

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

Interim Condensed Consolidated  
Financial Information (Unaudited)  
Half-Year Ended 30 June 2018

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

## **TABLE OF CONTENTS**

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	<b>Pages</b>
STATEMENT OF MANAGEMENT’S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)	1
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED):	
Interim condensed consolidated statement of financial position	3
Interim condensed consolidated statement of profit or loss and other comprehensive income	4
Interim condensed consolidated statement of changes in equity	5
Interim condensed consolidated statement of cash flows	6-7
Notes to the interim condensed consolidated financial information	8-28

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

### **STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)**

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Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") as at 30 June 2018, and the consolidated results of its operations, cash flows and changes in equity for the half-year then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting".

In preparing the interim condensed consolidated financial information, management is responsible for:

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the half-year ended 30 June 2018 was approved on 27 August 2018.



**B. Uzhakhov**  
Chief Executive Officer



**E. Sokolova**  
Chief Financial Officer

## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

### Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Public Joint Stock Company "M.video" (the "Company") and its subsidiaries (the "Group") as at 30 June 2018 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the half-year then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed consolidated financial information"). Management is responsible for the preparation and fair presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information does not present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and its consolidated financial performance and its consolidated cash flows for the half-year then ended in accordance with IAS 34.

Sedov A.V.  
Team leader



27 August 2018

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

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

Address: 40/12, building 20, Nizhnaya Krasnoselskaya Street, Moscow, 105066, Russian Federation

Audit Firm: AO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484.

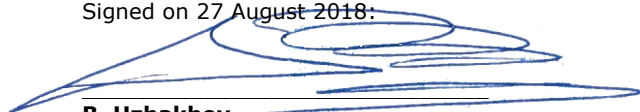
**PUBLIC JOINT STOCK COMPANY "M.VIDEO"**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018 (UNAUDITED)  
(in millions of Russian Rubles)**

	Notes	30 June 2018	31 December 2017
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	4	18 613	7 936
Investment property	5	589	-
Intangible assets	6	54 176	7 999
Deferred tax assets, net		4 640	4 264
Non-current financial assets	7	509	2 471
Other non-current assets	8	1 293	993
<b>Total non-current assets</b>		<b>79 820</b>	<b>23 663</b>
<b>CURRENT ASSETS:</b>			
Inventories	9	80 668	52 283
Accounts receivable and prepaid expenses	10	23 515	21 611
Income tax receivable		701	16
Other taxes receivable	11	9 321	6 154
Cash and cash equivalents	12	3 564	17 791
Loans issued to external parties	13	84	-
Assets held for sale	14	704	-
Other current assets		8	7
<b>Total current assets</b>		<b>118 565</b>	<b>97 862</b>
<b>TOTAL ASSETS</b>		<b>198 385</b>	<b>121 525</b>
<b>EQUITY:</b>			
Share capital	15	1 798	1 798
Additional paid-in capital		4 576	4 576
Treasury shares	15	(749)	(52)
Retained earnings		21 420	16 602
Equity attributable to owners of the Company		27 045	22 924
Non-controlling interests		302	230
<b>Total equity</b>		<b>27 347</b>	<b>23 154</b>
<b>NON-CURRENT LIABILITIES:</b>			
Non-current loans	16	69	-
Non-current bank borrowings	17	38 680	-
Other liabilities		299	-
Finance lease obligations		210	-
Deferred tax liabilities		1 806	-
<b>Total non-current liabilities</b>		<b>41 064</b>	<b>-</b>
<b>CURRENT LIABILITIES:</b>			
Current bank borrowings	17	15 098	-
Trade accounts payable		93 622	77 698
Other payables and accrued expenses	18	9 527	8 708
Advances received	19	4 339	2 656
Income tax payable		1	531
Other taxes payable	20	1 441	1 627
Finance lease obligations		31	-
Deferred revenue	21	4 815	5 923
Financial guarantees	22	382	780
Provisions	23	718	448
<b>Total current liabilities</b>		<b>129 974</b>	<b>98 371</b>
<b>Total liabilities</b>		<b>171 038</b>	<b>98 371</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>198 385</b>	<b>121 525</b>

The Notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Signed on 27 August 2018:



**B. Uzhakhov**  
Chief Executive Officer



**E. Sokolova**  
Chief Financial Officer

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles, except earnings per share)

	Notes	For the half-year ended	
		30 June 2018	30 June 2017
REVENUE	24	118 118	83 364
COST OF SALES	25	(87 365)	(62 479)
GROSS PROFIT		30 753	20 885
Selling, general and administrative expenses	26	(25 828)	(18 720)
Other operating income	27	2 066	738
Other operating expenses		(375)	(55)
OPERATING PROFIT		6 616	2 848
Finance income	28	245	384
Finance expenses	28	(866)	-
PROFIT BEFORE INCOME TAX EXPENSE		5 995	3 232
Income tax expense		(1 311)	(740)
<b>NET PROFIT for the period, being TOTAL COMPREHENSIVE INCOME for the period</b>		<b>4 684</b>	<b>2 492</b>
Total net profit and total comprehensive income for the year attributable to:			
Owners of the Company		4 762	2 492
Non-controlling interests		(78)	-
BASIC EARNINGS PER SHARE (in Russian Rubles)	29	26,52	13,88
DILUTED EARNINGS PER SHARE (in Russian Rubles)	29	26,52	13,88

The Notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Signed on 27 August 2018:



**B. Uzhakhov**  
Chief Executive Officer



**E. Sokolova**  
Chief Financial Officer

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)  
(in millions of Russian Rubles)**

	Notes	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total
<b>Balance as at 1 January 2017</b>		<b>1 798</b>	<b>4 576</b>	<b>(52)</b>	<b>9 628</b>	<b>15 950</b>	<b>1</b>	<b>15 951</b>
Total comprehensive income for the period		-	-	-	2 492	2 492	-	2 492
<b>Balance as at 30 June 2017</b>		<b>1 798</b>	<b>4 576</b>	<b>(52)</b>	<b>12 120</b>	<b>18 442</b>	<b>1</b>	<b>18 443</b>
<b>Balance as at 31 December 2017</b>		<b>1 798</b>	<b>4 576</b>	<b>(52)</b>	<b>16 602</b>	<b>22 924</b>	<b>230</b>	<b>23 154</b>
Impact of modified retrospective application of IFRS 15		-	-	-	56	56	-	56
<b>Balance as at 1 January 2018</b>		<b>1 798</b>	<b>4 576</b>	<b>(52)</b>	<b>16 658</b>	<b>22 980</b>	<b>230</b>	<b>23 210</b>
Purchase of treasury shares	15	-	-	(697)	-	(697)	-	(697)
Contribution into subsidiary's capital by owner of non-controlling interest	15	-	-	-	-	-	150	150
Total comprehensive income/(loss) for the period		-	-	-	4 762	4 762	(78)	4 684
<b>Balance as at 30 June 2018</b>		<b>1 798</b>	<b>4 576</b>	<b>(749)</b>	<b>21 420</b>	<b>27 045</b>	<b>302</b>	<b>27 347</b>

The Notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Signed on 27 August 2018:

**B. Uzhakhov**  
Chief Executive Officer

**E. Sokolova**  
Chief Financial Officer

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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)  
(in millions of Russian Rubles)**

	Notes	For the half-year ended	
		30 June 2018	30 June 2017
<b>OPERATING ACTIVITIES:</b>			
Total comprehensive income for the period		4 684	2 492
<i>Adjustments for:</i>			
Income tax expense		1 311	740
Depreciation and amortization	26	2 400	1 710
Change in allowance for doubtful advances paid for rent, accounts receivable and prepaid expenses	10	58	(9)
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		393	64
Interest income	28	(237)	(384)
Interest expenses	28	866	-
Other non-cash reconciling items, net		254	(9)
<b>Operating cash flows before movements in working capital</b>		<b>9 729</b>	<b>4 604</b>
(Increase)/decrease in inventories		(570)	5 471
(Increase)/decrease in accounts receivable and prepaid expenses		(2 522)	515
Decrease in other taxes receivable		2 573	1 311
Decrease in trade accounts payable		(12 212)	(18 201)
Decrease in other payables and accrued expenses		(1 200)	(1 898)
Decrease in deferred revenue		(1 443)	(486)
Decrease in other liabilities		(63)	(68)
Decrease in advances received		(111)	(420)
Decrease in other taxes payable		(2 773)	(52)
Other changes in working capital, net		(65)	(18)
<b>Cash used in operations</b>		<b>(8 657)</b>	<b>(9 242)</b>
Income taxes paid		(1 597)	(1 556)
Interest paid		(375)	-
<b>Net cash used in operating activities</b>		<b>(10 629)</b>	<b>(10 798)</b>



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

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)  
(in millions of Russian Rubles)**

	Notes	For the half-year ended	
		30 June 2018	30 June 2017
<b>INVESTING ACTIVITIES:</b>			
Repayment of loans issued		1 631	-
Purchase of property, plant and equipment		(973)	(689)
Proceeds from sale of property, plant and equipment		1	3
Purchase of intangible assets		(1 253)	(984)
Interest received		282	432
Net cash outflow from purchase of subsidiary/investment in associate	3	(44 088)	(15)
<b>Net cash used in investing activities</b>		<b>(44 400)</b>	<b>(1 253)</b>
<b>FINANCING ACTIVITIES:</b>			
Purchase of treasury shares	15	(697)	-
Contribution into subsidiary's capital by owner of non-controlling interest	15	150	-
Proceeds from loans and borrowings		59 659	21
Repayment of loans and borrowings		(18 298)	(21)
Repayment of finance lease		(16)	-
<b>Net cash received from/(used in) financing activities</b>		<b>40 798</b>	<b>-</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(14 231)</b>	<b>(12 051)</b>
<b>CASH AND CASH EQUIVALENTS, at the beginning of the period</b>		<b>17 791</b>	<b>18 763</b>
Impact of foreign exchange on cash and cash equivalents		4	2
<b>CASH AND CASH EQUIVALENTS, at the end of the period</b>		<b>3 564</b>	<b>6 714</b>

The Notes on pages 8 to 28 form an integral part of this interim condensed consolidated financial information.

Signed on 27 August 2018:

**B. Uzhakhov**  
Chief Executive Officer

**E. Sokolova**  
Chief Financial Officer

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 1. GENERAL INFORMATION

The interim condensed consolidated financial information of Public Joint Stock Company "M.video" ("the Company") and its subsidiaries (the "Group") for the half-year ended 30 June 2018 was authorized for issue by management on 27 August 2018.

The interim condensed consolidated financial information for the half-year include assets, liabilities and result of operations of the Company and its subsidiaries as at 30 June 2018 and 31 December 2017:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			30 June 2018	31 December 2017
LLC "M.video Management"	Retailing Marketplace project	Russian Federation	100	100
LLC "MARKETPLACE"	development	Russian Federation	80	80
BOVESTO LIMITED	Holding company	Cyprus	100	-
LLC "Eldorado"	Retailing	Russian Federation	100	-
LLC "Invest-Nedvizhimost"	Operating lease of real estate	Russian Federation	100	-
LLC "Rentol"	Operating lease of real estate	Russian Federation	100	-
LLC "TC "Permsky"	Operating lease of real estate	Russian Federation	100	-
LLC "Eldomarket"	Retailing	Russian Federation	100	-

On 26 April 2018 LLC "M.video Management" acquired 100% of the shares BOVESTO LIMITED (see Note 3). BOVESTO LIMITED was holding company to LLC "Eldorado", LLC "Invest-Nedvizhimost", LLC "Rentol", LLC "TC "Permsky", LLC "Eldomarket".

#### Shareholders

As at 30 June 2018 and 31 December 2017 the registered shareholders of the Company and their respective ownership and voting interests were as follows:

	30 June 2018	31 December 2017
"Mianello Limited"	57,6755%	57,6755%
Treasury shares	1,0993%	0,1318%
Various shareholders	41,2252%	42,1927%
<b>Total</b>	<b>100%</b>	<b>100%</b>

#### Ultimate Shareholders

"Mianello Limited" owns 57,6755% of the voting ordinary shares of the Company. "Mianello Limited" is incorporated in Cyprus. "Grenodar Holdings Limited" is the ultimate parent entity of the Company. At 30 June 2018 the ultimate beneficial owner of the Company is Gutseriev Mikail Safarbekovitch.

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

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)**

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#### **2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

##### ***Basis of Preparation***

The annual consolidated financial statements of PJSC "M.video" and its subsidiaries were prepared in accordance with International Financial Reporting Standards ("IFRS"). This interim condensed consolidated financial information for the half-year ended 30 June 2018 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). The interim condensed consolidated financial information does not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2017.

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

##### ***Seasonality of operations***

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

##### ***Significant accounting policies***

The accounting policies applied by the Group are consistent with those of the financial year ended as at 31 December 2017, except for the adoption of the new standards and interpretations described below:

- IFRS 9 *Financial Instruments*;
- Amendments to IFRS 4: *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*;
- IFRS 15 *Revenue from Contracts with Customers*;
- Amendments to IFRS 2 *Clarifications of classification and measurement of share based payment transactions*;
- Amendments to IAS 40 *Investment property*;
- Amendments to IFRS 1 and IAS 28 – *Annual Improvements to IFRS Standards 2014-2016 Cycle*;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration*.

Adoption of these new and amended standards and interpretations has not had any material impact on the interim condensed consolidated financial information for the half-year ended 30 June 2018, except for the effect of adoption of IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018.

The Group applied modified retrospective approach of IFRS 15 adoption in relation to all its contracts. Under this approach, the effect of IFRS 15 application is recognised as an adjustment to equity on 1 January 2018. Comparative information for prior periods is presented in accordance with the provisions of IAS 18 *Revenue*. The Group recognised the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings at the beginning of the half-year ended 30 June 2018.

##### ***Income tax***

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

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

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)**

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#### ***Business combinations***

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

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

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

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

#### ***Goodwill***

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

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

#### ***Assets held for sale***

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

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

#### ***Investment property***

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

Investment properties are measured at cost, including transaction costs.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. According to the accounting policy, the useful life of the investment property is 20 years.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

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.

#### Supplier bonuses

During the reporting period the Group has implemented an updated automated algorithm of accounting and allocation of supplier bonuses. This algorithm allows the Group to allocate received bonuses on stock keeping units (SKU) or Plan name level. Management of the Group has carried out detailed analysis and classification of supplier bonuses and identified a set of bonuses that relate entirely to goods already sold and thus need to reduce the cost of goods sold immediately as earned. This approach relates mainly to supplier bonuses received as reimbursement of promotional campaigns and for supplier bonuses that are compensating lost margin in credit sales.

The revised approach to supplier bonuses allocation was implemented by the Group starting from 1 January 2018 and is presented as a change of accounting estimate in accordance with IAS 8 «Accounting Policies, Changes in Accounting Estimates and Errors». The effect of change of accounting estimate on the value of inventories as at 1 January 2018 is as follows:

	<u>Amount before the change in accounting estimate</u>	<u>Effect of the change in accounting estimate</u>	<u>Amount after the change in accounting estimate</u>
Inventories	52 283	1 480	53 763

### 3. BUSINESS COMBINATIONS

#### Subsidiaries acquired

In 2018 the Group acquired the following subsidiary:

	<u>Principal activity</u>	<u>Date of acquisition</u>	<u>Proportion of voting equity interests acquired (%)</u>	<u>Consideration transferred</u>
BOVESTO LIMITED	Holding company	26.04.2018	100%	45 520
				<u><b>45 520</b></u>

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

The consideration was transferred in cash. As of reporting date no liabilities for business acquisition remain open.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### Assets acquired and liabilities recognised at the date of acquisition

<b>Current assets</b>	
Inventories	28 306
Cash and cash equivalents	1 432
Accounts receivables and other assets	13 964
Assets held for sale	704
<b>Non-current assets</b>	
Property, plant and equipment	10 941
Investment property	594
Intangible assets	10 091
<b>Current liabilities</b>	
Current liabilities	(54 019)
<b>Non-current liabilities</b>	
Deferred tax liabilities	(1 795)
Other liabilities	(589)
<b>Fair value of net assets</b>	<b>9 629</b>

The purchase price allocation of Bovesto Limited was not finally completed as of reporting date. Therefore, in preparation of financial information for the half-year ended 30 June 2018 the Management used preliminary assessment of values of assets and liabilities. When the assessment is completed, changes to assessed fair values are possible in respect of inventories, accounts receivable, intangible assets and assets held for sale, as well as deferred tax liabilities.

#### Goodwill arising on acquisition

Consideration transferred	45 520
Less: fair value of identifiable net assets acquired	(9 629)
<b>Goodwill arising on acquisition</b>	<b>35 891</b>

Goodwill recognized on acquisition of Bovesto Limited arose from potential synergies embedded into the acquisition price. All of the Group's CGUs are expected to benefit from such synergies.

#### Net cash outflow on acquisition of subsidiaries

	<b>Half-year ended 30 June 2018</b>
Consideration paid in cash	45 520
Less: cash and cash equivalent balances acquired	(1 432)
<b>Total</b>	<b>44 088</b>

#### Impact of acquisitions on the results of the Group

2 included in Group's profit and 16 333 included in revenue for the half-year ended 30 June 2018 are attributable to the acquired business.

Had this business combination been effected at 1 January 2018, the revenue of the Group from continuing operations for half-year ended 30 June 2018 would have been 149 600, and the profit for the year from continuing operations would have been 2 867. The management considers these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group for the half-year adjusted for one-off adjustments related to embracing of Bovesto Limited by the Group.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

In determining the 'pro-forma' revenue and profit of the Group had Bovesto Limited been acquired at the beginning of the current year, the management used the following approaches:

- Depreciation of acquired property, plant and equipment was calculated on the basis of fair value of assets estimated in business combination and not on the basis of carrying value of property, plant and equipment in the books of subsidiaries before acquisition. The effect is 667 of additional expenses;
- In order to harmonise the accounting policies of M.video and Eldorado, transportation costs capitalized in inventories in the amount of 331 were written off to statement of profit and loss and other comprehensive income;
- Impairment of certain back-office licenses and software in the amount of 503 was recognized in anticipation of transfer of the joint business to a new IT platform.

#### 4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 30 June 2018 and 31 December 2017 consisted of the following:

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Other fixed assets	Total
<b>Cost</b>							
<b>As at 31 December 2016</b>	<b>5 615</b>	<b>5 146</b>	<b>305</b>	<b>5 774</b>	<b>1 319</b>	<b>3 872</b>	<b>22 031</b>
Additions	-	-	2 000	-	-	-	2 000
Transfers	14	90	(1 762)	722	146	790	-
Disposals	(2)	(60)	-	(87)	(20)	(159)	(328)
<b>As at 31 December 2017</b>	<b>5 627</b>	<b>5 176</b>	<b>543</b>	<b>6 409</b>	<b>1 445</b>	<b>4 503</b>	<b>23 703</b>
Additions	-	-	1 198	-	-	-	1 198
Assets acquired in a business combination	5 575	1 693	526	1 381	636	1 130	10 941
Transfers	2	119	(958)	283	79	475	-
Disposals	-	(62)	-	(96)	(45)	(111)	(314)
<b>As at 30 June 2018</b>	<b>11 204</b>	<b>6 926</b>	<b>1 309</b>	<b>7 977</b>	<b>2 115</b>	<b>5 997</b>	<b>35 528</b>
<b>Accumulated depreciation</b>							
<b>As at 31 December 2016</b>	<b>2 212</b>	<b>3 938</b>	<b>-</b>	<b>3 995</b>	<b>1 133</b>	<b>2 626</b>	<b>13 904</b>
Charge for the year	271	350	-	732	123	700	2 176
Disposals	-	(59)	-	(79)	(19)	(156)	(313)
<b>As at 31 December 2017</b>	<b>2 483</b>	<b>4 229</b>	<b>-</b>	<b>4 648</b>	<b>1 237</b>	<b>3 170</b>	<b>15 767</b>
Charge for the period	226	208	-	421	102	433	1 390
Disposals	-	(61)	-	(76)	(15)	(90)	(242)
<b>As at 30 June 2018</b>	<b>2 709</b>	<b>4 376</b>	<b>-</b>	<b>4 993</b>	<b>1 324</b>	<b>3 513</b>	<b>16 915</b>
<b>Net book value</b>							
<b>As at 31 December 2017</b>	<b>3 144</b>	<b>947</b>	<b>543</b>	<b>1 761</b>	<b>208</b>	<b>1 333</b>	<b>7 936</b>
<b>As at 30 June 2018</b>	<b>8 495</b>	<b>2 550</b>	<b>1 309</b>	<b>2 984</b>	<b>791</b>	<b>2 484</b>	<b>18 613</b>

Depreciation expenses have been included in "Selling, general and administrative expenses" (Note 26).

Assets mainly related to the closed stores with net book value of 72 were disposed of by the Group in the half-year ended 30 June 2018 (in the half-year ended 30 June 2017: 7). Loss on disposal of these items of 71 (half-year ended 30 June 2017: 4) was recorded within other operating expenses.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)  
(in millions of Russian Rubles)**

**5. INVESTMENT PROPERTY**

Investment property as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>Premises and buildings</u>	<u>Land</u>	<u>Total</u>
<b>Cost</b>			
<b>As at 31 December 2017</b>	-	-	-
Assets acquired in a business combination	436	158	594
<b>As at 30 June 2018</b>	<b>436</b>	<b>158</b>	<b>594</b>
<b>Accumulated amortization and impairment</b>			
<b>As at 31 December 2017</b>	-	-	-
Charge for the period	5	-	5
<b>As at 30 June 2018</b>	<b>5</b>	-	<b>5</b>
<b>Net book value</b>			
<b>As at 31 December 2017</b>	-	-	-
<b>As at 30 June 2018</b>	<b>431</b>	<b>158</b>	<b>589</b>

For the period from business combination to 30 June 2018, rental income from investment property and premises not occupied by the Group amounting to 74 was included in revenue in the Other revenue line item. Utilities and maintenance expenses included in selling and administration expenses (see Note 26) amounted to 31. There were no significant direct operating expenses incurring by the Group in relation to investment property that did not generate rental income. At 30 June 2018, fair value if investment property is equal to 594.

**6. INTANGIBLE ASSETS**

Intangible assets as at 30 June 2018 and 31 December 2017 consisted of the following

	<u>Goodwill</u>	<u>Software licenses, development and web site</u>	<u>Leasehold rights</u>	<u>Trademarks</u>	<u>Total</u>
<b>Cost</b>					
<b>As at 31 December 2016</b>	-	<b>8 401</b>	-	<b>33</b>	<b>8 434</b>
Additions	-	2 584	701	7	3 292
Disposals	-	(619)	-	-	(619)
<b>As at 31 December 2017</b>	-	<b>10 366</b>	<b>701</b>	<b>40</b>	<b>11 107</b>
Additions	-	1 202	-	1	1 203
Assets acquired in a business combination	35 891	961	-	9 130	45 982
Disposals	-	(501)	-	(2)	(503)
<b>As at 30 June 2018</b>	<b>35 891</b>	<b>12 028</b>	<b>701</b>	<b>9 169</b>	<b>57 789</b>
<b>Accumulated amortization and impairment</b>					
<b>As at 31 December 2016</b>	-	<b>2 272</b>	-	<b>17</b>	<b>2 289</b>
Charge for the year	-	1 407	27	4	1 438
Disposals	-	(619)	-	-	(619)
<b>As at 31 December 2017</b>	-	<b>3 060</b>	<b>27</b>	<b>21</b>	<b>3 108</b>
Charge for the period	-	965	38	2	1 005
Disposals	-	(500)	-	-	(500)
<b>As at 30 June 2018</b>	-	<b>3 525</b>	<b>65</b>	<b>23</b>	<b>3 613</b>
<b>Net book value</b>					
<b>As at 31 December 2017</b>	-	<b>7 306</b>	<b>674</b>	<b>19</b>	<b>7 999</b>
<b>As at 30 June 2018</b>	<b>35 891</b>	<b>8 503</b>	<b>636</b>	<b>9 146</b>	<b>54 176</b>



## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

During the half-year ended 30 June 2018 the Group incurred expenditures in the total amount of 1 200 which for the most part relate to the development of the new "front-office / back-office" system, the new web site platform, additional functionality of the Group's ERP system SAP R/3 and development of Marketplace project, as well as development costs related to transformation and integration processes between M.video and Eldorado IT-systems.

Amortization expenses have been included in "Selling, general and administrative expenses" (Note 26).

As at 30 June 2018 M.video trademarks with carrying value 1 are pledged as collateral under a loan agreement.

As at 30 June 2018 and 31 December 2017 the Group had contractual commitments for the technical support of software licenses (Note 34).

#### 7. NON-CURRENT FINANCIAL ASSETS

Non-current financial assets as at 30 June 2018 and 31 December 2017 consisted of the following:

	<b>30 June 2018</b>	<b>31 December 2017</b>
Non-current accounts receivable (i)	509	814
Loan issued (ii)	-	1 631
Interest receivable	-	26
<b>Total</b>	<b>509</b>	<b>2 471</b>

- (i) On 24 October 2017, the Group entered into an agreement stipulating the issuance by the Group of a financial guarantee to LLC "Autoclub", a related party, in amount not exceeding USD 878 million. On 25 June 2018 terms of the financial guarantee were changed due to partial repayment of the principal amount of the loan and conversion of the remaining debt into EURO. The limit of the guarantee was reduced to EUR 472 million. As at the date of change of the guarantee terms, the Group recognized non-current accounts receivable in amount of 387 represented by commission fees to be received by the Group in future periods discounted at a rate of 5,5%. Also the Group recognized non-current accounts receivable in amount of 125 that represents commission fees receivable for the financial guarantee for the period from 24 October 2017 till 25 June 2018.
- (ii) In November 2017 the loan in amount of 1 631 was issued to VUPALIAR HOLDINGS LIMITED. The interest rate stipulated by the loan agreement is the key rate set by the Central Bank of the Russian Federation at the beginning of each interest period (November 1) increased by 0,5 percentage points. The maturity of the loan and interest thereon was no later than 30 October 2024. The loan was early repaid in 2018.

As at 30 June 2018, accounts receivable under the agreement for the issuance of a financial guarantee amounted to 509 (at 31 December 2017: 814).

The table below provides a sensitivity analysis of the fair value of the non-current accounts receivable recognized under the financial guarantee agreement as at the date of its recognition in respect of the key inputs used in the estimation of the fair value:

<b>Discount rate</b>	<b>Commission rate</b>	<b>Fair value, RUB million</b>
5%	0,5%	393
6%	0,5%	382
7%	0,5%	372
6%	0,75%	589

As at 30 June 2018 and 31 December 2017, the fair value of non-current financial assets is approximately equal to their book value.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 8. OTHER NON-CURRENT ASSETS

Other non-current assets as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Long-term advances paid for rent	760	465
Advances paid for non-current assets	455	448
Long-term loans and notes receivable	39	39
Advances paid to related parties (Note 32)	28	30
Investment in associates	15	15
Less: allowance for doubtful long-term advances paid for rent	(4)	(4)
<b>Total</b>	<b><u>1 293</u></b>	<b><u>993</u></b>

#### 9. INVENTORIES

Inventories as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Goods for resale	81 326	52 789
Other inventories	576	147
Less: allowance for obsolete and slow-moving inventories	(1 234)	(653)
<b>Total</b>	<b><u>80 668</u></b>	<b><u>52 283</u></b>

As at 30 June 2018 inventories with the carrying amount of 4 500 (at 31 December 2017: 0) were pledged as a collateral for borrowings (see Note 17).

#### 10. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

Accounts receivable and prepaid expenses as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Bonuses receivable from suppliers	16 310	14 298
Other accounts receivable	5 268	4 563
Advances paid to suppliers and prepaid expenses	1 990	777
Advances paid to related parties (Note 32)	125	2 046
Less: allowance for doubtful accounts receivable and prepaid expenses	(178)	(73)
<b>Total</b>	<b><u>23 515</u></b>	<b><u>21 611</u></b>

#### 11. OTHER TAXES RECEIVABLE

Other taxes receivable as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
VAT recoverable	9 251	6 146
Other taxes receivable	70	8
<b>Total</b>	<b><u>9 321</u></b>	<b><u>6 154</u></b>

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Cash in transit	1 727	4 695
Cash at banks	865	1 180
Short-term bank deposits	618	11 570
Petty cash and cash in stores	354	346
<b>Total</b>	<b><u>3 564</u></b>	<b><u>17 791</u></b>

Cash at banks as at 30 June 2018 and 31 December 2017 includes 75 and 66, respectively, collected by the Group from its customers for further transfer through "Qiwi" payment system. The Group cannot use this cash in its operating activities as it is due to be transferred to the recipients.

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

Short-term bank deposits as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
Short-term bank deposit in RUB	4,65%-6,45%	July 2018	618	-
Short-term bank deposit in RUB	0,01%-7,5%	January 2018	-	11 570
<b>Total</b>			<b><u>618</u></b>	<b><u>11 570</u></b>

#### 13. LOANS ISSUED TO EXTERNAL PARTIES

Loans issued to external parties as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
<b>Short-term loans</b>				
Loans issued to third parties	15%	July – November 2018	84	-
<b>Total</b>			<b><u>84</u></b>	<b><u>-</u></b>

As at 30 June 2018 and 31 December 2017, no collateral was provided for loans issued.

#### 14. ASSETS HELD FOR SALE

During the next 12 months the Group considers to sell its own land plots, buildings and premises, which the Group does not use. The carrying value of the property reflects the estimated selling price without VAT as the Group pre-agreed such price with potential buyers of the property.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 15. EQUITY

##### Share capital

As at 30 June 2018 and 31 December 2017 the Company had the following number of outstanding, issued and authorized ordinary shares:

	<u>Outstanding ordinary shares</u>	<u>Issued ordinary shares</u>	<u>Authorized ordinary shares</u>
<b>Balance as at 30 June 2018 and 31 December 2017</b>	<u><b>179 531 237</b></u>	<u><b>179 768 227</b></u>	<u><b>209 768 227</b></u>

Each share has par value of 10 RUB per share. During the half-year ended 30 June 2018 there were no changes in the number of authorized and issued ordinary shares of the Company. All issued ordinary shares were fully paid.

##### Treasury shares

As at 30 June 2018 and 31 December 2017 the Group owned 1 976 170 and 236 990 treasury shares held at cost of 749 and 52, respectively.

##### Non-controlling interests

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

##### Dividends declared

On 29 June 2018 the Annual General Shareholders' Meeting decided not to distribute the net profit for the year 2017 and not to pay dividends.

#### 16. NON-CURRENT LOANS

This note provides information about the contractual terms of the Group's interest-bearing long-term borrowings which are measured at amortized cost. The borrowing that was received from LLC "Safmar Retail" is reported at the present value. The borrowings described below are denominated in rubles.

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
<b>Long-term loans</b>				
<b>Loans from related parties (see Note 32)</b>				
LLC "Safmar Retail"	5%	April 2024	<u>69</u>	<u>-</u>
			<u><b>69</b></u>	<u><b>-</b></u>

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 17. BANK BORROWINGS

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

	<u>Interest rate</u>	<u>Maturity</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
<b>Non-current borrowings</b>				
<b>Secured borrowings</b>				
PJSC Bank VTB	8,5%	April 2025	38 680	-
<b>Total non-current borrowings</b>			<b>38 680</b>	<b>-</b>
<b>Current borrowings</b>				
<b>Secured borrowings</b>				
		October 2018 -		
PJSC Bank VTB	8,5%	April 2019	1 775	-
PJSC Sovcombank	9,5%	April 2019	1 310	-
			<b>3 085</b>	<b>-</b>
<b>Unsecured borrowings</b>				
		December		
PJSC Bank VTB	8,2% - 8,4%	2018 - June 2019	12 013	-
			<b>12 013</b>	<b>-</b>
<b>Total current borrowings</b>			<b>15 098</b>	<b>-</b>
<b>Total</b>			<b>53 778</b>	<b>-</b>

As at 30 June 2018, the Group was in compliance with financial covenants contained in lending agreements.

As at 30 June 2018, the Group had unutilized credit facilities of 18 000 (31 December 2017: 16 000).

As at 30 June 2018, borrowings are secured by pledged inventory with carrying amount of 4 500 (31 December 2017: 0) (Note 9) and trademarks with carrying amount of 1 (31 December 2017: 0) (Note 6).

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

#### 18. OTHER PAYABLES AND ACCRUED EXPENSES

Other payable and accrued expenses as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Rent and utilities	4 785	4 570
Salaries and bonuses	1 513	1 711
Purchase of property, plant and equipment and intangible assets	1 209	1 131
Accrued unused vacation	394	169
Bank charges	294	255
Other current liabilities to related parties (Note 32)	75	29
Other payables and accrued expenses	1 257	843
<b>Total</b>	<b>9 527</b>	<b>8 708</b>

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)  
(in millions of Russian Rubles)**

**19. ADVANCES RECEIVED**

Advances received as at 30 June 2018 and 31 December 2017 consisted of the following:

	<b>30 June 2018</b>	<b>31 December 2017</b>
Prepayments received for goods (i)	2 359	1 737
Commission advances (ii)	896	-
Advances received for gift cards	843	678
Other advances received	241	241
<b>Total</b>	<b>4 339</b>	<b>2 656</b>

- (i) Prepayments received for goods represent cash received for goods which have not yet been delivered to customers at the reporting date. These relate mostly to online sales and goods sold in stores for future delivery.
- (ii) The Group has received advances from a number of counterparties, acting as a broker selling insurance policies to customers. The Group intends to use these advances by offsetting against accounts receivable on commission fees.

**20. OTHER TAXES PAYABLE**

Other taxes payable as at 30 June 2018 and 31 December 2017 consisted of the following:

	<b>30 June 2018</b>	<b>31 December 2017</b>
VAT payable	613	1 047
Payroll taxes	541	434
Other taxes payable	287	146
<b>Total</b>	<b>1 441</b>	<b>1 627</b>

**21. DEFERRED REVENUE**

Deferred revenue for half-year periods ended 30 June 2018 and 30 June 2017 consisted of the following:

	<b>For the half-year ended 30 June 2018</b>			<b>For the half-year ended 30 June 2017</b>		
	<b>Customer loyalty programs</b>	<b>Other programs</b>	<b>Additional services</b>	<b>Customer loyalty programs</b>	<b>Other programs</b>	<b>Additional services</b>
<b>As at 1 January</b>	<b>1 705</b>	<b>944</b>	<b>3 218</b>	<b>1 742</b>	<b>434</b>	<b>2 768</b>
Deferred revenue acquired in a business combination	280	41	70	-	-	-
Revenue deferred during the period	3 980	1 157	1 085	4 250	552	1 089
Revenue released to the interim condensed consolidated statement of profit or loss and other comprehensive income	(4 583)	(1 913)	(1 169)	(4 511)	(865)	(1 001)
<b>As at 30 June</b>	<b>1 382</b>	<b>229</b>	<b>3 204</b>	<b>1 481</b>	<b>121</b>	<b>2 856</b>

Other programs represent primarily issue of promotional gift cards to the Group's customers. As at 1 January 2018 balance of deferred revenue was adjusted by 56 as a result of modified retrospective application of IFRS 15 *Revenue from Contracts with Customers*.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 22. FINANCIAL GUARANTEES

As indicated in Note 7, in October 2017 the Group entered into an agreement stipulating the issuance by the Group a financial guarantee to LLC "Autoclub". In June 2018, major conditions of the financial guarantee were changed.

At the modification date, the fair value of the financial guarantee liability amounted to 387 was determined based on the present value of the Group's future commission fee under this agreement.

At the recognition date, the sensitivity of the fair value of the liability recognized under the financial guarantee agreement is consistent with the sensitivity determined for the non-current accounts receivable under this agreement (Note 7).

As at 30 June 2018, the liability recognized under the financial guarantee agreement amounted to 382, which approximates to its fair value.

#### 23. PROVISIONS

Provisions as at 30 June 2018 and 31 December 2017 consisted of the following:

	<u>30 June 2018</u>	<u>31 December 2017</u>
Provision for goods return	376	337
Provision for litigation	313	95
Warranty provision – repair of goods	29	16
<b>Total</b>	<b><u>718</u></b>	<b><u>448</u></b>

#### 24. REVENUE

Revenue for the half-year periods ended 30 June 2018 and 30 June 2017 consisted of the following:

	<u>For the half-year ended</u>	
	<u>30 June 2018</u>	<u>30 June 2017</u>
Retail revenue	116 413	81 772
Additional services revenue	1 169	1 001
Other revenue	536	591
<b>Total</b>	<b><u>118 118</u></b>	<b><u>83 364</u></b>

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

Other revenue for the half-year period ended 30 June 2017 includes revenue from services of installation, recycling and digital assistance. For the half-year period ended 30 June 2018 the structure of other revenue did not change except that income from delivery of goods was presented as part of retail revenue in the amount of 385 (the half-year period ended 30 June 2017: 212). In prior periods, the revenue from delivery was presented as other revenue. This change was made in accordance with requirements of IFRS 15 – the delivery service and the sale of goods are agreed as a package with one commercial purpose and are viewed as a single performance obligation. Had the company not applied IFRS 15, revenue for the period would have increased by 56 up to 118 174.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 25. COST OF SALES

Cost of sales for the half-year periods ended 30 June 2018 and 30 June 2017 consisted of the following:

	For the half-year ended	
	30 June 2018	30 June 2017
<b>Cost of goods sold</b>		
- Cost of goods	85 816	61 424
- Transportation to stores	910	678
- Inventory losses	234	132
- Change in allowance for obsolete and slow-moving inventory	159	(68)
Cost of additional services	41	42
Cost of other services	205	271
<b>Total</b>	<b>87 365</b>	<b>62 479</b>

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

Selling, general and administrative expenses for the half-year periods ended 30 June 2018 and 30 June 2017 consisted of the following:

	For the half-year ended	
	30 June 2018	30 June 2017
Payroll and related taxes (including share-based payments – Note 31)	8 110	5 937
Lease expenses, net of income from sublease (2018:23, 2017: 14)	5 664	4 284
Depreciation and amortisation	2 400	1 710
Advertising and promotional expenses, net	2 077	1 600
Maintenance and other property operating costs	1 178	938
Bank charges	1 047	663
Credit broker service	922	384
Utilities expense	751	505
Warehouse services	748	633
Security	640	486
Consulting services	634	352
Repairs and servicing	565	496
Taxes other than income tax	137	81
Communication	133	115
Other expenses	822	536
<b>Total</b>	<b>25 828</b>	<b>18 720</b>

Payroll and related taxes for the half-year ended 30 June 2018 include 1 307 contribution to the state pension fund (half-year ended 30 June 2017: 910) and social and medical insurance in the amount of 499 (half-year ended 30 June 2017: 357).

During half-year ended 30 June 2018 the Group received 364 from its suppliers as a compensation of advertising and promotional expenses (half-year ended 30 June 2017: 377).

#### 27. OTHER OPERATING INCOME

Other operating income for the half-year periods ended 30 June 2018 and 2017 includes commissions received from banks on loans provided to customers, income earned from suppliers for advertising materials placed in the Group's stores, non-commission income from mobile operators, income from lease of commercial space owned by the Group and other items.



## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### 28. FINANCE INCOME AND EXPENSES

Finance income and expenses, net for the half-year periods ended 30 June 2018 and 2017 consisted of the following:

	For the half-year ended	
	30 June 2018	30 June 2017
Interest income	237	384
Exchange rate differences financial	8	-
Interest on bank borrowings	(866)	-
<b>Total</b>	<b>(621)</b>	<b>384</b>

#### 29. EARNINGS PER SHARE

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

Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period plus weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	For the half-year ended	
	30 June 2018	30 June 2017
Net profit attributable to equity holders of the Company	4 762	2 492
Weighted average number of ordinary share in issue (millions of shares)	179,53	179,53
<b>Basic earnings per share (in Russian Rubles)</b>	<b>26,52</b>	<b>13,88</b>
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	179,53	179,53
<b>Diluted earnings per share (in Russian Rubles)</b>	<b>26,52</b>	<b>13,88</b>

#### 30. SEGMENT INFORMATION

##### Products and services from which reportable segments derive their revenues

Information reported to the Managing Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on the results of 'M.video' and 'Eldorado' brands. Specifically, the Group's reportable segments under IFRS 8 *Operating segments* are as follows:

- M.video;
- Eldorado.

The segments include chains of retail and online stores of household and electronic appliance under the brands of "M.video" and "Eldorado". Both segments specialize in sales of television, audio, video, hi-fi and household appliance, digital equipment, as well as the provision of related services.

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

#### Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Segment revenue for the half-year ended	
	30 June 2018	30 June 2017
<b>Inter-segment revenue</b>		
M.video	3 150	-
Eldorado	-	-
<b>Total</b>	<b>3 150</b>	<b>-</b>
<b>External revenue</b>		
M.video	101 785	83 364
Eldorado	16 333	-
<b>Total</b>	<b>118 118</b>	<b>83 364</b>
<b>Total segment revenue</b>	<b>121 268</b>	<b>83 364</b>

	Segment profit for the half-year ended	
	30 June 2018	30 June 2017
<b>Segment profit</b>		
M.video	26 249	20 885
Eldorado	4 504	-
<b>Total</b>	<b>30 753</b>	<b>20 885</b>
Selling, general and administrative expenses	(25 828)	(18 720)
Other operating income	2 066	738
Other operating expenses	(375)	(55)
Financial income	245	384
Financial expenses	(866)	-
<b>Profit before tax</b>	<b>5 995</b>	<b>3 232</b>

The accounting policies of the reportable segments are consistent with those of the Group, as set out in Note 2. Segment profit is measured as gross profit before allocation of selling, general and administrative expenses, other operating income and expenses, as well as financial income and expenses.

#### 31. SHARE-BASED PAYMENTS

During the half-year period ended 30 June 2017 the Group had cash-settled share option plan – Long-term incentive plan – Series 4.

Expenses recognized by the Group the half-year periods ended 30 June 2018 and 2017 with regards to its share-based payments is as follows:

Series	30 June 2018	30 June 2017
LTIP 4	-	401
<b>Total</b>	<b>-</b>	<b>401</b>

The above expenses have been included into "Selling, general and administrative expenses" as "Payroll and related taxes" (Note 26).

As at 30 June 2018 and 31 December 2017, the Group has no liability to the participants of LTIP 4.

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

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION  
FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED)  
(in millions of Russian Rubles)**

**32. RELATED PARTIES**

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

The following table provides the total amount of transactions, which have been entered into with related parties during the half-year periods ended 30 June 2018 and 30 June 2017 and the outstanding balances owed by/to related parties as at 30 June 2018 and 31 December 2017, respectively:

	For the half-year ended 30 June 2018		30 June 2018		For the half-year ended 30 June 2017		31 December 2017	
	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
<b>Entities under common control</b>								
Eldorado Group of Companies (i)	1 567	39	-	-	-	-	1 994	-
IJSC "VSK" (ii)	35	9	128	158	-	-	-	-
LLC "Safmar Retail" (iii)	-	45 515	-	-	-	-	-	-
LLC "Logopark Chekhov" (iv)	-	352	39	3	-	124	73	-
JSC "ComEstate" (v)	-	41	8	-	-	20	7	-
JSC "Festival" (vi)	-	36	-	2	-	17	-	1
DAWLARIA HOLDINGS LIMITED (vii)	-	5	-	-	-	-	-	-
<b>Total</b>	<b>1 602</b>	<b>45 997</b>	<b>175</b>	<b>163</b>	<b>-</b>	<b>161</b>	<b>2 074</b>	<b>1</b>

	For the half-year ended 30 June 2018		30 June 2018		For the half-year ended 30 June 2017		31 December 2017	
	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
<b>Entities under key management control</b>								
LLC "Private Security Agency Bars-SB" (viii)	1	140	-	28	1	151	2	11
Transservice Group of Companies (ix)	-	98	-	31	-	142	-	12
Avtorit Group of Companies (x)	-	44	-	3	1	52	-	2
LLC "Avto-Express" (xi)	-	19	-	4	-	16	-	-
LLC "FAST-E" (xii)	-	4	-	2	-	4	-	1
LLC "TechnoVideo- Service" (xiii)	-	3	-	-	-	5	-	-
LLC "IT Service" (xiv)	-	2	-	2	-	3	-	2
<b>Total</b>	<b>1</b>	<b>310</b>	<b>-</b>	<b>70</b>	<b>2</b>	<b>373</b>	<b>2</b>	<b>28</b>

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

The nature of transactions with related parties is as follows:

- (i) Eldorado Group of Companies – purchase and sale of goods;
- (ii) IJSC "VSK" – the Group is the agent in terms of the sale of insurance policies to the customers;
- (iii) LLC "Safmar Retail" – acquisition of shares of Bovesto Limited;
- (iv) LLC "Logopark Chekhov" – provides warehouse leasing services;
- (v) JSC "ComEstate" – provides trade premises leasing services;
- (vi) JSC "Festival" – provides trade premises leasing services;
- (vii) DAWLARIA HOLDINGS LIMITED – acquisition of shares of Bovesto Limited;
- (viii) LLC "Private Security Agency Bars-SB" – provides store and head office security services;
- (ix) Transservice Group of Companies – provides after sale and other servicing of the Group's merchandise;
- (x) Avtoritet Group of Companies – provides rental services;
- (xi) LLC "Avto-Express" – provides a car leasing service to the Group and logistic services;
- (xii) LLC "FAST-E" – provides redecoration and network repair services in the central office and shops located in Moscow;
- (xiii) LLC "TechnoVideoService" – provides home appliances installation services;
- (xiv) LLC "IT Service" – provides after sale and other servicing of the Group's merchandise.

The following table provides the total amount of financial transactions, which have been entered into with related parties during the half-year periods ended 30 June 2018 and 30 June 2017 and the outstanding balances owed by/to related parties as at 30 June 2018 and 31 December 2017, respectively:

	For the half-year ended 30 June 2018		30 June 2018		For the half-year ended 30 June 2017		31 December 2017	
	Financial income from related parties	Financial expenses 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
VUPALIAR HOLDINGS LIMITED	47	-	-	-	-	-	1 657	-
LLC "Autoclub"	24	-	509	-	-	-	814	-
LLC "Safmar Retail"	-	1	-	69	-	-	-	-
<b>Total</b>	<b>71</b>	<b>1</b>	<b>509</b>	<b>69</b>	-	-	<b>2 471</b>	-

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

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

The remuneration of directors and other members of key management during the half-year periods ended 30 June 2018 and 30 June 2017 was as follow:

	For the half-year ended	
	30 June 2018	30 June 2017
Short-term benefits*	839	444
Share-based payments**	-	120
<b>Total</b>	<b>839</b>	<b>564</b>

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

\*\* Amounts relate to the participation of the key management personnel in the share-based incentive scheme posted in the interim condensed consolidated statement of profit or loss and other comprehensive income (Note 31).

As at 30 June 2018 there is 368 outstanding payable to key management personnel (31 December 2017: 443).

## PUBLIC JOINT STOCK COMPANY "M.VIDEO"

### NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)

As at 30 June 2018 the number of key management positions was 25 (31 December 2017: 20).

The Group did not provide any material post-employment, termination, or other long-term benefits to key management personnel during the period other than contributions to state pension fund and the social funds as a part of payments of social security contributions ("SSC") on salaries and bonuses. SSC relating to compensation of key management personnel amounted to 124 for the half-year period ended 30 June 2018 (half-year period ended 30 June 2017: 80) and is included in the amounts stated above.

### 33. OPERATING LEASE AGREEMENTS

The Group enters into long-term leases for the stores for the periods from 1 to 20 years. Some of these leases are not able to be fully registered and thus legally enforceable until the landlord is able to produce all valid ownership papers and therefore are arranged as 11-month rolling leases; at the same time some of the long-term lease contracts contain cancellation clauses and some of the short-term lease contracts contain prolongation clauses. The Group assesses non-cancellable lease period at the inception or modification of each operating lease agreement. The assessment considers legal factors and economic factors. The assessment requires exercise of the management's judgment. Once determined, the non-cancellable lease period is used in the calculation of lease payments to be recognized as an expense on a straight-line basis as well as in the estimation of depreciation period of leasehold improvements which cannot exceed the non-cancellable lease period of the relevant premises.

Certain lease contracts stipulate terms requiring the Group to pay the higher of minimum lease payments or a percentage of revenue. The amounts paid in excess of the minimum lease payments are recognised as contingent rentals. The Group does not have an option to purchase the leased premises at the expiration of the lease period.

Future minimum rentals payable under non-cancellable operating leases for premises occupied as at 30 June 2018 and 31 December 2017 are as follows:

	<b>30 June 2018</b>	<b>31 December 2017</b>
Within one year	12 971	8 055
After one year but not more than five years	40 965	27 866
More than five years	20 221	15 311
<b>Total</b>	<b>74 157</b>	<b>51 232</b>

Future minimum rental payments will be subject to VAT.

### 34. COMMITMENTS AND CONTINGENCIES

#### Operating environment

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

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

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

### **NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE HALF-YEAR ENDED 30 JUNE 2018 (UNAUDITED) (in millions of Russian Rubles)**

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

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

#### **License agreements**

As at 30 June 2018, the Group had a total commitment of approximately 297,1 per annum for technical support services with respect to existing SAP licenses during the period from 2017 to 2018 (31 December 2017: 178,1-222,1 per annum).

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

#### **Financial guarantees**

In the normal course of its operating activity the Group from time-to-time enters into financial guarantee contracts with banks. Under these contracts the banks provide guarantees in favour of the Group's suppliers and the Group may be required to pay under those contracts only if it fails to make timely payments to its suppliers. As at 30 June 2018 the Group entered into such guarantee contracts for the total amount of 5 641 (31 December 2017: 4 734).

### **35. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

On 20 June 2018, the Group announced the approval by the Board of Directors of terms and conditions of agreement between Media-Saturn-Holding GmbH (MediaMarktSaturn), "M.Video" and SAFMAR Group. Media-Saturn-Holding GmbH intends to buy 15% shares of PJSC "M.video" from the principal shareholder of the Company, SAFMAR Group. The Russian part of business of MediaMarktSaturn, MediaMarkt Russia, goes to LLC "M.video Management", 100% subsidiary of PJSC "M.video".

The approval of the agreement from Russian Federal Anti-Monopoly Service was obtained on 30 July 2018. The parties anticipate to close the deal in the third quarter of 2018.

In August 2018, 'Eldorado' trademarks with carrying amount of 9 130 were pledged as a collateral for liability under a loan from PJSC VTB Bank.