M.Video 2015

Investor Presentation

April, 2016

М.видео

нам не всё равно 20 лет

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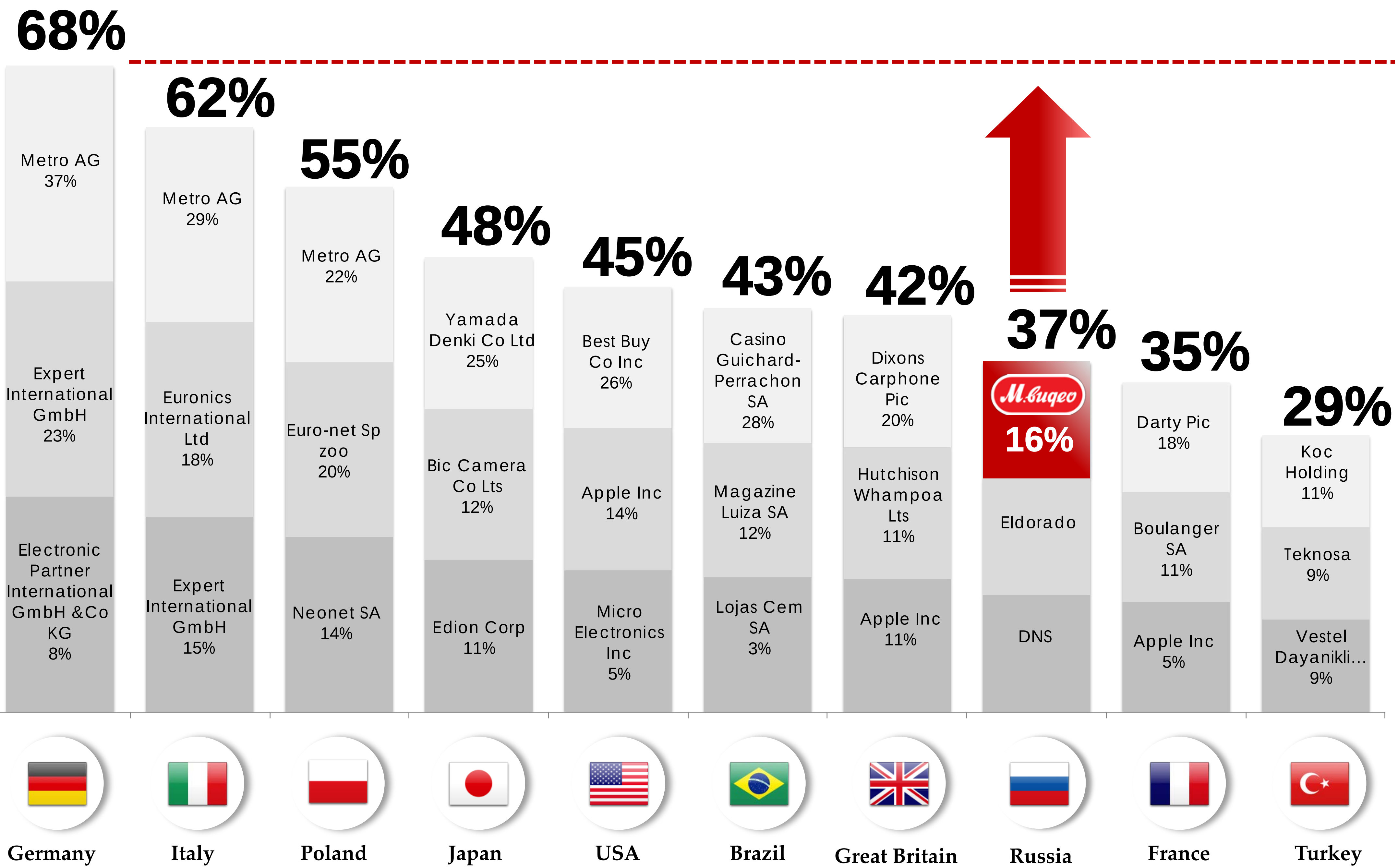
Macro Outlook «the worst is over»

	1998	2009	2015	2016
GDP, %	-5,3%	-7,8%	-3,7%	0,3%
Inflation, %	84,5%	8,8%	12,9%	7,0%
Real disposable income, %	-16%	-3,5%	-4,0%	-4,1%
Oil price, USD	12,7	62,8	51,1	40,0
RUB/USD Exchange rate	9,7	31,7	61,0	67,4

Source: Rosstat, Ministry of Economic development of Russian Federation

Crisis is an opportunity and there is huge potential for growth and consolidation



- Top 3 Players

Source: Euromonitor, Company Data

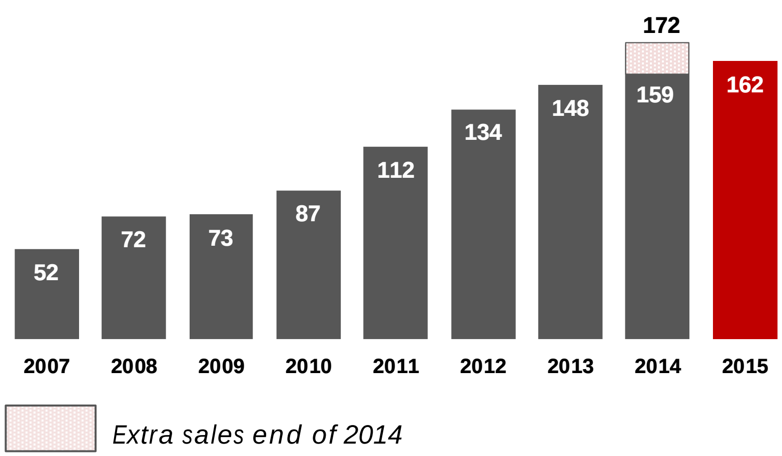
We have proven to be able to grow within our geography for more than 20 years

1993	2000	2007	2014	2015
First Store 50m²	**Expansion**	**IPO**	**OMNI Model**	**Sustain +**
	104 stores	122 stores	368 stores	378 stores

- Almost 100% country coverage
- Continuous organic growth of asset base in premium locations
- Online capacities in all cities of operations
- Proven revenue growth track record
- 378 stores, 161 cities by end of 2015

*Including stores in St.Petersburg

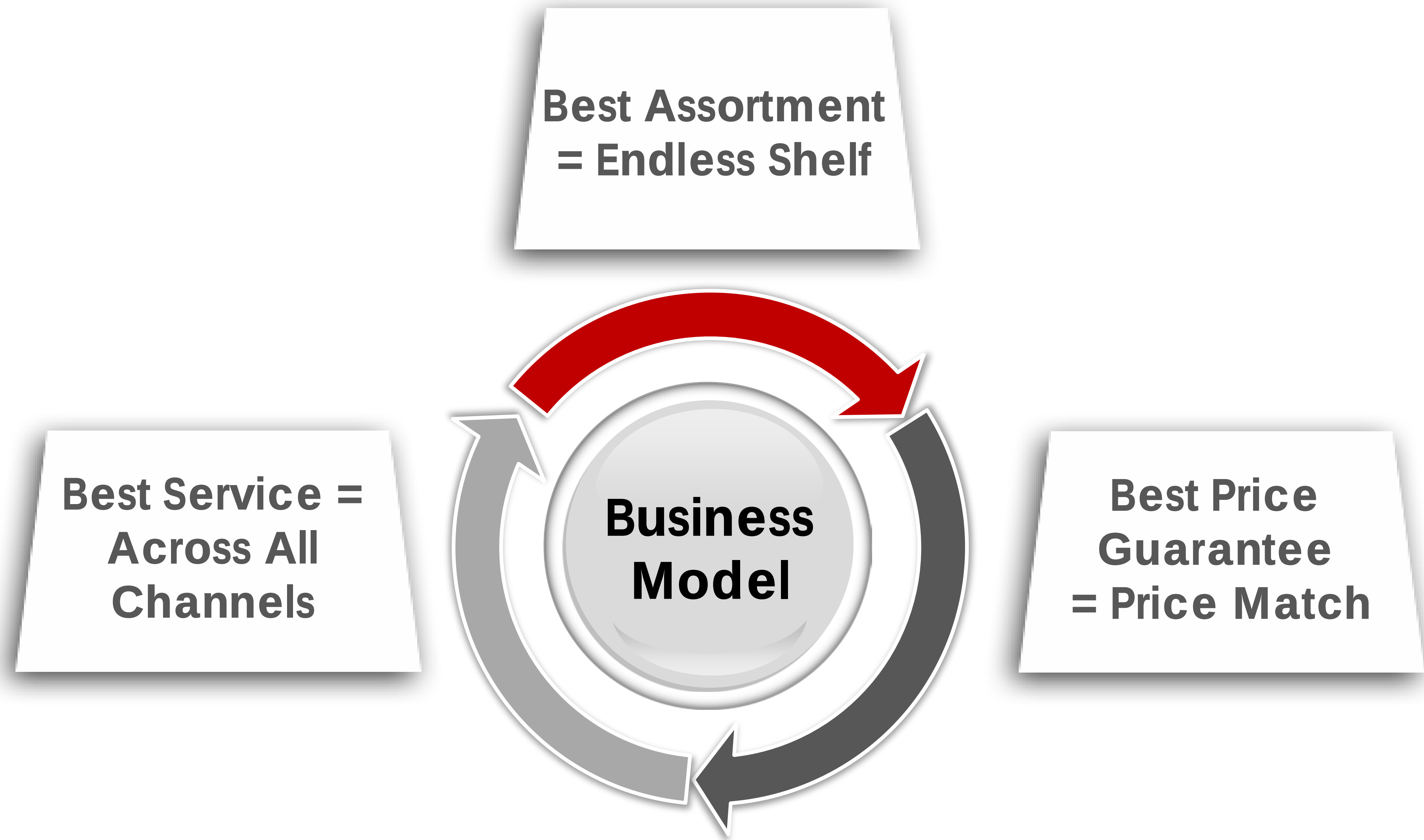
Revenues 2007-2015, RUB bln



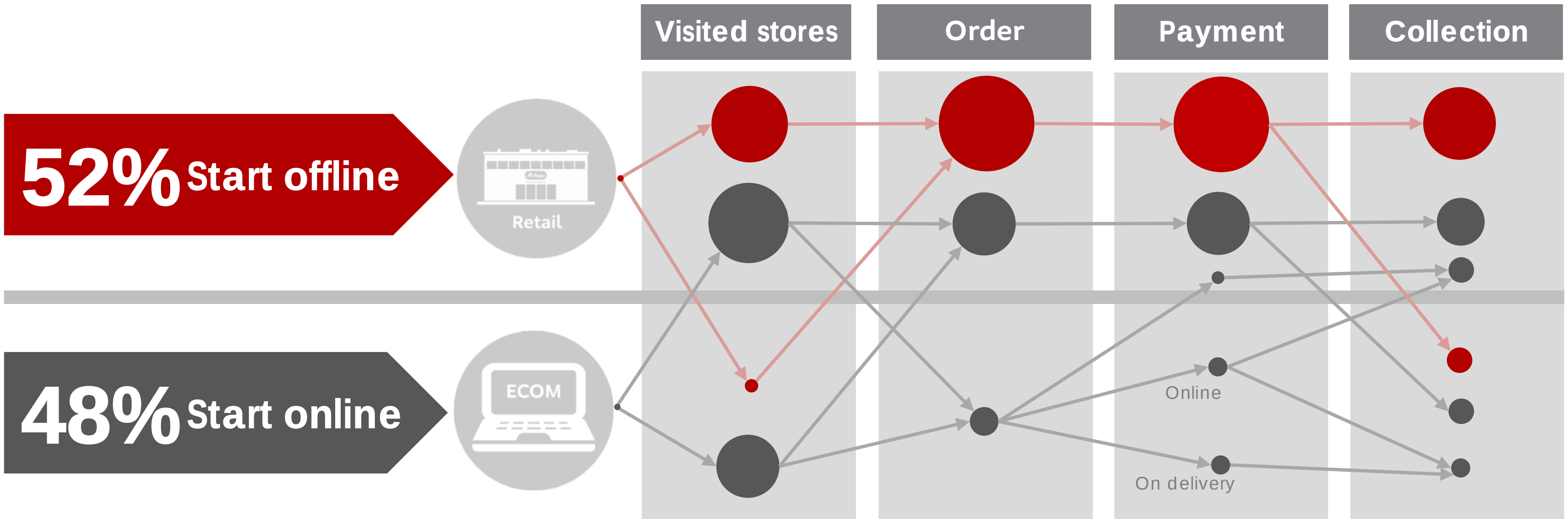
Market share growth 2014-2015, %

14.7% → 16.1%

M.Video Business Model principles remained unchanged



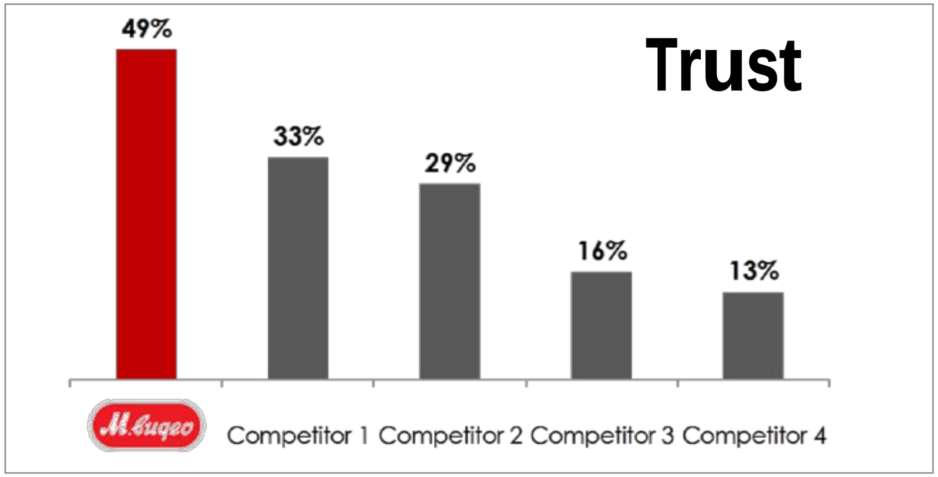
Omni concept is highly supported by customer journey

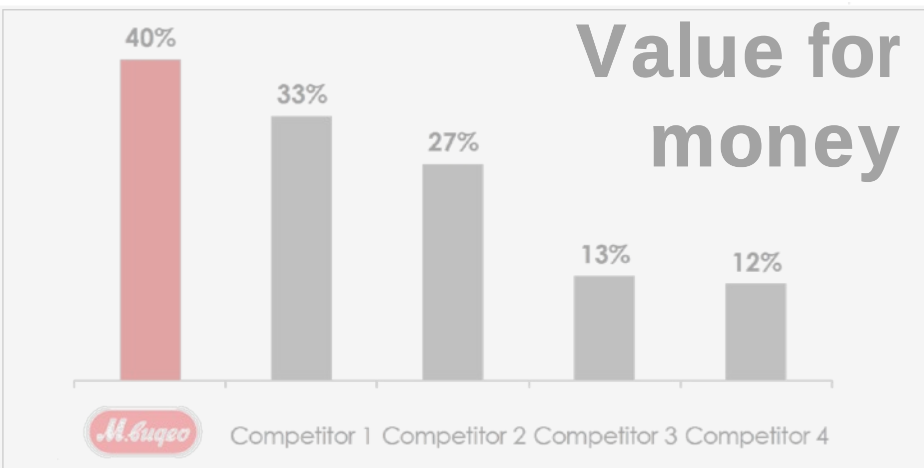


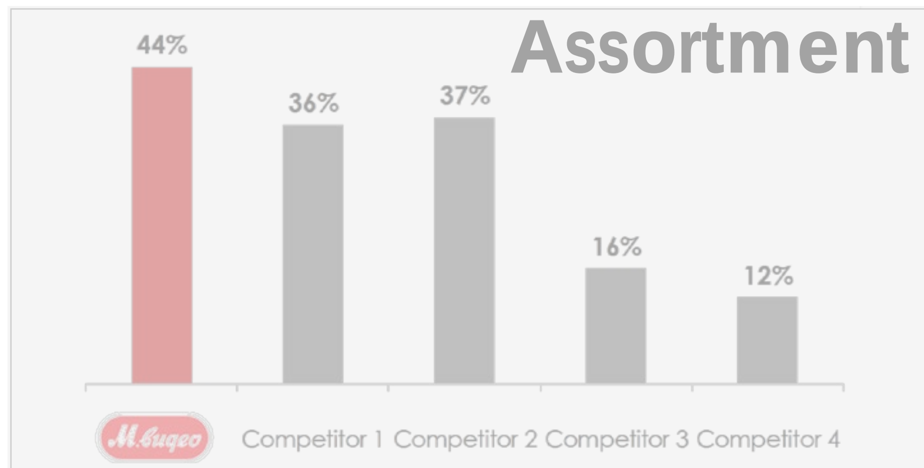
Source: Roland Berger business Analytics

- Online channels are used almost as often as offline when searching for information
- 70% of those who search for info online end up purchasing offline
- M.Video store pick-up helps to get customer walking through store and feeds “impulse buys”
- Our customer tend to buy accessories and small home appliances as their “second purchase” in store
- Online based sales grew 12,5% year in 2015, the share of OBS in Moscow and St.Pete reaches ~20%
- Pick-up in Store increased 16% YoY up to 69% of Online based sales, remaining 31% relates to home delivery

Strong Value proposition is our success factor
Trust is vital in uncertain environment







Source: «Brand Health tracking» survey, Dec 2015 (the data is based on the responds of consumers in 11 Russian cities, Q4 2015 vs. Q4 2015)

We have used 2015 window of opportunity not only to grow market share but to improve efficiency

► Customer offer and assortment

- Focus on best assortment, service and competitive price
- Telecom category growth potential – connected services approach
- Widening of assortment within endless shelf concept

► Development

- Organic growth and no negative bottom line stores in the portfolio
- Choice of best locations squeezing out competitors
- Reduced lease initiatives

► Marketing support

- Tailored marketing support on a federal level and the regions
- TV vs Online
- Increased promo activity to enhance consumption

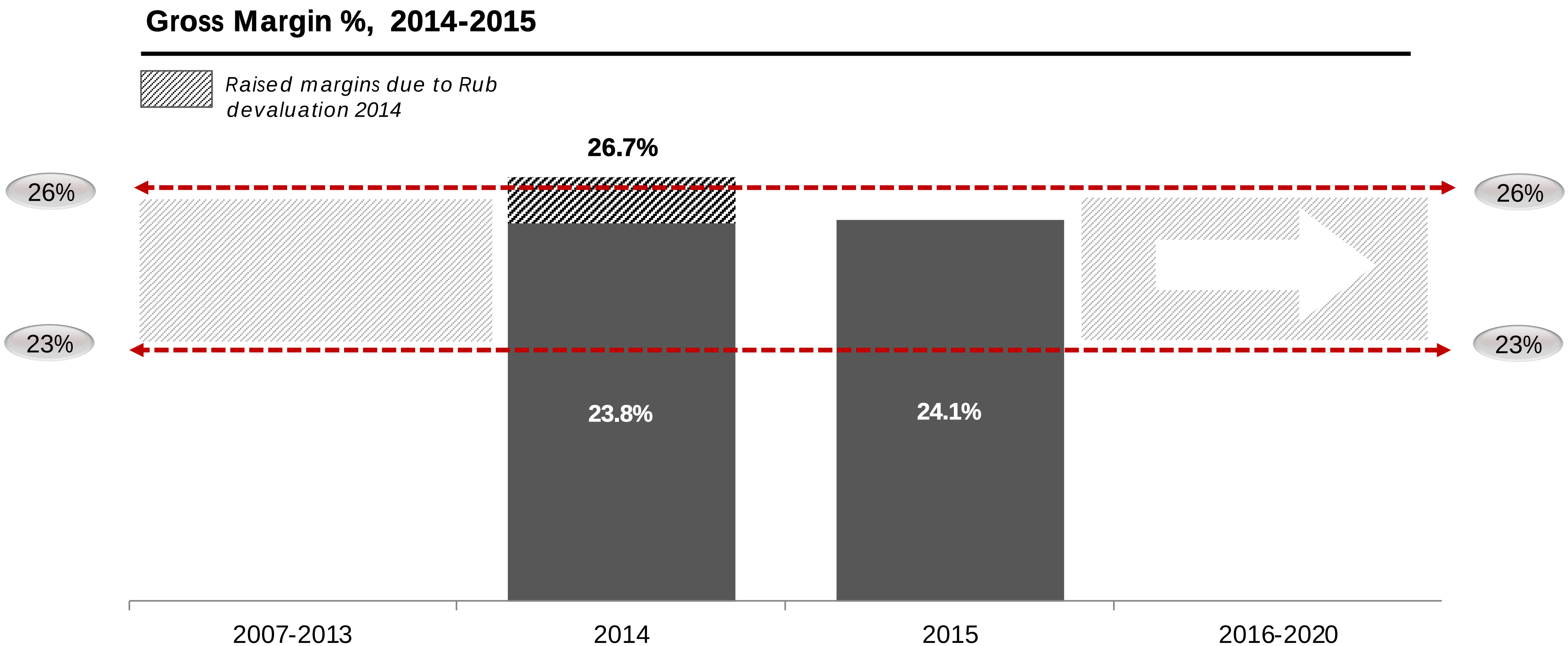
► Supply chain

- Lead time optimization and improved delivery service level
- Automatization initiatives to guarantee On-time arrival
- Costs are optimized in line with revenue dynamics

► Personnel

- Lean Store initiative allowed to increase the revenue per 1 FTE by 10%
- Talent pool for management roles implemented
- Flexible shift time management

Our 2015 GM is under pressure due to category mix, increased credit and promo and inventory difference … but still sustainable



- Current Target gross margin approach is still valid and sustainable
- Further consolidation will allow not to overinvest in promo and erode retail prices
- Sale of services / accessories on top unlock potential source of value
- Efficient category mix management and widening of assortment sustain gross margin level

We have demonstrated an outstanding control of SG&A costs…

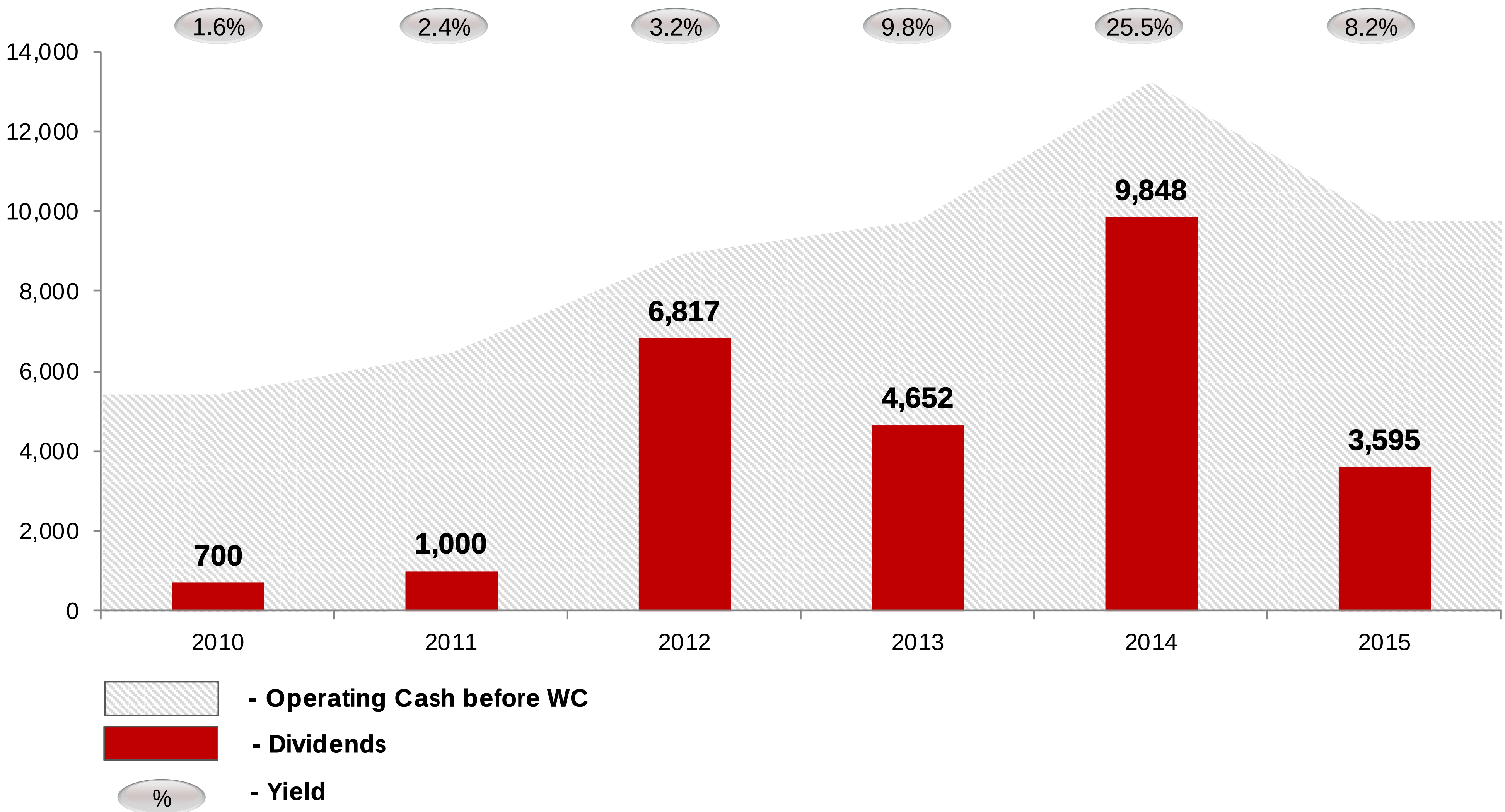
	2015	as % of revenue		2014 *	as % of revenue
	RUBm	%		RUBm	%
Payroll and related taxes	10 089	6,2%		11 048	6,4%
Lease expenses	8 054	5,0%		8 812	5,1%
Advertising & promotional expenses	3 640	2,3%		3 923	2,3%
Utilities, maintenance & other property operating	2 840	1,8%		2 815	1,6%
Warehouse services	1 489	0,9%		1 915	1,1%
Bank charges	1 121	0,7%		1 283	0,7%
Repairs and servicing	985	0,6%		940	0,5%
Security	880	0,5%		971	0,6%
Other SG&A	2 267	1,4%		2 721	1,6%
Subtotal	**31 365**	**19,4%**		**34 428**	**19,9%**
D&A	3 231	2,0%		2 809	1,6%
Total	**34 596**	**21,4%**		**37 237**	**21,6%**

- **Overall SG&A** (ex. D&A) decreased as % of revenue by 0.5 pp. YoY
- **Payroll** decreased by 8.7% (-960 mln) YoY mainly due to decrease of average FTE in Stores as a result of “Lean store” project
- **Lease** decrease relates to decline of straight-line adjustment of fixed rental payments after in-depth analysis of rent agreements performed by management team and introduction of multiple improvements to lease contracts
- **Advertising and promotional** decreased YoY due to reduction of TV, Outdoor and Newspapers volumes and average fees as a result of tender procedures and reduction of loyalty and gift cards volume
- **Other SGA** decreased as % of revenue YoY by 0,3 pp. mainly due to multiple cost optimization measures performed by management to mitigate EBITDA decline

* Restated. Comparative information for the year ended 31 December 2014 has been adjusted due to the change in accounting policy with respect to accounting for leases which was adopted by the Group in 2015 and applied retrospectively.

...and we continue to control our Working capital and generate positive cash flow

Operating Cash Flow, 2010-2015
RUB bln



Note:
Dividends are presented for the relevant full financial years. 2015 Dividends payment is subject to approval by AGSM in June 2016.

M.Video follows future industry trends

Appendix
Comprehensive Income Highlights

	2015 RUBm	2014* RUBm
Revenue	**161 691**	**172 712**
Cost of Sales	**(122 782)**	**(126 544)**
Gross Profit	**38 909**	**46 168**
Selling, general and administrative expenses	(34 596)	(37 237)
Other operating income	1 411	2 001
Other operating expenses	(125)	(601)
Operating profit	**5 599**	**10 331**
Finance income	884	436
Finance expenses	(488)	(68)
Profit before income tax expenses	**5 995**	**10 699**
Income tax expense	(1 448)	(2 525)
Net profit for the year, being **Total comprehensive income for the year**	**4 547**	**8 174**

* Restated. Comparative information for the year ended 31 December 2014 has been adjusted due to the change in accounting policy with respect to accounting for leases which was adopted by the Group in 2015 and applied retrospectively.

Appendix
Consolidated Statement of Financial Position Summary

	31 December 2015	31 December 2014*	31 December 2013*
ASSETS	RUBm	RUBm	RUBm
Property, plant and equipment	8 880	9 935	9 696
Intangible assets	4 974	4 310	3 190
Deferred tax assets, net	3 556	3 084	2 503
Other non-current assets	649	636	707
Total non-current assets	**18 059**	**17 965**	**16 096**
Inventories	43 913	35 434	34 215
Accounts receivable and prepaid expenses	10 161	10 870	9 151
Income tax and other tax receivable	2 885	1 115	1 454
Cash and short-term investments	12 579	26 122	11 542
Other current assets	10	12	21
Total current assets	**69 548**	**73 553**	**56 383**
TOTAL ASSETS	**87 607**	**91 518**	**72 479**
EQUITY AND LIABILITIES			
Trade accounts payable	58 162	57 428	47 159
Other payables and accrued expenses	6 546	6 328	4 213
Advances received	2 069	4 422	1 133
Income tax and other taxes payable	1 680	3 554	1 062
Deferred revenue	4 801	4 969	4 555
Provisions	282	464	146
Total current liabilities	**73 540**	**77 165**	**58 268**
Total non-current liabilities	**72**	**5**	**10**
Total liabilities	**73 612**	**77 170**	**58 278**
Total equity	**13 995**	**14 348**	**14 201**
TOTAL EQUITY AND LIABILITIES	**87 607**	**91 518**	**72 479**

* Restated. Comparative information for the year ended 31 December 2014 and 2013 has been adjusted due to the change in accounting policy with respect to accounting for leases which was adopted by the Group in 2015 and applied retrospectively.

Appendix
Consolidated Statement of Cash Flows Summary

	2015 RUBm	2014* RUBm
OPERATING ACTIVITIES:		
Net profit for the year	4 547	8 174
Adjustments	5 224	5 085
Operating cash flows before movements in working capital	**9 771**	**13 259**
Change in working capital	(12 879)	14 903
Cash (used in)/generated by operations	**(3 108)**	**28 162**
Income tax & interest paid	(3 437)	(1 561)
Net cash (used in)/generated by operating activities	**(6 545)**	**26 601**
INVESTING ACTIVITIES:		
Purchases of PP&E (net of Proceeds from disposal of PP&E)	(1 390)	(2 491)
Purchase of intangible assets	(1 449)	(1 787)
Short-term investments with banks	(1 097)	(2)
Interest received	977	322
Net cash used in investing activities	**(2 959)**	**(3 958)**
FINANCING ACTIVITIES:		
Dividends paid	(4 848)	(8 028)
Net cash used in financing activities	**(4 848)**	**(8 028)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(14 352)**	**14 615**
CASH AND CASH EQUIVALENTS, at the beginning of the year	**26 122**	**11 542**
Impact of foreign exchange on cash and cash equivalents	9	(35)
CASH AND CASH EQUIVALENTS, at the end of the year	**11 779**	**26 122**

* Restated. Comparative information for the year ended 31 December 2014 and 2013 has been adjusted due to the change in accounting policy with respect to accounting for leases which was adopted by the Group in 2015 and applied retrospectively.

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