

## X5 REPORTS 2016 ADJUSTED EBITDA UP 33.8% ON THE BACK OF 27.8% REVENUE GROWTH

- ✓ X5 delivered revenue growth of 27.8% year-on-year (y-o-y), the fastest pace since 2011
- ✓ X5 achieved a strategic milestone of market leadership in Russian food retail, with market share increasing to 8.0%, up from 6.3% in 2015
- ✓ LFL sales increased by 7.7% y-o-y. LFL sales improved across all three of the Company's major formats
- ✓ The Company added a record 2,167 new stores in 2016, vs. 1,537 new stores in 2015
- ✓ Pyaterochka was the main driver of growth: net retail sales rose by 32.5% y-o-y (9.1% growth in LFL sales and 23.4% growth from a 37.4% y-o-y increase in selling space)
- ✓ Gross margin decreased by 34 b.p. y-o-y to 24.2% due to changes in the breakdown of revenue by format, as the contribution from Pyaterochka continued to rise. The increasing share of stores in ramp-up phase also affected X5's gross margin
- ✓ Adjusted SG&A expenses<sup>(1)</sup> as a percentage of revenue declined year-on-year by 78 b.p. to 17.2%, primarily due to the positive impact of ongoing projects to improve operational efficiency and as a result of operating leverage
- ✓ EBITDA for 2016, adjusted for the LTI bonus, share-based payments, and other one-off remuneration payments expenses, increased by 33.8% and the adjusted EBITDA margin improved by 35 b.p. to 7.7%
- ✓ X5's debt levels continued to improve in 2016, with net debt/EBITDA as of 31 December 2016 falling to 1.81x, the lowest level in X5's history

**Amsterdam, 27 March 2017** - X5 Retail Group N.V., ("X5" or the "Company"), a leading Russian food retailer (LSE ticker: "FIVE"), today released its 2016 Annual Report, including audited consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted in the European Union.

X5's Chief Executive Officer Igor Shekhterman said:

*"We have achieved all of the targets set out by the Supervisory Board and Company management in 2016. We are creating value for stakeholders as the fastest-growing public player in Russia's food retail market, building a stable and sustainable business that aims to benefit consumers, employees, partners and investors over the long term."*

*"As of Q4 2016, X5 is Russia's #1 food retailer, with a market share of 8.0% for 2016. Revenue grew by 27.8% year-on-year and exceeded RUB 1 trillion, driven by a 7.7% increase in like-for-like (LFL) sales and a 20.1% contribution from a 29.1% rise in selling space. In 2016, we also demonstrated our ability to deliver efficient and sustainable expansion, with the adjusted EBITDA margin improving to 7.7%, up from 7.3% in 2015."*

*"Looking ahead to 2017, while we do not expect meaningful positive macroeconomic developments in Russia in the medium term, significant growth opportunities still exist in the food retail sector. We remain confident about X5's potential to deliver sustainable growth as Russia's leading food retailer, driven by market expansion and market penetration. We are now focussed on achieving our target market share of 15% by the end of 2020, which will require continued strong performance during the coming years. Our focus will remain on organic growth while maintaining margins as we develop all three of our major formats."*

(1) Adjusted SG&A is SG&A before depreciation, amortisation and impairment costs as well as costs related to the LTI programme, share-based payments and other one-off remuneration payments expense

## Financial highlights

### Profit and loss statement highlights<sup>(2)</sup>

Russian Rouble (RUB), million (mln)	Q4 2016	Q4 2015	change y-o-y, %	12M 2016	12M 2015	change y-o-y, %
<b>Revenue</b>	<b>294,176</b>	<b>230,117</b>	<b>27.8</b>	<b>1,033,667</b>	<b>808,818</b>	<b>27.8</b>
<b>Gross profit</b>	<b>71,433</b>	<b>56,429</b>	<b>26.6</b>	<b>249,985</b>	<b>198,390</b>	<b>26.0</b>
<i>Gross profit margin, %</i>	24.3	24.5	(24) b.p.	24.2	24.5	(34) b.p.
<b>Adj. EBITDA</b>	<b>23,015</b>	<b>17,472</b>	<b>31.7</b>	<b>79,519</b>	<b>59,413</b>	<b>33.8</b>
<i>Adj. EBITDA margin, %</i>	7.8	7.6	23 b.p.	7.7	7.3	35 b.p.
LTI, share-based payments and other one-off remuneration payments expense <sup>(3)</sup>	(2,698)	(3,587)	(24.8)	(2,826)	(3,729)	(24.2)
SSC attributable to accrued LTI, share-based payments and other one-off remuneration payments expense	(411)	(432)	(4.9)	(426)	(451)	(5.6)
<b>EBITDA</b>	<b>19,906</b>	<b>13,453</b>	<b>48.0</b>	<b>76,267</b>	<b>55,233</b>	<b>38.1</b>
<i>EBITDA margin, %</i>	6.8	5.8	92 b.p.	7.4	6.8	55 b.p.
<b>Operating profit</b>	<b>6,493</b>	<b>5,789</b>	<b>12.2</b>	<b>45,631</b>	<b>34,449</b>	<b>32.5</b>
<i>Operating profit margin, %</i>	2.2	2.5	(31) b.p.	4.4	4.3	16 b.p.
<b>Net profit</b>	<b>2,417</b>	<b>2,090</b>	<b>15.6</b>	<b>22,291</b>	<b>14,174</b>	<b>57.3</b>
<i>Net profit margin, %</i>	0.8	0.9	(9) b.p.	2.2	1.8	40 b.p.

### Consolidated cash flow statement highlights

RUB mln	Q4 2016	Q4 2015	change y-o-y, %	12M 2016	12M 2015	change y-o-y, %
Net cash flows generated from operating activities	36,499	23,654	54.3	74,915	35,487	111.1
Net cash used in investing activities	(23,778)	(22,057)	7.8	(77,279)	(59,645)	29.6
Net cash generated from financing activities	(494)	2,483	n/a	11,641	7,498	55.3
Effect of exchange rate changes on cash & cash equivalents	(55)	37	n/a	(45)	(5)	800.0
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>12,172</b>	<b>4,117</b>	<b>195.7</b>	<b>9,232</b>	<b>(16,665)</b>	<b>n/a</b>

### Balance sheet highlights

RUB mln	31-Dec-16	% in total	31-Dec-15	% in total	31-Dec-14	% in total
<b>Total debt</b>	<b>156,033</b>		<b>144,215</b>		<b>130,986</b>	
Short-term debt	45,168	28.9	42,670	29.6	15,834	12.1
Long-term debt	110,865	71.1	101,545	70.4	115,152	87.9
<b>Net debt</b>	<b>137,843</b>		<b>135,257</b>		<b>105,363</b>	
<b>Net debt/ EBITDA</b>	<b>1.81x</b>		<b>2.45x</b>		<b>2.30x</b>	

(2) 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

(3) For more detailed information, please refer to the Remuneration report on page 169 and Note 26 to the Audited financial statements on page 218 of X5 Annual report for 2016

The Annual Report and Accounts, including the full set of audited consolidated financial statements and notes thereto prepared in accordance with International Financial Reporting Standards, as adopted in the European Union, are available on X5's corporate website at: [www.x5.ru/en/PublishingImages/Pages/Investors/ResultCenter/X5\\_Annual\\_Report\\_2016\\_ENG.pdf](http://www.x5.ru/en/PublishingImages/Pages/Investors/ResultCenter/X5_Annual_Report_2016_ENG.pdf)

**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 December 2016, X5 had 9,187 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 8,363 Pyaterochka proximity stores, 539 Perekrestok supermarkets, 91 Karusel hypermarkets and 194 convenience stores. The Company operates 35 DCs and 2,318 Company-owned trucks across the Russian Federation.

For the full year 2016, revenue totalled RUB 1,033,667 mln (USD 15,420 mln), Adjusted EBITDA reached RUB 79,519 mln (USD 1,186 mln), and net profit for the period amounted to RUB 22,291 mln (USD 333 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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