X5 RETAIL GROUP

X5 RETAIL GROUP REPORTS Q2 AND H1 2015 FINANCIAL RESULTS

Amsterdam, 13 August 2015 - X5 Retail Group N.V., ("X5" or the "Company") a leading Russian food retailer (LSE ticker: "FIVE"), today released its Interim Report for the Half Year 2015 (the "Interim Report") prepared in accordance with International Financial Reporting Standards ("IFRS") and the Dutch Financial Supervision Act.

P&L statement highlights[1]

Russian Rouble (RUB), million (mln)	**Q2 2015**	**Q2 2014**	***% change y-o-y***	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	**199,883**	**155,579**	***28.5%***	**382,608**	**299,746**	***27.6%***
incl. net retail sales[2]	198,623	155,109	*28.1%*	380,676	299,007	*27.3%*
Pyaterochka	145,050	107,202	*35.3%*	274,629	203,377	*35.0%*
Perekrestok	31,296	27,969	*11.9%*	63,046	56,654	*11.3%*
Karusel	19,420	16,999	*14.2%*	37,317	33,482	*11.5%*
Express	2,857	2,605	*9.7%*	5,684	4,826	*17.8%*
E5.RU	-	335	*n/a*	-	669	*n/a*
Gross profit	**48,075**	**38,110**	***26.1%***	**92,971**	**72,756**	***27.8%***
Gross profit margin, %	*24.1%*	*24.5%*	*(44) bp*	*24.3%*	*24.3%*	*3 bp*
EBITDA	**14,389**	**11,398**	***26.2%***	**27,518**	**21,194**	***29.8%***
EBITDA margin, %	*7.2%*	*7.3%*	*(13) bp*	*7.2%*	*7.1%*	*12 bp*
Operating profit	**9,923**	**7,290**	***36.1%***	**18,991**	**13,197**	***43.9%***
Operating profit margin, %	*5.0%*	*4.7%*	*28 bp*	*5.0%*	*4.4%*	*56 bp*
Net profit	**3,832**	**3,980**	***(3.7%)***	**7,942**	**6,449**	***23.2%***
Net profit margin, %	*1.9%*	*2.6%*	*(64) bp*	*2.1%*	*2.2%*	*(8) bp*

X5's Chief Executive Officer Stephan DuCharme said

"In the first half of 2015, we demonstrated our ability to accelerate our business, achieving record levels of organic growth while also maintaining a comfortable level of profitability, thus ensuring we are well placed to finance our continued development.

"The key drivers of this growth included: improved value propositions across all three store formats, strong performance of stores operating under their new concepts, and a substantial increase in total selling space.

"We have entered the second half of the year with considerable momentum, and I believe we will be able to continue to deliver profitable growth going forward. The success we have enjoyed to date underlines that we have the right strategy for our multi-format business, which is focused on serving all segments of the consumer market. This strategy is proving to be effective even in the current external environment."

(1) Please note that in this and other tables, and in the text of this Interim Report, immaterial deviations in the calculation of % changes, subtotals and totals are due to rounding.
(2) Net of VAT and revenue from wholesale operations.

Net retail sales

Net retail sales, y-o-y change, %	Q2 2015			H1 2015		
	Average ticket	# of customers	Net retail sales	Average ticket	# of customers	Net retail sales
Pyaterochka	13.1	19.7	35.3	13.6	18.8	35.0
Perekrestok	11.5	0.1	11.9	14.0	(2.8)	11.3
Karusel	9.7	4.1	14.2	9.5	1.8	11.5
Express	7.6	1.7	9.7	10.2	7.0	17.8
X5 Retail Group	**10.8**	**15.6**	**28.1**	**11.3**	**14.3**	**27.3**

Net retail sales in Q2 2015 and H1 2015 grew by 28.1% and 27.3% year-on-year ("y-o-y"), respectively. The Company's net retail sales were impacted by the following factors:

- strong LFL performance of the stores despite decelerating food inflation in Russia;
- increased traffic in existing Pyaterochka stores as more and more customers discover and enjoy the improved value proposition in both recently-opened and refurbished stores, and in Karusel hypermarkets after adjustments to address changing market conditions with a better offering and enhanced store operations;
- solid selling space expansion of 23.9% y-o-y.

	As at 30-Jun-15	As at 30-Jun-14	*% change vs 30-Jun-14*
Selling space, end-of-period, square metres (sq.m.)			
Pyaterochka	2,002,200	1,506,113	*32.9%*
Perekrestok	444,814	396,393	*12.2%*
Karusel	361,197	357,367	*1.1%*
Express	35,453	36,107	*(1.8%)*
X5 Retail Group	**2,843,663**	**2,295,980**	***23.9%***

LFL[(1)] results, growth, y-o-y, %	Q2 2015			H1 2015		
	Sales	Traffic	Basket	Sales	Traffic	Basket
Pyaterochka	18.6	3.5	14.6	20.1	4.3	15.1
Perekrestok	6.9	(4.2)	11.6	7.2	(5.1)	13.0
Karusel[(2)]	12.3	2.4	9.7	10.1	0.5	9.5
Express	2.3	(3.0)	5.4	3.9	(2.6)	6.7
X5 Retail Group	**15.6**	**2.2**	**13.0**	**16.3**	**2.6**	**13.4**

For more details on net retail sales growth please refer to 'X5 Q2 2015 Trading update'.

Gross profit margin

The Company's gross profit margin in Q2 and H1 2015 amounted to 24.1% and 24.3%, respectively, a 44 basis point ("bp") decrease and a 3 bp increase compared to Q2 and H1 2014, respectively. The decline in gross margin in Q2 2015 was due to an increase in shrinkage on the back of higher inventory volumes to support the Company's enhanced fresh assortment, increased availability of goods on shelves, and record organic growth through both new store openings and refurbishment.

(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 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.

(2) Karusel's LFL traffic and basket in Q2 2014 were affected by a loyalty programme for the Football World Cup in May-June 2014, which artificially inflated traffic and decreased average basket size. Adjusted for the effect of this campaign, in Q2 2015 Karusel's y-o-y LFL traffic would have increased by 3.6% and the LFL basket increased by 8.5%. Karusel's overall LFL sales were not affected.

Selling, general and administrative (SG&A) expenses

RUB mln	Q2 2015	Q2 2014	*% change y-o-y*	H1 2015	H1 2014	*% change y-o-y*
Staff costs	(15,083)	(12,001)	*25.7%*	(29,675)	(24,105)	*23.1%*
% of Revenue	*7.5%*	*7.7%*	***(17) bp***	*7.8%*	*8.0%*	***(29) bp***
Lease expenses	(8,675)	(6,719)	*29.1%*	(17,042)	(13,316)	*28.0%*
% of Revenue	4.3%	4.3%	***2 bp***	4.5%	4.4%	***1 bp***
D&A and impairment	(4,465)	(4,108)	*8.7%*	(8,526)	(7,997)	*6.6%*
% of Revenue	2.2%	2.6%	***(41) bp***	2.2%	2.6%	***(44) bp***
Utilities	(3,567)	(3,069)	*16.2%*	(7,620)	(6,568)	*16.0%*
% of Revenue	1.8%	2.0%	***(19) bp***	2.0%	2.2%	***(20) bp***
Other store costs	(3,078)	(2,335)	*31.8%*	(5,807)	(4,680)	*24.1%*
% of Revenue	1.5%	1.5%	***4 bp***	1.5%	1.6%	***(4) bp***
Third party services	(2,072)	(1,493)	*38.8%*	(3,351)	(2,585)	*29.6%*
% of Revenue	1.0%	1.0%	***8 bp***	0.9%	0.9%	***1 bp***
Other expenses	(2,726)	(2,591)	*5.2%*	(5,062)	(3,855)	*31.3%*
% of Revenue	*1.4%*	*1.7%*	***(30) bp***	*1.3%*	*1.3%*	***4 bp***
Total SG&A	**(39,666)**	**(32,316)**	***22.7%***	**(77,083)**	**(63,107)**	***22.1%***
% of Revenue	***19.8%***	***20.8%***	***(93) bp***	***20.1%***	***21.1%***	***(91) bp***

In Q2 2015, SG&A expenses as a percentage of revenue decreased y-o-y by 93 bp to 19.8%.

Higher sales densities contributed to a positive operating leverage effect on staff costs, D&A and impairment, and utilities as a percent of sales.

Staff costs as a percentage of revenue decreased y-o-y by 17 bp in Q2 2015 to 7.5%, primarily due to the positive operating leverage effect.

Lease expenses in Q2 2015, remained almost flat y-o-y as a percentage of revenue at 4.3%. The effect of new store openings, and the subsequent increase in the proportion of leased space as a percentage of the total real estate portfolio, was offset by higher operating leverage. As a percentage of X5's total real estate portfolio, leased space accounted for 60.5% as of 30 June 2015, compared to 57.3% as of 30 June 2014.

Other store costs and third party services expenses changed immaterially as a percentage of revenue in Q2 2015 compared to Q2 2014.

Depreciation & amortisation and impairment costs decreased as a percentage of revenue in Q2 2015, by 41 bp y-o-y to 2.2%, thanks to the operating leverage effect and a decreasing share of owned stores in X5's total real estate portfolio.

Utilities costs as a percentage of revenue decreased by 19 bp in Q2 2015, and reached 1.8%, due to the operating leverage effect.

In Q2 2015, other expenses as a percentage of revenue decreased by 30 bp y-o-y, primarily due to the reversal of a provision for legal cases accrued in previous periods.

In H1 2015, SG&A expenses as a percentage of revenue decreased y-o-y by 91 bp to 20.1%.

Staff costs, D&A and utilities costs as a percentage of revenue in H1 2015 were lower by 29, 44 and 20 bp y-o-y, respectively, for the same reasons mentioned above.

Lease expenses, other store costs, other expenses and third party expenses changed immaterially as a percentage of revenue in H1 2015 compared to H1 2014.

Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations decreased in Q2 2015 by 20 bp and totalled 0.76%, as sales density growth at Pyatorochka stores outpaced X5 income growth from lease and sublease operations.

EBITDA and EBITDA margin

As a result of the factors discussed above, EBITDA in Q2 2015 totalled RUB 14,389 mln, or 7.2% of revenue compared to RUB 11,398 mln, or 7.3% of revenue in Q2 2014. In H1 2015, EBITDA totalled RUB 27,518 mln, or 7.2% of revenue compared to RUB 21,194 mln, or 7.1% of revenue, in the corresponding period of 2014

Segment reporting

Pyaterochka	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	275,514	203,601	35.3%
EBITDA	21,709	14,522	49.5%
EBITDA margin, %	*7.9%*	*7.1%*	*75 bp*

Perekrestok	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	63,477	56,772	11.8%
EBITDA	4,907	5,738	(14.5%)
EBITDA margin, %	*7.7%*	*10.1%*	*(238) bp*

Karusel	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	37,344	33,499	11.5%
EBITDA	1,831	2,040	(10.2%)
EBITDA margin, %	*4.9%*	*6.1%*	*(119) bp*

Other segments	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	6,273	5,874	6.8%
EBITDA	185	(209)	(188.5%)
EBITDA margin, %	*3.0%*	*(3.6%)*	*651 bp*

Corporate	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	-	-	-
EBITDA	(1,114)	(897)	24.2%
EBITDA margin, %	-	-	-

In H1 2015, Pyaterochka's EBITDA margin increased y-o-y by 75 bp to 7.9%, driven by an improved value proposition and solid performance of mature stores operating under the new concept.

Perekrestok's EBITDA margin declined y-o-y by 238 bp to 7.7% due to an increase of the share of stores in ramp-up phase following organic openings (14 stores), acquisitions (30 stores) and the accelerated refurbishment programme (37 stores), as well as higher rental costs and an increase in the share of leased space in H1 2015. Perekrestok's EBITDA in H1 2014 also includes proceeds from the sale of real estate assets in the amount of RUB 473 mln.

In H1 2015, Karusel's EBITDA margin decreased y-o-y by 119 bp to 4.9% on the back of higher shrinkage levels due to the expansion of and changes in assortment, increased rental costs, and higher operational expenses, driven by strengthening of the hypermarkets team and separating it into a single unit.

Other segments include Perekrestok Express and E5.ru (commercial operations of E5.ru were ceased effective 1 January 2015).

Increased operating expenses on the back of changes in Russian social tax regulation, indexation of salaries, as well as growth in other costs to support business expansion led to a decline in the EBITDA result of the X5 Corporate centre by 24.2%.

Non-operating gains and losses

RUB mln	Q2 2015	Q2 2014	*% change y-o-y*	H1 2015	H1 2014	*% change y-o-y*
Operating profit	**9,923**	**7,290**	***36.1%***	**18,991**	**13,197**	***43.9%***
Net finance costs	(4,240)	(2,976)	*42.5%*	(8,185)	(5,650)	*44.9%*
Net FX result	30	42	*(28.6%)*	144	17	*747.1%*
Profit before tax	**5,713**	**4,356**	***31.2%***	**10,950**	**7,564**	***44.8%***
Income tax expense	(1,881)	(376)	*400.3%*	(3,008)	(1,115)	*169.8%*
Net profit	**3,832**	**3,980**	*(3.7%)*	**7,942**	**6,449**	*23.2%*
Net profit margin, %	*1.9%*	*2.6%*		*2.1%*	*2.2%*	

Net finance costs in Q2 2015 increased y-o-y by 42.5%. The weighted average effective interest rate on X5's total debt for H1 2015 increased to 13.3% from 9.3% for H1 2014.

Income tax expense increased by 400%, primarily due to accrual of tax provisions in Q2 2015 and reversal of tax provisions in Q2 2014. Adjusted for the abovementioned provisions, income tax expense would have increase by 26%.

Consolidated cash flow

RUB mln	Q2 2015	Q2 2014	*% change y-o-y*	H1 2015	H1 2014	*% change y-o-y*
Net cash from operating activities before changes in working capital	*15,384*	*12,201*	*26.1%*	*28,957*	*21,397*	*35.3%*
Change in working capital	*(2,919)*	*3,056*	*n/a*	*(14,058)*	*(7,064)*	*99.0%*
Net interest and income tax paid	*(5,622)*	*(2,481)*	*126.6%*	*(10,307)*	*(6,189)*	*66.5%*
Net cash flows generated from operating activities	6,843	12,776	*(46.4%)*	4,592	8,144	*(43.6%)*
Net cash used in investing activities	(13,520)	(4,911)	*175.3%*	(21,340)	(9,200)	*132.0%*
Net cash generated from/(used in) financing activities	6,100	(6,556)	*n/a*	(4,340)	(421)	*930.9%*
Effect of exchange rate changes on cash & cash equivalents	6	(13)		(3)	(13)	
Net (decrease)/increase in cash & cash equivalents	**(571)**	**1,296**	*n/a*	**(21,091)**	**(1,490)**	*1315.5%*

In Q2 2015, net cash flows generated from operating activities totalled RUB 6,843 mln, compared to RUB 12,776 mln in the same period of 2014, with the decrease primarily due to changes in working capital. This was mainly a result of declined trade accounts payable on the back of X5's strategic decision to make faster payments to suppliers as a way of supporting long-term partners and local producers.

The year-on-year increases in net interest and income tax expenses in Q2 2015 were mainly due to higher interest expense and higher gross debt, as well as due to the low level of taxes paid in Q2 2014. In Q2 2014, the Company received a refund related to the overpayment of taxes in prior periods.

Net cash flows generated from operating activities in H1 2015 amounted to RUB 4,592 mln, compared to RUB 8,144 mln in H1 2014. The decrease was primarily due to changes in working capital.

Net cash used in investing activities, which generally consists of payments for property, plant and equipment totalled RUB 13,520 mln in Q2 2015 compared to RUB 4,911 mln for the same period last year, and reflects higher expenditures for store expansion and refurbishment. X5 added 161.9 th. sq. m. of selling space in Q2 2015, a 155.0% increase compared to the same period last year. Moreover, 267 stores were refurbished in Q2 2015 compared to 96 stores in Q2 2014.

Net cash used in investing activities in H1 2015 amounted to RUB 21,340 mln, compared to RUB 9,200 mln in H1 2014.

Net cash generated from financing activities totalled RUB 6,100 mln in Q2 2015, compared to net cash used in financing activities of RUB 6,556 mln for Q2 2014. The increase was related to the drawdown of available credit lines to finance the Company's investment programme.

Net cash used in financing activities totalled RUB 4,340 mln in H1 2015, compared to net cash used in financing activities of RUB 421 mln in H1 2014.

Liquidity update

RUB mln	30-Jun-15	*% in total*	31-Dec-14	*% in total*	30-Jun-14	*% in total*
Total debt	**129,029**		**130,986**		**110,361**	
Short-term debt	30,779	*23.9%*	15,834	*12.1%*	*20,729*	*18.8%*
Long-term debt	98,250	*76.1%*	115,152	*87.9%*	*89,632*	*81.2%*
Net debt	**124,497**		**105,363**		**104,240**	
Net debt/EBITDA	**2.39x**[1]		**2.30x**[2]		**2.50x**[3]	
EBITDA/Net interest expense	**3.61x**[1]		**3.76x**[2]		**3.69x**[3]	

As of 30 June 2015, the Company's total debt amounted to RUB 129,029 mln, of which 23.9% was short-term debt and 76.1% long-term debt. The Company's debt is 100% denominated in Russian Roubles.

As of 30 June 2015, the Company had access to RUB 114,900 mln in undrawn credit lines with major Russian and international banks.

Related party transactions

For a description of related party transactions entered into by the Company, refer to note 7 of the condensed consolidated interim 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 and internal controls in place to mitigate these risks. The Company has assessed the risks for the second half of 2015 and believes that the risks identified are in line with those presented in the Annual Report 2014. For a detailed description of all risk factors, refer to the Annual Report for 2014. For a description of the financial risks faced by the Company, refer to note 19 of the condensed consolidated interim financial statements and the Company's Annual Report for 2014.

Subsequent events

In July 2015, X5 agreed the early repayment of RUB 7.5 billion from a RUB 15 billion club loan with a floating rate of MosPrime+2.5% for the three-year tranche and MosPrime+2.75% for the five-year tranche in order to further decrease the Company's interest rate risk. In order to repay the loan, X5 executed and made a RUB 7.5 billion drawdown under three years term credit line tied to the Central Bank Key Rate. As a result, the share of debt linked to MosPrime in X5's debt portfolio declined from 21.2% as of June 30, 2015 to 14.7% as of July 31, 2015.

In July 2015, X5 acquired 100 stores owned by the Soseddushka retail chain in Orenburg and the Orenburg region. This will increase X5's presence in the region almost threefold.

(1) Based on consolidated EBITDA of RUB 52,183 mln. and interest expense of RUB 14,449 mln.
(2) Based on consolidated EBITDA of RUB 45,859 mln. and interest expense of RUB 12,186 mln.
(3) Based on consolidated EBITDA of RUB 41,690 mln. and interest expense of RUB 11,306 mln.

Interim report

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.

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – 'BB', Moody's – 'Ba3', 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.

As of 30 June 2015, X5 had 5,971 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 5,273 Pyaterochka proximity stores, 438 Perekrestok supermarkets, 83 Karusel hypermarkets and 177 convenience stores. The Company operates 35 DCs and 1,364 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 H1 2015, revenue totaled RUB 382,608 mln (USD 6,666 mln), EBITDA reached RUB 27,518 mln (USD 479 mln), and net income amounted to RUB 7,942 mln (USD 138 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.05%, treasury shares – 0.01%, free float – 37.64%.

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