X5 REPORTS Q2 & H1 2009 RESULTS:

SOLID TOP LINE GROWTH AND EFFICIENCY FOCUS SUPPORT EBITDA MARGIN AT 8.7%

Amsterdam, 27 August 2009 - X5 Retail Group N.V., Russia's largest retailer in terms of sales (LSE ticker: "FIVE"), today published its interim report for the second quarter and first half of 2009.

Q2 2009 Highlights

- Consolidated* net sales increased 46% year-on-year in RUR terms to RUR 68,202 mln or 7% in USD terms to USD 2,111 mln;
- On a pro-forma basis**, net sales grew 26% year-on-year in RUR terms and declined 8% in USD terms (due to negative RUR devaluation effect);
- Gross profit totaled USD 521 mln, for a gross margin of 24.7%;
- EBITDA amounted to USD 184 mln, for an EBITDA margin of 8.7%;
- X5 reported a net profit of USD 130 mln on the back of strong operational performance and a non-cash foreign exchange (FX) gain;

H1 2009 Highlights

- Consolidated* net sales increased 46% year-on-year in RUR terms to RUR 131,548 mln or 6% in USD terms to USD 3,978 mln;
- On a pro-forma basis**, net sales grew 27% year-on-year in RUR terms and declined 8% in USD terms (due to negative RUR devaluation effect);
- Gross profit totaled USD 979 mln, for a gross margin of 24.6%;
- EBITDA amounted to USD 347 mln, for an EBITDA margin of 8.7%;
- X5 reported a net profit of USD 48 mln, affected by quarter-on-quarter fluctuations in non-cash FX result;

- 2009 sales growth and CapEx outlook, as announced on 6 March 2009, reiterated.

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

"In the first half of the year X5 delivered the highest like-for-like sales growth among Russian peers thanks to our "close-to-the-customer" approach and flexibility of X5's multi-format business model. We continue to fine-tune our formats' strategies to achieve clear distinction between value propositions and ensure long-term multi-format success and leadership. One of our current priorities is private label development, which includes realignment of X5's private label strategy across formats with a focus on building own brands and creating wider choice to drive sales and support margins.

* Consolidated figures include the results of the acquired Karusel business from 30 June 2008 (i.e. include them in Q2 and H1 2009 and exclude them in Q2 and H1 2008).

** Pro-forma figures include the results of the acquired Karusel business in Q2 and H1 2009, as well as in Q2 and H1 2008.

"Another important area of our focus is efficiency of operations. X5 has launched a multi-year Strategic Efficiency Program to drive long-term operational excellence in line with international benchmarks. The Program covers virtually every area of X5's operations and includes: creation of a fully integrated supply chain; upgrade and integration of the Company's IT systems on the basis of a best-in-class ERP system; new initiatives to improve labour productivity and asset efficiency in areas such as property leasing and energy consumption; and business simplification to standardize processes and increase organizational effectiveness."

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

"We are quite happy with the achieved cost savings in the past several quarters - our aggressive cost controls enabled continuous reduction in SG&A expense as percentage of sales: second quarter 2009 SG&A accounted for 19.6% of net revenue, 150 bp down from 21.1% on pro-forma basis a year ago. In line with our "close-to-the-customer" policy we reinvested these savings in prices, which enabled X5 to deliver the best like-for-like performance in Russian food retail. Now, to achieve long-term sustainability, we need to bring our efficiency focus to a new level, which will be done through our Strategic Efficiency Program."

Profit & Loss – Key Trends and Developments

Profit & loss figures in this Interim Management Report are presented on a pro-forma basis, unless otherwise stated. Pro-forma figures include results of the acquired Karusel hypermarket chain from 1 January 2008 and 2009, respectively. We believe pro-forma numbers are useful because they allow investors to evaluate X5's operating results and financial performance for different periods on a more comparable basis. These figures should be used in addition to, but not as a substitute for, the consolidated financial statements, which are included in this Interim Report.

Pro-Forma* P&L Highlights**

USD mln	Q2 2009	Q2 2008	*% change y-o-y*	H1 2009	H1 2008	*% change y-o-y*
Net Sales	**2,111.2**	**2,287.2**	***(8%)***	**3,978.1**	**4,325.8**	***(8%)***
incl. Retail	2,099.6	2,274.2	*(8%)*	3,959.0	4,301.6	*(8%)*
Gross Profit	**520.8**	**596.0**	***(13%)***	**979.0**	**1,114.9**	***(12%)***
Gross Margin, %	*24.7%*	*26.1%*		*24.6%*	*25.8%*	
EBITDA	**184.3**	**210.8**	***(13%)***	**347.0**	**387.5**	***(10%)***
EBITDA Margin, %	*8.7%*	*9.2%*		*8.7%*	*9.0%*	
Operating Profit	**129.1**	**142.7**	***(10%)***	**246.0**	**265.8**	***(7%)***
Operating Margin, %	*6.1%*	*6.2%*		*6.2%*	*6.1%*	
Net Profit	**130.4**	**69.6**	***87%***	**48.3**	**152.9**	***(68%)***
Net Margin, %	*6.2%*	*3.0%*		*1.2%*	*3.5%*	

* Pro-forma figures include the results of the acquired Karusel business in Q2 and H1 2009, as well as in Q2 and H1 2008.

** Please note that in this and other tables of the Interim Management Report immaterial deviations in calculation of % change, subtotals and totals are explained by rounding

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

X5's operational currency is the Russian Ruble (RUR), while our presentation currency is the U.S. Dollar (USD). As RUR/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. For more details please see page 7 of this Interim Management Report.

Net Sales & Gross Margin Performance

USD mln	Q2 2009	Q2 2008	*% change y-o-y*	H1 2009	H1 2008	*% change y-o-y*
Net Sales	**2,111.2**	**2,287.2**	***(8%)***	**3,978.1**	**4,325.8**	***(8%)***
incl. Retail	2,099.6	2,274.2	*(8%)*	3,959.0	4,301.6	*(8%)*
Hypermarkets	394.8	441.1	*(10%)*	747.9	822.1	*(9%)*
Supermarkets	573.7	696.3	*(18%)*	1,113.7	1,334.9	*(17%)*
Soft Discounters	1,131.1	1,136.8	*(1%)*	2,097.3	2,144.6	*(2%)*
Gross Profit	**520.8**	**596.0**	***(13%)***	**979.0**	**1,114.9**	***(12%)***
Gross Margin, %	*24.7%*	*26.1%*		*24.6%*	*25.8%*	

For the second quarter 2009 X5 reported net sales of USD 2,111 mln - a year-on-year decline of 8% in USD terms. In RUR terms net revenue for the quarter increased 26% year-on-year. For the first half 2009 net sales totaled USD 3,978 mln - a year-on-year decline of 8% in USD terms and 27% growth in RUR terms thanks to 12% growth in like-for-like (LFL)* sales with the rest coming from expansion.

In the first half 2009 X5 reported solid like-for-like sales growth despite weaker consumer confidence and persisting trading down trends. The clearest gains came from our soft discounter format, which is benefiting in the current macro environment thanks to Pyaterochka's offer of lowest price on 100% of assortment. Supermarket performance underscored the resilience of Moscow and St. Petersburg, offset by weaker consumer confidence in the regions. We continue to adjust our hypermarket format, promoting Karusel's brand across regions of its presence in order to educate consumers about our *"wide choice at low price"* promise. This comes along with our efforts to build brand loyalty via every day low pricing initiatives as well as promotions and special actions.

Second quarter 2009 gross margin totaled 24.7% - a 140 bp decline versus second quarter 2008, translating into the first half gross margin of 24.6% (120 bp decline year-on-year). The decline is attributable to our continuous investment in prices across formats, including change in Pyaterochka's pricing policy to offer lowest price in the market on every item; a managed reduction in Karusel's gross margin; and the change of product mix in favour of staples on the back of trading down trends.

* 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	Q2 2009	Q2 2008	*% change, y-o-y*	H1 2009	H1 2008	*% change, y-o-y*
Staff Costs, incl.	(178.6)	(229.5)	*(22%)*	(342.4)	(430.6)	*(20%)*
% of Net Sales	*8.5%*	*10.0%*		*8.6%*	*10.0%*	
ESOP	(7.3)	(6.9)	*6%*	(5.2)	(10.0)	*(48%)*
% of Net Sales	*0.3%*	*0.3%*		*0.1%*	*0.2%*	
Lease Expenses	(63.2)	(66.1)	*(4%)*	(124.4)	(128.9)	*(4%)*
% of Net Sales	*3.0%*	*2.9%*		*3.1%*	*3.0%*	
Other Store Costs	(27.2)	(34.1)	*(20%)*	(51.0)	(62.2)	*(18%)*
% of Net Sales	*1.3%*	*1.5%*		*1.3%*	*1.4%*	
D&A	(55.2)	(68.1)	*(19%)*	(101.0)	(121.6)	*(17%)*
% of Net Sales	*2.6%*	*3.0%*		*2.5%*	*2.8%*	
Utilities	(36.5)	(37.5)	*(3%)*	(72.3)	(68.9)	*5%*
% of Net Sales	*1.7%*	*1.6%*		*1.8%*	*1.6%*	
Third Party Services	(17.6)	(26.6)	*(34%)*	(32.5)	(45.5)	*(28%)*
% of Net Sales	*0.8%*	*1.2%*		*0.8%*	*1.1%*	
Other Expenses	(34.9)	(20.2)	*73%*	(55.6)	(43.9)	*27%*
% of Net Sales	*1.7%*	*0.9%*		*1.4%*	*1.0%*	
Total SG&A	**(413.2)**	**(482.1)**	***(14%)***	**(779.2)**	**(901.6)**	***(14%)***
% of Net Sales	***19.6%***	***21.1%***		***19.6%***	***20.8%***	

Second quarter 2009 SG&A expenses decreased as a percentage of revenue by 150 bp year-on-year to 19.6%. First half 2009 SG&A also totaled 19.6% of revenue - a year-on-year decrease of 120 bp. Net of ESOP expense, SG&A accounted for 19.3% of sales in Q2 2009 and 19.5% for H1 2009 (a year-on-year decrease of 150 bp and 110 bp, respectively).

SG&A decline as a percentage of revenue was achieved through cost control initiatives implemented in response to the tougher economic environment. Key savings were obtained as a result of administrative expense and staff cost optimization. As at 30 June 2009 the Company employed 61,055 people compared to 60,467 as at 31 December 2008 despite new store openings (in the first half 2009 X5 opened 63 new stores, including 7 hypermarkets) and distribution network expansion, which reflects headcount optimization at both head office and store levels.

Non-Operating Gains and Losses

USD mln	Q2 2009	Q2 2008	*% change, y-o-y*	H1 2009	H1 2008	*% change, y-o-y*
Operating Profit	**129.1**	**142.7**	*(10%)*	**246.0**	**265.8**	*(7%)*
Finance Costs (Net)	(40.7)	(35.0)	*16%*	(76.0)	(73.1)	*4%*
Net FX Result	86.0	2.4	*3425%*	(77.8)	44.9	*n/a*
Share of Loss of Associates	0.3	-	*n/a*	(2.5)	-	*n/a*
Profit before Tax	**174.6**	**110.2**	*59%*	**89.8**	**237.7**	*(62%)*
Income Tax Expense	(44.2)	(40.6)	*9%*	(41.5)	(84.8)	*(51%)*
Current Income Tax	(26.1)	(58.8)	*(56%)*	(68.8)	(111.9)	*(39%)*
Deferred Income Tax	(18.1)	18.3	*n/a*	27.3	27.1	*1%*
Net Profit	**130.4**	**69.6**	*87%*	**48.3**	**152.9**	*(68%)*
Net Margin, %	*6.2%*	*3.0%*		*1.2%*	*3.5%*	

Finance Costs
First half 2009 net finance costs increased 4% year-on-year in USD terms and 44% in RUR terms due to higher interest rates on short-term RUR funding. Over 85% of the Company's debt portfolio has a fixed interest rate: LIBOR is hedged on the USD 1.1 bln syndicated loan, resulting in an effective interest rate of appr. 4.2% p.a., the Company's RUR 9 bln bonds placed in 2007 have a fixed coupon of 7.6% p.a. until put in July 2010, while RUR 8 bln bonds issued in June 2009 have a fixed coupon of 18.46% p.a. until put in June 2011. The Company is thus largely protected against fluctuations in interest rates. The effective interest rate on X5's total debt for the first half 2009 was approximately 8.15%.

Foreign Exchange (FX) Gain/(Loss)
The Company posted USD 78 mln of foreign exchange (FX) loss in the first half of 2009, which is a result of USD 164 mln FX loss in the first quarter on the back of sharp RUR devaluation and USD 86 mln FX gain in the second quarter due to partial RUR recovery. This is a primarily non-cash item, resulting from revaluation of the Company's long-term USD-denominated debt.

Income Tax

In the second quarter 2009 X5 reported income tax expense in the amount of USD 44 mln, translating into first half 2009 income tax expense of 41 mln, as in the first quarter 2009 X5 reported income tax benefit of USD 3 mln. Effective tax rate for the first half 2009 was affected by the fluctuations in the FX result, which reversed from loss in Q1 2009 to gain in Q2 2009. Net of FX, normalized effective tax rate for the first half 2009 was 35%.

Consolidated* Cash Flow – Key Trends and Developments

USD mln	Q2 2009	Q2 2008	*% change, y-o-y*	H1 2009	H1 2008	*% change, y-o-y*
Net Cash Flows from Operating Activities	77.9	77.8	*0%*	39.5	112.1	*(65%)*
Net Cash from Operating Activities before Changes in Working Capital	210.2	200.2	*5%*	380.1	369.8	*3%*
Change in Working Capital	(56.1)	(9.1)	*514%*	(182.9)	(69.6)	*163%*
Net Interest and Income Tax Paid	(76.2)	(113.2)	*(33%)*	(157.8)	(188.1)	*(16%)*
Net Cash Used in Investing Activities	(55.8)	(1,074.6)	*(95%)*	(99.0)	(1,226.7)	*(92%)*
Net Cash (Used in)/Generated from Financing Activities	23.9	1,221.6	*(98%)*	(61.4)	1,299.8	*n/a*
Effect of Exchange Rate Changes on Cash & Cash Equivalents	17.3	5.7	*201%*	(11.0)	12.3	*n/a*
Net Increase/(Decrease) in Cash & Cash Equivalents	**63.2**	**230.6**	***(73%)***	**(132.0)**	**197.5**	***n/a***

First half 2009 net cash from operating activities totaled USD 40 mln versus USD 112 mln a year ago. Strong cash generation from operations (3% growth in USD terms and 42% growth in RUR terms) was offset by three major factors that affected working capital:

* Including Karusel results from 30 June 2008 (i.e. including in Q2&H1 2009 and excluding them in Q2&H1 2008)

- Typical for the first half of the year decrease in inventories was offset by stocking up for extensive store openings, particularly hypermarkets (7 hypermarkets opened in H1 2009) and for new DCs (X5 expanded DC space by 37 thousand sq. m. in H1 2009);
- Decrease in trade and other accounts payable on the back of a) seasonality, as in the first quarter the Company paid suppliers for inventories accumulated in the fourth quarter 2008 for New Year and Christmas sales; and b) shortening of payment days for agricultural and some other products aimed at supporting suppliers affected by the crisis, ensuring product availability and negotiating better prices;
- Increase in trade and other accounts receivable on the back of business growth.

Net cash used in investing activities totaled USD 99 mln compared to USD 559 mln of organic CapEx spent in the first half of last year (net of Karusel acquisition). Such CapEx saving was achieved due to decrease in construction and repair costs as a result of the economic crisis and focus on renting versus owning in terms of new openings (almost 70% of selling space added or 60% of new stores opened in the first half 2009 were leased). In the first half 2009 X5 expanded its selling space by 62 thousand sq.m. (net addition of 63 stores including 7 hypermarkets) compared to 51 thousand sq.m. added organically in the first half 2008 (100 stores including one hypermarket). The Company also continued to invest in logistics and IT infrastructure development.

Net cash used in financing activities in the first half 2009 amounted to USD 61 mln as the Company used available cash to reduce outstanding debt.

Liquidity Update

USD mln	30-Jun-09	% in total	31-Mar-09	% in total	31-Dec-08	% in total
Total Debt	**1,962.4**		**1,863.9**		**2,059.4**	
Short-Term Debt	272.1	*14%*	440.7	*24%*	578.4	*28%*
Long-Term Debt	1,690.3	*86%*	1,423.2	*76%*	1,481.0	*72%*

As at 30 June 2009, the Company's total debt amounted to RUR 61.4 bln or USD 1,962 mln (at RUR/USD exchange rate of 31.29). Net debt totaled RUR 56.9 bln or USD 1,818 mln - largely flat since 31 March 2009 in comparable terms (excluding FX revaluation effects).

USD mln	30-Jun-09	% in total	31-Mar-09	% in total	31-Dec-08	% in total
Net Debt	**1,817.6**		**1,782.2**		**1,782.6**	
Denominated in USD	1,061.8	*58%*	1,081.5	*61%*	1,170.0	*66%*
Denominated in RUR	755.8	*42%*	700.7	*39%*	612.6	*34%*
FX, EoP	31.3		34.0		29.4	
Net Debt/EBITDA	**2.38x**		**2.26x**		**2.22x**	

On 11 June 2009 X5 completed placement of RUR 8 bln of corporate ruble bonds with a 7-year maturity and a put option for debt holders in 2 years. The coupon rate for the first two years (until put) was fixed at 18.46% p.a. (paid semiannually), coupon rates for years 3 – 7 will be set by the issuer prior to the put option exercise date.

This issue was aimed at improving the Company's maturity profile, and proceeds from the placement were used for repayment of the Company's short-term obligations, which decreased from RUR 15 bln or USD 441 mln as at 31 March 2009 to RUR 8.5 bln or USD 272 mln as at 30 June 2009. Remaining short-term debt is RUR-denominated and represents primarily revolving credit lines with major Russian and international banks. Please note that X5's short-term debt will increase in Q3 2009 due to the fact that the Company's RUR 9 bln bonds with a put option in July 2010 (issued in July 2007) will be reclassified from long-term to short-term obligations because of the put option in July 2010, as the Company applies a conservative approach.

As at 30 June 2009, the Company had access to RUR-denominated credit facilities of over RUR 23 bln (over USD 700 mln), out of which RUR 15 bln (approximately USD 484 mln) are available undrawn credit lines. This puts X5 in a very flexible and comfortable position with respect to short-term liquidity.

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

X5's operational currency is the Russian Ruble (RUR), while our presentation currency is the U.S. Dollar (USD). As RUR/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 negative 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 38% for Q2 and 39% for H1 2009. For reference, to translate its profit & loss figures from RUR to USD for reporting purposes, the Company applied RUR/USD rate of 23.94 for H1 2008 (average for the period) and RUR/USD rate of 33.07 for H1 2009 (average for the period). Reported USD-denominated profit & loss figures for Q2 2009 and 2008 represent difference between reported H1 and Q1 figures for respective years.

- Comparisons of balance sheet figures as at 30 June 2009 to balance sheet figures as at 31 December 2008 reflect a negative translational effect from RUR/USD rate movement, resulting in a difference between change in RUR and the respective change in USD of approximately 7%. For reference, to translate its balance sheet figures from RUR to USD for reporting purposes, the Company applied RUR/USD rate of 29.38 as at 31 December 2008 and RUR/USD rate of 31.29 as at 30 June 2009.

Risks and Uncertainties

X5's system of internal control procedures and risk management techniques provides Management Board with understanding and ongoing monitoring of key business risks and management practices in place to mitigate these risks. X5 recognizes strategic, compliance (legal and regulatory), operational, financial and financial reporting risks categories. The principal risks faced by the Company during first half of 2009 were the same as those identified at the 2008 year end. Management of X5 does not presently anticipate any material changes to the nature of the risks affecting its business over the second half of the financial year. A description of X5 risk management practices, principal risks and how they impact X5 business is provided in X5's 2008 Annual Report.

PRO-FORMA* INTERIM INCOME STATEMENT
FOR THE SIX AND THREE MONTHS ENDED 30 JUNE 2009
(expressed in thousands of US Dollars, unless otherwise stated)

	Three months ended		Six months ended	
	30-Jun-09	**30-Jun-08**	**30-Jun-09**	**30-Jun-08**
Revenue	**2,111,205**	**2,287,211**	**3,978,108**	**4,325,830**
Cost of sales	(1,590,389)	(1,691,198)	(2,999,122)	(3,210,940)
Gross profit	**520,816**	**596,014**	**978,986**	**1,114,890**
Selling, general and administrative expenses	(413,240)	(482,090)	(779,215)	(901,591)
Lease/sublease and other income	21,513	28,768	46,253	52,543
Operating profit	**129,089**	**142,691**	**246,024**	**265,842**
Net finance costs	(40,689)	(34,979)	(75,972)	(73,063)
Net foreign exchange result	85,958	2,439	(77,790)	44,929
Share of loss of associate	253	-	(2,500)	-
Profit before tax	**174,611**	**110,151**	**89,762**	**237,708**
Income tax expense	(44,224)	(40,562)	(41,510)	(84,810)
Profit for the period	**130,387**	**69,589**	**48,252**	**152,898**

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.

* Including the results of the acquired Karusel business in both Q2&H1 2009 and Q2&H1 2008

X5 Retail Group

Condensed Consolidated Interim Financial Statements and Review Report

30 June 2009

Provided under IAS 34 as adopted by the EU

Contents

DIRECTORS' RESPONSIBILITY STATEMENT

This report contains the half-yearly financial report of X5 Retail Group N.V. ("the Company") for the six months ended 30 June 2009 and consists of the half-yearly management report and responsibility statement by the Company's Management Board (the "Management Board") and the condensed consolidated half-yearly financial statements.

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the review report, is made with a view to distinguishing the respective responsibilities of the Management Board and those of the independent auditors in relation to the condensed consolidated interim financial statements of X5 Retail Group N.V. and its subsidiaries (the "Group").

The Management Board is responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of the Group at 30 June 2009, and the results of its operations, cash flows and changes in shareholders' equity for the six months then ended, in compliance with International Accounting Standard 34 "Interim Financial Reporting".

In preparing the condensed consolidated interim financial statements, the Management Board is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS as adopted by the European Union and IFRS as issued by the International Accounting Standards Board have been followed, subject to any material departures disclosed and explained in the condensed consolidated interim financial statements; and
- Preparing the condensed consolidated interim financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

The Management Board is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the condensed consolidated interim financial statements of the Group comply with International Accounting Standard 34 "Interim Financial Reporting";
- Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The Management Board hereby declares that to the best of their knowledge, the half-yearly financial statements included in this interim report, which have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", give a true and fair view in all material respects of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the half-yearly management report included in this interim report gives a fair view in all material respects of the information required pursuant to section 5:25d (8) / (9) of the Dutch Financial Markets Supervision Act *(Wet op het financieel toezicht)*.

Lev Khasis	**Evgeny Kornilov**
Chief Executive Officer	Chief Financial Officer

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Review report

To the Management Board of X5 Retail Group N.V.:

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements for the 6-months period ended 30 June 2009, of X5 Retail Group N.V., Amsterdam, as set out on pages 13 to 34, which comprises the condensed statement of financial position as at 30 June 2009, the condensed income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the selected explanatory notes for the 6-months period then ended. Management of the company is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements as at 30 June 2009 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

PricewaterhouseCoopers Accountants N.V.
Amsterdam
26 August 2009

P.C. Dams RA

(Expressed in thousands of US Dollars, unless otherwise stated)

	Note	30 June 2009	31 December 2008
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,826,737	3,040,843
Investment property		115,685	125,693
Goodwill	8	537,923	552,823
Intangible assets	7	467,686	499,188
Prepaid leases		84,681	80,677
Investment in associate		6,799	10,054
Other non-current assets		1,191	2,446
Deferred tax assets		105,901	96,185
		4,146,603	4,407,909
Current assets			
Inventories of goods for resale		439,361	476,742
Derivative financial assets		666	765
Loans originated		949	350
Current portion of non-current prepaid lease		12,071	10,154
Trade and other accounts receivable		176,735	177,462
Current income tax receivable		71,295	60,866
VAT and other taxes recoverable		195,343	239,418
Cash and cash equivalents		144,862	276,837
		1,041,282	1,242,594
Total assets		**5,187,885**	**5,650,503**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	10	93,712	93,712
Share premium		2,049,144	2,049,144
Cumulative translation reserve		(618,579)	(520,184)
Accumulated profit		82,193	33,941
Hedging reserve		(16,795)	(18,180)
Total equity		**1,589,675**	**1,638,433**
Non-current liabilities			
Long-term borrowings	9	1,690,343	1,480,968
Long-term finance lease payable		5,252	1,843
Deferred tax liabilities		193,039	219,308
Long-term deferred revenue		2,041	3,482
Share-based payments liability	13	30,182	30,665
		1,920,857	1,736,266
Current liabilities			
Trade accounts payable		889,648	1,176,249
Short-term borrowings	9	272,085	578,433
Share-based payments liability	13	12,975	7,256
Derivative financial liabilities		16,795	18,180
Short-term finance lease payables		2,849	2,197
Interest accrued		17,550	9,089
Short-term deferred revenue		3,822	4,872
Current income tax payable		10,587	20,887
Provisions and other liabilities		451,042	458,641
		1,677,353	2,275,804
Total liabilities		**3,598,210**	**4,012,070**
Total equity and liabilities		**5,187,885**	**5,650,503**

Lev Khasis
Chief Executive Officer
26 August 2009

Evgeny Kornilov
Chief Financial Officer
26 August 2009

The accompanying Notes on pages 18 to 34 are an integral part of these condensed consolidated interim financial statements.

(Expressed in thousands of US Dollars, unless otherwise stated)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Revenue		**3,978,108**	**3,766,171**
Cost of sales		(2,999,122)	(2,787,888)
Gross profit		**978,986**	**978,283**
Selling, general and administrative expenses		(779,215)	(769,061)
Lease/sublease and other income		46,253	44,411
Operating profit		**246,024**	**253,633**
Finance costs	12	(77,418)	(65,684)
Finance income	12	1,446	8,353
Share of loss of associate	6	(2,500)	-
Net foreign exchange result		(77,790)	44,935
Profit before tax		**89,762**	**241,237**
Income tax expense	14	(41,510)	(80,527)
Profit for the period		**48,252**	**160,710**
Profit for the period attributable to:			
Equity holders of the parent		48,252	160,710
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in USD per share)		**0.71**	**2.68**
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in USD per share)		**0.71**	**2.67**

Lev Khasis
Chief Executive Officer
26 August 2009

Evgeny Kornilov
Chief Financial Officer
26 August 2009

(Expressed in thousands of US Dollars, unless otherwise stated)

		Six months ended 30 June 2009	Six months ended 30 June 2008
Profit for the period		**48,252**	**160,710**
Other comprehensive (loss)/income			
Exchange differences on translation from functional to presentation currency		(98,395)	169,275
Changes in fair value of financial instruments	16	1,385	12,141
Other comprehensive (loss)/income for the period		**(97,010)**	**181,416**
Total comprehensive (loss)/income for the period		**(48,758)**	**342,126**
Total comprehensive (loss)/income for the period attributable to:			
Equity holders of the parent		(48,758)	342,126

Lev Khasis
Chief Executive Officer
26 August 2009

Evgeny Kornilov
Chief Financial Officer
26 August 2009

(Expressed in thousands of US Dollars, unless otherwise stated)

	Note	Six months ended 30 June 2009	Six months ended 30 June 2008
Profit before tax		**89,762**	**241,237**
Adjustments for:			
Depreciation and amortisation	7	100,968	98,021
Loss/(Gain) on disposal of property, plant and equipment		504	(27)
Finance costs, net	12	75,972	57,331
Impairment of trade and other accounts receivable		10,339	4,827
Share-based option expense	13	5,236	9,992
Amortisation of deferred expenses		4,610	2,511
Other non-cash items		14,944	890
Net foreign exchange loss/(gain)		77,790	(44,935)
Net cash from operating activities before changes in working capital		**380,125**	**369,847**
Increase in trade and other accounts receivable		(7,859)	(68,158)
Decrease in inventories		7,834	32,603
Decrease in trade accounts payable		(203,255)	(81,004)
Increase in other accounts payable and deferred revenue		20,406	46,967
Net cash generated from operations		**197,251**	**300,255**
Interest paid		(65,700)	(43,301)
Interest received		2,204	4,377
Income tax paid		(94,278)	(149,217)
Net cash flows from operating activities		**39,477**	**112,114**
Cash flows from investing activities:			
Purchase of property, plant and equipment	7	(76,273)	(501,762)
Proceeds from sale of property, plant and equipment		1,457	1,017
Non-current prepaid lease		(3,499)	(15,944)
Investments in subsidiaries	5	(12,710)	(706,259)
Short-term loans issued		-	(898)
Purchase of intangible assets	7	(7,936)	(2,892)
Net cash used in investing activities		**(98,961)**	**(1,226,738)**
Cash flows from financing activities:			
Proceeds from short-term loans		139,938	1,184,508
Repayment of short-term loans		(424,849)	(1,034,314)
Proceeds from long-term bonds	9	241,881	-
Repayment of long-term loans		(15,675)	-
Proceeds from issue of share capital		-	1,007,592
Proceeds from sale of treasury shares		-	143,336
Acquisition of derivative financial assets		(2,410)	-
Principal payments on finance lease obligations		(328)	(1,358)
Net cash (used in)/generated from financing activities		**(61,443)**	**1,299,764**
Effect of exchange rate changes on cash and cash equivalents		(11,048)	12,345
Net (decrease)/increase in cash and cash equivalents		**(131,975)**	**197,485**
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		276,837	179,496
Net (decrease)/increase in cash and cash equivalents		(131,975)	197,485
Cash and cash equivalents at the end of the period		**144,862**	**376,981**

Lev Khasis
Chief Executive Officer
26 August 2009

Evgeny Kornilov
Chief Financial Officer
26 August 2009

(Expressed in thousands of US Dollars, unless otherwise stated)

		Attributable to the shareholders of the Company								
	Note	**Number of shares**	**Share capital**	**Share premium**	**Hedging reserve**	**Cumulative translation reserve**	**Accumulated profit / (deficit)**	**Total shareholders' equity**	**Minority interest**	**Total**
Balance as at 1 January 2008		**53,177,760**	**70,883**	**2,896,355**	**-**	**294,169**	**(17,960)**	**3,243,447**	**220**	**3,243,667**
Other comprehensive income for the period		-	-	-	12,141	169,275	-	181,416	-	181,416
Profit for the period		-	-	-	-	-	160,710	160,710	-	160,710
Total comprehensive income for the period		**-**	**-**	**-**	**12,141**	**169,275**	**160,710**	**342,126**	**-**	**342,126**
Issue of shares	10	12,026,675	18,979	980,475	-	-	-	999,454	-	999,454
Sale of treasury shares	10	942,278	1,256	142,080	-	-	-	143,336	-	143,336
Acquisition of Formata	10	1,746,505	2,714	228,523	-	-	-	231,237	-	231,237
Acquisition of Minority interest in Chelyabinsk		-	-	-	-	-	-	-	(220)	(220)
Balance as at 30 June 2008		**67,893,218**	**93,832**	**4,247,433**	**12,141**	**463,444**	**142,750**	**4,959,600**	**-**	**4,959,600**
Other comprehensive loss for the period		-	-	-	(30,321)	(983,628)		(1,013,949)	-	(1,013,949)
Loss for the period		-	-	-	-	-	(2,298,997)	(2,298,997)	**-**	(2,298,997)
Total comprehensive loss for the period		**-**	**-**	**-**	**(30,321)**	**(983,628)**	**(2,298,997)**	**(3,312,946)**	**-**	**(3,312,946)**
Transfer of Goodwill impairment to Share premium		-	-	(2,190,188)	-	-	2,190,188	-	-	-
Sale of treasury shares	10	7,500	12	869	-	-	-	881	-	881
Acquisition of treasury shares	10	(86,771)	(132)	(8,970)	-	-	-	(9,102)	-	(9,102)
Balance as at 31 December 2008		**67,813,947**	**93,712**	**2,049,144**	**(18,180)**	**(520,184)**	**33,941**	**1,638,433**	**-**	**1,638,433**
Other comprehensive income/(loss) for the period		-	-	-	1,385	(98,395)		(97,010)	-	(97,010)
Profit for the period		-	-	-			48,252	48,252	-	48,252
Total comprehensive income/(loss) for the period		**-**	**-**	**-**	**1,385**	**(98,395)**	**48,252**	**(48,758)**	**-**	**(48,758)**
Balance as at 30 June 2009		**67,813,947**	**93,712**	**2,049,144**	**(16,795)**	**(618,579)**	**82,193**	**1,589,675**	**-**	**1,589,675**

Lev Khasis
Chief Executive Officer
26 August 2009

Evgeny Kornilov
Chief Financial Officer
26 August 2009

1 PRINCIPLE ACTIVITIES AND GROUP STRUCTURE

These condensed consolidated interim financial statements are for the economic entity comprising X5 Retail Group N.V. (the "Company") and its subsidiaries (the "Group").

X5 Retail Group N.V. is a joint stock limited liability company established in August 1975 under the laws of the Netherlands. The principal activity of the Company is to act as a holding company for a group of companies that operate retail grocery stores. The Company's address is Prins Bernhardplein 200, 1097 JB Amsterdam, the Netherlands.

The main activity of the Group is the development and operation of grocery retail stores. As at 30 June 2009 the Group operated a retail chain of 1,164 soft-discount, supermarket and hypermarket stores under the brand names "Pyaterochka", "Perekrestok" and "Karusel" in major population centres in Russia, including but not limited to Moscow, St. Petersburg, Nizhniy Novgorod, Rostov-on-Don, Kazan, Samara, Lipetsk, Chelyabinsk, Perm, Ekaterinburg and Kiev, Ukraine (31 December 2008: 1,101 soft-discount, supermarket and hypermarket stores under the brand names "Pyaterochka", "Perekrestok" and "Karusel"). The Group's multiformat store network comprises 900 soft discount stores under "Pyaterochka" brand, 211 supermarkets under "Perekrestok" brand and 53 hypermarkets under "Karusel" brand (31 December 2008: 848 soft discount stores under "Pyaterochka" brand, 207 supermarkets under "Perekrestok" brand and 46 hypermarkets under "Karusel" and "Perekrestok" brands).

In addition as at 30 June 2009, the Group's franchisees operated 605 stores (31 December 2008: 607 stores) across Russia.

The Group is a member of the Alfa Group Consortium. As of 30 June 2009 the Company's immediate principal shareholders were Luckyworth Limited and Cesaro Holdings Limited, Alfa Group Consortium companies, owning 25.54% and 21.62% of total issued shares, respectively. As of 30 June 2009 the Company's shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs), with each GDR representing an interest of 0.25 in an ordinary share, except for 1,746,505 shares issued within the Karusel acquisition (Note 10), which have not been listed on the LSE. As of 30 June 2009 the ultimate parent company of the Group is CTF Holdings Ltd. ("CTF"), an Alfa Group Consortium company registered at Suite 2, 4 Irish Place, Gibraltar, owning directly 0.7% of total issued shares. CTF is under the common control of Mr Fridman, Mr Khan and Mr Kuzmichev (the "Shareholders"). None of the Shareholders individually controls and/or owns 50% or more in CTF.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

2.1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2009 have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2008 which have been prepared in accordance with IFRS as adopted by the European Union.

The accounting policies applied are consistent with those of the consolidated financial statements for the year ended 31 December 2008, except for the standards and interpretations which became effective for the Group from 1 January 2009 (Note 2.3).

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation and transactions

(a) Functional and presentation currency

Functional currency. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currencies of the Group's entities are the national currency of the Russian Federation, Russian Ruble ("RUR") and the national currency of Ukraine, Ukrainian Hryvnia ("UAH"). Currently the Group's Ukraine business unit's contribution to the financial results of the Group is immaterial. The Group's presentation currency is the US Dollar ("USD"), which management believes is the most useful currency to adopt for users of these consolidated financial statements.

Translation from functional to presentation currency. The results and financial position of each Group entity (none of which have a functional currency that is the currency of a hyperinflationary economy) are translated into the presentation currency.

(b) Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into each entity's functional currency at the official exchange rate of the Central Bank of Russian Federation ("CBRF") at the respective balance sheet dates. Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into each entity's functional currency at period-end official exchange rates of the CBRF are recognized in profit or loss. Translation at period-end rates does not apply to non-monetary items.

At 30 June 2009, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RUR 31.2904 (31 December 2008: USD 1 = RUR 29.3804). The average rate for the six months ended 30 June 2009 was USD 1 = RUR 33.0679 (six months 2008: USD 1 = RUR 23.9443).

2.3 Fair value of assets and liabilities at the acquisition date

In June 2008 the Group acquired 100% of the voting shares of Formata Holding B.V. which is the owner of the Karusel hypermarket chain ("Karusel"). In December 2008 the Group acquired 100% of the voting shares of OOO "Agrotorg Rostov" operating retail grocery stores in Rostov-na-Donu and Rostov region.

A primary valuation of assets and liabilities of acquired companies was performed on a provisional basis.

During the reporting period provisional values of Karusel were updated based on final fair value estimates of independent appraisers and provisional values of OOO "Agrotorg Rostov" were updated based on preliminary fair value estimates of independent appraisers. As a consequence of the adjustment the previously reported Statement of Financial Position as at 31 December 2008 was changed to reflect the updated provisional values from the date of acquisition (Note 5).

3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Certain new interpretations became effective for the Group from 1 January 2009:

IAS 23, Borrowing Costs (revised). The main change to IAS 23 is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. An entity is, therefore, required to capitalize such borrowing costs as part of the cost of the asset. The revised standard applies prospectively to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after 1 January 2009. The effect on financial statements as at 30 June 2009 was not material.

IAS 1, Presentation of Financial Statements (revised). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which will also include all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities will be allowed to present two statements: a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The entity chose to present two statements: a separate income statement and a statement of comprehensive income.

3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

IFRS 8, Operating Segments. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Management Board. The Management Board determined retail operations as a single reportable segment.

Reclassification of Financial Assets – Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures and a subsequent amendment, Reclassification of Financial Assets: Effective Date and Transition. The amendments allow entities the options (a) to reclassify a financial asset out of the held for trading category if, in rare circumstances, the asset is no longer held for the purpose of selling or repurchasing it in the near term; and (b) to reclassify an available-for-sale asset or an asset held for trading to the loans and receivables category, if the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity (subject to the asset otherwise meeting the definition of loans and receivables). The amendments may be applied with retrospective effect from 1 July 2008 for any reclassifications made before 1 November 2008; the reclassifications allowed by the amendments may not be applied before 1 July 2008 and retrospective reclassifications are only allowed if made prior to 1 November 2008. Any reclassification of a financial asset made on or after 1 November 2008 takes effect only from the date when the reclassification is made. The Group has not elected to make any of the optional reclassifications during the period.

- ***IFRIC 11, IFRS 2 – Group and Treasury Share Transactions*** (effective for annual periods beginning on or after 1 March 2008);
- ***IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*** (effective for annual periods beginning on or after 31 December 2008);
- ***Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate – IFRS 1 and IAS 27 Amendment*** (revised May 2008; effective for annual periods beginning on or after 1 January 2009).

Puttable Financial Instruments and Obligations Arising on Liquidation – IAS 32 and IAS 1 Amendment (effective for annual periods beginning on or after 1 January 2009). The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities.

Vesting Conditions and Cancellations – Amendment to IFRS 2, Share-based Payment (issued in January 2008; effective for annual periods beginning on or after 1 January 2009). The amendment clarifies that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

IFRIC 13, Customer Loyalty Programmes (effective for annual periods beginning on or after 1 July 2008 for financial statements prepared under IFRS; adopted by the EU with an effective date postponed to annual periods beginning after 31 December 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. It is the policy of the Group to recognize the deferred revenue on their customer loyalty program as a reduction of revenue, thus, this interpretation had no impact on consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2009 and have not been early adopted:

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009; the revised standard has not yet been adopted by the EU). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. The Group does not expect the amended standard to have a material effect on its financial statements.

3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009; not yet adopted by the EU). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Group concluded that the revised standard does not have any effect on its financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss. Acquisition-related costs will be accounted for separately from the business combination and therefore recognized as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognized in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The Group is currently assessing the impact of the amended standard on its financial statements.

Other new standards and interpretations. The Group has not early adopted the following new standards or interpretations:

- ***IFRIC 15, Agreements for the Construction of Real Estate*** (effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU);
- ***IFRIC 12, Services Concession Arrangements*** (effective for annual periods beginning on or after 30 March 2009);
- ***IFRIC 16, Hedges of a Net Investment in a Foreign Operation*** (effective for annual periods beginning on or after 1 October 2008; IFRIC 16 as adopted by the EU is effective for annual periods beginning after 30 June 2009, with early adoption permitted);
- ***Eligible Hedged Items – Amendment to IAS 39, Financial Instruments: Recognition and Measurement*** (effective with retrospective application for annual periods beginning on or after 1 July 2009, not yet adopted by the EU).

IFRIC 17, Distribution of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009; not yet adopted by the EU). The amendment clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 is not relevant to the Group's operations because it does not distribute non-cash assets to owners.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009; not yet adopted by the EU). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Group's financial statements.

Improving Disclosures about Financial Instruments – Amendment to IFRS 7, Financial Instruments: Disclosures (issued in March 2009; effective for annual periods beginning on or after 1 January 2009; not yet adopted by the EU). The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity will be required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

3 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS (continued)

Embedded Derivatives – Amendments to IFRIC 9 and IAS 39 (effective for annual periods ending on or after 30 June 2009; not yet adopted by the EU). The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010; the improvements have not yet been adopted by the EU). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

Group Cash-settled Share-based Payment Transactions – Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard.

Unless otherwise described above, the new interpretations are not expected to significantly affect the Group's financial statements.

4 SEGMENT REPORTING

X5 Retail Group N.V. identifies retailing operations as a single reportable segment.

The Group is engaged in management of retail stores located in Russia and Ukraine. The Group identified the segment in accordance with the criteria set forth in IFRS 8 and based on the way the operations of the Company are regularly reviewed by the chief operating decision maker to analyze performance and allocate resources among business units of the Group.

The chief operating decision-maker has been determined as the Management Board. The Management Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined a single operating segment being retailing operations including royalties, advertising, communications and rent income based on these internal reports data.

The segment represents the Group's retail business in the European part of Russia and Ukraine. Currently the Group's Ukraine business unit's contribution to the financial results of the Group is immaterial.

(expressed in thousands of US Dollars, unless otherwise stated)

4 SEGMENT REPORTING (continued)

Within the segment all business components demonstrate similar economic characteristics and are alike as follows:

- the products and customers;
- the business processes are integrated and uniform: the Group manages its store operations centrally, sources products centrally, support functions like Purchasing, Logistics, Development, Finance, Strategy, HR, IT, etc. are centralized;
- the Group's activities are limited to a common market zone (i.e. Russia) with uniform legislation and regulatory environment.

The Management Board assesses the performance of the operating segment based on a measure of sales and adjusted earnings before interest, tax, depreciation, and amortization (EBITDA). Other information provided to the Management Board is measured in a manner consistent with that in the financial statements.

The accounting policies used for segments are the same as accounting policies applied for these consolidated financial statements as described in Note 2.

The segment information for the period ended 30 June 2009 is as follows:

	Six months ended 30 June 2009	**Six months ended 30 June 2008**
Retail sales	3,963,096	3,749,966
Other revenue	15,012	16,205
Revenue	**3,978,108**	**3,766,171**
EBITDA	**346,992**	**351,654**
Total assets	**5,187,885**	**9,447,504**

Assets are presented in a manner consistent with that in the financial statements.

A reconciliation of EBITDA to total profit before tax is provided as follows:

	Six months ended 30 June 2009	**Six months ended 30 June 2008**
EBITDA	**346,992**	**351,654**
Depreciation and amortization	(100,968)	(98,021)
Operating profit	**246,024**	**253,633**
Finance cost	(75,972)	(57,331)
Net foreign exchange result	(77,790)	44,935
Share of profit of associates	(2,500)	-
Profit before income tax	**89,762**	**241,237**

(expressed in thousands of US Dollars, unless otherwise stated)

5 ACQUISITION OF SUBSIDIARIES

Karusel

In June 2008 the Group acquired 100% of the voting shares of Formata Holding B.V. Formata Holding B.V. is the owner of the Karusel hypermarket chain ("Karusel"), pursuant to the conditions of the Call Option Agreement, obtained in 2006 as a part of Pyaterochka acquisition. Karusel owns and operates hypermarkets located in St. Petersburg and the North West of Russia, the Moscow region, Nizhny Novgorod, Dzerzhinsk, Volgograd and Izhevsk. As at 30 June 2008 there were 24 hypermarkets operated under the Karusel brand.

At 30 June 2009 the provisional values were updated as the Group has final fair value estimates of the independent appraisals. The Group has finalized the purchase price allocation within 12 months from the acquisition date. Details of assets and liabilities acquired and the related goodwill are as follows:

	Acquiree's carrying amount at the acquisition date, Russian GAAP*	**Fair values at the acquisition date**	**Effect of change in purchase price allocation on the Statement of Financial Position as at 31 December 2008**
Cash and cash equivalents	25,699	25,699	-
Inventory of goods for resale	102,509	77,956	(5,082)
Loans originated	612	261	(282)
Trade and other accounts receivable	248,849	212,088	(26,309)
Intangible assets	-	124,610	-
Property, plant and equipment (Note 7)	492,235	943,854	(56,167)
Prepaid lease	9	622	-
Deferred tax assets	6,994	7,052	-
Other assets	582	251	-
Short-term borrowings	(293,492)	(293,492)	-
Trade and other accounts payable	(258,384)	(263,236)	(887)
Provisions and liabilities for tax uncertainties (Note 18)	-	(56,478)	-
Long-term borrowings	(120,985)	(120,986)	-
Deferred tax liability	(8,467)	(146,077)	12,809
Net assets acquired	196,161	512,124	
Goodwill (Note 8)	-	404,212	
Total acquisition cost	**-**	**916,336**	
Net cash outflow arising from the acquisition date for the year ended 31 December 2008	**-**	**658,927**	

* Russian GAAP numbers are disclosed since IFRS financial statements were not prepared by the entities before acquisition.

(expressed in thousands of US Dollars, unless otherwise stated)

5 ACQUISITION OF SUBSIDIARIES (continued)

Agrotorg Rostov

In December 2008 the Group acquired 100% of the voting shares of OOO “Agrotorg Rostov” operating retail grocery stores in Rostov-na-Donu and Rostov region. The Group acquired a total of 21 discount stores.

At 30 June 2009 the provisional values were updated based on the preliminary estimate of independent appraisal. Details of assets and liabilities acquired and the related goodwill are as follows:

	Acquiree’s carrying amount at the acquisition date, Russian GAAP*	**Provisional values at the acquisition date**	**Effect of change in purchase price allocation on the Statement of Financial Position as at 31 December 2008**
Cash and cash equivalents	77	77	-
Inventory of goods for resale	1,460	749	(334)
Trade and other accounts receivable	1,359	1,542	942
Intangible assets	-	578	-
Property, plant and equipment (Note 7)	15,306	13,593	(530)
Deferred tax assets	2,538	-	-
Trade and other accounts payable	(1,930)	(7,075)	(1,713)
Provisions and liabilities for tax uncertainties (Note 18)	-	(583)	-
Short-term borrowings	-	-	-
Deferred tax liability	(312)	(147)	107
Net assets acquired	18,498	8,734	
Goodwill (Note 8)		1,528	
Total acquisition cost	**-**	**10,262**	
Net cash inflow arising from the acquisition for the year ended 31 December 2008	**-**	**77**	
Net cash outflow arising from the acquisition for the period ended 30 June 2009	**-**	**639**	

* Russian GAAP numbers are disclosed since IFRS financial statements were not prepared by the entities before acquisition.

In estimating provisional values of property and lease rights direct references to observable prices in an active market are used (market approach).

The Group assigned provisional values to net assets acquired. The Group will finalise the purchase price allocation within 12 months from the acquisition date.

The purchase consideration comprises a loan of USD 9,625 originated to “BinBank”, transaction costs of USD 139 at the moment of acquisition and cash paid of USD 500 in June 2009.

Chelyabinsk and Yekaterinburg

At 1 January 2007 the Group obtained control via contractual arrangements over OOO “Ural-Agro-Torg” and OOO “Leto”, entities operating in the Chelyabinsk region. The Group increased its shareholding in OOO “Ural-Agro-Torg” and OOO “Leto” from 26% to 51% in exchange for 49% of the shares of OOO “Ural-Retail” and OOO “Legion”.

Under the Shareholders’ Agreement the Group also acquired an option to purchase the remaining 49% of the share capital of OOO “Ural-Agro-Torg”, OOO “Leto”, OOO “Ural-Retail” and OOO “Legion”. The option was fully exercised in the period from 1 January 2008 until 30 June 2009.

In May 2008 the option was partly exercised and the Group increased its shareholding in OOO “Ural-Agro-Torg”, OOO “Leto”, OOO “Ural-Retail” and OOO “Legion” from 51% to 75%. Total acquisition cost comprised of cash and cash equivalents of USD 10,833 and the option exercised of USD 735. Goodwill arising on the purchase of the minority stake amounted to USD 11,348 (Note 8).

(expressed in thousands of US Dollars, unless otherwise stated)

5 ACQUISITION OF SUBSIDIARIES (continued)

Chelyabinsk and Yekaterinburg (continued)

In June 2009 the remaining option was fully exercised and the Group increased its shareholding in OOO “Ural-Agro-Torg”, OOO “Leto”, OOO “Ural-Retail” and OOO “Legion” from 75% to 100%. Total acquisition cost comprised of option exercised of USD 765 and USD 14,840 in cash payable in July 2009 and up to USD 3,549 subsequently, subject to achieving certain performance conditions. Goodwill arising on the purchase of the minority stake amounted to USD 19,154 (Note 8).

The goodwill recognized is attributable to: i) the business concentration in the Ural region and ii) expected cost synergies from the business combination.

Korzinka

In November 2007 the Group acquired a 100% shareholding in OOO “Uzhnyi” operating the largest and fastest growing retail chain in the Lipetsk region under “Korzinka” brand. The Group acquired a total of 22 stores.

Total acquisition cost amounted to USD 119,439, USD 12,071 of which was paid during six months ended 30 June 2009.

6 RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if one party has the ability to control the other party, is under common control or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of the relationships for those related parties with which the Group entered into significant transactions or had significant balances outstanding at 30 June 2009 are provided below. The ultimate controlling party is disclosed in Note 1.

Alfa Group

The following transactions were carried out with members or management of Alfa Group:

	Relationship	Six months ended 30 June 2009	Six months ended 30 June 2008
CTF Holdings Ltd.	Ultimate parent company		
Management services received		760	711
OAO “Alfa-Bank”	Under common control		
Interest expense on loan received		16,192	4,723
Interest income		461	-
Bank Charges		475	29
Rent revenue		131	73
VimpelCom			
Communication services received		1,644	1,409
Commission for mobile phone payments processing rendered by the Group to VimpelCom	Under significant influence	310	319
Rent revenue	of CTF Holdings Ltd.	35	-

(expressed in thousands of US Dollars, unless otherwise stated)

6 RELATED PARTY TRANSACTIONS (continued)

Alfa Group (continued)

The condensed consolidated interim financial statements include the followings balances with members of the Alfa Group:

	Relationship	30 June 2009	31 December 2008
CTF Holding Ltd.	Ultimate parent company		
Other accounts payable		148	-
OAO "Alfa-Bank"	Under common control		
Cash and cash equivalents		41,454	17,261
Receivable from related party		251	118
Short-term loans payable		21,093	168,480
Other accounts payable		243	570
VimpelCom	Under significant influence of CTF Holdings Ltd.		
Receivable from related party		758	945
Other accounts payable		1,136	439

Alfa-Bank

The Group has an open RUR credit line with Alfa-Bank with a maximum limit of RUR 9,100 mln or USD 290,824 (31 December 2008: RUR 9,100 mln or USD 309,730). At 30 June 2009 the Group's liability under this credit line amounted to USD 21,093 with interest rates 14.15% p.a. (31 December 2008: USD 168,480) and available credit line of USD 269,731 (31 December 2008: USD 141,250).

Retail Express Ltd. (associate of the Group)

The following transactions were carried out with Retail Express Ltd.:

	Relationship	Six months ended 30 June 2009	Six months ended 30 June 2008
Retail Express Ltd.	associate of the Group		
Trade revenue		4,282	-
Other operating income		109	-
Rent revenue		103	-

The consolidated financial statements include the followings balances with Retail Express Ltd.:

	Relationship	30 June 2009	31 December 2008
Retail Express Ltd.	associate of the Group		
Loans and receivables		4,959	27
Investment in associate		6,799	10,054

At 30 June 2009 and for the six months then ended summarised financial information of Retail Express Ltd., including total assets, liabilities, revenue and loss, were as follows:

	30 June 2009
Assets	32,906
Liabilities	(17,223)
Revenue for the period	27,623
Loss for the period	(6,249)

(expressed in thousands of US Dollars, unless otherwise stated)

6 RELATED PARTY TRANSACTIONS (continued)

Key executive management personnel

The Group's key management personnel consists of Management and Supervisory Board members, having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. Members of the Management Board and Supervisory Board of the Group receive compensation in the form of a short-term compensation in cash (including, for Management Board members, an annual cash bonus and share-based payments (Note 13). For the six months ended 30 June 2009 members of the Management Board and Supervisory Board of the Group were entitled to total short-term compensation of USD 3,514 (six months ended 30 June 2008: USD 3,441), including accrued annual target bonuses of USD 1,428 (six months ended 30 June 2008: USD 1,400) payable on an annual basis subject to meeting annual performance targets. As at 30 June 2009 the total number of GDRs for which options were granted to members of the Management Board and Supervisory Board under the ESOP was 4,011,250 (31 December 2008: 2,814,375 GDRs). The number of GDRs for which options were granted to members of the Management Board and Supervisory Board under fourth tranche is subject to Shareholders Meeting approval. The total intrinsic value of vested share options amounted to zero as at 30 June 2009 (31 December 2008: zero).

7 PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	2009		2008	
	Property, plant and equipment	**Intangible assets**	**Property, plant and equipment**	**Intangible assets**
Cost				
Balance as at 1 January	3,380,922	598,247	2,238,638	581,674
Additions	54,749	17,701	501,748	2,858
Assets from acquisitions	-	-	954,523	132,056
Disposals	(4,770)	(1,664)	(2,320)	-
Translation movement	(203,090)	(35,607)	135,541	26,442
Balance as at 30 June	**3,227,811**	**578,677**	**3,828,130**	**743,030**
Accumulated Depreciation				
Balance as at 1 January	(340,079)	(99,059)	(248,080)	(57,428)
Depreciation charge	(80,096)	(18,550)	(70,246)	(24,487)
Disposals	2,809	1,664	1,330	-
Translation movement	16,292	4,954	(12,655)	(2,393)
Balance as at 30 June	**(401,074)**	**(110,991)**	**(329,651)**	**(84,308)**
Net Book Value				
Balance as at 1 January	**3,040,843**	**499,188**	**1,990,558**	**524,246**
Balance as at 30 June	**2,826,737**	**467,686**	**3,498,479**	**658,722**

The buildings are mostly located on leased land. Land leases with periodic lease payments are disclosed as part of commitments under operating leases (Note 18). Certain leases for land and buildings are prepaid for long term period. Such prepayments are presented as prepaid leases in the statement of financial position and amount to USD 96,752 (31 December 2008: USD 90,831).

8 GOODWILL

Movements in goodwill arising on the acquisition of subsidiaries are:

	2009	**2008**
Cost:		
Gross book value at 1 January	2,809,843	2,955,625
Acquisition of subsidiaries (Note 5)	19,154	422,030
Translation to presentation currency	(171,825)	140,130
Gross book value at 30 June	2,657,172	3,517,785
Accumulated impairment losses:		
Accumulated impairment losses at 1 January	(2,257,020)	-
Translation to presentation currency	137,771	-
Accumulated impairment losses at 30 June	(2,119,249)	**-**
Carrying amount at 30 June	**537,923**	**3,517,785**
Carrying amount at 1 January	**552,823**	**2,955,625**

(expressed in thousands of US Dollars, unless otherwise stated)

8 GOODWILL (continued)

Goodwill Impairment Test

For the purposes of impairment testing, goodwill is allocated to a single cash-generating unit (CGU) being the retailing operation in Russia. This represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The CGU to which goodwill has been allocated is tested for impairment annually or more frequently if there are indications that the CGU might be impaired. Goodwill is tested for impairment at the CGU level by comparing carrying values of CGU assets including allocated goodwill to their recoverable amounts. The recoverable amount of CGU is determined as the higher of fair value less cost to sell or value in use.

There was no additional impairment of goodwill from 31 December 2008. No events indicating triggers of goodwill impairment occurred in the six months ended 30 June 2009.

9 BORROWINGS

		30 June 2009			**31 December 2008**		
	Interest rate, % p.a.	**Current During 1 year**	**Non-current In 1 to 3 years**	**Total**	**Current During 1 year**	**Non-current In 1 to 3 years**	**Total**
USD Syndicated loan	Libor+1,5%	-	1,090,768	1,090,768	-	1,087,617	1,087,617
USD Bilateral Loans		-	-	-	200,000	-	200,000
RUR Bonds	7,6% - 18,46%	852	542,395	543,247	5,919	304,986	310,905
RUR Bilateral Loans	Mosprime +3.1%-+6%; Central Bank Rate+3%;	66,434	37,607	104,041	9,494	35,201	44,695
RUR Bilateral Loans	4% - 19%	204,799	19,573	224,372	363,020	53,164	416,184
Total borrowings		**272,085**	**1,690,343**	**1,962,428**	**578,433**	**1,480,968**	**2,059,401**

In December 2007 the Group raised a 3 year syndicated loan facility of USD 1,100,000 from a consortium of banks. The margin for the first year was 2.25% per annum over LIBOR. In December 2008 the margin changed from 2.25% to 1.5% in accordance with an agreed the net Debt/EBITDA grid. LIBOR is fixed, at the option of the Group, from a one to six month period. The Group has pledged as collateral for the syndicated loan 100% of the voting shares in its subsidiaries, including OOO “Agrotorg”, OOO “Agroaspekt”, Perekrestok Holdings Ltd., Alpegru Retail Properties Ltd., ZAO “TH “Perekrestok”, OOO “Perekrestok-2000”.

Secured debt of the Group is collaterized by 100% shares OOO “Krasnoborskoe”, OOO “Emitel”, OOO “Matrix”, OOO “Dal’nevostochny” and land and buildings with a net book value of USD 257,608.

In July 2007 the Group placed RUR 9 bn corporate bonds with a maturity of 7 years and put option in 3 years. Coupon rate for 1 coupon payment was defined at auction at the level of 7.6%. Coupon rates for 2-14 coupon payments are defined by the Issuer, according to issue documents.

In June 2009 the Group placed RUR 8 bn corporate bonds with a maturity of 7 years and put option in 2 years. Coupon rates for 5-14 coupon payments are defined by the Issuer, according to issue documents.

All borrowings at 30 June 2009 are shown net of related transaction costs of USD 10,539 which are amortized over the term of loans using the effective interest method (31 December 2008: USD 13,726).

The Group maintains an optimal capital structure by tracking certain capital requirements: the maximum level of net Debt/EBITDA (4.25), minimum level of EBITDA/Interest expense (3), minimum level of EBITDAR/Fixed costs (2.25).

(expressed in thousands of US Dollars, unless otherwise stated)

10 SHARE CAPITAL

As at 1 January 2008 the Group had 942,278 ordinary shares held as treasury stock.

In May 2008 the Group completed an offering of rights to acquire Global Depositary Receipts, following the decision of the Supervisory Board authorized by the Extraordinary General Meeting of Shareholders. As part of the Public Offering the Group issued an additional 12,026,675 ordinary shares for USD 999,454 and sold 942,278 treasury shares (total cash inflow of USD 143,336 comprised of USD 131,919 cash receipt for the sale of treasury shares and a make-whole payment of USD 11,417 received by the Group as compensation related to the Public Offering). Transaction costs relating to issue of share capital deducted from shareholder's equity amounted to USD 26,164.

As part of the acquisition of Karusel in June 2008 the Group issued an additional 1,746,505 ordinary shares which were transferred to Karusel shareholders in exchange for 25% of the shares of Formata.

As at 30 June 2009 the Group had 190,000,000 authorized ordinary shares of which 67,813,947 ordinary shares are outstanding and 79,271 ordinary shares held as treasury stock.

11 EXPENSES

Among other expenses charged for the six months ended 30 June 2009 are the following:

- Operating lease expenses, which include USD 112,340 of minimum lease payments (six months ended 30 June 2008: USD 118,564) and contingent rents of USD 8,937 (six months ended 30 June 2008: USD 7,562).

12 FINANCE INCOME AND COSTS

	Six months ended 30 June 2009	**Six months ended 30 June 2008**
Interest expense	72,379	62,469
Interest income	(1,446)	(8,353)
Other finance costs, net	5,039	3,215
	75,972	**57,331**

13 SHARE-BASED PAYMENTS

In 2007 the Group introduced an employee stock option program (ESOP) for its key executives and employees. Each option that may be granted under the ESOP carries the right to one GDR. The program ran in four tranches granted over the period to 19 May 2009. The vesting requirement of the program is the continued employment of participants.

The first and second tranches were approved for granting at 15 June 2007. The first tranche vested immediately and covered the period of service of option holders from 1 January 2007 to 15 June 2007. The second tranche vested on 18 May 2008. The initial exercise prices of the first and second tranches were USD 18.00 and USD 30.62 per GDR accordingly. As a result of new shares issue in May 2008 the share price dilution could affect expected market value of the GDRs granted under ESOP. To mitigate the effect the Group decided to adjust the exercise price of the options granted under the first and second tranches to USD 15.96 for the first tranche and USD 28.58 for the second tranche and increase the maximum number of GDRs under the ESOP to 11,261,264 GDRs. In May 2008 the third tranche was granted at the exercise price of USD 33.43. The third tranche vested on 19 May 2009. In May 2009 the fourth tranche was granted at the exercise price of USD 13.91. The fourth tranche will vest on 19 May 2010. Participants of the ESOP can exercise their share options granted under first, second, third and fourth tranches any time over the period from vesting until 19 November 2010, 16 December 2011, 20 November 2012 and 20 November 2013 respectively.

In total, during the six months ended 30 June 2009 the Group recognized expense related to the ESOP in the amount of USD 5,236 (expenses during six months ended 30 June 2008: USD 9,992). At 30 June 2009 the share-based payments liability amounted to USD 43,157 (31 December 2008: USD 37,921). The equity component was effectively zero at 30 June 2009 (31 December 2008: zero).

(expressed in thousands of US Dollars, unless otherwise stated)

13 SHARE-BASED PAYMENTS (continued)

Details of the share options outstanding during the six months ended 30 June 2009 are as follows:

	Number of share options	Weighted average exercise price, USD
Outstanding at the beginning of the period	5,704,825	28.9
Granted during the period	3,176,375	13.9
Cancelled during the period	(31,000)	30.5
Outstanding at the end of the period	**8,850,200**	**23.5**
Exercisable at 30 June 2009	5,673,825	28.9

The total intrinsic value of vested share options amounted to zero as at 30 June 2009 (31 December 2008: zero).

The fair value of services received in return for the share options granted to employees is measured by reference to the fair value of the share options granted which is determined at each reporting date. The estimate of the fair value of the services received is measured based on the Black-Scholes model. Expected volatility is determined by calculating the historical volatility of the Group's share price over the period since May 2006. Management assumes that holders will exercise the options on the expiry date of the options due to behavioral considerations. Other key inputs to the calculation of ESOP liability at 30 June 2009 were as follows:

Expected GDR price	17.56
Expected volatility	77%
Risk-free interest rate	5%
Dividend yield	0%

14 INCOME TAX

	Six months ended 30 June 2009	Six months ended 30 June 2008
Current income tax charge	(68,810)	(104,153)
Deferred income tax benefit	27,300	23,626
Income tax expense	**(41,510)**	**(80,527)**

15 SEASONALITY

The Group experiences seasonal effects on its business:

- Increased customer activity in December results in an increase in sales made by the Group.

The majority of expenses have the same trend as sales with the following exceptions:

- Volume of repair and maintenance work increases in the May-September period as the ambient temperature is conductive to this activity. In addition, a lower level of customer activity enables the Group to minimize missed profits;
- Utility expenses are normally higher during winter period due to increased electricity and heating service consumption.

16 FINANCIAL RISKS MANAGEMENT

Currency risk

The Group is exposed to foreign exchange risk arising from currency exposure with respect to the US Dollar borrowings. From an operational perspective the Group does not have any substantial currency exposures due to the nature of its operations having all revenues and expenses fixed in the local currency (RUR). All other transactions in foreign currency except for financing arrangements are insignificant.

The Group has a substantial amount of foreign currency denominated long-term borrowings, and is thus exposed to foreign exchange risk (Note 9). In March 2009 as a part of FX risk mitigation policy the Group started using USD/RUR call spreads with leading banking institutions to hedge its short-term cash flows exposed to foreign currency risk. The effect on the financial statements at 30 June 2009 was immaterial.

(expressed in thousands of US Dollars, unless otherwise stated)

16 FINANCIAL RISKS MANAGEMENT (continued)

As a part of its currency risk mitigation policy the Group attracts new loans and refinances existing loans primarily in the local currency (RUR).

Interest rates risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The syndicated loan for USD 1,100,000 was hedged against interest rate risk in February 2008 and in April 2009 (Note 9). The Group regarded the interest rate swaps initiated in February 2008 and in April 2009 as a hedging instruments and applied hedge accounting. The fair value of the interest rate swap of USD 16,795 was recorded through equity.

Liquidity risk

Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Liquidity risk is managed by the Group Treasury.

The following is an analysis of the contractual undiscounted cash flows payable under financial liabilities and as at the balance sheet date at spot foreign exchange rates:

Period ended 30 June 2009

	During 1 year	**In 1 to 3 years**
Borrowings	399,474	1,755,753
Trade payables	889,648	-
Finance lease liabilities	2,849	5,252
Derivative financial liabilities	16,795	-
Other finance liabilities	246,675	-
	1,555,441	**1,761,005**

Year ended 31 December 2008

	During 1 year	**In 1 to 3 years**
Borrowings	593,485	1,643,696
Trade payables	1,176,249	-
Finance lease liabilities	2,197	1,843
Derivative financial liabilities	18,180	-
Other finance liabilities	259,607	-
	2,049,718	**1,645,539**

At 30 June 2009 the Group has negative working capital of USD 636,071 (31 December 2008: USD 1,033,210) including short-term borrowings of USD 272,085 (31 December 2008: USD 578,433).

At 30 June 2009 the Group had available bank credit lines of USD 484,494 (31 December 2008: USD 367,383).

Management regularly monitors the Group's operating cash flows and available credit lines to ensure that these are adequate to meet the Group's ongoing obligations and its expansion programs. Part of the short term liquidity risk is seasonal, with the highest peak in the 1st quarter and strong cash generation in 4^{th} quarter, therefore the Group negotiates the maturity of short-term credit lines for the 4^{th} quarter, when the free cash flow allows for the repayment of short-term debts. Part of the existing lines in the local currency (RUR) are provided on a rolling basis which is closely monitored by detailed cash flow forecasts and managed by the Group Treasury.

The Group's capital expenditure program is highly discretionary. The Group optimizes its cash outflows by managing the speed of execution of current capex projects and by delaying future capital extensive programs, if required.

The Group is carefully monitoring its liquidity profile by maximizing the drawdown periods within revolving credit facilities as well as extending existing credit facilities or obtaining new credit lines.

(expressed in thousands of US Dollars, unless otherwise stated)

16 FINANCIAL RISKS MANAGEMENT (continued)

The Group manages liquidity requirements by the use of both short-term and long-term projections and maintaining the availability of funding. Based on the review of the current liquidity position of the Group management considers that the available credit lines and expected cash flows are more than sufficient to finance the Group's current operations.

17 OPERATING ENVIRONMENT OF THE GROUP

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock markets. The uncertainties in the global financial markets have also led to bank failures and bank rescues in the United States of America, Western Europe, Russia and elsewhere. Indeed the full extent of the impact of the ongoing financial crisis is proving to be impossible to anticipate or completely guard against.

The volume of wholesale financing has significantly reduced since August 2008. Such circumstances may affect the ability of the Group to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions.

Debtors of the Group may be affected by the lower liquidity situation which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Management is unable to reliably estimate the effects on the Group's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Group’s business in the current circumstances.

18 COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

At 30 June 2009, the Group operated 622 stores through rented premises (31 December 2008: 589 stores). There are two types of fees in respect of operating leases payable by the Group: fixed and variable. For each store fixed rent payments are defined in the lease contracts. Fixed rent payments constitute the main part of operating lease expenses of the Group as compared to the variable fees. Substantially all of the lease agreements have an option that enables the Group to cancel them with the mutual agreement of the parties involved.

The future minimum lease payments under non-cancellable operating leases of property are as follows (net of VAT):

	30 June 2009	**31 December 2008**
During 1 year	163,017	144,380
In 2 to 5 years	408,261	368,568
Thereafter	364,815	310,358
	936,093	**823,306**

Capital expenditure commitments

At 30 June 2009 the Group contracted for capital expenditure of USD 135,237 (net of VAT) (31 December 2008: USD 173,343).

(expressed in thousands of US Dollars, unless otherwise stated)

18 COMMITMENTS AND CONTINGENCIES (continued)

Taxation environment

Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged as not having been in compliance with Russian tax laws applicable at the relevant time. In particular, the Supreme Arbitration Court issued guidance to lower courts on reviewing tax cases providing a systematic roadmap for anti-avoidance claims, and it is possible that this will significantly increase the level and frequency of tax authorities scrutiny. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years proceeding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation introduced on 1 January 1999 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions, provided that the transaction price differs from the market price by more than 20%. Controllable transactions include transactions with interdependent parties, as determined under the Russian Tax Code, and all cross-border transactions (irrespective of whether performed between related or unrelated parties), transactions where the price applied by a taxpayer differs by more than 20% from the price applied in similar transactions by the same taxpayer within a short period of time, and barter transactions. There is no formal guidance as to how these rules should be applied in practice. The arbitration court practice in this respect is contradictory.

Tax liabilities arising from inter-company transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in the Russian Federation and the changes in the approach of the Russian tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Russian transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and operations of the entity.

Russian tax legislation does not provide definitive guidance in many areas. From time to time, the Group adopts interpretations of such uncertain areas that reduce the overall tax rate of the Group. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and operations of the entity.

Management regularly reviews the Group's taxation compliance with applicable legislation, laws and decrees and current interpretations published by the authorities in the jurisdictions in which the Group has operations. Furthermore, management regularly assesses the potential financial exposure relating to tax contingencies for which the three years tax inspection right has expired but which, under certain circumstances, may be challenged by the regulatory bodies. From time to time potential exposures and contingencies are identified and at any point in time a number of open matters may exist. Management estimates that possible exposure in relation to profit tax and other non-profit tax risks such as inter-company transactions, VAT and employee related taxes, that are more than remote, but for which no liability is required to be recognized under IFRS, could be several times the additional accrued liabilities and provisions reflected in the statement of financial position at that date (and potentially in excess of the Group's profit before tax for the period). This estimation is provided for the IFRS requirement for disclosure of possible taxes and should not be considered as an estimate of the Group's future tax liability. At the same time management has recorded liabilities for income taxes and provisions for taxes other than income taxes in the amount of USD 103,911 at 30 June 2009 (31 December 2008: USD 110,619) in these consolidated financial statements as their best estimate of the Group's liability related to tax uncertainties as follows:

Balance at 1 January 2008	**76,708**
Increases due to acquisitions during the year recorded as part of the purchase price allocation	57,694
Translation movement	(23,783)
Balance at 31 December 2008	**110,619**
Translation movement	(6,708)
Balance at 30 June 2009	**103,911**