

X5 REPORTS 15.3% REVENUE GROWTH IN Q3 2020 8.0% EBITDA MARGIN UNDER IAS 17

- ✓ X5 delivered revenue growth of 15.3% year-on-year (y-o-y) on the back of solid like-for-like (LFL)⁽¹⁾ sales, selling space expansion and ongoing store refurbishments.
- ✓ EBITDA under IAS 17 increased by 35.1% y-o-y in Q3 2020, reflecting gross margin expansion and positive operating leverage effect. EBITDA margin reached 8.0% (13.0% under IFRS 16), up 116 b.p. y-o-y.
- ✓ Gross margin⁽²⁾ under IAS 17 improved by 59 b.p. y-o-y to 25.1% (25.5% under IFRS 16) in Q3 2020, mainly driven by decreased shrinkage and lower price investments.
- ✓ SG&A expenses under IAS 17 (excl. D&A&I, LTI, share-based payments and impact from Karusel transformation) before reclassification⁽²⁾ decreased by 41 b.p. y-o-y to 17.8% (13.2% under IFRS 16) of revenue mainly due to lower staff and lease expenses.
- ✓ Net profit under IAS 17 increased by 434% y-o-y in Q3 2020. Net profit margin under IAS 17 increased by 193 b.p. to 2.5% (1.6% under IFRS 16).
- ✓ The net debt/EBITDA ratio under IAS 17 was 1.53x (3.16x under IFRS 16) as of 30 September 2020.

Amsterdam, 26 October 2020 - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE and MOEX ticker: FIVE) that operates the Pyaterochka, Perekrestok, and Karusel retail chains, today released the Company's unaudited condensed consolidated interim financial information for the three months (Q3) and nine months (9M) ended 30 September 2020, in accordance with International Financial Reporting Standards as adopted by the European Union.

Profit and loss statement highlights⁽³⁾

Russian Rouble (RUB), million (mn)	IFRS 16				IAS 17		
	Q3 2020	Q3 2019	change, y-o-y, %	Impact on Q3 2020*	Q3 2020	Q3 2019	change, y-o-y, %
Revenue	486,641	421,955	15.3	-	486,641	421,955	15.3
incl. net retail sales ⁽⁴⁾	485,551	420,712	15.4	-	485,551	420,712	15.4
Pyaterochka	399,776	337,778	18.4	-	399,776	337,778	18.4
Perekrestok (incl. online)	74,568	62,818	18.7	-	74,568	62,818	18.7
Karusel	11,207	20,116	(44.3)	-	11,207	20,116	(44.3)
Gross profit	124,011	105,148	17.9	1,785	122,226	103,493	18.1
Gross profit margin, %	25.5	24.9	56 b.p.	37 b.p.	25.1	24.5	59 b.p.
Adj. EBITDA⁽⁵⁾	63,637	52,267	21.8	24,427	39,210	29,903	31.1
Adj. EBITDA margin, %	13.1	12.4	69 b.p.	502 b.p.	8.1	7.1	97 b.p.
EBITDA	63,129	51,878	21.7	24,427	38,702	28,645	35.1
EBITDA margin, %	13.0	12.3	68 b.p.	502 b.p.	8.0	6.8	116 b.p.
Operating profit	27,958	18,099	54.5	6,634	21,324	10,803	97.4
Operating profit margin, %	5.7	4.3	146 b.p.	136 b.p.	4.4	2.6	182 b.p.
Net profit	7,841	102	7,587.3	(4,108)	11,949	2,238	433.9
Net profit margin, %	1.6	0.0	159 b.p.	(84) b.p.	2.5	0.5	193 b.p.

Note: Financial measures under IAS 17 are used in this press release, as following adoption of IFRS 16 management continued to apply IAS 17 to leases for performance assessment purposes; this is mainly due to the fact that the investment community continues to focus on IAS 17 and management decision making processes, as well as the fact that internal reporting is also based on IAS 17. A reconciliation of IAS 17 and IFRS 16 figures is presented below in the section "Effect of IFRS 16 on X5 Retail Group's financial statements".

Russian Rouble (RUB), million (mn)	IFRS 16				IAS 17		
	9M 2020	9M 2019	change, y-o-y, %	Impact on 9M 2020*	9M 2020	9M 2019	change, y-o-y, %
Revenue	1,449,266	1,265,130	14.6	-	1,449,266	1,265,130	14.6
incl. net retail sales	1,446,988	1,260,415	14.8	-	1,446,988	1,260,415	14.8
Pyaterochka	1,175,615	1,002,447	17.3	-	1,175,615	1,002,447	17.3
Perekrestok (incl. online)	228,529	194,388	17.6	-	228,529	194,388	17.6
Karusel	42,844	63,101	(32.1)	-	42,844	63,101	(32.1)
Gross profit	366,526	318,494	15.1	5,373	361,153	313,557	15.2
Gross profit margin, %	25.3	25.2	12 b.p.	37 b.p.	24.9	24.8	14 b.p.
Adj. EBITDA⁽⁵⁾	186,498	161,098	15.8	72,454	114,044	95,975	18.8
Adj. EBITDA margin, %	12.9	12.7	13 b.p.	500 b.p.	7.9	7.6	28 b.p.
EBITDA	184,968	159,788	15.8	72,454	112,514	93,796	20.0
EBITDA margin, %	12.8	12.6	13 b.p.	500 b.p.	7.8	7.4	35 b.p.
Operating profit	84,899	70,811	19.9	21,118	63,781	49,642	28.5
Operating profit margin, %	5.9	5.6	26 b.p.	146 b.p.	4.4	3.9	48 b.p.
Net profit	26,614	20,414	30.4	(9,785)	36,399	25,043	45.3
Net profit margin, %	1.8	1.6	22 b.p.	(68) b.p.	2.5	2.0	53 b.p.

* For more details on the impact of IFRS 16 please refer to the section "Effect of IFRS 16 on X5 Retail Group's financial statements".

Net retail sales

Total net retail sales growth reached 15.4% y-o-y in Q3 2020, driven by:

- 6.9% increase in LFL sales; and
- 8.5% y-o-y increase in net retail sales from net new space, resulting from a 9.6% y-o-y rise in selling space.

Selling space by format, square meters (sq. m)

	As at 30-Sep-20	As at 31-Dec-19	change vs 31-Dec-19, %	As at 30-Sep-19	change vs 30-Sep-19, %
Pyaterochka	6,414,939	5,975,147	7.4	5,788,675	10.8
Perekrestok	1,039,482	899,893	15.5	853,514	21.8
Karusel	225,334	364,077	(38.1)	366,369	(38.5)
X5 Retail Group	7,679,755	7,239,117	6.1	7,008,558	9.6

- (1) LFL comparisons of retail sales between two periods are comparisons of retail sales in local currency (including VAT) generated by the 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.
- (2) Starting from Q2 2020, the Company reclassified income from the sale of recyclable materials at distribution centres as well as costs related to Perekrestok Vprok and express last mile delivery from gross profit. The income from sale of recyclable materials at distribution centres is now reported under lease/sublease and other income. Costs related to Perekrestok.ru and express last mile delivery are now reported under SG&A expenses, mostly in staff costs and other expenses. The net effect on the Q3 gross margin from reclassifications was slightly positive.
- (3) Please note that in this and other tables, and in the text of this press release, immaterial deviations in the calculation of % changes, subtotals and totals are due to rounding.
- (4) Net retail sales represent revenue from the operations of X5-managed stores net of VAT. This number differs from revenue, which includes proceeds from wholesale operations, direct franchisees (royalty payments) and other revenue.
- (5) Adjusted EBITDA is EBITDA before costs related to the LTI programme, share-based payments and other one-off remuneration payments expense and one-off impact from Karusel transformation.

Q3 & 9M 2020 LFL store performance by format, % change y-o-y⁽⁶⁾

In Q3 & 9M 2020, LFL sales performance remained strong at 6.9% and 5.6% y-o-y, respectively.

LFL basket remained the main driver of LFL sales growth, with less frequent customer visits to stores and larger purchases per visit mostly due to customers' safety considerations, more clients working from home and the slow recovery of the HoReCa segment.

	Q3 2020			9M 2020		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	8.5	(0.4)	8.9	6.9	(4.2)	11.5
Perekrestok ⁽⁶⁾	1.4	(10.8)	13.6	1.7	(14.3)	18.7
Karusel	(10.1)	(17.5)	9.0	(6.9)	(18.5)	14.2
X5 Retail Group	6.9	(1.8)	8.8	5.6	(5.5)	11.8

For more details on net retail sales growth please refer to X5's [Q3 2020 Trading Update](#).

Gross profit margin

The gross profit margin under IAS 17 increased by 59 b.p. y-o-y to 25.1% (by 56 b.p. to 25.5% under IFRS 16) in Q3 2020. This growth was mainly due to a decrease in shrinkage vs Q3 2019, and lower price investments. Shrinkage contributed to 39% of the gross margin improvements, logistics 15% and commercial margin 46%, supported by lower price investments. Gross margin performance of the core formats (Pyaterochka and Perekrestok) was higher compared to the X5 average, mainly due to the ongoing Karusel transformation.

Selling, general and administrative (SG&A) expenses (excl. D&A&I and impact from Karusel transformation)

RUB mn	IFRS 16				IAS 17		
	Q3 2020	Q3 2019	change, y-o-y, %	Impact on Q3 2020*	Q3 2020	Q3 2019	change, y-o-y, %
Staff costs	(39,372)	(34,610)	13.8	-	(39,372)	(34,610)	13.8
% of Revenue	8.1	8.2	(11) b.p.	-	8.1	8.2	(11) b.p.
incl. LTI and share-based payments	(508)	(270)	88.1	-	(508)	(270)	88.1
staff costs excl. LTI % of Revenue	8.0	8.1	(15) b.p.	-	8.0	8.1	(15) b.p.
Lease expenses	(2,847)	(1,980)	43.8	21,374	(24,221)	(21,709)	11.6
% of Revenue	0.6	0.5	12 b.p.	(439) b.p.	5.0	5.1	(17) b.p.
Utilities	(9,531)	(8,398)	13.5	-	(9,531)	(8,398)	13.5
% of Revenue	2.0	2.0	(3) b.p.	-	2.0	2.0	(3) b.p.
Other store costs	(5,224)	(4,443)	17.6	243	(5,467)	(4,677)	16.9
% of Revenue	1.1	1.1	2 b.p.	(5) b.p.	1.1	1.1	2 b.p.
Third party services	(3,764)	(2,971)	26.7	(88)	(3,676)	(2,861)	28.5
% of Revenue	0.8	0.7	7 b.p.	2 b.p.	0.8	0.7	8 b.p.
Other expenses	(4,532)	(4,327)	4.7	970	(5,502)	(4,853)	13.4
% of Revenue	0.9	1.0	(9) b.p.	(20) b.p.	1.1	1.2	(2) b.p.
SG&A (excl. D&A&I and impact from Karusel transformation)	(65,270)	(56,729)	15.1	22,499	(87,769)	(77,108)	13.8
% of Revenue	13.4	13.4	(3) b.p.	(462) b.p.	18.0	18.3	(24) b.p.
SG&A (excl. D&A&I, LTI, share-based payments and impact from Karusel transformation)	(64,762)	(56,459)	14.7	22,499	(87,261)	(76,838)	13.6
% of Revenue	13.3	13.4	(7) b.p.	(462) b.p.	17.9	18.2	(28) b.p.
SG&A (excl. D&A&I, LTI, share-based payments and impact from Karusel transformation) before reclassification⁽²⁾	(64,196)	(56,459)	13.7	22,431	(86,627)	(76,838)	12.7
% of Revenue	13.2	13.4	(19) b.p.	(461) b.p.	17.8	18.2	(41) b.p.

(6) Excluding Perekrestok Vprok

RUB mn	IFRS 16				IAS 17		
	9M 2020	9M 2019	change, y-o-y, %	Impact on 9M 2020*	9M 2020	9M 2019	change, y-o-y, %
Staff costs	(116,903)	(102,221)	14.4	-	(116,903)	(102,221)	14.4
% of Revenue	8.1	8.1	(1) b.p.	-	8.1	8.1	(1) b.p.
incl. LTI and share-based payments	(1,530)	(1,191)	28.5	-	(1,530)	(1,191)	28.5
staff costs excl. LTI % of Revenue	8.0	8.0	(2) b.p.	-	8.0	8.0	(2) b.p.
Lease expenses	(8,350)	(5,929)	40.8	63,214	(71,564)	(63,656)	12.4
% of Revenue	0.6	0.5	11 b.p.	(436) b.p.	4.9	5.0	(9) b.p.
Utilities	(28,800)	(26,517)	8.6	-	(28,800)	(26,517)	8.6
% of Revenue	2.0	2.1	(11) b.p.	-	2.0	2.1	(11) b.p.
Other store costs	(15,637)	(13,136)	19.0	738	(16,375)	(13,832)	18.4
% of Revenue	1.1	1.0	4 b.p.	(5) b.p.	1.1	1.1	4 b.p.
Third party services	(10,095)	(8,920)	13.2	(264)	(9,831)	(8,639)	13.8
% of Revenue	0.7	0.7	(1) b.p.	2 b.p.	0.7	0.7	(0) b.p.
Other expenses	(13,913)	(11,614)	19.8	2,468	(16,381)	(13,158)	24.5
% of Revenue	1.0	0.9	4 b.p.	(17) b.p.	1.1	1.0	9 b.p.
SG&A (excl. D&A&I and impact from Karusel transformation)	(193,698)	(168,337)	15.1	66,156	(259,854)	(228,023)	14.0
% of Revenue	13.4	13.3	6 b.p.	(456) b.p.	17.9	18.0	(9) b.p.
SG&A (excl. D&A&I, LTI, share-based payments and impact from Karusel transformation)	(192,168)	(167,146)	15.0	66,156	(258,324)	(226,832)	13.9
% of Revenue	13.3	13.2	5 b.p.	(456) b.p.	17.8	17.9	(11) b.p.
SG&A (excl. D&A&I, LTI, share-based payments and impact from Karusel transformation) before reclassification⁽²⁾	(189,843)	(167,146)	13.6	65,990	(255,833)	(226,832)	12.8
% of Revenue	13.1	13.2	(11) b.p.	(455) b.p.	17.7	17.9	(28) b.p.

* For more details on the impact of IFRS 16 please refer to the section "Effect of IFRS 16 on X5 Retail Group's financial statements".

In Q3 2020, SG&A expenses excluding D&A&I, LTI, share-based payments and impact from Karusel transformation under IAS 17 as a percentage of revenue decreased by 28 b.p. to 17.9% (decreased by 7 b.p. to 13.3% under IFRS 16) mainly due to lower staff costs and lease expenses. Excluding reclassification⁽²⁾, SG&A expenses decreased by 41 b.p. under IAS 17.

Staff costs (excluding LTI and share-based payments) as a percent of revenue decreased by 15 b.p. y-o-y in Q3 2020 to 8.0%, due to positive operating leverage effect, lower personnel turnover and increased labour productivity, which was partially offset by reclassification⁽²⁾.

LTI and share-based payments expenses amounted to RUB 508 mn in Q3 2020, based on achievement of both targets during the period: maintaining leadership by revenue and achieving leadership in terms of enterprise value multiple relative to peers.

Lease expenses under IAS 17 as a percentage of revenue in Q3 2020 decreased by 17 b.p. y-o-y due to the positive operating leverage effect despite the growing share of leased space in X5's total real estate portfolio, which accounted for 80% as of 30 September 2020, compared to 79% as of 30 September 2019.

Utilities costs as a percentage of revenue in Q3 2020 remained flat at 2.0%.

Other store costs under IAS 17 as a percentage of revenue remained flat at 1.1% (1.1% under IFRS 16).

Third party services under IAS 17 as a percentage of revenue increased by 8 b.p. to 0.8% (increased by 7 b.p. to 0.8% under IFRS 16), mainly due to marketing costs of Perekrestok and online businesses.

Other expenses under IAS 17 as a percentage of revenue changed immaterially compared to Q3 2019, totaling 1.1%.

Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations under IAS 17 totalled 0.9% (0.9% under IFRS 16) increasing by 11 b.p. y-o-y (and decreasing by 14 b.p. y-o-y under IFRS 16) in Q3 2020, including proceeds from the sale of a shopping mall in Moscow.

EBITDA and EBITDA margin

RUB mn	IFRS 16				IAS 17		
	Q3 2020	Q3 2019	change, y-o-y, %	Impact on Q3 2020*	Q3 2020	Q3 2019	change, y-o-y, %
Gross profit	124,011	105,148	17.9	1,785	122,226	103,493	18.1
<i>Gross profit margin, %</i>	25.5	24.9	56 b.p.	37 b.p.	25.1	24.5	59 b.p.
SG&A (excl. D&A&I, LTI, share-based payments and effect of Karusel transformation)	(64,762)	(56,459)	14.7	22,499	(87,261)	(76,838)	13.6
<i>% of Revenue</i>	13.3	13.4	(7) b.p.	(462) b.p.	17.9	18.2	(28) b.p.
Net impairment losses on financial assets	(91)	(39)	133.3	-	(91)	(39)	133.3
<i>% of Revenue</i>	0.019	0.009	1 b.p.	-	0.019	0.009	1 b.p.
Lease/sublease and other income	4,479	3,617	23.8	143	4,336	3,287	31.9
<i>% of Revenue</i>	0.9	0.9	6 b.p.	3 b.p.	0.9	0.8	11 b.p.
Adj. EBITDA	63,637	52,267	21.8	24,427	39,210	29,903	31.1
<i>Adj. EBITDA margin, %</i>	13.1	12.4	69 b.p.	502 b.p.	8.1	7.1	97 b.p.
LTI, share-based payments and other one-off remuneration payments expense and SSC	(508)	(270)	88.1	-	(508)	(270)	88.1
<i>% of Revenue</i>	(0.1)	(0.1)	(4) b.p.	-	(0.1)	(0.1)	(4) b.p.
Effect of Karusel transformation	-	(119)	(100.0)	-	-	(988)	(100.0)
<i>% of Revenue</i>	-	(0.0)	3 b.p.	-	-	(0.2)	23 b.p.
EBITDA	63,129	51,878	21.7	24,427	38,702	28,645	35.1
<i>EBITDA margin, %</i>	13.0	12.3	68 b.p.	502 b.p.	8.0	6.8	116 b.p.

RUB mn	IFRS 16				IAS 17		
	9M 2020	9M 2019	change, y-o-y, %	Impact on 9M 2020*	9M 2020	9M 2019	change, y-o-y, %
Gross profit	366,526	318,494	15.1	5,373	361,153	313,557	15.2
<i>Gross profit margin, %</i>	25.3	25.2	12 b.p.	37 b.p.	24.9	24.8	14 b.p.
SG&A (excl. D&A&I, LTI, share-based payments)	(192,168)	(167,146)	15.0	66,156	(258,324)	(226,832)	13.9
<i>% of Revenue</i>	13.3	13.2	5 b.p.	(456) b.p.	17.8	17.9	(11) b.p.
Net impairment losses on financial assets	(290)	(141)	105.7	-	(290)	(141)	105.7
<i>% of Revenue</i>	0.020	0.011	1 b.p.	-	0.020	0.011	1 b.p.
Lease/sublease and other income	12,430	9,891	25.7	925	11,505	9,391	22.5
<i>% of Revenue</i>	0.9	0.8	8 b.p.	6 b.p.	0.8	0.7	5 b.p.
Adj. EBITDA	186,498	161,098	15.8	72,454	114,044	95,975	18.8
<i>Adj. EBITDA margin, %</i>	12.9	12.7	13 b.p.	500 b.p.	7.9	7.6	28 b.p.
LTI, share-based payments and other one-off remuneration payments expense and SSC	(1,530)	(1,191)	28.5	-	(1,530)	(1,191)	28.5
<i>% of Revenue</i>	(0.1)	(0.1)	(1) b.p.	-	(0.1)	(0.1)	(1) b.p.
Effect of Karusel transformation	-	(119)	(100.0)	-	-	(988)	(100.0)
<i>% of Revenue</i>	-	(0.0)	1 b.p.	-	-	(0.1)	8 b.p.
EBITDA	184,968	159,788	15.8	72,454	112,514	93,796	20.0
<i>EBITDA margin, %</i>	12.8	12.6	13 b.p.	500 b.p.	7.8	7.4	35 b.p.

* For more details on the impact of IFRS 16 please refer to the section "Effect of IFRS 16 on X5 Retail Group's financial statements".

D&A&I

Depreciation, amortisation and impairment costs under IAS 17 totalled RUB 17,378 mn in Q3 2020 and RUB 48,733 mn in 9M 2020 (RUB 35,171 mn in Q3 2020 and RUB 100,069 mn in 9M 2020 under IFRS 16), decreasing as a percentage of revenue by 66 b.p. y-o-y to 3.6% (decreasing by 78 b.p. y-o-y to 7.2% under IFRS 16), (for 9M 2020: down by 13 b.p. to 3.4% under IAS 17 and down by 13 b.p. to 6.9% under IFRS 16). This was due to impairment of non-current assets related to the Karusel transformation in 2019.

Non-operating gains and losses

RUB mn	IFRS 16				IAS 17		
	Q3 2020	Q3 2019	change, y-o-y, %	Impact on Q3 2020*	Q3 2020	Q3 2019	change, y-o-y, %
Operating profit	27,958	18,099	54.5	6,634	21,324	10,803	97.4
Net finance costs	(13,886)	(14,197)	(2.2)	(9,951)	(3,935)	(4,394)	(10.4)
Share of profit/(loss) of associates	(15)	-	-	-	(15)	-	-
Net FX result	(2,568)	(144)	1,683.3	(1,817)	(751)	19	-
Profit before tax	11,489	3,758	205.7	(5,134)	16,623	6,428	158.6
Income tax expense	(3,648)	(3,656)	(0.2)	1,026	(4,674)	(4,190)	11.6
Net profit/(loss)	7,841	102	7,587.3	(4,108)	11,949	2,238	433.9
Net profit margin, %	1.6	0.0	159 b.p.	(84) b.p.	2.5	0.5	193 b.p.
Effect of Karusel transformation	209	4,736	-	-	209	5,335	-
% of Revenue	0.0	1.1	(108) b.p.	-	0.0	1.3	(122) b.p.
Adj. net profit	8,050	4,838	70.9	(4,108)	12,158	7,572	60.5
Adj. net profit margin, %	1.7	1.1	51 b.p.	(84) b.p.	2.5	1.8	70 b.p.

RUB mn	IFRS 16				IAS 17		
	9M 2020	9M 2019	change, y-o-y, %	Impact on 9M 2020*	9M 2020	9M 2019	change, y-o-y, %
Operating profit	84,899	70,811	19.9	21,118	63,781	49,642	28.5
Net finance costs	(42,489)	(41,199)	3.1	(30,049)	(12,440)	(12,842)	(3.1)
Share of profit/(loss) of associates	(15)	-	-	-	(15)	-	-
Net FX result	(4,503)	1,810	-	(3,299)	(1,204)	410	-
Profit before tax	37,892	31,422	20.6	(12,230)	50,122	37,210	34.7
Income tax expense	(11,278)	(11,008)	2.5	2,445	(13,723)	(12,167)	12.8
Net profit/(loss)	26,614	20,414	30.4	(9,785)	36,399	25,043	45.3
Net profit margin, %	1.8	1.6	22 b.p.	(68) b.p.	2.5	2.0	53 b.p.
Effect of Karusel transformation	1,023	4,736	-	-	1,023	5,334	-
% of Revenue	0.1	0.4	(30) b.p.	-	0.1	0.4	(35) b.p.
Adj. net profit	27,637	25,150	9.9	(9,785)	37,422	30,377	23.2
Adj. net profit margin, %	1.9	2.0	(8) b.p.	(68) b.p.	2.6	2.4	18 b.p.

* For more details on the impact of IFRS 16 please refer to the section "Effect of IFRS 16 on X5 Retail Group's financial statements".

Net finance costs under IAS 17 in Q3 2020 decreased by 10.4% y-o-y to RUB 3,935 mn (and decreased by 2.2% y-o-y to RUB 13,886 mn under IFRS 16), reflecting the lower weighted average effective interest rate on X5's total debt as a result of declining interest rates in Russian capital markets, as well as actions taken by X5 to minimise interest expenses.

The negative net FX result of RUB 751 mn (negative RUB 2,568 mn under IFRS 16) in Q3 2020, compared to positive RUB 19 mn (negative RUB 144 mn under IFRS 16) in Q3 2019, was due to accounts payable nominated in foreign currency related to regular direct import operations. The negative result under IFRS 16 is also due to revaluation of foreign currency liabilities resulting from lease contracts denominated in foreign currencies.

In Q3 2020 income tax expense under IAS 17 increased by 11.6% y-o-y to RUB 4,674 mn (and decreased by 0.2% y-o-y to RUB 3,648 mn under IFRS 16), reflecting business growth in 2020 and the significant impact on income in 2019 from the Karusel transformation. X5's effective tax rate under IAS 17 for the quarter totalled 28.1% (31.8% under IFRS 16), including the accrual of deferred tax on investments associated with potential dividend payments.

Consolidated cash flow statement highlights

RUB mn	IFRS 16				IAS 17		
	Q3 2020	Q3 2019	change, y-o-y, %	Impact on Q3 2020*	Q3 2020	Q3 2019	change, y-o-y, %
Net cash from operating activities before changes in working capital	62,250	51,440	21.0	24,146	38,104	29,403	29.6
Change in working capital	(2,600)	(17,090)	(84.8)	800	(3,400)	(17,564)	(80.6)
Net interest and income tax paid	(20,085)	(19,180)	4.7	(9,928)	(10,157)	(9,402)	8.0
Net cash flows generated from operating activities	39,565	15,170	160.8	15,018	24,547	2,437	907.3
Net cash used in investing activities	(20,659)	(23,003)	(10.2)	-	(20,659)	(23,003)	(10.2)
Net cash (used) /generated in/from financing activities	(18,527)	1,763	-	(15,018)	(3,509)	14,496	-
Effect of exchange rate changes on cash & cash equivalents	(9)	(6)	-	-	(9)	(6)	-
Net increase/(decrease) in cash & cash equivalents	370	(6,076)	-	-	370	(6,076)	-

RUB mn	IFRS 16				IAS 17		
	9M 2020	9M 2019	change, y-o-y, %	Impact on 9M 2020*	9M 2020	9M 2019	change, y-o-y, %
Net cash from operating activities before changes in working capital	182,844	159,109	14.9	71,391	111,453	94,486	18.0
Change in working capital	(2,916)	(18,871)	(84.5)	444	(3,360)	(18,801)	(82.1)
Net interest and income tax paid	(56,425)	(52,510)	7.5	(29,981)	(26,444)	(24,217)	9.2
Net cash flows generated from operating activities	123,503	87,728	40.8	41,854	81,649	51,468	58.6
Net cash used in investing activities	(58,702)	(58,562)	0.2	-	(58,702)	(58,562)	0.2
Net cash used in financing activities	(71,691)	(42,653)	68.1	(41,854)	(29,837)	(6,393)	366.7
Effect of exchange rate changes on cash & cash equivalents	(40)	(14)	-	-	(40)	(14)	-
Net decrease in cash & cash equivalents	(6,930)	(13,501)	(48.7)	-	(6,930)	(13,501)	(48.7)

* For more details on the impact of IFRS 16 please refer to the section "Effect of IFRS 16 on X5 Retail Group's financial statements".

In Q3 2020, the Company's net cash from operating activities before changes in working capital under IAS 17 increased by RUB 8,701 mn and totalled RUB 38,104 mn (and increased by RUB 10,810 mn and totalled RUB 62,250 mn under IFRS 16), reflecting business growth and sustainably high profitability. The negative change in working capital under IAS 17 of RUB 3,400 mn over Q3 2020 (RUB 2,600 mn under IFRS 16), compared to negative RUB 17,564 mn in Q3 2019, was mainly due to a lower increase in inventories and a lower decrease in accounts payable y-o-y (calendarisation effect).

Net interest and income tax paid under IAS 17 in Q3 2020 increased by RUB 755 mn, or 8.0% y-o-y, and totalled RUB 10,157 mn (increased by RUB 905 mn, or 4.7% y-o-y, and totalled RUB 20,085 mn under IFRS 16). Income tax paid under IAS 17 increased y-o-y due to higher tax accruals in Q2 2020, following strong operating performance. Interest paid was lower, driven by a decrease in the weighted average effective interest rate on X5's total debt.

As a result, in Q3 2020, net cash flow generated from operating activities under IAS 17 totalled RUB 24,547 mn, up 907.3% from RUB 2,437 mn in Q3 2019 (and totalled RUB 39,565 mn, up 160.8% from RUB 15,170 mn in Q3 2019 under IFRS 16).

In 9M 2020, net cash flows generated from operating activities under IAS 17 totalled RUB 81,649 mn, up 58.6% from RUB 51,468 mn for the same period of 2019 (and totalled RUB 123,503 mn, up 40.8% from RUB 87,728 mn for the same period of 2019 under IFRS 16) reflecting overall business growth and profitability.

Net cash used in investing activities, which generally consists of payments for property, plant and equipment, decreased to RUB 20,659 mn in Q3 2020 from RUB 23,003 mn in Q3 2019. For 9M 2020, net cash used in investing activities remained relatively flat and totalled RUB 58,702 mn.

Free cash flow in 9M 2020 was positive at RUB 22,947 mln, supported by strong operating performance and sustainably high profitability.

Net cash used in financing activities under IAS 17 totalled RUB 3,509 mn (net cash used in financing activities totalled RUB 18,527 mn under IFRS 16) in Q3 2020 compared to net cash generated from financing activities of RUB 14,496 mn (net cash generated from financing activities of RUB 1,763 mn under IFRS 16) in Q3 2019. For 9M 2020, net cash used in financing activities under IAS 17 increased to RUB 29,837 mn from RUB 6,393 mn (and increased to RUB 71,691 mn from RUB 42,653 mn under IFRS 16) in 9M 2019.

Liquidity update

RUB mn	30-Sep-20	% in total	31-Dec-19	% in total	30-Sep-19	% in total
Total debt	228,291		227,933		226,586	
Short-term debt	75,520	33.1	74,755	32.8	72,868	32.2
Long-term debt	152,771	66.9	153,178	67.2	153,718	67.8
Net debt (under IAS 17)	216,619		209,331		215,719	
Net debt/ EBITDA (under IAS 17)	1.53		1.71		1.75	
Lease liabilities (IFRS 16)	530,256		484,795		463,593	
Net debt/ EBITDA (under IFRS 16)	3.16		3.28		-	

The Company's net debt/EBITDA ratio under IAS 17 was 1.53x (3.16x under IFRS 16) as of 30 September 2020.

The Company's debt under IAS 17 is 100% denominated in Russian roubles.

As of 30 September 2020, the Company had access to RUB 487,835 mn in available credit limits with major Russian and international banks.

Effect of IFRS 16 on X5 Retail Group's financial statements

Effect on gross profit

Gross profit and gross margin are higher by RUB 1,785 mn and 37 b.p. under IFRS 16 compared to IAS 17 in Q3 2020 (RUB 5,373 mn and 37 b.p. in 9M 2020), respectively, due to the lease for distribution centres, which was previously part of cost of sales, but has been excluded from the gross profit calculation.

Effect on EBITDA, operating profit and finance costs

Lease expenses, other store costs, third party services and other expenses in the total amount of RUB 22,499 mn have been excluded from SG&A expenses in Q3 2020 (RUB 66,156 mn in 9M 2020) under the new standard. Additional depreciation of RUB 17,793 mn related to leased assets has been added under operating costs in Q3 2020 (RUB 51,336 mn in 9M 2020) under IFRS 16.

Financial costs increased by RUB 9,951 mn under the new standard compared to IAS 17 due to the interest expense on lease liabilities in Q3 2020 (RUB 30,049 mn in 9M 2020).

The implementation of IFRS 16 increases the Company's EBITDA significantly, as lease expenditure previously recognised in the income statement is excluded. Adjusted EBITDA margin is 502 b.p. higher under the new standard compared to IAS 17 in Q3 2020 (500 b.p. in 9M 2020). Interest expense on liabilities is recognised in finance costs, below the EBITDA level.

Effect on net profit

The negative net FX result is RUB 1,817 mn higher under IFRS 16 compared to IAS 17 in Q3 2020 (RUB 3,299 mn in 9M 2020) due to the revaluation of foreign currency liabilities resulting from lease contracts denominated in foreign currencies.

IFRS 16 resulted in lower income tax expense due to lower profit before tax. The effective tax rate under the new standard is 31.8% and 29.8% in Q3 2020 and 9M 2020, respectively.

Net profit and net profit margin are impacted by the IFRS 16 standard as a result of additional depreciation and interest, and are lower by RUB 4,108 mn and 84 b.p. under the new standard compared to IAS 17 in Q3 2020 (RUB 9,785 mn and 68 b.p. in 9M 2020).

Effect on cash flow statement

The implementation of the new standard affects cash flow statement presentation but not the net change in cash result, as principal payments on leases will be classified as financing activities, prepayments are classified as investing activities, and interest payments are considered interest paid in operating activities.

Note to Editors:

X5 Retail Group N.V. (LSE and MOEX: FIVE, Fitch – 'BB+', Moody's – 'Ba1', S&P – 'BB+', RAEX – 'ruAA+') is a leading Russian food retailer. The Company operates several retail formats: the chain of proximity stores under the Pyaterochka brand, the supermarket chain under the Perekrestok brand and the hypermarket chain under the Karusel brand.

As of 30 September 2020, X5 had 17,352 Company-operated stores. It has the leading market position in both Moscow and St Petersburg and a significant presence in the European part of Russia. Its store base includes 16,385 Pyaterochka proximity stores, 910 Perekrestok supermarkets and 57 Karusel hypermarkets. The Company operates 43 DCs and 4,072 Company-owned trucks across the Russian Federation.

For the full year 2019, revenue totalled RUB 1,734,347 mn (USD 26,791 mn), Adjusted EBITDA under IAS 17 reached RUB 127,380 mn (USD 1,968 mn), and net profit under IAS 17 for the period amounted to RUB 25,908 mn (USD 400 mn). In 9M 2020, revenue totalled RUB 1,449,266 mn (USD 20,476 mn), adjusted EBITDA reached RUB 114,044 mn (USD 1,611 mn), and net profit amounted to RUB 36,399 mn (USD 514 mn).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.09%, treasury shares – 0.01%, Shareholders with less than 3% – 40.61%.

Forward looking statements:

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the fact that they do not only relate to historical or current events. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "expected", "plan", "goal", "believe", or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond X5 Retail Group N.V.'s control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements.

Any forward-looking statements made by or on behalf of X5 Retail Group N.V. speak only as of the date of this announcement. Save as required by any applicable laws or regulations, X5 Retail Group N.V. undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

Elements of this press release contain or may contain inside information about X5 Retail Group N.V. within the meaning of Article 7(1) of the Market Abuse Regulation (596/2014/EU).

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X5 Retail Group N.V.

**Condensed Consolidated Interim
Financial Information**

Nine months ended 30 September 2020

The attached condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity have been prepared on the basis of the X5 Retail Group NV accounting policies as disclosed in the audited annual financial statements for the year ended 31 December 2019. These accounting policies have been consistently applied in the preparation of these statements except for adoption of new standards that are mandatory for financial annual periods beginning on 1 January 2020 and the fact that these statements do not comprise a full set of financial statements as required by International Financial Reporting Standards as adopted by the EU.

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Financial Position
at 30 September 2020
(expressed in millions of Russian Roubles, unless otherwise stated)

	30 September 2020	31 December 2019
Assets		
Non-current assets		
Property, plant and equipment	319,549	315,257
Right-of-use assets	462,607	428,166
Investment property	4,534	5,564
Goodwill	104,020	101,927
Other intangible assets	28,170	24,338
Investments in associates and joint ventures	335	200
Other non-current assets	3,467	2,646
Deferred tax assets	20,178	16,478
	942,860	894,576
Current assets		
Inventories	128,683	127,462
Indemnification asset	166	140
Trade, other accounts receivable and prepayments	14,780	15,853
Current income tax receivable	8,349	5,631
VAT and other taxes receivable	7,895	12,066
Cash and cash equivalents	11,672	18,602
	171,545	179,754
Total assets	1,114,405	1,074,330
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	2,458	2,458
Share premium	46,088	46,150
Retained earnings	64,461	67,843
Share-based payment reserve	96	105
	113,103	116,556
Total equity	113,103	116,556
Non-current liabilities		
Long-term borrowings	152,771	153,178
Long-term lease liabilities	464,068	427,173
Deferred tax liabilities	3,045	5,501
Other non-current liabilities	2,426	3,349
	622,310	589,201
Current liabilities		
Trade accounts payable	149,237	160,434
Short-term borrowings	75,520	74,755
Interest accrued	2,052	1,734
Short-term lease liabilities	66,188	57,622
Short-term contract liabilities	2,441	2,206
Current income tax payable	5,113	750
Provisions and other liabilities	78,441	71,072
	378,992	368,573
Total liabilities	1,001,302	957,774
Total equity and liabilities	1,114,405	1,074,330

Svetlana Demyashkevich
Chief Financial Officer
25 October 2020

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Profit or Loss
for the nine months ended 30 September 2020
(expressed in millions of Russian Roubles, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
Revenue	1,449,266	1,265,130
Cost of sales	(1,082,740)	(946,636)
Gross profit	366,526	318,494
Selling, general and administrative expenses	(293,767)	(258,302)
Net impairment losses on financial assets	(290)	(141)
Lease/sublease and other income	12,430	10,760
Operating profit	84,899	70,811
Finance costs	(42,527)	(41,243)
Finance income	38	44
Net foreign exchange (loss)/gain	(4,503)	1,810
Share of loss of associates and joint ventures	(15)	-
Profit before tax	37,892	31,422
Income tax expense	(11,278)	(11,008)
Profit for the period	26,614	20,414
Profit for the period attributable to:		
Equity holders of the parent	26,614	20,414
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	392.05	300.70
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	392.04	300.70

Svetlana Demyashkevich
Chief Financial Officer
25 October 2020

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Comprehensive Income
for the nine months ended 30 September 2020
(expressed in millions of Russian Roubles, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
Profit for the period	26,614	20,414
Total comprehensive income for the period, net of tax	26,614	20,414
Total comprehensive income for the period attributable to:		
Equity holders of the parent	26,614	20,414

Svetlana Demyashkevich
Chief Financial Officer
25 October 2020

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Cash Flows
for the nine months ended 30 September 2020
(expressed in millions of Russian Roubles, unless otherwise stated)

	Nine months ended 30 September	
	2020	2019
Profit before tax	37,892	31,422
<i>Adjustments for:</i>		
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets	100,069	88,977
Gain on disposal of property, plant and equipment, investment property and intangible assets and gain on derecognition of right-of-use assets	(2,609)	(1,374)
Finance costs, net	42,489	41,199
Net impairment losses on financial assets	290	141
Impairment of prepayments	120	70
Share-based compensation expense	48	64
Net foreign exchange loss/(gain)	4,503	(1,810)
Share of loss of associates and joint ventures	15	–
Other non-cash items	27	420
Net cash from operating activities before changes in working capital	182,844	159,109
Decrease/(increase) in trade, other accounts receivable and prepayments and VAT and other taxes receivable	4,468	(225)
(Increase)/decrease in inventories	(1,221)	8,720
Decrease in trade payable	(11,188)	(23,643)
Increase/(decrease) in other accounts payable and contract liabilities	5,025	(3,723)
Net cash flows from operations	179,928	140,238
Interest paid	(41,197)	(40,624)
Interest received	37	38
Income tax paid	(15,265)	(11,924)
Net cash flows from operating activities	123,503	87,728
Cash flows from investing activities		
Purchase of property, plant and equipment and initial direct costs associated with right-of-use assets	(50,782)	(46,292)
Acquisition of businesses, net of cash acquired	(3,003)	(6,105)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	3,835	446
Purchase of other intangible assets	(8,602)	(6,614)
Acquisition of interest in associates and joint ventures	(150)	–
Proceeds from sale of interest in associates and joint ventures	–	3
Net cash flows used in investing activities	(58,702)	(58,562)
Cash flows from financing activities		
Proceeds from loans	112,857	72,823
Repayment of loans	(112,579)	(54,098)
Purchase of treasury shares	(119)	(118)
Payments of principal portion of lease liabilities	(41,854)	(36,260)
Dividends paid to equity holders of the parent	(29,996)	(25,000)
Net cash flows used in financing activities	(71,691)	(42,653)
Effect of exchange rate changes on cash and cash equivalents	(40)	(14)
Net decrease in cash and cash equivalents	(6,930)	(13,501)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	18,602	24,368
Net decrease in cash and cash equivalents	(6,930)	(13,501)
Cash and cash equivalents at the end of the period	11,672	10,867

Svetlana Demyashkevich
Chief Financial Officer
25 October 2020

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Changes In Equity
for the nine months ended 30 September 2020
(expressed in millions of Russian Roubles, unless otherwise stated)

	Attributable to equity holders of the parent						Total
	Number of shares	Share capital	Share premium	Share-based payment reserve	Retained earnings	Total shareholders' equity	
Balance as at 1 January 2019	67,890,099	2,458	46,192	118	73,336	122,104	122,104
Profit for the period	-	-	-	-	20,414	20,414	20,414
Total comprehensive income for the period	-	-	-	-	20,414	20,414	20,414
Acquisition of treasury shares	(11,719)	-	(75)	-	-	(75)	(75)
Dividends	-	-	-	-	(25,000)	(25,000)	(25,000)
Share-based payment compensation	-	-	-	64	-	64	64
Transfer and waiving of vested equity rights	7,566	-	22	(65)	-	(43)	(43)
Balance as at 30 September 2019	67,885,946	2,458	46,139	117	68,750	117,464	117,464
Balance as at 1 January 2020	67,890,054	2,458	46,150	105	67,843	116,556	116,556
Profit for the period	-	-	-	-	26,614	26,614	26,614
Total comprehensive income for the period	-	-	-	-	26,614	26,614	26,614
Acquisition of treasury shares	(12,870)	-	(107)	-	-	(107)	(107)
Dividends	-	-	-	-	(29,996)	(29,996)	(29,996)
Share-based payment compensation	-	-	-	48	-	48	48
Transfer and waiving of vested equity rights	5,260	-	45	(57)	-	(12)	(12)
Balance as at 30 September 2020	67,882,444	2,458	46,088	96	64,461	113,103	113,103

Svetlana Demyashkevich
Chief Financial Officer
25 October 2020