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Merger of Pyaterochka and Perekriostok  
Alfa Group to become majority shareholder in the Enlarged Group

The Board of Supervisory Directors of Pyaterochka is pleased to announce the merger of Pyaterochka and Perekriostok, a majority-owned subsidiary of Alfa Group, to create the clear leader in the fast growing Russian food retail market. Alfa Group, one of the largest and most successful financial investors in Russia and a long-standing investor in the Russian food retail sector, together with certain members of Perekriostok management, will also acquire a stake in Pyaterochka from companies controlled by Pyaterochka's Founding Shareholders, resulting in Alfa Group becoming the majority shareholder in the Enlarged Group. Andrei Rogachev and Alexander Girda, the founders of Pyaterochka, together with other members of Pyaterochka's senior management, strongly support the merger and will retain a stake of 21.2% in the Enlarged Group.

*Transaction highlights*

- Pyaterochka is leading the consolidation of the Russian food retail market;
- Merger will create the clear leader in the fast growing Russian food retail market with combined 2005 net sales of US\$2.4 billion;
- Total of 880 stores, including 467 company-managed stores and 413 franchisee stores as at 1 January 2006;
- Diversified and complementary geographic presence, creating the leader in the key markets of Moscow and St Petersburg and a strong and proven platform for rapid regional expansion;
- Multi-format capability with potential for accelerated future growth, with target sales of approximately US\$6 billion in 2008;
- Potential for substantial synergies;
- Combination of two strong management teams; and
- Alfa Group, one of the largest and most successful financial investors in Russia and a long-standing investor in the Russian food retail sector, to become Pyaterochka's majority shareholder, committed to the long term development of the Enlarged Group.

*Transaction summary*

Pyaterochka has agreed to merge with Perekriostok, the leading supermarket chain in Russia. The merger will be effected through an acquisition, by Pyaterochka, of the entire issued share capital of Perekriostok Holdings Limited from a subsidiary of the Alfa Group and Templeton Strategic Emerging Markets Fund LLC. The consideration for the acquisition of Perekriostok is US\$300 million in cash and the issue of 15,813,253 new Pyaterochka Shares as ordinary shares or in the form of GDRs. Based on the average closing price per Pyaterochka GDR of US\$16.83 during the 30 trading days prior to and including 5 April 2006, the last trading day

prior to Pyaterochka's announcement that it was in merger discussions with Perekriostok, the transaction values Perekriostok at US\$1,365 million.

In addition, Alfa Group has purchased 2,467,917 Pyaterochka Shares from the Founding Shareholders for US\$200 million in cash, and has agreed to purchase a further 12,068,115 Pyaterochka Shares from the Founding Shareholders, subject to certain adjustments, for US\$978 million in cash on completion. Alfa Group's purchase of a total of 14,536,032 Pyaterochka Shares from the Founding Shareholders for a total of US\$1,178 million in cash is equivalent to US\$20.26 per Pyaterochka GDR, and represents a 20.4 per cent premium to the average closing price per Pyaterochka GDR of US\$16.83 during the 30 trading days prior to and including 5 April 2006, the last trading day prior to Pyaterochka's announcement that it was in merger discussions with Perekriostok. Upon completion of the transaction, Alfa Group (together with certain members of Perekriostok management) will become the majority shareholder in Pyaterochka with a holding of 54.0 per cent, the Founding Shareholders, together with other members of Pyaterochka's senior management, will retain a holding of 21.2 per cent and the remaining shares will be held by institutional investors.

If the merger or the acquisition of Pyaterochka Shares from Pyaterochka's Founding Shareholders does not complete, Pyaterochka's Founding Shareholders and/or Alfa Group, as applicable, may be required to pay a significant break fee. If Alfa Group is required to pay a break fee to the Founding Shareholders, Pyaterochka will be entitled to up to US\$15 million of that break fee.

Pyaterochka has obtained formal commitment letters and termsheets from a number of leading international financing banks in connection with the financing of the US\$300 million cash element of the consideration payable for the acquisition of Perekriostok, to refinance the existing debt of Perekriostok, and to provide for a capex facility to finance the future development of the Enlarged Group. The availability of such financing depends upon the banks finalising their due diligence process and Pyaterochka agreeing and entering into legal documentation relating to the financing with the financing banks.

HSBC has issued a fairness opinion to the Board of Supervisory Directors of Pyaterochka stating its opinion that the consideration payable by Pyaterochka for its acquisition of Perekriostok is fair, from a financial point of view, to Pyaterochka.

Upon completion of the merger, and subject to Pyaterochka shareholder approval, it is intended the Pyaterochka Board of Supervisory Directors will consist of the following: Mr David Noble, who will continue in his current capacity as independent non-executive Chairman, Andrei Rogachev and Tatyana Franous, who will continue their roles as members of the Board of Supervisory Directors, and five representatives from Alfa Group, including Mikhail Fridman, Chairman of Alfa Group, and Alexander Kosianenko, the current CEO of Perekriostok. It is intended that by the end of 2006, one of these five Alfa Group representatives will be replaced by an independent director. It is also intended that Alexander Girda and Igor Vidiaev will leave the Board of Supervisory Directors.

Subject to shareholder approval of his appointment to the Management Board, Lev Khasis, currently Chairman of Perekriostok, will become CEO of the Enlarged Group. Lev Khasis brings to the Enlarged Group a wealth of experience in Russian retail, including positions held at Perekriostok (Board member since 1999 and Chairman of the Board since 2002), State Department Store "GUM" (Chairman of the Board from 2003 until 2004), Central Department Store "TsUM" (Chairman of the Board from 2001 until 2003), as well as his role as co-founder of several start-up food retail businesses in Russia including Fauchon, Globus Gourmet and Hediard. In addition, subject to shareholder approval of his appointment to the Management Board, Vitaliy Podolskiy, currently CFO of Perekriostok, will become CFO of the Enlarged Group.

Upon completion of the merger, Pavel Musial, current COO of Perekriostok, will become CEO of Perekriostok and will replace Alexander Kosianenko, who will join the Board of Supervisory Directors and retain overall responsibility for Perekriostok's strategy and existing operations. Subject to shareholder approval of his appointment, Pavel Musial will also join the Management Board of Pyaterochka. The existing management team of Pyaterochka, including Oleg Vysotsky as CEO and Anzhelika Lee as CFO, will continue to run the Pyaterochka business.

As part of the terms of the transaction, companies controlled by Andrei Rogachev and Alexander Girda have agreed to grant Pyaterochka a call option to acquire the entire share capital of Formata Holding B.V., which operates a chain of hypermarkets under the Carousel brand in St. Petersburg, the Leningradsky region and Nizhni Novgorod. The consideration for the exercise of the call option will be in cash and Pyaterochka Shares and will be calculated by reference to the future financial performance of Formata.

Completion of the acquisition of Perekriostok is subject to certain conditions, including Pyaterochka shareholder and regulatory approval. Completion of each of the Perekriostok Transaction and the purchase of Pyaterochka Shares from the Founding Shareholders is also conditional on completion of the other.

An Extraordinary General Meeting of Pyaterochka's shareholders to approve certain resolutions, including the acquisition of Perekriostok, the appointment of the members of the new Board of Supervisory Directors and the appointment of the new Management Board directors, is expected to be held in May 2006. The Board of Supervisory Directors intends to send a notice convening this meeting to Pyaterochka shareholders shortly after the announcement of Pyaterochka's preliminary results for the year ended 31 December 2005.

Closing of the merger and the purchase of Pyaterochka Shares from the Founding Shareholders is expected in Q2 2006.

#### *Creating a dynamic new force in Russian food retailing*

Pyaterochka believes that its merger with Perekriostok represents a truly exciting prospect for the company, creating the clear leader in the fast growing Russian food retail market with the potential for accelerated future growth as a result of the Enlarged Group's multi-format capability.

The multi-format approach will consist of running Pyaterochka's and Perekriostok's current store format strategies separately, resulting in minimal merger disruption. This will therefore allow management to continue to focus on rapid growth whilst simultaneously optimising various aspects of their operations including purchasing, distribution, logistics, IT, new store development and real estate purchasing. The diversification into a wider range of store formats will provide the Enlarged Group with a larger share of the rapidly growing Russian food retail market and is expected to significantly enhance its growth outlook.

Pyaterochka believes that the Enlarged Group will benefit from:

- (a) a clear leadership position in the fast growing Russian food retail market;
- (b) a combination of two strong management teams as well as an enhanced ability to attract and retain management talent;
- (c) a diversified and complementary geographic presence, creating the leader in the key Moscow and St Petersburg markets and a strong and proven platform for rapid

expansion in the large and relatively under-developed markets of the Russian regions (particularly in the European parts of Russia), Ukraine and Kazakhstan;

- (d) a multi-format capability by combining Pyaterochka's successful discount format with Perekriostok's leading chain of supermarkets, with the potential for accelerated growth;
- (e) improved access to high quality real estate in Moscow, St Petersburg and the Russian regions with the opportunity to share information relating to new store opportunities; and
- (f) potential for substantial synergies, including economies of scale in purchasing, logistics and IT, and sharing of best practices within the Enlarged Group.

David Noble, the Independent non-Executive Chairman of the Board of Supervisory Directors of Pyaterochka, commented:

“This merger combines two high quality businesses and will change the face of Russian retailing. Our new presence in the supermarket format will significantly expand the scale and scope of our operations, creating the clear leader in the dynamic Russian food retail market with a strong platform for accelerated and more profitable future growth, which will be to the benefit of all our shareholders.”

Lev Khasis, Chairman of Perekriostok and CEO designate of the Enlarged Group, said:

“Perekriostok and Pyaterochka have complementary strengths. We will continue to build on those strengths and will share our understanding of the market and our best business practices with each other. Together we will use our new position in the market to deliver enhanced value to all our customers and shareholders.”

Andrei Rogachev, one of the founders of Pyaterochka, said:

“As a founder of Pyaterochka I am proud of what we have achieved in pioneering new retail formats in Russia. As a member of the Board of Supervisory Directors and a significant shareholder in the combined company, I look forward to working closely with my new colleagues to continue to build on our combined achievements during the next phase of the company's development.”

Mikhail Fridman, Chairman of the Board of Alfa Group, said:

“Retailing is one of the fastest growing sectors in the Russian economy and one that Alfa Group understands well given our track record of active investment over the last decade. I believe that the merger creates an exciting combination of two great companies, and we are committed to creating a truly world-class business over the longer term.”

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This summary should be read in conjunction with the full text of the announcement.

HSBC is acting for Pyaterochka and no one else solely in connection with the Perekriostok Transaction and will not be responsible to anyone other than Pyaterochka for providing the protections afforded to clients of HSBC or for providing advice in relation to the Perekriostok Transaction.

Credit Suisse is acting for Alfa Group and no one else in connection with the Perekriostok Transaction and the Pyaterochka Transaction and will not be responsible to anyone other than Alfa Group for providing the protections afforded to clients of Credit Suisse or for providing advice in relation to the Perekriostok Transaction and the Pyaterochka Transaction.

Morgan Stanley is acting for the Founding Shareholders and no one else solely in connection with the Pyaterochka Transaction and will not be responsible to anyone other than the Founding Shareholders for providing the protections afforded to clients of Morgan Stanley or for providing advice in relation to the Pyaterochka Transaction.

This announcement does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, New GDRs or any other securities in any jurisdiction. The New GDRs will not be generally made available or marketed to the public in any jurisdiction in connection with the Admission.

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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 Pyaterochka's control. As a result, Pyaterochka's 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 Pyaterochka speak only as at the date of this announcement. Save as required by any applicable laws or regulations, Pyaterochka 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.

Appendix I contains the definitions of certain terms used in this announcement.

Notes to editors:

### **About Pyaterochka**

Pyaterochka is one of the largest grocery retailers in Russia in terms of sales, with a chain of 347 company-managed stores located in the Moscow and St. Petersburg areas and the regions as of 1 January 2006. Net sales in 2005 were US\$1,359 million.

In addition to the company's own stores, franchisees operated 404 Pyaterochka-branded stores in the Russian regions outside of Moscow and St. Petersburg, Kazakhstan and Ukraine as of 1 January 2006.

Pyaterochka's stores are conveniently located “soft” discount stores, open seven days a week from 9am to 10pm or 11pm, offering a product range of up to 5,000 items covering the day-to-day needs of its customers.

### **About Perekriostok**

Perekriostok is the largest supermarket chain in Russian with 120 company-managed stores in Moscow, St. Petersburg, the Russian regions and Ukraine. Perekriostok, which was founded in 1995, operates three types of stores – convenience stores, supermarket and city hypermarket stores (all of which operate under the same “Perekriostok” fascia), which provide it with flexibility to grow in different segments of the market. Net sales in 2005 were US\$1,015 million, an increase of 54% over the previous year.

### **About Alfa Group**

Alfa Group is one of Russia's largest privately owned financial investors, with strategic interests in four key sectors including retail, oil and gas, telecommunications and financial services. Alfa Group typically focuses on value-oriented, longer-term opportunities,

primarily in Russia and the CIS, but also invests in other markets which form part of Alfa Group's strategic business objectives.

Alfa Group has been an active investor in the Russian food retail sector over the last decade, having been the founder and majority shareholder in Perekriostok since Perekriostok was founded in 1995.