

M.Video-Eldorado Group's revenue increased by 13% to RUB 476 billion in 2021, EBITDA margin amounted to 5.8%

March 5, 2022, 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 audited consolidated financial results under International Financial Reporting Standards (IFRS) for the twelve months ended December 31, 2021.

"Dear customers, investors and partners,

The current situation poses new challenges for individuals and society, as well as to the Russian economy and business community. During its nearly 30-year history, M.Video-Eldorado has accumulated a wealth of experience in operating within various environments and has always prioritized business sustainability, transparency with respect to its customers, partners, and shareholders, and the safety, security and well-being of its employees.

In response to the latest external developments, we are leveraging all our expertise, knowledge, and skills to support the further development of the Russian consumer electronics market and protect the interests of our customers and employees in these uncertain times.

At present, the stores and online platforms of both brands of the Group are operating as usual, considering the restrictions introduced within the past week, and we are focusing on providing customers with the reasonable and competitive price offers. M.Video-Eldorado has vast customer base, strong relationships with international suppliers, unique retail and IT infrastructure and maintains a continuous dialogue with all major technology manufacturers in order to ensure a stable supply across various potential scenarios. In addition, we are in discussions with our financial partners regarding the formats and tools that would properly support the needs of our business this year.

Amid ongoing uncertainty and market volatility, we have decided to cancel our management conference call on the Company's 2021 results. We also plan to review our guidance for this year and the mid-term after the situation has a chance to stabilize, and once we have had a chance to analyze potential scenarios of how things may develop. Throughout this time, we will remain in touch with all our stakeholders and will be happy to answer any questions you might have.

Enrique Fernandez, CEO of M.Video-Eldorado Group

KEY EVENTS AFTER THE REPORTING DATE

- M.Video-Eldorado Group is currently proceeding with all its offline and online business operations, bearing in mind the applicable restrictions. In February 2022, the Group's GMV grew by 35% year-on-year.
- Against the backdrop of the current geopolitical situation, we have seen a significant rise in volatility in the stock and currency markets since February 2022. These events are highly likely to affect the activities of Russian institutions in various sectors of the economy. As part of the publication of its 2021 financial results, the Group considers the current situation to be non-corrective events after the reporting period, the quantitative effect of which is difficult to assess in full at this point in time. Given the current ruble volatility and a number of macroeconomic factors that create a high level of uncertainty, the Group will avoid short-term and long-term forecasts for both operating and financial performance at this time. The

Group's management is currently analyzing the potential impact of micro- and macroeconomic conditions on its future operational and financial performance and does not rule out revising its previously stated goals, which will be communicated additionally.

- The Group has a long history of partnership with most of manufacturers. The Company typically replenishes its inventories taking into account multiple market trends, and at present the Company's assortment is sufficient to meet market demand. The Group maintains a constant dialogue with all of its vendors, distributors and partners in order to ensure that its customers will be able to purchase all of the household appliances and electronics they need at affordable prices.
- M.Video-Eldorado prioritizes safety, security and well-being of its employees. The Company will make every effort to retain employment while taking into account the Company's financial resilience and the stability of its business operations. To support its employees who are experiencing emotional strain, M.Video-Eldorado Group provides unlimited individual psychological aid through telemedicine consultations, webinars, networking sessions, emotional support volunteers, and a corporate email hotline.

2021 M.VIDEO-ELDORADO GROUP FINANCIAL HIGHLIGHTS¹

- **The Group's revenue** increased by 12.9% year-on-year to RUB 476,364 million.
- **Gross profit²** decreased by 4.0% year-on-year to RUB 95,191 million (RUB 95,250 million under IFRS 16), while gross margin stood at 20.0%.
- **Selling, general and administrative expenses (SG&A), excluding depreciation and amortization**, totaled RUB 77,872 million (RUB 61,855 million under IFRS 16) and as a percentage of revenue amounted to 16.3%.
- **The Group's EBITDA** increased 2.3% year-on-year to RUB 27,495 million (RUB 43,656 million under IFRS 16). **EBITDA margin** totaled 5.8% (9.2% under IFRS 16).
- **The Group's adjusted EBITDA** fell 38.8% year-on-year to RUB 17,414 million (RUB 33,576 million under IFRS 16). **Adjusted EBITDA margin** totaled 3.7% (7.0% under IFRS 16).
- **The Group's net profit³** totaled RUB 8,651 million (RUB 3,325 million under IFRS 16).
- **The Group's net debt** as of December 31, 2021 stood at RUB 57,085 million (up 41.0% vs. December 31, 2020), with net debt / adjusted EBITDA at 2.06x (vs. 1.44x as of December 31, 2020).

M.VIDEO-ELDORADO GROUP'S KEY AUDITED CONSOLIDATED FINANCIAL HIGHLIGHTS FOR FY 2021

RUB million (excl. VAT)	IAS 17		Change y-o-y	IFRS 16		Change y-o-y
	2021	2020		2021	2020	
Revenue	476,364	422,089	12.9%	476,364	422,089	12.9%
Gross profit²	95,191	99,187	-4.0%	95,250	99,245	-4.0%
<i>Gross margin², %</i>	<i>20.0%</i>	<i>23.5%</i>	<i>-3.5 p.p.</i>	<i>20.0%</i>	<i>23.5%</i>	<i>-3.5 p.p.</i>
EBITDA	27,495	26,876	2.3%	43,656	47,021	-7.2%
<i>EBITDA margin, %</i>	<i>5.8%</i>	<i>6.4%</i>	<i>-0.6 p.p.</i>	<i>9.2%</i>	<i>11.1%</i>	<i>-1.9 p.p.</i>
Adjusted EBITDA	17,414	28,474	-38.8%	33,576	48,620	-30.9%
<i>Adjusted EBITDA margin, %</i>	<i>3.7%</i>	<i>6.7%</i>	<i>-3,1 p.p.</i>	<i>7.0%</i>	<i>11.5%</i>	<i>-4.5 p.p.</i>
Net profit³	8,651	10,934	-20.9%	3,325	9,009	-63.1%
<i>Net margin³</i>	<i>1.8%</i>	<i>2.6%</i>	<i>-0.8 p.p.</i>	<i>0.7%</i>	<i>2.1%</i>	<i>-1.4 p.p.</i>

REVENUE

In 2021, the Group's revenue increased by 12.9% year-on-year to RUB 476,364 million, driven by:

- the solid growth in total online sales⁴ (+28.8% year-on-year), an increasing number of OneRetail customers⁵ (+23.4% year-on-year) who have a higher average ticket and purchase frequency, and a 67.1% increase in mobile platform turnover on the back of new customer acquisition, the movement of users from the website to mobile solutions, and the launch and upgrade of new and existing digital products to enhance customer experience and monetization;
- the chain expansion by 184 new stores and access to more than 90 new cities;
- the strengthening of the Group's position in premium and innovative consumer electronics categories through assortment management and retail format adjustments. The share of premium and innovative products increased to 22.2% of the Group's total GMV;
- increased demand for durable household appliances and home office equipment due to continued remote or hybrid work and study arrangements for many people in large cities throughout 2021, as well as soaring demand for smartphones, other mobile ecosystem products, accessories and complementary items;
- a 2.4-fold expansion in the range of household appliances and consumer electronics to about 185,000 SKUs due to an increase in direct contracts with suppliers, the launch of new private label products and white label integration with SberMegaMarket (formerly goods.ru);
- continued growth in sales of services (+38%), including sales of certificates (+43%), insurance (+38%) and digital services (+35%).

GROSS PROFIT

The Company's gross profit² in the reporting period declined by 4.0% year-on-year to RUB 95,191 million, while gross margin dropped by 3.5 p.p. year-on-year to 20.0% due to:

- increased scope of the Group's promos amid rising price pressure from competitors in the online segment;
- 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;
- the continuously growing share of digital categories in the demand mix (smartphones, laptops and other home office equipment), with margins below the Group average;
- increasing logistics costs in procurement prices.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

Selling, general and administrative expenses (SG&A), excluding depreciation and amortization, amounted to RUB 77,872 million, having declined as a percentage of revenue by 0.8 p.p. year-on-year to 16.3%. The decline was primarily attributable to payroll expenses on the back of the high 2020 base and lease expenses following changes in lease accounting estimates.

Key drivers behind changes in OPEX:

- a decline in payroll expenses as a percentage of revenue, which went down by 0.4 p.p. to 5.9% on the back of the high 2020 base following a one-off compensation of RUB 1.3 billion authorized by the Board of Directors for successful implementation of the crisis management project related to COVID-19;
- a decrease in lease and utility expenses as a percentage of revenue, which went down by 1.2 p.p. to 4.0% following changes in lease accounting estimates. The Group reviewed lease agreements which were subject to a straight line adjustment (SLA) for smooth recognition of lease expenses. Having renegotiated

lease terms *en masse* in 2020, the Group found no grounds to further apply such an adjustment, deeming it reasonable and necessary to write off the accrued expenses;

- an increase in advertising and marketing expenses as a percentage of revenue, which went up by 0.3 p.p. to 1.7% due to the low 2020 base, with some projects put on hold amid the pandemic, and also impacted by rising price competition, the Group's regional expansion and the development of new customer services;
- a rise in expenses on warehousing services as a percentage of revenue, which went up by 0.1 p.p. to 1.1%, driven by an increase in storage volumes in leased distribution centers to maintain sales coupled with an increase in tariffs by third-party operators for storing and processing inventory;
- an increase in repair and maintenance expenses, which went up by 0.1 p.p. to 0.5% following the store network expansion and cost optimization tied to the COVID-19 pandemic in 2020;
- a rise in other expenses, which went up by 0.2 p.p. to 1.6% due to the low 2020 base following the pandemic-driven cost optimization (including IT, office, packaging and materials), and growth in legal and advisory fees (including strategy development, sale of goods.ru, SPO and acquisition of Direct Credit).

Depreciation and amortization expenses in the reporting period increased from RUB 8,194 million in 2020 to RUB 8,867 million in 2021 due to investments in the retail chain and IT infrastructure.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (SG&A)

RUB million (excl. VAT)	IAS 17		Change y-o-y	IFRS 16		Change y-o-y
	2021	2020		2021	2020	
Payroll expenses	27,921	26,261	6.3%	27,921	26,261	6.3%
<i>Payroll expenses, %</i>	5.9%	6.2%	-0.4 p.p.	5,9%	6.2%	-0.4 p.p.
Lease expenses	19,125	21,807	-12.3%	4,701	3,656	28.6%
<i>Lease expenses, %</i>	4.0%	5.2%	-1.2 p.p.	1,0%	0.9%	+0.1 p.p.
Advertising and marketing	8,078	5,783	39.7%	7,963	5,688	40.0%
<i>Advertising and marketing, %</i>	1.7%	1.4%	+0.3 p.p.	1,7%	1.3%	+0.3 p.p.
Bank charges	5,085	4,346	17.0%	5,085	4,346	17.0%
<i>Bank charges, %</i>	1.1%	1.0%	+0.0 p.p.	1,1%	1.0%	+0.0 p.p.
Warehousing services	5,057	4,174	21.2%	3,578	2,460	45.5%
<i>Warehousing services, %</i>	1.1%	1.0%	+0.1 p.p.	0,8%	0.6%	+0.2 p.p.
Security	2,320	2,008	15.5%	2,320	2,008	15.5%
<i>Security, %</i>	0.5%	0.5%	+0.0 p.p.	0,5%	0.5%	+0.0 p.p.
Repairs and maintenance	2,590	2,018	28.3%	2,590	2,006	29.1%
<i>Repairs and maintenance, %</i>	0.5%	0.5%	+0.1 p.p.	0,5%	0.5%	+0.1 p.p.
Other expenses	7,696	5,965	29.0%	7,696	5,977	28.8%
<i>Other expenses, %</i>	1.6%	1.4%	+0.2 p.p.	1,6%	1.4%	+0.2 p.p.
SG&A (excl. D&A)	77,872	72,362	7.6%	61,855	52,402	18.0%
<i>SG&A (excl. D&A), %</i>	16.3%	17.1%	-0.8 p.p.	13.0%	12.4%	+0.6 p.p.
D&A	8,867	8,194	8.2%	25,337	24,094	5.2%
<i>D&A, %</i>	1.9%	1.9%	-0.1 p.p.	5.3%	5.7%	-0.4p.p.
Total SG&A	86,739	80,556	7.7%	87,192	76,496	14.0%
<i>Total SG&A, %</i>	18.2%	19.1%	-0.9 p.p.	18.3%	18.1%	+0.2p.p.

EBITDA and adjusted EBITDA

EBITDA went up by 2.3% year-on-year to RUB 27,495 million, while EBITDA margin dropped by 0.6 p.p. year-on-year to 5.8% in 2021. The year-on-year decline in EBITDA margin was driven by a lower gross margin due to a number of factors described in the gross profit section above. EBITDA in 2021 includes one-off expenses and income: income from revaluation and sale of goods.ru, income from the write-off of the subsidized loan obtained in 2020 as part of the government program to support companies most affected by COVID-19, changes in accounting estimates for net realizable value (NRV) provision, and expenses associated with personal protective equipment. The total effect from one-off expenses and income on EBITDA amounted to RUB 10,080 million in 2021. EBITDA adjusted for these one-off items amounted to RUB 17,414 million in 2021.

NET PROFIT

The Group's net profit³ declined by 20.9% year-on-year from RUB 10,934 million in 2020 to RUB 8,651 million in 2021, mainly driven by a lower gross margin and higher financial expenses on the back of growth in the loan portfolio, which was partially offset by funding cost optimization thanks to a successful bond issue.

LEVERAGE

As of December 31, 2021, the Group's total debt increased by RUB 21,209 million to RUB 69,138 million, including as a result of higher investments in digital transformation and the Group's accelerating expansion into new cities and towns. Cash and cash equivalents as at the end of the reporting period increased by RUB 4,608 million year-on-year to RUB 12,053 million. The Group's net debt rose by RUB 16,601 million to RUB 57,085 million. All of the Group's debt is denominated in rubles. The average loan portfolio rate remained far below the Bank of Russia's key rate throughout 2021.

As a result, net debt / EBITDA as of December 31, 2021, was 2.06x, up by 0.62x year-on-year.

OTHER EVENTS AFTER THE REPORTING DATE

- The Board of Directors of PJSC M.video approved the appointment of Enrique Fernandez as the CEO of M.Video-Eldorado Group effective as of January 18, 2022. Mr. Fernandez will continue to implement the OneRetail strategy and focus on achieving operational excellence, ensuring the highest service quality, developing the human capital and strengthening the leading market positions of the Group. He will remain a member of the Board of Directors.
- The Board of Directors of PJSC M.video approved Sergey Li as Managing Director of OneRetail effective as of February 1, 2022. Sergey Li will be responsible for implementing a development strategy for both brands using a customer-centric approach, as well as for managing day-to-day operations in retail, customer service, marketing, mobile platform and other e-commerce activities within the Company. He will report directly to Enrique Fernandez, CEO of M.Video-Eldorado Group.
- The Board of Directors of PJSC M.video appointed Irina Ivanova to the position of Director for Organizational Transformation and Human Resources at M.Video-Eldorado Group. Beginning March 1, 2022, Irina oversees the Group's HR processes and the Company's ongoing digital transformation to deliver a new level of operating efficiency. She will report directly to Enrique Fernandez, CEO of M.Video-Eldorado Group.
- M.Video-Eldorado Group became the first Russian company to be recognized as a Top Employer by the reputable international organization Top Employers Institute.
- M.Video-Eldorado Group became one of the co-founders of the National ESG Alliance, a group of leading Russian companies working to advance the ESG transition. Alexander Tynkovan, the founder of M.Video and Chairman of M.Video-Eldorado's Board of Directors, was elected to ESG Alliance's collective governance body, the Supervisory Board, to manage strategic objectives and determine the Alliance's key areas of development.

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 accounting treatment of leased vehicles. The Group's gross profit under IFRS 16 amounted to RUB 95,250 million in 2021 compared to RUB 95,191 million under IAS 17 over the same period. The gross margin in 2021 amounted to 20.0% 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 the Company's balance sheet debt as well as loan interest expenses in the income statement.

In 2021, lease and utility expenses under IFRS 16 decreased by RUB 14,424 million. The Group's EBITDA under IFRS 16 increased to RUB 43,656 million in 2021 compared to RUB 27,495 million under IAS 17 over the same period. In 2021, EBITDA margin under IFRS 16 was 9.2%, which is 3.4 p.p. higher than EBITDA margin of 5.8% under IAS 17.

Effect on net profit

The Group's net profit³ in 2021 was affected by RUB 16,470 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 6,347 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 net profit³ under IFRS 16 amounted to RUB 3,325 million in 2021 compared to RUB 8,651 million of net profit³ under IFRS 17 over the same period. The net margin³ under IFRS 16 and under IFRS 17 in 2021 was 0.7% and 1.8%, 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 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 International Financial Reporting Standards (IFRS) for the twelve months ended December 31, 2021 are available 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) a leading Russian e-commerce and consumer electronics retailer that unites the M.Video and Eldorado brands. The Group's GMV exceeded RUB 570 billion including VAT at the end of 2021.

As at December 31, 2021, the Group had stores across more than 370 Russian cities, with 599 and 659 stores under the M.Video and Eldorado brands, respectively. Total floor space was 2,147 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 23.8% free float. Said Gutseriev directly or indirectly controls 60.4% of the share capital of PJSC M.video, 15% is held by Media-Saturn-Holding GmbH, and another 0.8% is held by MVM LLC, a 100% subsidiary of PJSC M.video.

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

² Hereinafter gross profit does not include one-off changes in accounting estimates for net realizable value (NRV) provision. The total effect from these one-off expenses on gross profit amounted to -RUB 304 million in 2021.

³ Hereinafter net profit includes one-off expenses and income (including income tax): income from revaluation and sale of goods.ru, income from the write-off of the subsidized loan obtained in 2020 as part of the government program to support companies most affected by COVID-19, and expenses associated with personal protective equipment. The total effect from one-off expenses and income on net profit amounted to RUB 8,568 million in 2021.

⁴ Total online sales of M.Video-Eldorado Group, in line with its OneRetail strategy, 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 at M.Video stores.

⁵ The Company defines OneRetail 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.