

# Combined M.Video and Eldorado Business Delivers Record LFL Growth

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Q2 2018 highlights (pro-forma\*):

- M.Video-Eldorado Group net sales increased by 17.2% year-on-year to RUB 84.5 billion (with VAT)
- Group's Like-for-Like (LFL) sales grew by 15.4%
- Combined online-based sales (OBS) increased by 38.7% year-on-year to RUB 15.5 billion (with VAT). OBS share in Group's total net sales amounted to 18%. Pick-up rate was 73% of the Group's online-based sales.

H1 2018 highlights (pro-forma\*):

- The Group's net sales grew by 16.0% year-on-year to RUB 175.3 billion (with VAT)
- Combined Like-for-Like Sales increased by 13.8%
- Online-based sales for the Group improved by 39.6% year-on-year to RUB 32.3 billion (with VAT)

\*Pro-forma combined operational results for the Group include Eldorado numbers starting not from its acquisition date in April 2018, but from the beginning of the earliest comparable period, i.e. from the beginning of 1H 2017.

Combined net sales increased by 17.2% year-on-year to RUB 84.5 billion (with VAT) in the second quarter of 2018, and by 16.0% year-on-year to RUB 175.3

billion (with VAT) in the first half of 2018.

M.Video chain net sales showed impressive growth by 20.9% year-on-year and reached RUB 55.6 billion (with VAT) in the second quarter of 2018. Eldorado net sales also grew double-digit at the last several quarters high – 10.8% year-on-year to RUB 28.9 billion (with VAT) in the second quarter of 2018. The growth was driven by strong Like-for-Like sales of both chains supported by sustainable dynamics of M.Video’s online-based sales.

Like-for-Like sales of the Group increased by 15.4% in the second quarter of 2018, due to growing number of tickets and higher average ticket. M.Video Like-for-Like sales improved by record-high 16.1%, while Eldorado’s Like-for-Like sales grew by 14.1% - the best result over last several years.

M.Video’s online-based sales (pick-up and home delivery) increased by 63.0% year-on-year in the second quarter of 2018, driven by growing number of transactions and higher average ticket. Eldorado’s OBS grew by 7.0% year-on-year in the second quarter of 2018, due to growing average ticket offset partially by decreased number of transactions. In course of its transition to the unified business model, Eldorado has optimized the assortment matrix, removing noncore categories and strengthening digital products, and has aligned internet prices with offline. As a result, Eldorado saw a one-off traffic redirection from online to their brick-and-mortar stores. However, OBS share in Eldorado net sales stood at healthy 18% in the second quarter of 2018.

“For the first time, M.Video-Eldorado Group reports combined operational results of two chains. In short time, the united company made substantial progress and strengthened its leadership in growing consumer electronics market. We already see positive effect from Eldorado’s transition to M.Video business model and efficient unification of assortment, promos and personnel management. After two months of the joint team work, Eldorado demonstrated the best sales dynamics over the past year and a half”, - commented M.Video-Eldorado Group President, Alexander Tynkovan.

“In the second quarter, we saw noticeable market upgrowth. Both M.Video and Eldorado chains managed to outperform the strong market and delivered sound double-digit like-for-likes, thanks to the brand management teams’ efforts, and the efficiency of our business model. It is especially pleasant to report Eldorado’s encouraging performance. The chain optimized its product range and delivered almost 60% sales growth in digital category, three times outperforming the market in the second quarter. Consumer credits share has also improved and reached healthy 19% of Eldorado’s net sales. In parallel, the brand has changed its promos approach, started OMNI-channel model implementation and aligned prices in online and offline. Eldorado sales growth, fully driven by record LFLs,

shall be additionally supported by extensive expansion program in the latter part of the year”, - emphasized M.Video-Eldorado Group Chief Executive Officer, Enrique Fernandez.

“In M.Video, online remains the crucial driver of the business. In the second quarter of 2018, M.Video’s online sales grew over 60% thanks to the website fine-tuning and internet advertising effectiveness. M.Video consistently strengthens its position in digital – the category sales increased by 30% year-on-year in the second quarter, thanks to our strategic projects, especially, M\_Mobile. This year, we are piloting stand-alone stores under this brand”.

“Besides, we successfully conducted promo campaigns, including ones related to the World Cup, and got additional positive impact on the Group’s sales in selected product categories in the second quarter”, - added Mr. Fernandez.

2Q and 1H 2018 M.Video-Eldorado Group Sales and Expansion Summary (Pro-forma\*):

| Net Sales**, mn RUB (with VAT) | 2Q 2018 | 2Q 2017 | YoY, % | 1H 2018 |
|--------------------------------|---------|---------|--------|---------|
| M.Video                        | 55,610  | 46,000  | +20.9% | 116,583 |
| Eldorado                       | 28,895  | 26,083  | +10.8% | 58,721  |
| M.Video-Eldorado Group         | 84,504  | 72,083  | +17.2% | 175,304 |

| Online Sales (pick-up + home delivery), mn RUB (with VAT) | 2Q 2018 | 2Q 2017 | YoY, % | 1H 2018 |
|---|---------|---------|--------|---------|
| M.Video   | 10,321  | 6,334   | +63.0% | 22,135  |
| Eldorado  | 5,196   | 4,855   | +7.0%  | 10,170  |
| M.Video-Eldorado Group                                    | 15,517  | 11,189  | +38.7% | 32,306  |

| Like-for-Like Sales***, % | 2Q 2018 / 2Q 2017, % | 1H 2018 / 1H 2017, % |
|---------------------------|----------------------|----------------------|
| M.Video                   | +16.1%               | +16.1%               |
| Eldorado                  | +14.1%               | +14.1%               |
| M.Video-Eldorado Group    | +15.4%               | +15.4%               |

\*Pro-forma combined operational results for the Group include Eldorado numbers starting not from the acquisition date in 2018, but from the beginning of the earliest comparable period, i.e. from the beginning of 1H 2017.

\*\* Net Sales are Total sales for the reporting period excluding sales of discount coupon cards. Sales numbers for the respective periods of 2017 were restated to Net Sales for comparability purposes.

\*\*\* LFL data is based on a comparison of 759 stores operating as of January 1, 2017 and not closed for more than two weeks, and/or not expanded or downsized by >20% of their total space.

| Network Expansion      | 31.12.2017 | 30.06.2018 |
|------------------------|------------|------------|
| Stores, #              |            |            |
| M.Video                | 424        | 429        |
| Eldorado               | 415        | 411        |
| M.Video-Eldorado Group | 839        | 840        |
| Selling Space, ths sqm |            |            |
| M.Video                | 693        | 702        |
| Eldorado               | 592        | 586        |
| M.Video-Eldorado Group | 1,286      | 1,287      |
| Total Space, ths sqm   |            |            |
| M.Video                | 937        | 967        |
| Eldorado               | 762        | 753        |

|                        |       |       |
|------------------------|-------|-------|
| M.Video-Eldorado Group | 1,699 | 1,720 |
|------------------------|-------|-------|

\*In 6M 2018, 5 M.Video and 2 M\_Mobile stores were opened, and 2 M.Video stores were closed for their relocation.

In 6M 2018, 7 Eldorado stores were closed (including 6 stores closed in compliance with FAS decision) and 3 stores were opened.

### About M.Video-Eldorado Group

M.Video-Eldorado Group (PJSC “M.video”) consolidates consumer electronic retail brands M.Video and Eldorado, and Goods marketplace. The Group’s combined annual sales are over 360 billion rubles. M.Video-Eldorado Group is the first and only public consumer electronic retailer in Russia. The Company’s shares are traded on the Moscow Stock Exchange (ticker: MVID).

As of 30 June 2018, the Group operated 427 under M.Video, 411 stores under Eldorado, and 2 stores under M\_Mobile brand in more than 200 cities of Russian Federation. The Group’s selling space was 1,287 ths sqm, and total space was 1,720 ths sqm as of 30 June 2018.

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