

M.VIDEO ANNOUNCES ACQUISITION OF ELDORADO FOR RUB 45.5 BN

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Terms of the Transaction

The Transaction size will be the Russian ruble equivalent of up to RUB 45.5 bn, excluding the liabilities of Eldorado LLC, which is in line with fair market value on a discounted cashflow basis as assessed by a Big Four auditor. As part of the Transaction, M.Video Management will take a loan in the amount of approximately RUB 40.0 bn in addition to using its own available funds. The debt portfolio of the combined company post-Transaction is expected to be around RUB 47 bn. The Net Debt to EBITDA ratio of the combined company is expected to be 1.5x at the end of 2018. M.Video intends to gradually reduce its leverage through strict financial discipline and the higher cash flow of the combined business, bringing the Net Debt to EBITDA ratio down to 0.5x by the end of 2020.

Corporate Governance

The management team led by M.Video founder and President Alexander Tynkovan and M.Video Chief Executive Officer Enrique Fernandez will continue to manage the combined company and focus on the integration process and the transformation of M.Video into a leading global electronics retailer. The operations of the combined company will be led by Enrique Fernandez. The combined company will continue to adhere to best practice in the area of corporate governance, ensuring transparency and efficiency in the interests of all shareholders.

Rationale for the Transaction

The combination of Eldorado and M.Video is the next step in realizing the

investment potential of both companies and creating a consolidated player with significant prospects for growth in shareholder value.

The revenue of the combined company is expected to reach over RUB 450 bn in 2022, making the Group one of the largest public retailers in the world in its sector and, by increasing its EBITDA margin to over 6%, one of the top three publicly traded consumer electronics and appliances retailers in the world by profitability. The management team plans to create a single operational legal entity, while retaining the two brands and competing store networks.

Management will focus on significantly increasing the operational efficiency of the company through combined commercial and noncommercial procurement, joint warehouse management, a simplified corporate governance system, IT infrastructure optimization and operational cost reduction. According to M.Video's estimates, the Transaction and the merger of the two companies into one legal entity may unlock substantial synergies totaling up to RUB 18 bn of additional EBITDA in 2018-2020, while at the same time doubling combined EBITDA and net profit over a five-year horizon.

M.Video Chairman of the Board of Directors Said Gutseriev said:

"This will be one of the largest transactions in the Russian retail sector and will create a highly efficient player in the consumer electronics market. The acquisition of Eldorado by M.Video creates additional synergies, increases the company's purchasing power and creates a platform for the future growth of the combined company. We intend to retain both brands, which will allow us to compete successfully with both Russian and foreign players in traditional retail and online segments. By growing revenue 1.5 times and doubling profits over the next five years, we will create new opportunities for the company not only in terms of increased efficiency and attracting investors, but also in improving customer service and developing new services and technologies. This is the right and timely step forward for the whole Russian retail market."

M.Video President Alexander Tynkovan said:

“The Russian retail market as a whole and the non-food segment in particular is presently undergoing profound transformation and consolidation, driven by globalization, the development of online trade and a growing dependence on technology and the internet. The combined company will also allow us to respond in an agile way to the needs and preferences of our customers in different segments, taking into account their location and local context. We plan to develop the company and invest in advanced technology to further enhance the quality of customer service while offering a broad selection of consumer goods”.

Buy-back from minority shareholders

M.Video is submitting the terms of the Transaction for a vote at the EGM taking place on 13 April 2018. According to current legislation, shareholders who vote against or do not take part in the voting have right to present their shares for redemption. The redemption price has been set by the Board of Directors of M.Video at RUB 401 per one ordinary share based on an independent appraiser’s report, and is close to the weighted average closing price on Moscow Exchange over the last twelve months. Applications for share buy-back must be submitted within 45 days of the date of the EGM in the event that the Transaction is approved by the general meeting of shareholders. M.Video Management LLC plans to complete all formalities related to the acquisition of Eldorado during the second quarter of 2018. The companies plan to carry out the reorganisation and creation of a single operational legal entity by the first quarter of 2019, which will enable them to capture all planned synergies.

Shareholder structure of the company

The controlling shareholder of PJSC M.Video is Mikhail Gutseriev’s SAFMAR Group, which owns 57.7% of the shares. The free float is 42.3%, of which, as of December 31, 2017, 9.4% belonged to Buduschee pension fund and another 5.8% belonged to Doverie pension fund, which is a part of SAFMAR Group.

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M.Video is the largest Russian consumer electronics and appliances retail chain by revenue. The Company started its operations in 1993. In November 2007, M.Video became the first publicly traded company in the domestic consumer electronics retail sector. The Company's shares presently trade on Moscow Exchange, Russia's largest exchange platform (ticker: MVID).

In 2017, M.Video became part of SAFMAR Group, one of the largest industrial and financial groups in Russia, comprising industrial, retail, and financial companies, and assets in commercial real estate, construction and real estate development.

As of 31 December 2017, M.Video operates 424 brand name stores in 169 Russian cities. The selling space of M.Video stores is 693,000 sq. m,

and the total space was 937,000 sq. m.

Eldorado is a leading Russian retailer of home appliances, electronics and household goods.

The Company's presence spans more than 200 cities, with over 400 stores in different regions of Russia. Eldorado is a five-time winner of the Consumer Rights and Quality of Service award, a three-time winner of the No. 1 Brand in Russia award (2012, 2014, 2016), and the winner of the Company of the Year 2012 and HR Brand 2013 awards.

SAFMAR INDUSTRIAL AND FINANCIAL GROUP is one of Russia's largest industrial and financial groups, which comprises industrial, retail and financial companies and manages assets in the area of commercial real estate, construction, development and other assets.