

Profitable Growth & Long-Term Leadership

Investor Presentation

July 2010



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I. Introduction & 2009 Highlights

II. Q2 2010 Operational Performance

III. Strategic Review

IV. Q1 2010 Financial Performance

V. 2010 Outlook



X5 Retail Group today

- 2009 net sales - USD 8,717 mln; growth on 2008 of 25% on pro-forma basis ⁽¹⁾ in RUR terms, 33% on consolidation basis ⁽²⁾ in RUR terms
- Q2 2010 net retail sales - USD 2,638 mln; growth on Q2 2009 of 18% in RUR terms
- Market position: # 1
 - #1 position in Moscow and St. Petersburg
 - Leading positions in 5 other cities with population of ≥ 500,000 people
 - Presence in 45 cities of European Russia and the Urals
- 1,514 company-managed stores in Russia and Ukraine⁽³⁾
- Three complementary formats:
 - ✓ Discounter (1,135 stores)
 - ✓ Supermarket (275 stores)
 - ✓ Hypermarket (62 stores)
- Convenience (42 stores), added via gaining operational control of Express Retail
- 1,123 thousand sq. m. of net selling space⁽²⁾
- Approximately 1 billion check-out transactions per year
- Over 68 thousand employees⁽³⁾

Russia's Leading Food Retailers

#	Company	FY 2009 Net Retail Sales (USD mln) ⁽⁴⁾	% in Top-10	% in Total Market ⁽⁵⁾
1	X5	8,675	26.3%	4.4%
2	Magnit	5,346	16.2%	2.7%
3	Auchan	4,999	15.3%	2.6%
4	Metro	4,203	12.8%	2.2%
5	O'Key	2,106	6.4%	1.1%
6	Kopeyka	1,759	5.4%	0.9%
7	Lenta	1,734	5.3%	0.9%
8	Dixy	1,687	5.1%	0.9%
9	Seventh Continent	1,346	4.1%	0.7%
10	Viktorija	1,022	3.1%	0.5%
Total		32,877	100.0%	16.9%



(1) Including Karusel on pro-forma basis from 1 January 2008; (2) Including Karusel on consolidation basis, i.e. from 30 June 2008;

(3) As at 31 December 2009; (4) X5 estimates for non-public companies (5) Based on estimated gross sales; total market size (food retail) – USD 223 USD bln. 4



X5 Operates Stores for Every Lifestyle and Family Budget

Soft Discounters



1,135 stores
57% of sales

Net selling space: from 300 to 800 sq.m.
 Average assortment: 3,000 SKUs
 Pricing policy: Lowest price in the market on 100% of assortment
 Format strengths: Price and convenience



Supermarkets



275 stores
24% of sales

Net selling space: from 800 to 1,500 sq.m.
 Assortment: 6,000 – 16,000 SKUs
 Pricing policy: Best price in supermarkets
 Format strengths: Wide choice, focus on fresh



Hypermarkets



62 stores
18% of sales

Net selling space: from 3,000 to 10,000 sq.m.
 Assortment: 20,000 – 50,000 SKUs
 Pricing policy: Lowest price in the market on basic assortment, super offers for card holders on the rest
 Format strengths: Wide choice at low price, ideal place for w/e & family shopping



2009 Conditions Were a Successful Test of X5's Strength and Endurance

Strategic Progress, Customer Success

- Strengthened position as #1 retailer in Russia
- Won customers thanks to “close-to-the-customer” approach
- Expanded selling space well in excess of plan, while staying within CapEx limit
- Completed Paterson acquisition – excellent value and fit – financed from cash flow
- Launched Strategic Efficiency Program to create new competitive advantages

Delivering on 2009 Objectives

- Met 25% pro-forma RUR sales growth target
- Industry-beating LFL growth of 10% on discounters' 17% LFL outperformance
- Nearly 1 billion customer visits during the year
- Expanded selling space by 189 thousand sq.m. on a net basis (271 new stores)
- Increased warehouse capacity by 118 thousand sq.m. on a net basis for supply centralization rate to 61% - ahead of target

Strong Financial Performance

- Reduced SG&A expenses before D&A⁽¹⁾ by nearly 90 bp to 16.9% of sales
- Achieved EBITDA margin of 8.4% despite gross margin investment of 140 bp and ESOP cost of USD 59 mln
- Generated a record USD 734 mln in operating cash flow
- Maintained CapEx within RUR 14 bln with strong store openings and Paterson acquisition
- Reduced net debt by USD 250 mln, for net debt/EBITDA of 2.08x as at 31-Dec-09



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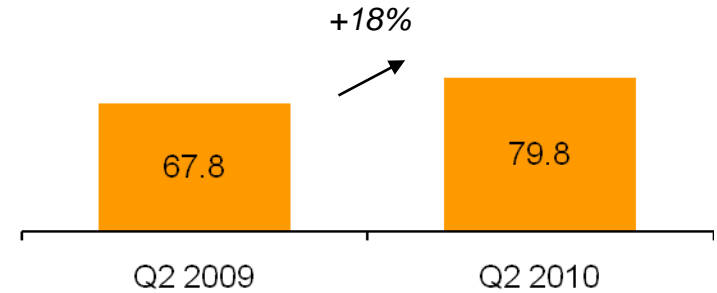


18% net retail sales growth in RUR against a backdrop of weak consumer spending....

- ...and drastically lower food inflation in Russia: 4.5% in June 2010 year-on-year compared to 12% in June 2009
- X5 continued to pursue its “close to the customer” policy with constant investment in prices and store value propositions - prices on X5’s shelves rose on average just 1.5% in June 2010 compared to June 2009
- Q2 2010 sales of the acquired Paterson stores were affected by the integration process, which involved temporary store closings for one to four weeks for rebranding, reconstruction and IT upgrades.

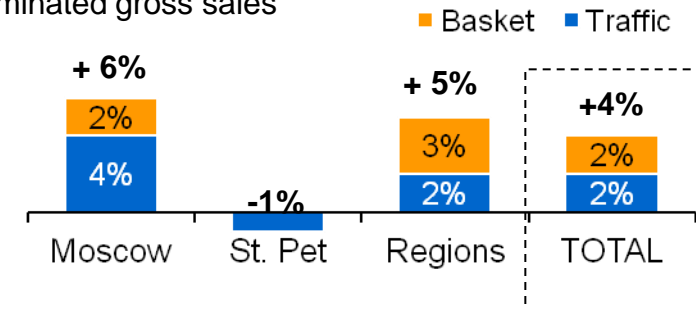
Q2 2010 Net Retail Sales

RUR bln



Q2 2010 LFL Sales by Region

Based on RUR-denominated gross sales



Sales Growth Composition RUR	LFL, %	Organic Expansion, %	Scope Change Paterson, %	Total Change %
Hypermarkets	2	12	-	14
Supermarkets	(8)	5	8	5
Soft Discounters	11	12	1	24
Total Gross Retail Sales	4	11	3	18
FX Effect				8
Total change %, inc. FX				26

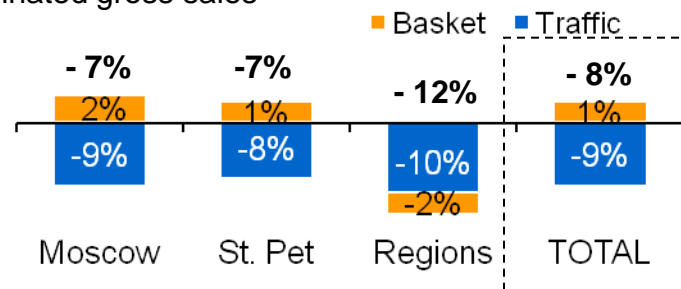


... Led by Powerful Performance at Discounters with 11% LFL Sales Growth

- X5's LFL sales **growth** at 4% quarter-on-quarter
- **Strong** Discounters LFL growth was achieved in Q2 2010 amid the high base of the last year
- Supermarket LFL sales declined as customers continued to **favor discounters** due to continued economic uncertainty
- Hypermarket LFL growth came into **positive territory** and reached 2% on increase in basket. Performance in this format was partly affected by intense competition in St. Petersburg

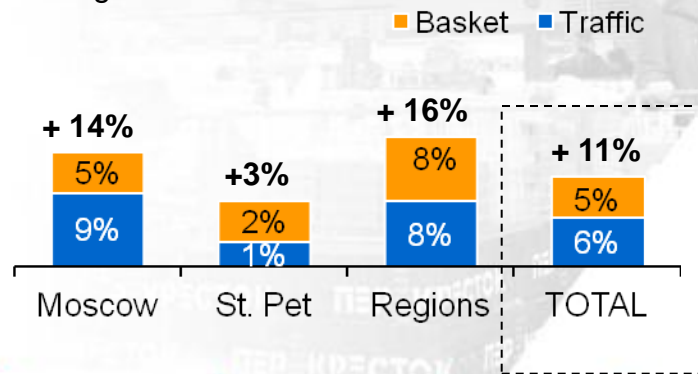
Supermarkets' Q2 2010 LFL Performance

Based on RUR-denominated gross sales



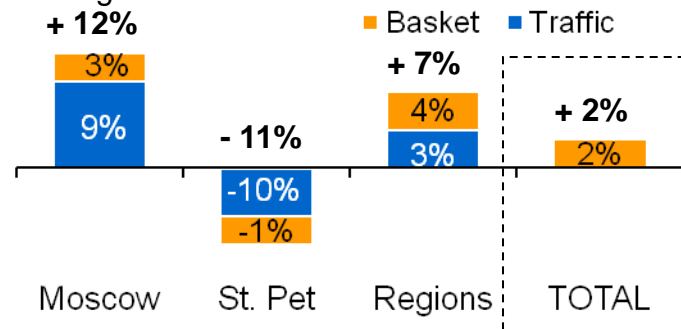
Discounters' Q2 2010 LFL Performance

Based on RUR-denominated gross sales



Hypermarkets' Q2 2010 LFL Performance

Based on RUR-denominated gross sales



Selective and Efficient New Store Openings

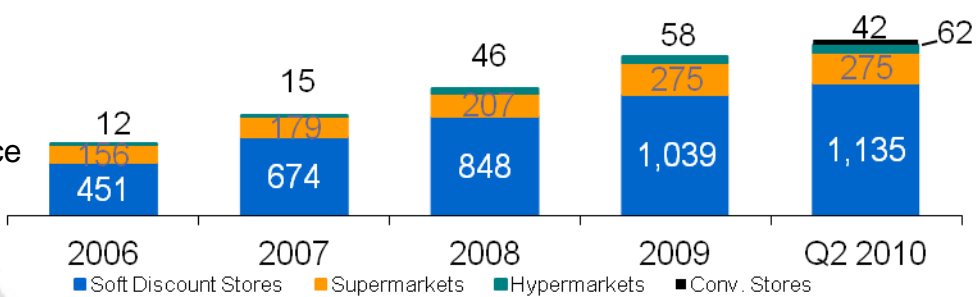
In 2009 X5 substantially exceeded its initial expansion plan, while staying well within CapEx limit

- Net 271 stores or 189 th. sq.m. of selling space added :
 - Organically X5 added 126 th. sq. m. or 189 stores
 - Shifted real estate strategy to leasing new locations to take advantage of lower rents and availability of vacant retail space
 - CapEx savings allowed X5 to finance acquisition of Paterson retail chain (82 stores of 63 th. sq.m.) from operating cash flow

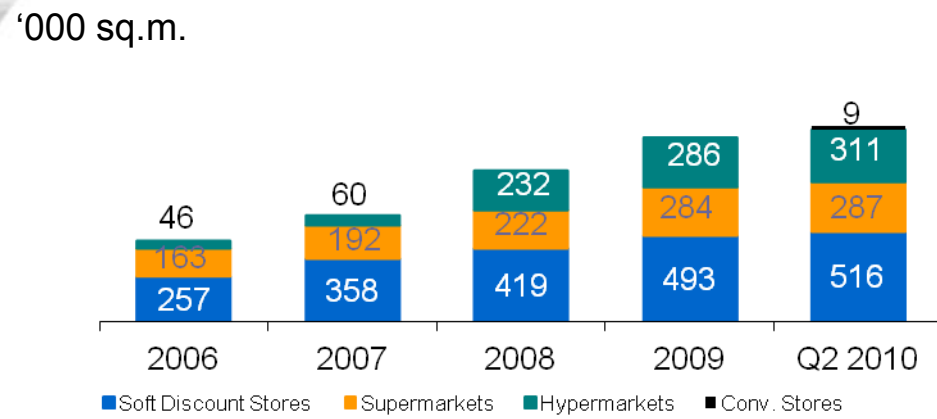
In Q2 2010

- Net 73 stores or 29 th. sq.m. of selling space added:
 - 72 discounters
 - one supermarket closed
 - two hypermarkets
- 42 convenience stores added via gaining operational control of Express Retail
- At 30 June 2010 X5 operated 1,514 stores (1,123 sq. m. of net selling space):
 - 1,135 soft discounters
 - 275 supermarkets
 - 62 hypermarkets
 - 42 convenience stores

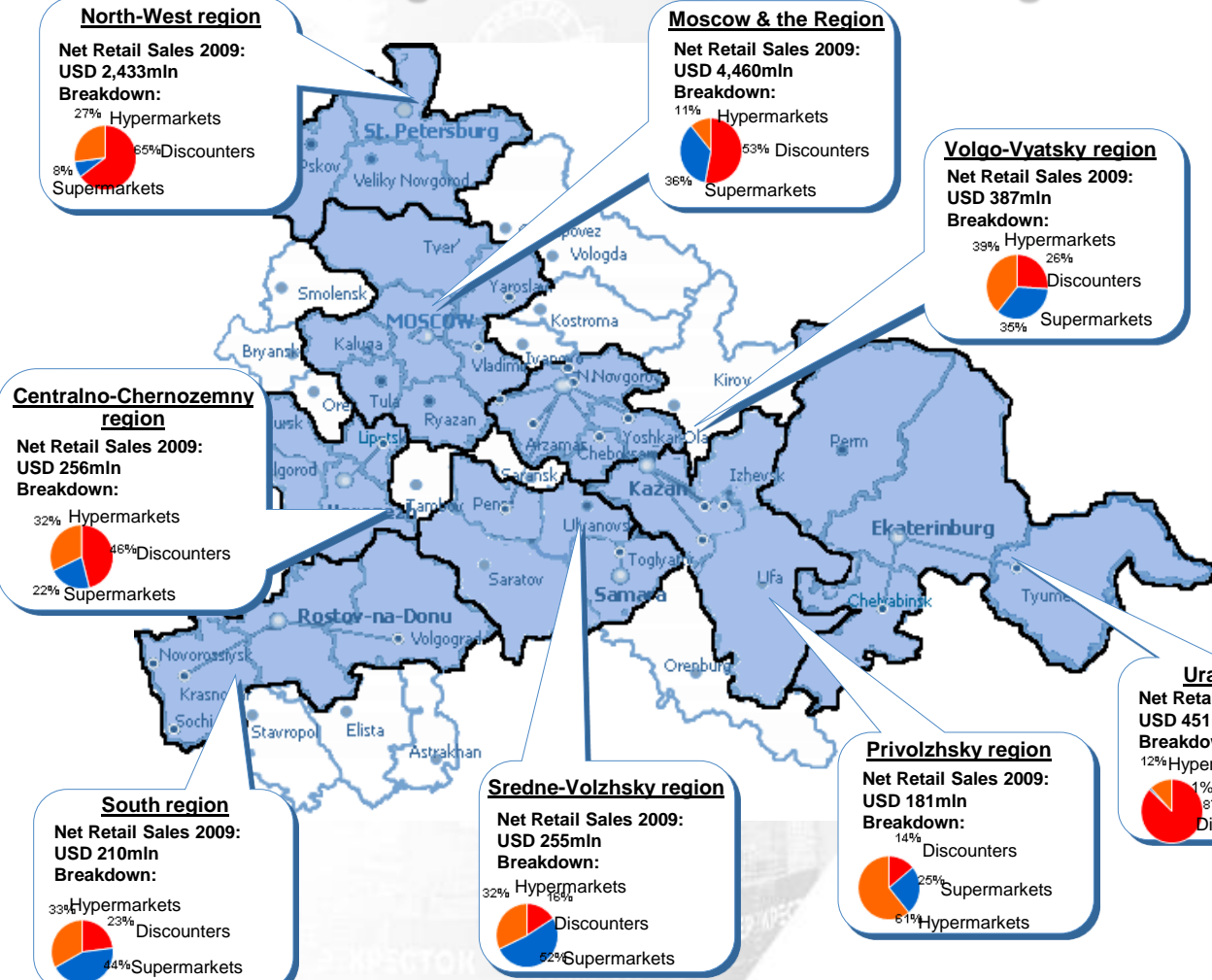
Number Of Stores, EoP



Net Selling Space, EoP

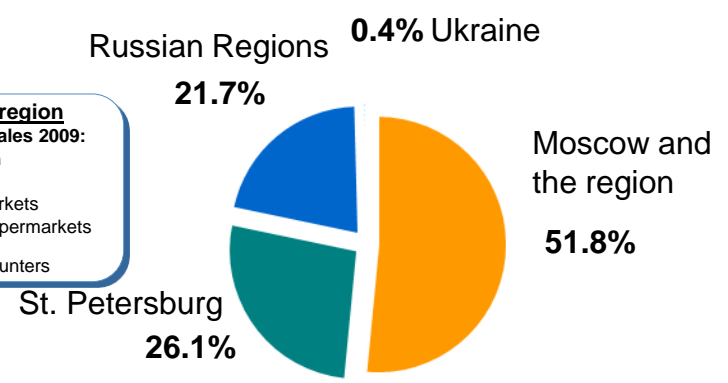


Further Strengthened Presence in the Regions



- Increased share of regional sales from 19% in 2008 to 21.7% in Q2 2010 with regions accounting for approx.50% of new sq.m. added in 2009
- As at 30 June 2010, X5 was present in 45 cities of European Russia and the Urals, and also in Ukraine
- In addition to Moscow and St. Petersburg, a leading position secured in 5 large regional cities: Nizhny Novgorod, Lipetsk, Samara, Chelyabinsk and Perm

Q2 2010 Net Retail Sales by Region



X5 Existing Operations as at 30 June 2010





Integration of Paterson was completed at the end of May

Strategic & Operational Fit

- Reinforces X5 positions in supermarkets, securing high quality locations in key geographies
- Most stores fully compatible with X5's requirements both operationally and geographically...
- ...offering opportunity of leverage X5's operational scale & supply chain infrastructure

Financial Upside

- Substantial upside potential in sales per square meter
- Margin upside by raising performance towards X5 levels
- Attractive valuation and cash generation potential – approx. USD 50 mln of expected annualized synergies from 2011

Integration Update

- Since Paterson was acquired in December 2009, 53 stores have been re-launched as supermarkets; 22 stores were re-launched as discounters; two stores are temporarily closed and five stores have been closed down as planned as not meeting X5's business or financial criteria
- Q2 2010 sales of the acquired Paterson stores were affected by the integration process, which involved temporary store closings for one to four weeks for rebranding, reconstruction and IT upgrades
- The stores, now operating within X5's assortment and pricing policies and supported by X5 logistics network are demonstrating positive sales growth towards the end of the quarter
- LFL for Paterson stores in June 2010 already moved into positive territory



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- Build multi-format success
- Strengthen value propositions
- Drive LFL and top line growth

Customer Focus

- Build supply chain advantages
- Drive efficiency and margins
- Ensure support for long-term growth

Operational Excellence

- Cash generation
- Focus on returns
- Liquidity management

Disciplined Growth

Profitable Growth & Long-Term Leadership



...Impacts Every Area of X5's Business, to Create New Competitive Advantages

Project	Support of Long-Term Scalable Expansion	Sales Growth	Cost Savings	Working Capital Improvement
Efficient Supply Chain Management	●	●	◐	●
IT Systems Integration	●	◐	◐	◐
Business Processes Improvement	◐	◐	●	◐
Labour Productivity Improvement	◐	◐	●	◐
Efficient Asset Employment	◐	◐	●	○

... Now We are Bringing It to a New Level...

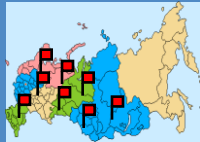
... to Create a Fully Integrated & Efficient Supply Chain

Purchasing/ Sourcing



- Assortment rationalization
- Partnerships with suppliers
 - Scale leverage
 - Promotions
 - Packaging
 - Category management
 - Private label
- Improved planning & order taking

Optimal DC Network Structure



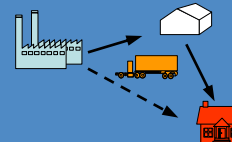
- Optimization of DC coverage & planning:
 - # of DCs
 - Locations
 - Functionality
 - Utilization
- Right balance between operational efficiencies and logistics costs
- Target supply centralization level of over 80%

Warehouse Productivity



- Warehouse Management System (WMS)
 - Control over movement & storage
 - Transaction processing
- Voice picking

Efficient Transportation



- Fleet utilization
- Transportation Management System (TMS)
 - Route optimization
 - Demurrage reduction
 - Fuel cost savings
- Railway shipments over large distances

Efficient In-Store Logistics



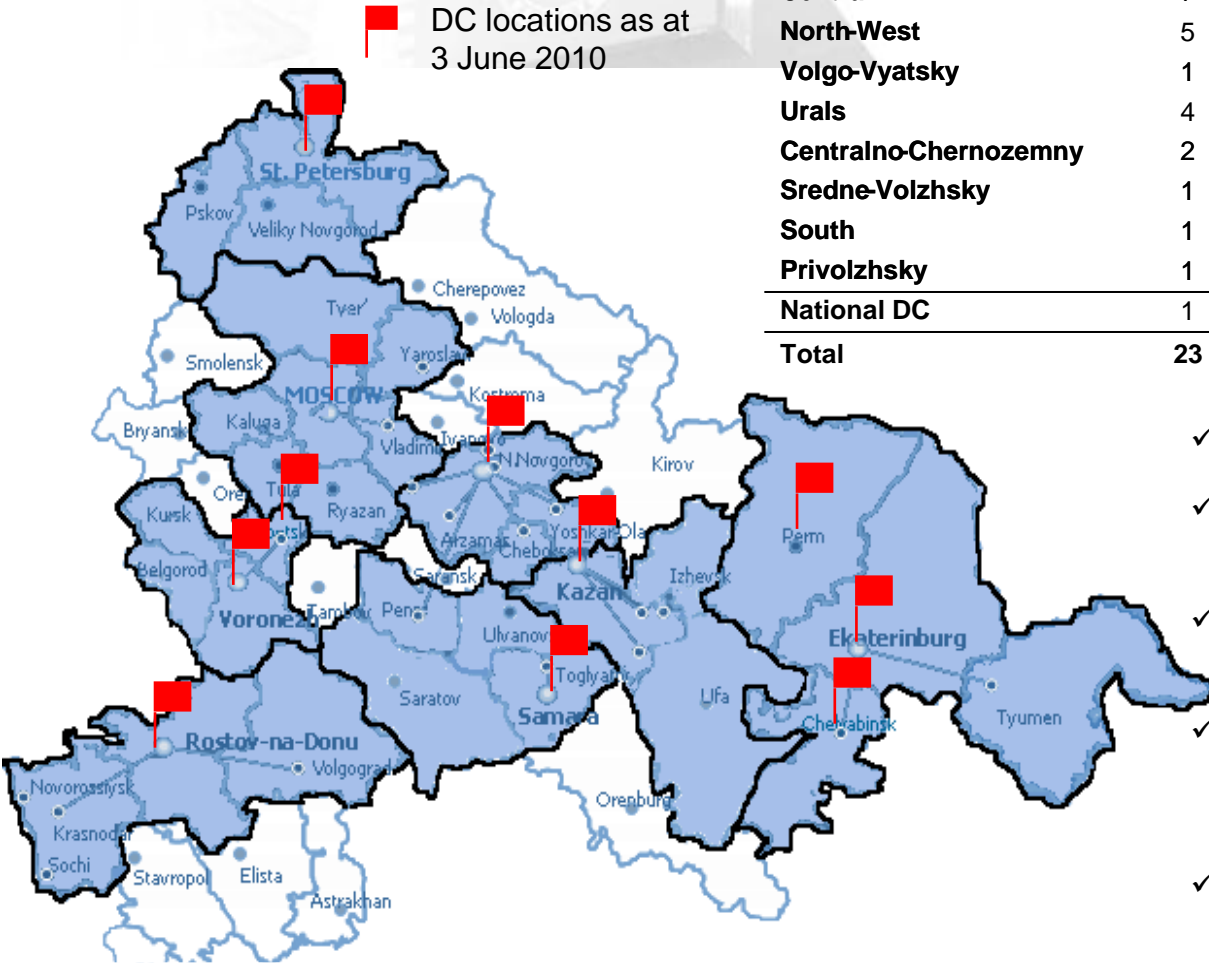
- In-store process improvement
 - Delivery management
 - Personnel education
 - Stock optimization
 - Optimization of warehouse space

Areas of Focus

Supply Centralization Rate Rose From 51% to 61% by Year-End 2009, Well Ahead of Target

Region	# of DCs	000 sq. m.	Dry	Fruit & Veg	Fresh	Frozen	Non-Food
Central	7	128.4	v	v	v	v	
North-West	5	65.1	v	v	v	v	
Volgo-Vyatsky	1	17.5	v	v	v		
Urals	4	21.8	v	v	v		
Centralno-Chernozemny	2	11.8	v	v	v		
Sredne-Volzhsky	1	13.4	v	v	v		
South	1	12.6	v	v	v		
Privolzhsky	1	13.1	v	v	v		
National DC	1	46.97	v				v
Total	23	330.5					

DC locations as at 3 June 2010



- ✓ X5 now operates DCs in all regions of operations
- ✓ At 30 June 2010, X5 operated 23 DC with overall warehouse capacity of 330.5 th. sq.m
- ✓ Since 31 Dec 2008 X5 opened six new food and expanded storage capacity of several existing DCs
- ✓ First national non-food DC in the Moscow region launched in Q3 2009. National dry food capacity added in Q1 2010
- ✓ Supply centralization target for year-end 2010 is 67%



Operational Excellence in Our Business Management Platforms

SAP Implementation in line with initial schedule

SAP for Retail

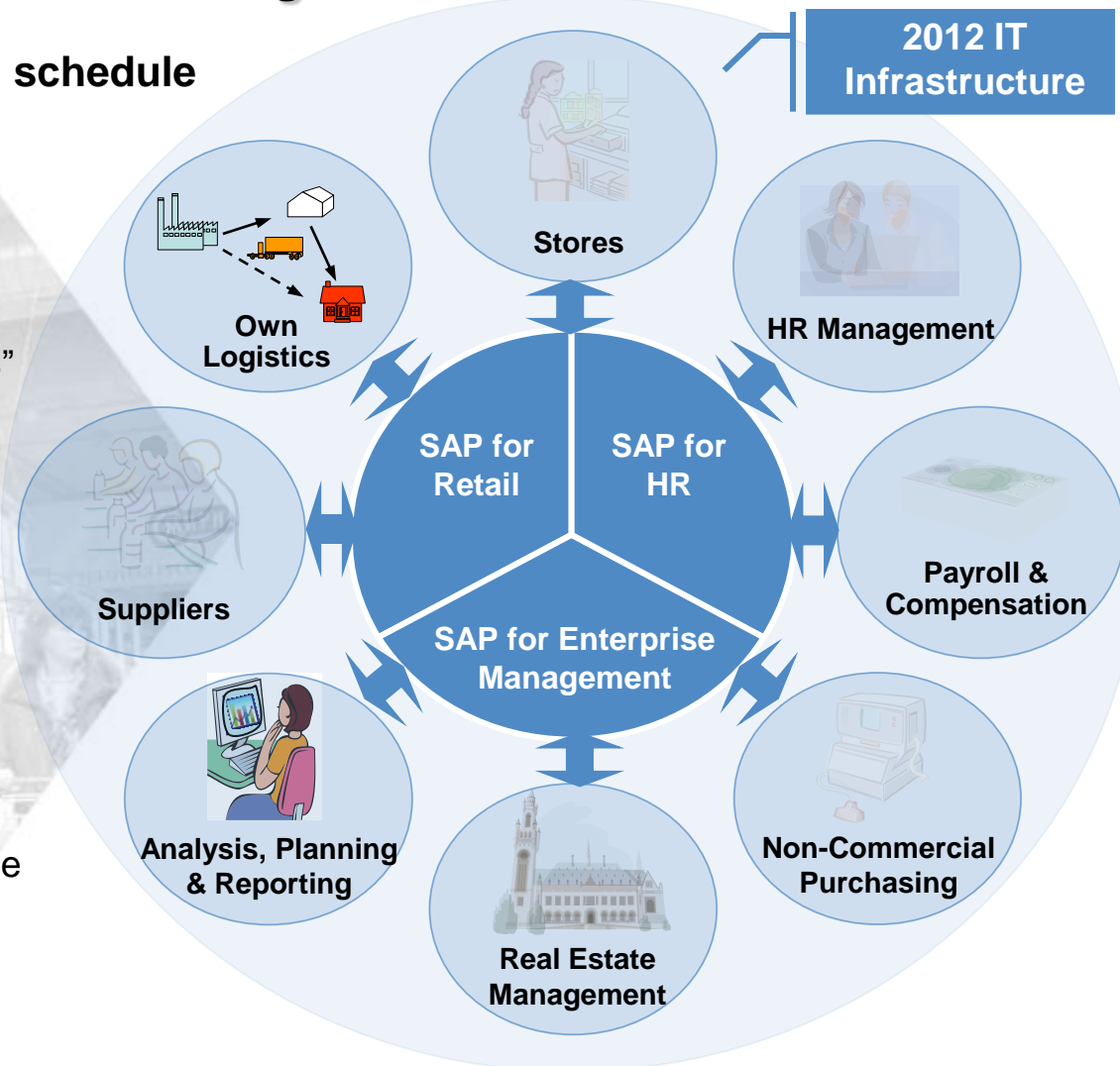
- ✓ Successfully launched in a pilot region in 2009
- ✓ X5 earned SAP's #1 ranking for "Highest Quality SAP for Retail Implementation in CIS"
- ✓ Roll-out to other regions began in Q1 2010 and will be finalized by year-end

SAP for HR (SAP HCM)

- ✓ Successfully launched in a pilot region in Q1 2010
- ✓ Roll-out to be finalized by year-end

SAP for Enterprise Management

- ✓ In a blue-print development and testing phase
- ✓ Pilot launch planned for 2010
- ✓ Roll-out to be finalized by end of 2011

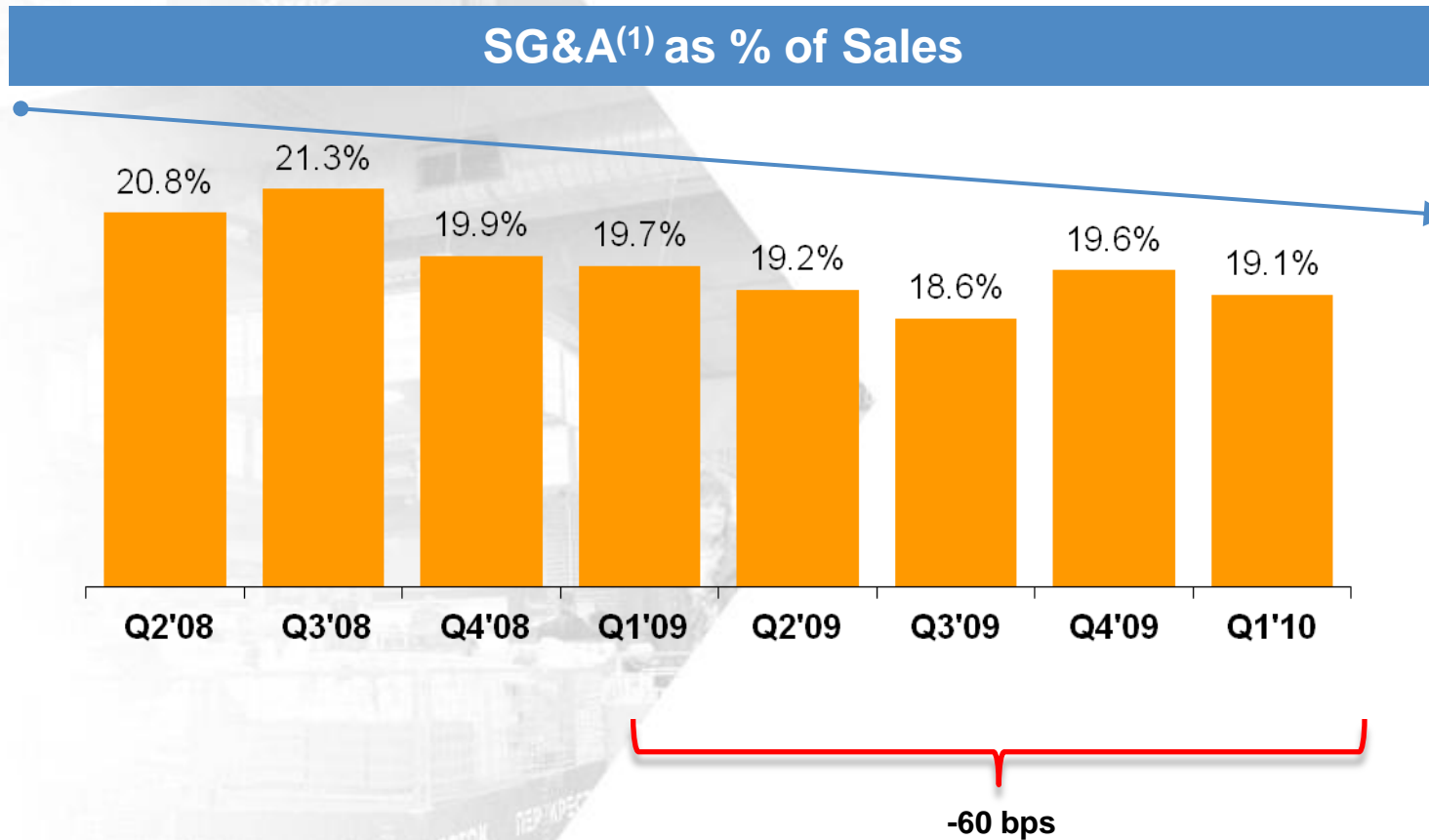


... Can be Substantially Enhanced through Improving Efficiency of...



Targeted Improvement of In-Store Labour Productivity is 10-12%

...is a Multi-Year Effort But We Are Already Delivering Results



(1) Excluding ESOP



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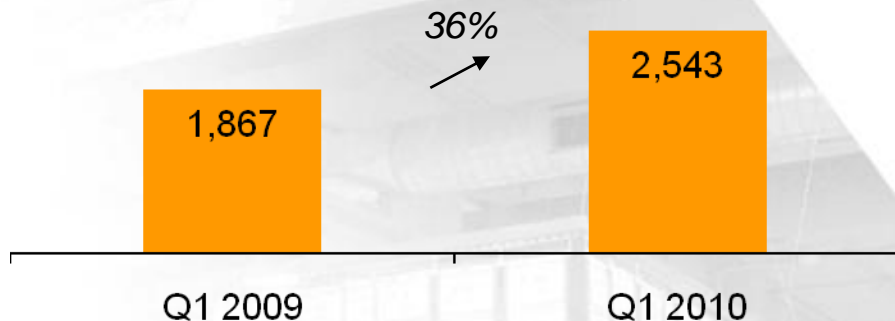
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Net Sales

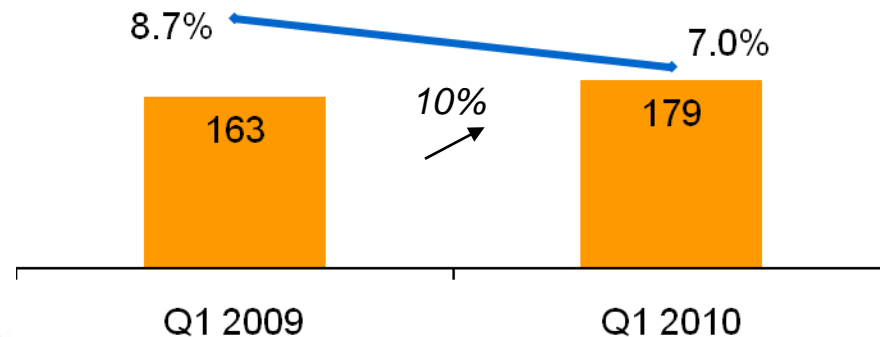
USD mln



EBITDA & EBITDA Margin

EBITDA, USD mln

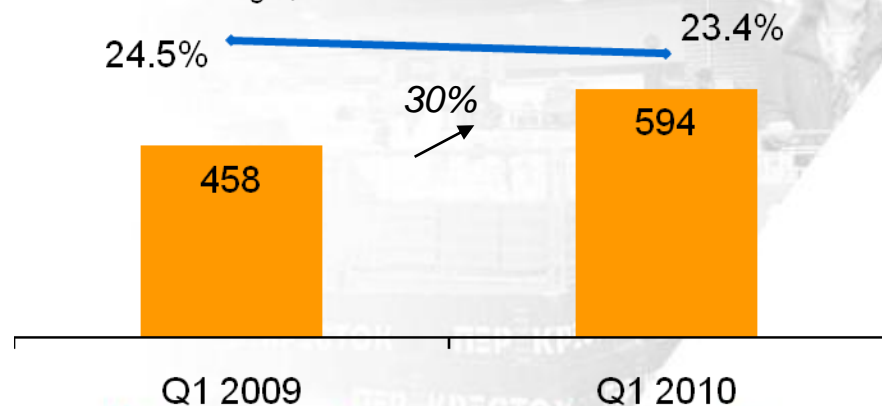
EBITDA Margin, %



Gross Profit

Gross Profit, USD mln

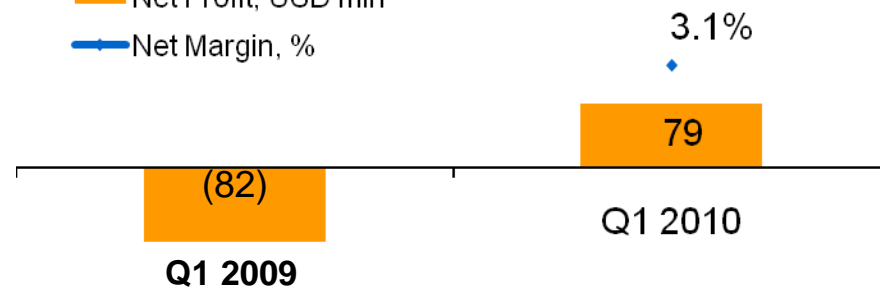
Gross Margin, %



Net Profit / (Loss)

Net Profit, USD mln

Net Margin, %



(1) All P&L numbers are provided on pro-forma basis

USD mln	Q1 2010	Q1 2009	% change y-o-y, USD	% change y-o-y, RUR
Net Sales	2,542.7	1,866.9	36%	20%
incl. Retail	2,534.4	1,859.3	36%	20%
Gross Profit	594.1	458.2	30%	14%
Gross Margin, %	23.4%	24.5%		
SG&A (excl. ESOP)	(485.5)	(368.1)	32%	16%
% of revenue	19.1%	19.7%		
ESOP Expense	(25.4)	2.1	n/a	n/a
% of revenue	1.0%	0.1%		
EBITDA	178.5	162.7	10%	(3.0%)
EBITDA Margin, %	7.0%	8.7%		
Operating Profit/(Loss)	111.2	116.9	(5%)	(16%)
Operating Margin, %	4.4%	6.3%		
Net FX Result	36.6	(163.7)	n/a	n/a
Profit/(Loss) before tax	113.1	(84.8)	n/a	n/a
Income Tax Expense	(34.2)	2.7	n/a	n/a
Net Profit/(Loss)	78.9	(82.1)	n/a	n/a
Net Margin, %	3.1%	n/a		

- Net sales increased 20% year-on-year in RUR terms to RUR 76,003 mln or 36% in USD terms to USD 2,543 mln;
- Gross profit totaled USD 594 mln, for a gross margin of 23.4%;
- SG&A expenses before ESOP as percent of sales decreased by 60 bp year-on-year to 19.1%. Total SG&A increased by 50 bp year-on-year to 20.1% driven by ESOP cost of USD 25 mln;
- EBITDA amounted to USD 179 mln reflecting ESOP cost of USD 25 mln for an EBITDA margin of 7.0%. Net of ESOP, EBITDA margin amounted to 8.0%;
- ESOP cost of USD 25 mln, attributable to significant X5 stock price appreciation in Q1 2010;
- Integration of Paterson resulted in temporary closings and inventory clearance sales during Q1;
- X5 reported a net profit of USD 79 mln;

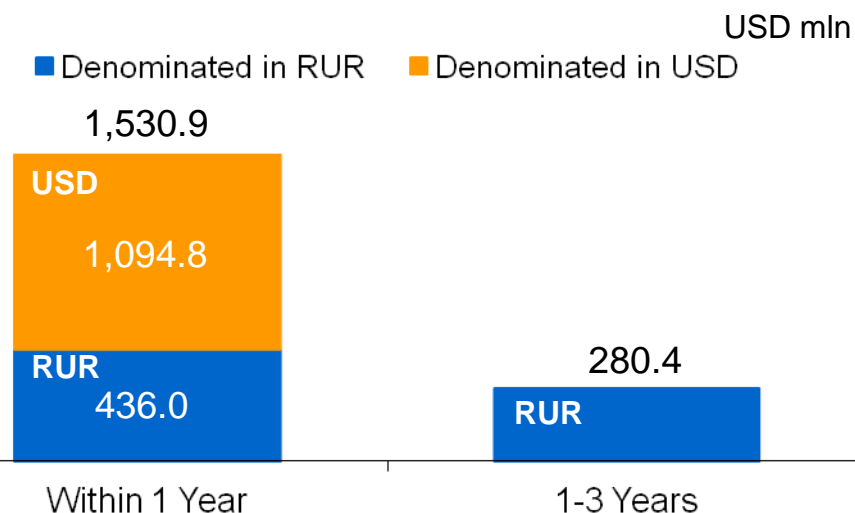
The Company used available cash to expand stores selectively and reduce total debt by net USD 133 million.

USD mln	Q1 2010	Q1 2009	% change USD	% change RUR
Net Cash Flows from Operating Activities	(129.5)	(38.4)	237%	197%
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	210.3	169.9	24%	9%
<i>Change in Working Capital</i>	(272.0)	(126.7)	115%	89%
<i>Net Interest and Income Tax Paid</i>	(67.7)	(81.6)	(17%)	(27%)
Net Cash Used in Investing Activities	(51.9)	(43.1)	20%	6%
Net Cash (used in)/generated from Financing Activities	(159.9)	(85.3)	87%	65%
Effect of Exchange Rate Changes on Cash & Cash Equivalents	6.2	(28.3)	n/a	n/a
Net Increase in Cash & Cash Equivalents	(335.1)	(195.2)	(72%)	90%

Highlights

- In the first quarter X5 continued to strengthen its balance sheet and liquidity, reducing total debt by net USD 133 mln.
- As of end March 2010, the Company's total debt amounted to USD 1,811 mln (at RUR exchange rate of 29.36), out of which 85% was short-term (USD 1,530 mln or RUR 45 bln) and 15% long-term (USD 280.4 mln or RUR 8.2 bln).
- As of 31 March 2010, the Company had access to RUR-denominated credit facilities of approximately RUR 24.6 billion (approximately USD 836 million). The company also has a commitment from Sberbank for 5-year ruble-denominated credit line (equivalent of up to USD 1.1 bln).

Debt Maturity Profile as at 31.03.10



USD mln	31-Mar-10	% in total	31-Dec-09	% in total	% change
Total Debt	1,811.2		1,944.0		(7%)
Short-Term Debt	1,530.9	85%	1,656.6	85%	(8%)
Long-Term Debt	280.4	15%	287.4	15%	(2%)
Net Debt	1,734.7		1,532.3		13%
Denominated in USD	1,091.7	63%	1,162.8	76%	(6%)
Denominated in RUR	643.0	37%	369.5	24%	74%
FX, EoP	29.36		30.24		
Net Debt/EBITDA	2.31x		2.08x		



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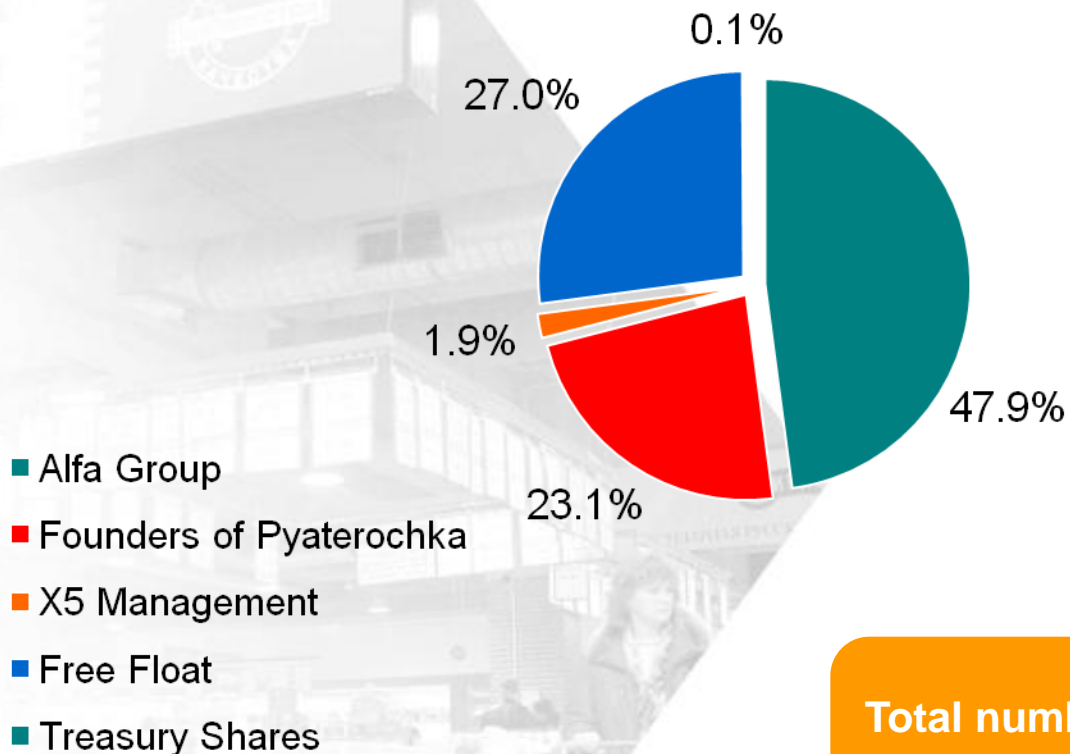


2010 Outlook

- Net new store addition:
 - Hypermarkets: 7-10 stores;
 - Supermarkets: ~15 stores;
 - Discounters: 200-250 stores.
- Capital Expenditures of up to RUR 18 bln

Due to significantly lower food inflation to date and in the official forecast rate for the year, X5 provides a more conservative 2010 revenue growth outlook in the low-20 percent range in nominal RUR terms. Actual top line performance will depend on inflationary trends and the timing of a recovery in consumer spending.

We expect consumer spending to begin to show improvement towards the end of the year, and this, in combination with new store openings and post-integration contribution from Paterson in the second half of 2010, should enable X5 to deliver on its objectives.



Total number of shares – 67,893,218
Equivalent of 271,572,872 GDRs

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