

X5 RETAIL GROUP REPORTS 19.4% NET RETAIL SALES GROWTH IN Q2 2018

- ✓ Total net retail sales growth remained strong at 19.4% y-o-y, driven by:
 - 1.0% increase in like-for-like (LFL) sales; and
 - 18.4% sales growth contribution from a 23.3% rise in selling space.
- ✓ Net retail sales for X5's core formats Pyaterochka and Perekrestok increased by 21.0% and 22.8%, respectively, and by 1.3% at Karusel due to major refurbishment closures during the quarter.
- ✓ X5's LFL sales growth rose to 1.0% y-o-y in Q2 2018, up from 0.5% in Q1 2018. The effect of further deceleration of food inflation from 1.0% in Q1 2018 to 0.4% in Q2 2018 was partially offset by the short-term benefit from the World Cup in June.
- ✓ In Q2 2018, X5's LFL traffic demonstrated strong growth, reaching 1.7% y-o-y.
- ✓ X5 added 477 net new stores in Q2 2018, contributing to an additional 213.1 th. sq. m of net selling space in the quarter.

Amsterdam, 19 July 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 second quarter (Q2) and six months (H1) ended 30 June 2018⁽¹⁾.

Net Retail Sales⁽²⁾ Performance

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

RUB mln	Q2 2018	Q2 2017	change y-o-y, %	H1 2018	H1 2017	change y-o-y, %
Pyaterochka	302,265	249,905	21.0	573,313	472,847	21.2
Perekrestok	55,158	44,930	22.8	110,408	89,894	22.8
Karusel	21,858	21,575	1.3	44,076	42,630	3.4
X5 Retail Group	380,852	318,867	19.4	731,198	610,351	19.8

Q2 2018 monthly net RUB retail sales by format, % change y-o-y

	April 2018	May 2018	June 2018
Pyaterochka	20.9	20.6	21.4
Perekrestok	21.7	21.3	25.4
Karusel	2.1	1.5	0.3
X5 Retail Group	19.3	19.0	20.0

(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 Q2 and H1 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.

Average Ticket and Number of Customer Visits

Q2 & H1 2018 average ticket and customer visits by format

	Q2 2018	Q2 2017	change y-o-y, %	H1 2018	H1 2017	change y-o-y, %
Average Ticket, RUB						
Pyaterochka	344.4	349.7	(1.5)	352.0	353.9	(0.5)
Perekrestok	501.7	513.3	(2.3)	527.6	527.1	0.1
Karusel	761.9	737.2	3.3	772.1	735.2	5.0
X5 Retail Group	372.4	379.4	(1.8)	383.2	385.7	(0.6)
# of Customers, mln						
Pyaterochka	1,002.1	817.0	22.6	1,859.9	1,527.3	21.8
Perekrestok	125.4	99.8	25.6	238.7	194.6	22.7
Karusel	32.9	33.4	(1.4)	65.3	66.2	(1.4)
X5 Retail Group	1,167.7	960.6	21.6	2,178.7	1,808.4	20.5

Q2 2018 average monthly ticket and customer visits by format, % change y-o-y

	April 2018	May 2018	June 2018
Average Ticket			
Pyaterochka	0.2	(2.9)	(1.8)
Perekrestok	(0.6)	(3.6)	(2.5)
Karusel	4.7	2.6	2.8
X5 Retail Group	(0.1)	(3.2)	(2.1)
# of Customer Visits			
Pyaterochka	20.5	24.1	23.2
Perekrestok	22.7	25.9	28.6
Karusel	(2.5)	(0.6)	(1.2)
X5 Retail Group	19.4	22.9	22.4

LFL Sales Performance

Q2 & H1 2018 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Q2 2018			H1 2018		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	0.5	1.3	(0.8)	(0.1)	(0.3)	0.2
Perekrestok	4.4	6.4	(1.9)	5.4	4.9	0.5
Karusel	(0.4)	(2.8)	2.5	1.4	(2.4)	3.9
X5 Retail Group	1.0	1.7	(0.7)	0.8	0.1	0.6

(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.

Expansion Dynamics

Selling space and # of stores by format

	As at 30-Jun-18	As at 31-Dec-17	change vs 31-Dec-17, %	As at 30-Jun-17	change vs 30-Jun-17, %
Selling Space, square meters (sq. m.)					
Pyaterochka	4,841,148	4,426,808	9.4	3,844,061	25.9
Perekrestok	705,316	637,242	10.7	564,528	24.9
Karusel	386,271	385,271	0.3	379,723	1.7
X5 Retail Group	5,946,170	5,479,741	8.5	4,820,980	23.3
# of Stores					
Pyaterochka	12,314	11,225	9.7	9,688	27.1
Perekrestok	691	638	8.3	557	24.1
Karusel	93	93	0.0	90	3.3
X5 Retail Group	13,178	12,121	8.7	10,506	25.4

Selling space and # of stores added by format

	Net Added Q2 2018	Net Added Q2 2017	change, y-o-y, %	Net Added H1 2018	Net Added H1 2017	change, y-o-y, %
Selling Space, square meters (sq. m.)						
Pyaterochka	198,222	263,259	(24.7)	414,341	514,788	(19.5)
Perekrestok	19,765	12,578	57.1	68,074	16,055	324.0
Karusel	4,103	(3,099)	n/a	1,000	(7,174)	n/a
X5 Retail Group	213,106	270,647	(21.3)	466,429	519,228	(10.2)
Net # of Stores						
Pyaterochka	517	686	(24.6)	1,089	1,325	(17.8)
Perekrestok	17	13	30.8	53	18	194.4
Karusel	1	-	n/a	-	(1)	n/a
X5 Retail Group	477	689	(30.8)	1,057	1,319	(19.9)

Key Drivers for Q2 2018 Results

External environment

- Food inflation continued to decelerate to a new low in Q2 2018, from 1.3% in March to -0.2% in June. For the three-month period, food inflation in Q2 2018 decreased to 0.4%, from 1.0% in Q1 2018.
- Growth in demand for food products remains low despite high levels of government payments in early 2018. After a short period of growth in real disposable income in February-April, this indicator slowed to 0.2% y-o-y in June.
- Consumer behaviour during the period remained rational under the circumstances, and sensitive to promo. The consumer confidence index remains negative, at the same level as in Q1 2018 (-8%).
- Normalisation of weather conditions in Q2 2018 (April-June weather conditions on average were in line with the 3-year average) contributed to traffic recovery for the Company.

- Starting in June, the Company saw increased sales of products like beer, refreshments and snacks by 15-20% y-o-y in connection with the World Cup. This trend is expected to continue into July.

Sales

- X5's share of promo in Q2 2018 remained almost in line with Q1 2018 and Q2 2017.
- In Q2 2018, X5's average ticket decreased by 1.8%, mostly driven by deceleration of food inflation.
- Pyaterochka's net retail sales growth slightly decelerated to 21.0% y-o-y in Q2 2018 from 21.6% in Q1 2018, mainly due to the slower pace of selling space additions and declines in average ticket. LFL traffic returned to positive territory and reached 1.3% on the back of normalised weather conditions and the improvement of the fresh assortment with new SKUs in popular customer categories.
- Perekrestok's net retail sales growth remained almost unchanged at 22.8% in Q2 2018 compared to Q1 2018, the highest pace of growth among the Company's formats. LFL traffic was also the highest among all formats for the seventh quarter in a row and reached 6.4% y-o-y in Q2 2018.
- Karusel's net retail sales growth totalled 1.3% y-o-y in Q2 2018, driven by LFL basket growth of 2.5% y-o-y as the format's new customer focus has been actively encouraging more comprehensive purchases with each visit. The deceleration in overall growth was affected by the closure of six hypermarkets during Q2 2018 for refurbishment.

Loyalty programmes

- X5 continued to develop its loyalty card programmes. In total, X5's three retail formats had 30.3 million registered loyalty card users as of 30 June 2018, with penetration in traffic in June reaching 41% at Pyaterochka, 44% at Perekrestok and 74% at Karusel.

Expansion and retail portfolio improvement

- 11 Perekrestok stores were opened following refurbishments in Q2 2018, which, along with new openings, brought the total share of stores operating under the new concept to more than 77% as of 30 June 2018.
- One Karusel hypermarket was opened following refurbishment in Q2 2018 and six further stores were closed for refurbishment, due to re-open later in the year.
- In Q2 2018, X5 opened one new distribution centre in Petrozavodsk (19 ths sq. m.) to serve the Pyaterochka format.
- In Q2 2018, as part of the Company's ongoing rationalisation programme, X5 closed 86 Pyaterochka stores and seven Perekrestok stores.
- The Perekrestok Online service continued to expand, with the number of orders increasing from 52 ths in Q1 2018 to 64 ths in Q2 2018, while the average check decreased from RUB 3,337 to RUB 3,115 for the same respective periods mainly due to a twofold reduction of the minimum order amount from RUB 2,000 to RUB 1,000 at the beginning of Q2 2018. This change will help to attract a broader group of customers. Since the launch of Perekrestok Online, average net retail sales per omni-channel customer (online + offline) have increased by 1.7 times in Moscow. Average NPS of Perekrestok Online in Q2 2018 reached 82%, significantly exceeding the planned score of 73% for the year.

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 30 June 2018, X5 had 13,178 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 12,314 Pyaterochka proximity stores, 691 Perekrestok supermarkets, 93 Karusel hypermarkets and 80 convenience stores. The Company operates 40 DCs and 2,983 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). In Q1 2018, revenue totalled RUB 351,518 mln (USD 6,180 mln), adjusted EBITDA reached RUB 22,234 mln (USD 391 mln), and net profit amounted to RUB 5,628 mln (USD 99 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 of the date of this announcement. Save as required by any applicable laws or regulations, X5 Retail Group N.V. undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

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

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