

X5 REPORTS Q1 2013 FINANCIAL RESULTS

Amsterdam, 21 May 2013 - X5 Retail Group N.V., (“X5” or the “Company”) a leading Russian retailer (LSE ticker: “FIVE”), announced today the Company’s condensed consolidated interim financial results for the three months ended 31 March 2013 (Q1), in accordance with International Financial Reporting Standards.

Income statement highlights⁽¹⁾⁽²⁾

USD mln	Q1 2013	Q1 2012	% change, y-o-y
Net sales	4,160.0	3,870.7	7.5%
incl. retail	4,152.5	3,862.0	7.5%
Soft discounters	2,686.3	2,475.1	8.5%
Supermarkets	903.7	854.9	5.7%
Hypermarkets	498.4	501.1	(0.5%)
Convenience stores	56.1	30.0	87.2%
Online	7.9	0.9	808.6%
Gross profit	1,016.0	947.2	7.3%
<i>Gross profit margin, %</i>	<i>24.4%</i>	<i>24.5%</i>	
EBITDA	284.2	274.0	3.7%
<i>EBITDA margin, %</i>	<i>6.8%</i>	<i>7.1%</i>	
Operating profit	173.7	171.0	1.6%
<i>Operating profit margin, %</i>	<i>4.2%</i>	<i>4.4%</i>	
Net profit	65.1	66.3	(1.8%)
<i>Net profit margin, %</i>	<i>1.6%</i>	<i>1.7%</i>	

Net sales in Q1 2013 reported in U.S. Dollars (USD) increased by 7.5% year-on-year (y-o-y), which differs from the reported increase in Russian Roubles (RUR) terms due to exchange rate differences between the RUR, X5’s operational currency, and the USD, the Company’s presentation currency.

In Q1 2013, X5’s net sales in RUR terms grew by 8.0% y-o-y primarily due to an 8.1% y-o-y increase in net retail sales⁽³⁾ resulting from organic store additions, price inflation, the positive performance of maturing stores added over the past two years and on-going promotional activities. Net retail sales from Hypermarkets were negatively impacted by a 0.7% y-o-y decline in net selling space due to store closures and downsizing.

The Company’s gross margin in Q1 2013 amounted to 24.4%, which was in line with the gross margin in Q1 2012.

⁽¹⁾ Please note that in this and other tables and text of the press release, immaterial deviations in the calculation of % changes, subtotals and totals are explained by rounding.

⁽²⁾ X5’s operational currency is the RUR, while the Company’s presentation currency is the USD. As the RUR/USD exchange rate has changed in the past twelve months, comparisons of the Company’s financial results either with the corresponding period a year ago (for income statement) or with the beginning of the year (for statement of financial position) have been substantially affected by these movements. For more information please see page four of this press release.

⁽³⁾ Net retail sales results in Q1 2013 are not adjusted for the 2012 leap year effect (29 days in February). The adjusted net RUR retail sales growth for Q1 2013 is 9.3%.

Selling, general and administrative (SG&A) expenses

USD mln	Q1 2013	Q1 2012	% change, y-o-y
Staff costs	(354.4)	(342.4)	3.5%
<i>% of net sales</i>	8.5%	8.8%	
Lease expenses	(175.0)	(151.3)	15.6%
<i>% of net sales</i>	4.2%	3.9%	
Other store costs	(70.5)	(61.3)	15.1%
<i>% of net sales</i>	1.7%	1.6%	
D&A	(110.6)	(103.0)	7.3%
<i>% of net sales</i>	2.7%	2.7%	
Utilities	(101.0)	(91.2)	10.7%
<i>% of net sales</i>	2.4%	2.4%	
Third party services	(27.3)	(23.7)	15.1%
<i>% of net sales</i>	0.7%	0.6%	
Other expenses	(50.3)	(46.0)	9.3%
<i>% of net sales</i>	1.2%	1.2%	
Total SG&A	(889.1)	(818.9)	8.6%
<i>% of net sales</i>	21.4%	21.2%	

In Q1 2013, SG&A expenses, as a percentage of net sales, increased y-o-y by 22 bp to 21.4%.

Staff costs, as a percentage of net sales, decreased y-o-y by 32 bp in Q1 2013 to 8.5% primarily due to a y-o-y reduction in bonus accruals (48 bp) and the recognition of income on the Company's long term incentive plans (10 bp) resulting from the re-measurement of the plans' liability at 31 March 2013, compared to an expense recognized in the corresponding period of 2012. These decreases were partially offset by a y-o-y increase in our Q1 2013 employee salaries and wages (25 bp).

Lease expenses in Q1 2013, as a percentage of net sales, increased y-o-y by 30 bp to 4.2% primarily due to new store openings and the subsequent increase in the proportion of leased space as a percentage of our total real estate portfolio. As a percentage of X5's total real estate portfolio, leased space accounted for 54.5% at 31 March 2013 compared to 53.9% in the corresponding period of 2012.

In Q1 2013, other store costs increased, as a percentage of net sales, by 11 bp y-o-y to 1.7% mainly due to an increase in repair and maintenance work at our stores.

Third party services expense in Q1 2013 increased, as a percentage of net sales, by 4 bp y-o-y due to increases in advertising and marketing activities.

Utilities and Other expenses in Q1 2013 remained flat y-o-y as a percentage of net sales.

As a result of the factors discussed above, EBITDA in Q1 2013 totaled USD 284.2 million (mln), or 6.8% of net sales compared to USD 274.0 mln, or 7.1% of net sales, in the corresponding period of 2012.

Non-operating gains and losses

USD mln	Q1 2013	Q1 2012	% change, y-o-y
Operating profit	173.7	171.0	1.6%
Finance costs (net)	(88.6)	(79.5)	11.6%
Net FX result	1.7	(1.0)	n/a
Share of loss of associates	-	(0.1)	n/a
Profit before tax	86.7	90.4	(4.1%)
Income tax expense	(21.6)	(24.1)	(10.3%)
Net profit	65.1	66.3	(1.8%)
<i>Net profit margin, %</i>	<i>1.6%</i>	<i>1.7%</i>	

Net finance costs in Q1 2013 increased by 11.6% y-o-y in USD terms, and 12.1% in RUR terms. The weighted average effective interest rate on X5's total debt for Q1 2013 increased to 8.8% from 8.5% for Q1 2012.

In Q1 2013, X5's effective tax rate was 24.9% compared to 26.6% in the corresponding period of 2012. The Russian statutory income tax rate for both periods was 20.0%. The difference between X5's effective and statutory tax rates is primarily due to certain non-deductible expenses.

Consolidated cash flow

USD mln	Q1 2013	Q1 2012	% change, y-o-y
Net cash flows generated from/(used in) operating activities	28.4	(77.1)	n/a
<i>Net cash from operating activities before changes in working capital</i>	<i>289.6</i>	<i>289.8</i>	<i>(0.1%)</i>
<i>Change in working capital</i>	<i>(134.2)</i>	<i>(240.5)</i>	<i>(44.2%)</i>
<i>Net interest and income tax paid</i>	<i>(126.9)</i>	<i>(126.4)</i>	<i>0.4%</i>
Net cash used in investing activities	(105.3)	(180.4)	(41.6%)
Net cash (used in)/generated from financing activities	(81.7)	31.6	n/a
Effect of exchange rate changes on cash & cash equivalents	(5.9)	29.8	n/a
Net decrease in cash & cash equivalents	(164.5)	(196.2)	(16.2%)

The increase y-o-y in net cash from operating activities in Q1 2013 was due to changes in working capital.

Working capital changes in Q1 2013, compared to Q1 2012, were driven by improvements in trade and other accounts receivable and inventories management, which were offset by a decrease in trade payables and a decline in the positive contribution to changes in working capital of other accounts payable.

Trade and other accounts receivables decreased by USD 87.4 mln in Q1 2013 due to the increased focus on front margin, and the subsequent decrease in vendor receivables, as well as overall improvements in our collection procedures. Inventories decreased by USD 86.1 mln as a result of the higher inventory balance at 31 December 2012, compared to the 2011 period, which also resulted in lower purchases in Q1 2013 and a reduction of USD 360.1 mln in trade payables. Other accounts payable increased by USD 52.4 mln in Q1 2013 and were impacted by more efficient processing of VAT payables compared to the corresponding period in 2012.

Net cash used in investing activities, which generally consisted of payments for property, plant and equipment totaled USD 105.3 mln in Q1 2013, compared to USD 180.4 mln for the corresponding period in 2012, and reflect the slower pace of selling space expansion in the 2013 period.

Net cash used in financing activities in Q1 2013 totaled USD 81.7 mln compared to net cash generated from financing activities of USD 31.6 mln in the corresponding period of 2012. The difference was primarily related to a decrease in the net proceeds received from loans during the 2013 period.

Liquidity update

USD mln	31-Mar-13	% in total	31-Dec-12	% in total
Total debt	3,857.6		4,027.3	
Short-term debt	1,657.9	43.0%	1,680.9	41.7%
Long-term debt	2,199.7	57.0%	2,346.4	58.3%
Net debt	3,614.2		3,619.4	
Denominated in USD	0.0	0.0%	0.0	0.0%
Denominated in RUR	3,614.2	100.0%	3,619.4	100.0%
FX, EoP	31.08		30.37	
Net debt/EBITDA (RUR) ⁽¹⁾	3.18x⁽²⁾		3.15x⁽³⁾	

At 31 March 2013, the Company's total debt amounted to USD 3,858 mln (at RUR exchange rate of 31.08), of which 43.0% was short-term debt (USD 1,658 mln) and 57.0% long-term debt (USD 2,200 mln). At 31 March 2013, the Company had access to RUR 86,270 mln (USD 2,775 mln) in undrawn credit lines with major Russian and international banks.

Effect of RUR/USD exchange rate movements on the presentation of X5's results

X5's operational currency is the Russian Rouble (RUR), while the Company's presentation currency is the U.S. Dollar (USD). As the RUR/USD exchange rate has substantially changed in the past twelve months, comparisons of the Company's financial results, either with the corresponding period a year ago (for income statement) or with the beginning of the year (for statement of financial position), have been substantially affected by these movements:

- Comparisons of income statement figures with the respective period last year reflect a negative translational effect from RUR/USD rate movements, resulting in a difference between the y-o-y change in RUR and the respective change in USD of approximately 0.5% for Q1 2013. For reference, to translate the Company's income statement from RUR to USD for presentation purposes, the Company applied a RUR/USD rate of 30.41 for Q1 2013 (average for the period) and a RUR/USD rate of 30.26 for Q1 2012 (average for the period).
- Comparison of the statement of financial position at 31 March 2013 to the statement of financial position at 31 December 2012 reflects a negative translational effect from the RUR/USD exchange rate movement, resulting in a difference between the change in RUR and the respective change in USD of approximately 2.3%. For reference, to translate the statement of financial position from RUR to USD for presentation purposes, the Company applied a RUR/USD exchange rate of 31.08 at 31 March 2013 and RUR/USD exchange rate of 30.37 at 31 December 2012.

⁽¹⁾ In RUR terms, as the Company's debt covenants are set in RUR terms in accordance with X5's loan facilities.

⁽²⁾ Based on consolidated EBITDA of RUR 35,296 mln.

⁽³⁾ Based on consolidated EBITDA of RUR 34,944 mln.

Appendices

- I. Consolidated Income Statement for the Three Months ended 31 March 2013**
- II. Consolidated Statement of Comprehensive Income for the Three Months ended 31 March 2013**
- III. Consolidated Statement of Financial Position at 31 March 2013**
- IV. Consolidated Statement of Cash Flows for the Three Months ended 31 March 2013**

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Moody's - "B2", S&P - "B+") is a leading Russian retailer. The Company operates several retail formats: the soft discounter chain under the Pyaterochka brand, the supermarket chain under the Perekrestok brand, the hypermarket chain under the Karusel brand, the online retail channel under the E5.ru brand and convenience stores under various brands.

At 31 March 2013, X5 had 3,868 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 3,279 soft discounter stores, 371 supermarkets, 78 hypermarkets and 140 convenience stores. The Company operates 29 DCs and 1,924 Company-owned trucks across the Russian Federation. At 31 March 2013, the number of X5 employees totaled 106 thousand.

For the full year 2012, net sales totaled USD 15,795 mln, EBITDA reached USD 1,124 mln, and net loss amounted to USD 126 mln. For the first quarter 2013, net sales totaled USD 4,160 mln, EBITDA reached USD 284 mln and net profit amounted to USD 65 mln.

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 19.85%, X5 Directors – 0.01%, treasury shares – 0.11%, free float – 32.17%.

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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Appendix I:

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2013 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-13	31-Mar-12
Revenue	4,160,029	3,870,742
Cost of sales	(3,144,001)	(2,923,524)
Gross profit	1,016,028	947,218
Selling, general and administrative expenses	(889,148)	(818,945)
Lease/sublease and other income	46,795	42,700
Operating profit	173,675	170,973
Net finance costs	(88,642)	(79,458)
Share of loss of associates	-	(130)
Net foreign exchange gain/(loss)	1,650	(1,027)
Profit before tax	86,683	90,358
Income tax expense	(21,592)	(24,077)
Profit for the period	65,091	66,281

Appendix II:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2013 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-13	31-Mar-12
Profit for the period	65,091	66,281
Other comprehensive (loss)/income		
Exchange differences on translation from functional to presentation currency	(51,927)	216,093
Other comprehensive (loss)/income	(51,927)	216,093
Total comprehensive income for the period	13,164	282,374
Total comprehensive income for the period attributable to:		
Equity holders of the parent	13,164	282,374

Appendix III: CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2013
(expressed in thousands of US Dollars)

	31 March 2013	31 December 2012
ASSETS		
Non-current assets		
Property, plant and equipment	4,014,386	4,147,265
Investment property	104,690	108,512
Goodwill	2,068,856	2,114,279
Intangible assets	481,169	503,483
Prepaid leases	49,265	53,392
Investment in associates	2,695	2,759
Available-for-sale investments	6,769	6,928
Other non-current assets	34,033	36,027
Deferred tax assets	157,699	143,787
	6,919,562	7,116,432
Current assets		
Inventories of goods for resale	1,005,128	1,114,894
Indemnification asset	29,396	29,833
Loans originated	2,941	3,033
Trade and other accounts receivable	323,901	420,565
Current income tax receivable	104,842	111,745
VAT and other taxes recoverable	363,520	378,001
Cash and cash equivalents	243,408	407,877
	2,073,136	2,465,948
Total assets	8,992,698	9,582,380
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	93,717	93,717
Share premium	2,049,592	2,049,592
Cumulative translation reserve	(632,970)	(581,043)
Retained earnings	693,174	628,083
Share-based payment reserve	9,642	11,452
	2,213,155	2,201,801
Total equity	2,213,155	2,201,801
Non-current liabilities		
Long-term borrowings	2,199,706	2,346,380
Long-term finance lease payable	-	113
Deferred tax liabilities	132,659	148,623
Long-term deferred revenue	769	676
Other non-current liabilities	-	71
	2,333,134	2,495,863
Current liabilities		
Trade accounts payable	1,989,821	2,396,934
Short-term borrowings	1,657,898	1,680,887
Share-based payments liability	373	496
Short-term finance lease payables	1,042	1,363
Interest accrued	27,374	20,980
Short-term deferred revenue	8,387	13,668
Current income tax payable	11,607	13,084
Provisions and other liabilities	749,907	757,304
	4,446,409	4,884,716
Total liabilities	6,779,543	7,380,579
Total equity and liabilities	8,992,698	9,582,380

Appendix IV:

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2013

(expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-13	31-Mar-12
Profit before tax	86,683	90,358
<u>Adjustments for:</u>		
Depreciation, amortization and impairment of property, plant and equipment, investment property and intangible assets	107,757	103,020
(Gain)/loss on disposal of property, plant and equipment and intangible assets	(2,719)	6,030
Finance costs, net	88,642	79,458
(Release)/Impairment of trade and other accounts receivable	(977)	6,815
Share-based options (income)/expense	(1,547)	2,608
Amortization and impairment of prepaid lease	2,799	3,444
Net foreign exchange (gain)/loss	(1,650)	1,027
Loss from associate	-	130
Other non-cash items	10,583	(3,098)
Net cash from operating activities before changes in working capital	289,571	289,792
Decrease/(increase) in trade and other accounts receivable	87,366	(43,780)
Decrease in inventories of goods for resale	86,130	64,481
Decrease in trade payable	(360,061)	(343,923)
Increase in other accounts payable	52,369	82,715
Net cash generated from operations	155,375	49,285
Interest paid	(79,016)	(73,088)
Interest received	195	263
Income tax paid	(48,120)	(53,582)
Net cash flows generated from/(used in) operating activities	28,434	(77,122)
Cash flows from investing activities		
Purchase of property, plant and equipment	(106,786)	(173,653)
Non-current prepaid lease	(325)	(3,253)
Acquisition of subsidiaries	(7,266)	(5,689)
Repayment of loans issued	-	1,652
Proceeds from sale of property, plant and equipment and intangible assets	15,701	4,363
Purchase of intangible assets	(6,621)	(3,853)
Net cash used in investing activities	(105,297)	(180,433)
Cash flows from financing activities		
Proceeds from loans	504,042	699,837
Repayment of loans	(585,254)	(667,605)
Principal payments on finance lease obligations	(452)	(647)
Net cash (used in)/generated from financing activities	(81,664)	31,585
Effect of exchange rate changes on cash and cash equivalents	(5,942)	29,751
Net decrease in cash and cash equivalents	(164,469)	(196,219)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	407,877	385,001
Net decrease in cash and cash equivalents	(164,469)	(196,219)
Cash and cash equivalents at the end of the period	243,408	188,782