

# INDEPENDENT AUDITOR'S REPORT

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

### Opinion

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

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

### Basis for Opinion

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

### Key Audit Matters

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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
<b>RECOGNITION OF SUPPLIER BONUSES</b>	
<p>The Group receives significant amounts of supplier incentives and bonuses (hereinafter "supplier bonuses"). We consider this to be a key audit matter because judgment is required to determine</p> <ul style="list-style-type: none"> <li>The commercial substance of supplier bonuses received by the Group;</li> <li>The moment when the Group has fulfilled all of its obligations to suppliers; and</li> <li>Their classification as those reducing the cost of sales or offsetting other costs and the period over which the related reduction or offset should be recognized.</li> </ul> <p>This requires a thorough understanding of the contractual arrangements and complete and accurate source data. The variety of arrangements with suppliers and types of supplier bonuses received by the Group means that this area of accounting is complex and gives rise to potential errors in the source data and related calculations.</p> <p>The Group's principal accounting policy in respect of the supplier bonuses is disclosed in Note 3. Management judgments involved in estimating supplier bonuses recognized are disclosed in Note 5.</p>	<p>During the audit we:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the Group's internal processes and controls in respect of accounting for supplier bonuses and assessed whether the supplier bonuses recognition was in line with the Group's accounting policies and IFRS;</li> <li>Examined the commercial substance of supplier bonuses by means of a sample-based analysis of contracts with suppliers, the primary documents confirming the Group's right to receive supplier bonuses and other supporting documentation;</li> <li>Circularized a sample of suppliers to get assurance that the amounts of recorded supplier bonuses and balances owed at year-end were accurate and complete. Where responses were not received, we completed alternative procedures such as tracing the amounts recorded to documents confirming the Group's right to a particular bonus;</li> <li>Recomputed management's calculation of supplier bonuses allocated to year-end inventories based on their commercial substance; and</li> <li>Performed a retrospective analysis of bonuses recognized in the prior period to check the accuracy of estimates made by management.</li> </ul>
<b>NET REALISABLE VALUE OF INVENTORIES</b>	
<p>Inventories are carried at the lower of cost and net realisable value. As at 31 December 2020 the value of inventories held by the Group was RUB 146 994 million (31 December 2019: RUB 129 115 million).</p> <p>The valuation of inventories was identified as a key audit matter because it involves significant judgement, in particular, with respect to the estimated selling price of items held and compensations received from suppliers for damaged goods. The assessment process is subjective and includes studying the historical performance of the inventories, current operational plans as well as industry and customer specific trends.</p>	<p>During the audit we obtained assurance over the appropriateness of management's assumptions applied in calculating the carrying value of inventories:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the Group's processes and procedures related to the measurement of inventories;</li> <li>Verified the value of a sample of inventories to confirm it is held at the lower of cost and net realisable value, through comparing to supplier invoices and sales prices;</li> <li>Reviewed, recalculated and critically assessed the reasonableness of inventory provision considering historical performance and analysed the amount of provision as a percentage of gross inventory balance year to year; and</li> <li>Assessed the completeness and accuracy of historical data used by management in developing its estimates.</li> </ul>
<b>ACCOUNTING FOR LEASES</b>	

**Why the matter was determined to be a key audit matter**

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

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

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

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

**How the matter was addressed in the audit**

During the audit we:

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

**NON-CURRENT ASSETS IMPAIRMENT ASSESSMENT**

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

if any, makes an estimate of the recoverable amount of the assets.

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

non-current assets impairment as a key audit matter.

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

During the audit we:

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

**Other information**

The consolidated financial statements of Public Joint Stock Company "M.video" and its subsidiaries for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on these statements on 23

March 2020.

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

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

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

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

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities

within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Supplementary financial information

Our audit was conducted for the purpose of forming an opinion on the Group's consolidated financial statements as a whole. Management is responsible for the preparation of information accompanying the consolidated financial statements, which is presented as supplementary financial information on pages 68-71. This information is provided for the purposes of additional analysis and is not a required part of the consolidated financial statements for year ended 31 December 2020 prepared in accordance with IFRS. The supplementary information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



**Biryukov V.E.,**  
Engagement partner

3 March 2021

The Entity: Public Joint Stock Company "M.video"  
Certificate of state registration № 77 N008748648 of 25.09.2006, issued by Interdistrict Inspectorate of the Russian Ministry of Taxation № 46 in Moscow.  
Address: 40/12, building 20 (room 5A, premise II, floor 5), Nizhnaya Krasnoselskaya Street, Moscow, 105066, Russian Federation

Audit Firm: AO "Deloitte & Touche CIS"  
Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.  
Primary State Registration Number: 1027700425444  
Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.  
Member of Self-regulated organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.