

## X5 ADJUSTED EBITDA MARGIN REMAINS STABLE AT 7.7% IN 2017 SUPERVISORY BOARD RECOMMENDS DIVIDENDS OF RUB 79.5 PER GDR

- ✓ X5 delivered revenue growth of 25.3% year-on-year (y-o-y) on the back of solid like-for-like (LFL) sales and strong selling space expansion.
- ✓ The Company added a record 2,934 new stores in 2017, delivering selling space growth of 1,178 th. sq. m, the largest annual opening programme delivered by X5.
- ✓ Gross margin decreased by 33 b.p. y-o-y to 23.9% in 2017 on the back of investments in customers to support loyalty, including updating the customer value proposition, expanding assortment, developing loyalty programmes across all formats, as well as proportionally more sales coming from Pyaterochka, the share of which reached 78% in 2017.
- ✓ Adjusted SG&A expenses<sup>(1)</sup> as a percentage of revenue improved by 33 b.p. y-o-y to 16.8%, the lowest level since 2010, due to operational efficiency gains and as a result of operating leverage.
- ✓ Adjusted EBITDA<sup>(2)</sup> grew by 24.7% y-o-y and reached RUB 99,131 mln in 2017. The adjusted EBITDA margin remained stable at 7.7%.
- ✓ Adjusted net profit<sup>(3)</sup> grew by 51.5% y-o-y and reached RUB 33,768 mln in 2017. The adjusted net profit margin increased by 45 b.p. y-o-y to 2.6%.
- ✓ In line with the Company's new dividend policy, the X5 Supervisory Board recommended a dividend of RUB 21.6 billion, or RUB 79.5 per GDR<sup>(4)</sup>, which represents 69% of consolidated IFRS net profit.
- ✓ Despite continued strong top-line growth, the Company's net debt/EBITDA ratio decreased to 1.73x as of 31 December 2017, the lowest level in X5's history.

**Amsterdam, 29 March 2018** - X5 Retail Group N.V. ("X5" or the "Company"), a leading Russian food retailer (LSE and MOEX ticker: FIVE), today released its 2017 Annual Report, including audited consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted in the European Union.

X5's Chief Executive Officer Igor Shekhterman said:

*"We have delivered on our strategic goals, growing faster than the rest of the market while introducing further efficiency gains and adapting the business to better meet consumer needs. In 2017 we delivered positive LFL sales growth across all three formats, which comprised 5.4% for the full year.*

*"Despite deceleration of food inflation, we delivered strong revenue growth of 25.3% year-on-year and maintained our adjusted EBITDA margin at the same level as 2016. This enabled the Supervisory Board, in line with X5's new dividend policy, to recommend a debut dividend of RUB 21.6 billion, which represents a dividend payout ratio of 69%. I am pleased that we are able to give back to shareholders even as we maintain our fast pace of business expansion.*

*"Looking ahead to 2018, we have ambitious goals to achieve in terms of growth and efficiency. The operating environment remains challenging, and we will continue to innovate and to refine the value propositions of each of our three core formats to best meet the needs of consumers in Russia in the most efficient and effective way possible."*

(1) Adjusted SG&A is SG&A before depreciation, amortisation and impairment costs as well as costs related to the LTI programme, share-based payments and other one-off remuneration payments expense.

(2) Adjusted EBITDA is EBITDA before costs related to the LTI programme, share-based payments and other one-off remuneration payments expense.

(3) Adjusted net profit is net profit before income tax expense affected by the Company's dividend policy (change in deferred tax liability associated with investments in subsidiaries) and a non-recurring increase in impairment related to the Perekrestok Express segment as a result of the decision to focus on the three major formats.

(4) Gross amount subject to taxes and fees

## Profit and loss statement highlights<sup>(5)</sup>

Russian Rouble (RUB), million (mln)	Q4 2017	Q4 2016	change, y-o-y, %	FY 2017	FY 2016	change, y-o-y, %
<b>Revenue</b>	<b>361,705</b>	<b>294,176</b>	<b>23.0</b>	<b>1,295,008</b>	<b>1,033,667</b>	<b>25.3</b>
incl. net retail sales <sup>(6)</sup>	359,467	291,289	23.4	1,286,949	1,025,589	25.5
Pyaterochka	276,443	219,383	26.0	1,000,942	775,580	29.1
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)
<b>Gross profit</b>	<b>85,940</b>	<b>71,433</b>	<b>20.3</b>	<b>308,938</b>	<b>249,985</b>	<b>23.6</b>
Gross profit margin, %	23.8	24.3	(52) b.p.	23.9	24.2	(33) b.p.
<b>Adj. EBITDA</b>	<b>24,084</b>	<b>23,015</b>	<b>4.6</b>	<b>99,131</b>	<b>79,519</b>	<b>24.7</b>
Adj. EBITDA margin, %	6.7	7.8	(117) b.p.	7.7	7.7	(4) b.p.
<b>Operating profit</b>	<b>12,416</b>	<b>6,493</b>	<b>91.2</b>	<b>57,758</b>	<b>45,631</b>	<b>26.6</b>
Operating profit margin, %	3.4	2.2	123 b.p.	4.5	4.4	5 b.p.
<b>Adj. net profit</b>	<b>7,793</b>	<b>2,417</b>	<b>222.4</b>	<b>33,768</b>	<b>22,291</b>	<b>51.5</b>
Adj. net profit margin, %	2.2	0.8	133 b.p.	2.6	2.2	45 b.p.
<b>Net profit</b>	<b>5,419</b>	<b>2,417</b>	<b>124.2</b>	<b>31,394</b>	<b>22,291</b>	<b>40.8</b>
Net profit margin, %	1.5	0.8	68 b.p.	2.4	2.2	27 b.p.

(5) Please note that in this and other tables, and in the text of this press release, immaterial deviations in the calculation of % changes, subtotals and totals are due to rounding.

(6) Net retail sales represents revenue from the operations of X5-managed stores net of VAT. This number differs from revenue, which includes proceeds from wholesale operations, direct franchisees (royalty payments) and other revenue.

## Net retail sales

### Q4 & FY 2017 average ticket, number of customers, net retail sales growth by formats, % change y-o-y

	Q4 2017			FY 2017		
	Average ticket	# of customers	Net retail sales	Average ticket	# of customers	Net retail sales
Pyaterochka	(1.5)	28.0	26.0	0.4	28.5	29.0
Perekrestok	1.7	19.7	22.4	3.5	16.2	20.3
Karusel	6.0	0.1	6.1	6.7	0.2	6.9
Express	(4.4)	(9.2)	(13.0)	(2.5)	(9.6)	(11.6)
<b>X5 Retail Group</b>	<b>(1.6)</b>	<b>25.3</b>	<b>23.4</b>	<b>0.1</b>	<b>25.3</b>	<b>25.5</b>

Total net retail sales growth reached 23.4% y-o-y in Q4 2017, driven by:

- 3.5% increase in LFL sales; and
- 19.9% y-o-y increase in net retail sales from net new space, resulting from a 27.4% y-o-y rise in selling space.

Pyaterochka was the key driver for X5's Q4 2017 growth: net retail sales increased by 26.0% y-o-y in the period.

### Selling space by format, square meters (sq. m)

	As at 31-Dec-17	As at 31-Dec-16	change vs 31-Dec-16, %
Pyaterochka	4,426,808	3,329,273	33.0
Perekrestok	637,242	548,473	16.2
Karusel	385,271	386,897	(0.4)
Express	30,420	37,110	(18.0)
<b>X5 Retail Group</b>	<b>5,479,741</b>	<b>4,301,752</b>	<b>27.4</b>

## Q4 & FY 2017 LFL<sup>(7)</sup> store performance by format, % change y-o-y

In Q4 2017, LFL sales performance remained strong at 3.5% 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)
<b>X5 Retail Group</b>	<b>3.5</b>	<b>3.1</b>	<b>0.3</b>	<b>5.4</b>	<b>3.0</b>	<b>2.3</b>

(7) 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.

For more details on net retail sales growth please refer to X5's [Q4 2017 Trading Update](#).

### Gross profit margin

The gross profit margin decreased by 52 b.p. y-o-y to 23.8% in Q4 2017, primarily due to investments in customers to support loyalty, including updating the customer value proposition, expanding the fresh assortment with growing direct import operations, widening the share of local assortment, and the development of loyalty programmes across all formats. Another important factor behind the reduction in gross profit margin was the format mix effect of proportionally more sales coming from Pyaterochka, the share of which in net retail sales reached 77% in Q4 2017.

### Selling, general and administrative (SG&A) expenses (excl. D&A&I)

RUB mln	Q4 2017	Q4 2016	change, y-o-y, %	FY 2017	FY 2016	change, y-o-y, %
<b>Staff costs</b>	<b>(28,337)</b>	<b>(25,113)</b>	<b>12.8</b>	<b>(99,124)</b>	<b>(80,786)</b>	<b>22.7</b>
% of Revenue	7.8	8.5	(70) b.p.	7.7	7.8	(16) b.p.
incl. LTI and share-based payments	(282)	(3,109)	(90.9)	(2,938)	(3,252)	(9.7)
staff costs excl. LTI	7.8	7.5	28 b.p.	7.4	7.5	(7) b.p.
<b>Lease expenses</b>	<b>(16,762)</b>	<b>(12,984)</b>	<b>29.1</b>	<b>(60,080)</b>	<b>(47,020)</b>	<b>27.8</b>
% of Revenue	4.6	4.4	22 b.p.	4.6	4.5	9 b.p.
<b>Utilities</b>	<b>(6,930)</b>	<b>(5,594)</b>	<b>23.9</b>	<b>(23,795)</b>	<b>(19,590)</b>	<b>21.5</b>
% of Revenue	1.9	1.9	1 b.p.	1.8	1.9	(6) b.p.
<b>Other store costs</b>	<b>(4,477)</b>	<b>(3,663)</b>	<b>22.2</b>	<b>(15,450)</b>	<b>(14,112)</b>	<b>9.5</b>
% of Revenue	1.2	1.2	(1) b.p.	1.2	1.4	(17) b.p.
<b>Third party services</b>	<b>(3,767)</b>	<b>(2,653)</b>	<b>42.0</b>	<b>(10,854)</b>	<b>(8,181)</b>	<b>32.7</b>
% of Revenue	1.0	0.9	14 b.p.	0.8	0.8	5 b.p.
<b>Other expenses</b>	<b>(4,049)</b>	<b>(3,362)</b>	<b>20.4</b>	<b>(11,638)</b>	<b>(10,989)</b>	<b>5.9</b>
% of Revenue	1.1	1.1	(2) b.p.	0.9	1.1	(16) b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I)</b>	<b>(64,322)</b>	<b>(53,369)</b>	<b>20.5</b>	<b>(220,940)</b>	<b>(180,678)</b>	<b>22.3</b>
% of Revenue	17.8	18.1	(36) b.p.	17.1	17.5	(42) b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I and LTI and share-based payments)</b>	<b>(64,040)</b>	<b>(50,260)</b>	<b>27.4</b>	<b>(218,003)</b>	<b>(177,426)</b>	<b>22.9</b>
% of Revenue	17.7	17.1	62 b.p.	16.8	17.2	(33) b.p.

In Q4 2017, SG&A expenses excluding D&A&I, LTI and share-based payments as a percentage of revenue increased by 62 b.p. to 17.7%, mainly due to increased staff costs, lease expenses and third-party services.

Staff costs (excluding LTI and share-based payments) as a percentage of revenue increased y-o-y by 28 b.p. in Q4 2017 to 7.8%, mainly due to the Company's decision to increase in-store personnel compensation in line with market benchmarks.

Lease expenses as a percentage of revenue in Q4 2017 increased y-o-y by 22 b.p. to 4.6%, mainly due to the growing share of leased space in X5's total real estate portfolio, which accounted for 73% as of 31 December 2017, compared to 68% as of 31 December 2016, as well as to the increase in the share of stores in ramp-up phase, including those located in Moscow and the Moscow region.

Utilities costs as a percentage of revenue remained stable at 1.9% in Q4 2017 compared to Q4 2016.

In Q4 2017, other store costs as a percentage of revenue changed immaterially compared to Q4 2016, totalling 1.2%.

In Q4 2017, third-party services expenses as a percentage of revenue increased y-o-y by 14 b.p. to 1.0% due to increased expenses for consulting and marketing services related to promo activities, including the development of the recently launched Pyaterochka loyalty programme.

In Q4 2017, other expenses as a percentage of revenue changed immaterially compared to Q4 2016, totalling 1.1%.

## Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations changed immaterially in Q4 2017 compared to Q4 2016, totalling 0.6%.

## EBITDA and EBITDA margin

RUB mln	Q4 2017	Q4 2016	change, y-o-y, %	FY 2017	FY 2016	change, y-o-y, %
<b>Gross profit</b>	<b>85,940</b>	<b>71,433</b>	<b>20.3</b>	<b>308,938</b>	<b>249,985</b>	<b>23.6</b>
<i>Gross profit margin, %</i>	23.8	24.3	(52) b.p.	23.9	24.2	(33) b.p.
<b>SG&amp;A (excl. D&amp;A&amp;I and LTI and share-based payments)</b>	<b>(64,040)</b>	<b>(50,260)</b>	<b>27.4</b>	<b>(218,003)</b>	<b>(177,426)</b>	<b>22.9</b>
<i>% of Revenue</i>	17.7	17.1	62 b.p.	16.8	17.2	(33) b.p.
<b>Lease/sublease and other income</b>	<b>2,184</b>	<b>1,841</b>	<b>18.6</b>	<b>8,196</b>	<b>6,960</b>	<b>17.8</b>
<i>% of Revenue</i>	0.6	0.6	(2) b.p.	0.6	0.7	(4) b.p.
<b>Adj. EBITDA</b>	<b>24,084</b>	<b>23,015</b>	<b>4.6</b>	<b>99,131</b>	<b>79,519</b>	<b>24.7</b>
<i>Adj. EBITDA margin, %</i>	<b>6.7</b>	<b>7.8</b>	<b>(117) b.p.</b>	<b>7.7</b>	<b>7.7</b>	<b>(4) b.p.</b>
LTI, share-based payments and other one-off remuneration payments expense	247	2,698	(90.8)	2,556	2,826	(9.6)
<i>% of Revenue</i>	0.1	0.9	(85) b.p.	0.2	0.3	(8) b.p.
SSC attributable to accrued LTI, share-based payments and other one-off remuneration payments expense	35	411	(91.5)	382	426	(10.3)
<i>% of Revenue</i>	0.01	0.14	(13) b.p.	0.03	0.04	(1) b.p.
<b>EBITDA</b>	<b>23,802</b>	<b>19,906</b>	<b>19.6</b>	<b>96,193</b>	<b>76,267</b>	<b>26.1</b>
<i>EBITDA margin, %</i>	<b>6.6</b>	<b>6.8</b>	<b>(19) b.p.</b>	<b>7.4</b>	<b>7.4</b>	<b>5 b.p.</b>

As a result of the factors discussed above, adjusted EBITDA in Q4 2017 increased by 4.6% and totalled RUB 24,084 mln, or 6.7% of revenue, compared to RUB 23,015 mln, or 7.8% of revenue in Q4 2016.

In FY 2017, adjusted EBITDA increased by 24.7% and amounted to RUB 99,131 mln, or 7.7% of revenue, compared to RUB 79,519 mln, or 7.7% of revenue, in FY 2016.

## D&A&I

Depreciation, amortisation and impairment costs in Q4 2017 totalled RUB 11,386 mln, decreasing y-o-y as a percentage of revenue by 141 b.p. to 3.1% due to lower impairment accruals in 2017 compared to 2016. The total amount for 2017 includes additional impairment costs related to Perekrestok Express, which totalled RUB 1,086 million in Q4 2017. In October 2017, the Company announced plans to sell its convenience stores operating under the Perekrestok Express brand. In this regard, the Company decided to use more conservative assumptions for Perekrestok Express compared to those applied to other formats.

## Non-operating gains and losses

RUB mln	Q4 2017	Q4 2016	change, y-o-y, %	FY 2017	FY 2016	change, y-o-y, %
<b>Operating profit</b>	<b>12,416</b>	<b>6,493</b>	<b>91.2</b>	<b>57,758</b>	<b>45,631</b>	<b>26.6</b>
Net finance costs	(4,046)	(4,028)	0.4	(16,017)	(17,318)	(7.5)
Net FX result	112	169	(33.7)	75	340	(77.9)
<b>Profit before tax</b>	<b>8,482</b>	<b>2,634</b>	<b>222.0</b>	<b>41,816</b>	<b>28,653</b>	<b>45.9</b>
Income tax expense	(1,905)	(217)	777.9	(9,264)	(6,362)	45.6
Change in deferred tax liability associated with investments in subsidiaries	(1,158)	-	-	(1,158)	-	-
<b>Net profit</b>	<b>5,419</b>	<b>2,417</b>	<b>124.2</b>	<b>31,394</b>	<b>22,291</b>	<b>40.8</b>
Net profit margin, %	1.5	0.8	68 b.p.	2.4	2.2	27 b.p.
<b>Adj. net profit</b>	<b>7,793</b>	<b>2,417</b>	<b>222.4</b>	<b>33,768</b>	<b>22,291</b>	<b>51.5</b>
Adj. net profit margin, %	2.2	0.8	133 b.p.	2.6	2.2	45 b.p.

Net finance costs in Q4 2017 changed immaterially compared to Q4 2016 and totalled RUB 4,046 mln, despite higher gross debt, due to the decreased weighted average effective interest rate on X5's total debt as a result of declining interest rates in Russian capital markets and actions undertaken by X5 to minimise interest expenses.

Income tax expense excluding the change in deferred tax liability associated with investments in subsidiaries increased by 777.9% in Q4 2017 due to the low base effect in Q4 2016 associated with the release of income tax provisions due to the successful completion of a tax audit.

In September 2017, the Company approved a dividend policy and the Supervisory Board has proposed to the General Meeting of Shareholders to distribute dividends to shareholders based on the FY 2017 results. As a result, the Company estimates that a portion of the temporary differences related to investments in subsidiaries will be reversed in the foreseeable future, and therefore accrued a deferred tax liability in relation to this.

## Consolidated cash flow statement highlights

RUB mln	Q4 2017	Q4 2016	change y-o-y, %	FY 2017	FY 2016	change y-o-y, %
Net cash from operating activities before changes in working capital	24,268	18,885	28.5	96,830	75,745	27.8
Change in working capital	4,480	22,474	(80.1)	(11,386)	20,056	n/a
Net interest and income tax paid	(7,688)	(4,860)	58.2	(26,786)	(20,886)	28.2
Net cash flows generated from operating activities	21,060	36,499	(42.3)	58,658	74,915	(21.7)
Net cash used in investing activities	(27,364)	(23,778)	15.1	(87,274)	(77,279)	12.9
Net cash generated from financing activities	22,187	(494)	n/a	38,017	11,641	226.6
Effect of exchange rate changes on cash & cash equivalents	8	(55)	n/a	14	(45)	n/a
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>	<b>15,891</b>	<b>12,172</b>	<b>30.6</b>	<b>9,415</b>	<b>9,232</b>	<b>2.0</b>

In Q4 2017, the Company's net cash from operating activities before changes in working capital increased y-o-y by RUB 5,383 mln, or 28.5%, and totalled RUB 24,268 mln. The change in working capital decreased to RUB 4,480 mln in Q4 2017 from RUB 22,474 mln in Q4 2016 primarily due to changes in accounts payable as a result of amendments to the Trade Law that came into effect from 1 January 2017, and initiatives to increase shelf availability, including enhancing the share of local assortment, and an increase in inventories due to intensified promo activity in H2 2017.

Net interest and income tax paid in Q4 2017 increased by RUB 2,828 mln, or 58.2%, and totalled RUB 7,688 mln. The effect from increased gross debt as of 31 December 2017 compared to 31 December 2016 was offset by the lower weighted average effective interest rate on X5's debt for 2017. Income tax paid increased due to the low base effect of 2016 driven by a tax offset in 2016 following tax overpayment in previous periods.

As a result, in Q4 2017, net cash flows generated from operating activities totalled RUB 21,060 mln, compared to RUB 36,499 mln in Q4 2016.

In FY 2017, net cash flows generated from operating activities totalled RUB 58,658 mln, compared to a RUB 74,915 mln for FY 2016.

Net cash used in investing activities, which generally consists of payments for property, plant and equipment, totalled RUB 27,364 mln in Q4 2017, compared to RUB 23,778 mln in Q4 2016, and reflects higher expenditures for store expansion. X5 added 335.2 th. sq. m of selling space in Q4 2017, a 21.2% y-o-y increase. For FY 2017, net cash used in investing activities increased to RUB 87,274 mln from RUB 77,279 mln in FY 2016. X5 added 1,178.0 th. sq. m of selling space in FY 2017, which is a 21.6% increase y-o-y.

Net cash generated from financing activities increased to RUB 22,187 mln in Q4 2017 from net cash used in financing activities of RUB 494 mln for Q4 2016. In FY 2017, net cash generated from financing activities increased to RUB 38,017 mln from RUB 11,641 mln for FY 2016. This increase was related to the drawdown of available credit lines and bonds issued to finance the Company's investment programme.

## Liquidity update

RUB mln	31-Dec-17	% in total	30-Sep-17	% in total	31-Dec-16	% in total
<b>Total debt</b>	<b>194,296</b>		<b>172,064</b>		<b>156,033</b>	
Short-term debt	58,674	30.2	46,496	27.0	45,168	28.9
Long-term debt	135,622	69.8	125,568	73.0	110,865	71.1
<b>Net debt</b>	<b>166,691</b>		<b>160,350</b>		<b>137,843</b>	
<b>Net debt/ EBITDA</b>	<b>1.73</b>		<b>1.74</b>		<b>1.81</b>	

As of 31 December 2017, the Company's total debt amounted to RUB 194,296 mln and comprised 30.2% short-term debt and 69.8% long-term debt. The Company's debt is 100% denominated in Russian Roubles.

As of 31 December 2017, the Company had access to RUB 314.8 billion in available credit limits with major Russian and international banks.

## Dividends

While the Company has not paid dividends in the past, the Supervisory Board decided in 2017 that X5 Retail Group had achieved a point in its development where the introduction of a dividend policy would broaden the investment appeal to current and potential shareholders. On an ongoing basis, the Supervisory Board carefully monitors the Company's progress against its strategic goals, as well as its operating and financial performance. In proposing the introduction of a dividend policy, the Board expressed its belief that X5 now has the capacity to pay dividends while continuing to meet its strategic targets.

The dividend policy approved by the X5 Supervisory Board in 2017 sets a target payout ratio of at least 25% of X5 Retail Group's consolidated IFRS net profit, provided that the Company's financial position allows for it. When considering a dividend recommendation to the General Meeting of Shareholders, the Supervisory Board will be guided by a target consolidated net debt/EBITDA ratio of below 2.0x, in line with the Company's financing strategy.

Based on the Company's 2017 financial results, the Supervisory Board proposes to pay dividends in the amount of RUB 21,590 mln/RUB 79.5 per GDR (gross amount subject to taxes and fees), which represents 69% of X5 Retail Group's 2017 net profit.

This proposal will be considered by the AGM, which will be held on 10 May 2018. The record date for the 2018 dividend payment has been set at 25 May 2018, the ex-dividend date - at 24 May 2018. In line with the dividend policy, the dividend will be payable within 45 days from the date of the AGM, or by 22 June 2018.

### **Supervisory Board Composition**

Christian Couvreur, having served two terms in office since 2010, advised the Company that he will not be available for reappointment at the 2018 AGM. The Supervisory Board shall decide at a later stage whether a successor for Christian will be nominated.

### **Related Party Transactions**

For a description of the related party transactions entered into by the Company, please refer to note 8 of the consolidated financial statements.

### **Risks and Uncertainties**

X5's risk management programme provides executive management with a periodic and in-depth understanding of X5's key business risks and the risk management systems and internal controls in place to mitigate these risks. For a detailed description of key risks that the Company faces, please refer to the 2017 Annual Report. It should be noted that there are additional risks that management believe are immaterial or otherwise common to most companies, or that it is currently unaware of. The Company has assessed the risks for the first half of 2018 and believes that the risks identified are in line with those presented in the 2017 Annual Report. For a description of the financial risks faced by the Company, please refer to note 29 of the audited consolidated financial statements and the Company's 2017 Annual Report.

### **Annual Report and Accounts**

The Annual Report and Accounts, including the full set of audited consolidated financial statements and notes thereto, prepared in accordance with International Financial Reporting Standards, as adopted in the European Union, are available on X5's corporate website at:

[www.x5.ru/en/PublishingImages/Pages/Investors/ResultCenter/X5\\_Annual\\_Report\\_2017\\_ENG.pdf](http://www.x5.ru/en/PublishingImages/Pages/Investors/ResultCenter/X5_Annual_Report_2017_ENG.pdf)

### **Information on Alternative Performance Measures**

For more information on Alternative Performance Measures, which provide readers with a more detailed and accurate understanding of the Company's financial and operating performance, please refer to pages 104-107 of the Annual Report 2017.

**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 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 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).

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.*

*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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