

X5 RETAIL GROUP REPORTS 17.6% NET RETAIL SALES GROWTH IN Q3 2018

- ✓ Total net retail sales growth remained strong at 17.6% y-o-y, driven by:
 - 0.5% increase in like-for-like (LFL) sales; and
 - 17.1% sales growth contribution from a 19.6% rise in selling space.
- ✓ Net retail sales for X5's core formats Pyaterochka and Perekrestok increased by 18.3% and 25.5%, respectively, and decreased by 0.3% at Karusel mainly due to refurbishment closures in Q2 2018.
- ✓ X5's LFL sales and traffic growth remain positive at 0.5% and 0.9% y-o-y respectively in Q3 2018. LFL sales and traffic were positive for both core formats – Pyaterochka and Perekrestok.
- ✓ X5 added 507 net new stores in Q3 2018, contributing to an additional 208.9 th. sq. m of net selling space in the quarter. Net selling space growth slowed down from 23.3% in Q2 2018 to 19.6% in Q3 2018.

Amsterdam, 18 October 2018 - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE and MOEX ticker: "FIVE"), announces today the Company's preliminary consolidated net retail sales and operational results for the third quarter (Q3) and nine months (9M) ended 30 September 2018⁽¹⁾.

Net Retail Sales⁽²⁾ Performance

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

RUB mln	Q3 2018	Q3 2017	change y-o-y, %	9M 2018	9M 2017	change y-o-y, %
Pyaterochka	297,817	251,653	18.3	871,129	724,499	20.2
Perekrestok	53,225	42,417	25.5	163,633	132,312	23.7
Karusel	20,647	20,705	(0.3)	64,723	63,335	2.2
X5 Retail Group	372,805	317,131	17.6	1,104,003	927,482	19.0

Q3 2018 monthly net RUB retail sales by format, % change y-o-y

	July 2018	August 2018	September 2018
Pyaterochka	20.5	19.0	15.5
Perekrestok	24.0	26.5	25.9
Karusel	(0.6)	0.3	(0.6)
X5 Retail Group	19.1	18.2	15.4

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

(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 X5's Q3 and 9M 2018 financial results.

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

Average Ticket and Number of Customer Visits

Q3 & 9M 2018 average ticket and customer visits by format

	Q3 2018	Q3 2017	change y-o-y, %	9M 2018	9M 2017	change y-o-y, %
<u>Average Ticket, RUB</u>						
Pyaterochka	333.2	336.3	(0.9)	345.3	347.6	(0.6)
Perekrestok	481.2	490.4	(1.9)	511.6	514.7	(0.6)
Karusel	745.6	725.7	2.7	763.5	732.1	4.3
X5 Retail Group	359.5	363.4	(1.1)	374.9	377.8	(0.8)
<u># of Customers, mln</u>						
Pyaterochka	1,021.4	857.1	19.2	2,881.2	2,384.5	20.8
Perekrestok	125.9	99.0	27.2	364.6	293.5	24.2
Karusel	31.5	32.6	(3.1)	96.8	98.7	(1.9)
X5 Retail Group	1,184.3	999.3	18.5	3,363.0	2,807.7	19.8

Q3 2018 average monthly ticket and customer visits by format, % change y-o-y

	July 2018	August 2018	September 2018
<u>Average Ticket</u>			
Pyaterochka	(1.6)	0.2	(1.4)
Perekrestok	(4.2)	(0.4)	(1.0)
Karusel	0.1	4.1	4.1
X5 Retail Group	(2.2)	0.1	(1.2)
<u># of Customer Visits</u>			
Pyaterochka	22.1	18.6	16.9
Perekrestok	29.0	26.0	26.6
Karusel	(0.6)	(4.2)	(4.5)
X5 Retail Group	21.3	17.8	16.4

LFL Sales Performance

Q3 & 9M 2018 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Q3 2018			9M 2018		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	0.1	0.5	(0.4)	(0.0)	(0.1)	0.0
Perekrestok	4.7	6.7	(1.8)	5.2	5.5	(0.3)
Karusel	(2.5)	(4.8)	2.4	0.1	(3.2)	3.4
X5 Retail Group	0.5	0.9	(0.4)	0.7	0.4	0.3

(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.

Expansion Dynamics

Selling space and # of stores by format

	As at 30-Sep-18	As at 31-Dec-17	change vs 31-Dec-17, %	As at 30-Sep-17	change vs 30-Sep-17, %
Selling Space, square meters (sq. m.)					
Pyaterochka	5,035,160	4,426,808	13.7	4,145,793	21.5
Perekrestok	728,467	637,242	14.3	585,585	24.4
Karusel	382,120	385,271	(0.8)	380,784	0.4
X5 Retail Group	6,155,080	5,479,741	12.3	5,144,561	19.6
# of Stores					
Pyaterochka	12,822	11,225	14.2	10,481	22.3
Perekrestok	712	638	11.6	584	21.9
Karusel	92	93	(1.1)	91	1.1
X5 Retail Group	13,685	12,121	12.9	11,326	20.8

Selling space and # of stores added by format

	Net Added Q3 2018	Net Added Q3 2017	change, y-o-y, %	Net Added 9M 2018	Net Added 9M 2017	change, y-o-y, %
Selling Space, square meters (sq. m.)						
Pyaterochka	194,012	301,732	(35.7)	608,353	816,520	(25.5)
Perekrestok	23,151	21,057	9.9	91,225	37,112	145.8
Karusel	(4,151)	1,061	n/a	(3,151)	(6,114)	(48.5)
X5 Retail Group	208,910	323,581	(35.4)	675,339	842,808	(19.9)
Net # of Stores						
Pyaterochka	508	793	(35.9)	1,597	2,118	(24.6)
Perekrestok	21	27	(22.2)	74	45	64.4
Karusel	(1)	1	n/a	(1)	0	n/a
X5 Retail Group	507	820	(38.2)	1,564	2,139	(26.9)

Key Drivers for Q3 2018 Results

External environment

- Real food retail trade growth was positive in Q3 2018; however, it slowed to 1.0% y-o-y from 2.6% y-o-y in Q2 2018.
- Income dynamics remain uncertain. Despite some positive signs during the year, there is still no sustainable trend towards recovery.
- Food inflation accelerated from 0.4% y-o-y in Q2 2018 to 1.6% in Q3 2018. This trend was driven mainly by seasonality (the low base of H2 2017) and the lower harvest compared to 2016 and 2017.

Sales

- In line with the Company's priorities, the share of promo in Q3 2018 remained at almost the same level as in Q2 2018 and Q3 2017.
- Pyaterochka's net retail sales growth slightly decelerated to 18.3% y-o-y in Q3 2018 from 21.0% in Q2 2018, mainly due to the slower pace of selling space additions, in line with the Company's current plans. LFL traffic remained positive at 0.5%.
- Perekrestok's net retail sales growth accelerated to 25.5% in Q3 2018 from 22.8% in Q2 2018, the highest pace of growth among the Company's formats. LFL traffic was also the highest among all formats for the eighth quarter in a row and reached 6.7% y-o-y in Q3 2018.
- Karusel's net retail sales growth was negative at (0.3)% y-o-y in Q3 2018, driven by the closure of six hypermarkets during Q2 2018 for refurbishment.

Loyalty programmes

- X5 continued to develop its loyalty card programmes. In total, X5's three retail formats had 31.4 million registered loyalty card users as of 30 September 2018, with penetration in traffic in September reaching 42% at Pyaterochka, 45% at Perekrestok and 72% at Karusel.

Expansion and retail portfolio improvement

- 22 Perekrestok stores were opened following refurbishments in Q3 2018, which, along with new openings, brought the total share of stores operating under the new concept to more than 83% as of 30 September 2018.
- Two Karusel hypermarkets were opened following refurbishment in Q3 2018 and five further stores are due to re-open later in the year.
- In Q3 2018, X5 opened one new distribution centre in Yaroslavl (36.5 ths sq. m.) to serve the Pyaterochka format.
- In Q3 2018, as part of the Company's ongoing rationalisation programme, X5 closed 57 Pyaterochka stores and eight Perekrestok stores.
- The Perekrestok Online service continued to expand, with the number of orders increasing from 64 ths in Q2 2018 to 93 ths in Q3 2018.

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 30 September 2018, X5 had 13,685 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 12,822 Pyaterochka proximity stores, 712 Perekrestok supermarkets, 92 Karusel hypermarkets and 59 convenience stores. The Company operates 40 DCs and 3,293 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 H1 2018, revenue totalled RUB 734,077 mln (USD 12,368 mln), adjusted EBITDA reached RUB 51,697 mln (USD 871 mln), and net profit amounted to RUB 14,313 mln (USD 241 mln).

X5's Shareholder structure is as follows: CTF Holdings S.A. – 47.86%, Intertrust Trustees Ltd (Axon Trust) – 11.43%, X5 Directors – 0.07%, 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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