

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018, 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 ("IFRS").

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

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

Management is also responsible for:

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

The consolidated financial statements of the Group for the year ended 31 December 2018 were approved on 20 March 2019.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(in millions of Russian Rubles)

	Notes	31 December 2018	31 December 2017
NON-CURRENT ASSETS:			
Property, plant and equipment	7	20 734	7 936
Investment property	8	575	-
Intangible assets	9	68 767	7 999
Deferred tax assets	18	5 759	4 264
Non-current financial assets	10	-	2 471
Other non-current assets	11	2 646	993
Total non-current assets		98 481	23 663
CURRENT ASSETS:			
Inventories	12	113 145	52 283
Accounts receivable and prepaid expenses	13	31 457	21 611

	Notes	31 December 2018	31 December 2017
Income tax receivable		33	16
Other taxes receivable	14	16 112	6 154
Cash and cash equivalents	15	25 669	17 791
Assets held for sale	16	494	-
Other current assets		43	7
Total current assets		186 953	97 862
TOTAL ASSETS		285 434	121 525
EQUITY:			
Share capital	17	1 798	1 798
Additional paid-in capital	17	4 576	4 576
Treasury shares	17	(749)	(52)
Retained earnings		25 240	16 602
Equity attributable to owners of the Company		30 865	22 924
Non-controlling interests	17	510	230
Total equity		31 375	23 154
NON-CURRENT LIABILITIES:			
Non-current bank borrowings	19	45 720	-
Other liabilities		573	-
Provisions	25	256	-
Deferred tax liabilities	18	1 785	-
Total non-current liabilities		48 334	-
CURRENT LIABILITIES:			
Current bank borrowings	19	13 789	-
Trade accounts payable		155 420	77 698
Other payables and accrued expenses	20	17 126	8 708
Advances received	21	5 309	2 656
Income tax payable		1 397	531
Other taxes payable	22	2 782	1 627
Deferred revenue	23	6 940	5 923
Financial guarantees	24	-	780
Provisions	25	2 962	448
Total current liabilities		205 725	98 371
Total liabilities		254 059	98 371
TOTAL EQUITY AND LIABILITIES		285 434	121 525

The Notes on pages 7-48 form an integral part of these consolidated financial statements.

The independent auditor's report is presented on pages .

Signed on 20 March 2019 by:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	2018	2017
REVENUE	26	321 102	198 197
COST OF SALES	27	(242 463)	(151 670)
GROSS PROFIT		78 639	46 527
Selling, general and administrative expenses	28	(69 234)	(40 754)
Other operating income	29	6 079	2 623
Other operating expenses	30	(801)	(216)
OPERATING PROFIT		14 683	8 180
Finance income	31	509	659
Finance expenses	31	(3 617)	-
PROFIT BEFORE INCOME TAX EXPENSE		11 575	8 839
Income tax expense	18	(3 210)	(1 885)
TOTAL NET PROFIT and TOTAL COMPREHENSIVE INCOME for the year		8 365	6 954
Total net profit and total comprehensive income for the year attributable to:			
Owners of the Company		8 582	6 974
Non-controlling interests		(217)	(20)
BASIC EARNINGS PER SHARE (in Russian Rubles)	32	48,04	38,85
DILUTED EARNINGS PER SHARE (in Russian Rubles)	32	48,04	38,85

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Signed on 20 March 2019 by:

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(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
Balance as at 31 December 2016		1 798	4 576	(52)	9 628	15 950	1	15 951
Increase in non-controlling interests in LLC "MARKETPLACE"	17	-	-	-	-	-	249	249
Total comprehensive income/(loss) for the year		-	-	-	6 974	6 974	(20)	6 954
Balance as at 31 December 2017		1 798	4 576	(52)	16 602	22 924	230	23 154
Impact of modified retrospective application of IFRS 15		-	-	-	56	56	-	56
Balance as at 1 January 2018		1 798	4 576	(52)	16 658	22 980	230	23 210
Purchase of treasury shares	17	-	-	(697)	-	(697)	-	(697)
Non-controlling shareholder's contribution into a subsidiary's capital	17	-	-	-	-	-	497	497
Total comprehensive income/(loss) for the year		-	-	-	8 582	8 582	(217)	8 365
Balance as at 31 December 2018		1 798	4 576	(749)	25 240	30 865	510	31 375

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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(in millions of Russian Rubles)

	Notes	2018	2017
OPERATING ACTIVITIES:			
Net profit for the year		8 365	6 954
Adjustments for:			
Income tax expense	18	3 210	1 885
Depreciation and amortization	27, 28	6 107	3 614
Change in allowance for long-term advances paid for rent and accounts receivable	11,13	275	(12)
Change in allowance for obsolete and slow-moving inventories and inventory losses, net of surpluses		1 017	98
Interest income	31	(509)	(657)
Interest expenses	31	3 604	-
Other non-cash reconciling items, net		273	(66)
Operating cash flows before movements in working capital		22 342	11 816
Increase in inventories		(32 114)	(7 118)
Decrease/(increase) in accounts receivable and prepaid expenses		1 930	(8 465)
Increase in other taxes receivable		(6 017)	(1 897)
Increase in trade accounts payable		36 635	11 413
Increase/(decrease) in other payables and accrued expenses		3 728	(131)
Increase in deferred revenue		682	979
Decrease/(increase) in other liabilities		113	(68)
Increase in advances received		577	284
(Decrease)/increase in other taxes payable		(273)	933
Other changes in working capital, net		(187)	(24)
Cash generated by operations		27 416	7 722
Income tax paid		(3 024)	(2 704)
Interest paid		(2 820)	-
Net cash generated by operating activities		21 572	5 018

	Notes	2018	2017
INVESTING ACTIVITIES:			
Loans issued		-	(1 631)
Repayment of loans issued		1 711	-
Payments for property, plant and equipment and investment property		(4 251)	(2 091)
Proceeds from disposal of property, plant and equipment and assets held for sale		292	3
Payments for intangible assets		(3 562)	(3 168)
Interest received		522	661
Net cash outflow from purchase of subsidiaries/investment in associate	6	(55 019)	(15)
Net cash used in investing activities		(60 307)	(6 241)
FINANCING ACTIVITIES:			
Purchase of treasury shares	17	(697)	-
Contribution of non-controlling interests to the capital of subsidiary	17	497	249
Proceeds from borrowings		71 209	21
Repayment of borrowings	19	(24 207)	(21)
Repayment of loans		(124)	-
Repayment of finance lease		(67)	-
Net cash generated by financing activities		46 611	249
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7 876	(974)
CASH AND CASH EQUIVALENTS, at the beginning of the year		17 791	18 763
Impact of foreign exchange on cash and cash equivalents		2	2
CASH AND CASH EQUIVALENTS, at the end of the year		25 669	17 791

The Notes on pages 7-48 form an integral part of these consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

(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 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 20 March 2019.

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 consumer electronic outlets and online internet 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 (941 stores as at 31 December 2018; 424 stores as at 31 December 2017) and online internet stores in Moscow and 110 other cities (93 cities as at 31 December 2017).

The accompanying consolidated financial statements include assets, liabilities and result of operations of the Company and its subsidiaries as at 31 December 2018 and 2017:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 December 2018	31 December 2017
LLC "MVM"	Retailing	Russian Federation	100	100
LLC "MARKETPLACE"	Marketplace project 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	-
LLC "BT Holding"	Holding company	Russian Federation	100	-
MVEL Investition GmbH	Holding company	Germany	100	-
LLC "MVB Trade"	Retailing	Russian Federation	100	-
LLC "CE Trading solutions"	Retailing	Russian Federation	100	-
LLC "MV TVT"	Retailing	Russian Federation	100	-

On 30 April 2018 LLC "MVM" acquired 100% of the shares BOVESTO LIMITED (see Note 6). BOVESTO LIMITED was a holding company to LLC "Eldorado", LLC "Invest-Nedvizhimost", LLC "Rentol", LLC "TC "Permsky", LLC "Eldomarket".

On 31 August 2018 LLC "MVM" acquired 99% of the shares LLC "Media Saturn Russland" and 100% of the shares Media-Saturn Russland Beteiligungen GmbH. After acquisition LLC "Media Saturn Russland" was renamed to LLC "BT Holding" and Media-Saturn

Russland Beteiligungen GmbH was renamed to MVEL Investition GmbH.

MVEL Investition GmbH owns 1% of the shares in LLC "BT Holding". LLC "BT Holding" is a holding company for LLC "MVB Trade", LLC "CE Trading solutions", LLC "MV TVT" (see Note 6).

SHAREHOLDERS

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

	2018	2017
Mianello Limited	38,5632%	57,6755%
MS CE Retail GmbH	15,0000%	-
Treasury shares	1,0993%	0,1318%
Various shareholders	45,3375%	42,1927%
Total	100%	100%

ULTIMATE SHAREHOLDERS

Mianello Limited owns 38,5632% of the voting ordinary shares of the Company. Mianello Limited is incorporated in Cyprus. At 31 December 2018 the ultimate shareholder of Mianello Limited is Gutseriev Said Mikhailovich.

In 2018 MS CE Retail GmbH acquired 15% of the shares of Public Joint Stock Company "M.video" from Mianello Limited, the controlling shareholder of the Company, and the Group acquired

100% of shares in LLC "Media Saturn Russland", Russian business of MS CE Retail GmbH.

At the 31 December 2017 Mianello Limited owned 57,6755% of the voting ordinary shares of the Company. Grenodar Holdings Limited was the ultimate parent entity of the Company. At 31 December 2017 the ultimate beneficial owner of the Company was Gutseriev Mikail Safarbekovitch.

2. BASIS OF PREPARATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of Accounting

The consolidated financial statements have been prepared on a historical cost basis except for the valuation of financial instruments in accordance with 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.

The consolidated financial statements provide comparative information in respect of the previous period.

Functional and presentation currency – The consolidated financial statements are presented in Russian Rubles ("RUB"), which is the functional of each company of the Group, with operating activities. 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 applied in the preparation of consolidated financial statements for the year ended 31 December 2017, except for the adoption in Standards and Interpretations affecting from 1 January 2018:

- IFRS 15 Revenue from Contracts with Customers (and the related Clarifications);
- IFRS 9 Financial Instruments;
- Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts;
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions;
- Amendments to IAS 40 – Transfers of Investment Property;
- Annual Improvements to IFRSs 2014-2016 Cycle – amendments to IFRS 1 and IAS 28;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration.

Adoption of these new and amended standards and interpretations did not have any significant impact on the Group's consolidated

financial statement for the year ended 31 December 2018, except for the effect of adoption of IFRS 15 "Revenue from Contracts with Customers".

The Group applied a modified retrospective approach upon transition to IFRS 15 in respect of all its contracts. Under this approach, the effect of IFRS 15 application is recognized

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

Operating segments – Segment reporting is presented on the basis of management's perspective and relates to the parts of the Group that are defined as operating segments. Operating segments are identified on the basis of internal reports to the Group's chief operating decision maker ("CODM"). These internal reports are prepared on the same basis as these consolidated financial statements.

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. Organizational structure of the Group is also build around the brands. Specifically, the Group's reportable segments under IFRS 8 are as follows:

- M.video;
- Eldorado.

Operating segments represent chains of retail shops and online internet stores of home appliances and digital equipment under the brands Eldorado and Mvideo. Both segments specializes in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services.

Going concern – These consolidated financial statements are prepared on the going concern basis.

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 recognized the cumulative effect of initially applying IFRS 15 as an adjustment to the operating balance of the retained earnings at the beginning of the year ended 31 December 2018.

Foreign currencies – The individual financial statements of each Group's entity 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. Fair value of properties was determined with reference to market prices, while fair value of the other items, including the Group's trade equipment, was predominantly based on the estimates of depreciated replacement costs. 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
Leasehold	7-15 years

The Group owns the trademark "Eldorado", 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. The cost of trademark "Eldorado" as at 31 December 2018 is 9 130.

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;

- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

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

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

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

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

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

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

an estimate of any further cash outflow that is expected to be incurred before the asset is ready for use.

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

Current tax

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

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.

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.

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. 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.

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 subsequently 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. For assets measured at fair value, gains and losses will be recorded in either profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other

comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

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 time frame 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.

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 presented 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 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 this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert resorts, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, 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 and on hand in stores and short-term deposits with an original maturity of three months or less, and credit card payments received within 24 hours of the next working day.

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. 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 measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, discounts and VAT. Inter-company revenue is eliminated.

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 buyer: when the goods are sold in retail stores for retail revenues or delivered to customers for online sales (including in-store pick-up).

Loyalty programs

The Group operates customer loyalty programs "M.video Bonus", "Co-brand", Card "Home Credit-Eldorado" and "Eldoradosty" which allow customers to accumulate points when they purchase goods in the Group's retail stores. Prior to adoption of IFRS 15, the customer loyalty programs offered by the Group resulted in the allocation of a portion of the transaction price to the bonus points issued based on their fair value and recognition

of the deferred revenue in relation to points issued but not yet redeemed or expired. 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. The Group determined that, considering the relative stand-alone selling prices, the amount allocated to the customer loyalty programs is insignificantly different from the previous accounting policy.

Additional service agreements

The Group sells additional service agreements ("ASA") and has an obligation to the buyer to perform services throughout the period of the contract. Revenue from the ASA is deferred and recognized on a straight-line basis over the term of the service contract. 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 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 – Cost of sales include the cost of inventories and services acquired from suppliers, freight in, costs related to transporting inventories from distribution centers to stores, allowance for obsolete and slow-moving inventory, inventory losses and supplier 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.

Operating leases - Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred. If reimbursement of utility and maintenance expenses is included in the fixed lease payments, the amount to be reimbursed and expensed in the reporting period needs to be calculated.

Any benefits received from the landlord as an incentive to enter into an operating lease are spread over the lease term on a straight-line basis. Sublease income and lease expenses are presented on the net basis.

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.

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.

4. NEW AND REVISED STANDARDS IN ISSUE NOT YET ADOPTED

The Group has not applied the following new and revised IFRS that have been issued but are not yet effective:

- IFRS 16 Leases¹;
- IFRS 17 Insurance Contracts²;
- IFRIC 23 Uncertainty Over Income Tax Treatments¹;
- Amendments to IAS 28 – Long-Term Interests in Associates and Joint Ventures¹;
- Amendments to IAS 19 – Employee Benefits¹;
- Amendments to IFRS 9 – Prepayment Features With Negative Compensation¹;
- Amendments to IFRS 10 and IAS 28 – Sale of Contribution of Assets between an Investor and its Associate or Joint Venture³;
- Annual Improvements to IFRSs 2015-2017 Cycle¹.

¹ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

² Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

³ Effective for annual periods beginning on or after a date to be determined. Earlier application is permitted.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet).

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted

for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

Furthermore, extensive disclosures are required by IFRS 16.

IFRS 16 is effective for annual reporting periods beginning 1 January 2019, and interim periods within those periods. Early application of IFRS 16 is permitted.

As at 31 December 2018, the Group's future minimal rental payments for non-cancellable operating lease agreements (Note 36) were 106 985. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as future minimal rental payments for operating lease agreements in Note 36. A preliminary assessment indicates that these agreements will meet the definition of a lease agreement under IFRS 16, and hence the Group will recognize a right-of-use asset and a corresponding liability in respect of all these agreements unless leases qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognize a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognized in the Group's consolidated financial statements and management is currently assessing its potential impact.

The Group has chosen the modified retrospective application of IFRS 16. Consequently, the Group will restate the comparative information. The Group is going to use the practical expedient available on transition to IFRS 16 not to reassess whether a contract

is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

Also the Group is going to use the following practical expedients:

- practical expedient that allows not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component;
- practical expedient that allows application of a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment);
- practical expedient that allows to exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application.

The group assessed the effect of the application of IFRS 16 from 1 January 2019: it will be necessary to recognize additionally on its balance sheet obligations under lease agreements (including long-term and short-term parts) for a total amount not exceeding 82 000, which were not previously recognized, as lease relations in respect of which the Group acts as a lessee were disclosed as an operating lease under IAS 17 "Leases" valid until 1 January 2019. The value of estimated liabilities represents the present value of future (at the time of first use) payments, discounted using the rate of attraction of credit funds.

As at 1 January 2019 the Group will recognize right-of-use assets, related to application of IFRS 16 Lease, in the amount not exceeding 83 000. Right-of-use assets will be depreciated starting from 1 January 2019 on a straight-line basis over the lease term.

As at 1 January 2019 the weighted average borrowing rate, used in calculations, will the range from 9,5% to 10,5% depends on lease term of the contract.

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 greater than 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.

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.

Assessment of lease term

At the inception or modification of each operating lease agreement the Group assesses non-cancellable lease period. During the assessment the Group considers legal factors (the right to cancel the lease before the end of the lease period and the renewal option) and economic factors (financial and non-financial, such as revenue growth rates, profitability, strategic importance of location). 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.

Determination of a portion of lease payments that does not represent a payment for the use of premises

As disclosed in Note 3, for the lease agreements which stipulate that payments for reimbursement of maintenance costs incurred by the lessor are embedded in the fixed periodic lease payments, the Group performs a calculation of such costs to be recognized as current period expense on an agreement-by-agreement basis. The calculation is performed based on amounts of factual maintenance costs incurred on similar leases for comparable premises where

the amounts of maintenance costs are clearly stated in the documents. Where possible, comparable premises are selected within the same city or region.

Revenue attributed to loyalty programs

The Group accounts for customer loyalty points as a separate component of the sale transaction in which they are granted. A portion of a fair value of the consideration received from customers is allocated to the award points and deferred, and is recognized then as a revenue over the period that the award credits are redeemed. Therefore, management has to make assumptions about expected redemption rates, which are subject to availability of prior periods’ statistics and significant uncertainty at the balance sheet date, as far as issued points are expired through the passage of time in the future.

Supplier bonuses

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

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

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:

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

6. BUSINESS COMBINATIONS

Subsidiaries acquired

In 2018 the Group acquired the subsidiaries:

	Principal activity	Date of acquisition	Proportion of voting equity interests acquired (%)	Consideration transferred
BOVESTO LIMITED	Holding company	30.04.2018	100%	45 520
LLC "Media Saturn Russland"	Holding company	31.08.2018	99%	14 397
Media-Saturn Russland Beteiligungen GmbH	Holding company	31.08.2018	100%	117
				60 034

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

The Group's subsidiaries LLC "Media Saturn Russland" and Media-Saturn Russland Beteiligungen GmbH being controlling companies to the Media Markt group in Russia ("Media Markt") were acquired as part of further extension of retail activity of the Group. At the date of acquisition both companies were companies under common control with the Group.

Assets acquired and liabilities recognized at the date of acquisition

	Group Eldorado	Media Markt	Total
Current assets			
Inventories	28 741	-	28 741
Cash and cash equivalents	1 432	3 612	5 044
Accounts receivable and other assets	13 273	341	13 614
Assets held for sale	704	34	738
Non-current assets			
Property, plant and equipment	10 941	313	11 254
Investment property	594	-	594
Intangible assets	10 220	47	10 267
Other non-current assets	297	83	380
Current liabilities			
Current liabilities	(54 155)	(2 918)	(57 073)
Non-current liabilities			
Deferred tax liabilities	(1 874)	(424)	(2 298)
Other liabilities	(622)	-	(622)
Fair value of net assets	9 551	1 088	10 639

In preparation of financial statements for the year ended 31 December 2018 the management made adjustments to the initial assessment of values of assets and liabilities of group Eldorado. Changes are related to the recalculation of inventory allowances based on new accounting policies, the revision of results of impairment of intangible assets, the revision of bad debt provisions, including respective tax effect.

The purchase price allocation of Media Markt was not finally completed as of reporting date. Therefore, in preparation of financial statements for the year ended 31 December 2018 the management used preliminary assessment of values of assets and liabilities of Media Markt. When the assessment is completed, changes to assessed fair values are possible in respect of accounts receivable, intangible assets and assets held for sale, as well as tax assets and liabilities.

Goodwill arising on acquisition

	Group Eldorado	Media Markt	Total
Consideration (i)	45 520	14 514	60 034
Less: fair value of identifiable net assets acquired	(9 551)	(1 088)	(10 639)
Goodwill arising on acquisition	35 969	13 426	49 395

Goodwill recognized on acquisition of group Eldorado and Media Markt arose from potential synergies embedded into the acquisition price. All of the Group's CGUs are expected to benefit from such synergies.

i. The consideration was transferred in cash. As of reporting date outstanding liability for business acquisition of Media Markt is 134. Also as of reporting date accounts receivable of the Group include amount of 163 reimbursable by the seller.

Net cash outflow on acquisition of subsidiaries

	Group Eldorado	Media Markt	Total
Consideration paid in cash	45 520	14 543	60 063
Less: cash and cash equivalent balances acquired	(1 432)	(3 612)	(5 044)
Total	44 088	10 931	55 019

Impact of acquisitions on the results of the Group

Profit of 3 020 included in Group's profit for the year is attributable to the acquisition of group Eldorado. Loss of 1 237 included in Group's profit for the year is attributable to the acquisition of Media Markt. The revenue of the Group increased by 86 175 and 0, respectively, as a result of the acquisitions.

In our opinion, it is not possible to estimate the profit from the continuing operations of Media Markt up to the acquisition date due to the large number of uncertainties, therefore, information about net profit are shown only for M.video and Eldorado groups. Had business combination been effected at 1 January 2018, the revenue of the Group for the year ended 31 December 2018 would have been 352 591. This estimate is obtained by directly adding the actual revenue of the Group's companies for the calendar year, after eliminating intragroup transactions, but without any corrections for synergies that would have been possible if business combinations had occurred at 1 January 2018. Had the acquisition of group Eldorado been effected at 1 January 2018, the estimate profit for the year from continuing operations would have been 6

474, that represents an approximate measure of the performance of the combined group for the year adjusted for one-off adjustments related to embracing of group Eldorado by the Group.

In determining the 'pro-forma' profit of the Group had group Eldorado 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;
- In order to harmonize the accounting policies of M.video and Eldorado, transportation costs capitalized in inventories were written off to statement of profit and loss and other comprehensive income. Also inventory allowances and the provision on goods return were recalculated based on the Group's provision rates;
- Impairment of certain back-office licenses and software including income tax was recognized in anticipation of transfer of the joint business to a new IT platform.

7. PROPERTY, PLANT AND EQUIPMENT

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

	Land and buildings	Leasehold improvements	Construction in progress and equipment to be installed	Trade equipment	Security equipment	Computer equipment and other	Total
Cost							
As at 31 December 2016	5 615	5 146	305	5 774	1 319	3 872	22 031
Additions	-	-	2 000	-	-	-	2 000
Transfers	14	90	(1 762)	722	146	790	-
Disposals	(2)	(60)	-	(87)	(20)	(159)	(328)
As at 31 December 2017	5 627	5 176	543	6 409	1 445	4 503	23 703
Additions	-	-	5 370	-	-	-	5 370
Assets acquired in a business combination	5 575	1 737	526	1 431	644	1 341	11 254
Transfers	15	293	(3 039)	795	235	1 701	-
Disposals	-	(80)	-	(218)	(79)	(381)	(758)
As at 31 December 2018	11 217	7 126	3 400	8 417	2 245	7 164	39 569
Accumulated depreciation							
As at 31 December 2016	2 212	3 938	-	3 995	1 133	2 626	13 904
Charge for the year	271	350	-	732	123	700	2 176
Disposals	-	(59)	-	(79)	(19)	(156)	(313)
As at 31 December 2017	2 483	4 229	-	4 648	1 237	3 170	15 767
Charge for the year	632	532	-	959	281	1 187	3 591
Disposals	-	(73)	-	(164)	(40)	(246)	(523)
As at 31 December 2018	3 115	4 688	-	5 443	1 478	4 111	18 835
Net book value							
As at 31 December 2017	3 144	947	543	1 761	208	1 333	7 936
As at 31 December 2018	8 102	2 438	3 400	2 974	767	3 053	20 734

Depreciation expenses have been included in "Cost of Sales" (Note 27) and "Selling, general and administrative expenses" (Note 28).

Assets mainly related to the closed stores with net book value of 235 were disposed of by the Group in the year ended 31 December 2018 (2017: 15). Loss on disposal of these items of 195 (2017: 12) was recorded within other operating expenses (Note 30).

8. INVESTMENT PROPERTY

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

	Premises and buildings	Land	Total
Cost			
As at 31 December 2017	-	-	-
Assets acquired in a business combination	436	158	594
As at 31 December 2018	436	158	594
Accumulated depreciation and impairment			
As at 31 December 2017	-	-	-
Charge for the period	19	-	19
As at 31 December 2018	19	-	19
Net book value			
As at 31 December 2017	-	-	-
As at 31 December 2018	417	158	575

For the period from business combination to 31 December 2018, rental income from investment property and premises not occupied by the Group amounting to 288 was included in revenue in the Other revenue line item. Utilities and maintenance expenses included in selling, general and administrative expenses (see Note 28)

amounted to 224. There were no significant direct operating expenses incurred by the Group in relation to investment property that did not generate rental income. At 31 December 2018, fair value of investment property is equal to 575.

9. INTANGIBLE ASSETS

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

	Goodwill	Software licenses, development and web site	Leasehold rights	Trademarks	Total
Cost					
As at 31 December 2016	-	8 401	-	33	8 434
Additions	-	2 584	701	7	3 292
Disposals	-	(619)	-	-	(619)
As at 31 December 2017	-	10 366	701	40	11 107
Additions	-	3 595	6	3	3 604
Assets acquired in a business combination	49 395	1 137	-	9 130	59 662
Disposals	-	(1 137)	-	(12)	(1 149)
As at 31 December 2018	49 395	13 961	707	9 161	73 224
Accumulated amortization and impairment					
As at 31 December 2016	-	2 272	-	17	2 289
Charge for the year	-	1 407	27	4	1 438
Disposals	-	(619)	-	-	(619)
As at 31 December 2017	-	3 060	27	21	3 108
Charge for the period	-	2 413	76	5	2 494
Disposals	-	(1 134)	-	(11)	(1 145)
As at 31 December 2018	-	4 339	103	15	4 457
Net book value					
As at 31 December 2017	-	7 306	674	19	7 999
As at 31 December 2018	49 395	9 622	604	9 146	68 767

During 2018 the Group incurred expenditures in the total amount of 3 604 which for the most part were related 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, development of joint IT platform for M.video, Eldorado and Media Markt.

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

As at 31 December 2018 trademarks with carrying value of 9 133 were pledged as collateral under the loan agreement (Note 19).

As at 31 December 2018 and 2017 the Group had contractual commitments for the technical support of software licenses (Note 37).

10. NON-CURRENT FINANCIAL ASSETS

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

	2018	2017
Loan issued (i)	-	1 631
Non-current accounts receivable (ii)	-	814
Interest receivable	-	26

	2018	2017
Total	-	2 471

- i. In November 2017 the loan in the 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.
- ii. 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. As at 31 December 2018 the Group has written off all assets and liabilities related to the guarantee due to early repayment of the principal liability.
- As at 31 December 2018, the non-current accounts receivable under the agreement for the issuance of a financial guarantee amounted to 0 (as at 31 December 2017: 814).

11. OTHER NON-CURRENT ASSETS

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

	2018	2017
Advances paid for non-current assets	1 540	448
Long-term advances paid for rent	824	465
Advances paid to related parties (Note 35)	226	30
Long-term loans and notes receivable	45	39
Investment in associates	15	15
Less: allowance for doubtful long-term advances paid for rent	(4)	(4)
Total	2 646	993

12. INVENTORIES

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

	2018	2017
Goods for resale	114 508	52 789
Other inventories	121	147
Less: allowance for obsolete and slow-moving inventories	(1 484)	(653)
Total	113 145	52 283

Cost of inventories recognized as an expense in the amount of 237 773 and 149 345 and inventory losses net of surpluses in the amount of 493 and 275 for the years ended 31 December 2018 and 2017, respectively, were recorded within cost of sales in the consolidated statement of profit or loss and other comprehensive income.

13. ACCOUNTS RECEIVABLE AND PREPAID EXPENSES

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

	2018	2017
Bonuses receivable from suppliers	22 757	14 298
Other accounts receivable	7 096	4 563
Advances paid to suppliers and prepaid expenses	1 826	777
Accounts receivable from related parties (Note 35)	483	2 046
Less: allowance for doubtful accounts receivable	(705)	(73)
Total	31 457	21 611

As at 31 December 2018 and 2017 the Group did not have accounts receivable past due but not impaired.

Movement in the allowance for doubtful accounts receivable and prepaid expenses is as follows:

	2018	2017
Balance at the beginning of the year	73	92
Acquired in a business combination	451	-
Impairment losses recognized on accounts receivable and prepaid expenses	297	29
Amounts written off as uncollectible	(94)	(7)
Amounts recovered during the year	(22)	(41)
Balance at the end of the year	705	73

The accounts receivable impaired as at 31 December 2018 and 2017 were aged of more than 120 days.

In determining the recoverability of accounts receivable the Group considers any change in the credit quality of receivables

and prepaid expenses 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 38.

14. OTHER TAXES RECEIVABLE

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

	2018	2017
VAT recoverable	15 889	6 146
Other taxes receivable	223	8
Total	16 112	6 154

15. CASH AND CASH EQUIVALENTS

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

	2018	2017
Short-term bank deposits	13 176	11 570
Cash in transit	10 124	4 695
Cash at banks	1 749	1 180
Cash on hand in stores and petty cash	620	346
Total	25 669	17 791

Cash at banks as at 31 December 2018 and 2017 includes the amounts of 80 and 66, respectively, collected by the Group from its customers for further transfer through "Qivi" 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 year end.

As at 31 December 2018 short-term bank deposits denominated in RUB earned interest ranging from 5% to 7,56% per annum. The short-term deposits matured in January 2019.

As at 31 December 2017 all short-term bank deposits denominated in RUB earned interest ranging from 0,01% to 7,5% per annum. The short-term deposits matured in January 2018.

16. ASSETS HELD FOR SALE

During the next 12 months the Group intends 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.

17. EQUITY

Share capital

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

	Outstanding ordinary shares	Issued ordinary shares	Authorized ordinary shares
Balance as at 31 December 2017	179 531 237	179 768 227	209 768 227
Purchase of treasury shares	(1 739 180)	-	-
Balance as at 31 December 2018 and 2017	177 792 057	179 768 227	209 768 227

Each share has par value of 10 RUB per share. During 2017 number of authorized, issued and outstanding ordinary shares remained constant.

All issued ordinary shares were fully paid.

Additional paid-in capital

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

Treasury shares

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

Non-controlling interests

In 2016 Mr. A. Tynkovan made a contribution of 1 into capital of LLC "MARKETPLACE" in exchange for 0,1% interest in this subsidiary.

In 2017 Mr. A. Tynkovan made a contribution of 249 into capital of LLC "MARKETPLACE" in exchange for 20% interest in this subsidiary. As a result of this transaction, the Group's non-controlling interests in LLC "MARKETPLACE" increased by the same amount.

In 2018 Mr. A. Tynkovan made a contribution to additional paid-in capital of LLC "MARKETPLACE" in the amount of 497.

Dividends declared

In 2018 and 2017, no dividends were declared, nor paid.

18. INCOME TAX

The Group's income tax expense for the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Current tax		
Current tax expense in respect of the current year	(3 805)	(2 154)
Provision for income tax	(223)	-
	(4 028)	(2 154)
Deferred tax		
Deferred tax benefit recognized in the current year	818	269
	818	269
Total income tax expense recognized in the current year	(3 210)	(1 885)

The tax effect on the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2018 and 2017 is presented below:

	31 December 2018	31 December 2017
Deferred tax assets		
Supplier bonuses allocated to inventories	1 728	1 804
Accrued expenses	1 547	1 057
Deferred revenue and prepayments received for goods	832	598
Salary-related accruals	773	304
Difference in depreciable value of property, plant and equipment	402	408
Tax losses	387	93
Allowance for obsolete and slow-moving inventories	297	130
Other items	31	23
Total	5 997	4 417
Tax offset	(238)	(153)
Net tax assets	5 759	4 264
Deferred tax liabilities		
Difference in depreciable value of property, plant and equipment	(1 027)	-
Difference in amortizable value of intangible assets	(871)	(153)
Other items	(125)	-
Total	(2 023)	(153)
Tax offset	238	153
Net tax liabilities	(1 785)	-
Deferred tax assets/(liabilities), net	3 974	4 264

As at 31 December 2018 and 2017 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 2018 and 2017 to the actual expense recorded in the Group's consolidated statement of profit or loss and other comprehensive income:

	2018	2017
Profit before income tax expense	11 575	8 839
Income tax expense calculated at 20%	(2 315)	(1 768)
Effect of expenses that are not deductible in determining taxable profit:		
Loss due to provision for profit tax	(223)	-
Inventory losses	(151)	(105)
Non-deductible payroll expenses	(115)	(12)
Other non-deductible expenses, net	(406)	-
Income tax expense recognized in profit or loss	(3 210)	(1 885)

19. BANK BORROWINGS

This note provides information about the contractual terms of the Group's long-term and short-term interest-bearing bank

borrowings which are measuring at amortized cost. The borrowings described below are denominated in rubles.

	Maturity	31 December 2018	31 December 2017
Non-current borrowings			
Secured borrowings			
PJSC Bank VTB	April 2025	45 720	-
Total non-current borrowings		45 720	-
Current borrowings			
Secured borrowings			
PJSC Bank VTB	April - October 2019	5 769	-
		5 769	-
Unsecured borrowings			
PJSC Bank VTB	June 2019	8 020	-
		8 020	-
Total current borrowings		13 789	-
Total borrowings		59 509	-

As at 31 December 2018 the Group complied with loans covenants.

As at 31 December 2018, borrowings are secured by trademarks with carrying amount of 9 133 (31 December 2017: 0) (Note 9).

100% stake in share capital of LLC "MVM", LLC "Eldorado" and LLC "BT Holding" as well as 100% shares of Bovesto Limited are pledged under credit contracts.

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.

	1 January 2018	Cash flows from financing activities	Business combination	Other changes*	31 December 2018
Bank borrowings	-	47 002	11 898	609	59 509
Loans	-	(124)	124	-	-
Finance lease	-	(67)	251	147	331
	-	46 811	12 273	756	59 840

*Other changes mainly include interest on liabilities accrued but not paid.

20. OTHER PAYABLES AND ACCRUED EXPENSES

Other payables and accrued expenses as at 31 December 2018 and 2017 consisted of the following:

	2018	2017
Rent and utilities	5 699	4 570
Other current liabilities related to purchase of property, plant and equipment and intangible assets	4 117	1 131
Salaries and bonuses	3 760	1 711
Other current liabilities to related parties (Note 35)	628	29
Other payables and accrued expenses	2 922	1 267
Total	17 126	8 708

As at 31 December 2018 accounts payable and accruals for rent and utilities included accrued liabilities for lease payments calculated

on a straight-line basis over the lease term in the amount of 4 408 (31 December 2017: 4 071).

21. ADVANCES RECEIVED

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

	31 December 2018	31 December 2017
Prepayments received for goods (i)	4 030	1 737
Advances received for gift cards	868	678
Other advances received	411	241
Total	5 309	2 656

- 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.

22. OTHER TAXES PAYABLE

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

	2018	2017
VAT payable	1 364	1 047
Payroll taxes	940	434
Other taxes payable	478	146
Total	2 782	1 627

23. DEFERRED REVENUE

Deferred revenue as at 31 December 2018 and 2017 consisted of the following:

	2018			2017		
	Customer loyalty programs	Other programs	Additional services	Customer loyalty programs	Other programs	Additional services
As at 1 January	1 710	995	3 218	1 742	434	2 768
Impact of modified retrospective application of IFRS 15	(5)	(51)	-	-	-	-
As at 1 January	1 705	944	3 218	1 742	434	2 768
Deferred revenue acquired in a business combination	280	41	70	-	-	-
Revenue deferred during the period	13 355	2 199	2 343	9 525	2 455	2 520
Revenue released to the consolidated statement of profit or loss and other comprehensive income	(12 463)	(2 328)	(2 424)	(9 557)	(1 894)	(2 070)
As at 31 December	2 877	856	3 207	1 710	995	3 218

Other programs represent primarily granting of gift cards to the Group's customers.

Deferred revenue as at 1 January 2018 was adjusted for modified retrospective application of IFRS 15 Revenue in the amount of 56.

24. FINANCIAL GUARANTEES

As indicated in Note 10, in October 2017 the Group entered into an agreement stipulating the issuance by the Group a financial guarantee to LLC "Autoclub", a related party, in amount not exceeding USD 878 million.

At initial recognition, the fair value of the financial guarantee liability amounted to 803 was determined based on the present value of the Group's future commission fee under this agreement.

For the year ended 31 December 2018 the Group recognized commission fee in the amount of 174 in other operating income (23 was recognized for the year ended 31 December 2017).

For the year ended 31 December 2018 the Group, based on the time value of money, recognized 28 as a financial income and a respective increase in accounts receivable (9 was recognized for the year ended 31 December 2017).

As the commission fee was denominated in US Dollars, the Group incurred 7 as a foreign exchange loss.

Due to early repayment of principal liability, the finance guarantee liability was written off as at 31 December 2018.

The Group received commission fee on 11 October 2018 in the amount of 227.

25. PROVISIONS

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

	Long-term provisions		Short-term provisions	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Provision for goods return	256	-	1 724	337
Provision for litigation and fines	-	-	960	95
Provision for tax risks	-	-	249	-
Warranty provision – repair of goods	-	-	29	16
Total	256	-	2 962	448

26. REVENUE

Revenue for the years ended 31 December 2018 and 2017 consisted of the following:

	2018	2017
Retail revenue	317 153	195 037
Additional services revenue	2 424	2 070
Other services	1 525	1 090
Total	321 102	198 197

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

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 321 158.

Other revenue for the year ended 31 December 2017 includes revenue from services of installation, recycling and digital assistance. For the year ended 31 December 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 740 (2017: 500). In prior periods, the revenue from delivery was presented as other revenue. This change was made

In 2018 revenue recognized at a point in time was 318 678, and revenue recognized over time was 2 424.

27. COST OF SALES

Cost of sales for the years ended 31 December 2018 and 2017 consisted of the following:

	2018	2017
Cost of goods sold		
- Cost of goods	237 738	149 345
- Transportation	2 672	1 660
- Inventory losses net of surpluses and related compensations from suppliers (2018: 210; 2017: 177)	625	314
- Change in allowance for obsolete and slow-moving inventory	490	(177)
Cost of additional services	79	90
Cost of other services	859	438
Total	242 463	151 670

Cost of other services includes depreciation of service equipment.

28. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses for the years ended 31 December 2018 and 2017 consisted of the following:

	2018	2017
Payroll and related taxes (including share-based payments – Note 34)	21 779	12 538
Lease expenses, net of income from sublease (2018: 71; 2017: 29)	14 926	8 885
Depreciation and amortization	6 070	3 614
Advertising and promotional expenses, net	6 054	3 827
Maintenance and other property operating costs	2 632	1 819
Bank charges	2 626	1 600
Credit broker services	2 498	1 143
Utilities	1 809	1 028
Warehouse services	1 689	1 484
Repairs and servicing	1 670	1 096
Security	1 655	979
Consulting services	1 568	1 083
Taxes other than income tax	942	165
Communication	353	243
Other expenses	2 963	1 250
Total	69 234	40 754

Payroll and related taxes for the year ended 31 December 2018 include 3 315 contribution

to the state pension fund (2017: 1 879) and social and medical insurance in the amount of 1 281 (2017: 733).

During 2018 the Group received 1 308 from its suppliers as a compensation of advertising and promotional expenses (2017: 709).

29. OTHER OPERATING INCOME

Other operating income for the years ended 31 December 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 and other items.

30. OTHER OPERATING EXPENSES

Other operating expenses for the year ended 31 December 2018 include loss on disposal of property, plant and equipment of 195 (2017: 12), expenses on corporate events in the amount of 99

(2017: 51), charity expense of 91 (2017: 47), and other individually insignificant items.31. FINANCE INCOME AND EXPENSES

Finance income/(expenses) for the years ended 31 December 2018 and 2017 consisted of the following:

	2018	2017
Interest income	509	657
Interest expense on bank loans	(3 604)	-
Exchange loss from revaluation of investments	(13)	2
Total	(3 108)	659

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 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 year 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:

	2018	2017
Net profit attributable to equity holders of the Company	8 582	6 974
Weighted average number of ordinary share in issue (millions of shares)	178,65	179,53
Basic and diluted earnings per share (in Russian rubles)	48,04	38,85

33. 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 are as follows:

- M.video;
- Eldorado.

Segments include chains of retail shops and online internet stores of home appliances and digital equipment under the brands Eldorado and M.video. Both segments specialize in the sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services.

Segment revenues and results

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

	Segment revenue	
	2018	2017
Inter-segment revenue		
M.video	11 140	-
Eldorado	-	-
Total	11 140	-
External revenue		
M.video	234 928	198 197
Eldorado	86 174	-
Total	321 102	198 197
Total segment revenue	332 242	198 197

	Segment profit	
	2018	2017
Segment profit		
M.video	55 572	46 527
Eldorado	23 067	-
Total	78 639	46 527
Selling, general and administrative expenses	(69 234)	(40 754)
Other operating income	6 079	2 623
Other operating expenses	(801)	(216)
Finance income	509	659

	Segment profit	
	2018	2017
Finance expenses	(3 617)	-
Profit before tax	11 575	8 839

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 finance income and expenses.

34. SHARE-BASED PAYMENTS

During the year ended 31 December 2017 the Group had cash-settled share option plan – Long-term incentive plan – Series 4 (LTIP 4).

An expense recognized by the Group during the years ended 31 December 2018 and 2017 with regards to its share-based payments is as follows:

Series	2018	2017
LTIP 4	-	401
Total	-	401

The above expenses have been included into "Selling, General and Administrative Expenses" as "Payroll and related taxes" (Note 28).

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

35. RELATED PARTIES

Related parties include shareholders, key management, entities under common ownership and control, entities under control of key management personnel 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 2018 and 2017, respectively:

	2018		31 December 2018		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
Parent company (i)	-	11 664	-	-	-	-	-	-
Entities under common control (ii)	1 731	46 218	-	-	1 628	2 129	2 074	1
Entities controlled by a party exercising significant influence (iii)	436	4 254	696	644	-	-	-	-
Entities under control of key management personnel (iv)	3	609	13	102	3	682	2	28
	2 170	62 745	709	746	1 631	2 811	2 076	29

The nature of transactions with related parties is as follows:

- ii. Parent company – acquisition of share in Media Markt;
- iii. Entities under common control – acquisition of share in Eldorado group, sale and purchase of the Groups' goods, agent services for sales of insurance, warehouses and trade premises leasing;
- iv. Entities controlled by a party exercising significant influence

- agent services for sales of insurance, warehouses and trade premises rent, acquisition of fixed assets, credit broker services;
- v. Entities under control of key management personnel – store and head office security services, car leasing service to the Group and logistic services, after-sale and other servicing of the Group's merchandise, redecoration and engineering repair services in the central office and shops located in Moscow.

As at 31 December 2018 the liability of related parties in respect of the loan issued and the financial guarantee issued, including interest, was as follows:

	2018		31 December 2018		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
Entities under common control	75	1	-	-	35	-	2 471	-
Total	75	1	-	-	35	-	2 471	-

During the 2018 Mr. A. Tynkovan made a contribution to additional paid-in capital of LLC "MARKETPLACE" in the amount of 497.

In 2017 Mr. A. Tynkovan made a contribution of 249 into capital of LLC "MARKETPLACE" in exchange for 20% interest in this subsidiary. As a result of this transaction, the Group's non-controlling interests in LLC "MARKETPLACE" increased by the same amount.

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 have been no guarantees provided or received for any related party accounts receivable or payable, except for the guarantees for the obligations of LLC "Autoclub" (Note 10 and 24). For the years ended 31 December 2018 and 2017 the Group has an allowance for doubtful accounts receivable from related parties in the amount of 9. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Compensation of key management personnel of the Group

The remuneration of directors and other members of key management during the years ended 31 December 2018 and 2017 was as follows:

	2018	2017
Short-term benefits*	1 598	949
Share-based payments**	-	192
Total	1 598	1 141

* 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 long-term incentive program posted in the consolidated statement of profit or loss and other comprehensive income (Note 34).

As at 31 December 2018 there were outstanding payables of 818 to key management personnel (2017: 443).

The number of key management positions was 27 in 2018 (2017: 20).

The Group did not provide any material post-employment or other long-term benefits to key management personnel during the period other

than those disclosed in Note 34, contributions to the state pension fund and the social funds as a part of payments of social security contributions on salaries and bonuses. Social security contributions paid relating to compensation of key management personnel amounted to 106 for the year ended 31 December 2018 (2017: 86) and are included in the amounts stated above.

36. 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 disclosed as contingent rentals below. The Group does not have an option to purchase the leased premises at the expiration of the lease period.

Payments recognized as an expense

	2018	2017
Minimum lease payments	13 308	7 855
Contingent rentals	1 644	1 059
Total	14 952	8 914

Non-cancellable operating lease commitments

Future minimum rentals payable during non-cancellable term of operating leases for premises occupied as at 31 December 2018 and 2017 were as follows:

	2018	2017
Within one year	16 789	8 055
After one year but not more than five years	57 161	27 866
More than five years	33 035	15 311
Total	106 985	51 232

Future minimal rental payments will be subject to VAT.

37. 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. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

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, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

Russian Federation tax and regulatory environment

Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years proceeding the year of tax audit. Under certain circumstances reviews may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

The Group has identified possible tax contingencies for the three-year period ended 31 December 2018. Management has estimated that possible exposure in relation to such tax risks, if they were to materialize, would not exceed 20% of the Group's profit before income tax expense.

Customs

During the years ended 31 December 2018 and 2017, 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 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

Generally, the Group's principal financial liabilities comprise loans and borrowings, 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 arrive 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

As at 31 December 2018 The Group had non-cancellable contractual commitment of 981 for technical support services with respect to existing SAP licenses and software during the period till 2022 (31 December 2017: 1 278).

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 2018 the Group entered into such guarantee contracts for the total amount of 9 311 (as at 31 December 2017: 4 734). On the 31 December 2018 and 2017 the Group has not pledged any assets as collateral under these guarantee contracts.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

reviews and agrees policies for managing each of these risks which are summarized below.

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. No changes were made in objectives, policies or processes during the years ended 31 December 2018 and 2017.

The capital structure of the Group consists of issued capital (less treasury shares), additional paid in capital and retained earnings.

The primary objective of the Group's capital management program is to maximize shareholder value while minimizing the risks associated with the loan portfolio. The consumer

electronics business is a cyclical business and as such requires short-term fluctuations in capital to purchase goods to satisfy the seasonal demand. The Group uses a combination of short-term loans and supplier credit terms to meet the seasonal capital needs. The store expansion program adds to the capital needs as the capital and pre-opening costs associated with the new stores put additional pressure on the Group's financial resources. While the Group has not established any formal policies regarding debt

to equity proportions the Group reviews its capital needs periodically to determine actions to balance its overall capital structure through shareholders' capital contributions or new share issues, return of capital to shareholders as well as the issue of new debt or the redemption of existing debt.

Categories of financial instruments

The carrying values of financial assets and liabilities grouped by each category of financial instruments as at 31 December 2018 and 2017 were as follows:

	2018	2017
Financial assets		
Assets carried at amortized cost	55 220	36 618
Financial liabilities		
Liabilities carried at amortized cost	213 806	82 335

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 arise from cash and cash equivalents held in US Dollars and Euro as well as from lease payments tied-in to currencies other than functional currency. At 31 December 2018 approximately 15% (at 31 December 2017: 18%) of the Group's operating lease agreements for stores and warehouses were tied-in to either US Dollars or Euro and these contracts accounted for approximately 26% (2017: approx. 32%) of the Group's operating lease expenses for the year ended

31 December 2018. 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 2018 and 2017 the Group did not use forward exchange contracts to eliminate the currency exposures.

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

	US Dollar		Euro	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Assets				
Cash and cash equivalents	55	2	5	-
Total assets	55	2	5	-
Liabilities				
Accounts payable and accruals for operating leases (shown within other accounts payable)*	(1 951)	(1 984)	(405)	(322)
Total liabilities	(1 951)	(1 984)	(405)	(322)
Total net position	(1 896)	(1 982)	(400)	(322)

* Although accrued liabilities for lease payments calculated on a straight-line basis over the lease term do not represent financial instruments they have been included in the table above since they subject the Group to foreign currency risk.

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 2017: 10%) change of the Russian Ruble against these two currencies. As at 31 December 2018 the sensitivity rate of 10% represents management's assessment of a reasonably possible change in foreign exchange rates. 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 numbers 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.

	USD		EUR	
	Changes in exchange rate, %	Effect on profit before income tax	Changes in exchange rate, %	Effect on profit before income tax
2018	10%	(189)	10%	(40)
	-10%	189	-10%	40

	USD		EUR	
	Changes in exchange rate, %	Effect on profit before income tax	Changes in exchange rate, %	Effect on profit before income tax
2017	10%	(198)	10%	(32)
	-10%	198	-10%	32

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. In purpose of preparing risk management reports for key managers of the Group, the assumption of a change in interest rate of 1 basis point 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 1%, if other conditions remain constant, would lead to decrease/(increase) of bank borrowings fair value by 1 653/(1 728). The Group is exposed to risk of floating fair value of bank borrowings with fixed rates.

Credit risk management

The table below shows the balances that the Group had with 4 of its major counterparties as at 31 December 2018 and 2017:

Counterparty	Currency	Rating	Carrying amount	
			2018	2017
PJSC Bank VTB	RUB	Baa3	6 516	5 022
Alfa-bank	RUB	Ba1	4 974	3 649
Sovcombank	RUB	Ba3	1 900	-
Sberbank	RUB	Ba2	889	3 931
Other	RUB	-	646	148
Total			14 925	12 750

The carrying amount of financial assets recorded in the consolidated statement of financial position, which is 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 2018 and 2017.

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in financial loss to the Group. Financial assets which are potentially subject the Group to credit risk consist primarily of bonuses receivable from suppliers, other receivables, short-term investments as well as cash on current and deposit accounts with banks and other financial institutions.

Bonuses receivable from suppliers are either offset against respective accounts payable or paid

in cash. At 31 December 2018 bonuses receivable from four major suppliers comprised 29% of the Group's consolidated accounts receivable and prepaid expenses (31 December 2017: 35%). The Group believes no significant credit risk is associated with these receivables since all of the debtors are represented by the Group's major suppliers.

The credit risk on liquid funds (see the table below) is managed by the Group's treasury.

The management believes that credit risk on investments of surplus funds is limited as the counterparties are financial institutions with high credit ratings assigned by international credit rating agencies.

Liquidity risk management

The Group's treasury monitors the risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets

(e.g. accounts receivable, other financial assets) and projected cash flows from operations.

The Group's objective is to maintain a continuity of funding and flexibility through the use of bank 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.

As at 31 December 2018 the Group obtained uncommitted standby borrowing facilities in the total amount of 24 600 (31 December 2017: 16 000).

The table below summarizes the maturity profile of the Group's financial liabilities as at 31 December 2018 and 2017 based on contractual undiscounted payments:

As at 31 December 2018	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Trade accounts payable	137 425	17 995	-	-	155 420
Borrowings	1 249	16 383	37 507	22 065	77 205
Other accounts payable and accrued expenses	12 997	294	-	-	13 291
Total	151 671	34 672	37 507	22 065	245 916

As at 31 December 2017	Less than 3 months	3-12 months	1-5 years	More than 5 years	Total
Trade accounts payable	66 116	11 582	-	-	77 698
Other accounts payable and accrued expenses	4 637	-	-	-	4 637
Total	70 753	11 582	-	-	82 335

Fair value of financial instruments

Management consider that the carrying amounts of financial assets and financial liabilities recorded in the Group's consolidated

statement of financial position as at 31 December 2018 and 2017 approximate their fair values, except bank borrowings as at 31 December 2018 with fair value 56 749 which is less than its carrying amount by 2 151.

39. SUBSEQUENT EVENTS

Reorganization of LLC "Eldorado" and LLC "MVB Trade" by way of accession to LLC "MVM" took place on February 25th, 2019.