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**PRESS RELEASE**

# ROSINTER RESTAURANTS INCREASED CONSOLIDATED REVENUE BY 1.8% IN FINANCIAL STATEMENTS FOR 1H 2019

**Moscow, August 29, 2019:** Rosinter Restaurants Holding PJSC (Rosinter or Rosinter Restaurants or the Company) is one of the major operators in the casual dining restaurant segment in Russia (MICEX-RTS: ticker ROST) announces its operating and financial performance for 1H 2019, in accordance with IFRS.

## FINANCIAL AND OPERATING HIGHLIGHTS IN 1H 2019

- Consolidated revenues increased by 1.8% and amounted to MRUB 3,763.
- Consolidated gross operating revenues [1] increased by 1.8% in 1H 2019 compared to 1H 2018 and amounted to MRUB 3,622. The revenues growth related to the aggressive strategy to open new locations in 2018.
- EBITDA before impairment and write-offs [2] amounted to MRUB 1,171 in 1H 2019. The application of the new accounting standard IFRS 16 ''Lease'' from 1 January 2019 had an effect on EBITDA before impairment and write-offs. Adjusted [3] to IAS 17 EBITDA before impairment and write-offs amounted to MRUB 105. The adjusted to IAS 17 EBITDA margin decreased by 1% in 1H 2019 compared to 1H 2018 and amounted to 2.8%.
- Net loss for 1H 2019 amounted to MRUB 149. Net loss without effect of IFRS 16 amounted to MRUB 260 compared to MRUB 128 in 1H 2018. The indicator was changed due to increase of direct costs, financial expense which were compensated by decrease of selling, general and administrative expenses and start-up expenses. Moreover, the restaurants, which were opened in 2018, will achieved its projected capacity in 2H 2019 while the costs had been recognized in the financial results for 1H 2019.

***Sergey Zaitsev, CEO, Rosinter Restaurants Holding PJSC:***

***"We were able to increase consolidated revenues by 1.8% - to MRUB 3,763 amid continuing decrease in consumer demand. The Company's systemic revenues [4] amounted to MRUB 6,227 including MRUB 2,464 of franchising partners' income.***
***Under adverse market conditions our priorities remain an improvement of operational efficiency and implementation of a number of initiatives that are intended to stimulate and diversify sales for further business growth. Development of our own and partner delivery systems, Honored Guest loyalty program are among them. Rosinter continues working on the renewal of the key brands, upgrading not only restaurants interiors but also the menu in accordance with current trends.***
***We have seriously revised the approach to the remuneration of restaurant staff and are now implementing projects aimed to increase the monetary incentives for the management of restaurants.***
***All these initiatives, in addition to strict cost control and the thorough analysis of the effectiveness of each location will have a positive impact on operational performance of the Rosinter restaurant concepts in the future".***

***Alexey Shorohov, CFO, Rosinter Restaurants Holding PJSC:***

***"In 2018 the development of Rosinter was concentrated on transport hubs and the majority of restaurants were launched at the end of the first half 2018. It should be taken into account for analysis of financial performance the fact that the new opened locations usually do not make profit at the initial stage and that it takes time to achieve planned figures. In addition, we faced with influence of circumstances beyond our control such as redistribution of passenger traffic at transport hubs during the period from September 2018 to May 2019. These factors had negative impact on financial performance but at the end of the first half of 2019 restaurants demonstrated positive trends. The first half of 2019 has generally showed an increase in operating revenues of restaurants at transportation hubs by 9.4%, which allows us to expect a positive impact on EBITDA in the future".***

**In this press-release we use indicators for the 1H 2019 without the IFRS 16 effect due to absence of comparative data from previous comparable periods.**

| (RUB) thousands | 6M 2019 | | 6M 2018 | | % Change, Y-o-Y | p.p. change, Y-o-Y |
|---|---|---|---|---|---|---|
| **Net revenue** | **3,763,280** | ***100.0 %*** | **3,697,155** | ***100.0 %*** | ***1.8 %*** | **-** |
| *Incl. Revenue from restaurants* | *3,628,032* | *96.4 %* | *3,556,934* | *96.2 %* | *2.0 %* | *0.2 %* |
| *Incl. Revenue from franchising* | *102,291* | *2.7 %* | *107,105* | *2.9 %* | *(4.5)%* | *(0.2)%* |
| **Cost of sales** | **3,359,755** | ***89.3 %*** | **3,110,213** | ***84.1 %*** | ***8.0 %*** | ***5.2 %*** |
| *Incl. Food and beverages* | *796,872* | *21.2 %* | *782,285* | *21.2 %* | *1.9 %* | - |
| *Incl. Payroll and related taxes* | *813,236* | *21.6 %* | *771,655* | *20.9 %* | *5.4 %* | *0.7 %* |
| *Incl. Rent* | *1,101,303* | *29.3 %* | *926,777* | *25.1 %* | *18.8 %* | *4.2 %* |
| **Gross profit** | **403,525** | ***10.7 %*** | **586,942** | ***15.9 %*** | ***(31.2)%*** | ***(5.2)%*** |
| SG&A Expenses | 398,253 | *10.6 %* | 475,858 | *12.9 %* | *(16.3)%* | *(2.3)%* |
| Start-up expenses for restaurants | 36,161 | *1.0 %* | 81,469 | *2.2 %* | *(55.6)%* | *(1.2)%* |
| Other gains | 10,364 | *0.3 %* | 9,774 | *0.3 %* | *6.0 %* | - |
| Other losses | 32,671 | *0.9 %* | 39,059 | *1.1 %* | *(16.4)%* | *(0.2)%* |
| *Incl. Loss on disposal of non-current assets* | *16,397* | *0.4 %* | *27,474* | *0.7 %* | *(40.3)%* | *(0.3)%* |
| **(Loss)/profit from operating activities before impairment** | **(53,196)** | ***(1.4)%*** | **330** | **-** | ***(16230.2)%*** | ***(1.4)%*** |
| Loss from impairment of operating assets | 13,776 | *0.4 %* | 10,497 | *0.3 %* | *31.2 %* | *0.1 %* |
| **Loss from operating activities after impairment** | **(66,972)** | ***(1.8)%*** | **(10,167)** | ***(0.3)%*** | ***558.7 %*** | ***(1.5)%*** |
| Financial expenses, net | 181,504 | *4.8 %* | 131,201 | *3.5 %* | *38.3 %* | *1.3 %* |
| Foreign exchange gain/(loss), net | 1,776 | - | (4,240) | *(0.1)%* | *(141.9)%* | *0.1%* |
| **Loss before income tax** | **(246,700)** | ***(6.6)%*** | **(145,608)** | ***(3.9)%*** | ***69.4 %*** | ***(2.7)%*** |
| Income tax (expense)/benefit | (13,494) | *(0.4)%* | 17,751 | *0.5 %* | *(176.0)%* | *(0.9)%* |
| **Net loss** | **(260,194)** | ***(6.9)%*** | **(127,857)** | ***(3.5)%*** | ***103.5 %*** | ***(3.4)%*** |
| (Loss)/profit from operating activities before impairment | (53,196) | *(1.4)%* | 330 | - | *(16230.2)%* | *(1.4)%* |
| Depreciation and amortization | 141,946 | *3.8 %* | 114,344 | *3.1 %* | *24.1 %* | *0.7 %* |
| Loss on disposal of non-current assets | 16,397 | *0.4 %* | 27,474 | *0.7 %* | *(40.3)%* | *(0.3)%* |
| **EBITDA before impairment and write-offs** | **105,147** | ***2.8 %*** | **142,147** | ***3.8 %*** | ***(26.0)%*** | ***(1.0)%*** |

***Consolidated revenues*** amounted to MRUB 3,763 in 1H 2019 increased by 1.8% compared to 1H 2018.

The restaurants' revenue also increased by 2.0% compared to 1H 2018.

The trend of growth in restaurant revenue in 1H 2019 driven by the result of mixed impact of the following factors: the decrease in revenues of comparable restaurants [5] (4.7%) and positive impact from the opening of new and updated restaurants (7.8%). Moreover, the revenue changed due to insignificant impact of the exit from non-profitable locations in 1H 2018 (1.1%). All indicators were measured as percentage of revenue.

***Cost of sales*** increased by 5.2% in comparison with 1H 2018 – which was result of increase in rent cost amounted to 4.2%, increase in payroll costs amounted to 0.7%. All indicators were measured as percentage of revenue.

Increase in rent cost was mainly driven by the opening of new restaurants in transport hubs in May-June 2018 which had an impact on the financial result in 2H 2018 and 2019.

The payroll costs increased due to implementation of a new motivation program for restaurants management which aims to increase the efficiency in restaurant performance.

At the same time the Company managed to keep the level of ***food cost*** – indicator stood at 21.2% in 1H 2018 and 1H 2019. It was achieved by the implementation of the initiatives of the cooperation with suppliers for purchase price optimization. Moreover, food cost, measured as percentage of revenue, was affected by increase in price due to increase of VAT rate to 20% from 1 January 2019.

***Gross profit margin*** was equal to 10.7% in 1H 2019, decrease by 5.2% as percentage of revenue compared to the 15.9% in 1H 2018 and generally related to the increase rent and payroll costs.

Decrease in ***selling, general and administrative costs*** by 16.3% related to the improving of efficiency of business processes managing.

The decrease ***of the start-up expenses*** by 55.6% in comparison with 1H 2018 resulted from the intensive development of the restaurant chain in 2018.

***Other costs*** decreased by 16.4% due to reduction in loss on disposal of non-current assets mainly. The change of the indicator related to the completion of updating Rosinter's portfolio program in 2018.

The increase of ***net financial expenses*** by MRUB 50 in comparison with 1H 2018 related to the interest capitalization on target loans attracted for renovation and construction of restaurants in 2018.

**Net loss** in 1H 2019 amounted to MRUB 260 compared to MRUB 128 in 1H 2018. Net loss was a result of factors mentioned above, including the fact that restaurants, which were opened in 2018, will achieved its projected capacity in 2H 2019 while the costs had been recognized in the financial results for 1H 2019.

**The application of the new accounting standard IFRS 16 ''Lease'' and its effect on the financial statement for the 1H 2019**

The Group has adopted IFRS 16 Leases from 1 January 2019 which has significant effect on the financial indicators. Under IFRS 16, lease expenses excluded from cost and SG&A, instead of it the cost of amortization right-of-use asset and interest expenses on lease liabilities were recognized. IFRS 16 was impact on financial statement for 1H 2019 as following:

- gross profit from operations increased by MRUB 184 million;
- EBITDA before impairment and write-offs increased by MRUB 1,171, that higher than adjusted (by impact of IFRS 16) EBITDA before impairment and write-offs by MRUB 1,066.
- Depreciation expenses of right-of-use asset increased by MRUB 883.
- Financial expenses increased by MRUB 424 due to interest expenses on lease liabilities.
- Foreign exchange gain increased by MRUB 394 due to revaluation of liabilities in foreign currency under currency lease agreements.

## Cash flow statement

| (RUB) thousands | 6M 2019 | 6M 2018 | % Change Y-o-Y |
|---|---|---|---|
| Net cash flow generated from/ (used in) operating activities | 207,407 | (221,952) | (193.4)% |
| *Incl. Cash flow before changes in operating assets and liabilities* | *81,388* | *135,168* | *(39.8)%* |
| *Incl. Changes in operating assets and liabilities* | *351,075* | *(181,785)* | *(293.1)%* |
| *Incl. Financial and tax cash outflow* | *(225,054)* | *(175,335)* | *28.4 %* |
| Net cash flow used in investing activities | (184,290) | (364,681) | (49.5)% |
| Net cash flow from financing activities | (36,401) | 567,674 | (106.4)% |
| Effect of exchange rates on cash and cash equivalents | 5,496 | 1,765 | 211.4 % |
| **Net decrease in cash and cash equivalents** | **(7,792)** | **(17,195)** | **(54.7)%** |
| Cash & Cash equivalents at beginning of period | 148,385 | 152,376 | (2.6)% |
| Cash & Cash equivalents at end of period | 140,593 | 135,181 | 4.0 % |

***The operating cash flow*** amounted to MRUB 207 in 1H 2019 as a result of the increase in payables.

***Net investment cash outflow*** decreased by 49.5% in 1H 2019 compared to 1H 2018, due to the Company's implementation of its plans to upgrade and expand the restaurant chain in 2018.

***Net financial cash outflow*** amounted to MRUB 36 compared to ***net financial cash inflow*** of MRUB 365 in 1H 2018. This trend is related to the cash inflow under long-term loan agreements in 1H 2018. The raised funds were applied for implementation of the strategic chain development and upgrading plan.

*[1] Unaudited operating revenue (with VAT) includes only total gross sales of corporate restaurants and canteens and does not include revenue from premises sublease, franchise operations and other revenue items.*

*[2] EBITDA is calculated by adding back depreciation and amortization to profit from operating activities after impairment. EBITDA measures are not measurements of our operating performance under IFRS and should not be considered as an alternative to profit for the year, operating profit or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating activities or as a measure of our liquidity. Our approach to calculating EBITDA may differ from the approach of other companies.*

*[3] Adjusted figures – financial indicators were corrected on the effect from the adoption of the new IFRS 16 “Lease” for comparability of previous periods data, as IFRS 16 applied in the first time from 1 January 2019 and comparable information didn’t revised.*

*[4] Systemic revenue - is the total revenue of corporate and franchise restaurants, is calculated by the Company itself and is not an indicator of the audited consolidated financial statements.*

*[5] Comparable restaurants - restaurants, which had operated for 18 months as of 30 June 2019.*

Some information in this review based on "forward-looking statements" which include all statements other than statements of historical fact. Such forward-looking statements can often be identified by words such as “plans”, “believes”, “anticipates”, “expects”, “intends”, “estimates”, “will”, “may”, “continue”, “should” and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's and/or its Management control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. These forward-looking statements speak only as at the date as of which they are made, and the Company and/or its Management does not intend and has no duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained herein to reflect any change in the Company's and/or its Management expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. The information and opinions contained in this review are provided as at the date of this review and are subject to change by the Company's own discretion without notice of any kind and form.

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**Note to Editors:**

As of 01 July 2019 PJSC Rosinter Restaurants Holding is the leading casual dining restaurant company in Russia and CIS, which operates 264 outlets in 27 cities in Russia, CIS and Central Europe, including Baltic countries. The chain has 158 corporate restaurants and 106 franchised restaurants. The Company develops its own brands IL Patio, Planet Sushi, Shikari, American Bar and Grill, Mama Rasha, and operates under franchise agreements a chain of American restaurants TGI FRIDAYS™ and a chain of British coffee shops Costa Coffee. In March 2012 Razvitie ROST LLC (a subsidiary of PJSC Rosinter Restaurants Holding) has acquired the right to develop McDonald’s brand on a franchise basis in Moscow and Saint Petersburg transportation hubs.

Rosinter Restaurants Holding is listed on the Moscow Exchange MICEX-RTS (www.moex.com) under the stock ticker ROST.

Company site: www.rosinter.com

APPENDIX

# Interim Consolidated Statement of Financial Position (unaudited) at June 30, 2019

*(All amounts are in thousands of Russian roubles, unless specified otherwise)*

| | Notes | June 30, 2019, unaudited | December 31, 2018, audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 4 | 1,939,604 | 1,941,211 |
| Right-of-use assets | 5 | 6,617,817 | – |
| Intangible assets | | 502,938 | 479,806 |
| Goodwill | | 143,137 | 143,137 |
| Long-term loans due from related parties | 6 | 13,800 | 13,800 |
| Deferred income tax asset | | 296,519 | 299,208 |
| Rent deposits and other non-current assets | | 563,548 | 625,535 |
| | | **10,077,363** | **3,502,697** |
| **Current assets** | | | |
| Inventories | | 131,561 | 200,885 |
| VAT and other taxes recoverable | | 39,397 | 55,431 |
| Income tax recoverable | | 6,742 | 5,327 |
| Trade and other receivables | | 245,223 | 231,284 |
| Advances paid | | 219,965 | 213,123 |
| Receivables from related parties | 6 | 147,916 | 170,828 |
| Short-term loans | | 5,645 | 1,261 |
| Short-term loans due from related parties | 6 | 28,659 | 21,965 |
| Cash and cash equivalents | | 140,597 | 148,385 |
| | | **965,705** | **1,048,489** |
| **Assets classified as a held for sale** | | **230,542** | **230,542** |
| **TOTAL ASSETS** | | **11,273,610** | **4,781,728** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Equity attributable to equity holders of the parent entity | | | |
| Share capital | 7 | 2,767,015 | 2,767,015 |
| Additional paid-in capital | | 2,090,217 | 2,090,217 |
| Treasury shares | 7 | (269,337) | (269,337) |
| Other capital reserves | | 1,148 | 1,148 |
| Accumulated losses | | (5,181,145) | (5,031,600) |
| Translation difference | | (420,295) | (404,310) |
| | | **(1,012,397)** | **(846,867)** |
| Non-controlling interests | | 2,553 | 2,706 |
| | | **(1,009,844)** | **(844,161)** |
| **Non-current liabilities** | | | |
| Long-term loans and borrowings | 9 | 2,862,260 | 2,951,835 |
| Long-term lease obligation | 10 | 5,180,173 | – |
| Long-term debt due to related parties | 6 | 10,965 | – |
| Finance lease liabilities | | – | 76 |
| Deferred income tax liabilities | | 128,507 | 88,008 |
| | | **8,181,905** | **3,039,919** |
| **Current liabilities** | | | |
| Trade and other payables | | 1,751,236 | 1,479,349 |
| Short-term loans and borrowings | 9 | 989,310 | 982,978 |
| Short-term lease obligation | 10 | 1,221,098 | – |
| Payables to related parties | 6 | 19,089 | 11,657 |
| Short-term loans due to related parties | 6 | 39,538 | 11,051 |
| Current portion of finance lease liabilities | | – | 357 |
| Short-term liabilities to partners | | 208 | 198 |
| Deferred income | | 14,880 | 19,968 |
| Income tax payable | | 66,190 | 80,412 |
| | | **4,101,549** | **2,585,970** |
| **TOTAL EQUITY AND LIABILITIES** | | **11,273,610** | **4,781,728** |

# Interim Consolidated Statement of Profit or Loss (unaudited)
# for the six months ended June 30, 2019

*(All amounts are in thousands of Russian roubles, unless specified otherwise)*

| | | For the six months ended June 30, | |
|---|---|---|---|
| | | **2019** | **2018** |
| | **Notes** | **Unaudited** | |
| Revenue | 11 | 3,763,280 | 3,697,155 |
| Cost of sales | 12 | (3,182,312) | (3,110,213) |
| **Gross profit** | | **580,968** | **586,942** |
| Selling, general and administrative expenses | 13 | (392,382) | (475,858) |
| Start-up expenses for restaurants | | (36,161) | (81,469) |
| Other gains | 14 | 10,364 | 9,774 |
| Other losses | 14 | (32,185) | (39,059) |
| **Profit from operating activities before impairment** | | **130,604** | **330** |
| Loss from of impairment of operating assets | 15 | (13,776) | (10,497) |
| **Profit/(loss) from operating activities after impairment** | | **116,828** | **(10,167)** |
| Financial income | | 29,158 | 1,109 |
| Financial expense | 16 | (634,194) | (132,310) |
| Foreign exchange gain/(loss), net | | 395,808 | (4,240) |
| **Loss before income tax** | | **(92,400)** | **(145,608)** |
| Income tax (expense)/benefit | | (56,848) | 17,751 |
| **Net loss for the period** | | **(149,248)** | **(127,857)** |
| **Attributable to:** | | | |
| Equity holders of the parent entity | | (149,545) | (128,503) |
| Non-controlling interests | | 297 | 646 |
| **Earnings per share** | 8 | | |
| Basic, loss per share, roubles | | (9.44) | (8.11) |
| Diluted, loss per share, roubles | | (9.41) | (8.08) |

# Interim Consolidated Statement of Cash Flows (unaudited)
# for the six months ended June 30, 2019

*(All amounts are in thousands of Russian roubles, unless specified otherwise)*

| | Notes | For the six months ended June 30, 2019 | 2018 |
|---|---|---|---|
| | | Unaudited | |
| **Operating activities** | | | |
| Loss before tax | | (92,400) | (145,608) |
| *Adjustments to reconcile loss before tax to net cash provided by operating activities:* | | | |
| Depreciation and amortization | 12,13 | 1,024,635 | 114,344 |
| Foreign exchange (gain)/loss, net | | (395,808) | 4,240 |
| Financial income | | (29,158) | (1,109) |
| Financial expense | | 634,194 | 132,310 |
| (Reversal of)/allowance for impairment of advances paid, taxes recoverable and receivables | 13 | (23,523) | 4,138 |
| Allowance for impairment of inventories to net realizable value | | 3,468 | 2,551 |
| Loss on disposal of inventory | 14 | 7,775 | – |
| Inventory shortage | 14 | 2,724 | – |
| Loss on disposal of non-current assets | 14 | 15,911 | 27,474 |
| Write-off of trade and other payables | 14 | (66) | (6,431) |
| Share based payment expenses/(benefit) | | 2,065 | (6,477) |
| Provision for impairment of operating assets | 15 | 13,776 | 10,497 |
| Reversal of provision for contingent claims | 14 | (5,705) | (761) |
| | | **1,157,888** | **135,168** |
| *Changes in operating assets and liabilities:* | | | |
| Decrease/(increase) in inventories | | 55,185 | (3,990) |
| Increase in advances, taxes recoverable, receivables, rent deposits and other non-current assets | | (61,588) | (147,690) |
| Decrease in receivables from related parties | | 2,343 | 5,589 |
| Decrease in payables to related parties | | (556) | (3,891) |
| Increase/(decrease) in trade and other payables | | 345,192 | (31,804) |
| **Net cash flows generated from/(used in) operations** | | **1,498,464** | **(46,618)** |
| Interest paid | | (630,058) | (162,619) |
| Interest received | | 87 | 633 |
| Income tax paid | | (18,616) | (13,349) |
| **Net cash flows generated from/(used in) operating activities** | | **849,877** | **(221,953)** |
| **Investing activities** | | | |
| Purchases of property and equipment | | (122,249) | (318,021) |
| Purchase of intangible assets | | (47,485) | (50,095) |
| Issuance of loans to third parties | | (7,940) | – |
| Issuance of loans to related parties | | (8,233) | – |
| Proceeds from disposal of property and equipment | | 1,617 | 3,435 |
| **Net cash flows used in investing activities** | | **(184,290)** | **(364,681)** |

*Continued on the next page*

# Interim Consolidated Statement of Cash Flows (unaudited) (continued)

*(All amounts are in thousands of Russian roubles, unless specified otherwise)*

| | | For the six months ended June 30, | |
|---|---|---|---|
| | | **2019** | **2018** |
| | **Notes** | **Unaudited** | |
| **Financing activities** | | | |
| Proceeds from bank loans | | 594,391 | 735,715 |
| Repayment of bank loans | | (677,324) | (170,014) |
| Payment of lease liabilities | 3 | (642,756) | – |
| Proceeds from related party loans | | 47,296 | 2,730 |
| Repayment of related party loans | | (86) | – |
| Repayment of lease obligation | | – | (358) |
| Dividends paid to shareholders | | (392) | (399) |
| **Net cash flows (used in)/generated from financing activities** | | **(678,871)** | **567,674** |
| Effect of exchange rate on cash and cash equivalents | | 5,496 | 1,765 |
| **Net decrease in cash and cash equivalents** | | **(7,788)** | **(17,195)** |
| **Cash and cash equivalents at beginning of the period** | | **148,385** | **152,376** |
| **Cash and cash equivalents at end of the period** | | **140,597** | **135,181** |