

## **X5 RETAIL GROUP REPORTS Q1 2012 RESULTS**

**Amsterdam, 17 May 2012** - X5 Retail Group N.V., (“X5” or the “Company”) Russia's largest retailer in terms of sales (LSE ticker: “FIVE”), today released its consolidated interim condensed financial information as of and for the three months ended 31 March 2012 prepared in accordance with International Financial Reporting Standards (IFRS).

### **Q1 2012 Highlights**

- Net sales increased 4.1% year-on-year (y-o-y) in Russian Rouble (RUR) terms to RUR 117,145 million (mln) or 0.7% in US Dollar (USD) terms to USD 3,871 mln;
- Gross profit totaled USD 947 mln, resulting in gross profit margin of 24.5%;
- EBITDA amounted to USD 274 mln, or 7.1% of total net sales; and
- Net profit reached USD 66 mln, for a net profit margin of 1.7%.

## Income Statement – Key Trends and Developments

### Income Statement Highlights<sup>(1)(2)</sup>

USD mln	Q1 2012	Q1 2011	% change, y-o-y
<b>Net Sales</b>	<b>3,870.7</b>	<b>3,845.4</b>	<b>0.7%</b>
incl. Retail	3,862.0	3,826.1	0.9%
<b>Gross Profit</b>	<b>947.2</b>	<b>913.6</b>	<b>3.7%</b>
<i>Gross Profit Margin, %</i>	24.5%	23.8%	
<b>EBITDA</b>	<b>274.0</b>	<b>281.1</b>	<b>(2.5%)</b>
<i>EBITDA Margin, %</i>	7.1%	7.3%	
<b>Operating Profit</b>	<b>171.0</b>	<b>174.7</b>	<b>(2.1%)</b>
<i>Operating Profit Margin, %</i>	4.4%	4.5%	
<b>Net Profit</b>	<b>66.3</b>	<b>96.9</b>	<b>(31.6%)</b>
<i>Net Profit Margin, %</i>	1.7%	2.5%	

### Net Sales & Gross Profit Margin Performance

USD mln	Q1 2012	Q1 2011	% change, y-o-y
<b>Net Sales</b>	<b>3,870.7</b>	<b>3,845.4</b>	<b>0.7%</b>
incl. Retail	3,862.0	3,826.1	0.9%
Soft Discounters	2,475.1	2,378.7	4.1%
Supermarkets	854.9	859.4	(0.5%)
Hypermarkets	501.1	558.7	(10.3%)
Convenience stores	30.0	22.8	31.7%
Online <sup>(3)</sup>	0.9	6.6	(86.8%)
<b>Gross Profit</b>	<b>947.2</b>	<b>913.6</b>	<b>3.7%</b>
<i>Gross Profit Margin, %</i>	24.5%	23.8%	

In Q1 2012, X5's net sales in RUR terms increased year-on-year by 4.1% while reported net sales in USD increased to 3,871 mln for a year-on-year increase of 0.7%. Q1 2012 gross profit margin totaled 24.5%, a 70 basis point (bp) increase compared to Q1 2011.

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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	Q1 2012	Q1 2011	% change, y-o-y
<b>Staff Costs</b>	(342.4)	(332.5)	3.0%
<i>% of Net Sales</i>	8.8%	8.6%	
<b>Lease Expenses</b>	(151.3)	(135.9)	11.4%
<i>% of Net Sales</i>	3.9%	3.5%	
<b>Other Store Costs</b>	(61.3)	(48.0)	27.6%
<i>% of Net Sales</i>	1.6%	1.2%	
<b>D&amp;A</b>	(103.0)	(106.4)	(3.2%)
<i>% of Net Sales</i>	2.7%	2.8%	
<b>Utilities</b>	(91.2)	(85.5)	6.7%
<i>% of Net Sales</i>	2.4%	2.2%	
<b>Third Party Services</b>	(23.7)	(24.7)	(3.9%)
<i>% of Net Sales</i>	0.6%	0.6%	
<b>Other Expenses</b>	(46.0)	(51.0)	(9.7%)
<i>% of Net Sales</i>	1.2%	1.3%	
<b>Total SG&amp;A</b>	<b>(818.9)</b>	<b>(783.9)</b>	<b>4.5%</b>
<i>% of Net Sales</i>	<b>21.2%</b>	<b>20.4%</b>	

In Q1 2012, SG&A expenses, as a percentage of net sales, increased by 80 bp year-on-year to 21.2%. The significant step-up in store openings, and associated SG&A expenses, in the second half of 2011 as well as the continued ramp-up of these and Kopeyka stores' sales densities, negatively affected our SG&A expenses' as a percentage of net sales.

Staff costs, as a percentage of net sales, increased by 20 bp year-on-year in Q1 2012, to 8.8% primarily driven by an increase in store personnel, associated with the increase in new store openings, employee bonuses and expense recognized on the Company's Employee Stock Option Plan (ESOP) resulting from the remeasurement of the associated ESOP liability at 31 March 2012 compared to income recognized on the ESOP in the corresponding period of 2011. The increase in store personnel and bonuses accounted for 22 bp and 35 bp, respectively, of the increase in staff costs while the ESOP expense added 23 bp. Staff costs in Q1 2012 benefited from the reclassification of security expense from staff costs to other store costs and a decrease in long-term incentive expense, which reduced staff costs as percentage of net sales by 34 bp and 5 bp, respectively, 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 22 bp.

The Company's Q1 2012 lease expenses, as a percentage of net sales, rose 40 bp year-on-year to 3.9% due to the addition of new selling space under lease agreements. As a percentage of X5's total real estate portfolio, leased space accounted for 53.9% at 31 March 2012 compared to 52.0% in the corresponding period of 2011.

Other store costs, as a percentage of net sales, have increased by 40 bp year-on-year in Q1 2012 to 1.6% mainly due to the reclassification of security expenses from staff costs to other store costs.

Utilities expenses, as a percentage of net sales, have increased by 20 bp year-on-year in Q1 2012, to 2.4% due to the significant step-up in store openings as well as an increase in tariffs compared to Q1 2011.

As a result of the factors discussed above, EBITDA in Q1 2012 totaled USD 274 mln, or 7.1% of net sales.

## Non-Operating Gains and Losses

USD mln	Q1 2012	Q1 2011	% change, y-o-y
<b>Operating Profit</b>	<b>171.0</b>	<b>174.7</b>	<b>(2.1%)</b>
Finance Costs (Net)	(79.5)	(75.9)	4.7%
Net FX Result	(1.0)	32.4	n/a
Share of Loss of Associates	(0.1)	-	n/a
<b>Profit before Tax</b>	<b>90.4</b>	<b>131.2</b>	<b>(31.1%)</b>
Income Tax Expense	(24.1)	(34.3)	(29.8%)
<b>Net Profit</b>	<b>66.3</b>	<b>96.9</b>	<b>(31.6%)</b>
<i>Net Profit Margin, %</i>	<i>1.7%</i>	<i>2.5%</i>	

### Finance Costs

Net finance costs in Q1 2012 increased 4.7% year-on-year in USD terms, and 8.2% in RUR terms. The weighted average effective interest rate on X5's total debt for Q1 2012 increased to 8.5% per annum from 7.9% per annum in Q1 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 Q1 2012, X5 reported income tax expense of USD 24 mln resulting in an effective tax rate of 26.6% in Q1 2012 as compared to 26.1% for Q1 2011. X5's effective tax rate is higher than the Russian statutory tax rate of 20.0% as inventory shrinkage.

## **Consolidated Cash Flow – Key Trends and Developments**

<b>USD mln</b>	<b>Q1 2012</b>	<b>Q1 2011</b>	<b>% change, y-o-y</b>
Net Cash Flows (Used in)/Generated from Operating Activities	(77.1)	74.9	n/a
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	289.8	297.4	(2.6%)
<i>Change in Working Capital</i>	(240.5)	(119.9)	100.6%
<i>Net Interest and Income Tax Paid</i>	(126.4)	(102.6)	23.2%
Net Cash Used in Investing Activities	(180.4)	(98.2)	83.7%
Net Cash Generated from/(Used in) Financing Activities	31.6	(123.9)	n/a
Effect of Exchange Rate Changes on Cash & Cash Equivalents	29.8	15.2	96.4%
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	<b>(196.2)</b>	<b>(132.0)</b>	<b>48.7%</b>

In Q1 2012, net cash flows used in operating activities totaled USD 77 mln compared to net cash flows generated from operating activities of USD 75 mln in the corresponding period of 2011. The decrease was primarily due to a USD 344 mln reduction in trade accounts payable in Q1 2012 and the subsequent effect on changes in working capital. The reduction was due to the customary seasonal inventory buildup in Q4 2011 and the subsequent decrease in purchases in Q1 2012.

Net cash used in investing activities totaled USD 180 mln in Q1 2012 compared to USD 98 mln for the same period last year as we almost doubled the number of new store openings from 76 to 137 stores.

Net cash generated from financing activities in the first quarter of 2012 amounted to USD 32 mln as the Company accessed short-term credit facilities to finance working capital needs.

## Liquidity Update

USD mln	31-Mar-12	% in total	31-Dec-11	% in total
<b>Total Debt</b>	<b>3,997.1</b>		<b>3,610.0</b>	
Short-Term Debt	1,091.9	27.3%	913.2	25.3%
Long-Term Debt	2,905.2	72.7%	2,696.9	74.7%
<b>Net Debt/(Net Cash)</b>	<b>3,808.3</b>		<b>3,225.0</b>	
Denominated in USD	(4.0)	n/a	(9.5)	n/a
Denominated in RUR	3,812.4	100.0%	3,234.5	100.0%
FX, EoP	29.33		32.20	
<b>Net Debt/EBITDA (RUR)<sup>(1)</sup></b>	<b>3.36x<sup>(2)</sup></b>		<b>3.13x<sup>(3)</sup></b>	

X5's net debt to EBITDA ratio increased to 3.36x compared to 3.13x at year-end 2011 due to seasonal short-term movements in cash & cash equivalents. The Company reported total debt of USD 3,997 mln (at a RUR exchange rate of 29.33), of which 27.3% was short-term (USD 1,092 mln) and 72.7% long-term debt (USD 2,905 mln).

As of 31 March 2012, the Company had access to RUR-denominated credit facilities of approximately RUR 145.2 bln (approximately USD 5.0 bln). Of this amount, approximately RUR 58.7 bln (USD 2.0 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 year-on-year change in RUR and the respective change in USD of approximately 3% for Q1 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 30.26 for Q1 2012 (average for the period) and a RUR/USD rate of 29.27 for Q1 2011 (average for the period).
- Comparison of the statement of financial position as at 31 March 2012 to the statement of financial position as at 31 December 2011 reflects a positive 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 9%. 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 29.33 as at 31 March 2012 and RUR/USD exchange rate of 32.20 as at 31 December 2011.

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

<sup>(2)</sup> Based on consolidated EBITDA of RUR 33,279 mln, i.e. including Kopeyka from 1 April 2011.

<sup>(3)</sup> Based on consolidated EBITDA of RUR 33,215 mln, i.e. including Kopeyka from 1 January 2011.

## Appendices

- I. Consolidated Income Statement for the Three Months Ended 31 March 2012**
- II. Consolidated Statement of Comprehensive Income for the Three Months ended 31 March 2012**
- III. Consolidated Statement of Financial Position at 31 March 2012**
- IV. Consolidated Statement of Cash Flows for the Three Months Ended 31 March 2012**
- V. Financial Calendar for 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 31 March 2012, X5 had 3,139 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 2,643 soft discounter stores, 337 supermarkets, 77 hypermarkets and 82 convenience stores. The Company operates 29 DCs and 1,392 Company-owned trucks across the Russian Federation.

X5 is run on an SAP platform.

As at 31 March 2012, X5's franchisees operated 434 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 – 0.12%, treasury shares – 0.11%, free float – 32.06%.

***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 2012 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-12	31-Mar-11
<b>Revenue</b>	<b>3,870,742</b>	<b>3,845,403</b>
Cost of sales	(2,923,524)	(2,931,796)
<b>Gross profit</b>	<b>947,218</b>	<b>913,607</b>
Selling, general and administrative expenses	(818,945)	(783,921)
Lease/sublease and other income	42,700	45,011
<b>Operating profit</b>	<b>170,973</b>	<b>174,697</b>
Net finance costs	(79,458)	(75,922)
Share of loss of associates	(130)	-
Net foreign exchange (loss)/gain	(1,027)	32,394
<b>Profit before tax</b>	<b>90,358</b>	<b>131,169</b>
Income tax expense	(24,077)	(34,287)
<b>Profit for the period</b>	<b>66,281</b>	<b>96,882</b>

## Appendix II:

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2012 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-12	31-Mar-11
<b>Profit for the period</b>	<b>66,281</b>	<b>96,882</b>
<b>Other comprehensive income</b>		
Exchange differences on translation from functional to presentation currency	216,093	150,022
<b>Other comprehensive income for the period</b>	<b>216,093</b>	<b>150,022</b>
<b>Total comprehensive income for the period</b>	<b>282,374</b>	<b>246,904</b>
<b>Total comprehensive income/(loss) for the period attributable to:</b>		
Equity holders of the parent	282,374	246,957
Non-controlling interest	-	(53)

**Appendix III: CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 MARCH 2012 (expressed in thousands of US Dollars)**

	31 March 2012	31 December 2011
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,287,947	3,824,893
Investment property	153,032	141,034
Goodwill	2,152,168	1,957,876
Intangible assets	635,993	601,026
Prepaid leases	75,795	71,017
Investment in associate	1,327	1,331
Available-for-sale investments	7,174	6,535
Other non-current assets	45,777	18,530
Deferred tax assets	127,619	136,801
	7,486,832	6,759,043
<b>Current assets</b>		
Inventories of goods for resale	915,987	895,007
Indemnification asset	53,159	52,149
Loans originated	19,964	19,811
Current portion of non-current prepaid lease	13,002	10,051
Trade and other accounts receivable	336,862	361,783
Current income tax receivable	40,338	31,438
VAT and other taxes recoverable	394,443	295,913
Cash and cash equivalents	188,782	385,001
	1,962,537	2,051,153
<b>TOTAL ASSETS</b>	<b>9,449,369</b>	<b>8,810,196</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	93,717	93,717
Share premium	2,049,592	2,049,592
Cumulative translation reserve	(493,600)	(709,693)
Accumulated profit	820,861	754,580
Share-based payment reserve	9,343	7,776
<b>Total equity</b>	<b>2,479,913</b>	<b>2,195,972</b>
<b>Non-current liabilities</b>		
Long-term borrowings	2,905,227	2,696,877
Long-term finance lease payable	1,086	1,347
Deferred tax liabilities	227,711	207,356
Long-term deferred revenue	1,441	1,261
Other non-current liabilities	3,655	3,175
	3,139,120	2,910,016
<b>Current liabilities</b>		
Trade accounts payable	1,737,882	1,906,365
Short-term borrowings	1,091,886	913,160
Share-based payments liability	2,469	2,396
Short-term finance lease payables	2,253	2,218
Interest accrued	21,247	12,422
Short-term deferred revenue	11,016	13,734
Current income tax liability and accrued reserves	49,624	52,187
Provisions and other liabilities	913,959	801,726
	3,830,336	3,704,208
<b>Total liabilities</b>	<b>6,969,456</b>	<b>6,614,224</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>9,449,369</b>	<b>8,810,196</b>

## Appendix IV:

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2012 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-12	31-Mar-11
<b>Profit before tax</b>	<b>90,358</b>	<b>131,169</b>
<u>Adjustments for:</u>		
Depreciation and amortisation	103,020	106,403
Loss on disposal of property, plant and equipment	6,030	4,055
Finance costs, net	79,458	75,922
Impairment of trade and other accounts receivable	6,815	13,657
Share-based payments expense/(income)	2,608	(4,478)
Amortisation of deferred expenses	3,444	3,002
Net foreign exchange loss/(gain)	1,027	(32,394)
Loss from associate	130	-
Other non-cash items	(3,098)	112
<b>Net cash from operating activities before changes in working capital</b>	<b>289,792</b>	<b>297,448</b>
Increase in trade and other accounts receivable	(43,780)	(44,273)
Decrease in inventories	64,481	135,101
Decrease in trade accounts payable	(343,923)	(307,285)
Increase in other accounts payable	82,715	96,547
<b>Net cash generated from operations</b>	<b>49,285</b>	<b>177,538</b>
Interest paid	(73,088)	(52,879)
Interest received	263	354
Income tax paid	(53,582)	(50,085)
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(77,122)</b>	<b>74,928</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(173,653)	(93,308)
Proceeds from sale of property, plant and equipment	4,363	1,365
Acquisition of subsidiaries	(5,689)	-
Non-current prepaid lease	(3,253)	(1,415)
Repayment of loans issued	1,652	-
Purchase of intangible assets	(3,853)	(4,845)
<b>Net cash used in investing activities</b>	<b>(180,433)</b>	<b>(98,203)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from loans	699,837	112,744
Repayment of loans	(667,605)	(236,362)
Principal payments on finance lease obligations	(647)	(257)
<b>Net cash generated from/(used in) financing activities</b>	<b>31,585</b>	<b>(123,875)</b>
Effect of exchange rate changes on cash and cash equivalents	29,751	15,152
<b>Net decrease in cash and cash equivalents</b>	<b>(196,219)</b>	<b>(131,998)</b>
<b>Movements in cash and cash equivalents</b>		
Cash and cash equivalents at the beginning of the period	385,001	270,762
Net decrease in cash and cash equivalents	(196,219)	(131,998)
<b>Cash and cash equivalents at the end of the period</b>	<b>188,782</b>	<b>138,764</b>

## **Appendix V: Financial Calendar for 2012**

<b>Date</b>	<b>Event</b>
13 July 2012, TBC	Q2 & H1 2012 Trading Update
21 August 2012, TBC	Q2 & H1 2012 Financial Results Reviewed by Auditors
11 October 2012, TBC	Q3 & 9M 2012 Trading Update
20 November 2012, TBC	Q3 & 9M 2012 Financial Results