

X5 TO TEST THREE INNOVATIVE LABELLING TECHNOLOGIES FOR QUALITY CONTROL

Moscow, 22 May 2018 – X5 Retail Group (“X5” or the “Company”), a leading Russian food retailer (LSE and MOEX ticker: FIVE), is testing three unique labelling technologies: two types of colour-changing labels that warn if the required storage or transportation temperatures have not been maintained, and barcodes that prevent the sale of expired products.

X5 will take part in developing and piloting a new solution aimed at identifying expired goods using temperature-sensitive indicators. These “chameleon” labels will inform customers and store employees if there were any temperature issues during transportation or storage. The technology is especially useful when it comes to frozen goods, as the label will irreversibly change colour if the product thaws. Tomsk State University (TSU) students who have been collaborating with X5 since 2016 to develop this solution. The joint project to develop and test temperature-sensitive labels marks a new stage in the retailer’s and university’s R&D partnership.

The second type of temperature-sensitive “chameleon” label will allow customers to keep track of a product’s actual freshness. Incorrect storage can reduce a product’s shelf life, so in order to accurately reflect the current state of temperature-sensitive goods, X5 will use special labels that change colour at different speeds depending on the temperature. For instance, at +4°C a colour-changing label will grow dark in six days, while at +6°C the process will take four and a half days. This technology will give customers reliable information on product quality and safety, while also enabling employees to keep fresh goods on the shelves and address issues with storage conditions across the supply chain. X5 started piloting these labels in May 2018, with the first tests involving items packaged in-store like confectionaries and cheese.

The third quality control solution tested by X5 is barcodes that block the sale of expired goods. Together with several suppliers, the Company launched a project to sell fresh and ultra-fresh products using the EAN 13+5 barcode with information on the product’s shelf life. This will prevent the sale of expired goods, which will be discarded at checkout. The technology is now being tested in 200 Pyaterochka stores in Moscow and the Moscow region.

X5 is committed to ensuring the safety and high quality of its products at each stage of their life, from production to checkout. End-to-end quality control with the use of modern technologies is impossible without contributions from suppliers and producers, which is why X5 encourages and considers various technological improvements proposed by food producers to strengthen and automate quality control.

Note to Editors:

X5 Retail Group N.V. (LSE and MOEX: 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 March 2018, X5 had 12,701 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 11,797 Pyaterochka proximity stores, 674 Perekrestok supermarkets, 92 Karusel hypermarkets and 138 convenience stores. The Company operates 39 DCs and 3,038 Company-owned trucks across the Russian Federation.

For the full year 2017, revenue totalled RUB 1,295,008 mln (USD 22,193 mln), Adjusted EBITDA reached RUB 99,131 mln (USD 1,699 mln), and adjusted net profit for the period amounted to RUB 33,768 mln (USD 579 mln). In Q1 2018, revenue totalled RUB 351,518 mln (USD 6,180 mln), adjusted EBITDA reached RUB 22,234 mln (USD 391 mln), and net profit amounted to RUB 5,628 mln (USD 99 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 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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