

## X5 DEPLOYS MACHINE LEARNING IN TARGETTED MARKETING

**Moscow, 1 November 2017** - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE ticker: "FIVE"), has introduced machine learning technology to improve targeted marketing at its Perekrestok supermarket chain and to develop personalised offers for all members of the Perekrestok Club loyalty programme. Machine learning is now used to create more than 70% of targeted promotions, and has sped up the process sevenfold. This was made possible thanks to the introduction of self-learning analytical CRM functionality.

Machine learning is enabled in the analytical module (aCRM) of the network's loyalty programme to group customers into segments based on common features and create offers tailored to them. The system analyses a given customer segment and models personalised marketing campaigns that account for several hundred behavioural and demographic factors. It processes data on the frequency and ticket size of purchases, customer preferences, lifestyle factors, acceptable price levels, favourite product categories and individual visiting hours. Customer sensitivity to offers is predicted using various analytical techniques that include regression, decision trees and neural networks. The aCRM module also identifies the most efficient communication channels and automatically generates marketing messages by customer segment. All of Perekrestok's communication channels are now integrated with the aCRM. In 2018, the system will be connected with the SmartWifi module to determine the best timing of messages to customers.

Fabricio Granja, X5 Retail Group's Chief Information Officer said: *"Big Data analytics using automated intelligent solutions open up new development opportunities in terms of retail networks' value propositions. Intelligent systems are set to become increasingly important for businesses, which is why are paying close attention to data processing. The Perekrestok project is a successful case of using data analytics produced by a self-learning system to foster customer loyalty. Marketing offers that are created based on hundreds of factors increase the effectiveness of targeted marketing by 5% and reduce communication costs by 40%."*

In addition to questionnaire data, the system also collects and uses information based on analysis of behavioural and demographic factors. The processes of data analysis and customer segmentation are fully automated. The analytical system's interface makes it possible to schedule the date and time of customer communications, keep records of marketing promotions, and fine-tune campaigns based on test runs. Marketing managers only need to set targets at the outset of a project and monitor the campaign results. On average, an effective model takes about three months to complete.

X5 had been calibrating this system since March 2016, and in autumn 2017 it launched advanced algorithms for automated customer segmentation and campaign targeting to include all members of the Perekrestok Club loyalty programme.

**Note to Editors:**

X5 Retail Group N.V. (LSE: FIVE, Fitch – ‘BB’, Moody's – ‘Ba2’, 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 2017, X5 had 11,326 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 10,481 Pyaterochka proximity stores, 584 Perekrestok supermarkets, 91 Karusel hypermarkets and 170 convenience stores. The Company operates 37 DCs and 2,550 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). In 9M 2017, revenue totalled RUB 933,303 mln (USD 15,999 mln), EBITDA reached RUB 72,392 mln (USD 1,241 mln), and net profit amounted to RUB 25,975 mln (USD 445 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.06%, 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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