

X5 STRENGTHENS LOGISTICS INFRASTRUCTURE IN SOUTHERN RUSSIA WITH TWO NEW DISTRIBUTION CENTRES

Maykop, 19 August 2016 – X5 Retail Group N.V. (“X5” or the “Company”), a leading Russian food retailer (LSE ticker: “FIVE”), announces the opening of two distribution centres (DC) in the Republic of Adygeya as part of the Company’s strategy to develop its logistics infrastructure in the South of Russia. The state-of-the-art logistics facilities, Yuzhny and Adygeya, will boost the efficiency of X5’s supply chain and encourage more local sourcing.

X5’s Chief Executive Officer Igor Shekhterman said:

“We have now opened four distribution centres year to date: in St. Petersburg, in Moscow Region and two in the South of Russia. Our logistics infrastructure is now more than just a platform to support the development of our own retail chain. With each new DC, we also provide more and better sales opportunities for our partners, especially local food producers.”

Spanning over 33,000 sq m, the Yuzhny logistics facility will support supplies to 245 Pyaterochkas in 105 towns and cities of the Krasnodar and Stavropol Territories, and the Republics of Adygeya and Karachay-Circassia.

Yuzhny DC, Pyaterochka’s second DC in the Southern Federal District, will support the retail chain’s continued rapid growth in the South of Russia. The new DC will handle part of the traffic which is currently dealt with by Rostov DC in Rostov-on-Don. The launch of Yuzhny will shorten the DC-to-store distance by over 1.5 times for each of the two DCs. Featuring nine storage zones, all with a specific temperature band (from -21 to 25°C), Yuzhny can accommodate all categories of goods.

The Adygeya logistics facility (13,500 sq m) is meant to service Perekrestoks and Karusels in the Krasnodar and Stavropol Territories and in the Rostov Region. The DC will ensure smooth delivery to 27 Perekrestok supermarkets and two Karusel hypermarkets in the South of Russia.

The DC opening ceremony was attended by Aslan Tkhakushinov, Head of the Republic of Adygeya, Olga Naumova, CEO of Pyaterochka, and Denis Shulga, Logistics Director of Perekrestok. They discussed the benefits for the region derived from the continued development of X5’s logistics operations. The opening of the Yuzhny and Adygeya Distribution Centres created over 240 new jobs in the region.

X5 also invited managers of over 50 supplier companies from the Krasnodar and Stavropol Territories, the Rostov Region and the Republic of Adygeya to take part in the ceremony. The launch of the new logistics facilities offers them considerable new opportunities to develop their cooperation with X5’s retail chains, materially reducing logistics costs and boosting supplies to X5 stores, including by taking advantage of X5’s expanded geographic footprint. More than 30 local suppliers are already capitalising on the opportunities offered by the new X5 facilities.

This supply chain centralisation will also increase the share of local suppliers in the product mix of X5’s stores in the region. The share of locally produced items in the Pyaterochka, Perekrestok and Karusel stores stands at around 30%, while in some categories (such as bread and bakery) it reaches as much as 95%.

X5 started implementing its logistics separation strategy in 2013 with a view to splitting product flows for convenience stores, on the one hand, and supermarkets and hypermarkets, on the other hand. Single format DCs are instrumental in maximising product traffic centralisation, streamlining deliveries and in-store product ranges. The logistics split across X5’s retail chains is scheduled for completion this year.

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 30 June 2016, X5 had 7,936 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 7,164 Pyaterochka proximity stores, 493 Perekrestok supermarkets, 89 Karusel hypermarkets and 190 convenience stores. The Company operates 35 DCs and 1,469 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 H1 2016, revenue totalled RUB 483,244 mln (USD 6,878 mln), EBITDA reached RUB 36,498 mln (USD 519 mln), and net profit amounted to RUB 13,004 mln (USD 185 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.06%, treasury shares – 0.01%, 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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