

X5 RETAIL GROUP REPORTS 13.2% NET RETAIL SALES GROWTH IN Q2 2020, EXPECTS EBITDA MARGIN ABOVE Q2 2019 LEVEL

Amsterdam, 16 July 2020 - X5 Retail Group N.V. ("X5" or the "Company", LSE and MOEX ticker: "FIVE"), a leading Russian food retailer that operates the Pyaterochka, Perekrestok, and Karusel retail chains, today announces its preliminary consolidated net retail sales and operational results for the second quarter (Q2) and six months (H1) ended 30 June 2020⁽¹⁾.

- ✓ Total net retail sales increased by 13.2% y-o-y in roubles (RUB) driven by:
 - 4.3% increase in like-for-like (LFL)⁽²⁾ sales; and
 - 8.9% sales growth contribution from a 10.7% rise in selling space.
- ✓ Net retail sales for Pyaterochka and Perekrestok increased by 15.6% y-o-y, with LFL sales growth of 4.7%. Sales growth rates and LFL sales have accelerated in July, with month-to-date LFL sales at Pyaterochka exceeding 10%.
- ✓ LFL sales by traffic and basket in Q2 2020 reflect the impact of the COVID-19 lockdown with less frequent customer visits to stores and larger purchases per visit. On balance, X5 saw consumers trading up across all retail formats, which can be partially attributed to the closure of the HoReCa segment during most of the second quarter.
- ✓ The share of promo was lower in Q2 2020 compared to Q2 2019.
- ✓ The proximity segment was the main contributor to business growth in Q2 2020. X5 continues to benefit from its strategic focus on this segment and earlier initiatives to revamp the format's CVP, and continuing efforts to offer attractive pricing for customers, high product availability and the safety of stores.
- ✓ In Q2 2020, the Company's supermarket revenue was below budget targets, as COVID-19 lockdown measures included the closure of some shopping malls where supermarkets are located. Meanwhile, free-standing Perekrestok supermarkets enjoyed 24% sales growth in Q2 2020.
- ✓ The revenue contribution from Karusel hypermarkets continues to decline due to planned downsizing as part of its transformation and traffic outflow during the COVID-19 lockdown. At the same time, profitability of this segment was well ahead of budget targets thanks to a number of operational initiatives.
- ✓ X5's online sales surged as the COVID-19 situation developed in Q2 2020. Online revenue from Perekrestok.ru and express delivery from Pyaterochka and Perekrestok stores totalled RUB 5.1 billion in Q2 2020, peaking at RUB 2.1 billion in May, when both our online platforms were EBITDA-positive. X5 became the leading player by turnover in Russia's e-grocery segment during the second quarter.
- ✓ X5 added 367 net new stores in Q2 2020; in addition, 103 proximity stores and 13 supermarkets (including 9 Karusel stores transferred to Perekrestok) were refurbished using the new concepts, which continue to show positive customer response.
- ✓ X5 expects Q2 2020 EBITDA margin to be above Q2 2019 level which was the highest level since Q2 2017, owing to strong quarterly sales led by the proximity segment, continued improvements in operational efficiency and better EBITDA margin for online operations driven by changes in the structure of demand during the COVID-19 lockdown.

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

(2) 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 the LFL calculation starting from the day of the store's opening. We include all stores that fit our LFL criteria in each reporting period.

Net Retail Sales⁽³⁾ Performance

Net retail sales by format⁽⁴⁾

RUB mln	Q2 2020	Q2 2019	change y-o-y, %	H1 2020	H1 2019	change y-o-y, %
Pyaterochka	405,792	349,395	16.1	775,839	664,669	16.7
Perekrestok	73,346	65,125	12.6	153,960	131,570	17.0
Karusel	13,837	21,067	(34.3)	31,636	42,985	(26.4)
X5 Retail Group	492,975	435,587	13.2	961,435	839,703	14.5

Q2 & H1 2020 LFL store performance by format, % change y-o-y⁽⁵⁾

	Q2 2020			H1 2020		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	6.0	(15.0)	24.8	6.0	(6.2)	13.0
Perekrestok	(2.4)	(32.6)	44.9	1.8	(16.2)	21.5
Karusel	(8.4)	(34.1)	39.0	(5.6)	(18.9)	16.4
X5 Retail Group	4.3	(17.2)	26.1	5.0	(7.5)	13.5

Q2 2020 monthly net RUB retail sales by format, % change y-o-y

	April 2020	May 2020	June 2020
Pyaterochka	20.1	13.4	15.2
Perekrestok	10.3	13.2	14.5
Karusel	(31.5)	(32.9)	(38.7)
X5 Retail Group	16.0	11.1	12.5

Average Ticket and Number of Customer Visits⁽⁵⁾

Q2 & H1 2020 average ticket and customer visits by format

	Q2 2020	Q2 2019	change y-o-y, %	H1 2020	H1 2019	change y-o-y, %
Average Ticket, RUB						
Pyaterochka	430.4	346.8	24.1	399.6	355.9	12.3
Perekrestok	733.3	508.4	44.2	642.2	532.4	20.6
Karusel	1,119.8	801.4	39.7	941.7	812.9	15.9
X5 Retail Group	465.8	374.9	24.2	433.2	387.0	11.9
# of Customers, mln						
Pyaterochka	1,082.3	1,158.5	(6.6)	2,229.7	2,150.9	3.7
Perekrestok	108.6	147.0	(26.1)	263.9	283.9	(7.0)
Karusel	14.2	30.3	(53.1)	38.6	60.8	(36.5)
X5 Retail Group	1,205.1	1,335.8	(9.8)	2,532.2	2,497.7	1.4

(3) 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 Q2 and H1 2020 financial results.

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

(5) Excluding Perekrestok.ru

Q2 2020 average monthly ticket and customer visits by format, % change y-o-y

	April 2020	May 2020	June 2020
Average Ticket			
Pyaterochka	35.5	23.9	14.8
Perekrestok	62.1	49.3	26.4
Karusel	54.0	43.0	23.3
X5 Retail Group	35.7	24.7	14.3
# of Customer Visits			
Pyaterochka	(12.1)	(8.8)	1.0
Perekrestok	(35.1)	(28.9)	(14.3)
Karusel	(55.8)	(53.2)	(50.1)
X5 Retail Group	(15.7)	(12.0)	(1.8)

Expansion Dynamics
Selling space and # of stores by format

	As at 30-Jun-20	As at 31-Dec-19	change vs 31-Dec-19, %	As at 30-Jun-19	change vs 30-Jun-19, %
Selling Space, square meters (sq. m.)					
Pyaterochka	6,289,962	5,975,147	5.3	5,607,228	12.2
Perekrestok	973,109	899,893	8.1	814,808	19.4
Karusel	247,191	364,077	(32.1)	364,028	(32.1)
X5 Retail Group	7,510,261	7,239,117	3.7	6,786,064	10.7
# of Stores					
Pyaterochka	16,096	15,354	4.8	14,385	11.9
Perekrestok	867	852	1.8	785	10.4
Karusel	62	91	(31.9)	90	(31.1)
X5 Retail Group	17,025	16,297	4.5	15,260	11.6

Selling space and # of stores added by format

	Net Added Q2 2020	Net Added Q2 2019	change, y-o-y, %	Net Added H1 2020	Net Added H1 2019	change, y-o-y, %
Selling Space, square meters (sq. m.)						
Pyaterochka	153,188	172,366	(11.1)	314,815	315,807	(0.3)
Perekrestok	78,359	20,574	280.9	73,216	33,270	120.1
Karusel	(48,277)	(5,465)	783.4	(116,887)	(17,996)	549.5
X5 Retail Group	183,270	187,476	(2.2)	271,144	322,330	(15.9)
Net # of Stores						
Pyaterochka	357	468	(23.7)	742	863	(14.0)
Perekrestok	21	14	50.0	15	25	(40.0)
Karusel	(11)	(1)	1,000.0	(29)	(4)	625.0
X5 Retail Group	367	481	(23.7)	728	829	(12.2)

Perekrestok.ru Performance

	Q2 2020	Q2 2019	change y-o-y, %	H1 2020	H1 2019	change y-o-y, %
Net sales, RUB mln	3,592	867	314.3	5,688	1,758	223.5
Number of orders	885,091	276,551	220.0	1,476,484	556,309	165.4
Average ticket, RUB	4,587	3,575	28.3	4,362	3,600	21.2

Key Drivers for Q2 2020 Results

External environment

- Food inflation in Q2 2020 increased to 3.6% y-o-y from 2.0% y-o-y in Q1 2020. It further accelerated in June 2020 and reached 3.9% y-o-y. Key drivers of this acceleration were rouble depreciation on the back of lower oil prices and factors related to the COVID-19 pandemic.
- Consumer demand in Q2 2020 deteriorated, compared to 4.3% y-o-y growth in Q1 2020 primarily due to the lockdown regime introduced in Russia amid the spread of the COVID-19 virus.
- The share of consumer expenditure on food increased in April-May 2020 to 44% from 35% in Q1 according to Romir, reflecting the stay-at-home consumption regime, and due to a sharp reduction in the food offer from the HoReCa segment (only c.30% of Russia's cafes and restaurants continued to operate in delivery-only mode during the lockdown).
- Demand for express food delivery and e-grocery services surged in Q2 2020, causing delayed deliveries as well as lower than normal order fulfilment levels during several weeks in March and April, with online service levels normalising towards May.

Sales

- Pyaterochka's net retail sales increased by 16.1% y-o-y, with LFL sales growth at 6.0% (vs food CPI of 3.6% and rising from the high comparable base of 2Q 2019 when LFL sales growth peaked at 4.9%). LFL traffic decreased by 15.0% y-o-y while LFL basket increased by 24.8% y-o-y in Q2 2020, driven by changes in customer behaviour related to safety considerations, with less frequent visits to stores and larger purchases per visit. Over the last two weeks of June 2020, when lockdown measures were lifted across the country, the proximity segment saw revenue growth and LFL sales acceleration: net retail sales in Pyaterochka increased by 17.9% y-o-y in the last two weeks of June, with LFL sales up 7.8% y-o-y for the period. The segment's revenue growth continued to accelerate in July, with LFL revenue growth above 10% and LFL traffic turning positive.
- Perekrestok's net retail sales increased by 12.6% in Q2 2020, driven mostly by selling space expansion and affected by closure to the public of shopping malls where some supermarkets are located. In free-standing Perekrestok supermarkets (396 out of a total of 862, excluding dark stores), net retail sales growth in Q2 2020 was 24.0% y-o-y, compared with a 3.1% sales decline for stores located in shopping malls. After lockdown restrictions were lifted in June 2020, traffic in Perekrestok supermarkets located in shopping malls started to recover and we see improvements in the segment's revenue growth in July, as well as positive LFL revenue.
- In Q2 2020, Karusel's net retail sales decreased by 34.3%, with LFL sales decreasing by 8.4% driven by downsizing as part of its transformation programme and traffic outflow during the COVID-19 lockdown.
- In Q2 2020, demand for both stock-up and express delivery services for food and other groceries increased sharply. On some of the busiest days, X5 Retail Group had over 20,000 daily orders placed with Perekrestok.ru. In order to meet this demand and drive online sales, X5 expanded the segment's logistics capacity by adding a third dark store in Moscow in April. Prior to this, operations in this market had already reached full capacity. This prompt response to the customer demand during the lockdown, combined with the fast rollout of Pyaterochka express delivery operations in Moscow, the Moscow region, St Petersburg and Kazan, enabled X5 to more than quadruple online sales in Q2 2020 y-o-y. In Moscow and St Petersburg, online sales in Q2 2020 already accounted for 2.3% of total sales in these regions.

Loyalty programmes

- X5 continued to develop its loyalty card programmes. In total, X5's three retail formats had 41.1 million active loyalty card users as of 30 June 2020, with penetration in traffic in June reaching 61% at Pyaterochka, 64% at Perekrestok and 83% at Karusel.

Expansion and retail portfolio improvement

- X5 was one of the few retailers that continued to actively expand in Q2 2020 despite the pandemic. Nearly all of the new stores were opened using the new concepts: 418 Pyaterochka stores (out of 431 gross stores) and five Perekrestok stores (out of 15 gross stores, excluding Karusel transfers). Expanding X5's physical footprint remains an important pillar of market leadership and expansion capex is generating better returns given the high profitability of the business and positive customer response to the new store concepts.
- 103 Pyaterochka stores were refurbished into the new concept in Q2 2020. Together with new openings, this brought the total number of stores operating under the new concept to 1,120 as of 30 June 2020. The new concept stores have demonstrated significantly higher LFL sales growth as well as higher NPS compared to other Pyaterochka stores.
- 6 Perekrestok supermarkets were opened following refurbishments and nine Karusel hypermarkets were transformed into Perekrestok supermarkets in Q2 2020. As of 30 June 2020, 32 supermarkets were operating under the new concept.
- In Q2 2020, as part of the Company's ongoing rationalisation programme, X5 closed 74 proximity stores, three supermarkets and three hypermarkets, while eight hypermarkets were transferred to Perekrestok, two of which were re-opened in Q2 2020.
- In Q2 2020, X5 opened one new distribution centre in Ryazan (27.8 ths sq. m) to serve the proximity format and closed one distribution centre in Novosibirsk, which was replaced by another facility in the region opened in Q3 2019.
- The online supermarket Perekrestok.ru continued to expand amid the COVID-19 pandemic. The total number of orders exceeded 885 thousand in Q2 2020, up more than three times y-o-y. Due to increased demand for online delivery services, Perekrestok.ru launched a new darkstore in Vidnoye, Moscow Region, ahead of schedule in April.
- In addition to Pyaterochka express delivery, X5 launched express delivery from Perekrestok supermarkets during the second quarter. As of 30 June 2020, express delivery service was available from over 439 stores in Moscow, St Petersburg, Rostov-on-Don, Kazan and Krasnodar. In Q2 2020, the number of orders was 9.9 thousand per day with an average ticket of RUB 1,848.

Note to Editors:

X5 Retail Group N.V. (LSE and MOEX: FIVE, Fitch – ‘BB+’, Moody's – ‘Ba1’, 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 and the hypermarket chain under the Karusel brand.

As of 30 June 2020, X5 had 17,025 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 16,096 Pyaterochka proximity stores, 867 Perekrestok supermarkets and 62 Karusel hypermarkets. The Company operates 42 DCs and 4,083 Company-owned trucks across the Russian Federation.

For the full year 2019, revenue totalled RUB 1,734,347 mln (USD 26,791 mln), Adjusted EBITDA under IAS 17 reached RUB 127,380 mln (USD 1,968 mln), and net profit under IAS 17 for the period amounted to RUB 25,908 mln (USD 400 mln). In Q1 2020, revenue totalled RUB 468,994 mln (USD 7,065 mln), adjusted EBITDA reached RUB 32,980 mln (USD 497 mln), and net profit amounted to RUB 8,175 mln (USD 123 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.09%, treasury shares – 0.01%, Shareholders with less than 3% – 40.61%.

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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