

X5 RETAIL GROUP REPORTS Q2 & H1 2012 TRADING RESULTS ⁽¹⁾

Amsterdam, 13 July 2012 - X5 Retail Group N.V. (“X5” or the “Company”), Russia's largest retailer in terms of revenue (LSE ticker: “FIVE”), announced today the Company’s preliminary consolidated net retail sales and operational performance for the second quarter (Q2) and first half (H1) of 2012.

Q2 2012 Highlights

- Consolidated net retail sales (sales) increased 10.0% year-on-year (y-o-y) in Rouble (RUR) terms to RUR 123,446 million (mln);
- Sales increased y-o-y by 11.1% due to organic expansion, which was offset by a 1.1% decrease in LFL sales;
- Soft discounters LFL sales increased by 2.1% y-o-y;
- In June 2012, total LFL sales increased by 2.9%, driven by a 6.5% increase in soft discounters LFL sales;
- 159 stores were added on a net basis, including the opening of 148 soft discounters, four supermarkets, 19 convenience stores and 12 store closures;
- Net addition of 50 thousand square meters (sq. m.) of selling space.

H1 2012 Highlights

- Sales increased by 7.2% y-o-y to RUR 240,325 mln;
- Sales increased y-o-y by 9.7% due to organic expansion, which was offset by a 2.5% decrease in LFL sales;
- 296 stores were added on a net basis, including the opening of 274 soft discounters, 11 supermarkets, 35 convenience stores and 24 store closures;
- Net addition of 93 thousand sq. m. of selling space.

⁽¹⁾ Numbers provided in this press release are preliminary and not reviewed by PWC.

Expansion ^{(1) (2)}

	30-Jun-12	Net Added ⁽³⁾		% change		
		H1 2012	31-Dec-11	vs 31-Dec-11	30-Jun-11	vs 30-Jun-11
Selling Space, sq. m.						
Hypermarkets	371,293	-	371,293	0.0%	342,545	8.4%
Supermarkets	358,751	11,485	347,266	3.3%	320,611	11.9%
Soft Discounters	1,071,936	75,882	996,055	7.6%	931,104	15.1%
Convenience stores	18,061	5,389	12,671	42.5%	10,271	75.8%
X5 Retail Group Total	1,820,041	92,756	1,727,285	5.4%	1,604,530	13.4%
# of Stores						
Hypermarkets	77	-	77	0.0%	70	10.0%
Supermarkets	341	11	330	3.3%	307	11.1%
Soft Discounters	2,783	258	2,525	10.2%	2,252	23.6%
Convenience stores	97	27	70	38.6%	54	79.6%
X5 Retail Group Total	3,298	296	3,002	9.9%	2,683	22.9%

In Q2 2012, X5 added a net 159 stores, including 140 soft discounters, four supermarkets, 15 convenience stores and 12 store closures resulting in a 50,487 sq. m. net increase in total selling space. In H1 2012, net selling space increased by 92,756 sq. m., or 5.4%, as compared to total net selling space at 31 December 2011.

The increase was focused on additions of new soft discounters in other regions, which accounted for approximately half of the selling space additions, as well as the Central and Northwest Regions.

Our y-o-y selling space increased by a net 215,511 sq. m., or 13.4%, which drove sales growth of 15.4%, y-o-y, in June 2012. The increase in Q2 2012 selling space was primarily driven by additions at our soft discounters, which increased by 15.1% y-o-y.

As at 30 June 2012, X5 operated 3,298 stores (1,820 thousand sq. m. of selling space) and was present in 607 locations of European Russia, the Urals and Ukraine.

⁽¹⁾ In this table, Kopeyka stores are consolidated across the formats (supermarkets and soft discounters) reflecting the rebranding to these formats from their original soft discounter format.

⁽²⁾ Note that in this and other tables of this press release, immaterial deviations in calculation of % change, subtotals and totals are explained by rounding.

⁽³⁾ In H1 2012, X5 closed 16 soft discounters and eight convenience stores due to underperformance with the respective efficiency criteria.

Net Retail Sales ⁽¹⁾ Performance

Net Retail Sales Dynamics by Format ⁽²⁾

RUR mln	% change			% change		
	Q2 2012	Q2 2011	y-o-y	H1 2012	H1 2011	y-o-y
Hypermarkets	15,010.0	16,662.4	(9.9%)	30,175.6	33,014.1	(8.6%)
Supermarkets	26,058.1	24,679.4	5.6%	51,931.6	49,832.8	4.2%
Soft Discounters	81,200.0	70,086.6	15.9%	156,106.4	139,710.7	11.7%
Convenience stores	1,106.6	738.5	49.8%	2,013.7	1,404.7	43.4%
Online ⁽³⁾	71.8	30.9	132.1%	98.2	224.2	(56.2%)
Total X5 Net Retail Sales	123,446.5	112,197.9	10.0%	240,325.5	224,186.5	7.2%

X5's consolidated net retail sales for Q2 2012 totalled RUR 123,446 mln, a y-o-y increase of 10.0%. The increase in Q2 2012 RUR consolidated net retail sales was primarily due to an increase in promotional activities and marketing campaigns, improvement in shelf availability (especially fruits and vegetables), improved LFL results at soft discounters and the performance of maturing stores added over the past two years, including former Kopeyka stores. The increases were offset by lower than expected food inflation and hypermarket results.

Hypermarket's RUR net retail sales decreased by 9.9% y-o-y in Q2 2012 primarily due to the cancellation of the chain's loyalty program, which had a negative impact on both traffic and basket. Under the loyalty program, participating customers generally purchased more items to take advantage of the discounted prices, which drove the average basket higher at the expense of margin. The negative impact on sales due to the program's cancellation has been offset by an increase in hypermarket profitability, however we continue to implement changes in product mix, shelf availability and store layout to establish a unique and sustainable hypermarket model.

⁽¹⁾ Net retail sales represent revenue from operations of X5 managed stores net of VAT. This number differs from total net sales that also include revenue from direct franchisees (royalty payments) and other revenue. The total net sales number will be reported as part of Q2 & H1 2012 financial results.

⁽²⁾ In this table, sales from Kopeyka stores are consolidated across the formats (supermarkets and soft discounters) reflecting the rebranding to these formats from their original soft discounter format.

⁽³⁾ We disposed of the online retail brands, "bolero.ru" and "003.ru" on 29 April 2011 and in mid-February 2012, X5 launched "E5.ru" brand, the Company's revised online retail business model.

Average Ticket and Number of Customer Visits ⁽¹⁾

	Q2 2012	Q2 2011	% change, y-o-y	H1 2012	H1 2011	% change, y-o-y
<u>Average Ticket, RUR</u>						
Hypermarkets	577.3	625.2	(7.7%)	588.0	628.5	(6.4%)
Supermarkets	388.4	380.5	2.1%	403.5	393.6	2.5%
Soft Discounters	263.2	265.1	(0.7%)	268.6	272.2	(1.3%)
Convenience stores	222.6	210.5	5.8%	230.3	219.8	4.8%
Online ⁽²⁾	1,669.8	5,423.8	(69.2%)	1,728.7	5,282.4	(67.3%)
Total	303.6	312.4	(2.8%)	312.1	321.0	(2.8%)
<u># of Customer Visits, mln</u>						
Hypermarkets	29.7	30.5	(2.6%)	58.5	60.2	(2.8%)
Supermarkets	76.5	74.0	3.4%	147.0	144.7	1.6%
Soft Discounters	351.8	301.0	16.9%	662.9	584.2	13.5%
Convenience stores	5.8	4.0	45.8%	10.2	7.3	39.9%
Online ⁽²⁾	0.05	0.01	662.2%	0.07	0.05	38.8%
Total	463.9	409.5	13.3%	878.6	796.4	10.3%

In Q2 2012, the total number of customer visits increased by 13.3% y-o-y primarily driven by soft discounters where customer visits increased by 16.9% y-o-y. We have seen a steady increase in the number of customer visits to soft discounters and supermarkets month-to-month in Q2 2012, compared to corresponding periods in 2011, and in June 2012 soft discounter and supermarket visits increased by 19.7% and 4.9%, respectively, compared to June 2011. This is attributable to the step-up in promo- and marketing activities.

The average RUR ticket at soft discounters decreased marginally in Q2 2012, by less than 1% y-o-y, while the average RUR ticket and traffic increased y-o-y at supermarkets by 2.1% and 3.4%, respectively.

In Q2 2012, y-o-y traffic results at hypermarkets decreased by 2.6%, while the average RUR ticket decreased by 7.7% y-o-y, primarily due to the cancellation of the loyalty program and the continuation of operational changes at hypermarket stores.

⁽¹⁾ In this table Kopeyka stores are consolidated across the formats (supermarkets and soft discounters) reflecting the rebranding to these formats from their original soft discounter format.

⁽²⁾ We disposed of the online retail brands, “bolero.ru” and “003.ru” on 29 April 2011 and in mid-February 2012, X5 launched “E5.ru” brand, the Company’s revised online retail business model.

LFL Sales Performance

X5's LFL sales in Q2 2012 declined by 1.1% in RUR terms, driven by a 1.5% decrease in customer traffic, which was offset by a 0.4% increase in the average basket. The soft discounter format reported a positive 2.1% increase in LFL sales primarily due to a 2.3% higher basket. The average number of stores included in the LFL calculation for Q2 2012 was approximately 2,500.

LFL⁽¹⁾⁽²⁾ Store Performance

	Q2 2012			H1 2012		
	Total LFL, %	Traffic, %	Basket, %	Total LFL, %	Traffic, %	Basket, %
Hypermarkets	(13.0)	(7.9)	(5.1)	(12.2)	(8.3)	(3.9)
Supermarkets	(2.0)	(4.1)	2.1	(2.7)	(5.3)	2.6
Soft Discounters	2.1	(0.2)	2.3	(0.1)	(1.9)	1.8
Convenience stores	6.8	(0.7)	7.5	5.7	(1.2)	6.9
X5 Retail Group Total	(1.1)	(1.5)	0.4	(2.5)	(3.0)	0.5

The Company's LFL traffic in Q2 2012 decreased by only 1.5%, a significant improvement over decreases in LFL traffic of 4% in both Q3 and Q4 2011 and 4.6% in Q1 2012. The improvements in our LFL traffic in Q2 2012 were primarily due to increases in traffic at soft discounters and supermarkets, reflecting the increase in promo- and marketing activities.

The 0.4% increase in LFL basket in Q2 2012 was primarily driven by the 2.3% and 2.1% basket increase at the soft discounter and supermarket formats, respectively, which is in-line with reported food inflation in Russia of between 1.2% and 3.6% in Q2 2012 compared to Q2 2011.

The LFL results of the hypermarket format reflect the on-going transition of this format's business model as we continue to refine store operations.

⁽¹⁾ 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 twelve full months preceding the beginning of the last month of the reporting period. Their sales are included in LFL calculation starting from the first day of the month following the month of the store opening. We include all stores that fit our LFL criteria in each reporting period.

⁽²⁾ Kopeyka stores are included in X5's LFL calculation since 1 January 2012.

Note to Editors:

Headquartered in Moscow, X5 Retail Group (LSE: FIVE, Moody's - "B2", S&P - "B+") is Russia's largest retailer in terms of revenue. 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 E5.ru brand and convenience stores under various brands.

As at 30 June 2012, X5 had 3,298 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 2,783 soft discounter stores, 341 supermarkets, 77 hypermarkets and 97 convenience stores. The Company operates 28 DCs and 1,539 Company-owned trucks across the Russian Federation.

X5 is run on an SAP platform.

As at 30 June 2012, X5's direct franchisees operated 399 stores across Russia.

For the full year 2011, net sales totaled USD 15,455 mln, EBITDA reached USD 1,130 mln, and net profit amounted to USD 302 mln. For the first quarter 2012, net sales totaled USD 3,871 mln, EBITDA reached USD 274 mln and net profit amounted to USD 66 mln.

X5 Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 19.85%, X5 Directors – 0.14%, treasury shares – 0.11%, free float – 32.04%.

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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