



DIXY GROUP REPORTS FINANCIAL RESULTS FOR 1H 2019

Moscow, Russia, August 23, 2019. DIXY Group, one of Russia's leading retailers of foods and everyday products today announces its unaudited IFRS results for the first half of 2019.

1H 2019 Highlights (in accordance with IAS 17):

- Revenue amounted to 155 RUB bln, growing by +6% yoy;
- LFL came at +6.6% due to LFL traffic increase by +4.8% and LFL ticket growth of +1.8%;
- DIXY discounters LFL was +7,8% given LFL traffic of +5,7% and LFL ticket of 2,0%;
- Gross profit came at 39 RUB bln, while gross margin was 25.0%;
- SG&A expenses as % of revenue declined by 180 basis points yoy to 23.3%;
- EBITDA amounted to 6.8 RUB bln, EBITDA margin equaled to 4.4%;
- Financial expenses (net) decreased by 15% yoy to 1.4 RUB bln;
- Net profit amounted to 2.2 RUB bln;
- Total financial debt decreased by 6.2 RUB bln yoy to 29 RUB bln;
- Net cash flow from operations amounted to 4.9 RUB bln;
- CAPEX amounted to 520 RUB mln.

DIXY Group's CEO, Sergey Belyakov commented on the results:

"We continue to receive a positive result from the large-scale turnaround program in DIXY conducted in recent years, despite weak consumer demand. In the first half of 2019, we strengthened the key indicators of LFL sales compared to 2018. At the same time, our operating expenses remain under strict control, which allowed us to remain profitable at the bottom line.

As our operating cash flow improved, we reduced the Company's debt burden and got a comfortable ratio of net debt to EBITDA at 2.0 x.

We see a significant potential for better customer experience in our stores and started to test the new concept of DIXY store. We will also continue to pay significant attention to the development of our employees and cost saving initiatives, aiming strengthening DIXY's competitive position in the Russian retail market".

1H 2019 Income statement highlights, year-on-year

In RUB mln	IFRS 16	IAS 17	IAS 17	Change
	1H 2019	1H 2019	1H 2018	
Total revenue	155,151	155,177	146,723	5.8%
Retail revenue	153,345	153,345	145,099	5.7%
Total cost of sales	116,330	116,330	108,860	6.9%
Cost of goods sold	110,485	110,485	103,431	6.8%
as % of sales	71.2%	71.2%	70.5%	70bp
Transportation costs	1,148	1,148	1,163	(1.3%)
as % of sales	0.7%	0.7%	0.8%	(10bp)
Shrinkage of inventories	4,697	4,697	4,265	10.1%
as % of sales	3.0%	3.0%	2.9%	10bp
Gross profit	38,822	38,847	37,863	2.6%
Gross margin, %	25.0%	25.0%	25.8%	(80bp)
Total SG&A expenses	34,551	36,119	36,755	(1.7%)
as % of sales	22.3%	23.3%	25.1%	(180bp)
Staff expenses	14,896	14,896	15,431	(3.5%)
as % of sales	9.6%	9.6%	10.5%	(90bp)
Operating lease expenses	205	11,214	11,129	0.8%
as % of sales	0.1%	7.2%	7.6%	(40bp)
D&A expenses	12,036	2,518	3,214	(21.6%)
as % of sales	7.8%	1.6%	2.2%	(60bp)
Utilities, repair and maintenance expenses	4,100	4,176	3,768	10.8%
as % of sales	2.6%	2.7%	2.6%	10bp
Advertising expenses	576	576	635	(9.3%)
as % of sales	0.4%	0.4%	0.4%	-
Other expenses	2,739	2,739	2,579	6.2%
as % of sales	1.8%	1.8%	1.8%	-
Other operating income	1,397	1,539	414	na
Operating profit	5,667	4,267	1,521	180.5%
Operating margin, %	3.7%	2.8%	1.0%	180bp
Financial costs (net)	4,811	1,438	1,690	(14.9%)
Other income / (expenses)	352	108	(88)	na
Profit / (loss) before income tax	1,208	2,937	(256)	na
Income tax / (benefit)	405	751	(21)	na
Net profit / (loss)	803	2,187	(235)	na
Net profit margin, %	0.5%	1.4%	na	na

EBITDA and EBITDAR for 1H 2019, year-on-year

In RUB mln	IFRS 16	IAS 17	IAS 17	Change
	1H 2019	1H 2019	1H 2018	
EBITDA	17,703	6,786	4,735	43.3%
EBITDA margin	11.4%	4.4%	3.2%	120bp
EBITDAR	17,908	18,000	15,864	13.5%
EBITDAR margin	11.5%	11.6%	10.8%	80bp

Stores Statistics for 1H 2019, year-on-year

Number of Stores

	as of 31.06.2019	as of 31.12.2018	as of 30.06.2018
DIXY division	2,508	2,537	2,541
Victoria division	117	129	129
Megamart division	41	41	41
DIXY Group Total	2,666	2,707	2,711

LFL Sales by formats for 1H 2019, %

Format	1H 2019		
	Number of tickets	Average basket	LFL Sales
DIXY division	5.7%	2.0%	7.8%
Victoria division	1.0%	3.9%	4.8%
Megamart division	(5.4%)	1.8%	(3.7%)
DIXY Group LFL	4.8%	1.8%	6.6%

1H 2019 results review

Revenue

Revenue increased by 5.8% year-on-year to 155.1 RUB bln driven by both growing LFL ticket and traffic. Group's total LFL sales remain above zero for the past five quarters. In 2019, the Company continued store optimization: 4 DIXY stores were opened and 33 unprofitable stores were closed; 12 Victoria supermarkets were closed with assignment of lease.

Gross profit and gross margin

Gross profit increased by 2.6% year-on-year to 38.8 RUB bln. Gross margin decreased by 80 basis points to 25.0%.

Selling, general and administrative expenses

Selling, general and administrative expenses declined by 1.7% year-on-year to 36.1 RUB bln and came 180 basis points lower as % of revenue at 23.3%.

Staff expenses decreased by 3.5% year-on-year to 14.9 RUB bln, declined by 90 basis points, as % of revenue, to 9.6% due to higher labor productivity in stores and improved control over personnel working hours.

Operating lease expenses increased by 0.8% year-on-year and amounted to 11.2 RUB bln. Operating lease expenses as % of revenue declined by 40 basis points given revenue growth ahead of rent.

Utilities, repair and maintenance expenses increased by 10.8% year-on-year to 4.2 RUB bln due to tariffs indexation and increased by 10 basis points, as % of revenue to 2.7%.

Advertising expenses decreased by 9.3% year-on-year to 576 RUB mln and was stable as % of revenue.

Other operating expenses increased by 6.2% to 2.7 RUB bln due to growth in the bank charges, but was stable as % of revenue.

Depreciation and amortization expenses declined by 22% year-on-year to 2.5 RUB bln due to lower CAPEX in the past few years.

EBITDA and EBITDA margin

EBITDA went up by 43% to 6.8 RUB bln. The deal on Victoria supermarkets assignment of lease also influenced EBITDA in 1H 2019. EBITDA margin equaled at 4.4%.

EBITDAR and EBITDAR margin

EBITDAR increased by 13.5% to 18.0 RUB bln, EBITDAR margin came at 11.6%.

Finance costs

Financial costs (net) decreased by 14.9% year-on-year to 1.4 RUB bln due to reduced debt value, lower average cost of debt and flexible management of liquidity.

Net profit

Net profit in 1H 2019 amounted to 2.2 RUB bln.

Cash flow in 1H 2019

1H 2019 Cash flow statement highlights, year-on-year

In RUB mln	IFRS 16	IAS 17	IAS 17	Change in RUB
	1H 2019	1H 2019	1H 2018	
Net cash from operating activities	12,552	4,878	6,196	(1,318)
<i>Net cash from operating activities before changes in working capital</i>	<i>17,791</i>	<i>6,732</i>	<i>4,595</i>	<i>2,137</i>
<i>Changes in working capital</i>	<i>(391)</i>	<i>(391)</i>	<i>3,517</i>	<i>(3,908)</i>
<i>Net interest and income tax paid</i>	<i>(4 848)</i>	<i>(1,463)</i>	<i>(1,916)</i>	<i>453</i>
Net cash used in investing activities	(163)	(163)	(1,190)	1,027
Net cash used in financing activities	(14,129)	(6,454)	(7,239)	785
Net increase in cash & cash equivalents	(1,740)	(1,740)	(2,233)	493
Cash and cash equivalents, eop	3,213	3,213	2,346	867

Net cash from operating activities amounted to 4.9 RUB bln, while cash from operations increased by 2.1 RUB bln.

Net cash used in financing activities came at 6.5 RUB bln due to debt repayment.

Debt portfolio

Total Financial Debt as of June 30, 2019 and December 31, 2018

(excluding finance leaseing)

In RUB mln	as of 30.06.2019	as of 31.12.2018
Total financial debt	29,039	35,277
Short-term debt	25,374	23,280
Long-term debt	3,664	11,997
Net debt	25,826	30,323
Net debt to EBITDA	2.0	2.8

As of June 30, 2019, total financial debt amounted to 29.0 RUB bln. As of June 30, 2019, net debt amounted to 25,8 RUB bln, while the net debt to EBITDA ratio stood at 2.0x. The Company's debt portfolio is fully RUB denominated. The Company's financial reports complied with the Company's debt covenants.

Significant disclosure annotations:

- Financial statements disclosed in the press release are unaudited.
- The comments in this press release are based on the IAS 17 numbers. IFRS 16 financials is provided for information purposes.
- Total financial debt includes short- and long-term borrowings, and does not include financial lease.
- Net debt is calculated as total financial debt minus cash and cash equivalents as of the end of the period.

DIXY Group is one of Russia's leading companies in food and fast moving consumer goods retail. As of June 30, 2019, the Group operated 2,666 stores, including 2,508 DIXY convenience stores, 117 Victoria stores and 41 Megamart and Minimart compact hypermarkets. The Group's footprint covers four Federal Districts of Russia: Central, North-West and Urals, as well as Kaliningrad and the Kaliningrad Region.

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JSC DIXY Group
Consolidated statement of financial position at 30 June 2019
(in thousands Russian rubles. unless otherwise indicated)

	30 June 2019	31 December 2018
Assets		
Non-current assets		
Property, plant and equipment	23,698,122	25,775,816
Investment property	5,303,680	5,428,202
Right-of-use assets	70,489,667	–
Capital advances	7,885	9,116
Goodwill	12,499,532	12,499,532
Other intangible assets	1,602,611	2,524,576
Lease deposits	–	1,139,913
Net investments in subleases	483,629	–
Initial lease costs	–	4,930
Deferred tax asset	2,100,213	1,640,271
	116,185,339	49,022,356
Current assets		
Inventories	15,816,865	19,115,999
Trade and other receivables	2,316,898	2,208,587
Taxes recoverable and prepayments	476,956	823,880
Net investments in subleases	140,977	–
Income tax prepayments	201,836	837,748
Initial lease costs	–	5,281
Cash and cash equivalents	3,213,038	4,952,588
	22,166,570	27,944,083
Total assets	138,351,908	76,966,439
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	1,248	1,248
Additional paid-in capital	20,443,341	20,443,341
Treasury shares	(20,178,479)	(20,178,479)
Retained earnings	4,623,090	4,304,370
Total equity	4,889,200	4,570,480
Non-current liabilities		
Borrowings	3,664,168	11,996,504
Lease liabilities	56,998,970	–
Deferred tax liability	402,293	388,031
Other payables	28,026	31,724
	61,093,457	12,416,259
Current liabilities		
Trade and other payables	29,450,960	34,275,375
Borrowings	25,374,378	23,280,057
Lease liabilities	14,591,453	365,020
Advances from customers	318,963	324,884
Tax liability, other than income tax	2,481,665	1,657,060
Income tax payable	151,832	77,304
	72,369,251	59,979,700
Total equity and liabilities	138,351,908	76,966,439

JSC DIXY Group

Consolidated statement of comprehensive income for the 6 months ended 30 June 2019

(in thousands Russian rubles. unless otherwise indicated)

	For the six months ended 30 June	
	2019	2018
	(unaudited)	
Revenue	155,151,241	146,723,108
Cost of sales	(116,329,677)	(108,860,162)
Gross profit	38,821,564	37,862,946
Selling, general and administrative expenses	(34,551,456)	(36,755,424)
Other operating income	1,396,932	413,763
Operating profit	5,667,040	1,521,285
Finance income	22,647	8,101
Finance costs	(4,833,643)	(1,698,006)
Foreign exchange gain/(loss), net	352,310	(87,767)
Profit/(loss) before income tax	1,208,354	(256,387)
Income tax (expense)/credit	(405,070)	21,187
Profit/(loss) for the period	803,284	(235,200)
Total comprehensive income/(loss) for the period	803,284	(235,200)
Attributable to:		
Equity holders of the parent	803,284	(235,200)
	803,284	(235,200)
Profit/(loss) per ordinary share attributable to the equity holders of the	12.49	(2.70)

JSC DIXY Group

Consolidated statement of cash flows for the 6 months ended 30 June 2019
(in thousands Russian rubles. unless otherwise indicated)

	For the six months ended 30 June	
	2019	2018
	(unaudited)	
Cash flows from operating activities		
Profit/(loss) before income tax	1,208,354	(256,387)
<i>Adjustments for:</i>		
Depreciation and impairment of property, plant and equipment and investment property	2,340,855	2,999,015
Amortization and impairment of intangible assets	177,611	205,710
Amortization of initial lease costs	–	8,779
Amortization of unfavorable lease commitments	–	(363)
Depreciation of right-of-use assets	9,517,952	–
Gain on disposals of property, plant and equipment, intangible assets and investment property	(17,232)	(24,419)
Loss on disposal of right-of-use assets	73,121	–
Write-off of prepayments and capital advances	6,964	10,056
Increase/(decrease) in allowance for expected credit losses on trade and other receivables	17,514	(20,473)
Write up of inventory to net realizable value	(61,041)	(104,564)
Finance costs	4,833,643	1,698,006
Finance income	(22,647)	(8,101)
Loss on remeasurement of lease liabilities and sublease assets	68,549	–
Foreign exchange (gain)/loss, net	(352,310)	87,767
Cash flows from operating activities before working capital changes	17,791,333	4,595,026
(Increase)/decrease in trade and other receivables	(99,100)	202,454
Decrease in inventories	3,360,175	1,096,700
Decrease in operating lease deposits	31,749	85,667
Decrease in taxes recoverable and prepayments	215,173	124,046
(Decrease)/increase in trade and other payables	(4,709,828)	1,205,534
Increase in tax liability, other than income tax (*)	816,442	756,771
(Decrease)/increase in advances from customers	(5,921)	45,705
Cash from operating activities	17,400,023	8,111,903
Income tax paid (*)	(11,007)	(243,016)
Interest paid	(4,837,001)	(1,672,798)
Net cash from operating activities	12,552,015	6,196,089
Cash flows from investing activities		
Purchases of property, plant and equipment and investment property	(221,225)	(847,038)
Proceeds from sale of property, plant and equipment and investment property	99,162	47,452
Proceeds from sale of intangible assets	–	102
Interest received	10,953	8,101
Purchases of intangible assets	(51,751)	(398,662)
Net cash used in investing activities	(162,861)	(1,190,045)
Cash flows from financing activities		
Proceeds from loans and borrowings	500,000	16,333,175
Repayment of loans and borrowings	(6,734,656)	(13,062,336)
Buy-out of shares	–	(10,328,151)
Finance lease payments	(7,894,048)	(181,670)
Net cash used in financing activities	(14,128,704)	(7,238,982)
Net decrease in cash and cash equivalents	(1,739,550)	(2,232,938)
Cash and cash equivalents at the beginning of the period	4,952,588	4,579,305
Cash and cash equivalents at the end of the period	3,213,038	2,346,367

(*) In 2018, the amounts were shown net of non-cash items mainly related to VAT payable offset against income tax in the amount of 197,863.