

X5 SUPERVISORY BOARD APPROVES TRANSFORMATION OF HYPERMARKETS FORMAT

Amsterdam, 26 September 2019 – X5 Retail Group ("X5" or the "Company"), a leading Russian food retailer (LSE and MOEX ticker: "FIVE"), announces its decision to transform its Karusel hypermarket format. The hypermarket format contributed 5.1% of the Company's revenue in 6M 2019 and 2.9% of X5's consolidated EBITDA for the same period. Currently Karusel consists of 91 stores, of which 42 are leased and 49 are owned.

The decision to transform the hypermarket format is in line with the Company's objective to better meet customer needs and maximise investment returns across all business units. It also reflects management's strategic vision regarding future trends in the fast-changing retail sector, whereby proximity and supermarket formats are better-suited to fulfilling customer needs, while online shopping rapidly improves convenience and the variety of goods available to customers. X5 has achieved market leading positions in the proximity and supermarket segments with its Pyaterochka and Perekrestok stores, and will continue to focus on further enhancing these businesses with various technology-driven solutions that will be implemented as part of X5's digital strategy.

The decision is also based on the results of various pilots based on large Perekrestok supermarkets, including converting Karusel stores to large Perekrestok stores (2,500-3,500 sq. m. selling space on average). Preliminary results of the large supermarket pilots are encouraging and indicate a trend towards improved unit economics once the stores mature under the supermarket banner.

Karusel transformation is expected to take shape over a period of approximately two years along the following lines:

- Based on successful pilots, 34 Karusel stores are due to become large supermarkets under the Perekrestok brand. The conversion of all 34 stores (8 leased, 26 owned) is expected to be completed by early 2021;
- 20 Karusel stores (all leased) will be closed by 2022;
- 37 Karusel stores (14 leased, 23 owned) while continuing to operate as Karusel hypermarkets, will be evaluated with a view to them being re-purposed, sold or closed, subject to further test pilots and management analysis.

The non-cash negative impact from the planned transfer and closure of stores on the Company's Q3 2019 net income (under IAS 17) is estimated to be in the range of RUB 5-6 billion.

X5 Retail Group CEO Igor Shekhterman commented: *"X5's management team is committed to creating value for our customers while delivering sustainable growth and focusing on improving returns. We decided to transform X5's hypermarket operations because of the structural challenges facing the hypermarket format, pressure from e-commerce, as well as our desire to focus on the proximity and supermarket formats that are popular with our customers. Our rapidly growing Perekrestok.ru online business is enabling us to replace Karusel's offering for guests with a 'stock up'*

shopping mission. In the longer term, we expect that the net impact on the profitability of our retail operations from this transformation will be positive as we aim to improve sales densities and economics for the stores that will be transferred to the Perekrestok brand.

"The stores that we plan to close have been generating EBITDA margins below our target level despite various efforts to improve performance. For the remaining Karusel stores the management team will carefully consider and pilot the best solutions for our customers, employees and business partners.

"The transformation of Karusel stores will allow our management team to be even more focused on our core formats, as well as on key innovation and digital initiatives that should enable us to further strengthen investment returns and create long-term value for all stakeholders."

More details and management comments will be available when the Company reports its Q3 2019 financial results on 22 October and at X5's Capital Markets Day on 23 October.

Note to Editors:

X5 Retail Group N.V. (LSE and MOEX: FIVE, Fitch – ‘BB+’, Moody's – ‘Ba1’, S&P – ‘BB’, RAEX – ‘ruAA’) is a leading Russian food retailer. The Company operates several retail formats: the chain of proximity stores under the Pyaterochka brand, the supermarket chain under the Perekrestok brand and the hypermarket chain under the Karusel brand.

As of 30 June 2019, X5 had 15,260 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 14,385 Pyaterochka proximity stores, 785 Perekrestok supermarkets and 90 Karusel hypermarkets. The Company operates 42 DCs and 3,952 Company-owned trucks across the Russian Federation.

For the full year 2018, revenue totalled RUB 1,532,537 mln (USD 24,439 mln), Adjusted EBITDA reached RUB 109,871 mln (USD 1,752 mln), and net profit for the period amounted to RUB 28,642 mln (USD 457 mln). In H1 2019, revenue totalled RUB 843,175 mln (USD 12,905 mln), adjusted EBITDA reached RUB 66,072 mln (USD 1,011 mln), and net profit amounted to RUB 22,805 mln (USD 349 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.08%, treasury shares – 0.01%, Shareholders with less than 3% – 40.62%.

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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