X5 RETAIL GROUP REPORTS Q2 AND H1 2015 FINANCIAL RESULTS

Amsterdam, 13 August 2015 - X5 Retail Group N.V., ("X5" or the "Company") a leading Russian food retailer (LSE ticker: "FIVE"), today released its Interim Report for the Half Year 2015 prepared in accordance with International Financial Reporting Standards ("IFRS") and the Dutch Financial Supervision Act.

P&L statement highlights[(1)]

Russian Rouble (RUB), million (mln)	**Q2 2015**	**Q2 2014**	***% change y-o-y***	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	**199,883**	**155,579**	***28.5%***	**382,608**	**299,746**	***27.6%***
incl. net retail sales[(2)]	198,623	155,109	*28.1%*	380,676	299,007	*27.3%*
Pyaterochka	145,050	107,202	*35.3%*	274,629	203,377	*35.0%*
Perekrestok	31,296	27,969	*11.9%*	63,046	56,654	*11.3%*
Karusel	19,420	16,999	*14.2%*	37,317	33,482	*11.5%*
Express	2,857	2,605	*9.7%*	5,684	4,826	*17.8%*
E5.RU	-	335	*n/a*	-	669	*n/a*
Gross profit	**48,075**	**38,110**	***26.1%***	**92,971**	**72,756**	***27.8%***
Gross profit margin, %	*24.1%*	*24.5%*	*(44) bp*	*24.3%*	*24.3%*	*3 bp*
EBITDA	**14,389**	**11,398**	***26.2%***	**27,518**	**21,194**	***29.8%***
EBITDA margin, %	*7.2%*	*7.3%*	*(13) bp*	*7.2%*	*7.1%*	*12 bp*
Operating profit	**9,923**	**7,290**	***36.1%***	**18,991**	**13,197**	***43.9%***
Operating profit margin, %	*5.0%*	*4.7%*	*28 bp*	*5.0%*	*4.4%*	*56 bp*
Net profit	**3,832**	**3,980**	***(3.7%)***	**7,942**	**6,449**	***23.2%***
Net profit margin, %	*1.9%*	*2.6%*	*(64) bp*	*2.1%*	*2.2%*	*(8) bp*

X5's Chief Executive Officer Stephan DuCharme said

"In the first half of 2015, we demonstrated our ability to accelerate our business, achieving record levels of organic growth while also maintaining a comfortable level of profitability, thus ensuring we are well placed to finance our continued development.

"The key drivers of this growth included: improved value propositions across all three store formats, strong performance of stores operating under their new concepts, and a substantial increase in total selling space.

"We have entered the second half of the year with considerable momentum, and I believe we will be able to continue to deliver profitable growth going forward. The success we have enjoyed to date underlines that we have the right strategy for our multi-format business, which is focused on serving all segments of the consumer market. This strategy is proving to be effective even in the current external environment."

(1) Please note that in this and other tables, and in the text of this Interim report, immaterial deviations in the calculation of % changes, subtotals and totals are due to rounding.

(2) Net of VAT and revenue from wholesale operations.

Net retail sales

Net retail sales, y-o-y change, %	Q2 2015			H1 2015		
	Average ticket	**# of customers**	**Net retail sales**	**Average ticket**	**# of customers**	**Net retail sales**
Pyaterochka	13.1	19.7	35.3	13.6	18.8	35.0
Perekrestok	11.5	0.1	11.9	14.0	(2.8)	11.3
Karusel	9.7	4.1	14.2	9.5	1.8	11.5
Express	7.6	1.7	9.7	10.2	7.0	17.8
X5 Retail Group	**10.8**	**15.6**	**28.1**	**11.3**	**14.3**	**27.3**

Net retail sales in Q2 2015 and H1 2015 grew by 28.1% and 27.3% year-on-year ("y-o-y"), respectively. The Company's net retail sales were impacted by the following factors:

- strong LFL performance of the stores despite decelerating food inflation in Russia;
- increased traffic in existing Pyaterochka stores as more and more customers discover and enjoy the improved value proposition in both recently-opened and refurbished stores, and in Karusel hypermarkets after adjustments to address changing market conditions with a better offering and enhanced store operations;
- solid selling space expansion of 23.9% y-o-y.

	As at 30-Jun-15	**As at 30-Jun-14**	***% change vs 30-Jun-14***
Selling space, end-of-period, square metres (sq.m.)			
Pyaterochka	2,002,200	1,506,113	*32.9%*
Perekrestok	444,814	396,393	*12.2%*
Karusel	361,197	357,367	*1.1%*
Express	35,453	36,107	*(1.8%)*
X5 Retail Group	**2,843,663**	**2,295,980**	***23.9%***

LFL[(1)] results, growth, y-o-y, %	Q2 2015			H1 2015		
	Sales	**Traffic**	**Basket**	**Sales**	**Traffic**	**Basket**
Pyaterochka	18.6	3.5	14.6	20.1	4.3	15.1
Perekrestok	6.9	(4.2)	11.6	7.2	(5.1)	13.0
Karusel[(2)]	12.3	2.4	9.7	10.1	0.5	9.5
Express	2.3	(3.0)	5.4	3.9	(2.6)	6.7
X5 Retail Group	**15.6**	**2.2**	**13.0**	**16.3**	**2.6**	**13.4**

For more details on net retail sales growth please refer to 'X5 Q2 2015 Trading update'.

Gross profit margin

The Company's gross profit margin in Q2 and H1 2015 amounted to 24.1% and 24.3%, respectively, a 44 basis point ("bp") decrease and a 3 bp increase compared to Q2 and H1 2014, respectively. The decline in gross margin in Q2 2015 was due to an increase in shrinkage on the back of higher inventory volumes to support the Company's enhanced fresh assortment, increased availability of goods on shelves, and record organic growth through both new store openings and refurbishment.

(1) 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 12 full months. Their sales are included in the LFL calculation starting from the day of the store's opening. We include all stores that fit our LFL criteria in each reporting period.

(2) Karusel's LFL traffic and basket in Q2 2014 were affected by a loyalty programme for the Football World Cup in May-June 2014, which artificially inflated traffic and decreased average basket size. Adjusted for the effect of this campaign, in Q2 2015 Karusel's y-o-y LFL traffic would have increased by 3.6% and the LFL basket increased by 8.5%. Karusel's overall LFL sales were not affected.

Selling, general and administrative (SG&A) expenses

RUB mln	Q2 2015	Q2 2014	*% change y-o-y*	H1 2015	H1 2014	*% change y-o-y*
Staff costs	(15,083)	(12,001)	*25.7%*	(29,675)	(24,105)	*23.1%*
% of Revenue	*7.5%*	*7.7%*	***(17) bp***	*7.8%*	*8.0%*	***(29) bp***
Lease expenses	(8,675)	(6,719)	*29.1%*	(17,042)	(13,316)	*28.0%*
% of Revenue	4.3%	4.3%	***2 bp***	4.5%	4.4%	***1 bp***
D&A and impairment	(4,465)	(4,108)	*8.7%*	(8,526)	(7,997)	*6.6%*
% of Revenue	2.2%	2.6%	***(41) bp***	2.2%	2.6%	***(44) bp***
Utilities	(3,567)	(3,069)	*16.2%*	(7,620)	(6,568)	*16.0%*
% of Revenue	1.8%	2.0%	***(19) bp***	2.0%	2.2%	***(20) bp***
Other store costs	(3,078)	(2,335)	*31.8%*	(5,807)	(4,680)	*24.1%*
% of Revenue	1.5%	1.5%	***4 bp***	1.5%	1.6%	***(4) bp***
Third party services	(2,072)	(1,493)	*38.8%*	(3,351)	(2,585)	*29.6%*
% of Revenue	1.0%	1.0%	***8 bp***	0.9%	0.9%	***1 bp***
Other expenses	(2,726)	(2,591)	*5.2%*	(5,062)	(3,855)	*31.3%*
% of Revenue	*1.4%*	*1.7%*	***(30) bp***	*1.3%*	*1.3%*	***4 bp***
Total SG&A	**(39,666)**	**(32,316)**	***22.7%***	**(77,083)**	**(63,107)**	***22.1%***
% of Revenue	***19.8%***	***20.8%***	***(93) bp***	***20.1%***	***21.1%***	***(91) bp***

In Q2 2015, SG&A expenses as a percentage of revenue decreased y-o-y by 93 bp to 19.8%.

Higher sales densities contributed to a positive operating leverage effect on staff costs, D&A and impairment, and utilities as a percent of sales.

Staff costs as a percentage of revenue decreased y-o-y by 17 bp in Q2 2015 to 7.5%, primarily due to the positive operating leverage effect.

Lease expenses in Q2 2015, remained almost flat y-o-y as a percentage of revenue at 4.3%. The effect of new store openings, and the subsequent increase in the proportion of leased space as a percentage of the total real estate portfolio, was offset by higher operating leverage. As a percentage of X5's total real estate portfolio, leased space accounted for 60.5% as of 30 June 2015, compared to 57.3% as of 30 June 2014.

Other store costs and third party services expenses changed immaterially as a percentage of revenue in Q2 2015 compared to Q2 2014.

Depreciation & amortisation and impairment costs decreased as a percentage of revenue in Q2 2015, by 41 bp y-o-y to 2.2%, thanks to the operating leverage effect and a decreasing share of owned stores in X5's total real estate portfolio.

Utilities costs as a percentage of revenue decreased by 19 bp in Q2 2015, and reached 1.8%, due to the operating leverage effect.

In Q2 2015, other expenses as a percentage of revenue decreased by 30 bp y-o-y, primarily due to the reversal of a provision for legal cases accrued in previous periods.

In H1 2015, SG&A expenses as a percentage of revenue decreased y-o-y by 91 bp to 20.1%.

Staff costs, D&A and utilities costs as a percentage of revenue in H1 2015 were lower by 29, 44 and 20 bp y-o-y, respectively, for the same reasons mentioned above.

Lease expenses, other store costs, other expenses and third party expenses changed immaterially as a percentage of revenue in H1 2015 compared to H1 2014.

Lease/sublease and other income

As a percentage of revenue, the Company's income from lease, sublease and other operations decreased in Q2 2015 by 20 bp and totalled 0.76%, as sales density growth at Pyatorochka stores outpaced X5 income growth from lease and sublease operations.

EBITDA and EBITDA margin

As a result of the factors discussed above, EBITDA in Q2 2015 totalled RUB 14,389 mln, or 7.2% of revenue compared to RUB 11,398 mln, or 7.3% of revenue in Q2 2014. In H1 2015, EBITDA totalled RUB 27,518 mln, or 7.2% of revenue compared to RUB 21,194 mln, or 7.1% of revenue, in the corresponding period of 2014

Segment reporting

Pyaterochka	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	275,514	203,601	35.3%
EBITDA	21,709	14,522	49.5%
EBITDA margin, %	*7.9%*	*7.1%*	*75 bp*

Perekrestok	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	63,477	56,772	11.8%
EBITDA	4,907	5,738	(14.5%)
EBITDA margin, %	*7.7%*	*10.1%*	*(238) bp*

Karusel	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	37,344	33,499	11.5%
EBITDA	1,831	2,040	(10.2%)
EBITDA margin, %	*4.9%*	*6.1%*	*(119) bp*

Other segments	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	6,273	5,874	6.8%
EBITDA	185	(209)	(188.5%)
EBITDA margin, %	*3.0%*	*(3.6%)*	*651 bp*

Corporate	**H1 2015**	**H1 2014**	***% change y-o-y***
Revenue	-	-	-
EBITDA	(1,114)	(897)	24.2%
EBITDA margin, %	-	-	-

In H1 2015, Pyaterochka's EBITDA margin increased y-o-y by 75 bp to 7.9%, driven by an improved value proposition and solid performance of mature stores operating under the new concept.

Perekrestok's EBITDA margin declined y-o-y by 238 bp to 7.7% due to an increase of the share of stores in ramp-up phase following organic openings (14 stores), acquisitions (30 stores) and the accelerated refurbishment programme (37 stores), as well as higher rental costs and an increase in the share of leased space in H1 2015. Perekrestok's EBITDA in H1 2014 also includes proceeds from the sale of real estate assets in the amount of RUB 473 mln.

In H1 2015, Karusel's EBITDA margin decreased y-o-y by 119 bp to 4.9% on the back of higher shrinkage levels due to the expansion of and changes in assortment, increased rental costs, and higher operational expenses, driven by strengthening of the hypermarkets team and separating it into a single unit.

Other segments include Perekrestok Express and E5.ru (commercial operations of E5.ru were ceased effective 1 January 2015).

Increased operating expenses on the back of changes in Russian social tax regulation, indexation of salaries, as well as growth in other costs to support business expansion led to a decline in the EBITDA result of the X5 Corporate centre by 24.2%.

Non-operating gains and losses

RUB mln	Q2 2015	Q2 2014	% change y-o-y	H1 2015	H1 2014	% change y-o-y
Operating profit	**9,923**	**7,290**	***36.1%***	**18,991**	**13,197**	***43.9%***
Net finance costs	(4,240)	(2,976)	*42.5%*	(8,185)	(5,650)	*44.9%*
Net FX result	30	42	*(28.6%)*	144	17	*747.1%*
Profit before tax	**5,713**	**4,356**	***31.2%***	**10,950**	**7,564**	***44.8%***
Income tax expense	(1,881)	(376)	*400.3%*	(3,008)	(1,115)	*169.8%*
Net profit	**3,832**	**3,980**	*(3.7%)*	**7,942**	**6,449**	*23.2%*
Net profit margin, %	*1.9%*	*2.6%*		*2.1%*	*2.2%*	

Net finance costs in Q2 2015 increased y-o-y by 42.5%. The weighted average effective interest rate on X5's total debt for H1 2015 increased to 13.3% from 9.3% for H1 2014.

Income tax expense increased by 400%, primarily due to accrual of tax provisions in Q2 2015 and reversal of tax provisions in Q2 2014. Adjusted for the abovementioned provisions, income tax expense would have increase by 26%.

Consolidated cash flow

RUB mln	Q2 2015	Q2 2014	% change y-o-y	H1 2015	H1 2014	% change y-o-y
Net cash from operating activities before changes in working capital	*15,384*	*12,201*	*26.1%*	*28,957*	*21,397*	*35.3%*
Change in working capital	*(2,919)*	*3,056*	*n/a*	*(14,058)*	*(7,064)*	*99.0%*
Net interest and income tax paid	*(5,622)*	*(2,481)*	*126.6%*	*(10,307)*	*(6,189)*	*66.5%*
Net cash flows generated from operating activities	6,843	12,776	*(46.4%)*	4,592	8,144	*(43.6%)*
Net cash used in investing activities	(13,520)	(4,911)	*175.3%*	(21,340)	(9,200)	*132.0%*
Net cash generated from/(used in) financing activities	6,100	(6,556)	*n/a*	(4,340)	(421)	*930.9%*
Effect of exchange rate changes on cash & cash equivalents	6	(13)		(3)	(13)	
Net (decrease)/increase in cash & cash equivalents	**(571)**	**1,296**	*n/a*	**(21,091)**	**(1,490)**	*1315.5%*

In Q2 2015, net cash flows generated from operating activities totalled RUB 6,843 mln, compared to RUB 12,776 mln in the same period of 2014, with the decrease primarily due to changes in working capital. This was mainly a result of declined trade accounts payable on the back of X5's strategic decision to make faster payments to suppliers as a way of supporting long-term partners and local producers.

The year-on-year increases in net interest and income tax expenses in Q2 2015 were mainly due to higher interest expense and higher gross debt, as well as due to the low level of taxes paid in Q2 2014. In Q2 2014, the Company received a refund related to the overpayment of taxes in prior periods.

Net cash flows generated from operating activities in H1 2015 amounted to RUB 4,592 mln, compared to RUB 8,144 mln in H1 2014. The decrease was primarily due to changes in working capital.

Net cash used in investing activities, which generally consists of payments for property, plant and equipment totalled RUB 13,520 mln in Q2 2015 compared to RUB 4,911 mln for the same period last year, and reflects higher expenditures for store expansion and refurbishment. X5 added 161.9 th. sq. m. of selling space in Q2 2015, a 155.0% increase compared to the same period last year. Moreover, 267 stores were refurbished in Q2 2015 compared to 96 stores in Q2 2014.

Net cash used in investing activities in H1 2015 amounted to RUB 21,340 mln, compared to RUB 9,200 mln in H1 2014.

Net cash generated from financing activities totalled RUB 6,100 mln in Q2 2015, compared to net cash used in financing activities of RUB 6,556 mln for Q2 2014. The increase was related to the drawdown of available credit lines to finance the Company's investment programme.

Net cash used in financing activities totalled RUB 4,340 mln in H1 2015, compared to net cash used in financing activities of RUB 421 mln in H1 2014.

Liquidity update

RUB mln	30-Jun-15	*% in total*	31-Dec-14	*% in total*	30-Jun-14	*% in total*
Total debt	**129,029**		**130,986**		**110,361**	
Short-term debt	30,779	*23.9%*	15,834	*12.1%*	*20,729*	*18.8%*
Long-term debt	98,250	*76.1%*	115,152	*87.9%*	*89,632*	*81.2%*
Net debt	**124,497**		**105,363**		**104,240**	
Net debt/EBITDA	**2.39x**[1]		**2.30x**[2]		**2.50x**[3]	
EBITDA/Net interest expense	**3.61x**[1]		**3.76x**[2]		**3.69x**[3]	

As of 30 June 2015, the Company's total debt amounted to RUB 129,029 mln, of which 23.9% was short-term debt and 76.1% long-term debt. The Company's debt is 100% denominated in Russian Roubles.

As of 30 June 2015, the Company had access to RUB 114,900 mln in undrawn credit lines with major Russian and international banks.

Related party transactions

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

Risks and uncertainties

X5's risk management programme 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 2015 and believes that the risks identified are in line with those presented in the Annual Report 2014. For a detailed description of all risk factors, refer to the Annual Report for 2014. For a description of the financial risks faced by the Company, refer to note 19 of the condensed consolidated interim financial statements and the Company's Annual Report for 2014.

Subsequent events

In July 2015, X5 agreed the early repayment of RUB 7.5 billion from a RUB 15 billion club loan with a floating rate of MosPrime+2.5% for the three-year tranche and MosPrime+2.75% for the five-year tranche in order to further decrease the Company's interest rate risk. In order to repay the loan, X5 executed and made a RUB 7.5 billion drawdown under three years term credit line tied to the Central Bank Key Rate. As a result, the share of debt linked to MosPrime in X5's debt portfolio declined from 21.2% as of June 30, 2015 to 14.7% as of July 31, 2015. In July 2015, X5 acquired 100 stores owned by the Soseddushka retail chain in Orenburg and the Orenburg region. This will increase X5's presence in the region almost threefold.

(1) Based on consolidated EBITDA of RUB 52,183 mln and interest expense of RUB 14,449 mln
(2) Based on consolidated EBITDA of RUB 45,859 mln and interest expense of RUB 12,186 mln
(3) Based on consolidated EBITDA of RUB 41,690 mln and interest expense of RUB 11,306 mln

Note to Editors:

X5 Retail Group N.V. (LSE: FIVE, Fitch – 'BB', Moody's – 'Ba3', S&P – 'BB-') is a leading Russian food retailer. The Company operates several retail formats: the chain of proximity stores under the Pyaterochka brand, the supermarket chain under the Perekrestok brand, the hypermarket chain under the Karusel brand and Express convenience stores under various brands.

As of 30 June 2015, X5 had 5,971 Company-operated stores. It has the leading market position in both Moscow and St. Petersburg and a significant presence in the European part of Russia. Its store base includes 5,273 Pyaterochka proximity stores, 438 Perekrestok supermarkets, 83 Karusel hypermarkets and 177 convenience stores. The Company operates 35 DCs and 1,364 Company-owned trucks across the Russian Federation.

For the full year 2014, revenue totaled RUB 633,873 mln (USD 16,498 mln), EBITDA reached RUB 45,860 mln (USD 1,194 mln), and profit for the period amounted to RUB 12,691 mln (USD 330 mln). In H1 2015, revenue totaled RUB 382,608 mln (USD 6,666 mln), EBITDA reached RUB 27,518 mln (USD 479 mln), and net income amounted to RUB 7,942 mln (USD 138 mln).

X5's Shareholder structure is as follows: Alfa Group – 47.86%, founders of Pyaterochka – 14.43%, X5 Directors – 0.05%, treasury shares – 0.01%, free float – 37.64%.

Forward looking statements:
This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the fact that they do not only relate to historical or current events. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "expected", "plan", "goal", "believe", or other words of similar meaning.
By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond X5 Retail Group N.V.'s control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements.
Any forward-looking statements made by or on behalf of X5 Retail Group N.V. speak only as at the date of this announcement. Save as required by any applicable laws or regulations, X5 Retail Group N.V. undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

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X5 Retail Group N.V.

Condensed Consolidated Interim Financial Statements and Review Report

Six months ended 30 June 2015

Provided under IAS 34 as adopted by the EU

Contents

DIRECTORS' RESPONSIBILITY STATEMENT

This report contains the half-yearly condensed consolidated financial statements of X5 Retail Group N.V. ("the Company") for the six months ended 30 June 2015 and the responsibility statement by the Company's Management Board (the "Management Board"), which have been reviewed by the independent auditor and are not audited.

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 2015, 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:

(i) Selecting suitable accounting principles and applying them consistently;

(ii) Making judgments and estimates that are reasonable and prudent;

(iii) 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

(iv) 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:

(v) Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;

(vi) 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";

(vii) Maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;

(viii) Taking such steps as are reasonably available to them to safeguard the assets of the Group; and

(ix) 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" as adopted by the European Union, 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)*.

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Stephan DuCharme
Chief Executive Officer
12 August 2015

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Elena Milinova
Chief Financial Officer
12 August 2015

Review report

To the management board of X5 Retail Group N.V.

Introduction

We have reviewed the accompanying condensed consolidated interim financial information for the six month period ended 30 June 2015 of X5 Retail Group N.V., Amsterdam, which comprises the interim condensed consolidated statement of financial position as at 30 June 2015, the condensed consolidated interim statement of profit or loss account, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of 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 this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information 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 information as at 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the European Union.

Amsterdam, 12 August 2015
PricewaterhouseCoopers Accountants N.V.

A.G.J. Gerritsen RA

Ref.: e0361609

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(expressed in millions of Russian Roubles, unless otherwise stated)

	Note	30 June 2015	31 December 2014
ASSETS			
Non-current assets			
Property, plant and equipment	8	164,386	150,328
Investment property		3,620	3,718
Goodwill	9	68,344	65,684
Other intangible assets	8	14,133	14,618
Investment in associates		31	31
Available-for-sale investments		213	213
Other non-current assets		2,582	2,251
Deferred tax assets		3,846	3,568
		257,155	**240,411**
Current assets			
Inventories		50,400	47,084
Indemnification asset		1,046	240
Trade and other accounts receivable		18,978	21,464
Current income tax receivable		878	2,610
VAT and other taxes recoverable		16,041	13,488
Cash and cash equivalents		4,532	25,623
		91,875	**110,509**
TOTAL ASSETS		**349,030**	**350,920**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12	2,458	2,457
Share premium		46,257	46,218
Retained earnings		49,731	41,789
Share-based payment reserve	16	20	94
		98,466	**90,558**
Total equity		**98,466**	**90,558**
Non-current liabilities			
Long-term borrowings	11	98,250	115,152
Deferred tax liabilities		3,599	3,924
Long-term deferred revenue		12	13
		101,861	**119,089**
Current liabilities			
Trade accounts payable		82,264	92,001
Short-term borrowings	11	30,779	15,834
Interest accrued		599	693
Short-term deferred revenue		431	555
Current income tax payable		1,968	1,770
Provisions and other liabilities	10	32,662	30,420
		148,703	**141,273**
Total liabilities		**250,564**	**260,362**
TOTAL EQUITY AND LIABILITIES		**349,030**	**350,920**

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Stephan DuCharme
Chief Executive Officer
12 August 2015

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Elena Milinova
Chief Financial Officer
12 August 2015

(expressed in millions of Russian Roubles, unless otherwise stated)

	Note	**Six months ended 30 June 2015**	**Six months ended 30 June 2014**
Revenue	5	382,608	299,746
Cost of sales		(289,637)	(226,990)
Gross profit		**92,971**	**72,756**
Selling, general and administrative expenses	14	(77,083)	(63,107)
Lease/sublease and other income		3,103	3,548
Operating profit		**18,991**	**13,197**
Finance costs	15	(8,557)	(5,669)
Finance income	15	372	19
Net foreign exchange gain		144	17
Profit before tax		**10,950**	**7,564**
Income tax expense	17	(3,008)	(1,115)
Profit for the period		**7,942**	**6,449**
Profit for the period attributable to:			
Equity holders of the parent		7,942	6,449
Basic earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	**13**	**117.02**	**95.05**
Diluted earnings per share for profit attributable to the equity holders of the parent (expressed in RUB per share)	**13**	**117.02**	**95.05**

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	Six months ended 30 June 2015	**Six months ended 30 June 2014**
Profit for the period	7,942	6,449
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation from functional to presentation currency	-	(23)
Reclassification of cumulative translation reserve attributable to disposed subsidiaries	-	67
Total items that may be reclassified subsequently to profit or loss, net of tax	**-**	**44**
Other comprehensive income, net of tax	**-**	**44**
Total comprehensive income for the period, net of tax	**7,942**	**6,493**
Total comprehensive income for the period attributable to:		
Equity holders of the parent	7,942	6,493

Stephan DuCharme
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(expressed in millions of Russian Roubles, unless otherwise stated)

	Note	Six months ended 30 June 2015	Six months ended 30 June 2014
Profit before tax		**10,950**	**7,564**
Adjustments for:			
Depreciation, amortization and impairment of property, plant and equipment, investment property and intangible assets	8	8,527	7,997
Loss/(gain) on disposal of property, plant and equipment, investment property and intangible assets		29	(440)
Finance costs, net	15	8,185	5,650
Impairment of trade and other accounts receivable		326	114
Share-based options (income)/expense	16	(12)	9
Net foreign exchange gain		(144)	(17)
Other non-cash items		1,096	520
Net cash from operating activities before changes in working capital		**28,957**	**21,397**
Increase in trade and other accounts receivable		(1,642)	(952)
(Increase)/decrease in inventories		(3,185)	404
Decrease in trade payable		(10,924)	(7,351)
Increase in other accounts payable		1,693	835
Net cash generated from operations		**14,899**	**14,333**
Interest paid		(8,284)	(5,094)
Interest received		366	19
Income tax paid		(2,389)	(1,114)
Net cash generated from operating activities		**4,592**	**8,144**
Cash flows from investing activities			
Purchase of property, plant and equipment		(19,362)	(9,547)
Acquisition of subsidiaries	6	(1,426)	(522)
Proceeds from disposal of property, plant and equipment, investment property and intangible assets		76	1,253
Purchase of other intangible assets		(628)	(384)
Net cash used in investing activities		**(21,340)**	**(9,200)**
Cash flows from financing activities			
Proceeds from loans		9,800	27,596
Repayment of loans		(14,140)	(28,013)
Principal payments on finance lease obligations		-	(4)
Net cash used in financing activities		**(4,340)**	**(421)**
Effect of exchange rate changes on cash and cash equivalents		(3)	(13)
Net decrease in cash and cash equivalents		**(21,091)**	**(1,490)**
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the period		25,623	7,611
Net decrease in cash and cash equivalents		(21,091)	(1,490)
Cash and cash equivalents at the end of the period		**4,532**	**6,121**

Stephan DuCharme
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12 August 2015

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(expressed in millions of Russian Roubles, unless otherwise stated)

	Attributable to equity holders of the parent							
	Number of shares	**Share capital**	**Share premium**	**Share-based payment reserve**	**Cumulative translation reserve**	**Retained earnings**	**Total shareholders' equity**	**Total**
Balance as at 1 January 2014	**67,844,665**	**2,456**	**46,126**	**170**	**(44)**	**29,098**	**77,806**	**77,806**
Other comprehensive income for the period	-	-	-	-	44	-	44	44
Profit for the period	-	-	-	-	-	6,449	6,449	6,449
Total comprehensive income for the period	-	-	-	-	**44**	**6,449**	**6,493**	**6,493**
Share-based payment compensation (Note 16)	-	-	-	4	-	-	4	4
Transfer of vested equity rights (Note 16)	25,659	1	102	(103)	-	-	-	-
Balance as at 30 June 2014	**67,870,324**	**2,457**	**46,228**	**71**	**-**	**35,547**	**84,303**	**84,303**
Balance as at 1 January 2015	**67,867,743**	**2,457**	**46,218**	**94**	**-**	**41,789**	**90,558**	**90,558**
Profit for the period	-	-	-	-	-	7,942	7,942	7,942
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**7,942**	**7,942**	**7,942**
Share-based payment compensation (Note 16)	-	-	-	(34)	-	-	(34)	(34)
Transfer of vested equity rights (Note 16)	15,504	1	39	(40)	-	-	-	-
Balance as at 30 June 2015	**67,883,247**	**2,458**	**46,257**	**20**	**-**	**49,731**	**98,466**	**98,466**

Stephan DuCharme
Chief Executive Officer
12 August 2015

Elena Milinova
Chief Financial Officer
12 August 2015

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 2015 the Group operated a retail chain of 5.971 proximity stores, supermarket, hypermarket and express 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 (31 December 2014: 5,483 proximity stores, supermarket, hypermarket and express stores under the brand names "Pyaterochka", "Perekrestok", "Karusel" and "Perekrestok Express"). The Group's multiformat store network comprises 5.273 proximity stores under "Pyaterochka" brand, 438 supermarkets under "Perekrestok" brand, 83 hypermarkets under "Karusel" brand, 177 express stores (31 December 2014: 4,789 proximity stores under "Pyaterochka" brand, 403 supermarkets under "Perekrestok" brand, 82 hypermarkets under "Karusel" brand, 209 express stores).

As at 30 June 2015 the Company's principal shareholder is CTF Holdings Limited ("CTF"). CTF owns 47.86% of total issued shares in the Company, indirectly through Luxaro Retail Holding S.a.r.l. CTF, registered in Gibraltar, which is 100% owned by three individuals: 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 2015 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 2015 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 2014 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 2014.

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

The functional currencies of the Group's entities are the national currency of the Russian Federation, the Russian Rouble ("RUB"). `The presentation currency of the Group is the Russian Rouble ("RUB"), which management believes is the most useful currency to adopt for users of these condensed consolidated interim financial statements.

2.3 Taxes

Russian tax legislation permits to calculate income taxes on a consolidated basis for certain categories of tax payers. Therefore starting from 1 January 2014 39 Russian subsidiaries of the Group were combined into the consolidated group of taxpayers (Note 17). For subsidiaries which are not included to the consolidated group of taxpayers (CGT) income taxes were calculated on an individual subsidiary basis.

Taxes on income in the interim periods are accrued using the tax rate that is expected to be applicable to total annual profit or loss.

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 for the year ended 31 December 2014. 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 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, Investment property, Lease rights, Prepaid leases and Goodwill. 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 statement of profit or loss. For the six months ended 30 June 2015 the Group recognized an impairment loss in the amount of RUB 506 (six months ended 30 June 2014: RUB 777) and reversed the impairment loss previously recognized in the amount of RUB 6 (six months ended 30 June 2014: RUB 101) based on the actual results.

4 ADOPTION OF NEW AND REVISED STANDARDS AND INTERPRETATIONS

Amendments to IFRSs effective for the financial year beginning 1 January 2015 are not expected to have a material impact on the Group.

5 SEGMENT REPORTING

In 2014 the Group started the transition to the new operational model. In early 2015 the process was mostly finalized, therefore starting from 2015 the Group identifies retail chains of each format (see Note 1) as separate operating segments in accordance with the criteria set forth in IFRS 8.

Up until 2014 year the company had one operating segment (Group's retail business), as all formats demonstrated similar economic characteristics:

- the products and customers;
- the business processes were integrated and uniform: the Group managed its store operations centrally, sourced products centrally, supporting functions like purchasing, logistics, investment control, finance, strategy, HR, IT were centralized;
- the Group's activities were limited to a common market zone (i.e. Russia) with uniform legislation and regulatory environment.

Starting from 2015 the following significant operating functions were decentralized by formats:

- category management, including purchasing, pricing, assortment management, promotion management;
- distribution centers logistics;
- development function.

(expressed in millions of Russian Roubles, unless otherwise stated)

5 SEGMENT REPORTING (CONTINUED)

The formats' general managers are determined as segment managers in accordance with IFRS 8. The chief operating decision-maker has been determined as the Management Board. The Management Board reviews each format's internal reporting in order to assess performance and allocate resources.

The Management Board assesses the performance of the operating segments based on a measure of sales and adjusted earnings before interest, tax, depreciation, amortization and impairment (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 comparative figures for earlier periods have been adjusted in order to provide meaningful comparative information.

The segment information for the period ended 30 June 2015, comparative figures for earlier periods and reconciliation of EBITDA to profit for the period is provided as follows:

Six months ended 30 June 2015	**Pyaterochka**	**Perekrestok**	**Karusel**	**Other segments**	**Corporate**	**Total**
Revenue	275,514	63,477	37,344	6,273	-	**382,608**
EBITDA	21,709	4,907	1,831	185	(1,114)	**27,518**
Depreciation, amortization and impairment						(8,527)
Operating profit						**18,991**
Finance cost, net						(8,185)
Net foreign exchange result						144
Profit before income tax						**10,950**
Income tax expense						(3,008)
Profit for the year						**7,942**
Capital expenditure	16,884	6,001	1,709	163	11	24,768
30 June 2015						
Inventories	32,636	9,030	7,909	825		50,400

Six months ended 30 June 2014	**Pyaterochka**	**Perekrestok**	**Karusel**	**Other segments**	**Corporate**	**Total**
Revenue	203,601	56,772	33,499	5,874	-	**299,746**
EBITDA	14,522	5,738	2,040	(209)	(897)	**21,194**
Depreciation, amortization and impairment						(7,997)
Operating profit						**13,197**
Finance cost, net						(5,650)
Net foreign exchange result						17
Profit before income tax						**7,564**
Income tax expense						(1,115)
Profit for the year						**6,449**
Capital expenditure	7,180	1,722	585	384	32	9,903
31 December 2014						
Inventories	29,353	9,605	7,299	827		47,084

(expressed in millions of Russian Roubles, unless otherwise stated)

6 ACQUISITION OF SUBSIDIARIES

In April 2015 the Group acquired 100% of the business and assets of SPAR Retail AO, a Russian retail chain which operated supermarket stores in Moscow and the Vladimir region.

For the six months ended 30 June 2015 the acquired business of SPAR Retail AO contributed revenue of RUB 550 and a net loss of RUB 653 from the date of acquisition. If the acquisition of SPAR Retail AO had occurred on 1 January 2015, the Group's revenue for six months ended 30 June 2015 would have been RUB 384,348 and the Group's net profit for the six months ended 30 June 2015 would have been RUB 7,485 . Estimates of the contribution of revenue and profit to the Group are based on proforma information derived from SPAR Retail AO consolidated financial statements prepared in accordance with IFRS.

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)	1,916
Other intangible assets (Note 8)	51
Inventories	131
Trade and other accounts receivable	206
Other non-current assets	49
VAT and other taxes recoverable	10
Cash and cash equivalents	22
Long-term borrowings	(2,260)
Deferred tax liability	(119)
Trade accounts payable	(1,208)
Current income tax payable	(529)
Provisions and other liabilities	(534)
Net assets acquired	(2,265)
Goodwill (Note 9)	1,675
Total acquisition cost	**(590)**
Indemnification asset	797
Purchase consideration	**207**
Net cash inflow arising from the acquisition	**(12)**

The Group assigned provisional values to net assets acquired based on estimates of an independent appraiser. The Group will finalise the purchase price allocation within 12 month from the acquisition date.

The purchase consideration comprises cash and cash equivalents paid of RUB 10 and deferred consideration of RUB 197 compensated by indemnification asset deducted from consideration transferred for the business combination.

An indemnification asset of RUB 797**,** equivalent to the fair value of the indemnified liability, has been recognised by the Group. The selling shareholders of SPAR Retail AO have contractually agreed to indemnify potential tax and other contingencies that may become payable in respect of the SPAR Retail AO company.

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

Other acquisitions

For the six months ended 30 June 2015 the Group acquired several businesses of other retail chains in Russia.

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 2015 as though the acquisition date had been the beginning of that period.

(expressed in millions of Russian Roubles, unless otherwise stated)

6 ACQUISITION OF SUBSIDIARIES (CONTINUED)

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)	196
Intangible assets (Note 8)	235
Deferred tax asset	22
Net assets acquired	453
Goodwill (Note 9)	985
Total acquisition cost	**1,438**
Purchase consideration	**1,438**
Net cash outflow arising from the acquisition	**1,438**

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 RUB 1,438.

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

The Group proceeded with rebranding and full integration of acquired retail chains into the Group's operational structure immediately after acquisition, therefore post acquisition separate financial information for these businesses is not relevant.

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 2014.

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 2015 are provided below. The ownership structure is disclosed in Note 1.

Magazin Buduschego

The Group together with Rosnano and Sitronix has investments in Magazin Budushego. The Group owns 33.34% of the share capital of Magazin Budushego, no additional payments were made during six months ended 30 June 2015. Starting from December 2014 the associate is in the process of liquidation. At 30 June 2015 the investment in the associate has a carrying value of RUB 31 and for the six months then ended total assets, liabilities, revenue and loss of associate are not significant. The Group did not have significant balances and transactions with the associate.

Other

At 30 June 2015 trade accounts payable to other related parties amounted to RUB 154 (31 December 2014: RUB 263), trade accounts receivable amounted to RUB 30 (31 December 2014: RUB 42). For the six months ended 30 June 2015 purchases from other related parties amounted to RUB 425 (six months ended 30 June 2014: RUB 507).

(expressed in millions of Russian Roubles, unless otherwise stated)

7 RELATED PARTY TRANSACTIONS (CONTINUED)

Key management personnel

The Group key management personnel consists of members of the Management Board and Supervisory Board, and other key management personnel, having authority and responsibility for planning, directing and controlling the activities of the Group as a whole. Members of the Management Board and other key management personnel receive a base salary and a partly deferred cash incentive; independent members of the Supervisory Board receive an annual base compensation in cash and share-based payments (Note 16). For the six months ended 30 June 2015 members of the Management Board and Supervisory Board, and other key management personnel of the Group were entitled to total short-term compensation of RUB 156 (six months ended 30 June 2014: RUB 127), including accrued annual target bonuses of RUB 85 (six months ended 30 June 2014: RUB 66) payable on an annual basis subject to meeting annual performance targets. As at 30 June 2015 the total number of conditional rights granted or awarded to members of the Management Board and Supervisory Board, and other key management personnel under LTI plan was 112,765 (31 December 2014: 91,895). During the period ended 30 June 2015 the Group recognized an expense from share-based compensation to members of the Management Board and Supervisory Board, and other key management personnel in the amount of RUB 19 (six months ended 30 June 2014: expense of RUB 19).

8 PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

	2015		**2014**	
	Property, plant and equipment	**Other Intangible assets**	**Property, plant and equipment**	**Other Intangible assets**
Cost				
Balance as at 1 January	216,109	34,984	192,295	34,411
Additions	19,325	385	9,249	191
Transfers	-	-	(1,900)	-
Assets from acquisition (Note 6)	2,112	286	81	138
Disposals	(2,166)	(42)	(2,787)	(553)
Translation movement	-	-	(52)	-
Balance as at 30 June	**235,380**	**35,613**	**196,886**	**34,187**
Accumulated Depreciation, Amortization and Impairment				
Balance as at 1 January	(65,781)	(20,366)	(57,297)	(18,906)
Depreciation and amortization charge	(6,938)	(988)	(6,054)	(1,059)
Impairment charge	(335)	(171)	(770)	(7)
Impairment reversal	-	4	29	57
Transfers	-	-	1,503	-
Disposals	2,060	41	2,301	457
Translation movement	-	-	56	-
Balance as at 30 June	**(70,994)**	**(21,480)**	**(60,232)**	**(19,458)**
Net Book Value				
Balance as at 1 January	**150,328**	**14,618**	**134,998**	**15,505**
Balance as at 30 June	**164,386**	**14,133**	**136,654**	**14,729**

Depreciation and amortization charge, impairment charge, reversal of impairment were included in selling, general and administrative expenses in the condensed consolidated interim financial statement of profit or loss for the six months ended 30 June 2015 and 30 June 2014.

The buildings are mostly located on leased land. Land leases with periodic lease payments are disclosed as part of commitments under operating leases (Note 21).

(expressed in millions of Russian Roubles, unless otherwise stated)

9 GOODWILL

Movements in goodwill arising on the acquisition of subsidiaries, impairment and disposal are:

	2015	**2014**
Cost:		
Gross book value at 1 January	131,996	130,815
Acquisition of subsidiaries (Note 6)	2,660	244
Disposal	-	(123)
Gross book value at 30 June	**134,656**	**130,936**
Accumulated impairment losses:		
Accumulated impairment losses at 1 January	(66,312)	(66,312)
Accumulated impairment losses at 30 June	(66,312)	(66,312)
Carrying amount at 1 January	**65,684**	**64,503**
Carrying amount at 30 June	**68,344**	**64,624**

Goodwill Impairment Test

For the purposes of impairment testing, goodwill is allocated to cash-generating units (CGU) being store chains of each format. 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.

No events indicating triggers of goodwill impairment occurred in the six months ended 30 June 2015. The Group will perform an annual impairment test of goodwill at 31 December 2015.

10 PROVISIONS AND OTHER LIABILITIES

	30 June 2015	**31 December 2014**
Taxes other than income tax	7,547	6,141
Provision and liabilities for tax uncertainties	1,405	882
Accrued salaries and bonuses	6,609	6,838
Payables to landlords	866	717
Other accounts payable and accruals	9,372	8,420
Accounts payable for property, plant and equipment	5,734	5,882
Advances received	1,129	1,540
	32,662	**30,420**

(expressed in millions of Russian Roubles, unless otherwise stated)

11 BORROWINGS

The Group had the following borrowings at 30 June 2015 and 31 December 2014:

Current

	Interest rate, % p.a.		Final maturity year	Fair value		Carrying value	
	30.06.2015	**31.12.2014**		**30.06.2015**	**31.12.2014**	**30.06.2015**	**31.12.2014**
RUB Bonds X5 Finance series 04	10.50%	-	2016	7,900	-	8,000	-
RUB Bonds X5 Finance series BO-01	9,5%	9.5%	2015	4,967	4,850	5,000	5,000
RUB Bilateral Loans	9%-12,45%	9.0%	2015	17,779	10,834	17,779	10,834
Total current borrowings				**30,646**	**15,684**	**30,779**	**15,834**

Non-current

	Interest rate, % p.a.		Final maturity year	Fair value		Carrying value	
	30.06.2015	**31.12.2014**		**30.06.2015**	**31.12.2014**	**30.06.2015**	**31.12.2014**
RUB Club loan	MosPrime +2.5%/2,75 %	MosPrime +2.5%/2,75%	2018	14,906	14,871	14,906	14,871
RUB Bonds X5 Finance series 04	-	10.50%	2016	-	6,959	-	8,000
RUB Bonds X5 Finance series BO-02	9.1%	9.1%	2016	4,815	4,364	4,996	4,994
RUB Bonds X5 Finance series BO-03	8.85%	8.85%	2016	4,795	4,690	4,998	4,997
RUB Bilateral Loans	MosPrime 3m +1,85%	MosPrime 3m +1,85%-2,6%	2016	12,469	21,436	12,469	21,436
RUB Bilateral Loans	11,51% - 14,25%	8.51%- 11.36%	2017	61,578	47,114	60,881	60,854
Total non-current borrowings				**98,563**	**99,434**	**98,250**	**115,152**
Total borrowings				**129,209**	**115,118**	**129,029**	**130,986**

In February 2015 the Group made early repayment of VTB Capital loan with floating interest rate in amount of RUB 9 billion (included in the "Non-current RUB Bilateral Loans" as at 31 December 2014 in the table above).

In June 2015 Russian Agricultural Bank approved credit limit for the Group up to RUB 25 billion. As at 30 June 2015 the Group made a RUB 5.8 billion drawdown under Russian Agricultural Bank limit (included in the "Current RUB Bilateral Loans" in the table above).

In June 2015 Credit Bank of Moscow approved the total credit limit increase for the Group from RUB 7 billion to RUB 10.5 billion.

All borrowings at 30 June 2015 are shown net of related transaction costs of RUB 271 which are amortized over the term of loans using the effective interest method (31 December 2014: RUB 394). Borrowing costs capitalized for the six months ended 30 June 2015 amounted to RUB 57 (30 June 2014: RUB 113). Capitalization rate used to determine the amount of borrowing costs eligible for capitalization is 13.06% (Six months ended 2014: 8.51%).

(expressed in millions of Russian Roubles, unless otherwise stated)

11 BORROWINGS (CONTINUED)

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 2015 the Group complied with requirements under loan facilities.

12 SHARE CAPITAL

As at 30 June 2015 the Group had 190,000,000 authorized ordinary shares of which 67,883,247 (31 December 2014: 67,867,743) ordinary shares are outstanding and 9,971 ordinary shares (31 December 2014: 25,475) 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 2015	**Six months ended 30 June 2014**
• Profit attributable to equity holders of the Parent	7,942	6,449
• Weighted average number of ordinary shares in issue	67,871,341	67,850,619
• Effect of share options granted to employees	-	-
• Weighted average number of ordinary shares for the purposes of diluted earnings per share	67,871,341	67,850,619
• **Basic earnings per share for profit from continuing operations (expressed in RUB per share)**	**117.02**	**95.05**
• **Diluted earnings per share for profit from continuing operations (expressed in RUB per share)**	**117.02**	**95.05**

14 EXPENSES

Among other expenses charged for the six months ended 30 June 2015 are operating lease expenses of RUB 18,714 (six months ended 30 June 2014: RUB 14,466).

15 FINANCE INCOME AND COSTS

	Six months ended 30 June 2015	**Six months ended 30 June 2014**
Interest expense	8,191	5,331
Interest income	(370)	(19)
Other finance costs, net	364	338
	8,185	**5,650**

16 SHARE-BASED PAYMENTS

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 several tranches granted over the period starting May 2010.

(expressed in millions of Russian Roubles, unless otherwise stated)

16 SHARE-BASED PAYMENTS (CONTINUED)

Starting from 2013 only members of the Supervisory Board are granted conditional RSUs, which are 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. During 6 months ended 30 June 2015 2,858 GDRs out of 102,528 vested under the first tranche in 2013 and 12,072 GDRs out of 114,285 vested in 2014 were waived in exchange for cash compensation. In May 2015 the Group vested 87,947 GDRs under the third tranche of long term incentive plan out of treasury stock, 11,001 of them were waived and the remaining 76,946 GDRs were locked-in for 2 years in accordance with RSU plan rules. The fourth, fifth and sixth tranches will vest on 19 May 2016, 19 May 2017 and 19 May 2018 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 2015 the Group recognized income related to the RSU plan in the amount of RUB 12 (expense during six months ended 30 June 2014: RUB 9). At 30 June 2015 the equity component was RUB 20 (31 December 2014: RUB 94). 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.

Details of the conditional rights outstanding during the six months ended 30 June 2015 and 30 June 2014 were as follows:

	30 June 2015		30 June 2014	
	Number of conditional rights	**Weighted average fair value, RUB**	**Number of conditional rights**	**Weighted average fair value, RUB**
Outstanding at the beginning of the period	235,425	659.61	318,531	830.48
Granted during the period	47,438	1,033.57	63,173	608.64
Transferred under vesting	(62,016)	631.88	(102,635)	1,001.40
Forfeited during the period	(97,724)	725.65	(43,644)	1,029.14
Outstanding at the end of the period	**123,123**	**765.23**	**235,425**	**659,61**

17 INCOME TAX

	• Six months ended • 30 June 2015	• Six months ended • 30 June 2014
• Current income tax charge	(3,745)	(1,267)
• Deferred income tax benefit	737	152
• **Income tax expense**	**(3,008)**	**(1,115)**

The annual effective tax rate is estimated by the Group to be at the level of 20-23%. The actual effective tax rate for the six months ended 30 June 2015 was 27% due to the one-off impact of the tax provision accrual.

At the end of 2014 two companies: OOO "E5.ru" and ZAO "Ostrov Invest" exited from the consolidated group of taxpayers (CGT). As per 1 January 2015 37 Russian subsidiaries of the Group are the members of the CGT with ZAO "Torgovy Dom "PEREKRESTOK" acting as the responsible CGT member.

Unused tax losses are available for carry forward for a period not less than six years depending on the tax residence of each company of the Group.

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: 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 2014. 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 outflows for financial liabilities.

At 30 June 2015 the Group had net current liabilities of RUB 56,828 (31 December 2014: RUB 30,764) including short-term borrowings of RUB 30,779 (31 December 2014: RUB 15,834).

At 30 June 2015 the Group had available bank credit lines of RUB 114,900 (31 December 2014: RUB 84,200).

At 30 June 2015 the Group had RUB bonds available for issue on MICEX of RUB 20,000 (31 December 2014: RUB 20,000).

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value.

Financial assets carried at amortized cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on credit risk of the counterparty.

The fair value of cash and cash equivalents (Level 1 of the fair value hierarchy), available-for-sale investments and trade and other financial receivables and payables (Level 3 of the fair value hierarchy) approximates their carrying value. The fair value is estimated based on future cash flows expected to be received including expected losses (Level 3 of the fair value hierarchy).

Liabilities carried at amortized cost. The fair value of bonds is based on quoted market prices. Fair values of other liabilities are determined using valuation techniques.

The fair value of bonds traded on the MICEX is determined based on active market quotations and amounted to RUB 22,477 at 30 June 2015 (31 December 2014: RUB 20,863). The measurement is classified in level 1 of the fair value hierarchy. The carrying value of these bonds amounted to RUB 27,994 at 30 June 2015 (31 December 2014: RUB 22,991) (Note 11). The fair value of long-term borrowings amounted to RUB 88,953 at 30 June 2015 (31 December 2014: RUB 83,421). The measurement is classified in level 2 of the fair value hierarchy and is determined based on expected cash flows discounted using interest rate of similar instruments available on the market. The sensitivity analysis shows that the increase/decrease of the effective interest rate by 10% leads to the decrease/increase of fair value of long-term borrowings by RUB 1,084 at 30 June 2015. The fair value of short-term borrowings was not materially different from their carrying amounts.

21 COMMITMENTS AND CONTINGENCIES

Commitments under operating leases

At 30 June 2015, the Group operated 4,334 stores through rented premises (31 December 2014: 3,901 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 RUB 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 RUB 22,492 (net of VAT) (2014: RUB 20,260).

Capital expenditure commitments

At 30 June 2015 the Group contracted for capital expenditure of RUB 9,441 (net of VAT) (31 December 2014: RUB 10,448).

Legal cases contingencies

As at 30 June 2015, the Group is the defendant in a claim amounting to USD 58 millions which has been lodged against the Group in the English courts. The Group believes that based on the merits of the case it is probable that the claim will be concluded in favour of the Group. Consequently no provision for loss has been accounted for in these interim financial statements

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:

- <u>Transfer pricing rules effective until 31 December 2011.</u> 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.

21 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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. The level of impact for 2014-2015 is expected to be less than for preceding years since the prices of transactions between related parties which are the members of CGT (consolidated group of taxpayers) are not subject to transfer pricing control.

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.

Starting from 1 January 2015 the "de-offshorisation law" came into force introducing the following rules and concepts which may have an impact on the Group's operations:

- The concept of beneficial ownership

The possibility to apply the reduced tax rates to the income paid to foreign companies of the Group allowed under double tax treaties (DTTs) will depend on whether the company receiving such income is its beneficial owner. When determining the beneficial owner status of a foreign company the functions it performs and the risks it undertakes should be tested. It will be also considered whether such income was transferred (fully or in part) to another company. Given that the concept of beneficial ownership is rather new and the practice is not yet developed, the impact of any challenge of application of the reduced tax rates to the income paid to foreign Group companies cannot be reliably estimated, however, it may be significant to the financial conditions and/or the overall operations of the Group.

Management believes that the Group's foreign companies receiving income from Russia are beneficial owners of that income and the reduced tax rates are correctly applied in accordance with the relevant DTTs.

- Broader rules for determining the tax residency of legal entities

Starting from 2015, more specific and detailed rules were put in place establishing when foreign entities can be viewed as managed from Russia and consequently can be deemed Russian tax residents. Russian tax residency means that such legal entity's worldwide income will be taxed in Russia. The Group comprises companies incorporated outside of Russia. The tax liabilities of the Group were determined on the assumption that these companies were not subject to Russian profits tax, because they did not have a permanent establishment in Russia and were not Russian tax residents by way of application of the new tax residency rules. This interpretation of relevant legislation in regard to the Group companies incorporated outside of Russia may be challenged. The impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

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.

21 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

22 SUBSEQUENT EVENTS

In July 2015 the Group purchased the retail chain Soseddushka, which operates 100 stores in the Orenburg region of Russia.

In July 2015 the Group executed and made a RUB 7.5 billion drawdown under three years term credit line in Credit Bank of Moscow.

In July 2015 the Group made early repayment of Club loan with floating interest rate in the amount of RUB 7,5 billion.