

X5 REPORTS FULL YEAR 2012 FINANCIAL RESULTS:

Amsterdam, 7 March 2013 - X5 Retail Group N.V., (“X5” or the “Company”) Russia's largest retailer in terms of sales (LSE ticker: “FIVE”), today published the Company’s audited financial report for the year ended 31 December (FY) 2012, in accordance with International Financial Reporting Standards. X5’s 2012 Annual Report is also available on the Company’s website at www.x5.ru/en.

Income statement highlights⁽¹⁾⁽²⁾

USD mln	Q4 2012	Q4 2011	% change, y-o-y	FY 2012	FY 2011	% change, y-o-y
Net sales	4,319.9	3,965.3	8.9%	15,795.2	15,455.1	2.2%
incl. retail	4,307.8	3,954.6	8.9%	15,762.0	15,397.3	2.4%
Soft discounters	2,749.6	2,484.0	10.7%	10,219.4	9,626.1	6.2%
Supermarkets	946.3	870.1	8.8%	3,392.1	3,394.3	(0.1%)
Hypermarkets	551.6	572.8	(3.7%)	1,977.5	2,267.3	(12.8%)
Convenience stores	51.3	27.7	85.5%	156.9	101.8	54.1%
Online ⁽³⁾	9.0	-	n/a	16.1	7.8	107.2%
Gross profit	1,041.7	980.9	6.2%	3,724.2	3,679.0	1.2%
Gross profit margin, %	24.1%	24.7%		23.6%	23.8%	
Operating (loss)/profit	(245.3)	238.3	n/a	191.4	702.0	(72.7%)
Operating (loss)/profit margin, %	(5.7%)	6.0%		1.2%	4.5%	
Net (loss)/profit	(273.8)	134.0	n/a	(126.5)	302.2	n/a
Net profit margin, %	n/a	3.4%		n/a	2.0%	
EBITDA	349.6	344.5	1.5%	1,123.8	1,130.2	(0.6%)
EBITDA margin, %	8.1%	8.7%		7.1%	7.3%	
Impairment of assets	(467.3)	-	n/a	(467.3)	-	n/a
Deferred tax income from impairment	91.3	-	n/a	91.3	-	n/a
Adjusted net profit	102.2	134.0	(23.7%)	249.5	302.2	(17.4%)
Adjusted net profit margin, %	2.4%	3.4%		1.6%	2.0%	

In FY 2012, X5’s net sales in Russian Roubles (RUR) terms increased year-on-year (y-o-y) by 8.1%. The increase was primarily driven by sales growth at soft discounters and to a lesser extent at supermarkets and convenience stores, resulting from organic store additions, the positive performance of maturing stores added over the past two years and on-going promotional activities. These increases were partially offset by a decrease in net retail sales at hypermarkets.

In 2012, net RUR retail sales attributable to hypermarket operations decreased by 7.7% y-o-y primarily due to the closures of a 10,000 and 3,000 square meter hypermarket in July and December of 2012, respectively, the sell-off of a portion of the format’s non-food product range in the fourth quarter (Q4) of 2011 as well as other operational issues related to the ongoing transformation of the format’s business model in 2012.

Net sales in FY 2012 reported in U.S. Dollars (USD) increased by 2.2%, which differs from the reported increase in RUR terms due to exchange rate differences between the RUR, X5’s operational currency, and the USD, the Company’s presentation currency.

⁽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 RUR, while the Company’s presentation currency is the 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 four 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.

The gross margin in FY 2012 amounted to 23.6%, which was 20 basis points (bp) below the gross margin in FY 2011. The decline in 2012 was primarily due to inventory clean up at distribution centers throughout the year, which was partially offset by improved commercial terms from suppliers.

Selling, general and administrative (SG&A) expenses

USD mln	Q4 2012	Q4 2011	% change, y-o-y	FY 2012	FY 2011	% change, y-o-y
Staff costs	(341.6)	(322.6)	5.9%	(1,298.5)	(1,294.3)	0.3%
<i>% of net sales</i>	7.9%	8.1%		8.2%	8.4%	
Lease expenses	(156.7)	(136.7)	14.6%	(598.5)	(565.4)	5.9%
<i>% of net sales</i>	3.6%	3.4%		3.8%	3.7%	
Other store costs	(73.0)	(53.3)	37.0%	(264.4)	(211.7)	24.9%
<i>% of net sales</i>	1.7%	1.3%		1.7%	1.4%	
D&A, including	(594.9)	(106.1)	460.7%	(932.4)	(428.3)	117.7%
<i>% of net sales</i>	13.8%	2.7%		5.9%	2.8%	
Impairment of assets	(467.3)	-	n/a	(467.3)	-	n/a
<i>% of net sales</i>	10.8%	0.0%		3.0%	0.0%	
Utilities	(83.7)	(82.1)	2.0%	(326.7)	(326.8)	0.0%
<i>% of net sales</i>	1.9%	2.1%		2.1%	2.1%	
Third party services	(40.7)	(28.0)	45.3%	(126.4)	(110.7)	14.1%
<i>% of net sales</i>	0.9%	0.7%		0.8%	0.7%	
Other expenses	(42.2)	(70.8)	(40.4%)	(160.1)	(234.1)	(31.6%)
<i>% of net sales</i>	1.0%	1.8%		1.0%	1.5%	
Total SG&A	(1,332.7)	(799.6)	66.7%	(3,706.9)	(3,171.2)	16.9%
<i>% of net sales</i>	30.9%	20.2%		23.5%	20.5%	

In FY 2012, SG&A expenses, as a percentage of net sales, increased y-o-y by 3.0% to 23.5%. Excluding the impairment of assets effect, total SG&A costs as a percentage of net sales in FY 2012 amounted to 20.5% and were in line with the corresponding period in 2011.

Staff costs, as a percentage of net sales, decreased y-o-y by 16 bp in FY 2012 to 8.2% primarily due to the following: reclassification of security and maintenance staff expenses from staff costs to other store costs (39 bp), a y-o-y reduction in bonus accruals (20 bp) and a decrease in the social tax rate from 34% to 30%, effective from 1 January 2012 (20 bp). These decreases were partially offset by a y-o-y increase in our 2012 employee salaries and wages (24 bp) and out-staffing expense (10 bp) and a decrease in income recognized on the re-measurement of the Company's long term incentive plans (29 bp) at 31 December 2012, compared to the corresponding period of 2011.

The Company's FY 2012 lease expenses, as a percentage of net sales, increased y-o-y by 13 bp to 3.8% primarily due to an increase in store openings and the greater percentage of leased space in our total real estate portfolio. As a percentage of X5's total real estate portfolio, leased space accounted for 54.4% at 31 December 2012 compared to 53.6% in the corresponding period of 2011.

In FY 2012, other store costs increased, as a percentage of net sales, by 30 bp y-o-y to 1.7% mainly due to the reclassification of security and maintenance staff expenses from staff costs to other store costs.

Third party services expense in FY 2012 increased, as a percentage of net sales, by 8 bp y-o-y due to an increase in advertising and marketing activity.

Other expenses decreased by 50 bp in FY 2012, as a percentage of net sales, primarily due to a decrease in bad debt provision in 2012 (17 bp), while the remainder related to other immaterial expense items.

As a result of the factors discussed above, EBITDA in FY 2012 totaled USD 1,124 million (mln), or 7.1% of net sales.

Impairment of assets

In Q4 2012, the Company recorded an impairment charge to property, plant and equipment, intangible assets, investment property and prepaid leases in the amount of USD 343 mln, USD 78 mln, USD 26 mln and USD 20 mln, respectively. The impairment test was carried out in accordance with IAS 36 “Impairment of assets” and comprises impairments to certain non-performing assets, equipment and the Kopeyka brand. The aggregate amount of the impairment charge is RUR 14,530 mln or USD 467 mln. The impairment charge is a non-cash item, which did not affect the Company’s key credit metrics or covenants, bank credit arrangements and bonds.

Non-operating gains and losses

USD mln	Q4 2012	Q4 2011	% change, y-o-y	FY 2012	FY 2011	% change, y-o-y
Operating (loss)/profit	(245.3)	238.3	<i>n/a</i>	191.4	702.0	<i>(72.7%)</i>
Finance costs (net)	(88.2)	(77.9)	13.2%	(325.9)	(297.7)	9.5%
Net FX result	(0.8)	16.7	<i>n/a</i>	(2.5)	0.8	<i>n/a</i>
Share of loss of associates	-	-	<i>n/a</i>	(0.1)	-	<i>n/a</i>
(Loss)/profit before tax	(334.3)	177.1	<i>n/a</i>	(137.0)	405.1	<i>n/a</i>
Income tax benefit/(expense)	60.5	(43.1)	<i>n/a</i>	10.5	(102.9)	<i>n/a</i>
Net (loss)/profit	(273.8)	134.0	<i>n/a</i>	(126.5)	302.2	<i>n/a</i>
<i>Net profit margin, %</i>	<i>n/a</i>	<i>3.4%</i>		<i>n/a</i>	<i>2.0%</i>	

Net finance costs in FY 2012 increased by 9.5% y-o-y in USD terms, and 15.8% in RUR. The weighted average effective interest rate on X5’s total debt for FY 2012 increased to 8.6% from 7.7% for FY 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-based borrowings.

In FY 2012, X5 recorded an income tax benefit in the amount of USD 11 mln resulting from the Q4 2012 impairment charge. The Company’s FY 2012 income tax expense, excluding the effect of the deferred tax income from impairment, was USD 80 mln, which implies an effective tax rate of 24.5% for the year.

Consolidated cash flow

USD mln	Q4 2012	Q4 2011	% change, y-o-y	FY 2012	FY 2011	% change, y-o-y
Net cash from operating activities	486.1	608.2	(20.1%)	609.2	926.1	(34.2%)
<i>Net cash from operating activities before changes in working capital</i>	<i>348.5</i>	<i>374.3</i>	<i>(6.9%)</i>	<i>1,135.2</i>	<i>1,189.4</i>	<i>(4.6%)</i>
<i>Change in working capital</i>	<i>309.2</i>	<i>354.7</i>	<i>(12.8%)</i>	<i>7.8</i>	<i>174.1</i>	<i>(95.5%)</i>
<i>Net interest and income tax paid</i>	<i>(171.6)</i>	<i>(120.7)</i>	<i>42.1%</i>	<i>(533.8)</i>	<i>(437.4)</i>	<i>22.0%</i>
Net cash used in investing activities	(226.0)	(397.6)	(43.2%)	(796.3)	(893.9)	(10.9%)
Net cash generated from financing activities	(82.9)	79.4	<i>n/a</i>	187.6	111.1	68.9%
Effect of exchange rate changes on cash & cash equivalents	8.2	(31.4)	<i>n/a</i>	22.4	(29.0)	<i>n/a</i>
Net increase in cash & cash equivalents	185.4	258.6	<i>(28.3%)</i>	22.9	114.2	<i>(80.0%)</i>

Net cash from operating activities in FY 2012 amounted to USD 609 mln compared to USD 926 mln in FY 2011. The decrease was primarily due to changes in working capital and increases in interest expense and taxes paid in FY 2012.

Working capital changes in 2012 were driven by an increase in trade payables, due to an increase in purchases related to the growth in sales and the seasonal buildup in inventory prior to the New Year holidays. The increase in purchases also resulted in a higher inventory balance at 31 December 2012 compared to the corresponding period in 2011, which was also affected by the sell-off of a portion of our product range.

Net cash used in investing activities totaled USD 796 mln in FY 2012, compared to USD 894 mln for the corresponding period in 2011, and generally consisted of payments for property, plant and equipment.

Net cash generated from financing activities in FY 2012 totaled USD 188 mln and was related to short-term credit facilities drawn to finance working capital requirements.

Liquidity update

USD mln	31-Dec-12	% in total	30-Sep-12	% in total	31-Dec-11	% in total
Total debt	4,027.3		4,036.8		3,610.0	
Short-term debt	1,680.9	41.7%	1,404.8	34.8%	913.2	25.3%
Long-term debt	2,346.4	58.3%	2,632.0	65.2%	2,696.9	74.7%
Net debt	3,619.4		3,814.3		3,225.0	
Denominated in USD	0.0	0.0%	0.0	0.0%	(9.5)	(0.3%)
Denominated in RUR	3,619.4	100.0%	3,814.3	100.0%	3,234.5	100.3%
FX, EoP	30.37		30.92		32.20	
Net debt/EBITDA (RUR)⁽¹⁾	3.15x⁽²⁾		3.40x⁽³⁾		3.13x⁽⁴⁾	

At 31 December 2012, the Company's total debt amounted to USD 4,027 mln (at RUR exchange rate of 30.37), of which 41.7% was short-term debt (USD 1,681 mln) and 58.3% long-term debt (USD 2,346 mln). At 31 December 2012, the Company had access to RUR 81,600 mln (USD 2,687 mln) in 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 the respective period last year reflect a negative translational effect from RUR/USD rate movements, resulting in a difference between the y-o-y change in RUR and the respective change in USD of approximately 6% for FY 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 31.09 for FY 2012 (average for the period) and a RUR/USD rate of 29.39 for FY 2011 (average for the period).
- Comparison of the statement of financial position at 31 December 2012 to the statement of financial position 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 6%. 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 30.37 at 31 December 2012 and RUR/USD exchange rate of 32.20 at 31 December 2011.

⁽¹⁾ In RUR terms, as the Company's debt covenants are set in RUR terms in accordance with X5's loan facilities.

⁽²⁾ Based on consolidated EBITDA of RUR 34,944 mln.

⁽³⁾ Based on consolidated EBITDA of RUR 34,688 mln.

⁽⁴⁾ Based on consolidated EBITDA of RUR 33,215 mln.

Appendices

- I. Consolidated Income Statement for the three months and year ended 31 December 2012**
- II. Consolidated Statement of Comprehensive Income for the three months and year ended 31 December 2012**
- III. Consolidated Statement of Financial Position at 31 December 2012**
- IV. Consolidated Statement of Cash Flows for the year ended 31 December 2012**

Note to Editors:

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

At 31 December 2012, X5 had 3,802 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 3,220 soft discounter stores, 370 supermarkets, 78 hypermarkets and 134 convenience stores. The Company operates 29 DCs and 1,956 Company-owned trucks across the Russian Federation. At 31 December 2012, the number of X5 employees totaled 109 thousand.

For the full year 2012, net sales totaled USD 15,795 mln, EBITDA reached USD 1,124 mln, and net loss amounted to USD 126 mln.

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 19.85%, X5 Directors – 0.13%, treasury shares – 0.11%, free float – 32.05%.

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 of 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.

Contacts:**Gregory Madick****Executive IR Director****Tel.: +7 (495) 502-9783****e-mail: Gregory.Madick@x5.ru****Vladimir Rusanov****Acting Head of PR****Tel.: +7 (495) 662-8888, ext. 31-328****e-mail: Vladimir.Rusanov@x5.ru**

Appendix I:

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS AND YEAR ENDED 31 DECEMBER 2012 (expressed in thousands of US Dollars)

	Three months ended		Year ended	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
Revenue	4,319,859	3,965,280	15,795,249	15,455,088
Cost of sales	(3,278,201)	(2,984,424)	(12,071,058)	(11,776,132)
Gross profit	1,041,658	980,856	3,724,191	3,678,956
Selling, general and administrative expenses	(1,332,745)	(799,593)	(3,706,952)	(3,171,204)
Lease/sublease and other income	45,808	57,053	174,183	194,232
Operating profit	(245,279)	238,316	191,422	701,984
Net finance costs	(88,182)	(77,913)	(325,860)	(297,693)
Share of loss of associates	-	-	(90)	-
Net foreign exchange (loss)/gain	(807)	16,675	(2,496)	812
(Loss)/Profit before tax	(334,268)	177,078	(137,024)	405,103
Income tax benefit/(expense)	60,465	(43,111)	10,527	(102,912)
(Loss)/Profit for the period	(273,803)	133,967	(126,497)	302,191

Appendix II:

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

	Three months ended		The year ended	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
(Loss)/Profit for the period	(273,803)	133,967	(126,497)	302,191
Other comprehensive income/(loss)				
Exchange differences on translation from functional to presentation currency	37,388	(28,989)	128,650	(135,425)
Change in fair value of available-for-sale investments	-	(2,376)	-	(249)
Other comprehensive income/(loss) for the period	37,388	(31,365)	128,650	(135,674)
Total comprehensive (loss)/income for the period	(236,415)	102,602	2,153	166,517
Total comprehensive (loss)/income for the period attributable to:				
Equity holders of the parent	(236,415)	102,602	2,153	165,756
Non-controlling interest	-	-	-	761

Appendix III:

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2012

(expressed in thousands of US Dollars)

	31 December 2012	31 December 2011
ASSETS		
Non-current assets		
Property, plant and equipment	4,147,265	3,824,893
Investment property	108,512	141,034
Goodwill	2,114,279	1,957,876
Intangible assets	503,483	601,026
Prepaid leases	53,392	81,068
Investment in associates	2,759	1,331
Available-for-sale investments	6,928	6,535
Other non-current assets	36,027	18,530
Deferred tax assets	143,787	136,801
	7,116,432	6,769,094
Current assets		
Inventories of goods for resale	1,114,894	895,007
Indemnification asset	29,833	52,149
Loans originated	3,033	19,811
Trade and other accounts receivable	420,565	361,783
Current income tax receivable	111,745	31,438
VAT and other taxes recoverable	378,001	295,913
Cash and cash equivalents	407,877	385,001
	2,465,948	2,041,102
Total assets	9,582,380	8,810,196
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	93,717	93,717
Share premium	2,049,592	2,049,592
Cumulative translation reserve	(581,043)	(709,693)
Retained earnings	628,083	754,580
Share-based payment reserve	11,452	7,776
	2,201,801	2,195,972
Total equity	2,201,801	2,195,972
Non-current liabilities		
Long-term borrowings	2,346,380	2,696,877
Long-term finance lease payable	113	1,347
Deferred tax liabilities	148,623	207,356
Long-term deferred revenue	676	1,261
Other non-current liabilities	71	3,175
	2,495,863	2,910,016
Current liabilities		
Trade accounts payable	2,396,934	1,906,365
Short-term borrowings	1,680,887	913,160
Share-based payments liability	496	2,396
Short-term finance lease payables	1,363	2,218
Interest accrued	20,980	12,422
Short-term deferred revenue	13,668	13,734
Current income tax payable	13,084	52,187
Provisions and other liabilities	757,304	801,726
	4,884,716	3,704,208
Total liabilities	7,380,579	6,614,224
Total equity and liabilities	9,582,380	8,810,196

Appendix IV:

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012 (expressed in thousands of US Dollars)

	Year ended	
	31 December 2012	31 December 2011
(Loss)/Profit before tax	(137,024)	405,103
Adjustments for:		
Depreciation, amortization and impairment of property, plant and equipment, investment property and intangible assets	900,151	428,258
(Gain)/loss on disposal of property, plant and equipment	(2,494)	20,908
Finance costs, net	325,860	297,693
Impairment of trade and other accounts receivable	33,098	59,335
Share-based options expense/(income)	4,012	(40,372)
Amortization and impairment of Prepaid lease	32,271	15,247
Net foreign exchange loss/(gain)	2,496	(812)
Loss from associate	90	-
Other non-cash items	(23,266)	4,065
Net cash from operating activities before changes in working capital	1,135,194	1,189,425
Increase in trade and other accounts receivable	(147,885)	(141,650)
(Increase)/decrease in inventories of goods for resale	(162,308)	75,899
Increase in trade payable	372,145	161,696
(Decrease)/increase in other accounts payable	(54,180)	78,167
Net cash generated from operations	1,142,966	1,363,537
Interest paid	(331,988)	(299,156)
Interest received	5,807	1,560
Income tax paid	(207,603)	(139,811)
Net cash from operating activities	609,182	926,130
Cash flows from investing activities		
Purchase of property, plant and equipment	(724,675)	(791,946)
Non-current prepaid lease	(13,794)	(8,309)
Acquisition of subsidiaries	(83,903)	(57,060)
Loans issued	-	(39,800)
Compensation from prepaid lease disposal	1,511	-
Repayment of loans issued	18,633	15,653
Proceeds from sale of property, plant and equipment	35,508	9,833
Purchase of intangible assets	(29,559)	(22,317)
Net cash used in investing activities	(796,279)	(893,946)
Cash flows from financing activities		
Proceeds from loans	1,274,190	1,549,138
Repayment of loans	(1,084,018)	(1,436,151)
Proceeds from sale of treasury shares	-	369
Principal payments on finance lease obligations	(2,555)	(2,269)
Net cash generated from financing activities	187,617	111,087
Effect of exchange rate changes on cash and cash equivalents	22,356	(29,032)
Net increase cash and cash equivalents	22,876	114,239
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the year	385,001	270,762
Net increase in cash and cash equivalents	22,876	114,239
Cash and cash equivalents at the end of the year	407,877	385,001