

## X5 REPORTS 13.2% REVENUE GROWTH IN 2019 SUPERVISORY BOARD RECOMMENDS DIVIDENDS OF RUB 110.47 PER GDR

- ✓ In 2019, X5 delivered 13.2% year-on-year (y-o-y) revenue growth. X5 once again delivered the highest LFL and revenue growth among listed Russian retailers.
- ✓ Gross margin under IAS 17 improved by 43 b.p. y-o-y to 24.6% (24.9% under IFRS 16) in 2019, mainly driven by decreasing shrinkage and improved logistics efficiency.
- ✓ Adjusted EBITDA<sup>(1)</sup> margin under IAS 17 improved by 18 b.p. y-o-y to 7.3% in 2019 (12.4% under IFRS 16), reflecting gross margin expansion.
- ✓ Adjusted net profit<sup>(2)</sup> margin under IAS 17 totalled 2.1% in 2019 (1.7% under IFRS 16), up from 1.9% in 2018.
- ✓ The net debt/EBITDA ratio under IAS 17 was 1.71x (3.28x under IFRS 16) as of 31 December 2019. Weighted average effective interest rate for X5's debt portfolio in 2019 was 7.94%, down 45 b.p. from the 2018 level.
- ✓ In line with the Company's dividend policy, the X5 Supervisory Board recommended a 2019 dividend of RUB 30.0 billion, or RUB 110.47 per GDR, which represents 115.8% of consolidated net profit under IAS 17 or 153.8% under IFRS 16.

**Amsterdam, 19 March 2020** - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE and MOEX ticker: FIVE), today released its 2019 Annual Report, including audited financial statements prepared in accordance with International Financial Reporting Standards, as adopted in the European Union.

X5 Chief Executive Officer Igor Shekhterman said:

*"X5's revenue grew by 13.2% year-on-year in 2019, reaching an 11.5% share of the food retail market while increasing the focus on customer feedback, LFL performance and development of new business lines. Our positive LFL performance in each quarter of 2019 was possible thanks to our strong retail brands and the greater loyalty of our client base as we continued to invest in our customers, as well as deliver improvements in key areas like assortment and in-store services.*

*"Having slowed our organic expansion, we maintained our focus on costs, with shrinkage continuing to decline at Pyaterochka and new technologies helping to cut energy consumption and improve waste management. Our investments in personnel yielded positive results, as displayed in lower shrinkage levels and improving NPS across our formats. For the first time in the Company's history, X5 achieved a personnel turnover ratio in line with the best food retail market benchmarks.*

*"Pyaterochka and Perekrestok updated their CVPs and have approved new store concepts that will be rolled out from 2020. These concepts focus on what our customers want most: further expansion of fresh categories, as well as healthy lifestyles and a comfortable shopping experience. Our online supermarket Perekrestok.ru grew revenue by 234% year-on-year, and the 5Post parcel delivery service continued its development.*

*"The number of loyalty cards issued increased by 50% year-on-year and our 40.6 million active cardholders generated 55% of 2019 traffic and contributed 70% of revenue. We have introduced more customer feedback tools and started to feed customer ratings of products into our assortment decisions, especially for new private label goods. The share of private label goods increased to 13.9% of proximity and 7.9% of supermarket revenue in 2019. We also continued to introduce new ready-to-eat options to our assortment mix, including from our own smart kitchen.*

*"With the approval of X5's sustainable development strategy in December 2019, we are now working on integrating sustainability goals into our overall strategy. We already have significant achievements across a range of environmental, social and governance issues, reflecting our mission of creating sustainable value for all of our stakeholders.*

*"The start of 2020 has been challenging with the spread of coronavirus and the fall in oil prices. We believe that our direct exposure to fx risk is limited: X5's debt portfolio is 100% rouble-denominated, less than 5% of our purchases are made via direct imports, under 20% of our capex is fx-linked and less than 2% of our operating expenses are exposed for foreign currencies. Our supply chain and logistics operations are also well-prepared to deal with potential challenges posed by COVID-19. However other effects, such as the impact from measures that may be taken in the future to prevent the spread of the virus, cannot be readily determined."*

(1) Adjusted EBITDA is EBITDA before costs related to the LTI programme, share-based payments, other one-off remuneration payments expense and the one-off impact of the Karusel transformation.

(2) Adjusted net profit is net profit before one-off impacts from Karusel transformation (mainly due to impairment of non-current assets) and tax accruals related to previous periods, including X5 reorganisation.

(3) Gross amount subject to taxes and fees

## Profit and loss statement highlights<sup>(4)</sup>

Russian Rouble (RUB), million (mln)	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q4 2019	Impact on Q4 2019*	Q4 2019	Q4 2018	change, y-o-y, %	FY 2019	Impact on FY 2019*	FY 2019	FY 2018	change, y-o-y, %
<b>Revenue</b>	<b>469,217</b>	-	<b>469,217</b>	<b>422,955</b>	<b>10.9</b>	<b>1,734,347</b>	-	<b>1,734,347</b>	<b>1,532,537</b>	<b>13.2</b>
incl. net retail sales <sup>(5)</sup>	467,299	-	467,299	420,883	11.0	1,727,714	-	1,727,714	1,525,015	13.3
Pyaterochka	364,210	-	364,210	326,513	11.5	1,366,657	-	1,366,657	1,197,772	14.1
Perekrestok	78,793	-	78,793	67,215	17.2	273,181	-	273,181	230,848	18.3
Karusel	24,296	-	24,296	26,095	(6.9)	87,397	-	87,397	90,818	(3.8)
<b>Gross profit</b>	<b>113,985</b>	<b>1,744</b>	<b>112,241</b>	<b>101,780</b>	<b>10.3</b>	<b>432,479</b>	<b>6,681</b>	<b>425,798</b>	<b>369,720</b>	<b>15.2</b>
Gross profit margin, %	24.3	37 b.p.	23.9	24.1	(14) b.p.	24.9	39 b.p.	24.6	24.1	43 b.p.
<b>Adj. EBITDA</b>	<b>54,622</b>	<b>23,217</b>	<b>31,405</b>	<b>30,387</b>	<b>3.4</b>	<b>215,720</b>	<b>88,340</b>	<b>127,380</b>	<b>109,871</b>	<b>15.9</b>
Adj. EBITDA margin, %	11.6	495 b.p.	6.7	7.2	(49) b.p.	12.4	509 b.p.	7.3	7.2	18 b.p.
<b>Operating profit</b>	<b>18,587</b>	<b>7,978</b>	<b>10,609</b>	<b>15,316</b>	<b>(30.7)</b>	<b>89,398</b>	<b>29,147</b>	<b>60,251</b>	<b>58,154</b>	<b>3.6</b>
Oper. profit margin, %	4.0	170 b.p.	2.3	3.6	(136) b.p.	5.2	168 b.p.	3.5	3.8	(32) b.p.
<b>Net profit/(loss)</b>	<b>(907)</b>	<b>(1,772)</b>	<b>865</b>	<b>6,242</b>	<b>(86.1)</b>	<b>19,507</b>	<b>(6,401)</b>	<b>25,908</b>	<b>28,642</b>	<b>(9.5)</b>
Net profit margin, %	(0.2)	(38) b.p.	0.2	1.5	(129) b.p.	1.1	(37) b.p.	1.5	1.9	(38) b.p.

\* For more details on the impact of IFRS 16 please refer to page 7.

Note: The financial measures under IAS 17 are used in this press release as upon adoption of IFRS 16 management continued to apply IAS 17 for leases for performance assessment purposes mainly due to the absence of comparatives under IFRS 16. The reconciliation of IAS 17 and IFRS 16 figures is presented below in the section "Effect of IFRS 16 on X5 Retail Group's financial statements".

## Net retail sales

Total net retail sales growth reached 11.0% y-o-y in Q4 2019, driven by positive like-for-like (LFL) sales<sup>(6)</sup> and selling space expansion.

## Selling space by format, square meters (sq. m)

	As at 31-Dec-19	As at 31-Dec-18	change vs 31-Dec-18, %
Pyaterochka	5,975,147	5,291,421	12.9
Perekrestok	899,893	781,538	15.1
Karusel	364,077	382,024	(4.7)
<b>X5 Retail Group</b>	<b>7,239,117</b>	<b>6,463,735</b>	<b>12.0</b>

## Q4 & FY 2019 LFL store performance by format, % change y-o-y

In Q4 2019, LFL sales performance remained strong at 2.3% y-o-y.

	Q4 2019			FY 2019		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	2.0	1.9	0.1	3.7	1.9	1.8
Perekrestok	5.9	3.1	2.7	7.3	5.0	2.3
Karusel	(3.9)	(7.5)	3.9	(0.3)	(4.5)	4.5
<b>X5 Retail Group</b>	<b>2.3</b>	<b>1.8</b>	<b>0.5</b>	<b>4.0</b>	<b>2.0</b>	<b>1.9</b>

For more details on net retail sales growth please refer to X5's [Q4 2019 Trading Update](#).

- (4) Please note that in this and other tables, and in the text of this press release, immaterial deviations in the calculation of % changes, subtotals and totals are due to rounding.
- (5) Net retail sales represents revenue from the operations of X5-managed stores net of VAT. This number differs from revenue, which includes proceeds from wholesale operations, direct franchisees (royalty payments) and other revenue.
- (6) LFL comparisons of retail sales between two periods are comparisons of retail sales in local currency (including VAT) generated by the relevant stores. The stores that are included in LFL comparisons are those that have operated for at least 12 full months. Their sales are included in the LFL calculation starting from the day of the store's opening. We include all stores that fit our LFL criteria in each reporting period.

## Gross profit margin

The gross profit margin under IAS 17 decreased by 14 b.p. y-o-y to 23.9% in Q4 2019. The decrease was due to a decline in the commercial margin as a result of targeted price investments, which was partially offset by successful measures to decrease shrinkage levels, and also reflected the declining food inflation trend over the quarter.

The gross profit margin for the full year 2019 improved by 43 b.p. under IAS 17, driven predominantly by a reduction of shrinkages as a result of operating improvements, and also supported by improvements in commercial margin and lower cost of logistics due to the growing scale of the business.

## Selling, general and administrative (SG&A) expenses (excl. D&A&I and impact from Karusel transformation)

RUB mln	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q4 2019	Impact on Q4 2019*	Q4 2019	Q4 2018	change, y-o-y, %	FY 2019	Impact on FY 2019*	FY 2019	FY 2018	change, y-o-y, %
<b>Staff costs</b>	<b>(38,902)</b>	-	<b>(38,902)</b>	<b>(32,786)</b>	<b>18.7</b>	<b>(141,123)</b>	-	<b>(141,123)</b>	<b>(119,883)</b>	<b>17.7</b>
% of Revenue	8.3	-	8.3	7.8	54 b.p.	8.1	-	8.1	7.8	31 b.p.
incl. LTI and share-based payments	(1,647)	-	(1,647)	(586)	181.1	(2,838)	-	(2,838)	(2,243)	26.5
staff costs excl. LTI	7.9	-	7.9	7.6	33 b.p.	8.0	-	8.0	7.7	30 b.p.
<b>Lease expenses</b>	<b>(2,020)</b>	<b>20,374</b>	<b>(22,394)</b>	<b>(19,848)</b>	<b>12.8</b>	<b>(7,949)</b>	<b>78,101</b>	<b>(86,050)</b>	<b>(75,392)</b>	<b>14.1</b>
% of Revenue	0.4	(434) b.p.	4.8	4.7	8 b.p.	0.5	(450) b.p.	5.0	4.9	4 b.p.
<b>Utilities</b>	<b>(9,870)</b>	-	<b>(9,870)</b>	<b>(8,767)</b>	<b>12.6</b>	<b>(36,387)</b>	-	<b>(36,387)</b>	<b>(31,942)</b>	<b>13.9</b>
% of Revenue	2.1	-	2.1	2.1	3 b.p.	2.1	-	2.1	2.1	1 b.p.
<b>Other store costs</b>	<b>(4,796)</b>	<b>231</b>	<b>(5,027)</b>	<b>(4,588)</b>	<b>9.6</b>	<b>(17,932)</b>	<b>927</b>	<b>(18,859)</b>	<b>(17,208)</b>	<b>9.6</b>
% of Revenue	1.0	(5) b.p.	1.1	1.1	(1) b.p.	1.0	(5) b.p.	1.1	1.1	(4) b.p.
<b>Third party services</b>	<b>(4,203)</b>	<b>(69)</b>	<b>(4,134)</b>	<b>(3,970)</b>	<b>4.1</b>	<b>(13,123)</b>	<b>(350)</b>	<b>(12,773)</b>	<b>(12,463)</b>	<b>2.5</b>
% of Revenue	0.9	1 b.p.	0.9	0.9	(6) b.p.	0.8	2 b.p.	0.7	0.8	(8) b.p.
<b>Other expenses<sup>(7)</sup></b>	<b>(4,718)</b>	<b>519</b>	<b>(5,237)</b>	<b>(6,644)</b>	<b>(21.2)</b>	<b>(16,332)</b>	<b>2,063</b>	<b>(18,395)</b>	<b>(16,996)</b>	<b>8.2</b>
% of Revenue	1.0	(11) b.p.	1.1	1.6	(45) b.p.	0.9	(12) b.p.	1.1	1.1	(5) b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I and impact from Karusel transformation)</b>	<b>(64,509)</b>	<b>21,055</b>	<b>(85,564)</b>	<b>(76,603)</b>	<b>11.7</b>	<b>(232,846)</b>	<b>80,741</b>	<b>(313,587)</b>	<b>(273,884)</b>	<b>14.5</b>
% of Revenue	13.7	(449) b.p.	18.2	18.1	12 b.p.	13.4	(466) b.p.	18.1	17.9	21 b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I, LTI, share-based payments and impact from Karusel transformation)</b>	<b>(62,862)</b>	<b>21,055</b>	<b>(83,917)</b>	<b>(76,017)</b>	<b>10.4</b>	<b>(230,008)</b>	<b>80,741</b>	<b>(310,749)</b>	<b>(271,641)</b>	<b>14.4</b>
% of Revenue	13.4	(449) b.p.	17.9	18.0	(9) b.p.	13.3	(466) b.p.	17.9	17.7	19 b.p.

\* For more details on the impact of IFRS 16 please refer to page 7.

In Q4 2019, SG&A expenses excluding D&A&I, LTI, share-based payments and the impact of the Karusel transformation under IAS 17 as a percentage of revenue decreased by 9 b.p. to 17.9%, mainly due to decrease in other expenses and third party services.

Staff costs (excluding LTI, share-based payments and the impact of the Karusel transformation) as a percentage of revenue increased by 33 b.p. y-o-y in Q4 2019 to 7.9% mainly due to initiatives to decrease staff turnover in order to improve service levels in stores by aligning in-store personnel compensation to market benchmarks. These investments enabled us to significantly reduce the personnel turnover in our stores.

(7) The Company made a decision to reclassify income from sale of recyclable materials from other expenses (SG&A) to lease/sublease and other income in Q4 2018. Other expenses include acquiring and encashment costs, property tax, travel costs, etc.

LTI and share-based payments expenses amounted to RUB 1,647 mln in Q4 2019 driven by the accrual of LTI expenses related to the target of achieving leadership in terms of enterprise value multiple relative to peers. Prior to the reported quarter, there had been no accruals for this part of the LTI programme since the programme started in Q2 2018. The whole amount for seven previous quarters was accrued in Q4 2019, as it was the first quarter when X5's multiple was sustainably above that of its peers. Accruals will continue in small quarterly amounts during 2020 if multiple leadership is maintained.

Lease expenses under IAS 17 as a percentage of revenue in Q4 2019 increased by 8 b.p. y-o-y due to the growing share of leased space in X5's total real estate portfolio, which accounted for 78% as of 31 December 2019, compared to 76% as of 31 December 2018.

Third party services expenses under IAS 17 as a percentage of revenue in Q4 2019 decreased by 6 b.p. y-o-y to 0.9% as a result of lower consulting expenses.

Other expenses (excluding the impact of the Karusel transformation) under IAS 17 as a percentage of revenue in Q4 2019 decreased by 45 b.p. y-o-y to 1.1% primarily due to the high base of Q4 2018 driven by reclassification of proceeds from the sale of recyclable materials to other income.

In 2019, SG&A expenses excluding D&A&I, LTI, share-based payments and the impact of Karusel transformation under IAS 17 as a percentage of revenue increased by 19 b.p. to 17.9%, mainly due to increased staff costs and lease expenses.

## Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations under IAS 17 totalled 0.7%, a decrease of 45 b.p. y-o-y in Q4 2019, due to the high base of Q4 2018 driven by reclassification of income from sale of recyclable materials from SG&A expenses<sup>(7)</sup>.

## EBITDA and EBITDA margin

RUB mln	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q4 2019	Impact on Q4 2019*	Q4 2019	Q4 2018	change, y-o-y, %	FY 2019	Impact on FY 2019*	FY 2019	FY 2018	change, y-o-y, %
<b>Gross profit</b>	<b>113,985</b>	<b>1,744</b>	<b>112,241</b>	<b>101,780</b>	<b>10.3</b>	<b>432,479</b>	<b>6,681</b>	<b>425,798</b>	<b>369,720</b>	<b>15.2</b>
<i>Gross profit margin, %</i>	24.3	37 b.p.	23.9	24.1	(14) b.p.	24.9	39 b.p.	24.6	24.1	43 b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I and LTI, share-based payments and effect of Karusel transformation)</b>	<b>(62,862)</b>	<b>21,055</b>	<b>(83,917)</b>	<b>(76,017)</b>	<b>10.4</b>	<b>(230,008)</b>	<b>80,741</b>	<b>(310,749)</b>	<b>(271,641)</b>	<b>14.4</b>
<i>% of Revenue</i>	13.4	(449) b.p.	17.9	18.0	(9) b.p.	13.3	(466) b.p.	17.9	17.7	19 b.p.
<b>Net impairment losses on financial assets</b>	<b>(74)</b>	-	<b>(74)</b>	<b>(126)</b>	<b>(41.3)</b>	<b>(215)</b>	-	<b>(215)</b>	<b>(501)</b>	<b>(57.1)</b>
<i>% of Revenue</i>	0.016	-	0.016	0.030	(1) b.p.	0.012	-	0.012	0.033	(2) b.p.
<b>Lease/sublease and other income (adjusted for the effect of Karusel transformation)</b>	<b>3,573</b>	<b>418</b>	<b>3,155</b>	<b>4,750</b>	<b>(33.6)</b>	<b>13,464</b>	<b>918</b>	<b>12,546</b>	<b>12,293</b>	<b>2.1</b>
<i>% of Revenue</i>	0.8	9 b.p.	0.7	1.1	(45) b.p.	0.8	5 b.p.	0.7	0.8	(8) b.p.
<b>Adj. EBITDA</b>	<b>54,622</b>	<b>23,217</b>	<b>31,405</b>	<b>30,387</b>	<b>3.4</b>	<b>215,720</b>	<b>88,340</b>	<b>127,380</b>	<b>109,871</b>	<b>15.9</b>
<i>Adj. EBITDA margin, %</i>	11.6	495 b.p.	6.7	7.2	(49) b.p.	12.4	509 b.p.	7.3	7.2	18 b.p.
LTI, share-based payments and other one-off remuneration payments expense and SSC	(1,647)	-	(1,647)	(586)	181.1	(2,838)	-	(2,838)	(2,243)	26.5
<i>% of Revenue</i>	(0.4)	-	(0.4)	(0.1)	(21) b.p.	(0.2)	-	(0.2)	(0.1)	(2) b.p.
Effect of Karusel transformation	(1,280)	(311)	(969)	-	-	(1,399)	558	(1,957)	-	-
<i>% of Revenue</i>	(0.3)	(7) b.p.	(0.2)	-	-	(0.1)	3 b.p.	(0.1)	-	0 b.p.
<b>EBITDA</b>	<b>51,695</b>	<b>22,906</b>	<b>28,789</b>	<b>29,801</b>	<b>(3.4)</b>	<b>211,483</b>	<b>88,898</b>	<b>122,585</b>	<b>107,628</b>	<b>13.9</b>
<i>EBITDA margin, %</i>	11.0	488 b.p.	6.1	7.0	(91) b.p.	12.2	513 b.p.	7.1	7.0	5 b.p.

\* For more details on IFRS 16 impact please refer to page 7.

## D&A&I

Depreciation, amortisation and impairment costs under IAS 17 in Q4 2019 totalled RUB 18,180 mln, (RUB 62,334 mln for 2019), increasing as a percentage of revenue by 45 b.p. y-o-y to 3.9% (for 2019: increase by 37 b.p. to 3.6%). This was mainly due to impairment of non-current assets related to Karusel transformation.

## Non-operating gains and losses

RUB mln	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q4 2019	Impact on Q4 2019*	Q4 2019	Q4 2018	change, y-o-y, %	FY 2019	Impact on FY 2019*	FY 2019	FY 2018	change, y-o-y, %
<b>Operating profit</b>	<b>18,587</b>	<b>7,978</b>	<b>10,609</b>	<b>15,316</b>	<b>(30.7)</b>	<b>89,398</b>	<b>29,147</b>	<b>60,251</b>	<b>58,154</b>	<b>3.6</b>
Net finance costs	(15,704)	(10,466)	(5,238)	(5,504)	(4.8)	(56,903)	(38,823)	(18,080)	(18,667)	(3.1)
Net FX result	393	271	122	(234)	-	2,203	1,671	532	(447)	-
<b>Profit before tax</b>	<b>3,276</b>	<b>(2,217)</b>	<b>5,493</b>	<b>9,578</b>	<b>(42.6)</b>	<b>34,698</b>	<b>(8,005)</b>	<b>42,703</b>	<b>39,040</b>	<b>9.4</b>
Income tax expense	(4,183)	445	(4,628)	(3,336)	38.7	(15,191)	1,604	(16,795)	(10,398)	61.5
<b>Net profit/(loss)</b>	<b>(907)</b>	<b>(1,772)</b>	<b>865</b>	<b>6,242</b>	<b>(86.1)</b>	<b>19,507</b>	<b>(6,401)</b>	<b>25,908</b>	<b>28,642</b>	<b>(9.5)</b>
Net profit margin, %	(0.2)	(38) b.p.	0.2	1.5	(129) b.p.	1.1	(37) b.p.	1.5	1.9	(38) b.p.

\* For more details please refer to the "Effect of IFRS 16" section at the end of this release.

Net finance costs under IAS 17 in Q4 2019 declined by 4.8% y-o-y to RUB 5,238 mln due to a decrease in the weighted average effective interest rate as a result of declining interest rates in Russia, as well as actions taken by X5 to minimise interest expenses. In 2019, net finance costs under IAS 17 decreased by 3.1% y-o-y to RUB 18,080 mln.

In Q4 2019 and 2019, income tax expense and net profit under IAS 17 were mainly affected by the effect of other non-deductible expenses, including tax accrual related to X5's reorganisation in prior periods, as well as by the effect of the Karusel transformation. In 2019, income tax without other non-deductible expenses under IAS 17 grew by 10.2% y-o-y to RUB 10,969 mln.

In 2019, net profit adjusted for the effect of Karusel transformation and tax accruals related to previous periods, including X5 reorganisation, totalled RUB 36,485 mln or 2.1% of revenue (compared to RUB 28,642 mln or 1.9% of revenue in 2018).

As announced on 26 September 2019, the Company plans to transform its Karusel hypermarket format by transferring 34 stores to Perekrestok by early 2021 and closing 20 hypermarkets by 2022, from 91 hypermarkets that operated at year-end 2019.

## Consolidated cash flow statement highlights

RUB mln	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q4 2019	Impact on Q4 2019*	Q4 2019	Q4 2018	change, y-o-y, %	FY 2019	Impact on FY 2019*	FY 2019	FY 2018	change, y-o-y, %
Net cash from operating activities before changes in working capital	52,541	22,801	29,740	30,101	(1.2)	211,650	87,424	124,226	107,827	15.2
Change in working capital	8,222	1,445	6,777	21,148	(68.0)	(10,649)	1,375	(12,024)	19,609	-
Net interest and income tax paid	(18,028)	(10,446)	(7,582)	(8,994)	(15.7)	(70,538)	(38,739)	(31,799)	(29,402)	8.2
Net cash flows generated from operating activities	42,735	13,800	28,935	42,255	(31.5)	130,463	50,060	80,403	98,034	(18.0)
Net cash used in investing activities	(22,589)	(1)	(22,588)	(23,774)	(5.0)	(81,151)	(1)	(81,150)	(92,760)	(12.5)
Net cash generated from/(used in) financing activities	(12,486)	(13,799)	1,313	(9,451)	-	(55,139)	(50,059)	(5,080)	(8,436)	(39.8)
Effect of exchange rate changes on cash & cash equivalents	75	-	75	-	-	61	-	61	(75)	-
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>7,735</b>	<b>-</b>	<b>7,735</b>	<b>9,030</b>	<b>(14.3)</b>	<b>(5,766)</b>	<b>-</b>	<b>(5,766)</b>	<b>(3,237)</b>	<b>78.1</b>

\* For more details on IFRS 16 impact please refer to page 7.



In Q4 2019, the Company's net cash from operating activities before changes in working capital under IAS 17 decreased by RUB 361 mln and totalled RUB 29,740 mln. The smaller positive change in working capital under IAS 17 of RUB 6,777 mln in Q4 2019, compared to RUB 21,148 mln in Q4 2018, was mainly due to the smaller increase in accounts payable (calendarisation effect when the two last calendar days in 2019 were working days and the company proceeded with payments to suppliers, while no payments were made during the two last calendar days in 2018) and a larger increase in inventories (low base effect due to stock optimisation in 2018), while inventory turnover days over the course of 2019 improved by 0.9 days.

Net interest and income tax paid under IAS 17 in Q4 2019 decreased by RUB 1,412 mln, or 15.7% y-o-y, and totalled RUB 7,582 mln. Income tax paid under IAS 17 decreased y-o-y mainly due to one-off advance payment in Q4 2018.

As a result, in Q4 2019, net cash flow generated from operating activities under IAS 17 totalled RUB 28,935 mln, down from RUB 42,255 mln in Q4 2018, mostly due to the calendarisation effect on accounts payable and inventory growth due to business expansion.

In 2019, net cash flows generated from operating activities under IAS 17 totalled RUB 80,403 mln, down from RUB 98,034 mln in 2018, mostly due to the calendarisation effect on working capital.

Net cash used in investing activities under IAS 17, which generally consists of payments for property, plant and equipment, decreased to RUB 22,588 mln in Q4 2019 from RUB 23,774 mln in Q4 2018. For 2019, net cash used in investing activities under IAS 17 decreased to RUB 81,150 mln from RUB 92,760 mln in 2018, reflecting calendarisation of certain capex items in the comparable period.

Net cash generated from financing activities under IAS 17 totalled RUB 1,313 mln in Q4 2019 compared to net cash used in financing activities of RUB 9,451 mln in Q4 2018. In 2019, net cash used in financing activities was RUB 5,080 mln, down from 8,436 mln in 2018. The year-on-year decrease in net cash used in financial activities was due to lower annual cash investments.

## Liquidity update

RUB mln	31-Dec-19	% in total	30-Sep-19	% in total	31-Dec-18	% in total
<b>Total debt</b>	<b>227,933</b>		<b>226,586</b>		<b>207,764</b>	
Short-term debt	74,755	32.8	72,868	32.2	60,435	29.1
Long-term debt	153,178	67.2	153,718	67.8	147,329	70.9
<b>Net debt (under IAS 17)</b>	<b>209,331</b>		<b>215,719</b>		<b>183,396</b>	
<b>Net debt/ EBITDA (under IAS 17)</b>	<b>1.71</b>		<b>1.75</b>		<b>1.70</b>	
<b>Lease liabilities (IFRS 16)</b>	<b>484,795</b>		<b>463,593</b>			
<b>Net debt/ EBITDA (under IFRS 16)</b>	<b>3.28x</b>					

As of 31 December 2019, the Company's total debt under IAS 17 amounted to RUB 227,933 mln and comprised 32.8% short-term debt and 67.2% long-term debt. The Company's net debt/EBITDA ratio under IAS 17 was 1.71x (3.28x under IFRS 16) as of 31 December 2019.

The Company's debt under IAS 17 is 100% denominated in Russian Roubles.

As of 31 December 2019, the Company had access to RUB 415,592 million in available credit limits with major Russian and international banks.

## Dividends

X5 continues to adhere to its dividend policy and based on the Company's 2019 financial results, the Supervisory Board has proposed to pay dividends in the amount of RUB 30,000 mln/RUB 110.47 per GDR (gross amount subject to taxes and fees), which represents 115.8% of X5 Retail Group's 2019 net profit under IAS 17 or 153.8% under IFRS 16.

The proposed dividend will be considered by the AGM on 12 May 2020. The record date for the dividend payment has been set as 24 May 2020, the ex-dividend date as 23 May 2020. The dividends will be payable within 45 days from the AGM date, or by 26 June 2020.

## **Effect of IFRS 16 on X5 Retail Group's financial statements**

### ***Effect on gross profit***

Gross profit and gross margin are higher by RUB 1,744 mln and 37 b.p. under IFRS 16 compared to IAS 17 in Q4 2019 (RUB 6,681 mln and 39 b.p. in 2019), respectively, due to the lease for distribution centres, which was previously part of cost of sales, but has been excluded from the gross profit calculation in order to align the presentation of depreciation of right-of-use assets and other assets.

### ***Effect on EBITDA, operating profit and finance costs***

Lease expenses, other store costs, third party services and other expenses in the total amount of RUB 21,055 mln have been excluded from SG&A expenses in Q4 2019 (RUB 80,741 mln in 2019) under the new standard. Additional depreciation of RUB 14,928 mln related to leased assets has been added to SG&A costs in Q4 2019 (RUB 59,751 mln in 2019) under IFRS 16.

Financial costs increased by RUB 10,466 mln under the new standard compared to IAS 17 due to the interest expense on lease liabilities in Q4 2019 (RUB 38,823 mln in 2019).

The implementation of IFRS 16 increases the Company's EBITDA significantly, as lease expenditure previously recognised in the income statement is excluded. Adjusted EBITDA margin is 495 b.p. higher under the new standard compared to IAS 17 in Q4 2019 (509 b.p. in 2019). Interest expense on liabilities is recognised in finance costs, below the EBITDA level.

### ***Effect on net profit***

The positive net FX result is RUB 271 mln higher under IFRS 16 compared to IAS 17 in Q4 2019 (positive RUB 1,671 mln in 2019) due to revaluation of foreign currency liabilities resulting from lease contracts denominated in foreign currencies.

IFRS 16 resulted in lower income tax expense due to lower profit before tax. The effective tax rate under the new standard is 127.7% in Q4 2019 and 43.8% in 2019.

Net profit and net profit margin are impacted by the IFRS 16 standard as a result of additional depreciation and interest, and are lower by RUB 1,772 mln and 38 b.p. under the new standard compared to IAS 17 in Q4 2019 (RUB 6,401 mln and 37 b.p. in 2019).

### ***Effect on cash flow statement***

The implementation of the new standard affects cash flow statement presentation but not the net change in cash result, as principal payments on leases will be classified as financing activities, prepayments are classified as investing activities, and interest payments are considered interest paid in operating activities.

### **Related Party Transactions**

For a description of the related party transactions entered into by the Company, please refer to note 8 of the consolidated financial statements.

### **Risks and Uncertainties**

X5's risk management programme provides executive management with a periodic and in-depth understanding of X5's key business risks and the risk management systems and internal controls in place to mitigate these risks. For a detailed description of key risks that the Company faces, please refer to the 2019 Annual Report. It should be noted that there are additional risks that management believe are immaterial or otherwise common to most companies, or that it is currently unaware of. The Company has assessed the risks for the first half of 2020 and believes that the risks identified are in line with those presented in the 2019 Annual Report. For a description of the financial risks faced by the Company, please refer to note 31 of the audited consolidated financial statements and the Company's 2019 Annual Report.

### **Annual Report and Accounts**

The Annual Report and Accounts, including the full set of audited financial statements and notes thereto, prepared in accordance with International Financial Reporting Standards, as adopted in the European Union, are available on X5's corporate website at:

[https://www.x5.ru/en/PublishingImages/Pages/Investors/ResultCenter/X5\\_Annual\\_Report\\_2019\\_ENG.pdf](https://www.x5.ru/en/PublishingImages/Pages/Investors/ResultCenter/X5_Annual_Report_2019_ENG.pdf)

### **Information on Alternative Performance Measures**

For more information on Alternative Performance Measures, which provide readers with a more detailed and accurate understanding of the Company's financial and operating performance, please refer to pages 132-135 of the Annual Report 2019.



**Note to Editors:**

X5 Retail Group N.V. (LSE and MOEX: FIVE, Fitch – 'BB+', Moody's – 'Ba1', S&P – 'BB', RAEX – 'ruAA+') is a leading Russian food retailer. The Company operates several retail formats: the chain of proximity stores under the Pyaterochka brand, the supermarket chain under the Perekrestok brand and the hypermarket chain under the Karusel brand.

As of 31 December 2019, X5 had 16,297 Company-operated stores. It has the leading market position in both Moscow and St Petersburg and a significant presence in the European part of Russia. Its store base includes 15,354 Pyaterochka proximity stores, 852 Perekrestok supermarkets and 91 Karusel hypermarkets. The Company operates 42 DCs and 4,124 Company-owned trucks across the Russian Federation.

For the full year 2019, revenue totalled RUB 1,734,347 mln (USD 26,791 mln), Adjusted EBITDA under IAS 17 reached RUB 127,380 mln (USD 1,968 mln), and net profit under IAS 17 for the period amounted to RUB 25,908 mln (USD 400 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.08%, treasury shares – 0.01%, Shareholders with less than 3% – 40.62%.

**Forward looking statements:**

*This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the fact that they do not only relate to historical or current events. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "expected", "plan", "goal", "believe", or other words of similar meaning.*

*By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond X5 Retail Group N.V.'s control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements.*

*Any forward-looking statements made by or on behalf of X5 Retail Group N.V. speak only as of the date of this announcement. Save as required by any applicable laws or regulations, X5 Retail Group N.V. undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.*

*Elements of this press release contain or may contain inside information about X5 Retail Group N.V. within the meaning of Article 7(1) of the Market Abuse Regulation (596/2014/EU).*

**For further details please contact:****Natalia Zagvozdina**

Head of Corporate Finance and IR  
Tel.: +7 (495) 662-88-88 ext. 27-300  
e-mail: [Natalia.Zagvozdina@x5.ru](mailto:Natalia.Zagvozdina@x5.ru)

**Andrey Vasin**

Head of Investor Relations  
Tel.: +7 (495) 662-88-88 ext. 13-151  
e-mail: [Andrey.Vasin@x5.ru](mailto:Andrey.Vasin@x5.ru)