

X5 RETAIL GROUP REPORTS CONSOLIDATED IFRS RESULTS FOR H1 2012

Amsterdam, 21 August 2012 - X5 Retail Group N.V., (“X5” or the “Company”) Russia's largest retailer in terms of sales (LSE ticker: “FIVE”), today released the Company’s Interim Report for the Half Year 2012 (the “Interim Report”) prepared in accordance with International Financial Reporting Standards (IFRS) and the Dutch Financial Markets Supervision Act. The Interim Report, including the full set of reviewed IFRS condensed consolidated interim financial statements and notes thereto, is available on X5’s corporate website at http://www.x5.ru/en/investors/financial_reports.

Q2 2012 Highlights

- Net sales increased 9.8% year-on-year (y-o-y) in Russian Rouble (RUR) terms to RUR 123,637 million (mln) and decreased 0.8% in US Dollar (USD) terms to USD 3,988 mln;
- Gross profit totaled USD 910 mln, resulting in gross profit margin of 22.8%;
- EBITDA amounted to USD 280 mln, or 7.0% of total net sales; and
- Net profit reached USD 69 mln, for a net profit margin of 1.7%.

H1 2012 Highlights

- Net sales increased 6.9% y-o-y in RUR terms to RUR 240,781 mln and decreased 0.1% in USD terms to USD 7,859 mln;
- Gross profit totaled USD 1,858 mln, resulting in gross profit margin of 23.6%;
- EBITDA amounted to USD 554 mln, or 7.1% of total net sales; and
- Net profit reached USD 135 mln, for a net profit margin of 1.7%.

Income Statement – Key Trends and Developments

Income Statement Highlights⁽¹⁾⁽²⁾

USD mln	Q2 2012	Q2 2011	% change, y-o-y	H1 2012	H1 2011	% change, y-o-y
Net Sales	3,987.9	4,021.4	(0.8%)	7,858.7	7,866.8	(0.1%)
incl. Retail	3,981.8	4,006.0	(0.6%)	7,843.8	7,832.1	0.1%
Gross Profit	910.3	946.2	(3.8%)	1,857.5	1,859.8	(0.1%)
<i>Gross Profit Margin, %</i>	22.8%	23.5%		23.6%	23.6%	
EBITDA	280.3	284.9	(1.6%)	554.3	566.0	(2.1%)
<i>EBITDA Margin, %</i>	7.0%	7.1%		7.1%	7.2%	
Operating Profit	167.5	172.9	(3.1%)	338.5	347.6	(2.6%)
<i>Operating Profit Margin, %</i>	4.2%	4.3%		4.3%	4.4%	
Net Profit	68.9	73.5	(6.2%)	135.2	170.3	(20.6%)
<i>Net Profit Margin, %</i>	1.7%	1.8%		1.7%	2.2%	

Net Sales & Gross Profit Margin Performance

USD mln	Q2 2012	Q2 2011	% change, y-o-y	H1 2012	H1 2011	% change, y-o-y
Net Sales	3,987.9	4,021.4	(0.8%)	7,858.7	7,866.8	(0.1%)
incl. Retail	3,981.8	4,006.0	(0.6%)	7,843.8	7,832.1	0.1%
Soft Discounters	2,619.9	2,502.2	4.7%	5,095.0	4,880.9	4.4%
Supermarkets	840.0	881.6	(4.7%)	1,694.9	1,740.9	(2.6%)
Hypermarkets	483.8	594.7	(18.7%)	984.9	1,153.4	(14.6%)
Convenience stores	35.8	26.3	35.9%	65.7	49.1	33.9%
Online ⁽³⁾	2.3	1.2	89.7%	3.2	7.8	(59.1%)
Gross Profit	910.3	946.2	(3.8%)	1,857.5	1,859.8	(0.1%)
<i>Gross Profit Margin, %</i>	22.8%	23.5%		23.6%	23.6%	

In Q2 and H1 2012, X5's net sales in RUR terms increased y-o-y by 9.8% and 6.9%, respectively, primarily due to organic expansion of new stores and selling space. Net sales reported in USD for the same periods decreased by 0.8% and 0.1%, respectively, due to exchange rate differences between the RUR, X5's operational currency, and the USD, the Company's presentation currency.

In Q2 2012, gross profit margin totaled 22.8%, a 70 basis point (bp) decrease compared to Q2 2011 primarily due to an increase in logistics' expense related to start-up costs for direct imports and opening of a new distribution center as well as shrinkage associated with the seasonal peak in supplies of fruits and vegetables and the effect of inventory clean-up at our warehouses.

The gross margin in H1 2012 amounted to 23.6% and was in line with the gross margin in H1 2011, primarily due to a trade-off between working capital and margins in Q1 2012, which offset the increase in logistics' expense in Q2 2012.

⁽¹⁾ Please note that in this and other tables 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 Russian Rouble (RUR), while the Company's presentation currency is the US 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. For more information please see page 6 of this press release.

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

Selling, General and Administrative (SG&A) Expenses

USD mln	Q2 2012	Q2 2011	% change, y-o-y	H1 2012	H1 2011	% change, y-o-y
Staff Costs	(324.5)	(320.5)	1.3%	(666.9)	(653.0)	2.1%
<i>% of Net Sales</i>	8.1%	8.0%		8.5%	8.3%	
Lease Expenses	(144.6)	(146.8)	(1.5%)	(295.9)	(282.7)	4.7%
<i>% of Net Sales</i>	3.6%	3.7%		3.8%	3.6%	
Other Store Costs	(61.9)	(56.2)	10.2%	(123.2)	(104.2)	18.2%
<i>% of Net Sales</i>	1.6%	1.4%		1.6%	1.3%	
D&A	(112.8)	(112.0)	0.7%	(215.8)	(218.4)	(1.2%)
<i>% of Net Sales</i>	2.8%	2.8%		2.7%	2.8%	
Utilities	(80.6)	(88.9)	(9.3%)	(171.7)	(174.3)	(1.5%)
<i>% of Net Sales</i>	2.0%	2.2%		2.2%	2.2%	
Third Party Services	(34.3)	(31.1)	10.0%	(58.0)	(55.8)	3.9%
<i>% of Net Sales</i>	0.9%	0.8%		0.7%	0.7%	
Other Expenses	(26.1)	(67.0)	(61.0%)	(72.1)	(117.9)	(38.9%)
<i>% of Net Sales</i>	0.7%	1.7%		0.9%	1.5%	
Total SG&A	(784.8)	(822.5)	(4.6%)	(1,603.7)	(1,606.5)	(0.2%)
<i>% of Net Sales</i>	19.7%	20.5%		20.4%	20.4%	

In Q2 2012, SG&A expenses, as a percentage of net sales, decreased by 80 bp y-o-y to 19.7% primarily due to a decrease in other expenses.

Staff costs, as a percentage of net sales, increased by 10 bp y-o-y in Q2 2012, to 8.1% primarily driven by an increase in store personnel, associated with the increase in new store openings, and a net expense recognized on the Company's long-term incentive plans, Employee Stock Option Program (ESOP) and Restricted Stock Unit Plan (RSUP), resulting from the remeasurement of the associated ESOP and RSUP liabilities at 30 June 2012, compared to income recognized on the plans and a reversal of accrued bonuses in the corresponding period of 2011. The increase in store personnel accounted for 17 bp of the increase in staff costs while the ESOP expense added 55 bp. Staff costs in Q2 2012 benefited from the reclassification of security and maintenance expenses from staff costs to other store costs, which reduced staff costs as percentage of net sales by 31 bp, as well as a decrease in the social tax rate from 34% to 30%, effective from 1 January 2012, reducing staff costs as a percentage of net sales by 31 bp.

The Company's Q2 2012 lease expenses, as a percentage of net sales, decreased by 10 bp y-o-y to 3.6% due to the impact of temporary store closures during the integration of Kopeyka in Q2 2011. As a percentage of X5's total real estate portfolio, leased space accounted for 54.4% at 30 June 2012 compared to 52.0% in the corresponding period of 2011.

In Q2 2012, other store costs increased, as a percentage of net sales, by 20 bp y-o-y to 1.6% mainly due to the reclassification of security and maintenance expenses from staff costs to other store costs. The increase was partly offset by preventive maintenance initiatives carried out at the stores.

Utilities expense, as a percentage of net sales, decreased by 20 bp y-o-y in Q2 2012, to 2.0% due to the impact of cost-saving initiatives, such as installation of electricity and water consumption meters in all stores at the end of 2011, which provide the Company with greater cost control over utilities expense.

Third party services expense in Q2 2012 increased, as a percentage of net sales, by 10 bp y-o-y due to an increase in advertising activity associated with promotional offers at the stores.

In Q2 2012, other expenses, as a percentage of sales, decreased by 100 bp primarily due to the completion of the Kopeyka integration in Q3 2011, a decrease in bad debt provision and the release of historical provisions for legal and tax risks.

As a result of the factors discussed above, EBITDA in Q2 2012 totaled USD 280 mln, or 7.0% of net sales.

In H1 2012 and 2011, SG&A expenses as a percentage of net sales amounted to 20.4%. In the 2012 period, SG&A expenses related to staff costs, lease expenses, other store costs and third-party services were higher y-o-y due to the increase in store openings and promotional activities in H1 2012 compared to H1 2011. The increases were equally offset by a decrease in other expenses related to Kopeyka integration costs and cost saving initiatives related to utilities expenses.

As a result of the factors discussed above, EBITDA in H1 2012 totaled USD 554 mln, or 7.1% of net sales

Non-Operating Gains and Losses

USD mln	Q2 2012	Q2 2011	% change y-o-y	H1 2012	H1 2011	% change y-o-y
Operating Profit	167.5	172.9	(3.1%)	338.5	347.6	(2.6%)
Finance Costs (Net)	(75.5)	(77.5)	(2.5%)	(155.0)	(153.4)	1.1%
Net FX Result	0.5	4.2	(87.2%)	(0.6)	36.6	n/a
Share of Loss of Associates	-	-	n/a	(0.1)	-	n/a
Profit before Tax	92.5	99.7	(7.2%)	182.9	230.8	(20.8%)
Income Tax Expense	(23.6)	(26.2)	(9.8%)	(47.7)	(60.5)	(21.1%)
Net Profit	68.9	73.5	(6.2%)	135.2	170.3	(20.6%)
<i>Net Profit Margin, %</i>	<i>1.7%</i>	<i>1.8%</i>		<i>1.7%</i>	<i>2.2%</i>	

Finance Costs

Net finance costs in Q2 2012 decreased by 2.5% y-o-y in USD terms, and increased by 8.1% in RUR terms. The weighted average effective interest rate on X5's total debt for H1 2012 increased to 8.5% per annum from 7.8% per annum in H1 2011. The increase was primarily due to the conversion of the Company's USD-denominated debt into RUR by year-end 2011 and the generally higher interest rates charged on RUR borrowings.

Income Tax

In Q2 and H1 2012, X5's effective tax rate was 25.5% and 26.1%, respectively, compared to 26.3% and 26.2%, respectively, in the corresponding periods of 2011. X5's effective tax rate is higher than the Russian statutory tax rate of 20.0% as inventory shrinkage and ESOP expense are only partially tax deductible in Russia.

Consolidated Cash Flow – Key Trends and Developments

USD mln	Q2 2012	Q2 2011	% change y-o-y	H1 2012	H1 2011	% change y-o-y
Net Cash Flows Generated from / (Used in) Operating Activities	68.8	(65.6)	n/a	(8.4)	9.3	n/a
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	275.0	293.3	(6.2%)	564.8	590.7	(4.4%)
<i>Change in Working Capital</i>	(85.3)	(241.7)	(64.7%)	(325.8)	(361.6)	(9.9%)
<i>Net Interest and Income Tax Paid</i>	(121.0)	(117.2)	3.2%	(247.4)	(219.8)	12.5%
Net Cash Used in Investing Activities	(194.5)	(171.6)	13.3%	(374.9)	(269.8)	39.0%
Net Cash Generated from Financing Activities	125.5	244.7	(48.7%)	157.1	120.8	30.0%
Net (Decrease)/Increase in Cash & Cash Equivalents	(0.2)	7.5	n/a	(226.1)	(139.7)	61.9%

In Q2 2012, net cash flows generated from operating activities totaled USD 69 mln compared to net cash flows used in operating activities of USD 66 mln in the corresponding period of 2011. The increase was primarily due to changes in working capital. In Q2 2012, changes in working capital resulted in a negative effect on cash flows from operating activity of USD 85.3 mln compared to a negative effect of 241.7 mln in Q2 2011.

The change in working capital in Q2 2012 was primarily driven by an increase in VAT receivables, driven by internal improvements in processing VAT claims on purchases resulting in a lower net VAT payable. The decrease in Q2 2012 VAT payable was partially offset by an increase in trade accounts payable.

Net cash flows used in operating activities in H1 2012 amounted to USD 8.4 mln compared to net cash flows generated from operating activities of USD 9.3 mln in H1 2011. The decrease was due to changes in working capital, primarily the decrease in VAT payable mentioned above, as well as an increase in interest expense in H1 2012 due to the conversion of USD-denominated debt into RUR by year-end 2011 and the generally higher interest rates charged on RUR borrowings.

Net cash used in investing activities totaled USD 194 mln and USD 375 mln in Q2 and H1 2012, respectively, compared to USD 172 mln and USD 270 mln, respectively, for the corresponding periods in 2011 due to an increase in store openings in the 2012 periods.

Net cash generated from financing activities in Q2 and H1 of 2012 amounted to USD 126 mln and USD 157 mln, respectively, and was related to short-term credit facilities drawn to finance working capital needs.

Liquidity Update

USD mln	30-Jun-12	% in total	31-Mar-12	% in total	31-Dec-11	% in total
Total Debt	3,691.4		3,997.1		3,610.0	
Short-Term Debt	1,170.1	31.7%	1,091.9	27.3%	913.2	25.3%
Long-Term Debt	2,521.3	68.3%	2,905.2	72.7%	2,696.9	74.7%
Net Debt/(Net Cash)	3,525.3		3,808.3		3,225.0	
Denominated in USD	0.0	n/a	(4.0)	n/a	(9.5)	n/a
Denominated in RUR	3,525.3	100.0%	3,812.4	100.0%	3,234.5	100.0%
FX, EoP	32.82		29.33		32.20	
Net Debt/EBITDA (RUR)⁽¹⁾	3.40x		3.36x		3.13x	

X5's net debt to EBITDA ratio increased to 3.40x compared to 3.13x at year-end 2011 due to seasonal short-term movements in cash & cash equivalents and borrowings. The Company reported total debt of USD 3,691 mln (at a RUR exchange rate of 32.82), of which 31.7% was short-term (USD 1,170 mln) and 68.3% long-term debt (USD 2,521 mln).

As of 30 June 2012, the Company had access to RUR-denominated credit facilities of approximately RUR 151.3 bln (approximately USD 4.6 bln). Of this amount, approximately RUR 60.7 bln (USD 1.8 bln) represented available 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 respective period last year reflect a negative translational effect from RUR/USD rate movements, resulting in a difference between y-o-y change in RUR and the respective change in USD of approximately 7% for H1 2012. For reference, to translate the Company's income statement from RUR to USD for presentation purposes, the Company applied a RUR/USD rate of 30.64 for H1 2012 (average for the period) and a RUR/USD rate of 28.62 for H1 2011 (average for the period).
- Comparison of the statement of financial position as at 30 June 2012 to the statement of financial position as at 31 December 2011 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%. 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 32.82 as at 30 June 2012 and RUR/USD exchange rate of 32.20 as at 31 December 2011.

⁽¹⁾ Debt covenants are set in RUR terms in accordance with loan facilities the Company maintains.

Financial Calendar for 2012

Date	Event
11 October 2012, TBC	Q3 & 9M 2012 Trading Update
20 November 2012, TBC	Q3 & 9M 2012 Financial Results

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 half 2012, net sales totaled USD 7,859 mln, EBITDA reached USD 554 mln and net profit amounted to USD 135 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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