X5 RETAIL GROUP INTERIM REPORT

Second Quarter and Half Year 2013

Amsterdam, 13 August 2013 - X5 Retail Group N.V., ("X5" or the "Company") a leading Russian food retailer (LSE ticker: "FIVE"), today released the Company's Interim Report for the Second Quarter and Half Year 2013 (the "Interim Report") prepared in accordance with International Financial Reporting Standards (IFRS) and the Dutch Financial Markets Supervision Act.

Income statement highlights[(1)(2)]

USD million	Q2 2013	Q2 2012	*% change y-o-y*	H1 2013	H1 2012	*% change y-o-y*
Net sales	**4,221.6**	**3,987.9**	***5.9%***	**8,381.7**	**7,858.7**	***6.7%***
incl. retail	4,209.8	3,981.8	*5.7%*	8,362.3	7,843.8	*6.6%*
Soft discounters	2,767.5	2,619.9	*5.6%*	5,453.9	5,095.0	*7.0%*
Supermarkets	869.8	840.0	*3.5%*	1,773.5	1,694.9	*4.6%*
Hypermarkets	500.4	483.8	*3.4%*	998.8	984.9	*1.4%*
Convenience stores	62.7	35.8	*75.3%*	118.8	65.7	*80.7%*
Online	9.4	2.3	*301.1%*	17.3	3.2	*439.6%*
Gross profit	**998.2**	**910.3**	***9.7%***	**2,014.2**	**1,857.5**	***8.4%***
Gross profit margin, %	*23.6%*	*22.8%*		*24.0%*	*23.6%*	
EBITDA	**291.4**	**280.3**	***3.9%***	**575.6**	**554.3**	***3.8%***
EBITDA margin, %	*6.9%*	*7.0%*		*6.9%*	*7.1%*	
Operating profit	**183.5**	**167.5**	***9.6%***	**357.2**	**338.5**	***5.5%***
Operating profit margin, %	*4.3%*	*4.2%*		*4.3%*	*4.3%*	
Net profit	**73.7**	**68.9**	***7.0%***	**138.8**	**135.2**	***2.7%***
Net profit margin, %	*1.7%*	*1.7%*		*1.7%*	*1.7%*	

Net sales in the second quarter (Q2) and first half (H1) 2013, reported in U.S. Dollars (USD), increased by 5.9% and 6.7% year-on-year (y-o-y), respectively, which differs from the reported increase in Russian Rouble (RUR) terms due to exchange rate differences between the RUR, X5's operational currency, and the USD, the Company's presentation currency.

In Q2 and H1 2013, X5's net sales in RUR terms grew by 7.9% and 8.0% y-o-y, respectively, primarily due to an increase in net retail sales resulting from organic store additions, price inflation, the positive performance of maturing stores added over the past two years, and on-going promotional activities.

The Company's gross profit margin in Q2 and H1 2013 amounted to 23.6% and 24.0%, respectively, an 82 basis point (bp) and 39 bp increase compared to Q2 and H1 2012, respectively. The increase in both periods was primarily due to the improvement in commercial terms with suppliers which was partially offset by higher shrinkage, mainly on fruits and vegetables due to the expansion of this category and abnormally hot weather in May and June 2013.

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

(2) X5's operational currency is the RUR, while the Company's presentation currency is the USD. As the RUR/USD exchange rate has changed in the past twelve months, comparisons of the Company's financial results either with the corresponding period a year ago (for income statement) or with the beginning of the year (for statement of financial position) have been substantially affected by these movements. For more information please see page five of this press release.

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Selling, general and administrative (SG&A) expenses

USD mln	Q2 2013	Q2 2012	*% change y-o-y*	H1 2013	H1 2012	*% change y-o-y*
Staff costs	(339.8)	(324.5)	*4.7%*	(694.3)	(666.9)	*4.1%*
% of net sales	*8.0%*	*8.1%*		*8.3%*	*8.5%*	
Lease expenses	(175.7)	(144.6)	*21.5%*	(350.7)	(295.9)	*18.5%*
% of net sales	*4.2%*	*3.6%*		*4.2%*	*3.8%*	
Other store costs	(71.6)	(61.9)	*15.6%*	(142.1)	(123.2)	*15.3%*
% of net sales	*1.7%*	*1.6%*		*1.7%*	*1.6%*	
D&A	(107.8)	(112.8)	*(4.4%)*	(218.4)	(215.8)	*1.2%*
% of net sales	*2.6%*	*2.8%*		*2.6%*	*2.7%*	
Utilities	(83.6)	(80.6)	*3.8%*	(184.6)	(171.7)	*7.5%*
% of net sales	*2.0%*	*2.0%*		*2.2%*	*2.2%*	
Third party services	(32.7)	(34.3)	*(4.5%)*	(60.0)	(58.0)	*3.5%*
% of net sales	*0.8%*	*0.9%*		*0.7%*	*0.7%*	
Other expenses	(47.7)	(26.1)	*82.7%*	(98.0)	(72.1)	*35.9%*
% of net sales	*1.1%*	*0.7%*		*1.2%*	*0.9%*	
Total SG&A	**(859.0)**	**(784.8)**	***9.5%***	**(1,748.1)**	**(1,603.7)**	***9.0%***
% of net sales	***20.3%***	***19.7%***		***20.9%***	***20.4%***	

In Q2 2013, SG&A expenses, as a percentage of net sales, increased y-o-y by 67 bp to 20.3%.

Staff costs, as a percentage of net sales, decreased y-o-y by 9 bp in Q2 2013 to 8.0% primarily due to lower annual bonuses (18 bp) that was partially offset by an increase in wages and regular benefits (9 bp).

Lease expenses in Q2 2013, as a percentage of net sales, increased y-o-y by 54 bp to 4.2% primarily due to new store openings, and the subsequent increase in the proportion of leased space as a percentage of our total real estate portfolio, as well as an increase in our average lease rates. As a percentage of X5's total real estate portfolio, leased space accounted for 54.8% at 30 June 2013 compared to 54.4% in the corresponding period of 2012.

In Q2 2013, other store costs increased, as a percentage of net sales, by 14 bp y-o-y to 1.7% mainly due to an increase in repair and maintenance work at our stores.

Utilities in Q2 2013, as a percentage of net sales, decreased y-o-y by 4 bp as a result of cost saving initiatives implemented in previous periods.

Third party services expense in Q2 2013 decreased, as a percentage of net sales, by 8 bp y-o-y primarily due to a decrease in advertising and marketing activities.

In Q2 2013, other expenses, as a percentage of net sales, increased by 48 bp y-o-y primarily due to an increase in agency fees related to reverse franchising agreements and a gain recorded from the disposal of fixed assets during the Q2 2012 period.

As a result of the factors discussed above, EBITDA in Q2 2013 totaled USD 291.4 million (mln), or 6.9% of net sales compared to USD 280.3 mln, or 7.0% of net sales in Q2 2012.

In H1 2013, SG&A expenses as a percentage of net sales increased by 45 bp to 20.9%.

Staff costs as a percentage of net sales in H1 2013 were lower by 20 bp y-o-y while lease expenses, other store costs and other expenses increased y-o-y by 42 bp, 13 bp and 25 bp, respectively, for the same reasons mentioned above.

In H1 2013, utilities and third party services expenses as a percentage of net sales were in line with the corresponding period of 2012.

As a result of the factors discussed above, EBITDA in H1 2013 totaled USD 575.6 mln, or 6.9% of net sales compared to USD 554.3 mln, or 7.1% of net sales, in the corresponding period of 2012.

Non-operating gains and losses

USD mln	Q2 2013	Q2 2012	*% change y-o-y*	H1 2013	H1 2012	*% change y-o-y*
Operating profit	**183.5**	**167.5**	***9.6%***	**357.2**	**338.5**	***5.5%***
Finance costs (net)	(87.2)	(75.5)	*15.4%*	(175.8)	(155.0)	*13.4%*
Net FX result	0.9	0.5	*66.9%*	2.6	(0.5)	*n/a*
Share of loss of associates	(0.4)	0.0	*n/a*	(0.4)	(0.1)	*213.3%*
Profit before tax	**96.9**	**92.5**	***4.7%***	**183.6**	**182.9**	***0.4%***
Income tax expense	(23.2)	(23.6)	*(2.0%)*	(44.8)	(47.7)	*(6.2%)*
Net profit	**73.7**	**68.9**	***7.0%***	**138.8**	**135.2**	***2.7%***
Net profit margin, %	*1.7%*	*1.7%*		*1.7%*	*1.7%*	

Net finance costs in Q2 2013 increased y-o-y by 15.4% in USD terms, and 17.6% in RUR terms. The weighted average effective interest rate on X5's total debt for H1 2013 increased to 8.8% from 8.5% for H1 2012.

In Q2 and H1 2013, X5's effective tax rate was 23.9% and 24.4%, respectively, compared to 25.5% and 26.1% in the corresponding periods of 2012. The Russian statutory income tax rate for both periods was 20.0%. The difference between X5's effective and statutory tax rates is primarily due to certain non-deductible expenses.

Consolidated cash flow

USD mln	Q2 2013	Q2 2012	*% change y-o-y*	H1 2013	H1 2012	*% change y-o-y*
Net cash flows generated from/(used in) operating activities	49.3	68.8	*(28.2%)*	77.8	(8.4)	*n/a*
Net cash from operating activities before changes in working capital	*296.9*	*275.0*	*7.9%*	*586.5*	*564.8*	*3.8%*
Change in working capital	*(130.0)*	*(85.3)*	*52.4%*	*(264.2)*	*(325.8)*	*(18.9%)*
Net interest and income tax paid	*(117.5)*	*(121.0)*	*(2.9%)*	*(244.4)*	*(247.4)*	*(1.2%)*
Net cash used in investing activities	(152.4)	(194.5)	*(21.6%)*	(257.7)	(374.9)	*(31.3%)*
Net cash generated from financing activities	95.4	125.5	*(24.0%)*	13.8	157.1	*(91.2%)*
Effect of exchange rate changes on cash & cash equivalents	(14.9)	(22.6)	*(34.2%)*	(20.8)	7.2	*n/a*
Net decrease in cash & cash equivalents	**(22.5)**	**(22.8)**	***(1.2%)***	**(186.9)**	**(219.0)**	***(14.6%)***

In Q2 2013, net cash flows generated from operating activities totaled USD 49.3 mln compared to net cash flows generated from operating activities of USD 68.8 mln in the corresponding period of 2012. The decrease was primarily due to changes in working capital.

The change in working capital in Q2 2013 was primarily driven by an increase in accounts receivable from suppliers, a decrease in trade payables and other accounts payable, which were offset by a decrease in inventories.

Trade and other accounts receivable increased by USD 25.4 mln in Q2 2013 due to a technical delay in the collection of bonuses from suppliers during the period.

Inventories decreased by USD 22.1 mln as a result of the higher inventory balance at 31 March 2013, compared to the 2012 period, which resulted in lower purchases in Q2 2013 and a USD 50.4 mln reduction in trade payables.

Other accounts payable decreased by USD 76.3 mln in Q2 2013 due to more efficient processing of reclaimable VAT from trade suppliers .

Net cash flows generated from operating activities in H1 2013 amounted to USD 77.8 mln compared to net cash used in operating activities of USD (8.4) mln in H1 2012. The increase was primarily due to changes in working capital.

The change in working capital in H1 2013 was primarily driven by a decrease in inventories due to the high balance at 31 December 2012 and a decrease in trade and other accounts receivable due to the increased focus on front margin and overall improvements in collection procedures.

The decrease in accounts receivable and inventories in H1 2013 was offset by a decrease in trade payables and other accounts payable due to the same reasons mentioned above.

Net cash used in investing activities, which generally consisted of payments for property, plant and equipment totaled USD 152.4 mln and USD 257.7 mln in Q2 and H1 2013, respectively, compared to USD 194.5 mln and USD 374.9 mln for the corresponding periods in 2012, and reflects the slower pace of selling space expansion and lower expenditures for IT, strategic projects and logistics.

Net cash generated from financing activities in Q2 and H1 2013 totaled USD 95.4 mln and USD 13.8 mln, respectively, compared to net cash generated from financing activities of USD 125.5 mln and USD 157.1 mln in the corresponding periods of 2012. The difference was primarily related to a decrease in the net proceeds received from loans during the 2013 period.

Liquidity update

USD mln	**30-Jun-13**	***% in total***	**31-Mar-13**	***% in total***	**31-Dec-12**	***% in total***
Total debt	**3,757.0**		**3,857.6**		**4,027.3**	
Short-term debt	1,681.1	*44.7%*	1,657.9	*43.0%*	1,680.9	*41.7%*
Long-term debt	2,075.9	*55.3%*	2,199.7	*57.0%*	2,346.4	*58.3%*
Net debt	**3,536.0**		**3,614.2**		**3,619.4**	
Denominated in USD	0.0	*0.0%*	0.0	*0.0%*	0.0	*0.0%*
Denominated in RUR	3,536.0	*100.0%*	3,614.2	*100.0%*	3,619.4	*100.0%*
FX, end of period	32.71		31.08		30.37	
Net debt/EBITDA (RUR) [(1)]	**3.23x**[(2)]		**3.18x**[(3)]		**3.15x**[(4)]	

At 30 June 2013, the Company's total debt amounted to USD 3,757.0 mln (at RUR exchange rate of 32.71), of which 44.7% was short-term debt (USD 1,681.1 mln) and 55.3% long-term debt (USD 2,075.9 mln). At 30 June 2013, the Company had access to RUR 81,250.0 mln (USD 2,484.0 mln) in undrawn credit lines with major Russian and international banks.

(1) In RUR terms, as the Company's debt covenants are set in RUR terms in accordance with X5's loan facilities.

(2) Based on consolidated EBITDA of RUR 35,814 mln

(3) Based on consolidated EBITDA of RUR 35,296 mln.

(4) Based on consolidated EBITDA of RUR 34,944 mln.

Effect of RUR/USD exchange rate movements on the presentation of X5's results

X5's operational currency is the Russian Rouble (RUR), while the Company's presentation currency is the U.S. Dollar (USD). As the RUR/USD exchange rate has substantially changed in the past twelve months, comparisons of the Company's financial results, either with the corresponding period a year ago (for income statement) or with the beginning of the year (for statement of financial position), have been substantially affected by these movements:

- Comparisons of income statement figures with the respective period last year reflect a negative translational effect from RUR/USD rate movements, resulting in a difference between the y-o-y change in RUR and the respective change in USD of approximately 1.2% for H1 2013. For reference, to translate the Company's income statement from RUR to USD for presentation purposes, the Company applied a RUR/USD rate of 31.02 for H1 2013 (average for the period) and a RUR/USD rate of 30.64 for H1 2012 (average for the period).
- Comparison of the statement of financial position at 30 June 2013 to the statement of financial position at 31 December 2012 reflects a negative translational effect from the RUR/USD exchange rate movement, resulting in a difference between the change in RUR and the respective change in USD of approximately 7.7%. For reference, to translate the statement of financial position from RUR to USD for presentation purposes, the Company applied a RUR/USD exchange rate of 32.71 at 30 June 2013 and RUR/USD exchange rate of 30.37 at 31 December 2012.

Related party transactions

For a description of the related party transactions entered into by the Company we refer to note 7 of the condensed consolidated interim financial statements.

Risks and uncertainties

X5's risk management program provides executive management with a periodic and in-depth understanding of X5's key business risks and the risk management and internal controls in place to mitigate these risks. The Company has assessed the risks for the second half of 2013 and believes that the risks identified are in line with those presented in the Annual Report 2012. For a detailed description of all risk factors, we refer to the Annual Report 2012. For a description of the financial risks faced by the Company we refer to note 19 of the condensed consolidated interim financial statements and the Company's Annual Report 2012.

X5 Retail Group N.V.

Condensed Consolidated Interim Financial Statements and Review Report

Six months ended 30 June 2013

Provided under IAS 34 as adopted by the EU

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DIRECTORS' RESPONSIBILITY STATEMENT

This report contains the half-yearly financial statements of X5 Retail Group N.V. ("the Company") for the six months ended 30 June 2013, the half-yearly management report and the responsibility statement by the Company's Management Board (the "Management Board").

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 2013, 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 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 includes a fair review of the information required pursuant to section 5:25d (8)/(9) of the Dutch Financial Markets Supervision Act *(Wet op het financieel toezicht)*.

Stephan DuCharme
Chief Executive Officer
12 August 2013

Sergey Piven
Chief Financial Officer
12 August 2013

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 six-month period ended 30 June 2013 of X5 Retail Group N.V., Amsterdam, which comprises the condensed consolidated interim statement of financial position as at 30 June 2013, the condensed consolidated interim income statement, the condensed consolidated interim statements of comprehensive income, changes in equity, cash flows and the selected explanatory notes for the six-month period then ended. The management board 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 Independent Auditor of the company. 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 2013 are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 12 August 2013
PricewaterhouseCoopers Accountants N.V.

A.G.J. Gerritsen RA

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X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Financial Position at 30 June 2013
(expressed in thousands of US Dollars, unless otherwise stated)

	Note	30 June 2013	31 December 2012
ASSETS			
Non-current assets			
Property, plant and equipment	8	3,869,232	4,147,265
Investment property		98,212	108,512
Goodwill	9	1,966,149	2,114,279
Intangible assets	8	445,749	503,483
Prepaid leases	8	49,749	53,392
Investment in associates		2,181	2,759
Available-for-sale investments		6,433	6,928
Other non-current assets		37,925	36,027
Deferred tax assets		156,237	143,787
		6,631,867	7,116,432
Current assets			
Inventories		932,680	1,114,894
Indemnification asset		28,232	29,833
Loans originated		2,801	3,033
Trade and other accounts receivable		329,057	420,565
Current income tax receivable		106,268	111,745
VAT and other taxes recoverable		334,666	378,001
Cash and cash equivalents		220,939	407,877
		1,954,643	2,465,948
TOTAL ASSETS		**8,586,510**	**9,582,380**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12	93,736	93,717
Share premium		2,051,496	2,049,592
Cumulative translation reserve		(745,211)	(581,043)
Retained earnings		766,882	628,083
Share-based payment reserve	16	7,463	11,452
		2,174,366	2,201,801
Total equity		**2,174,366**	**2,201,801**
Non-current liabilities			
Long-term borrowings	11	2,075,861	2,346,380
Long-term finance lease payable		-	113
Deferred tax liabilities		136,414	148,623
Long-term deferred revenue		663	676
Other non-current liabilities		-	71
		2,212,938	2,495,863
Current liabilities			
Trade accounts payable		1,834,902	2,396,934
Short-term borrowings	11	1,681,097	1,680,887
Share-based payments liability	16	97	496
Short-term finance lease payables		725	1,363
Interest accrued		23,636	20,980
Short-term deferred revenue		7,176	13,668
Current income tax payable		6,537	13,084
Provisions and other liabilities	10	645,036	757,304
		4,199,206	4,884,716
Total liabilities		**6,412,144**	**7,380,579**
TOTAL EQUITY AND LIABILITIES		**8,586,510**	**9,582,380**

X5 Retail Group N.V.
Condensed Consolidated Interim Income Statement
for the six months ended 30 June 2013
(expressed in thousands of US Dollars, unless otherwise stated)

	Note	30 June 2013	Six months ended 30 June 2012
Revenue	5	8,381,654	7,858,658
Cost of sales		(6,367,435)	(6,001,127)
Gross profit		**2,014,219**	**1,857,531**
Selling, general and administrative expenses		(1,748,113)	(1,603,718)
Lease/sublease and other income		91,118	84,678
Operating profit		**357,224**	**338,491**
Finance costs	15	(176,965)	(161,462)
Finance income	15	1,150	6,466
Share of loss of associates		(401)	(128)
Net foreign exchange gain/(loss)		2,551	(487)
Profit before tax		**183,559**	**182,880**
Income tax expense	17	(44,760)	(47,715)
Profit for the period		**138,799**	**135,165**
Profit for the period attributable to:			
Equity holders of the parent		138,799	135,165
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in USD per share)	13	**2.05**	**1.99**
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in USD per share)	13	**2.05**	**1.99**

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Comprehensive Income
for the six months ended 30 June 2013
(expressed in thousands of US Dollars, unless otherwise stated)

	Six months ended	
	30 June 2013	**30 June 2012**
Profit for the period	**138,799**	**135,165**
Other comprehensive loss		
Item that may be reclassified subsequently to profit and loss		
Exchange differences on translation from functional to presentation currency	(164,168)	(51,015)
Total items that may be reclassified subsequently to profit and loss, net of tax	**(164,168)**	**(51,015)**
Other comprehensive loss, net of tax	**(164,168)**	**(51,015)**
Total comprehensive (loss)/income for the period, net of tax	**(25,369)**	**84,150**
Total comprehensive (loss)/income for the period attributable to:		
Equity holders of the parent	(25,369)	84,150

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Cash Flows
for the six months ended 30 June 2013
(expressed in thousands of US Dollars, unless otherwise stated)

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
Profit before tax		**183,559**	**182,880**
Adjustments for:			
Depreciation, amortization and impairment of property, plant and equipment, investment property and intangible assets	8	215,484	215,831
Gain on disposal of property, plant and equipment and intangible assets		(310)	(878)
Finance costs, net	15	175,815	154,996
Impairment of trade and other accounts receivable		3,391	12,796
Share-based options (income)/expense	16	(1,292)	3,047
Amortization and impairment of prepaid lease		2,915	6,669
Net foreign exchange (gain)/loss		(2,551)	487
Loss from associate		401	128
Other non-cash items		9,038	(11,141)
Net cash from operating activities before changes in working capital		**586,450**	**564,815**
Decrease/(increase) in trade and other accounts receivable		61,953	(59,988)
Decrease in inventories		108,178	43,063
Decrease in trade payable		(410,370)	(191,342)
Decrease in other accounts payable		(23,999)	(117,555)
Net cash generated from operations		**322,212**	**238,993**
Interest paid		(166,326)	(153,235)
Interest received		382	306
Income tax paid		(78,485)	(94,429)
Net cash generated from/(used in) operating activities		**77,783**	**(8,365)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(251,414)	(321,026)
Non-current prepaid lease		(3,556)	(4,178)
Acquisition of subsidiaries	6	(9,724)	(40,062)
Repayment of loans issued		-	1,632
Compensation from prepaid lease disposal		3,004	-
Proceeds from sale of property, plant and equipment and intangible assets		16,161	5,193
Purchase of intangible assets		(12,151)	(16,456)
Net cash used in investing activities		**(257,680)**	**(374,897)**
Cash flows from financing activities			
Proceeds from loans		668,991	822,480
Repayment of loans		(654,482)	(664,343)
Principal payments on finance lease obligations		(756)	(1,023)
Net cash generated from financing activities		**13,753**	**157,114**
Effect of exchange rate changes on cash and cash equivalents		(20,794)	7,196
Net decrease in cash and cash equivalents		**(186,938)**	**(218,952)**
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		407,877	385,001
Net decrease in cash and cash equivalents		(186,938)	(218,952)
Cash and cash equivalents at the end of the period		**220,939**	**166,049**

The accompanying Notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

X5 Retail Group N.V.
Condensed Consolidated Interim Statement of Changes In Equity
for the six months ended 30 June 2013
(expressed in thousands of US Dollars, unless otherwise stated)

	Attributable to equity holders of the parent							Total
	Number of shares	**Share capital**	**Share premium**	**Share-based payment reserve**	**Cumulative translation reserve**	**Retained earnings**	**Total shareholders' equity**	
Balance as at 1 January 2013	**67,819,033**	**93,717**	**2,049,592**	**11,452**	**(581,043)**	**628,083**	**2,201,801**	**2,201,801**
Other comprehensive (loss) for the period	-	-	-	-	(164,168)	-	(164,168)	(164,168)
Profit for the period	-	-	-	-	-	138,799	138,799	138,799
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**(164,168)**	**138,799**	**(25,369)**	**(25,369)**
Share-based payment compensation	-	-	-	(2,066)	-	-	(2,066)	(2,066)
Transfer of vested equity rights	13,539	19	1,904	(1,923)	**-**	**-**	-	-
Balance as at 30 June 2013	**67,832,572**	**93,736**	**2,051,496**	**7,463**	**(745,211)**	**766,882**	**2,174,366**	**2,174,366**
Balance as at 1 January 2012	**67,819,033**	**93,717**	**2,049,592**	**7,776**	**(709,693)**	**754,580**	**2,195,972**	**2,195,972**
Other comprehensive (loss) for the period	-	-	-	-	(51,015)	-	(51,015)	(51,015)
Profit for the period	-	-	-	-	-	135,165	135,165	135,165
Total comprehensive (loss)/income for the period	**-**	**-**	**-**	**-**	**(51,015)**	**135,165**	**84,150**	**84,150**
Share-based payment compensation				1,827			1,827	1,827
Balance as at 30 June 2012	**67,819,033**	**93,717**	**2,049,592**	**9,603**	**(760,708)**	**889,745**	**2,281,949**	**2,281,949**

The accompanying Notes on pages 6 to 18 are an integral part of these condensed consolidated interim financial statements.

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 and tax domicile 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 2013 the Group operated a retail chain of 4,031 soft-discount, supermarket, hypermarket and convenience stores under the brand names "Pyaterochka", "Perekrestok", "Karusel" and "Perekrestok-Express" 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 2012: 3,802 soft-discount, supermarket, hypermarket stores and convenience stores under the brand names "Pyaterochka", "Perekrestok", "Karusel" and "Perekrestok-Express"). The Group's multiformat store network comprises 3,419 soft discount stores under "Pyaterochka" brand, 378 supermarkets under "Perekrestok" brand, 79 hypermarkets under "Karusel" brand, 155 convenience stores under "Perekrestok-Express" brand (31 December 2012: 3,220 soft discount stores under "Pyaterochka" brand, 370 supermarkets under "Perekrestok" brand and 78 hypermarkets under "Karusel" brand, 134 convenience stores under "Perekrestok-Express" brand).

In addition as at 30 June 2013, the Group's franchisees operated 439 stores (31 December 2012: 422 stores) across Russia.

As at 30 June 2013 the Company's principal shareholder is the Alfa Group Consortium, through its holding company CTF Holdings Limited ("CTF"), owning 47.86% of total issued shares in the Company, indirectly through Luxaro Retail Holding S.a.r.l. CTF, registered in Gibraltar, 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. As at 30 June 2013 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 (Note 12).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 June 2013 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 2012 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 2012.

Management prepared these condensed consolidated interim financial statements on a going concern basis. In making this judgment management considered the Group's financial position, current intentions, profitability of operations and access to financial resources (Note 19).

2.2 Foreign currency translation and transactions

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 condensed consolidated interim 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 consistently with those policies disclosed in the consolidated financial statements for the year ended 31 December 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Foreign currency translation and transactions (continued)

At 30 June 2013, the official rate of exchange, as determined by the Central Bank of the Russian Federation, was USD 1 = RUR 32.7090 (31 December 2012: USD 1 = RUR 30.3727). Average rate for the six months ended 30 June 2013 was USD 1 = RUR 31.0169 (six months 2012: USD 1 = RUR 30.6390).

2.3 Reclassification

The Group has made reclassification within provisions and other liabilities. The effect of reclassification is not material.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at 31 December 2012. Judgements that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities include:

Provisional fair values of net assets of acquired businesses. During the reporting period the Group made a several acquisitions (Note 6) and applied a number of estimates to define the provisional fair value of acquired businesses' net assets. In estimating the provisional values of property and lease rights, direct references to observable prices in an active market are used (market approach). Estimates of other assets and liabilities are consistent with the Group policies with regard to other subsidiaries.

Tax legislation. Russian tax, currency and customs legislation is subject to varying interpretations (Note 20).

Property, plant and equipment. Lease rights and Prepaid leases. The Group performs the impairment test for assets where there is any indicator of impairment. The Group estimates the recoverable amount of the asset or cash generating unit and if it is less than the carrying amount of an asset or cash generating unit an impairment loss is recognized in the consolidated income statement. For the six months ended 30 June 2013 the Group recognized an impairment loss in the amount of 3,682 USD and reversed the impairment loss previously recognized in the amount of 3,764 USD based on the actual results.

4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Certain new standards and interpretations became effective for the Group from 1 January 2013:

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters – Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2013). The amendment regarding severe hyperinflation creates an additional exemption when an entity that has been subject to severe hyperinflation resumes presenting or presents for the first time, financial statements in accordance with IFRS. The exemption allows an entity to elect to measure certain assets and liabilities at fair value; and to use that fair value as the deemed cost in the opening IFRS statement of financial position. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

The IASB has also amended IFRS 1 to eliminate references to fixed dates for one exception and one exemption, both dealing with financial assets and liabilities. The first change requires first-time adopters to apply the derecognition requirements of IFRS prospectively from the date of transition, rather than from 1 January 2004. The second amendment relates to financial assets or liabilities where the fair value is established through valuation techniques at initial recognition and allows the guidance to be applied prospectively from the date of transition to IFRS rather than from 25 October 2002 or 1 January 2004. This means that a first-time adopter may not need to determine the fair value of certain financial assets and liabilities at initial recognition for periods prior to the date of transition. IFRS 9 has also been amended to reflect these changes. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

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

Recovery of Underlying Assets – Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2013*).* The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. SIC-21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, which addresses similar issues involving non-depreciable assets measured using the revaluation model in IAS 16, *Property, Plant and Equipment,* was incorporated into IAS 12 after excluding from its scope investment properties measured at fair value. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

IFRS 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), which aims to improve disclosures and achieve consistency by providing a revised definition of fair value. The amendment did not have any material effect for the group consolidated financial statements.

Amended IAS 19, Employee benefits (issued June 2011, effective for periods beginning on or after 1 January 2013), which makes changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The amendment did not have any material effect for the group consolidated financial statements.

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine, (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013), which considers when and how to account for the benefits arising from the stripping activity in mining industry. The amendment did not have any material effect for the group consolidated financial statements.

Disclosures − Offsetting Financial Assets and Financial Liabilities − Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013), which requires disclosures that will enable users to better evaluate the effect of netting arrangements, including rights of set-off. The amendment did not have any material effect for the group consolidated financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013), which consists of improvements to five standards. The Group is currently assessing the impact of the amendments on its financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the first half of 2013 and have not been early adopted:

IFRS 9, Financial Instruments Part 1: Classification and Measurement (issued in November 2009, effective for annual periods beginning on or after 1 January 2015, not yet adopted by the EU). IFRS 9, issued in November 2010, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognize unrealized and realized fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Amendments to IAS 1, Presentation of financial statements (issued June 2011, effective for annual periods beginning on or after 1 July 2013), which aim to improve the disclosure of items presented in other comprehensive income. The Group expects the amended standard to change presentation of its consolidated financial statements, but have no impact on measurement of transactions and balances.

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

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014, with earlier adoption permitted), which replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-12 "Consolidation – special purpose entities". The Group does not expect the amendments to have any material effect on its consolidated financial statements.

IFRS 11, Joint arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014, with earlier adoption permitted), which replaces IAS 31 "Interests in Joint Ventures" and SIC-13 "Jointly Controlled Entities − Non-Monetary Contributions by Venturers". The Group does not expect the amendments to have any material effect on its consolidated financial statements.

IFRS 12, Disclosure of interest in other entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014, with earlier adoption permitted) which requires new disclosures by entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity.The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014, with earlier adoption permitted) , which were changed by IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements". The Group is currently assessing the impact of the new standard on its consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment of IAS 28 resulted from the Board's project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Group is currently assessing the impact of the amended standard on its consolidated financial statements.

Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014), which clarifies the meaning of 'currently has a legally enforceable right of set-off'. The Group is considering the implications of the amendment, the impact on the Group and the timing of its adoption by the Group.

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards – Government loans, which give first-time adopters of IFRSs relief from full retrospective application of accounting for certain government loans on transition. The Group does not expect the amendments to have any material effect on its consolidated financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2014) , which clarify the transition guidance in IFRS 10 "Consolidated Financial Statements" and provide additional transition relief from reporting comparative information under IFRS 10, IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities".The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 – Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014; not yet adopted by the EU), which introduced a definition of an investment entity which will be required to carry its investee subsidiaries at fair value through profit or loss. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

IFRIC 21 – Levies (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014; not yet adopted by the EU). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Amendments to IAS 36 – Recoverable amount disclosures for non-financial assets (issued on 29 May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period; not yet adopted by the EU). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The Group is currently assessing the impact of the amendments on the disclosures in its consolidated financial statements.

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

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

Amendments to IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting (issued on 27 June 2013 and effective for annual periods beginning 1 January 2014; not yet adopted by the EU).The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The Group is currently assessing the impact of the amendments on the disclosures in its consolidated financial statements.

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

5 SEGMENT REPORTING

The Group 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.

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, supporting 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 consolidated financial statements.

The accounting policies used for segments are the same as accounting policies applied for these condensed consolidated interim financial statements.

The segment information for the period ended 30 June 2013 is as follows:

	Six months ended 30 June 2013	**Six months ended 30 June 2012**
Retail sales	8,372,295	7,850,923
Other revenue	9,359	7,735
Revenue	**8,381,654**	**7,858,658**
EBITDA	**575,623**	**554,322**
Capital expenditure	229,279	390,098

	30 June 2013	**31 December 2012**
Total assets	**8,586,510**	**9,582,380**
Total liabilities	**6,412,144**	**7,380,579**

Assets and liabilities are presented in a manner consistent with that in the condensed consolidated interim financial statements.

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

5 SEGMENT REPORTING (continued)

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

	Six months ended 30 June 2013	Six months ended 30 June 2012
EBITDA	**575,623**	**554,322**
Depreciation and amortization and impairment	(218,399)	(215,831)
Operating profit	**357,224**	**338,491**
Finance cost, net	(175,815)	(154,996)
Net foreign exchange result	2,551	(487)
Share of loss of associates	(401)	(128)
Profit before income tax	**183,559**	**182,880**
Income tax expense	(44,760)	(47,715)
Profit for the period	**138,799**	**135,165**

There are no differences from the last annual consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

6 ACQUISITION OF SUBSIDIARIES

In 2013 the Group acquired several businesses by purchasing retail stores and lease agreements of other retail chains in Russian regions.

These businesses did not prepare relevant financial information immediately before the acquisition, therefore, it is impracticable to disclose revenue and net profit of the Group for the six months ended 30 June 2013 as though the acquisition date had been the beginning of that period.

Details of assets and liabilities acquired and the related goodwill are as follows:

	Provisional values at the acquisition date
Property, plant and equipment (Note 8)	5,669
Intangible assets (Note 8)	294
Deferred tax liability	680
Net assets acquired	6,643
Goodwill (Note 9)	3,081
Total acquisition cost	**9,724**
Net cash outflow arising from the acquisition	**9,724**

The Group assigned provisional values to net assets acquired. In estimating provisional values of property, plant, equipment and intangible assets direct references to observable prices in an active market are used (market approach). The Group will finalise the purchase price allocation within 12 months from the acquisition date.

The purchase consideration comprises cash and cash equivalents of USD 9,724.

The goodwill recognised is not tax deductible for tax purposes and attributable to: i) the business concentration in the Russian regions and ii) expected cost synergies from the business combination.

7 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. There were no material changes in the volume of transactions and outstanding balances between the Group and related parties compared to the Group's consolidated financial statements as at 31 December 2012.

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 2013 are provided below. The ownership structure is disclosed in Note 1.

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

7 RELATED PARTY TRANSACTIONS (continued)

Alfa-Bank

The Group has an open credit line with Alfa-Bank with a maximum limit of RUR 24,000 million or USD 733,743 (31 December 2012: RUR 19,300 million or USD 635,439). At 30 June 2013 the Group's liability under this credit line amounted to USD 334,770 with interest rates 7.05 - 7.83% p.a. (31 December 2012: USD 493,865), available credit line was USD 398,973 (31 December 2012: USD 141,574). The Group has certain purchase agreements under which the Group settles its liabilities to Alfa-Bank in accordance with factoring arrangements concluded between vendors of goods and Alfa-Bank.

Magazin Buduschego

In 2011 the Group together with Rosnano and Sitronix established Magazin Budushego to develop RFID technology for retail, the Group share in associate is 33.34%. As at 30 June 2013 and for the 6 months then ended total assets, liabilities, revenue and loss of associate are not significant. The Group did not have significant balances and transactions with associate.

Key executive management personnel

The Group key management personnel consists of Management Board 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 short-term compensation in cash (including, for Management Board members, an annual cash bonus and share-based payments (Note 16). For the six months ended 30 June 2013 members of the Management Board and Supervisory Board of the Group were entitled to total short-term compensation of USD 3,037 (six months ended 30 June 2012: USD 3,614), including accrued annual target bonuses of USD 945 (six months ended 30 June 2012: USD 398) payable on an annual basis subject to meeting annual performance targets and termination payment of USD 317 (six months ended 30 June 2012: USD 1,280). As at 30 June 2013 the total number of GDRs for which options were granted to members of the Management Board and Supervisory Board under the ESOP was equal to zero (31 December 2012: 70,000 GDRs) and conditional rights under LTI plan was 122,056 (31 December 2012: 258,449). During the period ended 30 June 2013 the Group recognized income from share-based compensation to Management Board and Supervisory Board members in amount of USD 225 (six months ended 30 June 2012: expense USD 372). The total intrinsic value of vested share options amounted to zero as at 30 June 2013 (31 December 2012: USD 276).

8 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND PREPAID LEASE

	2013			2012		
	Property, plant and equipment	Intangible assets	Prepaid leases	Property, plant and equipment	Intangible assets	Prepaid leases
Cost						
Balance as at 1 January	5,830,725	976,540	129,664	4,781,438	874,226	125,202
Additions	202,531	12,186	5,518	336,644	16,494	4,178
Assets from acquisition (Note 6)	5,669	294	-	8,457	12,069	-
Disposals	(48,072)	(3,385)	(5,873)	(43,926)	(150)	(5,000)
Translation movement	(423,906)	(70,244)	(9,248)	(110,193)	(18,564)	(2,314)
Balance as at 30 June	**5,566,947**	**915,391**	**120,061**	**4,972,420**	**884,075**	**122,066**
Accumulated Depreciation						
Balance as at 1 January	(1,683,460)	(473,057)	(76,272)	(956,545)	(273,200)	(44,134)
Depreciation charge	(175,814)	(35,187)	(4,798)	(158,669)	(53,749)	(6,669)
Impairment charge	(3,682)	-	-	-	-	-
Impairment reversal	1,881	-	1,883	-	-	-
Disposals	36,170	3,161	3,503	17,730	138	1,584
Translation movement	127,190	35,441	5,372	27,394	8,727	1,180
Balance as at 30 June	**(1,697,715)**	**(469,642)**	**(70,312)**	**(1,070,090)**	**(318,084)**	**(48,039)**
Net Book Value						
Balance as at 1 January	**4 147 265**	**503,483**	**53,392**	**3,824,893**	**601,026**	**81,068**
Balance as at 30 June	**3 869 232**	**445,749**	**49,749**	**3,902,330**	**565,991**	**74,027**

The buildings are mostly located on leased land. Land leases with periodic lease payments are disclosed as part of commitments under operating leases (Note 20).

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

9 GOODWILL

Movements in goodwill arising on the acquisition of subsidiaries are:

	2013	2012
Cost:		
Gross book value at 1 January	4,297,559	4,017,508
Acquisition of subsidiaries (Note 6)	3,081	16,434
Translation to presentation currency	(307,157)	(77,204)
Gross book value at 30 June	**3,993,483**	**3,956,738**
Accumulated impairment losses:		
Accumulated impairment losses at 1 January	(2,183,280)	(2,059,632)
Translation to presentation currency	155,946	38,963
Accumulated impairment losses at 30 June	(2,027,334)	(2,020,669)
Carrying amount at 1 January	**2,114,279**	**1,957,876**
Carrying amount at 30 June	**1,966,149**	**1,936,069**

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 impairment of goodwill from 31 December 2008. No events indicating triggers of goodwill impairment occurred in the six months ended 30 June 2013. The Group will perform an annual impairment test of goodwill at 31 December 2013.

10 PROVISIONS AND OTHER LIABILITIES

	30 June 2013	31 December 2012
Taxes other than income tax	110,659	141,773
Provision and liabilities for tax uncertainties	56,669	47,436
Accrued salaries and bonuses	169,573	191,843
Payables to landlords	15,181	19,071
Other accounts payable and accruals	187,325	177,259
Accounts payable for property, plant and equipment	66,906	123,422
Advances received	38,723	56,500
	645,036	**757,304**

11 BORROWINGS

		30 June 2013			31 December 2012		
	Interest rate, % p.a.	Current During 1 year	Non-current In 1 to 4 years	Total	Current During 1 year	Non-current In 1 to 4 years	Total
RUR Club loan	MosPrime 1M +2.5%	377,249	-	377,249	405,223	-	405,223
RUR Bonds TH Kopeyka series BO-01	7%	3,841	-	3,841	4,136	-	4,136
RUR Bonds TH Kopeyka series BO-02	9%	91,738	-	91,738	98,773	-	98,773
RUR Bonds X5 Finance series 01	7.95%	-	212,435	212,435	-	229,004	229,004
RUR Bonds X5 Finance series 04	7.75%	176,297	-	176,297	-	189,858	189,858
RUR Bonds X5 Finance series BO-01	9.5%	-	152,863	152,863	-	164,274	164,274
RUR Bilateral Loans	MosPrime 3m +2.6%-2.7%	44,025	715,955	759,980	-	817,532	817,532
RUR Bilateral Loans	7.0%-9.8%	987,947	994,608	1,982,555	1,172,755	945,712	2,118,467
Total borrowings		**1,681,097**	**2,075,861**	**3,756,958**	**1,680,887**	**2,346,380**	**4,027,267**

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

11 BORROWINGS (continued)

In April 2013 the Group registered four new issues of documentary non-convertible coupon exchange bonds series BO-04, BO-05, BO-06 and BO-07 in the total amount of RUR 20 billion.

In April 2013 the Group signed with Raiffaizenbank new 3 year credit line limited to RUR 2 billion.

In May 2013 VTB increased total credit limit on X5 Retail Group N.V. up to RUR 34 billion.

All borrowings at 30 June 2013 are shown net of related transaction costs of USD 13,755 which are amortized over the term of loans using the effective interest method (31 December 2012: USD 18,722). Borrowing costs capitalized for the six months ended 30 June 2013 amounted to USD 597 (30 June 2012: USD 2,606). Capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 7,89% (2012: 6.86%).

In accordance with loan facilities the Group maintains an optimal capital structure by tracking certain requirements: the maximum level of Net Debt/EBITDA (4.00/4.25 after acquisition), minimum level of EBITDA/Net Interest expense (2.75). At 30 June 2013 the Group complied with requirements under loan facilities.

12 SHARE CAPITAL

As at 30 June 2013 the Group had 190,000,000 authorized ordinary shares of which 67,832,572 (31 December 2012: 67,819,033) ordinary shares are outstanding and 60,646 ordinary shares (31 December 2012: 74,185) held as treasury stock. The nominal par value of each ordinary share is EUR 1.

13 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

Earnings per share are calculated as follows:

	Six months ended 30 June 2013	Six months ended 30 June 2012
Profit attributable to equity holders of the Parent	138,799	135,165
Weighted average number of ordinary shares in issue	67,822,134	67,819,033
Effect of share options granted to employees	1,197	20,017
Weighted average number of ordinary shares for the purposes of diluted earnings per share	67,823,331	67,839,050
Basic earnings per share for profit from continuing operations (expressed in USD per share)	**2.05**	**1.99**
Diluted earnings per share for profit from continuing operations (expressed in USD per share)	**2.05**	**1.99**

14 EXPENSES

Among other expenses charged for the six months ended 30 June 2013 are operating lease expenses of USD 380,726 (six months ended 30 June 2012: USD 321,762).

15 FINANCE INCOME AND COSTS

	Six months ended 30 June 2013	Six months ended 30 June 2012
Interest expense	171,305	161,396
Interest income	(1,446)	(1,376)
Other finance costs/(income), net	5,956	(5,024)
	175,815	**154,996**

16 SHARE-BASED PAYMENTS

Employee stock option program

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, second and third tranches expired as at 30 June 2013. Participants of the ESOP can exercise their share options granted under fourth tranche until 20 November 2013, at any time except black-out periods defined by Group's Code of Conduct of Insider Dealing, exercise price of the fourth tranche is USD 13.91.

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

16 SHARE-BASED PAYMENTS (continued)

Employee stock option program (continued)

In total, during the six months ended 30 June 2013 the Group recognized expenses related to the ESOP in the amount of USD 112 (expenses during six months ended 30 June 2012: USD 201). At 30 June 2013 the share-based payments liability amounted to USD 97 (31 December 2012: USD 496). The equity component was effectively zero at 30 June 2013 (31 December 2012: zero). The total intrinsic value of vested share options amounted to USD 89 as at 30 June 2013 (31 December 2012: USD 423).

Details of the share options outstanding are during the six months ended 30 June 2013 and 30 June 2012 as follows:

	30 June 2013		30 June 2012	
	Number of share options	**Weighted average exercise price, USD**	**Number of share options**	**Weighted average exercise price, USD**
Outstanding at the beginning of the period	107,500	13.9	653,700	28.0
Exercised during the period	(85,000)	13.9	(20,000)	13.9
Outstanding at the end of the period	**22,500**	13.9	**633,700**	28.4
Exercisable at the end of the period	22,500	13.9	633,700	28.4

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 were as follows:

	30 June 2013	31 December 2012
GDR price	18.10	17.85
Expected volatility	47%	49%
Risk-free interest rate	2%	2%
Dividend yield	0%	0%

Employee stock plan

In 2010 the Group introduced its next generation long term incentive plan in the form of a Restricted Stock Unit Plan (RSU Plan) for its key executives and employees. Each Restricted Stock Unit (RSU) that may be granted under the RSU Plan carries the right to one GDR. The program runs in four tranches granted over the period to 19 May 2014. Over the period of four calendar years starting 2010, the RSU Plan provides for the annual grant of conditional rights to RSUs, subject to i) the achievement of specific performance criteria of the Group (KPIs) and ii) continuous employment with the Group until the completion of the vesting period. The KPIs mainly relate to (i) the performance of the Group compared to the performance of a selected group of comparable competitors in achieving sustained growth and an increasing presence in its markets of operation and (ii) maintain agreed profitability ratio of the Group at a pre-defined level.

Members of the Supervisory Board may be granted conditional RSUs not subject to performance criteria. The General Meeting of Shareholders determines the number of conditional RSUs granted to members of the Supervisory Board. The RSU Plan, as well as the first tranche of conditional RSUs in favour of members of the Supervisory Board, was approved by Annual General Meeting of Shareholders on 25 June 2010. In May 2013 the Group vested 136 481 GDRs under the 1st tranche of long term incentive plan out of treasury stock, 54 155 of them were transferred directly to participants and the remaining 82 326 GDRs were locked-in for 2 years in accordance with RSU plan rules. The second and third tranche will vest on 19 May 2014 and 19 May 2015 respectively. Upon vesting the RSUs are converted into GDRs registered in the participant's name. Subsequently, GDRs are subject to a two-year lock-in period during which period the GDRs cannot be traded.

In total, during the six months ended 30 June 2013 the Group recognized income related to the RSU plan in the amount of USD 1,404 (expenses during six months ended 30 June 2012: USD 2,846). At 30 June 2013 the equity component was USD 7,463 (31 December 2012: USD 11,452) and liability component was equal to zero (31 December 2012: USD 478). The fair value of services received in return for the conditional RSUs granted to employees is measured by reference to the market price of the GDRs which is determined at grant date.

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

16 SHARE-BASED PAYMENTS (continued)

Employee stock plan (continued)

Details of the conditional rights outstanding during the six months ended 30 June 2013 and 30 June 2012 were as follows:

	30 June 2013		30 June 2012	
	Number of conditional rights	**Weighted average fair value, USD**	**Number of conditional rights**	**Weighted average fair value, USD**
Outstanding at the beginning of the period	1,053,053	28,21	840,083	35.84
Granted during the period	-	-	790,754	22.55
Transferred under vesting	(54,155)	35.50	-	-
Forfeited during the period	(635,864)	26,04	(306,026)	35.92
Outstanding at the end of the period	**363,034**	**31.02**	**1,324,811**	**27.89**

17 INCOME TAX

	Six months ended 30 June 2013	Six months ended 30 June 2012
Current income tax charge	(70,201)	(3,057)
Deferred income tax benefit/(expense)	25,441	(44,658)
Income tax expense	**(44,760)**	**(47,715)**

Weighted average annual tax rate is estimated by the Group at the level from 24% to 26%.

18 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, the 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.

19 FINANCIAL RISKS MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual consolidated financial statements; they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012. There have been no changes in the risk management department since year end or in any risk management policies.

Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

At 30 June 2013 the Group has negative working capital of USD 2,244,563 (31 December 2012: USD 2,418,768) including short-term borrowings of USD 1,681,097 (31 December 2012: USD 1,680,887).

At 30 June 2013 the Group had available bank credit lines of USD 2,484,026 (31 December 2012: USD 2,686,623).

At 30 June 2013 the Group had RUR bonds available for issue on MICEX of USD 1,161,760.

20 COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

At 30 June 2013, the Group operated 2,770 stores through rented premises (31 December 2012: 2,603 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. The variable part of rent payments is predominantly denominated in RUR and normally calculated as a percentage of turnovers. Fixed rent payments constitute the main part of operating lease expenses of the Group as compared to the variable fees.

The Group entered into a number of short-term and long-term lease agreements which are cancellable by voluntary agreement of the parties or by payment of termination compensation. The expected annual lease payments under these agreements amounts to USD 443,725 (net of VAT) (2012: USD 439,928).

Capital expenditure commitments

At 30 June 2013 the Group contracted for capital expenditure of USD 101,136 (net of VAT) (31 December 2012: USD 83,141).

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 preceding the year of review. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing legislation initially introduced on 1 January 1999 and further amended from 1 January 2012 provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all controllable transactions if the transaction prices deviate from the arm's length level:

- Transfer pricing rules effective until 31 December 2011. According to the Russian transfer pricing rules effective during the period up to 31 December 2011, 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.

Inter-company transactions undertaken by the companies of the Group for the period up to 31 December 2011 are potentially subject to transfer pricing controls established by Article 40 of the Russian Tax Code. 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.

- Amended transfer pricing rules effective from 1 January 2012. Amended Russian transfer pricing legislation took effect from 1 January 2012. The new transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that it's pricing policy is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

20 COMMITMENTS AND CONTINGENCIES (continued)

Taxation environment (continued)

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group's transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

Deductibility of interest payable under intra-group financing arrangements is subject to various limitations under the Russian tax legislation which, in combination with applicable tax treaties may be interpreted in various ways. The impact of such interpretation may be significant to the financial condition and operations of the Group and depends on the development of case-specific administrative and court practice on the matter.

The Group includes companies incorporated outside of Russia. Tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax because they do not have a permanent establishment in Russia. The Russian tax legislation does not provide detailed rules on taxation of foreign companies. It is possible that with the evolution of the interpretation of these rules and the changes in the approach of the Russian tax authorities, the non-taxable status of some or all of the foreign companies of the Group in Russia may be challenged. The impact of any such challenge cannot be reliably estimated.

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 the aforementioned risks, as well as other profits tax and non-profits tax risks (e.g. imposition of additional VAT liabilities), 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 on the statement of financial position at that date. 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.

21 SUBSEQUENT EVENTS

In August 2013 the Group signed RUR 15 bln dual tranche term club loan facility agreement with 2.5-2.75% margin over MOSPRIME. Tranche A is limited by RUR 9,7bln with 3 years maturity, Tranche B is limited by RUR 5.3 bln with 5 years maturity.