

X5

Winning Customers With The Power Of 5

Investor Presentation

July 2009



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I. X5 Retail Group - Unrivalled Leadership in Russian Retail

II. 2008 – Strong Growth Ahead of Expectations

- Best-in-Industry Operational Performance
- Financial Review

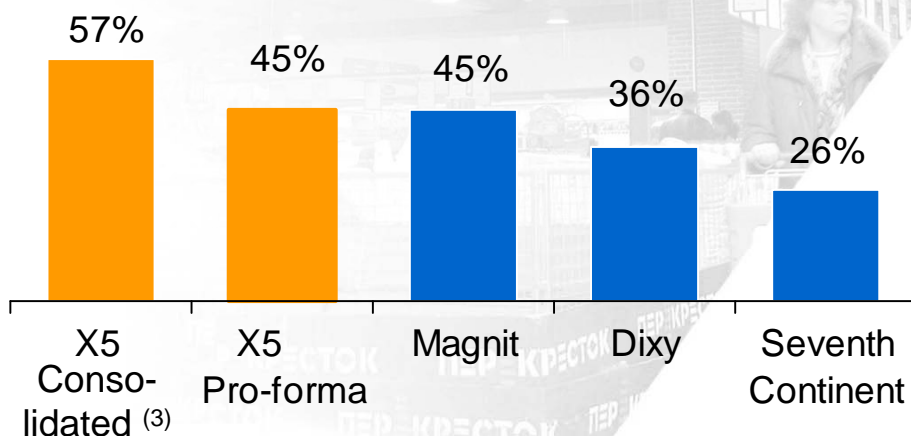
III. 2009 & Beyond – Source of Strength in Russian Retail

- 2009 Priorities Support X5's Long-Term Leadership & Growth
- Winning Customers with the Power of 5
- H1 2009 Operational Results
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- Long-Term View

- 2008 pro-forma⁽¹⁾ net sales - USD 8,892 mln
- H1 2009 net retail sales – USD 3,959 mln
- 1,164 company-managed stores in Russia and Ukraine⁽²⁾
- 605 stores operated by X5's franchisees across Russia⁽²⁾
- Over 935 thousand sq. m. of net selling space⁽²⁾

#	Company	FY 2008 Net Retail Sales (USD mln)	% in Top-10	% in Total Market ⁽⁴⁾
1.	X5 ⁽¹⁾	8,844	26.1%	4.0%
2.	Magnit	5,326	15.7%	2.4%
3.	Metro	5,077	15.0%	2.3%
4.	Auchan	4,983	14.7%	2.2%
5.	Lenta	2,040	6.0%	0.9%
6.	Dixy	1,923	5.7%	0.9%
7.	Kopeyka	1,890	5.6%	0.9%
9.	Seventh Continent	1,549	4.6%	0.7%
8.	Viktorija	1,228	3.6%	0.6%
10.	O'Key	1,053	3.1%	0.5%
Total		33,913	100.0%	15.3%

FY 2008 Revenue Growth (in USD)



(1) Including Karusel on pro-forma basis from 1 January 2008; (2) As at 30 June 2009; (3) Including Karusel on consolidation basis from 1 July 2008; (4) Based on estimated gross sales; total market size – USD 252 bln

Soft Discount Stores

As at 30 June 2009

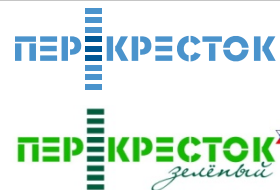
- 900 stores
- Total net selling space – 442,090 sq. m.
- Sales per sq.m. – USD 14,328 ⁽¹⁾



Supermarkets

As at 30 June 2009

- 211 stores
- Total net selling space – 226,951 sq. m.
- Sales per sq.m. – USD 16,246 ⁽¹⁾



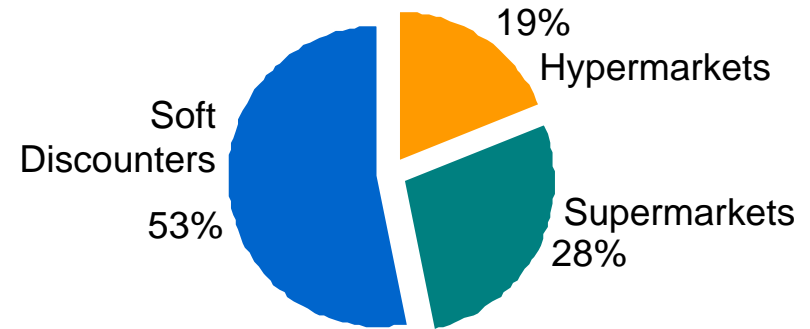
Hypermarkets

As at 30 June 2009

- 53 stores
- Total net selling space – 266,791 sq.m.
- Sales per sq.m. – USD 9,635 ⁽¹⁾

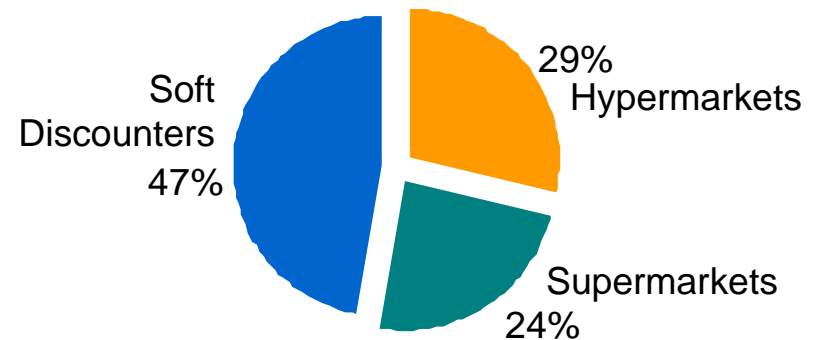


H1'09 Retail Sales Break Down by Format



Total net retail sales – USD 3,959 mln

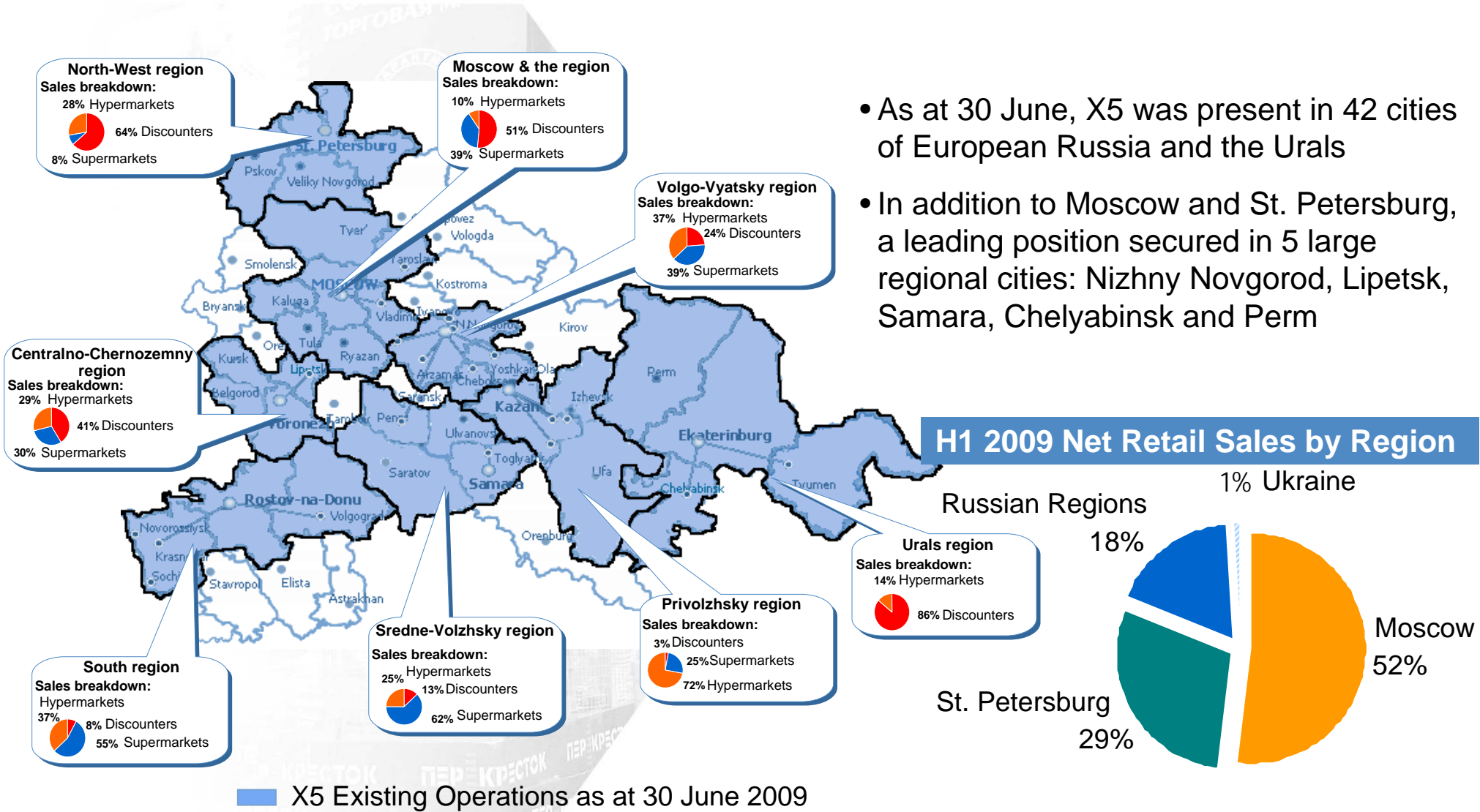
H1'09 Selling Space Break Down by Format



Total selling space – 935,832 sq. m.



(1) For FY 2008



- As at 30 June, X5 was present in 42 cities of European Russia and the Urals
- In addition to Moscow and St. Petersburg, a leading position secured in 5 large regional cities: Nizhny Novgorod, Lipetsk, Samara, Chelyabinsk and Perm



I. X5 Retail Group - Unrivalled Leadership in Russian Retail

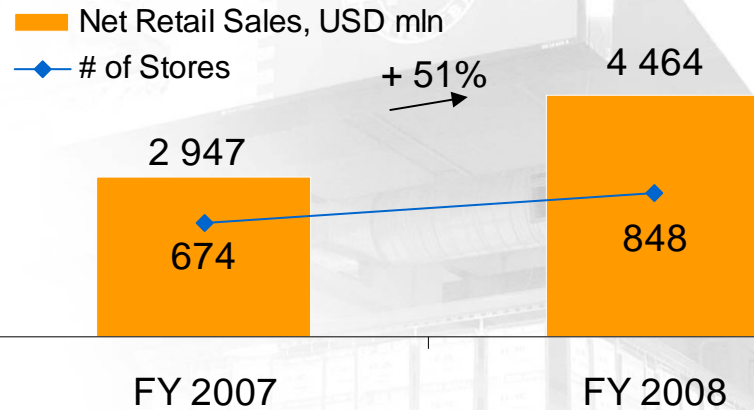
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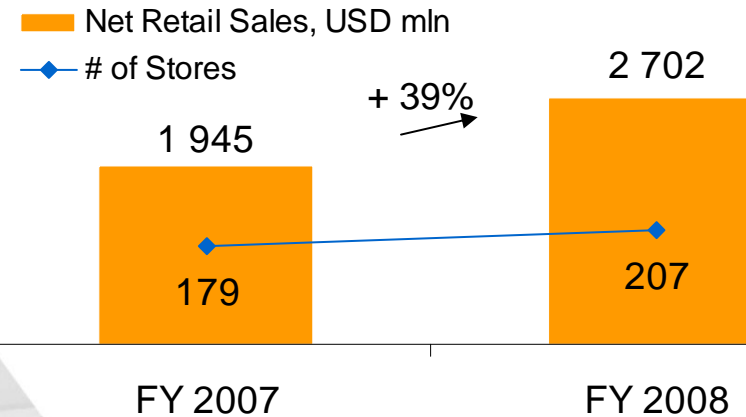
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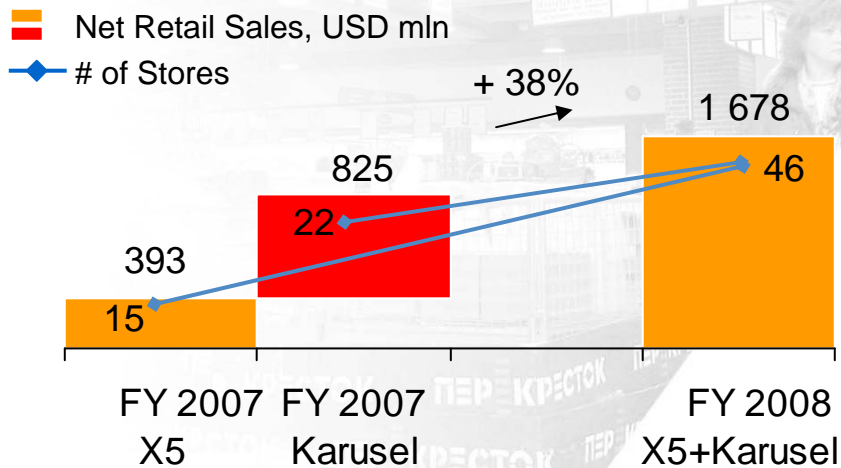
Soft Discounters Store Count & Sales



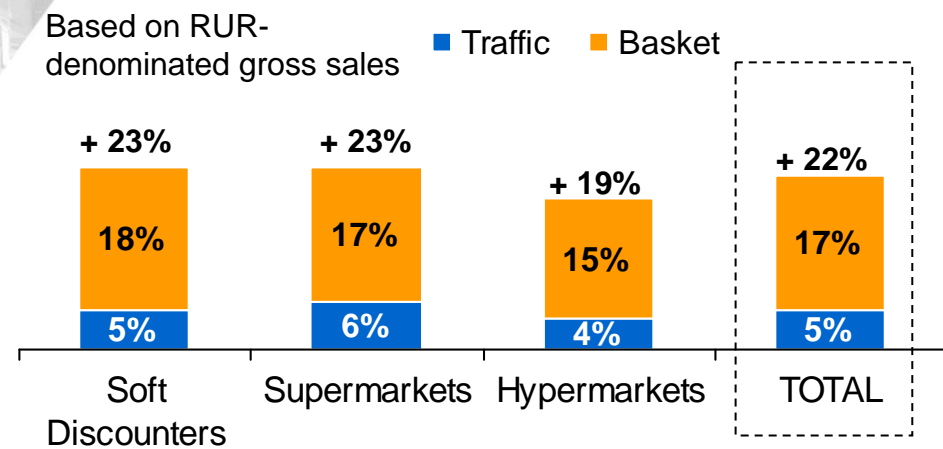
Supermarkets Store Count & Sales



Hypermarkets Store Count & Sales



2008 LFL Performance by Format



USD mln ⁽¹⁾	FY 2008	FY 2007	% change y-o-y
Net Sales	8,892.4	6,151.5	45%
incl. Retail	8,843.8	6,109.6	45%
Gross Profit	2,278.5	1,610.7	41%
Gross Margin, %	25.6%	26.2%	
EBITDA	803.2	547.6	47%
EBITDA Margin, %	9.0%	8.9%	
Adjusted Operating Profit⁽²⁾	552.5	370.7	49%
Adjusted Operating Margin, %	6.2%	6.0%	
Impairment of Goodwill	(2,257.0)	-	n/a
Operating (Loss)/Profit	(1,704.5)	370.7	n/a
Operating Margin, %	n/a	6.0%	
Adjusted Net (Loss)/Profit⁽²⁾	111.5	155.7	-28%
Adjusted Net Margin, %	1.3%	2.5%	
Net (Loss)/Profit	(2,145.5)	155.7	n/a
Net Margin, %	n/a	2.5%	



(1) All P&L numbers are provided on pro-forma basis, i.e. including Karusel results from 1 January 2007 and 2008, respectively.

(2) Adjusted operating profit and adjusted net profit/(loss) are defined as operating profit and net profit/(loss) before non-cash goodwill impairment charge.



- FY 2008 **gross margin** declined 60 bp year-on-year – in line with X5’s decision to invest in its value propositions and consistently pursue “close-to-the-customer” pricing strategy
- **SG&A** declined as % of revenue (from 21.4% in 2007 to 20.6% in 2008) as a result of tighter cost controls, smooth integration of Karusel and lower ESOP⁽¹⁾ costs, resulting in a stable EBITDA margin
- USD 2,257 million **non-cash goodwill impairment charge** recorded in Q4 2008
 - Over 80% of the total goodwill amount (USD 2,732 before the charge) relates to goodwill created through the accounting treatment of the 2006 merger of Perekrestok and Pyaterochka
 - The charge was triggered by change in the Company’s stock price and does not impact the strategic value of X5’s assets & is not indicative of the Company’s ability to generate cash flow
- USD 267 million **FX loss** reported for the full year 2008 as a result of RUR devaluation (from RUR/USD 24.55 at 31 December 2007 to RUR/USD 29.38 at 31 December 2008). FX loss is primarily non-cash, resulting from U.S. dollar-denominated debt revaluation
- **Income tax** for the year was impacted by the reduction in the corporate income tax rate from 24% to 20% effective 1 January 2009. USD 9 million reported income tax for 2008 includes:
 - USD 41 million deferred tax income resulting from the tax rate reduction
 - USD 50 million current and deferred tax expense

USD mln (1)	FY 2008	FY 2007	% change y-o-y
Net Cash from Operating Activities	629.3	427.5	47%
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	774.3	491.3	58%
<i>Change in Working Capital</i>	243.9	139.8	75%
<i>Net Interest and Income Tax Paid</i>	(388.9)	(203.6)	91%
Net Cash Used in Investing Activities	(1,656.0)	(898.8)	84%
<i>Acquisition of Karusel</i>	(658.9)	-	n/a
Net Cash from Financing Activities	1,194.2	470.0	154%
Effect of Exchange Rate Changes on Cash	(70.2)	12.8	n/a
Net Increase in Cash	97.3	11.5	746%

USD mln	FY 2008	FY 2007	% change y-o-y
Total Debt	2,059.4	1,718.4	20%
<i>Short-Term Debt</i>	578.4	253.7	128%
<i>Long-Term Debt</i>	1,481.0	1,464.7	1%
Net Debt	1,782.6	1,538.9	16%
Net Debt/EBITDA	2.2x	3.2x	



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...Support X5's Long-Term Leadership & Growth

More Value for Customers

- Multi-Format Approach
- Price Leadership
- Assortment

Selective Expansion & Consolidation

- Priority given to:
 - Soft discounters
 - Leased properties
 - Regions of existing operations
- New hypermarkets & supermarkets from existing pipeline or new projects with extremely attractive economics
- M&A opportunities pursued on a very selective basis

Partnerships with Suppliers

- Focus on product availability & assortment rationalization
- Private label development
- Increasing % of direct contracts with suppliers
- Enhancing local supplier share

Leading on Efficiency

- Cost management:
 - Staff cost control
 - Rents renegotiation
 - Distribution infrastructure development

Prudent Financial Management

- Conservative cash flow management
- Further deleveraging



... Was Solid Despite Tougher Macro-Economic Environment

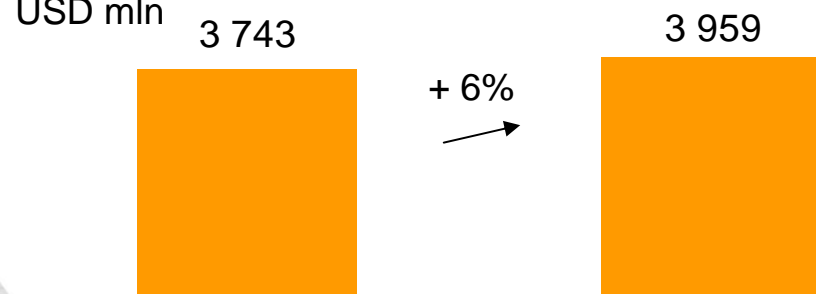
Net Retail Sales, consolidation (1)

RUR mln



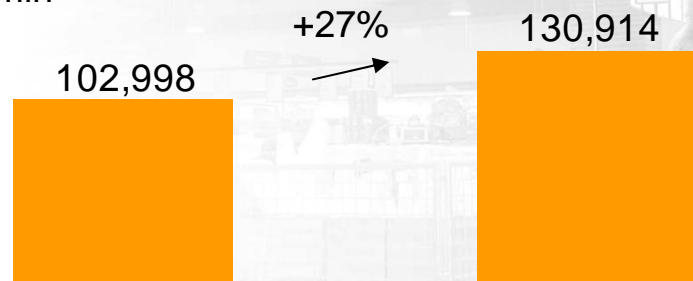
Net Retail Sales, consolidation (1)

USD mln



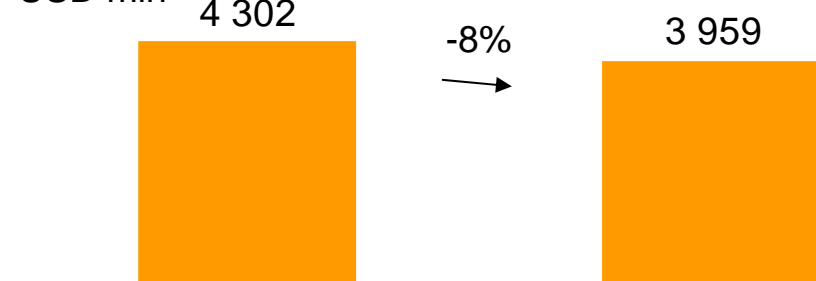
Net Retail Sales, pro-forma (2)

RUR mln



Net Retail Sales, pro-forma (2)

USD mln



(1) Consolidated sales figures include acquired Karusel's business in H1 2009 and exclude it in H1 2008.

(2) Pro-forma sales figures include acquired Karusel's business in both H1 2008 and H1 2009.



... Varied from Region to Region & Format to Format

- Soft Discounters - clear winners in the trading down conditions:

- 12% traffic inflow in Moscow
- 3% traffic inflow in St. Petersburg
- 14% traffic inflow in the regions

- Supermarkets performance reflect current macro trends:

- Stable traffic in Moscow and St. Petersburg
- LFL declines in regions affected by economic conditions

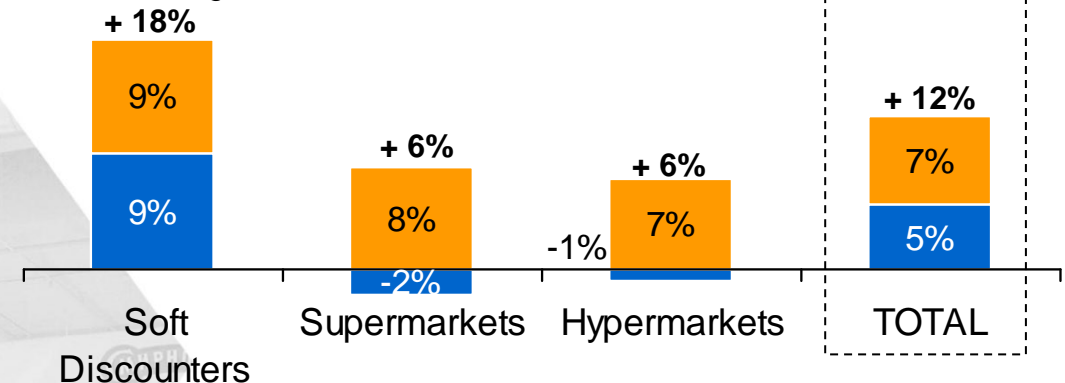
- Hypermarkets concept fine-tuning and promoting:

- X5 completed rebranding of all Perekrestok hypermarkets as Karusel
- New hypermarket concept introduced
- PR and advertising campaigns launched

H1 LFL Performance by Format

Based on RUR-denominated gross sales

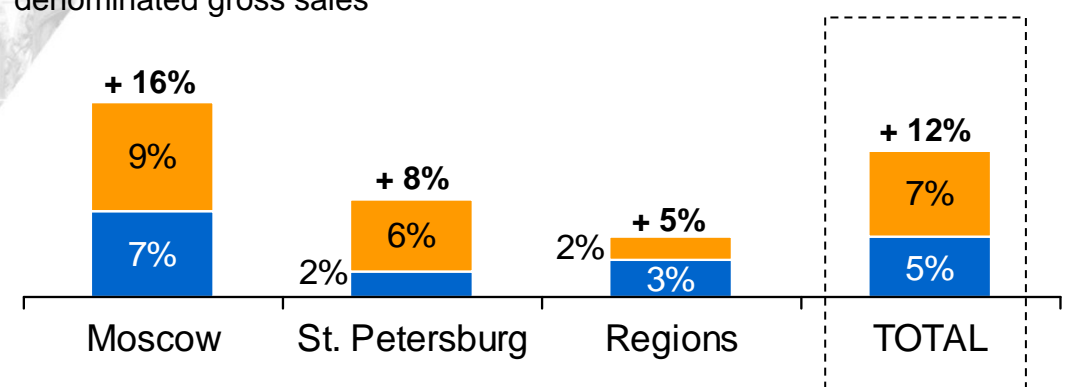
■ Traffic ■ Basket



H1 LFL Performance by Region

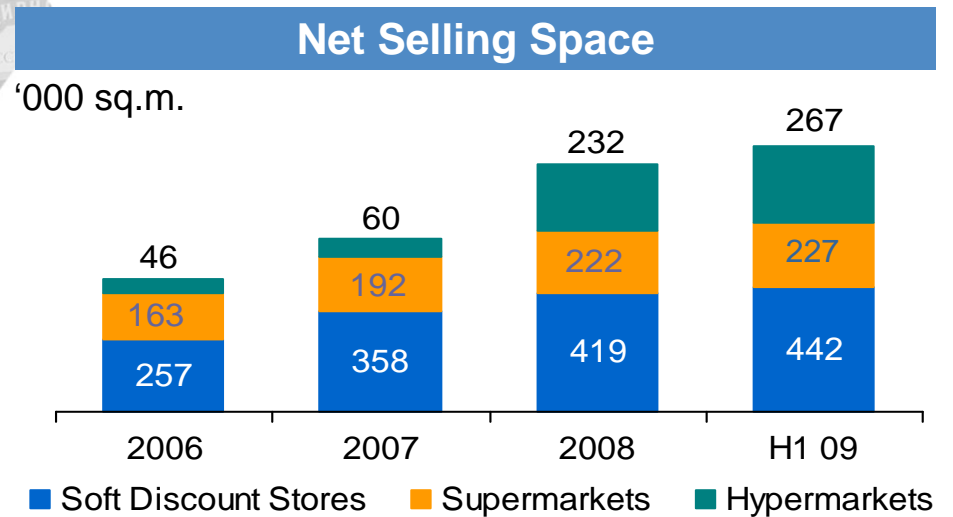
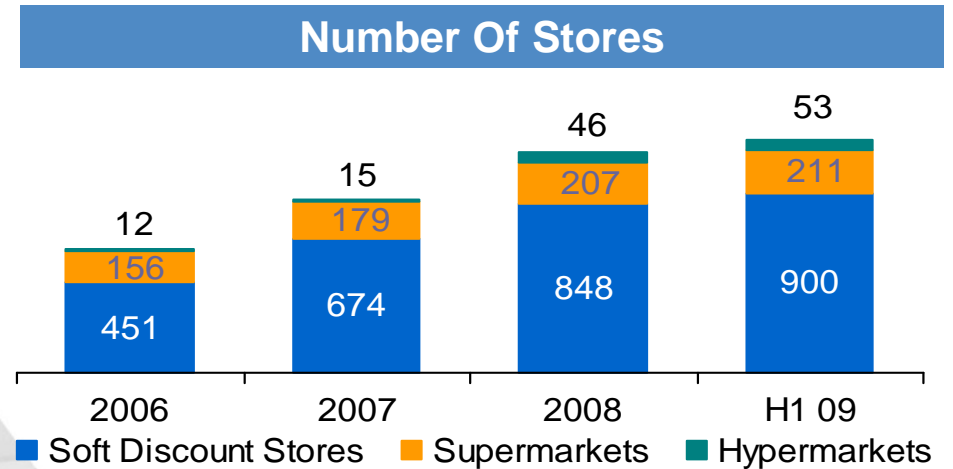
Based on RUR-denominated gross sales

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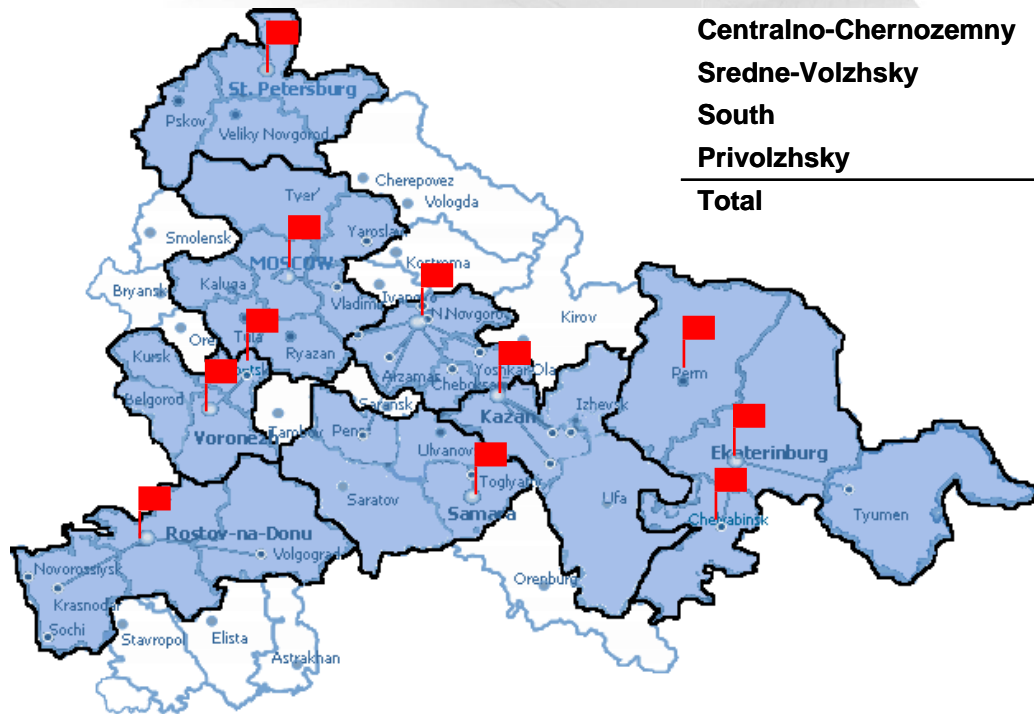
... was Focused and Selective

- 62 th.sq. m. or 63 stores added on a net basis:
 - 52 soft-discounters (including 21 stores acquired in Agrotorg-Rostov transaction in December 2008)
 - 4 supermarkets
 - 7 hypermarkets
- 16 stores closed (one supermarket and 15 discounters)
- Four regional supermarkets converted into discounters (two in Nizhny Novgorod and two in Lipetsk)
- 1,164 stores under management as at 30 June 09:
 - 900 soft discounters
 - 211 supermarkets
 - 53 hypermarkets



... is One of Our Top Priorities for 2009

DC locations as at 30 June 2009



Region	# of DCs	000 sq. m.	Dry	Fruit & Veg	Fresh	Frozen
Central	7	112.1	v	v	v	v
North-West	4	44.5	v	v	v	v
Volgo-Vyatsky	1	17.5	v	v	v	
Urals	5	18.2	v	v	v	
Centralno-Chernozemny	2	10.7	v	v	v	
Sredne-Volzhsy	1	9.6	v	v	v	
South	1	8.1	v	v		
Privolzhsky	1	7.0	v			
Total	22	227.7				

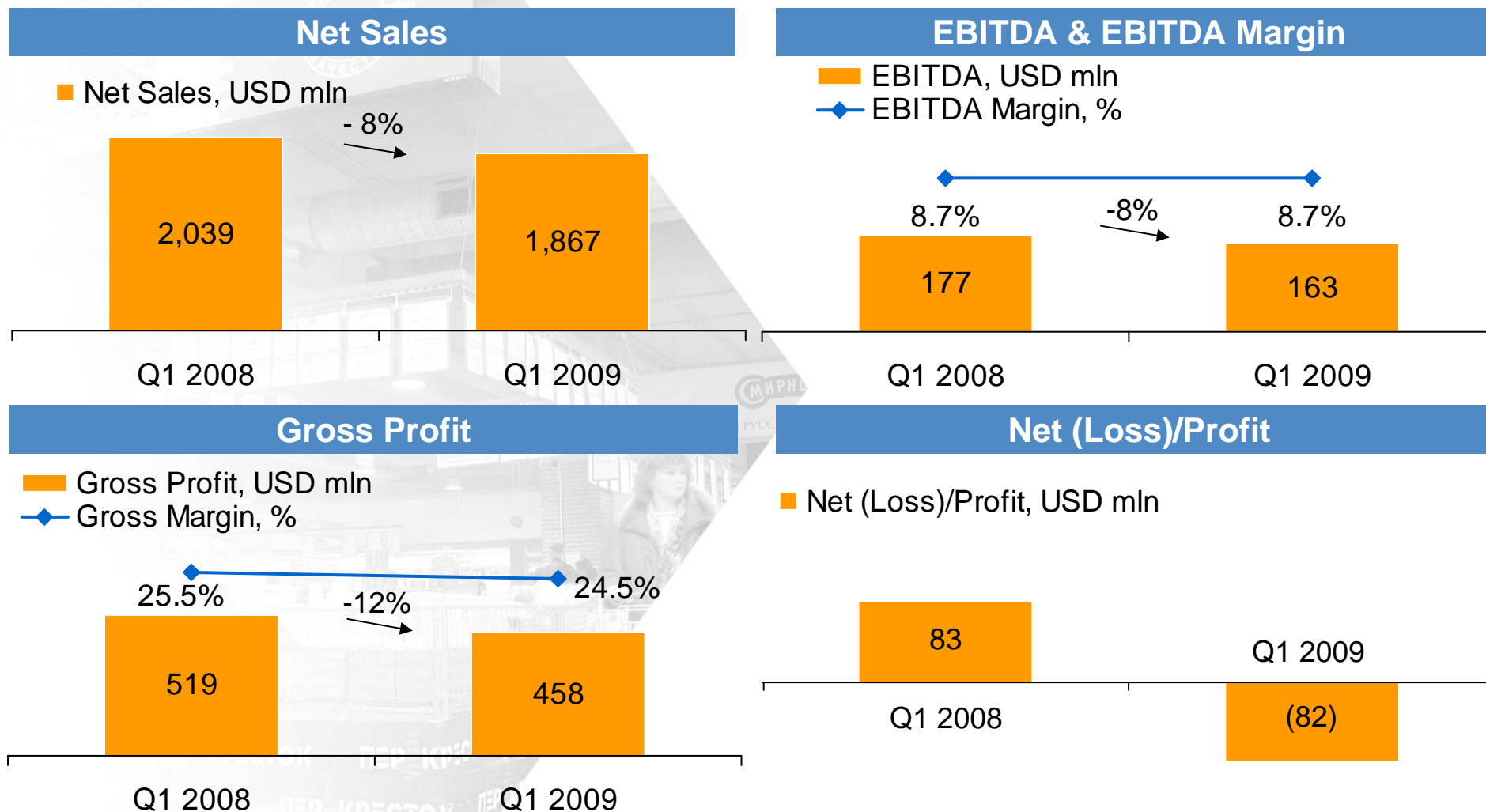
In H1 2009 X5:

- Added four DCs and expanded storage capacity of three existing DCs
 - Increased overall warehouse capacity by 36.7 thousand sq.m
 - Raised level of supply centralization to 59%.
- In July X5 opened its first non-food DC

In 2009 X5 continues IT systems upgrade:

- SAP for Retail launched in a pilot region (Nizhny Novgorod)
- Warehouse Management System roll-out has started
- Transportation Management System roll-out has started
- SAP HCM (Human Resources) – first module to be launched by end of 2009

Stable EBITDA Margin on the Back of Top Line Performance and Cost Controls



(1) All P&L numbers are provided on pro-forma basis, i.e. including Karusel results both in Q1 2008 and Q1 2009

USD mln ⁽¹⁾	Q1 2009	Q1 2008	% change USD	% change RUR
Net Sales	1,866.9	2,038.6	(8%)	28%
incl. Retail	1,859.3	2,027.5	(8%)	28%
Gross Profit	458.2	518.9	(12%)	23%
Gross Margin, %	24.5%	25.5%		
SG&A (excl. D&A)	(320.2)	(366.0)	(13%)	22%
% of revenue	17.2%	18.0%		
EBITDA	162.7	176.7	(8%)	29%
EBITDA Margin, %	8.7%	8.7%		
Operating (Loss)/Profit	116.9	123.2	(5%)	33%
Operating Margin, %	6.3%	6.0%		
Net FX Result	(163.7)	42.5	n/a	n/a
(Loss)/Profit before Tax	(84.8)	127.6	n/a	n/a
Income Tax Benefit/(Expense)	2.7	(44.2)	n/a	n/a
Net (Loss)/Profit	(82.1)	83.3	n/a	n/a
Net Margin, %	n/a	4.1%		



- Q1 2009 **gross margin** declined 100 bp year-on-year to 24.5%. The decline is attributable to planned investment in prices across formats, a managed reduction in Karusel's gross margin, and the impact of trading down trends (change of product mix in favour of staples)
- **SG&A** declined as % of revenue (from 20.6% in Q1 2008 to 19.6% in Q1 2009) as a result of administrative expenses and staff costs optimization
- **EBITDA margin** flat year-on-year at 8.7%
- USD 164 million **FX loss** reported for Q1 2009 as a result of RUR depreciation. FX loss is primarily non-cash, resulting from long-term U.S. dollar-denominated debt revaluation
- In Q1 X5 reported **income tax benefit** in the amount of USD 3 mln, which is explained by deferred tax income in the amount of USD 45 mln, primarily attributable to the reported FX loss

Strong Cash Generation from Operations Offset by Working Capital Seasonality

USD mln	Q1 2009	Q1 2008	% change USD	% change RUR
Net Cash Flows (used in)/from Operating Activities	(38.4)	34.3	n/a	n/a
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	169.9	169.7	0%	40%
<i>Change in Working Capital</i>	(126.7)	(60.4)	110%	193%
<i>Net Interest and Income Tax Paid</i>	(81.6)	(74.9)	9%	52%
Net Cash used in Investing Activities	(43.1)	(152.2)	(72%)	(60%)
Net Cash (used in)/generated from Financing Activities	(85.3)	78.2	n/a	n/a
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(28.3)	6.6	n/a	n/a
Net Decrease in Cash & Cash Equivalents	(195.2)	(33.1)	490%	456%

In Q1 2009 X5:

- Continued its deleveraging efforts, decreasing absolute levels of debt by USD 70 mln (excluding FX revaluation effects)
- Completely eliminated its short-term FX exposure by repaying short-term USD-denominated debt

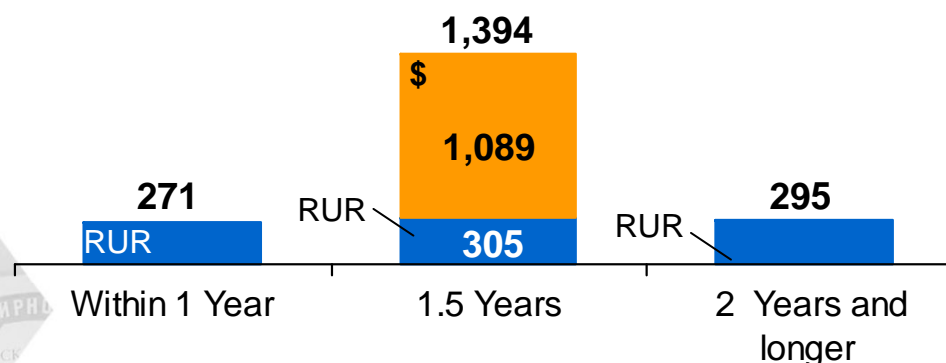
In Q2 2009 X5:

- Placed 7-year corporate bonds for nominal amount of RUR 8 bln with a put option in 2 years. Proceeds were used for partial repayment of short-term obligations, which decreased from RUR 15 bln as at 31-Mar-2009 to USD 8 bln as at 30-Jun-2009
- As at 30-Jun-2009 X5 had access to RUR-denominated credit facilities of over RUR 23 bln (USD 700 mln), out of which RUR 15 bln (USD 480 mln) are available undrawn credit lines

Debt Maturity Profile as at 30.06.09

USD mln

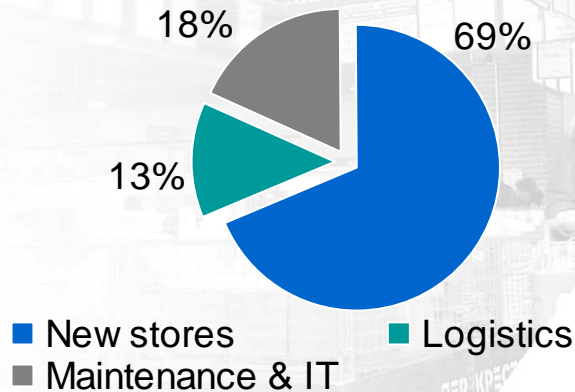
■ Denominated in RUR ■ Denominated in USD



USD mln	31-Mar-09	% in total	31-Dec-08	% in total	% change
Total Debt	1,960		2,059		(5%)
Short-Term Debt	271	14%	578	28%	(53%)
Long-Term Debt	1,689	86%	1,481	72%	14%
Net Debt	1,850		1,783		4%

	2008	2009E
Sales Growth (in RUR)	41%	>25%
Capital Expenditures	~USD 1,000 mln	Up to RUR 14 bln

2009 Approximate CapEx Breakdown



Margins: Focus on Customers and Efficiency

- Continued gross margin investment in customer value proposition
- Cost control reinforcement
- Pursuing every opportunity to compensate for gross margin investment through increased operational efficiencies and savings at SG&A level





We Should Not Forget that...

- Russian retail market remains very fragmented and immature...
- ...offering unique opportunities to strongest players...
- ...on the back of...
 - long-term potential for income and spending growth...
 - ...organic expansion...
 - ...and market consolidation