

**X5 REPORTS
STRONG NINE MONTHS 2008 RESULTS
AND
2009 OUTLOOK FOR SALES GROWTH IN EXCESS OF 25% IN RUR**

Amsterdam, 1 December 2008 - X5 Retail Group N.V., Russia's largest retailer in terms of sales (LSE ticker: "FIVE"), today announced its IFRS results for the third quarter and nine months ended 30 September 2008 reviewed by auditors.

Q3 2008 X5 Highlights*

- Pro-forma net sales^{**} surged 48% year-on-year to USD 2,190 mln;
- Pro-forma LFL sales increased 21%;
- Gross profit grew by 46% year-on-year to USD 559 mln, for a gross margin of 25.5%;
- EBITDA reached USD 191 mln, a year-on-year increase of 62%; EBITDA margin totaled 8.7%;
- X5 reported a net loss of USD 14.7 mln for Q3 2008 due to mainly non-cash foreign exchange loss. Adjusted net profit excluding FX revaluation effects^{***} increased 192% year-on-year to USD 56 mln.

9M 2008 X5 Highlights*

- Pro-forma net sales^{**} surged 56% year-on-year to USD 6,516 mln;
- Pro-forma LFL sales increased 25%;
- Gross profit grew by 54% year-on-year to USD 1,674 mln for a gross margin of 25.7%;
- EBITDA reached USD 578 mln, a year-on-year increase of 61%; EBITDA margin totaled 8.9%;
- X5 reported a USD 138 mln net profit for the first nine months 2008, an increase of 128% year-on-year.

2009 Preliminary Outlook Highlights

- **Net sales growth of over 25% in RUR terms;**
- **LFL sales growth of 15-17% in RUR terms;**
- **Capital Expenditures of up to USD 500 mln.**

* All P&L numbers in this press release are presented on pro-forma basis, i.e. including *Karusel* results from 1 January 2007 and 2008 respectively. For your convenience, consolidated P&L numbers (excluding *Karusel* results in 2007 and including them in 2008 from 30 June 2008) are provided in Appendix II to this press release as well as in the Condensed Consolidated Interim Financial Statements and Review Report, which is available on X5's website at www.x5.ru/en/.

** Excluding VAT

*** Excluding FX gain/loss and adjusted for respective tax

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

“X5 is reaching the end of the year as the unrivalled leader in Russian retail, and we see further opportunities for gaining market share. In the current economic environment, food retail remains one of the most resilient sectors as consumers shop for their basic needs. X5’s scale, purchasing power and ability to respond to changes in the marketplace give us a clear competitive advantage. We are enhancing each format’s pricing and assortment to win more customers and drive sales. Our preliminary outlook for 2009 reflects our confidence in X5’s prospects for healthy double digit like-for-like and net sales growth.”

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

“We delivered strong results despite third quarter seasonality and non-recurring costs for the integration of Karusel, which was completed well ahead of schedule. X5’s operational performance and increased cash flow in the second half of 2008 give us an opportunity to reduce short-term debt by the end of the year. Our liquidity position is healthy, supported by prudent financial management and a more conservative capital expenditure programme, as well as secured credit lines and strong cash generation, which should enable us to further reduce leverage in 2009.”

Pro-Forma P&L – Key Trends and Developments

Pro-Forma P&L Highlights

USD mln	Q3 2008	Q3 2007	% change, y-o-y	9M 2008	9M 2007	% change, y-o-y
Net Sales	2,190.3	1,480.6	48%	6,516.1	4,171.3	56%
incl. Retail	2,177.0	1,470.2	48%	6,478.7	4,144.3	56%
Gross Profit	558.8	382.9	46%	1,673.7	1,083.4	54%
Gross Margin, %	25.5%	25.9%		25.7%	26.0%	
EBITDA	190.5	117.7	62%	578.0	358.7	61%
EBITDA Margin, %	8.7%	8.0%		8.9%	8.6%	
EBIT	127.4	68.0	87%	393.3	217.0	81%
EBIT Margin, %	5.8%	4.6%		6.0%	5.2%	
Net Profit (Loss)	(14.7)	17.8	n/a	138.2	60.6	128%
Net Margin, %	n/a	1.2%		2.1%	1.5%	
Adjusted Net Profit excl. FX Revaluation effects *	55.9	19.2	192%	165.9	53.6	210%
Adjusted Net Margin, %	2.6%	1.3%		2.5%	1.3%	

* Excluding FX gain/loss and adjusted for respective tax

Net Sales Performance

Total net sales for the third quarter 2008 increased by 48% in USD terms to USD 2,190 mln, translating into a 56% increase year-on-year to USD 6,516 mln for the first nine months of 2008.

Net Retail Sales Dynamics by Format

USD mln	Q3 2008	Q3 2007	% change		% change	
			y-o-y	9M 2008	9M 2007	y-o-y
Hypermarkets	143.0	93.6	53%	406.7	260.8	56%
Supermarkets	657.9	461.9	42%	1,992.8	1,326.6	50%
Soft Discounters	1,112.2	705.5	58%	3,256.9	2,005.0	62%
Total excluding acquired Karusel Hypermarkets*	1,913.2	1,261.0	52%	5,656.4	3,592.4	57%
Acquired Karusel Hypermarkets	263.9	209.2	26%	822.3	551.9	49%
Total including acquired Karusel Hypermarkets*	2,177.0	1,470.2	48%	6,478.7	4,144.3	56%

Excluding 24 acquired Karusel hypermarkets, net retail sales for the third quarter 2008 increased by 52% to USD 1,913 mln, translating into a 57% (46% in RUR terms) increase year-on-year to USD 5,656 mln in the first nine months of 2008.

The acquired Karusel hypermarkets posted 26% sales growth year-on-year to USD 264 mln for the third quarter 2008. Acquired stores' performance was negatively affected by the 3-4 days closings needed for IT platform replacement, which resulted in 4% sales loss in Q3 2008. All of the acquired stores were closed and relaunched in Q3. Despite these closings, Karusel's net retail sales in the first nine months 2008 reached USD 822.3 mln (year-on-year growth of 49% in USD terms).

Including acquired Karusel stores on a pro-forma basis, net retail sales for the first nine months of 2008 totaled USD 6,479 mln, a year-on-year increase of 56% in USD terms.

For detailed discussion on Q3 and 9M retail sales dynamics, including LFL and new stores performance, information on average ticket and number of customers, please see our Trading Update dated 10 October 2008 at http://www.x5.ru/en/investors/operational_results/.

Pro-Forma Gross Profit & Gross Margin Analysis

USD mln	Q3 2008	Q3 2007	% change, y-o-y	9M 2008	9M 2007	% change, y-o-y
Gross Profit	558.8	382.9	46%	1,673.7	1,083.4	54%
Gross Margin, %	25.5%	25.9%		25.7%	26.0%	

For the third quarter 2008, gross profit increased by 46% to USD 559 mln, translating into a 54% year-on-year increase to USD 1,674 mln for the first nine months of 2008. Gross margin for the third quarter 2008 totaled 25.5% versus 25.9% for the same period a year ago, while gross margin for the first nine months of 2008 amounted to 25.7% compared to 26.0% for the same period a year ago. The gross margin trend is affected by three main factors: usual third quarter seasonality, continuation of the Company's "closer-to-the-customer" pricing strategy, and the planned reduction in Karusel's gross margin as part of X5's post-acquisition value repositioning strategy.

* Acquired Karusel hypermarkets include 23 hypermarkets operating at the time of the acquisition and one hypermarket that was opened in Q3

Pro-Forma Selling, General and Administrative Expenses (SG&A)*

USD mln	Q3 2008	Q3 2007	% change, y-o-y	9M 2008	9M 2007	% change, y-o-y
Staff Costs, incl.	(196.3)	(150.3)	31%	(626.9)	(417.5)	50%
<i>% of Net Sales</i>	9.0%	10.1%		9.6%	10.0%	
ESOP	10.0	(13.9)	n/a	(0.0)	(35.6)	-100%
<i>% of Net Sales</i>	-0.5%	0.9%		0.0%	0.9%	
Lease Expenses	(72.3)	(43.6)	66%	(201.2)	(126.0)	60%
<i>% of Net Sales</i>	3.3%	2.9%		3.1%	3.0%	
Other Store Costs	(34.0)	(24.7)	38%	(96.2)	(65.3)	47%
<i>% of Net Sales</i>	1.6%	1.7%		1.5%	1.6%	
D&A	(63.1)	(49.8)	27%	(184.7)	(141.7)	30%
<i>% of Net Sales</i>	2.9%	3.4%		2.8%	3.4%	
Utilities	(44.6)	(25.9)	72%	(113.5)	(67.3)	69%
<i>% of Net Sales</i>	2.0%	1.8%		1.7%	1.6%	
Third Party Services	(25.2)	(21.0)	20%	(70.7)	(54.2)	30%
<i>% of Net Sales</i>	1.2%	1.4%		1.1%	1.3%	
Other Expenses	(21.1)	(18.7)	13%	(65.0)	(50.0)	30%
<i>% of Net Sales</i>	1.0%	1.3%		1.0%	1.2%	
Total SG&A	(456.6)	(333.9)	37%	(1,358.2)	(922.0)	47%
<i>% of Net Sales</i>	20.8%	22.6%		20.8%	22.1%	

SG&A expenses increased in absolute terms but declined as percentage of revenue as a result of tighter cost control. For third quarter 2008, SG&A expenses totaled USD 457 mln – an increase of 37% year-on-year. For the first nine months of 2008, SG&A costs increased by 47% over the same period a year ago to USD 1,358 mln. Nine month 2008 SG&A increase was affected by higher staff costs on the back of expansion and salary revisions; higher leasing and utility expenses; and one-off Karusel integration costs.

Staff Costs

For the third quarter 2008, staff costs, including ESOP, totaled USD 196 mln and increased by 31% compared to the same period of last year, translating into a 50% year-on-year increase for the first nine months of 2008 to USD 627 mln. Net of ESOP costs, staff costs for the first nine months of 2008 grew by 64% year-on-year to USD 627 mln as X5 revised store personnel salaries to maintain competitive market levels.

During the first nine months 2009 X5 several times revised salaries for store personnel to follow the changes in the labor market. Average store personnel salary increase reached 11% in RUR terms since the beginning of the year. Q3 2008 average number of employees totaled 52,079 versus 38,371 for the third quarter 2007.

As X5 announced in October, the Company has begun to implement a staff cost optimization programme to reduce headquarter and regional office headcount by approximately 30% and freeze salaries of office employees.

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

Lease Expenses

For the third quarter 2008, lease expenses increased by 66% year-on-year to USD 72 mln on the back of higher rents and store expansion. Lease expenses in the first nine months of 2008 totaled USD 201 mln, an increase of 60% year-on-year. Going forward, the Company expects rents on new store locations to decrease as a result of the credit crunch and consequent decrease in number of creditworthy tenants.

Utilities

For the third quarter 2008, utilities expense increased by 72% year-on-year to USD 45 mln, representing 69% year-on-year growth for the first nine months of 2008 (to USD 114 mln) primarily driven by higher electricity, gas and other utility costs.

X5 Pro-Forma Non-Operating Gains and Losses

USD mln	Q3 2008	Q3 2007	% change, y-o-y	9M 2008	9M 2007	% change, y-o-y
EBIT	127.4	68.0	87%	393.3	217.0	81%
<i>Finance costs (net)</i>	(44.5)	(48.0)	-7%	(117.6)	(111.1)	6%
<i>Net FX gain/(loss)</i>	(84.9)	1.8	n/a	(40.0)	11.7	n/a
<i>Share of profit of associates</i>	-	0.4		-	0.4	n/a
Profit before tax	(2.1)	22.2	n/a	235.6	118.1	100%
<i>Income tax expense</i>	(12.6)	(4.4)	187%	(97.5)	(57.5)	69%
Net Profit	(14.7)	17.8	n/a	138.2	60.6	128%
Adjusted Net Profit excl. FX Revaluation effects*	55.9	19.2	192%	165.9	53.6	210%

Finance Costs

Net finance costs for the third quarter 2008 amounted to USD 45 mln versus USD 48 mln in the third quarter of 2007. The decrease in the net finance costs is mainly explained by one-off debt restructuring expense reported in the third quarter of 2007. Net of this expense, net finance costs increased by 78% year-on-year, due to higher debt levels. X5's outstanding debt stood at USD 2.27 bln at 30 September 2008 compared to USD 1.88 bln** at 30 September 2007. Effective interest rate on X5's debt for the first nine months 2008 totaled approximately 7%. As interest rates on RUR funding increase in current market conditions, the Company expects its average cost of debt to increase due to higher rates on new borrowings. At the same time, over 65% of the Company's debt portfolio is not exposed to interest rate fluctuations, due to LIBOR hedge on USD 1.1 billion syndicated loan (interest of appr. 5% p.a.) and the fact that RUR 9 billion bonds have a fixed coupon (7.6% p.a.).

Foreign Exchange (FX) Loss

Due to the significant depreciation of the Russian ruble versus the U.S. dollar (from RUR 23.41 at 1 July 2008 to RUR 25.25 at 30 September 2008), in the third quarter 2008 the Company reported FX loss of USD 85 million, which was primarily non-cash, resulting from revaluation of the Company's USD 1.1 bln syndicated loan. FX loss for the first nine months of 2008 totaled USD 40 mln.

* Excluding FX gain/loss and adjusted for respective tax

** Including Karusel's debt

Income Tax

Effective tax rate for the first nine months 2008 totaled 41% as only part of the FX loss described above was tax deductible. Net of FX, normalized effective tax rate for the first nine months 2008 was 34% - in line with management's expectations on normalized effective tax rate.

Net Profit / (Loss)

X5 reported USD 138 mln net profit for the first nine months 2008, delivering year-on-year growth of 128%. Strong operational performance throughout the three quarters was partially offset by primarily non-cash FX loss reported in the third quarter that resulted in USD 15 mln net loss in Q3 2008. Adjusted net profit for the third quarter 2008 excluding FX loss totalled USD 56 mln, an increase of 192% year-on-year.

Consolidated Cash Flow – Key Trends and Developments*

USD mln	For the nine months ended 30-Sep-08	For the nine months ended 30-Sep-07	% change
Net Cash from Operating Activities	259.8	95.7	171%
Net Cash Used in Investing Activities	(1,524.2)	(508.8)	200%
Net Cash from Financing Activities	1,318.3	364.2	262%
Effect of Exchange Rate Changes on Cash	(9.1)	7.5	n/a
Net Increase/(Decrease) in Cash	44.7	(41.4)	n/a

Cash Flow from Operating Activities

USD mln	For the nine months ended 30-Sep-08	For the nine months ended 30-Sep-07	% change
Net Cash from Operating Activities before Changes in Working Capital	554.7	354.1	57%
Change in Working Capital	21.1	(106.3)	n/a
Net Interest and Income Tax Paid	(316.0)	(152.0)	108%
Net Cash from Operating Activities	259.8	95.7	171%

Net cash from operating activities totaled USD 260 mln versus USD 96 mln a year ago. Strong cash generation from operations was to a large extent offset by an advance income tax payments, which should result in lower tax to be paid in the fourth quarter 2008.

USD mln	For the nine months ended 30-Sep-08	For the nine months ended 30-Sep-07	% change
Decrease / (increase) in trade and other accounts receivable	49.5	(40.5)	n/a
Decrease in inventories	10.2	1.3	692%
(Decrease) / increase in trade accounts payable	(65.3)	21.2	n/a
Increase / (decrease) in other accounts payable and deferred revenue	26.7	(88.3)	n/a
Changes in Working Capital	21.1	(106.3)	n/a

* Including *Karusel* from 30 June 2008 (excluding *Karusel* in 2007)

The decrease in trade and other accounts receivable totaled USD 50 mln, as USD 160 mln cash received as refund from former Formata shareholders on termination of Donson contracts (please see our press release dated 26 August 2008) offset the increase in accounts receivable driven by the growth of X5's business.

The decrease in inventories by USD 10 mln is attributable to seasonality effects as de-stocking in the first quarter in the amount of USD 56 million was partially offset by inventory build-up for new stores in the second and the third quarters of 2008. These trends also explain the USD 65 mln decrease in trade accounts payable.

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

Cash Flow from Investing Activities

USD mln	For the nine months ended 30-Sep-08	For the nine months ended 30-Sep-07	% change
Cash Flows Used in Investing Activities, incl.			
Purchase of PP&E, investment property & intangible assets	(790.6)	(481.6)	64%
Investments in subsidiaries and associate	(690.0)	1.7	n/a
Net Cash Used in Investing Activities	(1,524.2)	(508.8)	200%

Net cash used in investing activities totaled USD 1,524 mln, which includes purchases of Karusel (at the time of the acquisition - 23 operating hypermarkets, three stores under construction and eight land plots) and Kama Retail (28 discounters); CapEx for organic expansion and development of logistics infrastructure (in the first nine months 2008 the Company added 76 thousand square meters of selling space and 55 thousand square meters of warehouse capacity) as well as IT and maintenance.

Cash Flow from Financing Activities

USD mln	For the nine months ended 30-Sep-08	For the nine months ended 30-Sep-07	% change
Cash Flows from Financing Activities, incl.			
Proceeds from loans	1,581.4	1,356.9	17%
Repayment of loans	(1,404.0)	(989.5)	42%
Proceeds from issue of share capital	1,007.6	-	n/a
Proceeds from sale of treasury shares	144.2	-	n/a
Net Cash from Financing Activities	1,318.3	364.2	262%

Net cash from financing activities amounted to USD 1,318 mln as the Company raised equity capital to finance the acquisition of *Karusel*; and in addition, increased borrowings and sold Treasury shares to finance its capital expenditure programme and for general corporate purposes.

Consolidated Balance Sheet – Key Trends and Developments*

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

USD mln	Consolidated Balance Sheet 30-Sep-08	Consolidated Balance Sheet 30-Jun-08	Consolidated Balance Sheet 31-Dec-07**	% change vs 31-Dec-07
ASSETS				
Non-Current Assets, incl.	7,592.8	7,881.8	5,688.4	33%
Property, plant and equipment & investment property	3,693.4	3,708.4	2,119.6	74%
Goodwill	3,230.7	3,477.6	2,955.6	9%
Intangible assets	502.9	549.5	524.2	-4%
Current Assets, incl.	1,212.5	1,533.7	861.2	41%
Inventories of goods for resale	387.8	394.6	325.2	19%
Trade and other accounts receivable	232.5	432.3	148.6	56%
Cash	224.2	377.0	179.5	25%
Total Assets	8,805.3	9,415.5	6,549.6	34%
EQUITY AND LIABILITIES				
Total Equity	4,585.7	4,963.5	3,243.7	41%
Non-Current Liabilities, incl.	1,929.0	2,032.9	1,725.7	12%
Long-term borrowings	1,561.3	1,605.3	1,464.7	7%
Current Liabilities	2,290.6	2,419.2	1,580.2	45%
Short-term borrowings	706.0	712.7	253.7	178%
Total Liabilities	4,219.6	4,452.1	3,305.9	28%
Total Equity and Liabilities	8,805.3	9,415.5	6,549.6	34%
Net Debt	2,043.0	1,941.1	1,538.9	33%
Net Debt/EBITDA (12m rolling basis)	2.7x	2.8x	3.2x	
Net Working Capital (Net of Short-Term Debt)	(372.1)	(172.8)	(465.3)	-20%

Non-Current Assets

As at 30 September 2008 PP&E and investment property amounted to USD 3,693 mln, an increase of 74% or USD 1,574 mln since the beginning of the year. This increase is largely attributable to the acquisition of the *Karusel* hypermarket chain (for more details on the impact of *Karusel* acquisition on the consolidated Balance Sheet, see our press release on Q2&H1 2008 financial results dated 29 August 2008). The rest of the increase is attributable to organic expansion and purchase of *Kama Retail* in the first quarter of the year, which was partially offset by FX revaluation adjustment.

* Balance sheet numbers presented in this section of the press release take into account the acquisition of *Karusel* hypermarket chain from 30 June 2008

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

As at 30 September 2008 goodwill totaled USD 3,231 mln versus USD 2,956 mln at the end of 2007. The increase is attributable to the acquisition of *Karusel*, partially offset by the FX revaluation adjustment.

Current Assets

Current assets increased by 41% or by USD 351 mln to USD 1,213 mln from the beginning of the year. The increase is mainly explained by the acquisition of *Karusel* (higher accounts receivable, inventories, VAT and other taxes recoverable) and an increase in cash balance of USD 45 mln to USD 224 mln as of 30 September 2008.

Non-Current Liabilities

Non-current liabilities totaled USD 1,929 mln, an increase of 12% or USD 203 mln since the beginning of the year. This increase is primarily explained by the *Karusel* acquisition (additional debt and deferred tax liabilities).

Current Liabilities

Current liabilities grew 45%, an increase of USD 710 mln from the beginning of the year and amounted to USD 2,291 mln. This increase is primarily attributable to the acquisition of *Karusel* (additional debt and higher trade and other accounts payable as well as provisions) and higher short-term borrowings in the first half of the year as the Company used its credit lines to finance its store roll-out programme.

Liquidity Update

Liquidity

As of 30 September 2008, the Company's total debt amounted to USD 2,267 mln (at RUR/USD exchange rate of 25.25), out of which about 30% was short-term (USD 706 mln). Short-term debt is mainly represented by credit lines with the largest Russian and international banks. The Company will use strong cash flow generation in the fourth quarter of 2008 to reduce leverage and to free up available credit lines for potential refinancing of short-term debt due in the first half of 2009.

At 30 September 2008 the Company had undrawn credit lines totalling USD 334 mln. Additionally, in November 2008, VTB opened a revolving 1.5 year credit line to the Company for a total amount of RUR 7 billion (an equivalent of approximately USD 255 mln at current exchange rate). The Company continues its negotiations with state owned and other banks on obtaining additional credit facilities.

FX risk

The Group does not have any material FX risk exposure from an operational perspective as both its revenues and expenses are mainly denominated in rubles.

FX risk, however, arises on the Company's U.S. dollar borrowings, mainly represented by a USD 1.1 bln syndicated loan with maturity in December 2010. This loan, nevertheless, does not expose the Company to short-term liquidity risks. FX loss on revaluation of the principal is non-cash and does not result in cash outflow. The facility has a very attractive interest rate (fixed at approximately 5%), which minimizes potential cash losses associated with FX revaluation of the interest.

Hedging of this facility is prohibitively expensive, while replacement of this facility with RUR funding would negatively affect not only the Company's P&L but also its cash flow, as X5 would commit to much higher interest payments.

Thus, the management does not see economic benefits in either hedging or replacing this loan with RUR-denominated financing in the current market environment.

As a part of its currency risk mitigation policy Company undertakes new borrowings and refinances existing credit facilities primarily in Russian rubles.

Preliminary Outlook for 2009

	FY 2008E	FY 2009E
Sales Growth (excl. FX)	~40%	>25%
LFL Sales Growth (excl. FX)	~20%	15-17%
Capital Expenditure	~USD 1,000 mln	Up to USD 500 mln

Revenue

Despite the changing market environment, the Company believes that its market positions will remain strong in 2009, which should enable X5 to continue reporting solid revenue growth on the back of LFL stores' sales improvement, contribution of new stores opened in 2008 and new store additions planned for 2009. The preliminary 2009 LFL sales growth outlook is based on management's current estimates of 2009 inflation (of around 12%) and may be adjusted in future based on actual inflation trends.

Capital Expenditures and Store Expansion

The Company plans to continue to add selling space in 2009, but will apply a conservative approach towards new project approvals and investments. Our focus will be on projects with higher returns and shortest possible paybacks. As the Company has already announced, the priority will be given to discounters versus other formats and to leased properties versus ownership. Also, in order to maximize value, X5 will concentrate on the regions where it already has strong presence. As the majority of X5's CapEx is fully discretionary, the Company has the ability to quickly adjust its expansion plans in response to the development of the situation in the financial markets.

Appendices

- I. Pro-Forma Income Statement for the Three and Nine Months Ended 30 September 2008**
- II. Consolidated Income Statement for the Three and Nine Months Ended 30 September 2008**
- III. Consolidated Balance Sheet at 30 September 2008**
- IV. Consolidated Statement of Cash Flows for the Nine Months Ended 30 September 2008**
- V. Financial Calendar for 2009**

Note to Editors:

X5 Retail Group N.V. is Russia's largest retailer in terms of sales. The Company was created as a result of a merger between Pyaterochka (soft discounter chain) and Perekrestok (supermarket chain) on 18 May 2006.

As at 30 September 2008, X5 had 1,027 Company-managed stores located in Moscow, St. Petersburg and other regions of European Russia, Urals and Ukraine, including 794 soft discount stores, 191 supermarkets and 42 hypermarkets.

As of 30 September 2008, X5's franchisees operated 684 stores across Russia.

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

Including Karusel on pro-forma basis the Company's net sales for the first nine months of 2008 totaled USD 6,516 mln, gross profit amounted to USD 1,674 mln, EBITDA – to USD 578 mln and net income – to USD 138 mln.

Forward looking statements:

This announcement includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the fact that they do not only relate to historical or current events. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "expected", "plan", "goal" believe", or other words of similar meaning.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances, a number of which are beyond X5 Retail Group N.V.'s control. As a result, actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements.

Any forward-looking statements made by or on behalf of X5 Retail Group N.V. speak only as at the date of this announcement. Save as required by any applicable laws or regulations, X5 Retail Group N.V. undertakes no obligation publicly to release the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document.

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Appendix I:

PRO-FORMA INCOME STATEMENT* FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008 (expressed in thousands of US Dollars, unless otherwise stated)

	Three months ended		Nine months ended	
	30-Sep-08	30-Sep-07	30-Sep-08	30-Sep-07
Revenue	2,190,293	1,480,579	6,516,123	4,171,343
Cost of sales	(1,631,450)	(1,097,642)	(4,842,390)	(3,087,951)
Gross profit	558,844	382,937	1,673,734	1,083,393
Selling, general and administrative expenses	(456,585)	(333,924)	(1,358,176)	(922,012)
Lease/sublease and other income	25,154	18,968	77,697	55,606
Operating profit	127,413	67,981	393,255	216,987
Net finance (cost)/income	(44,529)	(48,015)	(117,592)	(111,066)
Net foreign exchange (loss)/gain	(84,946)	1,779	(40,017)	11,741
Share of profit of associates	-	417		417
Profit before tax	(2,063)	22,163	235,646	118,079
Income tax expense	(12,644)	(4,399)	(97,454)	(57,521)
Profit for the year	(14,707)	17,764	138,191	60,557

* Including Karusel from 1 January 2007 and 2008, respectively

Appendix II:

CONSOLIDATED* INCOME STATEMENT FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2008 (expressed in thousands of US Dollars)

	Three months ended		Nine months ended	
	30-Sep-08	30-Sep-07	30-Sep-08	30-Sep-07
Revenue	2,192,654	1,270,140	5,958,825	3,617,741
Cost of sales	(1,633,234)	(940,632)	(4,421,122)	(2,671,468)
Gross profit	559,420	329,507	1,537,703	946,272
Selling, general and administrative expenses	(457,145)	(288,221)	(1,226,206)	(799,519)
Lease/sublease and other income	25,189	16,710	69,600	48,046
Operating profit	127,464	57,997	381,097	194,800
Finance income	(814)	(3,859)	7,539	5,215
Finance costs	(43,781)	(42,424)	(109,465)	(105,519)
Net foreign exchange (loss)/gain	(84,946)	1,874	(40,011)	11,821
Share of profit of associates	-	417	-	417
Profit before tax	(2,077)	14,005	239,160	106,734
Income tax expense	(12,662)	(851)	(93,189)	(52,530)
Profit for the year	(14,739)	13,155	145,971	54,205

* For the purposes of consolidation, Karusel's results in the third quarter 2008 were translated into USD using average USD/RUR exchange rate for the first nine months 2008

Appendix III:
CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2008
 (expressed in thousands of US Dollars)

	Consolidated Balance Sheet 30-Sep-08	Consolidated Balance Sheet 30-Jun-08	Consolidated Balance Sheet 31-Dec-07
ASSETS			
Non-current assets			
Property, plant and equipment	3,574,693	3,575,832	1,990,558
Investment property	118,738	132,604	129,006
Goodwill	3,230,749	3,477,643	2,955,625
Intangible assets	502,854	549,526	524,246
Prepaid leases	90,250	71,731	54,846
Investment in associate	4,683	5,041	-
Other non-current assets	2,477	2,829	2,534
Deferred tax assets	68,354	66,606	31,621
	7,592,798	7,881,812	5,688,436
Current assets			
Inventories of goods for resale	387,802	394,586	325,240
Derivative financial assets	6,655	12,907	1,500
Loans originated	453	1,069	145
Current portion of non-current prepaid lease	8,772	10,671	5,766
Trade and other accounts receivable	232,524	432,286	148,646
Current income tax receivable	72,911	34,269	4,628
VAT and other taxes recoverable	279,138	270,947	195,752
Cash and cash equivalents	224,234	376,981	179,496
	1,212,489	1,533,716	861,173
Total assets	8,805,287	9,415,528	6,549,609
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	93,721	93,832	70,883
Share premium	4,243,405	4,251,289	2,896,355
Cumulative translation reserve	114,704	463,444	294,169
Accumulated profit/(deficit)	128,011	142,750	(17,960)
Hedging reserve	5,890	12,141	-
Minority interests	-	-	220
Total equity	4,585,731	4,963,456	3,243,667
Non-current liabilities			
Long-term borrowings	1,561,273	1,605,349	1,464,684
Long-term finance lease payable	325	1,469	1,280
Deferred tax liabilities	336,402	369,594	213,322
Long-term deferred revenue	5,540	5,081	3,221
Share-based payments liability	25,411	51,380	43,208
	1,928,951	2,032,873	1,725,715
Current liabilities			
Trade accounts payable	1,067,849	1,133,551	971,570
Short-term borrowings	705,983	712,683	253,733
Share-based payments liability	14,885	2,500	2,389
Derivative financial liabilities	-	2,603	-
Short-term finance lease payables	2,113	1,773	2,280
Interest accrued	12,248	27,175	2,763
Short-term deferred revenue	5,607	5,163	4,943
Current income tax payable	8,391	15,610	33,303
Provisions and other liabilities	473,529	518,141	309,246
	2,290,605	2,419,199	1,580,227
Total liabilities	4,219,556	4,452,072	3,305,942
Total equity and liabilities	8,805,287	9,415,528	6,549,609

Appendix IV: CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2008
(expressed in thousands of US Dollars)

	30-Sep-08	30-Sep-07
Profit before tax	239,160	106,734
Adjustments for:		
- Depreciation and amortisation	160,867	117,018
- Gain on disposal of property, plant and equipment	(1,023)	(285)
- Finance costs, net	101,927	100,304
- Impairment of trade and other accounts receivable	7,107	3,567
- Share-based payments expense	(11)	35,592
- Amortisation of deferred expenses	6,654	2,954
- Net foreign exchange (gain) / loss	40,011	(11,821)
Net cash from operating activities before changes in working capital	554,692	354,063
Decrease / (increase) in trade and other accounts receivable	49,523	(40,512)
Decrease in inventories	10,233	1,292
(Decrease) / increase in trade accounts payable	(65,304)	21,201
Increase / (decrease) in other accounts payable and deferred revenue	26,686	(88,295)
Net cash generated from operations	575,830	247,749
Interest paid	(98,480)	(72,108)
Interest received	7,875	7,422
Income tax paid	(225,428)	(87,355)
Cash flows from operating activities - net	259,797	95,708
Cash flows from investing activities:		
- purchase of property, plant and equipment	(784,626)	(480,120)
- proceeds from sale of property, plant and equipment	4,824	8,212
- non-current prepaid lease	(48,137)	(9,528)
- investments in subsidiaries and associate	(690,048)	1,717
- short-term loans issued	(328)	(21,687)
- acquisition of investments available for sale	-	(15,223)
- proceeds from sale of investments available for sale	-	9,300
- purchase of intangible assets	(5,931)	(1,495)
Net cash used in investing activities	(1,524,246)	(508,824)
Cash flows from financing activities:		
- proceeds from short-term loans	1,581,383	809,759
- repayment of short-term loans	(1,404,033)	(886,785)
- proceeds from long-term loans	-	547,109
- repayment of long-term loans	-	(102,709)
- proceeds from issue of share capital	1,007,592	-
- proceeds from sale of treasury shares	144,217	-
- acquisition of treasury shares	(8,876)	-
- principal payments on finance lease obligations	(1,954)	(3,142)
Net cash generated from financing activities	1,318,329	364,232
Effect of exchange rate changes on cash and cash equivalents	(9,142)	7,453
Net increase in cash and cash equivalents	44,738	(41,431)
Movements in cash and cash equivalents		
Cash and cash equivalents at the beginning of the period	179,496	167,988
Net increase in cash and cash equivalents	44,738	(41,431)
Cash and cash equivalents at the end of the period	224,234	126,557

Appendix V:

Financial Calendar for 2009

Date	Event
20 January 2009, TBC	Q4 & FY 2008 Trading Update
10 April 2009, TBC	Q1 2009 Trading Update
13 April 2009, TBC	Audited FY 2008 IFRS Results
28 May 2009, TBC	Q1 2009 Financial Results Reviewed by Auditors
10 July 2009, TBC	Q2 & H1 2009 Trading Update
31 August 2009, TBC	Q2 & H1 2009 Financial Results Reviewed by Auditors
9 October 2009, TBC	Q3 2009 Trading Update
30 November 2009, TBC	Q3 2009 Financial Results Reviewed by Auditors