

X5 REPORTS FIRST QUARTER 2009 RESULTS:**SOLID EBITDA MARGIN OF 8.7%
ON THE BACK OF STRONG TOP LINE PERFORMANCE AND
TIGHT COST CONTROLS**

Amsterdam, 28 May 2009 - X5 Retail Group N.V., Russia's largest retailer in terms of sales (LSE ticker: "FIVE"), today announced its IFRS results for the quarter ended 31 March 2009, reviewed by auditors.

Q1 2009 Highlights

- Consolidated* net sales increased 46% year-on-year in RUR terms to RUR 63,346 mln or 5% in USD terms to USD 1,867 mln;
- On a pro-forma basis**, net sales grew 28% year-on-year in RUR terms and declined 8% in USD terms (due to negative RUR devaluation effect);
- Gross profit totaled USD 458 mln, for a gross margin of 24.5%;
- EBITDA amounted to USD 163 mln, for an EBITDA margin of 8.7%;
- X5 reported a net loss of USD 82 mln due to mainly non-cash foreign exchange loss;
- 2009 sales growth and CapEx outlook, as announced on 6 March 2009, reiterated.

X5 Retail Group CEO **Lev Khasis** commented:

"X5's solid operational performance in the first quarter benefited from our discounters' leading price position, which drove strong growth in customer traffic and like-for-like sales. X5 puts the customer first, and this is especially important in tougher economic conditions. At the end of the first quarter, we took Pyaterochka's price leadership to the next level, launching our "lowest price in the market on 100% of assortment" initiative. I am pleased to say that the response we are getting from consumers is very encouraging. At the same time, Pyaterochka's phenomenal success is a clear indicator that trading down trends persist, consumers remain extremely price-conscious, and this currently presents a challenging operating environment for other formats."

X5 Retail Group CFO **Evgeny Kornilov** added:

"Our efforts to ensure affordability of products on our shelves combined with the post-integration price repositioning strategy at Karusel resulted in a managed gross margin decline of 100 bp year-on-year. At the same time, focus on cost controls enabled us to maintain a stable EBITDA margin compared to the same period last year. We also used our strong cash position as an opportunity to bring down debt and eliminate short-term FX exposure, while continuing selective expansion. For the rest of the year, we will make every effort to drive efficiency and profitable growth, with a focus on cash generation and deleveraging."

* Including the results of the acquired Karusel business from 30 June 2008 (i.e. including them in Q1 2009 and excluding them in Q1 2008)

** Including the results of the acquired Karusel business in both Q1 2009 and Q1 2008

Profit & Loss – Key Trends and Developments

Pro-Forma* P&L Highlights

USD mln	Q1 2009	Q1 2008	% change y-o-y
Net Sales	1,866.9	2,038.6	(8%)
incl. Retail	1,859.3	2,027.5	(8%)
Gross Profit	458.2	518.9	(12%)
<i>Gross Margin, %</i>	24.5%	25.5%	
EBITDA	162.7	176.7	(8%)
<i>EBITDA Margin, %</i>	8.7%	8.7%	
Operating Profit	116.9	123.2	(5%)
<i>Operating Margin, %</i>	6.3%	6.0%	
Net (Loss)/Profit	(82.1)	83.3	n/a
<i>Net Margin, %</i>	n/a	4.1%	

RUR Devaluation Effects on Reported Results and Their Dynamics

X5's operational currency is the Russian Ruble (RUR), while our presentation currency is the U.S. Dollar (USD). As RUR has significantly devalued against USD, comparisons of the Company's financial results either with the corresponding period a year ago (for profit & loss statement) or with the beginning of the year (for balance sheet statement) have been substantially affected by RUR devaluation:

- Comparisons of profit & loss figures for Q1 2009 to Q1 2008 reflect a negative translational effect from RUR devaluation, resulting in a difference between year-on-year change in RUR and the respective change in USD of approximately 37%. For reference, to translate its profit & loss figures from RUR to USD for reporting purposes, the Company applied RUR/USD rate of 24.26 for the first quarter 2008 (average for the period) and RUR/USD rate of 33.93 for the first quarter 2009 (average for the period).
- Comparisons of balance sheet figures as at 31 March 2009 to balance sheet figures as at 31 December 2008 reflect a negative translational effect from RUR devaluation, resulting in a difference between change in RUR and the respective change in USD of approximately 16%. For reference, to translate its balance sheet figures from RUR to USD for reporting purposes, the Company applied RUR/USD rate of 29.38 as at 31 December 2008 and RUR/USD rate of 34.01 as at 31 March 2009.

* Profit & Loss figures in this press-release are presented on pro-forma basis, unless otherwise stated. Pro-forma figures include results of the acquired Karusel hypermarket chain from 1 January 2008 and 2009, respectively (i.e. for both Q1 2009 and Q1 2008). We believe pro-forma numbers are useful because they allow investors to evaluate X5's operating results and financial performance for different periods on a more comparable basis. These figures should be used in addition to, but not as a substitute for, the consolidated financial statements, which include Karusel's results only as from 30 June 2008, when the acquisition was completed (i.e. including them in Q1 2009 but excluding them in Q1 2008). Condensed consolidated interim financial statements for the three months ended 31 March 2009 are available on our website at http://www.X5.ru/en/investors/financial_reports/.

Net Sales & Gross Margin Performance

USD mln	Q1 2009	Q1 2008	% change y-o-y
Net Sales	1,866.9	2,038.6	(8%)
incl. Retail	1,859.3	2,027.5	(8%)
Hypermarkets	353.0	381.0	(7%)
Supermarkets	540.0	638.6	(15%)
Discounters	966.3	1,007.8	(4%)
Gross Profit	458.2	518.9	(12%)
Gross Margin, %	24.5%	25.5%	

In Q1 2009 X5 reported net sales of USD 1,867 mln – a year-on-year decline of 8% in USD terms due to the sharp RUR devaluation in the first quarter. In RUR terms net revenue increased 28% year-on-year thanks to 13% growth in LFL sales with the rest coming from expansion. Soft discounters were the clear winners as consumers traded down in the current environment. Supermarkets demonstrated healthy performance in Moscow, St. Petersburg and other large cities, partially offset by declines in certain regions more affected by economic downturn. In the first quarter, X5 completed the rebranding of all Perekrestok hypermarkets as Karusel and focused on fine-tuning its hypermarket model to reflect new economic realities and improve hypermarkets performance.

For detailed discussion on Q1 retail sales dynamics, please see our Trading Update dated 9 April 2009 at http://www.X5.ru/en/investors/operational_results/.

First quarter 2009 gross margin totalled 24.5% – a 100 bp decline versus first quarter 2008, which was in line with the management's expectations. The decline is attributable to the following factors: planned investment in prices across formats, a managed reduction in Karusel's gross margin; and the impact of trading down trends as reflected in the change of product mix in favour of purchases of basic staples.

Selling, General and Administrative Expenses (SG&A)

USD mln	Q1 2009	Q1 2008	% change y-o-y
Staff Costs, incl.	(163.7)	(201.2)	(19%)
% of Net Sales	8.8%	9.9%	
ESOP	2.1	(3.1)	(167%)
% of Net Sales	(0.1%)	0.2%	
Lease Expenses	(61.2)	(62.8)	(3%)
% of Net Sales	3.3%	3.1%	
Other Store Costs	(23.8)	(28.1)	(15%)
% of Net Sales	1.3%	1.4%	
D&A	(45.7)	(53.5)	(15%)
% of Net Sales	2.5%	2.6%	
Utilities	(35.8)	(31.4)	14%
% of Net Sales	1.9%	1.5%	
Third Party Services	(14.9)	(18.9)	(21%)
% of Net Sales	0.8%	0.9%	
Other Expenses	(20.8)	(23.7)	(12%)
% of Net Sales	1.1%	1.2%	
Total SG&A	(366.0)	(419.5)	(13%)
% of Net Sales	19.6%	20.6%	

In the first quarter 2009, X5 further tightened its cost controls. As a result, SG&A expenses decreased as a percentage of revenue from 20.6% in Q1 2008 to 19.6% in Q1 2009 (net of ESOP, SG&A expenses decreased from 20.4% in Q1 2008 to 19.7% in Q1 2009). This decrease was achieved primarily through administrative expense and staff cost optimization. As at 31 March 2009 the Company employed 60,060 people compared to 60,467 as at 31 December 2008, which reflects headcount optimization at both head office and store levels. These positive effects were partially offset by higher utility costs due to increases in government-regulated tariffs.

Non-Operating Gains and Losses

USD mln	Q1 2009	Q1 2008	% change y-o-y
Operating Profit	116.9	123.2	<i>(5%)</i>
Finance Costs (Net)	(35.3)	(38.1)	<i>(7%)</i>
Net FX Result	(163.7)	42.5	<i>n/a</i>
Share of Loss of Associates	(2.8)	-	<i>n/a</i>
(Loss)/Profit before Tax	(84.8)	127.6	<i>n/a</i>
Income Tax Benefit/(Expense)	2.7	(44.2)	<i>n/a</i>
Net (Loss)/Profit	(82.1)	83.3	<i>n/a</i>
<i>Net Margin, %</i>	<i>n/a</i>	<i>4.1%</i>	

Finance Costs

Net finance costs decreased by 7% year-on-year in USD terms and increased 30% in RUR terms due to higher interest rates on short-term RUR funding. Over 70% of the Company's debt portfolio has no exposure to interest rate fluctuations, due to a LIBOR hedge on USD 1.1 bln syndicated loan (effective interest of appr. 4.2% p.a.) and the fact that RUR 9 bln bonds have a fixed coupon (7.6% p.a.). The Company is thus relatively protected against fluctuations in interest rates. The effective interest rate on X5's total debt for the first quarter 2009 was approximately 8.0%.

Foreign Exchange (FX) Loss

Due to the significant devaluation of the Russian Ruble versus the U.S. Dollar in the first quarter 2009, the Company reported an FX loss of USD 164 mln. This is a primarily non-cash item, resulting from revaluation of the Company's long-term USD-denominated debt.

Income Tax

In the first quarter 2009, X5 reported income tax benefit in the amount of USD 3 mln, which is explained by deferred tax income in the amount of USD 45 mln, primarily attributable to the reported FX loss.

Consolidated* Cash Flow – Key Trends and Developments

USD mln	Q1 2009	Q1 2008	% change y-o-y
Net Cash Flows (used in)/from Operating Activities	(38.4)	34.3	n/a
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	<i>169.9</i>	<i>169.7</i>	<i>0%</i>
<i>Change in Working Capital</i>	<i>(126.7)</i>	<i>(60.4)</i>	<i>110%</i>
<i>Net Interest and Income Tax Paid</i>	<i>(81.6)</i>	<i>(74.9)</i>	<i>9%</i>
Net Cash used in Investing Activities	(43.1)	(152.2)	(72%)
Net Cash (used in)/generated from Financing Activities	(85.3)	78.2	n/a
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(28.3)	6.6	n/a
Net Decrease in Cash & Cash Equivalents	(195.2)	(33.1)	490%

First quarter 2009 net cash used in operating activities totaled USD 38 mln versus USD 34 mln generated from operating activities a year ago. Strong cash generation from operations was offset by two major factors that affected working capital: 1) inventories increased due to extensive store openings, particularly hypermarkets, as well as because of substantial warehouse area expansion; 2) accounts payable decreased significantly, which is a typical seasonal factor for the first quarter of each year, as the Company paid suppliers for inventories accumulated in the fourth quarter 2008 for New Year and Christmas sales.

Net cash used in investing activities totaled USD 43 mln, as the Company opened new stores (33 thousand square meters of selling space added), continued the development of logistics infrastructure (warehouse capacity was expanded by 10 thousand square meters) and implementation of its IT projects (SAP).

Net cash used in financing activities amounted to USD 85 mln as the Company used available cash to reduce outstanding debt.

* Including Karusel results from 30 June 2008 (i.e. including them in Q1 2009 and excluding them in Q1 2008)

Liquidity Update

USD mln	31-Mar-09	% in total	31-Dec-08	% in total	% change
Total Debt	1,863.9		2,059.4		(9%)
Short-Term Debt	440.7	24%	578.4	28%	(24%)
Long-Term Debt	1,423.2	76%	1,481.0	72%	(4%)
Net Debt	1,782.2		1,782.6		0%
Net Debt/EBITDA	2.26x		2.22x		

As at 31 March 2009, the Company's total debt amounted to USD 1,864 mln (at RUR/USD exchange rate of 34.01), out of which 24% was short-term (USD 441 mln or RUR 15 bln), mainly represented by revolving credit lines with the largest Russian and international banks, denominated in RUR. In addition to currently used facilities, as at 31 March 2009 X5 had undrawn credit lines in the total amount of USD 297 mln or RUR 10 bln (denominated in RUR).

In the first quarter X5 continued its deleveraging efforts, paying down net USD 70 mln (excluding FX revaluation effect on RUR-denominated debt). By 31 March 2009 X5 had completely eliminated its short-term FX exposure by repaying short-term USD-denominated debt. Thus, the Company's FX exposure is limited to the USD 1.1 bln syndicated loan with maturity in December 2010, which does not expose X5 to short-term liquidity risks.

For the remainder of 2009, we expect that our cash flow generation, disciplined investment program and prudent financial management will enable the Company to improve its debt maturity profile and further reduce leverage.

Appendices

- I. **Pro-Forma Income Statement for the Three Months Ended 31 March 2009**
- II. **Consolidated Income Statement for the Three Months Ended 31 March 2009**
- III. **Consolidated Statement of Comprehensive Income for the Three Months Ended 31 March 2009**
- IV. **Consolidated Statement of Financial Position (Balance Sheet) at 31 March 2009**
- V. **Consolidated Statement of Cash Flows for the Three Months Ended 31 March 2009**
- VI. **Financial Calendar for 2009**

Note to Editors:

X5 Retail Group N.V. is Russia's largest retailer in terms of sales. The Company was created as a result of a merger between Pyaterochka (soft discounter chain) and Perekrestok (supermarket chain) on 18 May 2006. In June 2008, X5 acquired Karusel hypermarket chain and substantially strengthened its position in hypermarket format.

As at 31 March 2009, X5 had 1,144 Company-managed stores located in Moscow, St. Petersburg and other regions of European Russia, Urals and Ukraine, including 886 soft discount stores, 209 supermarkets and 49 hypermarkets.

As at 31 March 2009, X5's franchisees operated 586 stores across Russia.

For the full year 2008, X5's net sales including acquired Karusel business on a pro-forma basis totalled USD 8,892 mln, EBITDA reached USD 803 mln, and net profit adjusted for non-cash goodwill impairment charge amounted to USD 112 mln.

For the first quarter 2009, net sales totalled USD 1,867 mln, EBITDA reached USD 163 mln.

X5 Shareholder structure is as follows: Alfa Group – 47.9%, founders of Pyaterochka – 23.1%, X5 Management – 1.9%, treasury shares – 0.1%, free float – 27.0%.

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:

PRO-FORMA * INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2009 (expressed in thousands of US Dollars, unless otherwise stated)

	Three months ended	
	31-Mar-09	31-Mar-08
Revenue	1,866,903	2,038,619
Cost of sales	(1,408,733)	(1,519,743)
Gross profit	458,170	518,876
Selling, general and administrative expenses	(365,975)	(419,501)
Lease/sublease and other income	24,740	23,775
Operating profit	116,935	123,151
Net finance cost	(35,283)	(38,085)
Net foreign exchange result	(163,748)	42,491
Share of loss of associates	(2,753)	-
(Loss)/Profit before tax	(84,849)	127,558
Income tax benefit / (expense)	2,714	(44,249)
(Loss)/Profit for the period	(82,135)	83,309

* Including the results of the acquired Karusel business in both Q1 2009 and Q1 2008

Appendix II:

CONSOLIDATED* INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2009 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-09	31-Mar-08
Revenue	1,866,903	1,785,781
Cost of sales	(1,408,733)	(1,327,566)
Gross profit	458,170	458,215
Selling, general and administrative expenses	(365,975)	(358,662)
Lease/sublease and other income	24,740	19,436
Operating profit	116,935	118,989
Net finance cost	(35,283)	(31,775)
Net foreign exchange result	(163,748)	42,517
Share of loss of associates	(2,753)	-
(Loss)/Profit before tax	(84,849)	129,731
Income tax benefit / (expense)	2,714	(43,406)
(Loss)/Profit for the period	(82,135)	86,325

* Including the results of the acquired Karusel business from 30 June 2008 (i.e. including them in Q1 2009 and excluding them in Q1 2008)

Appendix III:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*

FOR THE THREE MONTHS ENDED 31 MARCH 2009

(expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-09	31-Mar-08
(Loss)/Profit for the period	(82,135)	86,325
Other comprehensive (loss)/income		
Exchange differences on translation from functional to presentation currency	(225,489)	144,861
Cash flow hedges	1,338	(5,115)
Other comprehensive (loss)/income for the period	(224,151)	139,746
Total comprehensive (loss)/income for the period	(306,286)	226,071
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the parent	(306,286)	226,071

* According to the changes to IAS 1, *Presentation of Financial Statements*, the Income Statement should be replaced or complimented by a Statement of Comprehensive Income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. For your convenience, X5 Retail Group chose to provide both statements.

Appendix IV:
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2009
(expressed in thousands of US Dollars)

	31 March 2009	31 December 2008
ASSETS		
Non-current assets		
Property, plant and equipment	2,665,753	3,097,540
Investment property	107,524	125,693
Goodwill	410,626	475,377
Intangible assets	436,482	499,188
Prepaid leases	77,319	80,677
Investment in associate	5,938	10,054
Other non-current assets	1,628	2,716
Deferred tax assets	121,643	96,185
	3,826,913	4,387,430
Current assets		
Inventories of goods for resale	419,280	482,158
Derivative financial assets	2,240	765
Loans originated	1,562	359
Current portion of non-current prepaid lease	9,408	10,154
Trade and other accounts receivable	157,768	188,986
Current income tax receivable	57,016	60,866
VAT and other taxes recoverable	209,489	253,264
Cash and cash equivalents	81,671	276,837
	938,434	1,273,389
Total assets	4,765,347	5,660,819
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	93,712	93,712
Share premium	2,049,144	2,049,144
Cumulative translation reserve	(745,673)	(520,184)
Accumulated profit/(deficit)	(48,194)	33,941
Hedging reserve	(16,842)	(18,180)
Total equity	1,332,147	1,638,433
Non-current liabilities		
Long-term borrowings	1,423,188	1,480,968
Long-term finance lease payable	1,935	1,843
Deferred tax liabilities	194,221	232,224
Long-term deferred revenue	3,118	3,482
Share-based payments liability	28,774	30,665
	1,651,236	1,749,182
Current liabilities		
Trade accounts payable	857,333	1,174,144
Short-term borrowings	440,710	578,433
Share-based payments liability	7,064	7,256
Derivative financial liabilities	16,843	18,180
Short-term finance lease payables	1,603	2,197
Interest accrued	11,730	9,089
Short-term deferred revenue	3,123	4,872
Current income tax payable	17,585	21,095
Provisions and other liabilities	425,973	457,938
	1,781,964	2,273,204
Total liabilities	3,433,200	4,022,386
Total equity and liabilities	4,765,347	5,660,819

**Appendix V: CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
THREE MONTHS ENDED 31 MARCH 2009**
(expressed in thousands of US Dollars)

	Q1 2009	Q1 2008
(Loss)/Profit before tax	(84,849)	129,731
Adjustments for:		
Depreciation and amortisation	45,743	41,990
(Gain)/Loss on disposal of property, plant and equipment	(377)	1,148
Finance costs, net	35,283	31,775
Impairment of trade and other accounts receivable	8,791	3,280
Share-based option (income)/expense	(2,083)	3,111
Amortisation of deferred expenses	2,270	1,160
Other non-cash items	1,387	-
Net foreign exchange loss/(gain)	163,748	(42,517)
Net cash from operating activities before changes in working capital	169,913	169,678
(Increase) in trade and other accounts receivable	(791)	(28,539)
(Increase)/Decrease in inventories	(2,804)	55,983
(Decrease) in trade accounts payable	(157,261)	(102,594)
Increase in other accounts payable and deferred revenue	34,119	14,702
Net cash generated from operations	43,176	109,230
Interest paid	(34,675)	(27,536)
Interest received	917	3,500
Income tax paid	(47,817)	(50,893)
Net cash flows (used in)/ from operating activities	(38,399)	34,301
Cash flows from investing activities:		
Purchase of property, plant and equipment	(37,178)	(142,110)
Proceeds from sale of property, plant and equipment	-	349
Non-current prepaid lease	(2,901)	(7,430)
Investments in subsidiaries	-	(453)
Purchase of intangible assets	(3,037)	(2,534)
Net cash used in investing activities	(43,116)	(152,178)
Cash flows from financing activities:		
Proceeds from short-term loans	127,916	108,822
Repayment of short-term loans	(211,335)	(29,975)
FX hedge	(1,509)	-
Principal payments on finance lease obligations	(384)	(644)
Net cash (used in)/generated from financing activities	(85,312)	78,203
Effect of exchange rate changes on cash and cash equivalents	(28,339)	6,609
Net decrease in cash and cash equivalents	(195,166)	(33,065)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	276,837	179,496
Net decrease in cash and cash equivalents	(195,166)	(33,065)
Cash and cash equivalents at the end of the period	81,671	146,431

Appendix VI:

Financial Calendar for 2009

Date	Event
10 July 2009, TBC	Q2 & H1 2009 Trading Update
27 August 2009, TBC	Q2 & H1 2009 Financial Results Reviewed by Auditors
9 October 2009, TBC	Q3 & 9M 2009 Trading Update
30 November 2009, TBC	Q3 & 9M 2009 Financial Results Reviewed by Auditors