

**X5 RETAIL GROUP N.V. REPORTS  
YEAR-ON-YEAR TOP LINE GROWTH OF 60%,  
EBITDA GROWTH OF 81% IN Q2 2008\***

**Amsterdam, 29 August 2008** - X5 Retail Group N.V., Russia's largest retailer in terms of sales (LSE ticker: "FIVE"), published today its unaudited IFRS results for the six months and quarter ended 30 June 2008 based on management accounts. This press release also contains adjusted Karusel's results and X5's pro-forma results that include Karusel's performance since 1 January 2008.

**Q2 2008 X5 Highlights\***

- X5's net sales\*\* surged 60% year-on-year to USD 1,980 mln;
- X5's gross profit grew by 58% year-on-year to USD 520 mln, gross margin totaled 26.3%;
- X5's EBITDA reached USD 190 mln, a year-on-year increase of 81%; EBITDA margin totaled 9.6%;
- X5's net profit grew to USD 74 mln from USD 14 mln a year ago.

**H1 2008 X5 Highlights\***

- X5's net sales\*\* surged 60% year-on-year to USD 3,766 mln;
- X5's gross profit grew by 59% year-on-year to USD 978 mln, gross margin totaled 26.0%;
- X5's EBITDA reached USD 351 mln, a year-on-year increase of 66%; EBITDA margin totaled 9.3%;
- X5's net profit grew to USD 161 mln from USD 41 mln a year ago.

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

*"After reporting solid sales growth in the second quarter, we are pleased to announce that our financial results were strong as well. Whilst our continual investment in prices and customer loyalty resulted in increased sales volumes, our cost control policy has enabled us to enhance profitability. Going forward we will maintain our focus on efficiency, and our key task for the rest of the year is to ensure smooth integration of Karusel and improvement of its operational and financial performance."*

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\* Excluding *Karusel*

\*\* Excluding VAT

## **X5 P&L – Key Trends and Developments** \*

### **X5 P&L Highlights**

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change, y-o-y
<b>Net Sales</b>	<b>1,980.4</b>	<b>1,241.4</b>	<b>60%</b>	<b>3,766.2</b>	<b>2,347.6</b>	<b>60%</b>
incl. Retail	1,968.0	1,230.1	60%	3,743.2	2,331.4	61%
<b>Gross Profit</b>	<b>520.1</b>	<b>330.1</b>	<b>58%</b>	<b>978.3</b>	<b>616.8</b>	<b>59%</b>
<i>Gross Margin, %</i>	26.3%	26.6%		26.0%	26.3%	
<b>EBITDA</b>	<b>190.4</b>	<b>104.9</b>	<b>81%</b>	<b>351.3</b>	<b>212.0</b>	<b>66%</b>
<i>EBITDA Margin, %</i>	9.6%	8.4%		9.3%	9.0%	
<b>EBIT</b>	<b>134.6</b>	<b>66.5</b>	<b>102%</b>	<b>253.6</b>	<b>136.8</b>	<b>85%</b>
<i>EBIT Margin, %</i>	6.8%	5.4%		6.7%	5.8%	
<b>Net Profit</b>	<b>74.4</b>	<b>14.0</b>	<b>432%</b>	<b>160.7</b>	<b>41.1</b>	<b>291%</b>
<i>Net Margin, %</i>	3.8%	1.1%		4.3%	1.7%	

### ***X5 Net Sales Performance***

Total net sales for the second quarter 2008 increased by 60% in USD terms to USD 1,980 mln, translating into a 60% increase year-on-year to USD 3,766 mln for the first half 2008.

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change y-o-y
Hypermarkets	134.9	90.4	49%	263.7	167.2	58%
Supermarkets	696.3	457.2	52%	1,334.9	864.7	54%
Soft Discounters	1,136.8	682.4	67%	2,144.6	1,299.5	65%
<b>Total Net Retail Sales</b>	<b>1,968.0</b>	<b>1,230.1</b>	<b>60%</b>	<b>3,743.2</b>	<b>2,331.4</b>	<b>61%</b>

X5's net retail sales for the second quarter 2008 increased by 60% in USD terms (46% in RUR terms) to USD 1,968 mln, translating into a 61% (47% in RUR terms) increase year-on-year to USD 3,743 mln for the first half 2008. Solid sales growth was mainly driven by strong performance of soft discounters in Moscow and the regions and healthy results reported by supermarkets in Moscow and St. Petersburg.

*For detailed discussion on Q2 and H1 retail sales dynamics, including LFL and new stores performance, information on average ticket and number of customers, please see our Trading Update dated 10 July 2008.*

\* Excluding Karusel

### ***X5 Gross Profit & Gross Margin Analysis***

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change, y-o-y
<b>Gross Profit</b>	<b>520.1</b>	<b>330.1</b>	<b>58%</b>	<b>978.3</b>	<b>616.8</b>	<b>59%</b>
<i>Gross Margin, %</i>	26.3%	26.6%		26.0%	26.3%	

For the second quarter 2008, gross profit increased by 58% to USD 520 mln, translating into a 59% year-on-year growth to USD 978 mln for the first half 2008. Gross margin for the second quarter 2008 totaled 26.3% versus 26.6% for the same period a year ago, while first half 2008 gross margin amounted to 26.0% compared to 26.3% a year ago. Such gross margin evolution is in line with the management's expectations and represents a result of the Company's "closer-to-the-customer" pricing strategy aimed at creating long-term customer loyalty.

### ***X5 Selling, General and Administrative Expenses (SG&A)\****

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change, y-o-y
<b>Staff Costs, incl.</b>	(195.6)	(137.7)	42%	(369.5)	(231.5)	60%
<i>% of Net Sales</i>	9.9%	11.1%		9.8%	9.9%	
<b>ESOP</b>	(6.9)	(21.7)	-68%	(10.0)	(21.7)	-54%
<i>% of Net Sales</i>	0.3%	1.7%		0.3%	0.9%	
<b>Lease Expenses</b>	(64.4)	(41.6)	55%	(125.7)	(81.4)	54%
<i>% of Net Sales</i>	3.3%	3.4%		3.3%	3.5%	
<b>Other Store Costs</b>	(29.0)	(20.5)	41%	(52.9)	(35.8)	48%
<i>% of Net Sales</i>	1.5%	1.7%		1.4%	1.5%	
<b>D&amp;A</b>	(55.7)	(38.4)	45%	(97.7)	(75.2)	30%
<i>% of Net Sales</i>	2.8%	3.1%		2.6%	3.2%	
<b>Utilities</b>	(27.8)	(18.8)	48%	(50.5)	(31.2)	62%
<i>% of Net Sales</i>	1.4%	1.5%		1.3%	1.3%	
<b>Third Party Services</b>	(21.9)	(16.4)	34%	(36.1)	(28.2)	28%
<i>% of Net Sales</i>	1.1%	1.3%		1.0%	1.2%	
<b>Other Expenses</b>	(15.9)	(5.3)	202%	(36.6)	(28.0)	31%
<i>% of Net Sales</i>	0.8%	0.4%		1.0%	1.2%	
<b>Total SG&amp;A</b>	<b>(410.4)</b>	<b>(278.7)</b>	<b>47%</b>	<b>(769.1)</b>	<b>(511.3)</b>	<b>50%</b>
<i>% of Net Sales</i>	20.7%	22.4%		20.4%	21.8%	

For the second quarter 2008, SG&A expenses totaled USD 410 mln – an increase of 47% year-on-year. For the first half 2008, SG&A costs increased by 50% over the same period a year ago to USD 769 mln primarily due to growth in staff costs, lease expenses and higher utility bills. At the same time, SG&A expenses decreased as percentage of revenue due to cost control policy pursued by X5.

#### Staff Costs

For the second quarter 2008, staff costs, including ESOP totaled USD 196 mln and increased by 42% compared to the same period of last year, translating into a 60% year-on-year increase for the first half 2008 to USD 370 mln.

\* Please note that all SG&A expenses provided in the above table are net of logistic expenses as those were reclassified to Cost of Sales.

Net of ESOP costs, first half 2008 staff costs grew by 71% to USD 360 mln. This staff costs dynamics is mainly attributable to the flow trough effect of the first quarter 2008, when staff costs change of 82% was explained by low comparative base in the first quarter 2007.

Also, in the second quarter this year X5 revised salaries for X5 store personnel – the revisions ranged from 4 to 9% in RUR terms depending on format and region. Q2 2008 average number of employees totaled 44,450 people versus 36,914 people for the second quarter 2007.

#### Lease Expenses

For the second quarter 2008, lease expenses increased by 55% year-on-year to USD 64 mln on the back of rent inflation and expansion. First half 2008 lease expenses totaled USD 126 mln, an increase of 54% year-on-year. As a large proportion of the Group's stores are owned, this reduces its exposure to the growth in rent prices.

#### Utilities

For the second quarter 2008, utility expenses increased by 48% year-on-year to USD 28 mln, translating into 62% year-on-year growth for the first half 2008 (to USD 51 mln) on the back of growth in electricity, gas and other utility prices.

#### ***X5 Non-Operating Gains and Losses***

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change, y-o-y
<b>EBIT</b>	<b>134.6</b>	<b>66.5</b>	<b>102%</b>	<b>253.6</b>	<b>136.8</b>	<b>85%</b>
<i>Finance costs (net)</i>	(25.6)	(29.3)	-13%	(57.3)	(54.0)	6%
<i>Net FX gain</i>	2.4	3.8	-36%	44.9	9.9	352%
<b>Profit before tax</b>	<b>111.5</b>	<b>40.9</b>	<b>172%</b>	<b>241.2</b>	<b>92.7</b>	<b>160%</b>
<i>Income tax expense</i>	(37.1)	(27.0)	38%	(80.5)	(51.7)	56%
<b>Net Profit</b>	<b>74.4</b>	<b>14.0</b>	<b>432%</b>	<b>160.7</b>	<b>41.1</b>	<b>291%</b>

#### Finance Costs

Net finance costs for the second quarter 2008 amounted to USD 26 mln versus USD 29 mln in the second quarter of 2007. The decrease is explained primarily by a significant decrease in LIBOR year-on-year. X5's outstanding debt stood at USD 1.9 bln at 30 June 2008 vs USD 1.7 bln at the beginning of the year and USD 1.5 bln – at 30 June 2007, while effective interest rate in the first half 2008 totaled approximately 6.8%.

#### FX Gain

Second quarter FX gain was primarily non-cash and amounted to USD 2 mln on the back of slower appreciation of RUR against USD. As a result, first half 2008 FX gain totaled USD 45 mln.

#### ***X5 Income Tax***

Effective tax rate for the second quarter 2008 was 33%, translating into the first half 2008 effective tax rate of 33%. The year-on-year decrease in effective tax rate is in line with the management's expectations.

## **X5 Cash Flow – Key Trends and Developments**\*

<b>USD mln</b>	<b>For the six months ended 30-Jun-08</b>	<b>For the six months ended 30-Jun-07</b>
Net Cash from Operating Activities	97.7	14.3
Net Cash Used in Investing Activities	(1,131.8)	(213.7)
Net Cash from Financing Activities	1,299.8	361.0
Effect of Exchange Rate Changes on Cash	14.0	5.0
<b>Net Increase in Cash</b>	<b>279.7</b>	<b>166.7</b>

### ***Cash Flow from Operating Activities***

<b>USD mln</b>	<b>For the six months ended 30-Jun-08</b>	<b>For the six months ended 30-Jun-07</b>
Net Cash from Operating Activities before Changes in Working Capital	369.8	233.0
Changes in Working Capital	(84.0)	(121.0)
Net Interest and Income Tax Paid	(188.1)	(97.7)
<b>Net Cash from Operating Activities</b>	<b>97.7</b>	<b>14.3</b>

Net cash from operating activities totaled USD 98 mln versus 14 mln a year ago. Strong cash generation from operations was partially off-set by negative influence of the change in working capital in the first quarter of the year (-USD 60 mln) on the back of seasonal factors, which were discussed in detail in our Q1 financial press release dated 29 May 2008.

<b>USD mln</b>	<b>For the six months ended 30-Jun-08</b>	<b>For the six months ended 30-Jun-07</b>
(Increase)/Decrease in trade and other accounts receivable	(68.2)	2.2
Decrease in inventories	32.6	6.5
Decrease in trade accounts payable	(81.0)	(21.2)
Increase/(Decrease) in other accounts payable	32.5	(108.5)
<b>Changes in Working Capital</b>	<b>(84.0)</b>	<b>(121.0)</b>

The increase in trade and other accounts receivable by USD 68 mln is primarily explained by growth in X5's scale of business.

The decrease in inventories by USD 33 mln is explained mainly by decrease in inventories in the first quarter of the year (by USD 56 mln), which is a seasonal factor – stock is usually very high at the end of the year as a result of inventory accumulation both for the New Year and Orthodox Christmas holidays. During the first quarter inventories return to their normal levels. Same trends explain the decrease in trade accounts payable by USD 81 mln - Q1 decrease in trade accounts payable was USD 103 mln as in the first quarter the Company paid to suppliers for the increased levels of inventories accumulated at the end of 2007. In Q2 2008 trade accounts payable increased by USD 23 mln.

The increase in other accounts payable is mainly attributable to growth in accrued expenses and VAT payable.

\* Excluding *Karusel*

### ***Cash Flow from Investing Activities***

USD mln	For the six months ended 30-Jun-08	For the six months ended 30-Jun-07
<b>Cash Flows used in Investing Activities, incl.</b>		
Purchase of PP&E, investment property & intangible assets	(424.1)	(202.2)
Acquisition of subsidiaries, net of cash acquired	(691.8)	1.7
<b>Net Cash Used in Investing Activities</b>	<b>(1,131.8)</b>	<b>(213.7)</b>

Net cash used in investing activities totaled USD 1,132 mln, as the Company completed the acquisitions of *Kama Retail*, *Karusel* and continued to add selling space.

### ***Cash Flow from Financing Activities***

USD mln	For the six months ended 30-Jun-08	For the six months ended 30-Jun-07
<b>Cash Flows from Financing Activities, incl.</b>		
Proceeds from loans	1,184.5	878.4
Repayment of loans	(1,034.3)	(515.3)
Proceeds from issue of share capital	1,007.6	
Proceeds from sale of treasury shares	143.3	-
<b>Net Cash from Financing Activities</b>	<b>1,299.8</b>	<b>361.0</b>

Net cash from financing activities amounted to USD 1,300 mln as the Company a) raised equity capital to finance the acquisition of *Karusel*; b) raised additional debt and sold Treasury shares to finance its capital expenditure program and for general corporate purposes.

## Consolidated Balance Sheet – Key Trends and Developments\*

### Selected Balance Sheet Data (including *Karusel* from 30 June 2008)

USD mln	Selected Data		Consolidated Balance Sheet 30-Jun-08	Restated** Balance Sheet 31-Dec-07	% change y-o-y
	X5 30-Jun-08	Karusel 30-Jun-08			
<b>ASSETS</b>					
<b>Non-Current Assets, incl.</b>	n/a	n/a	<b>7,799.6</b>	<b>5,688.4</b>	<b>37%</b>
Property, plant and equipment & investment property	2,597.9	1,028.4	3,626.3	2,119.6	71%
Goodwill	3,477.6	-	3,477.6	2,955.6	18%
Intangible assets	534.0	15.5	549.5	524.2	5%
<b>Current Assets, incl.</b>	<b>n/a</b>	<b>n/a</b>	<b>1,615.9</b>	<b>861.2</b>	<b>88%</b>
Inventories of goods for resale	309.7	84.9	394.6	325.2	21%
Trade and other accounts receivable	252.1	180.2	432.3	148.6	191%
Cash	433.3	25.9	459.2	179.5	156%
<b>Total Assets</b>	<b>n/a</b>	<b>n/a</b>	<b>9,415.5</b>	<b>6,549.6</b>	<b>44%</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Total Equity</b>	<b>n/a</b>	<b>n/a</b>	<b>4,963.5</b>	<b>3,243.7</b>	<b>53%</b>
<b>Non-Current Liabilities, incl.</b>	<b>n/a</b>	<b>n/a</b>	<b>2,183.5</b>	<b>1,725.7</b>	<b>27%</b>
Long-term borrowings	1,475.2	280.8	1,756.0	1,464.7	20%
<b>Current Liabilities</b>	<b>n/a</b>	<b>n/a</b>	<b>2,268.5</b>	<b>1,580.2</b>	<b>44%</b>
Short-term borrowings	425.4	136.6	562.0	253.7	122%
<b>Total Liabilities</b>	<b>n/a</b>	<b>n/a</b>	<b>4,452.1</b>	<b>3,305.9</b>	<b>35%</b>
<b>Total Equity and Liabilities</b>	<b>n/a</b>	<b>n/a</b>	<b>9,415.5</b>	<b>6,549.6</b>	<b>44%</b>
<b>Net Debt</b>	<b>1,467.4</b>	<b>391.5</b>	<b>1,858.9</b>	<b>1,538.9</b>	<b>21%</b>
<b>Net Debt/EBITDA (12m rolling basis)</b>	<b>2.4</b>	<b>5.2</b>	<b>2.7</b>	<b>3.2</b>	
<b>Net Working Capital (Net of Short-Term Debt)</b>	<b>(131.8)***</b>	<b>41.1</b>	<b>(90.6)***</b>	<b>(465.3)</b>	<b>-81%***</b>

#### Non-Current Assets

As at 30 June 2008 PP&E and investment property amounted to USD 3,626 mln, an increase of 71% or USD 1,507 mln since the beginning of the year. This increase is largely attributable to the acquisition of *Karusel* hypermarket chain - in the amount of USD 1,028 mln (for more details on *Karusel*'s impact on the consolidated Balance Sheet, please see Appendix VI to this press release). The rest of the increase is explained by organic expansion and purchase of *Kama Retail* in the first quarter of the year.

\* Balance sheet numbers presented in this section of the press release take into account the acquisition of *Karusel* hypermarket chain as of 30 June 2008. Detailed information on the impact of *Karusel* on consolidated balance sheet is provided in Appendix VI to this press release

\*\* In line with IFRS requirements, 2007 BS was restated to take into account final *Korzinka* and *Strana Gerkulesia* fair value adjustments

\*\*\* H1 2008 net working capital was affected by an unusually high amount of cash (USD 433 mln on stand-alone basis and USD 459 mln on consolidated basis)

As at 30 June 2008 goodwill totaled USD 3,478 mln versus USD 2,956 mln at the end of 2007 (an increase of 18% or USD 522 mln). This increase was mainly due to the acquisition of *Karusel* (USD 370 mln), with the rest being FX revaluation adjustment.

### **Current Assets**

Current assets increased by 88% or by USD 755 mln to USD 1,616 mln. The increase was mainly attributable to the following factors: a) the acquisition of *Karusel* – as a result accounts receivable increased by USD 180 mln\*, inventories – by USD 85 mln, VAT and other taxes recoverable – by USD 66 mln; b) an increase in cash balance by USD 280 mln to USD 459 mln as of 30 June 2008, which primarily is explained by the fact that the cash portion of the *Karusel* purchase price was lower than the cash proceeds from the rights issue.

### **Non-Current Liabilities**

Non-current liabilities totaled USD 2,184 mln, an increase of 27% or USD 458 mln since the beginning of the year. This increase mainly represents: a) *Karusel*'s long-term debt in the amount of USD 281 mln; b) growth in deferred tax liabilities by USD 156 mln, including *Karusel*'s deferred tax liabilities in the amount of USD 138 mln, and FX revaluation adjustments.

### **Current Liabilities**

Current liabilities grew 44% or by USD 688 mln from the beginning of the year and amounted to USD 2,269 mln. This increase is explained primarily by the acquisition of *Karusel* (USD 192 mln in trade and other accounts payable, USD 137 mln in short-term borrowings and USD 122 mln in provisions) and growth in X5's short-term borrowings by USD 172 mln as the Company used its credit lines to finance its store roll-out program.

### **Adjusted Karusel P&L – Key Trends and Developments**\*\*

*Karusel* reported commendable sales growth both for the second quarter and first half 2008. However its financial results were affected by three key factors: provisional fair value adjustment that resulted in higher depreciation, quite weak pre-integration performance at SG&A level and substantial interest expense due to high debt burden. The management intends to mitigate the effect of the latter two factors as a result of integration and efficiency improvement.

### **Adjusted Karusel P&L Highlights**

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change, y-o-y
<b>Net Sales</b>	<b>306.8</b>	<b>191.6</b>	<b>60%</b>	<b>559.7</b>	<b>343.2</b>	<b>63%</b>
incl. Retail	306.1	191.3	60%	558.4	342.8	63%
<b>Gross Profit</b>	<b>75.9</b>	<b>47.2</b>	<b>61%</b>	<b>136.6</b>	<b>83.7</b>	<b>63%</b>
<i>Gross Margin, %</i>	24.8%	24.6%		24.4%	24.4%	
<b>EBITDA</b>	<b>20.4</b>	<b>16.2</b>	<b>26%</b>	<b>36.1</b>	<b>29.0</b>	<b>25%</b>
<i>EBITDA Margin, %</i>	6.7%	8.5%		6.5%	8.5%	
<b>EBIT</b>	<b>8.0</b>	<b>7.5</b>	<b>8%</b>	<b>12.2</b>	<b>12.2</b>	<b>0%</b>
<i>EBIT Margin, %</i>	2.6%	3.9%		2.2%	3.6%	
<b>Net Profit</b>	<b>(4.8)</b>	<b>1.4</b>	<b>-454%</b>	<b>(7.8)</b>	<b>1.7</b>	<b>-548%</b>
<i>Net Margin, %</i>	-1.6%	0.7%		-1.4%	0.5%	

\* Includes USD 160 mln of refund on Donson contracts received in the third quarter 2008

\*\* *Karusel*'s P&L numbers for 2007 have been restated to take into account provisional fair value adjustment in accordance with IFRS requirements to pro-forma reporting. *Karusel*'s financials for 2008 are based on management pro-forma accounting and were prepared in accordance with the Group's reporting standards



Karusel's net sales for the second quarter 2008 increased by 60% in USD terms to USD 307 mln, translating into a 63% increase year-on-year to USD 560 mln for the first half 2008. The growth was mainly driven by very strong LFL performance – Karusel's LFL sales in Q2 increased 33%, while H1 LFL sales grew 35%.

Karusel's gross margin remained stable in the first half of the year – at 24.4%. At the same time, Karusel's SG&A increased as percentage of revenue (from 22.4% in H1 2007 to 23.7% in H1 2008) mainly on the back of staff costs growth (by 71%), higher utility bills (by 80%), and insufficient cost management.

As a result, Karusel's H1 EBITDA grew only 25% year-on-year to USD 36 mln, while EBIT remained flat at USD 12 mln. Significant growth in interest expense resulted in net loss in the amount of USD 8 mln reported for the first half 2008 (please see the full version of Karusel's P&L in Appendix IV, and detailed break-down of Karusel's SG&A expenses in Appendix V to this press release).

### **Pro-Forma P&L\***

As the Company plans to report X5's and Karusel's financial results on pro-forma basis starting from the third quarter 2008, for your convenience please find below pro-forma P&L details for the second quarter and the first half 2008. Full pro-forma P&L is provided in Appendix VII to this press release.

### **Pro-Forma P&L Highlights**

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change, y-o-y
<b>Net Sales</b>	<b>2,287.2</b>	<b>1,432.9</b>	<b>60%</b>	<b>4,325.8</b>	<b>2,690.8</b>	<b>61%</b>
incl. Retail	2,274.2	1,421.4	60%	4,301.6	2,674.2	61%
<b>Gross Profit</b>	<b>596.0</b>	<b>377.3</b>	<b>58%</b>	<b>1,114.9</b>	<b>700.5</b>	<b>59%</b>
<i>Gross Margin,%</i>	26.1%	26.3%		25.8%	26.0%	
<b>EBITDA</b>	<b>210.8</b>	<b>121.1</b>	<b>74%</b>	<b>387.5</b>	<b>241.0</b>	<b>61%</b>
<i>EBITDA Margin,%</i>	9.2%	8.5%		9.0%	9.0%	
<b>EBIT</b>	<b>142.7</b>	<b>74.0</b>	<b>93%</b>	<b>265.8</b>	<b>149.0</b>	<b>78%</b>
<i>EBIT Margin,%</i>	6.2%	5.2%		6.1%	5.5%	
<b>Net Profit</b>	<b>69.6</b>	<b>15.3</b>	<b>354%</b>	<b>152.9</b>	<b>42.8</b>	<b>257%</b>
<i>Net Margin,%</i>	3.0%	1.1%		3.5%	1.6%	

Pro-forma net sales surged 60% year-on-year to USD 2,287 mln in the second quarter 2008, translating into 61% year-on-year growth in the first half 2008 (to USD 4,326 mln).

Second quarter 2008 gross profit on pro-forma basis totaled USD 596 mln (gross margin of 26.1%), first half 2008 pro-forma gross profit amounted to USD 1,115 mln – an increase of 59% year-on-year, while gross margin totaled 25.8%.

Pro-forma EBITDA for the second quarter 2008 reached USD 211 mln (year-on-year growth of 74%), EBITDA margin totalled 9.2%, translating into EBITDA margin of 9.0% for the first six months (EBITDA of USD 388 mln, year-on-year growth of 61%).

\* Including Karusel's performance since 1 January 2007 and 2008, respectively. For pro-forma purposes, Karusel's P&L numbers for 2007 have been restated to take into account provisional fair value adjustment in accordance with IFRS requirements to pro-forma reporting. Karusel's financials for 2008 (on stand-alone basis and for pro-forma purposes) are based on management pro-forma accounting and were prepared in accordance with the Group's reporting standards

Net profit on pro-forma basis was USD 70 mln in the second quarter 2008 versus USD 15 mln in the second quarter 2007. Pro-forma net profit for the first half 2008 totaled USD 153 mln compared to USD 43 mln a year ago. Second quarter and first half net margin was 3.0% and 3.5% respectively.

### **Update on Karusel Integration**

X5 acquired operational control over *Karusel* hypermarkets on 26 June 2008 and has begun the integration process.

As it was announced on 11 August 2008, X5 decided to retain the *Karusel* brand and to use it for all of the Company's hypermarkets. This decision was made after a thorough analysis of *Karusel* brand awareness and customer loyalty. X5 believes that the decision to retain the brand will enable the Company to reduce rebranding expenses (now they will be limited to rebranding of Perekrestok hypermarkets and one Mercado store) and to optimise the *Karusel* integration process, while a single brand for all hypermarkets means more efficiency in terms of operating the stores and clearer value proposition for the customers.

The Company has also revised its initial integration plan and the integration budget. Having analyzed the status of *Karusel* hypermarkets, X5 believes that the total integration costs will amount to approximately USD 60 mln, of which USD 33 mln will be capital expenditures, while up to USD 27 mln will be one-off operating expenses, including anticipated loss of EBITDA as a result of short-term store closings for IT platform replacement. X5 plans to finalize the integration process by the end of 2009, thus all of the above mentioned costs will be reported in 2008.

The key integration measures include alignment of the operational model, integration of purchasing and logistics, replacement of the IT platform, store refurbishment, back office and head office integration.

### **Update on Outstanding Issues with Former Karusel Shareholders**

As it was announced on 26 August 2008, X5 has reached an agreement with the former shareholders of Formata B.V. (the "Former Shareholders"), the owner of the *Karusel* hypermarket chain, to resolve the outstanding post-completion issues on the recent acquisition.

In particular, the real estate development contracts between Formata and the affiliates of Donson B.V. (which is associated with the Former Shareholders) have been unwound and all of the prepayments made under these contracts - in the amount of approximately RUR 3.9 billion (an equivalent of approximately USD 160 million) – have been returned to Formata (i.e. to X5) in August 2008. The parties now have no outstanding obligations under these contracts. Additionally, the Former Shareholders will pay to X5 approximately USD 40 million representing their compliance with post-completion obligations under the Call Option Agreement.

At the same time, on Friday, 22 August 2008, the Russian Federal Financial Markets Service (FFMS) has annulled previously registered issue of corporate ruble bonds by Hyperfinance LLC, a subsidiary of Donson, which initially was supposed to be guaranteed by Formata and its subsidiaries. Thus, any obligations of Formata or its subsidiaries with respect to Hyperfinance bonds have been effectively terminated.

## **Revised Outlook for 2008**

X5 Retail Group has revised its full year guidance for 2008 to take into account the acquisition of *Karusel* and subsequent integration of purchased hypermarkets. Please note that pro-forma outlook numbers provided in the table below include *Karusel*'s performance for the full year 2008. These numbers also include contribution of tactical M&A transactions that are treated by the Company as organic development.

	FY 2008	
	X5	Pro-Forma
Sales Growth (excl. FX)	>40%	>40%
LFL Sales Growth (excl. FX)	~20%	>20%
Gross Margin	25.8% - 26.2%	25.5% - 25.9%
EBITDA Margin	8.8% - 9.0%	8.4% - 8.6%*
Net Selling Space Growth	140 – 160,000 sq.m.**	
<i>New hypermarkets</i>	8	10
DC Area Growth	~45,000 sq.m.	
Capital Expenditure, incl.	~USD 1,400 bln	
<i>Karusel Integration</i>	USD 33 mln	

## **Appendices**

- I. **X5 Retail Group Unaudited Consolidated Income Statement for the Three and Six Months Ended 30 June 2008**
- II. **X5 Retail Group Unaudited Consolidated Balance Sheet at 30 June 2008**
- III. **X5 Retail Group Unaudited Consolidated Statement of Cash Flows for the Six Months Ended 30 June 2008**
- IV. **Formata Holding (Karusel) Unaudited Consolidated Income Statement for the Three and Six Months Ended 30 June 2008**
- V. **SG&A Expenses Break-Down for the Three and Six Months Ended 30 June 2008, Formata Holding (Karusel)**
- VI. **Details of Assets and Liabilities Acquired in Formata Holding (Karusel)**
- VII. **X5 Retail Group and Formata Holding (Karusel) Unaudited Pro-Forma Income Statement for the Three and Six Months Ended 30 June 2008**
- VIII. **Financial Calendar for 2008**

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\* Takes into account *Karusel* one-off integration effect

\*\* Excluding 132 thousand sq.m. of acquired operational *Karusel* stores

**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.

As at 30 June 2008, X5 operated 991 store located in Moscow, St. Petersburg, other regions of European Russia and the Urals, as well as in Ukraine. X5's multiformat store network comprises 762 soft discount stores under "Pyaterochka" brand, 190 supermarkets under "Perekrestok" brand and 39 hypermarkets under "Karusel" and "Perekrestok" brands.

As of 30 June 2008, X5's franchisees operated 710 stores across Russia and in Kazakhstan.

X5's net sales for the full year 2007 reached USD 5,320 mln, an increase of 53% year-on-year. Gross profit for the period totaled USD 1,404 mln, EBITDA amounted to USD 479 mln. Full year 2007 net income reached USD 144 mln.

X5 Retail Group N.V.'s net sales for the first half 2008 surged 60% in USD terms and reached USD 3,766 mln (excluding Karusel). Gross profit for the period totaled USD 978 mln, EBITDA amounted to USD 351 mln, net income reached USD 161 mln.

Including Karusel on pro-forma basis the Company's net sales for the first half 2008 totaled USD 4,326 mln, gross profit amounted to USD 1,115 mln, EBITDA – to USD 388 mln and net income – to USD 153 mln.

***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.*



**Appendix I:**

**X5 RETAIL GROUP  
UNAUDITED CONSOLIDATED INCOME STATEMENT  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2008  
(expressed in thousands of US Dollars)**

	Three months ended		Six months ended	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
<b>Revenue</b>	<b>1,980,390</b>	<b>1,241,359</b>	<b>3,766,171</b>	<b>2,347,601</b>
Cost of sales	(1,460,322)	(911,237)	(2,787,888)	(1,730,836)
<b>Gross profit</b>	<b>520,068</b>	<b>330,122</b>	<b>978,283</b>	<b>616,765</b>
Selling, general and administrative expenses	(410,399)	(278,675)	(769,061)	(511,298)
Lease/sublease and other income	24,975	15,066	44,411	31,336
<b>Operating profit</b>	<b>134,644</b>	<b>66,513</b>	<b>253,633</b>	<b>136,803</b>
Finance income	7,185	7,899	8,353	9,074
Finance costs	(32,741)	(37,240)	(65,684)	(63,095)
Net foreign exchange gain	2,418	3,769	44,935	9,947
<b>Profit before tax</b>	<b>111,506</b>	<b>40,940</b>	<b>241,237</b>	<b>92,729</b>
Income tax expense	(37,121)	(26,960)	(80,527)	(51,679)
<b>Profit for the year</b>	<b>74,385</b>	<b>13,980</b>	<b>160,710</b>	<b>41,050</b>

## Appendix II: UNAUDITED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2008 (expressed in thousands of US Dollars)

	Selected Data		Consolidated	Restated	
	X5	Karusel	Balance Sheet	Balance Sheet	Balance Sheet
	30-Jun-08	30-Jun-08	30-Jun-08	31-Dec-07	30-Jun-07
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	2,465,263	1,028,391	3,493,654	1,990,558	1,415,462
Investment property	132,604	-	132,604	129,006	48,232
Goodwill	3,477,643	-	3,477,643	2,955,625	2,681,484
Intangible assets	534,003	15,523	549,526	524,246	481,926
Prepaid leases	71,104	627	71,731	54,846	15,762
Investment in associates	5,041	-	5,041	-	5,250
Loan originated to related parties	-	-	-	-	154
Other non-current assets	2,829	-	2,829	2,534	2,050
Deferred tax assets	62,458	4,148	66,606	31,621	16,184
	n/a	n/a	7,799,634	5,688,436	4,666,504
<b>Current assets</b>					
Inventories of goods for resale	309,716	84,870	394,586	325,240	210,508
Available-for-sale financial assets	-	-	-	-	5,939
Derivative financial assets	12,907	-	12,907	1,500	4,194
Loans originated	1,069	-	1,069	145	20,000
Current portion of non-current prepaid lease	10,671	-	10,671	5,766	-
Trade and other accounts receivable	252,125	180,161	432,286	148,646	131,452
Current income tax receivable	30,151	4,118	34,269	4,628	2,232
VAT and other taxes recoverable	204,875	66,072	270,947	195,752	119,982
Cash	433,280	25,880	459,160	179,496	334,668
	n/a	n/a	1,615,895	861,173	828,975
<b>Total assets</b>	<b>n/a</b>	<b>n/a</b>	<b>9,415,529</b>	<b>6,549,609</b>	<b>5,495,479</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the parent</b>					
Share capital			93,832	70,883	70,936
Share premium			4,251,289	2,896,355	2,901,350
Cumulative translation reserve			463,444	294,169	133,956
Retained earnings/(Accumulated deficit)			142,750	(17,960)	(120,658)
Hedging reserve			12,141	0	
Minority interest			0	220	220
<b>Total equity</b>	<b>n/a</b>	<b>n/a</b>	<b>4,963,456</b>	<b>3,243,667</b>	<b>2,985,804</b>
<b>Non-current liabilities</b>					
Long-term borrowings	1,475,236	280,772	1,756,008	1,464,684	1,859
Long-term finance lease payable	1,469	0	1,469	1,280	2,024
Deferred tax liabilities	231,816	137,778	369,594	213,322	184,206
Long-term deferred revenue	4,538	543	5,081	3,221	1,513
Share-based payments liability	51,380	0	51,380	43,208	21,700
Other non-current liabilities	-	-	0	0	-
	n/a	n/a	2,183,532	1,725,715	211,302
<b>Current liabilities</b>					
Trade accounts payable	941,310	192,241	1,133,551	971,570	546,525
Short-term borrowings	425,403	136,621	562,024	253,733	1,468,385
Share-based payments liability	2,500	0	2,500	2,389	6,163
Derivative financial liabilities	2,603	0	2,603	0	77,362
Short-term finance lease payables	1,773	0	1,773	2,280	2,373
Interest accrued	22,474	4,701	27,175	2,763	5,456
Short-term deferred revenue	5,163	0	5,163	4,943	2,900
Current income tax payable	14,124	1,486	15,610	33,303	16,787
Provisions and other liabilities	396,604	121,538	518,142	309,246	172,422
	n/a	n/a	2,268,541	1,580,227	2,298,373
<b>Total liabilities</b>	<b>n/a</b>	<b>n/a</b>	<b>4,452,073</b>	<b>3,305,942</b>	<b>2,509,675</b>
<b>Total equity and liabilities</b>	<b>n/a</b>	<b>n/a</b>	<b>9,415,529</b>	<b>6,549,609</b>	<b>5,495,479</b>

**Appendix III: X5 RETAIL GROUP UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2008**  
(expressed in thousands of US Dollars)

	30-Jun-08	30-Jun-07
<b>Profit before tax</b>	241,237	92,729
<u>Adjustments for:</u>		
Depreciation and amortisation	98,021	75,185
Gain on disposal of property, plant and equipment	(27)	(2,154)
Finance costs, net	57,340	54,021
Impairment of trade and other accounts receivable	4,827	70
Share-based payments expense	9,992	21,700
Amortisation of deferred expenses	2,511	1,405
Other	881	
Net foreign exchange gain	(44,935)	(9,947)
<b>Net cash from operating activities before changes in working capital</b>	<b>369,847</b>	<b>233,009</b>
(Increase)/Decrease in trade and other accounts receivable	(68,158)	2,215
Decrease in inventories	32,603	6,509
Decrease in trade payable	(81,004)	(21,210)
Increase/(Decrease) in other accounts payable	32,521	(108,498)
<b>Net cash generated from operations</b>	<b>285,809</b>	<b>112,025</b>
Interest paid	(43,301)	(51,093)
Interest received	4,377	6,350
Income tax paid	(149,217)	(52,945)
<b>Net cash from operating activities</b>	<b>97,668</b>	<b>14,337</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(421,254)	(201,501)
Non-current prepaid lease	(15,944)	(2,389)
Acquisition of subsidiaries, net of cash acquired	(691,813)	1,688
Short-term loans issued	(898)	(19,873)
Proceeds from sale of property, plant and equipment	1,017	14,978
Acquisition of investments available for sale	-	(15,111)
Proceeds from sale of investments available for sale	-	9,232
Purchase of intangible assets	(2,892)	(735)
<b>Net cash used in investing activities</b>	<b>(1,131,784)</b>	<b>(213,711)</b>
<b>Cash flows from financing activities</b>		
Proceeds from short-term loans	1,184,508	678,543
Repayment of short-term loans	(1,034,314)	(413,311)
Proceeds from long-term loans	-	199,869
Proceeds from issue of share capital	1,007,592	
Proceeds from sale of treasury shares	143,336	
Repayment from long-term loans	-	(101,949)
Principal payments on finance lease obligations	(1,358)	(2,133)
<b>Net cash from financing activities</b>	<b>1,299,765</b>	<b>361,019</b>
Effect of exchange rate changes on cash	14,015	5,035
<b>Net increase in cash and cash equivalents</b>	<b>279,664</b>	<b>166,680</b>
<b>Movements in cash</b>		
Cash at the beginning of the period	179,496	167,988
Net decrease in cash	279,664	166,680
<b>Cash at the end of the period</b>	<b>459,160</b>	<b>334,668</b>

## Appendix IV

### FORMATA HOLDING (KARUSEL) UNAUDITED CONSOLIDATED INCOME STATEMENT FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2008 (expressed in thousands of US Dollars)

	Three months ended		Six months ended	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
<b>Revenue</b>	<b>306,821</b>	<b>191,566</b>	<b>559,659</b>	<b>343,163</b>
Cost of sales	(230,876)	(144,401)	(423,052)	(259,473)
<b>Gross profit</b>	<b>75,946</b>	<b>47,165</b>	<b>136,607</b>	<b>83,690</b>
Selling, general and administrative expenses	(71,691)	(42,567)	(132,530)	(76,790)
Lease/sublease and other income	3,793	2,874	8,132	5,302
<b>Operating profit</b>	<b>8,047</b>	<b>7,472</b>	<b>12,209</b>	<b>12,202</b>
Finance costs (net)	(9,423)	(4,951)	(15,732)	(9,030)
Net foreign exchange gain	21	15	(6)	15
<b>Profit before tax</b>	<b>(1,355)</b>	<b>2,536</b>	<b>(3,529)</b>	<b>3,187</b>
Income tax expense	(3,441)	(1,183)	(4,283)	(1,443)
<b>Profit for the year</b>	<b>(4,796)</b>	<b>1,353</b>	<b>(7,812)</b>	<b>1,744</b>



## Appendix V:

### FORMATA HOLDING (KARUSEL) SG&A EXPENSES BREAK-DOWN FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2008, (expressed in millions of US Dollars)

USD mln	Q2 2008	Q2 2007	% change, y-o-y	H1 2008	H1 2007	% change, y-o-y
<b>Staff Costs, incl.</b>	(33.9)	(20.0)	69%	(61.2)	(35.8)	71%
<i>% of Net Sales</i>	11.0%	10.5%		10.9%	10.4%	
<b>ESOP</b>	-	-	n/a	-	-	n/a
<i>% of Net Sales</i>	0.0%	0.0%		0.0%	0.0%	
<b>Lease Expenses</b>	(1.7)	(0.6)	211%	(3.2)	(1.0)	222%
<i>% of Net Sales</i>	0.6%	0.3%		0.6%	0.3%	
<b>Other Store Costs</b>	(5.1)	(2.7)	90%	(9.2)	(4.7)	95%
<i>% of Net Sales</i>	1.6%	1.4%		1.7%	1.4%	
<b>D&amp;A</b>	(12.4)	(8.7)	42%	(23.9)	(16.8)	42%
<i>% of Net Sales</i>	4.0%	4.6%		4.3%	4.9%	
<b>Utilities</b>	(9.7)	(5.7)	71%	(18.3)	(10.2)	80%
<i>% of Net Sales</i>	3.2%	3.0%		3.3%	3.0%	
<b>Third Party Services</b>	(4.7)	(3.2)	45%	(9.3)	(5.0)	85%
<i>% of Net Sales</i>	1.5%	1.7%		1.7%	1.5%	
<b>Other Expenses</b>	(4.2)	(1.6)	156%	(7.3)	(3.3)	124%
<i>% of Net Sales</i>	1.4%	0.9%		1.3%	0.9%	
<b>Total SG&amp;A</b>	<b>(71.7)</b>	<b>(42.6)</b>	<b>68%</b>	<b>(132.5)</b>	<b>(76.8)</b>	<b>73%</b>
<i>% of Net Sales</i>	<b>23.4%</b>	<b>22.2%</b>		<b>23.7%</b>	<b>22.4%</b>	

## Appendix VI:

### DETAILS OF ASSETS AND LIABILITIES ACQUIRED IN FORMATA HOLDING (KARUSEL)

(expressed in thousands of US Dollars)

As at 30 June 2008	Acquiree's carrying amount, Russian GAAP 000'USD	Provisional values 000'USD
Cash and cash equivalents	25,880	25,880
Inventory of goods for resale	103,230	84,870
Loans originated	616	-
Trade and other accounts receivable	250,599	250,351
Intangible assets	-	15,523
Property, plant and equipment	495,697	1,028,391
Prepaid lease	9	627
Deferred tax assets	7,044	4,148
Other assets	586	-
Short-term borrowings	(136,621)	(136,621)
Trade and other accounts payable	(260,201)	(280,509)
Provisions for tax contingencies	-	(40,000)
Long-term borrowings	(280,772)	(280,772)
Deferred tax liabilities	(8,527)	(137,778)
Net assets acquired	197,540	534,110
Goodwill		369,580
Total acquisition cost		903,690

## Appendix VII

**X5 RETAIL GROUP (INCLUDING FORMATA HOLDING (KARUSEL))  
UNAUDITED PRO-FORMA INCOME STATEMENT  
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2008  
(expressed in thousands of US Dollars)**

	Three months ended		Six months ended	
	30-Jun-08	30-Jun-07	30-Jun-08	30-Jun-07
<b>Revenue</b>	<b>2,287,211</b>	<b>1,432,925</b>	<b>4,325,830</b>	<b>2,690,764</b>
Cost of sales	(1,691,198)	(1,055,638)	(3,210,940)	(1,990,309)
<b>Gross profit</b>	<b>596,014</b>	<b>377,287</b>	<b>1,114,890</b>	<b>700,455</b>
Selling, general and administrative expenses	(482,090)	(321,242)	(901,591)	(588,088)
Lease/sublease and other income	28,768	17,940	52,543	36,638
<b>Operating profit</b>	<b>142,691</b>	<b>73,985</b>	<b>265,842</b>	<b>149,005</b>
Finance income	7,185	7,899	8,353	9,074
Finance costs	(42,164)	(42,191)	(81,416)	(72,125)
Net foreign exchange gain	2,439	3,784	44,929	9,962
<b>Profit before tax</b>	<b>110,151</b>	<b>43,476</b>	<b>237,708</b>	<b>95,916</b>
Income tax expense	(40,562)	(28,143)	(84,810)	(53,122)
<b>Profit for the year</b>	<b>69,589</b>	<b>15,333</b>	<b>152,898</b>	<b>42,794</b>



**Appendix VIII**  
**Financial Calendar for 2008**

<b>Date</b>	<b>Event</b>
October 9, 2008, TBC	Q3 2008 Trading Update Release
November 27, 2008, TBC	Q3 2008 Financial Results Release