X5 Group

X5 REPORTS 10.7% REVENUE GROWTH IN Q2 2021
8.3% ADJ. EBITDA MARGIN PRE-IFRS 16

- ✓ In Q2 2021, X5 delivered revenue growth of 10.7% year-on-year (y-o-y) driven by a 9.6% rise in offline sales and a 1.1 p.p. contribution from growing digital business sales, which comprised 2% of consolidated revenue.
- ✓ Adjusted EBITDA[1] margin reached 13.1% (8.3% pre-IFRS 16[2]), supported by the stable gross margin and solid financial performance of Pyaterochka.
- ✓ Gross margin remained flat at 25.6% (25.3% pre-IFRS 16) in Q2 2021. Higher logistics costs and slightly higher shrinkages y-o-y were offset by improvement in commercial margin and stable share of promo.
- ✓ SG&A expenses increased as a percentage of revenue by 44 b.p. (up 39 b.p. pre-IFRS 16), driven by higher staff costs, utilities and expenses related to digital business.
- ✓ Net profit margin totalled 2.7% in Q2 2021 (3.0% pre-IFRS 16) and net profit was almost flat y-o-y.
- ✓ The net debt/EBITDA ratio was 3.24x (1.68x pre-IFRS 16) as of 30 June 2021.

Amsterdam, 12 August 2021 - 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 Karusel retail chains, today released its interim report for the three months (Q2) and six months (H1) ended 30 June 2021, in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union. The interim report has been reviewed by the independent auditor but has not been audited.

X5 Chief Executive Officer Igor Shekhterman said:

"I am very pleased with X5's continued robust performance, delivering margins comfortably above our strategic targets while continuing to grow our online and offline businesses. X5 posted 10.7% revenue growth in the second quarter, driven by strong LFL[3] sales, which rose by 4.0% y-o-y, continued expansion of our network and its refurbishment, as well as our digital sales.

"Online business sales continued to grow at a robust pace, demonstrating that the trend that began in Q2 2020 is sustainable and represents a long-term shift in Russian consumer behaviour and supports our strategic ambitions. Offline sales performance was supported by the accelerating pace of the rollout of our new Pyaterochka and Perekrestok store concepts: in H1 2021 we completed 805 refurbishments, compared to 385 in H1 2020.

"Our strategic projects remain on track: in addition to growing the geographic footprints of Vprok.ru Perekrestok, express delivery services and 5Post, in the first half of 2021 we completed the acquisition of Mnogo Lososya dark kitchens and launched food.ru, a media platform that will enable us to begin to interact with consumers at the start of the customer journey, when they are discovering food ideas and planning meals. As we develop this platform, it will be further integrated into X5's core businesses. By the end of the year, we plan to launch the first products of X5 Bank, our fintech service for X5 customers.

"Looking ahead, we are confident that we will deliver on our margin targets: despite rising logistics and labour costs in the first half of the year, we were able to deliver a pre-IFRS 16 EBITDA margin of over 8.0% in Q2 2021. We are also on track to achieve our growth and market share goals for our offline and online businesses. At the same time, we are making good progress on our ESG strategy, having published sustainable packaging guidelines for suppliers and increasing the share of renewable energy that is used in our operations. By the end of this year, we will have implemented a comprehensive emissions monitoring system, which will enable us to carefully track our progress against our climate-related goals."

(1) 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.
(2) The pre-IFRS 16 financial measures are calculated by adjusting the applicable IFRS measures to include fixed lease expenses, fixed non-lease components of lease contracts and exclude any gain on derecognition of right-of-use assets and lease liabilities, depreciation of right-of-use assets and interest on lease liabilities.
(3) 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.

X5 Group

Profit and loss statement highlights[4]

Russian Rouble (RUB), million (mln)	IFRS 16 Q2 2021	IFRS 16 Q2 2020	IFRS 16 change, y-o-y, %	Pre-IFRS 16 Q2 2021	Pre-IFRS 16 Q2 2020	Pre-IFRS 16 change, y-o-y, %
Revenue	**546,512**	**493,631**	***10.7***	**546,512**	**493,631**	***10.7***
incl. net retail sales[5]	544,409	492,975	*10.4*	544,409	492,975	*10.4*
Pyaterochka (incl. express delivery)	447,612	405,792	*10.3*	447,612	405,792	*10.3*
Perekrestok (incl. Vprok.ru Perekrestok and express delivery)	87,865	73,346	*19.8*	87,865	73,346	*19.8*
Karusel	8,454	13,837	*(38.9)*	8,454	13,837	*(38.9)*
Gross profit	**140,096**	**126,579**	***10.7***	**138,090**	**124,727**	***10.7***
Gross profit margin, %	*25.6*	*25.6*	*(1) b.p.*	*25.3*	*25.3*	*0 b.p.*
Adj. EBITDA[1]	**71,728**	**66,094**	***8.5***	**45,424**	**41,854**	***8.5***
Adj. EBITDA margin, %	*13.1*	*13.4*	*(26) b.p.*	*8.3*	*8.5*	*(17) b.p.*
EBITDA	**70,333**	**65,567**	***7.3***	**44,029**	**41,327**	***6.5***
EBITDA margin, %	*12.9*	*13.3*	*(41) b.p.*	*8.1*	*8.4*	*(32) b.p.*
Operating profit	**33,303**	**32,954**	***1.1***	**25,371**	**25,932**	***(2.2)***
Operating profit margin, %	*6.1*	*6.7*	*(58) b.p.*	*4.6*	*5.3*	*(61) b.p.*
Net profit	**14,920**	**14,772**	***1.0***	**16,133**	**16,275**	***(0.9)***
Net profit margin, %	*2.7*	*3.0*	*(26) b.p.*	*3.0*	*3.3*	*(35) b.p.*

Russian Rouble (RUB), million (mln)	IFRS 16 H1 2021	IFRS 16 H1 2020	IFRS 16 change, y-o-y, %	Pre-IFRS 16 H1 2021	Pre-IFRS 16 H1 2020	Pre-IFRS 16 change, y-o-y, %
Revenue	**1,053,703**	**962,625**	***9.5***	**1,053,703**	**962,625**	***9.5***
incl. net retail sales[5]	1,050,192	961,435	*9.2*	1,050,192	961,435	*9.2*
Pyaterochka (incl. express delivery)	854,322	775,839	*10.1*	854,322	775,839	*10.1*
Perekrestok (incl. Vprok.ru Perekrestok and express delivery)	177,003	153,960	*15.0*	177,003	153,960	*15.0*
Karusel	18,203	31,636	*(42.5)*	18,203	31,636	*(42.5)*
Gross profit	**269,637**	**242,515**	***11.2***	**265,715**	**238,927**	***11.2***
Gross profit margin, %	*25.6*	*25.2*	*40 b.p.*	*25.2*	*24.8*	*40 b.p.*
Adj. EBITDA[1]	**133,384**	**122,861**	***8.6***	**80,899**	**74,834**	***8.1***
Adj. EBITDA margin, %	*12.7*	*12.8*	*(10) b.p.*	*7.7*	*7.8*	*(10) b.p.*
EBITDA	**131,560**	**121,839**	***8.0***	**79,075**	**73,812**	***7.1***
EBITDA margin, %	*12.5*	*12.7*	*(17) b.p.*	*7.5*	*7.7*	*(16) b.p.*
Operating profit	**57,803**	**56,941**	***1.5***	**42,239**	**42,457**	***(0.5)***
Operating profit margin, %	*5.5*	*5.9*	*(43) b.p.*	*4.0*	*4.4*	*(40) b.p.*
Net profit	**22,558**	**18,773**	***20.2***	**25,296**	**24,450**	***3.5***
Net profit margin, %	*2.1*	*2.0*	*19 b.p.*	*2.4*	*2.5*	*(14) 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.

Revenue

Revenue growth reached 10.7% year-on-year in Q2 2021, driven by positive like-for-like (LFL) sales, selling space expansion and 105.7% revenue growth in X5's digital businesses. The latter reflected higher demand from customers for online services, an incremental increase in the number of new online customers, expansion of express delivery operations to new geographies, expansion of Vprok.ru Perekrestok's assortment, expansion of the 5Post delivery network and additional new e-commerce partners for 5Post.

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

	As of 30-Jun-21	As of 31-Dec-20	*change vs 31-Dec-20, %*	As of 30-Jun-20	*change vs 30-Jun-20, %*
Selling Space, square meters (sq. m.)					
Pyaterochka	6,782,960	6,541,622	*3.7*	6,289,962	*7.8*
Perekrestok	1,058,533	1,013,860	*4.4*	911,634	*16.1*
Karusel	160,923	222,119	*(27.6)*	247,191	*(34.9)*
X5 Group(6)	**8,062,903**	**7,840,055**	***2.8***	**7,510,261**	***7.4***

Q2 & H1 2021 LFL store performance by format, % change y-o-y

In Q2 and H1 2021, LFL sales performance remained strong with figures up 4.0% and 3.1% y-o-y respectively.

LFL traffic became the main driver of LFL sales in Q2 2021 due to a reversal in the previous trend: customers began making more frequent visits to stores and had a normalised basket size compared to 2020.

	Q2 2021			H1 2021		
	Sales	**Traffic**	**Basket**	**Sales**	**Traffic**	**Basket**
Pyaterochka	*3.7*	*13.0*	*(8.3)*	*3.6*	*2.0*	*1.5*
Perekrestok	*7.3*	*31.9*	*(18.6)*	*2.1*	*5.4*	*(3.1)*
Karusel	*(7.4)*	*8.9*	*(15.0)*	*(10.1)*	*(7.7)*	*(2.6)*
X5 Group	***4.0***	***14.7***	***(9.3)***	***3.1***	***2.3***	***0.8***

For more details on net retail sales performance please refer to X5's Q2 2021 Trading Update.

Gross profit margin

The gross profit margin under IFRS 16 remained flat y-o-y at 25.6% in Q2 2021 (25.3% pre-IFRS 16). An improvement in the commercial margin, which was supported by the product mix reflecting abnormally hot weather in the Central part of Russia and stable promo levels vs Q2 2020, was offset by higher logistics costs on the back of rising market competition for logistics staff due to higher COVID cases and low migrant labor supply, as well as slightly higher shrinkages y-o-y due to higher than usual temperatures in core regions of our operations.

(6) Including Vprok.ru Perekrestok dark stores and Chizhik stores

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

RUB mln	IFRS 16 Q2 2021	IFRS 16 Q2 2020	IFRS 16 change, y-o-y, %	Pre-IFRS 16 Q2 2021	Pre-IFRS 16 Q2 2020	Pre-IFRS 16 change, y-o-y, %
Staff costs	**(44,499)**	**(39,247)**	**13.4**	**(44,499)**	**(39,247)**	***13.4***
% of Revenue	*8.1*	*8.0*	*19 b.p.*	*8.1*	*8.0*	*19 b.p.*
incl. LTI and share-based payments	(1,184)	(527)	124.7	(1,184)	(527)	*124.7*
staff costs excl. LTI and share-based payments as % of Revenue	*7.9*	*7.8*	*8 b.p.*	*7.9*	*7.8*	*8 b.p.*
Lease expenses	**(3,505)**	**(3,099)**	**13.1**	**(26,182)**	**(23,904)**	***9.5***
% of Revenue	*0.6*	*0.6*	*1 b.p.*	*4.8*	*4.8*	*(5) b.p.*
Utilities	**(10,213)**	**(8,840)**	**15.5**	**(10,213)**	**(8,840)**	***15.5***
% of Revenue	*1.9*	*1.8*	*8 b.p.*	*1.9*	*1.8*	*8 b.p.*
Other store costs	**(5,642)**	**(5,760)**	**(2.0)**	**(5,860)**	**(6,013)**	***(2.5)***
% of Revenue	*1.0*	*1.2*	*(13) b.p.*	*1.1*	*1.2*	*(15) b.p.*
Third party services	**(4,775)**	**(3,369)**	**41.7**	**(4,640)**	**(3,271)**	***41.9***
% of Revenue	*0.9*	*0.7*	*19 b.p.*	*0.8*	*0.7*	*19 b.p.*
Other expenses	**(6,414)**	**(4,779)**	**34.2**	**(7,559)**	**(5,614)**	***34.6***
% of Revenue	*1.2*	*1.0*	*21 b.p.*	*1.4*	*1.1*	*25 b.p.*
SG&A (excl. D&A&I and impact from Karusel transformation)	**(75,048)**	**(65,094)**	**15.3**	**(98,953)**	**(86,889)**	***13.9***
% of Revenue	*13.7*	*13.2*	*55 b.p.*	*18.1*	*17.6*	*50 b.p.*
SG&A (excl. D&A&I, LTI, share-based payments and impact from Karusel transformation)	**(73,864)**	**(64,567)**	**14.4**	**(97,769)**	**(86,362)**	***13.2***
% of Revenue	*13.5*	*13.1*	*44 b.p.*	*17.9*	*17.5*	*39 b.p.*

RUB mln	IFRS 16 H1 2021	IFRS 16 H1 2020	IFRS 16 change, y-o-y, %	Pre-IFRS 16 H1 2021	Pre-IFRS 16 H1 2020	Pre-IFRS 16 change, y-o-y, %
Staff costs	**(87,983)**	**(77,531)**	**13.5**	**(87,983)**	**(77,531)**	***13.5***
% of Revenue	*8.3*	*8.1*	*30 b.p.*	*8.3*	*8.1*	*30 b.p.*
incl. LTI and share-based payments	(1,606)	(1,022)	57.1	(1,606)	(1,022)	*57.1*
staff costs excl. LTI and share-based payments as % of Revenue	*8.2*	*7.9*	*25 b.p.*	*8.2*	*7.9*	*25 b.p.*
Lease expenses	**(6,407)**	**(5,503)**	**16.4**	**(51,470)**	**(47,343)**	***8.7***
% of Revenue	*0.6*	*0.6*	*4 b.p.*	*4.9*	*4.9*	*(3) b.p.*
Utilities	**(22,160)**	**(19,269)**	**15.0**	**(22,160)**	**(19,269)**	***15.0***
% of Revenue	*2.1*	*2.0*	*10 b.p.*	*2.1*	*2.0*	*10 b.p.*
Other store costs	**(10,812)**	**(10,413)**	**3.8**	**(11,245)**	**(10,908)**	***3.1***
% of Revenue	*1.0*	*1.1*	*(6) b.p.*	*1.1*	*1.1*	*(7) b.p.*
Third party services	**(9,027)**	**(6,331)**	**42.6**	**(8,862)**	**(6,155)**	***44.0***
% of Revenue	*0.9*	*0.7*	*20 b.p.*	*0.8*	*0.6*	*20 b.p.*
Other expenses	**(12,762)**	**(9,381)**	**36.0**	**(14,804)**	**(10,879)**	***36.1***
% of Revenue	*1.2*	*1.0*	*24 b.p.*	*1.4*	*1.1*	*27 b.p.*
SG&A (excl. D&A&I and the impact of the Karusel transformation)	**(149,151)**	**(128,428)**	**16.1**	**(196,524)**	**(172,085)**	***14.2***
% of Revenue	*14.2*	*13.3*	*81 b.p.*	*18.7*	*17.9*	*77 b.p.*
SG&A (excl. D&A&I, LTI, share-based payments and the impact of the Karusel transformation)	**(147,545)**	**(127,406)**	**15.8**	**(194,918)**	**(171,063)**	***13.9***
% of Revenue	*14.0*	*13.2*	*77 b.p.*	*18.5*	*17.8*	*73 b.p.*

In Q2 2021, 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 increased by 44 b.p. to 13.5% (increased by 39 b.p. to 17.9% pre-IFRS 16), of which 21 b.p. under IFRS 16 (25 b.p. pre-IFRS 16) was contributed by growth in courier costs in our fast-expanding online sales, followed by higher staff costs and third party services. Smaller impacts were also seen from utility costs, while store rents and lower expenses related to COVID helped to partially offset the factors pushing up operating costs.

Other expenses (excluding the impact of the Karusel transformation) under IFRS 16 as a percentage of revenue in Q2 2021 increased by 21 b.p. y-o-y to 1.2% (up 25 b.p. to 1.4% pre-IFRS 16) mainly due to higher share of courier services costs for express delivery given the number of orders increased by 4.7 times y-o-y.

Staff costs (excluding LTI, share-based payments and the impact of the Karusel transformation) as a percentage of revenue increased by 8 b.p. y-o-y in Q2 2021 to 7.9%, mainly due to an increased headcount in the central office engaged in digital transformation projects.

LTI and share-based payment expenses amounted to RUB 1,184 mln in Q2 2021. The Company continued to accrue a liability for the deferred conditional payout related to the LTI programme 2018-2020, and started accruals related to the new LTI programme 2021-2023 alongside the new LTI programme for new businesses (accruals for both Q1 and Q2 2021) (5Post, Chizhik and Okolo). The accruals in the following quarters will be lower compared to Q2 2021.

Utility costs as a percentage of revenue in Q2 2021 increased by 8 b.p. y-o-y to 1.9% driven by a larger number of new openings and refurbishments, as well as the hot weather in some regions of our operations.

Third party service expenses under IFRS 16 as a percentage of revenue in Q2 2021 increased by 19 b.p. y-o-y to 0.9% (growing by 19 b.p. to 0.8% pre-IFRS 16) mainly due to the normalisation of marketing expenses following the lower marketing budgets during the COVID-19 pandemic last year.

Other store costs under IFRS 16 as a percentage of revenue in Q2 2021 decreased by 13 b.p. y-o-y (falling by 15 b.p. pre-IFRS 16) mainly due to lower expenses associated with additional measures related to the COVID-19 pandemic, such as masks and disposable gloves for personnel as well as additional disinfection procedures in stores.

Lease/sublease and other income(7)

As a percentage of revenue, the Company's income from leases, subleases and other operations (excl. the impact of the Karusel transformation) under IFRS 16 totalled 1.0%, an increase of 15 b.p. y-o-y in Q2 2021 (an increase of 20 b.p. to 0.9% pre-IFRS 16), due to the recovery of sublease operations and sales of recyclable materials after the pandemic.

(7) Mainly consists of lease/sublease income, income from sale of recyclable materials and other one-off gains

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EBITDA and EBITDA margin

RUB mln	IFRS 16 Q2 2021	IFRS 16 Q2 2020	*change, y-o-y, %*	Pre-IFRS 16 Q2 2021	Pre-IFRS 16 Q2 2020	*change, y-o-y, %*
Gross profit	**140,096**	**126,579**	**10.7**	**138,090**	**124,727**	***10.7***
Gross profit margin, %	*25.6*	*25.6*	*(1) b.p.*	*25.3*	*25.3*	*0 b.p.*
SG&A (excl. D&A&I, LTI, share-based payments and the effect of the Karusel transformation)	**(73,864)**	**(64,567)**	**14.4**	**(97,769)**	**(86,362)**	***13.2***
% of Revenue	*13.5*	*13.1*	*44 b.p.*	*17.9*	*17.5*	*39 b.p.*
Net impairment losses on financial assets	**(9)**	**(130)**	**(93.1)**	**(9)**	**(130)**	***(93.1)***
% of Revenue	*0.002*	*0.026*	*(2) b.p.*	*0.002*	*0.026*	*(2) b.p.*
Lease/sublease and other income (excl. the effect of the Karusel transformation)	**5,505**	**4,212**	**30.7**	**5,112**	**3,619**	***41.3***
% of Revenue	*1.0*	*0.9*	*15 b.p.*	*0.9*	*0.7*	*20 b.p.*
Adj. EBITDA	**71,728**	**66,094**	**8.5**	**45,424**	**41,854**	***8.5***
Adj. EBITDA margin, %	*13.1*	*13.4*	*(26) b.p.*	*8.3*	*8.5*	*(17) b.p.*
LTI, share-based payments and other one-off remuneration payment expenses and SSC	(1,184)	(527)	124.7	(1,184)	(527)	124.7
% of Revenue	*(0.2)*	*(0.1)*	*(11) b.p.*	*(0.2)*	*(0.1)*	*(11) b.p.*
Effect of the Karusel transformation	(211)	-	-	(211)	-	-
% of Revenue	*(0.0)*	-	*(4) b.p.*	*(0.0)*	-	*(4) b.p.*
EBITDA	**70,333**	**65,567**	**7.3**	**44,029**	**41,327**	***6.5***
EBITDA margin, %	*12.9*	*13.3*	*(41) b.p.*	*8.1*	*8.4*	*(32) b.p.*

RUB mln	IFRS 16 H1 2021	IFRS 16 H1 2020	change, y-o-y, %	Pre-IFRS 16 H1 2021	Pre-IFRS 16 H1 2020	change, y-o-y, %
Gross profit	**269,637**	**242,515**	**11.2**	**265,715**	**238,927**	***11.2***
Gross profit margin, %	*25.6*	*25.2*	*40 b.p.*	*25.2*	*24.8*	*40 b.p.*
SG&A (excl. D&A&I, LTI, share-based payments and the effect of the Karusel transformation)	**(147,545)**	**(127,406)**	**15.8**	**(194,918)**	**(171,063)**	***13.9***
% of Revenue	*14.0*	*13.2*	*77 b.p.*	*18.5*	*17.8*	*73 b.p.*
Net impairment losses on financial assets	**(130)**	**(199)**	**(34.7)**	**(130)**	**(199)**	***(34.7)***
% of Revenue	*0.012*	*0.021*	*(1) b.p.*	*0.012*	*0.021*	*(1) b.p.*
Lease/sublease and other income (excl. the effect of the Karusel transformation)	**11,422**	**7,951**	**43.7**	**10,232**	**7,169**	***42.7***
% of Revenue	*1.1*	*0.8*	*26 b.p.*	*1.0*	*0.7*	*23 b.p.*
Adj. EBITDA	**133,384**	**122,861**	**8.6**	**80,899**	**74,834**	***8.1***
Adj. EBITDA margin, %	*12.7*	*12.8*	*(10) b.p.*	*7.7*	*7.8*	*(10) b.p.*
LTI, share-based payments and other one-off remuneration payment expenses and SSC	(1,606)	(1,022)	57.1	(1,606)	(1,022)	57.1
% of Revenue	*(0.2)*	*(0.1)*	*(5) b.p.*	*(0.2)*	*(0.1)*	*(5) b.p.*
Effect of the Karusel transformation	(218)	-	-	(218)	-	-
% of Revenue	*(0.0)*	-	*(2) b.p.*	*(0.0)*	-	*(2) b.p.*
EBITDA	**131,560**	**121,839**	**8.0**	**79,075**	**73,812**	***7.1***
EBITDA margin, %	*12.5*	*12.7*	*(17) b.p.*	*7.5*	*7.7*	*(16) b.p.*

Segment reporting (under pre-IFRS 16)

RUB mln	H1 2021	H1 2020	change, y-o-y, %
Proximity (Pyaterochka), including express delivery			
Revenue	854,698	776,086	*10.1*
EBITDA	71,886	64,738	*11.0*
EBITDA margin, %	*8.4*	*8.3*	*7 b.p.*
Supermarkets (Perekrestok), including express delivery, excluding Vprok.ru Perekrestok			
Revenue	170,061	149,047	*14.1*
EBITDA	10,362	11,119	*(6.8)*
EBITDA margin, %	*6.1*	*7.5*	*(137) b.p.*
Hypermarkets (Karusel)			
Revenue	18,439	31,652	*(41.7)*
EBITDA	752	780	*(3.6)*
EBITDA margin, %	*4.1*	*2.5*	*161 b.p.*
Other segments			
Revenue	10,505	5,840	*79.9*
EBITDA	(2,136)	(877)	*143.6*
EBITDA margin, %	*(20.3)*	*(15.0)*	*(532) b.p.*
Corporate			
EBITDA	(1,789)	(1,948)	*(8.2)*

Upon adoption of IFRS 16 the Management Board continued to assess the performance of the operating segments based on 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 and exclude gain on derecognition of right-of-use assets and lease liabilities.

The accounting policies used for segments are the same as the accounting policies applied to the condensed consolidated interim financial statements, except for the accounting of leases under pre-IFRS 16 rather than IFRS 16.

In H1 2021, Pyaterochka's EBITDA margin under pre-IFRS 16 increased by 7 b.p. y-o-y to 8.4%, driven primarily by an improved gross margin as a result of greater sales of higher margin assortment SKUs during the abnormally hot weather of May-June and an improved shrinkage level in H1 2021 reflecting a number of efficiency-focused measures. The EBITDA margin excluding express delivery operations would have been 8.5%.

Perekrestok's EBITDA margin under pre-IFRS 16 declined by 137 b.p. y-o-y in H1 2021 to 6.1%, mainly due to the one-off positive effect of the sale of a supermarket last year (c. +60 b.p.), the expansion of its express delivery service (c. 30 b.p.), an increased shrinkage level in Q2 2021 on the back of the slower than expected recovery of stores located in shopping malls, given approximately half of Perekrestok supermarkets are located in shopping malls that closed during the first wave of COVID.

In H1 2021, Karusel's EBITDA margin under pre-IFRS 16 increased by 161 b.p. y-o-y to 4.1%, on the back of the format's transformation and despite accelerated expenses related to the closure of stores.

Other segments include Vprok.ru Perekrestok, Chizhik, 5Post, Okolo and Mnogo Lososya. The segments generated a planned EBITDA loss, with the EBITDA margin under pre-IFRS 16 decreasing by 532 b.p. in H1 2021 primarily due to the expansion of new businesses.

Corporate expenses under pre-IFRS 16 decreased by 8.2% y-o-y in H1 2021.

The total negative impact on H1 2021 EBITDA margin from our digital sales, which include Vprok.ru Perekrestok, express delivery from Pyaterochka and Perekrestok stores, Okolo aggregator, 5Post's e-commerce last mile delivery is estimated at 38 b.p., up from 16 b.p. in H1 2020. Our offline business (Pyaterochka and Perekrestok excluding express delivery, Karusel and Chizhik) demonstrated an 8.1% margin in H1 2021, up from 8.0% in H1 2020.

D&A&I

Depreciation, amortisation and impairment costs under IFRS 16 increased as a percentage of revenue by 17 b.p. y-o-y to 6.8% (increased by 30 b.p. y-o-y to 3.4% pre-IFRS 16) in Q2 2021, totalling RUB 37,030 mln (RUB 18,658 mln pre-IFRS 16) and increased by 26 b.p. y-o-y to 7.0% (increased by 24 b.p. y-o-y to 3.5% pre-IFRS 16) totalling RUB 73,757 mln (RUB 36,836 mln pre-IFRS 16) in H1 2021. This was mainly due to the fact that growth in the gross book value of assets outpaced revenue growth and the accelerated depreciation rate owing to the increased number of refurbishments at Pyaterochka and Perekrestok (805 stores in H1 2021 vs 385 stores in H1 2020).

Non-operating gains and losses

RUB mln	IFRS 16 Q2 2021	IFRS 16 Q2 2020	IFRS 16 *change, y-o-y, %*	Pre-IFRS 16 Q2 2021	Pre-IFRS 16 Q2 2020	Pre-IFRS 16 *change, y-o-y, %*
Operating profit	**33,303**	**32,954**	**1.1**	**25,371**	**25,932**	***(2.2)***
Net finance costs	(14,151)	(14,550)	(2.7)	(4,195)	(4,473)	*(6.2)*
Net FX result	897	1,770	(49.3)	390	594	*(34.3)*
Profit before tax	**20,049**	**20,174**	**(0.6)**	**21,566**	**22,053**	***(2.2)***
Income tax expense	(5,129)	(5,402)	(5.1)	(5,433)	(5,778)	*(6.0)*
Net profit	**14,920**	**14,772**	**1.0**	**16,133**	**16,275**	***(0.9)***
Net profit margin, %	*2.7*	*3.0*	*(26) b.p.*	*3.0*	*3.3*	*(35) b.p.*
Effect of the Karusel transformation	**463**	**421**	**10.0**	**584**	**421**	**38.7**
% of Revenue	*0.1*	*0.1*	*(0) b.p.*	*0.1*	*0.1*	*2 b.p.*
Adj. net profit	**15,383**	**15,193**	**1.3**	**16,717**	**16,696**	**0.1**
Net profit margin, %	*2.8*	*3.1*	*(26) b.p.*	*3.1*	*3.4*	*(32) b.p.*

RUB mln	IFRS 16 H1 2021	IFRS 16 H1 2020	IFRS 16 *change, y-o-y, %*	Pre-IFRS 16 H1 2021	Pre-IFRS 16 H1 2020	Pre-IFRS 16 *change, y-o-y, %*
Operating profit	**57,803**	**56,941**	**1.5**	**42,239**	**42,457**	***(0.5)***
Net finance costs	(27,516)	(28,603)	(3.8)	(8,040)	(8,505)	*(5.5)*
Net FX result	777	(1,935)	-	289	(453)	-
Profit before tax	**31,064**	**26,403**	**17.7**	**34,488**	**33,499**	***3.0***
Income tax expenses	(8,506)	(7,630)	11.5	(9,192)	(9,049)	*1.6*
Net profit	**22,558**	**18,773**	**20.2**	**25,296**	**24,450**	***3.5***
Net profit margin, %	*2.1*	*2.0*	*19 b.p.*	*2.4*	*2.5*	*(14) b.p.*
Effect of the Karusel transformation	**926**	**814**	**13.8**	**840**	**814**	***3.2***
% of Revenue	*0.1*	*0.1*	*0 b.p.*	*0.1*	*0.1*	*(0) b.p.*
Adj. net profit	**23,484**	**19,587**	**19.9**	**26,136**	**25,264**	***3.5***
Net profit margin, %	*2.2*	*2.0*	*19 b.p.*	*2.5*	*2.6*	*(14) b.p.*

Net finance costs under IFRS 16 in Q2 2021 declined by 2.7% y-o-y to RUB 14,151 mln (decreased by 6.2% y-o-y to RUB 4,195 mln pre-IFRS 16) driven by a fall in the weighted average effective interest rate on X5's total debt from 7.31% for H1 2020 to 6.14% for H1 2021 as a result of declining interest rates in Russian capital markets, as well as actions taken by X5 to minimise interest expenses.

The positive net FX result totalled RUB 897 mln (RUB 390 mln under pre-IFRS 16) in Q2 2021, compared to positive RUB 1,770 mln (RUB 594 mln under pre-IFRS 16) in Q2 2020.

In Q2 2021 income tax expenses under IFRS 16 decreased by 5.1% (by 6.0% pre-IFRS 16).

Consolidated cash flow statement highlights

RUB mln	IFRS 16 Q2 2021	IFRS 16 Q2 2020	change, y-o-y, %	Pre-IFRS 16 Q2 2021	Pre-IFRS 16 Q2 2020	change, y-o-y, %
Net cash from operating activities before changes in working capital	70,397	65,211	*8.0*	44,486	41,563	*7.0*
Change in working capital	998	(15,968)	-	932	(15,042)	-
Net interest and income tax paid	(18,685)	(19,517)	*(4.3)*	(8,752)	(9,460)	*(7.5)*
Net cash flows generated from operating activities	52,710	29,726	*77.3*	36,666	17,061	*114.9*
Net cash used in investing activities	(23,662)	(20,749)	*14.0*	(24,086)	(20,749)	*16.1*
Net cash (used in) /generated from financing activities	(28,338)	(9,553)	*196.6*	(11,870)	3,112	-
Effect of exchange rate changes on cash & cash equivalents	(75)	6	-	(75)	6	-
Net increase/(decrease) in cash & cash equivalents	**635**	**(570)**	**-**	**635**	**(570)**	**-**

RUB mln	IFRS 16 H1 2021	IFRS 16 H1 2020	change, y-o-y, %	Pre-IFRS 16 H1 2021	Pre-IFRS 16 H1 2020	change, y-o-y, %
Net cash from operating activities before changes in working capital	130,804	120,594	*8.5*	79,509	73,349	*8.4*
Change in working capital	(3,917)	(316)	*1,139.6*	(4,103)	40	-
Net interest and income tax paid	(33,757)	(36,340)	*(7.1)*	(14,327)	(16,287)	*(12.0)*
Net cash flows generated from operating activities	93,130	83,938	*11.0*	61,079	57,102	*7.0*
Net cash used in investing activities	(42,366)	(38,043)	*11.4*	(42,790)	(38,043)	*12.5*
Net cash used in financing activities	(57,849)	(53,164)	*8.8*	(25,374)	(26,328)	*(3.6)*
Effect of exchange rate changes on cash & cash equivalents	(75)	(31)	*141.9*	(75)	(31)	*141.9*
Net increase in cash & cash equivalents	**(7,160)**	**(7,300)**	***(1.9)***	**(7,160)**	**(7,300)**	***(1.9)***

In Q2 2021, the Company's net cash from operating activities before changes in working capital under IFRS 16 increased by RUB 5,186 mln and totalled RUB 70,397 mln (increased by RUB 2,923 mln and totalled RUB 44,486 mln pre-IFRS 16), reflecting business growth. The positive change in working capital under IFRS 16 of RUB 998 mln in Q2 2021 reflects the normalised seasonality of working capital trends. The abnormal negative change of RUB 15,968 mln in Q2 2020 was driven by accounts payable and inventory turnover changes on the back of massive stockpiling of consumer perishables and dry groceries in March 2020 ahead of strict COVID restrictions.

Working capital highlights

RUB mln	30-Jun-21	31-Dec-20	30-Jun-20
Inventories	142,024	144,393	128,466
Trade, other accounts receivable and prepayments	16,801	19,277	12,634
Trade accounts payable	160,836	170,909	149,411
Provisions and other liabilities	87,330	85,976	77,927

Net interest and income tax paid under IFRS 16 in Q2 2021 decreased by 4.3% y-o-y and totalled RUB 18,685 mln (decreased by 7.5% y-o-y and totalled RUB 8,752 mln pre-IFRS 16).

As a result, in Q2 2021, net cash flow generated from operating activities under IFRS 16 totalled RUB 52,710 mln, up from RUB 29,726 mln in Q2 2020 (RUB 36,666 mln, up from RUB 17,061 mln in Q2 2020 pre-IFRS 16).

In H1 2021, net cash flows generated from operating activities under IFRS 16 totalled RUB 93,130 mln, up 11.0% from RUB 83,938 mln for the same period of 2020 (and totalled RUB 61,079 mln, up 7.0% from RUB 57,102 mln for the same period of 2020 pre-IFRS 16) reflecting overall business growth.

Net cash used in investing activities, which generally consists of payments for property, plant and equipment, under IFRS 16 increased to RUB 23,662 mln (RUB 24,086 mln under pre-IFRS 16) in Q2 2021 from RUB 20,749 mln in Q2 2020, driven primarily by the Pyaterochka refurbishment programme. For H1 2021, net cash used in investing activities under IFRS 16 increased to RUB 42,366 mln (RUB 42,790 mln under pre-IFRS 16) from RUB 38,043 mln in H1 2020.

Net cash used in financing activities under IFRS 16 totalled RUB 28,338 mln (totalled RUB 11,870 mln pre-IFRS 16) in Q2 2021 compared to the RUB 9,553 mln net cash used in financing activities (net cash generated from financing activities of RUB 3,112 mln pre-IFRS 16) in Q2 2020. For H1 2021, net cash used in financing activities under IFRS 16 increased to RUB 57,849 mln from RUB 53,164 mln (and decreased to RUB 25,374 mln from RUB 26,328 mln pre-IFRS 16) in H1 2020.

Liquidity update

RUB mln	30-Jun-21	*% in total*	31-Dec-20	*% in total*	30-Jun-20	*% in total*
Total debt	**266,197**		**261,947**		**231,778**	
Short-term debt	76,274	*28.7*	77,026	*29.4*	73,622	*31.8*
Long-term debt	189,923	*71.3*	184,921	*70.6*	158,156	*68.2*
Net debt (pre-IFRS 16)	**253,349**		**241,939**		**220,476**	
Net debt/ EBITDA (pre-IFRS 16)	**1.68**		**1.67**		**1.68**	
Lease liabilities (IFRS 16)	**568,689**		**548,501**		**518,454**	
Net debt/ EBITDA (under IFRS 16)	**3.24**		**3.24**		**3.28**	

The Company's net debt/EBITDA ratio under IFRS 16 was 3.24x (1.68x pre-IFRS 16) as of 30 June 2021.

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

As of 30 June 2021, the Company had access to RUB 464,442 mln in available credit limits with major Russian and international banks.

Related Party Transactions

For a description of the related party transactions entered into by the Company, please refer to note 7 of the consolidated condensed interim financial statements.

Risks and Uncertainties

X5's risk management programme provides executive management with a periodic in-depth understanding of X5's key business risks and the risk management systems and internal controls in place to mitigate these risks. For a detailed description of key risks that the Company faces, please refer to the 2020 Annual Report. It should be noted that there are additional risks that management believe are immaterial or otherwise common to most companies, or that management is currently unaware of. The Company has assessed the risks for the first half of 2021 and believes that the risks identified are in line with those presented in the 2020 Annual Report. For a description of the financial risks faced by the Company, please refer to note 31 of the audited consolidated financial statements and the Company's 2020 Annual Report.

Interim report

The interim report, including the full set of reviewed IFRS condensed consolidated interim financial statements and notes thereto, is available on X5's corporate website at:

https://www.x5.ru/en/Pages/Investors/ResultsCenter.aspx

Information on Alternative Performance Measures

For more information on Alternative Performance Measures, which provide readers with a more detailed and accurate understanding of the Company's financial and operating performance, please refer to pages 99-101 of the Annual Report 2020.

Note to Editors:

X5 Retail Group N.V. (LSE and MOEX: FIVE, Fitch – 'BB+', Moody's – 'Ba1', S&P – 'BB+', RAEX – 'ruAA+') is a leading Russian food retailer. The Company operates proximity stores under the Pyaterochka brand, Perekrestok supermarkets and Karusel hypermarkets. X5 provides an omnichannel experience to its customers, integrating retail stores and e-commerce through its businesses Vprok.ru Perekrestok, 5Post and Okolo.

As of 30 June 2021, X5 had 18,295 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 17,268 Pyaterochka proximity stores, 968 Perekrestok supermarkets and 40 Karusel hypermarkets. The Company operates 43 DCs and 4,128 Company-owned trucks across the Russian Federation.

X5 is one of the largest employers in Russia. The Company employs over 339 thousand people.

For the full year 2020, revenue totalled RUB 1,978,026 mln (USD 27,417 mln), EBITDA pre-IFRS 16 reached RUB 145,137 mln (USD 2,012 mln), and net profit pre-IFRS 16 for the period amounted to RUB 39,180 mln (USD 543 mln). In H1 2021, revenue totalled RUB 1,053,703 mln (USD 14,186 mln), adjusted EBITDA pre-IFRS 16 reached RUB 80,899 mln (USD 1,089 mln), and net profit pre-IFRS 16 amounted to RUB 25,296 mln (USD 341 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.10%, treasury shares – 0.01%, Shareholders with less than 3% – 40.60%.

Forward looking statements:

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

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

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

For further details please contact:

Natalia Zagvozdina
Head of Corporate Finance and IR
Tel.: +7 (495) 662-88-88 ext. 27-300
e-mail: Natalia.Zagvozdina@x5.ru

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

X5 Retail Group N.V.

Condensed Consolidated Interim Financial Statements

Six months ended 30 June 2021

Provided under IAS 34 as adopted by the EU

Contents

This report contains the half-yearly condensed consolidated financial statements of X5 Retail Group N.V. (the "Company") for the six months ended 30 June 2021 and the responsibility statement by the Company's Management Board (the "Management Board"), which have been reviewed by the independent auditor and are not audited.

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the review report, is made with a view to distinguishing the respective responsibilities of the Management Board and those of the independent auditors in relation to the condensed consolidated interim financial statements of X5 Retail Group N.V. and its subsidiaries (the "Group").

The Management Board is responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of the Group at 30 June 2021, and the results of its operations, cash flows and changes in shareholders' equity for the six months then ended, in compliance with International Accounting Standard 34 *Interim Financial Reporting*.

In preparing the condensed consolidated interim financial statements, the Management Board is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS issued by the International Accounting Standards Board and adopted by the European Union have been followed, subject to any material departures disclosed and explained in the condensed consolidated interim financial statements; and
- Preparing the condensed consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Management Board is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the condensed consolidated interim financial statements of the Group comply with International Accounting Standard 34 *Interim Financial Reporting*;
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The Management Board hereby declares that to the best of their knowledge, the half-yearly financial statements included in this interim report, which have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the half-yearly management report includes a fair review of the information required pursuant to section 5:25d (8)/(9) of the Dutch Financial Markets Supervision Act *(Wet op het financieel toezicht)*.

Igor Shekhterman	Vsevolod Starukhin
Chief Executive Officer	Chief Financial Officer
11 August 2021	11 August 2021

Independent auditor’s review report

To: the shareholders and the supervisory board of directors of X5 Retail Group N.V.

Our conclusion

We have reviewed the condensed consolidated interim financial statements included in the accompanying first half-year 2021 financial report of X5 Retail Group N.V., Amsterdam for the period 1 January 2021 to 30 June 2021.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of X5 Retail Group N.V. for the period from 1 January 2021 to 30 June 2021, are not prepared, in all material respects, in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union.

The condensed consolidated interim financial statements comprises:

- The condensed consolidated interim statement of financial position as of 30 June 2021
- The following condensed consolidated interim statements for the period from 1 January 2021 to 30 June 2021: the statements of profit or loss, comprehensive income, cash flows and changes in equity
- The notes comprising of a summary of the significant accounting policies and selected explanatory information

Basis for our conclusion

We conducted our review in accordance with Dutch law including, Dutch Standard 2410, “Het beoordelen van tussentijdse financiële informatie door de accountant van de entiteit” (Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information in accordance with the Dutch Standard 2410 is a limited assurance engagement. Our responsibilities under this standard are further described in the ‘Our responsibilities for the review of the condensed interim financial information’ section of our report.

We are independent of X5 Retail Group N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Responsibilities of management and the supervisory board for the condensed interim financial information

The management board is responsible for the preparation and presentation of the condensed interim financial information in accordance with IAS 34, “Interim Financial Reporting” as adopted by the European Union. Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the condensed interim financial information that is free from material misstatement, whether due to fraud or error.

The supervisory board is responsible for overseeing the company’s financial reporting process.

Our responsibilities for the review of the condensed interim financial information

Our responsibility is to plan and perform the review in a manner that allows us to obtain sufficient and appropriate assurance evidence for our conclusion.

The level of assurance obtained in a review engagement is substantially less than the level of assurance obtained in an audit conducted in accordance with the Dutch Standards on Auditing. Accordingly, we do not express an audit opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the review, in accordance with Dutch Standard 2410.

Our review included among others:

- Updating our understanding of the company and its environment, including its internal control, and the applicable financial reporting framework, in order to identify areas in the condensed interim financial information where material misstatements are likely to arise due to fraud or error, designing and performing analytical and other review procedures to address those areas, and obtaining assurance evidence that is sufficient and appropriate to provide a basis for our conclusion
- Obtaining an understanding of internal control as it relates to the preparation of interim financial information
- Making inquiries of management and others within the company
- Applying analytical procedures with respect to information included in the condensed interim financial information
- Obtaining assurance evidence that the condensed interim financial statements agree with, or reconciles to, the company's underlying accounting records
- Evaluating the assurance evidence obtained
- Considering whether there have been any changes in accounting principles or in the methods of applying them and whether any new transactions have necessitated the application of a new accounting principle
- Considering whether management has identified all events that may require adjustment to or disclosure in the condensed interim financial statements
- Considering whether the condensed interim financial statements have been prepared in accordance with the applicable financial reporting framework and represents the underlying transactions free from material misstatement

Amsterdam, 11 August 2021

Ernst & Young Accountants LLP

Signed by P.W.J. Laan

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

	Note	30 June 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	8	325,229	322,707
Right-of-use assets	9	498,437	480,511
Investment properties		4,259	4,502
Goodwill	10	104,946	104,890
Other intangible assets	8	33,307	30,757
Other non-current assets		3,627	3,120
Deferred tax assets		20,371	20,458
		990,176	**966,945**
Current assets			
Inventories		142,024	144,393
Indemnification asset		408	171
Trade, other accounts receivable and prepayments	11	16,801	19,277
Current income tax receivable		10,464	12,119
VAT and other taxes receivable		8,944	10,316
Cash and cash equivalents		12,848	20,008
		191,489	**206,284**
Total assets		**1,181,665**	**1,173,229**
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	15	2,458	2,458
Share premium		46,127	46,086
Retained earnings		38,746	46,194
Share-based payment reserve	20	74	104
		87,405	**94,842**
Total equity		**87,405**	**94,842**
Non-current liabilities			
Long-term borrowings	14	189,923	184,921
Long-term lease liabilities	9	499,196	480,059
Deferred tax liabilities		2,243	2,769
Other non-current liabilities		828	1,954
		692,190	**669,703**
Current liabilities			
Trade accounts payable		160,836	170,909
Short-term borrowings	14	76,274	77,026
Interest accrued		1,533	1,380
Short-term lease liabilities	9	69,493	68,442
Short-term contract liabilities	13	3,392	2,198
Current income tax payable		3,212	2,753
Provisions and other liabilities	12	87,330	85,976
		402,070	**408,684**
Total liabilities		**1,094,260**	**1,078,387**
Total equity and liabilities		**1,181,665**	**1,173,229**

Igor Shekhterman	Vsevolod Starukhin
Chief Executive Officer	Chief Financial Officer
11 August 2021	11 August 2021

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

		Six months ended 30 June	
	Note	**2021**	**2020**
Revenue	5, 17	1,053,703	962,625
Cost of sales		(784,066)	(720,110)
Gross profit		**269,637**	**242,515**
Selling, general and administrative expenses		(223,126)	(193,326)
Net impairment losses on financial assets		(130)	(199)
Lease/sublease and other income	18	11,422	7,951
Operating profit		**57,803**	**56,941**
Finance costs	19	(27,536)	(28,636)
Finance income	19	20	33
Net foreign exchange gain/(loss)		777	(1,935)
Profit before tax		**31,064**	**26,403**
Income tax expense	21	(8,506)	(7,630)
Profit for the period		**22,558**	**18,773**
Profit for the period attributable to:			
Equity holders of the parent		22,558	18,773
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	16	332.30	276.54
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	16	332.29	276.54

Igor Shekhterman
Chief Executive Officer

11 August 2021

Vsevolod Starukhin
Chief Financial Officer

11 August 2021

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

	Six months ended 30 June	
	2021	**2020**
Profit for the period	22,558	18,773
Total comprehensive income for the period, net of tax	**22,558**	**18,773**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	22,558	18,773

Igor Shekhterman
Chief Executive Officer

11 August 2021

Vsevolod Starukhin
Chief Financial Officer

11 August 2021

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

		Six months ended 30 June	
	Note	**2021**	**2020**
Profit before tax		**31,064**	**26,403**
Adjustments for:			
Depreciation, amortisation and impairment of property, plant and equipment, right-of-use assets, investment properties, other intangible assets and goodwill		73,757	64,898
Gain on disposal of property plant and equipment, investment properties and intangible assets and gain on derecognition of right-of-use assets		(1,528)	(1,621)
Finance costs, net	19	27,516	28,603
Net impairment losses on financial assets		130	199
Impairment of prepayments		61	82
Share-based compensation expense	20	45	27
Net foreign exchange (gain)/loss		(777)	1,935
Other non-cash items		536	68
Net cash from operating activities before changes in working capital		**130,804**	**120,594**
Decrease in trade, other accounts receivable and prepayments and VAT and other taxes receivable		2,940	6,566
Decrease/(increase) in inventories		2,369	(1,004)
Decrease in trade payable		(10,052)	(11,019)
Increase in other accounts payable and contract liabilities		826	5,141
Net cash flows from operations		**126,887**	**120,278**
Interest paid		(26,888)	(28,260)
Interest received		16	31
Income tax paid		(6,885)	(8,111)
Net cash flows from operating activities		**93,130**	**83,938**
Cash flows from investing activities			
Purchase of property, plant and equipment and initial direct costs associated with right-of-use assets		(37,106)	(32,007)
Acquisition of businesses, net of cash acquired	6	(767)	(1,502)
Proceeds from disposal of property, plant and equipment, investment properties and intangible assets		2,262	1,338
Purchase of other intangible assets		(6,755)	(5,722)
Acquisition of interest in associates and joint ventures		–	(150)
Net cash flows used in investing activities		**(42,366)**	**(38,043)**
Cash flows from financing activities			
Proceeds from loans	14	60,855	91,366
Repayment of loans	14	(56,189)	(87,579)
Purchase of treasury shares		(34)	(119)
Payments of principal portion of lease liabilities		(32,475)	(26,836)
Dividends paid to equity holders of the parent	15	(30,006)	(29,996)
Net cash flows used in financing activities		**(57,849)**	**(53,164)**
Effect of exchange rate changes on cash and cash equivalents		(75)	(31)
Net decrease in cash and cash equivalents		**(7,160)**	**(7,300)**
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		20,008	18,602
Net decrease in cash and cash equivalents		(7,160)	(7,300)
Cash and cash equivalents at the end of the period		**12,848**	**11,302**

Igor Shekhterman
Chief Executive Officer

11 August 2021

Vsevolod Starukhin
Chief Financial Officer

11 August 2021

(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 2020	**67,890,054**	**2,458**	**46,150**	**105**	**67,843**	**116,556**	**116,556**
Profit for the period	–	–	–	–	18,773	18,773	**18,773**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**18,773**	**18,773**	**18,773**
Acquisition of treasury shares	(12,870)	–	(107)	–	–	(107)	**(107)**
Dividends (Note 15)	–	–	–	–	(29,996)	(29,996)	**(29,996)**
Share-based payment compensation (Note 20)	–	–	–	27	–	27	**27**
Transfer and waiving of vested equity rights (Note 20)	5,260	–	45	(57)	–	(12)	**(12)**
Balance as at 30 June 2020	**67,882,444**	**2,458**	**46,088**	**75**	**56,620**	**105,241**	**105,241**
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**

Igor Shekhterman
Chief Executive Officer

11 August 2021

Vsevolod Starukhin
Chief Financial Officer

11 August 2021

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 2021 the Group operated a retail chain of 18,295 proximity stores, supermarket, hypermarket, hard discounter and online hypermarket stores under the brand names “Pyaterochka”, “Perekrestok”, “Karusel”, “Chizhik” and “Perekrestok Vprok” (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 2020: 17,707 proximity stores, supermarket, hypermarket, hard discounter and online hypermarket stores under the brand names “Pyaterochka”, “Perekrestok”, “Karusel”, “Chizhik” and “Perekrestok Vprok”). The Group’s multiformat store network comprises 17,268 proximity stores under “Pyaterochka” brand, 968 supermarkets under “Perekrestok” brand, 40 hypermarkets under “Karusel” brand, 15 hard discounter stores under “Chizhik” brand and 4 online hypermarket stores under “Perekrestok Vprok” brand (31 December 2020: 16,709 proximity stores under “Pyaterochka” brand, 933 supermarkets under “Perekrestok” brand, 56 hypermarkets under “Karusel” brand, 4 hard discounter stores under “Chizhik” and 5 online hypermarket stores under “Perekrestok Vprok” brand).

As at 30 June 2021 and 31 December 2020 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 2021 and 31 December 2020 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 2021 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 2020 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 2020 except for the adoption of new Standards that are mandatory for financial annual periods beginning on 1 January 2021. 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) and the potential impact of COVID-19.

On 11 August 2021, the Management Board authorised the condensed consolidated interim financial statements for issue. Publication is on 12 August 2021. The condensed consolidated interim financial statements have been reviewed, not audited.

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 2020.

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 2021 the Group recognised an impairment loss in the amount of RUB 1,796 mainly attributable to equipment (six months ended 30 June 2020: an impairment loss in the amount of RUB 1,973 mainly attributable to equipment) and reversed the impairment loss previously recognised in the amount of RUB 343 mainly attributable to buildings (six months ended 30 June 2020: reversed the impairment loss previously recognised in the amount of RUB 267 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 2021, the estimated liability for unredeemed points was RUB 2,737 (31 December 2020: RUB 1,955).

(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 2020 except for the adoption of new standards that are mandatory for financial annual periods beginning on or after 1 January 2021.

The following new standards and amendments to IFRSs effective for the financial year beginning 1 January 2021 do not have a material impact on the Group and do not result in change of the Group's accounting policy:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2*;

- Amendments to IFRS 4 *Insurance Contracts* – deferral of IFRS 9.

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 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	1 January 2022
Amendments to IFRS 16 *Leases*: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021*
Amendments to IAS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current	1 January 2023*
IFRS 17 *Insurance Contracts* including Amendments to IFRS 17	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*

* *Subject to EU endorsement.*

The Group does not intend to apply the practical expedient provided by the Amendment to IFRS 16 *Leases*.

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 and exclude gain on derecognition of right-of-use assets and lease liabilities. 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 2021 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 2021, 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 2021	**Pyaterochka**	**Perekrestok**	**Karusel**	**Other segments**	**Corporate centre**	**Total**
Revenue (Note 17)	**854,698**	**170,061**	**18,439**	**10,505**	**–**	**1,053,703**
EBITDA pre-IFRS 16	**71,886**	**10,362**	**752**	**(2,136)**	**(1,789)**	**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	34,864	6,453	99	2,687	387	**44,490**
30 June 2021						
Inventories	114,500	23,739	2,801	984	–	**142,024**

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

5 SEGMENT REPORTING (continued)

Six months ended 30 June 2020	**Pyaterochka**	**Perekrestok**	**Karusel**	**Other segments**	**Corporate centre**	**Total**
Revenue (Note 17)	**776,086**	**149,047**	**31,652**	**5,840**	**–**	**962,625**
EBITDA pre-IFRS 16	**64,738**	**11,119**	**780**	**(877)**	**(1,948)**	**73,812**
Fixed lease expenses and fixed non-lease components of lease contracts						**47,245**
Gain on derecognition of right-of-use assets and lease liabilities						**782**
Depreciation, amortisation and impairment						**(64,898)**
Operating profit						**56,941**
Finance cost, net						**(28,603)**
Net foreign exchange result						**(1,935)**
Profit before income tax						**26,403**
Income tax expense						**(7,630)**
Profit for the period						**18,773**
Adjusted capital expenditure	31,152	6,290	260	1,533	93	**39,328**
31 December 2020						
Inventories	115,674	23,963	3,952	804	–	**144,393**

6 ACQUISITION OF BUSINESSES

Acquisitions in 2021

For the 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.

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
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**

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

6 ACQUISITION OF BUSINESSES (continued)

Acquisitions in 2021 (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 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.

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

Acquisitions in 2020

During six months ended 30 June 2020 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 2020 the acquired businesses contributed revenue of RUB 749 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 2020 as though the acquisition date had been the beginning of that period.

At 30 June 2020 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 2021 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
Right-of-use assets (Note 9)	3,534
Deferred tax assets	245
Lease liabilities (Note 9)	(3,534)
Net assets acquired	**245**
Goodwill (Note 10)	980
Purchase consideration	**1,225**
Net cash outflow arising from the acquisition	**1,192**

The purchase consideration for the reporting period comprised RUB 1,192 and RUB 33 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 415 and Perekrestok segment in amount of RUB 565. None of the goodwill recognised is expected to be deductible for income tax purposes.

During the six months ended 30 June 2020 the Group transferred RUB 310 as deferred payments for the prior periods acquisitions.

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

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 2020.

At 30 June 2021 trade accounts payable to other related parties amounted to RUB 769 (31 December 2020: RUB 757), trade accounts receivable amounted to RUB 13 (31 December 2020: RUB 24), other receivables and prepayments amounted to RUB 2 (31 December 2020: RUB Nil), other accounts payable amounted to RUB 12 (31 December 2020: RUB 12).

For the six months ended 30 June 2021 purchases from other related parties net of bonuses amounted to RUB 1,781 (six months ended 30 June 2020: RUB 1,708). Other related parties represent entities under control by the entity with significant influence over the Company.

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 2021 members of the Management Board and other key management personnel were entitled to a total short-term and long-term compensation of RUB 858 (six months ended 30 June 2020: RUB 689), including accrued short-term incentive rewards of RUB 193 (six months ended 30 June 2020: RUB 185) payable on an annual basis subject to meeting annual performance targets, accrued rewards under the long-term incentive plan of RUB 318 (six months ended 30 June 2020: RUB 213), social security costs of RUB 108 (six months ended 30 June 2020: RUB 86).

For the six months ended 30 June 2021 members of the Supervisory Board were entitled to a cash remuneration of RUB 52 (six months ended 30 June 2020: RUB 51) and a share-based compensation of RUB 45 (six months ended 30 June 2020: RUB 27). As at 30 June 2021 the total number of restricted stock units awarded to members of the Supervisory Board under the Restricted Stock Unit Plan was 125,281 (December 2020: 116,479).

8 PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	2021		2020	
	Property, plant and equipment	**Other intangible assets**	**Property, plant and equipment**	**Other intangible assets**
Cost				
At 1 January	**547,297**	**59,145**	**502,401**	**47,347**
Additions	38,185	5,781	33,469	4,550
Assets from acquisitions	–	10	–	–
Disposals	(11,302)	(96)	(13,144)	(213)
At 30 June	**574,180**	**64,840**	**522,726**	**51,684**
Accumulated depreciation, amortisation and impairment				
At 1 January	**(224,590)**	**(28,388)**	**(187,144)**	**(23,009)**
Depreciation and amortisation charge	(32,677)	(3,217)	(27,859)	(2,196)
Impairment charge	(1,691)	(24)	(1,791)	(182)
Reversal of impairment	318	–	267	–
Disposals	9,689	96	12,413	213
At 30 June	**(248,951)**	**(31,533)**	**(204,114)**	**(25,174)**
Net book value at 1 January	**322,707**	**30,757**	**315,257**	**24,338**
Net book value at 30 June	**325,229**	**33,307**	**318,612**	**26,510**

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

8 PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS (continued)

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 2021 and 30 June 2020.

For the six months ended 30 June 2021 the additions of other intangible assets were attributable to additions of software in the amount of RUB 5,781 (for the six months ended 30 June 2020 RUB 4,550 attributable to additions of software).

The Group analysed external and internal sources of information including the potential impact of COVID-19 pandemic on the Group itself and on the macro economic environment and identified impairment indicators for several stores. The Group reviewed the cash flow projections for these stores to include the impact of COVID-19 and performed an impairment test, which resulted in no impairment charge being necessary as at 30 June 2021 (six months ended 30 June 2020: no impairment charge).

The impairment charge for the six months ended 30 June 2021 and 30 June 2020 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 2020	**428,166**	**(484,795)**
Additions	58,574	(58,183)
Acquisition of businesses (Note 6)	3,534	(3,534)
Depreciation expense	(33,305)	–
Derecognition (decrease in the scope of the lease and terminations of lease agreements)	(1,922)	2,704
Interest accrued	–	(20,066)
Payments	–	46,902
Effect of changes in foreign exchange rates	–	(1,482)
At 30 June 2020	**455,047**	**(518,454)**
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)**

The expenses related to short-term leases for the six months ended 30 June 2021 amounted to RUB 15 (six months ended 30 June 2020: RUB 6). The expense related to variable lease payments not included in the measurement of lease liabilities for the six months ended 30 June 2021 amounted to RUB 6,425 (six months ended 30 June 2020: RUB 5,496). 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 six months ended 30 June 2021 amounted to RUB 58,416 (six months ended 30 June 2020: RUB 52,464).

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

As at 30 June 2021 potential future cash outflows of RUB 2,373 (undiscounted) have not been included in the lease liability because it was assessed reasonably certain that the leases will be terminated (31 December 2020: RUB 3,057).

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

10 GOODWILL

Movements in goodwill arising on the acquisition of businesses at 30 June 2021 and 30 June 2020 were:

	2021	2020
Cost		
Gross book value at 1 January	**171,202**	**168,239**
Acquisition of businesses (Note 6)	137	980
Disposal	(81)	–
Gross book value at 30 June	**171,258**	**169,219**
Accumulated impairment losses		
Accumulated impairment losses at 1 January	**(66,312)**	**(66,312)**
Impairment charge	(81)	–
Disposal	81	–
Accumulated impairment losses at 30 June	**(66,312)**	**(66,312)**
Carrying amount at 1 January	**104,890**	**101,927**
Carrying amount at 30 June	**104,946**	**102,907**

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.

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 COVID-19 pandemic, including the estimated impact on the macro economic environment. 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 2021 and will perform an annual impairment test of goodwill at 31 December 2021.

11 TRADE, OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS

	30 June 2021	31 December 2020
Trade accounts receivable	8,410	13,828
Other receivables	3,998	3,879
Allowance for expected credit losses of trade and other receivables	(1,074)	(1,081)
Total trade and other accounts receivable	**11,334**	**16,626**
Prepayments	3,032	2,452
Advances made to trade suppliers	2,910	699
Allowance for impairment of prepayments and advances	(475)	(500)
Total prepayments	**5,467**	**2,651**
Total	**16,801**	**19,277**

During the six months ended 30 June 2021 the Group made a detailed analysis of COVID-19 influence on the expected credit losses and did not identify significant effects. In general COVID-19 did not negatively affect the Group’s main debtors mostly being food suppliers, as well as other receivables turnover except for minor debtors, so there was no need for the revision of the provision matrix for expected credit losses.

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

12 PROVISIONS AND OTHER LIABILITIES

	30 June 2021	31 December 2020
Other accounts payable and accruals	23,144	26,604
Accrued salaries and bonuses	19,232	23,318
Accounts payable for property, plant and equipment	14,212	13,264
Taxes other than income tax	22,069	15,689
Advances received	1,649	1,844
Payables to landlords	907	1,055
Provisions and liabilities for non-income tax uncertainties	6,117	4,202
Total	**87,330**	**85,976**

13 CONTRACT LIABILITIES

	30 June 2021	31 December 2020
Short-term contract liabilities		
Short-term contract liabilities related to loyalty programmes	2,737	1,955
Advances received from wholesales customers	363	32
Advances received from other customers	292	211
Total short-term contract liabilities	**3,392**	**2,198**

14 BORROWINGS

The Group had the following borrowings at 30 June 2021 and 31 December 2020:

	Final maturity	Fair value		Carrying value	
Current	**year***	**2021**	**2020**	**2021**	**2020**
RUB Bonds X5 FINANSE LLC series BO-05	2021	393	386	390	390
RUB Bonds X5 FINANSE LLC series BO-07	2022	5,080	–	4,999	–
RUB Bonds X5 FINANSE LLC series 001P-04	2021	5,010	5,115	5,000	4,998
RUB Bonds X5 FINANSE LLC series 001P-05	2022	5,068	–	4,998	–
RUB Bonds X5 FINANSE LLC series 001P-06	2022	10,040	–	9,996	–
RUB Bonds X5 FINANSE LLC series 001P-07	2022	4,981	–	4,998	–
RUB Bonds X5 FINANSE LLC series 001P-10	2022	9,961	–	9,993	–
RUB Bilateral Loans	2021	35,900	71,638	35,900	71,638
Total current borrowings		**76,433**	**77,139**	**76,274**	**77,026**
Non-current					
RUB Bonds X5 FINANSE LLC series BO-04	2022	2,179	2,134	2,149	2,149
RUB Bonds X5 FINANSE LLC series BO-06	2022	1,229	1,330	1,201	1,201
RUB Bonds X5 FINANSE LLC series BO-07		–	5,188	–	4,998
RUB Bonds X5 FINANSE LLC series 001P-01	2023	98	99	96	96
RUB Bonds X5 FINANSE LLC series 001P-02	2023	7	8	8	8
RUB Bonds X5 FINANSE LLC series 001P-03	2023	42	42	48	48
RUB Bonds X5 FINANSE LLC series 001P-05		–	5,163	–	4,997
RUB Bonds X5 FINANSE LLC series 001P-06		–	10,245	–	9,993
RUB Bonds X5 FINANSE LLC series 001P-07		–	5,080	–	4,996
RUB Bonds X5 FINANSE LLC series 001P-08	2022	4,994	5,100	4,997	4,996
RUB Bonds X5 FINANSE LLC series 001P-09	2022	4,994	5,100	4,997	4,996
RUB Bonds X5 FINANSE LLC series 001P-10		–	10,215	–	9,990
RUB Bonds X5 FINANSE LLC series 001P-11	2022	9,810	10,025	9,999	9,998
RUB Bonds X5 FINANSE LLC series 001P-12	2023	9,732	9,991	9,986	9,999
RUB Bilateral Loans	2024	153,295	116,536	156,442	116,456
Total non-current borrowings		**186,380**	**186,256**	**189,923**	**184,921**
Total borrowings		**262,813**	**263,395**	**266,197**	**261,947**

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

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

14 BORROWINGS (continued)

The weighted average effective interest rate on X5's total borrowings for the six months ended 30 June 2021 comprised 6.14% per annum (six months ended 30 June 2020: 7.31%).

All borrowings at 30 June 2021 are shown net of related transaction costs of RUB 110 which are amortised over the term of the loans using the effective interest method (31 December 2020: RUB 98). Borrowing costs capitalised for the six months ended 30 June 2021 amounted to RUB 6 and were included as part of additions in Property, plant and equipment and Other intangible assets in Note 8 (six months ended 30 June 2020: RUB 14). 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 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), and other non-cash movements in amount of RUB 450 plus amortisation of transaction costs in amount of RUB 34.

Change in total borrowings in amount of RUB 3,845 for the six months ended 30 June 2020 equals to the proceeds from borrowings in amount of RUB 91,366, repayment of borrowings in amount of RUB 87,579 (the Condensed Consolidated Interim Statement of Cash Flows) plus amortisation of transaction costs in amount of RUB 58.

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 2021 the Group complied with this covenant and Net Debt/EBITDA pre-IFRS 16 was equal to 1.68 (31 December 2020: 1.67). For calculation EBITDA pre-IFRS 16 please refer to Note 5.

15 SHARE CAPITAL

As at 30 June 2021 the Group had 190,000,000 authorised ordinary shares (31 December 2020: 190,000,000) of which 67,888,696 (31 December 2020: 67,882,444) ordinary shares were outstanding and 4,521 ordinary shares in amount of RUB 42 were held as treasury stock (31 December 2020: 10,774 ordinary shares in amount of RUB 92). The nominal par value of each ordinary share is EUR 1.

Dividends approved for distribution at the General Meeting in May 2021 have been paid in the amount of RUB 30,006 during the six months ended 30 June 2021 (RUB 441.99 per share).

Dividends approved for distribution at the General Meeting in May 2020 have been paid in the amount of RUB 29,996 during the six months ended 30 June 2020 (RUB 441.88 per share).

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 2021	**Six months ended 30 June 2020**
Profit attributable to equity holders of the parent	**22,558**	**18,773**
Weighted average number of ordinary shares in issue	67,883,895	67,884,287
Effect of share options awarded to employees, number of shares	2,595	809
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**67,886,490**	**67,885,096**
Basic earnings per share for profit for the period (expressed in RUB per share)	**332.30**	**276.54**
Diluted earnings per share for profit for the period (expressed in RUB per share)	**332.29**	**276.54**

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

17 REVENUE

	Six months ended 30 June 2021				
	Pyaterochka	**Perekrestok**	**Karusel**	**Other segments**	**Total**
Revenue from sale of goods through own stores (at a point of time)	844,098	169,230	18,203	8,237	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	223	1,125	2,035
Revenue from other services (over time)	195	126	13	1,143	1,477
Total	**854,698**	**170,061**	**18,439**	**10,505**	**1,053,703**

	Six months ended 30 June 2020				
	Pyaterochka	**Perekrestok**	**Karusel**	**Other segments**	**Total**
Revenue from sale of goods (at a point of time)	768,481	148,121	31,636	5,609	953,847
Revenue from sale of goods through franchisees (at a point of time)	7,358	230	–	–	7,588
Revenue from wholesale of goods (at a point of time)	43	484	–	69	596
Revenue from other services (over time)	204	212	16	162	594
Total	**776,086**	**149,047**	**31,652**	**5,840**	**962,625**

18 LEASE/SUBLEASE AND OTHER INCOME

	Six months ended 30 June 2021	**Six months ended 30 June 2020**
Lease/sublease income	3,498	2,948
Income from sales of waste	3,593	1,506
Gain on derecognition of right-of-use assets and lease liabilities	1,190	782
Other	3,141	2,715
Total	**11,422**	**7,951**

19 FINANCE INCOME AND COSTS

	Six months ended 30 June 2021	**Six months ended 30 June 2020**
Interest expense on lease liabilities	19,430	20,053
Interest expense on borrowings	7,611	7,830
Interest income	(16)	(31)
Other finance costs, net	491	751
Total	**27,516**	**28,603**

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

20 SHARE-BASED PAYMENTS

Employee stock plan

Members of the Supervisory Board are entitled to annual awards of restricted stock units (RSUs) under the Company's Restricted Stock Unit Plan (RSU Plan) approved at the AGM in 2010. RSU awards to members of the Supervisory Board are not subject to performance criteria and determined by the General Meeting of Shareholders.

During the six months ended 30 June 2021 a total number of 48,447 RSUs were awarded under tranche 12 and will vest in 2024 (six months ended 30 June 2020: a total number of 48,536 RSUs were awarded under tranche 11 and will vest in 2023). A total number of 39,645 RSUs vested during the six months ended 30 June 2021 (six months ended 30 June 2020: 26,485). Upon vesting these RSUs were converted into GDRs registered in the participant's name. The GDRs are kept in custody during a two-year lock-in period during which the GDRs cannot be traded. In accordance with the RSU Plan rules the lock-in restrictions do not apply in case of accelerated release of GDRs, if and when a Supervisory Board member ceases to be a member of the Supervisory Board.

In total during the six months ended 30 June 2021 the Group recognised an expense related to the RSU plan in the amount of RUB 45 (expense during six months ended 30 June 2020: RUB 27). At 30 June 2021 the equity component was RUB 74 (31 December 2020: RUB 104). 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 2021 and 30 June 2020 were as follows:

	30 June 2021		**30 June 2020**	
	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	**116,479**	**2,025.96**	**109,751**	**1,987.74**
Awarded during the period	48,447	2,243.40	48,536	2,185.02
Vested during the period	(39,645)	1,878.24	(26,485)	2,114.26
Outstanding at the end of the period	**125,281**	**2,156.79**	**131,802**	**2,034.96**

21 INCOME TAX

	Six months ended 30 June 2021	**Six months ended 30 June 2020**
Current income tax charge	8,920	8,382
Deferred income tax (benefit)/charge	(414)	(752)
Income tax charge for the period	**8,506**	**7,630**

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 2020. There have been no changes in the risk management department since year end or in any risk management policies.

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

23 FINANCIAL RISKS MANAGEMENT (continued)

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 2021 the Group had trade accounts payable denominated in foreign currency in the amount of RUB 8,799 (31 December 2020: RUB 6,336) and leases in the amount of RUB 12,710 (31 December 2020: RUB 14,649). As at 30 June 2021 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 2021 the Group had no floating interest-bearing assets, but had 32% share of borrowings with floating interest rates based on the Key rate of the Central Bank of the Russian Federation including financial instruments limiting the corridor of rate fluctuations for 5% share of borrowings. If the Key rate had been 100 b.p. higher the profit before tax for the six months ended 30 June 2021 had been RUB 309 lower. If the Key rate had been 100 b.p. lower the profit before tax for the six months ended 30 June 2021 had been RUB 309 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 2021	During 1 year	In 1 to 5 years	Over 5 years
Lease liabilities	107,437	376,449	275,639
Borrowings	92,034	202,296	−
Trade payables	160,836	−	−
Other financial liabilities	57,725	736	−
Total	**418,032**	**579,481**	**275,639**

31 December 2020	During 1 year	In 1 to 5 years	Over 5 years
Lease liabilities	105,141	369,835	260,555
Borrowings	90,435	197,530	−
Trade payables	170,909	−	−
Other financial liabilities	64,627	1,935	−
Total	**431,112**	**569,300**	**260,555**

At 30 June 2021 the Group had net current liabilities of RUB 210,581 (31 December 2020: RUB 202,400) including short-term borrowings of RUB 76,274 and short-term lease liabilities of RUB 69,493 (31 December 2020: short-term borrowings of RUB 77,026 and short-term lease liabilities of RUB 68,442).

At 30 June 2021 the Group had available bank credit limits of RUB 464,442 (31 December 2020: RUB 457,086).

At 30 June 2021 the Group had RUB registered bonds programme available for issue on MOEX of RUB 200,000 (31 December 2020: RUB 200,000).

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.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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 73,618 at 30 June 2021 (31 December 2020: RUB 75,221). The measurement is classified in level 1 of the fair value hierarchy. The carrying value of these bonds amounted to RUB 73,855 at 30 June 2021 (31 December 2020: RUB 73,853) (Note 14). The fair value of long-term borrowings amounted to RUB 153,295 at 30 June 2021 (31 December 2020: RUB 116,536). 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 156,442 at 30 June 2021 (31 December 2020: RUB 116,456) (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 RUB 1,355 at 30 June 2021. 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. The Group introduced measures such as mandatory body temperature checks for all employees entering its premises, provided masks and disposable gloves to operational personnel, introduced additional disinfection hours daily for all stores as well as additional disinfection in stores and other premises.

In June 2021 a number of Russian regions introduced mandatory vaccination against COVID-19 for certain categories of employees. In Moscow and the Moscow region companies with retail operations have been requested to ensure that not less than 60% of all personnel (including supply chain and headquarters) should be vaccinated against COVID-19 by 15 July 2021. In July 2021 the deadline was postponed to mid-August. Around 20 other regions also have mandatory vaccination requirements with different terms. For non-compliance with the requirement on the number of vaccinated employees in Moscow companies will be liable in the form of a fine or suspension of activity for 90 days. The Group monitors the changes in requirements and promotes vaccination in order to protect the health of its employees and ensure its uninterrupted operations. The Group expects to have at least the minimum required percentage of vaccinated employees by region based on the vaccination rate. At least in Moscow the vaccination has led to the recovery of shopping center traffic and the Group believes that with the spread of vaccination the negative effects from COVID-19 will diminish.

The Group has assessed a potential impact of the 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 and span of the COVID-19 including the new variants of the virus such as so called Delta plus, the measures taken to contain the spread of the virus and further government reforms, developments and the effectiveness of economic, financial and monetary measures undertaken by the government. Should the economy be in a long-term recession after the pandemic that may affect the Group's financial position, cash flows and results of operations. The Group expects that this effect may be compensated by new opportunities provided by online sales and express deliveries from stores, dark kitchens and restaurants.

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

25 COMMITMENTS AND CONTINGENCIES (continued)

Capital expenditure commitments

At 30 June 2021 the Group contracted for capital expenditure of RUB 7,845 (net of VAT) (31 December 2020: RUB 7,144).

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 2021.

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.

In 2021 Russian legislative authorities performed further update of state taxation system and continue to diligently collaborate with foreign tax authorities in the framework of an international tax information exchange which makes corporate operations more transparent. After the speech of the Russian President in 2020 about the intention to increase withholding tax rate on dividends and interest paid from Russia to the so-called "offshore jurisdictions" it is generally known that the Russian Ministry of Finance sent letters to finance ministries of some foreign jurisdictions regarding proposed changes to the current tax rates provided in Double Tax Treaties (DTTs), including Cyprus, Luxembourg, Malta and the Netherlands.

In the second half of 2020 it was officially announced by the Russian Ministry of Finance, Russia signed a Protocol to amend the double tax treaties with Cyprus, Luxembourg and Malta. The parties agreed to raise the basic tax rate on dividends and interest to 15% with exceptions for public companies for which the rate stays 5%. The changes related to DTTs with Cyprus and Malta come into force from 1 January 2021, with Luxemburg from 1 January 2022 and would not apply retrospectively. In May 2021 the Federal law of denunciation the DTT with the Netherlands was adopted, as a result respective DTT expires starting from 2022. These changes would not apply retrospectively to income paid prior to 2022. Besides that, the Russian Ministry of Finance plans to change tax agreements with Hong Kong, Singapore and Switzerland.

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 2019, a threshold of RUB 60 million applies for cross-border transactions to be classified as controlled for transfer pricing purposes.

The amendments described above as well as 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.

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.

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.