

M.VideoEldorado

M.Video – Eldorado Group FY 2018 Audited IFRS Results

March 21, 2019



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FY 2018 key highlights

The Company demonstrated sound results in 2018 on the back of improved efficiency and successful integration

1

M.Video – Eldorado Group delivered record operating and financial results. The Group entered TOP-10 public CE Retailers rating by Revenue and TOP-3 by EBITDA Margin

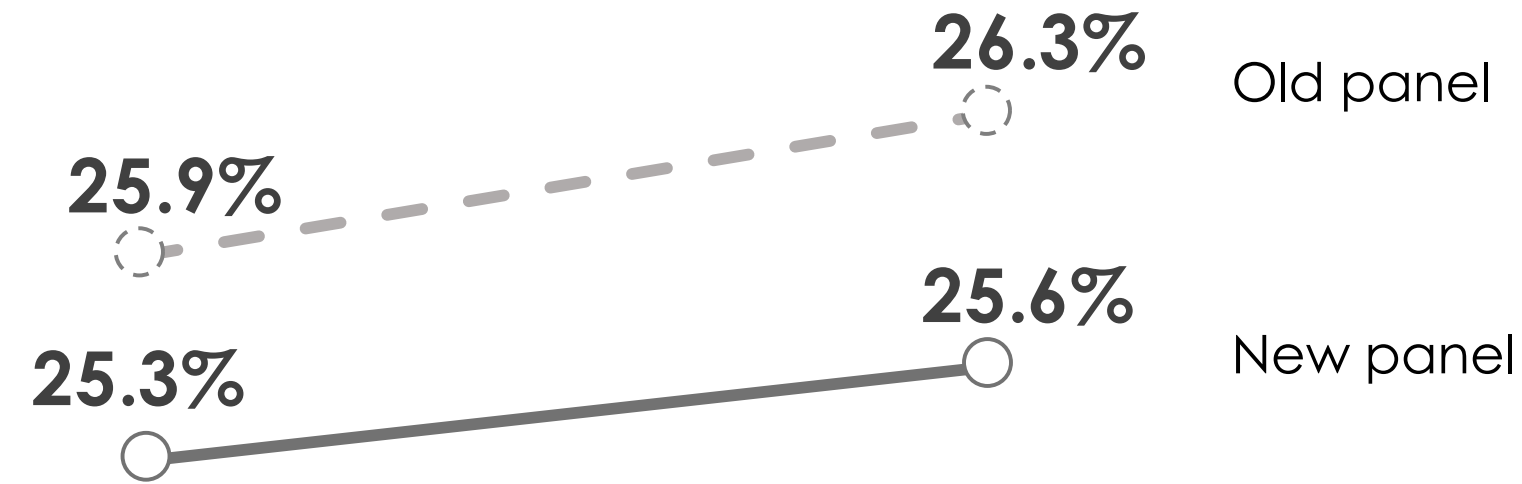
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Eldorado and MediaMarkt are being successfully integrated

3

ONE Retail model is progressing through robust performance of M.Video strategic projects: m_credit, m_RTd and m_mobile

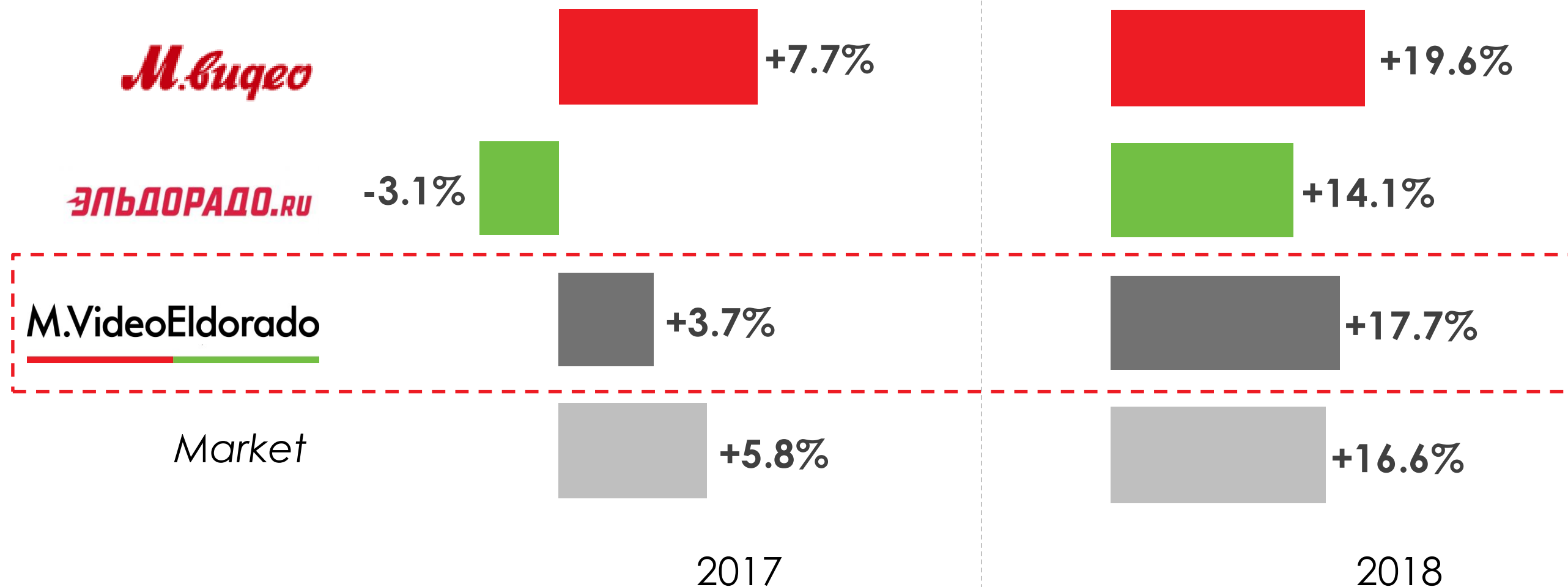
Group and M.Video outpaced the market Eldorado showed double-digit growth in 2018



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○ Market Share, %

Sales Growth YoY, %



Key Market Highlights in 2018

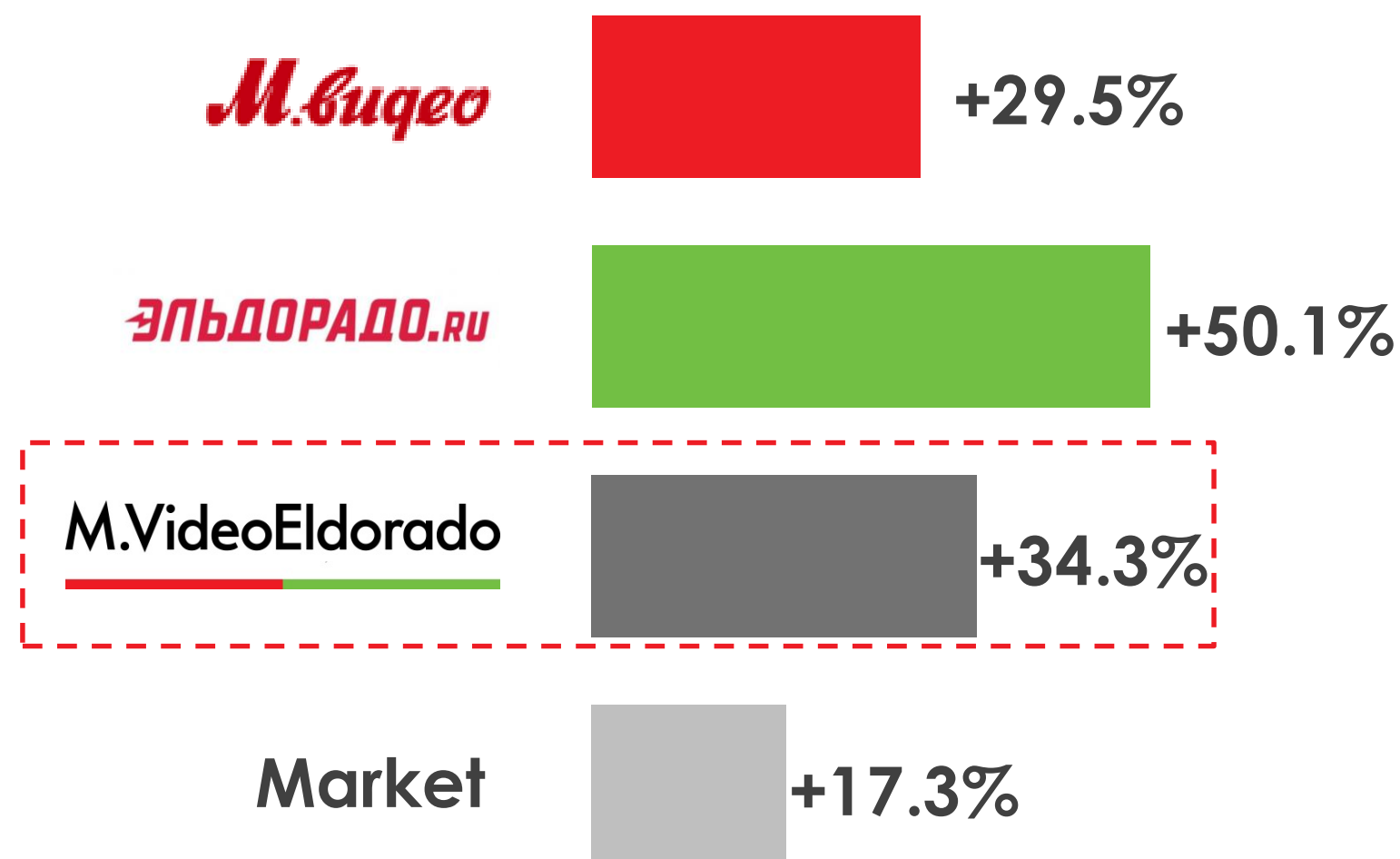
1. The Group outperformed the market and took +0.3 pp market share
2. M.Video led the growth
3. Eldorado delivered the best sales growth over past years
4. The Group demonstrated sound +31.0% online sales growth YoY
5. M.Video with +46% YoY OBS growth outperformed the online market by almost 1.5x, thanks to efficiency of its OMNI-model

Group showed solid progress in Digital continuing to outperform the market

- Digital amounted to 55% of the total CE market in Russia
- Group grew twice faster than the Digital market
- M.Video increased Digital share in its sales to 29% by +2 pp YoY
- Eldorado strengthened Digital categories and grew almost 3 times faster than the market

FY'18 / FY'17 Digital sales growth

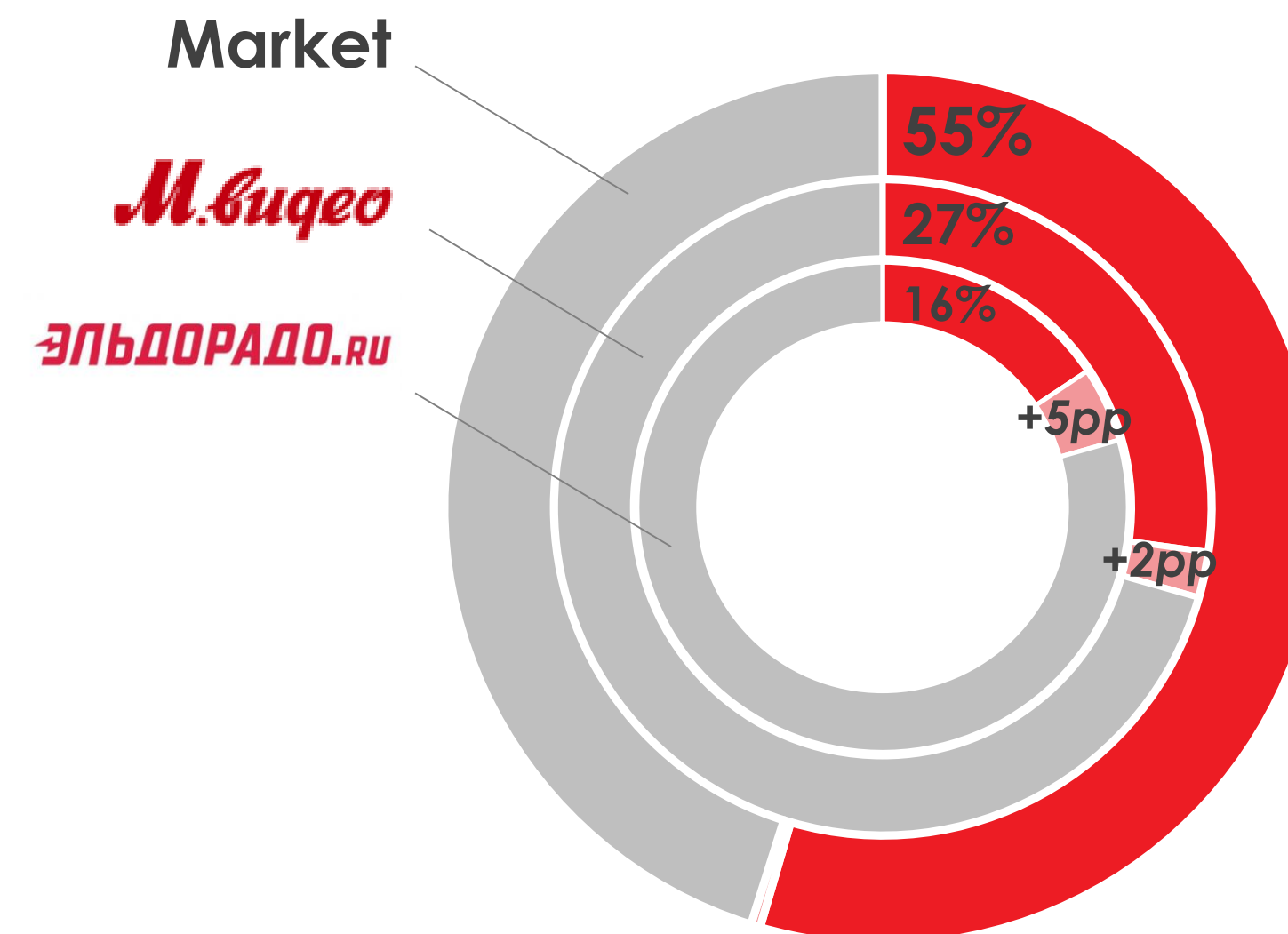
Pro-forma Results



Digital in sales / market structure

Pro-forma Results

■ Digital share FY'17 ■ 1 year uplift, pp ■ Rest categories share FY'18



The term "Digital" encompasses the following categories: telecom, computers, cartridges

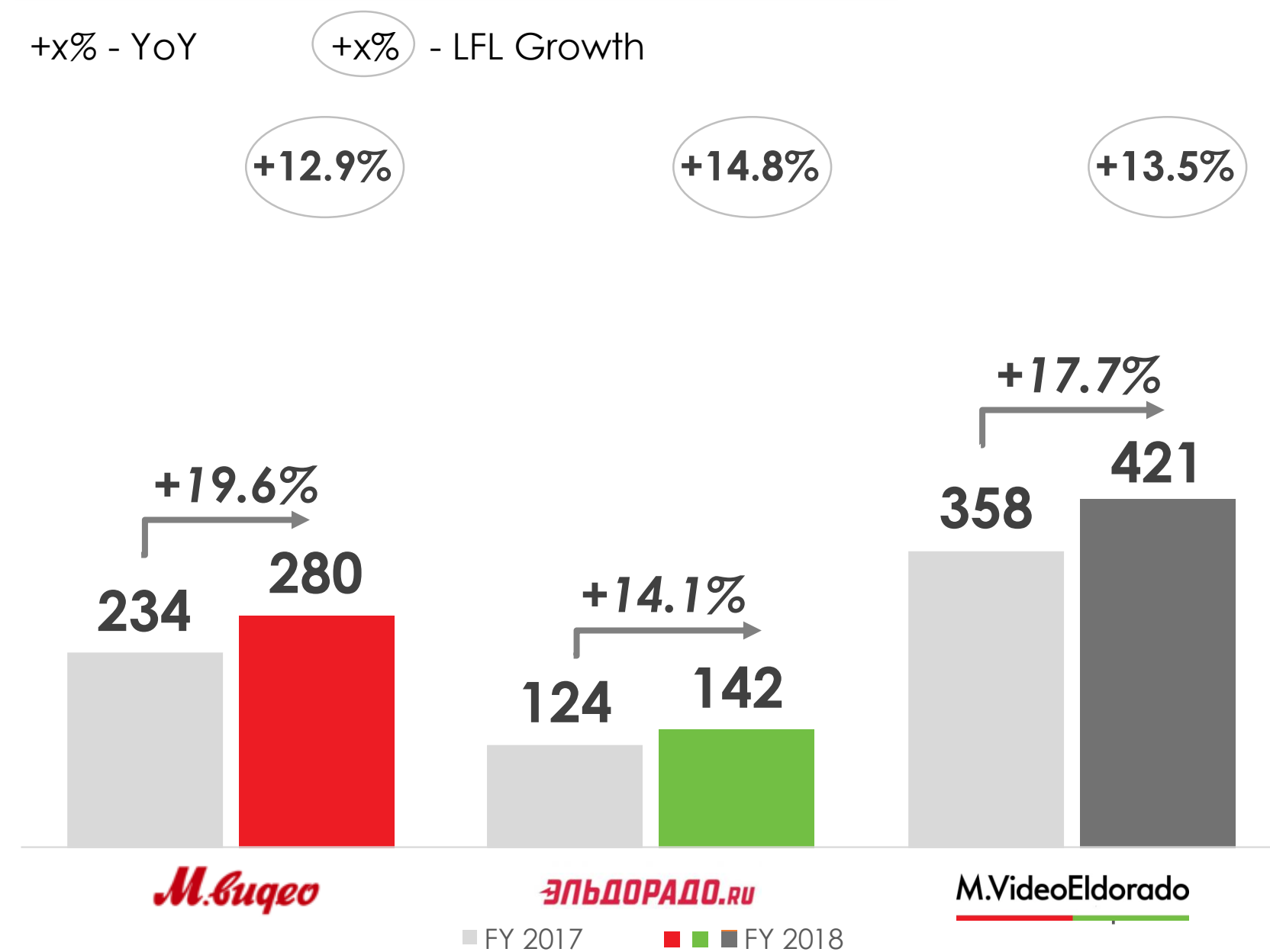
Source: Market shares and growth provided by GfK

Group sales (net turnover) growth implies Pro-forma results, based on management accounts

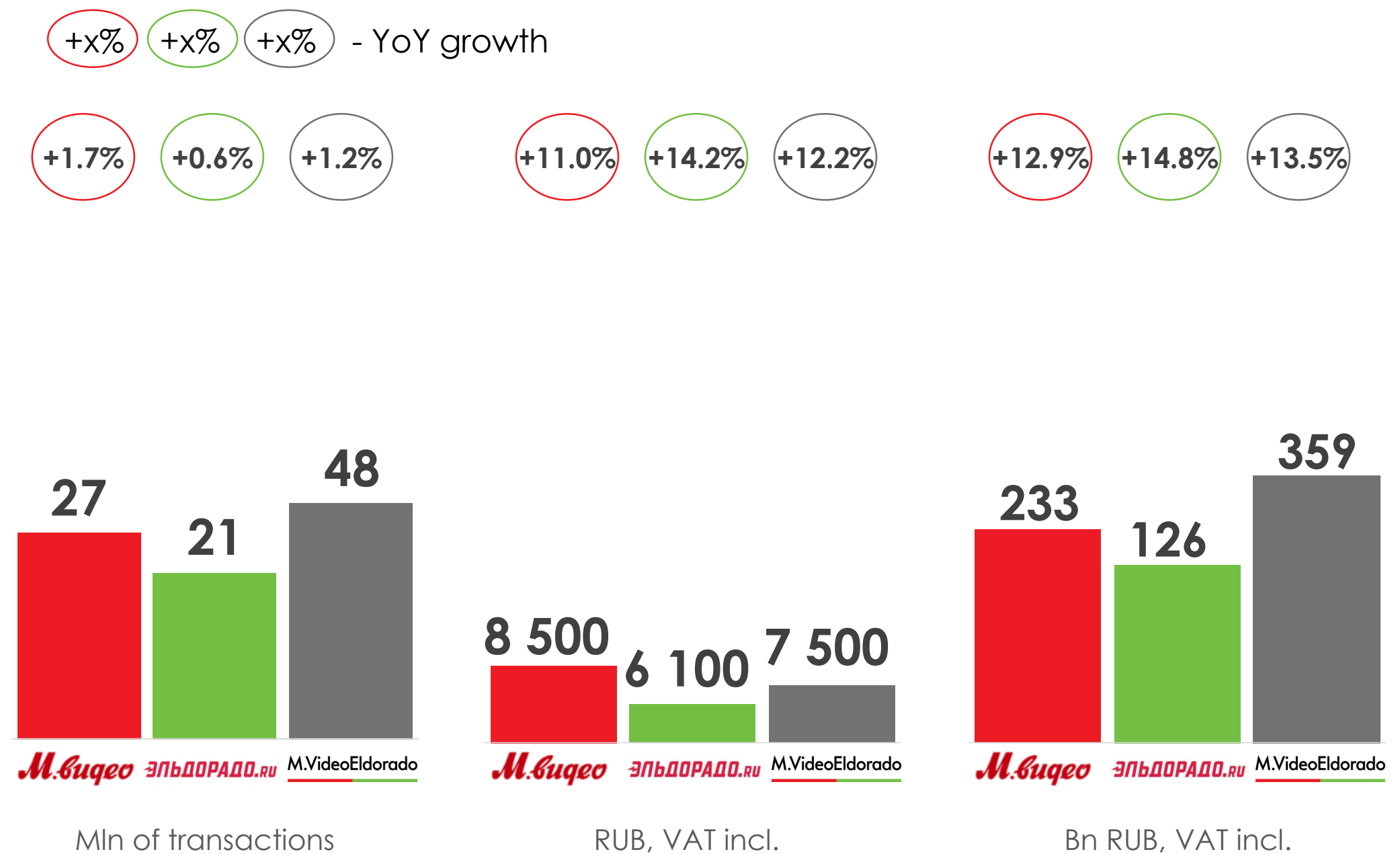
M.Video continues to lead, Eldorado delivers record like-for-like results

- Both brands demonstrated double-digit Sales and LFL growth driven by number of checks and average check
- Average check grew thanks to efficient mix and number of units sold
- Number of checks grew due to increased traffic and conversion, as a result of OMNI model efficiency

FY 2018 Group Sales (w. VAT), RUB bn



FY 2018 Group Like-for-Like Sales

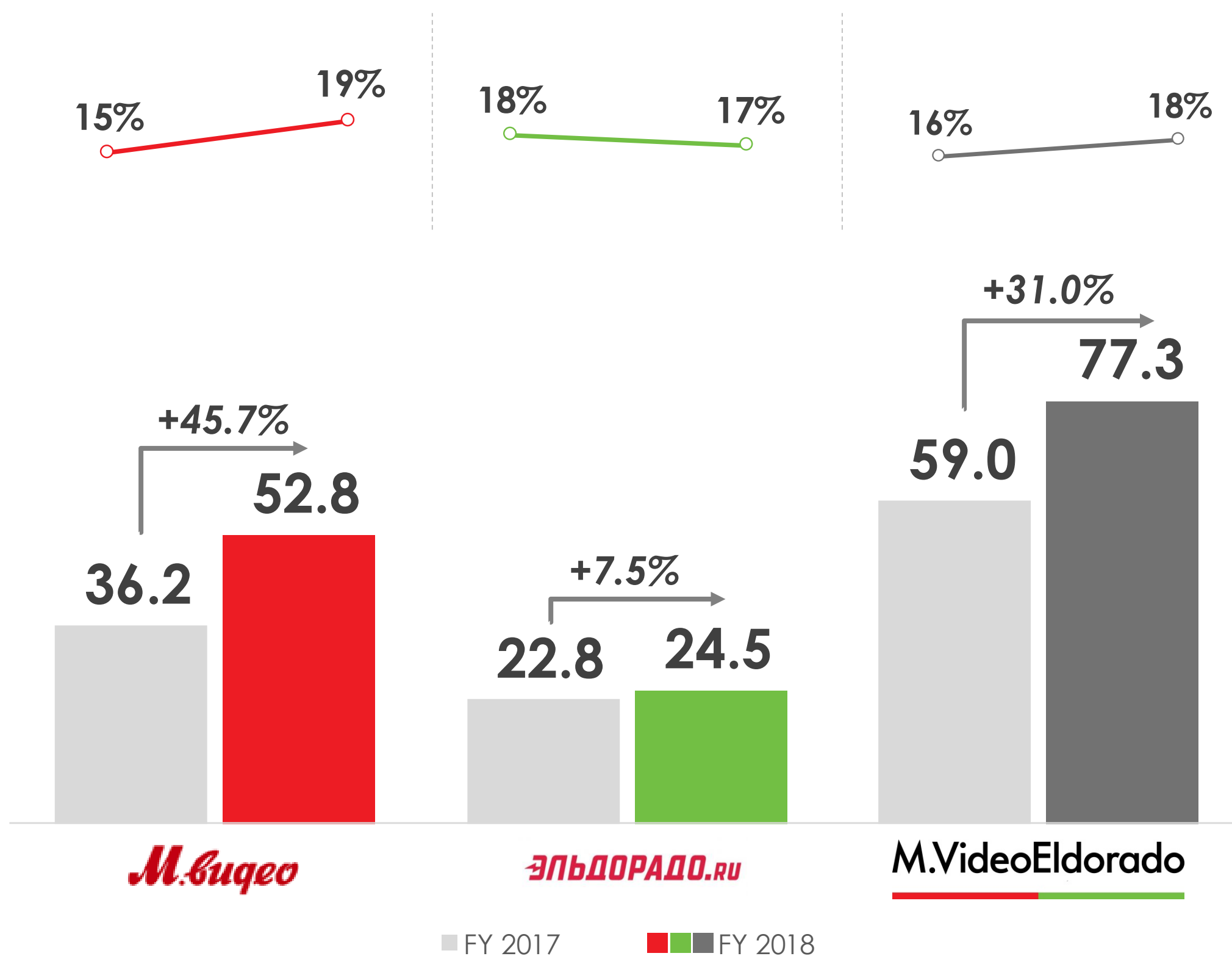


Group sales (net turnover) growth implies Pro-forma results, based on management accounts

Both brands deliver robust online sales growth

FY 2018 Group Online Sales (w. VAT), RUB bn

+x% - YoY ○○ - Share in total sales



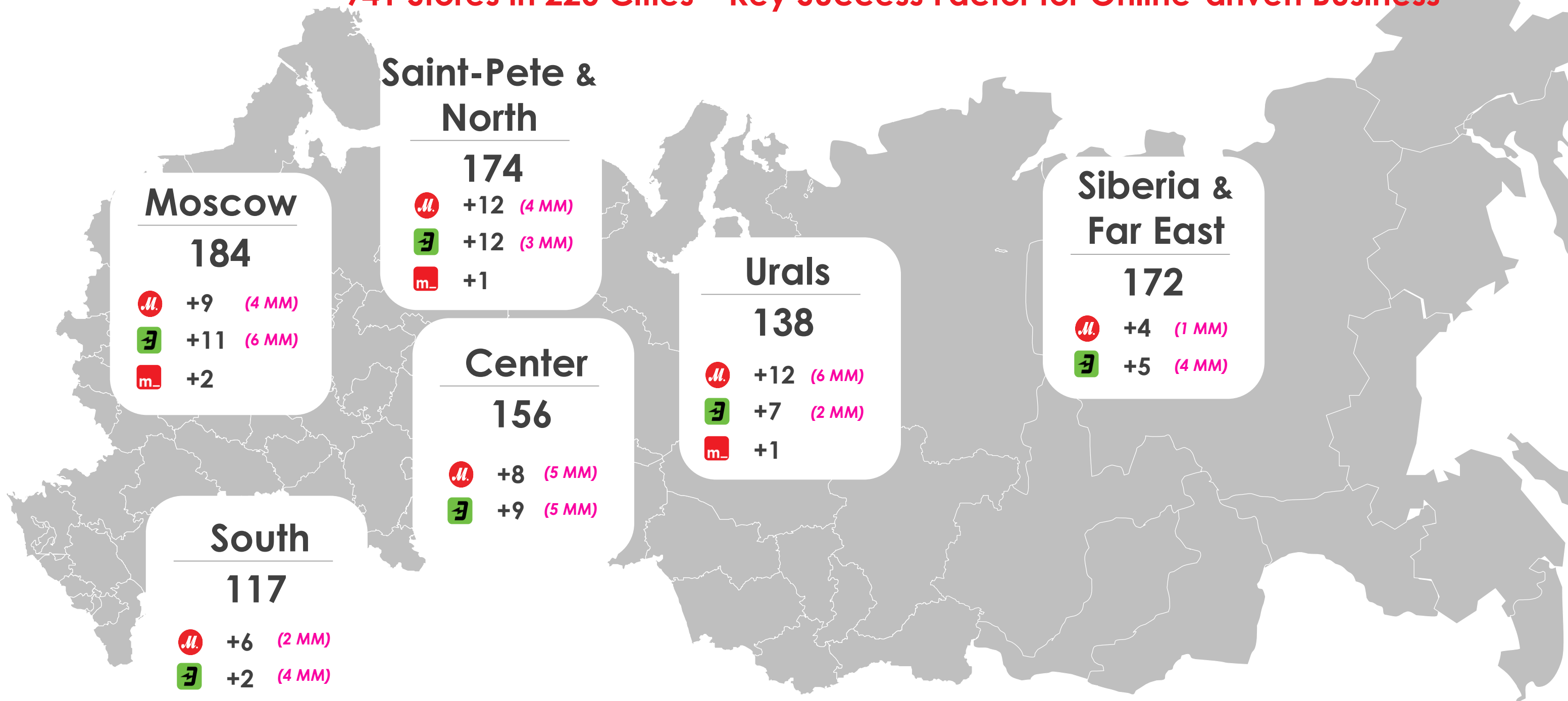
2018 OBS Highlights

1. M.Video delivered sound online sales growth: **+45.7% YoY**, the OBS share in Sales gained **+4 pp** due to significant customer journey optimization on the web-site
2. Eldorado increased online sales **+7.5%**, despite observable drop in the OBS share in Sales:
 - Eldorado switched to Omni-channel model, and aligned prices in offline and online channels
 - Non-CE categories were eliminated in Eldorado
3. Share of OBS stays at healthy **18%** of Sales for the Group
4. Pick-up rate was **74.4%** of the Group's OBS

Group increased its footprint by record 102 stores in 2018

- Group substantially strengthened its position in Moscow (+22), North (+25) and Urals (+20)
- 46 out of 56 x-MediaMarkt stores were rebranded into new M.Video and Eldorado, 10 more coming in 2019
- 5 new digital m_mobile standalone stores were opened

941 Stores in 220 Cities – Key Success Factor for Online-driven Business



M.Video ЭЛЬДОРАДО.RU

FY 2018 HIGHLIGHTS

Net Sales (w.VAT), RUB bn

280 **421** 142

of Stores¹

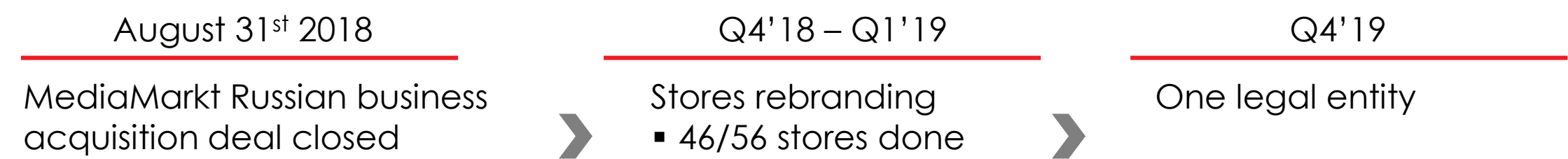
480 **941** 461

of new stores

56 **102** 46

Total Area, K SQM

1 031 **1 845** 814



+x – total # of stores opened, including y (y) – rebranded from MediaMarkt stores

1. m_mobile standalone stores included in M.Video stores number
 Source: Company data for FY 2018

Dual brand strategy developed

M.Video

ЭЛЬДОРАДО.RU

Target Audience

Willingness to pay

Willingness to save

Role

Trendsetting

Attacking

Unique Selling Points

Center of competence
Technology expert
Best brands

Place of best deals
Simple, convenient
Best value for money

2018 Key Developments

 m_mobile
 m_RTД
 m_credit

Restart of Eldorado
Eldo 600 launch

m_mobile as a revolutionary way of selling Digital brought 73 bn turnover in 2018

- Shop-in-Shops and special digital zones in all M.Video stores
- 5 pilot standalone m_mobile stores were opened in 2018



73 bn

All-formats
Turnover

Every **2nd** mobile device
is accompanied with a
service product¹

Every **single device** is
accompanied with more
than **2 accessories**²



1. Services penetration 49% – ratio of service units sold to main assortment units sold
2. Mobile accessories penetration 269% – ratio of mobile accessories sold to main assortment units sold
Source: Company data

m_RTD is a tablet-based sales tool for shop assistants in M.Video stores

- RTD makes shopping experience personalized by offering products from 'unlimited shelf' and matching a customer profile with the range of discounts and promos available



475
M.Video stores
connected to RTD (2018)

13%
Execution rate in
OMNI Baskets

- Custom offers**
- | Bonus rubles
 - | Best price guaranteed
 - | Specialized promos

1. Execution rate - % of orders sent to customers through the tablet, which get converted into tickets
Source: Company data

m_credit is a broker-based project benefiting Group credit sales

- Launched in 2H 2017 in M.Video, m_credit was later transmitted to Eldorado brand in 2018
- The project is aimed at making consumer loans more accessible, which is reflected in >80% approval rate



11
m_credit
bank partners

19.8%
Credit sales share

>80%
Approval rate

Source: Company data

Eldorado restart and Eldo 600 launch within new CVP

- Newly opened Eldorado stores will be designed according to Restart concept or Eldo 600 format
- Existing Eldorado stores are not supposed to be redesigned

Eldorado Restart

Warehouse-alike store format



Separate digital zones



United customer service center

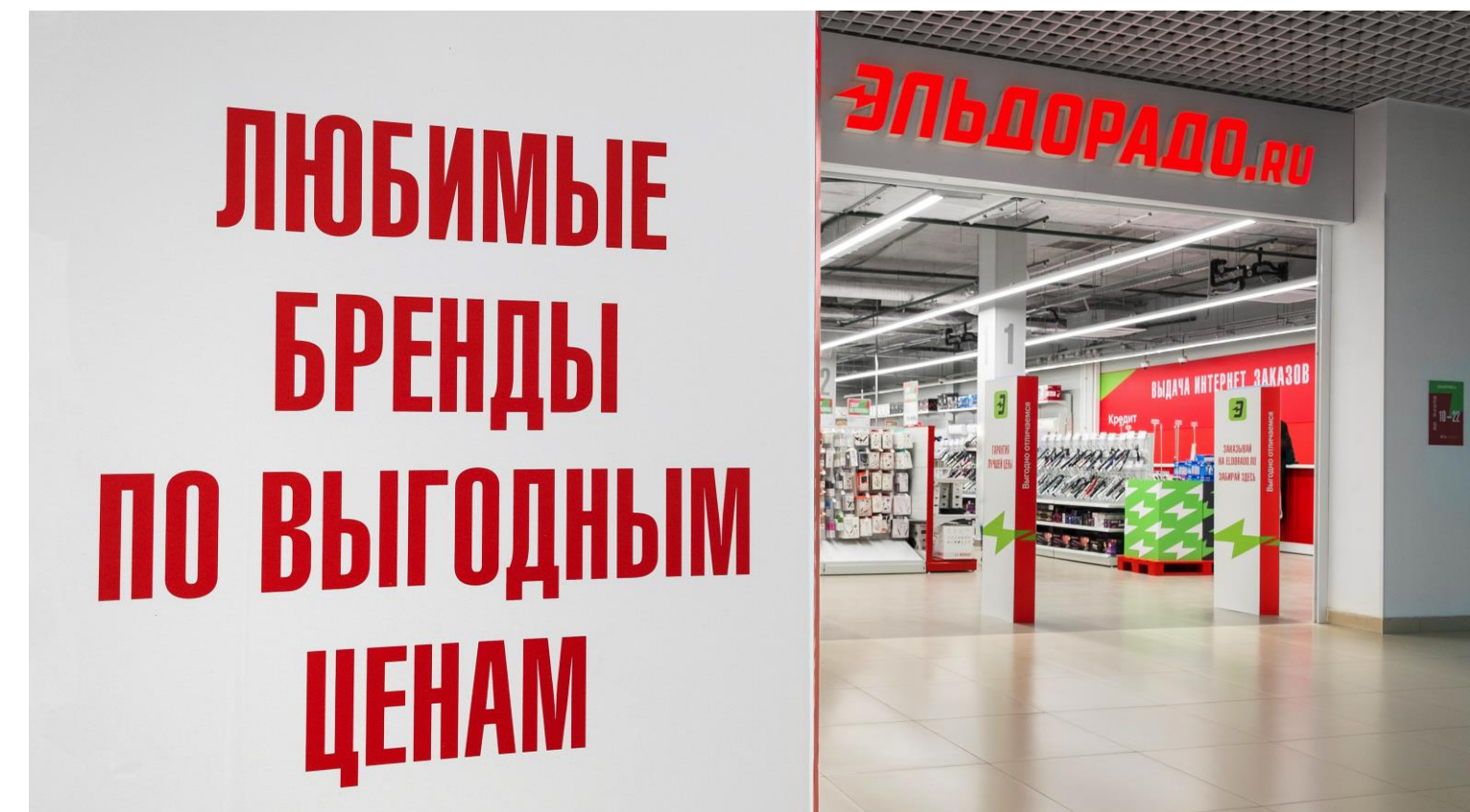


Eldo 600

Closer to home
Convenience focus

Lesser area
600 m² trade area

Optimal choice
Best bargain place

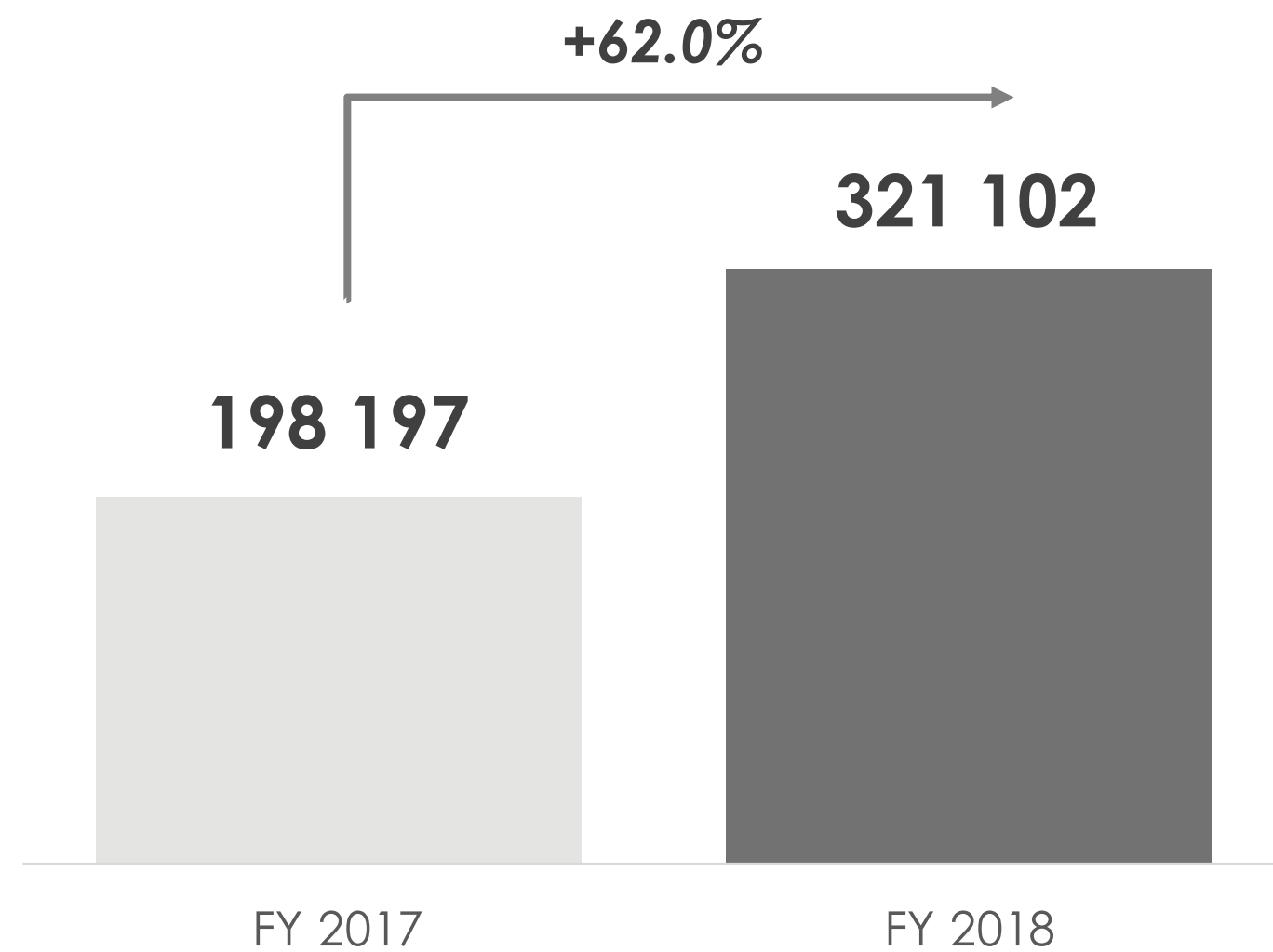


FY 2018 Group audited IFRS results: Revenue and Gross Profit

- Revenue (+62%) and Gross Profit (+69%) showed grand double-digit growth YoY, mainly due to Eldorado acquisition
- Gross Margin increased by 1 pp, due to the mix and unified supply chain management

Group Revenue (net of VAT), RUB bn

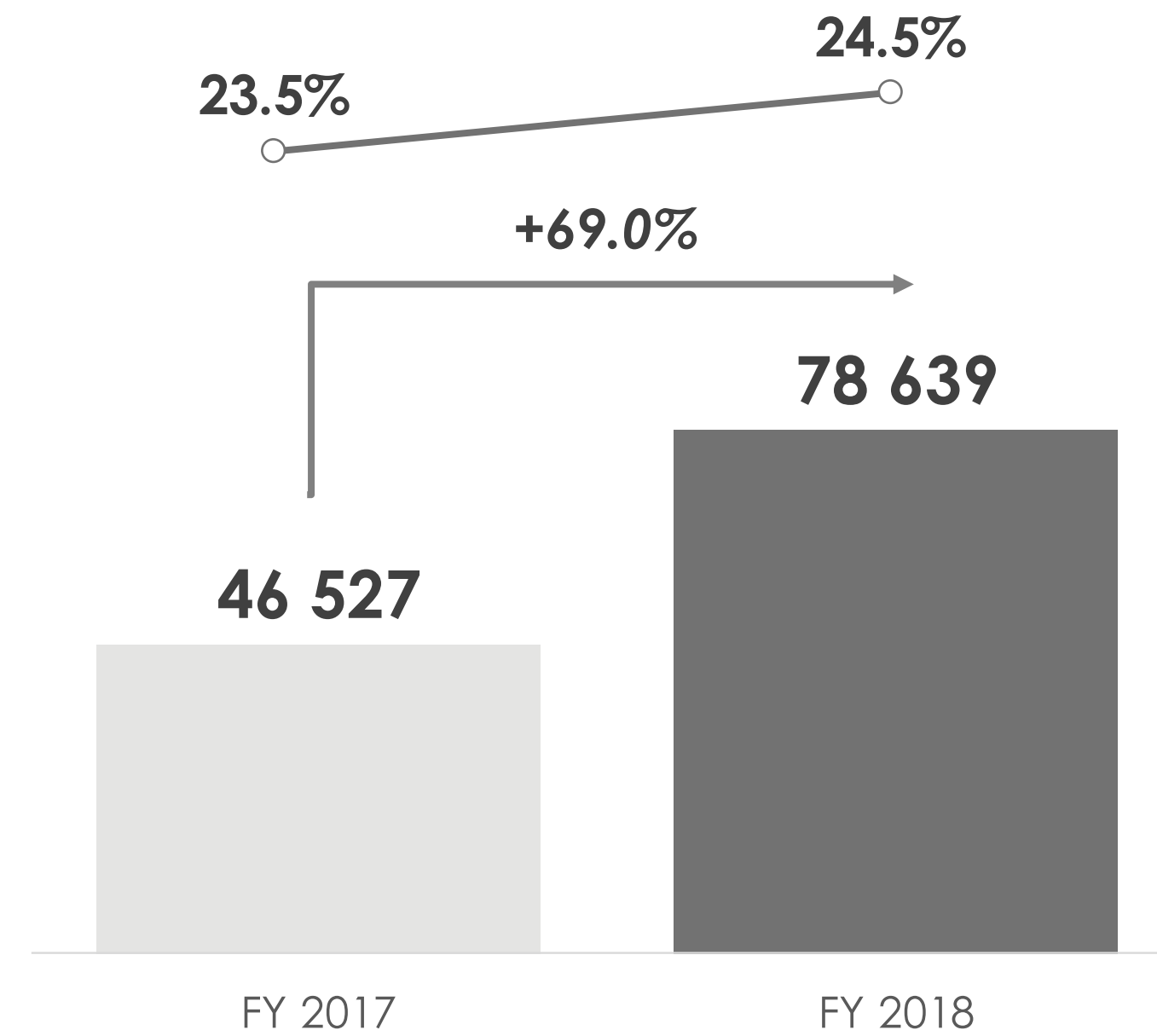
Audited IFRS Results



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Group Gross Profit, RUB bn

Audited IFRS Results



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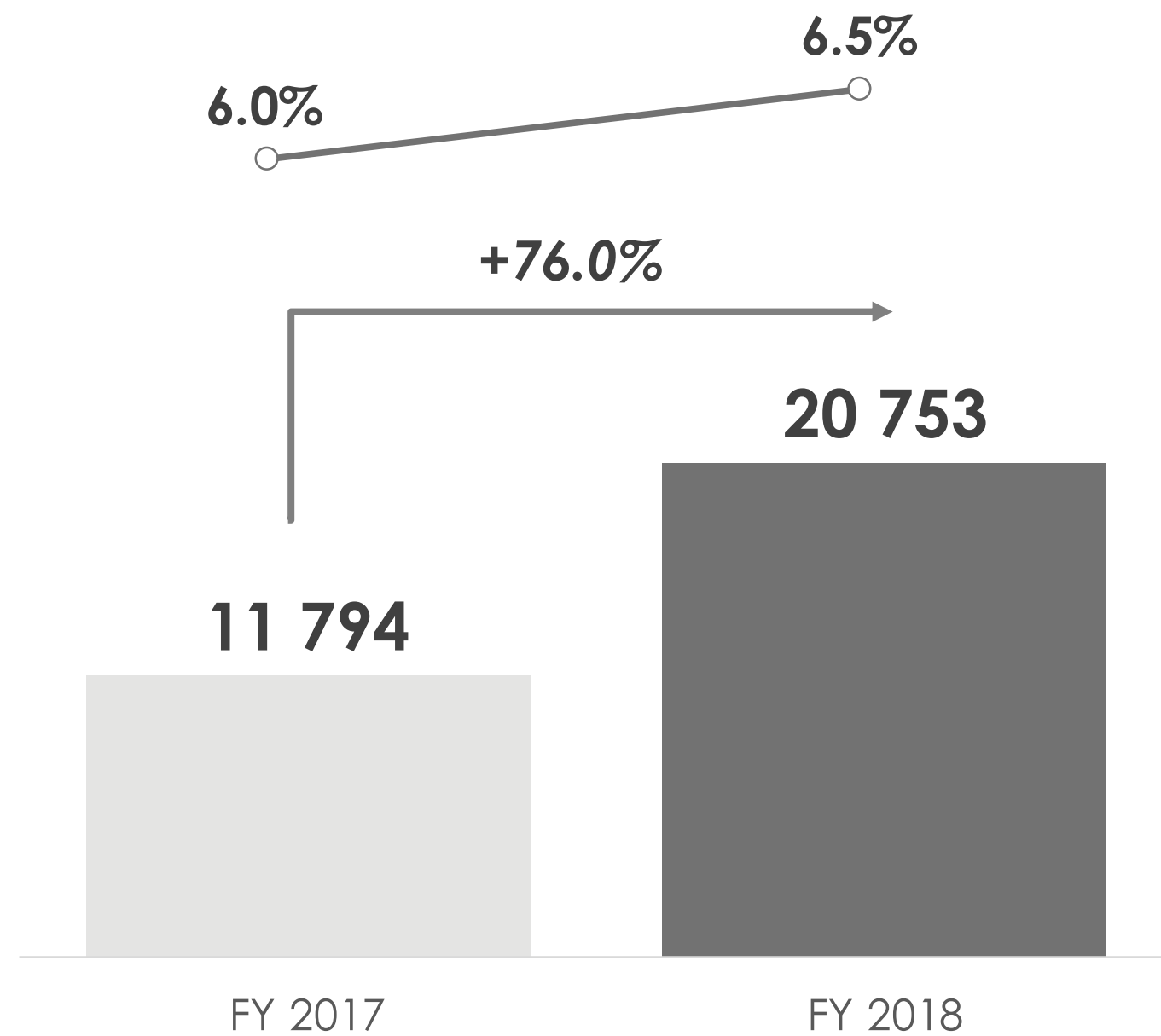
○ - Gross Margin, %

FY 2018 Group audited IFRS results: EBITDA and Net Income

- EBITDA (+76.0%) and Net Income (+20.3%) showed solid growth YoY
- EBITDA Margin grew to record 6.5%
- Net Margin dropped by 0.9 pp due to finance costs related to debt raised for acquisitions

Group EBITDA, RUB bn

Audited IFRS Results

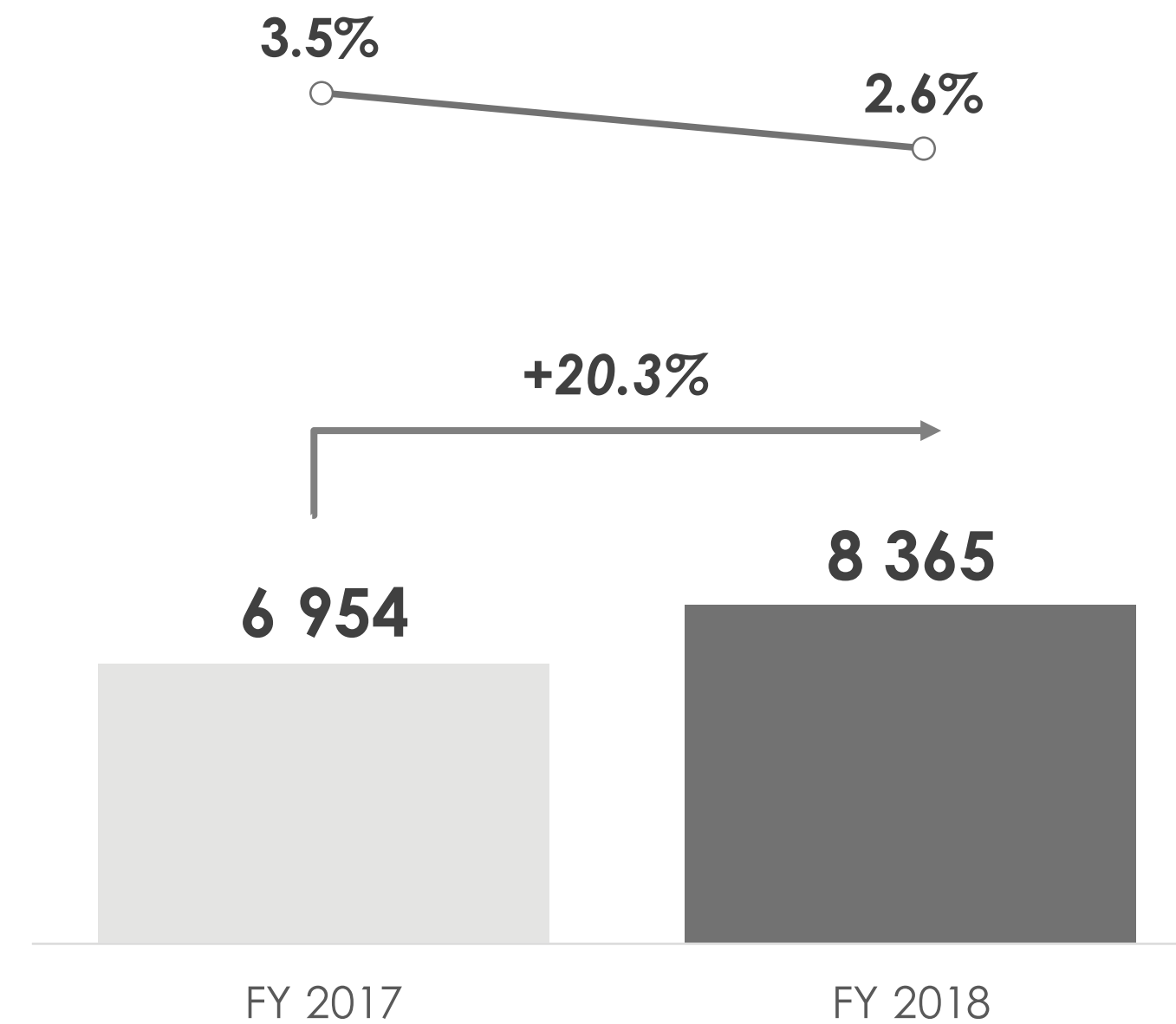


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○ - EBITDA Margin, %

Group Net Income, RUB bn

Audited IFRS Results



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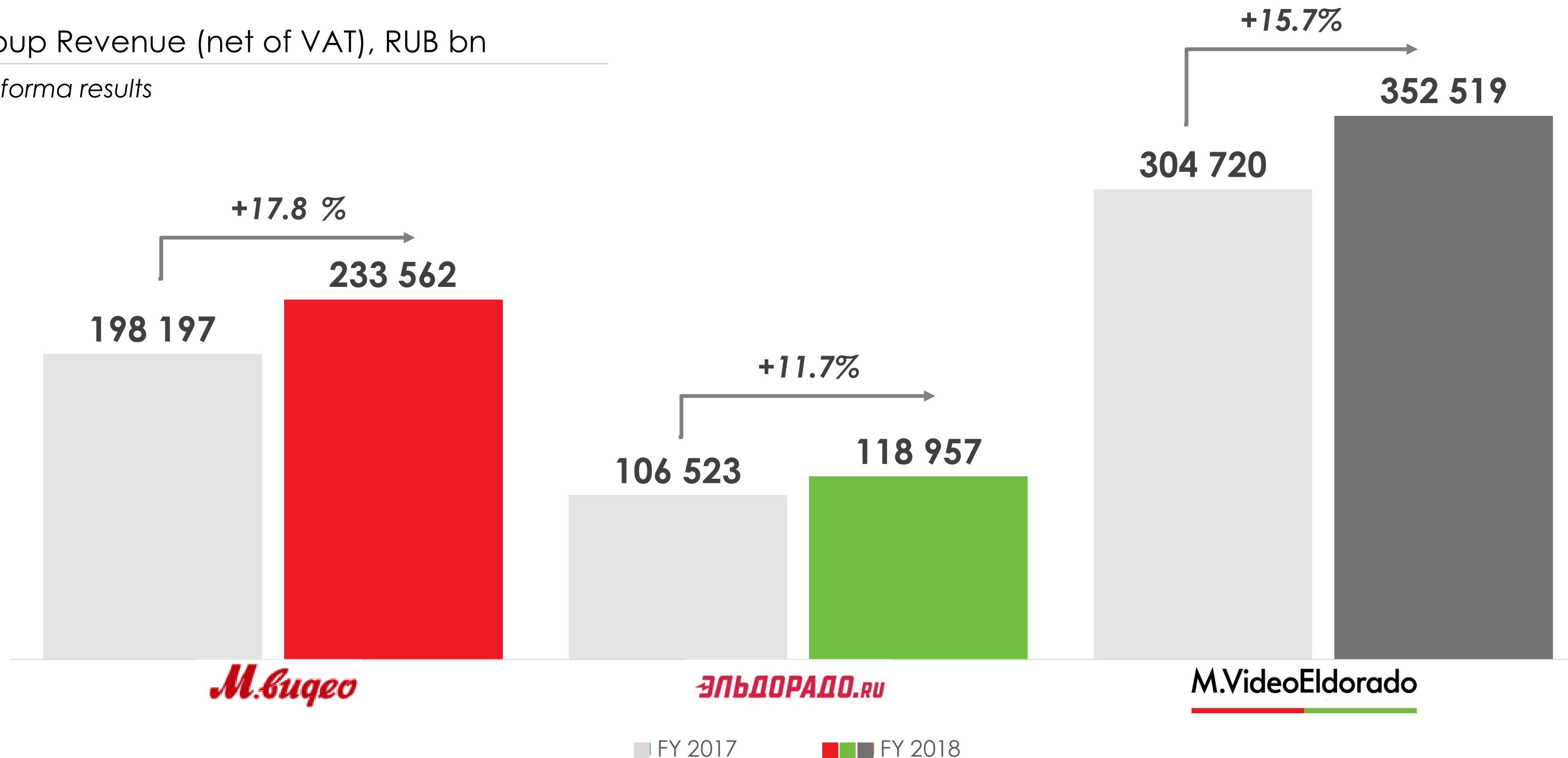
○ - Net Margin, %

FY 2018 Group pro-forma results: Revenue and Gross Profit

- Both brands demonstrated double-digit growth in pro-forma view: M.Video +17.8%, Eldorado +11.7%
- Growth was driven mainly by remarkable LFL growth

Group Revenue (net of VAT), RUB bn

Pro-forma results



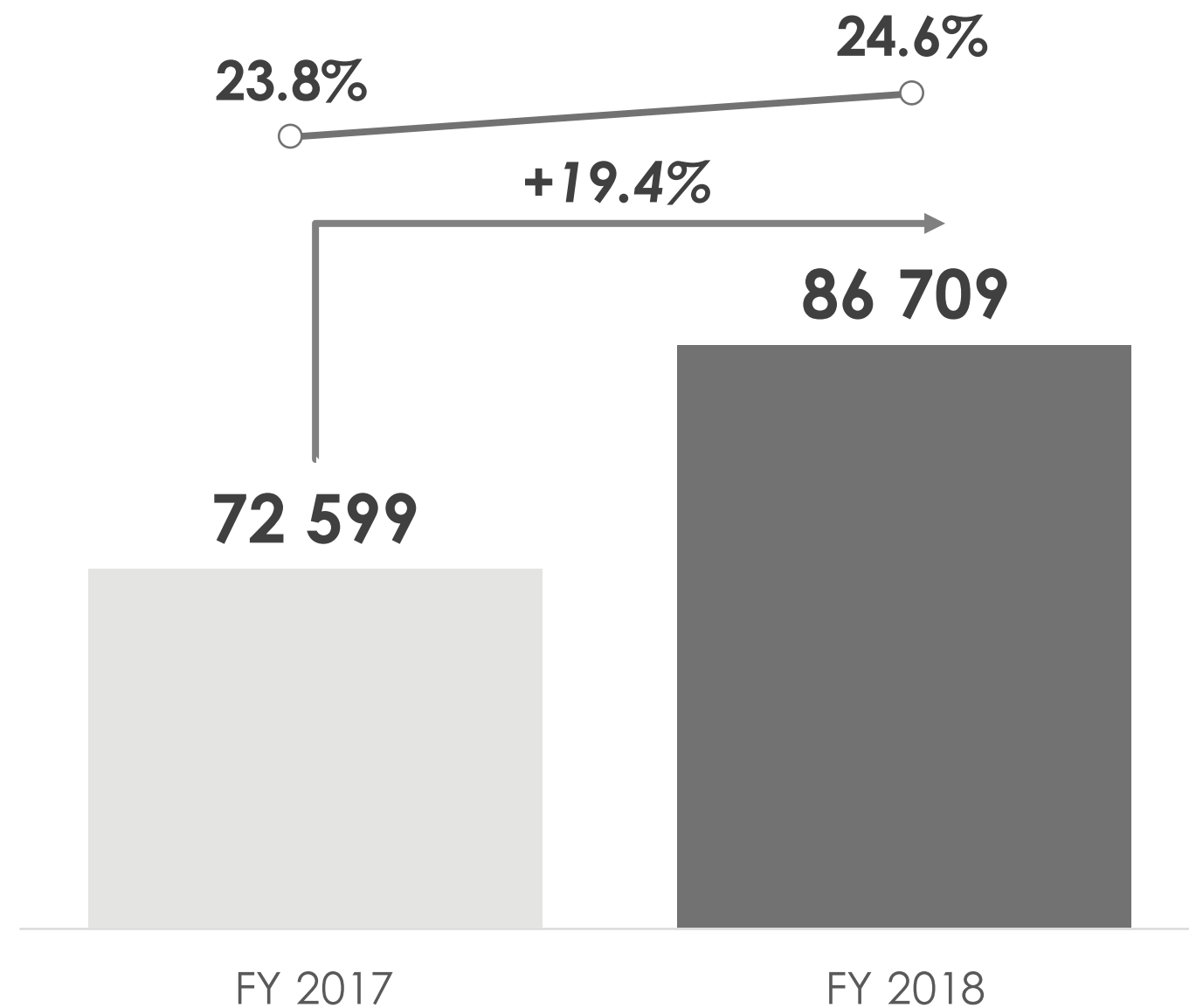
Note: Eldorado results are represented on a full year basis
Pro-forma results, based on management accounts, unaudited

FY 2018 Group pro-forma results: Gross Profit and EBITDA

- EBITDA substantially increased by +39.2% in pro-forma view
- Gross Margin gained +0.8 pp, reflected in EBITDA Margin improvement by +1.0 pp

Group Gross Profit, RUB bn

Pro-forma results

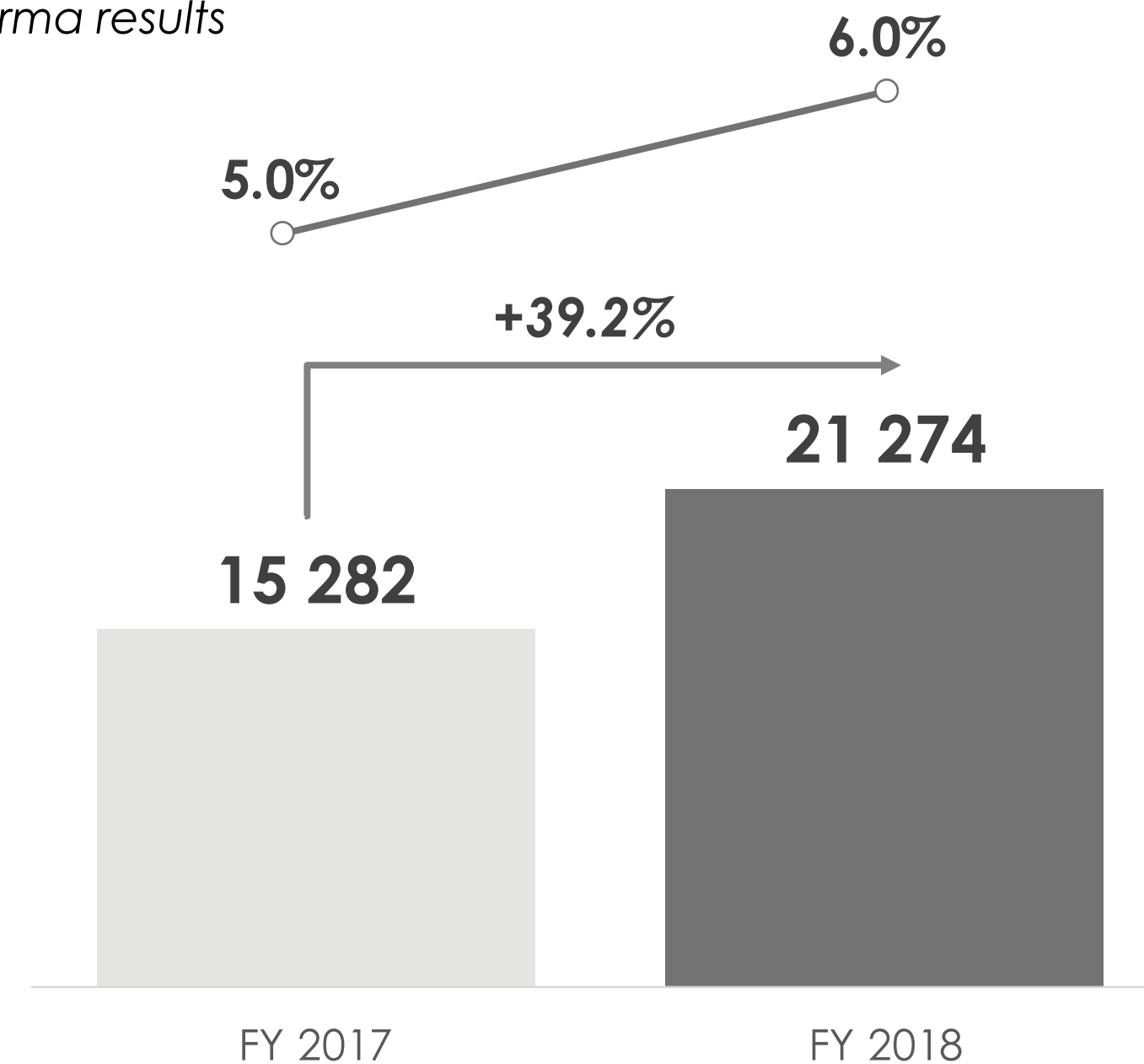


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○ - Gross Margin, %

Group EBITDA, RUB bn

Pro-forma results



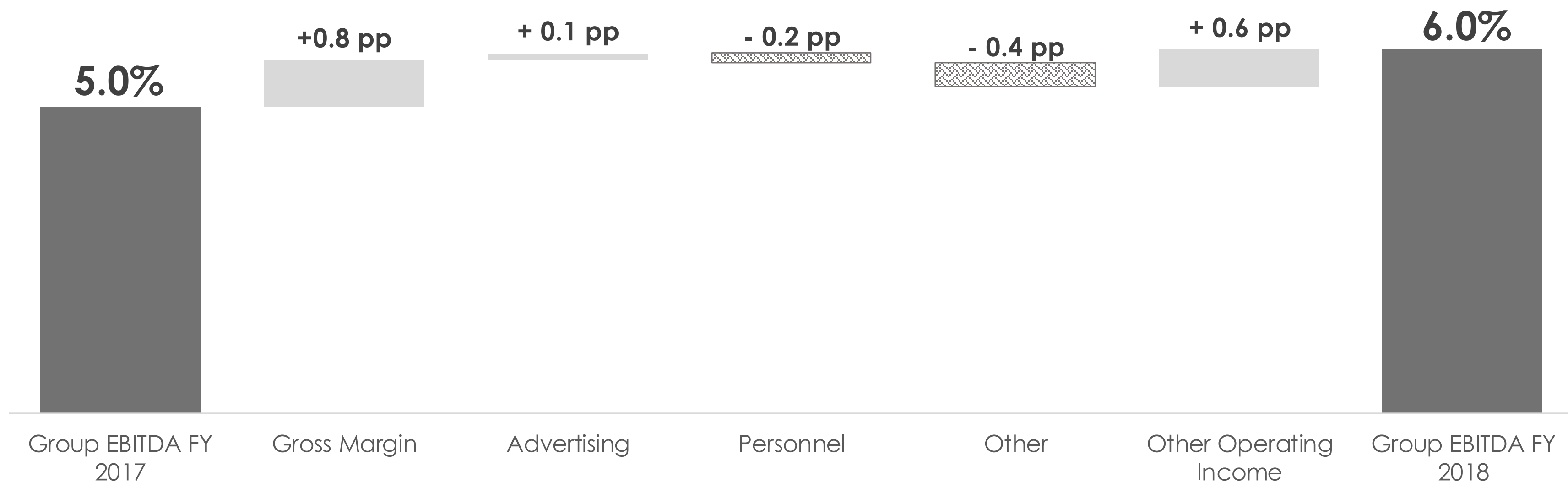
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○ - EBITDA Margin, %

Note: Eldorado results are represented on a full year basis
Pro-forma results, based on management accounts, unaudited

Group Pro-forma EBITDA Margin improved by 1 pp mainly due to procurement synergies and m_credit proceeds

- EBITDA Margin gained +1.0 pp YoY due to increased efficiency of both brands
- Gross Margin increased by +0.8 pp YoY due to the combined supply chain
- Rent stayed flat YoY as % of Revenue, despite the increased expansion
- Personnel expenses increased as % of Revenue, due to expansion and MediaMarkt one-off compensations
- Other expenses increased as % of Revenue, due mainly to MediaMarkt and Eldorado integration expenses
- Other operating income includes positive m_credit effect



Eldorado integration completed

First RUB 6 bn synergies exploited in 2018

1 Commerce

- Optimized assortment mix
- Synchronized procurement
- Economy-of-scale effect

2 Supply Chain

- Optimized single distribution network
- Higher DCs and transport utilization
- 53 cities with unified delivery service

3 SG&A Non-commercial procurement

- Economy-of-scale effect
- Centralized tender procedures

4 Merged Back-Office

- One single team created
- Elimination of functional overlap
- Optimized IT infrastructure

April 26th, 2018

Eldorado acquisition deal closed



May 2018

- Integration started
- Single team created



May-Dec 2018

- One operating model
- First synergies extracted



February 2019

Single legal entity created – OOO “MVM”
Eldorado legal entity terminated

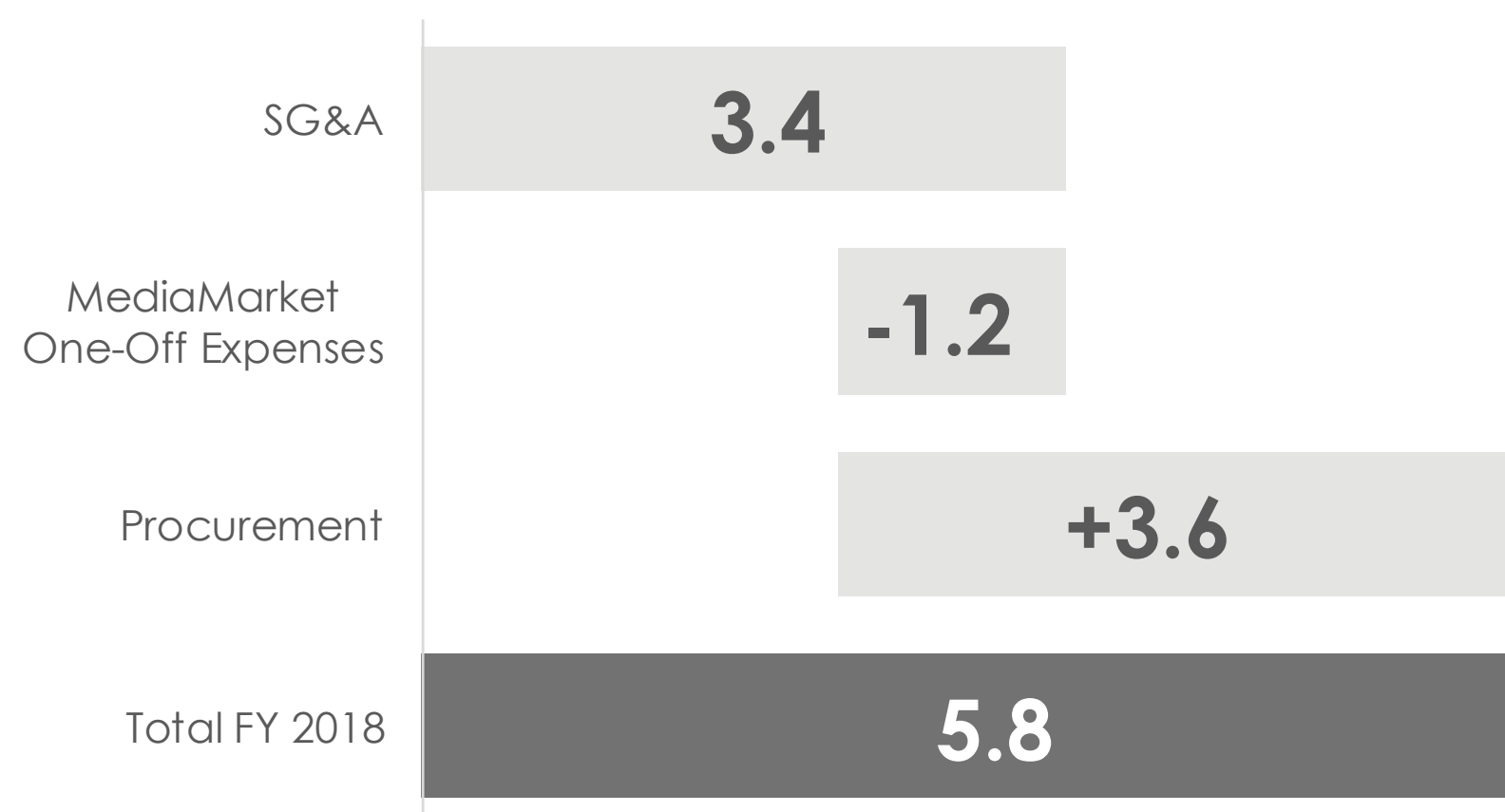


Group managed to exploit more synergies in 2018

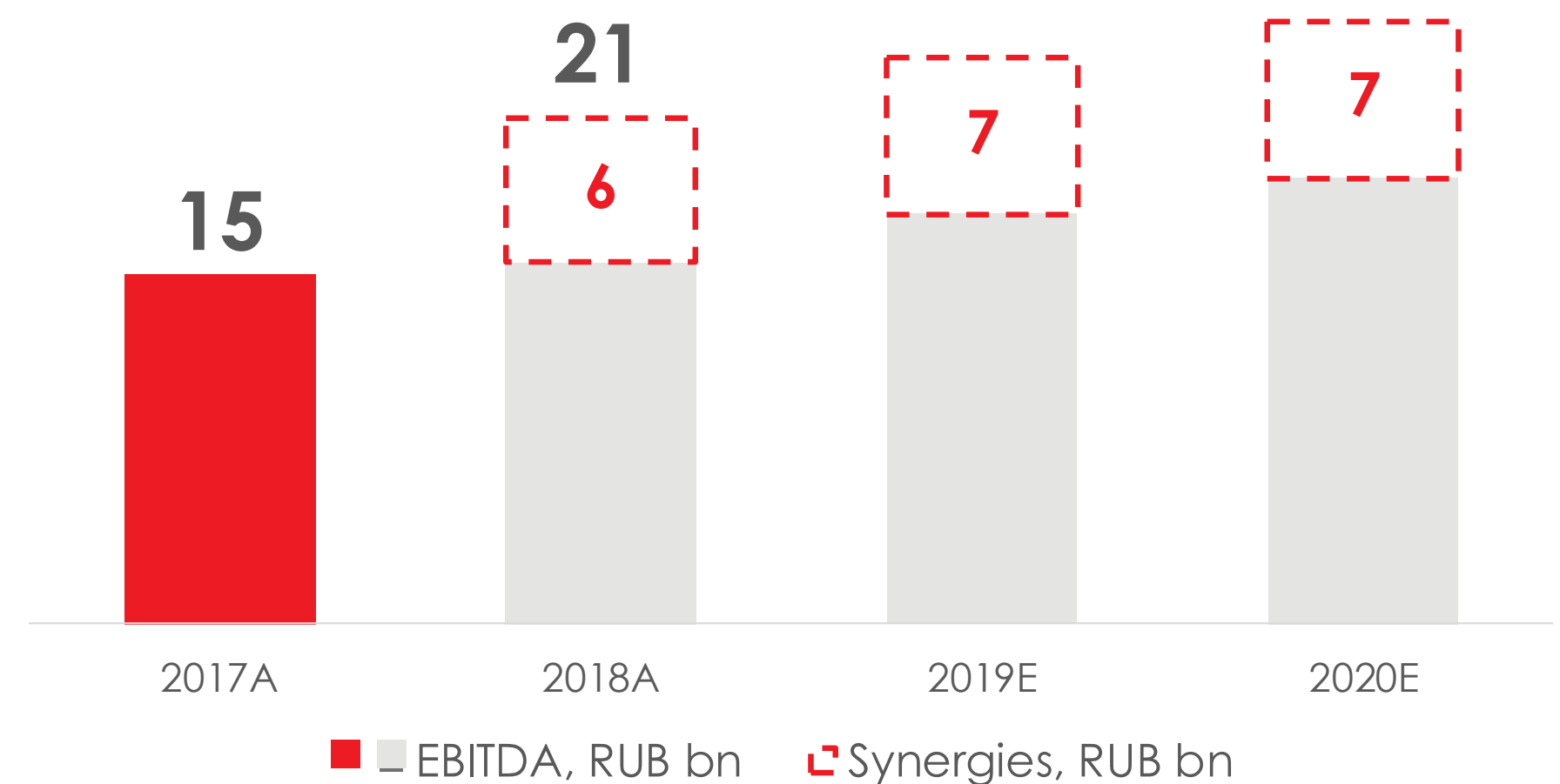
Increased forecast for 2019-2020

- The Group delivered RUB 6 bn synergies in 2018
- One-off RUB 1.2 bn expenses related to MediaMarkt local office merger
- Combined procurement and SG&A equally driven cost savings for the Group

Group's synergies in 2018, RUB bn



Synergies effect on Group's EBITDA, RUB bn



M.Video – Eldorado Group adheres to its 2020+ strategy

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2020+ Strategy

ONE COMPANY

ONE OPERATING BUSINESS **MODEL**

TWO BRANDS

1 Business Model

2018 ✓

Centralization of operations
keeping 2 brands

2 EBITDA Margin >6%

2019 ⓪

Sustainable EBITDA margin >6%

3 Market Share

2020+ ⓪

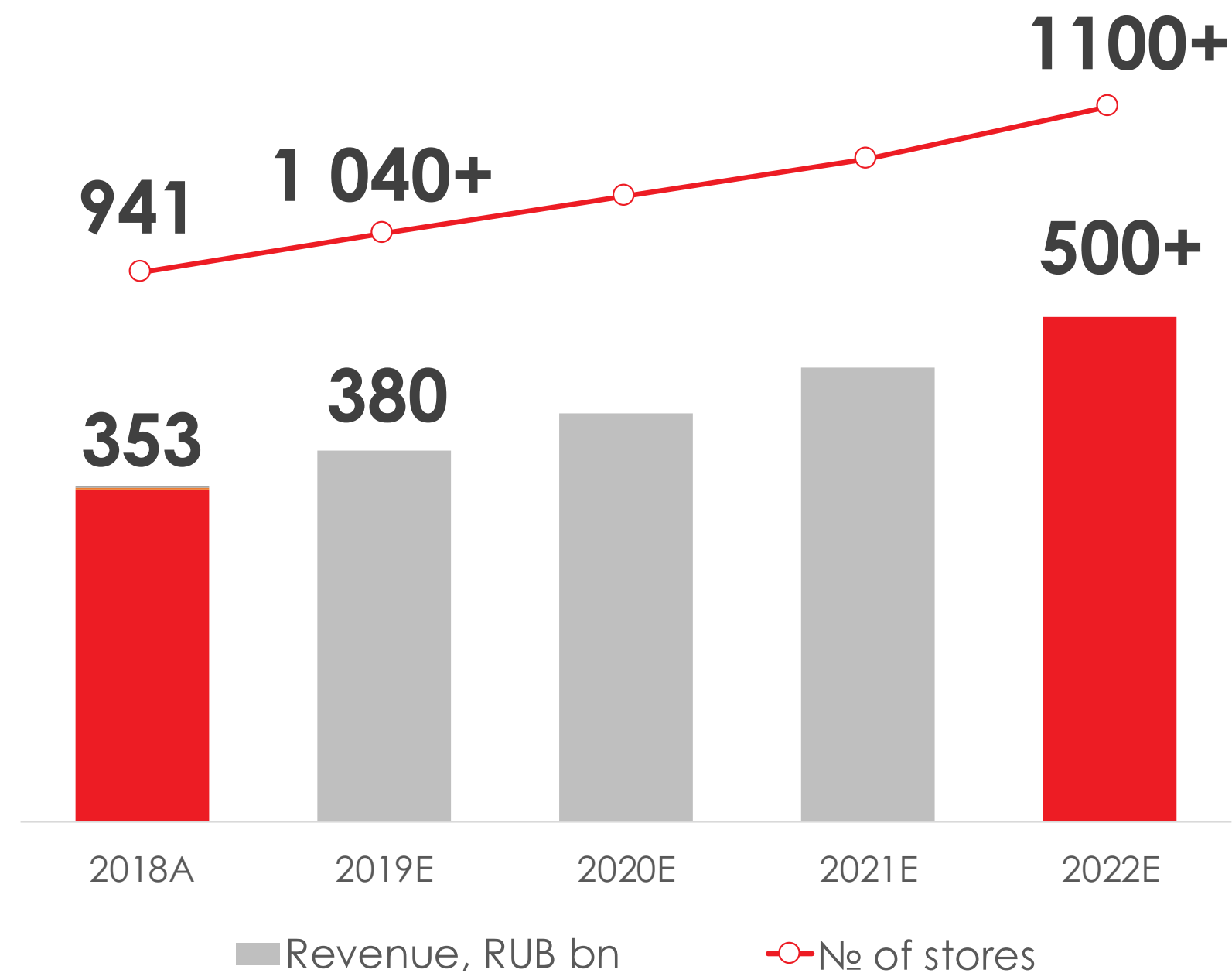
CE market share >30%

M.Video-Eldorado Group financial forecasts

- The Group expects the combined Net Revenue to be 500+ RUB bn by 2022
- The combined EBITDA margin is to exceed 6% starting from 2019

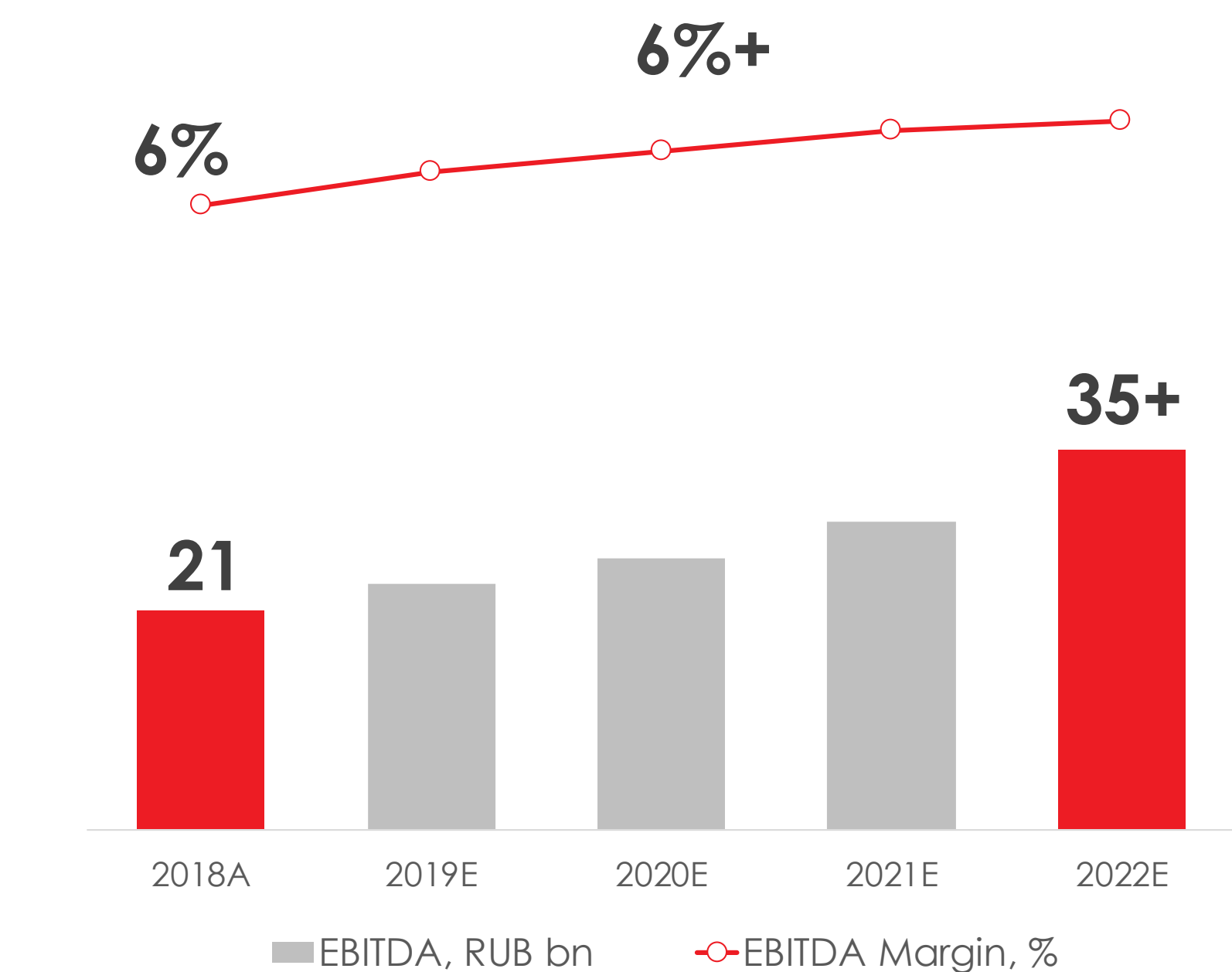
Revenue (net of VAT), RUB bn

Pro-forma CAGR'18-22F: >7%



EBITDA, RUB bn

Pro-forma CAGR'18-22F: >13%



Excl. m_mobile stand alone operational and financial results

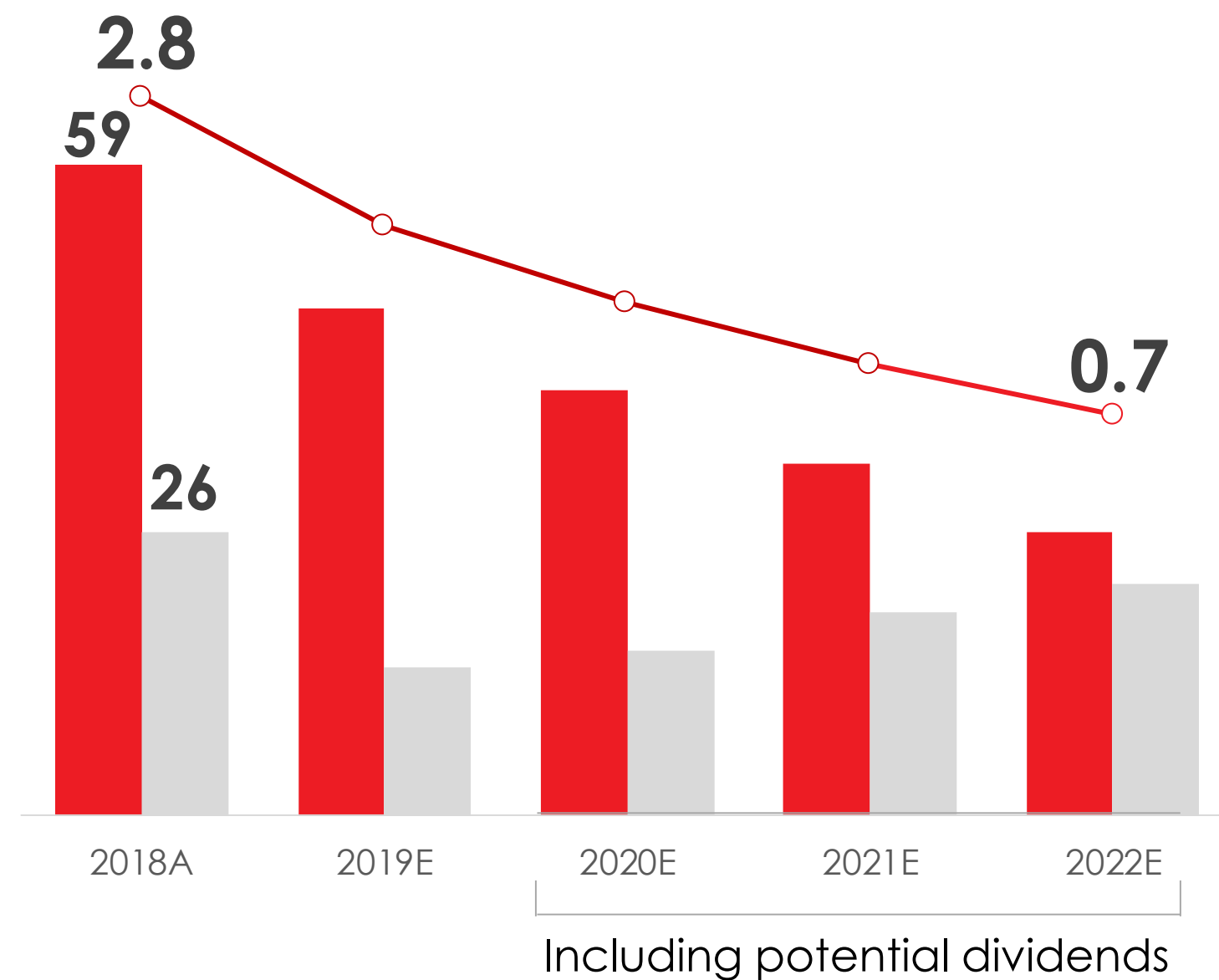
The information provided is based on M.Video's expectations which are indicative and cannot be considered as an official guidance

Group's debt portfolio forecast

- Total Debt/EBITDA is expected to stay at robust 0.7 level in 2022
- Net Debt/EBITDA is to reach minimum 0.1x level in 2022
- Starting from 2020, cash balance forecast includes potential dividend pay-out ratio 60%, subject to GSM decision

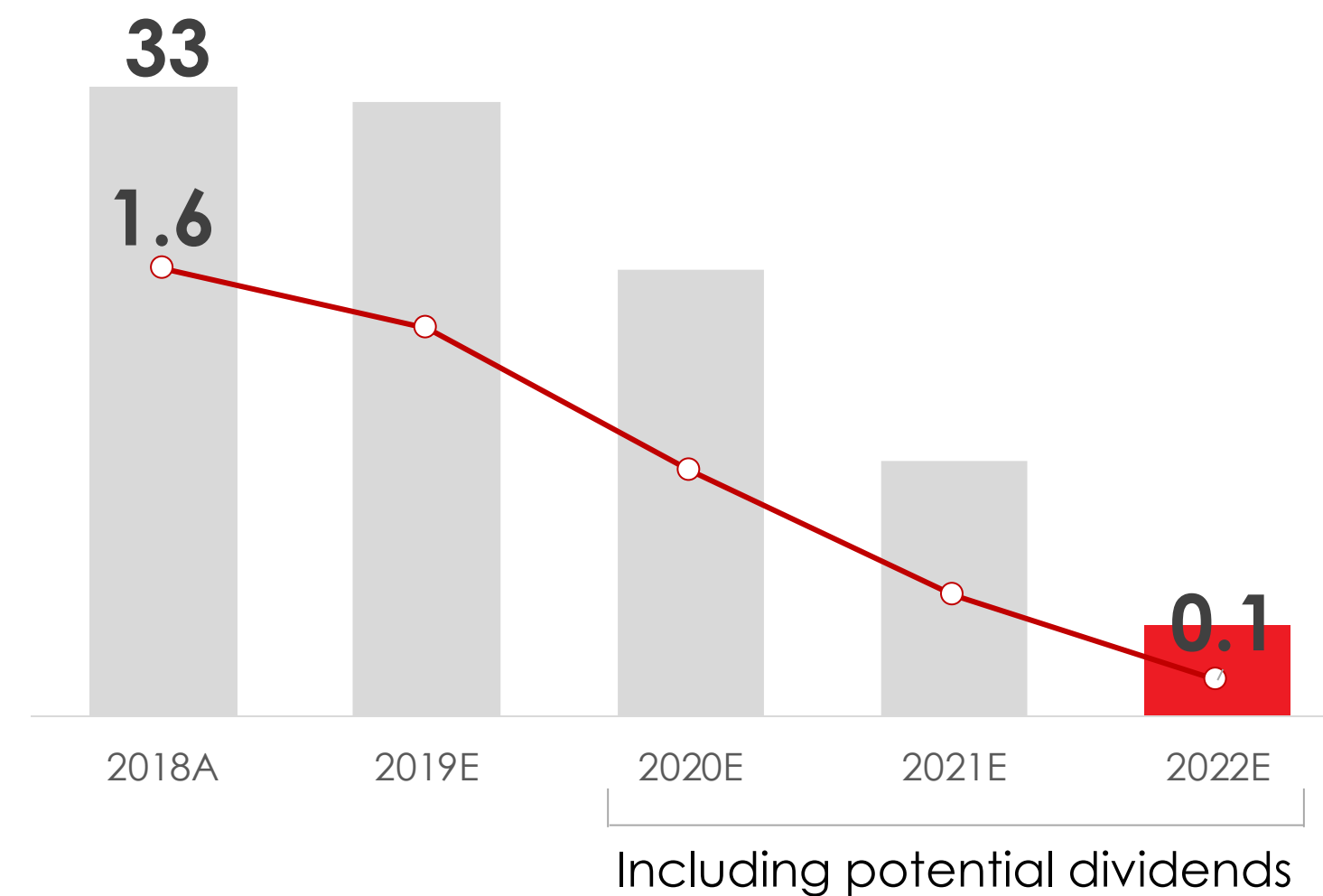
Total Debt & Total Debt / EBITDA

Pro-forma results



Net Debt & Net Debt / EBITDA

Pro-forma results



■ Total Debt, RUB bn ■ Cash (eop) ○ Total Debt/EBITDA

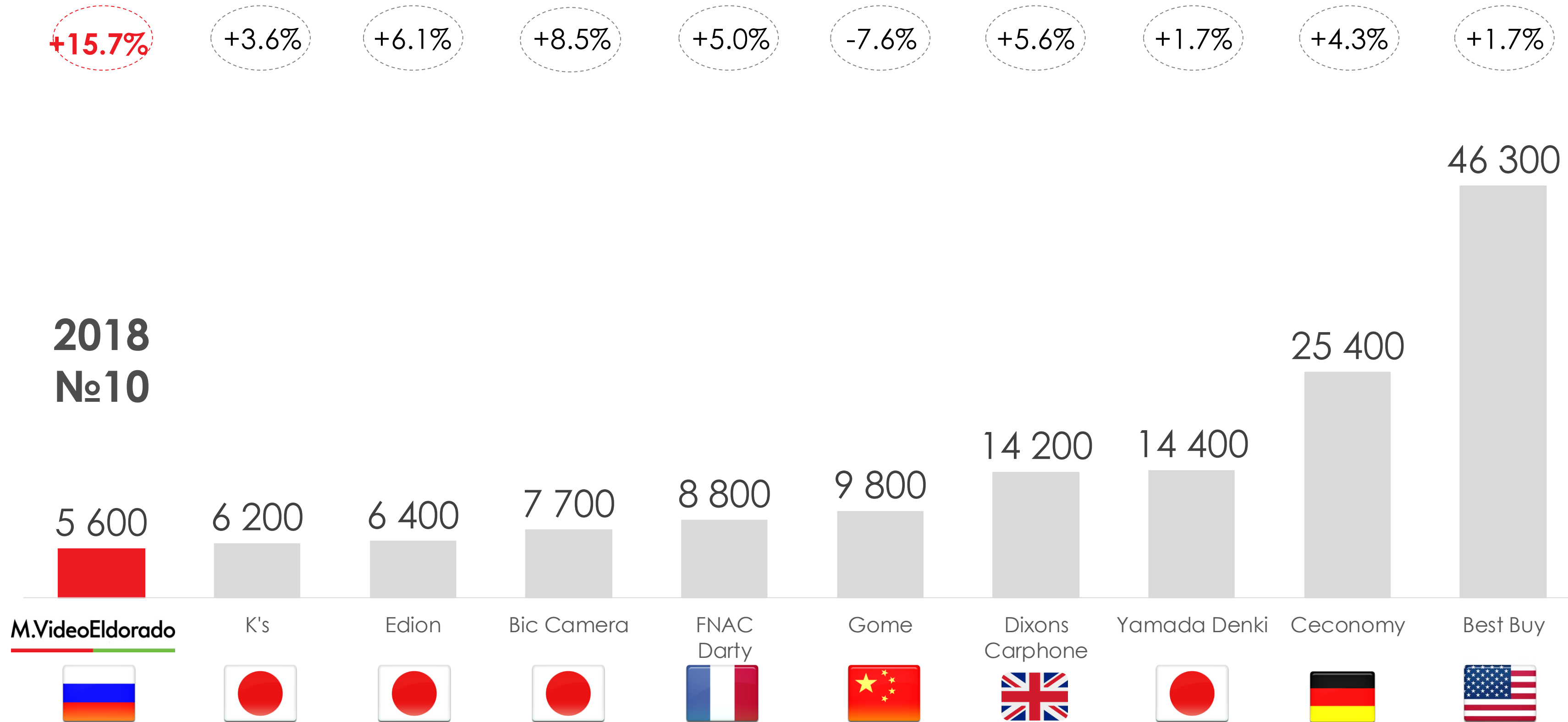
■ Net Debt, RUB bn ○ Net Debt/EBITDA

The group demonstrated the biggest Revenue YoY growth among Top-10 largest public CE retail companies

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Revenue, USD million

+X% - YoY growth, %



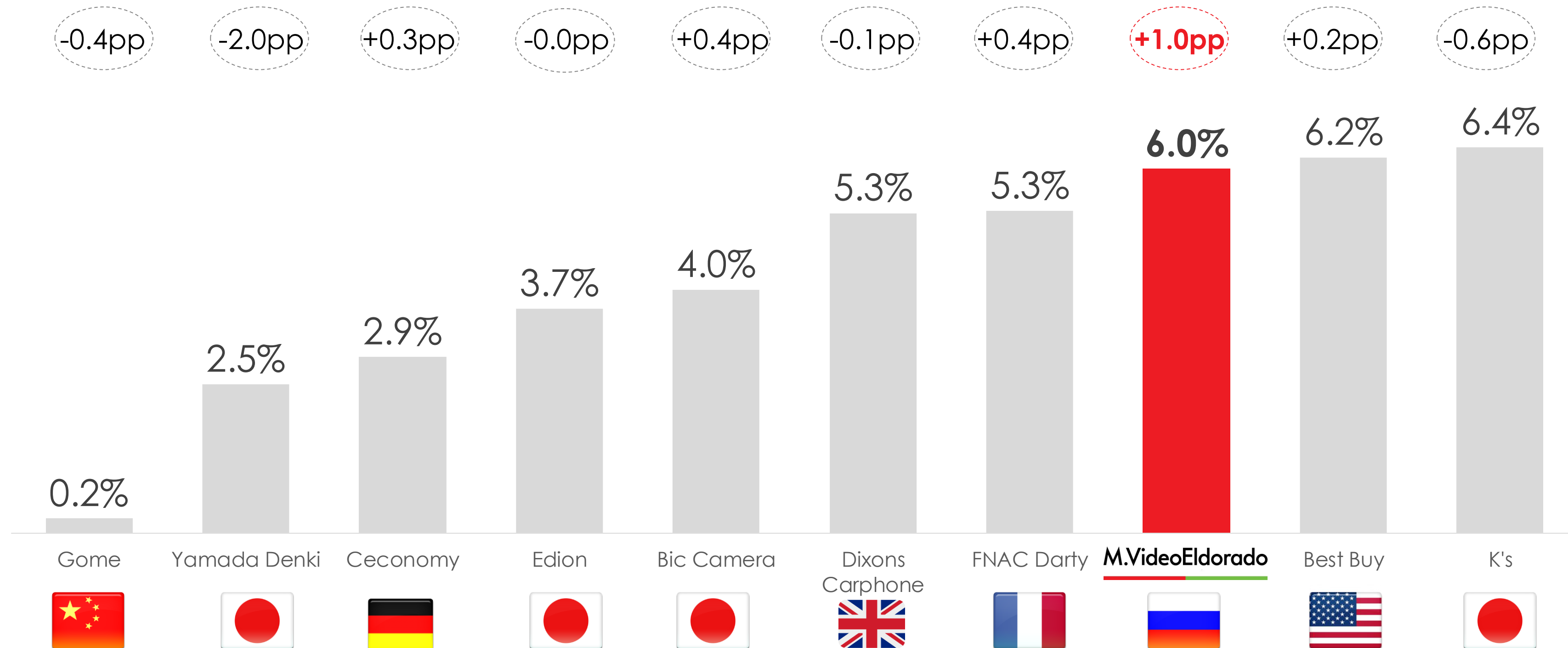
2018
№10

The group is in the TOP-3 list by EBITDA Margin, showing the largest growth among the peers

EBITDA Margin, %

+X pp - YoY growth, pp

2018
№3



Appendix I.

M.Video – Eldorado Group FY 2018
Audited Consolidated IFRS Reporting

Appendix I. Group Audited Consolidated IFRS Statement of Profit & Loss

in millions of Russian Rubles (VAT excl.)	2018	2017	Change YoY
Revenue	321,102	198,197	+62.0%
Gross profit	78,639	46,527	+69.0%
Gross margin, %	24.5%	23.5%	+1.0pp
Selling, general and administrative expenses	69,234	40,754	+69.9%
Other operating income, net	5,278	2,407	+119.3%
Operating profit	14,683	8,180	+79.5%
Net Income	8,365	6,954	+20.3%
Net Margin, %	2.6%	3.5%	-0.9pp
EBITDA	20,753	11,794	+76.0%
EBITDA Margin, %	6.5%	6.0%	+0.5pp

Appendix I. Group Audited Consolidated IFRS SG&A Expense Breakdown

in millions of Russian Rubles (VAT excl.)	2018	2017
Payroll and related taxes	21 779	12 538
as % of Revenue	6.8%	6.3%
Lease expenses	14 926	8 885
as % of Revenue	4.6%	4.5%
Advertising & promotional expenses	6 054	3 827
as % of Revenue	1.9%	1.9%
Maintenance & other property operating costs	4 441	2 847
as % of Revenue	1.4%	1.4%
Warehouse services	1 689	1 484
as % of Revenue	0.5%	0.7%
Bank charges	2 626	1 600
as % of Revenue	0.8%	0.8%
Repairs and servicing	1 670	1 096
as % of Revenue	0.5%	0.6%
Security	1 655	979
as % of Revenue	0.5%	0.5%
Other SG&A	8 324	3 884
as % of Revenue	2.6%	2.0%
Subtotal	63 164	37 140
as % of Revenue	19.7%	18.7%
D&A	6 070	3 614
as % of Revenue	1.9%	1.8%
Total	69 234	40 754
as % of Revenue	21.6%	20.6%

Appendix I. Group Audited Consolidated IFRS Statement of Financial Position

	31.12.2018	31.12.2017	Change	
	RUBm	RUBm	RUBm	%
Assets				
Non-current Assets	98 481	23 663	74 818	316.2%
Fixed assets	20 734	7 936	12 798	161.3%
Intangible assets	68 767	7 999	60 768	>500%
Other non-current	8 980	7 728	1 252	16.2%
Current assets	186 953	97 862	89 091	91.0%
Inventory	113 145	52 283	60 862	116.4%
Accounts receivable	31 457	21 611	9 846	45.6%
Cash	25 669	17 791	7 878	44.3%
Other	16 682	6 177	10 505	170.1%
Total Assets	285 434	121 525	163 909	134.9%
Liabilities and equity				
Stockholders' equity	31 375	23 154	8 221	35.5%
Equity attributable to owners of the Company	30 865	22 924	7 941	34.6%
Non-controlling interests	510	230	280	121.7%
Liabilities	254 059	98 371	155 688	158.3%
Accounts payable to suppliers	155 420	77 698	77 722	100.0%
Other current liabilities	50 305	20 673	29 632	143.3%
Other non-current liabilities	48 334	-	48 334	>500%
Total Liabilities and Equity	285 434	121 525	163 909	134.9%

Appendix I. Group Audited Consolidated IFRS Statement of Cash Flow

	2018	2017	Change YoY	
	RUBm	RUBm	RUBm	%
Operating CF				
Operating cash flows before movements in WC	22 342	11 816	10 526	89.1%
Inventory change	(32 114)	(7 118)	(24 996)	-351.2%
Trade payables	36 635	11 413	25 222	221.0%
Others	553	(8 389)	8 942	106.6%
Interest paid	(2 820)	-	(2 820)	<-500%
Income tax paid	(3 024)	(2 704)	(320)	-11.8%
Net CF from operations	21 572	5 018	16 554	329.9%
Investing CF				
CAPEX - PPE	(3 959)	(2 088)	(1 871)	-89.6%
CAPEX - IA	(3 561)	(3 168)	(393)	-12.4%
Net inflow\ (outflow) from loans issued	1 711	(1 631)	3 342	>500%
Investment in associates	(55 020)	(15)	(55 005)	<-500%
Interest received	522	661	(139)	-21.0%
Net CF from investing activities	(60 307)	(6 241)	(54 066)	<-500%
Financing CF				
Dividends paid	-	-	-	0.0%
Net inflow\ (outflow) from borrowings	47 002	-	47 002	>500%
Purchase of treasury shares	(697)	-	(697)	<-500%
Non-controlling interests	497	249	248	>500%
Repayment of loans and lease obligations	(191)	-	(191)	<-500%
Net CF from financing activities	46 611	249	46 362	>500%
Net increase/(decrease) in cash and cash equivalents	7 876	(974)	8 850	908.6%
Net foreign exchange difference	2	2	-	
CASH AND CASH EQUIVALENTS, bop	17 791	18 763	(972)	-5.2%
CASH AND CASH EQUIVALENTS, eop	25 669	17 791	7 878	44.3%

Appendix II.

M.Video – Eldorado Group FY 2018

Pro-forma Combined Reporting

(based on management accounts, unaudited)

Appendix II. Group Pro-Forma Statement of Profit & Loss

in millions of Russian Rubles (VAT excl.)	2018	2017	Change YoY
Revenue	352,519	304,720	+15.7%
Gross profit	86,709	72,599	+19.4%
Gross margin, %	24.6%	23.8%	+0.8pp
EBITDA	21,274	15,282	+39.2%
EBITDA Margin, %	6.0%	5.0%	+1.0pp

Appendix II. Group Pro-Forma SG&A Expense Breakdown

in millions of Russian Rubles (VAT excl.)	2018	2017
Payroll and related taxes	24 914	21 029
as % of Revenue	7.1%	6.9%
Lease expenses	19 020	16 526
as % of Revenue	5.4%	5.4%
Advertising & promotional expenses	6 915	6 281
as % of Revenue	2.0%	2.1%
Maintenance & other property operating costs	2 966	2 524
as % of Revenue	0.8%	0.8%
Warehouse services	1 698	1 508
as % of Revenue	0.5%	0.5%
Bank charges	2 913	2 382
as % of Revenue	0.8%	0.8%
Repairs and servicing	1 871	1 628
as % of Revenue	0.5%	0.5%
Security	1 965	1 943
as % of Revenue	0.6%	0.6%
Other SG&A	9 135	5 856
as % of Revenue	2.6%	1.9%
Subtotal	71 397	59 679
as % of Revenue	20.3%	19.6%
D&A	6 019	5 057
as % of Revenue	1.7%	1.7%
Total	77 417	64 736
as % of Revenue	22.0%	21.2%

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Ticker: MVID

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