

X5

Winning Customers With The Power Of 5

Roadshow Presentation

April 2009



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I. 2008 – Strong Growth Ahead of Expectations

- Unrivalled Leadership in Russian Retail
- Best-in-Industry Operational Performance
- Financial Review & Liquidity Update

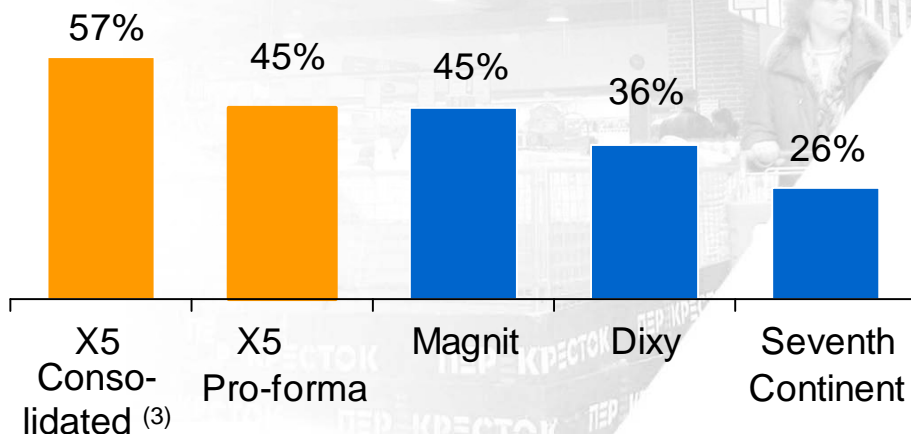
II. 2009 & Beyond – Source of Strength in Russian Retail

- 2009 Priorities Support X5's Long-Term Leadership & Growth
- Winning Customers with the Power of 5
- Q1 2008 Operational Performance
- Break-Through Year in Logistics Infrastructure Development
- 2009 Outlook
- Long-Term View

- 2008 pro-forma⁽¹⁾ net sales - USD 8,892 mln
- 1,144 company-managed store in Russia and Ukraine⁽²⁾
- 586 stores operated by X5's franchisees across Russia⁽²⁾
- Over 907 thousand sq. m. of net selling space⁽²⁾
- Over 816 million customer visits to X5 stores in 2008

#	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 31 March 2009; (3) Including Karusel on consolidation basis from 1 July 2008; (4) Based on estimated gross sales; total market size – USD 252 bln

Multi-Format Operations

Soft Discount Stores



As at 31 Mar 2009

- 886 stores
- Total net selling space – 435,859 sq. m.
- Sales per sq.m. – USD 14,328 ⁽¹⁾

Supermarkets



As at 31 Mar 2009

- 209 stores
- Total net selling space – 225,359 sq. m.
- Sales per sq.m. – USD 16,246 ⁽¹⁾



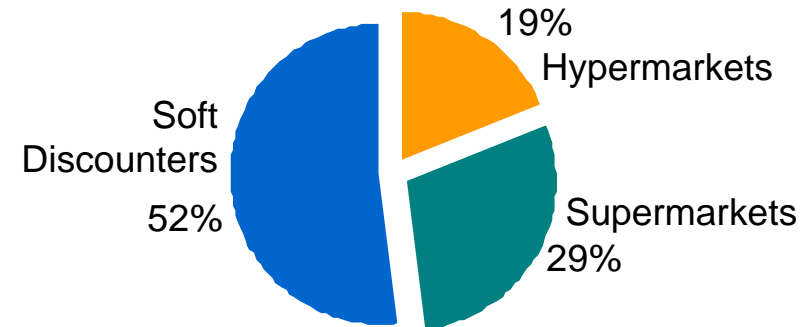
Hypermarkets



As at 31 Mar 2009

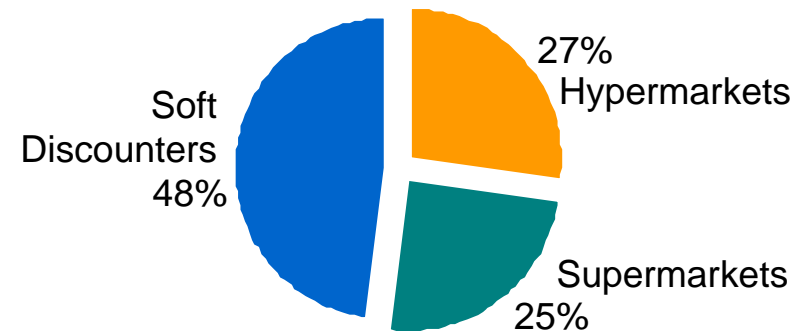
- 49 stores
- Total net selling space – 245,942 sq.m.
- Sales per sq.m. – USD 9,635 ⁽¹⁾

Q1'09 Retail Sales Break Down by Format



Total net retail sales – USD 1,859 mln

Q1'09 Selling Space Break Down by Format



Total selling space – 907,161 sq. m.



(1) For FY 2008

Growth on 2007

57% in USD

53% in RUR

Consolidated⁽¹⁾ Net Retail Sales

45% in USD

41% in RUR

Pro-Forma⁽²⁾ Net Retail Sales

FY 2008 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⁽²⁾ Gross Sales

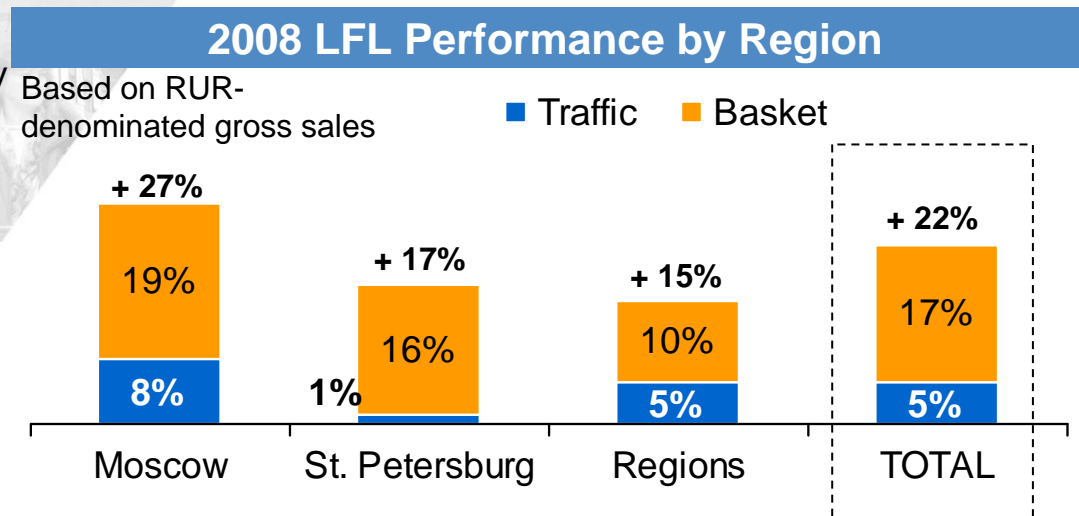
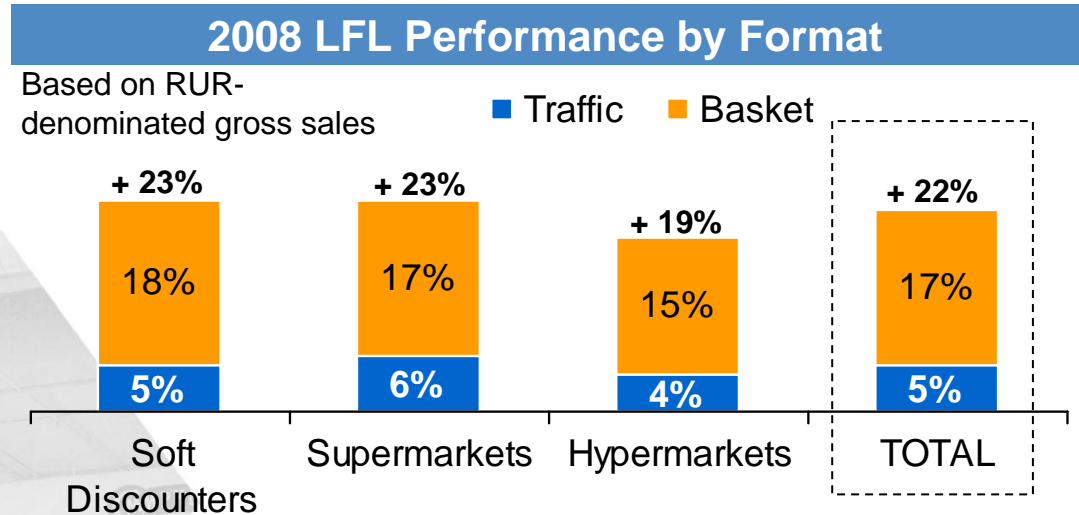


⁽¹⁾ Including results of the acquired Karusel hypermarket chain from 30 June 2008, when the acquisition was completed.

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

... Driven by Strong LFL Sales Growth...

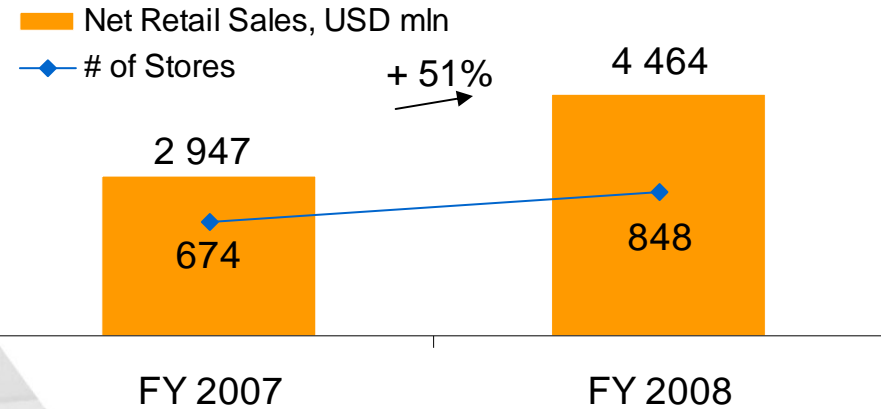
- Strong traffic and basket growth in excess of inflation
- Acquired Karusel hypermarkets' performance affected by 3-4 day closings in Q3 2008 for IT platform replacement
- Perekrestok hypermarkets' rebranding to Karusel began in Q4 2008
- In Q4 - first signs of trading down, resulting in strong customer 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



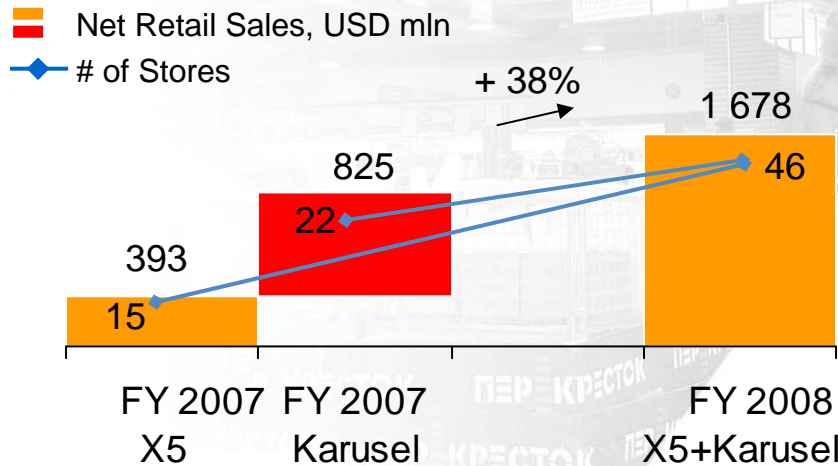
... Supported by Organic Expansion & Karusel Acquisition

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

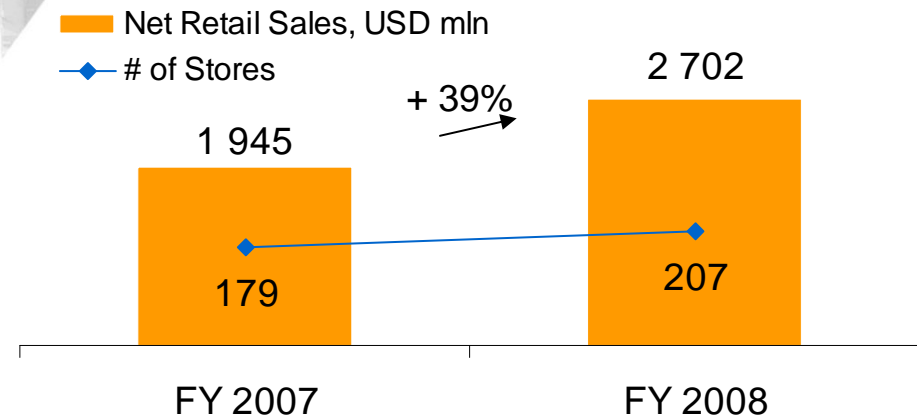
Soft Discounters Store Count & Sales



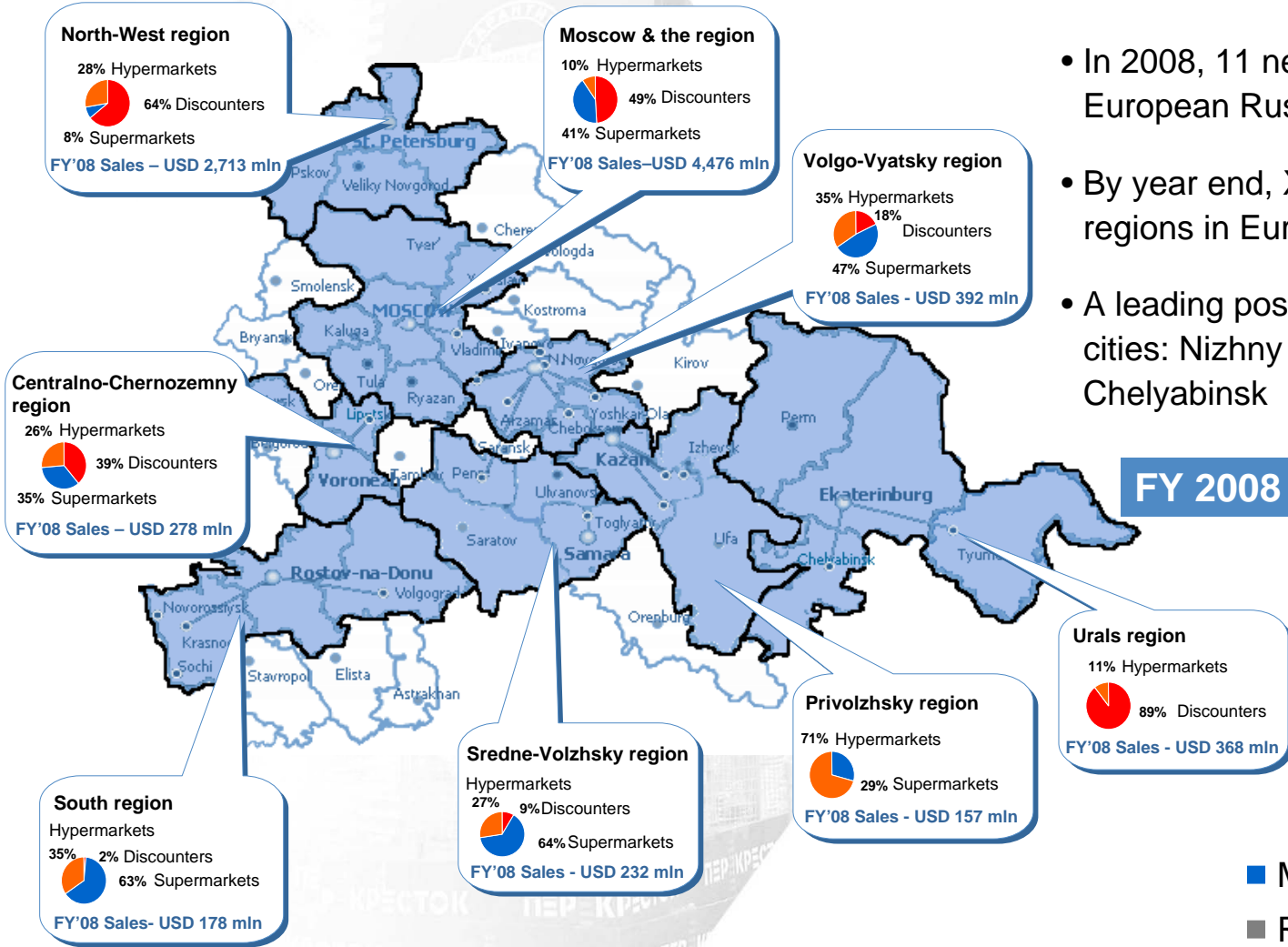
Hypermarkets Store Count & Sales



Supermarkets Store Count & Sales

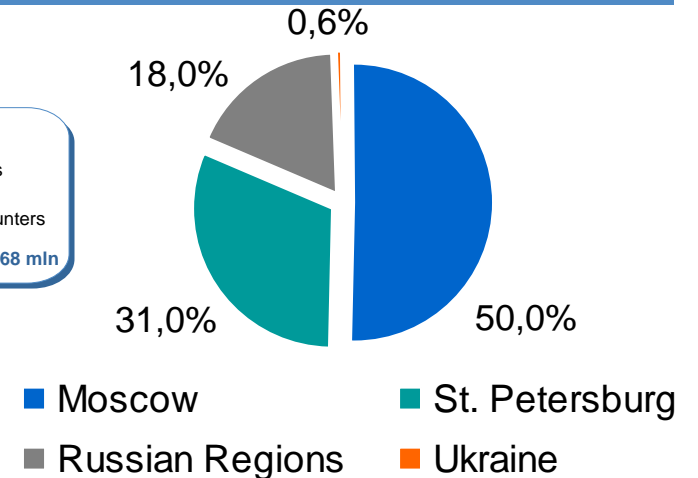


...Thanks to Strong Regional Positions



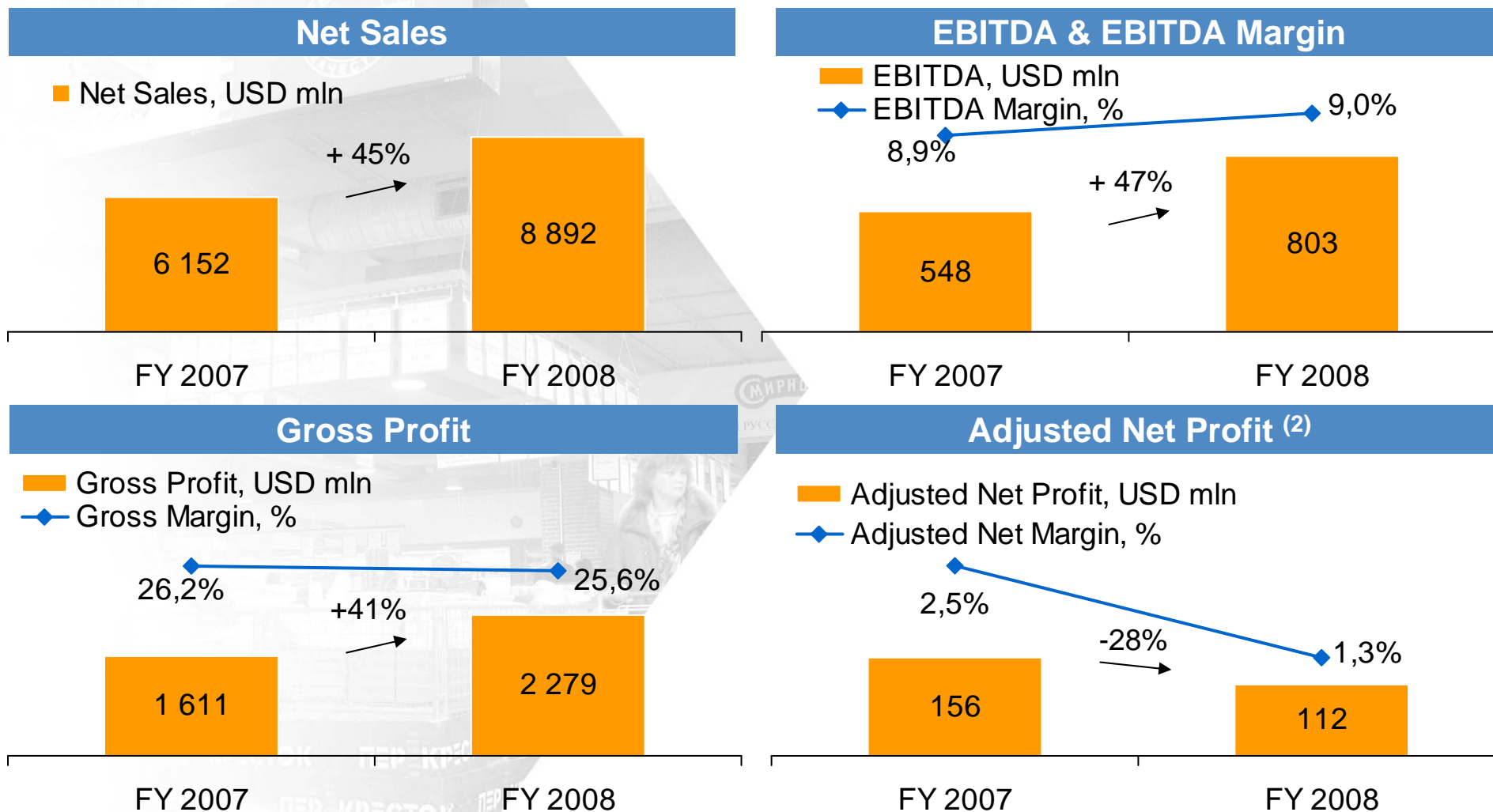
- In 2008, 11 new cities/regions entered in European Russia and the Urals
- By year end, X5 was present in 39 cities and regions in European Russia and the Urals
- A leading position secured in 4 large regional cities: Nizhny Novgorod, Lipetsk, Samara, Chelyabinsk

FY 2008 Net Retail Sales by Region (1)



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

Strong Financial Results⁽¹⁾



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

Strong Cash Generation from Operations

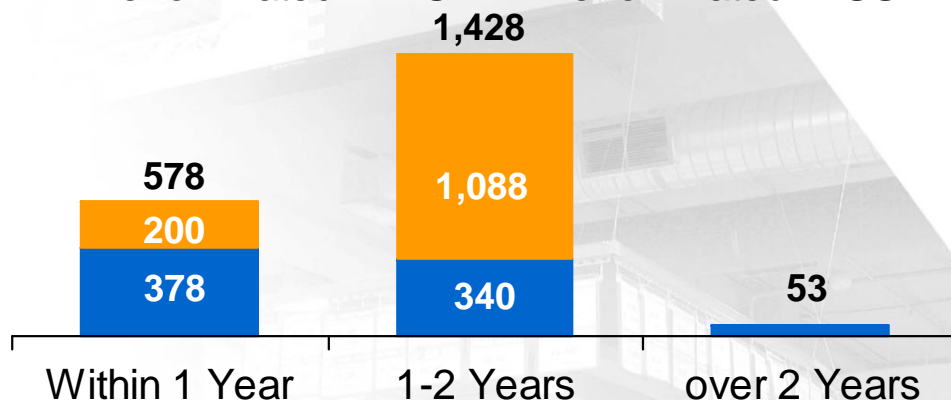
USD mln(1)	FY 2008	FY 2007	% change y-o-y
Net Cash from Operating Activities	629.3	427.5	47%
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	774.3	491.3	58%
<i>Change in Working Capital</i>	243.9	139.8	75%
<i>Net Interest and Income Tax Paid</i>	(388.9)	(203.6)	91%
Net Cash 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%



Debt Maturity Profile as at 31.12.08

USD mln

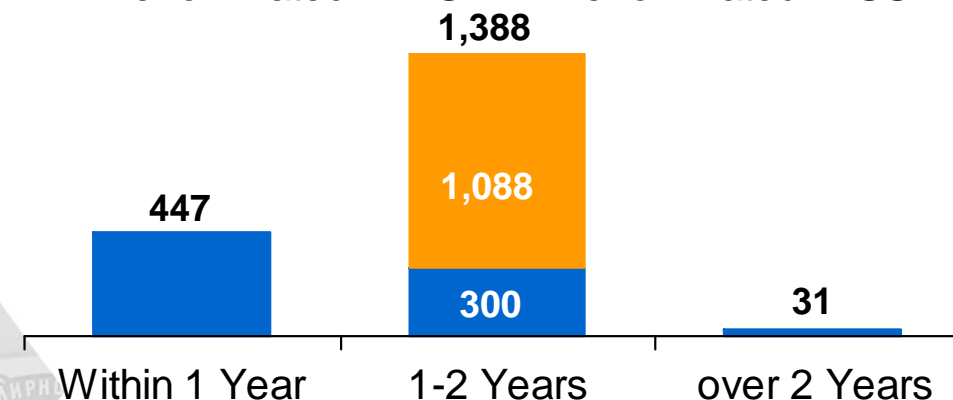
■ Denominated in RUR ■ Denominated in USD



Debt Maturity Profile as at 31.03.09⁽¹⁾

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





X5's Soft Discounters – Positioned for Trading-Down Trends



Value Proposition

- Price leadership
- Convenient location
- Attractive assortment

Strengths

- High brand recognition
- 100% of assortment at lowest price on the market
- Low cost operations
- Cheap & quick expansion potential
- Significant opportunities for private label development
- High quality store portfolio

Opportunities

- Attracting new customer categories on the back of trading down
- Traffic inflow from non-organized retail
- Traffic inflow from troubled competitors

Focus in 2009

- Strengthening the image of price leader
- Ensuring product availability
- Capitalizing on private label opportunities
- Limiting expansion to X5's core regions to maximize value





X5's Supermarkets – Best Value for Money

Value Proposition

- Quality & Convenience
- The best supermarket in fresh
- The best supermarket in promotions

Strengths

- High brand recognition
- 76% of sales come from Moscow & St. Petersburg
- Efficient promotions, strong customer response
- Strong loyalty program
- Opportunities for private label development
- High quality store portfolio

Opportunities

- Attracting new customers from premium supermarkets
- Retaining existing customers through smart pricing
- Traffic inflow from troubled competitors

Focus in 2009

- Optimizing regional supermarkets portfolio
- Rationalizing assortment
- Enhancing strength in fresh
- Facilitating promo activities
- Enhancing private label sales
- Improving service
- Limiting expansion to cities with over 1 mln of population





X5's Hypermarkets – Better Alternative to Open-Air Markets

Value Proposition

- Everything under one roof
- Low price
- Ideal place for family shopping
- High quality of goods
- Good location and convenient access

Strengths

- Premium locations
- Two formats – compact & full-size
- Basic assortment at lowest price available in the market
- Supplemental services and attractions
- Efficient promotions
- Opportunities for private label development
- Growing purchasing power in non-food

Opportunities

- Capturing all possible consumer segments for week-end shopping
- Providing an attractive alternative to open-air markets
- Traffic inflow from troubled competitors

Focus in 2009

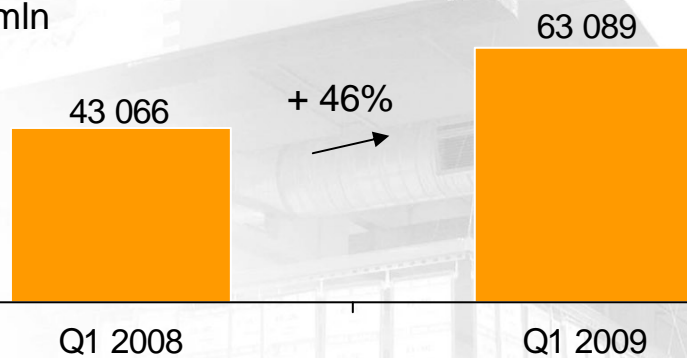
- Strengthen “everything under one roof” image
- Focus on sales per square meter improvement
- Develop private label
- Non-food focused on fast-moving goods
- Expansion: only selective projects in best locations with outstanding economics



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

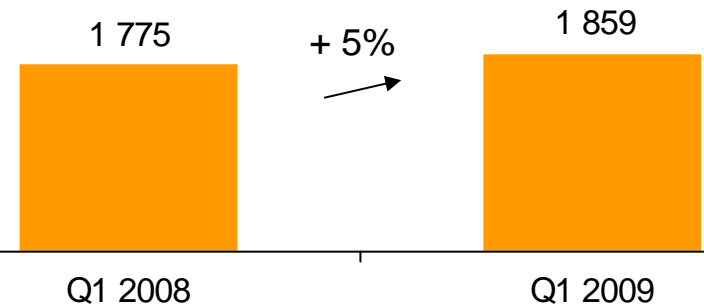
Net Retail Sales, consolidation (1)

RUR mln



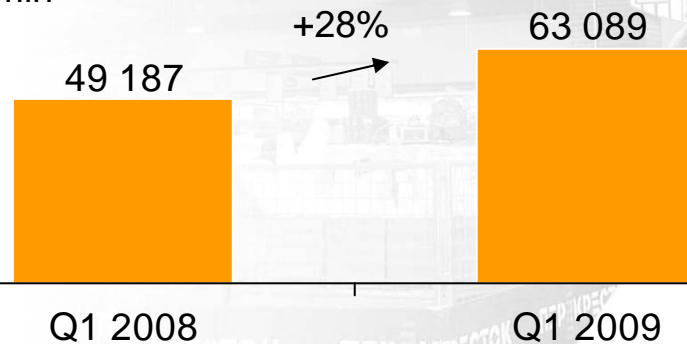
Net Retail Sales, consolidation (1)

USD mln



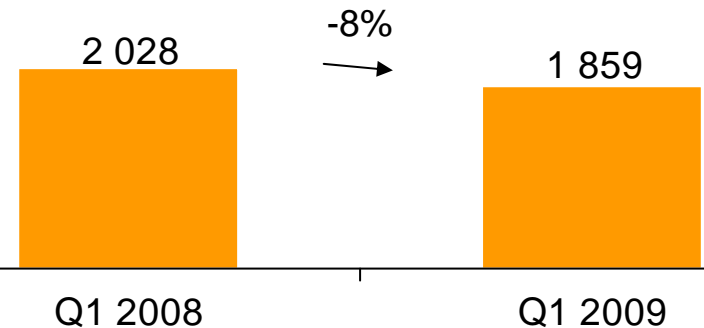
Net Retail Sales, pro-forma (2)

RUR mln



Net Retail Sales, pro-forma (2)

USD mln



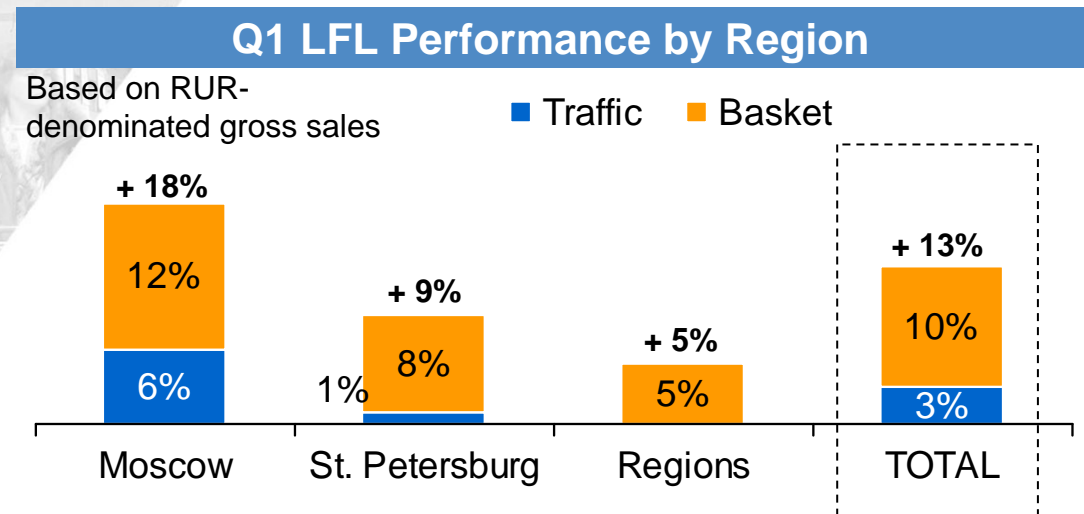
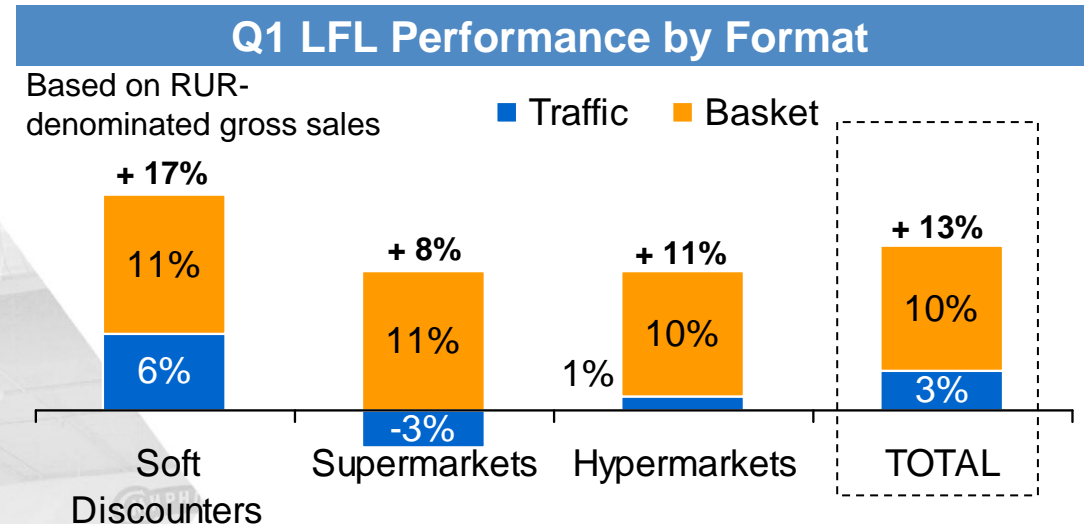
(1) Consolidated sales figures include acquired Karusel's business in Q1 2009 and exclude it in Q1 2008.

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



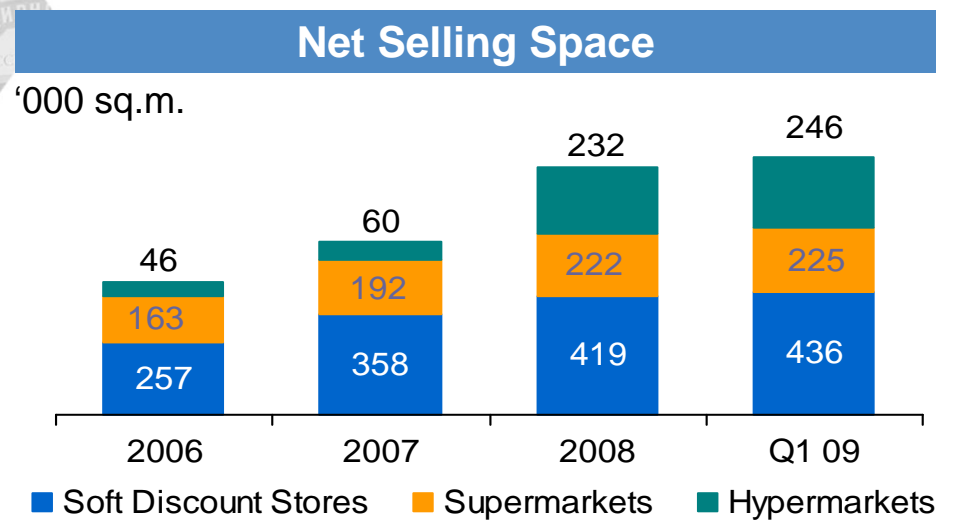
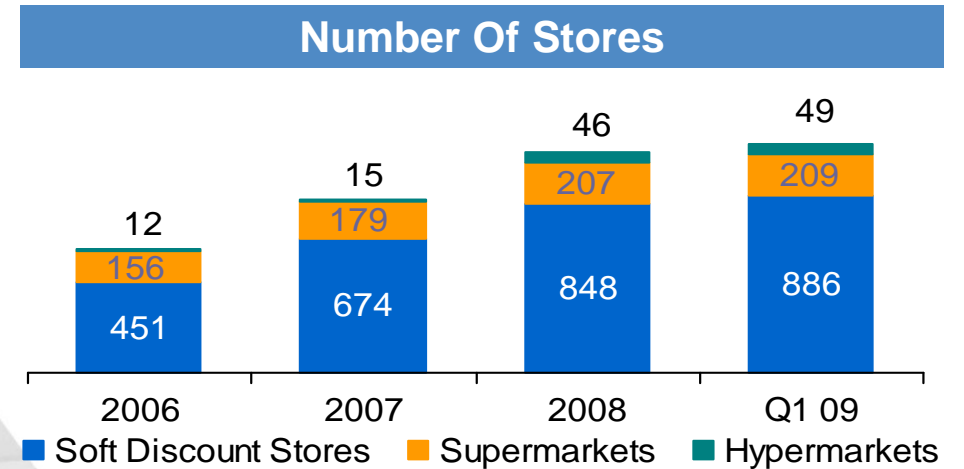
... Varied from Region to Region & Format to Format

- 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



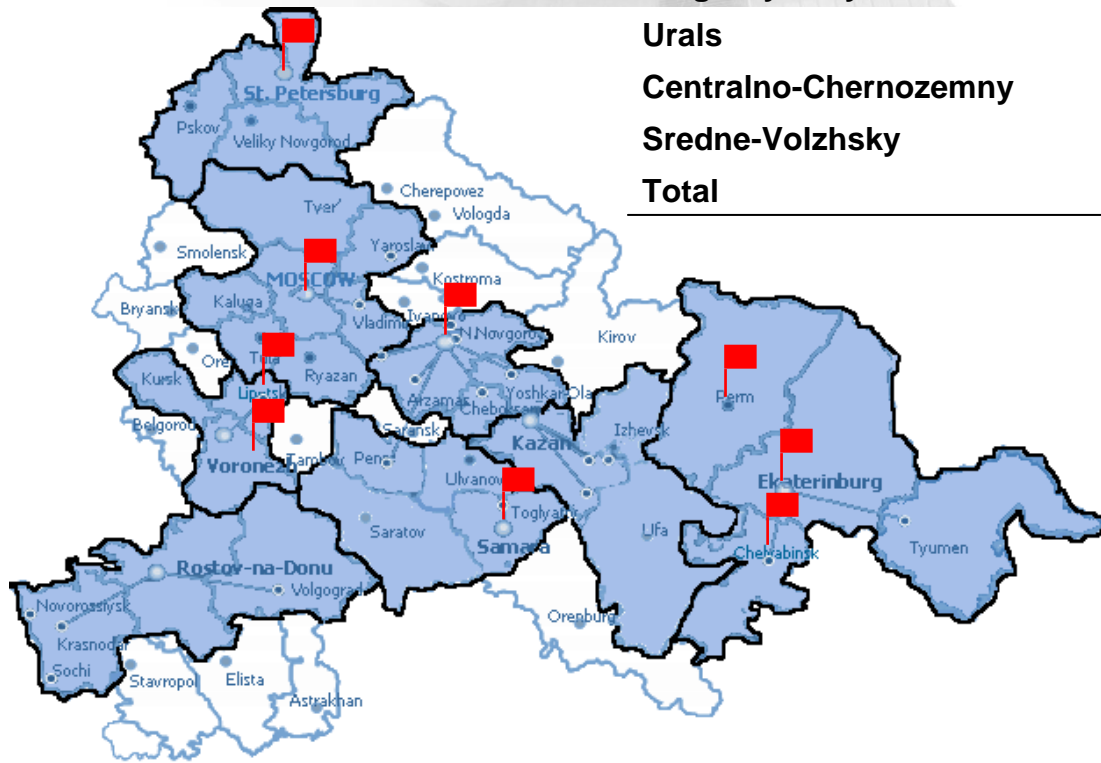
... was Focused and Selective

- 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



... in Logistics Infrastructure Development

■ DC locations as at 31 March 2009



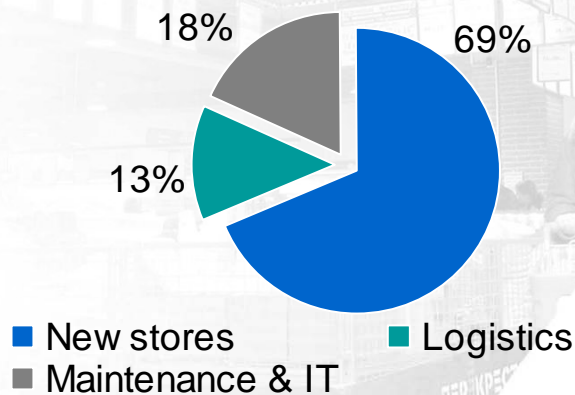
Region	# of DCs	000 sq. m.	Dry	Fruit & Veg	Fresh	Frozen
Central	6	109.1	v	v	v	v
North-West	4	44.5	v	v	v	v
Volgo-Vyatsky	1	15.1	v	v	v	
Urals	5	18.2	v	v	v	
Centralno-Chernozemny	3	8.4	v	v	v	
Sredne-Volzhsky	1	6.0	v	v	v	
Total	20	201.3				

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%
- 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





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