

**X5**

## Winning Customers With The Power Of 5

**FY 2008 Operational & Financial Results**  
**Q1 2009 Operational Performance**

*Conference Call Presentation  
to Investors and Analysts*

Moscow, 14 April 2009



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## I. FY 2008 Operational Results

## II. Q1 2009 Operational Performance

## III. Q4&FY 2008 Financial Performance & Liquidity Update

## IV. 2009 Priorities & Outlook



**Growth on 2007**

**57% in USD**

**53% in RUR**

**Consolidated<sup>(1)</sup> Net Retail Sales**

**45% in USD**

**41% in RUR**

**Pro-Forma<sup>(2)</sup> Net Retail Sales**

**Highlights**

**#1**

**Market Position**

**4%**

**Market Share**

**1,101**

**Number of Stores**

**874,032 sq.m.**

**Selling Space**

**816,273,268**

**Customer Visits**

**USD 10 billion**

**Pro-Forma<sup>(2)</sup> Gross Sales**

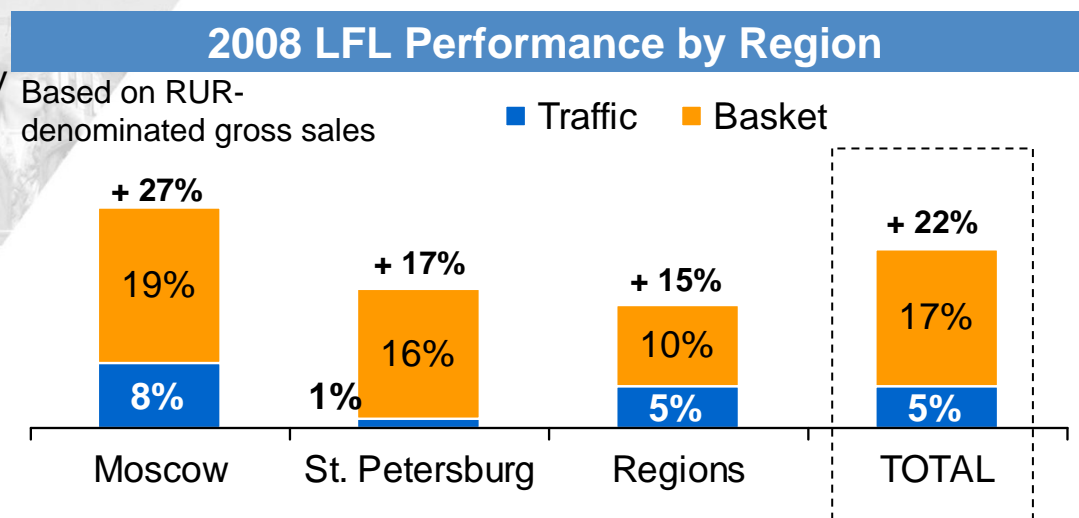
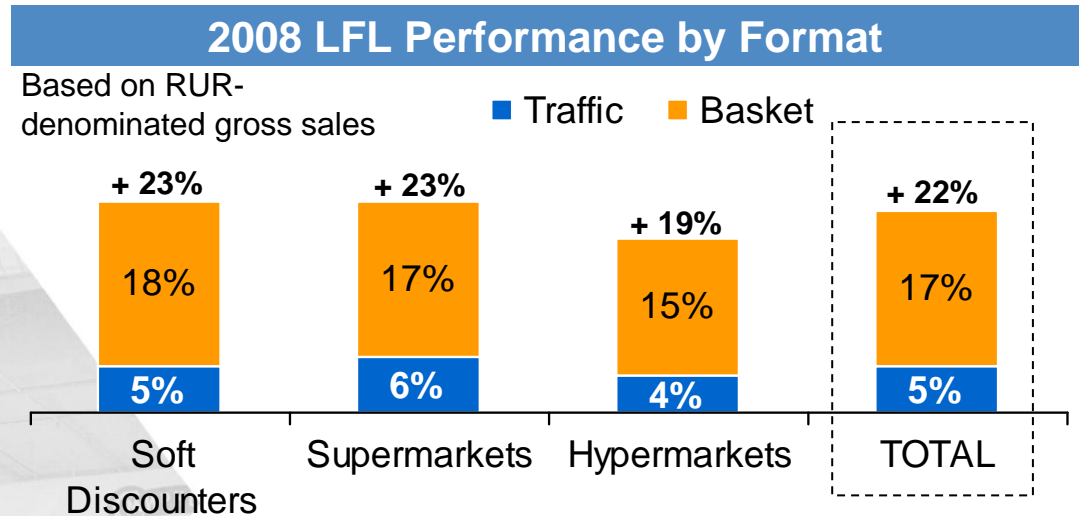


*(1) Including results of the acquired Karusel hypermarket chain from 30 June 2008, when the acquisition was completed.*

*(2) Including Karusel's results from 1 January 2007 and 2008, respectively.*

**... Driven by Industry-Beating LFL Sales Growth...**

- Strong traffic and basket growth in excess of inflation
- Acquired Karusel hypermarkets' performance affected by 3-4 day closings in Q3 2008 for IT platform replacement
- Perekrestok hypermarkets' rebranding to Karusel began in Q4 2008
- In Q4 - first signs of trading down, resulting in strong customer inflow to discounters, especially noticeable in the regions (+7% traffic growth in Q4)
- Perekrestok supermarkets continued to perform very well in Moscow and St. Petersburg (76% of X5's supermarkets sales) despite trading down trends

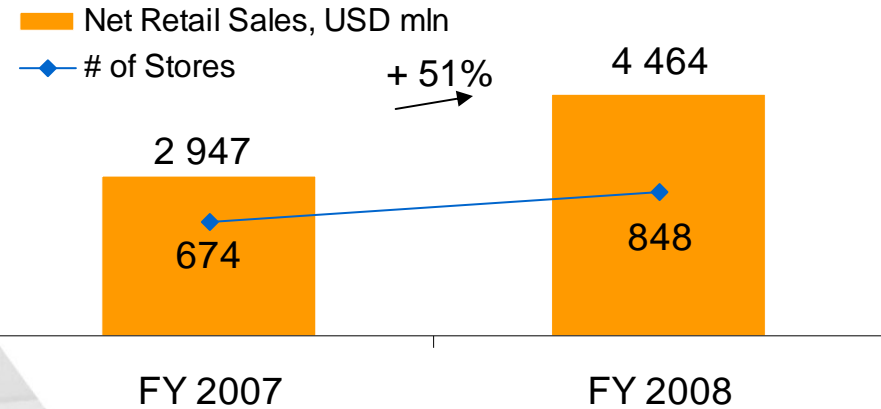




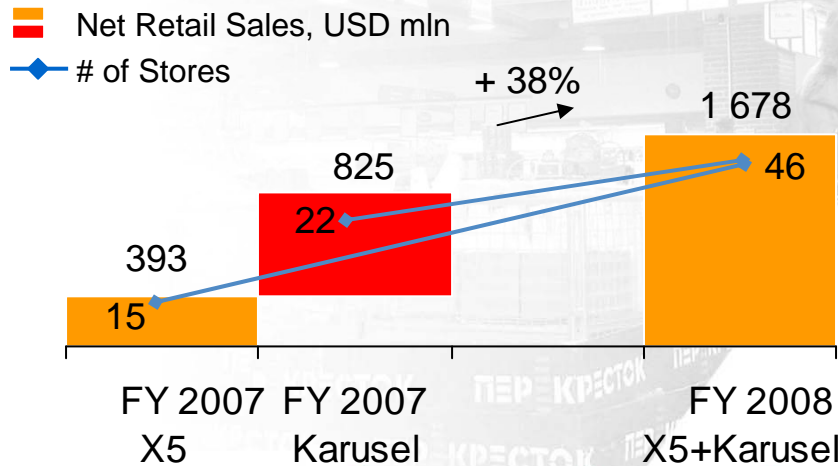
**... Supported by Organic Expansion & Karusel Acquisition**

- In 2008 X5 added a net 233 stores, including:
  - 24 acquired Karusel hypermarkets
  - 7 hypermarkets opened organically
  - 28 supermarkets
  - 174 soft discounters
- Selling area increased by 265 thousand square meters on a net basis

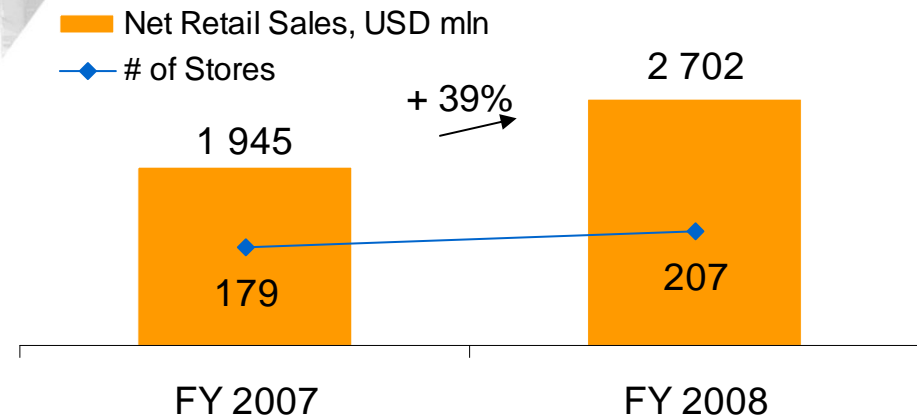
**Soft Discounters Store Count & Sales**



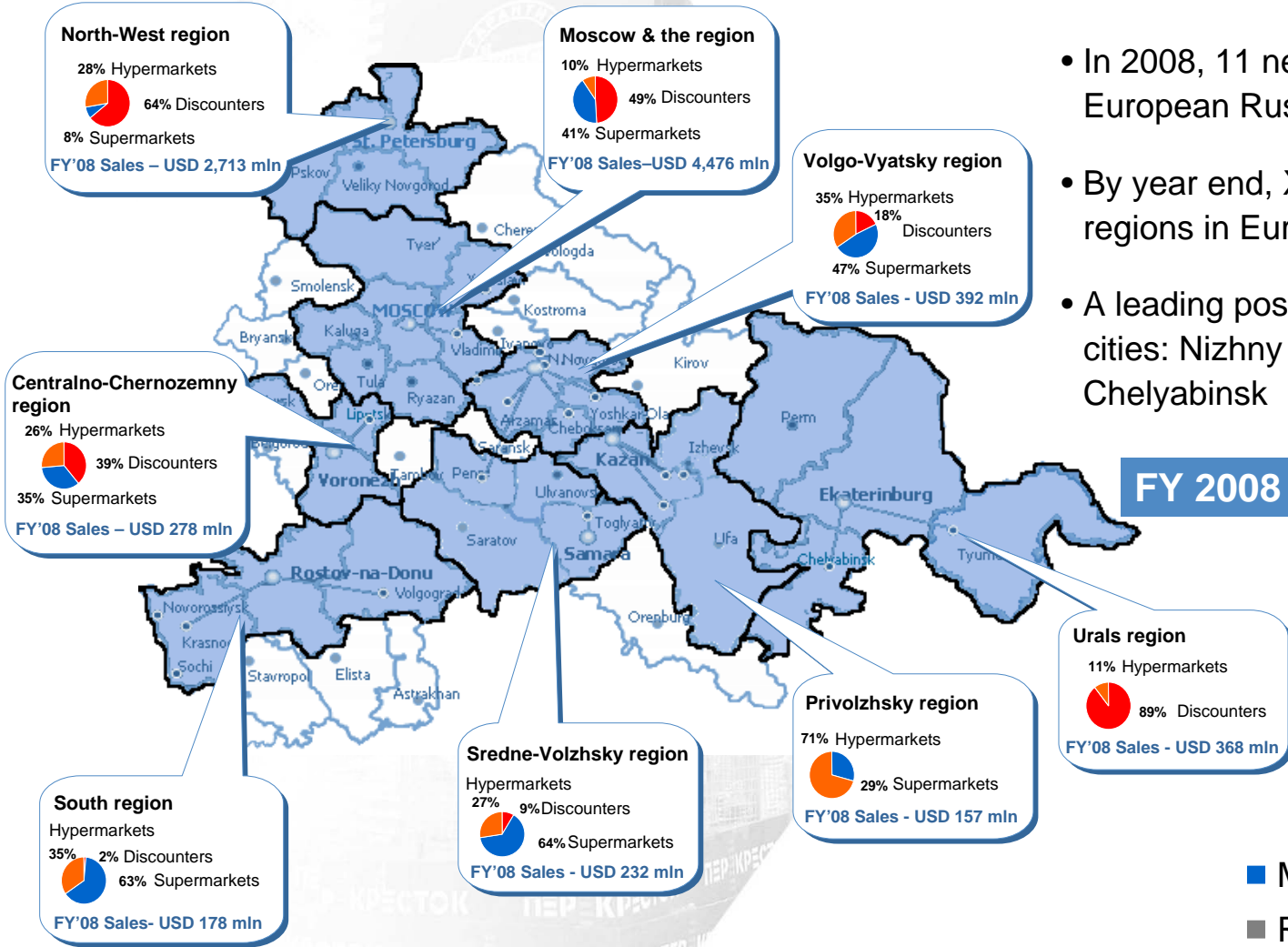
**Hypermarkets Store Count & Sales**



**Supermarkets Store Count & Sales**

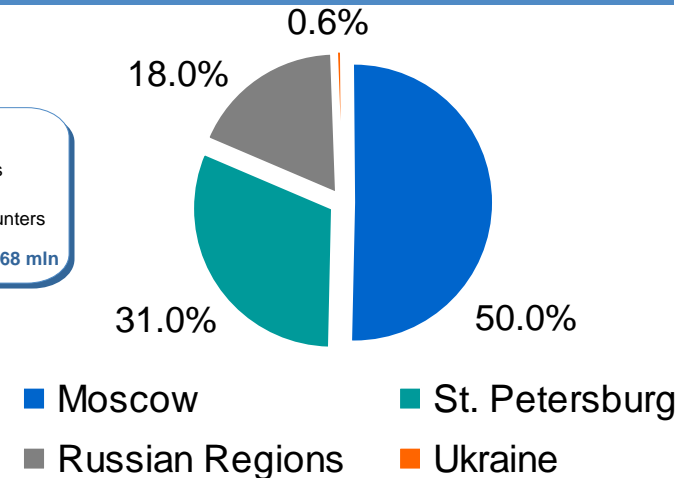


...Thanks to Enhanced Regional Positions



- In 2008, 11 new cities/regions entered in European Russia and the Urals
- By year end, X5 was present in 39 cities and regions in European Russia and the Urals
- A leading position secured in 4 large regional cities: Nizhny Novgorod, Lipetsk, Samara, Chelyabinsk

FY 2008 Net Retail Sales by Region (1)



(1) Including Karusel on pro-forma basis from 1 January 2008



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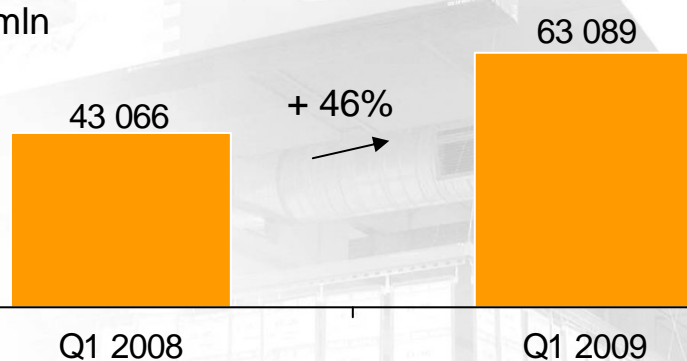




**... Demonstrates the Resilience of X5's Multi-Format Approach**

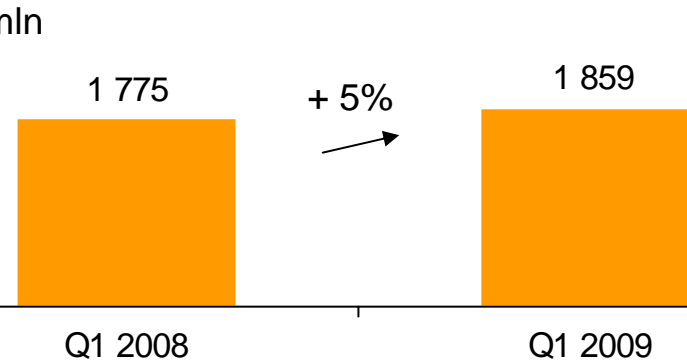
**Net Retail Sales, consolidation (1)**

RUR mln



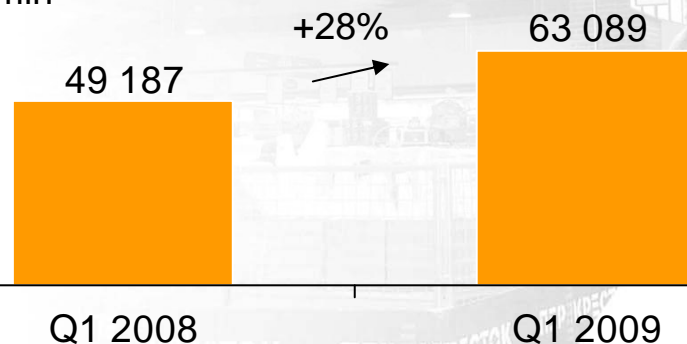
**Net Retail Sales, consolidation (1)**

USD mln



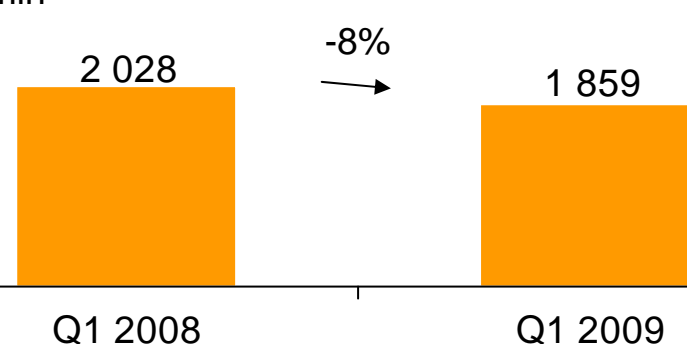
**Net Retail Sales, pro-forma (2)**

RUR mln



**Net Retail Sales, pro-forma (2)**

USD mln



(1) Consolidated sales figures include acquired Karusel's business in Q1 2009 and exclude it in Q1 2008.

(2) Pro-forma sales figures include acquired Karusel's business in both Q1 2008 and Q1 2009.



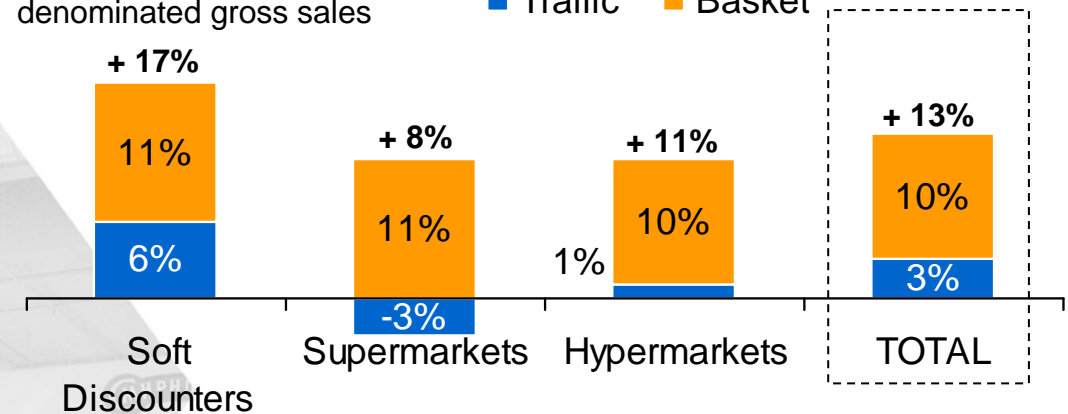
... Varied from Region to Region & Format to Format

- Soft Discounters - clear winners in the trading down conditions:
  - 10% traffic inflow in Moscow
  - 11% traffic inflow in the regions
- Supermarkets performance in line with expectations:
  - Stable situation in Moscow and St. Petersburg
  - LFL declines in regions affected by economic conditions
- Hypermarkets turnaround:
  - “Everything Under One Roof – at Low Prices” concept welcomed by customers
  - Noticeable improvement in acquired Karusel stores
  - Rebranded Perekrestok hypermarkets only begin to benefit from new hypermarket concept

Q1 LFL Performance by Format

Based on RUR-denominated gross sales

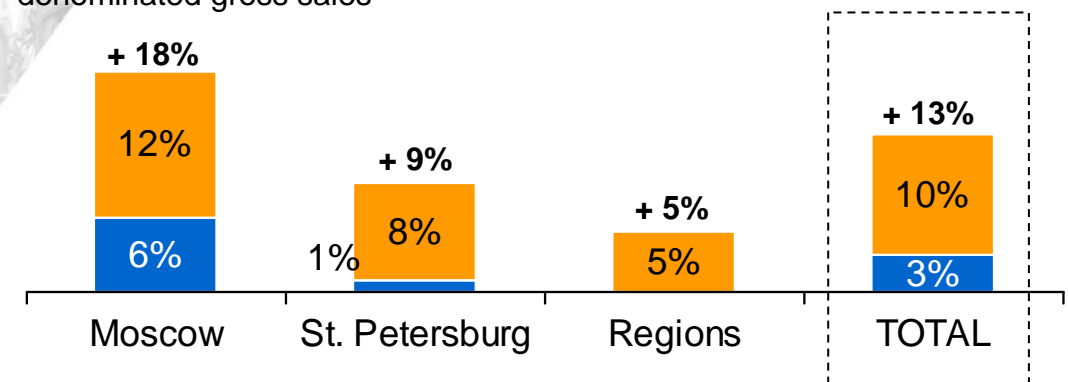
Traffic Basket



Q1 LFL Performance by Region

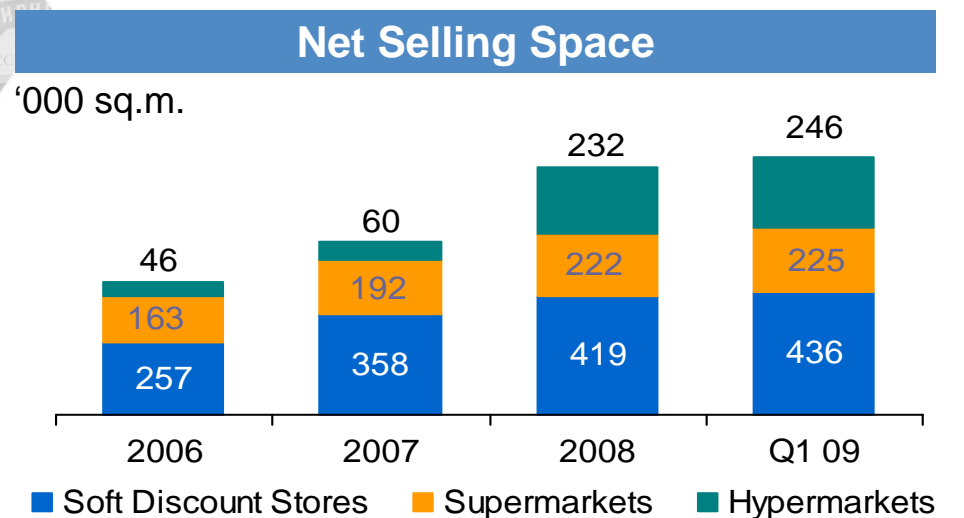
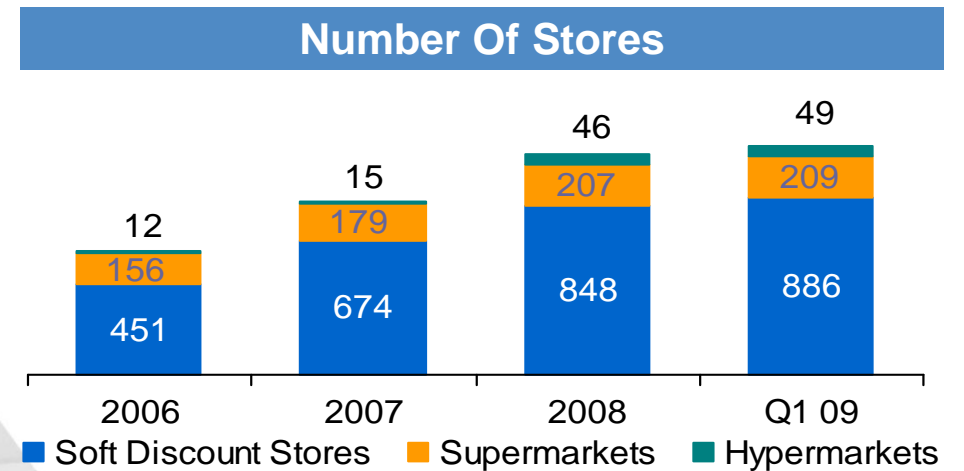
Based on RUR-denominated gross sales

Traffic Basket



**... was Focused and Selective**

- 33 th.sq. m. or 43 stores added on a net basis:
  - 38 soft-discounters (including 21 store acquired in Agrotorg-Rostov transaction in December 2008)
  - 2 supermarkets
  - 3 hypermarkets
- 13 stores closed (one supermarket and 12 discounters)
- Three regional supermarkets converted into discounters (two in Nizhny Novgorod and one in Lipetsk)
- As at 31 March, X5 was present in 41 cities of European Russia and the Urals
- 1,144 stores in total:
  - 886 soft discounters
  - 209 supermarkets
  - 49 hypermarkets





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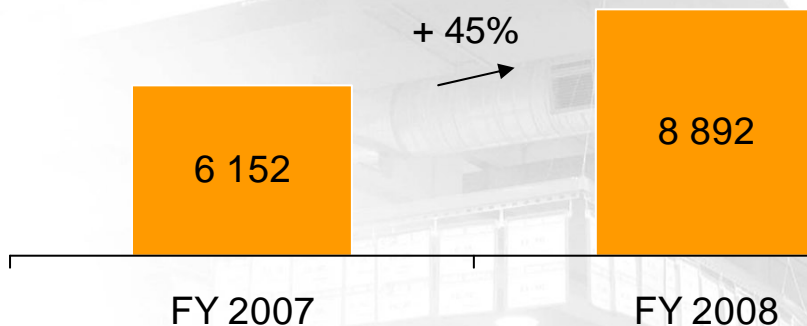
**IV. 2009 Priorities & Outlook**



Strong Financial Results<sup>(1)</sup>

Net Sales

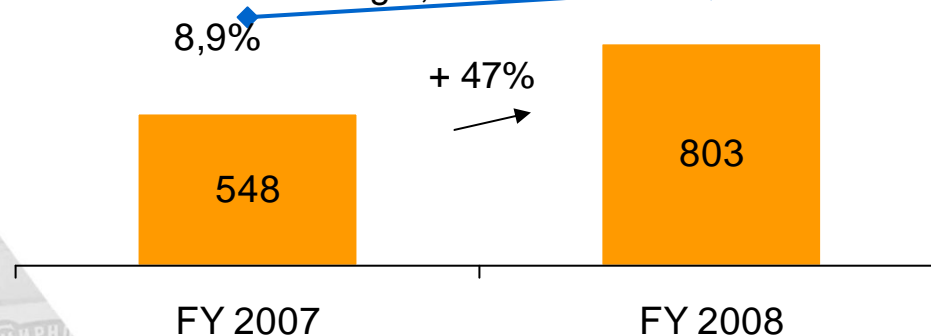
Net Sales, USD mln



EBITDA & EBITDA Margin

EBITDA, USD mln

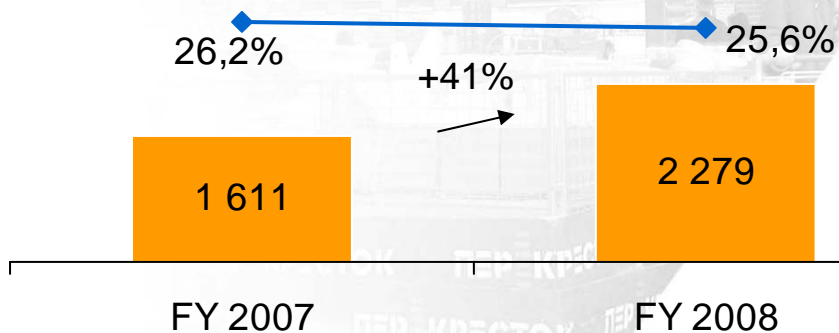
EBITDA Margin, %



Gross Profit

Gross Profit, USD mln

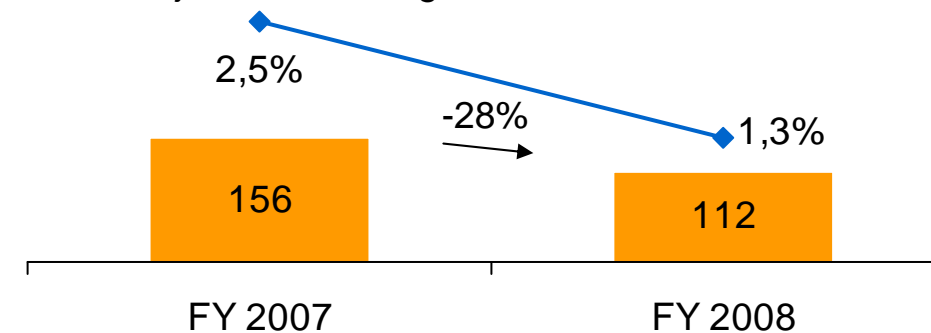
Gross Margin, %



Adjusted Net Profit <sup>(2)</sup>

Adjusted Net Profit, USD mln

Adjusted Net Margin, %



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

(2) Net profit before non-cash goodwill impairment charge



USD mln (1)	Q4 2008	Q4 2007	% change y-o-y	FY 2008	FY 2007	% change y-o-y
<b>Net Sales</b>	<b>2,376.3</b>	<b>1,980.2</b>	<b>20%</b>	<b>8,892.4</b>	<b>6,151.5</b>	<b>45%</b>
incl. Retail	2,365.1	1,965.3	20%	8,843.8	6,109.6	45%
<b>Gross Profit</b>	<b>604.8</b>	<b>527.3</b>	<b>15%</b>	<b>2,278.5</b>	<b>1,610.7</b>	<b>41%</b>
Gross Margin, %	25.5%	26.6%		25.6%	26.2%	
<b>EBITDA</b>	<b>225.2</b>	<b>188.9</b>	<b>19%</b>	<b>803.2</b>	<b>547.6</b>	<b>47%</b>
EBITDA Margin, %	9.5%	9.5%		9.0%	8.9%	
<b>Adjusted Operating Profit<sup>(1)</sup></b>	<b>159.2</b>	<b>153.8</b>	<b>4%</b>	<b>552.5</b>	<b>370.7</b>	<b>49%</b>
Adjusted Operating Margin, %	6.7%	7.8%		6.2%	6.0%	
Impairment of Goodwill	(2,257.0)	-	n/a	(2,257.0)	-	n/a
<b>Operating (Loss)/Profit</b>	<b>(2,097.8)</b>	<b>153.8</b>	<b>n/a</b>	<b>(1,704.5)</b>	<b>370.7</b>	<b>n/a</b>
Operating Margin, %	n/a	7.8%		n/a	6.0%	
<b>Adjusted Net (Loss)/Profit<sup>(2)</sup></b>	<b>(26.7)</b>	<b>95.2</b>	<b>n/a</b>	<b>111.5</b>	<b>155.7</b>	<b>-28%</b>
Adjusted Net Margin, %	n/a	4.8%		1.3%	2.5%	
<b>Net (Loss)/Profit</b>	<b>(2,283.7)</b>	<b>95.2</b>	<b>n/a</b>	<b>(2,145.5)</b>	<b>155.7</b>	<b>n/a</b>
Net Margin, %	n/a	4.8%		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<sup>(1)</sup> 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

## Strong Cash Generation from Operations

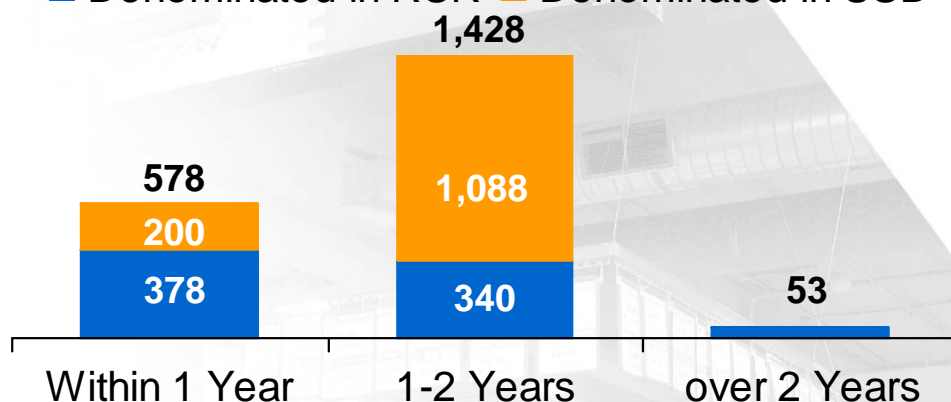
USD mln(1)	FY 2008	FY 2007	% change y-o-y
<b>Net Cash from Operating Activities</b>	<b>629.3</b>	<b>427.5</b>	<b>47%</b>
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	774.3	491.3	58%
<i>Change in Working Capital</i>	243.9	139.8	75%
<i>Net Interest and Income Tax Paid</i>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



## Debt Maturity Profile as at 31.12.08

USD mln

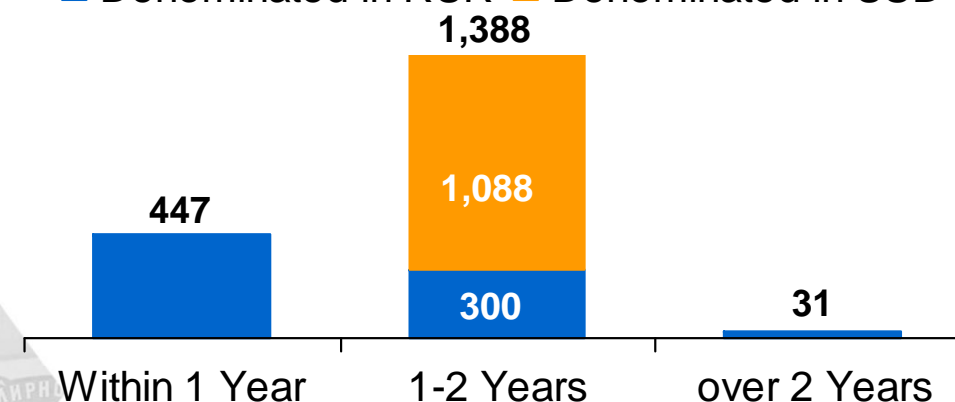
■ Denominated in RUR ■ Denominated in USD



## Debt Maturity Profile as at 31.03.09<sup>(1)</sup>

USD mln

■ Denominated in RUR ■ Denominated in USD



- In the second half of 2008, X5 used its strong cash generation to deleverage the Company:
  - Net debt/EBITDA declined from 3.2x as at 31 December 2007 to 2.2x as at 31 December 2008
- In Q1 2009 X5 continued its deleveraging efforts, decreasing absolute levels of debt by USD 70 mln (excluding the FX effect on RUR-denominated debt)
- By 31 March 2009 the Company completely eliminated its short-term FX exposure by repaying short-term USD-denominated debt
- Approximately 70% of the Company's debt is not exposed to interest rate fluctuations, which limits the effect of rising interest rates on the Company's cost of debt – FY 2008 effective interest rate totalled 7.5%



(1) Preliminary and unaudited, based on management accounts



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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**

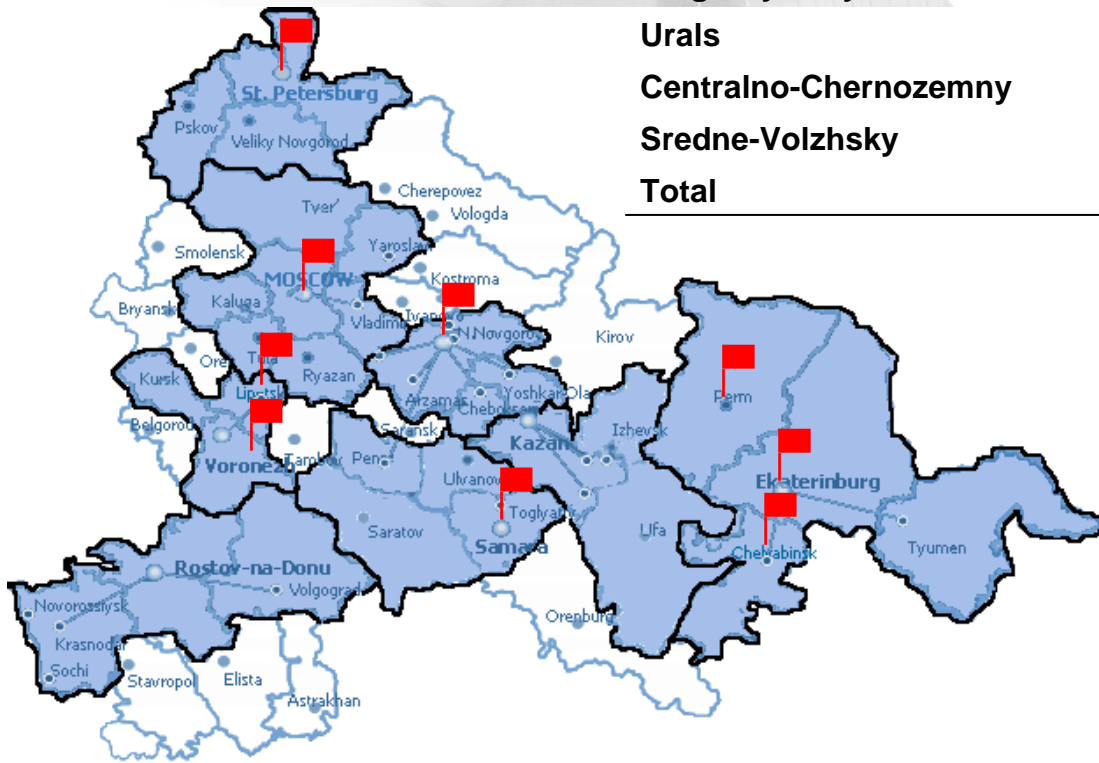
- Cost management:
  - Staff cost control
  - Rents renegotiation
  - Distribution infrastructure development

**Prudent Financial Management**

- Conservative cash flow management
- Further deleveraging

**... in Distribution Infrastructure Development**

DC locations as at 31 March 2009



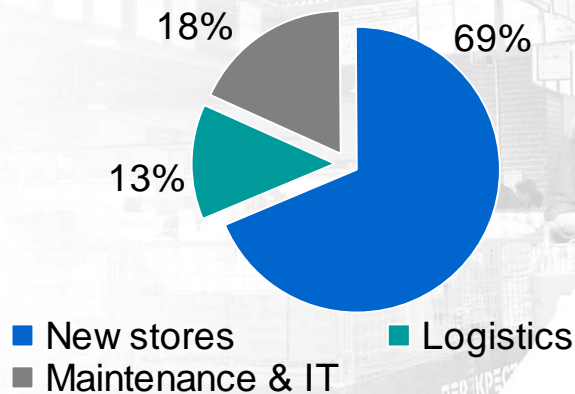
Region	# of DCs	000 sq. m.	Dry	Fruit & Veg	Fresh	Frozen
Central	6	109.1	v	v	v	v
North-West	4	44.5	v	v	v	v
Volgo-Vyatsky	1	15.1	v	v	v	
Urals	5	18.2	v	v	v	
Centralno-Chernozemny	3	8.4	v	v	v	
Sredne-Volzhsky	1	6.0	v	v	v	
<b>Total</b>	<b>20</b>	<b>201.3</b>				

By the end of 2009 X5 plans to:

- Have a large DC in each big city of operations
- Open its first non-food DC
- Increase level of supply centralization from 50% to 57%
- Increase fleet to 520 trucks (from about 400 today)
- Continue introduction of warehouse management, voice picking and transportation management systems

	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

