

X5 RETAIL GROUP REPORTS 27.7% NET RETAIL SALES GROWTH IN Q2 2017

- ✓ Total net retail sales growth accelerated to 27.7% y-o-y, driven by:
 - 6.6% increase in like-for-like (LFL) sales; and
 - 21.1% sales growth contribution from a 28.7% rise in selling space.
- ✓ In Q2 2017, X5 LFL traffic growth remained strong at 2.0% y-o-y.
- ✓ Pyaterochka was the main driver of growth in Q2 2017; net retail sales rose by 31.9% y-o-y, on the back of:
 - 6.0% rise in LFL sales; and
 - 25.9% increase from net new space, resulting from a 36.1% rise in selling space.
- ✓ Perekrestok's net retail sales growth accelerated to 20.4% y-o-y in Q2 2017 from 19.8% y-o-y in Q1 2017. LFL traffic at Perekrestok was positive for the sixth quarter in a row and was the highest among X5's major formats in Q2 2017.
- ✓ X5 added 689 net new stores in Q2 2017 vs. 539 in Q2 2016, contributing to additional net selling space of 270.6 th. sq. m. in the quarter.

Amsterdam, 20 July 2017 - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE 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 2017⁽¹⁾.

Net Retail Sales⁽²⁾ Performance

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

RUB mln	Q2 2017	Q2 2016	change y-o-y, %	H1 2017	H1 2016	change y-o-y, %
Pyaterochka	249,905	189,437	31.9	472,847	360,806	31.1
Perekrestok	44,930	37,315	20.4	89,894	74,856	20.1
Karusel	21,575	20,124	7.2	42,630	39,141	8.9
Express	2,456	2,845	(13.7)	4,979	5,519	(9.8)
X5 Retail Group	318,867	249,722	27.7	610,351	480,323	27.1

Q2 2017 monthly net RUB retail sales by format, % change y-o-y

	April 2017	May 2017	June 2017
Pyaterochka	31.9	33.9	30.0
Perekrestok	20.5	21.5	19.2
Karusel	0.4	11.2	10.8
Express	(11.0)	(12.8)	(17.3)
X5 Retail Group	26.9	29.8	26.4

(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 2017 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 2017 average ticket and customer visits by format

	Q2 2017	Q2 2016	change y-o-y, %	H1 2017	H1 2016	change y-o-y, %
Average Ticket, RUB						
Pyaterochka	349.7	341.5	2.4	353.9	348.1	1.7
Perekrestok	513.3	486.9	5.4	527.1	504.1	4.5
Karusel	737.2	671.9	9.7	735.2	686.7	7.1
Express	275.2	275.0	0.1	285.3	289.2	(1.3)
X5 Retail Group	379.4	371.7	2.1	385.7	380.7	1.3
# of Customers, mln						
Pyaterochka	817.0	634.6	28.7	1,527.3	1,186.0	28.8
Perekrestok	99.8	87.3	14.3	194.6	169.2	15.0
Karusel	33.4	34.2	(2.3)	66.2	65.1	1.6
Express	10.4	12.1	(14.0)	20.3	22.3	(8.8)
X5 Retail Group	960.6	768.1	25.1	1,808.4	1,442.6	25.4

Q2 2017 average monthly ticket and customer visits by format, % change y-o-y

	April 2017	May 2017	June 2017
Average Ticket			
Pyaterochka	1.5	2.8	2.9
Perekrestok	3.8	5.6	6.9
Karusel	10.8	8.3	9.9
Express	(0.9)	(0.3)	1.3
X5 Retail Group	0.9	2.4	2.9
# of Customer Visits			
Pyaterochka	29.8	30.1	26.4
Perekrestok	15.8	16.2	10.9
Karusel	(9.6)	2.4	1.3
Express	(10.4)	(12.7)	(18.6)
X5 Retail Group	25.6	26.7	22.9

LFL Sales Performance

Q2 & H1 2017 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Q2 2017			H1 2017		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	6.0	2.0	3.9	6.3	3.1	3.1
Perekrestok	11.1	5.7	5.2	10.7	6.4	4.1
Karusel	6.3	(2.3)	8.8	7.8	1.6	6.2
Express	(11.4)	(11.9)	0.5	(10.5)	(9.8)	(0.8)
X5 Retail Group	6.6	2.0	4.5	6.9	3.2	3.6

(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-17	As at 31-Dec-16	change vs 31-Dec-16, %	As at 30-Jun-16	change vs 30-Jun-16, %
Selling Space, square meters (sq. m.)					
Pyaterochka	3,844,061	3,329,273	15.5	2,825,106	36.1
Perekrestok	564,528	548,473	2.9	501,538	12.6
Karusel	379,723	386,897	(1.9)	384,174	(1.2)
Express	32,669	37,110	(12.0)	36,542	(10.6)
X5 Retail Group	4,820,980	4,301,752	12.1	3,747,359	28.7
# of Stores					
Pyaterochka	9,688	8,363	15.8	7,164	35.2
Perekrestok	557	539	3.3	493	13.0
Karusel	90	91	(1.1)	89	1.1
Express	171	194	(11.9)	190	(10.0)
X5 Retail Group	10,506	9,187	14.4	7,936	32.4

Selling space and # of stores added by format

	Net Added Q2 2017	Net Added Q2 2016	change, y-o-y, %	Net Added H1 2017	Net Added H1 2016	change, y-o-y, %
Selling Space, square meters (sq. m.)						
Pyaterochka	263,259	235,525	11.8	514,788	402,480	27.9
Perekrestok	12,578	7,283	72.7	16,055	17,530	(8.4)
Karusel	(3,099)	(10,446)	(70.3)	(7,174)	(5,959)	20.4
Express	(2,090)	810	n/a	(4,441)	135	n/a
X5 Retail Group	270,647	233,173	16.1	519,228	414,185	25.4
Net # of Stores						
Pyaterochka	686	528	29.9	1,325	899	47.4
Perekrestok	13	7	85.7	18	15	20.0
Karusel	-	(2)	n/a	(1)	(1)	n/a
Express	(10)	6	n/a	(23)	3	n/a
X5 Retail Group	689	539	27.8	1,319	916	44.0

Key Drivers for Q2 2017 Results

Sales

- X5 delivered strong LFL sales growth of 6.6% in Q2 2017. LFL traffic increased by 2.0% y-o-y and was affected by the unfavorable weather conditions in most of the European part of Russia (significantly lower than average temperatures and significantly more precipitation than normal), however, the pressure on traffic was partially compensated by quarter-on-quarter acceleration in growth of the LFL basket from 2.6% y-o-y in Q1 2017 to 4.5% y-o-y in Q2 2017, as customers sought to buy more during fewer visits.
- The decline in LFL traffic at Karusel in Q2 2017 was primarily due to the high base effect from April 2016 related to tactical promotions conducted during that period. In 2017, the format has focused on operational and customer experience improvements, aimed, among other things, at sustainable growth in average ticket and at attracting the target audience. In May and June 2017, Karusel saw positive LFL traffic growth.

Expansion and refurbishment programme

- New space delivery continued to accelerate: X5 added 270.6 th. sq. m. of selling space in Q2 2017 vs. 233.2 th. sq. m in Q2 2016. For H1 2017, X5 has added 519.2 th. sq. m. of selling space.
- Pyaterochka was the main driver of the store base increase. In Q2 2017, this format added 263.3 th. sq. m. of selling space, up by 11.8% y-o-y.
- 72 Pyaterochka stores were refurbished in Q2 2017 as part of X5's investment programme to upgrade existing stores. In conjunction with new openings, the share of stores operating under the new concept exceeded 97% as of 30 June 2017.
- 17 Perekrestok stores were refurbished in Q2 2017, which, along with new openings, brought the total share of stores operating under the new concept to more than 61% as of 30 June 2017.
- One Karusel store was refurbished in Q2 2017.
- In Q2 2017, X5 opened two new distribution centres (DC) in Yekaterinburg (35,500 sq. m.) and Perm (24,400 sq. m.) to serve the Pyaterochka format. X5 closed one DC in Perm that served the Pyaterochka format and did not meet the Company's efficiency criteria. One DC in St Petersburg that served the Pyaterochka format was converted into an import hub.
- In Q2 2017, as part of the Company's ongoing rationalisation programme, X5 closed 35 Pyaterochka stores, seven Perekrestok stores, one Karusel store and ten Express stores.

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – 'BB', Moody's – 'Ba2', S&P – 'BB') 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 2017, X5 had 10,506 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 9,688 Pyaterochka proximity stores, 557 Perekrestok supermarkets, 90 Karusel hypermarkets and 171 convenience stores. The Company operates 36 DCs and 2,425 Company-owned trucks across the Russian Federation.

For the full year 2016, revenue totalled RUB 1,033,667 mln (USD 15,420 mln), Adjusted EBITDA reached RUB 79,519 mln (USD 1,186 mln), and net profit for the period amounted to RUB 22,291 mln (USD 333 mln). In Q1 2017, revenue totalled RUB 293,078 mln (USD 4,981 mln), EBITDA reached RUB 22,167 mln (USD 377 mln), and net profit amounted to RUB 8,355 mln (USD 142 mln).

X5's Shareholder structure is as follows: Alfa Group – 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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