

X5 RETAIL GROUP REPORTS 18.5% NET RETAIL SALES GROWTH IN 2018

FY 2018 Highlights

- ✓ Total net retail sales growth remained strong at 18.5% y-o-y, driven by:
 - 1.5% increase in like-for-like (LFL) sales; and
 - 17.0% sales growth contribution from an 18.0% rise in selling space.
- ✓ Net retail sales for X5's core formats Pyaterochka and Perekrestok increased by 19.7% and 23.5% y-o-y, respectively, and grew by 1.7% y-o-y at Karusel.
- ✓ X5's LFL sales and traffic growth remained positive at 1.5% and 0.9% y-o-y, respectively, in 2018. LFL sales and traffic were positive for both core formats Pyaterochka and Perekrestok.
- ✓ X5 added 2,310 net new stores in 2018, contributing to an additional 984.0 th. sq. m. of net selling space. Net selling space growth decelerated from 27.4% y-o-y in 2017 to 18.0% y-o-y in 2018.

Q4 2018 Highlights

- ✓ Total net retail sales growth remained strong at 17.1% y-o-y, driven by:
 - 3.7% increase in LFL sales; and
 - 13.4% sales growth contribution from an 18.0% rise in selling space.
- ✓ Net retail sales for X5's core formats Pyaterochka and Perekrestok increased by 18.1% and 23.0% y-o-y, respectively, and grew by 0.5% y-o-y at Karusel.
- ✓ X5's LFL sales and traffic growth accelerated q-o-q to 3.7% and 2.2% y-o-y, respectively.
- ✓ X5's LFL basket growth in Q4 2018 was positive on the back of increasing food inflation.
- ✓ X5 added 746 net new stores in Q4 2018, contributing to an additional 308.7 th. sq. m of net selling space in the quarter.

Amsterdam, 23 January 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 fourth quarter (Q4) and full year (FY) ended 31 December 2018⁽¹⁾.

X5 Chief Executive Officer Igor Shekhterman said:

"Our focus on smart expansion and operational excellence helped X5 to deliver 18.5% year-on-year growth in net retail sales, despite continued macro challenges facing the Russian food retail sector. Real income growth was near zero in 2018 and food inflation remained low for most of the year, starting to accelerate only in the third quarter.

"In this environment, we achieved growth in LFL sales, traffic and basket at the group level. Our core formats Pyaterochka and Perekrestok continued to make solid positive contributions to higher net retail sales. LFL traffic growth accelerated in Q4 2018 at both core formats compared to the previous quarter. We are particularly pleased with the LFL traffic growth of 8.2% at Perekrestok, the highest level achieved since Q2 2011.

"While the current environment remains challenging, we maintain our focus on building Russia's leading modern food retail business and evolving to remain at the forefront of the sector in the long term. We grew our omni-channel offering, with Perekrestok Online expanding into St Petersburg and expanding its Moscow operations in line with plans. We are very pleased with the high level of repeat customers for this new service. While continuously seeking to expand the channels through which we can reach our customers, we also remain focused on efficiency and operational excellence."

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

Net Retail Sales⁽²⁾ Performance

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

RUB mln	Q4 2018	Q4 2017	change y-o-y, %	FY 2018	FY 2017	change y-o-y, %
Pyaterochka	326,513	276,443	18.1	1,197,772	1,000,942	19.7
Perekrestok	67,215	54,624	23.0	230,848	186,936	23.5
Karusel	26,095	25,967	0.5	90,818	89,302	1.7
X5 Retail Group	420,883	359,467	17.1	1,525,015	1,286,949	18.5

Q4 2018 monthly net RUB retail sales by format, % change y-o-y

	October 2018	November 2018	December 2018
Pyaterochka	16.9	18.7	18.7
Perekrestok	23.7	23.5	22.2
Karusel	(1.1)	(1.3)	2.7
X5 Retail Group	16.2	17.5	17.4

Average Ticket and Number of Customer Visits

Q4 & FY 2018 average ticket and customer visits by format

	Q4 2018	Q4 2017	change y-o-y, %	FY 2018	FY 2017	change y-o-y, %
Average Ticket, RUB						
Pyaterochka	361.5	358.7	0.8	349.6	350.6	(0.3)
Perekrestok	545.8	550.5	(0.8)	521.1	524.7	(0.7)
Karusel	856.2	830.6	3.1	787.9	758.3	3.9
X5 Retail Group	396.7	395.1	0.4	380.6	382.5	(0.5)
# of Customers, mln						
Pyaterochka	1,032.1	882.4	17.0	3,913.3	3,266.8	19.8
Perekrestok	140.5	113.1	24.2	505.1	406.7	24.2
Karusel	34.7	35.9	(3.3)	131.5	134.6	(2.3)
X5 Retail Group	1,211.9	1,041.3	16.4	4,574.9	3,849.0	18.9

(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 Q4 and FY 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.

Q4 2018 average monthly ticket and customer visits by format, % change y-o-y

	October 2018	November 2018	December 2018
Average Ticket			
Pyaterochka	(1.2)	1.0	2.5
Perekrestok	(2.5)	(0.2)	0.2
Karusel	(0.0)	3.6	4.7
X5 Retail Group	(1.5)	0.6	2.0
Customer visits			
Pyaterochka	18.2	17.5	15.3
Perekrestok	27.3	23.2	22.4
Karusel	(1.4)	(5.2)	(3.2)
X5 Retail Group	17.8	16.7	14.8

LFL Sales Performance
Q4 & FY 2018 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Q4 2018			FY 2018		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	3.3	1.7	1.6	0.9	0.4	0.5
Perekrestok	7.5	8.2	(0.7)	5.9	6.2	(0.4)
Karusel	(0.4)	(2.8)	2.5	(0.0)	(3.1)	3.2
X5 Retail Group	3.7	2.2	1.4	1.5	0.9	0.6

Expansion Dynamics
Selling space and # of stores by format

	As at 31-Dec-18	As at 31-Dec-17	change vs 31-Dec-17, %
Selling Space, square meters (sq. m.)			
Pyaterochka	5,291,421	4,426,808	19.5
Perekrestok	781,538	637,242	22.6
Karusel	382,024	385,271	(0.8)
X5 Retail Group	6,463,735	5,479,741	18.0
# of Stores			
Pyaterochka	13,522	11,225	20.5
Perekrestok	760	638	19.1
Karusel	94	93	1.1
X5 Retail Group	14,431	12,121	19.1

(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.

Selling space and # of stores added by format

	Net Added Q4 2018	Net Added Q4 2017	change, y-o-y, %	Net Added FY 2018	Net Added FY 2017	change, y-o-y, %
Selling Space, square meters (sq. m.)						
Pyaterochka	256,261	281,015	(8.8)	864,614	1,097,535	(21.2)
Perekrestok	53,071	51,657	2.7	144,296	88,769	62.6
Karusel	702	4,487	(84.4)	(3,247)	(1,626)	99.7
X5 Retail Group	309,453	335,180	(7.7)	983,994	1,177,989	(16.5)
Net # of Stores						
Pyaterochka	700	744	(5.9)	2,297	2,862	(19.7)
Perekrestok	48	54	(11.1)	122	99	23.2
Karusel	2	2	0.0	1	2	(50.0)
X5 Retail Group	746	795	(6.2)	2,310	2,934	(21.3)

Key Drivers for Q4 and FY 2018 Results

External environment

- Real food retail trade growth returned to moderately positive territory in Q4 2018. Reflecting accelerating inflation, it rose by 0.4% y-o-y in October and 1.6% y-o-y in November after zero growth in September.
- Real income dynamics remained volatile, amounting to only -0.1% y-o-y in January-November 2018.
- Food inflation averaged 1.7% y-o-y in 2018, but accelerated at a fast pace in Q4 2018, reaching 4.7% y-o-y in December 2018. This was mainly a result of a lower harvest compared to 2016-2017 and volatility in global financial markets.

Sales

- The share of promo in Q4 2018 and FY 2018 was almost unchanged compared with respective periods of 2017.
- LFL basket growth was positive in Q4 2018 on the back of accelerating inflation.
- Pyaterochka's net retail sales growth in Q4 2018 remained almost in line with Q3 2018 at 18.1% y-o-y. LFL traffic accelerated to 1.7% in Q4 2018 from 0.5% in Q3 2018.
- Perekrestok's net retail sales growth totalled 23.0% in Q4 2018, delivering the highest pace of growth among the Company's formats. LFL traffic was also the highest among all formats for the ninth quarter in a row and reached 8.2% y-o-y in Q4 2018, the highest level since Q2 2011.
- Karusel's net retail sales growth accelerated to 0.5% y-o-y in Q4 2018 from negative (0.3)% in Q3 2018.

Loyalty programmes

- X5 continued to develop its loyalty card programmes. In total, X5's three retail formats had 37.5 million registered loyalty card users as of 31 December 2018, with penetration in traffic in December reaching 48% at Pyaterochka, 49% at Perekrestok and 81% at Karusel.

Expansion and retail portfolio improvement

- 37 Perekrestok stores were re-opened following refurbishments in 2018 (three in Q4 2018), which, along with new openings brought the total share of stores operating under the new concept to 86% as of 31 December 2018.
- Eight Karusel hypermarkets were re-opened following refurbishment in 2018 (five in Q4 2018).
- Four new distribution centres (DCs) with total space of 78.6 th. sq. m. were launched in 2018. In Q4 2018, X5 opened two new distribution centres in Saratov (16.2 ths sq. m.) and Moscow (7.3 ths sq. m.) to serve Pyaterochka and Perekrestok formats, respectively.
- In 2018, as part of the Company's ongoing rationalisation programme, X5 closed 318 Pyaterochka stores, 37 Perekrestok supermarkets and three Karusel hypermarkets.
- Perekrestok Online continued to expand at an accelerating pace. The total number of orders exceeded 408 ths in 2018, and more than doubled from 93 ths in Q3 2018 to 200 ths in Q4 2018, while we maintained very high Net Promoter Score (NPS) level.

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 December 2018, X5 had 14,431 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 13,522 Pyaterochka proximity stores, 760 Perekrestok supermarkets, 94 Karusel hypermarkets and 55 convenience stores. The Company operates 42 DCs and 3,830 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 9M 2018, revenue totalled RUB 1,109,582 mln (USD 18,061 mln), adjusted EBITDA reached RUB 79,484 mln (USD 1,294 mln), and net profit amounted to RUB 22,400 mln (USD 365 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.07%, 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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