

M.Video-Eldorado increases its adjusted net profit under IAS 17 by 18% to RUB 6.4 billion

August 18, 2021, Moscow, Russia

PJSC M.video (M.Video-Eldorado Group, the Company, or the Group; MOEX: MVID), Russia's leading e-commerce and consumer electronics retailer, announces its condensed unaudited consolidated financial results under International Financial Reporting Standards (IFRS) for the six months ended June 30, 2021.

1H 2021 M.VIDEO-ELDORADO GROUP FINANCIAL HIGHLIGHTS¹

- **The Group's revenue** increased by 22.3% year-on-year to RUB 212,776 million, driven by a rise in total online sales² (up 48.8% year-on-year), average ticket growth on the web platform and an increase in the number of active identified customers,³ who had a higher average ticket and purchase frequency.
- **Gross profit** rose by 13.1% year-on-year to RUB 50,505 million (RUB 50,536 million under IFRS 16), while gross margin stood at 23.7%.
- **Selling, general and administrative expenses (SG&A), excluding depreciation and amortization**, amounted to RUB 40,731 million (RUB 30,535 million under IFRS 16), having increased as a percentage of revenue by 0.3 percentage points (p.p.) year-on-year to 19.1%. The key drivers behind this were the cost of advertising, warehousing services and bank charges. The low base of the pandemic-ridden 2020 also had a massive impact on the dynamics of expenses as a percentage of revenue.
- **The Group's EBITDA** rose by 37.1% to RUB 18,311 million (RUB 28,765 million under IFRS 16). The indicator includes one-off income from the sale of the goods.ru marketplace (RUB 3,571 million) and the write-off of a subsidized loan (RUB 2,520 million) obtained in 2020 as part of the government program to support companies most affected by COVID-19. The Group met all the obligations it undertook under the program. **EBITDA margin** was 8.6% (13.5% under IFRS 16).
- **The Group's adjusted EBITDA⁴** decreased 8.1% year-on-year to RUB 12,368 million (RUB 22,822 million under IFRS 16). **Adjusted EBITDA margin⁴** totaled 5.8% (10.7% under IFRS 16).
- **The Group's adjusted net profit⁵** increased by 18% year-on-year to RUB 6,390 million (RUB 5,604 million under IFRS 16).
- **The Group's net debt** as of June 30, 2021, was RUB 64,070 million (up 58% vs. December 31, 2020), with net debt/ adjusted EBITDA⁴ at 1.9x (vs. 1.4x as of December 31, 2020).
- In preparing its recommendations to shareholders on the distribution of profit and dividend payments, the Company plans not to take into account a number of one-off expenses and income in 1H 2021 and is ready to propose that the Board of Directors consider **distributing RUB 6.39 billion as dividends**.

Alexander Izosimov, CEO of M.Video-Eldorado Group, commented:

"M.Video-Eldorado continues to implement its strategy, demonstrating strong GMV growth while maintaining a solid financial position. We have made significant progress in developing digital products by continuing to invest in creating a seamless shopping experience, extensive leveraging of data analytics, maximum leveraging of cloud solutions and staff digital competencies. Over 11 million customers are already using our OneRetail technologies to choose products and place orders, while the growing average ticket and purchase frequency underscore the unique, positive customer experience we provide.

"As a result, we have gained a competitive edge and tripled our total online sales over the past two years. At the same time, the Group remains within the financial constraints stipulated by our strategy, keeping the mid-

term outlook for EBITDA margin at 5%-7%, capex below 2% of GMV and the net debt/EBITDA ratio under 2x.

“The Company enjoyed very strong results in the first half of the year. However, EBITDA and net profit exceeded targets due to a number of one-off factors, which we took into account when recommending that the Board of Directors consider paying out interim dividends in the amount of RUB 6.4 billion for 1H 2021.”

M.VIDEO-ELDORADO GROUP'S KEY CONSOLIDATED FINANCIAL HIGHLIGHTS FOR 1H 2021

RUB million (excl. VAT)	IAS 17		Change Y-O-Y	IFRS 16		Change Y-O-Y
	1H 2021	1H 2020		1H 2021	1H 2020 ⁶	
Revenue	212,776	173,934	+22.3%	212,776	173,934	+22.8%
Gross profit	50,505	44,651	+13.1%	50,536	44,681	+13.1%
<i>Gross margin, %</i>	23.7	25.7	-1.9 p.p.	23.8	25.7	-1.9 p.p.
EBITDA	18,311	13,354	+37.1%	28,765	23,335	+23.3%
<i>EBITDA margin, %</i>	8.6	7.7	+0.9 p.p.	13.5	13.4	0.1 p.p.
Adjusted EBITDA⁴	12,368	13,462	-8.1%	22,822	23,443	-2.6%
<i>Adjusted EBITDA margin,⁴ %</i>	5.8	7.7	-1.9 p.p.	10.7	13.5	-2.8 p.p.
Adjusted net profit⁵	6,390	5,414	+18.0%	5,604	4,722	+18.7%
<i>Adjusted net margin⁵</i>	3.0	3.1	-0.1 p.p.	2.6	2.7	-0.1 p.p.

REVENUE

In 1H 2021, the Group's revenue increased by 22.3% year-on-year to RUB 212,776 million due to:

- a 48.8% rise in total online sales driven by new customer acquisition and improved traffic conversion into regular loyal customers thanks to the fast-growing mobile platform and the launch of new and upgrades to existing digital products to enhance the customer experience and increase conversion;
- remote and hybrid working and studying, which continued for many people in large cities throughout 2021, supporting increased demand for durable household appliances and home office equipment;
- a twofold expansion in the range of household appliances and consumer electronics to close to 150,000 SKUs due to more direct contracts with suppliers, the launch of new private label products and white label integration with SberMegaMarket (formerly goods.ru);
- an increase in sales financed by consumer loans, owing in part to the continued development of online lending that is now available via the web and mobile platforms, and recovery in POS lending;
- the recovery of and continuing increase in sales of services and accessories.

GROSS PROFIT

The Company's gross profit in the reporting period grew by 13.1% year-on-year to RUB 50,505 million, while gross margin declined by 1.9 p.p. year-on-year to 23.7% due to:

- the continuously growing share of digital categories in the demand mix (smartphones, laptops and other home office equipment), especially those related to remote work with margins below the Group average;
- the increasing number of promos designed to support the Group's competitive position and expand its geography;
- the recurrent use of spot purchases to maintain high sales growth rates and ensure sufficient product range and inventory levels amid the ongoing shortage of certain appliance categories and models and electronic components for their production.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

Key drivers behind changes in OPEX:

- a decrease in the lease expenses, which declined by 0.5 p.p. to 5.4% of revenue thanks to renegotiated lease terms, including lower fixed rates and a transition to turnover-based leases;
- an increase in advertising and marketing expenses, which increased by 0.3 p.p. to 1.8% of revenue due to the low base of the pandemic-ridden second quarter of 2020 and as a result of an increase in advertising expenses associated with the Group's aggressive enhancement of its geography through the expansion and development of delivery services, as well as amid the launch of new customer services;
- a rise in bank charges driven by revenue growth, a 0.8 p.p. increase in the share of noncash online payments to 15% of total payments, and higher online and in-store merchant acquiring rates. As part of the scaling up of the OneRetail platform, the Company, both independently and together with payment systems and banks, has already undertaken a number of measures aimed at reducing the difference between the cost of online transactions and the cost of traditional transactions;
- growth in expenses for warehousing services caused by an increase in storage volumes in leased distribution centers to maintain sales and by an increase in tariffs on the part of third-party operators for storing and processing inventory;
- an increase in other expenses attributable to higher consulting costs in the context of the Group's new growth strategy, implementation of digital transformation projects, the public offering of the Company's shares and the sale of a stake in goods.ru, as well as growing contact center expenses as a result of an increasing number of incoming calls.

Depreciation and amortization expenses increased from RUB 3,982 million in 1H 2020 to RUB 4,216 million in 1H 2021 as a result of business expansion and new store openings.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

RUB million (excl. VAT)	IAS 17		Change Y-o-Y	IFRS 16		Change Y-o-Y
	1H 2021	1H 2020		1H 2021	1H 2020	
Payroll expenses	13,526	11,004	+22.9%	13,526	11,004	+22.9%
<i>Payroll expenses, %</i>	6.4	6.3	0.0 p.p.	6.4	6.3	+0.1 p.p.
Lease and utility expenses	11,485	10,210	+12.5%	2,083	1,269	+64.1%
<i>Lease expenses, %</i>	5.4%	5.9%	-0.5 p.p.	1.0%	0.7%	+0.3 p.p.
Advertising and marketing	3,848	2,684	+43.3%	3,791	2,630	+44.1%
<i>Advertising and marketing, %</i>	1.8%	1.5%	+0.3 p.p.	1.8%	1.5%	+0.3 p.p.
Bank charges	2,587	1,763	+46.7%	2,587	1,763	+46.8%
<i>Bank charges, %</i>	1.2%	1.0%	+0.2 p.p.	1.2%	1.0%	+0.2 p.p.
Warehousing services	2,547	1,922	+32.6%	1,593	1,003	+58.8%
<i>Warehousing services, %</i>	1.2%	1.1%	+0.1 p.p.	0.7%	0.6%	+0.1 p.p.
Security	1,076	1,003	+7.2%	1,076	1,003	+7.1%
<i>Security, %</i>	0.5%	0.6%	-0.1 p.p.	0.5%	0.6%	-0.1 p.p.
Repairs and maintenance	1,145	869	+31.7%	1,145	869	+31.8%
<i>Repairs and maintenance, %</i>	0.5%	0.5%	0.0 p.p.	0.5%	0.5%	0.0 p.p.
Other expenses	4,518	3,246	+39.2%	4,734	3,410	+38.8%
<i>Other expenses, %</i>	2.1%	1.9%	+0.2 p.p.	2.2%	2.0%	+0.2 p.p.
SG&A (excl. D&A)	40,731	32,701	+24.6%	30,535	22,952	+33.0%

SG&A (excl. D&A), %	19.1%	18.8%	+0.3 p.p.	14.4%	13.2%	+1.2 p.p.
D&A	4,216	3,982	+5.9%	12,515	11,860	+5.5%
D&A, %	2.0%	2.3%	-0.3 p.p.	5.9%	6.8%	-0.9 p.p.
Total SG&A	44,947	36,683	+22.5%	43,050	34,812	+23.7%
Total SG&A, %	21.1%	21.1%	0.0 p.p.	20.2%	20.0%	+0.2 p.p.

ADJUSTED EBITDA

Adjusted EBITDA⁴ decreased by 8.1% year-on-year to RUB 12,368 million, while adjusted EBITDA margin dropped by 1.9 p.p. year-on-year to 5.8% in 1H 2021. The decrease was driven by the growth in selling, general and administrative expenses (excluding depreciation and amortization), which rose, as a percentage of revenue, by 0.3 p.p. to 19.1%. The year-on-year decline in EBITDA is also attributable to a number of drivers described above in the gross profit section.

NET PROFIT

The Group's adjusted net profit⁵ increased by 18.0% year-on-year to RUB 6,390 million in 1H 2021 compared to RUB 5,414 million in 1H 2020 as a result of revenue growth.

LEVERAGE

As of June 30, 2021, the Group's total debt had increased by RUB 20,035 million year-on-year to RUB 68,025 million. Cash and cash equivalents as of the end of the reporting period had decreased by RUB 3,488 million compared to December 31, 2020, amounting to RUB 3,957 million.

The Group's net debt for the reporting period increased by RUB 23,523 million to RUB 64,070 million. The year-on-year increase in net debt is primarily attributable to the seasonal recovery of working capital and higher digital transformation investments. In 1H 2020, the Group and its partners agreed to extend the deferral of commercial and noncommercial payments on a one-off basis due to the COVID-19 pandemic, which helped improve working capital and create a liquidity pool. All of the Group's debt is denominated in rubles.

As a result, net debt / adjusted EBITDA ratio⁴ as of June 30, 2021, was 1.9x, up by 0.4x year-on-year and by 0.5x compared to December 31, 2020.

BUSINESS OVERVIEW AND KEY EVENTS AFTER THE REPORTING DATE

- In July and August, growth of the Group's total sales slowed as expected due to the extremely high base of Q3 2020, which was driven by deferred demand for quite a few categories of household appliances and electronics after the easing of lockdown restrictions that began in the summer of 2020. In the same months, the Group's total online sales continued to show double-digit growth, with sales through the mobile platform increasing thanks to its enhanced capabilities and improved personalization of price offers, as well as more convenient credit programs available in the app.
- M.Video-Eldorado appointed management for its OneRetail business unit as a platform to manage both brands. The team, headed by Managing Director Dagmara Ivanova, was mostly hired from among existing employees.
- M.Video-Eldorado continued expanding its distribution network, adding another 70,000 cubic meters to its overall distribution center capacity, opening new facilities in Samara, Krasnodar and Krasnoyarsk, and doubling its storage area in Yekaterinburg and Vladivostok. These additions further develop the chain's fulfilment capabilities, enabling faster restocking of stores and accelerated home delivery times amid growth in GMV and online sales, with delivery times for select online orders expected to be four times quicker.
- The Company welcomed new hires, including Alina Ryzhenkova in the role of HR Director for M.Video-Eldorado Group (previously Vice President for Organizational Development at MTS), and Andrey

Pavlovich, who joined the Company as Director for Logistics and Fulfilment (previously Operations Director at X5 Group's Perekrestok Vprok).

- In August, the Group successfully closed the order book on its second 2021 offering of three-year exchange-traded bonds worth RUB 9 billion with a coupon of 8.1% p.a.

EFFECT OF IFRS 16 ON M.VIDEO-ELDORADO GROUP'S FINANCIAL STATEMENTS

The implementation of IFRS 16, which came into effect on January 1, 2019, impacted the Group's EBITDA, operating profit and net profit.

Effect on gross profit

The difference in the Group's gross profit under IFRS 16 is insignificant and attributable to variations in the accounting treatment of leased vehicles. The Group's gross profit under IFRS 16 amounted to RUB 50,536 million in 1H 2021 compared to RUB 50,505 million under IAS 17 over the same period. The gross margin in 1H 2021 was 23.7% and 23.8% under IAS 17 and IFRS 16, respectively.

Effect on EBITDA

The Group's EBITDA was significantly higher under IFRS 16, as the bulk of lease expenses previously recognized in selling, general and administrative expenses are now recognized, under IFRS 16, as the Company's balance sheet debt as well as financial expenses in the income statement.

In 1H 2021, lease and utility expenses under IFRS 16 decreased by RUB 9,402 million. The Group's adjusted EBITDA⁴ under IFRS 16 increased to RUB 22,822 million in 1H 2021 compared to RUB 12,368 million under IAS 17 over the same period. In 1H 2021, the adjusted EBITDA margin⁴ under IFRS 16 was 10.7%, which is 4.9 p.p. higher than the 5.8% under IAS 17.

Effect on net profit

The Group's net profit in 1H 2021 was affected by RUB 8,299 million in additional expenses arising from the depreciation of leased assets under IFRS 16. The effect of these additional depreciation expenses was fully offset by the deduction of long-term lease expenses from operating expenses as mentioned above.

At the same time, financial costs under IFRS 16 increased by RUB 3,162 million due to additional interest expenses on lease liabilities in 2021. The implementation of IFRS 16 also resulted in lower income tax expenses due to lower profit before tax.

As a result, the Group's adjusted net profit⁵ under IFRS 16 amounted to RUB 5,604 million in 1H 2021 compared to RUB 6,390 million under IAS 17 over the same period. The adjusted net margin⁵ under IFRS 16 and under IAS 17 in 1H 2021 was 2.6% and 3.0%, respectively.

Effect on cash flow statement

The implementation of IFRS 16 does not affect the net cash change in the statement of cash flows. However, IFRS 16 impacts the presentation of the statement of cash flows insofar as it classifies principal lease payments as financing activities, prepayments as investing activities and interest payments as interest paid in operating activities.

The condensed unaudited consolidated financial results under International Financial Reporting Standards (IFRS) for the six months ended June 30, 2021, are posted on the Group's corporate website at:

<https://www.mvideoeldorado.ru/en/shareholders-and-investors/results-and-reports/results-center>

About the Group

M.Video-Eldorado Group (PJSC M.video) is a leading Russian e-commerce and consumer electronics retailer that unites the M.Video and Eldorado brands. The Group's GMV exceeded RUB 500 billion including VAT at the end of 2020.

As of March 31, 2021, the Group had stores across nearly 300 Russian cities, with 545 and 553 stores under the M.Video and Eldorado brands, respectively. Total floor space was 2,020 thousand square meters.

M.Video-Eldorado Group is Russia's only publicly listed consumer electronics retailer. The Company's shares are currently traded on Moscow Exchange (ticker: MVID), with a 24% free float. Said Gutseriev directly or indirectly controls 60% of the share capital of M.video PJSC, 15% is held by Media-Saturn-Holding GmbH and another 1% is held by MVM LLC, a 100% subsidiary of M.video PJSC.

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¹ Unless otherwise specified, all financial results of M.Video-Eldorado Group are provided in line with IAS 17.

² Total online sales of M.Video-Eldorado Group include all sales to authorized customers via the Internet, including home delivery, in-store pickup, and sales made to customers in-store through the consultant mobile app. Currently, sales through the consultant mobile app are only available in M.Video stores.

³ The Company defines identified active customers as those who have logged in and made at least one purchase through any sales channel during the year.

⁴ Hereinafter EBITDA is adjusted for one-off expenses and income in the amount of RUB 5,944 million, namely the cost of PPE (1H 2020: RUB 107 million; 1H 2021: RUB 148 million), profit from the sale of goods.ru (1H 2021: RUB 3,571 million) and gain from subsidized loan forgiveness (1H 2021: RUB 2,520 million).

⁵ Hereinafter net profit is adjusted for losses in associates and joint ventures (1H 2020: RUB 1,267 million; 1H 2021: RUB 945 million), one-off expenses for PPE (1H 2020: RUB 86 million; 1H 2021: RUB 118 million, including income tax) and gain from subsidized loan forgiveness (1H 2021: RUB 2,520 million).

⁶ Net profit for 1H 2020 was retrospectively re-estimated in line with an amendment to IFRS 16 Leases: COVID-19-Related Rent Concessions. The effect on net profit before the adjustment for losses in associates and joint ventures in 1H 2020 was +RUB 859 million, including income tax. The effect on the 1H 2020 EBITDA was RUB 1,352 million.