

## X5 REPORTS 12.4% REVENUE GROWTH IN Q3 2019 ADJUSTED EBITDA MARGIN UNDER IAS 17 REACHES 7.1%

- ✓ X5 delivered revenue growth of 12.4% year-on-year (y-o-y), driven by: 3.9% increase in like-for-like (LFL) sales and 8.5% sales growth contribution from a 13.9% rise in selling space.
- ✓ Gross margin under IAS 17 decreased by 10 b.p. y-o-y to 24.5% (24.9% under IFRS 16) in Q3 2019, mainly due to targeted price investments.
- ✓ SG&A expenses under IAS 17 (excl. D&A&I, LTI, share-based payments and impact from Karusel transformation) increased by 35 b.p. y-o-y to 18.2% of revenue, mainly due to further investments in staff costs to align compensation to market benchmarks and reduce staff turnover.
- ✓ Adjusted EBITDA<sup>(1)</sup> margin under IAS 17 totalled 7.1% (12.4% under IFRS 16).
- ✓ Adjusted net profit<sup>(2)</sup> margin under IAS 17 totalled 1.8% (1.1% under IFRS 16). Net profit in Q3 2019 included a one-off adjustment of RUB 5.3 bln related to the Karusel transformation (mainly due to impairment of non-current assets).
- ✓ The net debt/EBITDA ratio under IAS 17 was 1.75x as of 30 September 2019

**Amsterdam, 22 October 2019** - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE and MOEX ticker: FIVE), today released the Company's unaudited condensed consolidated interim financial information for the three months (Q3) and nine months (9M) ended 30 September 2019, in accordance with International Financial Reporting Standards as adopted by the European Union.

### Profit and loss statement highlights<sup>(3)</sup>

Russian Rouble (RUB), million (mln)	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q3 2019	Impact on Q3 2019*	Q3 2019	Q3 2018	change, y-o-y, %	9M 2019	Impact on 9M 2019*	9M 2019	9M 2018	change, y-o-y, %
<b>Revenue</b>	<b>421,955</b>	-	<b>421,955</b>	<b>375,505</b>	<b>12.4</b>	<b>1,265,130</b>	-	<b>1,265,130</b>	<b>1,109,582</b>	<b>14.0</b>
incl. net retail sales <sup>(4)</sup>	420,712	-	420,712	372,934	12.8	1,260,415	-	1,260,415	1,104,132	14.2
Pyaterochka	337,778	-	337,778	297,946	13.4	1,002,447	-	1,002,447	871,259	15.1
Perekrestok	62,818	-	62,818	53,225	18.0	194,388	-	194,388	163,633	18.8
Karusel	20,116	-	20,116	20,647	(2.6)	63,101	-	63,101	64,723	(2.5)
<b>Gross profit</b>	<b>105,148</b>	<b>1,655</b>	<b>103,493</b>	<b>92,482</b>	<b>11.9</b>	<b>318,494</b>	<b>4,937</b>	<b>313,557</b>	<b>267,940</b>	<b>17.0</b>
Gross profit margin, %	24.9	39 b.p.	24.5	24.6	(10) b.p.	25.2	39 b.p.	24.8	24.1	64 b.p.
<b>Adj. EBITDA</b>	<b>52,267</b>	<b>22,364</b>	<b>29,903</b>	<b>27,786</b>	<b>7.6</b>	<b>161,098</b>	<b>65,123</b>	<b>95,975</b>	<b>79,484</b>	<b>20.7</b>
Adj. EBITDA margin, %	12.4	530 b.p.	7.1	7.4	(31) b.p.	12.7	515 b.p.	7.6	7.2	42 b.p.
<b>Operating profit</b>	<b>18,099</b>	<b>7,296</b>	<b>10,803</b>	<b>15,367</b>	<b>(29.7)</b>	<b>70,811</b>	<b>21,169</b>	<b>49,642</b>	<b>42,838</b>	<b>15.9</b>
Oper. profit margin, %	4.3	173 b.p.	2.6	4.1	(153) b.p.	5.6	167 b.p.	3.9	3.9	6 b.p.
<b>Adj. net profit</b>	<b>4,838</b>	<b>(2,734)</b>	<b>7,572</b>	<b>8,087</b>	<b>(6.4)</b>	<b>25,150</b>	<b>(5,228)</b>	<b>30,377</b>	<b>22,400</b>	<b>35.6</b>
Adj. net profit margin, %	1.1	(65) b.p.	1.8	2.2	(36) b.p.	2.0	(41) b.p.	2.4	2.0	38 b.p.
<b>Net profit</b>	<b>102</b>	<b>(2,136)</b>	<b>2,238</b>	<b>8,087</b>	<b>(72.3)</b>	<b>20,414</b>	<b>(4,629)</b>	<b>25,043</b>	<b>22,400</b>	<b>11.8</b>
Net profit margin, %	0.0	(51) b.p.	0.5	2.2	(162) b.p.	1.6	(37) b.p.	2.0	2.0	(4) 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 further in Section "Effect of IFRS 16 on X5 Retail Group's financial statements".

- (1) Adjusted EBITDA is EBITDA before costs related to the LTI programme, share-based payments, other one-off remuneration payments expense and one-off impact from Karusel transformation.
- (2) Adjusted net profit is net profit before one-off impact from Karusel transformation.
- (3) 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.
- (4) Net retail sales represent 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.

## Net retail sales

Total net retail sales growth reached 12.8% y-o-y in Q3 2019, driven by positive like-for-like (LFL) sales<sup>(5)</sup> dynamics and selling space expansion.

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

	As at 30-Sep-19	As at 31-Dec-18	change vs 31-Dec-18, %	As at 30-Sep-18	change vs 30-Sep-18, %
Pyaterochka	5,788,675	5,291,421	9.4	5,035,160	15.0
Perekrestok	853,514	781,538	9.2	728,467	17.2
Karusel	366,369	382,024	(4.1)	382,120	(4.1)
<b>X5 Retail Group</b>	<b>7,008,558</b>	<b>6,463,735</b>	<b>8.4</b>	<b>6,155,080</b>	<b>13.9</b>

## Q3 & 9M 2019 LFL store performance by format, % change y-o-y

In Q3 2019, LFL sales performance remained strong at 3.9% y-o-y.

	Q3 2019			9M 2019		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	3.4	0.3	3.1	4.3	1.9	2.4
Perekrestok	7.6	3.0	4.4	8.0	5.7	2.1
Karusel	1.2	(4.4)	5.9	1.2	(3.4)	4.8
<b>X5 Retail Group</b>	<b>3.9</b>	<b>0.5</b>	<b>3.4</b>	<b>4.7</b>	<b>2.1</b>	<b>2.5</b>

For more details on net retail sales growth please refer to X5's [Q3 2019 Trading Update](#).

## Gross profit margin

The gross profit margin under IAS 17 decreased by 10 b.p. y-o-y to 24.5% in Q3 2019. The decrease was due to decline in the commercial margin as a result of targeted price investments, which was partially offset by successful measures to decrease shrinkage levels and better logistics efficiency.

(5) 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.

## 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		
	Q3 2019	Impact on Q3 2019*	Q3 2019	Q3 2018	change, y-o-y, %	9M 2019	Impact on 9M 2019*	9M 2019	9M 2018	change, y-o-y, %
<b>Staff costs</b>	<b>(34,610)</b>	-	<b>(34,610)</b>	<b>(29,503)</b>	<b>17.3</b>	<b>(102,221)</b>	-	<b>(102,221)</b>	<b>(87,097)</b>	<b>17.4</b>
% of Revenue	8.2	-	8.2	7.9	35 b.p.	8.1	-	8.1	7.8	23 b.p.
incl. LTI and share-based payments	(270)	-	(270)	(97)	178.4	(1,191)	-	(1,191)	(1,657)	(28.1)
staff costs excl. LTI	8.1	-	8.1	7.8	31 b.p.	8.0	-	8.0	7.7	29 b.p.
<b>Lease expenses</b>	<b>(1,980)</b>	<b>19,729</b>	<b>(21,709)</b>	<b>(19,085)</b>	<b>13.7</b>	<b>(5,929)</b>	<b>57,727</b>	<b>(63,656)</b>	<b>(55,544)</b>	<b>14.6</b>
% of Revenue	0.5	(468) b.p.	5.1	5.1	6 b.p.	0.5	(456) b.p.	5.0	5.0	3 b.p.
<b>Utilities</b>	<b>(8,398)</b>	-	<b>(8,398)</b>	<b>(7,555)</b>	<b>11.2</b>	<b>(26,517)</b>	-	<b>(26,517)</b>	<b>(23,175)</b>	<b>14.4</b>
% of Revenue	2.0	-	2.0	2.0	(2) b.p.	2.1	-	2.1	2.1	1 b.p.
<b>Other store costs</b>	<b>(4,443)</b>	<b>234</b>	<b>(4,677)</b>	<b>(4,225)</b>	<b>10.7</b>	<b>(13,136)</b>	<b>696</b>	<b>(13,832)</b>	<b>(12,620)</b>	<b>9.6</b>
% of Revenue	1.1	(6) b.p.	1.1	1.1	(2) b.p.	1.0	(6) b.p.	1.1	1.1	(4) b.p.
<b>Third party services</b>	<b>(2,971)</b>	<b>(110)</b>	<b>(2,861)</b>	<b>(3,365)</b>	<b>(15.0)</b>	<b>(8,920)</b>	<b>(281)</b>	<b>(8,639)</b>	<b>(8,493)</b>	<b>1.7</b>
% of Revenue	0.7	3 b.p.	0.7	0.9	(22) b.p.	0.7	2 b.p.	0.7	0.8	(8) b.p.
<b>Other expenses<sup>(6)</sup></b>	<b>(4,327)</b>	<b>526</b>	<b>(4,853)</b>	<b>(3,411)</b>	<b>42.3</b>	<b>(11,614)</b>	<b>1,544</b>	<b>(13,158)</b>	<b>(10,352)</b>	<b>27.1</b>
% of Revenue	1.0	(12) b.p.	1.2	0.9	24 b.p.	0.9	(12) b.p.	1.0	0.9	11 b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I and impact from Karusel transformation)</b>	<b>(56,729)</b>	<b>20,379</b>	<b>(77,108)</b>	<b>(67,144)</b>	<b>14.8</b>	<b>(168,337)</b>	<b>59,686</b>	<b>(228,023)</b>	<b>(197,281)</b>	<b>15.6</b>
% of Revenue	13.4	(483) b.p.	18.3	17.9	39 b.p.	13.3	(472) b.p.	18.0	17.8	24 b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I, LTI, share-based payments and impact from Karusel transformation)</b>	<b>(56,459)</b>	<b>20,379</b>	<b>(76,838)</b>	<b>(67,047)</b>	<b>14.6</b>	<b>(167,146)</b>	<b>59,686</b>	<b>(226,832)</b>	<b>(195,624)</b>	<b>16.0</b>
% of Revenue	13.4	(483) b.p.	18.2	17.9	35 b.p.	13.2	(472) b.p.	17.9	17.6	30 b.p.

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

In Q3 2019, SG&A expenses excluding D&A&I, LTI, share-based payments and impact from Karusel transformation under IAS 17 as a percentage of revenue increased by 35 b.p. to 18.2%, mainly due to growth in staff costs and other expenses.

Staff costs (excluding LTI, share-based payments and impact from Karusel transformation) as a percentage of revenue increased by 31 b.p. y-o-y in Q3 2019 to 8.1%.

LTI and share-based payments expenses amounted to RUB 270 mln in Q3 2019.

Lease expenses under IAS 17 as a percentage of revenue in Q3 2019 increased by 6 b.p. y-o-y due to the growing share of leased space in X5's total real estate portfolio, which accounted for 79% as of 30 September 2019, compared to 75% as of 30 September 2018.

Third party services expenses under IAS 17 as a percentage of revenue in Q3 2019 decreased by 22 b.p. y-o-y to 0.7% as a result of lower marketing expenses due to operating leverage effect.

Other expenses (excluding impact from Karusel transformation) under IAS 17 as a percentage of revenue in Q3 2019 increased by 24 b.p. y-o-y to 1.2% primarily due to the reclassification as of 1 January 2019 of proceeds from the sale of recyclable materials to other income and an increase in acquiring costs driven by increasing penetration of card payments.

In 9M 2019, SG&A expenses excluding D&A&I, LTI, share-based payments and impact from Karusel transformation under IAS 17 as a percentage of revenue increased by 30 b.p. to 17.9%, mainly due to increased staff costs and other expenses.

(6) The Company made a decision to reclassify income from sale of recyclable materials from other expenses (SG&A) to lease/sublease and other income as of 1 January 2019. Other expenses include acquiring and encashment costs, property tax, travel costs, etc.

## Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations under IAS 17 totalled 0.8%, an increase of 13 b.p. y-o-y in Q3 2019, driven by the reclassification of income from sale of recyclable materials from SG&A expenses<sup>(6)</sup>.

## EBITDA and EBITDA margin

RUB mln	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q3 2019	Impact on Q3 2019*	Q3 2019	Q3 2018	change, y-o-y, %	9M 2019	Impact on 9M 2019*	9M 2019	9M 2018	change, y-o-y, %
<b>Gross profit</b>	<b>105,148</b>	<b>1,655</b>	<b>103,493</b>	<b>92,482</b>	<b>11.9</b>	<b>318,494</b>	<b>4,937</b>	<b>313,557</b>	<b>267,940</b>	<b>17.0</b>
Gross profit margin, %	24.9	39 b.p.	24.5	24.6	(10) b.p.	25.2	39 b.p.	24.8	24.1	64 b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I and LTI, share-based payments and effect of Karusel transformation)</b>	<b>(56,459)</b>	<b>20,379</b>	<b>(76,838)</b>	<b>(67,047)</b>	<b>14.6</b>	<b>(167,146)</b>	<b>59,686</b>	<b>(226,832)</b>	<b>(195,624)</b>	<b>16.0</b>
% of Revenue	13.4	(483) b.p.	18.2	17.9	35 b.p.	13.2	(472) b.p.	17.9	17.6	30 b.p.
<b>Net impairment losses on financial assets</b>	<b>(39)</b>	-	<b>(39)</b>	<b>(100)</b>	<b>(61.0)</b>	<b>(141)</b>	-	<b>(141)</b>	<b>(375)</b>	<b>(62.4)</b>
% of Revenue	0.009	-	0.009	0.027	(2) b.p.	0.011	-	0.011	0.034	(2) b.p.
<b>Lease/sublease and other income</b>	<b>3,617</b>	<b>330</b>	<b>3,287</b>	<b>2,451</b>	<b>34.1</b>	<b>9,891</b>	<b>500</b>	<b>9,391</b>	<b>7,543</b>	<b>24.5</b>
% of Revenue	0.9	8 b.p.	0.8	0.7	13 b.p.	0.8	4 b.p.	0.7	0.7	6 b.p.
<b>Adj. EBITDA</b>	<b>52,267</b>	<b>22,364</b>	<b>29,903</b>	<b>27,786</b>	<b>7.6</b>	<b>161,098</b>	<b>65,123</b>	<b>95,975</b>	<b>79,484</b>	<b>20.7</b>
Adj. EBITDA margin, %	12.4	530 b.p.	7.1	7.4	(31) b.p.	12.7	515 b.p.	7.6	7.2	42 b.p.
LTI, share-based payments and other one-off remuneration payments expense and SSC	(270)	-	(270)	(97)	178.4	(1,191)	-	(1,191)	(1,657)	(28.1)
% of Revenue	(0.1)	-	(0.1)	(0.0)	(4) b.p.	(0.1)	-	(0.1)	(0.1)	6 b.p.
Effect of Karusel transformation	(119)	869	(988)	-	-	(119)	869	(988)	-	-
% of Revenue	(0.0)	21 b.p.	(0.2)	-	(23) b.p.	(0.0)	7 b.p.	(0.1)	-	(8) b.p.
<b>EBITDA</b>	<b>51,878</b>	<b>23,233</b>	<b>28,645</b>	<b>27,689</b>	<b>3.5</b>	<b>159,788</b>	<b>65,992</b>	<b>93,796</b>	<b>77,827</b>	<b>20.5</b>
EBITDA margin, %	12.3	551 b.p.	6.8	7.4	(59) b.p.	12.6	522 b.p.	7.4	7.0	40 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 Q3 2019 totalled RUB 17,842 mln, (RUB 44,154 mln for 9M 2019), increasing as a percentage of revenue by 95 b.p. y-o-y to 4.2% (for 9M 2019: increase by 34 b.p. to 3.5%). This was due to impairment of non-current assets related to Karusel transformation.

The negative impact on net profit from Karusel transformation under IAS 17 totalled RUB 5,334 mln in Q3 2019. As announced on 26 September 2019, the Company plans to transform its hypermarket format by transferring 34 stores to Perekrestok by early 2021 and closing 20 hypermarkets by 2022, while the remaining stores that continue to operate as Karusel hypermarkets will be further evaluated before a final decision is made.

## Non-operating gains and losses

RUB mln	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q3 2019	Impact on Q3 2019*	Q3 2019	Q3 2018	change, y-o-y, %	9M 2019	Impact on 9M 2019*	9M 2019	9M 2018	change, y-o-y, %
<b>Operating profit</b>	<b>18,099</b>	<b>7,296</b>	<b>10,803</b>	<b>15,367</b>	<b>(29.7)</b>	<b>70,811</b>	<b>21,169</b>	<b>49,642</b>	<b>42,838</b>	<b>15.9</b>
Net finance costs	(14,197)	(9,803)	(4,394)	(4,512)	(2.6)	(41,199)	(28,357)	(12,842)	(13,163)	(2.4)
Net FX result	(144)	(163)	19	(40)	n/a	1,810	1,400	410	(213)	n/a
<b>Profit before tax</b>	<b>3,758</b>	<b>(2,670)</b>	<b>6,428</b>	<b>10,815</b>	<b>(40.6)</b>	<b>31,422</b>	<b>(5,788)</b>	<b>37,210</b>	<b>29,462</b>	<b>26.3</b>
Income tax expense	(3,656)	534	(4,190)	(2,728)	53.6	(11,008)	1,159	(12,167)	(7,062)	72.3
<b>Net profit</b>	<b>102</b>	<b>(2,136)</b>	<b>2,238</b>	<b>8,087</b>	<b>(72.3)</b>	<b>20,414</b>	<b>(4,629)</b>	<b>25,043</b>	<b>22,400</b>	<b>11.8</b>
Net profit margin, %	0.0	(51) b.p.	0.5	2.2	(162) b.p.	1.6	(37) b.p.	2.0	2.0	(4) b.p.
<b>Adj. net profit</b>	<b>4,838</b>	<b>(2,734)</b>	<b>7,572</b>	<b>8,087</b>	<b>(6.4)</b>	<b>25,150</b>	<b>(5,227)</b>	<b>30,377</b>	<b>22,400</b>	<b>35.6</b>
Adj. net profit margin, %	1.1	(65) b.p.	1.8	2.2	(36) b.p.	2.0	(41) b.p.	2.4	2.0	38 b.p.

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

Net finance costs under IAS 17 in Q3 2019 decreased by 2.6% y-o-y to RUB 4,394 mln due to lower gross debt and a decrease in the weighted average effective interest rate on X5's total debt as a result of declining interest rates in Russian capital markets, as well as actions by X5 to minimise interest expenses.

In Q3 2019, income tax expense under IAS 17 increased by 53.6% y-o-y to RUB 4,190 mln due to an impairment related to Karusel transformation.

### Consolidated cash flow statement highlights

RUB mln	IFRS 16		IAS 17			IFRS 16		IAS 17		
	Q3 2019	Impact on Q3 2019*	Q3 2019	Q3 2018	change, y-o-y, %	9M 2019	Impact on 9M 2019*	9M 2019	9M 2018	change, y-o-y, %
Net cash from operating activities before changes in working capital	51,440	22,037	29,403	27,666	6.3	159,109	64,623	94,486	77,726	21.6
Change in working capital	(17,090)	474	(17,564)	8,475	n/a	(18,871)	(70)	(18,801)	(1,539)	1,121.6
Net interest and income tax paid	(19,180)	(9,778)	(9,402)	(7,994)	17.6	(52,510)	(28,293)	(24,217)	(20,408)	18.7
Net cash flows generated from operating activities	15,170	12,733	2,437	28,147	(91.3)	87,728	36,260	51,468	55,779	(7.7)
Net cash used in investing activities	(23,003)	-	(23,003)	(19,533)	17.8	(58,562)	-	(58,562)	(68,986)	(15.1)
Net cash generated from/(used in) financing activities	1,763	(12,733)	14,496	(7,012)	n/a	(42,653)	(36,260)	(6,393)	1,015	n/a
Effect of exchange rate changes on cash & cash equivalents	(6)	-	(6)	(38)	(84.2)	(14)	-	(14)	(75)	(81.3)
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>(6,076)</b>	<b>-</b>	<b>(6,076)</b>	<b>1,564</b>	<b>n/a</b>	<b>(13,501)</b>	<b>-</b>	<b>(13,501)</b>	<b>(12,267)</b>	<b>10.1</b>

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

In Q3 2019, the Company's net cash from operating activities before changes in working capital under IAS 17 increased by RUB 1,737 mln, or 6.3% y-o-y, and totalled RUB 29,403 mln. The negative change in working capital under IAS 17 of RUB 17,564 mln in Q3 2019 compared to positive RUB 8,475 mln in Q3 2018 was mainly due to an increase in accounts payable (calendarisation effect) and inventories (low base effect due to stock optimisation last year). Inventory turnover days or payment terms with suppliers during Q3 2019 did not change materially.

Net interest and income tax paid under IAS 17 in Q3 2019 increased by RUB 1,408 mln, or 17.6% y-o-y, and totalled RUB 9,402 mln. Income tax paid under IAS 17 increased y-o-y due to higher tax accrual in Q2 2019 following strong operating performance.

As a result, in Q3 2019, net cash flows generated from operating activities under IAS 17 totalled RUB 2,437 mln, down 91.3% from RUB 28,147 mln in Q3 2018.

In 9M 2019, net cash flows generated from operating activities under IAS 17 totalled RUB 51,468 mln, down 7.7% from RUB 55,779 mln for the same period of 2018.

Net cash used in investing activities under IAS 17, which generally consists of payments for property, plant and equipment, increased to RUB 23,003 mln in Q3 2019 from RUB 19,533 mln in Q3 2018 mainly due to M&A. For 9M 2019, net cash used in investing activities under IAS 17 decreased to RUB 58,562 mln from RUB 68,986 mln in 9M 2018.

Net cash generated from financing activities under IAS 17 totalled RUB 14,496 mln in Q3 2019 compared to net cash used in financing activities of RUB 7,012 mln in Q3 2018.

## Liquidity update

RUB mln	30-Sep-19	% in total	31-Dec-18	% in total	30-Sep-18	% in total
<b>Total debt</b>	<b>226,586</b>		<b>207,764</b>		<b>217,184</b>	
Short-term debt	72,868	32.2	60,435	29.1	55,987	25.8
Long-term debt	153,718	67.8	147,329	70.9	161,197	74.2
<b>Net debt</b>	<b>215,719</b>		<b>183,396</b>		<b>201,846</b>	
<b>Net debt/ EBITDA</b>	<b>1.75</b>		<b>1.70</b>		<b>1.99</b>	
<b>Lease liabilities (IFRS 16)</b>	<b>463,593</b>					

As of 30 September 2019, the Company's total debt under IAS 17 amounted to RUB 226,586 mln and comprised 32.2% short-term debt and 67.8% long-term debt. The Company's net debt/EBITDA ratio under IAS 17 was 1.75x as of 30 September 2019.

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

As of 30 September 2019, the Company had access to RUB 358,455 million in available credit limits with major Russian and international banks.



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

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

Gross profit and gross margin are higher by RUB 1,655 mln and 39 b.p. under IFRS 16 compared to IAS 17 in Q3 2019 (RUB 4,937 mln and 39 b.p. in 9M 2019), respectively, due to the lease for distribution centers, which was previously part of cost of sales, but has been excluded from the gross profit calculation.

### ***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 20,379 mln have been excluded from SG&A expenses in Q3 2019 (RUB 59,686 mln in 9M 2019) under the new standard. Additional depreciation of RUB 15,937 mln related to leased assets has been added under operating costs in Q3 2019 (RUB 44,823 mln in 9M 2019) under IFRS 16.

Financial costs increased by RUB 9,803 mln under the new standard compared to IAS 17 due to the interest expense on lease liabilities in Q3 2019 (RUB 28,357 mln in 9M 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 530 b.p. higher under the new standard compared to IAS 17 in Q3 2019 (515 b.p. in 9M 2019). Interest expense on liabilities is recognised in finance costs, below the EBITDA level.

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

The negative net FX result is RUB 163 mln higher under IFRS 16 compared to IAS 17 in Q3 2019 (positive RUB 1,400 mln in 9M 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 97.3% in Q3 2019 and 35.0% in 9M 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 2,136 mln and 51 b.p. under the new standard compared to IAS 17 in Q3 2019 (RUB 4,629 mln and 37 b.p. in 9M 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.

**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 30 September 2019, X5 had 15,752 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 14,850 Pyaterochka proximity stores, 811 Perekrestok supermarkets and 91 Karusel hypermarkets. The Company operates 43 DCs and 4,029 Company-owned trucks across the Russian Federation.

For the full year 2018, revenue totalled RUB 1,532,537 mln (USD 24,439 mln), Adjusted EBITDA reached RUB 109,871 mln (USD 1,752 mln), and net profit for the period amounted to RUB 28,642 mln (USD 457 mln). In 9M 2019, revenue totalled RUB 1,265,130 mln (USD 19,440 mln), adjusted EBITDA reached RUB 95,975 mln (USD 1,475 mln), and net profit amounted to RUB 25,043 mln (USD 385 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).*

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**X5 Retail Group N.V.**

**Condensed Consolidated Interim  
Financial Information**

**Nine months ended 30 September 2019**

The attached condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity have been prepared on the basis of the X5 Retail Group NV accounting policies as disclosed in the audited annual financial statements for the year ended 31 December 2018. These accounting policies have been consistently applied in the preparation of these statements except for adoption of new standards that are mandatory for financial annual periods beginning on 1 January 2019 and the fact that these statements do not comprise a full set of financial statements as required by International Financial Reporting Standards as adopted by the EU.

**X5 Retail Group N.V.**  
**Condensed Consolidated Interim Statement of Financial Position**  
**at 30 September 2019**  
*(expressed in millions of Russian Roubles, unless otherwise stated)*

	30 September 2019	31 December 2018*
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	309,848	303,802
Right-of-use assets	410,323	-
Investment property	6,000	6,173
Goodwill	99,781	94,627
Other intangible assets	21,678	22,126
Investments in associates and joint ventures	200	203
Other non-current assets	2,385	8,015
Deferred tax assets	16,642	5,013
	<b>866,857</b>	<b>439,959</b>
<b>Current assets</b>		
Inventories	107,270	115,990
Indemnification asset	121	-
Trade, other accounts receivable and prepayments	13,361	14,172
Current income tax receivable	8,029	6,167
VAT and other taxes receivable	8,944	10,143
Cash and cash equivalents	10,867	24,368
	<b>148,592</b>	<b>170,840</b>
<b>Total assets</b>	<b>1,015,449</b>	<b>610,799</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	2,458	2,458
Share premium	46,139	46,192
Retained earnings	68,750	116,707
Share-based payment reserve	117	118
	<b>117,464</b>	<b>165,475</b>
<b>Total equity</b>	<b>117,464</b>	<b>165,475</b>
<b>Non-current liabilities</b>		
Long-term borrowings	153,718	147,329
Long-term lease liabilities	407,219	-
Deferred tax liabilities	5,748	6,166
Other non-current liabilities	2,913	626
	<b>569,598</b>	<b>154,121</b>
<b>Current liabilities</b>		
Trade accounts payable	131,196	154,873
Short-term borrowings	72,868	60,435
Interest accrued	1,932	1,770
Short-term lease liabilities	56,374	-
Short-term contract liabilities	1,939	1,664
Current income tax payable	1,725	725
Provisions and other liabilities	62,353	71,736
	<b>328,387</b>	<b>291,203</b>
<b>Total liabilities</b>	<b>897,985</b>	<b>445,324</b>
<b>Total equity and liabilities</b>	<b>1,015,449</b>	<b>610,799</b>

\* The Group made a transition to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

Svetlana Demyashkevich  
Chief Financial Officer  
21 October 2019

**X5 Retail Group N.V.**  
**Condensed Consolidated Interim Statement of Profit or Loss**  
**for the nine months ended 30 September 2019**  
*(expressed in millions of Russian Roubles, unless otherwise stated)*

	<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018*</b>
Revenue	1,265,130	1,109,582
Cost of sales	(946,636)	(841,642)
<b>Gross profit</b>	<b>318,494</b>	<b>267,940</b>
Selling, general and administrative expenses	(258,302)	(232,270)
Net impairment losses on financial assets	(141)	(375)
Lease/sublease and other income	10,760	7,543
<b>Operating profit</b>	<b>70,811</b>	<b>42,838</b>
Finance costs	(41,243)	(13,307)
Finance income	44	144
Net foreign exchange gain/(loss)	1,810	(213)
<b>Profit before tax</b>	<b>31,422</b>	<b>29,462</b>
Income tax expense	(11,008)	(7,062)
<b>Profit for the period</b>	<b>20,414</b>	<b>22,400</b>
<b>Profit for the period attributable to:</b>		
Equity holders of the parent	20,414	22,400
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	300.70	329.95
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	300.70	329.93

\* The Group made a transition to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

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Svetlana Demyashkevich  
Chief Financial Officer  
21 October 2019

**X5 Retail Group N.V.**  
**Condensed Consolidated Interim Statement of Comprehensive Income**  
**for the nine months ended 30 September 2019**  
(expressed in millions of Russian Roubles, unless otherwise stated)

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	<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018*</b>
Profit for the period	20,414	22,400
<b>Total comprehensive income for the period, net of tax</b>	<b>20,414</b>	<b>22,400</b>
<b>Total comprehensive income for the period attributable to:</b>		
Equity holders of the parent	20,414	22,400

\* The Group made a transition to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

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Svetlana Demyashkevich  
Chief Financial Officer  
21 October 2019

**X5 Retail Group N.V.**  
**Condensed Consolidated Interim Statement of Cash Flows**  
**for the nine months ended 30 September 2019**  
*(expressed in millions of Russian Roubles, unless otherwise stated)*

	<b>Nine months ended 30 September</b>	
	<b>2019</b>	<b>2018*</b>
<b>Profit before tax</b>	<b>31,422</b>	<b>29,462</b>
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets	88,977	34,988
Gain on disposal of property, plant and equipment, right-of-use assets, investment property and intangible assets	(1,374)	(202)
Finance costs, net	41,199	13,163
Net impairment losses on financial assets	141	375
Impairment of prepayments	70	135
Share-based compensation expense	64	56
Net foreign exchange (gain)/loss	(1,810)	213
Other non-cash items	420	(464)
<b>Net cash from operating activities before changes in working capital</b>	<b>159,109</b>	<b>77,726</b>
(Increase)/decrease in trade, other accounts receivable and prepayments	(225)	6,474
Decrease/(increase) in inventories	8,720	(455)
Decrease in trade payable	(23,643)	(11,184)
(Decrease)/increase in other accounts payable and contract liabilities	(3,723)	3,626
<b>Net cash flows from operations</b>	<b>140,238</b>	<b>76,187</b>
Interest paid	(40,624)	(12,362)
Interest received	38	52
Income tax paid	(11,924)	(8,098)
<b>Net cash flows generated from operating activities</b>	<b>87,728</b>	<b>55,779</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment and initial direct costs associated with right-of-use assets	(46,292)	(53,090)
Acquisition of businesses, net of cash acquired	(6,105)	(12,824)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	446	549
Purchase of other intangible assets	(6,614)	(3,621)
Proceeds from sale of interest in associates and joint ventures	3	-
<b>Net cash flows used in investing activities</b>	<b>(58,562)</b>	<b>(68,986)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans	72,823	117,505
Repayment of loans	(54,098)	(94,810)
Purchase of treasury shares	(118)	(90)
Payments of principal portion of lease liabilities	(36,260)	-
Dividends paid to equity holders of the parent	(25,000)	(21,590)
<b>Net cash flows (used in)/generated from financing activities</b>	<b>(42,653)</b>	<b>1,015</b>
Effect of exchange rate changes on cash and cash equivalents	(14)	(75)
<b>Net decrease in cash and cash equivalents</b>	<b>(13,501)</b>	<b>(12,267)</b>
<b>Movements in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	24,368	27,605
Net decrease in cash and cash equivalents	(13,501)	(12,267)
<b>Cash and cash equivalents at the end of the period</b>	<b>10,867</b>	<b>15,338</b>

\* The Group made a transition to IFRS 16 using the modified retrospective approach under which the comparative information was not restated.

**X5 Retail Group N.V.**  
**Condensed Consolidated Interim Statement of Changes In Equity**  
**for the nine months ended 30 September 2019**  
*(expressed in millions of Russian Roubles, unless otherwise stated)*

	Attributable to equity holders of the parent						Total
	Number of shares	Share capital	Share premium	Share-based payment reserve	Retained earnings	Total shareholders' equity	
<b>Balance as at 1 January 2018</b>	<b>67,886,748</b>	<b>2,458</b>	<b>46,212</b>	<b>117</b>	<b>109,655</b>	<b>158,442</b>	<b>158,442</b>
Profit for the period	-	-	-	-	22,400	22,400	22,400
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,400</b>	<b>22,400</b>	<b>22,400</b>
Dividends	-	-	-	-	(21,590)	(21,590)	(21,590)
Share-based payment compensation	-	-	-	56	-	56	56
Transfer and waiving of vested equity rights	3,351	-	(20)	(70)	-	(90)	(90)
<b>Balance as at 30 September 2018</b>	<b>67,890,099</b>	<b>2,458</b>	<b>46,192</b>	<b>103</b>	<b>110,465</b>	<b>159,218</b>	<b>159,218</b>
<b>Balance as at 1 January 2019</b>	<b>67,890,099</b>	<b>2,458</b>	<b>46,192</b>	<b>118</b>	<b>116,707</b>	<b>165,475</b>	<b>165,475</b>
Effect of adoption of new accounting standards	-	-	-	-	(43,371)	(43,371)	(43,371)
<b>Balance as at 1 January 2019 Restated</b>	<b>67,890,099</b>	<b>2,458</b>	<b>46,192</b>	<b>118</b>	<b>73,336</b>	<b>122,104</b>	<b>122,104</b>
Profit for the period	-	-	-	-	20,414	20,414	20,414
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,414</b>	<b>20,414</b>	<b>20,414</b>
Acquisition of treasury shares	(11,719)	-	(75)	-	-	(75)	(75)
Dividends	-	-	-	-	(25,000)	(25,000)	(25,000)
Share-based payment compensation	-	-	-	64	-	64	64
Transfer and waiving of vested equity rights	7,566	-	22	(65)	-	(43)	(43)
<b>Balance as at 30 September 2019</b>	<b>67,885,946</b>	<b>2,458</b>	<b>46,139</b>	<b>117</b>	<b>68,750</b>	<b>117,464</b>	<b>117,464</b>

Svetlana Demyashkevich  
Chief Financial Officer  
21 October 2019