1]
2017					The Annual General Meeting of Shareholders held on **June 29, 2018** decided not to pay dividends for 2017[2]
2018					The Annual General Meeting of Shareholders held on **June 26, 2019** decided not to pay dividends for 2018[3]
9M 2019	5,998,865,734.99	33.37	97.83	5,998,865,734.99	General Meeting of Shareholders. Resolution date: **December 3, 2019**. Minutes date: **December 3, 2019**. Minutes No.: **29**
2019	5,393,046,810	30.00	39.07	5,393,046,810	General Meeting of Shareholders. Resolution date: **November 9, 2020**. Minutes date: **November 10, 2020**. Minutes No.: **31**
2020	6,831,192,626	38.00	138.4[4]	6,831,192,626	General Meeting of Shareholders. Resolution date: **May 7, 2021**. Minutes date: **May 12, 2021**. Minutes No.: **33**
9M 2021	6,291,887,945	35.00	99.94	6,291,887,945	General Meeting of Shareholders. Resolution date: **December 3, 2021**. Minutes date: **December 7, 2021**. Minutes No.: **34**

5.5.5 MAJOR TRANSACTIONS AND RELATED-PARTY TRANSACTIONS

A report on the Company's major transactions and related-party transactions can be found in the Annexes to this Annual Report.

[1] Minutes of the Annual General Meeting of Shareholders No. 22 dated June 8, 2017.
[2] Minutes of the Annual General Meeting of Shareholders No. 26 dated July 2, 2018.
[3] Minutes of the Annual General Meeting of Shareholders No. 28 dated June 28, 2019.
[4] This is the dividend declared as % of net profit for the reporting period (2020), with the dividend to be paid out from all the net profit of 2020 and part of retained profit of past years.

5.6 REMUNERATION

In the reporting year, the Annual General Meeting of Shareholders of May 7, 2021 approved the Regulation on Remuneration and Compensations Payable to the Board of Directors. [102-35] [102-36] [102-37] [102-38] [102-39]

Board of Directors' remuneration principles before May 7, 2021

For their work on the Board of Directors and/or committees of the Board of Directors, members of the Board of Directors were remunerated as follows.

Basic remuneration:

1. for participation in in-person meetings of the Board of Directors;
2. for participation in strategic or budget sessions;
3. for participation of a Director at request of the Chairman of the Board of Directors, chairmen of committees of the Board of Directors or the CEO in meetings of special task forces, and discussions related to the operations of the Company and its subsidiaries held at the Company's office or elsewhere.

Remuneration for additional duties:

1. for membership on a committee of the Board of Directors;
2. for chairing a committee of the Board of Directors;
3. for chairing the Board of Directors.

A Director could be compensated for the following expenses:

- actually incurred and documented transportation costs associated with the travel of a Director to the venue of a meeting of the Board of Directors and/or a committee of the Board of Directors and back, other transportation costs incurred in connection with the travel associated with the Board of Directors;
- accommodation expenses of a Director during meetings of the Board of Directors and/or meetings of committees of the Board of Directors;
- meal expenses of a Director during meetings of the Board of Directors and/or meetings of committees of the Board of Directors;
- miscellaneous expenses (communications, fuel, hospitality, etc.).

The total amount of remuneration and compensations payable to the Board of Directors was approved by the General Meeting of Shareholders.

The Annual General Meeting of Shareholders of June 22, 2020, determined the following amount of remuneration and compensations payable to the Board of Directors in July 2020 — June 2021:

- total remuneration to the Company's Board of Directors capped by RUB 52 million;
- total compensation of expenses incurred by the Directors as part of discharging their respective duties capped by RUB 10 million.

Board of Directors' remuneration principles since May 7, 2021

The Regulation on Remuneration and Compensations Payable to the Company's Board of Directors as approved on May 7, 2021 by the Annual General Meeting of Shareholders sets forth the following types of remuneration payable to the Board of Directors:

- remuneration for their ongoing work on the Board of Directors (basic remuneration);
- remuneration for additional duties.

Basic remuneration is paid for:

1. participation in meetings of the Board of Directors;
2. participation in Strategic or Budget sessions;
3. participation in meetings of special task forces, and discussions related to the operations of the Company and its controlled entities.

The basic remuneration payable to the Board of Directors is RUB 6 million per calendar year.

The remuneration for additional duties is paid as follows:

1. to the Chairman of the Board of Directors — RUB 18 million per calendar year;
2. to the Chairman of a committee of the Board of Directors — RUB 3 million per calendar year;
3. to a member of a committee of the Board of Directors — RUB 1.5 million per calendar year.

Where a member (the Chairman) of the Board of Directors performs duties of the Chairman of a committee and/or a member of several committees of the Board of Directors, the remuneration is paid for the respective duties on each committee of the Company's Board of Directors.

Where a member (the Chairman) of the Board of Directors performs duties of the Chairman of a committee or committees of the Board of Directors, no additional remuneration for being a member of this committee is paid.

Each Director may be compensated for the following expenses:

- transportation costs associated with the travel of a Director from their permanent address to the venue of a meeting of the Board of Directors and/or a committee of the Board of Directors and back, other transportation costs incurred in connection with the travel associated with the Board of Directors and/or a committee of the Board of Directors;
- accommodation expenses of a Director during meetings of the Board of Directors and/or meetings of committees of the Board of Directors, and/or other events held by the Company which the Directors are expected to attend, and also on the day before and after the meeting of the Board of Directors or a committee of the Board of Directors, or the respective event held by the Company;
- meal expenses of a Director during meetings of the Board of Directors and/or meetings of committees of the Board of Directors, and/or other events held by the Company which the Directors are expected to attend, and also on the day before and after the meeting of the Board of Directors or a committee of the Board of Directors, or the respective event held by the Company;
- postage expenses associated with their duties on the Board of Directors and/or additional duties as Directors;

The amount of compensation for expenses incurred by a Director in the compensation period is capped by 80% of the basic remuneration.

In the reporting period, the authorized bodies did not make any decisions as to the amount of remuneration or compensation of expenses payable to the Management Board. Individual members of the Management Board were remunerated as employees of the Company who work for the Company and perform work duties not related to their duties as members of the Management Board. There are no other agreements regarding the amount of remuneration to be paid and/or the amount of expenses to be compensated.

Remuneration and compensations paid in 2021, RUB thousand

Board of Directors

Type of remuneration	for 12 months ended on December 31, 2021
Remuneration for work on a governing body	70,535
Wages	0
Bonuses	0
Fees	0
Other remuneration	0
TOTAL	**70,535**

Management Board

Type of remuneration	for 12 months ended on December 31, 2021
Remuneration for work on a governing body	0
Wages	222
Bonuses	0
Fees	0
Other remuneration	0
TOTAL	**222**

Compensations

Type of remuneration	for 12 months ended on December 31, 2021
Board of Directors	224
Management Board	0

The Companies of M.Video-Elgorado Group did not provide any loans to members of the Company's Board of Directors or executive bodies.

CONSOLIDATED FINANCIAL STATEMENTS

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;
- 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;
- 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

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.

RECOGNITION OF SUPPLIER BONUSES

Why the matter was determined to be a key audit matter

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;
- Their classification as those reducing the cost of sales or offsetting other costs and the period over which the related reduction or offset should be recognized.

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

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

How the matter was addressed in the audit

- 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;
- Performed a retrospective analysis of bonuses recognized in the prior period to check the accuracy of estimates made by management.

ACCOUNTING FOR LEASES

Why the matter was determined to be a key audit matter

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.

How the matter was addressed in the audit

- 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;
- Analysed completeness and accuracy of disclosures and their compliance with the requirements of IFRS 16 "Leases".

NET REALISABLE VALUE OF INVENTORIES

Why the matter was determined to be a key audit matter

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 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.

How the matter was addressed in the audit

- 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;
- 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;
- Assessed the completeness and accuracy of historical data used by management in developing its estimates.

NON-CURRENT ASSETS IMPAIRMENT ASSESSMENT

Why the matter was determined to be a key audit matter

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.

How the matter was addressed in the audit

- 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;
- 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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

(in millions of Russian Rubles)

NON-CURRENT ASSETS	Notes	31 December 2021	31 December 2020	31 December 2019*
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	Notes	31 December 2021	31 December 2020	31 December 2019*
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

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

(in millions of Russian Rubles)

OPERATING ACTIVITIES	Notes	2021	2020*
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**

INVESTING ACTIVITIES	Notes	2021	2020*
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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 [102-45] [102-48] [102-49]

(in millions of Russian Rubles)

1. GENERAL INFORMATION

The consolidated financial statements of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") for the year ended 31 December 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	–

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

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%**

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).

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:

CURRENT ASSETS	Before adjustment	Net-off adjustment	After adjustment
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:

CURRENT ASSETS	Before adjustment	Net-off adjustment	After adjustment
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:

OPERATING ACTIVITIES	Before reclassification	Reclassification	After reclassification
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;
- 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;
- 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:

APM	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:

CURRENT ASSETS	Direct Credit Group
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 of 31 December 2021 and 2020 consisted of the following:

COST	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer and Telecomm	Other fixed assets	Total
As of 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 of 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 of 31 December 2021	**10,254**	**10,037**	**1,460**	**13,319**	**3,652**	**7,200**	**2,909**	**48,831**
ACCUMULATED DEPRECIATION								
As of 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 of 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 of 31 December 2021	**5,148**	**6,533**	**–**	**8,814**	**2,789**	**5,624**	**2,248**	**31,156**
NET BOOK VALUE								
As of 31 December 2020	**5,989**	**3,346**	**620**	**4,089**	**754**	**1,552**	**675**	**17,025**
As of 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 of 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:

COST	Land	Stores	Warehouses	Vehicles	Other assets	Total
As of 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 of 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 of 31 December 2021	**320**	**109,107**	**9,376**	**251**	**761**	**119,815**
ACCUMULATED AMORTIZATION AND IMPAIRMENT						
As of 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 of 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 of 31 December 2021	**57**	**41,389**	**3,716**	**231**	**347**	**45,740**
NET BOOK VALUE						
As of 31 December 2020	**355**	**64,625**	**5,968**	**59**	**586**	**71,593**
As of 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 of 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 of 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 of 31 December 2021 and 2020 consisted of the following:

Minimum lease payments, including:	**31 December 2021**	**31 December 2020**
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 of 31 December 2021 and 2020 relating to periods following the exercise date of termination options that are not included in the lease term:

Termination options expected to be exercised:	**31 December 2021**	**31 December 2020**
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:

COST	Software licenses, capitalised development costs and web site	Trademarks	Total
As of 31 December 2019	**16,566**	**9,165**	**25,731**
Additions	4,793	2	4,795
Disposals	(2,127)	(2)	(2,129)
As of 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 of 31 December 2021	**27,293**	**9,165**	**36,458**
ACCUMULATED AMORTIZATION			
As of 31 December 2019	**5,646**	**22**	**5,668**
Charge for the year	2,983	5	2,988
Disposals	(2,127)	(2)	(2,129)
As of 31 December 2020	**6,502**	**25**	**6,527**
Charge for the year	3,949	1	3,950
Disposals	(1,848)	(1)	(1,849)
As of 31 December 2021	**8,603**	**25**	**8,628**
NET BOOK VALUE			
As of 31 December 2020	**12,730**	**9,140**	**21,870**
As of 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 of 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 of 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:

STATEMENT OF FINANCIAL POSITION	**31 December 2020**
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**

STATEMENT OF PROFIT AND LOSS	**from 1 January 2021 to date of sale**	**2020**
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 of 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 of 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 of 31 December 2021, 2020 and 2019 consisted of the following:

ACCOUNTS RECEIVABLE	31 December 2021	31 December 2020*	31 December 2019*
Bonuses receivable from suppliers	38,738	33,960	25,921
Other accounts receivable	7,133	4,176	3,776
Accounts receivable from related parties (Note 35)	1,204	1,659	840
Accounts receivable from related parties	(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 of 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 of 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 of 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 of 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 of 31 December 2020	**177,792,057**	**179,768,227**	**209,768,227**
Settlement of share-based payments (Note 34)	507,285	–	–
Balance as of 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:

CURRENT TAX	31 December 2021	31 December 2020
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:

DEFERRED TAX ASSETS	31 December 2021	31 December 2020
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	31 December 2021	31 December 2020
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 of 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:

	31 December 2021	31 December 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.

NON–CURRENT BORROWINGS AND OTHER FINANCIAL LIABILITIES	Maturity	31 December 2021	31 December 2020
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 of 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 of 31 December 2021, borrowings are secured by trademarks with carrying amount of 9 132 (31 December 2020: 9 132) (Note 10).

As of 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
Банковские кредиты	49,410	(1,424)	(4,683)	–	4,781	(156)	47,928
Дивиденды	–	(5,341)	–	–	–	5,341	–
Обязательства по аренде	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 of 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 of 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 of 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 consisted of the following:

	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total
As at 1 January	2,496	245	–	593	3,334
Revenue deferred during the period	23,844	2,518	1,119	–	27,481
Revenue recognized in the consolidated statement of profit or loss and other comprehensive income	(23,780)	(2,166)	(1,119)	(435)	(27,500)
AS AT 31 DECEMBER	**2,560**	**597**	**-**	**158**	**3,315**

Deferred revenue for 2020 consisted of the following:

	Customer loyalty programs	Gift certificates	Other programs	Additional services	Total
As at 1 January	2,030	263	101	1,801	4,195
Revenue deferred during the period	15,178	2,390	1,962	–	19,530
Revenue recognized in the consolidated statement of profit or loss and other comprehensive income	(14,712)	(2,408)	(2,063)	(1,208)	(20,391)
AS AT 31 DECEMBER	**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 of 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:

COST OF GOODS SOLD	2021	2020
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 of 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 of 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	–	–	–	–	–	–	–
Entities controlled by a party exercising significant influence (ii)	–	395	–	5,254	–	325	–	5,143
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 of 31 December 2021, there is 258 outstanding payable to key management personnel (as of 31 December 2020: 1 384).

As of 31 December 2021, the number of key management positions was 29 (as of 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 of 31 December 2021 and 2020 were as follows:

FINANCIAL ASSETS	31 December 2021	31 December 2020
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

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

	31 December 2021		31 December 2020	
FINANCIAL ASSETS	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
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**

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	
ASSETS	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
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)
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 of 31 December 2021 and 2020:

	Currency	Rating as of 31 December 2021	Carrying amount 31 December 2021	Carrying amount 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	Baa3	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 of 31 December 2021 and 2020 based on contractual undiscounted payments:

AS AT 31 DECEMBER 2021	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
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**
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**	**92,623**	**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.

The consolidated statement of financial position as of 31 December 2021 and 2020 prepared in accordance with the basis discussed above is presented as follows:

NON-CURRENT ASSETS	31 December 2021	31 December 2020
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	31 December 2021	31 December 2020
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**

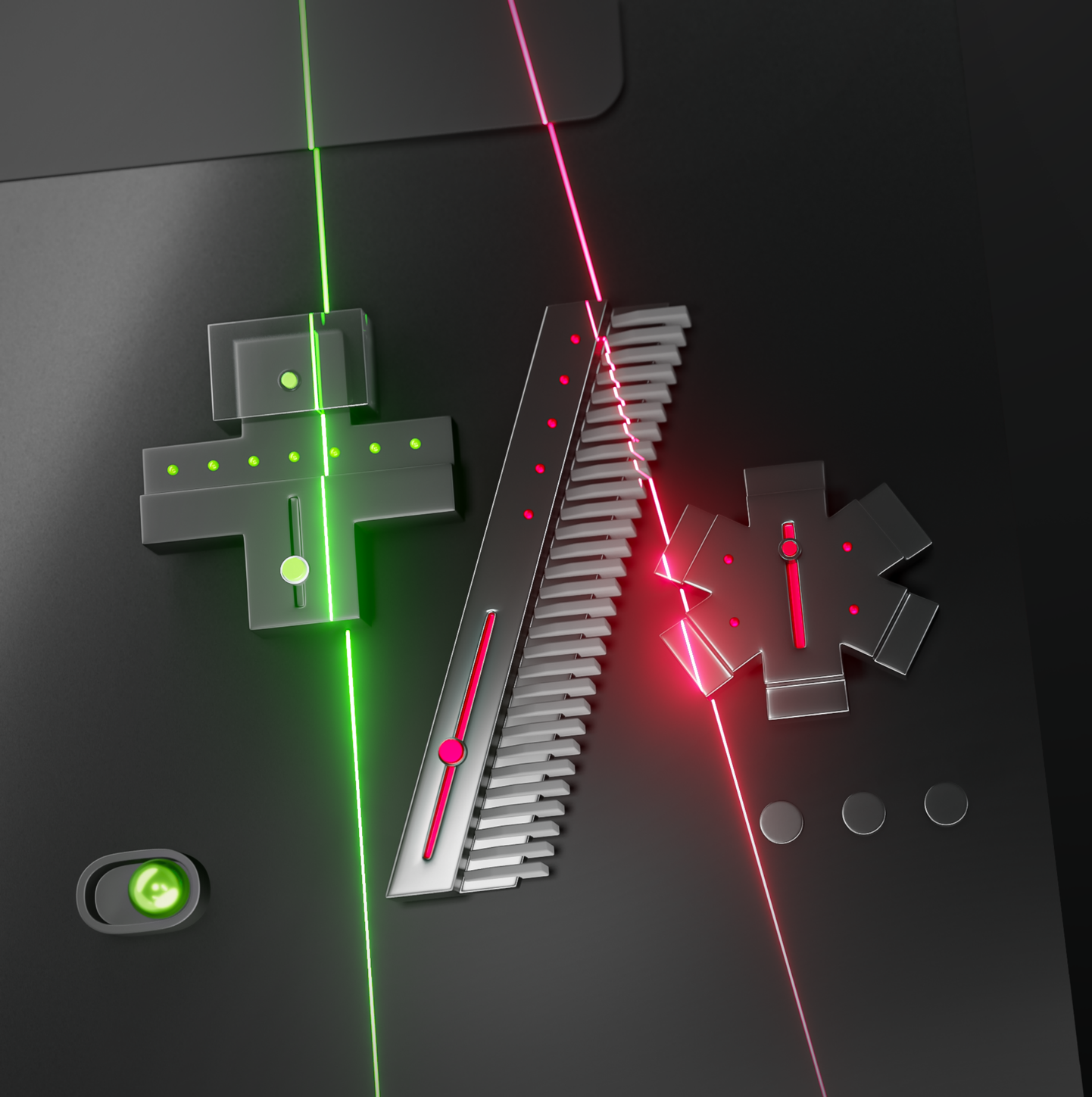
The consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2021 and 2020, prepared in accordance with the basis discussed above, is presented as follows:

	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**

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:

OPERATING ACTIVITIES	2021	2020
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	2021	2020
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**



APPENDICES

ANNEX 1

REPORT ON COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

This report on compliance with the principles and recommendations of the Corporate Governance Code was reviewed by the Board of Directors at the meeting on May 18, 2022 (Minutes No. 222/2022 dated May 20, 2022).

The Board of Directors certifies that this report contains full and reliable information about the Company's compliance with the principles and recommendations of the Corporate Governance Code in 2021.

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
1.1	**The company shall ensure fair and equitable treatment of all shareholders in exercising their rights to participate in the governance of the company**			
1.1.1	The company ensures the most favorable conditions for its shareholders to participate in the general meeting, develop an informed position on items on the agenda of the general meeting, coordinate their actions, and voice their opinions on the items considered	1. The company provides an easy to use communication channel such as a hotline, email or online forum to enable shareholders to communicate their opinion and send in their questions ahead of the general meeting.	Full compliance	
1.1.2	The procedure for giving notice of, and providing relevant materials for, the general meeting enables shareholders to properly prepare for attending the general meeting	1. During the reporting period, the notice of the upcoming general meeting of shareholders was posted (published) on the company's website at least 30 days prior to the date of the general meeting, unless a longer period was required by law 2. The notice of the upcoming meeting indicates the documents required for admission to the premises 3. Shareholders were given access to information on who proposed the agenda items and nominees to the company's board of directors and audit commission (if the company's charter provides for the establishment of the latter)	Full compliance	
1.1.3	In preparation for and during the general meeting, shareholders were able to access information related to the meeting, ask questions of executive bodies and members of the board of directors, and communicate with each other in an unobstructed and timely manner	1. In the reporting period, shareholders were given the opportunity to ask questions of the company's board of directors, as well as members of its executive bodies, both in preparation for and during the general meeting 2. The board of directors' position (including any dissenting opinions included in the minutes, if any) regarding each agenda item in general meetings held during the reporting period was included in the materials for the general meeting 3. The company provided shareholders eligible to receive this information with access to the list of persons entitled to participate in the general meeting on the same day as the company itself received this information. This was the case for all general meetings held in the reporting period	Partial compliance	**The comments below refer to clause 1 of the evaluation criteria.** To comply with anti–COVID-19 measures, General Meetings of Shareholders were held in-absentia in the reporting period. Shareholders were able to ask questions of the executive bodies and the Board of Directors in preparation for the General Meeting through the Corporate Secretary and the IR Director whose contact details (phone, email) are available on the corporate website. To fully inform shareholders on the General Meeting agenda, the Company additionally included the Corporate Secretary's contact details (phone, email) in meeting notices
1.1.4	The exercise of shareholders' right to demand the convocation of a general meeting, nominate candidates to governing bodies and make proposals for inclusion in the agenda of the general meeting was not made unreasonably difficult	1. The company's charter provides for a deadline for shareholders to make proposals for inclusion in the agenda of the annual general meeting, which is at least 60 days after the end of the respective calendar year 2. In the reporting period, the company did not reject proposals for the agenda or candidates to governing bodies due to misprints or other insignificant flaws in the shareholder's proposal	Full compliance	
1.1.5	Each shareholder was able to freely exercise his/her voting right in the simplest and most convenient way	1. The company's charter provides for filling out electronic ballots on the website the address of which is specified in the notice of the general meeting of shareholders	Full compliance	
1.1.6	The general meeting procedure established by the company enables all persons attending the meeting to voice their opinion and ask questions	1. During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on and discussion of agenda items, and shareholders were able to voice their opinions and ask questions on the agenda 2. The company invited candidates for governing and oversight bodies and took all necessary steps to ensure their participation in the general meeting of shareholders where their nominations were put to a vote. Candidates for governing and oversight bodies present at the general meeting of shareholders were available to answer questions from shareholders 3. The sole executive body, the officer responsible for accounting, chairman and other members of the board of directors' audit committee were available to answer questions from shareholders at the general meetings of shareholders held in the reporting period 4. In the reporting period, the company used telecommunication means to provide shareholders with remote access to general meetings, or the board of directors made a well-grounded decision that no such means were needed (could be used) in the reporting period	Partial compliance	**The comments below refer to clauses 1, 2, 3 of the evaluation criteria.** To comply with anti–COVID-19 measures, General Meetings of Shareholders were held in-absentia in the reporting period. Shareholders were able to ask questions of candidates to the Board of Directors in preparation for the General Meeting through the Corporate Secretary and the IR Director whose contact details (phone, email) are available on the corporate website **The comments below refer to clause 4 of the evaluation criteria.** The Company was not able to use telecommunication means to provide shareholders with remote access to General Meetings. For the Annual General Meeting of Shareholders in 2023 and onwards, the Company plans to secure the option of remote participation
1.2	**Shareholders shall have an equal and fair opportunity to share in the company's profits by receiving dividends**			
1.2.1	The company has developed and introduced a transparent and clear mechanism for determining the dividend amount and for paying dividends	1. The regulation on the company's dividend policy was approved by the board of directors and is disclosed on the company's website 2. If the dividend policy of the company that prepares consolidated financial statements uses figures of the company's statements to determine the dividend amount, then the respective provisions of the dividend policy take into account the consolidated financial statements 3. Substantiation of the proposed distribution of net profit, including for dividend payout and the company's internal needs, and its assessment for compliance with the company's dividend policy, along with explanations and economic substantiation for such distribution for internal needs, were included in the materials for the general meeting of shareholders the agenda of which included an item on profit distribution (including payout (announcement) of dividends)	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
1.2.2	The company shall not pay out dividends if such resolution, while formally remaining in line with statutory restrictions, is not economically feasible and may lead to a false representation of the company's performance	1. In addition to statutory restrictions, the company's dividend policy defines financial/economic circumstances under which the company shall not pay out dividends	Full compliance	
1.2.3	The company does not allow the dividend rights of its existing shareholders to be impaired	1. In the reporting period, the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders	Full compliance	
1.2.4	The company strives to exclude any ways for its shareholders to receive profit (income) from the company through means other than dividends and liquidation value	1. During the reporting period, other ways for persons controlling the company to receive profit (income) from the company other than dividends (e.g. using transfer pricing, unjustified provision of services by the controlling person to the company at inflated prices, internal loans to the controlling person and/or their controlled persons to replace dividends) were not used	Full compliance	
1.3	**The corporate governance system and its practices shall ensure that all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, are treated equally by the company**			
1.3.1	The company has established the necessary conditions to ensure that each shareholder receives fair treatment from the company's governing bodies and controlling persons, including conditions to prevent the abuse of minority shareholders by major shareholders	1. In the reporting period, persons controlling the company did not abuse the rights of the company's shareholders, there were no conflicts between persons controlling the company and the company's shareholders, and whenever there were any, the board of directors paid due attention to them	Full compliance	
1.3.2	The company does not perform actions which lead or may lead to artificial redistribution of corporate control	1. Quasi-treasury shares do not exist or did not impact voting in the reporting period	Full compliance	
1.4	**Shareholders shall be provided with reliable and effective methods for recording their rights in shares, as well as the opportunity to freely dispose of their shares without any hindrance**			
1.4.1	Shareholders are provided with reliable and effective methods for recording their rights in shares, as well as the opportunity to freely dispose of their shares without any hindrance	1. The processes and terms of rendering the services by the company's registrar meet the requirements of the company and its shareholders and ensure the recording of their rights to shares and exercise of the shareholders' rights in the most effective way	Full compliance	
2.1	**The board of directors shall exercise strategic management of the company, establish the basic principles of and approaches to risk management and internal control, control the activities of the company's executive bodies, and perform other key functions**			
2.1.1	The board of directors is responsible for passing resolutions related to the appointment and removal of executive bodies, including as a result of their inadequate performance. The board of directors also ensures that the company's executive bodies act in accordance with the approved growth strategy and along the company's core lines of business	1. The board of directors has the authority, as stipulated in the charter, to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts. 2. In the reporting period, the nomination (appointments, HR) committee reviewed the matter of alignment between professional qualifications, competencies and experience of members of the executive bodies and expected needs of the company in line with its approved strategy. 3. In the reporting period, the board of directors reviewed the report(s) released by the sole executive body and collective executive body (if any) on the implementation of the company's strategy	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
2.1.2	The board of directors defines the main long-term goals of the company's operations, assesses and approves its key performance indicators, and key business goals, as well as the strategic and business plans for the company's core lines of business	1. In the reporting period, the board of directors reviewed in its meetings matters related to the progress of strategy implementation, approval of the company's financial and business plan (budget), and consideration of the implementation criteria and performance (including interim criteria and performance) of the company's strategy and business plans	Full compliance	
2.1.3	The board of directors determines the principles of and approaches to risk management and internal control	1. The principles of and approaches to risk management and internal control in the company are set forth by the company's internal documents that define its risk management and internal control policy. 2. In the reporting period, the board of directors approved (revised) the acceptable risk exposure (risk appetite) of the company, or the audit committee and/or risk committee (if any) considered whether the matter of revising the company's risk appetite should be submitted to the board of directors for review	Full compliance	
2.1.4	The board of directors defines the company's remuneration and/or reimbursement (compensation) policy for costs due to members of the board of directors, executive bodies and other key executives of the company	1. The company has developed and put in place a policy (policies) on remuneration and/or reimbursement (compensation) of costs incurred by members of the board of directors, executive bodies and other key executives of the company, approved by the board of directors. 2. In the reporting period, the board of directors reviewed matters related to the said policy (policies)	Full compliance	
2.1.5	The board of directors plays a key role in preventing, identifying and resolving internal conflicts between the company's bodies, shareholders and employees	1. The board of directors plays a key role in preventing, identifying and resolving internal conflicts. 2. The company has set up a system to identify transactions involving conflicts of interest, and introduced a set of measures to resolve such conflicts	Full compliance	
2.1.6	The board of directors plays a key role in ensuring the company's transparency, the timeliness and completeness of its disclosures, and the unrestricted access of shareholders to company documents	1. In its internal documents, the company has designated the persons responsible for the implementation of its information policy	Full compliance	
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in its material corporate events	1. In the reporting period, the board of directors considered the results of self-assessment and/or external assessment of the company's corporate governance practices	Full compliance	
2.2	**The board of directors shall be accountable to the shareholders of the company**			
2.2.1	Information on the performance of the board of directors is disclosed and made available to shareholders	1. The company's annual report for the reporting period includes information on individual attendance at board of directors and committee meetings. 2. The annual report contains key results of assessment (self-assessment) of the board of directors' work in the reporting period	Full compliance	
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders	1. The company has in place a transparent procedure enabling shareholders to forward inquiries to the chairman of the board of directors (and, if applicable, to the senior independent director) and receive feedback	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
2.3	**The board of directors shall manage the company in an efficient and competent manner and make fair and independent judgements and decisions in line with the best interests of the company and its shareholders**			
2.3.1	Only persons with an impeccable business and personal reputation, possessing the knowledge and expertise required to both make decisions on issues designated to the board of directors and to perform its functions efficiently, are elected to the board of directors	1. In the reporting period, the board of directors (or its nomination committee) assessed nominees to the board of directors in terms of having the required experience, knowledge, business reputation, absence of a conflict of interest, etc.	Full compliance	
2.3.2	The company's board of directors is elected using a transparent procedure whereby shareholders are able to receive sufficient information about nominees to get an idea of their personal and professional qualities	1. Whenever the agenda of the general meeting of shareholders in the reporting period included the election of the board of directors, the company provided shareholders with the biographical details of all nominees to the board of directors, the results of assessment of their professional qualifications, experience and competencies against existing and expected needs of the company as carried out by the board of directors (or its nomination committee), information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code, as well as information on whether there is the nominee's written consent to be elected to the board of directors	Full compliance	
2.3.3	The board of directors is balanced, including in terms of the qualifications of its members, their experience, knowledge and business acumen, and has the trust of shareholders	1. In the reporting period, the board of directors analyzed its needs in terms of professional qualifications, experience and knowledge and identified competencies that the board of directors required in the short and long term	Full compliance	
2.3.4	The company has enough directors to organize the board of directors' activities in the most efficient way, and has the ability to establish committees within the board of directors and ensure the company's significant minority shareholders are able to elect and vote for a nominee for the board of directors	1. In the reporting period, the board of directors considered whether the number of members on the board of directors was in line with the company's needs and with the interests of shareholders	Full compliance	
2.4	**The board of directors shall include a sufficient number of independent directors**			
2.4.1	An independent director is a person of sufficient professionalism, experience and self-reliance to form his/her own opinion, able to make impartial judgements in good faith independent of the company's executive bodies, particular groups of shareholders or other stakeholders. It is important to note that in normal conditions a nominee (elected member of the board of directors) cannot be considered independent if he/she is related to the company, a significant shareholder or contractor, a competitor of the company, or the government	1. In the reporting period, all independent members of the board of directors met the independence criteria as set out in Recommendations 102–107 of the Code, or were deemed independent by resolution of the board of directors	Full compliance	
2.4.2	Nominees to the board of directors are assessed for their compliance with certain independence criteria. Independent members of the board of directors are also reviewed regularly against these criteria. In these assessments, substance prevails over form	1. In the reporting period, the board of directors (or the nomination committee of the board of directors) formed an opinion on the independence of each nominee for the board of directors and presented respective opinions to shareholders. 2. In the reporting period, the board of directors (or the nomination committee of the board of directors) reviewed at least once the independence of the current members of the board of directors (following their election). 3. The company has developed procedures defining the actions to be taken by a member of the board of directors if he/she ceases to be independent, including the obligation to timely notify the board of directors thereof	Full compliance	
2.4.3	Independent directors constitute at least one third of the elected members of the board of directors	1. Independent directors constitute at least one third of the members of the board of directors	Full compliance	
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and undertaking certain corporate actions	1. In the reporting period, independent directors (who did not have a conflict of interest) carried out a preliminary assessment of material corporate actions implying a possible conflict of interest, and the results of such assessment were presented to the board of directors	Full compliance	
2.5	**The chairman of the board of directors shall facilitate the best performance of duties assigned to the board of directors**			
2.5.1	An independent director is elected chairman of the board of directors, or a senior independent director is appointed from among the elected independent directors to coordinate the activities of independent directors and facilitate interactions with the chairman of the board of directors	1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents	Partial compliance	**The comments below refer to clause 1 of evaluation criteria.** The Chairman of the Board of Directors is not an independent director. In electing the Chairman, the Board of Directors is primarily governed not by independence criteria but the Chairman's experience and professional qualities that facilitate the best performance of duties assigned to the Board of Directors. The Company does not plan to change this approach to electing the Chairman of the Board of Directors. There are three independent directors. Given this number of independent directors, the Company does not believe it advisable to elect a senior independent director
2.5.2	The chairman of the board of directors maintains a constructive environment at meetings, enables the free discussion of agenda items, and supervises the execution of resolutions passed by the board of directors	1. The performance of the chairman of the board of directors was assessed as part of the procedure for assessing (self-assessing) the performance of the board of directors in the reporting period	Noncompliance	In the reporting period, the Board of Directors carried out a self-assessment of its performance. At the time the self-assessment started, the Chairman of the Board of Directors had been serving as such for a short period of time and had been elected to the position for the first time ever, so the performance of the Chairman of the Board of Directors was not covered by the self-assessment. When putting together questions for the self-assessment survey of 2022, the Company will consider whether the performance of the Chairman of the Board of Directors should be included

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
2.5.3	The chairman of the board of directors takes all necessary steps to ensure the timely provision of information required to make decisions on agenda items to members of the board of directors	1. The company's internal documents set out the duty of the chairman of the board of directors to take all steps necessary for the timely provision to members of the board of directors of full and accurate information regarding items on the agenda of the board meeting	Full compliance	
2.6	**Members of the board of directors shall act reasonably and in good faith in the best interests of the company and its shareholders, relying on sufficient information, exercising due care and prudence**			
2.6.1	Members of the board of directors make decisions based on all available information, without conflict of interest, ensuring the equal treatment of the company's shareholders, and assuming normal business risks	1. The company's internal documents state that a member of the board of directors notifies the board of directors if he/she has a conflict of interest with respect to any item on the agenda of the board meeting or the board's committee meeting prior to the discussion of the relevant agenda item 2. The company's internal documents state that a member of the board of directors abstains from voting on any item with respect to which he/she has a conflict of interest 3. The company has a procedure in place enabling the board of directors to get professional advice on matters within its remit at the expense of the company	Full compliance	
2.6.2	The rights and obligations of members of the board of directors are clearly defined and set out in the company's internal documents	1. The company has adopted and published an internal document clearly defining the rights and obligations of members of the board of directors	Full compliance	
2.6.3	Members of the board of directors have sufficient time to perform their duties	1. Individual attendance at board and committee meetings, as well as time devoted to preparation for attending meetings, was reviewed as part of the procedure for assessment (self-assessment) of the performance of the board of directors in the reporting period 2. In accordance with the company's internal documents, members of the board of directors must inform the board of their intentions to join governing bodies of other organizations (except for entities controlled by the company), or of the relevant appointment made	Partial compliance	**The comments below refer to clause 1 of the evaluation criteria.** There was no individual performance assessment of the Board of Directors' members, including attendance. The feasibility of assessing the Board's performance against this criterion will be determined in the course of drafting a self-assessment questionnaire in 2022, taking into account the composition of the Board and the length of its service
2.6.4	All members of the board of directors have equal access to the company's documents and information. Newly elected members of the board of directors are furnished with sufficient information about the company and the activities of the board of directors as soon as possible	1. In accordance with the company's internal documents, members of the board of directors are entitled to have access to information and documents required for the performance of their duties regarding the company and entities under its control, and the company's executive bodies provide relevant information and documents 2. The company has in place a formalized induction program for newly elected members of the board of directors	Full compliance	
2.7	**Meetings of the board of directors, preparation for such meetings and participation of members of the board of directors shall ensure efficient performance by the board of directors**			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at any particular time	1. The board of directors held at least six meetings in the reporting year	Full compliance	
2.7.2	The company's internal documents specify a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to prepare for these meetings in a proper manner	1. The company has approved an internal document that describes the procedure for arranging and holding meetings of the board of directors. In particular the document states that as a rule, the notice of the meeting is to be given at least five days prior to the meeting 2. In the reporting period, members of the board of directors not able to be present at the board meeting venue could participate in discussing agenda items and voting remotely via audio or video conferencing	Full compliance	
2.7.3	The format of meeting of the board of directors is determined depending on the importance of agenda items. The most important matters are dealt with at in-person meetings of the board of directors	1. The company's charter or internal documents state that the most important matters (as per the list set out in Recommendation 168 of the Code) must be discussed at in-person meetings of the board of directors	Full compliance	
2.7.4	Resolutions on the most important matters relating to the company's operations are passed at meetings of the board of directors by a qualified majority or by a majority of all elected members of the board of directors	1. The company's charter states that resolutions on the most important matters, including those set out in Recommendation 170 of the Code, must be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected board members	Partial compliance	The Company's Charter stipulates that resolutions of the Board of Directors must be passed by a majority vote of the attending members of the Board of Directors, unless otherwise provided for by Federal Law On Joint-Stock Companies. According to the Company's practices, any resolution made by the Board of Directors is preceded by an in-depth review and preliminary consideration of items on the meeting agenda. The resolutions on items considered by the Company's Board of Directors in the reporting year were made by more than a three-quarter majority of votes of all the elected members of the Board of Directors
2.8	**The board of directors shall establish committees for the preliminary consideration of the most important matters related to the company's operations**			
2.8.1	An audit committee comprising independent directors has been established for the preliminary consideration of matters related to controlling the company's financial and business operations	1. The board of directors has established an audit committee comprising solely independent directors 2. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the Code 3. At least one member of the audit committee who is an independent director has experience and knowledge of preparing, analyzing, assessing and auditing accounting (financial) statements 4. Meetings of the audit committee were held at least once a quarter during the reporting period	Partial compliance	**The comments below refer to clause 1 of the evaluation criteria.** Most of the Audit Committee members (two out of three) are independent directors. The independent director Ekaterina Lapshina was elected the Committee Chairman. Riccardo Orcel, a non-executive director, was elected to the Audit Committee based on his professional experience and expertise in the preparation, analysis, assessment and audit of accounting (financial) and consolidated financial statements, as well as sufficient knowledge and track record necessary to oversee audit, risk management and other functions within the scope of the Audit Committee. In determining the composition of the Audit Committee, the Company plans to continue focusing primarily on individual experience, professionalism and knowledge

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
2.8.2	For the preliminary consideration of matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee has been established comprising independent directors and headed by an independent director who is not the chairman of the board of directors	1. The board of directors has established a remuneration committee comprising solely independent directors. 2. The remuneration committee is chaired by an independent director who is not the chairman of the board of directors. 3. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code, as well as the conditions (events) upon the occurrence of which the remuneration committee shall consider revising the company's remuneration policy for the board of directors, executive bodies and other key executives	Partial compliance	**The comments below refer to clause 1 of evaluation criteria.** Most of the Remuneration and Nomination Committee members (three out of five members) are independent directors. All directors who are independent were elected to the Remuneration and Nomination Committee. John Browett, an independent director, was elected the Committee chairman. The election to the Remuneration and Nomination Committee of two non-executive directors (Alexander Tynkovan and Avet Mirakyan) was due to their many years of experience and expertise, including in talent management (succession planning) and remuneration practices for the Company and its subsidiaries, and helps maximize the performance of the Remuneration and Nomination Committee. **The comments below refer to clause 3 of evaluation criteria.** The Company's internal documents do not contain conditions (events) upon the occurrence of which the Remuneration and Nomination Committee shall consider revising the Company's remuneration policies. The Remuneration and Nomination Committee regularly monitors the alignment of the Company's remuneration with market conditions and develops recommendations on the amount of remuneration to both members of the Board of Directors and key executives. Given that the Company regularly analyzes its needs in terms of the number and composition of the Board of Directors and its requirements for the experience and competencies of the members Board of Directors and executive management depending on strategic targets and the Company's medium-term plans, and also considers a variety of factors, including inflation, setting mandatory conditions and criteria does not appear advisable
2.8.3	For the preliminary consideration of matters related to talent management (succession planning) and the professional composition and efficiency of the board of directors, a nomination (appointments, HR) committee has been established predominantly comprising independent directors	1. The board of directors has established a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprising independent directors. 2. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee assuming this function), including those listed in Recommendation 186 of the Code. 3. In the reporting period, the nomination committee, independently or jointly with other committees of the board of directors or the company's authorized shareholder relations unit, has engaged with shareholders, not limited to the largest shareholders, with regard to selecting candidates for the company's board of directors to form the board of directors best suiting the company's goals and objectives	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
2.8.4	Taking into account the company's scale of operations and risk level, the company's board of directors has made sure that the composition of its committees is fully in line with the company's business goals. Additional committees were either established or deemed unnecessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.)	1. In the reporting period, the board of directors considered whether its structure was consistent with the scope, nature, goals, needs and risk profile of the company and its operations. Additional committees were either established or deemed unnecessary	Full compliance	
2.8.5	Committees are composed to enable the comprehensive discussions of matters under preliminary consideration, taking into account a full range of opinions	1. During the reporting period, the audit committee, the remuneration committee and the nomination committee (or another relevant committee with combined functions) were headed by independent directors. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee (or another relevant committee with combined functions) and the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee	Full compliance	
2.8.6	Committee chairs inform the board of directors and its chairman about the work of their committees on a regular basis	1. During the reporting period, committee chairs reported to the board of directors on the work of their committees on a regular basis	Full compliance	
2.9	**The board of directors shall assess the performance of the board of directors, its committees and members of the board of directors**			
2.9.1	The board of directors' performance assessment seeks to determine the efficiency of the board of directors, its committees and members of the board of directors, conformity of their work with the company's development requirements, as well as stimulating the work of the board of directors and identifying areas for improvement	1. The company's internal documents define procedures for assessment (self-assessment) of the performance of the board of directors. 2. Assessment (self-assessment) of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual members of the board of directors, and the board of directors in general. 3. Results of assessment (self-assessment) of the board of directors' performance carried out in the reporting period were reviewed at an in-person meeting of the board	Partial compliance	**The comments below refer to clause 2 of evaluation criteria.** The self-assessment of the Board of Directors' performance did not include performance assessment of individual members, which the Company believes to be unnecessary at this stage given the recent change in the composition of the Board of Directors. The new members of the Board of Directors have been serving on the Board for a short period of time, whereas most of the members have been on the Board for several years. The fact of their election by the shareholders shows that the latter are satisfied with the performance of the Board members.
2.9.2	The performance of the board of directors, its committees, and its members is assessed regularly, at least once a year. An external organization (adviser) is engaged at least once every three years to carry out an independent assessment of the board of directors' performance	1. The company engaged an external organization (adviser) to carry out an independent assessment of the board of directors' performance on at least one occasion over the last three reporting periods	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
3.1	**The company's corporate secretary shall facilitate efficient day-to-day interactions with shareholders, coordinate the company's efforts to protect shareholder rights and interests, and support the efficient performance of the board of directors**			
3.1.1	The corporate secretary has the knowledge, experience and qualifications necessary to perform his/her duties, as well as an impeccable reputation and the trust of shareholders	1. The biographical data of the corporate secretary (including information about age, education, qualifications, experience) as well as information about the positions in the governing bodies of other legal entities held by the corporate secretary at least for the last five years are published on the corporate website and in the company's annual report	Full compliance	
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks	1. The company has adopted and disclosed an internal document — regulations on the corporate secretary. 2. The board of directors approves the appointment, dismissal and additional remuneration of the corporate secretary. 3. The company's internal documents stipulate the right of the corporate secretary to request and receive company documents and information from governing bodies, structural units and officers of the company	Full compliance	
4.1	**The remuneration offered by the company shall be sufficient to attract, motivate and retain people with the talents and qualifications required by the company. The remuneration payable to members of the board of directors, executive bodies and other key company executives shall comply with the company's approved remuneration policy**			
4.1.1	The amount of remuneration paid by the company to members of the board of directors, executive bodies and other key executives creates sufficient incentives for them to work efficiently, while enabling the company to engage and retain competent and qualified specialists. At the same time, the company avoids unnecessarily high remuneration, as well as unjustifiably large gaps between remunerations of the above persons and the company's employees	1. Remuneration of members of the board of directors, executive bodies and other key executives of the company is determined based on the results of benchmarking the company's remuneration levels with those in peer companies	Full compliance	
4.1.2	The company's remuneration policy is developed by the remuneration committee and approved by the board of directors. The board of directors, assisted by the remuneration committee, ensures control over the introduction and implementation of the company's remuneration policy, revising and amending it as required	1. During the reporting period, the remuneration committee considered the remuneration policy (policies) and/or the practical aspects of its (their) introduction, evaluated their efficiency and transparency, and presented relevant recommendations to the board of directors with regard to its (their) revision, as required	Full compliance	
4.1.3	The company's remuneration policy includes transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key company executives, and regulates all types of payments, benefits and privileges provided to such persons	1. The company's remuneration policy (policies) includes (include) transparent mechanisms for determining the amount of remuneration due to members of the board of directors, executive bodies and other key company executives, and regulates (regulate) all types of payments, benefits and privileges provided to such persons	Full compliance	
4.1.4	The company outlines its policy on the reimbursement (compensation) of expenses, detailing a list of reimbursable expenses and specifying the service levels that members of the board of directors, executive bodies and other key company executives can claim. Such policy can make part of the company's remuneration policy	1. The remuneration policy (policies) defines (define) the rules for reimbursing costs incurred by members of the board of directors, executive bodies and other key company executives	Full compliance	
4.2	**The remuneration system for members of the board of directors shall ensure that the financial interests of the directors are aligned with the long-term financial interests of the shareholders**			
4.2.1	The company pays fixed annual remuneration to members of the board of directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentives for members of the board of directors	1. During the reporting period, the company paid remuneration to members of the board of directors in line with the remuneration policy adopted by the company. 2. During the reporting period, the company did not apply any forms of short-term motivation or additional financial incentives for members of the board of directors linked to the company's performance results (indicators). The company did not pay remuneration for attending particular meetings of the board of directors or its committees	Full compliance	
4.2.2	The long-term ownership of the company's shares helps align the financial interests of members of the board of directors with the long-term interests of shareholders. At the same time, the company does not link the right to dispose of shares to performance targets, and members of the board of directors do not participate in stock option plans	1. If the company's internal document(s) — the remuneration policy (policies) — stipulates (stipulate) the provision of the company's shares to members of the board of directors, clear rules regarding share ownership by members of the board of directors are to be defined and disclosed to stimulate the long-term ownership of such shares	Full compliance	
4.2.3	The company does not allocate any extra payments or compensation in the event of the early termination of powers of members of the board of directors resulting from a change in control or any other reasons	1. The company does not allocate any extra payments or compensation in the event of the early termination of powers of members of the board of directors resulting from a change in control or any other reasons	Full compliance	
4.3	**When determining the amount of remuneration payable to members of executive bodies and other key company executives, the company shall consider the performance and personal contribution of each executive to the company's performance**			
4.3.1	The remuneration payable to members of executive bodies and other key company executives is determined via a reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal (individual) contribution	1. In the reporting period, annual performance results approved by the board of directors were used to determine the variable part of remuneration due to executive bodies and other key company executives. 2. During the latest assessment of the remuneration scheme for executive bodies and other key company executives, the board of directors (remuneration committee) made sure that the company applied an efficient ratio of the fixed and variable parts of remuneration. 3. In determining the amount of remuneration payable to executive bodies and other key company executives, the company takes into account the risks it is exposed to in order to avoid creating incentives for making managerial decisions that are excessively risky	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
4.3.2	The company has in place a long-term incentive program for executive bodies and other key executives based on the company's shares (options and other derivative instruments where the company's shares are the underlying asset)	1. If the company has in place a long-term incentive program for executive bodies and other key executives using the company shares (financial instruments based on the company shares), it must provide for the right to dispose of shares or other related financial instruments to take effect at least three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's performance targets	Partial compliance	M.Video-Eldorado Group has implemented a long-term incentive program for members of executive bodies and other key executives of MVM LLC using the Company's shares. This program does not stipulate that the right to dispose of the Company's shares takes effect at least three years after such shares or other financial instruments are granted
4.3.3	The compensation (golden parachute) payable by the company in case of early termination of the powers of members of executive bodies or key executives at the company's initiative, provided they performed no actions in bad faith, may not exceed the double fixed amount of their annual remuneration	1. In the reporting period, the compensation (golden parachute) payable by the company in case of early termination of the powers of members of executive bodies or key executives at the company's initiative, provided they performed no actions in bad faith, did not exceed the double fixed amount of their annual remuneration	Full compliance	
5.1	**The company shall have an effective risk management and internal control system in place providing reasonable assurance in achieving the company's goals**			
5.1.1	The company's board of directors determines the principles of and approaches to risk management and internal control	1. Functions of various governance bodies and units of the company in the risk management system and internal control are clearly defined in the company's internal documents / relevant policy approved by the board of directors	Full compliance	
5.1.2	The company's executive bodies ensure the establishment and continuous operation of an efficient risk management and internal control system	1. The company's executive bodies ensured the distribution of functions and powers related to risk management and internal control among the heads (managers) of units and departments accountable to them	Full compliance	
5.1.3	The company's risk management and internal control system ensures an objective, fair and clear representation of the current state of the company and its future prospects, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure	1. The company has in place an anti-corruption policy. 2. The company has arranged for safe, confidential and accessible means (hotline) of notifying the board of directors or the board's audit committee about violations of the law, the company's internal procedures and code of ethics	Full compliance	
5.1.4	The company's board of directors takes the necessary measures to ensure that risk management and internal control are consistent with the principles and approaches determined by the board of directors, and that the system is functioning effectively	1. In the reporting period, the board of directors (the board's audit committee and/or risk committee (if any)) assessed the efficiency and reliability of the company's risk management and internal control system. 2. In the reporting period, the board of directors reviewed the results of the assessment of the efficiency and reliability of the company's risk management and internal control system. The results of this assessment are included in the company's annual report	Partial compliance	**The comments below refer to clause 2 of evaluation criteria.** The reliability and efficiency of the risk management and internal control system of the Company is assessed by the Audit Committee of the Board of Directors on a regular basis. In the reporting period, the Board of Directors did not consider the results of the assessment of the reliability and efficiency of the risk management and internal control system of the Company separately. Such assessment shall be carried out in 2022 and its results will be included in the Company's 2022 Annual Report

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
5.2	**The company shall perform internal audits for regular independent assessment of the efficiency and reliability of the risk management and internal control system and corporate governance practices**			
5.2.1	The company has set up a standalone business unit or engaged an independent external organization to carry out internal audits. The functional and administrative reporting lines of the internal audit unit are separated. The internal audit unit reports functionally to the board of directors	1. To perform internal audits, the company has set up a standalone internal audit unit functionally reporting to the board of directors, or engaged an independent external organization under the same principle of subordination	Full compliance	
5.2.2	The internal audit unit assesses the efficiency and reliability of internal control, risk management, and corporate governance systems. The company applies generally accepted standards of internal audit	1. In the reporting period, the performance of the internal control and risk management system was assessed as part of the internal audit procedure. 2. In the reporting period, internal audit assessed corporate governance practices (individual practices), in particular communication procedures (including those related to internal control and risk management) at all management levels of the company, as well as stakeholder engagement	Full compliance	
6.1	**The company and its business shall be transparent for shareholders, investors, and other stakeholders**			
6.1.1	The company has developed and adopted an information policy ensuring the efficient exchange of information between the company, its shareholders, investors, and other stakeholders	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. The board of directors (or one of its committees) considered matters related to the effectiveness of communication between the company, shareholders, investors, and other stakeholders and feasibility (need) of revising the company's information policy in the reporting period	Partial compliance	**The comments below refer to clause 2 of evaluation criteria.** The Board of Directors (or one of its committees) did not consider matters related to the Company's compliance with its information policy. The work plan of the Board of Directors for the corporate year 2021–2022 provides for consideration of the effectiveness of communication
6.1.2	The company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code	1. The company discloses information on its corporate governance system and general principles of corporate governance applied in the company, in particular, on the corporate website. 2. The company discloses information on the composition of executive bodies and the board of directors, independence of the board members and their membership on the board's committees (as defined in the Code). 3. If the company has a controlling shareholder, the company publishes a memorandum of the controlling shareholder setting out the latter's plans for the company's corporate governance	Partial compliance	**The comments below refer to clause 3 of evaluation criteria.** In the reporting year, the Company did not publish a memorandum of the controlling person on such person's plans for corporate governance in the Company. If the Company receives a memorandum, this information will be published
6.2	**The company shall make timely disclosures of complete, updated and reliable information to allow shareholders and investors to make informed decisions**			
6.2.1	The company discloses information based on the principles of regularity, consistency and promptness, as well as availability, reliability, completeness and comparability of disclosed data	1. The company defines the procedure for coordinating all its structural units and employees that are involved in disclosure or whose activities may result in the need to disclose information. 2. If the company's securities are traded in foreign regulated markets, the company ensures concerted and equivalent disclosure of material information in the Russian Federation and in the said markets in the reporting period. 3. If foreign shareholders hold a significant portion of the company's shares, the reporting year's information is disclosed not only in Russian but also in one of the most commonly used foreign languages	Partial compliance	**The comments below refer to clause 3 of evaluation criteria.** In the reporting year, the information was disclosed in Russian. The information was partially disclosed in English. As translation of information and documentation requires additional material resources, the Company will consider the possibility of fully disclosing information in English if it receives a relevant request from foreign shareholders

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
6.2.2	The company avoids a formalistic approach to information disclosure, and discloses significant information about its operations even if such disclosure is not required by law	1. The company's information policy defines the approaches to identifying information that can have a material impact on the company's value and the price of its securities and that is not required to be disclosed by law. 2. The company discloses complete information on its capital structure, as stated in Recommendation 290 of the Code, in its annual report and on the official website of the company. 3. The company discloses information on controlled legal entities that are material to it, including key areas of their operations, mechanisms for ensuring accountability of controlled legal entities, and powers of the company's board of directors to determine the strategy and assess the performance of controlled legal entities 4. The company discloses a non-financial report — a sustainability report, environmental report, corporate social responsibility report, or another report containing non-financial information, including factors related to the environment (including environmental factors and factors related to climate change), society (social factors), and corporate governance, except for the issuer's report and the annual report of a joint-stock company	Full compliance	
6.2.3	One of the most important tools of information exchange with shareholders and other stakeholders, the annual report contains information enabling assessment of the company's performance in the reporting year	1. The company's annual report contains information on the audit committee's assessment of internal and external audit effectiveness. 2. The company's annual report contains information on the environmental and social policies of the company	Full compliance	
6.3	**The company shall provide information and documents as per the requests of shareholders in compliance with the principles of equal and unhindered access**			
6.3.1	Exercising shareholder rights of access to the company's documents and information is not cumbersome	1. The company's information policy (internal documents establishing the information policy) establishes non-cumbersome procedure for providing shareholders with easy access to the company's information and internal documents, as requested by shareholders. 2. The company's information policy (internal documents establishing the information policy) contain(s) provisions stipulating that if a shareholder requests information on legal entities controlled by the company, the company shall take the necessary steps to obtain such information from the relevant legal entities controlled by the company	Partial compliance	The comments below refer to clause 2 of evaluation criteria. There are no provisions stipulating that if a shareholder requests information on legal entities controlled by the Company, the Company shall take the necessary steps to obtain such information from the relevant legal entities controlled by the Company. Relevant changes will be made to internal documents in 2022
6.3.2	When providing information to shareholders, the company ensures a reasonable balance between the interests of particular shareholders and its own interests consisting in preserving the confidentiality of important commercial information that may materially affect its competitiveness	1. In the reporting period, the company did not reject shareholders' requests for information, or such rejection was justified. 2. In cases determined by the company's information policy, shareholders are informed about the confidential nature of the information and undertake to maintain its confidentiality	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
7.1	**Actions that significantly impact or may significantly impact the share capital structure or financial standing of the company and its shareholders' positions (material corporate actions) shall be fairly executed to ensure observance of the rights and interests of shareholders and other stakeholders**			
7.1.1	Material corporate actions include restructuring of the company, acquisition of 30% or more of the company's voting shares (takeover), execution by the company of significant transactions, an increase or reduction of the company's authorized capital, listing or delisting of the company's shares, as well as other actions that may lead to material changes in the rights of shareholders or violation of their interests. The company's charter specifies a list of transactions or other actions classified as material corporate actions that fall within the remit of the company's board of directors	1. The company's charter specifies a list of transactions or other actions classified as material corporate actions. Resolutions on material corporate actions fall within the remit of the board of directors. When execution of such corporate actions is expressly referred by law to the remit of the general meeting of shareholders, the board of directors presents relevant recommendations to shareholders	Full compliance	
7.1.2	The board of directors plays a key role in making decisions or developing recommendations regarding material corporate actions, relying on the opinions of the company's independent directors	1. The company has in place a procedure enabling independent directors to express their opinions on material corporate actions prior to approval thereof	Full compliance	
7.1.3	When executing material corporate actions affecting the rights and legitimate interests of shareholders, the company ensures equal terms and conditions for all shareholders, and in case of insufficient statutory mechanisms for protecting shareholder rights, takes additional measures to protect the rights and legitimate interests of its shareholders. In doing so, the company is guided by corporate governance principles set out in the Code in addition to formal statutory requirements	1. Taking into account the specifics of the company's operations, the company's charter refers approval of transactions other than those stipulated by the law and deemed material for the company, to the board of directors. 2. In the reporting period, all material corporate actions were subject to approval prior to execution	Full compliance	

No.	Corporate governance principle	Compliance criteria	Compliance status	Reason for noncompliance
7.2	**The company shall perform material corporate actions in such a way as to ensure that shareholders receive complete information about such actions in a timely manner, allowing them to influence such actions and guaranteeing adequate protection of their rights when taking such actions**			
7.2.1	Disclosures about material corporate actions include explanations of the grounds, circumstances and consequences of these actions	1. If during the reporting period the company engaged in material corporate actions, the company disclosed information about these actions in due time and in detail, including the grounds, circumstances and consequences of these actions for the shareholders	Full compliance	
7.2.2	Rules and procedures related to material corporate actions executed by the company are set out in the company's internal documents	1. The company's internal documents provide for cases and procedure for engaging an appraiser to determine the value of the property disposed of or acquired pursuant to a major transaction or a related-party transaction. 2. The company's internal documents provide for the procedure for engaging an appraiser to assess the value of the company's shares at their purchase and buyback. 3. If there is no formal interest of a member of the board of directors, the sole executive body, a member of the collegial executive body of the company or a person who is a controlling person of the company or a person entitled to give the company instructions binding on the company, in the company's transactions, but if there is a conflict of interest or other actual interest, the company's internal documents stipulate that such persons may not participate in the voting on the approval of such transaction	Partial compliance	**The comments below refer to clause 1 of evaluation criteria.** The company's internal documents do not provide for a procedure for engaging an appraiser to determine the value of the property disposed of or acquired in a major transaction or a related-party transaction. The Company does not intend to define in its internal documents a list of cases when an appraiser is to be engaged, as the Company has created and effectively operates a system of internal protection of the Company's property interests, including full and reliable accounting of property, control over its use and disposal. Any transactions related to the acquisition, disposal of or encumbrance of property in excess of the limits specified in internal documents are subject to close scrutiny, including for compliance with market conditions **The comments below refer to clause 2 of evaluation criteria.** The Company shall engage an independent appraiser in all cases provided for by the Law. If an independent appraisal is required for the Board of Directors to make an informed decision, the Company's internal documents provide for a possibility to engage consultants and experts, including financial experts, at the initiative of the Board of Directors

ANNEX 2

MAJOR TRANSACTIONS AND RELATED-PARTY TRANSACTIONS[1]

No.	Transaction date	Subject-matter and material terms of the transaction, details of the related party (parties) to the transaction[2]	Company's governing body that resolved to agree to proceed with or further approve the transaction
1. MAJOR TRANSACTIONS			
In the reporting period, the Company did not enter into any transactions recognized as major transactions according to the Federal Law On Joint-Stock Companies, as well as other transactions subject to the major transaction approval procedure under the Company's Charter.			
2. RELATED-PARTY TRANSACTIONS			
1.	January 31, 2021	Performance guarantee for MVM LLC, a subsidiary. **SUBJECT-MATTER AND MATERIAL TERMS OF THE TRANSACTION:** Guarantee of performance by the Principal of its obligations under non-residential property lease agreement No. 06-DDA/SB dated December 20, 2018, entered into by and between MVM LLC and Slavyanka LLC (the "Agreement"), namely obligations to: • effect Lease and other payments under the Agreement; • pay punitive penalties recognized by the Principal for the breach of the Agreement and damages caused to the Beneficiary and recognized by the Principal; • pay punitive penalties for the Principal's breach of its contractual obligations, whether or not recognized by the Principal, applicable only in the event of early termination of the Agreement. **Guarantee amount:** not exceeding RUB 19,831,795.20. *The guarantee amount was less than two percent of the Company's book value.* **Guarantee period:** from January 31, 2021 till January 30, 2022. **PARTIES TO AND BENEFICIARIES OF THE TRANSACTION:** Guarantor (party to the transaction): PJSC M.video (OGRN 5067746789248, INN 7707602010) Beneficiary (beneficiary of the transaction): Slavyanka LLC (OGRN 1127746288636, INN 7730663821). Principal (beneficiary of the transaction): MVM LLC (OGRN 1057746840095, INN 7707548740). **INDIVIDUALS AND LEGAL ENTITIES RECOGNIZED AS RELATED PARTIES TO THE TRANSACTION:** **1. DAWLARIA HOLDINGS LIMITED;** **2. Safmar Retail Limited Liability Company;** **3. ERICARIA HOLDINGS LIMITED;** **4. Said Gutseriev;** **5. Alexander Izosimov.**	Board of Directors

[1] *Report on major transactions and related-party transactions made by PJSC M.video in 2021.*
[2] *This information is provided as at the transaction date.*

No.	Transaction date	Subject-matter and material terms of the transaction, details of the related party (parties) to the transaction[2]	Company's governing body that resolved to agree to proceed with or further approve the transaction
2.	March 12, 2021	**SUBJECT-MATTER AND MATERIAL TERMS OF THE TRANSACTION:** The Company made a transaction in relation to (a) the Selling Shareholder's (as defined below) Secondary Public Offering of part of the Company's outstanding common shares (the "Shares") owned by such Selling Shareholder in the quantity determined following the results of bookbuilding (with potential investors submitting bids on the number of Shares they are interested in buying) (the "SPO"), and (b) provision of secondary public offering services and/or services associated with the arrangement of secondary public offering of Shares by the Coordinators (as defined below), including by way of purchase of Shares from the Selling Shareholder by such Coordinators or ensuring their purchase by investors (third party purchasers) (the "Transaction"). In connection with the Transaction, the Company entered into the following documents (collectively, the "Transaction Documents"): 1. Underwriting Agreement. 2. Underwriting Support Agreement (the "Underwriting Agreements"). **THE UNDERWRITING AGREEMENTS:** • the Company provides certain representations, warranties and undertakings; • the Company assumes obligations and provides an indemnity with regard to the expenses, costs and damages connected with the SPO and/or the Transaction that may be incurred by the Coordinators or other persons subject to the Indemnity and Contribution provisions of the Underwriting Agreements in the instances stipulated by the Underwriting Agreements; • the Company assumes obligations setting a lock-up period; • the maximum amount of the Company's liability or obligations under the Transaction Documents will be less than ten percent (10%) of the Company's book value determined on the basis of its accounting records as at the last reporting date before the Transaction date; • the Company assumes other obligations related to the SPO in accordance with the Underwriting Agreements; • the Company assumes obligations to ensure the execution of an indemnity agreement by MVM LLC and the Coordinators with regard to the expenses, costs and damages connected with the SPO and/or the Transaction that may be incurred by the Coordinators or other persons subject to the Indemnity and Contribution provisions of the Subsidiary Indemnity Deed; • applicable law: law of England and Wales. **PARTIES TO AND BENEFICIARIES OF THE TRANSACTION:** Parties to the transaction: • Public Joint-Stock Company M.video, location/address: Moscow, Russian Federation / office 5A, premises II, floor 5, building 20, 40/12, Nizhnyaya Krasnoselskaya Street, Moscow, 105066, OGRN: 5067746789248 (the "Company"); • J.P. Morgan Securities plc (address: 25 Bank Street, Canary Wharf, London, E14 5JP, registration number: 02711006), Merrill Lynch International (address: 2 King Edward Street, London, EC1A 1HQ, registration number: 02312079), UBS Europe SE (address: Bockenheimer Landstraße 2 — 4, 60306 Frankfurt am Main, registration number: HRB 107046), and VTB Capital plc (address: 14 Cornhill, London, EC3V 3ND, registration number: 00159752), as arrangers and/or underwriters and/or global coordinators and/or bookrunners (the "Coordinators"); • ERICARIA HOLDINGS LIMITED, address: Alexandreias 42, Lakatamia 2311, Nicosia, Cyprus, registration number: HE 391119 (the "Selling Shareholder"); • MVM Limited Liability Company, location/address: Moscow, Russian Federation/ office 3, premises II, floor 5, building 20, 40/12, Nizhnyaya Krasnoselskaya Street, Moscow, 105066, OGRN: 1057746840095 ("MVM LLC"). Beneficiaries of the transaction: The persons not being parties to the Transaction and subject to the Indemnity and Contribution provisions of the Underwriting Agreements and the Transaction Documents. Transaction value in money terms: RUB 1,443,456,193.6. Transaction value as a percentage of the Company's book value: less than 10% (9.999999993%).	Board of Directors

No.	Transaction date	Subject-matter and material terms of the transaction, details of the related party (parties) to the transaction[2]	Company's governing body that resolved to agree to proceed with or further approve the transaction
		INDIVIDUALS AND LEGAL ENTITIES RECOGNIZED AS RELATED PARTIES TO THE TRANSACTION: **1. ERICARIA HOLDINGS LIMITED** Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a party to the Transaction (the Selling Shareholder); • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the Transaction (controlled entity (company) of ERICARIA HOLDINGS LIMITED, MVM LLC is a party to the Transaction); The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 63.5058% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%. **2. Safmar Retail Limited Liability Compan** Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a controlling party of ERICARIA HOLDINGS LIMITED (the Selling Shareholder), which is a party to the Transaction (controlled entity (company) of Safmar Retail LLC, ERICARIA HOLDINGS LIMITED (the Selling Shareholder) is a party to the Transaction); • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the Transaction (controlled entity (company) of Safmar Retail LLC, MVM LLC is a party to the Transaction); The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: Safmar Retail LLC wholly owns ERICARIA HOLDINGS LIMITED (a party to the Transaction, the Selling Shareholder). **3. DAWLARIA HOLDINGS LIMITED** Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a controlling party of ERICARIA HOLDINGS LIMITED (the Selling Shareholder), which is a party to the Transaction (controlled entity (company) of DAWLARIA HOLDINGS LIMITED, ERICARIA HOLDINGS LIMITED (the Selling Shareholder) is a party to the Transaction); • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the Transaction (controlled entity (company) of DAWLARIA HOLDINGS LIMITED, MVM LLC is a party to the Transaction); The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%. **4. Said Gutseriev** Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a controlling party of ERICARIA HOLDINGS LIMITED (the Selling Shareholder), which is a party to the Transaction (controlled entity (company) of Said Gutseriev, ERICARIA HOLDINGS LIMITED (the Selling Shareholder) is a party to the Transaction); • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the Transaction (controlled entity (company) of Said Gutseriev, MVM LLC is a party to the Transaction);	

No.	Transaction date	Subject-matter and material terms of the transaction, details of the related party (parties) to the transaction[2]	Company's governing body that resolved to agree to proceed with or further approve the transaction
		• concurrently being a member of the Company's Board of Directors and a controlling party of ERICARIA HOLDINGS LIMITED (the Selling Shareholder), which is a party to the Transaction (controlled entity (company) of Said Gutseriev, ERICARIA HOLDINGS LIMITED (the Selling Shareholder) is a party to the Transaction); • concurrently being a member of the Company's Board of Directors and a controlling party of MVM LLC, which is a party to the Transaction (controlled entity (company) of Said Gutseriev, MVM LLC is a party to the Transaction). The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0.0455% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%. **5. Alexander Izosimov** Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being a member of the Company's Management Board (collective executive body) and holding a position on a governing body of MVM LLC (the sole executive body, Chief Executive Officer), which is a party to the Transaction; • concurrently being the Company's sole executive body (Chief Executive Officer) and holding a position on a governing body of MVM LLC (the sole executive body, Chief Executive Officer), which is a party to the Transaction. The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0.1279% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%.	
3.	May 13, 2021	**SUBJECT-MATTER AND MATERIAL TERMS OF THE TRANSACTION:** The Company is obliged to make a cash contribution to the assets of MV FINANCE LLC in the amount of RUB 20,000,000 by no later than June 13, 2021 (inclusively). **PARTIES TO AND BENEFICIARIES OF THE TRANSACTION:** PJSC M.video (OGRN 5067746789248, INN 7707602010), MV FINANCE LLC (OGRN 1207700495749, INN 9701168311). *The transaction (contribution) amount was less than two percent of the Company's book value.* **INDIVIDUALS AND LEGAL ENTITIES RECOGNIZED AS RELATED PARTIES TO THE TRANSACTION:** **1. DAWLARIA HOLDINGS LIMITED** **2. Retail Limited Liability Company** **3. ERICARIA HOLDINGS LIMITED** **4. Said Gutseriev** **5. Alexander Izosimov**	Board of Directors
4.	August 31, 2021	**SUBJECT-MATTER AND MATERIAL TERMS OF THE TRANSACTION:** The Company is obliged to make a cash contribution to the assets of MV FINANCE LLC in the amount of RUB 30,000,000 by no later than September 30, 2021 (inclusively). **PARTIES TO AND BENEFICIARIES OF THE TRANSACTION:** PJSC M.video (OGRN 5067746789248, INN 7707602010), MV FINANCE LLC (OGRN 1207700495749, INN 9701168311). *The transaction (contribution) amount was less than two percent of the Company's book value.* **INDIVIDUALS AND LEGAL ENTITIES RECOGNIZED AS RELATED PARTIES TO THE TRANSACTION:** **1. DAWLARIA HOLDINGS LIMITED** **2. Retail Limited Liability Company** **3. ERICARIA HOLDINGS LIMITED** **4. Said Gutseriev** **5. Alexander Izosimov**	Board of Directors

No.	Transaction date	Subject-matter and material terms of the transaction, details of the related party (parties) to the transaction[2]	Company's governing body that resolved to agree to proceed with or further approve the transaction
5	September 28, 2021	License Agreement **SUBJECT-MATTER AND MATERIAL TERMS OF THE TRANSACTION:** A non-exclusive license granted by the Company (the "Licensor") to MVM Limited Liability Company (the "Licensee" or "MVM LLC"), against consideration, to use the M.video trademark (Trademark (Service Mark) Certificate No. 228734, date of registration: November 25, 2002, application No. 2001709375, priority: March 30, 2001, the "trademark") in the Licensee's business activities carried out in the Russian Federation with regard to all the goods and services listed in above-mentioned Trademark (Service Mark) Certificate No. 228734, in particular by way of trademark placement: • when performing works and rendering services; • on documents related to introducing goods into civil circulation; • in proposals on selling goods, performing works, rendering services, as well as in announcements, on signboards and in advertising; • in the internet, including the domain name and other addressing modes. Transaction value: RUB 267,213,902.40, including VAT at the applicable rate set by the laws of the Russian Federation on taxes and duties. Transaction term: The License Agreement shall become effective on its signing date and will be valid till March 31, 2022. The right to use the trademark will be granted immediately after its registration in the Federal Service for Intellectual Property (Rospatent). Given that the trademark had been actually used by the Licensee upon consent of the Licensor since March 31, 2021, the License Agreement applies to the parties' relations starting from March 31, 2021. **PARTIES TO AND BENEFICIARIES OF THE TRANSACTION:** Parties to the transaction: Licensor: Public Joint-Stock Company M.video (INN 7707602010, OGRN 5067746789248); Licensee: MVM Limited Liability Company (INN 7707548740, OGRN 1057746840095). Beneficiaries of the transaction: there are no beneficiaries that are not parties to the transaction. **INDIVIDUALS AND LEGAL ENTITIES RECOGNIZED AS RELATED PARTIES TO THE TRANSACTION:** **1. ERICARIA HOLDINGS LIMITED** Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the transaction (controlled entity (company) of ERICARIA HOLDINGS LIMITED, MVM LLC is a party to the transaction); The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 50.0000008% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%.	Board of Directors

No.	Transaction date	Subject-matter and material terms of the transaction, details of the related party (parties) to the transaction[2]	Company's governing body that resolved to agree to proceed with or further approve the transaction
		2. Safmar Retail Limited Liability Company Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the transaction (controlled entity (company) of Safmar Retail LLC, MVM LLC is a party to the transaction); The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%.	
		3. DAWLARIA HOLDINGS LIMITED Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the transaction (controlled entity (company) of DAWLARIA HOLDINGS LIMITED, MVM LLC is a party to the transaction). The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%.	
		4. Said Gutseriev Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's controlling party and a controlling party of MVM LLC, which is a party to the transaction (controlled entity (company) of Said Gutseriev, MVM LLC is a party to the transaction); • concurrently being a member of the Company's Board of Directors and a controlling party of MVM LLC, which is a party to the transaction (controlled entity (company) of Said Gutseriev, MVM LLC is a party to the transaction). The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0.0455% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%.	
		5. Alexander Izosimov Ground (grounds) whereon such individual or legal entity is recognized as a related party to the transaction, as at the transaction date: • concurrently being the Company's sole executive body (Chief Executive Officer) and holding a position on a governing body of MVM LLC (the sole executive body, Chief Executive Officer), which is a party to the transaction. The participation interest of the related party in the Company's charter (contributed) capital (shares held by the related party) as at the transaction date: 0.3264% The participation interest of the related party in the charter (contributed) capital (shares held by the related party) of a legal entity which is a party to the transaction, as at the transaction date: 0%.	

ANNEX 3

REPORTS OF THE BOARD COMMITTEES

BOARD OF DIRECTORS AUDIT COMMITTEE REPORT

This report on the Audit Committee's performance in 2021 is to be considered and approved by PJSC M.video's Board of Directors, and subsequently included in the Company's Annual Report, in line with the Regulation on the Audit Committee.

The Audit Committee is an advisory and consultative body of the Board of Directors established to enhance its performance by monitoring the financial and economic operations (accounting (financial) reports, risk management, internal control and corporate governance) of the Company and its controlled entities.

The Audit Committee's remit covers the following activities of the Company, its subsidiaries and/or controlled entities, and the Group as a whole:

- Accounting (financial) reporting;
- Internal control, risk management and corporate governance;
- Reporting on rule violations;
- Internal audit;
- External audit.

The membership of the Audit Committee changed in 2021, as shown below.

In 2021, nine meetings of the Audit Committee were held, three of them as absentee voting. They covered 33 issues*.

The issues considered by the Audit Committee in 2021 and its recommendations to the Board of Directors included approval of the 2020 financial statements and annual reports of the Company and other Group companies, election of the external auditors of the Company and its controlled entities, defining the external auditors' remuneration and conditions of their engagement.

Upon the recommendation of the Audit Committee, the Board of Directors advised the General Meeting of Shareholders to approve Joint Stock Company Deloitte & Touche CIS as the auditor of the 2021 financial and business activities of PJSC M.video. This decision was upheld by the Annual General Meeting of Shareholders on May 7, 2021.

In 2021, the Audit Committee reviewed the IFRS interim condensed consolidated financial statements (unaudited) of PJSC M.video for the six months ended June 30, 2021, as well as the external auditor's statement of the review of the interim condensed consolidated financial statements.

Upon the recommendation of the Audit Committee, the Board of Directors approved the new version of the Regulation on the Audit Committee of the Board of Directors of PJSC M.video and the Policy on the Internal Control and Risk Management System of the Company.

In the reporting year, during meetings with the management, the Audit Committee analyzed and discussed a number of issues regarding the Company's and the Group's activities: Internal Audit Division report, progress report on the transformation of the financial function and 2022 plans, report on the development of the internal control and risk management system, external audit plan for 2021, strategy of the Group's information security taking into account the Group's digital transformation strategy and other matters.

The functions of the Audit Committee secretary were performed by the Corporate Secretary.

** Five meetings were held before May 7, 2021, and four meetings with the new members after May 18, 2021.*

Members of the Audit Committee and their participation in the meetings held in 2021

Full name	Committee membership	Meetings attended
Ekaterina Lapshina	Chairperson of the committee	4/4
Vladimir Preobrazhensky	Committee member (chairperson until May 7, 2021)	9/9
Riccardo Orcel	Committee member	4/4
Andrey Derekh	Committee member (until May 7, 2021)	5/5
Janusz Lella	Committee member (until May 7, 2021)	5/5

BOARD OF DIRECTORS REMUNERATION AND NOMINATION COMMITTEE REPORT

This report on the Remuneration and Nomination Committee's performance in 2021 is to be considered and approved by PJSC M.video's Board of Directors, and subsequently included in the Company's Annual Report, in line with the Regulation on the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee is an advisory and consultative body of the Board of Directors established to enhance its performance by fulfilling management and governance functions in the Company, working out criteria of talent attraction and assessment, ensuring that the Company and its subsidiaries comply with the remuneration policy and use best practices of staff recruitment, development and continuity.

The Remuneration and Nomination Committee's remit covers HR issues of appointments in the Company and its subsidiaries, remuneration for various positions in the Company and its subsidiaries.

The membership of the Remuneration and Nomination Committee changed in 2021, as shown below.

In 2021, twelve meetings of the Remuneration and Nomination Committee were held: ten of them in person and two as absentee voting. The committee considered 40 issues*.

The key issues considered by the Remuneration and Nomination Committee in 2021 and its recommendations to the Board of Directors included the nomination of candidates to the Board of Directors and compliance with the independence criteria, discussing the draft Induction Program for newly elected members of the Board of Directors, proposed changes in remuneration of the Board of Directors members, changes in the organizational structure of a controlled entity, long-term financial incentives program for the key management staff of a controlled entity, long-term incentive program for the management staff of a controlled entity, setting and assessing achievement of the wildly important goals and key performance indicators (WIGs/KPIs) for the top management of controlled entities in 2020, payments under the long-term incentive program for the management staff of a controlled entity, appointment of the Corporate Secretary, as well as self-appraisal and external appraisal of the Board's performance.

The functions of the Remuneration and Nomination Committee secretary were performed by the Corporate Secretary.

** Six meetings were held before May 7, 2021, and six meetings with the new members after May 18, 2021.*

Members of the Remuneration and Nomination Committee and their participation in the meetings

Full name	Committee membership	Meetings attended
John Browett	Chairperson of the committee	6/6
Ekaterina Lapshina	Committee member	6/6
Avet Mirakyan	Committee member	6/6
Vladimir Preobrazhensky	Committee member	12/12
Alexander Tynkovan	Committee member	5/6
Janusz Lella	Committee chairperson (until May 7, 2021)	6/6
Andrey Derekh	Committee member (until May 7, 2021)	6/6

BOARD OF DIRECTORS STRATEGY AND DIGITAL TRANSFORMATION COMMITTEE REPORT

This report on the Strategy and Digital Transformation Committee's performance in 2021 is to be considered and approved by PJSC M.video's Board of Directors, and subsequently included in the Company's Annual Report, in line with the Regulation on the Strategy and Digital Transformation Committee.

The Strategy and Digital Transformation Committee is an advisory and consultative body of the Board of Directors established to enhance its performance by formulating the strategy, making plans to develop the IT architecture, ensuring the IT security, and considering the policy and the standards of IT security of the Company and other Group companies.

The Strategy and Digital Transformation Committee's remit covers recommendations to the Board of Directors on the Company's and the Group's strategy and digital transformation.

The membership of the Strategy and Digital Transformation Committee changed in 2021, as shown below.

The Strategy and Digital Transformation Committee held seven meetings in the reporting year. All meetings were held in person. The committee discussed 24 issues*.

The key issues considered by the Strategy and Digital Transformation Committee in 2021 and its recommendations to the Board of Directors included the digital transformation progress, analyzing potential business growth vectors, long-term strategic development of the Company, including the ESG program, Fintech sector and OneRetail.

The functions of the Strategy and Digital Transformation Committee secretary were performed by Viktoria Kunina.

** Two meetings were held before May 7, 2021, and five meetings with the new members after May 18, 2021.*

Members of the Strategy and Digital Transformation Committee and their participation in the meetings

Full name	Committee membership	Meetings attended
Vladimir Preobrazhensky	Chairperson of the committee	6/7
John Browett	Committee member	5/5
Said Gutseriev	Committee member	3/5
Enrique Fernandez	Committee member	7/7
Alexander Tynkovan	Committee chairperson (until May 7, 2021)	7/7
Eldar Vagapov	Committee member (until May 7, 2021)	2/2
Vilen Eliseev	Committee member (until May 7, 2021)	2/2

GRI CONTENT INDEX [102-55]

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GRI 102: General Disclosures 2016		
Organizational profile		
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102-2	Activities, brands, products, and services	8
102-3	Location of headquarters	161
102-4	Location of operations	9
102-5	Ownership and legal form	161
102-6	Markets served	13
102-7	Scale of the organization	57
102-8	Information on employees and other workers	57
102-9	Supply chain	50
102-10	Significant changes to the organization and its supply chain	50
102-11	Precautionary Principle or approach	The Group is committed to the Precautionary Principle and focuses on preventing harm rather than redressing it
102-12	External initiatives	Club of Green Retailers
102-13	Memberships of associations	SKO Electronics-Utilization Association The Retail Companies Association (ACORT) Association of the Companies of Internet Trade (ACIT) Association of Trading Companies and Manufacturers of Household Electrical Equipment and Computers (RATEK) The Association of European Businesses (AEB) Chamber of Commerce and Industry of the Russian Federation OPORA RUSSIA Business Russia Russian Union of Industrialists and Entrepreneurs Russian Managers Association
Strategy		
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Disclosure	Content	Page in the Report, omission, comment
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Governance		
102-18	Governance structure	71
102-19	Delegating authority	73
102-20	Executive-level responsibility for economic, environmental, and social topics	73
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102-22	Composition of the highest governance body and its committees	73
102-23	Chair of the highest governance body	Alexander Tynkovan, Chairman of the Board of Directors
102-24	Nominating and selecting the highest governance body	73
102-25	Conflicts of interest	91
102-26	Role of highest governance body in setting purpose, values, and strategy	73
102-27	Collective knowledge of highest governance body	73
102-28	Evaluating the highest governance body's performance	74
102-29	Identifying and managing economic, environmental, and social impacts	3, 74
102-30	Effectiveness of risk management processes	87
102-31	Review of economic, environmental, and social topics	M.Video-Eldorado Group's integrated annual report, approved by resolution of the Board of Directors, incorporates information on sustainability performance
102-32	Highest governance body's role in sustainability reporting	M.Video-Eldorado Group's integrated annual report, approved by resolution of the Board of Directors, incorporates information on sustainability performance
102-33	Communicating critical concerns	91
102-35	Remuneration policies	96
102-36	Process for determining remuneration	96
102-37	Stakeholders' involvement in remuneration	96
102-38	Annual total compensation ratio	96

Disclosure	Content	Page in the Report, omission, comment
102-39	Percentage increase in annual total compensation ratio	96
Stakeholder engagement		
102-40	List of stakeholder groups	Internal:: • Group management External: • shareholders and investors • customers and consumers • business partners • employees • industry associations and the expert community • social, environmental, and charity NGOs • mass media
102-41	Collective bargaining agreements	M.Video-Eldorado Group does not have any collective bargaining agreements
102-42	Identifying and selecting stakeholders	Each stakeholder group plays a role in our business, so taking their interests into account in planning and conducting operations will always be a cornerstone of M.Video-Eldorado Group's sustainable development
102-43	Approach to stakeholder engagement	The Group centers its stakeholder engagement activities around the four fundamental principles of the AA1000 Series of Standards, which are inclusivity, materiality, responsiveness, and impact
102-44	Key topics and concerns raised	
Reporting practice		
102-45	Entities included in the consolidated financial statements	105
102-46	Defining report content and topic boundaries	3
102-47	List of material topics	3
102-48	Restatements of information	105
102-49	Changes in reporting	105
102-50	Reporting period	Financial year from January 1, 2021 through December 31, 2021
102-51	Date of most recent report	April 2, 2021
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	161
102-54	Claims of reporting in accordance with the GRI Standards	The report was prepared using the GRI Standards
102-55	GRI content index	158
102-56	External assurance	The report has not undergone external assurance procedures
GRI 103: Management approach 2016		
103-1	Explanation of the material topic and its boundary	By the text of the Report

Disclosure	Content	Page in the Report, omission, comment
103-2	By the text of the Report	
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SPECIFIC STANDARD DISCLOSURES

GRI 203: Indirect economic impacts 2016		
203-1	Infrastructure investments and services supported	67
GRI 205: Anti-corruption 2016		
205-2	Communication and training about anti-corruption policies and procedures	91
205-3	Confirmed incidents of corruption and actions taken	91
GRI 302: Energy 2016		
302-1	Energy consumption within the organization	ESG data book
302-3	Energy intensity	ESG data book
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	ESG data book
305-2	Energy indirect (Scope 2) GHG emissions	ESG data book
305-4	GHG emissions intensity	ESG data book
GRI 306: Effluents and waste 2016		
306-2	Waste by type and disposal method	ESG data book
306-4	Transported, imported, exported and treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII; percentage of hazardous waste shipped internationally	The Group does not transport, import, export or treat waste deemed hazardous under the terms of the Basel Convention, Annex I, II, III and VIII
GRI 401: Employment 2016		
401-1	Total number and rate of new employee hires and employee turnover	The total number of new employee hired during the reporting period, by gender: • men – 10,993 • women – 3,558 by age: • under 30 y.o. – 10,289 • 30–50 y.o. – 4,065 • over 50 y.o. – 197
401-2	Benefits provided to full-time employees	62
GRI 403: Occupational health and safety 2018		
403-1	Occupational health and safety management system	65
403-2	Hazard identification, risk assessment, and incident investigation	65
403-3	Occupational health services	65
403-5	Worker training on occupational health and safety	65
403-6	Promotion of worker health	66

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403-8	Workers covered by an occupational health and safety management system	65
403-9	Work-related injuries	66
GRI 404: Training and education 2016		
404-1	Average hours of training per year per employee	63
404-2	Programs for upgrading employee skills and transition assistance programs	63
404-3	Percentage of employees receiving regular performance and career development reviews	63
GRI 405: Diversity and equal opportunity 2016		
405-1	Employee structure by category, gender and age group	57
405-2	Ratio of basic salary and remuneration of women to men	Sustainability section on the Group's website: https://www.mvideoeldorado.ru/en/sustainability/sustainable-development
GRI 412: Human rights assessment 2016		
412-1	Operations that have been subject to human rights reviews or impact assessments	No specialized reviews of human rights violations were conducted in 2021
Specific material topics relevant for M.Video-Eldorado Group		
Operational efficiency and economic performance		
-	Gross merchandise value (GMV)	23
-	Consolidated revenue	25
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-	Infrastructure and logistics development	46
-	Customer loyalty indicators	43
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-	Development of in-house IT competencies	63, 64
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-	Information security strategy	35
-	Information security measures implemented in the reporting period	35
Well-being of employees and decent working conditions		
-	Creating a working and living environment	61
-	Retail staff turnover	60

CONTACTS

PUBLIC JOINT-STOCK COMPANY M.VIDEO [102-1] [102-5]

Short name

PJSC M.video

Certificate of incorporation No. and date of issue

5067746789248

September 25, 2006

Registered office

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