

# Information on alternative performance measures

In this report and other public disclosures, X5 Retail Group presents certain alternative performance measures (APMs) that it believes provide readers with a more detailed and accurate understanding of the Company's financial and operating performance. In accordance with European Securities Markets Authority guidelines, a list of definitions, explanations of the relevance of APMs, comparatives and reconciliations are provided below.

## EBITDA (including EBITDA margin)

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Company's operating performance. It is a way to evaluate X5 Retail Group's performance exclusive of financing, accounting and taxation factors. X5 believes that showing EBITDA and EBITDA margin performance provides greater detail about the Company's performance.

| RUB mln                                   | 2018           | 2017          |
|---|----------------|---------------|
| Operating profit                          | 58,154         | 57,758        |
| Depreciation, amortisation and impairment | 49,474         | 38,435        |
| <b>EBITDA</b>                             | <b>107,628</b> | <b>96,193</b> |

  

| RUB mln                 | 2018       | 2017       |
|-------------------------|------------|------------|
| Revenue                 | 1,532,537  | 1,295,008  |
| EBITDA                  | 107,628    | 96,193     |
| <b>EBITDA margin, %</b> | <b>7.0</b> | <b>7.4</b> |

## Adjusted EBITDA (including adjusted EBITDA margin)

Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) is a measure of the Company's operating performance. It is a way to evaluate a company's performance exclusive of financing, accounting and taxation factors, and also excluding the effects of the LTI programme, which does not represent an ongoing cost of doing business. X5 believes that showing adjusted EBITDA and adjusted EBITDA margin performance provides a more accurate reflection of the Company's ongoing performance.

| RUB mln   | 2018           | 2017          |
|---|----------------|---------------|
| <b>EBITDA</b>   | <b>107,628</b> | <b>96,193</b> |
| Adjustments:  |                |               |
| LTI, share-based payments and other one-off remuneration payments expense and SSC | 2,243          | 2,938         |
| <b>Adj. EBITDA</b>  | <b>109,871</b> | <b>99,131</b> |

| RUB mln                      | 2018           | 2017          |
|------------------------------|----------------|---------------|
| Revenue                      | 1,532,537      | 1,295,008     |
| <b>Adj. EBITDA</b>           | <b>109,871</b> | <b>99,131</b> |
| <b>Adj. EBITDA margin, %</b> | <b>7.2</b>     | <b>7.7</b>    |

## Adjusted SG&A (including adjusted SG&A as % of revenue)

Selling, general and administrative expenses (SG&A) are reported on the income statement as the sum of all direct and indirect selling expenses and all general and administrative expenses of the Company. X5 Retail Group reports adjusted SG&A, which excludes the effects of the LTI programme, as well as depreciation, amortisation and impairment. The Company believes that adjusted SG&A provides additional detail regarding the long-term SG&A costs of the business.

| RUB mln   | 2018           | 2017           |
|---|----------------|----------------|
| <b>SG&amp;A<sup>1</sup></b>   | <b>323,358</b> | <b>259,146</b> |
| Adjustments:  |                |                |
| LTI, share-based payments and other one-off remuneration payments expense and SSC | (2,243)        | (2,938)        |
| Depreciation, amortisation and impairment   | (49,474)       | (38,435)       |
| <b>Adjusted SG&amp;A</b>  | <b>271,641</b> | <b>217,773</b> |

| RUB mln   | 2018        | 2017        |
|---|-------------|-------------|
| Revenue   | 1,532,537   | 1,295,008   |
| Adjusted SG&A                                     | 271,641     | 217,773     |
| <b>Adjusted SG&amp;A expenses as % of revenue</b> | <b>17.7</b> | <b>16.8</b> |

<sup>1</sup> As a result of the adoption of IFRS 9, the Company changed the presentation of its condensed consolidated interim statement of profit or loss by reclassifying net impairment losses on financial assets out of selling, general and administrative expenses.

## Net debt/EBITDA

The net borrowings to earnings before interest depreciation and amortisation (EBITDA) ratio is a measurement of leverage. It is calculated as the Company's long-term and short-term borrowings, minus cash and cash equivalents, divided by EBITDA. The net debt to EBITDA ratio is a commonly used indicator that provides additional clarification regarding the Company's debt burden.

| RUB mln                   | 31-Dec-18      | 31-Dec-17      |
|---------------------------|----------------|----------------|
| Total debt, incl.:        | 207,764        | 194,296        |
| Short-term borrowings     | 60,435         | 58,674         |
| Long-term borrowings      | 147,329        | 135,622        |
| Cash and cash equivalents | 24,368         | 27,605         |
| <b>Net debt</b>           | <b>183,396</b> | <b>166,691</b> |
| EBITDA                    | 107,628        | 96,193         |
| <b>Net debt/EBITDA</b>    | <b>1.70x</b>   | <b>1.73x</b>   |

## Net retail sales

Net retail sales shows the amount of sales generated by the Company after the deduction of revenue from franchise services, wholesale operations and other services. Because food retail is X5 Retail Group's core business, net retail sales are provided to give a clearer picture of the performance of the Company's core business activity.

| RUB mln  | 2018             | 2017             |
|--|------------------|------------------|
| <b>Revenue</b>                                       | <b>1,532,537</b> | <b>1,295,008</b> |
| Adjustments:   |                  |                  |
| Revenue from wholesale operations and other services | (7,480)          | (8,030)          |
| Revenue from franchise services                      | (42)             | (29)             |
| <b>Net retail sales</b>                              | <b>1,525,015</b> | <b>1,286,949</b> |

## Like-for-like (LFL)

LFL comparisons of retail sales between two periods are comparisons of retail sales in the local currency (including VAT) generated by 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. This is a commonly used indicator in the retail industry that helps illustrate the sustainability of a company's growth by focusing on the performance of stores that have already been operating for more than 12 months and by removing the effect of new stores opened during the period.

| %  | 2018       | 2017       |
|--|------------|------------|
| Net retail sales growth                        | 18.5       | 25.5       |
| Contribution from an increase in selling space | 17.0       | 20.1       |
| <b>LFL</b>                                     | <b>1.5</b> | <b>5.4</b> |