



# Investor Presentation

October 2011

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**I. Introduction**

**II. Q3 2011 Operational Results & Q2 2011 Financial Results**

**III. 2011 Strategic Priorities and Long-Term Vision**

**IV. Kopeyka Integration Update**

- X5's **FY 2010** pro-forma net sales reached USD 13 billion
- The Company reported consolidated net retail sales of USD 3.6 billion for **Q3 2011**
- As of 30 September 2011 Company operated **2,785** multi-format stores (**1,642** th. sq. m. of net selling space)
- Over **1.2 billion** check-out transactions recorded in 2010
- Historical **#1 position** in Moscow and St. Petersburg
- Leading positions in several other cities with population  $\geq 500,000$
- **Market leadership** further enhanced by Kopeyka acquisition
- Almost **94 thousand employees**

## Russia's Leading Food Retailers

Company	FY 2010 Net Retail Sales (USD mln) <sup>(1)</sup>	% in Top-10	% in Total Market <sup>(2)</sup>
X5 Retail Group <sup>(3)</sup>	11,280	26.0%	5.0%
Kopeyka <sup>(4)</sup>	1,799	4.1%	0.8%
Magnit	7,777	17.9%	3.4%
Auchan	5,944	13.7%	2.6%
Metro C&C	4,678	10.8%	2.1%
Dixy	2,131	4.9%	0.9%
Victoria	1,090	2.5%	0.5%
O'Key	2,690	6.2%	1.2%
Lenta	2,325	5.4%	1.0%
Seventh Continent	1,466	3.4%	0.6%
Spar	1,278	2.9%	0.6%
Monetka	906	2.1%	0.4%
<b>Total</b>	<b>43,364</b>	<b>100.0%</b>	<b>19.2%</b>

(1) X5 estimates for non-public companies. (2) Based on estimated gross sales, i.e. including VAT; total market size (food retail) – USD 263 USD bln as reported by Rosstat. (3) Acquired Kopeyka stores' sales are included only in December, 2010. (4) For 11 months 2010.



## X5 Operates Stores for Every Lifestyle and Family Budget

As at 30 September 2011

### Soft Discounters



2,327 stores<sup>(1)</sup>

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  
 Value proposition: Price and convenience



### Supermarkets



321 stores<sup>(2)</sup>

Net selling space: from 800 to 1,500 sq. m.  
 Assortment: 6,000 – 16,000 SKUs  
 Pricing policy: Best price in supermarkets  
 Value proposition: Quality, service, choice



### Hypermarkets



72 stores<sup>(3)</sup>

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  
 Value proposition: Wide choice at low price

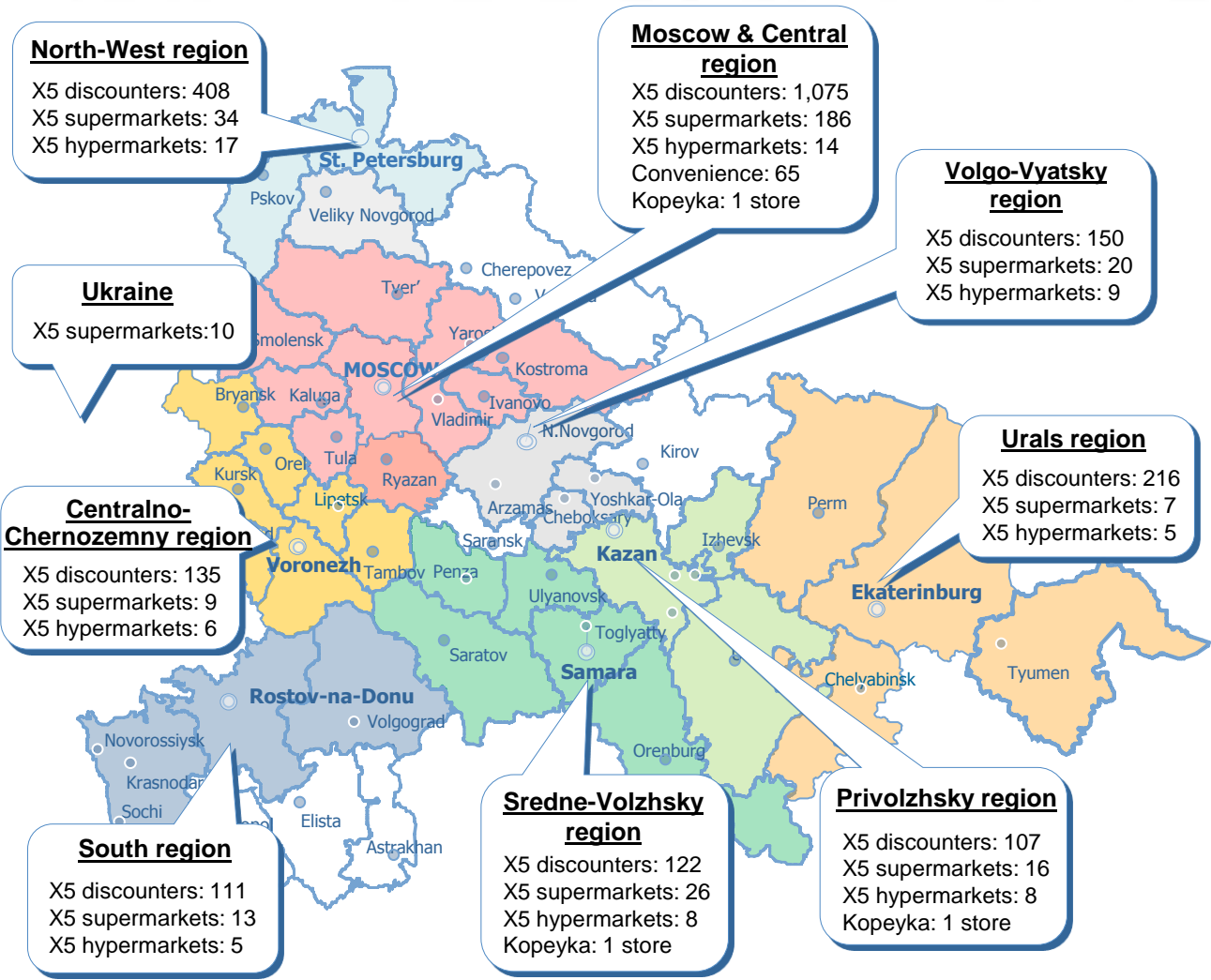


(1) Including 604 Kopeyka stores already rebranded as Pyaterochka and three stores to be rebranded as Pyaterochka.

(2) Including nine Kopeyka stores already rebranded as Perekrestok. (3) Including two Pyaterochka-Maxi stores.

## X5's Multi-Format Approach Enables the Company to:

- Appeal to diverse customer segments and regional demographics
- Ensure a balance between growth and profitability
- Scale efficiencies in purchasing power, IT and supply chain logistics
- Respond effectively to economic climate and shifts in consumer preferences
- Share knowledge and best practices in private label, loyalty programs, etc.
- More efficiently integrate acquired stores with varying sizes and formats

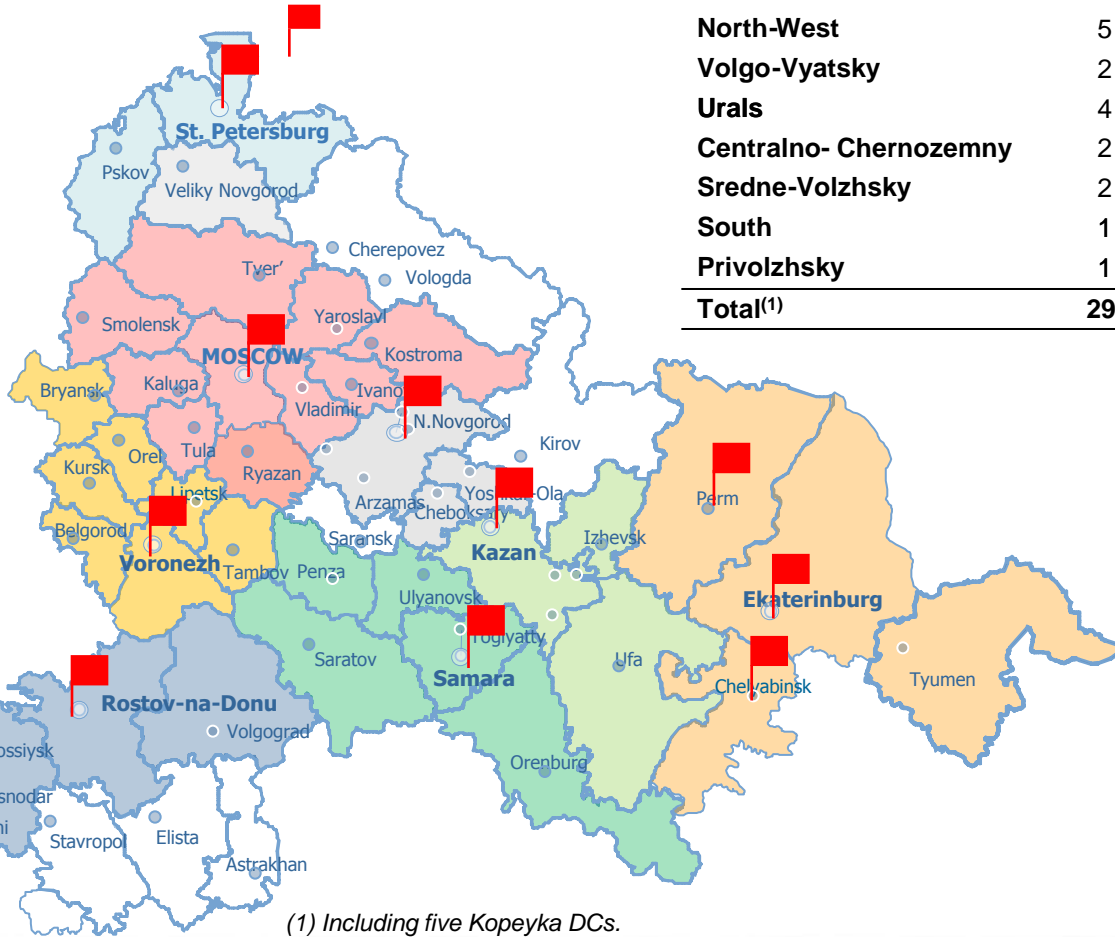


**As at 30 September 2011, X5:**

- Multi-format presence in 52<sup>(1)</sup> cities of European Russia, the Urals and Ukraine
- Operated 2,785 stores in total (1,642 thousand sq. m. in selling space), including:
  - ✓ 2,327 Pyaterochka soft discounters, including 604 Kopeyka stores rebranded as Pyaterochka and 3 to be rebranded
  - ✓ 321 Perekrestok supermarkets, including nine Kopeyka stores rebranded as Perekrestok
  - ✓ 72 Karusel and Pyaterochka-Maxi hypermarkets
  - ✓ 65 convenience stores

(1) With population over 200,000 people.

DC locations as at 30 September 2011<sup>(1)</sup>



Region	# of DCs	000 sq. m.	Dry	Fruit & Veg.	Fresh	Frozen	Non-Food
<b>Central</b>	12	291.9	v	v	v	v	v
<b>North-West</b>	5	81.7	v	v	v	v	
<b>Volgo-Vyatsky</b>	2	29.8	v	v	v	v	
<b>Urals</b>	4	27.7	v	v	v	v	
<b>Centralno- Chernozemny</b>	2	33.7	v	v	v		
<b>Sredne-Volzhsky</b>	2	20.1	v	v	v	v	
<b>South</b>	1	15.6	v	v	v		
<b>Privolzhsky</b>	1	13.1	v	v	v		
<b>Total<sup>(1)</sup></b>	<b>29<sup>(1)</sup></b>	<b>513.6<sup>(1)</sup></b>					

- As at 30 September 2011 the Company operated 29 DCs with overall warehouse capacity of 514 thousand sq. m. – i.e. the Company had an operational DC in each region of operations
- We integrated five DCs previously operated by Kopeyka into our logistics infrastructure, two in the Moscow region, one in N. Novgorod, one in Voronezh and one in Samara
- The Company’s supply centralization level reached 75% for the first nine months of 2011



**I. Introduction**

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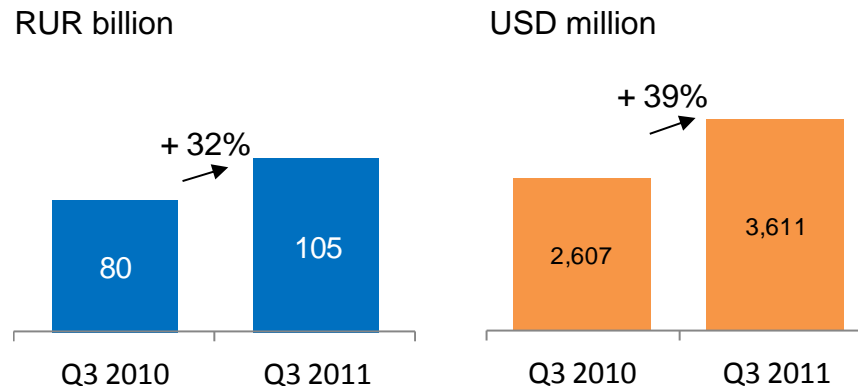
**III. 2011 Strategic Priorities and Long-Term Vision**

**IV. Kopeyka Integration Update**

**In Q3 2011:**

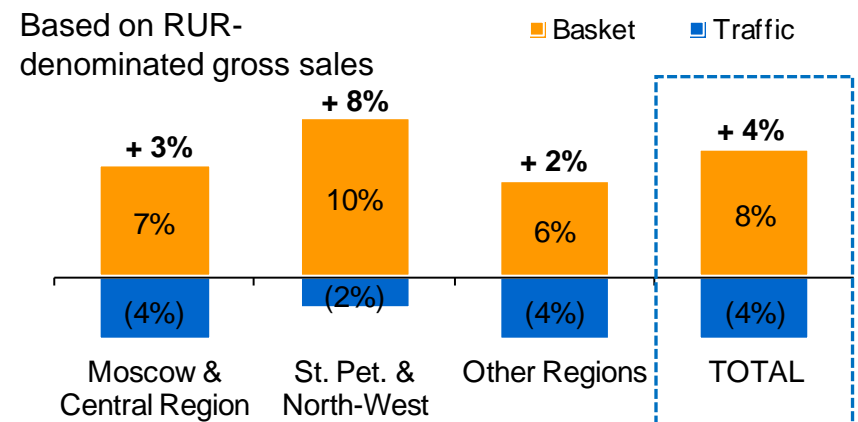
- Consolidated net retail sales increased 32% year-on-year in RUR terms to RUR 104,979 mln or 39% in USD terms to USD 3,611 mln
- Organic sales increased 18% in RUR terms year-on-year while Kopeyka's Q3 2011 sales contributed approx. 14% to X5's consolidated Q3 2011 RUR net retail sales growth<sup>(1)</sup>
- X5's LFL sales grew 4% in RUR terms year-on-year
- 102 stores added on net basis
- 297 Kopeyka stores were rebranded

## Q3 2011 Net Retail Sales<sup>(1)</sup>



Sales Growth Composition RUR	LFL, %	Organic Expansion, %	Kopeyka Contribution, %	Total Change, %
Hypermarkets	2	7		9
Supermarkets	6	9		15
Soft Discounters	3	19		22
Convenience stores	8	17		25
<b>Total Gross Retail Sales</b>	<b>4</b>	<b>14</b>	<b>14</b>	<b>32</b>
FX Effect				7
<b>Total change %, incl. FX</b>				<b>39</b>

## Q3 2011 LFL Sales by Region



(1) Kopeyka results are consolidated from 1 December 2010.

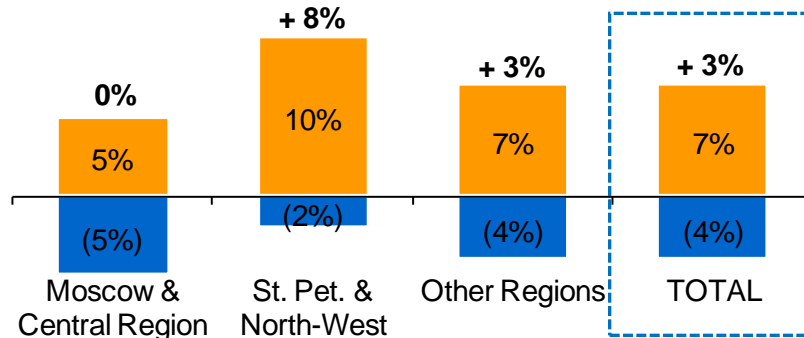
**In Q3 2011:**

- Performance was affected by a slowdown in the Russian retail market
- Soft discounters delivered LFL growth of 3%. Traffic was negatively affected by the high base effect faced by soft discounters, while basket growth slowed as the country's inflation rate eased
- Supermarkets delivered 6% LFL growth facing a high base compared to last year when the format launched an aggressive price campaign on 20% of assortment from June to September 2010
- Hypermarkets LFL growth was 2%, adversely affected by competition in Saint-Petersburg

**Discounters' Q3 2011 LFL Performance<sup>(1)</sup>**

Based on RUR-denominated gross sales

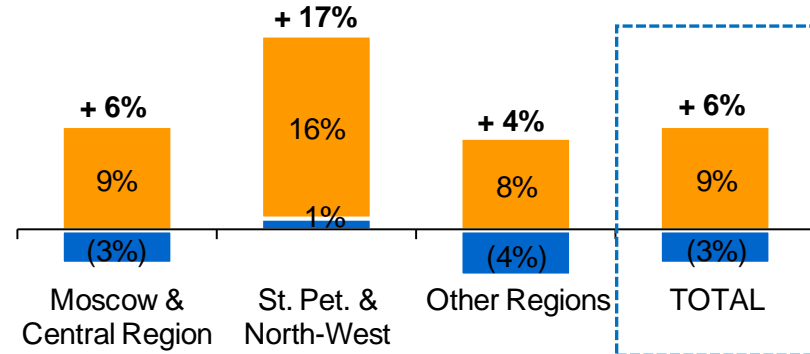
■ Basket ■ Traffic



**Supermarkets' Q3 2011 LFL Performance<sup>(1)</sup>**

Based on RUR-denominated gross sales

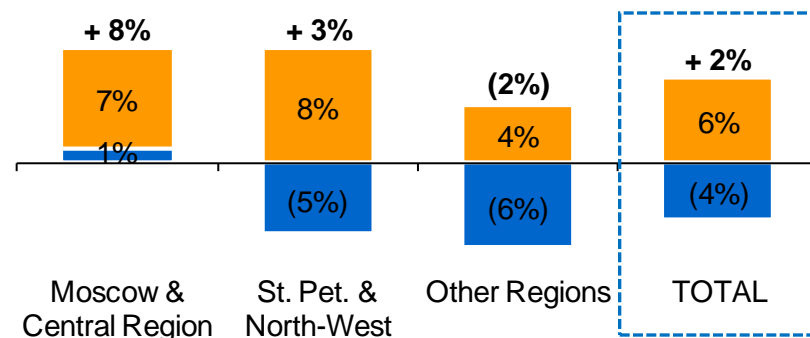
■ Basket ■ Traffic



**Hypermarkets' Q3 2011 LFL Performance**

Based on RUR-denominated gross sales

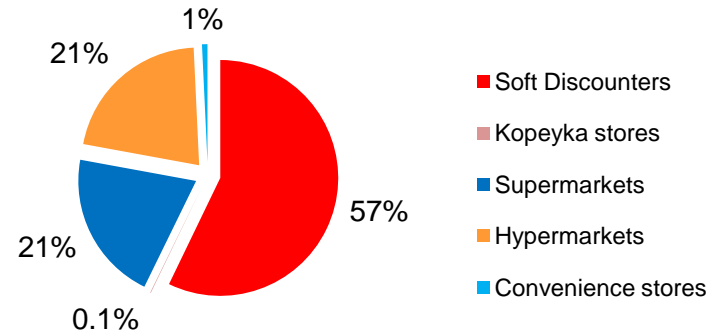
■ Basket ■ Traffic



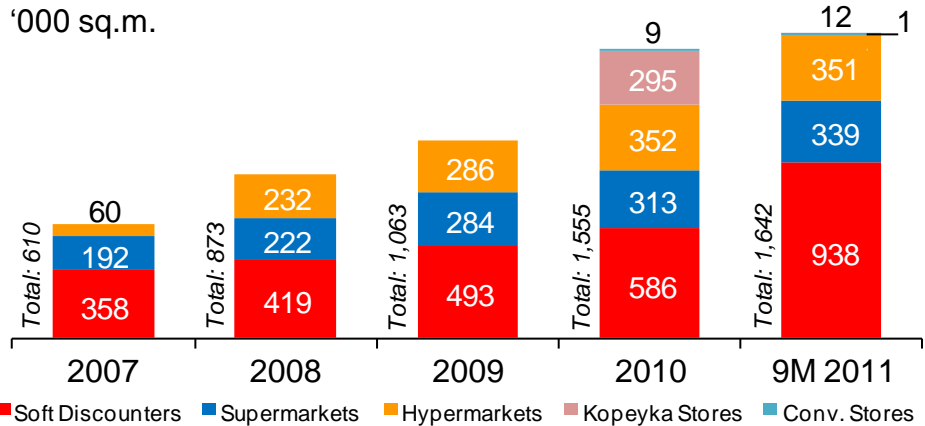
(1) Kopeyka stores' sales are not included in LFL calculation.

- In Q3 2011 X5 added a net 102 stores, which includes 114 soft discounters, six supermarkets, two hypermarkets, 11 convenience stores and the closure of 31 Kopeyka stores, for a total expansion of net selling space of 37 th. sq. m.
- For the first nine months 2011 X5 has added a net 316 stores, which includes 328 soft discounters, 11 supermarkets, one hypermarket, 20 convenience stores and the closure of 44 Kopeyka stores, for a total expansion of net selling space of 87 th. sq. m. The Company is on track to deliver on its objective of 540 new stores in 2011, with significant store openings planned for Q4 2011

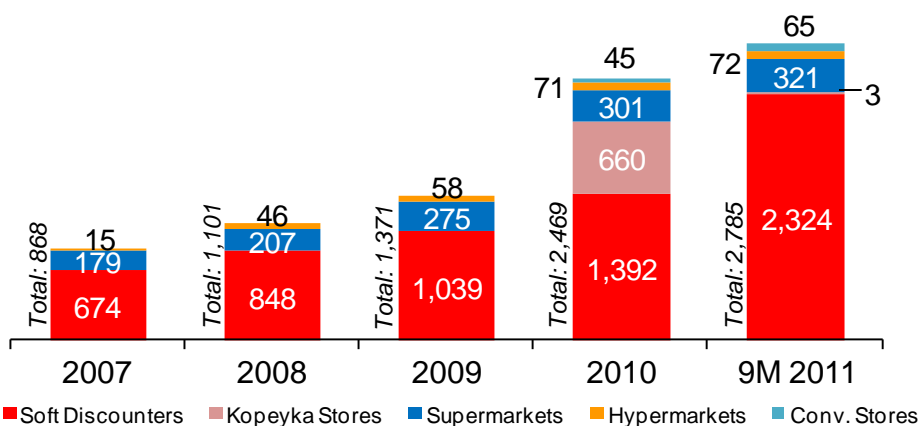
Selling Area by Format



Net Selling Space, EoP



Number of Stores, EoP



USD mln	Q2 2011	Q2 2010	% change y-o-y
<b>Net Sales</b>	<b>4,021.4</b>	<b>2,640.9</b>	<b>52%</b>
incl. Retail	4,006.0	2,637.7	52%
<b>Gross Profit</b>	<b>946.2</b>	<b>637.8</b>	<b>48%</b>
Gross Margin, %	23.5%	24.1%	
SG&A	(822.5)	(522.6)	57%
% of revenue	20.5%	19.8%	
ESOP Expense	21.5	(8.4)	n/a
% of revenue	(0.5%)	0.3%	
<b>EBITDA</b>	<b>284.9</b>	<b>220.3</b>	<b>29%</b>
EBITDA Margin, %	7.1%	8.3%	
<b>Operating Profit</b>	<b>172.9</b>	<b>146.9</b>	<b>18%</b>
Operating Margin, %	4.3%	5.6%	
Net FX Result	4.2	(72.4)	n/a
<b>Profit before tax</b>	<b>99.7</b>	<b>44.6</b>	<b>124%</b>
Income Tax Expense	(26.2)	(19.7)	33%
<b>Net Profit</b>	<b>73.5</b>	<b>24.9</b>	<b>195%</b>
Net Margin, %	1.8%	0.9%	

(1) Kopeyka results are consolidated from 1 December 2010.

- **Net sales** increased 41% year-on-year in RUR terms to RUR 112,626 mln or 52% in USD terms to USD 4,021 mln;
- **Gross profit** totaled USD 946 mln, for a gross margin of 23.5%;
- **EBITDA** amounted to USD 285 mln, for an EBITDA margin of 7.1%;
- **SG&A expenses** as a percentage of revenue increased by 70 bp year-on-year to 20.5%. A significant portion of the increase is attributable to Kopeyka consolidation and integration effects;
- **Net finance costs** increased 159% year-on-year in USD terms and 139% in RUR terms due to higher debt;
- **Effective tax rate** totaled 26%. ESOP program favorable effect and an FX gain realized had a positive impact on the effective tax rate for the period;
- **Net profit** increased 195% year-on-year to USD 73 mln, for a net margin of 1.8%.

(1) Kopeyka results are consolidated from 1 December 2010.

USD mln	Q2 2011	Q2 2010	% change y-o-y
<b>Net Cash Flows Used in Operating Activities</b>	<b>(65.6)</b>	<b>(9.5)</b>	<b>589%</b>
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	293.3	238.6	23%
<i>Change in Working Capital</i>	(241.7)	(176.9)	37%
<i>Net Interest and Income Tax Paid</i>	(117.2)	(71.2)	65%
<b>Net Cash Used in Investing Activities</b>	<b>(171.6)</b>	<b>(84.9)</b>	<b>102%</b>
<b>Net Cash Generated from Financing Activities</b>	<b>244.7</b>	<b>130.0</b>	<b>88%</b>
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	<b>5.3</b>	<b>(7.7)</b>	<b>n/a</b>
<b>Net Increase in Cash &amp; Cash Equivalents</b>	<b>12.8</b>	<b>27.8</b>	<b>(54%)</b>

- As of the end of June 2011, the Company's total debt amounted to USD 4,098 mln (at RUR exchange rate of 28.08), out of which 15% was short-term (USD 635 mln) and 85% long-term (USD 3,464 mln). Ruble-denominated borrowings accounted for 90% of X5 net debt at 30 June, 2011;
- As of 30 June 2011, the Company had access to RUR-denominated credit facilities of approximately RUR 125.9 billion (approximately USD 4.5 billion). Of this amount, approximately RUR 57.1 billion (approximately USD 2.0 billion) represented available undrawn credit lines with major Russian and international banks.

USD mln	30-Jun-11	% in total	31-Mar-11	% in total	31-Dec-10	% in total
<b>Total Debt</b>	<b>4,098.4</b>		<b>3,795.3</b>		<b>3,684.8</b>	
Short-Term Debt	634.8	15%	593.4	16%	508.0	14%
Long-Term Debt	3,463.7	85%	3,201.9	84%	3,176.8	86%
<b>Net Debt</b>	<b>3,946.9</b>		<b>3,656.5</b>		<b>3,414.0</b>	
Denominated in USD	388.8	10%	382.2	10%	385.8	11%
Denominated in RUR	3,558.1	90%	3,274.3	90%	3,028.2	89%
FX, EoP	28.08		28.43		30.48	
<b>Net Debt/EBITDA (RUR) <sup>(1)</sup></b>	<b>3.59x<sup>(2)</sup></b>		<b>3.42x<sup>(3)</sup></b>		<b>3.70x<sup>(4)</sup></b>	

(1) Debt covenants are set in RUR terms in accordance with loan facilities the Group maintains.

(2) Based on pro-forma EBITDA of RUR 30,861 mln, i.e. including Kopeyka from 1 July 2010.

(3) Based on pro-forma EBITDA of or RUR 30,359 mln, i.e. including Kopeyka from 1 April 2010.

(4) Based on pro-forma EBITDA of RUR 28,131 mln, i.e. including Kopeyka from 1 January 2010.



## New Retail Law Came into Effect as of 1 February 2010. Provisions Related to Relationships with Suppliers Became Effective as of 1 August 2010

Key Restrictions	2010 Implications for Retailers	Estimated 2011 Impact on X5
<ul style="list-style-type: none"> <li>• Volume bonuses limited at 10%; framework of services introduced</li> <li>• Shorter payment days (depending on product shelf life):               <ul style="list-style-type: none"> <li>• 10 days for goods that expire within 10 days</li> <li>• 30 days for products with an expiry period of 30 days</li> <li>• 45 days for other products produced in Russia</li> </ul> </li> <li>• 25% market share limit in Moscow, St. Petersburg &amp; municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• Limited impact on margins; vendors and retailers renegotiated bonus arrangements</li> <li>• Decrease in payable days and negative effect on working capital</li> <li>• Regional market share is expected to be more evenly distributed among leading players</li> </ul>	<ul style="list-style-type: none"> <li>• Gross margin normalization after all supplier arrangements regain economic equilibrium through a combination of :               <ul style="list-style-type: none"> <li>• Volume bonuses</li> <li>• Price discounts</li> <li>• Service agreements</li> </ul> </li> <li>• Payment days stabilization</li> <li>• 25% market share limitations remain intact but impact X5 only in the city of St. Petersburg and selected small municipalities, mostly in Moscow region</li> </ul>

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**IV. Kopeyka Integration Update**

## Customer Focus

- Focus on formats' value propositions
- Further assortment improvements: local sourcing, private label, non-food

## Organic Expansion

- Step-up in new store openings
  - Special focus on discounters, selective openings of supermarkets and hypermarkets
  - Moscow remains an important growth area, while regional expansion is concentrated on regions with existing operations to grow market share, improve local purchasing power and maximise economies of scale

## Kopeyka Integration

- Kopeyka integration fast-tracked to one year

## Supply Chain & IT Systems

- Further improvement of service levels and product availability to enhance competitive advantages and drive sales
- Completion of SAP introduction with roll-out of SAP for Enterprise Management

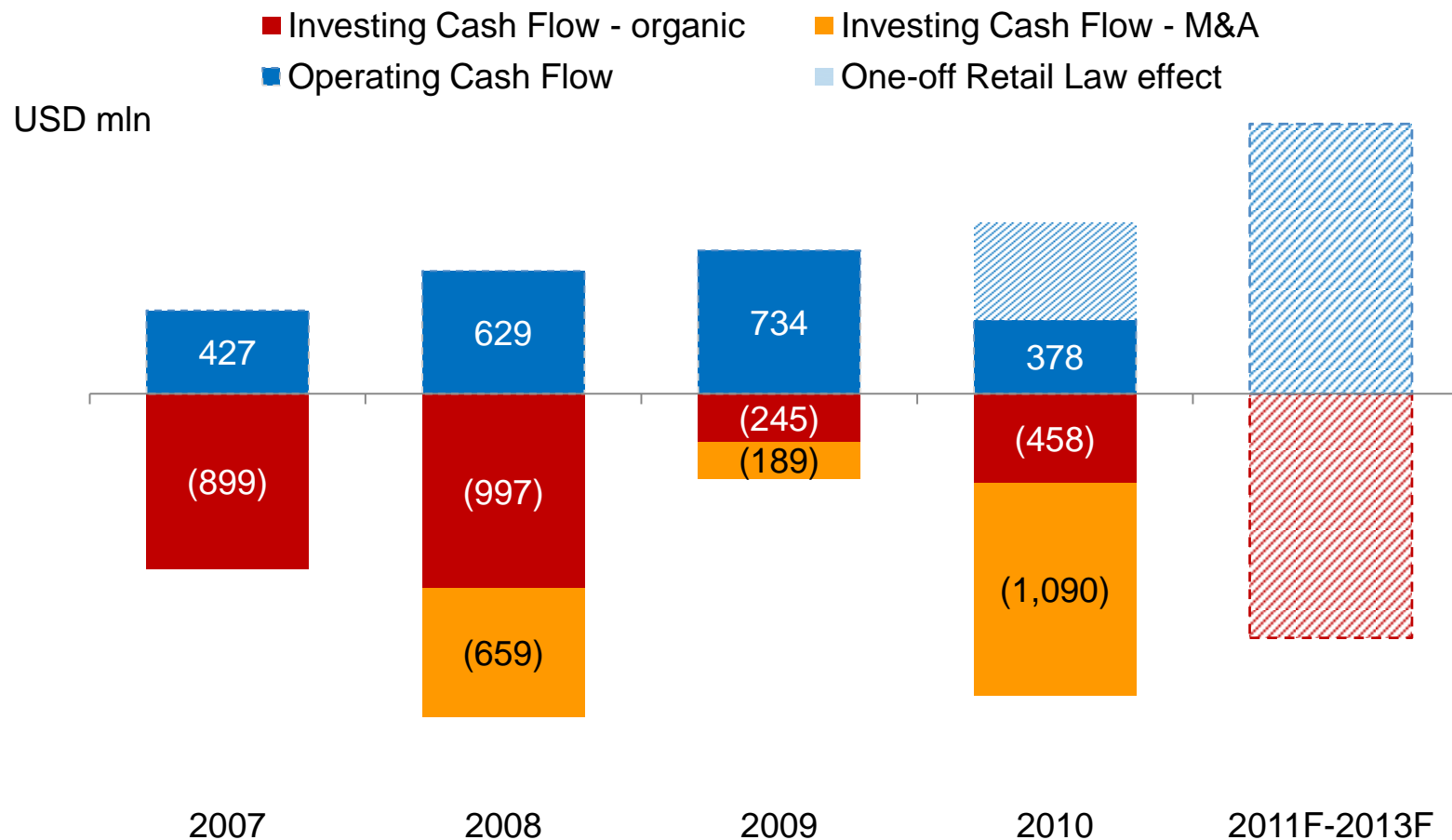
## Hypermarket Turnaround

- Separation from supermarkets for more efficient management of the format
- Focus on "small boxes", further development of economy-class hypermarkets

## Tight Financial Discipline

- Prudent cost management
- Focus on cash generation, working capital management and disciplined CapEx plan execution
- Gradual de-risking of the balance sheet

illustrative<sup>(1) (2)</sup>



(1) 2011F-2013F cash flows – not according to scale. (2) Not including debt assumed in M&A transactions.

- **Successful Implementation of Multi-Format Strategy**
- **Low Cost, Best-in-Class Retail Operations**
- **Moscow and St. Petersburg as Cash Generators Supporting Growth of Regional Operations**



**National Champion in Retail**

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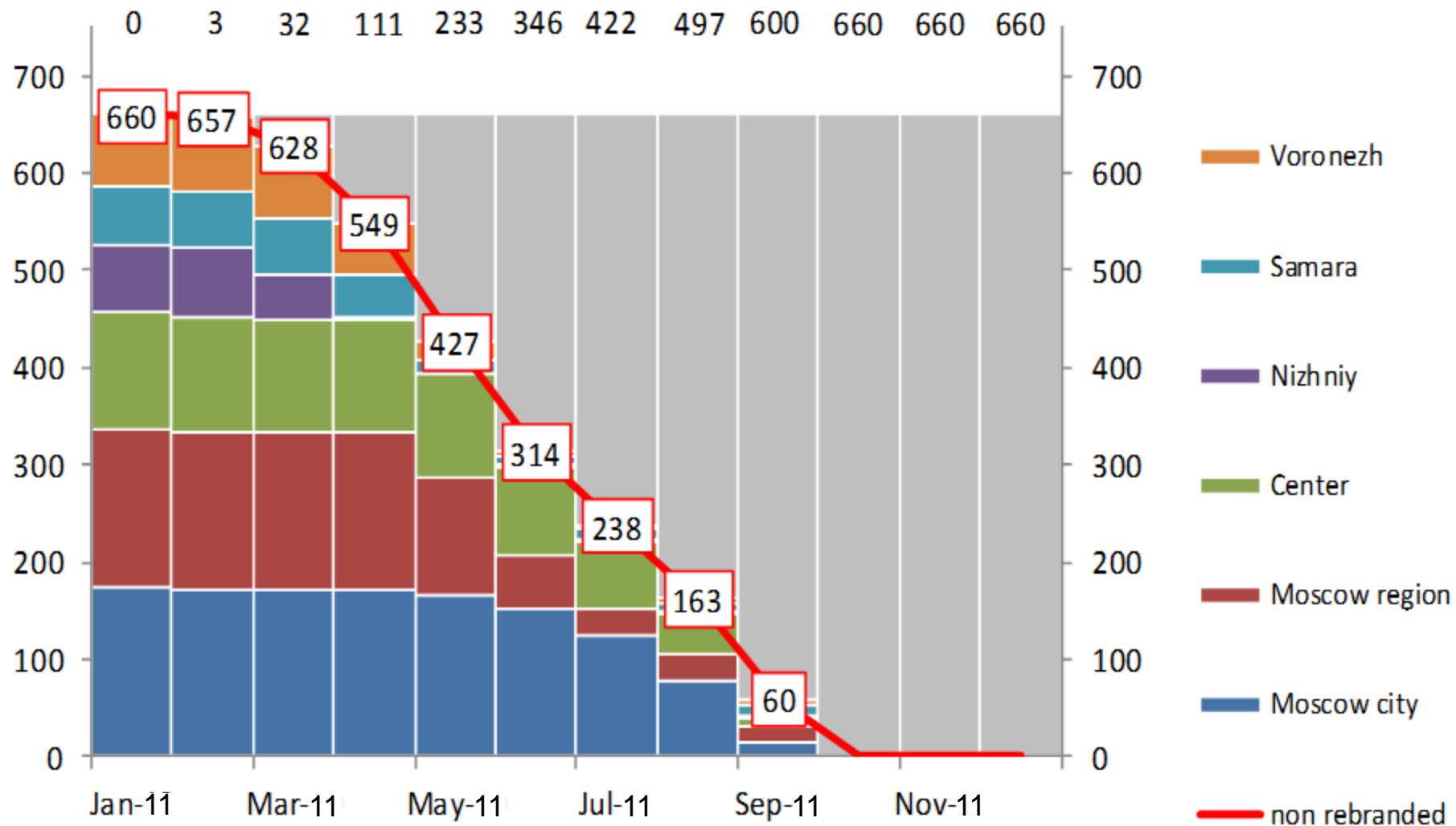
**IV. Kopeyka Integration Update**

**As of 30 September 2011 the Company has largely completed the rebranding of Kopeyka stores (613 stores)**

<b>Rebranding &amp; Re-Launch</b>	Soft discounters were temporarily closed for 15 days on average for rebranding, while supermarkets took 45 days to convert. X5 also took the decision to close 44 stores that did not meet X5's efficiency criteria.
<b>Merchandising</b>	X5 undertook substantial efforts to upgrade acquired stores to X5's standards. Stores now offer shoppers wider assortment, higher quality and more focus on fresh items. Renovated stores also feature new equipment, improved store layout and traffic flow for a better shopping experience. Customers have also benefited from lower prices at rebranded stores, thanks to X5's stronger purchasing terms with suppliers.
<b>Logistics</b>	Five former Kopeyka distribution centres (DCs) were integrated into X5's logistics infrastructure and converted to our Warehouse Management System (WMS). X5 also operates Kopeyka's acquired fleet of approximately 300 trucks. Two acquired DCs that did not meet X5's efficiency criteria were closed down.
<b>Personnel</b>	Over 2,500 former Kopeyka employees participated in X5's training courses since January 2011. We also provided opportunities to talented Kopeyka executives to join X5's team at senior and mid-management levels.



**Total integration budget is estimated at RUR 5.4 bln, including c. RUR 4.6 bln of CapEx and c. RUR 750 mln of OpEx. First synergies are expected already in 2012**





EXTERIOR



BEFORE

EXTERIOR



AFTER

INTERIOR



INTERIOR



SHELVES



SHELVES



BEFORE

AFTER

SELLING SPACE



SELLING SPACE



Branch	Training centres	Staff trained as of 30.09.2011
Volgo-Vyatsky	2	349
Centralno-Chernozemny	2	292
Sredne-Volzhsky	2	176
Central	5	1,760
<b>TOTAL</b>	<b>11</b>	<b>2,577</b>

- All former Kopeyka employees completed X5's training courses
- Trainings for basic staff took place in the stores and lasted for 5 days with following probation in similar stores
- Talented Kopeyka executives were provided with opportunities to to join X5's team at senior and mid-management levels



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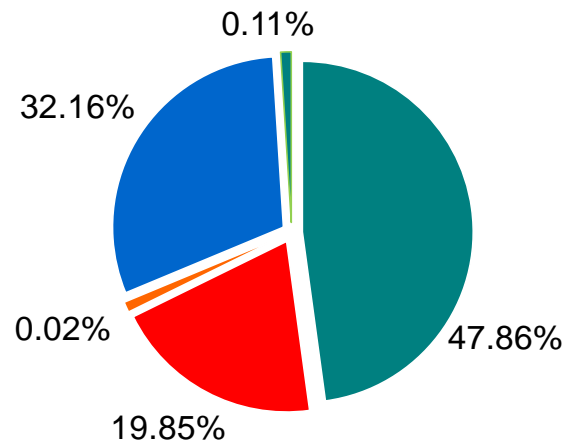
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***Appendices***

- Alfa Group
- Founders of Pyaterochka
- X5 Management and/or Supervisory Board members
- Free Float
- Treasury Shares



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

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