

X5 REPORTS FIRST QUARTER 2010 RESULTS:**RUR SALES UP 20% ON THE BACK OF SOLID 7% LFL GROWTH****TIGHT COST CONTROL ENABLES FURTHER EFFICIENCY IMPROVEMENTS****STRONG CASH GENERATION, EFFICIENT CAPEX, DEBT REDUCTION**

Amsterdam, 27 May 2010 - X5 Retail Group N.V., Russia's largest retailer in terms of sales (LSE ticker: "FIVE"), today announced its IFRS results for the first quarter ended 31 March 2010, reviewed by auditors.

Q1 2010 Highlights

- Net sales increased 20% year-on-year in RUR terms to RUR 76,003 mln or 36% in USD terms to USD 2,543 mln;
- Gross profit totaled USD 594 mln, for a gross margin of 23.4%;
- SG&A expenses before ESOP as percent of sales decreased by 60 bp year-on-year to 19.1%. Total SG&A increased by 50 bp year-on-year to 20.1% driven by ESOP cost of USD 25 mln;
- EBITDA amounted to USD 179 mln reflecting ESOP cost of USD 25 mln for an EBITDA margin of 7.0%. Net of ESOP, EBITDA margin amounted to 8.0%;
- X5 reported a net profit of USD 79 mln;
- The Company used available cash to reduce total debt by USD 133 mln;
- Due to significantly lower food inflation to date and in the official forecast rate for the year, X5 provides a more conservative 2010 revenue growth outlook in the low-20 percent range in nominal RUR terms. Actual top-line performance will depend on inflationary trends and the timing of a recovery in consumer spending.

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

“X5 achieved strong top-line growth against a backdrop of weak consumer spending and drastically lower food inflation. Discounters delivered industry-leading performance. We have introduced a streamlined operational structure for supermarkets and hypermarkets and are adding more affordable choices and loyalty program upgrades for our customers to drive higher basket and benefit from future economic recovery. Integration of Paterson resulted in temporary closings and inventory clearance sales during Q1. All acquired stores have been converted as of May, setting the stage for improved performance.

We expect consumer spending to begin to show improvement towards the end of the year. This, in combination with new store openings and post-integration contribution from Paterson, should enable X5 to deliver top-line growth in the low-20% range in a significantly lower than projected inflationary environment.”

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

“Consistent execution of our “Close to the Customer” policy resulted in solid LFL sales growth of 7% compared to Q1 2009, the strongest quarter last year prior to the onset of trading down trends. We drove a 60 basis point improvement in X5’s key performance indicator for cost control, SG&A before ESOP as a percent of sales. We used our strong cash position this quarter to continue selective expansion of new stores while reducing total debt by net USD 133 million and further limiting currency exposure.

For the rest of 2010 we expect reduced levels of gross margin investment and improving EBITDA margin, driven by continuing efficiency improvement and cash generation, post-integration upside of converted Paterson stores and higher overall second half 2010 sales growth. We are well-positioned in terms of our upcoming loan refinancing later this year, with good access to RUR bank facilities more than sufficient for our funding needs.”

Profit & Loss – Key Trends and Developments

P&L Highlights⁽¹⁾

USD mln	Q1 2010	Q1 2009	% change y-o-y
Net Sales	2,542.7	1,866.9	36%
incl. Retail	2,534.4	1,859.3	36%
Gross Profit	594.1	458.2	30%
<i>Gross Margin, %</i>	23.4%	24.5%	
EBITDA	178.5	162.7	10%
<i>EBITDA Margin, %</i>	7.0%	8.7%	
Operating Profit	111.2	116.9	(5%)
<i>Operating Margin, %</i>	4.4%	6.3%	
Net Profit / (Loss)	78.9	(82.1)	n/a
<i>Net Margin, %</i>	3.1%	n/a	

Effect of RUR/USD Exchange Rate Movements on Presentation of X5's Results and Their Dynamics

X5's operational currency is the Russian Ruble (RUR), while the Company's presentation currency is the U.S. Dollar (USD). As RUR/USD 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 profit & loss statement) or with the beginning of the year (for balance sheet statement) have been substantially affected by these movements:

- Comparisons of profit & loss figures with respective periods last year reflect a positive 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 12% for Q1 2010. For reference, to translate its profit & loss figures from RUR to USD for reporting purposes, the Company applied RUR/USD rate of 33.93 for Q1 2009 (average for the period) and RUR/USD rate of 29.89 for Q1 2010 (average for the period).
- Comparisons of balance sheet figures as at 31 March 2010 to balance sheet figures as at 31 December 2009 reflect a positive translational effect from RUR/USD rate movement, resulting in a difference between change in RUR and the respective change in USD of approximately 3%. For reference, to translate its balance sheet figures from RUR to USD for reporting purposes, the Company applied RUR/USD rate of 29.36 as at 31 March 2010 and RUR/USD rate of 30.24 as at 31 December 2009.

⁽¹⁾ Please note that in this and other tables in this press release, immaterial deviations in calculation of % change, subtotals and totals are explained by rounding.

Net Sales & Gross Margin Performance

USD mln	Q1 2010	Q1 2009	% change y-o-y
Net Sales	2,542.7	1,866.9	36%
incl. Retail	2,534.4	1,859.3	36%
Hypermarkets	471.1	353.0	33%
Supermarkets	646.1	540.0	20%
Soft Discounters	1,413.1	966.3	46%
Online ⁽¹⁾	4.0	-	n/a
Gross Profit	594.1	458.2	30%
<i>Gross Margin, %</i>	23.4%	24.5%	

In Q1 2010 X5 reported net sales of USD 2,543 mln – a year-on-year increase of 36% in USD terms. In RUR terms net revenue increased 20% year-on-year thanks to 7% growth in like-for-like LFL⁽²⁾ sales with the rest coming from expansion. This was achieved amid extremely low price inflation on X5's shelves (1.6% in March 2010 compared to March 2009) versus an official inflation rate of 4.8% for the same period. This performance was also achieved in an environment of weak consumer spending and trading down trends compared to Q1 2009, which was the strongest quarter last year.

Soft discounters delivered industry-beating 17% LFL growth, thanks to the format's successful brand promise of *lowest price in the market on 100% of assortment* policy. Supermarkets' performance is still hampered by consumer trading down trends. We continue to increase the customer appeal of hypermarkets by executing our *Everything under one roof – at Low Prices* concept.

First quarter 2010 gross margin totalled 23.4%. This represents margin reinvestment of 110 bp year on year compared to first quarter 2009, in line with the management's expectations.

⁽¹⁾ Included from October 2009

⁽²⁾ Like-for-like (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 preceding the beginning of the last month of the reporting period. Their sales are included in LFL calculation starting from the first day of the month following the month of the store opening.

Selling, General and Administrative Expenses (SG&A)

USD mln	Q1 2010	Q1 2009	% change y-o-y
Staff Costs, incl.	(229.2)	(163.7)	40%
<i>% of Net Sales</i>	9.0%	8.8%	
ESOP	(25.4)	2.1	n/a
<i>% of Net Sales</i>	1.0%	(0.1%)	
Lease Expenses	(83.8)	(61.2)	37%
<i>% of Net Sales</i>	3.3%	3.3%	
Other Store Costs	(32.6)	(23.8)	37%
<i>% of Net Sales</i>	1.3%	1.3%	
D&A	(67.3)	(45.7)	47%
<i>% of Net Sales</i>	2.6%	2.5%	
Utilities	(55.0)	(35.8)	53%
<i>% of Net Sales</i>	2.2%	1.9%	
Third Party Services	(14.4)	(14.9)	(3%)
<i>% of Net Sales</i>	0.6%	0.8%	
Other Expenses	(28.6)	(20.8)	38%
<i>% of Net Sales</i>	1.1%	1.1%	
Total SG&A	(510.8)	(366.0)	40%
<i>% of Net Sales</i>	20.1%	19.6%	

In first quarter 2010, X5 further tightened cost control. However ESOP cost of USD 25 mln, attributable to significant X5 stock price appreciation in Q1 2010, caused SG&A expenses to increase by 50 bp to 20.1% of sales. Net of ESOP, SG&A expenses decreased by 60 bp as a percentage of revenue from 19.7% in Q1 2009 to 19.1% in Q1 2010. This decrease was achieved primarily through administrative expense and staff cost optimization. As at 31 March 2010 the Company employed 72,008 people compared to 60,060 as at 31 March 2009 due to the addition of 255 new stores over the year.

Non-Operating Gains and Losses

USD mln	Q1 2010	Q1 2009	% change y-o-y
Operating Profit	111.2	116.9	(5%)
Finance Costs (Net)	(35.2)	(35.3)	(0.3%)
Net FX Result	36.6	(163.7)	n/a
Share of Loss of Associates	0.4	(2.8)	n/a
Profit / (Loss) before Tax	113.1	(84.8)	n/a
Income Tax Expense/ Benefit	(34.2)	2.7	n/a
Current Income Tax	(29.1)	(42.7)	(32%)
Deferred Income Tax	(5.1)	45.4	n/a
Net Profit / (Loss)	78.9	(82.1)	n/a
<i>Net Margin, %</i>	3.1%	n/a	

Finance Costs

Net finance costs decreased by 0.3% year-on-year in USD terms and by 12% in RUR terms due to RUR appreciation. The effective weighted average interest rate on X5's total debt for the first quarter 2010 was 7.9%.

Foreign Exchange (FX) Loss

Due to the significant revaluation of the Russian Ruble versus the U.S. Dollar in the first quarter 2010, the Company reported an FX profit of USD 37 mln. This is a primarily non-cash item, resulting from devaluation of the Company's long-term USD-denominated debt.

Income Tax

In first quarter 2010, X5 reported income tax expense of USD 34 mln. Effective tax rate for the first three months of 2010 totaled 30%, which is higher than the statutory tax rate for two main reasons: inventory shrinkage is not tax deductible in Russia and non-deductible ESOP cost.

Consolidated Cash Flow – Key Trends and Developments

USD mln	Q1 2010	Q1 2009	% change y-o-y
Net Cash Flows Used in Operating Activities	(129.5)	(38.4)	237%
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	<i>210.3</i>	<i>169.9</i>	<i>24%</i>
<i>Change in Working Capital</i>	<i>(272.0)</i>	<i>(126.7)</i>	<i>115%</i>
<i>Net Interest and Income Tax Paid</i>	<i>(67.7)</i>	<i>(81.6)</i>	<i>(17%)</i>
Net Cash Used in Investing Activities	(51.9)	(43.1)	20%
Net Cash Used in Financing Activities	(159.9)	(85.3)	87%
Effect of Exchange Rate Changes on Cash & Cash Equivalents	6.2	(28.3)	n/a
Net Decrease in Cash & Cash Equivalents	(335.1)	(195.2)	72%

First quarter 2010 net cash used in operating activities totaled USD 130 mln versus USD 38 mln used in operating activities a year ago. Strong cash generation from operations was offset by a significant decrease in accounts payable. This is partly the result of typical seasonal factors for the first quarter of each year, as the Company paid suppliers for inventories accumulated in the fourth quarter 2009 for New Year and Christmas sales. In addition, working capital this quarter reflects reduction in accounts payable to Paterson suppliers following the acquisition in December 2009.

Net cash used in investing activities totaled USD 52 mln, as the Company opened new stores (22 thousand square meters of selling space added), continued the development of logistics infrastructure (warehouse capacity was expanded by 21 thousand square meters) and implementation of IT projects (SAP for Retail, SAP for HR).

Net cash used in financing activities amounted to USD 160 mln as the Company used available cash to reduce outstanding debt.

Liquidity Update

USD mln	31-Mar-10	% in total	31-Dec-09	% in total	% change
Total Debt	1,811.2		1,944.0		(7%)
Short-Term Debt	1,530.9	85%	1,656.6	85%	(8%)
Long-Term Debt	280.4	15%	287.4	15%	(2%)
Net Debt	1,734.7		1,532.3		13%
Net Debt/EBITDA	2.31x		2.08x		

As of the end of March 2010, the Company's total debt amounted to USD 1,811 mln (at RUR exchange rate of 29.36), out of which 85% was short-term (USD 1,531 mln or RUR 45 bln) and 15% long-term (USD 280.4 mln or RUR 8.2 bln).

In the first quarter X5 continued to strengthen the Company's balance sheet and liquidity, reducing total debt by a net USD 133 mln. We refinanced USD 75 mln of debt in RUR, thus reducing our currency exposure. The Company's FX exposure is therefore currently limited to the USD 1.1 bln syndicated loan with maturity in December 2010.

As of 31 March 2010, the Company had access to RUR-denominated credit facilities of approximately RUR 24.6 billion (approximately USD 836 million). Of this amount, approximately RUR 21.1 billion (approximately USD 717 million) represented available undrawn credit lines with major Russian and international banks. The Company also has a commitment from Sberbank for a 5-year ruble-denominated credit line (equivalent of up to USD 1.1 bln).

Appendices

- I. Consolidated Income Statement for the Three Months Ended 31 March 2010**
- II. Consolidated Statement of Comprehensive Income for the Three Months Ended 31 March 2010**
- III. Consolidated Statement of Financial Position (Balance Sheet) at 31 March 2010**
- IV. Consolidated Statement of Cash Flows for the Three Months Ended 31 March 2010**
- V. Financial Calendar for 2010**

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 2010, X5 had 1,399 Company-managed stores located in Moscow, St. Petersburg and other regions of European Russia, Urals and Ukraine, including 1,063 soft discount stores, 276 supermarkets and 60 hypermarkets.

As at 31 March 2010, X5's franchisees operated 640 stores across Russia.

For the full year 2009 X5's net sales totaled USD 8,717 mln, EBITDA reached USD 736 mln, and net profit amounted to USD 165 mln.

For the first quarter 2010, net sales totaled USD 2,543 mln, EBITDA reached USD 179 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:

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2010 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-10	31-Mar-09
Revenue	2,542,725	1,866,903
Cost of sales	(1,948,576)	(1,408,733)
Gross profit	594,149	458,170
Selling, general and administrative expenses	(510,844)	(365,975)
Lease/sublease and other income	27,910	24,740
Operating profit	111,215	116,935
Net finance costs	(35,163)	(35,283)
Share of income/(loss) of associates	445	(2,753)
Net foreign exchange gain/(loss)	36,608	(163,748)
Profit/(Loss) before tax	113,105	(84,849)
Income tax (expense)/benefit	(34,223)	2,714
Profit/(Loss) for the period	78,882	(82,135)

Appendix II:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2010 (expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-10	31-Mar-09
Profit/(Loss) for the period	78,882	(82,135)
Other comprehensive income/(loss)		
Exchange differences on translation from functional to presentation currency	54,869	(225,489)
Changes in fair value of financial instruments	5,265	1,338
Other comprehensive income/(loss) for the period	60,134	(224,151)
Total comprehensive income/(loss) for the period	139,016	(306,286)
Total comprehensive income/(loss) for the period attributable to:		
Equity holders of the parent	139,016	(306,286)

Appendix III: CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2010

(expressed in thousands of US Dollars)

	31 March 2010	31 December 2009
ASSETS		
Non-current assets		
Property, plant and equipment	3,074,587	2,995,329
Investment property	135,969	133,425
Goodwill	790,535	767,523
Intangible assets	502,583	496,111
Prepaid leases	89,294	84,805
Investment in associate	6,273	5,609
Other non-current assets	1,309	1,304
Deferred tax assets	147,882	151,786
	4,748,432	4,635,892
Current assets		
Inventories of goods for resale	578,553	612,722
Loans originated	2,747	2,848
Current portion of non-current prepaid lease	11,310	13,705
Trade and other accounts receivable	168,334	309,571
Current income tax receivable	31,667	18,663
VAT and other taxes recoverable	168,287	174,762
Cash and cash equivalents	76,589	411,681
	1,037,487	1,543,952
Total assets	5,785,919	6,179,844
EQUITY AND LIABILITIES		
Share capital	93,712	93,712
Share premium	2,049,144	2,049,144
Cumulative translation reserve	(504,707)	(559,576)
Accumulated profit	278,174	199,292
Hedging reserve	(4,843)	(10,108)
Total equity	1,911,480	1,772,464
Non-current liabilities		
Long-term borrowings	280,381	287,378
Long-term finance lease payable	4,065	4,586
Deferred tax liabilities	210,659	207,689
Long-term deferred revenue	1,440	1,839
Share-based payments liability	18,678	25,986
	515,223	527,478
Current liabilities		
Trade accounts payable	1,079,136	1,556,325
Short-term borrowings	1,530,867	1,656,622
Share-based payments liability	92,215	59,559
Derivative financial liabilities	4,843	10,108
Short-term finance lease payables	1,801	1,950
Interest accrued	24,687	8,863
Short-term deferred revenue	11,515	18,979
Current income tax payable	23,985	33,790
Provisions and other liabilities	590,167	533,706
	3,359,216	3,879,902
Total liabilities	3,874,439	4,407,380
Total equity and liabilities	5,785,919	6,179,844

**Appendix IV: CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
THREE MONTHS ENDED 31 MARCH 2010**
(expressed in thousands of US Dollars)

	Three months ended	
	31-Mar-10	31-Mar-09
Profit/(loss) before tax	113,105	(84,849)
<u>Adjustments for:</u>		
Depreciation and amortisation	67,275	45,743
Loss/(Gain) on disposal of property, plant and equipment	2,931	(377)
Finance costs, net	35,163	35,283
Impairment of trade and other accounts receivable	844	8,791
Share-based payments expense/(income)	25,393	(2,083)
Amortisation of deferred expenses	2,907	2,270
Other non-cash items	(294)	(1,366)
(Income)/Loss from associate	(445)	2,753
Net foreign exchange (gain)/loss	(36,608)	163,748
Net cash from operating activities before changes in working capital	210,271	169,913
Decrease/ (Increase) in trade and other accounts receivable	42,913	(791)
Decrease/(Increase) in inventories	51,614	(2,804)
Decrease in trade accounts payable	(390,874)	(157,261)
Increase in other accounts payable and deferred revenue	24,322	34,119
Net cash (used in)/generated from operations	(61,754)	43,176
Interest paid	(16,656)	(34,675)
Interest received	921	917
Income tax paid	(51,971)	(47,817)
Net cash flows used in operating activities	(129,460)	(38,399)
Cash flows from investing activities:		
Purchase of property, plant and equipment	(44,174)	(37,178)
Proceeds from sale of property, plant and equipment	98	-
Non-current prepaid lease	(2,629)	(2,901)
Purchase of intangible assets	(5,228)	(3,037)
Net cash used in investing activities	(51,933)	(43,116)
Cash flows from financing activities:		
Proceeds from short-term loans	118,076	127,916
Repayment of short-term loans	(276,384)	(211,335)
Acquisition of derivative financial instruments	-	(1,509)
Principal payments on finance lease obligations	(1,545)	(384)
Net cash used in financing activities	(159,853)	(85,312)
Effect of exchange rate changes on cash and cash equivalents	6,154	(28,339)
Net decrease in cash and cash equivalents	(335,092)	(195,166)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	411,681	276,837
Net decrease in cash and cash equivalents	(335,092)	(195,166)
Cash and cash equivalents at the end of the period	76,589	81,671

Appendix V: Financial Calendar for 2010

Date	Event
9 July 2010, TBC	Q2 & H1 2010 Trading Update
26 August 2010, TBC	Q2 & H1 2010 Financial Results Reviewed by Auditors
11 October 2010, TBC	Q3 & 9M 2010 Trading Update
29 November 2010, TBC	Q3 & 9M 2010 Financial Results Reviewed by Auditors