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## X5 RETAIL GROUP N.V. REPORTS 53%\* TOP LINE GROWTH IN Q3 2007

**Amsterdam, 26 November 2007** - X5 Retail Group N.V., Russia's largest food retailer in terms of sales (LSE ticker: "FIVE"), published today its unaudited IFRS results for the quarter and nine months ended 30 September 2007 based on management accounts.

### Q3 2007 Highlights

- Q3 Net Sales surged 53% year-on-year to USD 1,270 mln;
- Q3 Gross Profit grew by 54% year-on-year to USD 330 mln, Gross Margin totaled 25.9%;
- Q3 EBITDA reached USD 99 mln, a year-on-year increase of 85%;
- Q3 Net Profit grew by 22% year-on-year to USD 13 mln.

### 9M 2007 Highlights

- 9M Net Sales surged 50% year-on-year to USD 3,618 mln;
- 9M Gross Profit grew by 53% year-on-year to USD 946 mln, Gross Margin totaled 26.2%;
- 9M EBITDA reached USD 311 mln, a year-on-year increase of 78%;
- 9M Net Profit grew by 50% year-on-year to USD 54 mln.

*"We are pleased to report all time high sales growth of 53%, which reflects our unrivalled leadership in all segments and regions of X5 operations. Like-for-like sales as well as new store performance were very strong despite seasonal effects of the third quarter – the toughest quarter for modern food retail. We have invested a lot of effort to retain customers by running a country-wide promo in September, which proved to be a great success but pressured margins. However, our focus on improvement of purchasing terms, upgrade of logistics capacity and optimization of business processes, combined with strong sales momentum, shall enable X5 to meet its aggressive growth and profitability targets for the full year"*,

Lev Khasis, X5 Retail Group CEO, commented. He added:

*"As we are preparing for record-high Christmas and New-Year sales, we decided to postpone several store openings until early 2008. This decision will enable us to concentrate on operational performance of existing stores, minimize store opening costs and ensure higher quality of the openings. Thus, we expect to open approximately 140,000 sq. m. in 2007, but keep our full-year sales target unchanged."*

\* 2006 figures are reported on pro-forma basis, not including Merkado results

## P&L Highlights

USD mln	Q3 2007	Q3 2006	% change, y-o-y	9M 2007	9M 2006	% change, y-o-y
<b>Net Sales, incl.</b>	<b>1,270.1</b>	<b>830.5</b>	<b>52.9%</b>	<b>3,617.7</b>	<b>2,411.4</b>	<b>50.0%</b>
Retail	1,261.0	821.1	53.6%	3,592.4	2,385.8	50.6%
<b>Gross Profit</b>	<b>329.5</b>	<b>213.9</b>	<b>54.0%</b>	<b>946.3</b>	<b>618.3</b>	<b>53.0%</b>
Gross Margin, %	25.9%	25.8%		26.2%	25.6%	
<b>EBITDA before ESOP*</b>	<b>113.0</b>	<b>74.8</b>	<b>51.1%</b>	<b>346.7</b>	<b>237.2</b>	<b>46.2%</b>
EBITDA Margin before ESOP, %	8.9%	9.0%		9.6%	9.8%	
<b>EBITDA</b>	<b>99.1</b>	<b>53.5</b>	<b>85.2%</b>	<b>311.1</b>	<b>175.2</b>	<b>77.6%</b>
EBITDA Margin, %	7.8%	6.4%		8.6%	7.3%	
<b>EBIT</b>	<b>58.0</b>	<b>35.3</b>	<b>64.3%</b>	<b>194.8</b>	<b>109.1</b>	<b>78.6%</b>
EBIT Margin, %	4.6%	4.3%		5.4%	4.5%	
<b>Net Profit</b>	<b>13.2</b>	<b>10.8</b>	<b>22.2%</b>	<b>54.2</b>	<b>36.1</b>	<b>50.1%</b>
Net margin, %	1.0%	1.3%		1.5%	1.5%	

## Retail Sales Performance

Net Retail Sales, USD mln	Q3 2007	Q3 2006	% change, y-o-y	9M 2007	9M 2006	% change, y-o-y
Hypermarkets	93.6	57.0	64.2%	260.8	163.4	59.6%
Supermarkets	461.9	298.2	54.9%	1,326.6	856.0	55.0%
Soft Discounters	705.5	465.9	51.4%	2,005.0	1,366.5	46.7%
<b>Total Net Retail Sales</b>	<b>1,261.0</b>	<b>821.1</b>	<b>53.6%</b>	<b>3,592.4</b>	<b>2,385.8</b>	<b>50.6%</b>

Total net retail sales for the third quarter increased by 54% in USD terms to USD 1,261 mln, translating into a 51% increase year-on-year in the first nine months of 2007 to USD 3,592 mln. Impressive retail sales surge is explained primarily by success of X5 promotional campaign in soft discounters across the country dedicated to Pyaterochka's 8<sup>th</sup> anniversary and aimed at keeping positive traffic in what is traditionally the weakest quarter of the year. Despite seasonal pressures, hypermarkets and supermarkets also performed well, both in terms of LFL and new stores, reinforcing the overall positive sales growth trend.

\* ESOP – Employee Stock Option Program

## **Gross\* Retail Sales Analysis by Format**

Gross Retail Sales	Q3 2007			9M 2007		
	LFL**, %	Expansion, %	Total change %, excl. FX	LFL, %	Expansion, %	Total change %, excl. FX
Hypermarkets	17%	39%	56%	15%	36%	51%
Supermarkets	21%	26%	47%	18%	28%	46%
Soft Discounters	20%	23%	43%	17%	21%	37%
<b>Total Gross Retail Sales</b>	<b>20%</b>	<b>25%</b>	<b>45%</b>	<b>17%</b>	<b>24%</b>	<b>41%</b>

For the third quarter 2007, LFL sales surged 20% in RUR terms – a healthy mix of growth in traffic (up 8%) and basket (up 12%) across formats and regions. Expansion brought additional 25% in terms of growth. As a result, nine months LFL sales increased by 17% in RUR terms with traffic growing by 9% and basket – by 8%, while 24% came from expansion.

### Hypermarkets

For the third quarter 2007, hypermarkets sales surged 56%, excluding FX effect, as a result of 17% increase in LFL sales (strong performance of our hypermarket in Samara) and 39% contributed by five new stores opened after 30 September 2006. For the first nine months, gross sales in the hypermarket format increased by 51% (LFL sales up 15%, new stores sales up 36%).

### Supermarkets

For the third quarter 2007, supermarkets sales grew by 47%, excluding FX effect, as a result of 21% surge in LFL sales and 26% coming from expansion. The strongest LFL growth in the supermarket format was reported in Moscow (up 26%), which is explained by further strengthening of Perekrestok competitive positions in its home market (supermarket traffic in Moscow posted very strong growth of 13% in the third quarter). For the first nine months, gross sales in the supermarket format increased by 46% (LFL sales up 18%, new stores sales up 28%).

### Soft Discounters

In the third quarter 2007 soft discounters sales grew by 43%, excluding FX effect, as a result of 20% surge in LFL sales and 23% coming from expansion. The strongest LFL growth in the soft discounter format was reported in the regions (up 48%) due to outstanding performance of stores in Chelyabinsk and Yekaterinburg. These supreme growth rates demonstrate the efficiency of our super promo campaign dedicated to the 8<sup>th</sup> anniversary of Pyaterochka.

\* In this section all sales dynamics analysis is based on RUR-denominated gross sales (including VAT, excluding FX). Net sales RUR dynamics may immaterially differ due to effective VAT rate.

\*\* In line with international practice, LFL (like-for-like) performance represents growth in sales of LFL stores during the reporting period over the same period a year ago. LFL stores are defined as stores that have operated for at least twelve full months preceding the reporting date. Their sales are included in LFL calculation starting from the first day of the month following the month of the store opening. LFL sales are calculated on the basis of traffic and basket amounts of relevant stores in the period under review, therefore LFL sales are gross, i.e. include VAT. LFL sales are reported in Russian RUR unadjusted for inflation. As of 30 September 2007, 8 hypermarkets, 124 supermarkets and 441 discounters were included in LFL sales calculation.

We are pleased to report that for the third quarter in a row, X5 soft discounters reported positive traffic in St. Petersburg (up 1% in Q3, 2% in Q2 and 1% in Q1), which reflects success of X5's efforts to maintain and reinforce its market share in the most competitive food retail market in Russia. For the first nine months 2007, gross sales in the soft discounter format increased by 37% (LFL sales up 17%, new stores sales up 21%).

### **Average Ticket and Number of Customers**

USD	Q3 2007	Q3 2006	% change, y-o-y	9M 2007	9M 2006	% change, y-o-y
<b>X5 Average Ticket, USD</b>	<b>9.5</b>	<b>8.2</b>	<b>15.9%</b>	<b>9.4</b>	<b>8.4</b>	<b>11.9%</b>
Hypermarkets	15.5	14.3	8.4%	15.3	14.7	4.1%
Supermarkets	11.6	10.1	14.9%	11.5	10.5	9.5%
Soft Discounters	8.2	7.0	17.1%	8.1	7.1	14.1%
<b>X5 # of Customers, mln</b>	<b>150.7</b>	<b>116.0</b>	<b>29.9%</b>	<b>433.5</b>	<b>329.8</b>	<b>31.4%</b>
Hypermarkets	6.9	4.6	50.0%	19.6	12.7	54.3%
Supermarkets	45.4	33.7	34.7%	131.2	93.0	41.1%
Soft Discounters	98.4	77.7	26.6%	282.8	224.0	26.3%

### **Gross Profit**

For the third quarter 2007, gross profit increased by 54% to USD 330 mln, translating into a 53% year-on-year growth to USD 946 mln for the first nine months. Third quarter gross margin totaled 25.9%, while nine months gross margin reached 26.2%.

Some pressure on the gross margin in the third quarter is typical for urban food retailers as there is more competition from open markets in fresh segment. Moreover, it's vacations period which negatively affects both basket (average consumer spending on food falls) and traffic. Nationwide Pyaterocka promotion campaign aimed at maintaining high traffic rates also depressed the margin.

### **Selling, General and Administrative Expenses (SG&A)**

For the third quarter 2007, SG&A totaled USD 288 mln – an increase of 52% year-on-year. For the first nine months 2007, SG&A increased by 48% over the same period a year ago to USD 799 mln mainly due to growth in staff costs and higher lease expenses.

#### Staff Costs

For the third quarter 2007, staff costs, including ESOP, increased by 43% compared to the same period of last year. Net of ESOP costs, which in 2006 included one-off restructuring expense of the previous ESOP, Q3 2007 staff costs grew by 65% on the back of continuing wage inflation and extensive hiring to prepare for store opening season in the fourth quarter. Third quarter 2007 ESOP costs amounted to USD 14 mln, which represents proportionally accrued expenses related to the first and the second tranches of ESOP. For the first nine months 2007, total staff costs grew by 38% year-on-year (61% net of ESOP)

#### Lease Expenses

For the first nine months 2007, lease expenses increased by 47% on the back of rent inflation. As a large proportion of the Group's stores are owned, this reduces its exposure to the growth in rent prices.

## Non-Operating Gains and Losses

USD mln	Q3 2007	Q3 2006	% change, y-o-y	9M 2007	9M 2006	% change, y-o-y
<b>EBIT</b>	<b>58.0</b>	<b>35.3</b>	<b>64.3%</b>	<b>194.8</b>	<b>109.1</b>	<b>78.6%</b>
<i>Finance costs (net)</i>	<i>(46.3)</i>	<i>(15.5)</i>	<i>198.7%</i>	<i>(100.3)</i>	<i>(42.5)</i>	<i>136.0%</i>
<i>Net FX gain/(loss)</i>	<i>2.3</i>	<i>4.1</i>	<i>-43.9%</i>	<i>12.2</i>	<i>7.3</i>	<i>67.1%</i>
<b>Profit before tax</b>	<b>14.0</b>	<b>23.9</b>	<b>-41.4%</b>	<b>106.7</b>	<b>73.9</b>	<b>44.4%</b>
<i>Income tax expense</i>	<i>(0.9)</i>	<i>(13.1)</i>	<i>-93.1%</i>	<i>(52.5)</i>	<i>(37.8)</i>	<i>38.9%</i>
<b>Net Profit</b>	<b>13.2</b>	<b>10.8</b>	<b>22.2%</b>	<b>54.2</b>	<b>36.1</b>	<b>50.1%</b>

In the third quarter 2007 X5 Retail Group focused on restructuring of its obligations to streamline its debt portfolio and reduce future interest payments. These efforts enabled the Company to significantly reduce its running cost of debt – effective interest rate decreased to 6.7% p.a. At the same time, in the third quarter of 2007 the Group recognized a one-off debt restructuring expense of USD 23 mln.

### Ruble Bonds Restructuring

In July 2007 X5 Retail Group issued a 7 -year bond (with a call option exercisable in 3 years) with an interest of 7.6% p.a. and the notional amount of RUR 9 bln. This issue replaced three outstanding bonds previously issued by Pyaterochka and Perekrestok in the total amount of RUR 6 bln with an average interest rate of 9.55%. This move not only enabled X5 to reduce its interest rate exposure, but also significantly improved transparency of the Group's debt structure.

### Syndicated Loan Refinancing

In June 2007 the Group replaced its outstanding USD 800 mln syndicated loan bearing interest of LIBOR + 2.25% p.a. with a new one in the amount of USD 1 bln bearing interest of LIBOR + 0.75% p.a. In addition to reducing its interest exposure, the new loan gave the Company increased financial flexibility due to a simpler covenants structure.

At the end of the third quarter 2007 net outstanding debt of the Group totaled USD 1.48 bln.

### FX Gain/(Loss)

X5 Retail Group employs hedging strategy to minimize its foreign exchange and interest rate exposure. Thus, in July 2007 it entered into arrangements to hedge both FX and interest rate risks on its USD 1 bln syndicated loan. Interest rate hedge resulted in interest savings of approximately USD 0.5 mln as of 30 September 2007. On the other hand, as turmoil in the US financial markets led to significant USD depreciation against EUR and RUR, FX gains on the dollar denominated syndicated loan were off-set by mark-to-market result on the hedging facility. The Company plans to continue to apply hedging policy aimed at minimizing its FX and interest rates exposure.

## **Recent Events**

In October 2007 X5 Retail Group announced acquisition of Korzinka - the largest and fast growing retail chain in the Lipetsk region. The company's expected sales are US\$190 million excluding VAT for 2007. X5 Group will acquire 22 stores in total, of which 15 will be integrated into the Group's discounter format, 6 into the supermarket format and one store will be added to the hypermarket network. The total area of Korzinka outlets is 38,007 sq.m., of which 12,352 sq. m. are owned, while average length of lease agreements for the remaining space is 10 years (including the hypermarket). The net selling space represented by the outlets is 19,966 sq. m.

## **2007 Store Opening Guidance**

The Company has revised its full year 2007 guidance on store openings from 150,000 sq.m. to approximately 140,000 sq. m., which reflects our decision to focus on operational performance of existing stores and ensure high Christmas and New-Year sales, rather than pushing openings in December 2007. Unbalanced store opening at the very year-end affects performance of existing stores, generates extra costs, and does not guarantee the required quality of the openings. As usual, we will provide our 2008 store opening guidance in January 2008. The stores that are technically ready to be opened after mid-December 2007 but become operational in early 2008 will be reported separately.

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*X5 Retail Group N.V. will host a conference call to discuss its third quarter and first nine months 2007 financial results today, November 26, 2007, at 5pm Moscow time/2pm London time/9am NY time. The call will be hosted by Lev Khasis, X5 Retail Group CEO, Evgeny Kornilov, the Group Deputy CFO, and Anna Kareva, IR Director.*

## **Appendices:**

1. Interim Income Statement for the three and nine months ended 30 September 2007 and 2006

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**Note to Editors:**

X5 Retail Group N.V. is Russia's largest food retailer in terms of sales. As of 30 September 2007, the Group had 573 company-managed soft discount stores located in Moscow (256), St. Petersburg (234) and other Russian areas (83), 163 company managed supermarkets across Central Russia and Ukraine, including 101 stores in Moscow (Moscow region and Yaroslavl region), and 13 company managed hypermarkets.

As of 30 September 2007, X5's franchisees operated 627 stores across Russia and Kazakhstan.

Pyaterochka and Perekrestok have merged their operations as of 18 May 2006 to create the clear leader in the Russian food retail market.

***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

### INTERIM INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2007 AND 2006\* (expressed in thousands of US Dollars, unless otherwise stated)

	Three months ended		Nine months ended	
	30 Sep 2007	30 Sep 2006	30 Sep 2007	30 Sep 2006
<b>Revenue</b>	<b>1,270,140</b>	<b>830,544</b>	<b>3,617,741</b>	<b>2,411,390</b>
Cost of sales	(940,632)	(616,629)	(2,671,468)	(1,793,056)
<b>Gross Profit</b>	<b>329,507</b>	<b>213,915</b>	<b>946,272</b>	<b>618,334</b>
<i>Selling, general and administrative expenses</i>	<i>(288,220)</i>	<i>(189,277)</i>	<i>(799,519)</i>	<i>(540,004)</i>
<i>Lease/sublease and other income</i>	<i>16,710</i>	<i>10,660</i>	<i>48,046</i>	<i>30,735</i>
<b>Operating Profit</b>	<b>57,997</b>	<b>35,298</b>	<b>194,800</b>	<b>109,065</b>
<i>Finance costs (net)</i>	<i>(46,283)</i>	<i>(15,493)</i>	<i>(100,304)</i>	<i>(42,483)</i>
<i>Net FX gain/(loss)</i>	<i>2,291</i>	<i>4,124</i>	<i>12,238</i>	<i>7,296</i>
<b>Profit before tax</b>	<b>14,005</b>	<b>23,930</b>	<b>106,733</b>	<b>73,878</b>
<i>Income tax expense</i>	<i>(851)</i>	<i>(13,120)</i>	<i>(52,530)</i>	<i>(37,765)</i>
<b>Profit for the period</b>	<b>13,154</b>	<b>10,809</b>	<b>54,204</b>	<b>36,113</b>

\* 2006 figures are reported on pro-forma basis, not including Merkado results