

X5 RETAIL GROUP REPORTS 25.5% NET RETAIL SALES GROWTH IN 2017

FY 2017 Highlights

- ✓ X5 delivered strong net retail sales growth of 25.5% year-on-year (y-o-y).
- ✓ Net retail sales growth of RUB 261.3 bln y-o-y was the highest in X5's history.
- ✓ The increase in net retail sales was driven by a 5.4% gain in like-for-like (LFL) sales and a 20.1% sales growth contribution from a 27.4% rise in selling space.
- ✓ LFL traffic growth improved from 2.5% in 2016 to 3.0% in 2017, the highest level since 2009.
- ✓ The Company demonstrated positive LFL traffic for all three major formats.
- ✓ The Company added a record 2,934 new stores in 2017, vs. 2,167 stores in 2016.
- ✓ Net additional selling space exceeded one mln sq. m. and reached 1,178 th. sq. m., driven primarily by organic expansion. This represents the largest annual opening programme ever delivered by X5.
- ✓ X5's proximity store chain Pyaterochka added 1,098 th. sq. m. of net selling space, setting another new annual growth record among Russian food retail brands.

Q4 2017 Highlights

- ✓ Total net retail sales growth remained strong at 23.4% y-o-y, while decelerating slightly vs. Q3 2017, mainly due to slowing food price inflation.
- ✓ Pyaterochka remained the main driver of growth in Q4 2017: net retail sales rose by 26.0% y-o-y, driven by 2.4% growth in like-for-like (LFL) sales and a 23.6% contribution to sales growth from a 33.0% increase in selling space.
- ✓ LFL traffic at Perekrestok was positive for the eighth quarter in a row and was the highest among all of X5's formats.
- ✓ X5 added 795 net new stores in Q4 2017, contributing to additional net selling space of 335.2 th. sq. m. in the quarter.

Amsterdam, 23 January 2018 - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE ticker: "FIVE"), today announces preliminary consolidated net retail sales and operational results for the fourth quarter (Q4) and full year (FY) ended 31 December 2017⁽¹⁾.

X5 Chief Executive Officer Igor Shekhterman said:

"X5 delivered strong growth in 2017 and showed we were able to achieve sustainable performance even in what continues to be a challenging macro environment. Decelerating food CPI has put a damper on retail sales growth throughout the year, with inflation growth reaching its lowest level in Q4. Real disposable income growth remained negative in 2017, and the recovery in consumer confidence slowed towards the end of the year.

"Despite these external challenges, we continued to deliver solid business growth: X5 once again expanded at the fastest pace among its public peers in Russia, and LFL traffic improved relative to the previous year, reaching 3.0% annual growth in 2017, compared to 2.5% growth in 2016. For the first time in the Company's history, we added more than one million square metres of selling space.

"Looking ahead to 2018 and beyond, we remain committed to our core strategic goals and will continue on the path of rapid, efficient and profitable growth, with the aim of sustainably occupying the position of Russia's food retail market leader."

(1) Numbers in this press release are preliminary and have not been reviewed or audited by the Company's auditor.

Net Retail Sales⁽²⁾ Performance

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

RUB mln	Q4 2017	Q4 2016	change y-o-y, %	FY 2017	FY 2016	change y-o-y, %
Pyaterochka	276,364	219,383	26.0	1,000,863	775,580	29.0
Perekrestok	54,624	44,632	22.4	186,936	155,404	20.3
Karusel	25,967	24,476	6.1	89,302	83,558	6.9
Express	2,433	2,798	(13.0)	9,769	11,048	(11.6)
X5 Retail Group	359,388	291,289	23.4	1,286,870	1,025,589	25.5

Q4 2017 monthly net RUB retail sales by format, % change y-o-y

	October 2017	November 2017	December 2017
Pyaterochka	28.1	25.2	24.8
Perekrestok	22.1	22.1	22.8
Karusel	2.6	6.0	8.4
Express	(11.2)	(12.8)	(14.9)
X5 Retail Group	24.9	22.9	22.6

Average Ticket and Number of Customer Visits

Q4 & FY 2017 average ticket and customer visits by format

	Q4 2017	Q4 2016	change y-o-y, %	FY 2017	FY 2016	change y-o-y, %
Average Ticket, RUB						
Pyaterochka	358.7	364.1	(1.5)	350.6	349.1	0.4
Perekrestok	550.5	541.4	1.7	524.7	506.9	3.5
Karusel	830.6	783.8	6.0	758.3	710.9	6.7
Express	284.6	297.8	(4.4)	278.1	285.1	(2.5)
X5 Retail Group	395.1	401.5	(1.6)	382.5	381.9	0.1
# of Customers, mln						
Pyaterochka	882.4	689.6	28.0	3,266.8	2,542.5	28.5
Perekrestok	113.1	94.5	19.7	406.7	350.1	16.2
Karusel	35.9	35.8	0.1	134.6	134.4	0.2
Express	9.9	10.9	(9.2)	40.8	45.2	(9.6)
X5 Retail Group	1,041.3	830.9	25.3	3,849.0	3,072.2	25.3

Q4 2017 average monthly ticket and customer visits by format, % change y-o-y

	October 2017	November 2017	December 2017
Average Ticket			
Pyaterochka	(0.5)	(2.9)	(1.0)
Perekrestok	2.3	0.9	1.8
Karusel	6.7	5.2	5.4
Express	(2.6)	(4.5)	(4.8)
X5 Retail Group	(0.8)	(2.8)	(1.1)
# of Customer Visits			
Pyaterochka	28.7	28.9	26.4
Perekrestok	19.1	20.9	19.2
Karusel	(3.7)	1.1	2.5
Express	(9.2)	(8.8)	(10.8)
X5 Retail Group	25.8	26.3	24.0

(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 Q4 and FY 2017 financial results.

(3) In the tables and text of this press release, immaterial discrepancies in calculation of % change, subtotals and totals are due to rounding.

LFL Sales Performance

Q4 & FY 2017 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Q4 2017			FY 2017		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	2.4	2.8	(0.4)	4.6	2.8	1.7
Perekrestok	9.3	7.5	1.6	10.1	6.7	3.2
Karusel	4.0	(0.2)	4.3	5.4	0.1	5.3
Express	(4.9)	(0.1)	(4.8)	(8.6)	(6.3)	(2.4)
X5 Retail Group	3.5	3.1	0.3	5.4	3.0	2.3

Expansion Dynamics

Selling space and # of stores by format

	As at 31-Dec-17	As at 31-Dec-16	change vs 31-Dec-16, %
Selling Space, square meters (sq. m.)			
Pyaterochka	4,426,808	3,329,273	33.0
Perekrestok ⁽⁵⁾	637,242	548,473	16.2
Karusel	385,271	386,897	(0.4)
Express	30,420	37,110	(18.0)
X5 Retail Group	5,479,741	4,301,752	27.4
# of Stores			
Pyaterochka	11,225	8,363	34.2
Perekrestok ⁽⁵⁾	638	539	18.4
Karusel	93	91	2.2
Express	165	194	(14.9)
X5 Retail Group	12,121	9,187	31.9

Selling space and # of stores added by format

	Net added Q4 2017	Net added Q4 2016	change y-o-y, %	Net added FY 2017	Net added FY 2016	change y-o-y, %
Net Selling Space, sq. m.						
Pyaterochka	281,015	238,499	17.8	1,097,535	906,646	21.1
Perekrestok ⁽⁵⁾	51,657	35,421	45.8	88,769	64,465	37.7
Karusel	4,487	2,448	83.3	(1,626)	(3,236)	(49.7)
Express	(1,979)	192	n/a	(6,689)	703	n/a
X5 Retail Group	335,180	276,560	21.2	1,177,989	968,578	21.6
Net # of Stores						
Pyaterochka	744	576	29.2	2,862	2,098	36.4
Perekrestok ⁽⁵⁾	54	36	50.0	99	61	62.3
Karusel	2	1	100.0	2	1	100.0
Express	(5)	0	n/a	(29)	7	n/a
X5 Retail Group	795	613	29.7	2,934	2,167	35.4

(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.

(5) Supermarkets acquired by X5 from O'KEY in December 2017 are not included as of 31 December 2017 and will be included after reopening following refurbishment.

Key Drivers for Q4 and FY 2017 Results

Sales

- X5 net retail sales growth remained strong at 25.5% in 2017, despite a slowdown in food inflation from 6.0% in 2016 to 3.0% in 2017.
- During the quarter, promo activity among food retailers remained high. Consumer behaviour can still be characterised as highly rationalised with significant price sensitivity, even in the pre-New Year shopping period.
- LFL traffic growth in Perekrestok reached 7.5%, the highest level since Q2 2011.
- LFL basket growth at Karusel reached the high level of 4.3% in Q4 2017 and was the highest among all three major formats due to successful measures to broaden customer spending as part of the format's new customer focus.

Expansion and refurbishment

- New space delivery continued to accelerate: X5 added 335.2 th. sq. m. of selling space in Q4 2017 vs. 323.6 th. sq. m in Q3 2017. Total new space added for the full year reached 1,178 th. sq.m. Organic growth accounted for 87% of total gross new selling space.
- Pyaterochka was the main driver for the store base increase, accounting more than 90% of selling space added in 2017.
- Pyaterochka has almost completed its five-year refurbishment programme, with 267 stores refurbished in 2017 (38 in Q4 2017).
- 76 Perekrestok stores were refurbished in 2017 (seven in Q4 2017), which, along with new openings, brought the total share of stores operating under the new concept to more than 73% as of 31 December 2017.
- Seven Karusel stores were refurbished in 2017 (four in Q4 2017).
- Ten new distribution centres (DCs) with a total space of 244 th. sq. m. were opened in 2017. In Q4 2017, X5 opened new distribution centres in Kirov (30 th. sq. m.), Ufa (24 th. sq. m.), and Kuznetsk (20 th. sq. m.) to serve the Pyaterochka format. X5 closed six DCs in 2017 (including one in Q4 2017 that served the Pyaterochka format) that did not meet the Company's increasingly ambitious efficiency criteria.
- In 2017, as part of the Company's ongoing rationalisation programme, X5 closed 127 Pyaterochka stores, 20 Perekrestok stores, two Karusel stores and 30 Express stores.

2018 Financial Calendar

23 January	Q4 & FY 2017 Trading Update
29 March	Q4 & FY 2017 Financial Results and conference call
19 April	Q1 2018 Trading Update
26 April	Q1 2018 Financial Results and conference call
10 May	Annual General Meeting of Shareholders
19 July	Q2 & 6M 2018 Trading Update
14 August	Q2 & 6M 2018 Financial Results and conference call
18 October	Q3 & 9M 2018 Trading Update
23 October	Q3 & 9M 2018 Financial Results
24 October	2018 Capital Markets Day

Dates are preliminary and may be subject to change. For up-to-date information, please refer to Investor calendar on X5's website: www.x5.ru.

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – ‘BB’, Moody's – ‘Ba2’, S&P – ‘BB’, RAEX - ‘ruAA’) 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 2017, X5 had 12,121 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 11,225 Pyaterochka proximity stores, 638 Perekrestok supermarkets, 93 Karusel hypermarkets and 165 convenience stores. The Company operates 39 DCs and 3,144 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: CTF Holdings S.A. – 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 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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