

X5 REPORTS 26.8% REVENUE GROWTH IN Q1 2016

- ✓ Revenue growth remained strong; revenue increased by 26.8% year-on-year (y-o-y) on the back of strong like-for-like (LFL) sales and solid selling space expansion.
- ✓ Pyaterochka was the main driver of growth: net retail sales rose by 32.3% y-o-y.
- ✓ X5 added a total of 377 new stores vs. 156 new stores during the same period last year, delivering selling space growth of 181.0 th. sq. m., driven principally by organic expansion.
- ✓ Gross margin decreased by 31 bp y-o-y to 24.3% in Q1 2016. Promo activities and price investments during the period were in line with previous quarters, while the Q1 2015 gross margin was positively affected by sales of stock purchased in Q4 2014 to lock in the lower prices.
- ✓ SG&A expenses (excl. D&A&I) as a percentage of revenue improved by 42 bp y-o-y to 17.8%, influenced by the operating leverage effect.
- ✓ EBITDA grew by 25.6% y-o-y and reached RUB 16,493 mln in Q1 2016. EBITDA margin slightly decreased by 6 bp y-o-y in Q1 2016 and totalled 7.1% on the back of the strong addition of new selling space (31.0% y-o-y increase).
- ✓ The Company's net debt/EBITDA ratio remained at a comfortable level of 2.47x as of 31 March 2016.

Amsterdam, 28 April 2016 - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE ticker: FIVE), today released the Company's unaudited condensed consolidated interim financial information for the three months (3M) ended 31 March 2016, in accordance with International Financial Reporting Standards as adopted by the European Union.

Profit and loss statement highlights ⁽¹⁾

Russian Rouble (RUB), million (mln)	Q1 2016	Q1 2015	change, y-o-y, %
Revenue	231,611	182,725	26.8
incl. net retail sales ⁽²⁾	230,601	182,053	26.7
Pyaterochka	171,369	129,579	32.3
Perekrestok	37,541	31,750	18.2
Karusel	19,017	17,898	6.3
Express	2,674	2,827	(5.4)
Gross profit	56,191	44,896	25.2
Gross profit margin, %	24.3	24.6	(31) bp
EBITDA	16,493	13,130	25.6
EBITDA margin, %	7.1	7.2	(6) bp
Operating profit	11,406	9,068	25.8
Operating profit margin, %	4.9	5.0	(4) bp
Net profit	5,054	4,110	23.0
Net profit margin, %	2.2	2.2	(7) bp

- (1) Please note that in this and other tables, and in the text of this press release, immaterial deviations in the calculation of % changes, subtotals and totals are due to rounding
- (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 wholesale operations, direct franchisees (royalty payments) and other revenue.

Net retail sales

Q1 2016 average ticket, customer visits and basket by format, % change y-o-y

	Average ticket	# of customers	Net retail sales
Pyaterochka	4.8	26.5	32.3
Perekrestok	3.3	14.6	18.2
Karusel	3.6	2.5	6.3
Express	0.6	(6.7)	(5.4)
X5 Retail Group	3.2	23.0	26.7

Total net retail sales growth was a solid 26.7% y-o-y on the back of:

- 7.8% increase in LFL sales; and
- 18.9% y-o-y increase from net new space, resulting from a 31.0% y-o-y rise in selling space.

Pyaterochka, benefitting from its continued appeal to value-seeking customers and strong opening programme, was the key driver for X5's Q1 growth: net retail sales increased by 32.3% y-o-y.

Selling space by format, square meters (sq. m.)

	As at 31-Mar-16	As at 31-Dec-15	change vs 31-Dec-15, %	As at 31-Mar-15	change vs 31-Mar-15, %
Pyaterochka	2,589,581	2,422,626	6.9	1,859,307	39.3
Perekrestok	494,255	484,008	2.1	419,827	17.7
Karusel	394,619	390,133	1.1	361,679	9.1
Express	35,732	36,407	(1.9)	40,932	(12.7)
X5 Retail Group	3,514,186	3,333,174	5.4	2,681,745	31.0

In Q1 2016, X5 demonstrated solid LFL traffic growth of 2.0% y-o-y, driven by the strong performance of Pyaterochka and steady traffic improvement at Perekrestok. LFL traffic was positive in each month of the quarter.

Q1 2016 LFL⁽⁴⁾⁽⁵⁾ store performance by format, % change y-o-y

	Sales	Traffic	Basket
Pyaterochka	10.3	2.9	7.2
Perekrestok	4.4	0.5	3.9
Karusel	(1.4)	(3.4)	2.1
Express	(7.6)	(10.7)	3.5
X5 Retail Group	7.8	2.0	5.8

For more details on net retail sales growth please refer to the '[Q1 2016 Trading update](#)'.

(3) 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.

(4) LFL figures for February and Q1 2016 were adjusted for additional trading day in February as 2016 is a leap year. Unadjusted LFL Sales for February: X5 - 11.7%, Pyaterochka - 14.2%, Perekrestok - 5.7%, Karusel - 6.1%; for Q1 2016: X5 - 8.9%, Pyaterochka - 11.4%, Perekrestok - 5.4%, Karusel - (0.4%)

Gross profit margin

The Company's gross profit margin decreased by 31 bps y-o-y to 24.3% in Q1 2016. Q1 2015 gross margin was positively affected by sales of stock purchased in Q4 2014 to lock in the lower prices.

Selling, general and administrative (SG&A) expenses (excl. D&A&I)

RUB mln	Q1 2016	Q1 2015	change, y-o-y, %
Staff costs	(18,145)	(14,592)	24.3
<i>% of Revenue</i>	7.8	8.0	(15) bp
Lease expenses	(10,625)	(8,367)	27.0
<i>% of Revenue</i>	4.6	4.6	1 bp
Utilities	(4,984)	(4,053)	23.0
<i>% of Revenue</i>	2.2	2.2	(7) bp
Third party services	(1,848)	(1,279)	44.5
<i>% of Revenue</i>	0.8	0.7	10 bp
Other store costs	(3,448)	(2,729)	26.3
<i>% of Revenue</i>	1.5	1.5	0 bp
Other expenses	(2,259)	(2,335)	(3.3)
<i>% of Revenue</i>	1.0	1.3	(30) bp
SG&A (excl. D&A&I)	(41,309)	(33,355)	23.8
<i>% of Revenue</i>	17.8	18.3	(42) bp

In Q1 2016, SG&A expenses excluding D&A&I as a percentage of revenue were down y-o-y by 42 bp to 17.8% mainly due to improved staff costs, utilities and other expenses.

Staff costs as a percentage of revenue were reduced y-o-y by 15 bp in Q1 2016 to 7.8%, due to the positive operating leverage effect.

Lease expenses as a percentage of revenue in Q1 2016 increased y-o-y by just 1 bp to 4.6%. Higher operating leverage offset the effect of the large number of stores in ramp-up phase due to accelerated new store openings, which caused an increase in the share of leased space in the total real estate portfolio. As a percentage of X5's total real estate portfolio, leased space accounted for 62% as of 31 March 2016, compared to 59% as of 31 March 2015.

Utilities costs, third party service expenses and other store costs changed immaterially as a percentage of revenue in Q1 2016 compared to Q1 2015.

In Q1 2016, other expenses as a percentage of revenue decreased by 30 bp y-o-y, primarily due to higher provisions accrued in Q1 2015.

Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations decreased in Q1 2016 by 17 bp y-o-y and totalled 0.7%, as sales density dynamics at Pyaterochka stores outpaced X5 income dynamics from lease and sublease operations.

EBITDA and EBITDA margin

RUB mln	Q1 2016	Q1 2015	change, y-o-y, %
Gross profit	56,191	44,896	25.2
<i>Gross profit margin, %</i>	24.3	24.6	(31) bp
SG&A (excl. D&A&I)	(41,309)	(33,355)	23.8
<i>% of Revenue</i>	(17.8)	(18.3)	(42) bp
Lease/sublease and other income	1,611	1,589	1.4
<i>% of Revenue</i>	0.7	0.9	(17) b.p
EBITDA	16,493	13,130	25.6
<i>EBITDA margin, %</i>	7.1	7.2	(6) bp

As a result of the factors discussed above, EBITDA in Q1 2016 totalled RUB 16,493 mln, or 7.1% of revenue, compared to RUB 13,130 mln, or 7.2% of revenue in Q1 2015.

D&A&I

Depreciation, amortisation and impairment costs in Q1 2016 totalled RUB 5,087 mln, decreasing y-o-y as a percentage of revenue by 3 bp to 2.2%. This was driven by the operating leverage effect and a decreasing share of owned stores in X5's total real estate portfolio.

Non-operating gains and losses

RUB mln	Q1 2016	Q1 2015	change, y-o-y, %
Operating profit	11,406	9,068	25.8
Net finance costs	(4,482)	(3,945)	13.6
Net FX result	61	114	(46.5)
Share of loss of associates	-	-	-
Profit before tax	6,985	5,237	33.4
Income tax expense	(1,931)	(1,127)	71.3
Net profit	5,054	4,110	23.0
<i>Net margin, %</i>	2.2	2.2	(7) bp

Net finance costs in Q1 2016 increased y-o-y by 13.6% to RUB 4,482 mln due to the higher level of weighted average gross debt. The weighted average effective interest rate on X5's total debt for Q1 2016 decreased from 13.6% for Q1 2015 to 11.8% for the reporting period due to refinancing of Mosprime-linked loans, improved credit ratings and the lower CBR Key Rate. In March 2016, X5 issued BO-05 series exchange-listed corporate bonds in the total amount of RUB 5 bln at a 10.9% coupon rate with a 2.5-year put option.

In Q1 2016, income tax expense increased by 71.3% vs Q1 2015 and reached RUB 1,931 mln. The main reason for this increase was movements in income tax provisions in Q1 2015.

Consolidated cash flow statement highlights

RUB mln	Q1 2016	Q1 2015	change, y-o-y, %
Net cash from operating activities before changes in working capital	16,688	13,573	22.9
Change in working capital	(6,307)	(11,139)	(43.4)
Net interest and income tax paid	(4,655)	(4,685)	(0.6)
Net cash flows generated from operating activities	5,726	(2,251)	n/a
Net cash used in investing activities	(14,935)	(7,820)	91.0
Net cash generated from financing activities	4,749	(10,440)	n/a
Effect of exchange rate changes on cash & cash equivalents	1	(9)	n/a
Net increase/(decrease) in cash & cash equivalents	(4,459)	(20,520)	(78.3)

The Company's net cash from operating activities before changes in working capital increased by RUB 3,115 mln, or by 22.9%, and totalled RUB 16,688 mln in Q1 2016, whereas the change in working capital decreased by 43.4% and amounted to RUB 6,307 mln.

Net interest and income tax paid in Q1 2016 were broadly on the same level as in Q1 2015. The effect from the increased level of gross debt as of 31 March 2016 compared to 31 March 2015 was offset by lower weighted average effective interest rate on X5's debt for Q1 2016.

As a result, in Q1 2016, net cash flows generated from operating activities totalled RUB 5,726 mln, compared to a RUB 2,251 mln cash outflow in the same period of 2015.

Net cash used in investing activities, which generally consists of payments for property, plant and equipment, totalled RUB 14,935 mln in Q1 2016 compared to RUB 7,820 mln for the same period last year, and reflects higher expenditures on store expansion and refurbishment. X5 added 181.0 th. sq. m. of selling space in Q1 2016, a 65.3% increase compared to the same period last year. Moreover, 359 stores were refurbished in Q1 2016, compared to 344 stores in Q1 2015.

Net cash generated from financing activities totalled RUB 4,749 mln in Q1 2016, compared to net cash used in financing activities of RUB 10,440 mln for Q1 2015. The increase was related to the drawdown of available credit lines and bonds issued to finance the Company's investment programme.

Liquidity update

RUB mln	31-Mar-16	% in total	31-Dec-15	% in total	31-Mar-15	% in total
Total debt	148,991		144,215		120,619	
Short-term debt	46,059	30.9	42,670	29.6	14,407	11.9
Long-term debt	102,932	69.1	101,545	70.4	106,212	88.1
Net debt	144,492		135,257		115,516	
Net debt/ EBITDA	2.47		2.45		2.35	

As of 31 March 2016, the Company's total debt amounted to RUB 148,991 mln, of which 30.9% was short-term debt and 69.1% long-term debt. The Company's debt is 100% denominated in Russian Roubles.

As of 31 March 2016, the Company had access to RUB 157,590 mln of undrawn credit lines with major Russian and international banks.

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – ‘BB’, Moody's – ‘Ba3’, 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 31 March 2016, X5 had 7,397 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 6,636 Pyaterochka proximity stores, 486 Perekrestok supermarkets, 91 Karusel hypermarkets and 184 convenience stores. The Company operates 35 DCs and 1,462 Company-owned trucks across the Russian Federation.

For the full year 2015, revenue totalled RUB 808,818 mln (USD 13,268 mln), Adjusted EBITDA reached RUB 59,413 mln (USD 975 mln), and net profit for the period amounted to RUB 14,174 mln (USD 233 mln). In Q1 2016, revenue totalled RUB 231,611 mln (USD 3,104 mln), EBITDA reached RUB 16,493 mln (USD 221 mln), and net profit amounted to RUB 5,054 mln (USD 68 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.06%, treasury shares – 0.02%, free float – 37.64%.

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.

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X5 Retail Group N.V.

**Condensed Consolidated Interim
Financial Information**

Three months ended 31 March 2016

The attached condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity have been prepared on the basis of the X5 Retail Group NV accounting policies as disclosed in the audited annual financial statements for the year ended 31 December 2015. These accounting policies have been consistently applied in the preparation of these statements except that these statements do not comprise a full set of financial statements as required by International Financial Reporting Standards as adopted by the EU.

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Financial Position at 31 March 2016
(expressed in millions of Russian Roubles, unless otherwise stated)

	31 March 2016	31 December 2015
ASSETS		
Non-current assets		
Property, plant and equipment	197,319	189,000
Investment property	4,625	4,828
Goodwill	75,602	75,313
Other intangible assets	15,581	15,101
Other non-current assets	4,102	3,751
Deferred tax assets	4,983	5,417
	302,212	293,410
Current assets		
Inventories	62,920	57,887
Indemnification asset	1,264	1,261
Trade and other accounts receivable	22,332	25,008
Current income tax receivable	1,912	1,729
VAT and other taxes receivable	11,914	13,862
Cash and cash equivalents	4,499	8,958
	104,841	108,705
TOTAL ASSETS	407,053	402,115
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	2,458	2,458
Share premium	46,253	46,253
Retained earnings	61,024	55,970
Share-based payment reserve	44	37
	109,779	104,718
Total equity	109,779	104,718
Non-current liabilities		
Long-term borrowings	102,932	101,545
Deferred tax liabilities	5,841	4,961
Long-term deferred revenue	8	11
	108,781	106,517
Current liabilities		
Trade accounts payable	102,138	103,773
Short-term borrowings	46,059	42,670
Interest accrued	1,689	1,390
Short-term deferred revenue	225	243
Current income tax payable	1,873	1,684
Provisions and other liabilities	36,509	41,120
	188,493	190,880
Total liabilities	297,274	297,397
TOTAL EQUITY AND LIABILITIES	407,053	402,115

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Profit or Loss
for the three months ended 31 March 2016
(expressed in millions of Russian Roubles , unless otherwise stated)

	Three months ended 31 March 2016	Three months ended 31 March 2015
Revenue	231,611	182,725
Cost of sales	(175,420)	(137,829)
Gross profit	56,191	44,896
Selling, general and administrative expenses	(46,396)	(37,417)
Lease/sublease and other income	1,611	1,589
Operating profit	11,406	9,068
Finance costs	(4,492)	(4,299)
Finance income	10	354
Net foreign exchange gain	61	114
Profit before tax	6,985	5,237
Income tax expense	(1,931)	(1,127)
Profit for the period	5,054	4,110
Profit for the period attributable to:		
Equity holders of the parent	5,054	4,110
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	74,45	60.56
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	74,45	60.56

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Comprehensive Income
for the three months ended 31 March 2016
(expressed in millions of Russian Roubles , unless otherwise stated)

	Three months ended 31 March 2016	Three months ended 31 March 2015
Profit for the period	5,054	4,110
Total comprehensive income for the period, net of tax	5,054	4,110
Total comprehensive income for the period attributable to:		
Equity holders of the parent	5,054	4,110

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Cash Flows
for the three months ended 31 March 2016
(expressed in millions of Russian Roubles , unless otherwise stated)

	Three months ended 31 March 2016	Three months ended 31 March 2015
Profit before tax	6,985	5,237
Adjustments for:		
Depreciation, amortisation and impairment of property, plant and equipment, investment property and intangible assets	5,087	4,062
Loss/(gain) on disposal of property, plant and equipment, investment property and intangible assets	(43)	8
Finance costs, net	4,482	3,945
Impairment of trade and other accounts receivable	61	135
Share-based compensation expense	7	1
Net foreign exchange gain	(61)	(114)
Other non-cash items	170	299
Net cash from operating activities before changes in working capital	16,688	13,573
Decrease in trade and other accounts receivable	3,924	1,665
Increase in inventories	(5,033)	(5,716)
Decrease in trade payable	(1,629)	(7,648)
(Decrease)/increase in other accounts payable	(3,569)	560
Net cash from operations	10,381	2,434
Interest paid	(4,069)	(3,988)
Interest received	13	354
Income tax paid	(599)	(1,051)
Net cash from/(used in) operating activities	5,726	(2,251)
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,688)	(7,429)
Acquisition of subsidiaries	(1,123)	(110)
Proceeds from disposal of property, plant and equipment, investment property and other intangible assets	399	36
Purchase of other intangible assets	(523)	(317)
Net cash used in investing activities	(14,935)	(7,820)
Cash flows from financing activities		
Proceeds from loans	24,967	-
Repayment of loans	(20,218)	(10,440)
Net cash from/(used in) financing activities	4,749	(10,440)
Effect of exchange rate changes on cash and cash equivalents	1	(9)
Net decrease in cash and cash equivalents	(4,459)	(20,520)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	8,958	25,623
Net decrease in cash and cash equivalents	(4,459)	(20,520)
Cash and cash equivalents at the end of the period	4,499	5,103

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Changes In Equity
for the three months ended 31 March 2016
(expressed in millions of Russian Roubles , unless otherwise stated)

	Attributable to equity holders of the parent						
	Number of shares	Share capital	Share premium	Share-based payment reserve	Retained earnings	Total shareholders' equity	Total
Balance as at 1 January 2015	67,867,743	2,457	46,218	94	41,789	90,558	90,558
Profit for the period	-	-	-	-	4,110	4,110	4,110
Total comprehensive income for the period	-	-	-	-	4,110	4,110	4,110
Share-based payment compensation	-	-	-	11	-	11	11
Balance as at 31 March 2015	67,867,743	2,457	46,218	105	45,899	94,679	94,679
Balance as at 1 January 2016	67,882,421	2,458	46,253	37	55,970	104,718	104,718
Profit for the period	-	-	-	-	5,054	5,054	5,054
Total comprehensive income for the period	-	-	-	-	5,054	5,054	5,054
Share-based payment compensation	-	-	-	7	-	7	7
Balance as at 31 March 2016	67,882,421	2,458	46,253	44	61,024	109,779	109,779