

X5 RETAIL GROUP REPORTS 20.2% NET RETAIL SALES GROWTH IN Q1 2018

- ✓ Total net retail sales growth remained strong at 20.2% y-o-y, driven by:
 - 0.5% increase in like-for-like (LFL) sales; and
 - 19.7% sales growth contribution from a 26.0% rise in selling space.
- ✓ LFL traffic in Q1 2018 was negative at (1.6)%, affected by X5's decision to control promo levels in an intense promo environment and consumers' high sensitivity to prices.
- ✓ X5 added 580 net new stores in Q1 2018 vs. 630 in Q1 2017, contributing to additional net selling space of 253.3 th. sq. m in the quarter.

Amsterdam, 19 April 2018 - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE and MOEX ticker: "FIVE"), announces today the Company's preliminary consolidated net retail sales and operational results for the first quarter (Q1) of 2018⁽¹⁾.

Net Retail Sales⁽²⁾ Performance

Net Russian ruble (RUB) retail sales by format, million (mln)⁽³⁾

RUB mln	Q1 2018	Q1 2017	change y-o-y, %
Pyaterochka	271,048	222,941	21.6
Perekrestok	55,250	44,964	22.9
Karusel	22,218	21,055	5.5
X5 Retail Group	350,346	291,484	20.2

Q1 2018 monthly net RUB retail sales by format, % change y-o-y

	January 2018	February 2018	March 2018
Pyaterochka	24.2	20.0	20.7
Perekrestok	16.4	24.7	27.1
Karusel	5.6	1.6	9.2
X5 Retail Group	21.2	19.0	20.4

Average Ticket and Number of Customer Visits

Q1 2018 average ticket and customer visits by format

	Q1 2018	Q1 2017	change y-o-y, %
Average Ticket, RUB			
Pyaterochka	360.9	358.6	0.7
Perekrestok	556.2	541.6	2.7
Karusel	782.5	733.2	6.7
X5 Retail Group	395.8	392.8	0.7
# of Customers, mln			
Pyaterochka	857.8	710.3	20.8
Perekrestok	113.3	94.8	19.6
Karusel	32.4	32.8	(1.3)
X5 Retail Group	1,011.0	847.8	19.2

(1) Numbers in this press release are preliminary and have not been reviewed or audited by the Company's auditor.

(2) Net retail sales represent revenue from operations of X5-managed stores net of VAT. This number differs from revenue, which also includes proceeds from direct franchisees (royalty payments) and other revenue, which will be reported as part of X5's Q1 2018 financial results.

(3) In the tables and text of this press release, immaterial deviations in calculation of % change, subtotals and totals are due to rounding.

LFL Sales Performance

Q1 2018 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Sales	Traffic	Basket
Pyaterochka	(0.8)	(2.2)	1.4
Perekrestok	6.4	3.3	3.0
Karusel	3.3	(2.0)	5.3
X5 Retail Group	0.5	(1.6)	2.2

Expansion Dynamics

Selling space and # of stores by format

	As at 31-Mar-18	As at 31-Dec-17	change vs 31-Dec-17, %	As at 31-Mar-17	change vs 31-Mar-17, %
Selling Space, square metres (sq. m)					
Pyaterochka	4,642,926	4,426,808	4.9	3,580,802	29.7
Perekrestok	685,551	637,242	7.6	551,950	24.2
Karusel	382,168	385,271	(0.8)	382,822	(0.2)
X5 Retail Group	5,733,064	5,479,741	4.6	4,550,333	26.0
# of Stores					
Pyaterochka	11,797	11,225	5.1	9,002	31.0
Perekrestok	674	638	5.6	544	23.9
Karusel	92	93	(1.1)	90	2.2
X5 Retail Group	12,701	12,121	4.8	9,817	29.4

Selling space and # of stores added by format

	Net Added Q1 2018	Net Added Q1 2017	change, y-o-y, %
Selling Space, square metres (sq. m)			
Pyaterochka	216,118	251,529	(14.1)
Perekrestok	48,309	3,477	1,289.2
Karusel	(3,103)	(4,075)	n/a
X5 Retail Group	253,323	248,581	1.9
Net # of Stores			
Pyaterochka	572	639	(10.5)
Perekrestok	36 ⁽⁵⁾	5	620.0
Karusel	(1)	(1)	n/a
X5 Retail Group	580	630	(7.9)

(4) 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 LFL calculation starting from the day of the store's opening. We include all stores that fit our LFL criteria in each reporting period.

(5) Including 28 supermarkets acquired by X5 from O'KEY in December 2017.

Key Drivers for Q1 2018 Results

External environment

- Food inflation remained at a record low level of 1.0% in the first quarter of 2018, however did accelerate from 0.7% in January to 1.3% in March.
- Despite growth in real wages, and a sharp increase in real income in February, growth in real food retail turnover remains weak, increasing by just 2.0% y-o-y in Q1 2018.
- During the quarter, consumer behaviour remained rational and highly sensitive to promo. At the same time, in Moscow a trend in traffic moving away from proximity stores towards upscale formats, including supermarkets, indicates potential improvement in customer confidence.
- The base for Q1 2018 y-o-y comparisons was influenced by a one-off additional pension payment made in Q1 2017 that led to additional traffic and spending during the period, especially at Pyaterochka stores.
- Unusually cold weather in Russia (7 degrees Celsius colder than the average for the previous three years) and several major snowstorms affected traffic in February and March. At the same time, the decline in traffic was partially compensated by an increase in the average check (both y-o-y and q-o-q), as consumers sought to make fewer trips out but bought more during each visit.

Sales

- X5's LFL sales performance remained positive in Q1 2018 at 0.5% y-o-y, despite y-o-y deceleration of food inflation.
- Pyaterochka's net retail sales rose by 21.6% y-o-y. In addition to the factors mentioned above, the deceleration in y-o-y growth was influenced by Pyaterochka's decision to limit promo intensity to reduce the share of promo-hunters in traffic, as well as higher numbers and diversity of competition in the Moscow market. Pyaterochka's management is responding to these challenges with an ongoing project to clusterise stores into different segments to specifically target consumer needs, and by actively working on further adaptation of the format's CVP.
- Perekrestok's net retail sales growth accelerated in Q1 2018 compared to Q4 2017, reaching 22.9% y-o-y, the highest rate of growth since Q2 2011 and the highest increase among X5's major formats in Q1 2018. The format demonstrated the highest LFL of 6.4% y-o-y.
- Karusel's net retail sales growth amounted to 5.5% y-o-y in Q1 2018, driven primarily by average ticket growth of 6.7% y-o-y due to successful measures to broaden customer spending as part of the format's new customer focus.

Loyalty programmes

- X5 continued to develop its loyalty card programmes, and in the first quarter of 2018 Pyaterochka started to roll out personalised promos to registered Helping Card users.
- In total, X5's three retail formats had 29.7 million registered loyalty card users as of 31 March 2018, with penetration in traffic reaching 45% at Pyaterochka, 47% at Perekrestok and 65% at Karusel.

Expansion and retail portfolio improvement

- The Company has successfully rebranded 28 supermarkets that previously operated under the O'Key brand, which were acquired in the end of 2017. These stores, which are now operating under the Perekrestok brand, are delivering strong performance, with sales exceeding forecasted levels.

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- In April 2018, X5 acquired 99 former Polushka stores in Bashkortostan. Nearly all of the acquired stores are due to be integrated into the Pyaterochka chain, with the recently opened distribution centre in Ufa ensuring uninterrupted supplies across Pyaterochka's operations in Bashkortostan.
- Two Perekrestok stores were opened following refurbishments in Q1 2018, which, along with new openings, brought the total share of stores operating under the new concept to more than 76% as of 31 March 2018.
- The Perekrestok Online service continued to expand, with the number of orders increasing from 38 ths in Q4 2017 to 52 ths in Q1 2018, while the average check increased from RUB 3,157 to RUB 3,337 for the same respective periods.
- In Q1 2018, as part of the Company's ongoing rationalisation programme, X5 closed 126 Pyaterochka stores, 18 Perekrestok stores, one Karusel store and 27 Express stores.

Note to Editors:

X5 Retail Group N.V. (LSE and MOEX: FIVE, Fitch – 'BB', Moody's – 'Ba2', S&P – 'BB', RAEX – 'ruAA') is a leading Russian food retailer. The Company operates several retail formats: the chain of proximity stores under the Pyaterochka brand, the supermarket chain under the Perekrestok brand, the hypermarket chain under the Karusel brand and Express convenience stores under various brands.

As of 31 March 2018, X5 had 12,701 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 11,797 Pyaterochka proximity stores, 674 Perekrestok supermarkets, 92 Karusel hypermarkets and 138 convenience stores. The Company operates 39 DCs and 3,038 Company-owned trucks across the Russian Federation.

For the full year 2017, revenue totalled RUB 1,295,008 mln (USD 22,193 mln), Adjusted EBITDA reached RUB 99,131 mln (USD 1,699 mln), and adjusted net profit for the period amounted to RUB 33,768 mln (USD 579 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.06%, treasury shares – 0.01%, Shareholders with less than 3% – 40.63%.

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

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

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