

X5

Winning Customers With The Power Of 5

Investor Presentation

December 2008



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I. Source of Strength in Russian Retail

- Leadership in Russian Retail
- Track Record of Operating Performance
- Retail Environment and Consumer Trends
- Government Support
- Power of 5 Go-To-Market Strategy
- 2009 Preliminary Guidance

II. Q3&9M 2008 Financial Performance & Liquidity Update

III. Long-Term View

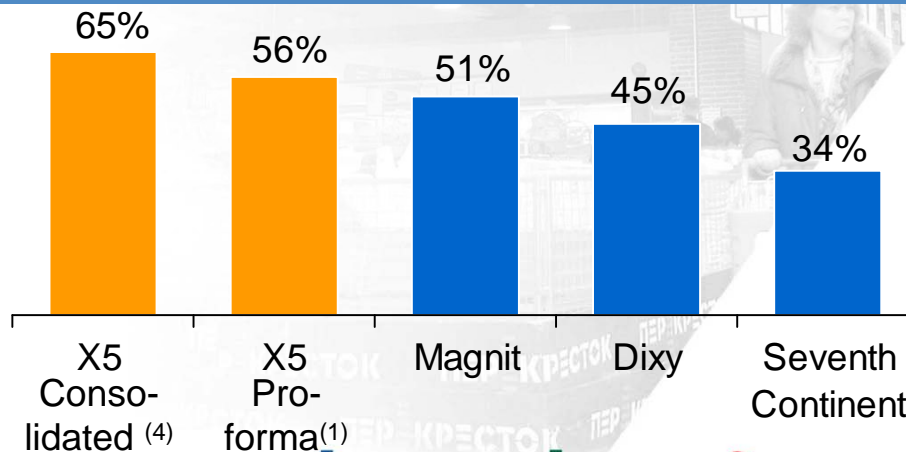




... an Unrivaled Leader in Russian Retail...

- 2007 pro-forma⁽¹⁾ net sales - USD 6,151 mln
- 9M 2008 pro-forma⁽¹⁾ net retail sales - USD 6,479 mln
- 1,027 company-managed stores in Russia and Ukraine⁽²⁾
- 684 stores operated by X5's franchisees across Russia⁽²⁾
- Over 823 thousand sq. m. of net selling space⁽²⁾
- Over 645 million customer visits to X5 stores in 2007
- Over 592 million customer visits in 9M 2008

9M 2008 Retail Revenue Growth



#	Company	FY 2007 Sales (USD mln)	% in Top-10	% in Total Market
1.	X5 + Karusel ⁽¹⁾	6,151	24.6%	3.2%
2.	Metro ⁽³⁾	3,888	15.6%	2.0%
2.	Magnit	3,677	14.7%	1.9%
4.	Auchan	3,200	12.8%	1.7%
5.	Lenta	1,559	6.2%	0.8%
6.	Dixy	1,433	5.7%	0.8%
7.	Kopeyka	1,366	5.5%	0.7%
8.	Viktoriya	1,305	5.2%	0.7%
9.	Seventh Continent	1,273	5.1%	0.7%
10.	O'Key	1,115	4.5%	0.6%
Total		24,967	100.0%	13.1%

Sources: Business Analytica

(1) Including Karusel on pro-forma basis from 1 January 2007 and 2 008; (2) As at 30 September 2008; (3) Including Metro Cash & Carry and Real, excluding Media Markt and Saturn

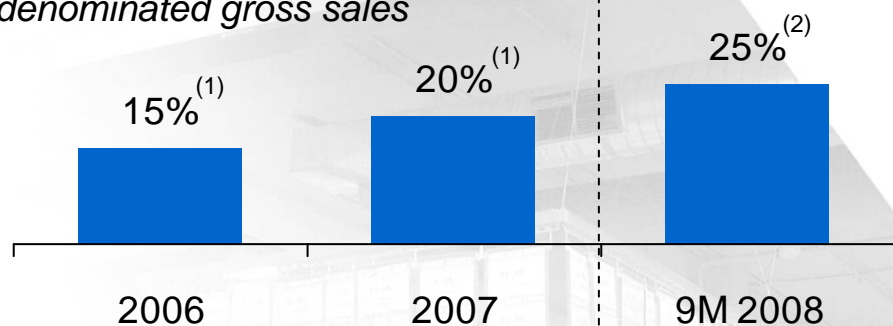
(4) Including Karusel on consolidation basis from 1 July 2008;



... of Operating Performance...

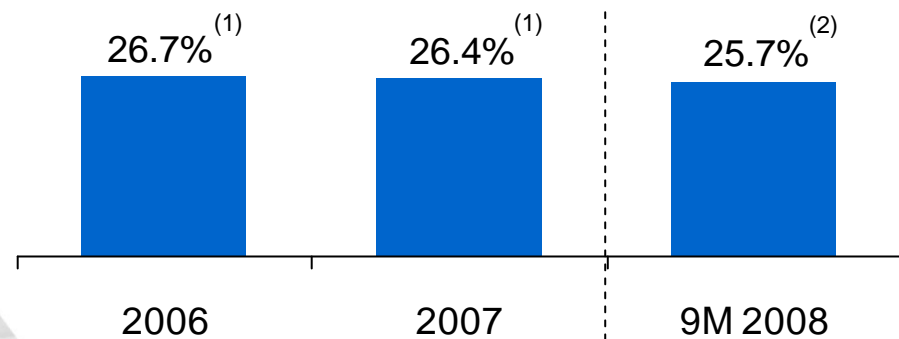
LFL

Based on RUR-denominated gross sales

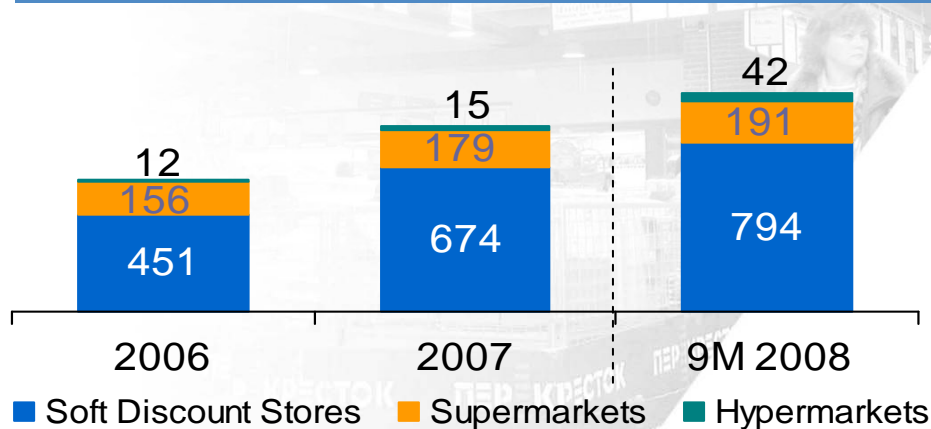


Gross Margin

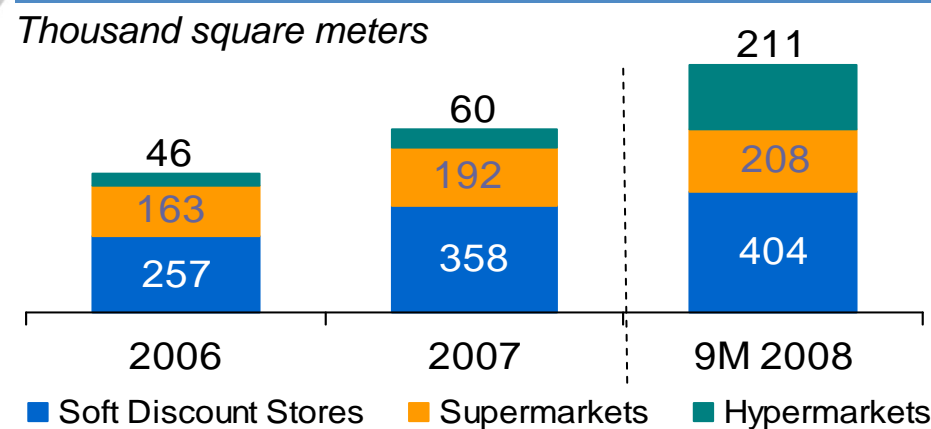
% of net sales



Number Of Stores



Net Selling Space



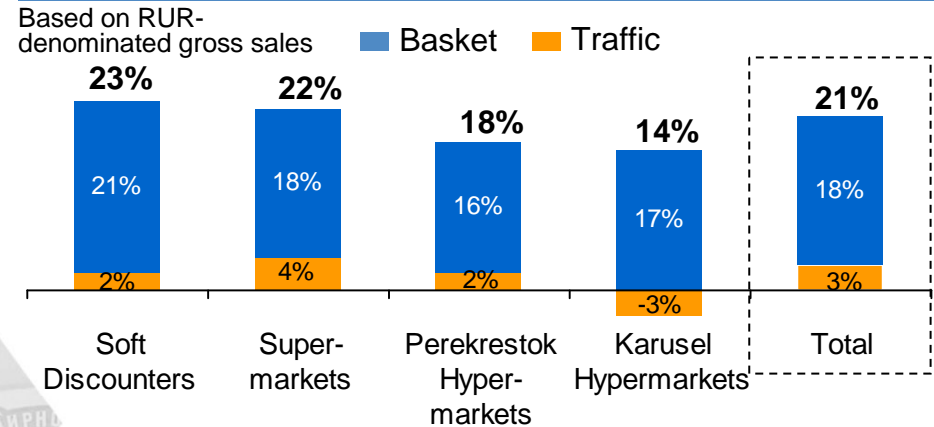
(1) Calculated on a pro-forma basis, i.e. by including acquired Pyaterochka stores for the full year in each of 2006 and 2007,
 (2) Calculated on a pro-forma basis, i.e. by including acquired Karusel stores from 1 January 2008



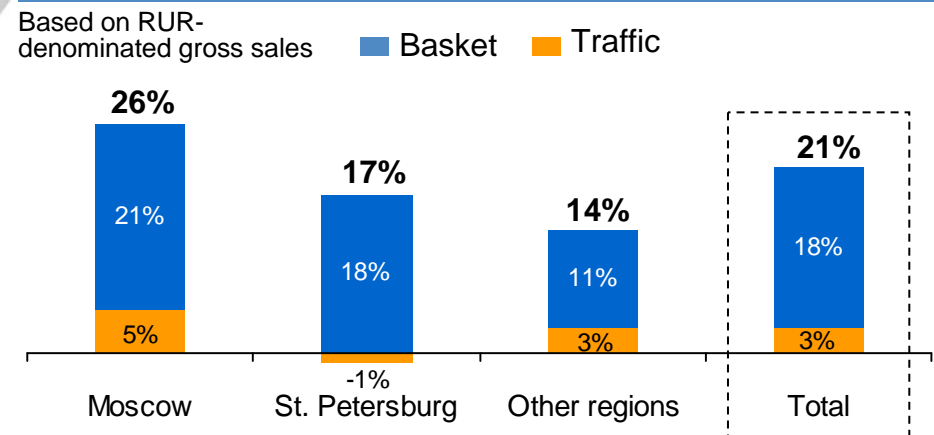
... Was Strong Across Formats & Regions...

- Positive traffic and basket growth well in excess of inflation
- No sign of trading down yet
- Karusel hypermarkets' performance affected by 3-4 day closings for IT platform replacement (4% revenue loss in Q3)
- St.Petersburg market – challenging for discounters (2% decline in traffic) ...
- ...while supermarkets delivered 25% LFL sales growth in St. Petersburg (+5% traffic; +20% basket)

Q3 2008 LFL Performance by Format*



Q3 2008 LFL Performance by Region*

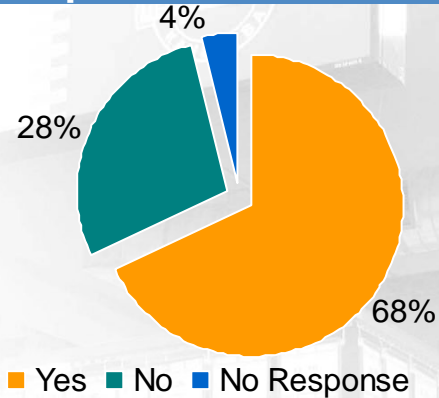


* Calculated on a pro-forma basis, i.e. by including Karusel stores from 1 January 2007 and 2008, respectively



... Is Changing...

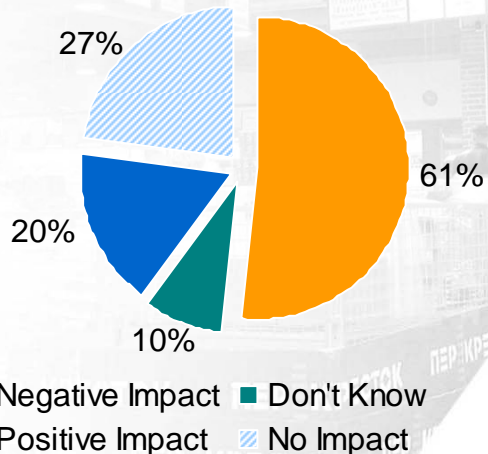
Russian Population Sees Financial Crisis



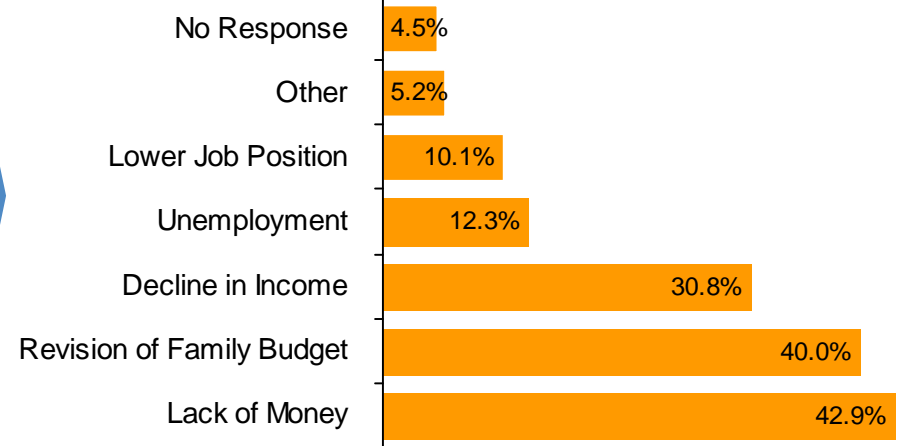
Sampling: 4166 respondents (Moscow, St. Petersburg, Samara)

- Almost two thirds of consumers (irrespective of income level) believe there is a financial crisis
- More than half of respondents believe that the financial crisis will impact them negatively
- People are mostly concerned about lacking enough money and the need to cut back on family spending

Public Opinion About Financial Crisis Impact



Sampling: among those who admit the crisis, 2140 respondents



Source: Romir, crisis perception research, Moscow, St. Petersburg, Samara, October-November 2008



... Should Result in...

Trading Down by Consumers...

- On the back of...
 - slower income growth...
 - ...higher unemployment...

Financial Constraints...

Operating performance

- Pressure on average ticket...
- ...shift in demand for lower-margin products...
- ...resulting in pressure on gross margin

Expansion

- Limited access to financing will affect expansion (resulting in either slower pace or adjusted approach)

...However....

- Impact on food retail will be limited as...
 - ...people will continue buying staples...
 - ...food represents mainly non-discretionary purchasing

...Opportunities for X5

- Attracting additional traffic from troubled retailers & non-organized trade
- Maximizing efficiency of existing store portfolio
- Further optimizing cost base
 - Cutting Moscow & regional HQ staff by 30%
 - Lower pressure on wages and lease expenses
- More efficient CapEx due to...
 - ...higher internal return requirements...
 - ...lower cost of expansion...
 - ...lower maintenance costs
- Opportunistic consolidation of distressed assets

Providing Short-Term Liquidity and Long-Term Sector Stimulus

RF Government has designated Retail as a strategic sector to ensure a well-functioning supply chain and efficient market for servicing consumer needs



- **Financial assistance to large Russian retailers on**

- Refinancing of short-term debt
 - VTB has opened a 1.5 year credit line for X5 for a total amount of RUR 7 bln (approximately USD 255 mln)
- Stabilization of payments to suppliers
- Acquisitions of distressed retailers



- **Long-term policies to support sector development, including tax incentives**

- Decrease of corporate income tax from 24% to 20% (not only retail)
- Deferral of VAT payments
- VAT reimbursement
- Recognition of shrinkage for tax purposes
- Assistance in streamlining legal structures for tax optimization purposes



... Enables Quick Reaction to Changes in Consumer Spending

Soft Discount Stores
As at 30 Sep 2008




- 794 stores
- Total net selling space – 404,320 sq. m.
- Sales per sq.m. – USD 14,412

Supermarkets
As at 30 Sep 2008



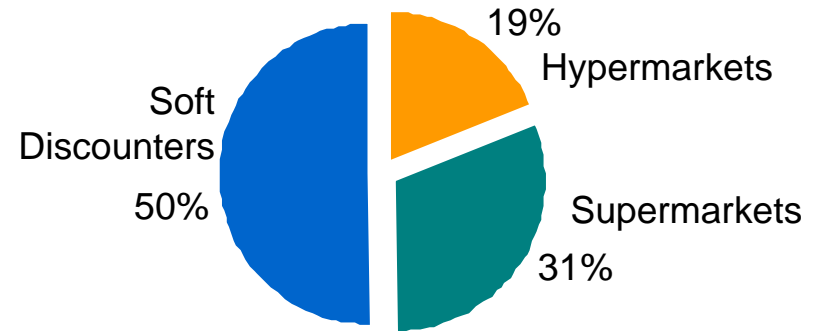
- 191 stores
- Total net selling space – 207,595 sq. m.
- Sales per sq.m. – USD 16,505

Hypermarkets
As at 30 Sep 2008



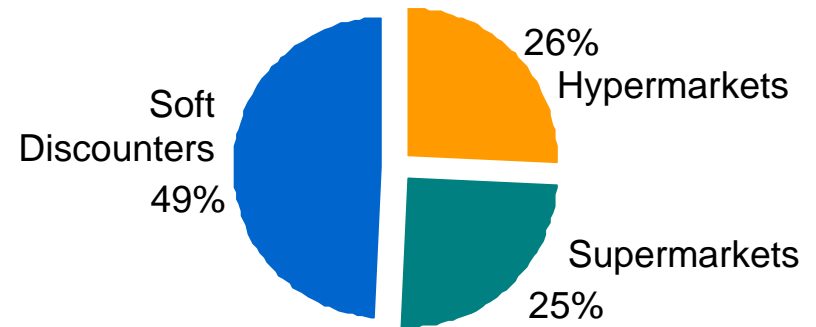
- 42 stores
- Total net selling space – 211,101 sq.m.
- Sales per sq.m. – USD 10,925

9M 2008 Net Retail Sales Break Down by Format (1)



Total net retail sales including Karusel(1) – USD 6.5 bln

9M 2008 Selling Space Break Down by Format



Total selling space – 823,016 sq. m.



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



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



Value Proposition

- Price leadership
- Convenient location
- Attractive assortment

Strengths

- High brand recognition
- Basic 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 promotions
- The best supermarket in fresh

Strengths

- High brand recognition
- The most attractive price in supermarkets
- Efficient promotions, strong customer response
- Strong loyalty program
- Opportunities for private label development
- Concentration in cities/regions with highest incomes
- 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

- 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
- 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 promos
- Opportunities for private label development
- Limited exposure to non-food

Opportunities

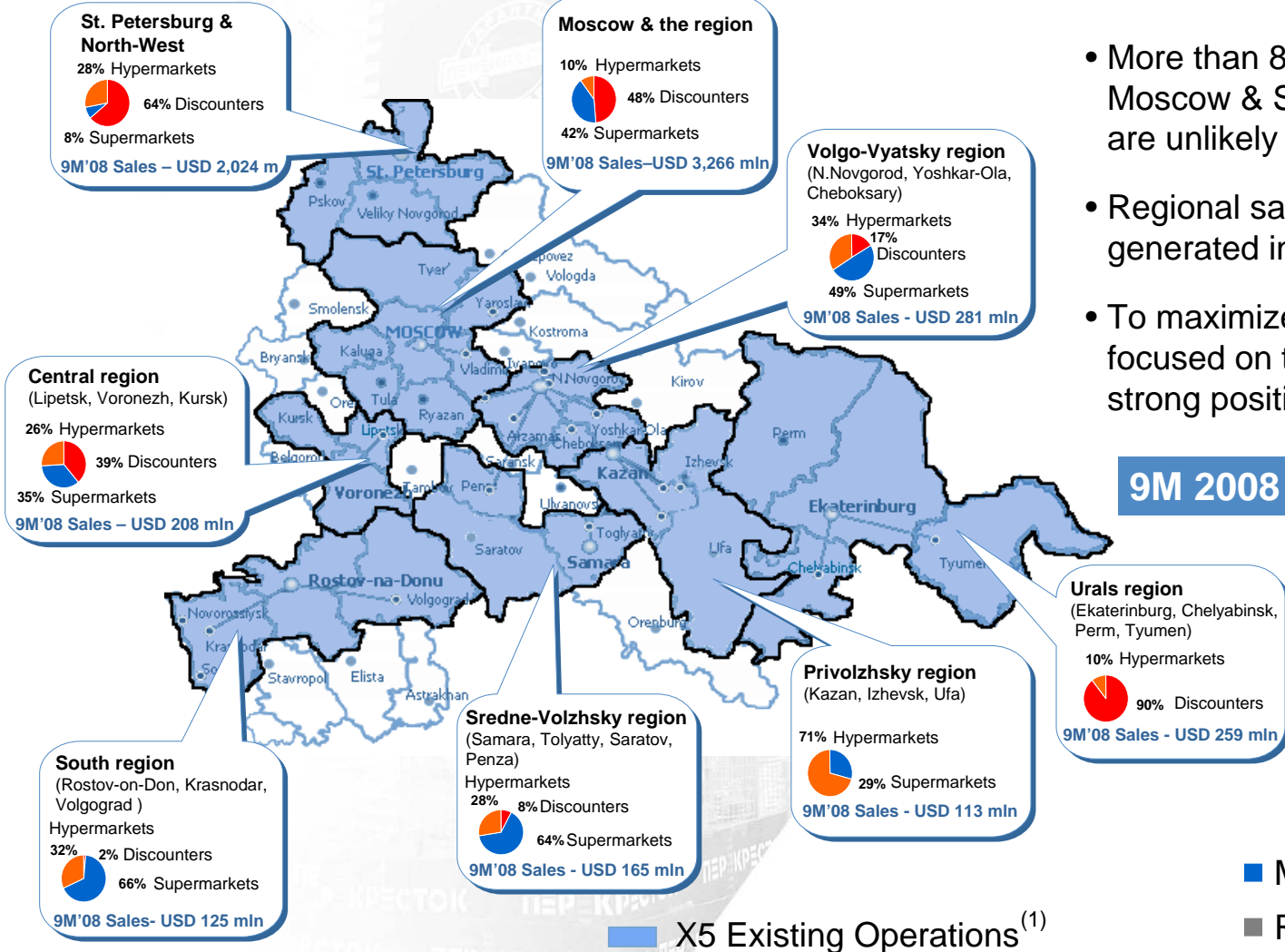
- Capturing all possible consumer segments for week-end shopping
- Providing an attractive alternative to open-air markets
- Traffic inflow from troubled competitors

Focus in 2009

- Rebrand all hypermarkets to Karusel by March 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

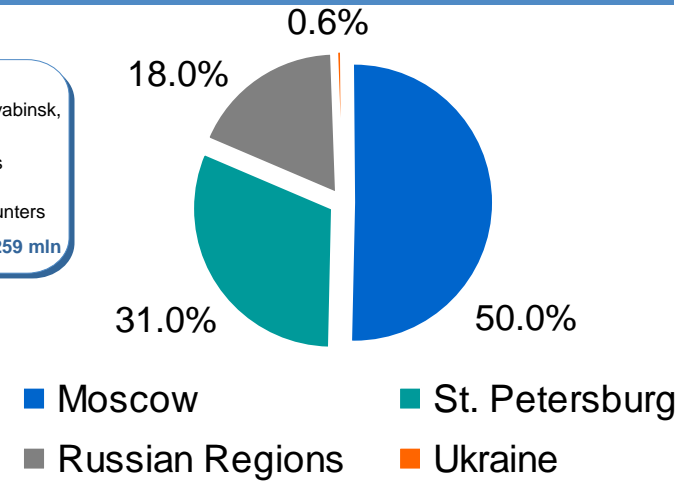


... In the Most Defensive Markets/Big Cities



- More than 80% of X5's sales are generated in Moscow & St. Petersburg, where consumers are unlikely to significantly cut spending on food
- Regional sales (18% of total) are mainly generated in big cities
- To maximize value, in 2009 expansion will be focused on the regions where X5 already has strong positions

9M 2008 Net Retail Sales by Region (2)



(1) As at 30 September 2008; (2) Including Karusel on pro-forma basis from 1 January 2008



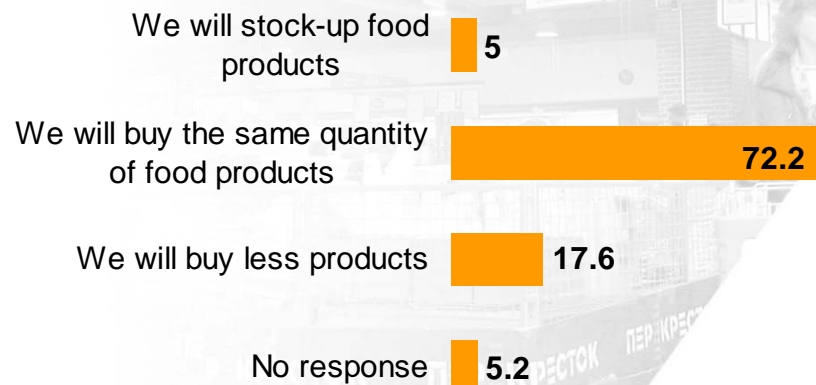
... Are the Most Resilient in the Changing Market Environment

- 68% of respondents have not changed their pricing preferences
- 72% of respondent plan to buy the same quantity of food items
- 51% of respondents do not plan to stop buying or replace usual product categories

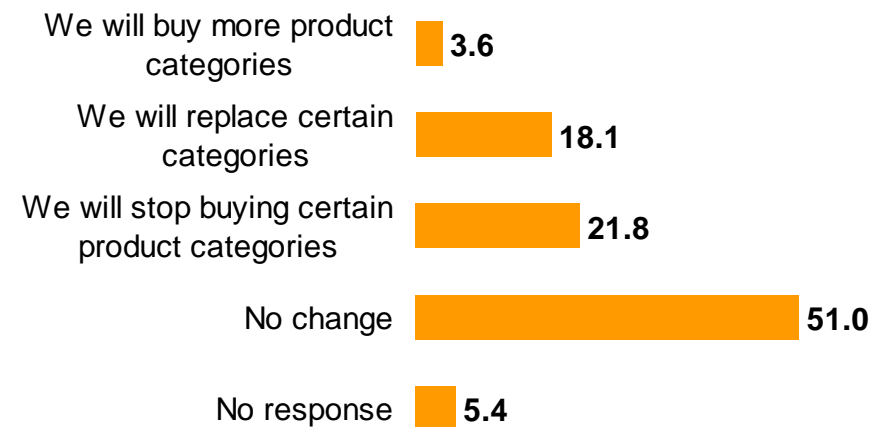
PRICE



QUANTITY



PRODUCT CATEGORIES



Source: Romir, random search of 4166 people, Moscow, St. Petersburg, Samara, October-November 2008



Sector Leadership Leads to Stronger Pricing Advantage over Competition

- Purchasing power further grows with market leadership
- Suppliers need and want to do business with X5 due to...
 - increasing purchasing volumes
 - guaranteed payment
- Enhanced opportunity to balance margin and cash flow (payment terms)
- Benefits of deliveries to own DCs given increasing centralization

Leadership in Price

- Inflation in X5 stores is always well below average inflation in Russia
 - September 08 to December 07 food inflation in Russia exceeded 12%, while in X5's stores it was just 7%

ПЕРЕКРЕСТОК
Москва

НА 30% ТОВАРОВ СНИЖЕНЫ ЦЕНЫ

Компания X5 Retail Group N.V., крупнейший в России ритейлер по объемам продаж, объявила о снижении цен на 30% ассортимента - более 3300 наименований товаров - во всех супермаркетах «Перекресток», расположенных в Москве, Московской области, Санкт-Петербурге и Ленинградской области. На некоторые товары цены снижены на 37%.

СЛИВА СИНЯЯ ИМПОРТНАЯ, 1 кг

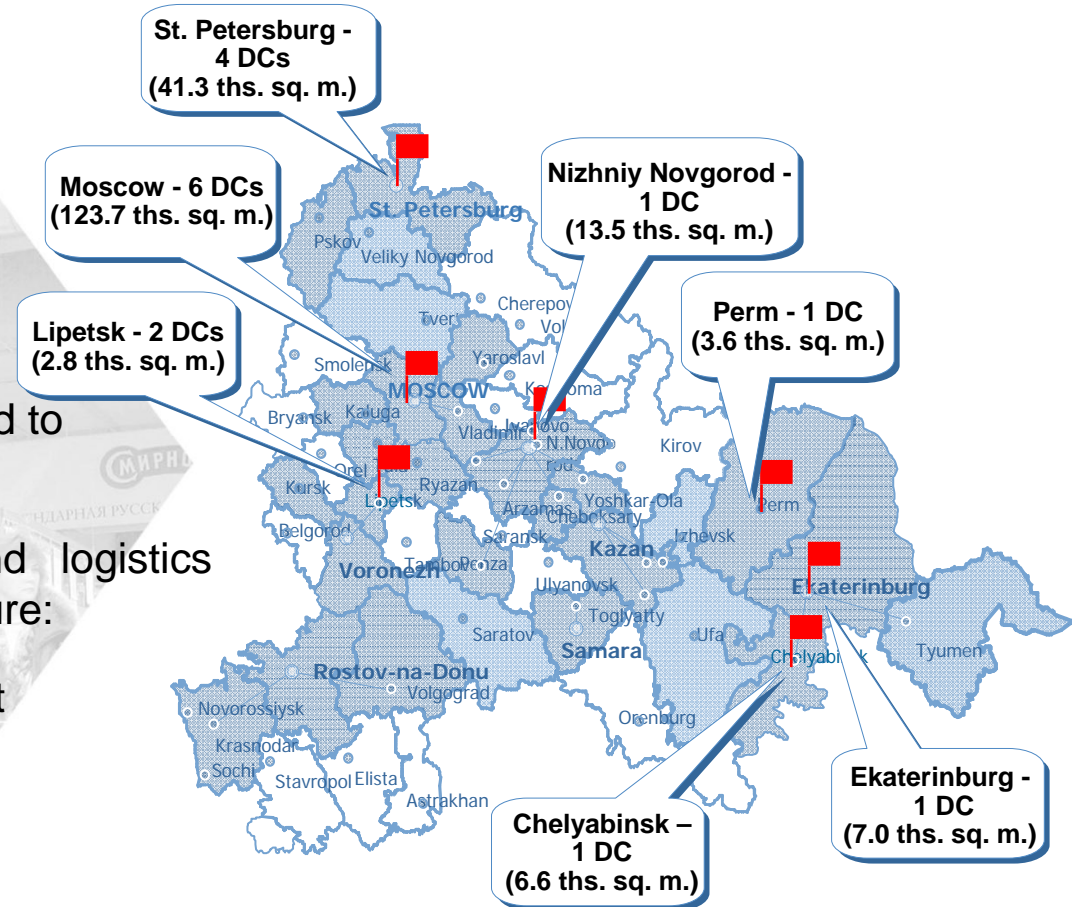
59⁹⁰ руб

Это - не временная рекламная кампания и не промо-акция. Это снижение также не сопровождается повышением цен на другие товары! Цель Компании - сделать наши товары более доступными для максимально широкого круга покупателей и способствовать снижению инфляции в стране! Наши магазины ждут Вас!



... Is Supported by Developed Logistics Infrastructure

- Total DCs area operated by X5 at 30 September 2008 was appr. 199 thousand sq.m.
- The Company operates fleet of over 450 trucks
- Current average level of supply centralization is appr. 50% and is expected to go up to 57% by end of 2009
- The Company will continue to expand logistics infrastructure in 2009 (lease&3PL) to ensure:
 - Higher levels and control over product availability
 - Better working capital management
 - Support for promotions and private label development





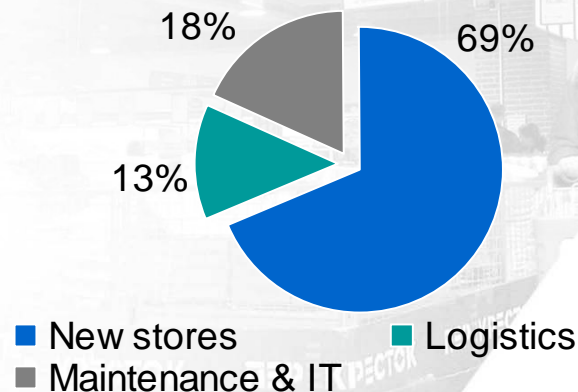
Rationalization of Assortment & Private Label Development Should Enhance Appeal to Consumers and Support Margins...

- Financial crisis triggers rationalization of supplier base....
- ...category leaders will have priority
- Focusing on food (90% of total Group's sales today) and only fast-moving categories in non-food
- Private label development will become an increasingly attractive option for:
 - Consumers – because of price
 - Retailers – as traffic generators and margin support
 - Suppliers – guaranteed volume and payment by large, stable customer



	2008E	2009E
Sales Growth (in RUR)	~40%	>25%*
LFL Sales Growth (in RUR)	~20%	15-17%*
Capital Expenditures	~USD 1,000 mln	Up to USD 500 mln

2009 Preliminary CapEx Breakdown



Key Rules for Expansion in 2009

- Higher returns and shortest possible paybacks required
- Priority given to
 - discounters versus other formats
 - leased properties versus ownership
 - regions with already strong presence of X5
- CapEx may be adjusted in response to financial market changes



* Based on management's current estimates of 2009 inflation (of around 12%) and may be adjusted in future based on actual inflation trends



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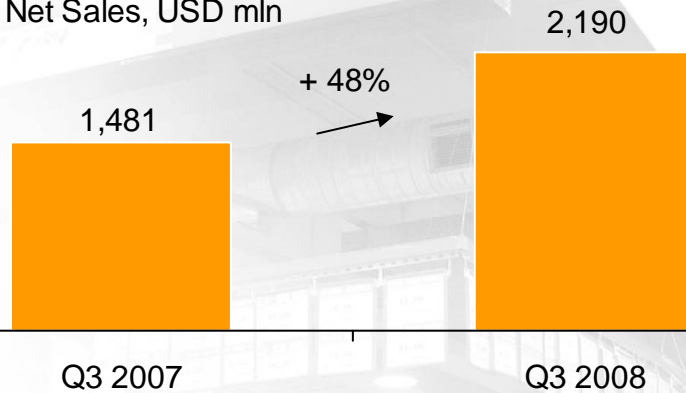
- Solid Revenue Growth
- Higher Profitability before FX Revaluation Effects
- Strong Cash Generation from Operations
- Financial Position Provides Room for Maneuver and Deleveraging



Solid Financial Results

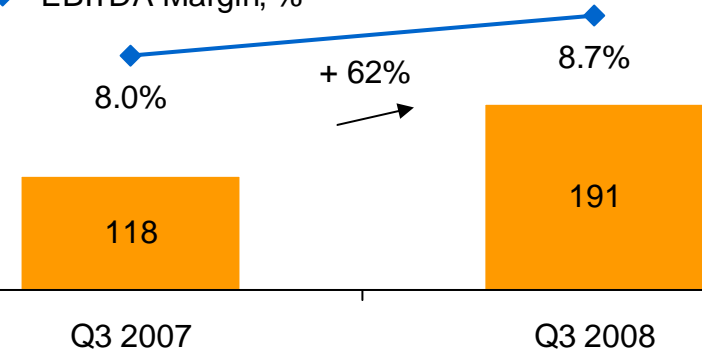
Net Sales

■ Net Sales, USD mln



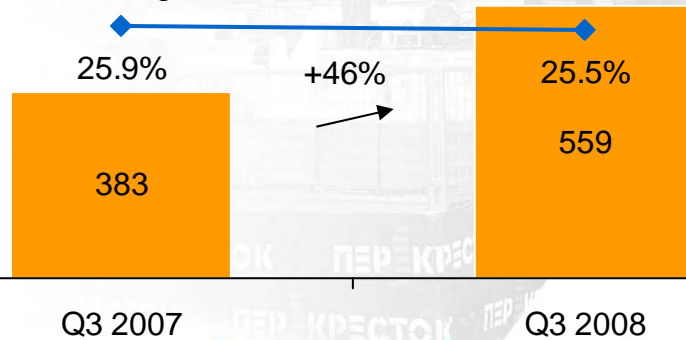
EBITDA

■ EBITDA, USD mln
◆ EBITDA Margin, %



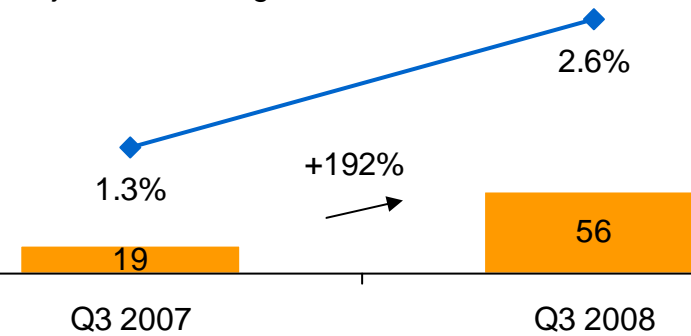
Gross Profit

■ Gross Profit, USD mln
◆ Gross Margin, %



Adjusted Net Profit excl. FX Revaluation**

■ Adjusted Net Profit, USD mln
◆ Adjusted Net Margin, %



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

** Excluding FX gain/loss and adjusted for respective tax

USD mln	Q3 2008	Q3 2007	% change, y-o-y	9M 2008	9M 2007	% change, y-o-y
Net Sales	2,190.3	1,480.6	48%	6,516.1	4,171.3	56%
incl. Retail	2,177.0	1,470.2	48%	6,478.7	4,144.3	56%
Gross Profit	558.8	382.9	46%	1,673.7	1,083.4	54%
Gross Margin, %	25.5%	25.9%		25.7%	26.0%	
EBITDA	190.5	117.7	62%	578.0	358.7	61%
EBITDA Margin, %	8.7%	8.0%		8.9%	8.6%	
EBIT	127.4	68.0	87%	393.3	217.0	81%
EBIT Margin, %	5.8%	4.6%		6.0%	5.2%	
Finance costs (net)	(44.5)	(48.0)	-7%	(117.6)	(111.1)	6%
Net FX gain/(loss)	(84.9)	1.8	n/a	(40.0)	11.7	n/a
Profit before tax	(2.1)	22.2	n/a	235.6	118.1	100%
Income tax expense	(12.6)	(4.4)	187%	(97.5)	(57.5)	69%
Net Profit (Loss)	(14.7)	17.8	n/a	138.2	60.6	128%
Net Margin, %	n/a	1.2%		2.1%	1.5%	
Adjusted Net Profit excl. FX Revaluation effects**	55.9	19.2	192%	165.9	53.6	210%
Adjusted Net Margin, %	2.6%	1.3%		2.5%	1.3%	

Strong Cash Generation from Operations

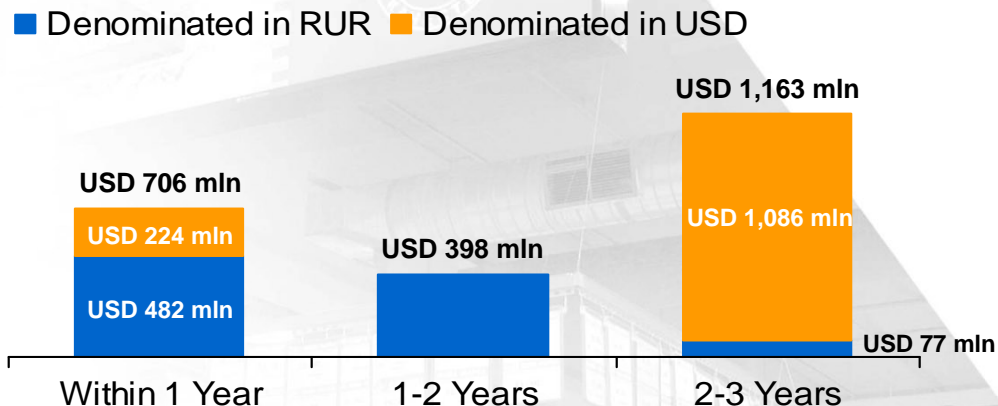
USD mln	For the nine months ended 30-Sep-08	For the nine months ended 30-Sep-07	% change
Net Cash from Operating Activities, incl.	259.8	95.7	171%
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	554.7	354.1	57%
<i>Change in Working Capital</i>	21.1	(106.3)	n/a
<i>Net Interest and Income Tax Paid</i>	(316.0)**	(152.0)	108%
Net Cash Used in Investing Activities	(1,524.2)	(508.8)	200%
Net Cash from Financing Activities	1,318.3	364.2	262%
Effect of Exchange Rate Changes on Cash	(9.1)	7.5	n/a
Net Increase /(Decrease) in Cash	44.7	(41.4)	n/a

* Cash Flow numbers are provided on consolidation basis, i.e. including Karusel from 30 June 2008 (excluding Karusel in 2007)

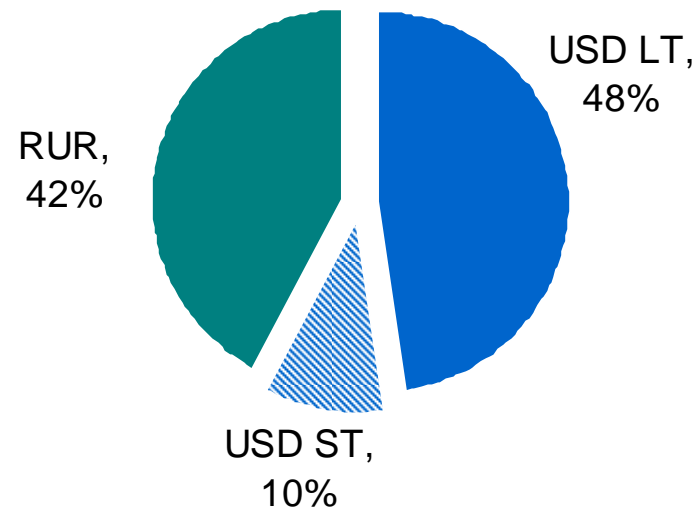
** Strong cash generation from operations was to a large extent offset by advance income tax payments, which should result in lower tax to be paid in the fourth quarter 2008

USD mln	30-Sep-08	30-Jun-08	31-Dec-07	% change vs 31-Dec-07
Non-Current Assets, incl.	7,592.8	7,881.8	5,688.4	33%
PP&E & investment property	3,693.4	3,708.4	2,119.6	74%
Goodwill	3,230.7	3,477.6	2,955.6	9%
Current Assets, incl.	1,212.5	1,533.7	861.2	41%
Cash	224.2	377.0	179.5	25%
ASSETS	8,805.3	9,415.5	6,549.6	34%
Total Equity	4,585.7	4,963.5	3,243.7	41%
Non-Current Liabilities, incl.	1,929.0	2,032.9	1,725.7	12%
Long-term borrowings	1,561.3	1,605.3	1,464.7	7%
Current Liabilities	2,290.6	2,419.2	1,580.2	45%
Short-term borrowings	706.0	712.7	253.7	178%
Total Liabilities	4,219.6	4,452.1	3,305.9	28%
EQUITY AND LIABILITIES	8,805.3	9,415.5	6,549.6	34%
Net Debt	2,043.0	1,941.1	1,538.9	33%
Net Debt/EBITDA	2.7x	2.8x	3.2x	
Net Working Capital	(372.1)	(172.8)	(465.3)	-20%

Debt Maturity Profile



Debt Currency Profile



- Approximately 70% of X5's debt is long-term, represented mainly by RUR 9 bln bonds with put option in July 2010 and USD 1.1 billion syndicated loan maturing in December 2010
- For refinancing of short-term debt
 - the Company had undrawn credit lines for a total amount of USD 334 mln (in RUR) as at 30 September 2008
 - additionally, in November 2008 VTB opened a new credit line in the amount of USD 255 mln (in RUR)
- Over 65% of debt is not exposed to interest rate fluctuations (long-term debt with fixed or hedged interest)
Refinancing or new short-term borrowings are undertaken on fixed-rate basis
- No margin call risk on X5's debt (no margin call provisions in credit arrangements)



Liquidity Position

- USD 706 mln of short-term debt maturing by 30 September 2009
- The Company will use strong cash-flow generation in Q4 2008 to reduce the level of short-term debt
- Appr. USD 590 mln available for refinancing (in RUR)
 - RUR equivalent of USD 334 mln of undrawn credit lines
 - RUR equivalent of USD 255 mln of new credit line with VTB
- Further negotiations with state and other major banks on obtaining additional credit facilities
- Refinancing with the aim to move maturities to Q3 & Q4 2009, when cash generation is strong
- Expected free cash flow generation in 2009 should enable further deleveraging
- Over 80% of planned 2009 CapEx is fully discretionary and can be adjusted in response to market conditions

FX Exposure

- No material FX risk in operations
- FX risk mainly arises on USD 1.1 bln syndicated loan maturing in December 2010, however:
 - Exposure on revaluation of principal is non-cash
 - Limited cash flow exposure as the facility has a very attractive interest rate (fixed at appr. 5% p.a.), which minimizes potential cash FX losses on interest payments
- Low risk of breaching covenants even in very doomsday scenario
- Hedging is prohibitively expensive
- Refinancing in RUR would negatively affect not only P&L but also cash flow, as X5 would commit to much higher interest payments
- To mitigate FX risks, X5 undertakes new borrowings primarily in RUR



I. Source of Strength in Russian Retail

- Leadership in Russian Retail
- Track Record of Operating Performance
- Retail Environment and Consumer Trends
- Government Support
- Power of 5 Go-To-Market Strategy
- 2009 Preliminary Guidance

II. Q3&9M 2008 Financial Performance & Liquidity Update

III. Long-Term View





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