

# Overview

## About this report

This annual report provides a review of our performance and progress in delivering on our strategic objectives and creating value for our stakeholders. We believe the report will enable all relevant stakeholders to assess the sustainability of our business model and our ability to create value.

### Report boundary and scope

This report reviews X5 Retail Group's business model and strategy, risks and opportunities, operating and financial performance, non-financial performance and corporate governance for the financial year ended 31 December 2018. The report covers the activities of X5 Retail Group and all its operating subsidiaries. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

While this report covers the 2018 financial year, any significant, material events that occurred between the reporting date and the date on which this report is approved are included.

### Materiality

The issues covered in this report were selected based on management's understanding of our business model, risks and opportunities, and stakeholder interests. Management uses a variety of tools to remain informed about the material issues facing the Company, including regular internal analysis and reporting mechanisms, market research, external polling and research products, as well as feedback received directly from key stakeholders. While no formalised polling of stakeholders has been conducted for the purpose of determining material issues, it is the belief of management that this report addresses how we interact with, and create value for, stakeholders in a comprehensive manner.

### Alternative performance measures

In this report, we provide alternative performance measures (APMs) that are not defined or specified under IFRS requirements. We believe that these APMs provide important information on the performance of our business. We have included a glossary

of the APMs used in this report on pages 122-125. This glossary includes an explanation of how each APM is calculated, why we use it and how it can be reconciled to a statutory measure, where relevant.

### Financial and non-financial information

In addition to an analysis of our financial and operating performance, we present information about our non-financial performance in key areas where X5 Retail Group has an impact through its business activities. In this report, we discuss how we manage our performance in areas like consumer safety, the environment, local communities, our people, and business conduct.

### Assurance

The Supervisory Board, with the support of the Audit Committee, is responsible for X5 Retail Group's internal controls to provide reasonable assurance against material misstatement and loss.

We apply a combined assurance model, which provides us with assurance obtained from management and from internal and external assurance providers.

### Supervisory Board approval

The Supervisory Board of X5 Retail Group confirms that this report addresses all material issues and provides a balanced overview of the Company's performance for the reporting period, as well as an accurate reflection of its strategic commitments. The Board approved the 2018 annual report for publication.