



## DIXY GROUP REPORTS FINANCIAL RESULTS FOR FY 2018

**Moscow, Russia, March 4, 2019.** DIXY Group, one of Russia's leading retailers of foods and everyday products today announces its audited IFRS results for the full year of 2018.

### **FY 2018 Highlights:**

- LFL came at +4.6% due to LFL traffic increase by +4.7%;
- Revenue amounted to 299 RUB bln, growing by +6% yoy;
- Gross profit came at 77 RUB bln, while gross margin was 25.8%;
- SG&A expenses as % of revenue declined by 180 basis points yoy to 24.6%;
- EBITDA amounted to 11 RUB bln, EBITDA margin equaled to 3.7%;
- Financial expenses (net) decreased by 7% yoy to 3.4 RUB bln;
- Net profit amounted to 942 RUB mln;
- Net operating cash flow grew by 14% yoy to 12 RUB bln;
- CAPEX amounted to 2.7 RUB bln (incl VAT);
- Total financial debt increased by 4% yoy to 35.6 RUB bln.

### **DIXY Group's General Director, Sergey Belyakov commented on the results:**

«In 2018, we focused on our assortment and pricing proposition improvement, as well as increased the pay-back from promo activity. We managed to reverse the Company's LFL sales trend and return customers' traffic to our stores. Over the past three quarters, the Company's LFL traffic was growing above 5%, while our LFL ticket delivered positive dynamic as well. As a consequence of that, our revenue grew by 6% in 2018, while the number of stores we operate remained largely unchanged.

We will continue to prioritize programmes on operational excellence and customer shopping experience in our stores, and we are going to deliver a number of initiatives in 2019.

In 2018, we successfully finalized the delisting from the Moscow exchange and share repurchase from minority shareholders, however kept the Company's debt level grossly flat.

As a result of all our efforts, the Company for the first time in two years ended the financial year with a net profit.

We believe that with the implementation of our business transformation program, we have created the foundation for DIXY Group's sustainable profitable growth».

## FY 2018 Income statement highlights, year-on-year

In RUB mln	2018	2017	Change
<b>Total revenue</b>	<b>298,656</b>	<b>282,811</b>	<b>5.6%</b>
Retail revenue	295,226	280,312	5.3%
<b>Total cost of sales</b>	<b>221,500</b>	<b>206,919</b>	<b>7.0%</b>
Cost of goods sold	210,756	197,642	6.6%
as % of sales	70.6%	69.9%	70bp
Transportation costs	2,247	2,130	5.5%
as % of sales	0.8%	0.8%	-
Shrinkage of inventories	8,497	7,147	18.9%
as % of sales	2.8%	2.5%	30bp
<b>Gross profit</b>	<b>77,156</b>	<b>75,893</b>	<b>1.7%</b>
Gross margin, %	25.8%	26.8%	(100bp)
<b>Total SG&amp;A expenses</b>	<b>73,561</b>	<b>74,587</b>	<b>(1.4%)</b>
as % of sales	24.6%	26.4%	(180bp)
Staff expenses	30,468	29,559	3.1%
as % of sales	10.2%	10.5%	(30bp)
Operating lease expenses	22,456	22,087	1.7%
as % of sales	7.5%	7.8%	(30bp)
D&A expenses	6,147	9,088	(32.4%)
as % of sales	2.1%	3.2%	(110bp)
Utilities, repair and maintenance expenses	7,849	7,190	9.2%
as % of sales	2.6%	2.5%	10bp
Advertising expenses	1,412	1,533	(7.9%)
as % of sales	0.5%	0.5%	-
Other expenses	5,228	5,130	1.9%
as % of sales	1.8%	1.8%	-
Other operating income	1,176	666	76.7%
<b>Operating profit</b>	<b>4,770</b>	<b>1,972</b>	<b>141.9%</b>
Operating margin, %	1.6%	0.7%	90bp
Financial costs (net)	(3,369)	(3,636)	(7.3%)
Net FX gain / (loss)	-195	16	na
Other income / (expenses)	-	(5,166)	na
<b>Profit / (loss) before income tax</b>	<b>1,206</b>	<b>(6,815)</b>	<b>na</b>
Income tax	(265)	801	na
<b>Net profit / (loss)</b>	<b>942</b>	<b>(6,014)</b>	<b>na</b>
<b>Net profit / (loss) adj</b>	<b>942</b>	<b>(848)</b>	<b>na</b>

## EBITDA and EBITDAR for FY 2018, year-on-year

In RUB mln	2018	2017	Change
<b>EBITDA</b>	<b>10,915</b>	<b>11,038</b>	<b>(1.1%)</b>
EBITDA margin	3.7%	3.9%	(20bp)
<b>EBITDAR</b>	<b>33,371</b>	<b>33,125</b>	<b>0.7%</b>
EBITDAR margin	11.2%	11.7%	(50bp)

## Stores Statistics for FY 2018, year-on-year

### Number of Stores

	as of 31.12.2018	as of 31.12.2017
DIXY division	2,537	2,534
Victoria division	129	128
Megamart division	41	41
<b>DIXY Group Total</b>	<b>2,707</b>	<b>2,703</b>

### LFL Sales by formats for FY 2018, %

Format	2018		
	Number of tickets	Average basket	LFL Sales
DIXY division	+5.7%	+0.1%	+5.9%
Victoria division	(0.8%)	+2.6%	+1.3%
Megamart division	(4.4%)	+1.4%	(3.1%)
<b>DIXY Group LFL</b>	<b>+4.7%</b>	<b>0.0%</b>	<b>+4.6%</b>

## FY 2018 results review

### Revenue

Revenue increased by 5.6% year-on-year to 298.7 RUB bln driven mainly by growing LFL traffic. Group's total LFL sales were above zero in each quarter of 2018 with the highest growth achieved in 4Q 2018 as a result of improved operational efficiency in stores.

### Gross profit and gross margin

Gross profit increased by 1.7% year-on-year to 77.2 RUB bln. Gross margin decreased by 100 basis points to 25.8%.

Shrinkage increased by 30 basis points to 2.8% as % of revenue.

Transportation costs as % of revenue has not changed and amounted at 0.8%.

### Selling, general and administrative expenses

Selling, general and administrative expenses declined by 1.4% year-on-year to 73.6 RUB bln and came 180 basis points lower as % of revenue at 24.6%.

Staff expenses increased by 3.1% year-on-year to 30.5 RUB bln, but declined by 30 basis points, as % of revenue, to 10.2% due to higher labor productivity in stores and improved control over personnel working hours. In 2018, we implemented new staff motivation aimed greater overall compensation for our store staff.

Operating lease expenses remained approximately flat year-on-year and amounted to 22.5 RUB bln as a result of rent renegotiation and more efficient store space usage. Operating lease expenses as % of revenue declined by 30 basis points given revenue growth ahead of rent.

Utilities, repair and maintenance expenses increased by 9.2% year-on-year to 7.8 RUB bln, while as % of revenue were just 10 basis points higher at 2.6%.

Advertising expenses decreased by 7.9% year-on-year to 1.4 RUB bln and was stable as % of revenue.

Other operating expenses remained approximately flat in RUB and as % of revenue in comparison to previous year.

Depreciation and amortization expenses declined by 32% year-on-year to 6.1 RUB bln due to lower CAPEX in the past few years.

### EBITDA and EBITDA margin

EBITDA remained approximately unchanged versus 2017 year and amounted to 11 RUB bln, while EBITDA margin came 20 basis points lower year-on-year (equaled to 3.7%) mainly due to declined gross margin.

### EBITDAR and EBITDAR margin

EBITDAR also remained approximately flat year-on-year and amounted to 33 RUB bln with EBITDAR margin declined by 50 basis points to 11.2%.

### Finance costs

Financial costs (net) decreased by 7.3% year-on-year to 3.4 RUB bln due to lower average cost of debt and flexible management of liquidity.

### Impairment of goodwill

In 4Q 2017, there was impairment of goodwill for 5.2 RUB bln related to Victoria acquisition by DIXY Group. There was no impairment of goodwill during 2018.

### Net profit

Net profit in FY 2018 amounted to 942 RUB mln.

## Cash flow in FY 2018

### FY 2018 Cash flow statement highlights, year-on-year

In RUB mln	2018	2017	Change
<b>Net cash from operating activities</b>	<b>11,604</b>	<b>10,145</b>	<b>14.4%</b>
<i>Net cash from operating activities before changes in working capital</i>	<i>10,880</i>	<i>11,032</i>	<i>(1.4%)</i>
<i>Changes in working capital</i>	<i>4,470</i>	<i>2,377</i>	<i>88.0%</i>
<i>Net interest and income tax paid</i>	<i>(3,747)</i>	<i>(3,264)</i>	<i>14.8%</i>
<b>Net cash used in investing activities</b>	<b>(1,695)</b>	<b>(2,602)</b>	<b>(34.9%)</b>
<b>Net cash used in financing activities</b>	<b>(9,536)</b>	<b>(7,068)</b>	<b>34.9%</b>
Net increase in cash & cash equivalents	373	475	(21.4%)
<b>Cash and cash equivalents, eop</b>	<b>4,953</b>	<b>4,579</b>	<b>8.2%</b>

Net cash from operating activities went up by 14.4% year-on-year to 11.6 RUB bln driven by improved working capital.

Net cash used in investing activities amounted to 1.7 RUB bln due to lower CAPEX.

Net cash used in financing activities came at 9.5 RUB bln including 10.8 RUB bln spent for share repurchase.

## Capital expenditures in FY 2018

### FY 2018 Capital expenditures, year-on-year

In RUB mln (inc VAT)	2018	2017	Change
<b>Capital expenditures, including</b>	<b>2 735</b>	<b>3 911</b>	<b>(30%)</b>
Organic growth	126	518	(76%)
Logistics	1 351	1 806	(25%)
Reconstruction and maintenance	586	946	(38%)
Other	672	641	5%

## Debt portfolio

### Total Financial Debt as of December 31, 2018 and December 31, 2017

In RUB mln	As of 31.12.2018	As of 31.12.2017
<b>Total financial debt</b>	<b>35,642</b>	<b>34,316</b>
Short-term debt	23,645	16,628
Long-term debt	11,997	17,688
<b>Net debt</b>	<b>30,689</b>	<b>29,737</b>
<b>Total debt to EBITDA</b>	<b>3.3</b>	<b>3.1</b>

As of December 31, 2018, total financial debt amounted to 35.6 RUB bln while the total financial debt to EBITDA ratio stood at 3.3x. As of December 31, 2017, net debt amounted to 30.7 RUB bln with net debt to EBITDA equaled to 2.8x.

The Company's debt portfolio is fully RUB denominated and carries fixed interest rate.

The Company's IFRS financial reports complied with the Company's debt covenants.

#### Significant disclosure annotations:

- Financial statements disclosed in the press release are audited.
- Total financial debt includes short- and long-term borrowings, and 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 December 31, 2018, the Group operated 2,707 stores, including 2,537 DIXY convenience stores, 129 Victoria stores and 41 Megamart and Minimart compact hypermarkets; stores of DIXY Group operate in 755 Russian towns and settlements. 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 31 December 2018**  
**(in thousands Russian rubles, unless otherwise indicated)**

	2018	2017
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	25,775,816	33,118,865
Investment property	5,428,202	2,848,167
Capital advances	9,116	142,786
Goodwill	12,499,532	12,499,532
Other intangible assets	2,524,576	2,407,943
Operating lease deposits	1,139,913	1,286,771
Initial lease costs	4,930	28,055
Deferred tax asset	1,640,271	1,568,179
	<b>49,022,356</b>	<b>53,900,298</b>
<b>Current assets</b>		
Inventories	19,115,999	18,157,485
Trade and other receivables	2,208,587	1,873,756
Taxes recoverable and prepayments	823,880	1,049,719
Income tax prepaid	837,748	1,391,230
Initial lease costs	5,281	17,700
Cash and cash equivalents	4,952,588	4,579,305
	<b>27,944,083</b>	<b>27,069,195</b>
<b>Total assets</b>	<b>76,966,439</b>	<b>80,969,493</b>
<b>Equity and liabilities</b>		
<b>Equity attributable to equity holders of the Parent</b>		
Share capital	1,248	1,248
Additional paid-in capital	20,443,341	20,443,341
Treasury shares	(20,178,479)	(9,337,040)
Retained earnings	4,304,370	3,362,833
<b>Total equity</b>	<b>4,570,480</b>	<b>14,470,382</b>
<b>Non-current liabilities</b>		
Borrowings	11,996,504	17,314,447
Finance leases	–	373,704
Unfavorable operating lease agreements	–	1,965
Deferred tax liability	388,031	486,261
Other payables	31,724	–
	<b>12,416,259</b>	<b>18,176,377</b>
<b>Current liabilities</b>		
Trade and other payables	34,275,375	30,113,783
Borrowings	23,280,057	16,250,688
Finance leases	365,020	376,998
Advances from customers	324,884	261,933
Tax liabilities, other than income taxes	1,657,060	1,269,850
Income taxes payable	77,304	48,756
Unfavorable operating lease agreements	–	726
	<b>59,979,700</b>	<b>48,322,734</b>
	<b>72,395,959</b>	<b>66,499,111</b>
<b>Total equity and liabilities</b>	<b>76,966,439</b>	<b>80,969,493</b>

**JSC DIXY Group**

**Consolidated statement of comprehensive income for the 12 months ended 31 December 2018**

**(in thousands Russian rubles, unless otherwise indicated)**

	<b>2018</b>	<b>2017</b>
Revenue	298,655,726	282,811,309
Cost of sales	(221,500,159)	(206,918,500)
<b>Gross profit</b>	<b>77,155,567</b>	<b>75,892,809</b>
Selling, general and administrative expenses	(73,561,065)	(74,586,619)
Other operating income	1,175,877	665,521
<b>Operating profit</b>	<b>4,770,379</b>	<b>1,971,711</b>
Finance income	14,345	51,722
Finance costs	(3,383,734)	(3,688,188)
Foreign exchange (loss)/gain, net	(194,661)	15,653
Impairment of goodwill	–	(5,165,994)
<b>Profit/(loss) before income tax</b>	<b>1,206,329</b>	<b>(6,815,096)</b>
Income tax expense/(credit)	(264,792)	800,787
<b>Profit/(loss) for the year</b>	<b>941,537</b>	<b>(6,014,309)</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>941,537</b>	<b>(6,014,309)</b>
<b>Attributable to:</b>		
Equity holders of the parent	941,537	(6,014,309)
Non-controlling interest	–	–
	<b>941,537</b>	<b>(6,014,309)</b>
Earning/(loss) per ordinary share attributable to the equity holders of the parent, basic and diluted (in Russian rubles per share)	12.39	(52.08)

**JSC DIXY Group**

**Consolidated statement of cash flows for the 12 months ended 31 December 2018**  
**(in thousands Russian rubles, unless otherwise indicated)**

	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	1,206,329	(6,815,096)
<i>Adjustments for:</i>		
Depreciation and impairment of property, plant and equipment and investment property	5,681,592	7,386,456
Amortization of intangible assets	405,424	1,629,805
Amortization of initial lease costs	60,244	71,497
Amortization of unfavorable lease agreements	(2,691)	(21,452)
Gain on disposals of property, plant and equipment and intangible assets	(74,486)	(47,559)
Increase in provision for impairment of prepayments and capital advances	17,878	48,770
Increase in provision for impairment of trade and other receivables	1,975	49,676
Write down/(reversal) of inventory to net realizable value	20,028	(56,954)
Finance costs	3,383,734	3,688,188
Finance income	(14,345)	(51,722)
Impairment of goodwill	-	5,165,994
Foreign exchange loss/(gain), net	194,661	(15,653)
<b>Operating cash flows before working capital changes</b>	<b>10,880,343</b>	<b>11,031,950</b>
(Increase)/decrease in trade and other receivables	(336,806)	2,624,924
(Increase)/decrease in inventories	(978,542)	1,721,107
Decrease in operating lease deposits	146,858	114,416
Decrease in taxes recoverable and prepayments	207,961	1,268,185
Increase/(decrease) in trade and other payables other than payables for property, plant and equipment	4,437,486	(4,157,067)
Increase in tax liabilities other than income tax	930,119	753,678
Increase in advances from customers	62,951	51,993
<b>Cash generated from operations</b>	<b>15,350,370</b>	<b>13,409,186</b>
Income tax (paid)/recoverable	(395,992)	341,293
Interest paid	(3,350,704)	(3,605,671)
<b>Net cash from operating activities</b>	<b>11,603,674</b>	<b>10,144,808</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,381,488)	(2,544,124)
Proceeds from sale of property, plant and equipment	219,324	179,886
Proceeds from sale of intangible assets	102	5,566
Initial lease costs paid	(24,700)	17
Interest received	14,345	51,722
Purchases of intangible assets	(522,087)	(294,993)
<b>Net cash used in investing activities</b>	<b>(1,694,504)</b>	<b>(2,601,926)</b>
<b>Cash flows from financing activities</b>		
Proceeds from loans and borrowings	23,214,657	49,068,607
Repayment of loans and borrowings	(21,536,261)	(47,391,437)
Buy-out of shares	(10,841,439)	(8,419,052)
Finance lease payments	(372,844)	(326,021)
<b>Net cash used in financing activities</b>	<b>(9,535,887)</b>	<b>(7,067,903)</b>
<b>Net increase in cash and cash equivalents</b>	<b>373,283</b>	<b>474,979</b>
Cash and cash equivalents at the beginning of the year	4,579,305	4,104,326
<b>Cash and cash equivalents at the end of the year</b>	<b>4,952,588</b>	<b>4,579,305</b>