X5 RETAIL GROUP

X5 REPORTS 15.6% REVENUE GROWTH IN Q1 2020
ADJ. EBITDA MARGIN UNDER IAS 17 AT 7.0%

Amsterdam, 24 April 2020 - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer that operates the Pyaterochka, Perekrestok, and Karusel retail chains (LSE and MOEX ticker: FIVE), today released its unaudited condensed consolidated interim financial information for the three months ended 31 March 2020 ("Q1"), in accordance with International Financial Reporting Standards as adopted by the European Union.

In the face of the constantly changing situation surrounding the spread of COVID-19, X5 has been able to meet the rapid growth in demand caused by consumers stocking up before the lockdown was announced in Russia on 28 March 2020. Our supply chain has been operating smoothly and stores remain open and well-stocked, while we are also protecting employees and customers. At X5 we introduced measures such as mandatory body temperature checks for all employees entering our premises (stores, distribution centres, offices), we have provided masks and disposable gloves to operational personnel, introduced additional disinfection hours daily for all stores as well as additional disinfection in stores during working hours. We have also added floor markings to indicate a safe social distance for our shoppers, as their safety remains our priority. Our logistics operations proved fit to handle the massive growth in volume of high demand goods during peak times and our early moves to increase stocks of these goods ensured good availability of products at all times.

In the event that a member of our operational personnel tests positive for COVID-19, we have developed internal procedures that aim to minimise the negative impact on our operations by creating extra operational teams/shifts for our store and logistics operations.

Our store and logistics personnel are on the front line for delivering an uninterrupted supply of food to more than 70 million people in Russia. We recognise their work and dedication, and we are profoundly thankful to our store and logistics workers who continue to perform during the lockdown period.

Finally, we have stepped up our community support efforts, including price discounts for volunteers who help the most vulnerable citizens, food donations through our Basket of Kindness programme, free delivery service for pensioners in Moscow via our Pyaterochka express delivery, as well as supplying 550 ready-made meals for free every day from our Smart Kitchen to the medical staff at four Moscow hospitals.

- ✓ In Q1 2020, X5 delivered 15.6% year-on-year (y-o-y) revenue growth driven by a 5.7% increase in like-for-like (LFL)(1) sales (7.0% unadjusted for the additional trading day in February as 2020 is a leap year) and 10.2% sales growth contribution from an 11.0% rise in selling space.
- ✓ Gross margin under IAS 17 decreased by 43 b.p. y-o-y to 24.3% (decreased by 45 b.p. y-o-y to 24.7% under IFRS 16) in Q1 2020, mainly driven by targeted price investments in January-February and higher logistics costs in March due to measures taken to ensure uninterrupted supply chain operations as the impact of the COVID-19 pandemic caused significant spikes in demand.
- ✓ SG&A expenses (excl. D&A&I, LTI and share-based payments) under IAS 17 as a percentage of revenue decreased by 27 b.p. y-o-y to 18.1% (decreased by 8 b.p. y-o-y to 13.4% under IFRS 16), despite additional measures taken to protect the health of our personnel and customers. Operational cost savings came from lease expenses, given the positive operating leverage on the back of increased demand, and utilities due to the warmer weather.
- ✓ Adjusted EBITDA(2) margin under IAS 17 decreased by 23 b.p. y-o-y to 7.0% in Q1 2020 (decreased by 40 b.p. y-o-y to 12.1% under IFRS 16).
- ✓ Adjusted net profit(3) margin under IAS 17 totalled 1.8% in Q1 2020 (0.9% under IFRS 16), down from 2.3% (2.1% under IFRS 16) in Q1 2019.
- ✓ Net debt/EBITDA under IAS 17 was 1.48x (3.14x under IFRS 16) as of 31 March 2020.

(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) Adjusted EBITDA is EBITDA before costs related to the LTI programme, share-based payments and other one-off remuneration payments expense.

(3) Adjusted net profit is net profit before one-off impacts of the Karusel transformation (mainly due to impairment and accelerated depreciation of non-current assets related to the transfer of stores to Perekrestok).

Profit and loss statement highlights[4]

Russian Rouble (RUB), million (mln)	IFRS 16 Q1 2020	IFRS 16 Q1 2019	IFRS 16 change, y-o-y, %	Impact on Q1 2020*	IAS 17 Q1 2020	IAS 17 Q1 2019	IAS 17 change, y-o-y, %
Revenue	**468,994**	**405,864**	***15.6***	**-**	**468,994**	**405,864**	***15.6***
incl. net retail sales[5]	468,461	404,116	*15.9*	-	468,461	404,116	*15.9*
Pyaterochka	370,047	315,274	*17.4*	-	370,047	315,274	*17.4*
Perekrestok	80,614	66,445	*21.3*	-	80,614	66,445	*21.3*
Karusel	17,800	21,917	*(18.8)*	-	17,800	21,917	*(18.8)*
Gross profit	**115,936**	**102,165**	***13.5***	**1,736**	**114,200**	**100,564**	***13.6***
Gross profit margin, %	*24.7*	*25.2*	*(45) b.p.*	*37 b.p.*	*24.3*	*24.8*	*(43) b.p.*
Adj. EBITDA	**56,767**	**50,753**	***11.8***	**23,787**	**32,980**	**29,473**	***11.9***
Adj. EBITDA margin, %	*12.1*	*12.5*	*(40) b.p.*	*507 b.p.*	*7.0*	*7.3*	*(23) b.p.*
Operating profit	**23,987**	**23,266**	***3.1***	**7,462**	**16,525**	**16,507**	***0.1***
Operating profit margin, %	*5.1*	*5.7*	*(62) b.p.*	*159 b.p.*	*3.5*	*4.1*	*(54) b.p.*
Adj. net profit	**4,394**	**8,335**	***(47.3)***	**(4,173)**	**8,568**	**9,297**	***(7.8)***
Adj. net profit margin, %	*0.9*	*2.1*	*(112) b.p.*	*(89) b.p.*	*1.8*	*2.3*	*(46) b.p.*
Net profit	**4,001**	**8,335**	***(52.0)***	**(4,174)**	**8,175**	**9,297**	***(12.1)***
Net profit margin, %	*0.9*	*2.1*	*(120) b.p.*	*(89) b.p.*	*1.7*	*2.3*	*(55) b.p.*

* For more details on the impact of IFRS 16 please refer to page 7.

Note: The financial measures under IAS 17 are used in this press release as upon adoption of IFRS 16 management continued to apply IAS 17 for leases for performance assessment purposes mainly due to the fact that investment community is still focusing on IAS 17 and management decision making processes as well as internal reporting are also based on IAS 17 figures. The 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".

Net retail sales

Total net retail sales growth reached 15.9% y-o-y in Q1 2020, driven by positive like-for-like (LFL) sales and selling space expansion.

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

	As at 31-Mar-20	As at 31-Dec-19	*change vs 31-Dec-19, %*	As at 31-Mar-19	*change vs 31-Mar-19, %*
Pyaterochka	6,136,774	5,975,147	*2.7*	5,434,862	*12.9*
Perekrestok	894,750	899,893	*(0.6)*	794,234	*12.7*
Karusel	295,467	364,077	*(18.8)*	369,493	*(20.0)*
X5 Retail Group	**7,326,991**	**7,239,117**	***1.2***	**6,598,589**	***11.0***

Q1 2020 LFL[6] store performance by format, % change y-o-y

In Q1 2020, LFL sales performance remained strong at 5.7% y-o-y.

	Sales	Traffic	Basket
Pyaterochka	*6.1*	*4.2*	*1.8*
Perekrestok	*5.9*	*1.4*	*4.4*
Karusel	*(3.2)*	*(6.3)*	*3.2*
X5 Retail Group	***5.7***	***3.7***	***1.9***

For more details on net retail sales growth please refer to X5's Q1 2020 Trading Update.

(4) 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.
(5) Net retail sales represents 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.
(6) LFL figures for Q1 2020 were adjusted for the additional trading day in February as 2020 is a leap year. Unadjusted LFL sales for Q1 2020: X5 7.0%, Pyaterochka 7.3%, Perekrestok 7.3%, Karusel (1.6)%.

Gross profit margin

The gross profit margin under IAS 17 decreased by 43 b.p. y-o-y to 24.3% (decreased by 45 b.p. y-o-y to 24.7% under IFRS 16) in Q1 2020. The decrease was mainly driven by targeted price investments in January-February and higher logistics costs in March due to increased load amid the spread of the coronavirus pandemic.

Selling, general and administrative (SG&A) expenses (excl. D&A&I)

RUB mln	IFRS 16				IAS 17		
	Q1 2020	**Q1 2019**	***change, y-o-y, %***	**Impact on Q1 2020***	**Q1 2020**	**Q1 2019**	***change, y-o-y, %***
Staff costs	**(38,284)**	**(33,251)**	**15.1**	-	**(38,284)**	**(33,251)**	***15.1***
% of Revenue	*8.2*	*8.2*	*(3) b.p.*	-	*8.2*	*8.2*	*(3) b.p.*
incl. LTI and share-based payments	(495)	(457)	8.3	-	(495)	(457)	*8.3*
staff costs excl. LTI % of Revenue	*8.1*	*8.1*	*(2) b.p.*	-	*8.1*	*8.1*	*(2) b.p.*
Lease expenses	**(2,404)**	**(1,327)**	**81.2**	**21,035**	**(23,439)**	**(20,767)**	***12.9***
% of Revenue	*0.5*	*0.3*	*19 b.p.*	*(449) b.p.*	*5.0*	*5.1*	*(12) b.p.*
Utilities	**(10,429)**	**(9,855)**	**5.8**	**-**	**(10,429)**	**(9,855)**	***5.8***
% of Revenue	*2.2*	*2.4*	*(20) b.p.*	-	*2.2*	*2.4*	*(20) b.p.*
Other store costs	**(4,653)**	**(4,214)**	**10.4**	**242**	**(4,895)**	**(4,445)**	***10.1***
% of Revenue	*1.0*	*1.0*	*(5) b.p.*	*(5) b.p.*	*1.0*	*1.1*	*(5) b.p.*
Third party services	**(2,962)**	**(2,672)**	**10.9**	**(78)**	**(2,884)**	**(2,674)**	***7.9***
% of Revenue	*0.6*	*0.7*	*(3) b.p.*	*2 b.p.*	*0.6*	*0.7*	*(4) b.p.*
Other expenses[(5)]	**(4,602)**	**(3,848)**	**19.6**	**663**	**(5,265)**	**(3,854)**	***36.6***
% of Revenue	*1.0*	*0.9*	*3 b.p.*	*(14) b.p.*	*1.1*	*0.9*	*17 b.p.*
SG&A (excl. D&A&I)	**(63,334)**	**(55,167)**	**14.8**	**21,862**	**(85,196)**	**(74,846)**	***13.8***
% of Revenue	*13.5*	*13.6*	*(9) b.p.*	*(466) b.p.*	*18.2*	*18.4*	*(28) b.p.*
SG&A (excl. D&A&I, LTI, share-based payments)	**(62,839)**	**(54,710)**	**14.9**	**21,862**	**(84,701)**	**(74,389)**	***13.9***
% of Revenue	*13.4*	*13.5*	*(8) b.p.*	*(466) b.p.*	*18.1*	*18.3*	*(27) b.p.*

* For more details on the impact of IFRS 16 please refer to page 7.

In Q1 2020, SG&A expenses excluding D&A&I, LTI and other one-off share-based payments under IAS 17 as a percentage of revenue decreased by 27 b.p. to 18.1% (decreased by 8 b.p. to 13.4% under IFRS 16), mainly driven by lease expenses and utilities costs. The Karusel transformation had no impact on SG&A in Q1 2020, except for D&A&I.

Staff costs (excluding LTI and other one-off share-based payments) remained stable at 8.1% in Q1 2020 compared to Q1 2019. Higher payments to in-store personnel in March during quarantine were offset by positive operating leverage effect.

LTI and share-based payments expenses amounted to RUB 495 mln in Q1 2020.

Lease expenses under IAS 17 as a percentage of revenue in Q1 2020 decreased by 12 b.p. y-o-y to 5.0% due to positive operating leverage effect. The share of leased space in X5's total real estate portfolio amounted to 79% as of 31 March 2020.

Utilities costs as a percentage of revenue in Q1 2020 decreased by 20 b.p. y-o-y to 2.2% due to positive operating leverage effect and warmer weather compared with 2019.

Other store costs under IAS 17 as a percentage of revenue in Q1 2020 decreased by 5 b.p. y-o-y to 1.0% (decreased by 5 b.p. y-o-y to 1.0% under IFRS 16) due to positive operating leverage effect.

Other expenses under IAS 17 as a percentage of revenue in Q1 2020 increased by 17 b.p. y-o-y to 1.1% (increased by 3 b.p. y-o-y to 1.0% under IFRS 16) primarily due to an increase in acquiring costs driven by increasing penetration of card payments and other one-off expenses.

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Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations under IAS 17 totalled 0.8% (0.8% under IFRS 16), a decrease of 6 b.p. y-o-y (a decrease of 2 b.p. y-o-y under IFRS 16) in Q1 2020 driven by lower market prices on recyclable materials since the end of 2019.

EBITDA and EBITDA margin

RUB mln	IFRS 16 Q1 2020	IFRS 16 Q1 2019	IFRS 16 change, y-o-y, %	Impact on Q1 2020*	IAS 17 Q1 2020	IAS 17 Q1 2019	IAS 17 change, y-o-y, %
Gross profit	**115,936**	**102,165**	**13.5**	**1,736**	**114,200**	**100,564**	***13.6***
Gross profit margin, %	*24.7*	*25.2*	*(45) b.p.*	*37 b.p.*	*24.3*	*24.8*	*(43) b.p.*
SG&A (excl. D&A&I, LTI, share-based payments)	**(62,839)**	**(54,710)**	**14.9**	**21,862**	**(84,701)**	**(74,389)**	***13.9***
% of Revenue	*13.4*	*13.5*	*(8) b.p.*	*(466) b.p.*	*18.1*	*18.3*	*(27) b.p.*
Net impairment losses on financial assets	**(69)**	**(8)**	**762.5**	**-**	**(69)**	**(8)**	***762.5***
% of Revenue	*0.015*	*0.002*	*1 b.p.*	*-*	*0.015*	*0.002*	*1 b.p.*
Lease/sublease and other income	**3,739**	**3,306**	**13.1**	**189**	**3,550**	**3,306**	***7.4***
% of Revenue	*0.8*	*0.8*	*(2) b.p.*	*4 b.p.*	*0.8*	*0.8*	*(6) b.p.*
Adj. EBITDA	**56,767**	**50,753**	**11.8**	**23,787**	**32,980**	**29,473**	***11.9***
Adj. EBITDA margin, %	*12.1*	*12.5*	*(40) b.p.*	*507 b.p.*	*7.0*	*7.3*	*(23) b.p.*
LTI, share-based payments and other one-off remuneration payments expense and SSC	(495)	(457)	8.3	-	(495)	(457)	8.3
% of Revenue	*(0.1)*	*(0.1)*	*1 b.p.*	*-*	*(0.1)*	*(0.1)*	*1 b.p.*
EBITDA	**56,272**	**50,296**	**11.9**	**23,787**	**32,485**	**29,016**	***12.0***
EBITDA margin, %	*12.0*	*12.4*	*(39) b.p.*	*507 b.p.*	*6.9*	*7.1*	*(22) b.p.*

* For more details on IFRS 16 impact please refer to page 7.

D&A&I

Depreciation, amortisation and impairment costs under IAS 17 in Q1 2020 totalled RUB 15,960 mln (RUB 32,285 mln under IFRS 16), increasing as a percentage of revenue by 32 b.p. y-o-y to 3.4% (increasing by 22 b.p. y-o-y to 6.9% under IFRS 16). This was mainly due to revenue growth outpacing the growth of gross book value of assets, as well as impairment and accelerated depreciation of non-current assets related to the transfer of Karusel stores to Perekrestok, in line with the transformation plan.

Non-operating gains and losses

RUB mln	IFRS 16 Q1 2020	IFRS 16 Q1 2019	IFRS 16 change, y-o-y, %	Impact on Q1 2020*	IAS 17 Q1 2020	IAS 17 Q1 2019	IAS 17 change, y-o-y, %
Operating profit	**23,987**	**23,266**	***3.1***	**7,462**	**16,525**	**16,507**	***0.1***
Net finance costs	(14,053)	(13,522)	*3.9*	(10,021)	(4,032)	(4,294)	*(6.1)*
Net FX result	(3,705)	1,605	-	(2,658)	(1,047)	323	-
Profit before tax	**6,229**	**11,349**	***(45.1)***	**(5,217)**	**11,446**	**12,536**	***(8.7)***
Income tax expense	(2,228)	(3,014)	*(26.1)*	1,043	(3,271)	(3,239)	*1.0*
Net profit/(loss)	**4,001**	**8,335**	***(52.0)***	**(4,174)**	**8,175**	**9,297**	***(12.1)***
Net profit margin, %	*0.9*	*2.1*	*(120) b.p.*	*(89) b.p.*	*1.7*	*2.3*	*(55) b.p.*
Effect of Karusel transformation	**393**	**-**	**-**	**-**	**393**	**-**	**-**
% of Revenue	*0.1*	*-*	*8 b.p.*	*0 b.p.*	*0.1*	*-*	*8 b.p.*
Adj. net profit	**4,394**	**8,335**	**(47.3)**	**(4,173)**	**8,568**	**9,297**	***(7.8)***
Adj. net profit margin, %	*0.9*	*2.1*	*(112) b.p.*	*(89) b.p.*	*1.8*	*2.3*	*(46) b.p.*

* For more details on IFRS 16 impact please refer to page 7.

Net finance costs under IAS 17 in Q1 2020 decreased by 6.1% y-o-y to RUB 4,032 mln (increased by 3.9% to RUB 14,053 mln under IFRS 16) due to a decrease in the weighted average effective interest rate as a result of declining interest rates in Russia, as well as actions taken by X5 to minimise interest expenses.

The negative net FX result of RUB (1,047) mln (RUB (3,705) mln under IFRS 16) in Q1 2020, compared to positive RUB 323 mln (RUB 1,605 mln under IFRS 16) in Q1 2019, was due to accounts payable nominated in foreign currency related to regular direct import operations and sharp currency moves in March caused by oil price dynamics. The negative result under IFRS 16 is also due to revaluation of foreign currency liabilities resulting from lease contracts denominated in foreign currencies.

In Q1 2020, income tax expense under IAS 17 increased by 1.0% y-o-y to RUB 3,271 mln (decreased by 26.1% to RUB 2,228 mln under IFRS 16).

Consolidated cash flow statement highlights

RUB mln	***IFRS 16*** Q1 2020	Q1 2019	*change, y-o-y, %*	**Impact on Q1 2020***	***IAS 17*** Q1 2020	Q1 2019	*change, y-o-y, %*
Net cash from operating activities before changes in working capital	55,383	50,070	*10.6*	23,597	31,786	28,791	*10.4*
Change in working capital	15,652	(3,114)	-	570	15,082	(3,176)	-
Net interest and income tax paid	(16,823)	(17,611)	*(4.5)*	(9,996)	(6,827)	(8,403)	*(18.8)*
Net cash flows generated from operating activities	54,212	29,345	*84.7*	14,171	40,041	17,212	*132.6*
Net cash used in investing activities	(17,294)	(17,373)	*(0.5)*	-	(17,294)	(17,373)	*(0.5)*
Net cash used in financing activities	(43,611)	(18,059)	*141.5*	(14,171)	(29,440)	(5,926)	*396.8*
Effect of exchange rate changes on cash & cash equivalents	(37)	-	-	-	(37)	-	-
Net decrease in cash & cash equivalents	**(6,730)**	**(6,087)**	***10.6***	**-**	**(6,730)**	**(6,087)**	***10.6***

* For more details on IFRS 16 impact please refer to page 7.

In Q1 2020, the Company's net cash from operating activities before changes in working capital under IAS 17 increased by RUB 2,995 mln and totalled RUB 31,786 mln (increased by RUB 5,313 mln and totalled 55,383 mln under IFRS 16). The positive change in working capital under IAS 17 of RUB 15,082 mln (RUB 15,652 mln under IFRS 16) in Q1 2020, compared to negative change of RUB 3,176 mln (negative change of RUB 3,114 mln under IFRS 16) in Q1 2019, was mainly due to the smaller decrease in accounts payable and higher inventory turnover in March driven by increased demand amid the spread of COVID-19.

Net interest and income tax paid under IAS 17 in Q1 2020 decreased by RUB 1,576 mln, or 18.8% y-o-y and totalled RUB 6,827 mln (decreased by RUB 788 mln, or 4.5% and totalled RUB 16,823 mln under IFRS 16). Income tax paid decreased y-o-y in line with tax accruals in previous periods.

As a result of business growth, sustained healthy profitability of operations and better working capital, in Q1 2020 net cash flow from operating activities under IAS 17 improved to RUB 40,041 mln, up from RUB 17,212 mln (to RUB 54,212 mln, up from 29,345 mln under IFRS 16) in Q1 2019.

Net cash used in investing activities, which generally consists of payments for property, plant and equipment, remained stable at RUB 17,294 mln in Q1 2020 compared to RUB 17,373 mln in Q1 2019 due to the almost unchanged y-o-y number of new openings.

Net cash used in financing activities under IAS 17 totalled RUB 29,440 mln (RUB 43,611 mln under IFRS 16) in Q1 2020 compared to net cash used in financing activities of RUB 5,926 mln (RUB 18,059 mln under IFRS 16) in Q1 2019 driven by repayment of short-term loans.

Liquidity update

RUB mln	31-Mar-20	*% in total*	31-Dec-19	*% in total*	31-Mar-19	*% in total*
Total debt	**198,632**		**227,933**		**201,941**	
Short-term debt	66,410	*33.4*	74,755	*32.8*	60,291	*29.9*
Long-term debt	132,222	*66.6*	153,178	*67.2*	141,650	*70.1*
Net debt (under IAS 17)	**186,760**		**209,331**		**183,660**	
Net debt/ EBITDA (under IAS 17)	**1.48**		**1.71**		**1.59**	
Lease liabilities (IFRS 16)	**494,467**		**484,795**		**436,001**	
Net debt/ EBITDA (under IFRS 16)	**3.14x**		**3.28x**		**-**	

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

As of 31 March 2020, the Company had access to RUB 438,491 million 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 1,736 mln and 37 b.p. under IFRS 16 compared to IAS 17 in Q1 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 in order to align the presentation of depreciation of right-of-use assets and other assets.

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 21,862 mln have been excluded from SG&A expenses in Q1 2020 under the new standard. Additional depreciation of RUB 16,325 mln related to leased assets has been added to SG&A costs in Q1 2020 under IFRS 16.

Financial costs increased by RUB 10,021 mln under the new standard compared to IAS 17 due to the interest expense on lease liabilities in Q1 2020.

The implementation of IFRS 16 increases the Company's EBITDA significantly, as lease expenditure attributable to minimum lease payments previously recognised in the income statement is excluded. Adjusted EBITDA margin is 507 b.p. higher under the new standard compared to IAS 17 in Q1 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 2,658 mln higher under IFRS 16 compared to IAS 17 in Q1 2020 due to 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.

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 4,174 mln and 89 b.p. under the new standard compared to IAS 17 in Q1 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 are 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 31 March 2020, X5 had 16,658 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 15,739 Pyaterochka proximity stores, 846 Perekrestok supermarkets and 73 Karusel hypermarkets. The Company operates 42 DCs and 4,098 Company-owned trucks across the Russian Federation.

For the full year 2019, revenue totalled RUB 1,734,347 mln (USD 26,791 mln), Adjusted EBITDA under IAS 17 reached RUB 127,380 mln (USD 1,968 mln), and net profit under IAS 17 for the period amounted to RUB 25,908 mln (USD 400 mln). In Q1 2020, revenue totalled RUB 468,994 mln (USD 7,065 mln), adjusted EBITDA reached RUB 32,980 mln (USD 497 mln), and net profit amounted to RUB 8,175 mln (USD 123 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.08%, treasury shares – 0.02%, 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

Three months ended 31 March 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.

(expressed in millions of Russian Roubles, unless otherwise stated)

	31 March 2020	31 December 2019
Assets		
Non-current assets		
Property, plant and equipment	315,486	315,257
Right-of-use assets	433,345	428,166
Investment property	5,515	5,564
Goodwill	102,055	101,927
Other intangible assets	25,130	24,338
Investments in associates and joint ventures	350	200
Other non-current assets	2,669	2,646
Deferred tax assets	17,695	16,478
	902,245	**894,576**
Current assets		
Inventories	119,589	127,462
Indemnification asset	164	140
Trade, other accounts receivable and prepayments	12,421	15,853
Current income tax receivable	6,084	5,631
VAT and other taxes receivable	8,173	12,066
Cash and cash equivalents	11,872	18,602
	158,303	**179,754**
Total assets	**1,060,548**	**1,074,330**
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	2,458	2,458
Share premium	46,043	46,150
Retained earnings	71,844	67,843
Share-based payment reserve	123	105
	120,468	**116,556**
Total equity	**120,468**	**116,556**
Non-current liabilities		
Long-term borrowings	132,222	153,178
Long-term lease liabilities	434,892	427,173
Deferred tax liabilities	6,045	5,501
Long-term contract liabilities	10	–
Other non-current liabilities	3,920	3,349
	577,089	**589,201**
Current liabilities		
Trade accounts payable	152,836	160,434
Short-term borrowings	66,410	74,755
Interest accrued	2,220	1,734
Short-term lease liabilities	59,575	57,622
Short-term contract liabilities	2,649	2,206
Current income tax payable	779	750
Provisions and other liabilities	78,522	71,072
	362,991	**368,573**
Total liabilities	**940,080**	**957,774**
Total equity and liabilities	**1,060,548**	**1,074,330**

Svetlana Demyashkevich
Chief Financial Officer
23 April 2020

(expressed in millions of Russian Roubles, unless otherwise stated)

	Three months ended 31 March	
	2020	**2019**
Revenue	468,994	405,864
Cost of sales	(353,058)	(303,699)
Gross profit	**115,936**	**102,165**
Selling, general and administrative expenses	(95,619)	(82,197)
Net impairment losses on financial assets	(69)	(8)
Lease/sublease and other income	3,739	3,306
Operating profit	**23,987**	**23,266**
Finance costs	(14,073)	(13,543)
Finance income	20	21
Net foreign exchange (loss)/gain	(3,705)	1,605
Profit before tax	**6,229**	**11,349**
Income tax expense	(2,228)	(3,014)
Profit for the period	**4,001**	**8,335**
Profit for the period attributable to:		
Equity holders of the parent	4,001	8,335
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	**58.93**	**122.79**
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	**58.93**	**122.79**

Svetlana Demyashkevich
Chief Financial Officer
23 April 2020

(expressed in millions of Russian Roubles, unless otherwise stated)

	Three months ended 31 March	
	2020	**2019**
Profit for the period	4,001	8,335
Total comprehensive income for the period, net of tax	**4,001**	**8,335**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	4,001	8,335

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Svetlana Demyashkevich
Chief Financial Officer
23 April 2020

(expressed in millions of Russian Roubles, unless otherwise stated)

	Three months ended 31 March	
	2020	**2019**
Profit before tax	**6,229**	**11,349**
Adjustments for:		
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment property and intangible assets	32,285	27,030
Gain on disposal of property, plant and equipment, investment property and intangible assets and gain on derecognition of right-of-use assets	(1,034)	(34)
Finance costs, net	14,053	13,522
Net impairment losses on financial assets	69	8
Impairment/(Reversal of impairment) of prepayments	32	(179)
Share-based compensation expense	18	11
Net foreign exchange loss/(gain)	3,705	(1,605)
Other non-cash items	26	(32)
Net cash from operating activities before changes in working capital	**55,383**	**50,070**
Decrease in trade, other accounts receivable and prepayments and VAT and other taxes receivable	7,074	1,555
Decrease in inventories	7,873	13,993
Decrease in trade payable	(7,596)	(24,191)
Increase in other accounts payable and contract liabilities	8,301	5,529
Net cash flows from operations	**71,035**	**46,956**
Interest paid	(13,551)	(13,111)
Interest received	20	18
Income tax paid	(3,292)	(4,518)
Net cash flows from operating activities	**54,212**	**29,345**
Cash flows from investing activities		
Purchase of property, plant and equipment and initial direct costs associated with right-of-use assets	(14,694)	(14,116)
Acquisition of businesses, net of cash acquired	(392)	(991)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets	1,018	185
Purchase of other intangible assets	(3,076)	(2,454)
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	**(17,294)**	**(17,373)**
Cash flows from financing activities		
Proceeds from loans	18,246	15,698
Repayment of loans	(47,579)	(21,549)
Purchase of treasury shares	(107)	(75)
Payments of principal portion of lease liabilities	(14,171)	(12,133)
Net cash flows used in financing activities	**(43,611)**	**(18,059)**
Effect of exchange rate changes on cash and cash equivalents	(37)	-
Net decrease in cash and cash equivalents	**(6,730)**	**(6,087)**
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	(6,730)	(6,087)
Cash and cash equivalents at the end of the period	**11,872**	**18,281**

Svetlana Demyashkevich
Chief Financial Officer
23 April 2020

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Changes In Equity
for the three months ended 31 March 2020
(expressed in millions of Russian Roubles, unless otherwise stated)

	Attributable to equity holders of the parent						
	Number of shares	**Share capital**	**Share premium**	**Share-based payment reserve**	**Retained earnings**	**Total shareholders' equity**	**Total**
Balance as at 1 January 2019	**67,886,748**	**2,458**	**46,212**	**117**	**109,655**	**158,442**	**158,442**
Effect of adoption of new accounting standards	–	–	–	–	(42,826)	(42,826)	(42,826)
Balance as at 1 January 2019 Restated	**67,890,099**	**2,458**	**46,192**	**118**	**73,881**	**122,649**	**122,649**
Profit for the period	–	–	–	–	8,335	8,335	8,335
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**8,335**	**8,335**	**8,335**
Acquisition of treasury shares	(11,719)	–	(75)	–	–	(75)	(75)
Share-based payment compensation	–	–	–	12	–	12	12
Balance as at 31 March 2019	**67,878,380**	**2,458**	**46,117**	**130**	**82,216**	**130,921**	**130,921**
Balance as at 1 January 2020	**67,890,054**	**2,458**	**46,150**	**105**	**67,843**	**116,556**	**116,556**
Profit for the period	–	–	–	–	4,001	4,001	4,001
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**4,001**	**4,001**	**4,001**
Acquisition of treasury shares	(12,870)	–	(107)	–	–	(107)	(107)
Share-based payment compensation	–	–	–	18	–	18	18
Balance as at 31 March 2020	**67,877,184**	**2,458**	**46,043**	**123**	**71,844**	**120,468**	**120,468**

Svetlana Demyashkevich
Chief Financial Officer
23 April 2020