

X5 REPORTS THIRD QUARTER AND NINE MONTHS 2012 FINANCIAL RESULTS:

Amsterdam, 20 November 2012 - X5 Retail Group N.V., (“X5” or the “Company”) Russia's largest retailer in terms of sales (LSE ticker: “FIVE”), today released the Company’s condensed consolidated interim financial statements for the three (Q3) and nine months (9M) ended 30 September 2012, in accordance with International Financial Reporting Standards.

Income Statement Highlights⁽¹⁾⁽²⁾

USD mln	Q3 2012	Q3 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Net sales	3,616.7	3,623.0	(0.2%)	11,475.4	11,489.8	(0.1%)
incl. Retail	3,610.4	3,610.7	(0.01%)	11,454.2	11,442.8	0.1%
Soft Discounters	2,374.8	2,261.2	5.0%	7,469.8	7,142.1	4.6%
Supermarkets	750.9	783.3	(4.1%)	2,445.8	2,524.3	(3.1%)
Hypermarkets	441.0	541.1	(18.5%)	1,425.8	1,694.4	(15.9%)
Convenience stores	39.8	25.1	58.9%	105.6	74.1	42.4%
Online ⁽³⁾	3.9	-	n/a	7.1	7.8	(8.9%)
Gross profit	825.0	838.3	(1.6%)	2,682.5	2,698.1	(0.6%)
<i>Gross profit margin, %</i>	22.8%	23.1%		23.4%	23.5%	
EBITDA	219.9	219.8	0.04%	774.2	785.8	(1.5%)
<i>EBITDA margin, %</i>	6.1%	6.1%		6.7%	6.8%	
Operating profit	98.2	116.1	(15.4%)	436.7	463.7	(5.8%)
<i>Operating profit margin, %</i>	2.7%	3.2%		3.8%	4.0%	
Net profit/(loss)	12.1	(2.1)	n/a	147.3	168.2	(12.4%)
<i>Net profit margin, %</i>	0.3%	n/a		1.3%	1.5%	

Net sales reported in US Dollars decreased year-on-year (y-o-y) in Q3 and 9M 2012 by 0.2% and 0.1%, respectively, due to Russian Rouble (RUR)/US Dollar (USD) exchange rate differences⁽²⁾.

In Q3 and 9M 2012, X5’s net sales in RUR terms increased y-o-y by 10.2% and 8.0%, respectively, to RUR 116,085 million (mln) and RUR 356,866 mln, respectively, primarily due to an increase in soft discounters’ and supermarkets’ retail sales, which was partially offset by a decrease in hypermarkets’ retail sales.

The increase in RUR retail sales in both 2012 periods was due to organic store additions, positive performance of maturing stores added over the past two years and on-going promotional activities. The decrease in RUR retail sales from hypermarkets in both 2012 periods was the result of operational issues related to the on-going transformation of the format’s business model.

Gross profit margin in Q3 and 9M 2012 was 22.8% and 23.4%, respectively, a 30 basis point (bp) and 10 bp decrease y-o-y, respectively. The decrease in both periods was primarily due to inventory clean up at our distribution centers.

⁽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.

Selling, General and Administrative (SG&A) Expenses

USD mln	Q3 2012	Q3 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Staff costs	(290.0)	(318.8)	(9.0%)	(956.9)	(971.8)	(1.5%)
<i>% of Net sales</i>	8.0%	8.8%		8.3%	8.5%	
Lease expenses	(145.9)	(145.9)	0.0%	(441.8)	(428.6)	3.1%
<i>% of Net sales</i>	4.0%	4.0%		3.9%	3.7%	
Other store costs	(68.2)	(54.2)	26.0%	(191.4)	(158.4)	20.8%
<i>% of Net sales</i>	1.9%	1.5%		1.7%	1.4%	
D&A	(121.7)	(103.7)	17.3%	(337.5)	(322.1)	4.8%
<i>% of Net sales</i>	3.4%	2.9%		2.9%	2.8%	
Utilities	(71.2)	(70.4)	1.2%	(243.0)	(244.7)	(0.7%)
<i>% of Net sales</i>	2.0%	1.9%		2.1%	2.1%	
Third party services	(27.7)	(26.9)	3.0%	(85.7)	(82.7)	3.6%
<i>% of Net sales</i>	0.8%	0.7%		0.7%	0.7%	
Other expenses	(45.8)	(45.3)	1.0%	(117.9)	(163.3)	(27.8%)
<i>% of Net sales</i>	1.3%	1.3%		1.0%	1.4%	
Total SG&A	(770.5)	(765.1)	0.7%	(2,374.2)	(2,371.6)	0.1%
<i>% of Net sales</i>	21.3%	21.1%		20.7%	20.6%	

In Q3 2012, SG&A expenses, as a percentage of net sales, increased y-o-y by 20 bp to 21.3%.

Staff costs, as a percentage of net sales, decreased 80 bp y-o-y in Q3 2012, to 8.0% primarily driven by a reduction in bonus accruals (86 bp), the reclassification of security and maintenance staff expenses from staff costs to other store costs (40 bp), and a decrease in the social tax rate from 34% to 30%, effective from 1 January 2012 (19 bp). These decreases were partially offset by a y-o-y increase of 45 bp in Q3 2012 employee salaries and wages as a percentage of net sales as well as a 20 bp decrease in income recognized on the re-measurement of the Company's long term incentive plans at 30 September 2012, compared to the corresponding period of 2011.

The Company's Q3 2012 lease expenses, as a percentage of net sales, remained unchanged y-o-y at 4.0% primarily due to an increase in store openings and lower sales densities in Q3 2012, while lease expenses in Q3 2011 were impacted by store closures related to the Kopeyka integration. As a percentage of X5's total real estate portfolio, leased space accounted for 54.0% at 30 September 2012 compared to 52.9% in the corresponding period of 2011.

In Q3 2012, other store costs increased, as a percentage of net sales, by 40 bp y-o-y to 1.9% mainly due to the reclassification of security and maintenance staff expenses from staff costs to other store costs.

Utilities expense, as a percentage of net sales, increased by 10 bp y-o-y in Q3 2012 to 2.0% due to an increase in tariffs, which was partially offset by cost-saving initiatives, such as water and electricity consumption meters, which provide greater cost control.

Third party services expense in Q3 2012 increased, as a percentage of net sales, by 10 bp y-o-y due to an increase in advertising activity.

As a result of the factors discussed above, EBITDA in Q3 2012 totaled USD 220 mln, or 6.1% of net sales.

Non-Operating Gains and Losses

USD mln	Q3 2012	Q3 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Operating profit	98.2	116.1	(15.4%)	436.7	463.7	(5.8%)
Finance costs (net)	(82.7)	(66.4)	24.5%	(237.7)	(219.8)	8.1%
Net FX result	(1.2)	(52.5)	(97.7%)	(1.7)	(15.9)	(89.4%)
Share of gain/(loss) of associates	0.04	-	n/a	(0.1)	-	n/a
Profit/(Loss) before tax	14.4	(2.8)	n/a	197.2	228.0	(13.5%)
Income tax (expense)/benefit	(2.2)	0.7	n/a	(49.9)	(59.8)	(16.5%)
Net profit/(loss)	12.1	(2.1)	n/a	147.3	168.2	(12.4%)
<i>Net profit margin, %</i>	<i>0.3%</i>	<i>n/a</i>		<i>1.3%</i>	<i>1.5%</i>	

Net finance costs in Q3 2012 increased by 24.5% y-o-y in USD terms, and 36.8% in RUR terms, primarily due to an increase in short-term debt and interest rates. The weighted average effective interest rate on X5's total debt for 9M 2012 increased to 8.5% per annum from 7.7% per annum for 9M 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.

In 9M 2012, X5's effective tax rate was 25.3% compared to 26.2% in the corresponding period of 2011. The Russian statutory income tax rate for both periods was 20%. The difference between X5's effective and statutory tax rates is primarily due to certain non-deductible expenses.

Consolidated Cash Flow

USD mln	Q3 2012	Q3 2011	% change, y-o-y	9M 2012	9M 2011	% change, y-o-y
Net cash flows generated from operating activities	131.4	308.6	(57.4%)	123.0	317.9	(61.3%)
<i>Net cash from operating activities before changes in working capital</i>	<i>221.9</i>	<i>224.4</i>	<i>(1.1%)</i>	<i>786.7</i>	<i>815.2</i>	<i>(3.5%)</i>
<i>Change in working capital</i>	<i>24.3</i>	<i>181.0</i>	<i>(86.6%)</i>	<i>(301.5)</i>	<i>(180.6)</i>	<i>66.9%</i>
<i>Net interest and income tax paid</i>	<i>(114.9)</i>	<i>(96.9)</i>	<i>18.6%</i>	<i>(362.2)</i>	<i>(316.7)</i>	<i>14.4%</i>
Net cash used in investing activities	(195.4)	(226.6)	(13.8%)	(570.3)	(496.3)	14.9%
Net cash generated from/(used in) financing activities	113.4	(89.1)	n/a	270.5	31.7	753.6%
Net increase/(decrease) in cash & cash equivalents	49.4	(7.1)	n/a	(176.7)	(146.8)	20.4%

In Q3 2012, net cash flows generated from operating activities totaled USD 131 mln compared to USD 309 mln in the corresponding period of 2011. The decrease was primarily due to changes in working capital and to a lesser degree an increase in interest paid in Q3 2012 due to the reasons mentioned in the "Non-Operating Gains and Losses" section.

The working capital deficits in Q3 2012 and 2011 were primarily due to increases in trade and other accounts payable. We generally operate with a working capital deficit in the second half of the year due to the seasonal impact of the Q4 holidays on inventory and accounts payable.

Net cash flows generated from operating activities in 9M 2012 amounted to USD 123 mln compared to USD 318 mln in 9M 2011. The decrease was due primarily to changes in working capital and the increase in interest expense in 9M 2012, due to the reasons mentioned above.

Net cash used in investing activities totaled USD 195 mln and USD 570 mln in Q3 and 9M 2012, respectively, compared to USD 227 mln and USD 496 mln, respectively, for the corresponding periods in 2011 and generally consisted of payments for property, plant and equipment. These capital expenditures were primarily related to new store growth as well as the remodeling of

existing stores, which aggregated to approximately 91% and 76% of investments in Q3 and 9M 2012, respectively.

Net cash generated from financing activities in Q3 and 9M of 2012 totaled USD 113 mln and USD 271 mln, respectively, and was related to short-term credit facilities drawn to finance working capital requirements.

Liquidity Update

USD mln	30-Sep-12	% in total	30-Jun-12	% in total	31-Dec-11	% in total
Total debt	4,036.8		3,691.4		3,610.0	
Short-term debt	1,404.8	34.8%	1,170.1	31.7%	913.2	25.3%
Long-term debt	2,632.0	65.2%	2,521.3	68.3%	2,696.9	74.7%
Net debt/(net cash)	3,814.3		3,525.3		3,225.0	
Denominated in USD	0.0	n/a	0.0	n/a	(9.5)	n/a
Denominated in RUR	3,814.3	100.0%	3,525.3	100.0%	3,234.5	100.0%
FX, End of Period	30.92		32.82		32.20	
Net debt/EBITDA⁽¹⁾	3.40x		3.40x		3.13x	

At 30 September 2012, the Company's total debt amounted to USD 4,037 mln (at RUR exchange rate of 30.92), of which 34.8% was short-term debt (USD 1,405 mln) and 65.2% long-term debt (USD 2,632 mln).

At 30 September 2012, the Company had access to RUR 77.4 billion (USD 2.5 billion) 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 respective period last year reflect a negative translational effect from RUR/USD rate movements, resulting in a difference between y-o-y change in RUR and the respective change in USD of approximately 8% for 9M 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 31.10 for 9M 2012 (average for the period) and a RUR/USD rate of 28.77 for 9M 2011 (average for the period).
- Comparison of the statement of financial position at 30 September 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 4%. 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 30.92 at 30 September 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.

Appendices

- I. Condensed Consolidated Interim Income Statement for the Three and Nine Months Ended 30 September 2012**
- II. Condensed Consolidated Interim Statement of Comprehensive Income for the Three and Nine Months Ended 30 September 2012**
- III. Condensed Consolidated Interim Statement of Financial Position at 30 September 2012**
- IV. Condensed Consolidated Interim Statement of Cash Flows for the Nine Months Ended 30 September 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.

At 30 September 2012, X5 had 3,472 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 2,936 soft discounter stores, 350 supermarkets, 76 hypermarkets and 110 convenience stores. The Company operates 28 DCs and 1,854 Company-owned trucks across the Russian Federation.

X5 is run on an SAP platform.

At 30 September 2012, X5's direct franchisees operated 404 stores across Russia.

At 30 September 2012, the number of X5 employees totaled 102 thousand.

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 nine months of 2012, net sales totaled USD 11,475 mln, EBITDA reached USD 774 mln and net profit amounted to USD 147 mln.

X5 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.

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Appendix I:

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012 (expressed in thousands of US Dollars)

	Three months ended		Nine months ended	
	30-Sep-12	30-Sep-11	30-Sep-12	30-Sep-11
Revenue	3,616,732	3,623,015	11,475,390	11,489,808
Cost of sales	(2,791,730)	(2,784,760)	(8,792,857)	(8,791,708)
Gross profit	825,002	838,255	2,682,533	2,698,100
Selling, general and administrative expenses	(770,489)	(765,148)	(2,374,207)	(2,371,611)
Lease/sublease and other income	43,697	42,992	128,375	137,179
Operating profit	98,210	116,099	436,701	463,668
Net finance costs	(82,682)	(66,406)	(237,678)	(219,780)
Share of gain/(loss) of associates	38	-	(90)	-
Net foreign exchange loss	(1,202)	(52,500)	(1,689)	(15,863)
Profit/(Loss) before tax	14,364	(2,807)	197,244	228,025
Income tax (expense)/benefit	(2,223)	692	(49,938)	(59,801)
Profit/(Loss) for the period	12,141	(2,115)	147,306	168,224

Appendix II:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2012 (expressed in thousands of US Dollars)

	Three months ended		Nine months ended	
	30-Sep-12	30-Sep-11	30-Sep-12	30-Sep-11
Profit/(Loss) for the period	12,141	(2,115)	147,306	168,224
Other comprehensive income/(loss)				
Exchange differences on translation from functional to presentation currency	142,277	(284,457)	91,262	(106,436)
Change in fair value of available-for-sale investments	-	2,127	-	2,127
Other comprehensive income/(loss) for the period	142,277	(282,330)	91,262	(104,309)
Total comprehensive income/(loss) for the period	154,418	(284,445)	238,568	63,915
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the parent	154,418	(285,108)	238,568	63,154
Non-controlling interest	-	663	-	761

Appendix III: CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2012

(expressed in thousands of US Dollars)

	30 September 2012	31 December 2011
ASSETS		
Non-current assets		
Property, plant and equipment	4,245,614	3,824,893
Investment property	140,882	141,034
Goodwill	2,072,535	1,957,876
Intangible assets	588,681	601,026
Prepaid leases	74,724	81,068
Investment in associates	1,296	1,331
Available-for-sale investments	6,806	6,535
Other non-current assets	40,686	18,530
Deferred tax assets	132,699	136,801
	7,303,923	6,769,094
Current assets		
Inventories of goods for resale	868,884	895,007
Indemnification asset	52,796	52,149
Loans originated	13,753	19,811
Trade and other accounts receivable	418,673	361,783
Current income tax receivable	90,836	31,438
VAT and other taxes recoverable	366,708	295,913
Cash and cash equivalents	222,467	385,001
	2,034,117	2,041,102
TOTAL ASSETS	9,338,040	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	(618,431)	(709,693)
Accumulated profit	901,886	754,580
Share-based payment reserve	9,888	7,776
Total equity	2,436,652	2,195,972
Non-current liabilities		
Long-term borrowings	2,632,025	2,696,877
Long-term finance lease payable	435	1,347
Deferred tax liabilities	229,783	207,356
Long-term deferred revenue	575	1,261
Other non-current liabilities	2,618	3,175
	2,865,436	2,910,016
Current liabilities		
Trade accounts payable	1,861,931	1,906,365
Short-term borrowings	1,404,766	913,160
Share-based payments liability	962	2,396
Short-term finance lease payables	2,042	2,218
Interest accrued	22,985	12,422
Short-term deferred revenue	9,086	13,734
Current income tax liability and accrued reserves	47,197	52,187
Provisions and other liabilities	686,983	801,726
	4,035,952	3,704,208
Total liabilities	6,901,388	6,614,224
TOTAL EQUITY AND LIABILITIES	9,338,040	8,810,196

Appendix IV:

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

(expressed in thousands of US Dollars)

	Nine months ended	
	30-Sep-12	30-Sep-11
Profit before tax	197,244	228,025
<u>Adjustments for:</u>		
Depreciation and amortisation	328,270	322,116
(Gain)/Loss on disposal of non-current assets	(4,123)	6,169
Finance costs, net	237,678	219,780
Impairment of trade and other accounts receivable	16,569	39,980
Share-based payments expense/(income)	2,881	(32,111)
Amortisation of prepaid lease	9,255	11,908
Net foreign exchange loss	1,689	15,863
Loss from associate	90	-
Other non-cash items	(2,817)	3,429
Net cash from operating activities before changes in working capital	786,736	815,159
Increase in trade and other accounts receivable	(154,240)	(82,046)
Decrease in inventories	62,785	192,909
Decrease in trade accounts payable	(121,551)	(309,066)
(Decrease)/Increase in other accounts payable	(88,467)	17,617
Net cash generated from operations	485,263	634,573
Interest paid	(238,592)	(209,646)
Interest received	4,795	1,246
Income tax paid	(128,430)	(108,291)
Net cash flows from operating activities	123,036	317,882
Cash flows from investing activities:		
Purchase of property, plant and equipment	(504,189)	(433,941)
Proceeds from sale of property, plant and equipment	18,132	1,428
Investments in subsidiaries	(66,040)	(2,625)
Non-current prepaid lease paid	(6,113)	(7,677)
Compensation on prepaid lease disposal	1,511	-
Loans issued and repayments	7,916	(34,763)
Purchase of intangible assets	(21,501)	(18,770)
Net cash used in investing activities	(570,284)	(496,348)
Cash flows from financing activities:		
Proceeds from loans	1,221,160	941,683
Repayment of loans	(949,163)	(908,713)
Proceeds from sale of treasury shares	-	377
Principal payments on finance lease obligations	(1,465)	(1,653)
Net cash generated from financing activities	270,532	31,694
Net decrease in cash and cash equivalents	(176,716)	(146,772)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	385,001	270,762
Net decrease in cash and cash equivalents	(176,716)	(146,772)
Effect of exchange rate changes on cash and cash equivalents	14,182	2,387
Cash and cash equivalents at the end of the period	222,467	126,377