

X5 REPORTS Q1 2015 UNAUDITED FINANCIAL RESULTS

Amsterdam, 21 April 2015 - 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 information for the three months ended 31 March 2015 (Q1), in accordance with International Financial Reporting Standards as adopted by the European Union.

Q1 2015 Financial Results Highlights:

- Total net retail sales increased by 26.5% year-on-year (y-o-y).
- Gross profit margin increased by 54 basis points (bp) and reached 24.6%.
- EBITDA grew by 34.0%, y-o-y, EBITDA margin increased by 40 bp to 7.2%.

P&L statement highlights¹

RUB million (mln)	Q1 2015	Q1 2014	% change y-o-y
Revenue	182,725	144,167	26.7%
incl. net retail sales ²	182,053	143,898	26.5%
Pyaterochka	129,579	96,175	34.7%
Perekrestok	31,750	28,686	10.7%
Karusel	17,898	16,483	8.6%
Express	2,827	2,221	27.3%
E5.RU	-	334	n/a
Gross profit	44,896	34,646	29.6%
<i>Gross profit margin, %</i>	<i>24.6%</i>	<i>24.0%</i>	
EBITDA	13,129	9,796	34.0%
<i>EBITDA margin, %</i>	<i>7.2%</i>	<i>6.8%</i>	
Operating profit	9,068	5,907	53.5%
<i>Operating profit margin, %</i>	<i>5.0%</i>	<i>4.1%</i>	
Net profit	4,110	2,469	66.5%
<i>Net profit margin, %</i>	<i>2.2%</i>	<i>1.7%</i>	

Net retail sales

<i>Net Q1 2015 RUB retail sales dynamics, y-o-y change</i>	Avg ticket	# of customers	Sales
Pyaterochka	14.2%	17.9%	34.7%
Perekrestok	16.6%	(5.6%)	10.7%
Karusel	9.3%	(0.7%)	8.6%
Express	12.9%	13.4%	27.3%
X5 Retail Group	11.9%	12.9%	26.5%

Net retail sales in Q1 2015 grew by 26.5% year-on-year (y-o-y). A primary driver for the increase in net retail sales was selling space expansion and the positive performance of maturing stores added over the past two years, supported by successful store refurbishment programme, food inflation, and improved value proposition across X5’s stores.

The increase in customer visits was primarily attributable to Pyaterochka expansion, as well as higher traffic in existing Pyaterochka stores due to ongoing customer redistribution driven by the challenging macroeconomic environment, which also resulted in a reduction in customer visits and traffic primarily at Perekrestok and to a smaller extent at Karusel.

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 Net of VAT and revenue from wholesale operations.

<i>Selling space end-of-period, square meters</i>	As at 31-Mar-2015	As at 31-Mar-2014	Change, y-o-y
Pyaterochka	1,859,307	1,443,137	28.8%
Perekrestok	419,827	392,631	6.9%
Karusel	361,679	360,531	0.3%
Express	40,932	36,194	13.1%
X5 Retail Group	2,681,745	2,232,492	20.1%

Q1 2015 LFL¹ results, growth y-o-y	Sales	Traffic	Basket
Pyaterochka	21.7%	5.2%	15.7%
Perekrestok	7.5%	(6.0%)	14.4%
Karusel	7.8%	(1.4%)	9.4%
Express	5.8%	(2.1%)	8.1%
X5 Retail Group	17.1%	2.9%	13.7%

For more details on net retail sales growth please refer to ‘X5 Q1 2015 Trading update’.

Gross profit margin

The Company’s gross profit margin in Q1 2015 amounted to 24.6%, a 54 bp increase compared to Q1 2014. The increase was primarily due to the improved logistics costs management as well as further optimization of assortment.

Selling, general and administrative (SG&A) expenses

RUB mln	Q1 2015	Q1 2014	% change y-o-y
Staff costs	(14,592)	(12,104)	20.6%
<i>% of Revenue</i>	8.0%	8.4%	
Lease expenses	(8,367)	(6,598)	26.8%
<i>% of Revenue</i>	4.6%	4.6%	
D&A and impairment	(4,061)	(3,889)	4.4%
<i>% of Revenue</i>	2.2%	2.7%	
Utilities	(4,053)	(3,499)	15.8%
<i>% of Revenue</i>	2.2%	2.4%	
Other store costs	(2,729)	(2,345)	16.4%
<i>% of Revenue</i>	1.5%	1.6%	
Third party services	(1,279)	(1,092)	17.1%
<i>% of Revenue</i>	0.7%	0.8%	
Other expenses	(2,336)	(1,265)	84.7%
<i>% of Revenue</i>	1.3%	0.9%	
Total SG&A	(37,417)	(30,791)	21.5%
<i>% of Revenue</i>	20.5%	21.4%	

As a percentage of revenue, in the reporting period, the Company was able to decrease staff costs by 41 basis points to 8.0% primarily due to improvements in operating leverage.

Lease expenses in Q1 2015, as a percentage of revenue, remained flat y-o-y at 4.6%. The share of leased space in Company’s total real estate portfolio increased from 56.6% as of 31 March 2014 to 59.4% as of 31 March 2015.

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. 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.

Depreciation, amortization and impairment costs in Q1 2015, as a percentage of revenue, decreased by 48 bp y-o-y to 2.2% thanks to operating leverage effect and decreasing share of owned stores in total X5 real estate portfolio.

Utilities costs in Q1 2015, as a percentage of revenue, decreased by 21 bp and reached 2.2% due to operating leverage effect.

In Q1 2015, third party services, as a percentage of revenue, changed immaterially compared to Q1 2014.

Other store costs declined by 13 bp as a percentage of revenue, in Q1 2015 compared to Q1 2014 and reached 1.5%.

Other expenses in Q1 2015, as percentage of revenue, grew by 40 bp due to increased agent payments on the back of franchise program expansion, as well as due to movement in provisions.

EBITDA in Q1 2015 totaled RUB 13,129 mln, or 7.2% of revenue compared to RUB 9,796 mln, or 6.8% of revenue, in the corresponding period of 2014.

Non-operating gains and losses

RUB mln	Q1 2015	Q1 2014	% change y-o-y
Operating profit	9,068	5,907	53.5%
Net finance costs	(3,945)	(2,674)	47.5%
Net FX result	114	(25)	n/a
Profit before tax	5,237	3,208	63.2%
Income tax expense	(1,127)	(739)	52.5%
Net profit	4,110	2,469	66.5%
<i>Net profit margin, %</i>	<i>2.2%</i>	<i>1.7%</i>	

Net finance costs in Q1 2015 increased by 47.5% y-o-y. The weighted average effective interest rate on X5's total debt for Q1 2015 amounted to 13.6% per annum compared to 8.8% in Q1 2014.

In Q1 2015, X5's effective tax rate was 21.5% compared to 23.0% in the corresponding period of 2014. 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

RUB mln	Q1 2015	Q1 2014	% change y-o-y
Net cash from operating activities before changes in working capital	13,573	9,196	47.6%
Change in working capital	(11,139)	(10,120)	10.1%
Net interest and income tax paid	(4,685)	(3,708)	26.3%
Net cash flows used in operating activities	(2,251)	(4,632)	(51.4%)
Net cash used in investing activities	(7,820)	(4,289)	82.3%
Net cash (used in)/generated from financing activities	(10,440)	6,135	n/a
Effect of exchange rate changes on cash & cash equivalents	(9)	-	n/a
Net decrease in cash & cash equivalents	(20,520)	(2,786)	636.5%

Company's net cash from operating activities before changes in working capital increased by RUB 4,377 mln, or by 47.6%, and totaled RUB 13,573 mln, whereas change in working capital increased by 10.1% and amounted to RUB 11,139 mln.

As a result, in Q1 2015 the net cash used in operating activities amounted to RUB 2,251 mln compared to RUB 4,632 in the same period a year earlier.

Net cash used in investing activities, which generally consisted of payments for property, plant and equipment, totaled RUB 7,820 mln in Q1 2015, compared to RUB 4,289 mln in Q1 2014, and

reflects higher expenditures for store expansion and refurbishment. In Q1 2015, X5 added more than twice the net number of stores compared to Q1 2014, or 156 stores versus 74 stores, respectively. Moreover, 344 stores were refurbished in Q1 2015 compared to 33 in Q1 2014.

Net cash used in financing activities in Q1 2015 totaled RUB 10,440 mln compared to net cash generated from financing activities of RUB 6,135 mln in Q1 2014. In February 2015, the Company made early repayment of VTB Capital loan with floating interest rate in the total amount of RUB 9,000 mln.

Liquidity update

RUB mln	31-Mar-15	% in total	31-Dec-14	% in total
Total debt	120,619		130,986	
Short-term debt	14,407	11.9%	15,834	12.1%
Long-term debt	106,212	88.1%	115,152	87.9%
Net debt	115,516		105,363	
Net debt/EBITDA	2.35x¹		2.30x²	
EBITDA/Interest expense	3.66x⁴		3.76x⁵	

As of 31 March 2015, the Company's total debt amounted to RUB 120,619 of which 11.9 % was short-term debt and 88.1% long-term debt.

As of 31 March 2015, the Company had access to RUB 106 billion in undrawn credit lines with major Russian and international banks.

¹ Based on consolidated EBITDA of RUB 49,194 mln. and interest expense of RUB 13,455 mln.

² Based on consolidated EBITDA of RUB 45,860 mln. and interest expense of RUB 12,186 mln.

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – ‘BB’, Moody’s – ‘B1’, 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.

At 31 March 2015, X5 had 5,639 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 4,958 Pyaterochka proximity stores, 405 Perekrestok supermarkets, 83 Karusel hypermarkets and 193 convenience stores. The Company operates 33 DCs and 1,407 Company-owned trucks across the Russian Federation.

For the full year 2014, revenue totaled RUB 633,873 mln (USD 16,498 mln), EBITDA reached RUB 45,860 mln (USD 1,194 mln), and profit for the period amounted to RUB 12,691 mln (USD 330 mln). In Q1 2015, revenue totaled RUB 182,725 mln (USD 2,938 mln), EBITDA reached RUB 13,129 mln (USD 211 mln), and net income amounted to RUB 4,110 mln (USD 66 mln).

X5’s Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.04%, treasury shares – 0.04%, free float – 37.63%.

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.

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X5 Retail Group N.V.

**Condensed Consolidated Interim
Financial Information**

Three months ended 31 March 2015

The attached condensed consolidated interim statement of financial position, condensed consolidated interim statement of profit or loss, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of cash flows and condensed consolidated interim statement of changes in equity have been prepared on the basis of the X5 Retail Group NV accounting policies as disclosed in the audited annual financial statements for the year ended 31 December 2014. These accounting policies have been consistently applied in the preparation of these statements except that these statements do not comprise a full set of financial statements as required by International Financial Reporting Standards as adopted by the EU.

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Financial Position at 31 March 2015
(expressed in millions of Russian Roubles, unless otherwise stated)

	31 March 2015	31 December 2014
ASSETS		
Non-current assets		
Property, plant and equipment	154,670	150,328
Investment property	3,670	3,718
Goodwill	65,732	65,684
Other intangible assets	14,100	14,618
Investment in associates	31	31
Available-for-sale investments	213	213
Other non-current assets	2,304	2,251
Deferred tax assets	3,706	3,568
	244,426	240,411
Current assets		
Inventories	52,800	47,084
Indemnification asset	244	240
Trade and other accounts receivable	18,480	21,464
Current income tax receivable	2,304	2,610
VAT and other taxes recoverable	14,259	13,488
Cash and cash equivalents	5,103	25,623
	93,190	110,509
TOTAL ASSETS	337,616	350,920
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	2,457	2,457
Share premium	46,218	46,218
Retained earnings	45,899	41,789
Share-based payment reserve	105	94
	94,679	90,558
Total equity	94,679	90,558
Non-current liabilities		
Long-term borrowings	106,212	115,152
Deferred tax liabilities	3,841	3,924
Long-term deferred revenue	11	13
	110,064	119,089
Current liabilities		
Trade accounts payable	84,336	92,001
Short-term borrowings	14,407	15,834
Interest accrued	910	693
Short-term deferred revenue	247	555
Current income tax payable	1,771	1,770
Provisions and other liabilities	31,202	30,420
	132,873	141,273
Total liabilities	242,937	260,362
TOTAL EQUITY AND LIABILITIES	337,616	350,920

Stephan DuCharme
Chief Executive Officer
20 April 2015

Elena Milinova
Chief Financial Officer
20 April 2015

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Profit or Loss
for the three months ended 31 March 2015
(expressed in millions of Russian Roubles , unless otherwise stated)

	Three months ended 31 March 2015	Three months ended 31 March 2014
Revenue	182,725	144,167
Cost of sales	(137,829)	(109,521)
Gross profit	44,896	34,646
Selling, general and administrative expenses	(37,417)	(30,791)
Lease/sublease and other income	1,589	2,052
Operating profit	9,068	5,907
Finance costs	(4,299)	(2,684)
Finance income	354	10
Net foreign exchange gain/(loss)	114	(25)
Profit before tax	5,237	3,208
Income tax expense	(1,127)	(739)
Profit for the period	4,110	2,469
Profit for the period attributable to:		
Equity holders of the parent	4,110	2,469
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	60.56	36.40
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	60.56	36.40

Stephan DuCharme
Chief Executive Officer
20 April 2015

Elena Milinova
Chief Financial Officer
20 April 2015

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Comprehensive Income
for the three months ended 31 March 2015
(expressed in millions of Russian Roubles , unless otherwise stated)

	Three months ended 31 March 2015	Three months ended 31 March 2014
Profit for the period	4,110	2,469
Other comprehensive loss		
<i>Items that may be reclassified subsequently to profit and loss</i>		
Exchange differences on translation from functional to presentation currency	-	(23)
Total items that may be reclassified subsequently to profit and loss, net of tax	-	(23)
Other comprehensive loss, net of tax	-	(23)
Total comprehensive income for the period, net of tax	4,110	2,446
Total comprehensive income for the period attributable to:		
Equity holders of the parent	4,110	2,446

Stephan DuCharme
Chief Executive Officer
20 April 2015

Elena Milinova
Chief Financial Officer
20 April 2015

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Cash Flows
for the three months ended 31 March 2015
(expressed in millions of Russian Roubles , unless otherwise stated)

	Three months ended 31 March 2015	Three months ended 31 March 2014
Profit before tax	5,237	3,208
Adjustments for:		
Depreciation, amortization and impairment of property, plant and equipment, investment property and intangible assets	4,062	3,888
Loss/(gain) on disposal of property, plant and equipment, investment property and intangible assets	8	(496)
Finance costs, net	3,945	2,674
Impairment of trade and other accounts receivable	135	32
Share-based options expense	1	19
Net foreign exchange (gain)/loss	(114)	25
Other non-cash items	299	(154)
Net cash from operating activities before changes in working capital	13,573	9,196
Decrease in trade and other accounts receivable	1,665	390
(Increase)/decrease in inventories	(5,716)	811
Decrease in trade payable	(7,648)	(11,256)
Increase/(decrease) in other accounts payable	560	(65)
Net cash generated from/(used in) operations	2,434	(924)
Interest paid	(3,988)	(2,456)
Interest received	354	9
Income tax paid	(1,051)	(1,261)
Net cash used in operating activities	(2,251)	(4,632)
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,429)	(4,635)
Acquisition of subsidiaries	(110)	(54)
Proceeds from disposal of property, plant and equipment, investment property and other intangible assets	36	643
Purchase of other intangible assets	(317)	(243)
Net cash used in investing activities	(7,820)	(4,289)
Cash flows from financing activities		
Proceeds from loans	-	9,263
Repayment of loans	(10,440)	(3,124)
Principal payments on finance lease obligations	-	(4)
Net cash (used in)/generated from financing activities	(10,440)	6,135
Effect of exchange rate changes on cash and cash equivalents	(9)	-
Net decrease in cash and cash equivalents	(20,520)	(2,786)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	25,623	7,611
Net decrease in cash and cash equivalents	(20,520)	(2,786)
Cash and cash equivalents at the end of the period	5,103	4,825

Stephan DuCharme
Chief Executive Officer
20 April 2015

Elena Milinova
Chief Financial Officer
20 April 2015

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Changes In Equity
for the three months ended 31 March 2015
(expressed in millions of Russian Roubles , unless otherwise stated)

	Attributable to equity holders of the parent							
	Number of shares	Share capital	Share premium	Share-based payment reserve	Cumulative translation reserve	Retained earnings	Total shareholders' equity	Total
Balance as at 1 January 2014	67,844,665	2,456	46,126	170	(44)	29,098	77,806	77,806
Other comprehensive loss for the period	-	-	-	-	(23)	-	(23)	(23)
Profit for the period	-	-	-	-	-	2,469	2,469	2,469
Total comprehensive income/(loss) for the period	-	-	-	-	(23)	2,469	2,446	2,446
Share-based payment compensation	-	-	-	20	-	-	20	20
Balance as at 31 March 2014	67,844,665	2,456	46,126	190	(67)	31,567	80,272	80,272
Balance as at 1 January 2015	67,867,743	2,457	46,218	94	-	41,789	90,558	90,558
Profit for the period	-	-	-	-	-	4,110	4,110	4,110
Total comprehensive income for the period	-	-	-	-	-	4,110	4,110	4,110
Share-based payment compensation	-	-	-	11	-	-	11	11
Balance as at 31 March 2015	67,867,743	2,457	46,218	105	-	45,899	94,679	94,679

Stephan DuCharme
Chief Executive Officer
20 April 2015

Elena Milinova
Chief Financial Officer
20 April 2015