

X5 RETAIL GROUP REPORTS 27.5% NET RETAIL SALES GROWTH IN 2016

FY 2016 Highlights

- ✓ X5 delivered total net retail sales growth of 27.5% year-on-year (y-o-y), the Company's fastest pace of growth since 2011.
- ✓ Net retail sales growth of RUB 221.5 bln was the highest in X5's history.
- ✓ Net retail sales growth was driven by a 7.7% increase in like-for-like (LFL) sales and a 19.8% sales growth contribution from a 29.1% rise in selling space.
- ✓ LFL traffic growth improved to 2.5% in 2016, up from 2.3% in 2015.
- ✓ The Company added a record 2,167 new stores in 2016, vs. 1,537 stores in 2015.
- ✓ Net additional selling space of 968.6 th. sq. m., driven primarily by organic expansion, was the largest annual opening programme delivered by X5.
- ✓ X5's proximity store chain Pyaterochka added 906.6 th. sq. m. of net selling space, a record for any Russian food retail brand in a single year.

Q4 2016 Highlights

- ✓ Total net retail sales growth remained strong at 27.5% y-o-y, while decelerating slightly vs. Q3 2016, mainly due to slowing food price inflation.
- ✓ Pyaterochka was the main driver of growth in Q4 2016: net retail sales rose by 31.2% y-o-y, driven by 7.5% growth in like-for-like (LFL) sales and a 23.7% contribution to sales growth from a 37.4% increase in selling space.
- ✓ In Q4 2016, the Company demonstrated positive LFL traffic for all three major formats.
- ✓ LFL traffic of Perekrestok was positive for four quarters in a row and was the highest among all formats of X5 in each month of the fourth quarter.
- ✓ LFL traffic of Karusel was positive for the first time since Q4 2015.
- ✓ X5 added 613 net new stores in Q4 2016, contributing to additional net selling space of 276.6 th. sq. m. in the quarter.

Amsterdam, 24 January 2017 - 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 2016⁽¹⁾.

X5 Chief Executive Officer Igor Shekhterman said:

The trends that have dominated the Russian food retail market since 2014 continued to affect the sector and X5 in 2016, with some possible signs of stabilisation through a deceleration in the pace of food inflation. It is still too early to speak of a full-fledged recovery being underway, however, and we maintain our sharp focus on efficiency and continuously adapting value propositions to best address Russian consumers' needs, as we have been doing successfully since 2013 when X5's strategic transformation was launched.

We are delighted that X5 Retail Group has delivered another year of strong results across numerous key performance indicators, including best-in-sector top-line growth and like-for-like performance. X5 set another record in 2016, with nearly one million sq. m. of new selling space added, predominantly through organic growth. We feel that we have the team, the systems and the resources in place to deliver on our strategic goals.

After delivering yet another record year in 2016, we will continue to pursue X5's strategic targets of profitable, sustainable growth, moving towards 15% market share by the end of 2020 as the leading player in the Russian market.

(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 2016	Q4 2015	change y-o-y, %	FY 2016	FY 2015	change y-o-y, %
Pyaterochka	219,383	167,196	31.2	775,580	585,402	32.5
Perekrestok	44,632	37,046	20.5	155,404	130,144	19.4
Karusel	24,476	21,381	14.5	83,558	77,443	7.9
Express	2,798	2,838	(1.4)	11,048	11,143	(0.8)
X5 Retail Group	291,289	228,461	27.5	1,025,589	804,132	27.5

Q4 2016 monthly net RUB retail sales by format, % change y-o-y

	October 2016	November 2016	December 2016
Pyaterochka	33.0	31.5	29.6
Perekrestok	19.7	22.0	19.9
Karusel	9.4	18.2	15.5
Express	(3.8)	(0.6)	0.1
X5 Retail Group	28.3	28.4	26.2

Average Ticket and Number of Customer Visits

Q4 & FY 2016 average ticket and customer visits by format

	Q4 2016	Q4 2015	change y-o-y, %	FY 2016	FY 2015	change y-o-y, %
Average Ticket, RUB						
Pyaterochka	364.1	350.8	3.8	349.1	336.3	3.8
Perekrestok	541.4	518.3	4.5	506.9	488.6	3.8
Karusel	783.8	734.7	6.7	710.9	688.7	3.2
Express	297.8	294.8	1.0	285.1	287.9	(1.0)
X5 Retail Group	401.5	389.2	3.2	381.9	372.5	2.5
# of Customers, mln						
Pyaterochka	689.6	545.8	26.3	2,542.5	1,990.0	27.8
Perekrestok	94.5	81.8	15.6	350.1	304.0	15.2
Karusel	35.8	33.3	7.6	134.4	128.6	4.5
Express	10.9	11.3	(3.5)	45.2	45.5	(0.7)
X5 Retail Group	830.9	672.2	23.6	3,072.2	2,468.1	24.5

Q4 2016 average monthly ticket and customer visits by format, % change y-o-y

	October 2016	November 2016	December 2016
Average Ticket			
Pyaterochka	3.4	4.5	3.8
Perekrestok	3.8	4.9	4.7
Karusel	2.4	8.4	8.6
Express	(0.3)	1.5	1.7
X5 Retail Group	2.2	4.1	3.3
# of Customer Visits			
Pyaterochka	28.8	25.9	24.6
Perekrestok	15.2	16.6	15.0
Karusel	6.7	9.3	7.0
Express	(4.4)	(2.8)	(2.4)
X5 Retail Group	25.4	23.5	22.1

(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 2016 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 2016 LFL⁽⁴⁾ store performance by format, % change y-o-y

	Q4 2016			FY 2016		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	7.5	1.6	5.7	9.1	3.0	5.9
Perekrestok	8.7	4.3	4.2	6.4	2.4	3.9
Karusel	8.1	2.5	5.5	0.7	(1.1)	1.9
Express	(9.8)	(12.5)	3.1	(7.9)	(10.0)	2.3
X5 Retail Group	7.5	1.8	5.6	7.7	2.5	5.0

Q4 2016 monthly LFL store performance by format, % change y-o-y

	October 2016			November 2016			December 2016		
	Sales	Traffic	Basket	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	8.2	2.7	5.4	8.2	1.6	6.5	6.3	0.7	5.5
Perekrestok	6.0	2.8	3.1	9.5	4.7	4.5	10.0	5.2	4.6
Karusel	0.6	(0.1)	0.7	9.1	2.6	6.4	12.6	4.6	7.7
Express	(11.0)	(13.0)	2.3	(9.5)	(12.5)	3.5	(8.8)	(11.8)	3.3
X5 Retail Group	6.9	2.3	4.5	8.3	1.8	6.4	7.4	1.3	6.0

Expansion Dynamics

Selling space and # of stores by format

	As at 31-Dec-16	As at 31-Dec-15	change vs 31-Dec-15, %
Selling Space, square meters (sq. m.)			
Pyaterochka	3,329,273	2,422,626	37.4
Perekrestok	548,473	484,008	13.3
Karusel	386,897	390,133	(0.8)
Express	37,110	36,407	1.9
X5 Retail Group	4,301,752	3,333,174	29.1
# of Stores			
Pyaterochka	8,363	6,265	33.5
Perekrestok	539	478	12.8
Karusel	91	90	1.1
Express	194	187	3.7
X5 Retail Group	9,187	7,020	30.9

Selling space and # of stores added by format

	Net Added Q4 2016	Net Added Q4 2015	change y-o-y, %	Net Added FY 2016	Net Added FY 2015	change y-o-y, %
Net Selling Space, sq. m.						
Pyaterochka	238,499	201,775	18.2	906,646	668,376	35.6
Perekrestok	35,421	25,724	37.7	64,465	68,220	(5.5)
Karusel	2,448	25,551	(90.4)	(3,236)	31,540	n/a
Express	192	454	(57.7)	703	(7,205)	n/a
X5 Retail Group	276,560	253,504	9.1	968,578	760,931	27.3
Net # of Stores						
Pyaterochka	576	470	22.6	2,098	1,476	42.1
Perekrestok	36	27	33.3	61	75	(18.7)
Karusel	1	6	(83.3)	1	8	(87.5)
Express	0	5	n/a	7	(22)	n/a
X5 Retail Group	613	508	20.7	2,167	1,537	41.0

(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.

Key Drivers for Q4 and FY 2016 Results

Sales

- X5 net retail sales growth accelerated from 27.3% in 2015 to 27.5% in 2016, despite a slowdown in food inflation from 19.1% to 6.0%.
- LFL sales performance was strong despite slowing food price inflation during Q4 2016.
- The Company recorded positive LFL traffic in each month of the fourth quarter.
- LFL traffic for Perekrestok accelerated during the fourth quarter, from 2.8% in October to 5.2% in December.
- LFL traffic for Karusel accelerated during the fourth quarter, from negative 0.1% in October to 4.6% in December.

Expansion and refurbishment

- New selling space delivery continued to accelerate, with 968.6 th. sq. m net added in 2016, growth of 27.3% compared to 2015.
- Pyaterochka was the main driver for the store base increase, accounting more than 90% of selling space added in 2016.
- 1,185 Pyaterochka stores were refurbished in 2016 (219 of them in Q4 2016) as part of X5's investment programme to upgrade existing stores. In conjunction with new openings, 94% of Pyaterochka stores are now operating under the new concept.
- 62 Perekrestok stores were refurbished in 2016 (17 of them in Q4 2016), bringing the total share of rebranded stores to 52% as of 31 December 2016.
- Seven Karusel stores were refurbished in 2016 (five of them in Q4 2016).
- Seven new distribution centres (DCs) with a total space of 212 th. sq. m. were opened in 2016. In Q4 2016, X5 opened new distribution centre in Orenburg (19 th. sq. m.) to serve the Pyaterochka format, and a new DC in Moscow region (23 th. sq. m.) to serve the Perekrestok and Karusel formats. X5 closed seven DCs in 2016 (including two in Q4 2016) that did not meet the Company's increasingly ambitious efficiency criteria.
- In 2016, as part of the Company's ongoing rationalisation programme, X5 closed 91 Pyaterochka stores, 13 Perekrestok stores, three Karusel stores and 26 Express stores.

Long-term incentive programme (LTI)

After meeting the targets for the first stage of the LTI programme in 2015, additional performance indicators in line with the strategic objectives set by X5's Supervisory Board were also met in 2016, and it is therefore expected that all targets set for the deferred payout under the first stage of the LTI programme will be achieved as of 31 December 2016.

In addition, it is management's assessment that the targets under the second stage of the programme are likely to be achieved in the near term. Therefore an accrual of approximately 20-25% of the entire second stage payout will be made in the Consolidated Financial Statements for the year ended 31 December 2016 whilst, in line with the programme rules, payouts under this stage are not expected to take place earlier than 2018 and, as to the deferred component, 2019.

In accordance with the Remuneration Policy approved by the AGM, the LTI is a two-stage programme running until 31 December 2019. Each stage of the programme includes a deferred component of conditional payouts, maintaining focus on long-term goals

throughout the programme, and also providing for an effective retention mechanism. As such the LTI targets have been structured to align the interests of both shareholders and management. The targets represent X5's long-term ambitions, with a specific focus on net revenue and market share relative to the competition, without sacrificing EBITDA margin or incurring undue risk. The total available fund for all payouts under the LTI programme is capped at 12% of EBITDA in the year that the final stage performance targets are achieved.

2017 Financial Calendar

24 January	Q4 & FY 2017 Trading Update
27 March	Q4 & FY 2017 Financial Results and conference call
20 April	Q1 2017 Trading Update
27 April	Q1 2017 Financial Results and conference call
12 May	Annual General Meeting of Shareholders
20 July	Q2 & 6M 2017 Trading Update
10 August	Q2 & 6M 2017 Financial Results and conference call
19 October	Q3 & 9M 2017 Trading Update
25 October	Q3 & 9M 2017 Financial Results
26 October	2017 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 – ‘Ba3’, 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 31 December 2016, X5 had 9,187 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 8,363 Pyaterochka proximity stores, 539 Perekrestok supermarkets, 91 Karusel hypermarkets and 194 convenience stores. The Company operates 35 DCs and 2,318 Company-owned trucks across the Russian Federation.

For the full year 2015, revenue totalled RUB 808,818 mln (USD 13,268 mln), Adjusted EBITDA reached RUB 59,413 mln (USD 975 mln), and net profit for the period amounted to RUB 14,174 mln (USD 233 mln). In 9M 2016, revenue totaled RUB 739,491 mln (USD 11,443 mln), EBITDA reached RUB 56,361 mln (USD 872 mln), and net profit amounted to RUB 19,874 mln (USD 308 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.06%, treasury shares – 0.01%, free float – 37.64%.

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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