

X5 RETAIL GROUP REPORTS 14.4% NET RETAIL SALES GROWTH IN Q2 2019

- ✓ Total net retail sales increased by 14.4% y-o-y (15.2% y-o-y, incl. VAT), in roubles (RUB) driven by:
 - 5.0% increase in like-for-like (LFL)⁽¹⁾ sales; and
 - 9.4% sales growth contribution from a 14.1% rise in selling space.
- ✓ Net retail sales for X5's core formats Pyaterochka and Perekrestok increased by 15.6% and 18.1% y-o-y, respectively.
- ✓ X5's LFL sales growth remained strong at 5.0% y-o-y in Q2 2019, with an increased contribution from LFL traffic. LFL sales growth was positive across all X5 formats.
- ✓ X5's LFL traffic growth accelerated at the highest pace since Q1 2017, reaching 3.3% y-o-y in Q2 2019, from 2.7% y-o-y in Q1 2019.
- ✓ Karusel's net retail sales decreased by 3.6% y-o-y in Q2 2019 due to the transfer of one hypermarket to Perekrestok in Q2 2019 in addition to the transfer of two hypermarkets and closure of one in Q1 2019, in line with the format's strategy of optimising its store portfolio.
- ✓ X5 added 481 net new stores in Q2 2019.

Amsterdam, 18 July 2019 - 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 2019⁽²⁾.

Net Retail Sales⁽³⁾ Performance

Net retail sales by format⁽⁴⁾

RUB mln	Q2 2019	Q2 2018	change y-o-y, %	H1 2019	H1 2018	change y-o-y, %
Pyaterochka	349,395	302,265	15.6	664,669	573,313	15.9
Perekrestok	65,125	55,158	18.1	131,570	110,408	19.2
Karusel	21,067	21,858	(3.6)	42,985	44,076	(2.5)
X5 Retail Group	435,587	380,852	14.4	839,703	731,198	14.8

Q2 & H1 2019 LFL store performance by format, % change y-o-y

	Q2 2019			H1 2019		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	4.8	3.2	1.6	4.8	2.7	2.0
Perekrestok	7.7	6.3	1.3	8.1	7.1	1.0
Karusel	0.4	(3.5)	4.1	1.2	(3.0)	4.3
X5 Retail Group	5.0	3.3	1.6	5.0	3.0	2.0

(1) 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.

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

(3) 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 2019 financial results.

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

Q2 2019 monthly net RUB retail sales by format, % change y-o-y

	April 2019	May 2019	June 2019
Pyaterochka	14.8	16.0	16.0
Perekrestok	18.1	17.9	18.2
Karusel	(3.6)	(2.5)	(4.8)
X5 Retail Group	13.7	14.8	14.7

Average Ticket and Number of Customer Visits
Q2 & H1 2019 average ticket and customer visits by format

	Q2 2019	Q2 2018	change y-o-y, %	H1 2019	H1 2018	change y-o-y, %
<u>Average Ticket, RUB</u>						
Pyaterochka	346.8	344.4	0.7	355.9	352.0	1.1
Perekrestok	508.4	501.7	1.3	532.4	527.6	0.9
Karusel	801.4	761.9	5.2	812.9	772.1	5.3
X5 Retail Group	374.9	372.4	0.7	387.0	383.2	1.0
<u># of Customers, mln</u>						
Pyaterochka	1,158.5	1,002.1	15.6	2,150.9	1,859.9	15.6
Perekrestok	147.0	125.4	17.3	283.9	238.7	18.9
Karusel	30.3	32.9	(8.0)	60.8	65.3	(6.8)
X5 Retail Group	1,335.8	1,167.7	14.4	2,497.7	2,178.7	14.6

Q2 2019 average monthly ticket and customer visits by format, % change y-o-y

	April 2019	May 2019	June 2019
<u>Average Ticket</u>			
Pyaterochka	(0.8)	3.1	(0.2)
Perekrestok	0.2	3.6	0.3
Karusel	3.4	8.4	3.9
X5 Retail Group	(0.7)	3.0	(0.3)
<u># of Customer Visits</u>			
Pyaterochka	17.1	13.6	16.3
Perekrestok	18.7	14.2	19.0
Karusel	(5.5)	(9.8)	(8.8)
X5 Retail Group	15.8	12.3	15.2

Expansion Dynamics

Selling space and # of stores by format

	As at 30-Jun-19	As at 31-Dec-18	change vs 31-Dec-18, %	As at 30-Jun-18	change vs 30-Jun-18, %
Selling Space, square meters (sq. m.)					
Pyaterochka	5,607,228	5,291,421	6.0	4,841,148	15.8
Perekrestok	814,808	781,538	4.3	705,316	15.5
Karusel	364,028	382,024	(4.7)	386,271	(5.8)
X5 Retail Group	6,786,064	6,463,735	5.0	5,946,170	14.1
# of Stores					
Pyaterochka	14,385	13,522	6.4	12,314	16.8
Perekrestok	785	760	3.3	691	13.6
Karusel	90	94	(4.3)	93	(3.2)
X5 Retail Group	15,260	14,431	5.7	13,178	15.8

Selling space and # of stores added by format

	Net Added Q2 2019	Net Added Q2 2018	change, y-o-y, %	Net Added H1 2019	Net Added H1 2018	change, y-o-y, %
Selling Space, square meters (sq. m.)						
Pyaterochka	172,366	198,222	(13.0)	315,807	414,341	(23.8)
Perekrestok	20,574	19,765	4.1	33,270	68,074	(51.1)
Karusel	(5,465)	4,103	n/a	(17,996)	1,000	n/a
X5 Retail Group	187,476	213,106	(12.0)	322,330	466,429	(30.9)
Net # of Stores						
Pyaterochka	468	517	(9.5)	863	1,089	(20.8)
Perekrestok	14	17	(17.6)	25	53	(52.8)
Karusel	(1)	1	n/a	(4)	0	n/a
X5 Retail Group	481	477	0.8	829	1,057	(21.6)

Perekrestok.ru Performance

	Q2 2019	Q2 2018	change y-o-y, %	H1 2019	H1 2018	change y-o-y, %
Net sales, RUB mln	867	204	325.0	1,758	378	365.1
Number of orders	265,880	64,232	313.9	541,009	115,881	366.9
Average ticket, RUB	3,222	3,115	3.4	3,208	3,214	(0.2)

Key Drivers for Q2 2019 Results

External environment

- Growth in consumer demand for food products saw slight acceleration in Q2 2019 to 1.6% y-o-y in real terms from 1.5% y-o-y in Q1 2019 despite relatively high food inflation.
- Food inflation accelerated to 5.9% y-o-y in Q2 2019 from 5.8% y-o-y in Q1 2019. It rose slightly above expectations in April-May 2019 (up to 6.4% y-o-y) and started to decelerate in June to 5.5% y-o-y mainly due to an early harvest of 2019 on the back of warm weather conditions.
- Real wages in Q2 2019 showed a marked acceleration to 2.3% y-o-y from 1.3% y-o-y in Q1 2019. The unemployment rate fell to a record low 4.4% in June.
- Consumer sentiment continued to slowly improve from -16% in Q1 2019 to -15% in Q2 2019.

Sales

- LFL traffic was positive in X5's core formats Pyaterochka and Perekrestok in Q2 2019.
- Pyaterochka's net retail sales growth in Q2 2019 was 15.6% y-o-y, compared to 21.0% y-o-y in Q2 2018, due to the slower pace of openings. LFL traffic accelerated to 3.2% y-o-y in Q2 2019 from 2.2% y-o-y in Q1 2019, as a result of changing customer behaviour – more frequent visits to stores with lower purchases. In the high inflation environment, consumers increased their focus on prices. X5's proximity format has seen an inflow of customers from hypermarkets and other proximity stores due to an attractive mix of low prices and good assortment at Pyaterochka stores. LFL basket improved by 1.6% y-o-y, reflecting the fewer number of items in the consumers' basket, while shelf price inflation in Pyaterochka stores was 0.9% lower than the average food inflation during the period.
- Perekrestok's net retail sales growth reached 18.1% in Q2 2019, delivering the highest pace of growth among the Company's formats. LFL revenue in the supermarket segment was driven predominantly by 6.3% y-o-y LFL traffic growth, which was the highest across our formats for the eleventh consecutive quarter. In addition to increasing frequency of visits per customer, Perekrestok supermarkets are also seeing a positive trend with the inflow of younger consumers (based on loyalty card data). Demand for ready-to-eat/ready-to-cook products is also growing, especially in Moscow and St Petersburg, among the supermarket format's target audience. Customer inflow to Perekrestok supermarkets is predominantly from hypermarkets as well as from proximity stores. Online supermarket Perekrestok.ru continues to develop in line with plans, providing a small but very quickly growing contribution to the supermarket segment's revenue.
- Karusel saw a small 3.6% y-o-y decline in net retail sales, mainly due to the transfer of three stores to Perekrestok management during H1 2019 and the closure of one, while the LFL revenue contribution was positive, at 0.4% y-o-y.

Loyalty programmes

- X5 continued to develop its loyalty card programmes. In total, X5's three retail formats had 39.6 million registered loyalty card users as of 30 June 2019, with penetration in traffic in June reaching 48% at Pyaterochka, 53% at Perekrestok and 76% at Karusel.

Expansion and retail portfolio improvement

- In line with the strategy of balanced growth, the Company opened less proximity and supermarket format stores over the second quarter of 2019 compared with Q2 2018. Our full-year target to open 2,000 new stores (gross) in two core formats remains unchanged.
- In Q2 2019, as part of the Company's ongoing rationalisation programme, X5 closed 58 proximity stores and five supermarkets, while one hypermarket was transferred to Perekrestok.
- Six supermarkets were opened following refurbishments in Q2 2019, which, along with new openings, brought the total share of stores operating under the new concept to more than 89% as of 30 June 2019.
- Pilot Pyaterochka and Perekrestok stores that will test elements of the formats' new customer value proposition (CVP) were opened in Q2 2019. The new concepts are due to be finalised by the end of the year.
- In Q2 2019, X5 opened one new distribution centre in Velikiy Novgorod (20.0 ths sq. m) to serve the proximity format.
- Online supermarket Perekrestok.ru continued to expand. The total number of orders exceeded 265 ths in Q2 2019, increasing by more than four times compared to Q2 2018. It plans to open the third dark store in Moscow in Q3 2019.

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 Q1 2019, revenue totalled RUB 405,864 mln (USD 6,138 mln), adjusted EBITDA reached RUB 29,473 mln (USD 446 mln), and net profit amounted to RUB 9,297 mln (USD 141 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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