

X5 RETAIL GROUP REPORTS 30.2% NET RETAIL SALES GROWTH IN Q3 2016

- ✓ Total net retail sales growth accelerated to 30.2% y-o-y in Q3 2016 from 25.7% in Q2 2016, driven by:
 - 9.1% increase in like-for-like (LFL) sales; and
 - 21.1% sales growth contribution from a 30.7% rise in selling space.
- ✓ In Q3 2016, X5's LFL traffic growth increased to 3.2% y-o-y from 3.0% y-o-y in Q2 2016.
- ✓ Pyaterochka, which continues to attract value-seeking customers and benefit from a strong opening programme, was the key driver for X5's Q3 2016 growth. Net retail sales accelerated to 36.1% y-o-y from 30.6% in Q2 2016 on the back of:
 - 11.2% rise in LFL sales; and
 - 24.9% increase from net new space, resulting from a 39.2% rise in selling space.
- ✓ In Q3 2016, Pyaterochka broke yet another company record, adding 265.7 th. sq. m. of selling space, most of which was organic.
- ✓ Perekrestok's net retail sales growth accelerated to 19.5% y-o-y in Q3 2016 from 19.2% y-o-y in Q2 2016.
- ✓ In Q3 2016, Perekrestok delivered positive LFL traffic for the third quarter in a row.
- ✓ Karusel's net retail sales growth increased to 13.3% y-o-y in September 2016 from 3.9% y-o-y in July 2016.
- ✓ X5 added 638 net new stores in Q3 2016 vs. 541 in Q3 2015, contributing to additional net selling space of 277.8 th. sq. m. in the quarter.

Amsterdam, 18 October 2016 - 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 third quarter (Q3) and nine months (9M) ended 30 September 2016⁽¹⁾.

Net Retail Sales⁽²⁾ Performance

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

RUB mln	Q3 2016	Q3 2015	change y-o-y, %	9M 2016	9M 2015	change y-o-y, %
Pyaterochka	195,390	143,578	36.1	556,196	418,207	33.0
Perekrestok	35,916	30,052	19.5	110,772	93,098	19.0
Karusel	19,941	18,745	6.4	59,082	56,062	5.4
Express	2,731	2,620	4.2	8,250	8,304	(0.7)
X5 Retail Group	253,978	194,995	30.2	734,300	575,671	27.6

Q3 2016 monthly net RUB retail sales by format, % change y-o-y

	July 2016	August 2016	September 2016
Pyaterochka	36.2	36.7	35.4
Perekrestok	18.8	20.3	19.4
Karusel	3.9	2.8	13.3
Express	4.6	4.9	3.1
X5 Retail Group	30.0	30.3	30.4

(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 Q3 and 9M 2016 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

Q3 & 9M 2016 average ticket and customer visits by format

	Q3 2016	Q3 2015	change y-o-y, %	9M 2016	9M 2015	change y-o-y, %
Average Ticket, RUB						
Pyaterochka	335.3	320.0	4.8	343.5	330.9	3.8
Perekrestok	474.6	453.3	4.7	494.2	477.6	3.5
Karusel	680.0	658.0	3.4	684.4	672.7	1.7
Express	266.0	268.3	(0.9)	281.1	285.7	(1.6)
X5 Retail Group	363.7	352.3	3.2	374.7	366.3	2.3
# of Customers, mln						
Pyaterochka	666.9	513.3	29.9	1,852.9	1,444.2	28.3
Perekrestok	86.4	75.2	14.8	255.6	222.2	15.0
Karusel	33.4	32.5	2.7	98.5	95.3	3.4
Express	12.0	11.5	4.2	34.2	34.2	0.2
X5 Retail Group	798.7	632.5	26.3	2,241.3	1,795.9	24.8

Q3 2016 average monthly ticket and customer visits by format, % change y-o-y

	July 2016	August 2016	September 2016
Average Ticket			
Pyaterochka	4.0	3.9	6.5
Perekrestok	4.2	2.8	7.2
Karusel	3.4	(0.5)	7.7
Express	(3.1)	(1.7)	2.4
X5 Retail Group	2.5	1.9	5.5
# of Customer Visits			
Pyaterochka	31.1	31.5	27.1
Perekrestok	16.4	16.5	11.7
Karusel	0.4	3.3	4.4
Express	7.1	5.7	(0.2)
X5 Retail Group	27.3	27.8	23.6

LFL Sales Performance

Q3 & 9M 2016 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Q3 2016			9M 2016		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	11.2	4.1	6.8	9.8	3.5	6.1
Perekrestok	7.2	2.4	4.7	5.4	1.7	3.7
Karusel	(1.7)	(3.7)	2.1	(2.1)	(2.4)	0.3
Express	(6.5)	(9.4)	3.3	(7.3)	(9.2)	2.1
X5 Retail Group	9.1	3.2	5.7	7.7	2.8	4.8

Q3 2016 monthly LFL store performance by format, % change y-o-y

	July 2016			August 2016			September 2016		
	Sales	Traffic	Basket	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	11.2	4.8	6.1	11.5	5.4	5.8	10.7	2.0	8.5
Perekrestok	7.2	2.5	4.6	6.8	3.8	2.9	7.5	0.9	6.5
Karusel	(3.6)	(5.8)	2.4	(4.8)	(3.3)	(1.6)	3.9	(2.0)	6.0
Express	(7.1)	(7.9)	0.9	(5.2)	(7.9)	2.9	(7.0)	(12.4)	6.1
X5 Retail Group	9.0	3.7	5.0	9.0	4.5	4.3	9.4	1.4	7.8

(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-Sep-16	As at 31-Dec-15	change vs 31-Dec-15, %	As at 30-Sep-15	change vs 30-Sep-15, %
Selling Space, square metres (sq. m.)					
Pyaterochka	3,090,774	2,422,626	27.6	2,220,851	39.2
Perekrestok	513,052	484,008	6.0	458,284	12.0
Karusel	384,449	390,133	(1.5)	364,582	5.4
Express	36,918	36,407	1.4	35,953	2.7
X5 Retail Group	4,025,192	3,333,174	20.8	3,079,670	30.7
# of Stores					
Pyaterochka	7,787	6,265	24.3	5,795	34.4
Perekrestok	503	478	5.2	451	11.5
Karusel	90	90	0.0	84	7.1
Express	194	187	3.7	182	6.6
X5 Retail Group	8,574	7,020	22.1	6,512	31.7

Selling space and # of stores added by format

	Net Added Q3 2016	Net Added Q3 2015	change, y-o-y, %	Net Added 9M 2016	Net Added 9M 2015	change, y-o-y, %
Selling Space, square metres (sq. m.)						
Pyaterochka	265,668	218,651	21.5	668,148	466,600	43.2
Perekrestok	11,514	13,470	(14.5)	29,044	42,496	(31.7)
Karusel	275	3,385	(91.9)	(5,684)	5,989	n/a
Express	376	501	(25.0)	511	(7,659)	n/a
X5 Retail Group	277,834	236,007	17.7	692,018	507,427	36.4
Net # of Stores						
Pyaterochka	623	522	19.3	1,522	1,006	51.3
Perekrestok	10	13	(23.1)	25	48	(47.9)
Karusel	1	1	0	-	2	n/a
Express	4	5	(20.0)	7	(27)	n/a
X5 Retail Group	638	541	17.9	1,554	1,029	51.0

Key Drivers for Q3 2016 Results

Sales

- X5 demonstrated strong LFL sales performance despite decreased food inflation y-o-y and weak consumer consumption during Q3 2016.
- LFL traffic was positive in each month of the quarter for Pyaterochka and for Perekrestok.
- In September 2016, LFL sales for Karusel reached positive territory and increased by 3.9% y-o-y.

Expansion and refurbishment programme

- New space delivery continued to accelerate: X5 added 277.8 th. sq. m. of selling space in Q3 2016 vs. 236.0 th. sq. m in Q3 2015. Since the beginning of 2016, X5 has added 692.0 th. sq. m.
- Pyaterochka was the main driver for the store base increase. In Q3 2016, net added space increased by 21.5% y-o-y.

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- 265 Pyaterochka stores were refurbished in Q3 2016 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 90% as of 30 September 2016.
- 17 Perekrestok stores were refurbished in Q3 2016, which, along with new openings, brought the total share of stores operating under the new concept to more than 46% as of 30 September 2016.
- Two Karusel stores were refurbished in Q3 2016.
- In Q3 2016, X5 opened two new distribution centres (DCs) in St. Petersburg and the Krasnodar region (27 and 33 th. sq. m. respectively) to serve the Pyaterochka format, and a new DC in the Adygea Republic (12 th. sq. m.) to serve the Perekrestok and Karusel formats. X5 closed two DCs in the Leningrad region and one in Rostov region that did not meet the Company's efficiency criteria.
- In Q3 2016, as part of the Company's ongoing rationalisation programme, X5 closed 21 Pyaterochka stores, two Perekrestok stores and four Express stores.

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 September 2016, X5 had 8,574 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 7,787 Pyaterochka proximity stores, 503 Perekrestok supermarkets, 90 Karusel hypermarkets and 194 convenience stores. The Company operates 35 DCs and 1,561 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 at 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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