X5 reports 18.6% revenue growth in Q2 2022, 9.6% adj. EBITDA margin pre-IFRS 16

+18.6% y-o-y

Revenue growth in Q2 2022

driven by solid like-for-like (LFL)[1] sales and selling space expansion

+38.4% y-o-y

Digital business (express delivery, Vprok.ru, 5Post and Mnogo Lososya) net sales growth in Q2 2022

Digital business net sales amounted to RUB 14.7 billion, which comprised 2.3% of consolidated Q2 2022 revenue

25.8% +14 b.p.

Gross margin under IFRS 16 in Q2 2022

(+19 b.p. to 25.5% pre-IFRS 16[2]) driven predominantly by lower logistics costs and a reduction in shrinkage

14.0% +92 b.p.

Adjusted EBITDA[3] margin under IFRS 16 in Q2 2022

(+132 b.p. to 9.6% pre-IFRS 16)

4.1% +140 b.p.

Net profit margin under IFRS 16 in Q2 2022

(+97 b.p. to 3.9% pre-IFRS 16)

2.58x

Net debt/EBITDA ratio as of 30 June 2022 (under IFRS 16)

(1.11x pre-IFRS 16)

Amsterdam
2 August 2022

X5 Retail Group N.V. ("X5" or the "Company", LSE and MOEX ticker: FIVE), a leading Russian food retailer that operates the Pyaterochka, Perekrestok and Chizhik retail chains, today released its unaudited condensed consolidated interim financial information for the three months (Q2) and six months (H1) ended 30 June 2022, in accordance with International Financial Reporting Standards as adopted by the European Union.

Igor Shekhterman
X5 Chief Executive Officer

"During the first half of 2022, we focused on ensuring the operational stability of our business, including by making necessary adjustments to logistics and assortment. We also made price investments into socially important categories of goods to offset accelerating inflation, which, coupled with lower bonuses from suppliers, led to a slight decline in the commercial margin. This decline was offset by a positive operating leverage effect, as well as by our successful implementation of stringent cost control measures. As a result, in Q2 2022, we achieved exceptionally strong margins and are well positioned to continue with our price investment approach, as well as to accelerate investments into future growth, including into major projects like the development of the Chizhik and Pyaterochka retail networks.

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. The pre-IFRS 16 financial measures are calculated by adjusting the applicable IFRS measures to include fixed lease expenses and fixed non-lease components of lease contracts and to exclude any gain on derecognition of right-of-use assets and lease liabilities, depreciation of right-of-use assets and interest on lease liabilities and gain/loss from sale of asset under sale and leaseback operations for the proportion of the rights retained recognised under IFRS 16..

3. Adjusted EBITDA is EBITDA before costs related to the LTI programme, share-based payments, other one-off remuneration payment expenses and the impact of the Karusel transformation.

Against the backdrop of strong margins posted in Q2 2022, we anticipate that ongoing price investments, the adaptation of our product assortment – including the diversification of our supplier base and the development of X5's private labels, which are seeing growing customer demand - will contribute to margins stabilising at lower levels in H2 2022. We also plan the resumption of investments into business growth and expansion.

In the second half of the year, X5 will focus on enhancing its customer value proposition, boosting like-for-like sales and growing its market share.

We will prioritise the expansion of our Chizhik hard discounter format, which saw a 30-fold increase in revenue year-on-year in H1 2022 and is showing results above our expectations. We aim to accelerate Chizik expansion plans and open over 400 new hard discounter stores in 2022. We believe that Chizhik serves an important function by providing a wide range of customers with access to affordable and reasonably priced basic goods, and one of our main goals at this time is to accelerate the development of this format.

We will also continue to develop the Pyaterochka proximity store network where we aim to open over 1,400 proximity stores (gross) for the full year 2022. Further, we will focus on developing our consolidated online business including through new partnerships with profitability, efficiency and customer convenience in mind.

At the same time, the changing market conditions are offering new opportunities for growth, including through M&A. For example, in June, X5 acquired 15 PRISMA supermarkets in St Petersburg. This move will see the stores integrated into X5's Perekrestok supermarket network and will expand X5's customer offering. Moving forward, we will continue to look for attractive inorganic growth opportunities arising in the market.

Profit and loss statement highlights[4]

	IFRS 16			Pre-IFRS 16		
RUB mln	Q2 2022	Q2 2021	change, y-o-y, %	Q2 2022	Q2 2021	change, y-o-y, %
Revenue	**647,950**	**546,512**	**18.6**	**647,950**	**546,512**	**18.6**
incl. net retail sales[5]	646,162	544,409	18.7	646,162	544,409	18.7
Pyaterochka (incl. express delivery)	534,318	447,611	19.4	534,318	447,611	19.4
Perekrestok (incl. Vprok.ru and express delivery)	100,041	87,865	13.9	100,041	87,865	13.9
Karusel	4,464	8,454	(47.2)	4,464	8,454	(47.2)
Chizhik	6,818	245	28x	6,818	245	28x
Gross profit	**167,016**	**140,096**	**19.2**	**164,957**	**138,090**	**19.5**
Gross profit margin, %	25.8	25.6	14 b.p.	25.5	25.3	19 b.p.
Adj. EBITDA	**91,013**	**71,728**	**26.9**	**62,376**	**45,424**	**37.3**
Adj. EBITDA margin, %	14.0	13.1	92 b.p.	9.6	8.3	132 b.p.
EBITDA	**90,152**	**70,333**	**28.2**	**61,515**	**44,029**	**39.7**
EBITDA margin, %	13.9	12.9	104 b.p.	9.5	8.1	144 b.p.
Operating profit	**51,578**	**33,303**	**54.9**	**41,519**	**25,371**	**63.6**
Operating profit margin, %	8.0	6.1	187 b.p.	6.4	4.6	177 b.p.
Net profit	**26,762**	**14,920**	**79.4**	**25,442**	**16,133**	**57.7**
Net profit margin, %	4.1	2.7	140 b.p.	3.9	3.0	97 b.p.

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 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. Including Mnogo Lososya

RUB mln	IFRS 16 H1 2022	IFRS 16 H1 2021	IFRS 16 change, y-o-y, %	Pre-IFRS 16 H1 2022	Pre-IFRS 16 H1 2021	Pre-IFRS 16 change, y-o-y, %
Revenue	**1,252,180**	**1,053,703**	**18.8**	**1,252,180**	**1,053,703**	**18.8**
incl. net retail sales[6]	1,247,938	1,050,192	18.8	1,247,938	1,050,192	18.8
Pyaterochka (incl. express delivery)	1,023,511	854,321	19.8	1,023,511	854,321	19.8
Perekrestok (incl. Vprok.ru and express delivery)	202,615	177,003	14.5	202,615	177,003	14.5
Karusel	9,894	18,204	(45.7)	9,894	18,204	(45.7)
Chizhik	10,917	363	30x	10,917	363	30x
Gross profit	**317,446**	**269,637**	**17.7**	**313,429**	**265,715**	**18.0**
Gross profit margin, %	25.4	25.6	(24) b.p.	25.0	25.2	(19) b.p.
Adj. EBITDA	**161,192**	**133,384**	**20.8**	**104,908**	**80,899**	**29.7**
Adj. EBITDA margin, %	12.9	12.7	21 b.p.	8.4	7.7	70 b.p.
EBITDA	**159,708**	**131,560**	**21.4**	**103,424**	**79,075**	**30.8**
EBITDA margin, %	12.8	12.5	27 b.p.	8.3	7.5	76 b.p.
Operating profit	**77,768**	**57,803**	**34.5**	**58,625**	**42,239**	**38.8**
Operating profit margin, %	6.2	5.5	72 b.p.	4.7	4.0	67 b.p.
Net profit	**29,261**	**22,558**	**29.7**	**30,464**	**25,296**	**20.4**
Net profit margin, %	2.3	2.1	20 b.p.	2.4	2.4	3 b.p.

6. Including Mnogo Lososya

Revenue

Revenue growth reached 18.6% year-on-year in Q2 2022. Net retail sales increased by 18.7%, driven by a combination of 7.1% selling space growth and 11.7% LFL sales growth, while X5's digital business sales grew by 38.4% y-o-y.

Selling space by format, square metres (sqm)

	AS AT 30-JUN-22	AS AT 31-DEC-21	CHANGE VS 31-DEC-21, %	AS AT 30-JUN-21	CHANGE Y-O-Y, % OR MULTIPLE
Pyaterochka	7,271,291	7,048,488	3.2	6,782,960	7.2
Perekrestok	1,109,171	1,098,905	0.9	1,058,533	4.8
Karusel	100,931	128,063	(21.2)	160,923	(37.3)
Chizhik	44,129	20,327	117.1	4,008	11x
X5 Group[7]	8,639,691	8,409,757	2.7	8,065,772	7.1

Q2 and H1 2022 LFL store performance by format, % change y-o-y

In Q2 2022, LFL sales performance accelerated year-on-year to 11.7%, supported by solid LFL results at Pyaterochka and Perekrestok at 12.3% and 9.0%, respectively, on the back of accelerating inflation.

The LFL basket was the main driver of LFL sales in Q2 2022, with LFL traffic in positive territory at 0.6% year-on-year, and with Pyaterochka showing 0.9% year-on-year growth.

	Q2 2022			H1 2022		
	SALES	TRAFFIC	BASKET	SALES	TRAFFIC	BASKET
Pyaterochka	12.3	0.9	11.4	12.5	2.4	9.9
Perekrestok	9.0	(1.5)	10.6	8.5	(0.6)	9.1
Karusel	(14.6)	(16.0)	1.6	(9.3)	(14.7)	6.3
X5 Group	**11.7**	**0.6**	**11.0**	**11.7**	**2.0**	**9.5**

For more details on net retail sales performance, please refer to X5's Q2 2022 Trading Update.

Gross profit margin

Gross profit margin under IFRS 16 increased by 14 b.p. year-on-year to 25.8% (increased by 19 b.p. year-on-year to 25.5% pre-IFRS 16) in Q2 2022, mainly driven by lower logistics costs due to the positive operating leverage effect and a reduction in shrinkage as a result of operating improvements.

Gross profit margin for H1 2022 decreased by 24 b.p. under IFRS 16 (decreased by 19 b.p pre-IFRS 16), affected primarily by a decline in commercial margin on the back of price investments. The latter was a result of the decreased level of suppliers' promo activity, driven predominantly by the current market environment, including the withdrawal of certain suppliers.

7. Including Vprok.ru Perekrestok dark stores and Mnogo Lososya dark kitchens

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

	IFRS 16			Pre-IFRS 16		
RUB mln	Q2 2022	Q2 2021	change, y-o-y, %	Q2 2022	Q2 2021	change, y-o-y, %
Staff costs	(50,210)	(44,499)	12.8	(50,210)	(44,499)	12.8
% of revenue	7.7	8.1	(39) b.p.	7.7	8.1	(39) b.p.
incl. LTI and share-based payments	(685)	(1,184)	(42.1)	(685)	(1,184)	(42.1)
staff costs excl. LTI and share-based payments as % of revenue	7.6	7.9	(28) b.p.	7.6	7.9	(28) b.p.
Lease expenses	(4,859)	(3,505)	38.6	(29,054)	(26,182)	11.0
% of revenue	0.7	0.6	11 b.p.	4.5	4.8	(31) b.p.
Utilities	(11,122)	(10,213)	8.9	(11,122)	(10,213)	8.9
% of revenue	1.7	1.9	(15) b.p.	1.7	1.9	(15) b.p.
Other store costs	(5,784)	(5,642)	2.5	(6,001)	(5,860)	2.4
% of revenue	0.9	1.0	(14) b.p.	0.9	1.1	(15) b.p.
Third-party services	(3,425)	(4,775)	(28.3)	(3,329)	(4,640)	(28.3)
% of revenue	0.5	0.9	(35) b.p.	0.5	0.8	(34) b.p.
Other expenses	(7,274)	(6,414)	13.4	(9,113)	(7,559)	20.6
% of revenue	1.1	1.2	(5) b.p.	1.4	1.4	2 b.p.
SG&A (excl. D&A&I and the impact of the Karusel transformation)	(82,674)	(75,048)	10.2	(108,829)	(98,953)	10.0
% of revenue	12.8	13.7	(97) b.p.	16.8	18.1	(131) b.p.
SG&A (excl. D&A&I, LTI, share-based payments and the impact of the Karusel transformation)	(81,989)	(73,864)	11.0	(108,144)	(97,769)	10.6
% of revenue	12.7	13.5	(86) b.p.	16.7	17.9	(120) b.p.

RUB mln	IFRS 16 H1 2022	IFRS 16 H1 2021	IFRS 16 change, y-o-y, %	Pre-IFRS 16 H1 2022	Pre-IFRS 16 H1 2021	Pre-IFRS 16 change, y-o-y, %
Staff costs	(100,288)	(87,983)	14.0	(100,288)	(87,983)	14.0
% of revenue	8.0	8.3	(34) b.p.	8.0	8.3	(34) b.p.
incl. LTI and share-based payments	(1,061)	(1,606)	(33.9)	(1,061)	(1,606)	(33.9)
staff costs excl. LTI and share-based payments as % of revenue	7.9	8.2	(27) b.p.	7.9	8.2	(27) b.p.
Lease expenses	(8,788)	(6,407)	37.2	(57,222)	(51,470)	11.2
% of revenue	0.7	0.6	9 b.p.	4.6	4.9	(31) b.p.
Utilities	(24,989)	(22,160)	12.8	(24,989)	(22,160)	12.8
% of revenue	2.0	2.1	(11) b.p.	2.0	2.1	(11) b.p.
Other store costs	(11,404)	(10,812)	5.5	(11,840)	(11,245)	5.3
% of revenue	0.9	1.0	(12) b.p.	0.9	1.1	(12) b.p.
Third-party services	(7,939)	(9,027)	(12.1)	(7,748)	(8,862)	(12.6)
% of revenue	0.6	0.9	(22) b.p.	0.6	0.8	(22) b.p.
Other expenses	(15,701)	(12,762)	23.0	(18,677)	(14,804)	26.2
% of revenue	1.3	1.2	4 b.p.	1.5	1.4	9 b.p.
SG&A (excl. D&A&I and impact from the Karusel transformation)	(169,109)	(149,151)	13.4	(220,764)	(196,524)	12.3
% of revenue	13.5	14.2	(65) b.p.	17.6	18.7	(102) b.p.
SG&A (excl. D&A&I, LTI, share-based payments and impact from the Karusel transformation)	(168,048)	(147,545)	13.9	(219,703)	(194,918)	12.7
% of revenue	13.4	14.0	(58) b.p.	17.5	18.5	(95) b.p.

In Q2 2022, SG&A expenses excluding D&A&I, LTI, share-based payments and the impact of the Karusel transformation under IFRS 16 as a percentage of revenue decreased by 86 b.p. to 12.7% (decreased by 120 b.p. to 16.7% pre-IFRS 16), mainly driven by lower staff cost, utilities, other store costs and third-party services as a result of the operating leverage as well as cost control measures.

Staff costs (excluding LTI and share-based payments) as a percentage of revenue decreased by 39 b.p. year-on-year in Q2 2022 to 7.7%, mainly due to the operating leverage effect on the back of accelerated revenue growth in Q2 2022 as well as operational improvements.

LTI and share-based payment expenses amounted to RUB 685 million in Q2 2022, mostly attributed to the reinstated LTI programme, which is currently being redesigned.

Lease expenses under IFRS 16 as a percentage of revenue in Q2 2022 increased by 11 b.p. year-on-year to 0.7%, mainly due to a higher number of revenue-linked leases and reverse franchising agency fees. The decrease in pre-IFRS 16 lease expenses by 31 b.p. to 4.5% was caused by a positive operational leverage effect and measures taken to reduce lease expenses partially compensated by a higher number of revenue-linked leases.

Utilities costs as a percentage of revenue in Q2 2022 decreased by 15 b.p. year-on-year to 1.7%, mainly due to colder than usual weather conditions in May-June as well as improved control of climate equipment settings and optimisation initiatives.

Other store costs under IFRS 16 as a percentage of revenue in Q2 2022 decreased by 14 b.p. year-on-year (falling by 15 b.p. pre-IFRS 16), mainly due to the positive operating leverage effect.

Third-party service expenses under IFRS 16 as a percentage of revenue in Q2 2022 decreased by 35 b.p. year-on-year to 0.5% (down 34 b.p. to 0.5% pre-IFRS 16), mainly due to lower marketing expenses.

Other expenses under IFRS 16 as a percentage of revenue in Q2 2022 decreased by 5 b.p. year-on-year to 1.1% (up 2 b.p. to 1.4% pre-IFRS 16), mainly due to lower business travel expenses offset under pre-IFRS 16 by increased reverse franchising agency fees.

In H1 2022, SG&A expenses excluding D&A&I, LTI, share-based payments and the impact of the Karusel transformation under IFRS 16 as a percentage of revenue decreased by 58 b.p. to 13.4% (decreased by 95 b.p. to 17.5% pre-IFRS 16), mainly driven by lower staff cost, utilities, other store costs and third-party services.

Lease/sublease and other income[8]

As a percentage of revenue, the Company's income from leases, subleases and other operations under IFRS 16 totalled 0.9%, a decrease of 13 b.p. year-on-year in Q2 2022 (a decrease of 12 b.p. to 0.8% pre-IFRS 16), due to lower fixed lease/sublease fees as percentage of revenue on the back of accelerated revenue growth in Q2 2022 under pre-IFRS 16.

8. Mainly consists of lease/sublease income, income from the sale of recyclable materials and other one-off gains

EBITDA and EBITDA margin

RUB mln	IFRS 16			Pre-IFRS 16		
	Q2 2022	Q2 2021	change, y-o-y, %	Q2 2022	Q2 2021	change, y-o-y, %
Gross profit	167,016	140,096	19.2	164,957	138,090	19.5
Gross profit margin, %	25.8	25.6	14 b.p.	25.5	25.3	19 b.p.
SG&A (excl. D&A&I, LTI, share-based payments and the effect of the Karusel transformation)	(81,989)	(73,864)	11.0	(108,144)	(97,769)	10.6
% of revenue	12.7	13.5	(86) b.p.	16.7	17.9	(120) b.p.
Net impairment losses on financial assets	288	(9)	n/a	288	(9)	n/a
% of revenue	0.04	0.00	5 b.p.	0.04	0.00	5 b.p.
Lease/sublease and other income (excl. the effect of the Karusel transformation)	5,698	5,505	3.5	5,275	5,112	3.2
% of revenue	0.9	1.0	(13) b.p.	0.8	0.9	(12) b.p.
Adj. EBITDA	**91,013**	**71,728**	**26.9**	**62,376**	**45,424**	**37.3**
Adj. EBITDA margin, %	14.0	13.1	92 b.p.	9.6	8.3	132 b.p.
LTI, share-based payments and other one-off remuneration payment expenses and SSC	(685)	(1,184)	(42.1)	(685)	(1,184)	(42.1)
% of revenue	0.1	0.2	(11) b.p.	0.1	0.2	(11) b.p.
Effect of the Karusel transformation	(176)	(211)	(16.6)	(176)	(211)	(16.6)
% of revenue	(0.03)	(0.04)	1 b.p.	(0.03)	(0.04)	1 b.p.
EBITDA	**90,152**	**70,333**	**28.2**	**61,515**	**44,029**	**39.7**
EBITDA margin, %	13.9	12.9	104 b.p.	9.5	8.1	144 b.p.

RUB mln	IFRS 16 H1 2022	IFRS 16 H1 2021	IFRS 16 change, y-o-y, %	Pre-IFRS 16 H1 2022	Pre-IFRS 16 H1 2021	Pre-IFRS 16 change, y-o-y, %
Gross profit	317,446	269,637	17.7	313,429	265,715	18.0
Gross profit margin, %	25.4	25.6	(24) b.p.	25.0	25.2	(19) b.p.
SG&A (excl. D&A&I, LTI, share-based payments and the effect of the Karusel transformation)	(168,048)	(147,545)	13.9	(219,703)	(194,918)	12.7
% of revenue	13.4	14.0	(58) b.p.	17.5	18.5	(95) b.p.
Net impairment losses on financial assets	(147)	(130)	13.1	(147)	(130)	13.1
% of revenue	0.01	0.01	(0) b.p.	0.01	0.01	(0) b.p.
Lease/sublease and other income (excl. the effect of the Karusel transformation)	11,941	11,422	4.5	11,329	10,232	10.7
% of revenue	1.0	1.1	(13) b.p.	0.9	1.0	(7) b.p.
Adj. EBITDA	**161,192**	**133,384**	**20.8**	**104,908**	**80,899**	**29.7**
Adj. EBITDA margin, %	12.9	12.7	21 b.p.	8.4	7.7	70 b.p.
LTI, share-based payments and other one-off remuneration payment expenses and SSC	(1,061)	(1,606)	(33.9)	(1,061)	(1,606)	(33.9)
% of revenue	0.1	0.2	(7) b.p.	0.1	0.2	(7) b.p.
Effect of the Karusel transformation	(423)	(218)	94.0	(423)	(218)	94.0
% of revenue	(0.03)	(0.02)	(1) b.p.	(0.03)	(0.02)	(1) b.p.
EBITDA	**159,708**	**131,560**	**21.4**	**103,424**	**79,075**	**30.8**
EBITDA margin, %	12.8	12.5	27 b.p.	8.3	7.5	76 b.p.

D&A&I

Depreciation, amortisation and impairment costs under IFRS 16 decreased as a percentage of revenue by 82 b.p. year-on-year to 6.0% (down 33 b.p. year-on-year to 3.1% pre-IFRS 16) in Q2 2022, totalling RUB 38,574 million (RUB 19,996 million pre-IFRS 16). This was mainly driven by a lower number of refurbishments compared to the same period of the previous year and higher discount rates under IFRS 16 due to increased interest rates in Russian capital markets on the back of a key interest rate rise. In H1 2022, depreciation, amortisation and impairment costs under IFRS 16 decreased by 46 b.p. year-on-year to 6.5% (decreased by 8 b.p. year-on-year to 3.6% pre-IFRS 16), totalling RUB 81,940 million (RUB 44,799 million pre-IFRS 16).

Non-operating gains and losses

RUB mln	IFRS 16 Q2 2022	IFRS 16 Q2 2021	IFRS 16 change, y-o-y, %	Pre-IFRS 16 Q2 2022	Pre-IFRS 16 Q2 2021	Pre-IFRS 16 change, y-o-y, %
Operating profit	**51,578**	**33,303**	**54.9**	**41,519**	**25,371**	**63.6**
Net finance costs	(18,253)	(14,151)	29.0	(5,972)	(4,195)	42.4
Net FX result	6,231	897	7x	2,352	390	6x
Profit before tax	**39,556**	**20,049**	**97.3**	**37,899**	**21,566**	**75.7**
Income tax expense	(12,794)	(5,129)	149.4	(12,457)	(5,433)	129.3
Net profit	**26,762**	**14,920**	**79.4**	**25,442**	**16,133**	**57.7**
Net profit margin, %	4.1	2.7	140 b.p.	3.9	3.0	97 b.p.

RUB mln	IFRS 16 H1 2022	IFRS 16 H1 2021	IFRS 16 change, y-o-y, %	Pre-IFRS 16 H1 2022	Pre-IFRS 16 H1 2021	Pre-IFRS 16 change, y-o-y, %
Operating profit	**77,768**	**57,803**	**34.5**	**58,625**	**42,239**	**38.8**
Net finance costs	(35,319)	(27,516)	28.4	(11,782)	(8,040)	46.5
Net FX result	2,937	777	4x	45	289	(84)
Profit before tax	**45,386**	**31,064**	**46.1**	**46,888**	**34,488**	**36.0**
Income tax expense	(16,125)	(8,506)	89.6	(16,424)	(9,192)	78.7
Net profit	**29,261**	**22,558**	**29.7**	**30,464**	**25,296**	**20.4**
Net profit margin, %	2.3	2.1	20 b.p.	2.4	2.4	3 b.p.

Net finance costs under IFRS 16 in Q2 2022 increased by 29.0% year-on-year to RUB 18,253 million (up 42.4% year-on-year to RUB 5,972 million pre-IFRS 16), driven by increasing interest rates in Russian capital markets on the back of a key rate increase and increasing interest on lease liabilities.

The positive net FX result totalled RUB 6,231 million (RUB 2,352 million under pre-IFRS 16) in Q2 2022, compared with positive RUB 897 million (positive RUB 390 million under pre-IFRS 16) in Q2 2021 due to appreciation of the rouble and the effect from revaluation of foreign exchange lease liabilities. As a result, the positive FX effect of 1.0% of revenue (0.4% of revenue pre-IFRS 16) partially compensated negative pressure on net profit margin.

In H1 2022, the effective tax rate under IFRS 16 was 35.5% (35.0% under pre-IFRS 16), up from 27.4% in H1 2021 (26.7% under pre-IFRS 16) due to the one-off effect from provisions made in Q2 2022.

Consolidated cash flow statement highlights

	IFRS 16			Pre-IFRS 16		
RUB mln	Q2 2022	Q2 2021	change, y-o-y, %	Q2 2022	Q2 2021	change, y-o-y, %
Net cash from operating activities before changes in working capital	89,817	70,397	27.6	61,603	44,486	38.5
Change in working capital	5,699	998	6x	5,898	932	6x
Net interest and income tax paid	(19,536)	(18,685)	4.6	(7,245)	(8,752)	(17.2)
Net cash flows generated from operating activities	75,980	52,710	44.1	60,256	36,666	64.3
Adj. net cash used in investing activities[9]	(15,058)	(23,662)	(36.4)	(15,143)	(24,086)	(37.1)
Repayment of short-term financial investments	30,000	-	n/a	30,000	-	n/a
Net cash used in financing activities	(105,309)	(28,338)	4x	(89,500)	(11,870)	8x
Effect of exchange rate changes on cash and cash equivalents	(309)	(75)	4x	(309)	(75)	4x
Net increase in cash and cash equivalents	(14,696)	635	n/a	(14,696)	635	n/a

	IFRS 16			Pre-IFRS 16		
RUB mln	H1 2022	H1 2021	change, y-o-y, %	H1 2022	H1 2021	change, y-o-y, %
Net cash from operating activities before changes in working capital	160,574	130,804	22.8	104,909	79,509	31.9
Change in working capital	(18,493)	(3,917)	5x	(17,996)	(4,103)	4x
Net interest and income tax paid	(39,945)	(33,757)	18.3	(16,423)	(14,327)	14.6
Net cash flows generated from operating activities	102,136	93,130	9.7	70,490	61,079	15.4
Adj. net cash used in investing activities[9]	(37,025)	(42,366)	(12.6)	(37,267)	(42,790)	(12.9)
Repayment of short-term financial investments	30,000	-	n/a	30,000	-	n/a
Net cash used in financing activities	(82,343)	(57,849)	42.3	(50,455)	(25,374)	98.8
Effect of exchange rate changes on cash & cash equivalents	(314)	(75)	4x	(314)	(75)	4x
Net increase in cash and cash equivalents	12,454	(7,160)	n/a	12,454	(7,160)	n/a

9. Adjusted for repayment of short-term financial investments

In Q2 2022, the Company's net cash from operating activities before changes in working capital under IFRS 16 increased by RUB 19,420 million (up RUB 17,117 million under pre-IFRS 16) and totalled RUB 89,817 million (RUB 61,603 million under pre-IFRS 16), reflecting business growth. The positive change in working capital under IFRS 16 of RUB 5,699 million in Q2 2022 as compared to Q2 2021 was driven by a higher decrease in account receivables due to lower bonuses from suppliers and a higher increase in other accounts payable driven by deferred social tax payments.

Working capital highlights (under IFRS 16)

RUB mln	30-Jun-22	31-Dec-21	30-Jun-21
Inventories	175,204	166,840	142,024
Trade, other accounts receivable and prepayments	12,921	20,190	16,801
Trade accounts payable	187,672	212,949	160,836
Provisions and other liabilities	97,827	104,673	87,330

Net interest and income tax paid under IFRS 16 in Q2 2022 increased by 4.6% year-on-year (down 17.2% year-on-year pre-IFRS 16) and totalled RUB 19,536 million (RUB 7,245 million pre-IFRS 16), driven by lower income tax paid due to prepayments made in previous periods.

As a result, net cash flow generated from operating activities under IFRS 16 totalled RUB 75,980 million in Q2 2022, up from RUB 52,710 million in Q2 2021 (RUB 60,256 million, up from RUB 36,666 million in Q2 2021 pre-IFRS 16).

In H1 2022, net cash flows generated from operating activities under IFRS 16 totalled RUB 102,136 million, up 9.7% from RUB 93,130 million in H1 2021 (and totalled RUB 70,490 million, up 15.4% from RUB 61,079 million in 2021 pre-IFRS 16), driven by EBITDA growth and positive change in working capital.

In Q2 2022, adjusted net cash used in investing activities, which generally consists of payments for property, plant and equipment, under IFRS 16 decreased to RUB 15,058 million (to RUB 15,143 million under pre-IFRS 16) due to a lower number of refurbishments, the calendarisation of store openings and capex optimization. For H1 2022, adjusted net cash used in investing activities under IFRS 16 decreased to RUB 37,025 million (RUB 37,267 million under pre-IFRS 16) from RUB 42,366 million (RUB 42,790 million under pre-IFRS 16) in H1 2021.

Net cash used in financing activities under IFRS 16 totalled RUB 105,309 million (RUB 89,500 million pre-IFRS 16) in Q2 2022, compared with RUB 28,338 million (RUB 11,870 million pre-IFRS 16) in Q2 2021. In H1 2022, net cash used in financing activities under IFRS 16 increased to RUB 82,343 million from RUB 57,849 million (and increased to RUB 50,455 million from RUB 25,374 million pre-IFRS 16) in H1 2021.

Liquidity update

RUB mln	30-Jun-22	% of total	31-Dec-21	% of total	30-Jun-21	% of total
Total debt	**243,928**		**294,338**		**266,197**	
Short-term debt	60,490	24.8	87,767	29.8	76,274	28.7
Long-term debt	183,438	75.2	206,571	70.2	189,923	71.3
Net debt (pre-IFRS 16)	205,412		268,276		253,349	
Net debt/EBITDA (pre-IFRS 16)	1.11x		1.67x		1.68x	
Lease liabilities (IFRS 16)	558,072		577,363		568,689	
Net debt/EBITDA (IFRS 16)	2.58x		3.16x		3.24x	

The Company's net debt/EBITDA ratio under IFRS 16 was 2.58x (1.11x pre-IFRS 16) as of 30 June 2022.

The Company's debt pre-IFRS 16 is 100% denominated in Russian roubles.

As of 30 June 2022, the Company had access to RUB 442,948 million in available credit limits with major Russian and international banks.

NOTE TO EDITORS

X5 Retail Group N.V. (LSE and MOEX: FIVE; RAEX, ruAA+) is a leading Russian food retailer. The Company operates proximity stores under the Pyaterochka brand, Perekrestok supermarkets and Chizhik hard discounters. X5 provides an omnichannel experience to its customers, integrating retail stores and e-commerce through its businesses: express delivery, Vprok.ru, 5Post and Mnogo Lososya.

As of 30 June 2022, X5 had 19,779 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 18,558 Pyaterochka proximity stores, 986 Perekrestok supermarkets and 153 Chizhik hard discounters. The Company operates 48 DCs and 4,347 Company-owned trucks across the Russian Federation.

X5 is one of the largest employers in Russia. The Company employs over 325 thousand people.

For the full year 2021, revenue totalled RUB 2,204,819 million (USD 29,935 million*), EBITDA pre-IFRS 16 reached RUB 161,024 million (USD 2,186 million*), and net profit pre-IFRS 16 for the period amounted to RUB 48,513 million (USD 659 million*). In H1 2022, revenue totalled RUB 1,252,180 million (USD 16,412 million**), adjusted EBITDA pre-IFRS 16 reached RUB 104,909 million (USD 1,375 million**), and net profit pre-IFRS 16 amounted to RUB 33,731 million (USD 399 million**).

For further details please contact:

Varvara Kiseleva
Head of Corporate Finance and IR

Tel.: +7 (495) 662-88-88 ext. 27-300
e-mail: Varvara.Kiseleva@x5.ru

Maria Yazeva
Investor Relations Officer

Tel.: +7 (495) 662-88-88 ext. 13-147
e-mail: Maria.Yazeva@x5.ru

* FX rate: 73.6541 USD/RUB

** FX rate: 76.2975 USD/RUB

X5 Retail Group N.V.

Condensed Consolidated Interim Financial Statements (unaudited and unreviewed)

Six months ended 30 June 2022

Provided under IAS 34 as adopted by the EU

Contents

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

	Note	30 June 2022	31 December 2021
Assets			
Non-current assets			
Property, plant and equipment	8	316,610	332,144
Right-of-use assets	9	481,494	502,325
Investment properties		4,708	4,461
Goodwill	10	105,421	105,028
Other intangible assets	8	35,484	39,006
Investments in associates and joint ventures		–	50
Other non-current assets		5,130	4,209
Deferred tax assets		17,303	23,047
		966,150	**1,010,270**
Current assets			
Inventories		175,204	166,840
Indemnification asset		455	435
Trade, other accounts receivable and prepayments	11	12,921	20,190
Current income tax receivable		755	4,057
VAT and other taxes receivable		6,131	8,802
Short-term financial investments		20,849	50,092
Cash and cash equivalents		38,516	26,062
		254,831	**276,478**
Total assets		**1,220,981**	**1,286,748**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	15	2,458	2,458
Share premium		46,127	46,127
Retained earnings		68,187	38,926
Share-based payment reserve	20	155	118
		116,927	**87,629**
Total equity		**116,927**	**87,629**
Non-current liabilities			
Long-term borrowings	14	183,438	206,571
Long-term lease liabilities	9	489,220	507,099
Deferred tax liabilities		874	928
Other non-current liabilities		2,399	1,670
		675,931	**716,268**
Current liabilities			
Trade accounts payable		187,672	212,949
Short-term borrowings	14	60,490	87,767
Interest accrued		1,289	1,792
Short-term lease liabilities	9	68,852	70,264
Short-term contract liabilities	13	5,826	2,392
Current income tax payable		6,167	3,014
Provisions and other liabilities	12	97,827	104,673
		428,123	**482,851**
Total liabilities		**1,104,054**	**1,199,119**
Total equity and liabilities		**1,220,981**	**1,286,748**

Igor Shekhterman
Chief Executive Officer

1 August 2022

Vsevolod Starukhin
Chief Financial Officer

1 August 2022

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

	Note	Six months ended 30 June 2022	2021
Revenue	5, 17	1,252,180	1,053,703
Cost of sales		(934,734)	(784,066)
Gross profit		**317,446**	**269,637**
Selling, general and administrative expenses		(251,472)	(223,126)
Net impairment losses on financial assets		(147)	(130)
Lease/sublease and other income	18	11,941	11,422
Operating profit		**77,768**	**57,803**
Finance costs	19	(38,930)	(27,536)
Finance income	19	3,611	20
Net foreign exchange gain/(loss)		2,937	777
Profit before tax		**45,386**	**31,064**
Income tax expense	21	(16,125)	(8,506)
Profit for the period		**29,261**	**22,558**
Profit for the period attributable to:			
Equity holders of the parent		29,261	22,558
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	16	431.01	332.30
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	16	431.01	332.29

Igor Shekhterman
Chief Executive Officer

1 August 2022

Vsevolod Starukhin
Chief Financial Officer

1 August 2022

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

	Six months ended 30 June	
	2022	**2021**
Profit for the period	29,261	22,558
Total comprehensive income for the period, net of tax	**29,261**	**22,558**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	29,261	22,558

Igor Shekhterman
Chief Executive Officer

1 August 2022

Vsevolod Starukhin
Chief Financial Officer

1 August 2022

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

	Note	Six months ended 30 June 2022	2021
Profit before tax		**45,386**	**31,064**
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment properties, other intangible assets and goodwill		81,940	73,757
Gain on disposal of property plant and equipment, investment properties and intangible assets and gain on derecognition of right-of-use assets		(525)	(1,528)
Finance costs, net	19	35,319	27,516
Net impairment losses on financial assets		147	130
Impairment of prepayments		270	61
Share-based compensation expense	20	37	45
Net foreign exchange gain		(2,937)	(777)
Other non-cash items		937	536
Net cash from operating activities before changes in working capital		**160,574**	**130,804**
Decrease in trade, other accounts receivable and prepayments and VAT and other taxes receivable		8,458	2,940
(Increase)/decrease in inventories		(8,364)	2,369
Decrease in trade payable		(25,724)	(10,052)
Increase in other accounts payable and contract liabilities		7,137	826
Net cash flows from operations		**142,081**	**126,887**
Interest paid		(38,645)	(26,888)
Interest received		2,808	16
Income tax paid		(4,108)	(6,885)
Net cash flows from operating activities		**102,136**	**93,130**
Cash flows from investing activities			
Purchase of property, plant and equipment and initial direct costs associated with right-of-use assets		(30,093)	(37,106)
Acquisition of businesses, net of cash acquired	6	(405)	(767)
Proceeds from disposal of property, plant and equipment, investment properties and intangible assets		1,867	2,262
Purchase of other intangible assets		(8,394)	(6,755)
Repayment of short-term financial investments		30,000	–
Net cash flows used in investing activities		**(7,025)**	**(42,366)**
Cash flows from financing activities			
Proceeds from loans	14	74,999	60,855
Repayment of loans	14	(125,454)	(56,189)
Purchase of treasury shares		–	(34)
Payments of principal portion of lease liabilities		(31,888)	(32,475)
Dividends paid to equity holders of the parent	15	–	(30,006)
Net cash flows used in financing activities		**(82,343)**	**(57,849)**
Effect of exchange rate changes on cash and cash equivalents		(314)	(75)
Net increase/(decrease) in cash and cash equivalents		**12,454**	**(7,160)**
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		26,062	20,008
Net increase/(decrease) in cash and cash equivalents		12,454	(7,160)
Cash and cash equivalents at the end of the period		**38,516**	**12,848**

Igor Shekhterman
Chief Executive Officer

1 August 2022

Vsevolod Starukhin
Chief Financial Officer

1 August 2022

(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 share-holders' equity**	**Total**
Balance as at 1 January 2021	**67,882,444**	**2,458**	**46,086**	**104**	**46,194**	**94,842**	**94,842**
Profit for the period	–	–	–	–	22,558	22,558	**22,558**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**22,558**	**22,558**	**22,558**
Dividends (Note 15)	–	–	–	–	(30,006)	(30,006)	**(30,006)**
Share-based payment compensation (Note 20)	–	–	–	45	–	45	**45**
Transfer and waiving of vested equity rights (Note 20)	6,252	–	41	(75)	–	(34)	**(34)**
Balance as at 30 June 2021	**67,888,696**	**2,458**	**46,127**	**74**	**38,746**	**87,405**	**87,405**
Balance as at 1 January 2022	**67,888,696**	**2,458**	**46,127**	**118**	**38,926**	**87,629**	**87,629**
Profit for the period	–	–	–	–	29,261	29,261	**29,261**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**29,261**	**29,261**	**29,261**
Share-based payment compensation (Note 20)	–	–	–	37	–	37	**37**
Balance as at 30 June 2022	**67,888,696**	**2,458**	**46,127**	**155**	**68,187**	**116,927**	**116,927**

____
Igor Shekhterman
Chief Executive Officer

1 August 2022

____
Vsevolod Starukhin
Chief Financial Officer

1 August 2022

1 PRINCIPAL ACTIVITIES AND THE GROUP STRUCTURE

These condensed consolidated interim financial statements are for the economic entity comprising X5 Retail Group N.V. (the “Company”) and its subsidiaries (the “Group”).

X5 Retail Group N.V. is a joint stock limited liability company established in August 1975 under the laws of the Netherlands. The principal activity of the Company is to act as a holding company for a group of companies that operate retail grocery stores. The Company’s address and tax domicile is Zuidplein 196, 1077 XV Amsterdam, the Netherlands.

The main activity of the Group is the development and operation of grocery retail stores. As at 30 June 2022 the Group operated a retail chain of 19,779 proximity stores, supermarket, hypermarket, hard discounter, online hypermarket stores and dark kitchens under the brand names “Pyaterochka”, “Perekrestok”, “Karusel”, “Chizhik”, “Perekrestok Vprok” and “Mnogo Lososya” (each representing separate format) in major population centres in Russia, including but not limited to Moscow, St. Petersburg, Nizhniy Novgorod, Rostov-on-Don, Kazan, Samara, Lipetsk, Chelyabinsk, Perm, Ekaterinburg (31 December 2021: 19,121 proximity stores, supermarket, hypermarket, hard discounter, online hypermarket stores and dark kitchens under the brand names “Pyaterochka”, “Perekrestok”, “Karusel”, “Chizhik”, “Perekrestok Vprok” and “Mnogo Lososya”). The Group’s multiformat store network comprises 18,558 proximity stores under “Pyaterochka” brand, 986 supermarkets under “Perekrestok” brand, 26 hypermarkets under “Karusel” brand, 153 hard discounter stores under “Chizhik” brand, 6 online hypermarket stores under “Perekrestok Vprok” brand and 50 dark kitchens under “Mnogo Lososya” brand (31 December 2021: 17,972 proximity stores under “Pyaterochka” brand, 990 supermarkets under “Perekrestok” brand, 33 hypermarkets under “Karusel” brand, 72 hard discounter stores under “Chizhik”, 6 online hypermarket stores under “Perekrestok Vprok” brand and 48 dark kitchens under “Mnogo Lososya” brand).

As at 30 June 2022 and 31 December 2021 the principal shareholder exerting significant influence over the Company was CTF Holdings S.A. (“CTF”). CTF directly owned 47.86% of total issued shares in the Company. As at 30 June 2022 and 31 December 2021 the Company’s shares were listed on the London and Moscow Stock Exchanges in the form of Global Depositary Receipts (GDRs) with each GDR representing an interest of 0.25 in an ordinary share (Note 15).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021 which have been prepared in accordance with IFRS as adopted by the European Union.

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2021 except for the adoption of new Standards that are mandatory for financial annual periods beginning on 1 January 2022. Management prepared these condensed consolidated interim financial statements on a going concern basis. In making this judgment management considered the Group’s financial position, current intentions, profitability of operations, access to financial resources (Note 23), sanctions imposed on specific entities and individuals in response to the military operation initiated by the Russian Federation on 24 February 2022 and the potential impact of COVID-19.

The condensed consolidated interim financial statements are unreviewed and unaudited.

2.2 Foreign currency translation and transactions

(a) Functional and presentation currency

The functional currency of the Group’s entities is the national currency of the Russian Federation, the Russian Rouble (“RUB”). The presentation currency of the Group is the Russian Rouble (“RUB”), which management believes is the most useful currency to adopt for users of these condensed consolidated interim financial statements.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate of the Central Bank of Russian Federation (“CBRF”) at the respective reporting dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into the functional currency at period-end official exchange rates of the CBRF are recognised in profit or loss. Translation at period-end rates does not apply to non-monetary items.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Taxes

Taxes on income in the interim periods are accrued using the tax rate that is expected to be applicable to total annual profit or loss.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2021.

Judgements that have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities include:

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (Note 25).

Property, plant and equipment, Right-of-use assets, Investment properties and Goodwill

The Group performs the impairment test for non-current assets where there is any indicator of impairment. The Group estimates the recoverable amount of the asset or cash generating unit and groups of cash-generating units (for the purposes of impairment testing of goodwill) and if it is less than the carrying amount of an asset or cash generating unit and group of cash-generating units an impairment loss is recognised in the consolidated statement of profit or loss. For the six months ended 30 June 2022 the Group recognised an impairment loss in the amount of RUB 7,011 mainly attributable to software and buildings (six months ended 30 June 2021: an impairment loss in the amount of RUB 1,796 mainly attributable to equipment) and reversed the impairment loss previously recognised in the amount of RUB 24 mainly attributable to buildings (six months ended 30 June 2021: reversed the impairment loss previously recognised in the amount of RUB 343 mainly attributable to buildings) based on the actual results.

Revenue recognition − Loyalty programmes

The Group estimates the amount of obligations related to customer loyalty programmes by allocating transaction price to loyalty points based on the standalone selling price of the points. The standalone selling price of the points is reduced for the expected amount of the points that will expire unredeemed. The standalone selling price of the loyalty points issued is calculated by multiplying to the estimated redemption rate and to the monetary value assigned to the loyalty points. In estimating the redemption rate, the Group considers breakage which represents the portion of the points issued that will never be redeemed.

Points issued under the loyalty programmes normally expires in twelve months from their recognition. However due to periodic changes in customer redemption patterns estimates of the standalone selling price are subject to significant uncertainty.

Any significant changes in customers' redemption patterns will impact the estimated redemption rate. As at 30 June 2022, the estimated liability for unredeemed points was RUB 5,633 (31 December 2021: RUB 2,146). The increase in the liability was mainly driven by the technical upgrade of the processing system for loyalty programmes started in March 2022, as a result of which the use of the points was suspended.

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

4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

In the preparation of the condensed consolidated interim financial statements, the Group followed the same accounting policies and methods of computation as compared with those applied in the consolidated financial statements for year ended 31 December 2021 except for the adoption of new standards that are mandatory for financial annual periods beginning on or after 1 January 2022.

The following new standards and amendments to IFRSs effective for the financial year beginning 1 January 2022 do not have a material impact on the Group and do not result in change of the Group's accounting policy:

- Amendments to IFRS 3 *Business Combinations*; IAS 16 *Property, Plant and Equipment*; IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as well as Annual Improvements 2018-2020

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective:

Standards issued but not yet effective in the European Union	**Effective for annual periods beginning on or after**
Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current *and* Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023*
Amendments to IFRS 17 *Insurance Contracts*: Initial Application of IFRS 17 and IFRS 9 – Comparative Information	1 January 2023*
Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors:* Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023*
IFRS 17 *Insurance Contracts* including Amendments to IFRS 17	1 January 2023

* Subject to EU endorsement.

The Group expects that the adoption of other pronouncements listed above will not have a significant impact on the Group's results of operations and financial positions in the period of initial application except for amendments to IAS 12 *Income Taxes*.

The amendments to IAS 12 *Income Taxes* may require to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The impact for the Group would be the recognition of additional deferred tax assets and liabilities attributable to right-of-use assets and lease liabilities. The Group is currently assessing the potential effect of the amendments to IAS 12 on its consolidated financial statements.

5 SEGMENT REPORTING

The Group identifies retail chains of each format (see Note 1) as separate operating segments in accordance with the criteria set forth in IFRS 8.

The following significant operating functions are decentralised by formats:

- Category management, including purchasing, pricing, assortment management, promotion management;
- Distribution centres logistics;
- Development function.

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

5 SEGMENT REPORTING (continued)

The formats' general managers are determined as segment managers in accordance with IFRS 8. The chief operating decision-maker has been determined as the Management Board. The Management Board reviews each format's internal reporting in order to assess performance and allocate resources.

Upon adoption of IFRS 16 the Management Board started to assess the performance of the operating segments based on a measure of sales and adjusted earnings before interest, tax, depreciation, amortisation and impairment pre-IFRS 16 (EBITDA pre-IFRS 16). EBITDA pre-IFRS 16 is calculated by adjusting EBITDA to include fixed lease expenses, fixed non-lease components of lease contracts, exclude gain on derecognition of right-of-use assets and lease liabilities and exclude adjustment of gain/loss from sale of asset under sale and leaseback operations for the proportion of the rights retained. Adjusted capital expenditures include additions of property, plant and equipment, investment properties and intangible assets adjusted to replace capitalised depreciation of right-of-use assets with capitalisation of fixed lease expenses, acquisitions of property, plant and equipment, investment properties and intangible assets through business combinations as well as goodwill acquired through such business combinations.

The accounting policies used for segments are the same as accounting policies applied for these condensed consolidated interim financial statements. In 2022 a new methodology of segments division and overhead expenses allocation was used for more accurate measurements of segments' performance. The comparative figures for earlier periods have been adjusted in order to provide meaningful comparative information.

The segment information for the period ended 30 June 2022, comparative figures for earlier periods and reconciliation of segments EBITDA pre-IFRS 16 to profit for the period is provided as follows:

Six months ended 30 June 2022	**Pyaterochka**	**Perekrestok**	**Other segments**	**Corporate centre**	**Total**
Revenue (Note 17)	**1,024,292**	**192,192**	**35,696**	**–**	**1,252,180**
EBITDA pre-IFRS 16	**92,508**	**15,933**	**(2,634)**	**(2,383)**	**103,424**
Fixed lease expenses and fixed non-lease components of lease contracts					55,665
Gain on derecognition of right-of-use assets and lease liabilities					850
Reversal of adjustment for the proportion of the rights retained under sale and leaseback operations (Note 9)					(231)
Depreciation, amortisation and impairment					**(81,940)**
Operating profit					**77,768**
Finance cost, net					(35,319)
Net foreign exchange result					2,937
Profit before income tax					**45,386**
Income tax expense					(16,125)
Profit for the period					**29,261**
Adjusted capital expenditure	19,906	4,361	3,924	–	**28,191**
30 June 2022					
Inventories	146,515	25,214	3,475	–	**175,204**

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

5 SEGMENT REPORTING (continued)

Six months ended 30 June 2021	Pyaterochka	Perekrestok	Other segments	Corporate centre	Total
Revenue (Note 17)	**854,698**	**170,061**	**28,944**	**–**	**1,053,703**
EBITDA pre-IFRS 16	**71,760**	**10,337**	**(1,389)**	**(1,633)**	**79,075**
Fixed lease expenses and fixed non-lease components of lease contracts					**51,295**
Gain on derecognition of right-of-use assets and lease liabilities					**1,190**
Depreciation, amortisation and impairment					**(73,757)**
Operating profit					**57,803**
Finance cost, net					**(27,516)**
Net foreign exchange result					**777**
Profit before income tax					**31,064**
Income tax expense					**(8,506)**
Profit for the period					**22,558**
Adjusted capital expenditure	35,228	6,456	2,806	–	**44,490**
31 December 2021					
Inventories	137,489	25,638	3,713	–	**166,840**

6 ACQUISITION OF BUSINESSES

Acquisitions in 2022

For the six months ended 30 June 2022 the Group acquired 100% of several businesses of other retail chains in Russian regions. The acquisitions were individually immaterial.

For the six months ended 30 June 2022 the acquired businesses contributed revenue of RUB 231 from the date of acquisition. If the acquisitions had taken place at the beginning of the year, revenue of the Group would have been RUB 1,254,469. The Group considers impracticable to disclose the impact of this factor on the Group's net profit, since before the acquisition the acquired businesses did not prepare financial statements in accordance with the Group's accounting policy.

Details of assets and liabilities of acquired businesses, changes in provisional fair values and the related goodwill are as follows:

	Provisional fair values at the acquisition date
Property, plant and equipment (Note 8)	322
Right-of-use assets (Note 9)	2,694
Deferred tax assets	20
Indemnification asset	20
Trade, other accounts receivable and prepayments	11
VAT and other taxes receivable	53
Cash & cash equivalents	5
Lease liabilities (Note 9)	(2,627)
Current income tax payable	(184)
Provisions and other liabilities	(571)
Net assets acquired	**(257)**
Goodwill (Note 10)	393
Purchase consideration	**136**
Net cash outflow arising from the acquisition	**70**

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

6 ACQUISITION OF BUSINESSES (continued)

Acquisitions in 2022 (continued)

The Group assigned provisional fair values to net assets acquired. The Group will finalise the purchase price allocation within 12 months from the acquisition date.

The purchase consideration for the reporting period comprised RUB 75 and RUB 61 as cash consideration and deferred consideration respectively.

The goodwill recognised was attributable to: i) the business concentration in the Russian regions; ii) expected cost synergies from the business combination and iii) acquired traffic from existing customers. The goodwill related to these acquisitions was allocated to Pyaterochka segment in amount of RUB 81 and Perekrestok segment in amount of RUB 312. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the six months ended 30 June 2022 the Group transferred RUB 335 as deferred payments for the prior periods acquisitions.

Acquisitions in 2021

During six months ended 30 June 2021 the Group acquired 100% of several businesses of other retail chains in Russian regions. The acquisitions were individually immaterial.

For the six months ended 30 June 2021 the acquired businesses contributed revenue of RUB 667 from the date of acquisition. As the businesses were not acquired as separate legal entities, it is impracticable to disclose net profit from the date of acquisition. These businesses did not prepare relevant financial information immediately before the acquisition, therefore, it is impracticable to disclose revenue and net profit of the Group for the six months ended 30 June 2021 as though the acquisition date had been the beginning of that period.

At 30 June 2021 the Group assigned provisional fair values to net assets acquired, in estimating provisional fair values of acquired assets and liabilities. During one-year period ended 30 June 2022 the Group completed the purchase price allocation, which resulted in no changes in fair values at the acquisition date and the amount of goodwill initially recognised at provisional values.

Details of assets and liabilities of acquired businesses and the related goodwill were as follows:

	Finalised fair values at the acquisition date
Other intangible assets (Note 8)	10
Right-of-use assets (Note 9)	1,991
Deferred tax assets	25
Indemnification asset	237
Trade, other accounts receivable and prepayments	21
VAT and other taxes receivable	1
Lease liabilities (Note 9)	(1,991)
Current income tax payable	(79)
Provisions and other liabilities	(170)
Net assets acquired	**45**
Goodwill (Note 10)	137
Purchase consideration	**182**
Net cash outflow arising from the acquisition	**164**

The purchase consideration for the reporting period comprised RUB 164 and RUB 18 as cash consideration and deferred consideration respectively.

The goodwill recognised was attributable to: i) the business concentration in the Russian regions; ii) expected cost synergies from the business combination and iii) acquired traffic from existing customers. The goodwill related to these acquisitions was allocated to Pyaterochka segment in amount of RUB 92, Perekrestok segment in amount of RUB 35 and other segment in amount of RUB 10. None of the goodwill recognised is expected to be deductible for income tax purposes.

6 ACQUISITION OF BUSINESSES (continued)

Acquisitions in 2022 (continued)

During the six months ended 30 June 2021 the Group transferred RUB 603 as deferred payments for the prior periods acquisitions.

7 RELATED PARTY TRANSACTIONS

In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties. There were no material changes in the volume of transactions and outstanding balances between the Group and related parties compared to the Group's consolidated financial statements as at 31 December 2021.

At 30 June 2022 trade accounts payable to other related parties amounted to RUB 773 (31 December 2021: RUB 759), trade accounts receivable amounted to RUB 13 (31 December 2021: RUB 23), other receivables and prepayments amounted to RUB 51 (31 December 2021: RUB 71), other accounts payable amounted to RUB 1 (31 December 2021: RUB 81), short-term lease liabilities amounted to RUB 16 (31 December 2021: Nil), long-term lease liabilities amounted to RUB 845 (31 December 2021: Nil).

For the six months ended 30 June 2021 purchases from other related parties net of bonuses amounted to RUB 2,179 (six months ended 30 June 2021: RUB 1,781), interest expenses amounted to RUB 107 (six months ended 30 June 2021: Nil), variable rent expenses amounted to RUB 3 (six months ended 30 June 2021: Nil).

Other related parties represent entities under control by the entity with significant influence over the Company and other.

Key management personnel

The Group 'key management personnel' consists of members of the Supervisory Board, the Management Board and members of the Executive Board, having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. The total direct compensation for members of the Management Board and other key management personnel consists of a base salary and a performance related short-term incentive as well as, for the CEO and other key management personnel, a performance related long-term incentive. Members of the Supervisory Board receive a fixed annual remuneration in cash and share-based payments.

For the six months ended 30 June 2022 members of the Management Board and other key management personnel were entitled to a total short-term and long-term compensation of RUB 846 (six months ended 30 June 2021: RUB 858), including accrued short-term incentive rewards of RUB 212 (six months ended 30 June 2021: RUB 193) payable on an annual basis subject to meeting annual performance targets, accrued rewards under the long-term incentive plan of RUB 293 (six months ended 30 June 2021: RUB 318), social security costs of RUB 110 (six months ended 30 June 2021: RUB 108).

For the six months ended 30 June 2022 members of the Supervisory Board were entitled to a cash remuneration of RUB 37 (six months ended 30 June 2021: RUB 52) and a share-based compensation of RUB 37 (six months ended 30 June 2021: RUB 45). As at 30 June 2022 the total number of restricted stock units awarded to members of the Supervisory Board under the Restricted Stock Unit Plan was 97,743 (31 December 2021: 120,448).

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

8 PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	2022		2021	
	Property, plant and equipment	**Other intangible assets**	**Property, plant and equipment**	**Other intangible assets**
Cost				
At 1 January	**604,981**	**75,260**	**547,297**	**59,145**
Additions	21,332	6,118	38,185	5,781
Transfer to investment property	(849)	–	–	–
Assets from acquisitions	322	–	–	10
Disposals	(14,123)	(6,338)	(11,302)	(96)
At 30 June	**611,663**	**75,040**	**574,180**	**64,840**
Accumulated depreciation, amortisation and impairment				
At 1 January	**(272,837)**	**(36,254)**	**(224,590)**	**(28,388)**
Depreciation and amortisation charge	(32,698)	(5,162)	(32,677)	(3,217)
Impairment charge	(2,617)	(4,332)	(1,691)	(24)
Reversal of impairment	24	–	318	–
Transfer to investment property	438	–	–	–
Disposals	12,637	6,192	9,689	96
At 30 June	**(295,053)**	**(39,556)**	**(248,951)**	**(31,533)**
Net book value at 1 January	**332,144**	**39,006**	**322,707**	**30,757**
Net book value at 30 June	**316,610**	**35,484**	**325,229**	**33,307**

Depreciation and amortisation charge, impairment charge, reversal of impairment were included in selling, general and administrative expenses in the condensed consolidated interim financial statement of profit or loss for the six months ended 30 June 2022 and 30 June 2021.

For the six months ended 30 June 2022 the additions of other intangible assets were attributable to additions of software in the amount of RUB 6,118 (for the six months ended 30 June 2021 RUB 5,781 attributable to additions of software).

The Group analysed external and internal sources of information including the potential impact of the sanctions followed by the military operation initiated by the Russian Federation on 24 February 2022 and COVID-19 pandemic on the Group itself and on the macro economic environment and identified impairment indicators for non-current assets. The Group reviewed the cash flow projections and discount rates for these cash-generated units to include the impact of sanctions and COVID-19 and performed an impairment test, which resulted in impairment charge for the six months ended 30 June 2022 (six months ended 30 June 2021: no impairment charge).

The impairment charge for the six months ended 30 June 2022 arose primarily from impairment of software and buildings. The impairment charge for the six months ended 30 June 2021 arose primarily from impairment of assets attributable to the stores closed during the reporting period and impairment of technically obsolete equipment. At the same time the Group recognised the reversal of previously recorded impairment charges due to improved recoverable amount of certain stores.

9 LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Right-of-use assets (land and buildings)	Lease liabilities
At 1 January 2021	**480,511**	**(548,501)**
Additions	53,413	(53,214)
Acquisition of businesses (Note 6)	1,991	(1,991)
Depreciation expense	(36,614)	–
Derecognition (decrease in the scope of the lease and terminations of lease agreements)	(864)	2,054
Interest accrued	–	(19,438)
Payments	–	51,913
Effect of changes in foreign exchange rates	–	488
At 30 June 2021	**498,437**	**(568,689)**

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

9 LEASES (continued)

	Right-of-use assets (land and buildings)	Lease liabilities
At 1 January 2022	**498,437**	**(577,363)**
Additions	14,154	(14,231)
Acquisition of businesses (Note 6)	2,694	(2,627)
Depreciation expense	(37,160)	–
Derecognition (decrease in the scope of the lease and terminations of lease agreements)	(519)	1,369
Interest accrued	–	(23,521)
Payments	–	55,409
Effect of changes in foreign exchange rates	–	2,892
At 30 June 2022	**481,494**	**(558,072)**

The expenses related to short-term leases for the six months ended 30 June 2022 amounted to RUB 27 (six months ended 30 June 2021: RUB 15). The expense related to variable lease payments not included in the measurement of lease liabilities for the six months ended 30 June 2022 amounted to RUB 9,209 (six months ended 30 June 2021: RUB 6,425). Variable lease payments are mainly linked to sales generated from a store. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base.

The total cash outflow for leases for the six months ended 30 June 2022 amounted to RUB 64,811 (six months ended 30 June 2021: RUB 58,416).

Maturity analysis of the lease liabilities is disclosed in the Note 23.

As at 30 June 2022 potential future cash outflows of RUB 941 (undiscounted) have not been included in the lease liability because it was assessed reasonably certain that the leases will be terminated (31 December 2021: RUB 3,134).

In 2022 the Group completed a sale and leaseback transaction in respect of a number of stores located in Bashkortostan. The cash proceeds amounted to RUB 970 recognised in the consolidated statement of cash flows, the loss from sale amounted to RUB 25 recognised in the consolidated statement of profit or loss for the six months ended 30 June 2022. When measuring the lease liability, the Group included fixed lease payments per lease agreement and the estimate of variable payments calculated as a percentage of the expected revenue generated from the leased asset. The lease term of the leaseback was 14 years.

10 GOODWILL

Movements in goodwill arising on the acquisition of businesses at 30 June 2022 and 30 June 2021 were:

	2022	2021
Cost		
Gross book value at 1 January	**172,099**	**171,202**
Acquisition of businesses (Note 6)	393	137
Disposal	(203)	(81)
Gross book value at 30 June	**172,289**	**171,258**
Accumulated impairment losses		
Accumulated impairment losses at 1 January	**(67,071)**	**(66,312)**
Impairment charge	–	(81)
Disposal	203	81
Accumulated impairment losses at 30 June	**(66,868)**	**(66,312)**
Carrying amount at 1 January	**105,028**	**104,890**
Carrying amount at 30 June	**105,421**	**104,946**

Goodwill impairment test

For the purposes of impairment testing, goodwill is allocated to groups of cash-generating units (groups of CGUs) being store chains of each format. This represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

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

10 GOODWILL (continued)

Goodwill impairment test (continued)

The group of CGUs to which goodwill has been allocated is tested for impairment annually or more frequently if there are indications that the particular group of CGUs might be impaired. Goodwill is tested for impairment at the group of CGUs level by comparing carrying values of particular group of CGU assets including allocated goodwill to their value in use.

The Group analysed the potential impacts and effects of the sanctions followed by the military operation initiated by the Russian Federation on 24 February 2022 and COVID-19 pandemic, including the estimated impact on the macro economic environment. The sanctions and COVID-19 pandemic did not negatively affect the overall Group's performance during the reporting period and the Group does not expect that potential effects may significantly affect its performance as demand for food products is expected to remain stable. The Group did not identify triggers of goodwill impairment during the six months ended 30 June 2022 and will perform an annual impairment test of goodwill at 31 December 2022.

11 TRADE, OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2022	31 December 2021
Trade accounts receivable	5,735	11,499
Other receivables	4,424	4,658
Allowance for expected credit losses of trade and other receivables	(905)	(819)
Total trade and other accounts receivable	**9,254**	**15,338**
Prepayments	3,369	4,327
Advances made to trade suppliers	992	1,086
Allowance for impairment of prepayments and advances	(694)	(561)
Total prepayments	**3,667**	**4,852**
Total	**12,921**	**20,190**

During the six months ended 30 June 2022 the Group made a detailed analysis of the effects from sanctions followed by the military operation initiated by the Russian Federation on 24 February 2022 and COVID-19 on the expected credit losses and did not identify significant effects.

12 PROVISIONS AND OTHER LIABILITIES

	30 June 2022	31 December 2021
Taxes other than income tax	34,950	21,261
Other accounts payable and accruals	24,270	28,102
Accrued salaries and bonuses	19,612	26,153
Accounts payable for property, plant and equipment, other intangible assets and acquisition of businesses	8,300	19,985
Provisions and liabilities for non-income tax uncertainties	7,661	6,049
Advances received	1,686	1,680
Payables to landlords	1,348	1,443
Total	**97,827**	**104,673**

13 CONTRACT LIABILITIES

	30 June 2022	31 December 2021
Short-term contract liabilities		
Short-term contract liabilities related to loyalty programmes	5,633	2,146
Advances received from wholesales customers	19	40
Advances received from other customers	174	206
Total short-term contract liabilities	**5,826**	**2,392**

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

14 BORROWINGS

The Group had the following borrowings at 30 June 2022 and 31 December 2021:

	Final maturity	Fair value		Carrying value	
Current	**year***	**2022**	**2021**	**2022**	**2021**
RUB Bonds X5 FINANSE LLC series BO-04	2022	2,119	2,091	2,150	2,150
RUB Bonds X5 FINANSE LLC series BO-05	2023	9	–	9	–
RUB Bonds X5 FINANSE LLC series BO-06	2022	1,195	1,201	1,201	1,201
RUB Bonds X5 FINANSE LLC series BO-07		–	5,023	-	5,000
RUB Bonds X5 FINANSE LLC series 001P-01	2023	91	–	96	–
RUB Bonds X5 FINANSE LLC series 001P-03	2023	41	–	48	–
RUB Bonds X5 FINANSE LLC series 001P-05		–	5,017	–	4,999
RUB Bonds X5 FINANSE LLC series 001P-06		–	9,920	–	9,999
RUB Bonds X5 FINANSE LLC series 001P-07		–	4,967	–	4,999
RUB Bonds X5 FINANSE LLC series 001P-08	2022	4,849	4,915	4,999	4,998
RUB Bonds X5 FINANSE LLC series 001P-09	2022	4,849	4,915	4,999	4,998
RUB Bonds X5 FINANSE LLC series 001P-10		–	9,875	–	9,998
RUB Bonds X5 FINANSE LLC series 001P-11	2022	9,857	9,726	9,997	9,994
RUB Bonds X5 FINANSE LLC series 001P-12	2023	9,576	–	9,992	–
RUB Bilateral Loans	2022	26,999	29,431	26,999	29,431
Total current borrowings		**59,585**	**87,081**	**60,490**	**87,767**
Non-current					
RUB Bonds X5 FINANSE LLC series BO-05		–	8	–	9
RUB Bonds X5 FINANSE LLC series 001P-01		–	98	–	96
RUB Bonds X5 FINANSE LLC series 001P-02	2023	7	7	8	8
RUB Bonds X5 FINANSE LLC series 001P-03		–	43	–	48
RUB Bonds X5 FINANSE LLC series 001P-12		–	9,609	–	9,989
RUB Bonds X5 FINANSE LLC series 002P-01	2024	9,765	9,951	9,989	9,998
RUB Bilateral Loans	2024	166,182	179,255	173,441	186,423
Total non-current borrowings		**175,954**	**198,971**	**183,438**	**206,571**
Total borrowings		**235,539**	**286,052**	**243,928**	**294,338**

* *In case of the Group's Bonds – the next put-option date.*

The weighted average effective interest rate on the Group's total borrowings for the six months ended 30 June 2022 comprised 9.53% per annum (six months ended 30 June 2021: 6.14%).

All borrowings at 30 June 2022 are shown net of related transaction costs of RUB 83 which are amortised over the term of the loans using the effective interest method (31 December 2021: RUB 119). Borrowing costs capitalised for the six months ended 30 June 2022 amounted to RUB 4 and were included as part of additions in Property, plant and equipment and Other intangible assets in Note 8 (six months ended 30 June 2021: RUB 6). The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was approximate to weighted average effective interest rate for the period.

Change in total borrowings in amount of 50,410 RUB for the six months ended 30 June 2022 equals to the proceeds from borrowings in amount of RUB 74,999, repayment of borrowings in amount of 125,454 RUB (the Condensed Consolidated Interim Statement of Cash Flows) plus amortisation of transaction costs in amount of 45 RUB.

Change in total borrowings in amount of RUB 4,250 for the six months ended 30 June 2021 equals to the proceeds from borrowings in amount of RUB 60,855, repayment of borrowings in amount of RUB 56,189 (the Condensed Consolidated Interim Statement of Cash Flows), other non-cash movements in amount of RUB 450 plus amortisation of transaction costs in amount of RUB 34.

In accordance with a few loan agreements the Group maintains an optimal leverage ratio by tracking covenant: the maximum level of Net Debt/EBITDA pre-IFRS 16 (4.00/4.25 during 2 quarters after acquisition). As at 30 June 2022 the Group complied with this covenant and Net Debt/EBITDA pre-IFRS 16 was equal to 1.11 (31 December 2021: 1.67). For calculation EBITDA pre-IFRS 16 please refer to Note 5.

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

15 SHARE CAPITAL

As at 30 June 2022 the Group had an authorized share capital of 190,000,000 ordinary shares (31 December 2021: 190,000,000) of which 67,888,696 (31 December 2021: 67,888,696) ordinary shares were outstanding and 4,521 ordinary shares in the amount of RUB 41 were held as treasury stock (31 December 2021: 4,521 ordinary shares in the amount of RUB 41). The nominal par value of each ordinary share is EUR 1.

16 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

Earnings per share were calculated as follows:

	Six months ended 30 June 2022	Six months ended 30 June 2021
Profit attributable to equity holders of the parent	**29,261**	**22,558**
Weighted average number of ordinary shares in issue	67,888,696	67,883,895
Effect of share options awarded to employees, number of shares	–	2,595
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**67,888,696**	**67,886,490**
Basic earnings per share for profit for the period (expressed in RUB per share)	**431.01**	**332.30**
Diluted earnings per share for profit for the period (expressed in RUB per share)	**431.01**	**332.29**

17 REVENUE

	Six months ended 30 June 2022			
	Pyaterochka	Perekrestok	Other segments	Total
Revenue from sale of goods through own stores (at a point of time)	1,008,478	191,725	32,518	1,232,721
Revenue from sale of goods through franchisees (at a point of time)	15,034	185	–	15,219
Revenue from wholesale of goods (at a point of time)	237	36	1,713	1,986
Revenue from other services (over time)	543	246	1,465	2,254
Total	**1,024,292**	**192,192**	**35,696**	**1,252,180**

	Six months ended 30 June 2021			
	Pyaterochka	Perekrestok	Other segments	Total
Revenue from sale of goods through own stores (at a point of time)	844,098	169,230	26,440	1,039,768
Revenue from sale of goods through franchisees (at a point of time)	10,224	199	–	10,423
Revenue from wholesale of goods (at a point of time)	181	506	1,348	2,035
Revenue from other services (over time)	195	126	1,156	1,477
Total	**854,698**	**170,061**	**28,944**	**1,053,703**

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

18 LEASE/SUBLEASE AND OTHER INCOME

	Six months ended 30 June 2022	Six months ended 30 June 2021
Lease/sublease income	3,614	3,498
Income from sales of waste	5,117	3,593
Gain on derecognition of right-of-use assets and lease liabilities	850	1,190
Other	2,360	3,141
Total	**11,941**	**11,422**

19 FINANCE INCOME AND COSTS

	Six months ended 30 June 2022	Six months ended 30 June 2021
Interest expense on lease liabilities	23,520	19,430
Interest expense on borrowings	14,621	7,611
Interest income	(3,563)	(16)
Other finance costs, net	741	491
Total	**35,319**	**27,516**

20 SHARE-BASED PAYMENTS

Equity-based remuneration for members of the Supervisory Board

Under the Company's remuneration policy for the Supervisory Board, its members are entitled to annual awards of restricted stock units (RSUs). RSU awards to members of the Supervisory Board are not subject to performance criteria and determined by the General Meeting of Shareholders.

On 1 March 2022 the London Stock Exchange suspended trading of the Group's global depositary receipts (GDRs) following military operations initiated by the Russian Federation on 24 February 2022. The Supervisory Board subsequently proposed to postpone any awards or vesting under the RSU Plan until trading of the Group's GDRs at the London Stock Exchange will be resumed, and simultaneously investigate alternative equity-based remuneration plans to safeguard the alignment of SB members with shareholder interests, in line with the remuneration policy for the Supervisory Board.

In view hereof, during the six months ended 30 June 2022 no RSUs were awarded to members of the Supervisory Board (six months ended 30 June 2021: 48,447), and no RSUs vested during the six months ended 30 June 2022 (six months ended 30 June 2021: 39,645).

In total during the six months ended 30 June 2022 the Group recognised an expense related to the RSU plan in the amount of RUB 37(expense during six months ended 30 June 2021: RUB 45). At 30 June 2022 the equity component was RUB 155 (31 December 2021: RUB 118). The fair value of services received in return for the conditional RSUs awarded to employees is measured by reference to the market price of the GDRs which is determined at award date.

Details of the conditional rights outstanding during the six months ended 30 June 2022 and 30 June 2021 were as follows:

	30 June 2022		30 June 2021	
	Number of conditional rights	Weighted average fair value, RUB	Number of conditional rights	Weighted average fair value, RUB
Outstanding at the beginning of the period	**120,448**	**2,156.84**	**116,479**	**2,025.96**
Awarded during the period	–	–	48,447	2,243.40
Vested during the period	–	–	(39,645)	1,878.24
Forfeited during the period	(22,705)	2,223.84	–	–
Outstanding at the end of the period	**97,743**	**2,141.28**	**125,281**	**2,156.79**

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

21 INCOME TAX

	Six months ended 30 June 2022	Six months ended 30 June 2021
Current income tax charge	10,415	8,920
Deferred income tax charge/(benefit)	5,710	(414)
Income tax charge for the period	**16,125**	**8,506**

22 SEASONALITY

Usually the Group experiences seasonal effects on its business − increased customer activity in December results in an increase in sales made by the Group (approximately 25-40% higher than annual monthly average). The majority of expenses have the same trend as sales with the following exceptions: utility expenses are normally higher during winter period due to increased electricity and heating service consumption.

23 FINANCIAL RISKS MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021. There have been no changes in the risk management department since year end or in any risk management policies.

Market risk − currency risk

The Group is exposed to foreign exchange risk arising from foreign currency denominated assets and liabilities with respect to import purchases and lease liabilities. As at 30 June 2022 the Group had trade accounts payable denominated in USD in the amount of RUB 5,100, in EUR in the amount of RUB 1,069 and in other currencies in the amount of RUB 50 (31 December 2021: denominated in USD in the amount of RUB 7,827 and in EUR in the amount of RUB 2,163) and leases denominated in USD in the amount of RUB 3,447 and in EUR in the amount of RUB 1,847 (31 December 2021: denominated in USD in the amount of RUB 7,028 and in EUR in the amount of RUB 3,506). As at 30 June 2022 the Group did not have any other significant assets and liabilities denominated in foreign currency and the exposure for the Group was estimated as not significant.

Market risk − interest rates risk

As at 30 June 2022 the Group had no floating interest-bearing assets, but had 18% share of borrowings with floating interest rates based on the Key rate of the Central Bank of the Russian Federation. If the Key rate had been 100 b.p. higher the profit before tax for the six months ended 30 June 2022 had been RUB 205 lower. If the Key rate had been 100 b.p. lower the profit before tax for the six months ended 30 June 2022 had been RUB 205 higher. The Group's income and operating cash inflows were largely independent of changes in market interest rates but part of the Group's interest expenses was marginally exposed to changes in market interest rates.

Liquidity risk

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities as at the reporting date at spot foreign exchange rates:

30 June 2022	**During 1 year**	**In 1 to 5 years**	**Over 5 years**
Lease liabilities	116,076	395,685	227,447
Borrowings	78,822	194,931	−
Trade payables	187,672	−	−
Other financial liabilities	53,530	2,061	−
Total	**436,100**	**592,677**	**227,447**

31 December 2021	**During 1 year**	**In 1 to 5 years**	**Over 5 years**
Lease liabilities	111,953	389,062	289,176
Borrowings	107,339	223,397	−
Trade payables	212,949	−	−
Other financial liabilities	75,683	1,442	−
Total	**507,924**	**613,901**	**289,176**

23 FINANCIAL RISKS MANAGEMENT (continued)

Liquidity risk (continued)

At 30 June 2022 the Group had net current liabilities of RUB 173,292 (31 December 2021: RUB 206,373) including short-term borrowings of RUB 60,490 and short-term lease liabilities of RUB 68,852 (31 December 2021: short-term borrowings of RUB 87,767 and short-term lease liabilities of RUB 70,264).

At 30 June 2022 the Group had available bank credit limits of RUB 442,948 (31 December 2021: RUB 482,263).

At 30 June 2022 the Group had RUB registered bonds programme available for issue on MOEX of RUB 190,000 (31 December 2021: RUB 190,000).

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

The carrying amount of cash and cash equivalents and trade and other financial receivables approximates their fair value. The measurement of trade and other receivables is classified in level 3 of the fair value hierarchy.

Liabilities carried at amortised cost

The fair value of bonds is based on quoted market prices. Fair values of other liabilities are classified in level 3 of the fair value hierarchy and are determined using valuation techniques. The fair value of other liabilities approximates their carrying amounts.

The fair value of bonds traded on the MOEX and the SE is determined based on active market quotations and amounted to RUB 42,358 at 30 June 2022 (31 December 2021: RUB 77,366). The measurement is classified in level 1 of the fair value hierarchy. The carrying value of these bonds amounted to RUB 43,488 at 30 June 2022 (31 December 2021: RUB 78,484) (Note 14). The fair value of long-term borrowings amounted to RUB 166,182 at 30 June 2022 (31 December 2021: RUB 179,255). The measurement is classified in level 3 of the fair value hierarchy and is determined based on expected cash flows discounted using interest rate of similar instruments available on the market. The carrying value of these long-term borrowings amounted to RUB 173,441 at 30 June 2022 (31 December 2021: RUB 186,423) (Note 14). The sensitivity analysis shows that the increase/decrease of the market interest rate by 10% leads to the decrease/increase of fair value of long-term borrowings by 2,238 RUB at 30 June 2022. The fair value of short-term borrowings was not materially different from their carrying amounts.

25 COMMITMENTS AND CONTINGENCIES

Operating environment of the Group

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The COVID-19 worldwide outbreak was also increasing uncertainties. From the beginning of COVID-19 pandemic the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and customers and uninterrupted business processes.

Since late February 2022 a number of countries (including the US, UK and EU) imposed sanctions against certain entities and individuals in Russia as a result of the official recognition of the Donetsk People Republic and Lugansk People Republic by the Russian Federation. Announcements of potential additional sanctions have been made following military operations initiated by the Russian Federation on 24 February 2022. Such sanctions can directly impact the sanctioned entities and individuals, and entities under their control. The Group is not subject to any sanctions or restrictions at the moment, but is likely to encounter challenges due to sanctions on financial system and certain imports into Russia.

25 COMMITMENTS AND CONTINGENCIES (continued)

Operating environment of the Group (continued)

The Group has assessed a potential impact of the sanctions imposed on the Russian Federation in response to the military operation and COVID-19 outbreak on its going concern (Note 2), impairment of non-current assets (Notes 8, 10) and allowance for expected credit losses (Note 11).

The future stability of the Russian economy is largely dependent upon the impact of the sanctions imposed and further government reforms, developments and the effectiveness of economic, financial and monetary measures undertaken by the government, the impact and span of the COVID-19 including the new variants of the virus, the measures taken to contain the spread of the virus. Should the economy be in a long-term recession as a result of the impact of the sanctions and the pandemic that may affect the Group's financial position, cash flows and results of operations.

Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

Capital expenditure commitments

At 30 June 2022 the Group contracted for capital expenditure of RUB 7,425 (net of VAT) (31 December 2021: RUB 7,659).

Legal contingencies

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time. Management believes that there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Group and which have not been accrued at 30 June 2022.

Taxation environment

Russian tax, customs, and currency legislation allows for various interpretations and is subject to frequent amendments. Relevant regional and federal authorities can challenge the Group management interpretation of legislation provisions in the context of the Group's transactions and operations. The Group includes companies incorporated outside Russia. These companies are subject to tax at the rates prescribed by the legislation of the jurisdiction where the companies are tax residents. According to the Russian legislation, foreign companies of the Group are not subject to profit tax except for cases of withholding tax (i.e. dividends, interest, capital gain, etc.), since tax obligations of the foreign companies of the Group are determined on the assumption that the foreign companies of the Group are not Russian tax residents.

The Russian transfer pricing legislation is to the large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. Starting from 1 January 2019, a significant number of domestic transactions was excluded from the transfer pricing control in Russia. Only transactions between Russian companies that apply different tax rates on profits or special tax regimes are subject to the rules, and only if income from those transactions exceeds RUB 1 billion per year. Moreover, starting from 1 January 2022, a threshold of RUB 120 million applies for cross-border transactions to be classified as controlled for transfer pricing purposes.

Recent trends of interpretation and application of particular provisions of the Russian tax legislation highlight the fact that tax authorities can enter the more rigid position with regards to the interpretation of the legislation and tax calculations. Therefore, tax authorities can dispute lawfulness of transactions and accounting methods that were previously out of question. As a result, material additional taxes, penalties and fines can be charged. It is impossible to forecast the amount of potential claims and to evaluate the probability of an unfavourable outcome. Generally, tax audits can cover three calendar years preceding the year in which the decision on the performance of audit is adopted. In certain circumstances a tax audit can cover earlier tax periods.

In May 2021 the Federal Law on denunciation of the Double Tax Treaty (DTT) with the Netherlands was adopted, as a result respective DTT expired starting from 2022. These changes do not apply retrospectively to income paid prior to 2022.

MLI standards came into effect on 1 January 2021. The MLI requires the setting of minimum standards – rules that must be observed in order to benefit from reduced rates under a tax treaty. The Russian Federation adopted the following standards:

- The principal purpose test (PPT); and
- Simplified limitation on benefits (sLoB).

25 COMMITMENTS AND CONTINGENCIES (continued)

Taxation environment (continued)

The principal purpose test means that tax treaty benefits may not be applied if obtaining them was the principal purpose of a transaction.

The simplified limitation on benefits means that reduced rates under a tax treaty may be enjoyed only by "qualified persons" (individuals, a state or political subdivision thereof, public companies, pension funds, non-profit organizations, etc.) and other persons who are not "qualified persons" if they carry on "active business" and the income received is connected to that business. The term "active business" does not include activities of holding companies, intra-group financing, making or managing investments (except for professional participants in the market), etc.

It follows from the above that where income is paid to a foreign company which qualifies for reduced rates or exemption from taxation only on the basis of the provisions of a tax treaty with a specific state, it is essential to ensure compliance both with local law and with the provisions of the MLI as a document that regulates the application of DTTs between specific countries.

In the first half of 2022 the Russian authorities took an array of measures meant to support the population and businesses due to the impact of economic sanctions imposed on the Russian Federation in response to the military operation initiated on 24 February 2022, including a number of tax initiatives which are aimed to shield the business and relevant to the Group:

- Right to make income tax instalment payment for March 2022 one month later, i.e. on April 28, 2022;

- Right to pay contributions to social funds for second quarter of 2022 one year later (in 2023 for 2022);

- Reducing of late tax payment interest rate (1/300 instead of 1/150 of the Central Bank of the Russian Federation refinancing rate applied for each day of late tax payment during the period from 9 March 2022 to 31 December 2023);

- Availability of accelerated (before desk tax audit is ended) VAT refund without presenting a bank guarantee;

- The positive exchange rate differences arising in 2022-2024 are to be included in taxable profits in the period of actual repayment of obligations in foreign currency.

Management regularly reviews the Group's taxation compliance with applicable legislation, laws and decrees and current interpretations published by the authorities in the jurisdictions in which the Group has operations. Furthermore, management regularly assesses the potential financial exposure relating to tax contingencies not only for the periods open for tax audit but also for which the three years' tax inspection right has expired but which, under certain circumstances, may be challenged by the regulatory bodies. From time to time potential exposures and contingencies are identified and at any point in time a number of open matters may exist.

Management estimates that possible exposure in relation to the aforementioned risks, as well as other profits tax and non-profits tax risks (e.g. imposition of additional VAT liabilities), that are more than remote, but for which no liability is required to be recognised under IFRS, could be several times more than accrued liabilities and provisions reflected on the statement of financial position at that date. This estimation is provided for the IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability.

26 SUBSEQUENT EVENTS

There were no significant events after the reporting date.