M.Video-Eldorado Group adjusted net profit under IAS 17 rises 9.3% year-on-year in FY 2020

March 4, 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 and part of the SAFMAR Group owned by Mikhail Gutseriev, releases its audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) for the year ended December 31, 2020.

M.VIDEO-ELDORADO GROUP'S KEY FINANCIAL HIGHLIGHTS FOR FY2020[1]

- **The Group's revenue** increased by 14.4% year-on-year to RUB 417,857 million, driven by a more than twofold rise in total online sales[2] (up 108.6% year-on-year), average ticket growth on web and mobile platforms, as well as an increase in the number of identified active customers[3], who had a higher purchase frequency and average ticket.
- **Gross profit** rose by 6.9% year-on-year to RUB 97,275 million (RUB 97,335 million under IFRS 16), while gross margin stood at 23.3%.
- **Selling, general and administrative expenses (SG&A), excluding depreciation and amortization** amounted to RUB 74,682 million (RUB 54,723 million under IFRS 16) and decreased as a percentage of revenue by 1.2 percentage points (p.p) year-on-year to 17.9% of the revenue as a result of efficiency improvements affecting payroll, lease, advertising and marketing expenses.
- **The Group's adjusted EBITDA[4]** grew 6.5% year-on-year to RUB 28,474 million (RUB 48,618 million under IFRS 16), while adjusted EBITDA margin[4] reached 6.8% (11.6% under IFRS 16).
- **The Group's adjusted net profit[5]** increased by 9.3% year-on-year to RUB 12,212 million (RUB 10,287 million under IFRS 16).
- **The Group's net debt** as of December 31, 2020 amounted to RUB 40,483 million (a decrease of 9.4% for the year), with net debt / adjusted EBITDA[4] at 1.42x (down by 0.25x year-on-year).
- In line with the new dividend policy, M.Video-Eldorado plans to allocate no less than 100% of its net profit, excluding the share of profit (loss) of associates and joint ventures under IAS 17, for semi-annual dividend payments.
- The Company plans not to take into account one-off expenses incurred in 2020 when preparing its recommendations to shareholders on distribution of profit and dividend payments.

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

> *"2020 was certainly one of the most challenging, although at the same time exceptionally exciting, years in the nearly thirty-year history of the Group. We learned how to function in completely uncharted waters, continued to create and roll out new products on accelerated timeframes, actively engaging customers in our digital space and getting to know them even better. The Group's strong performance in 2020 was made possible by the dedication, hard work and great professionalism of each of our employees.*
>
> *"While 2020 helped us to transform our business faster and establish a solid digital foundation, we still believe that our ultimate growth and transformation are yet to come. Our confidence, backed by our deep*

expertise and many years of experience, is reflected in our plan to double the Group's GMV[6] by 2025 to RUB 1 trillion as part of our new medium-term strategy.

"We also want to share our success with our shareholders. In light of last year's strong results and our confidence in the long-term sustainability of our business, the Company plans to use adjusted net profit as the basis for calculation of a 2H 2020 dividend distribution."

M.VIDEO-ELDORADO GROUP'S KEY AUDITED CONSOLIDATED FINANCIAL HIGHLIGHTS FOR FY2020

RUB million (excl. VAT)	IAS 17		Change y-o-y	IFRS 16		Change y-o-y
	2020	2019		2020	2019	
Revenue	**417 857**	**365 216**	**+14.4%**	**417 857**	**365 216**	**+14.4%**
Gross profit	**97 275**	**91 015**	**+6.9%**	**97 335**	**91 073**	**+6.9%**
Gross margin, %	*23.3%*	*24.9%*	*(1.6 p.p.)*	*23.3%*	*24.9%*	*(1.6 p.p.)*
Adjusted EBITDA[4]	**28 474**	**26 746**	**+6.5%**	**48 618**	**46 617**	**+4.3%**
Adjusted EBITDA margin[4], %	*6.8%*	*7.3%*	*(0.5 p.p.)*	*11.6%*	*12.8%*	*(1.1 p.p.)*
Adjusted net profit[5]	**12 212**	**11 178**	**+9.3%**	**10 287**	**9 089**	**+13.2%**
Adjusted net margin[5], %	*2.9%*	*3.1%*	*(0.1 p.p.)*	*2.5%*	*2.5%*	*0.0 p.p.*

REVENUE

In 2020, the Group's revenue increased by 14.4% year-on-year to RUB 417,857 million, driven by:

- a more than twofold rise in total online sales, which grew at the time when the operations of non-food retailers were limited due to COVID-19 lockdown restrictions; total online sales growth supported an increase in sales through both the mobile and web platforms and led to a rise in active identified customers, who have higher average tickets and frequency of purchase;
- strong demand for home office equipment and emerging demand for durable household goods as many Russians continued to work and study from home throughout the year;
- deferred demand for a variety of goods, primarily large household appliances and consumer electronics, after the most stringent restrictions on retail sales were lifted and the lockdown was largely eased across most of Russia starting from 2H 2020;
- increased sales of household appliances and consumer electronics in Q1 2020 as Russians started satisfying deferred demand for major purchases amid FX fluctuations;
- growing demand in the midst of lockdown restrictions, which was supported by improved logistics and a range of new partnerships across last-mile delivery services starting from Q2 2020;
- a twofold expansion in the range of household appliances and consumer electronics to 75,000 SKUs due to more direct contracts with suppliers with a focus on the vendor catalogue model, a new line of private label products launched and white label integration with goods.ru.

GROSS MARGIN

The Company's gross profit in FY 2020 grew by 6.9% year-on-year to RUB 97,275 million, while gross margin declined by 1.6 p.p. year-on-year to 23.3% due to:

- a higher share of spot purchases, which the Group had to incur to maintain superior sales growth rates, as well as sufficient product range and inventory levels. This was the result of specific product categories and models being in short supply both in Russia and abroad, which was caused by disruptions in the regularity of goods production cycles amid COVID-19 restrictions, as well as highly volatile demand for household appliances and consumer electronics, especially in the home office, telecom and entertainment equipment categories;

- improved inventory management, including higher stock turnover thanks to the sales of slow-moving goods;
- a shift in the profile of demand towards digital products, specifically those related to remote work with a below-average margin;
- a lower share of high-margin services related to direct contacts between sales personnel and customers as a result of COVID-19 restrictions.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

Key drivers behind improvements in OPEX efficiency:

- personnel expenses as a percentage of revenue decreased by 0.1 p.p. to 6.3% in FY 2020, primarily due to improved efficiency of sales staff following the implementation of staff flexibility projects, downsizing of office operations due to the online transformation and hiring being placed on hold in 1H 2020;
- a decrease in lease expenses, which declined by 0.9 p.p to 5.2% percent of FY 2020 revenue, due to renegotiated lease terms in 1H 2020, including lower fixed rates and a transition to turnover-based leases;
- a decrease in advertising and marketing expenses, which decreased by 0.3 p.p. to 1.4% of FY 2020 revenue as a result of lower TV and outdoor advertising expenses and a greater focus on online advertising to support online sales;
- an increase in bank charges due to growth of revenue, volume and share of acquiring transactions made through customers' bank cards up to 63% of the total number of customer payments, which was 9 p.p above the 2019 level. The volume of non-cash online payments increased fourfold and reached 14% of total payments (+10 p.p above the 2019 level). As part of scaling up 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;
- a growth in expenses on warehousing services caused by an increase in storage volumes in leased distribution centers to maintain sales and by an increase in tariffs by third-party operators for storing and processing inventory.

Depreciation and amortization expenses increased from RUB 7,047 million in 2019 to RUB 8,194 million in 2020 due to investments in IT infrastructure.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

млн руб. (без НДС)	**IAS 17**		**Change y-o-y**	**IFRS 16**		**Change y-o-y**
	2020	**2019**		**2020**	**2019**	
Payroll expenses	**26 261**	**23 438**	**+12.0%**	**26 261**	**23 438**	**+12.0%**
Payroll expenses, %	*6.3%*	*6.4%*	*(0.1 p.p.)*	*6.3%*	*6.4%*	*(0.1 p.p.)*
Lease expenses	**21 806**	**22 300**	**(2.2%)**	**3 656**	**4 170**	**(12.3%)**
Lease expenses, %	*5.2%*	*6.1%*	*(0.9 p.p.)*	*0.9%*	*1.1%*	*(0.3 p.p.)*
Advertising and marketing	**5 781**	**6 025**	**(4.0%)**	**5 688**	**5 914**	**(3.8%)**
Advertising and marketing, %	*1.4%*	*1.6%*	*(0.3 p.p.)*	*1.4%*	*1.6%*	*(0.3 p.p.)*
Bank charges	**4 346**	**3 141**	**+38.4%**	**4 346**	**3 141**	**+38.4%**
Bank charges, %	*1.0%*	*0.9%*	*+0.2 p.p.*	*1.0%*	*0.9%*	*+0.2 p.p.*
Warehousing services	**4 174**	**3 332**	**+25.3%**	**2 460**	**1 903**	**+29.3%**
Warehousing services, %	*1.0%*	*0.9%*	*+0.1 p.p.*	*0.6%*	*0.5%*	*+0.1 p.p.*
Security	**2 008**	**2 135**	**(5.9%)**	**2 008**	**2 135**	**(5.9%)**
Security, %	*0.5%*	*0.6%*	*(0.1 p.p.)*	*0.5%*	*0.6%*	*(0.1 p.p.)*
Repairs and maintenance	**2 006**	**2 342**	**(14.3%)**	**2 006**	**2 342**	**(14.3%)**
Repairs and maintenance, %	*0.5%*	*0.6%*	*(0.2 p.p.)*	*0.5%*	*0.6%*	*(0.2 p.p.)*

Other expenses	**8 299**	**7 007**	**+18.4%**	**8 299**	**7 001**	**+18.5%**
Other expenses, %	*2.0%*	*1.9%*	*+0.1 p.p.*	*2.0%*	*1.9%*	*+0.1 p.p.*
SG&A (excl. D&A)	**74 682**	**69 720**	**+7.1%**	**54 723**	**50 044**	**+9.4%**
SG&A (excl. D&A), %	*17.9%*	*19.1%*	*(1.2 p.p.)*	*13.1%*	*13.7%*	*(0.6 p.p.)*
D&A	**8 194**	**7 047**	**+16.3%**	**24 094**	**22 502**	**+7.1%**
D&A, %	*2.0%*	*1.9%*	*+0.0 p.p.*	*5.8%*	*6.2%*	*(0.4 p.p.)*
Total SG&A	**82 876**	**76 767**	**+8.0%**	**78 818**	**72 546**	**+8.6%**
Total SG&A, %	*19.8%*	*21.0%*	*(1.2 p.p.)*	*18.9%*	*19.9%*	*(1.0 p.p.)*

EBITDA

Adjusted EBITDA[4] rose by 6.5% year-on-year to RUB 28,474 million, while Adjusted EBITDA margin dropped by 0.5 p.p. year-on-year to 6.8% in FY 2020. Adjusted EBITDA rose due to higher revenue and was also driven by the efficient management of selling, general and administrative (SG&A) expenses (excluding depreciation and amortization), which declined, as a percentage of revenue, by 1.2 p.p. to 17.9%. The year-on-year decline in Adjusted EBITDA margin is also attributable to a number of drivers described above in the gross margin section. Adjusted EBITDA margin for FY 2020 remained above the average for recent years and closer to the top of the range of 5-7% set out in the Group's strategy to 2025, despite the impact of the extraordinary events of 2020.

NET PROFIT

The Group's Adjusted net profit[5] increased by 9.3% year-on-year to RUB 12,212 million in 2020 compared to RUB 11,178 million in 2019 as a result of revenue growth and the above-mentioned efficiency improvements.

LEVERAGE

As of December 31, 2020, the Group's total debt had decreased by RUB 1,481 million compared to December 31, 2019 and amounted to RUB 47,928 million. Cash and cash equivalents as at the end of the reporting period increased by RUB 2,707 million vs December 31, 2019 to RUB 7,445 million. The Group's net debt declined by RUB 4,188 million during the year to RUB 40,483 million as of December 31, 2020. All of the Group's debt is denominated in rubles.

As a result, net debt / Adjusted EBITDA[4] as of December 31, 2020 was 1.42x, down by 0.25x compared to December 31, 2019.

BUSINESS OVERVIEW AND KEY EVENTS AFTER THE REPORTING DATE

- The Company plans not to take into account one-off expenses incurred in 2020 when preparing its recommendations to shareholders on distribution of profit and payment of dividends. This decision reflects the management's confidence in the Group's ability to successfully navigate the transformation period, to generate significant free cash flow and to continue creating value for shareholders through a combination of sustainable business growth and shareholder returns by distributing regular and substantial dividends.
- In the first two months of 2021, the Group continued to demonstrate strong GMV[6] growth, which exceeded 24% year-on-year. The number of OneRetail customers[7] has increased by more than 40% YTD to 11.1 mln representing 57% of the total number of identified active customers. The Group also notes the continuing increase in sales of services and accessories and a rise in credit sales, including as a result of online deferred payment services being launched on the web and mobile platforms. The ten best-selling categories in February included smartphones, TVs, laptops, refrigerators, washing machines, vacuum cleaners, computers, robotic vacuum cleaners, coffee machines, and smart watches.
- In January, the Board of Directors approved of the new dividend policy, according to which M.Video-Eldorado plans to allocate no less than 100% of its net profit, excluding the share of profit (loss) of associates and joint ventures under IAS 17, for semi-annual dividend payments.

- In February 2021, the Group presented its new medium-term strategy, which aims to double the size of the business to RUB 1 trillion GMV[6] by 2025; maintain its EBITDA margin within the range of 5%-7%; pay dividends at a level of 100% of net profit excluding the share of profit (loss) of associates and joint ventures while maintaining net debt / EBITDA at or below 2.0x.

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

The implementation of IFRS 16, which came into effect on 1 January 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 accounting treatment of leased vehicles. The Group's gross profit under IFRS 16 increased to RUB 97,335 million in 2020 compared to RUB 97,275 million under IAS 17 over the same period. The gross margin in 2020 amounted to 23.3% under both standards.

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 debt on the Company's balance sheet and treated as interest expenses in the statement of profit or loss.

In 2020, lease and utility expenses under IFRS 16 were lower by RUB 18,150 million. The Group's adjusted EBITDA[4] under IFRS 16 increased to RUB 48,618 million in 2020 compared to RUB 28,474 million under IAS 17 over the same period. In 2020, the adjusted EBITDA margin[4] under IFRS 16 amounted to 11.6%, which is 4.8 percentage points higher than that of 6.8% under IAS 17.

Effect on net profit

The Group's net profit in 2020 was affected by RUB 15,900 million of additional expenses arising from 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 6,464 million in 2020 due to additional interest expenses on lease liabilities. 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 profit[5] under IFRS 16 amounted to RUB 10,287 million in 2020 compared to RUB 12,212 million under IAS 17 over the same period. In 2020, the adjusted net margin[5] under IFRS 16 amounted to 2.5% vs 2.9% under IAS 17.

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 in a way that it classifies principal lease payments as financing activities, prepayments as investing activities, and interest payments as interest paid in operating activities.

The audited consolidated financial statements, prepared in accordance with the International Financial Reporting Standards (IFRS) for the twelve months ending December 31, 2020 are posted on the Group's corporate website at:

https://www.mvideoeldorado.ru/ru/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[6] exceeded RUB 500 billion including VAT at the end of 2020, and it is currently the only Russian consumer electronics retailer whose shares are publicly traded. The company's shares are listed on Moscow Exchange (Ticker: MVID).

As of December 31, 2020, the Group had stores across more than 250 Russian cities, with 542 and 532 stores under the M.Video and Eldorado brands, respectively. Overall selling space was 1,475 thousand square meters, while total floor space was 2,015 thousand square meters.

Investor Relations team:

Maxim Novikov
IR Director
maxim.novikov@mvideo.ru
Tel: +7 (495) 644 28 48, ext. 1425

Timur Akhmedzhanov
Investor Relations
timur.akhmedzhanov@mvideo.ru
Tel: +7 (495) 644-28-48, ext. 1384

Media Relations team:

Valeriya Andreeva
Head of PR
valeriya.andreeva@mvideo.ru
Tel: +7 (495) 644 28 48, ext. 7386

Andrey Petrov
pr@mvideo.ru
Tel: +7 (495) 787-78-00 ext. 3635

Ekaterina Chuprak
pr@mvideo.ru
Tel: +7 (495) 644 28 48, ext. 7102

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[1] *Hereinafter financial results of M.Video-Eldorado Group are presented in accordance with IAS 17 standard, unless stated otherwise.*

[2] *The total online sales of M.Video-Eldorado Group take into account all sales to authorized customers that take place on the internet, including home delivery and pickup, as well as sales registered in stores 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 logged in and made at least one purchase through any sales channel during the year.*

[4] *Hereinafter EBITDA is adjusted for one-off expenses in the amount of RUB 1,598 million for implementing measures to counter the spread of coronavirus (COVID-19) and a one-off compensation authorized by the Board of Directors for successful implementation of crisis management measures related to COVID-19 and the effective transfer of management to the new CEO.*

[5] *Hereinafter net profit is adjusted for the share of loss of an associate and a joint venture (2019: RUB 1 953 mln, 2020: RUB 2 468 mln) and for one-off expenses in the amount of RUB 1,278 mn (RUB 1,598 million pre-tax) for implementing measures to counter the spread of coronavirus (COVID-19) and a one-off compensation (including taxes) authorized by the Board of Directors for successful implementation of crisis management measures related to COVID-19 and the effective transfer of management to the new CEO.*

[6] *GMV (gross merchandise value) includes in-store purchases (including those from pick-up points), paid and delivered online orders, and paid orders shipped from warehouses to corporate customers. Offline and online purchases can be made by both individuals and legal entities. GMV includes own and agency sales of goods and services. GMV includes VAT and is net of discounts granted to customers and returns made during the reporting period. GMV does not constitute the Company's revenue.*

[7] *The Company defines One Retail customers as those who signed in and made at least one purchase during the year through the web platform or mobile platform, including customer and consultant apps.*