

Leadership In Russian Food Retail

May 2008



Leadership in a Highly Attractive Market

- **# 1 position by revenue in a highly attractive Russian food retail market**
 - 2007 Russian food retail market size: \$190 billion
 - Russian food retail market CAGR 2004-07: c.30%

Strategy Diversified Across Formats and Geography

- **Multi-format:** Hypermarkets, Supermarkets, Soft Discount Stores
- **National presence:** Moscow (55.5% of FY07 net retail sales⁽¹⁾), St. Petersburg (28.5%), other Russian regions including Ukraine (16%)
- **Directly operated stores** (868 stores)⁽²⁾ and **franchised stores** (688 stores)⁽²⁾

Premium Growth Prospects

- **Sales growth driven by:**
 - **Like-for-like** driven by pricing initiatives, improvement of store operations
 - Strong pipeline of **new store openings** across formats and regions
 - **M&A:** Small chains and franchisee buyouts and strategic transactions – Karusel⁽³⁾

Track Record of Strong Performance

- **Strong historical operating performance**
 - LFL sales growth: 15% in 2006, 21% in 2007 and 29% in Q1-08
 - Strong and sustainable gross margins
 - 249 additional stores in 2007 adding 143.1 thousand sq. m. of net selling space
- **Strong historical financial performance**
 - Sales almost doubled in 2007 from 2006
 - Increase of EBITDA margin to 9.0% in 2007 from 8.8% in 2006

Highly Experienced Management Team

- **Professional management team with international experience and track record of successful organic and M&A growth**



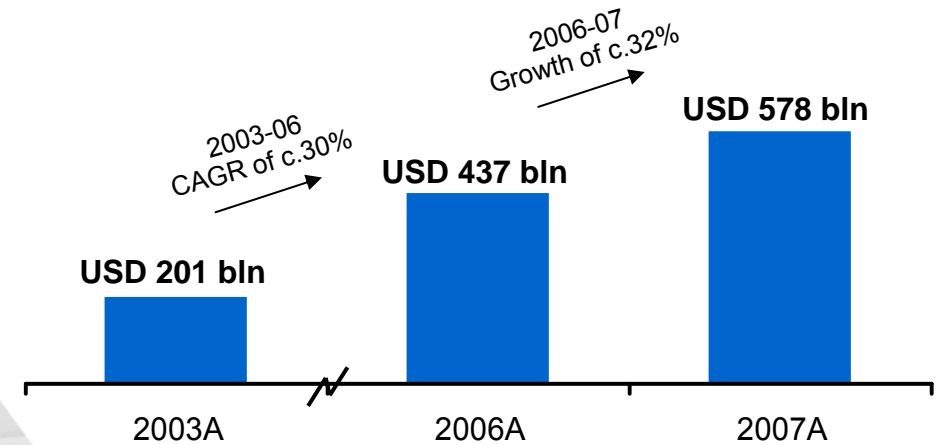
Source: Rosstat

(1) FY 2007 net retail sales of \$5,284 million; (2) As of 31 Dec 2007; (3) Acquisition is subject to satisfactory due diligence

... A Highly Attractive Market ...

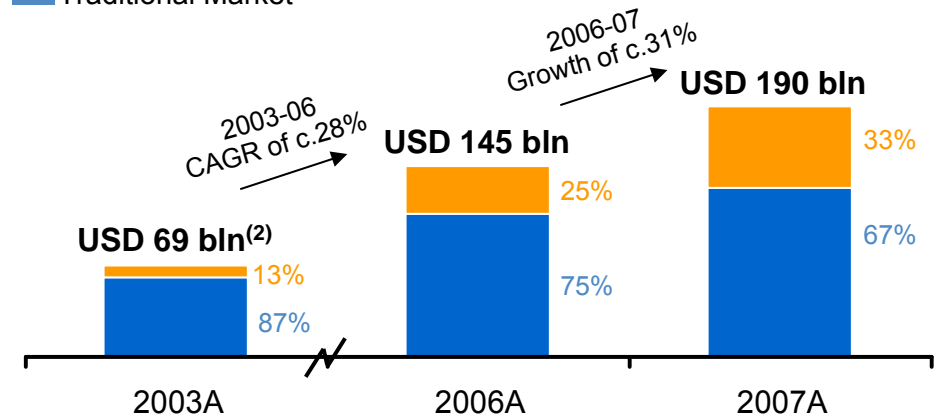
- Russian consumer spending growing strongly
 - 2003-06 CAGR of 29.5% and growing to 32.3% in 2007
- The total Russian food retail market grew at 28.1% CAGR between 2003 and 2006 (in value terms)
 - The market grew by c.31.0% in 2007 over 2006
- Modern Retail Format growing faster than total food retail market in Russia
- ...2003-06 CAGR of 52.1%, 2007 growth of 49.4% ...
- ...on the back of strong organic growth, decreasing share of traditional food retail formats and market consolidation
- By end of 2007, modern trade formats accounted for only c.32.6% of the total market⁽¹⁾
- In 2007, Top-10 Russian food retailers' combined revenues capturing only c.13% of the total Russian food retail market (in value terms)

Consumer Spending



Russian Food Retail Market Evolution

■ Modern Food Retail Format
 ■ Total Russian Food Retail Market
■ Traditional Market



Sources: Business Analytica, Rosstat

(1) Total food retail turnover in cities with populations of above 100,000 people; (2) Total Russian Food Retail Market Size

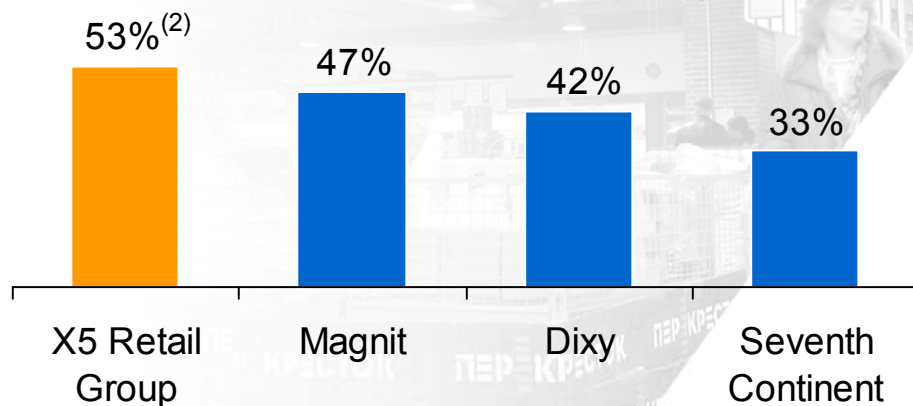


...a Clear Leader in Highly Attractive Russian Food Retail Market

X5 today..

- #1 food retailer in Russia in terms of revenue
- USD 5,320 million of revenues in 2007
- Strong international management team
- 868 company-managed stores in Russia and Ukraine⁽¹⁾
- In addition, 688 stores operated by X5's franchisees across Russia and in Kazakhstan⁽¹⁾
- Over 609 thousand sq. m. of net selling space⁽¹⁾
- Approximately 605 million customer visits in 2007

FY 2007 Retail Revenue Growth



#	Company	FY2007 Sales (USD mln)	% in Top 10
1.	X5	5,320	21.4%
2.	Metro	4,600	18.5%
3.	Magnit	3,677	14.8%
4.	Auchan	3,200	12.9%
5.	Lenta	1,560	6.3%
6.	Kopeyka	1,490	6.0%
7.	Dixy	1,430	5.8%
8.	Seventh Continent	1,275	5.1%
9.	Viktoriya	1,156	4.7%
10.	O'Key	1,115	4.5%
Total		24,823	100.0%



Sources: Business Analytica

(1) As at 31 December 2007; (2) 2006 – on pro-forma basis

...The Largest Multi-Format Food Retailer In Russia

Soft Discount Stores



Data as of 31 December 2007

- 674 stores
- Total net selling space – 357,517 sq. m.
- Average assortment – 3,500 SKUs
- Sales per sq. m. – USD 11,375
- Fresh & perishable products – 46%

Supermarkets



Data as of 31 December 2007

- 179 stores
- Total net selling space – 191,730 sq. m.
- Average assortment – 15,000 SKUs
- Sales per sq. m. – USD 12,959
- Fresh & perishable products – 41%

Hypermarkets

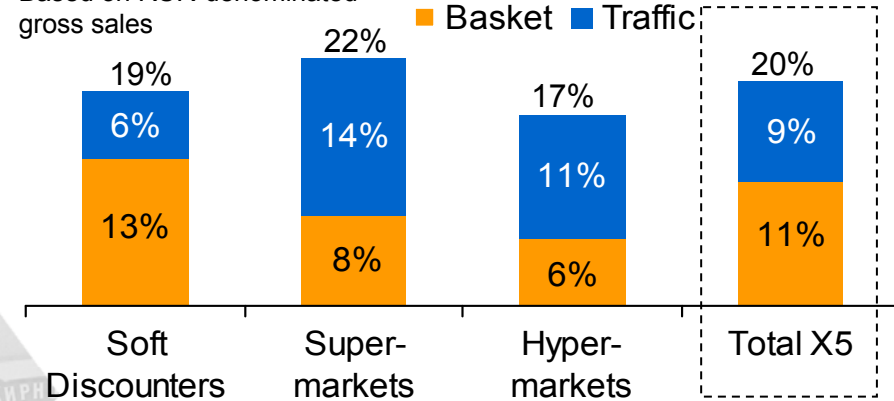


Data as of 31 December 2007

- 14 Compact & 1 Full Size Store
- Average net selling space – Compact: 4,000 sq. m. Full-size: 5,000-10,000 sq. m.
- Average assortment – Compact: 30,000 SKUs Full-size: 40,000-60,000 SKUs
- Sales per sq. m. – USD 8,909
- Fresh & perishable products – 40%

2007 LFL⁽¹⁾ Performance by Format

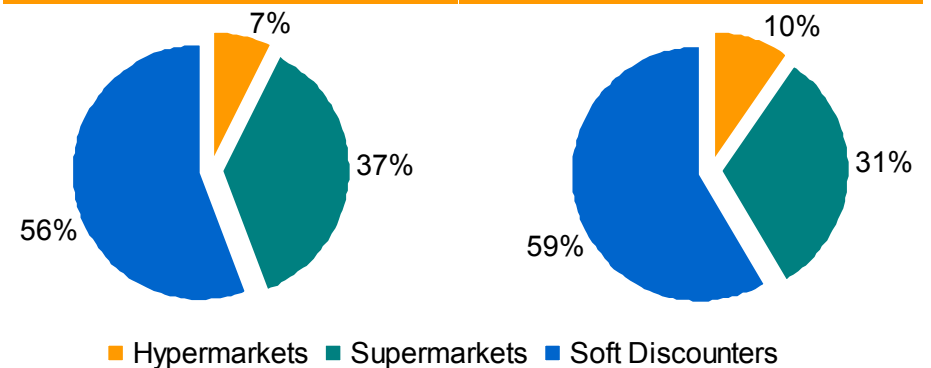
Based on RUR-denominated gross sales



2007 Break Down by Format

Net Retail Sales of USD 5,284 mln

Net Selling Space of 609,210 sq. m.

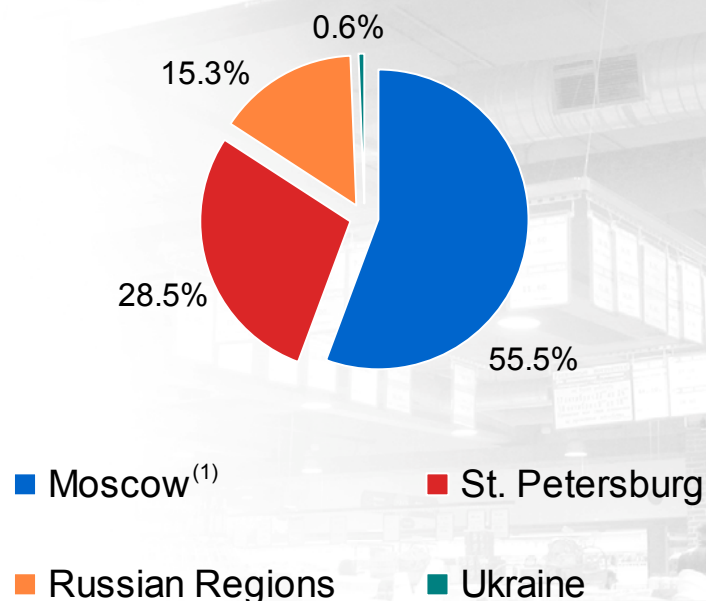


(1) LFL retail sales are calculated on a pro-forma basis, i.e. by including acquired Pyaterochka stores for the full year in each of 2006 and 2007

...National Presence With Leading Position in Moscow and St. Petersburg

2007 Net Retail Sales by Region

FY07 Net Retail Sales of USD 5,284 million



2007 Sales, EOP Store Locations and Selling Space

Region	FY07 Net Retail Sales (USD mln)	No of Stores	Net Selling Space ('000 sq. m.)
Moscow	2,934.7	418	299.8
St. Petersburg	1,506.4	263	159.1
Yekaterinburg	68.9	34	12.5
Chelyabinsk	93.0	49	18.6
Nizhniy Novgorod	223.5	38	31.4
Samara	133.3	15	19.6
Southern Russia	105.7	9	13.2
Other Russian Regions	186.7	37	48.8
Ukraine	32.1	5	6.2
Total	5,284.3	868	609.2



(1) Includes City of Moscow, Moscow and Yaroslav regions

...Sales Growth Driven By...

Like-for-like Sales

- Pricing Initiatives
- Optimising product assortment
- Improving merchandising / store layouts
- Improving loyalty programs

New Store Openings

- **Strong pipeline of new store openings**
 - Commitment to Moscow & St. Petersburg
 - Expansion into the European part of Russia & Urals

M&A

- **Selective acquisitions of small chains and franchisee buyouts**
- **Strategic – potential acquisition of Karusel⁽¹⁾**

...Driven By...

Pricing Initiatives

- Price offers for a group of SKUs during a certain period
- In/out actions
- Packaged offers

Rationalizing Assortment

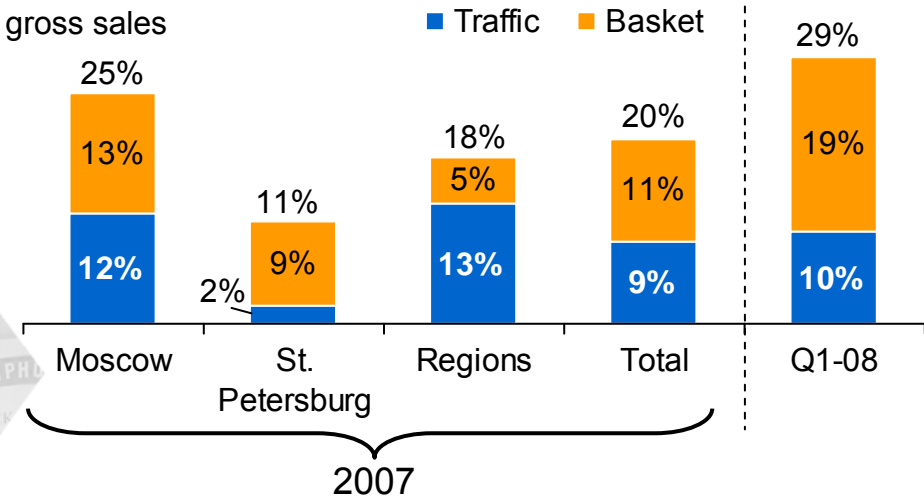
- Increasing share and improving quality of fresh & perishable products⁽²⁾
- Non-food
- Private label
- Increasing self-service, including pre-packaging

Improving Loyalty Programs

- Loyalty cards
- Social programs

Group 2007 and Q1-08 LFL⁽¹⁾ Performance

Based on RUR-denominated gross sales



Merchandising & PR

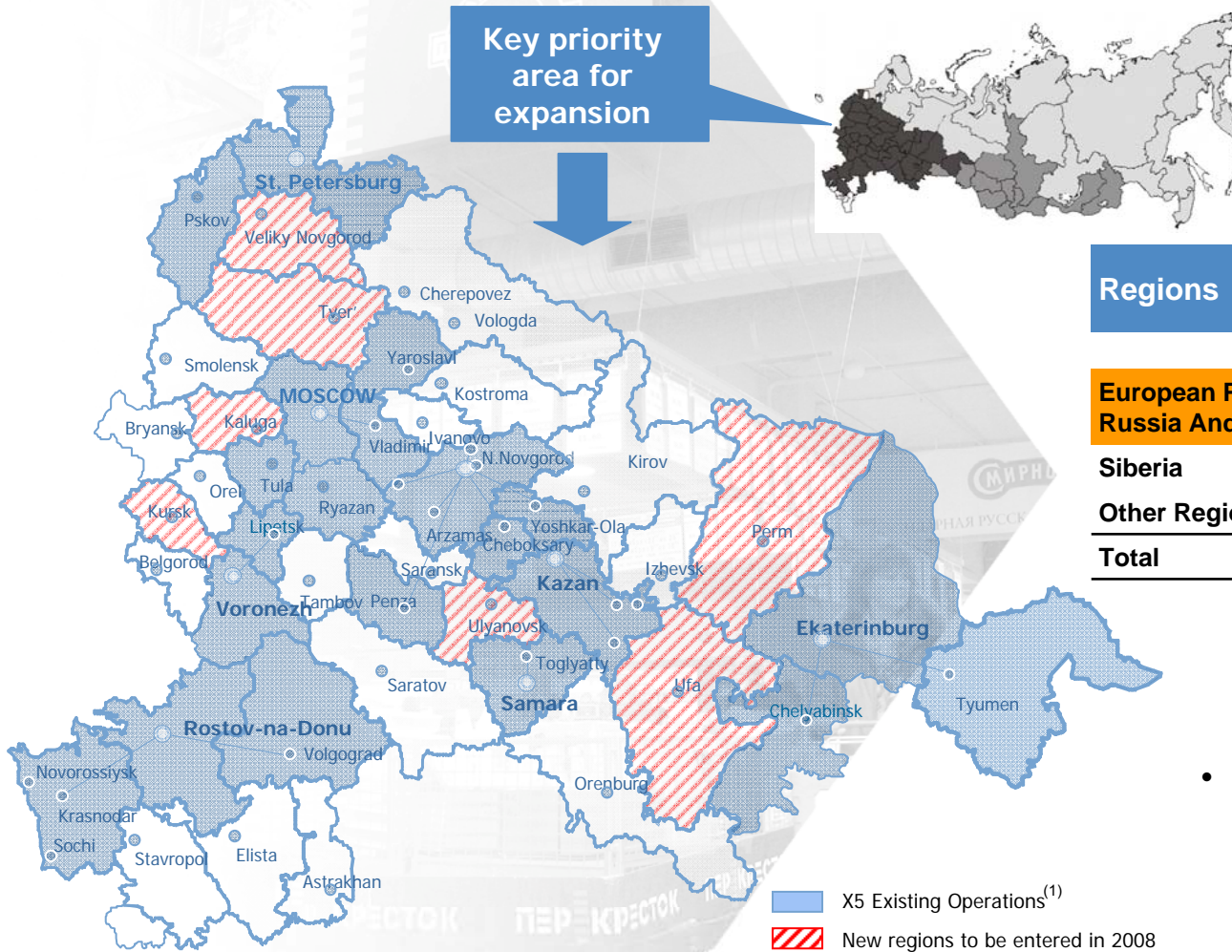
- TV
- Mass media
- Billboards
- Leaflets (both in-store & direct mailing)

(1) LFL retail sales are calculated on a pro-forma basis, i.e. by including acquired Pyaterochka stores for the full year in each of 2006 and 2007

(2) Fresh and perishable products comprising dairy products, meat and meat products, vegetables and fruit



... Through Expansion Into The European Part Of Russia & Urals



Regions	Total Area ⁽¹⁾ (million km ² , %)	Total Population ⁽¹⁾ (million, %)
European Part of Russia And Urals	5.7 (34%)	116.1 (82%)
Siberia	5.1 (30%)	19.6 (14%)
Other Regions	6.2 (36%)	6.5 (4%)
Total	17.0 (100%)	142.2 (100%)

- CapEx for 2008 expected to be USD 1.2 - 1.4 billion (excluding Karusel)



... Through Selective Acquisitions Of Small Chains, Franchisee Buyouts and Strategic Acquisitions (Karusel⁽¹⁾)

Date	Company	Region	EV (USD mln)	Number of Stores			Selling Space (sq. m.)	Additional Real Estate	Total Space (sq. m.)
				D	S	H			
July 2008 ⁽¹⁾	Karusel	Multi-Regions	Up to 970	–	–	23	115,000 ⁽²⁾	–	234,900 ⁽²⁾
March 2008	Pyaterochka Franchisee	Perm	18	28	–	–	9,300	–	
December 2007	Strana Gerkulesia	Moscow	63	26 ⁽³⁾	–	–	11,700	Office + construction in progress	27,100
December 2007	Korzinka	Central	109	15	6	1	20,000	–	38,007
January 2007	Pyaterochka Franchisee	Urals	NA	40	–	–	13,800	–	NA
October 2006	Mercado	Moscow	200	–	17	–	14,000	DC + office building	67,000

- Since Pyaterochka acquisition, X5 successfully completed three small M&A transactions and two franchisee chain buy-outs
- Re-branding, changing assortment, applying X5's pricing policy improves acquired stores' performance dramatically
- Better purchasing terms, improved logistics and reduction in G&A expenses enables the achievement of Group's average efficiency levels

(1) Anticipated timing; Acquisition is subject to satisfactory due diligence; (2) From public sources

(3) 26 stores were operational in 2007, three additional stores are scheduled for opening in 2008 (29 stores' total selling space of 12,900 sq. m.)



...Compelling Investment Proposition

Significant Step-Up in Scale of X5's Business

- #1 Position in Russian Food Retail by Revenues – Increasing Lead over Closest Competitor by over 30%⁽²⁾

Immediate Position as a Leading Hypermarket Operator

- Leading Position in the Fastest Growing Food Retail Format in Russia

Excellent Geographic Fit

- Complementary to Existing Regional Presence - Opportunity to Leverage on Existing Operations

Acquisition of High Quality Assets

- Owned Stores at High Quality Locations

Financially Compelling Acquisition

- Significant Synergy Benefits



Transaction Structure

- Acquisition of 100% of shares in Formata Holding BV, owner of the Karusel Hypermarket chain

Transaction Value

- Value determined by formula in the Call Option Agreement⁽¹⁾
- Equity value: Up to USD 970 million
- Includes estimated value of Karusel land and real estate under construction

Considered Funding Structure

- Up to 25% of equity value can be paid in X5 shares to current shareholders of Karusel
- Remainder in cash, potentially funded through equity financing

Approvals

- Transaction approved by the Supervisory Board
- Transaction approved by the Federal Antimonopoly Service⁽²⁾
- Subject to satisfactory due diligence

Timing

- Closing expected on 1 July 2008

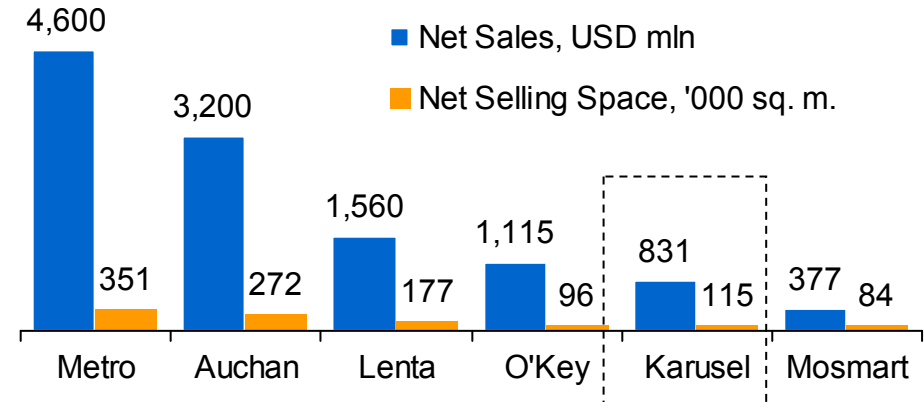
(1) Detailed information on the formula is provided in Appendices, page 25

(2) Subject to certain conditions with respect to relationship with suppliers in St. Petersburg

Business Highlights

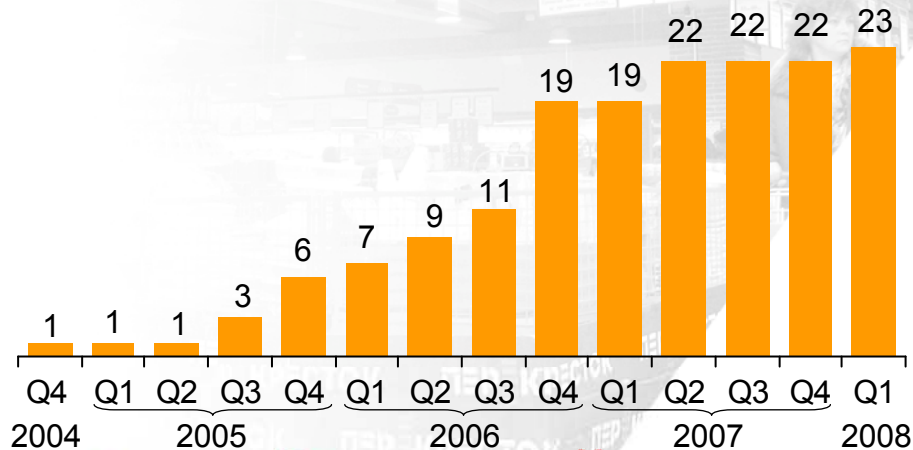
- #5 hypermarket operator in Russia both by sales and net selling space as at 31 December 2007
- Strong presence in key markets
 - 23 stores located in St. Petersburg & North West region, Moscow region, Nizhny Novgorod & Dzerzhinsk, Volgograd, and Izhevsk
- Extensive real estate portfolio and land bank
 - All existing hypermarkets as at 31 March 2008 are owned
 - 3 stores under construction
- Strong historical revenue growth and attractive margin structure

5 Hypermarket Operator in Russia

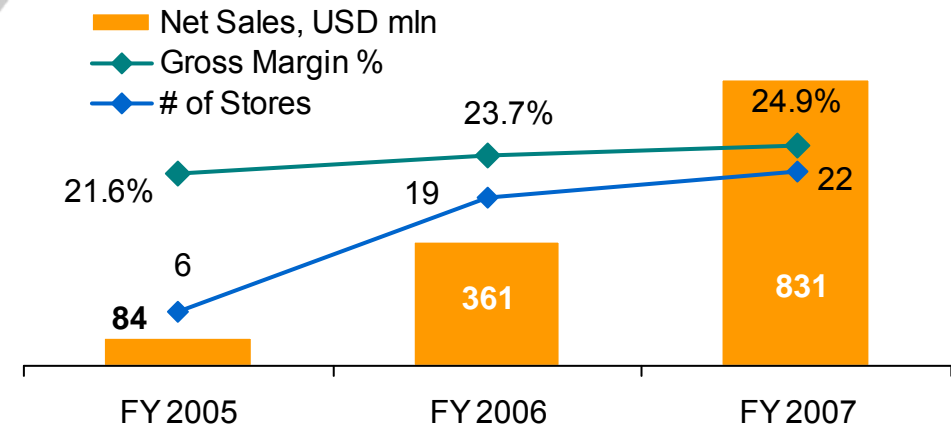


Note: Figures as at 31 December 2007

Cumulative Store Opening Schedule

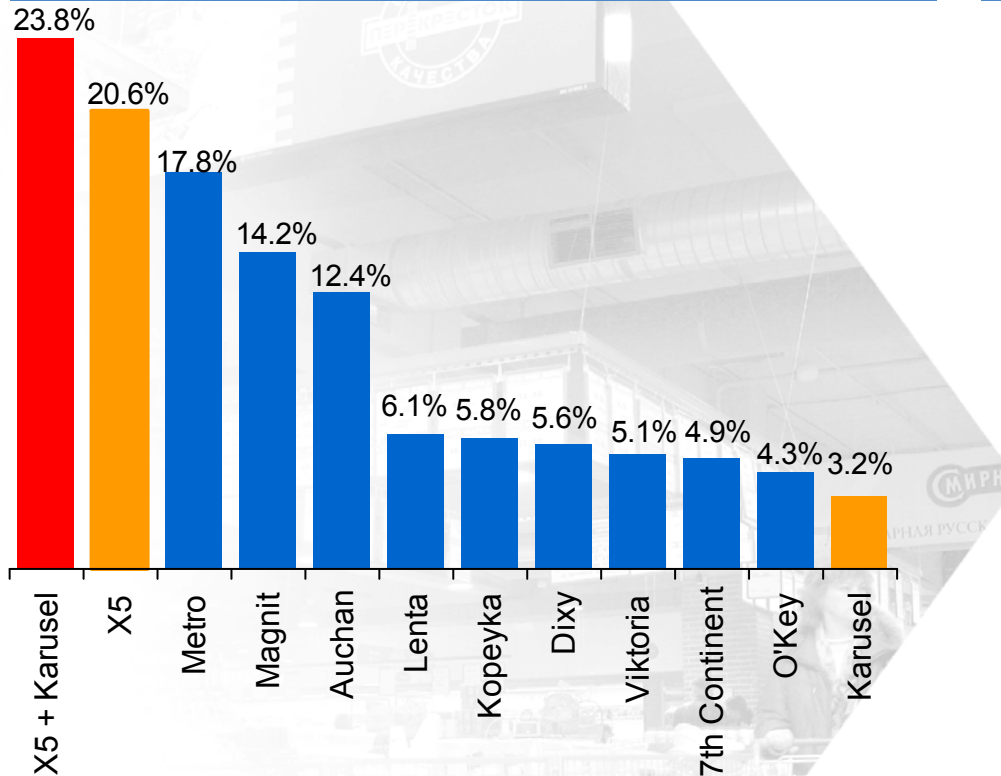


Net Sales, Margins & Store Count

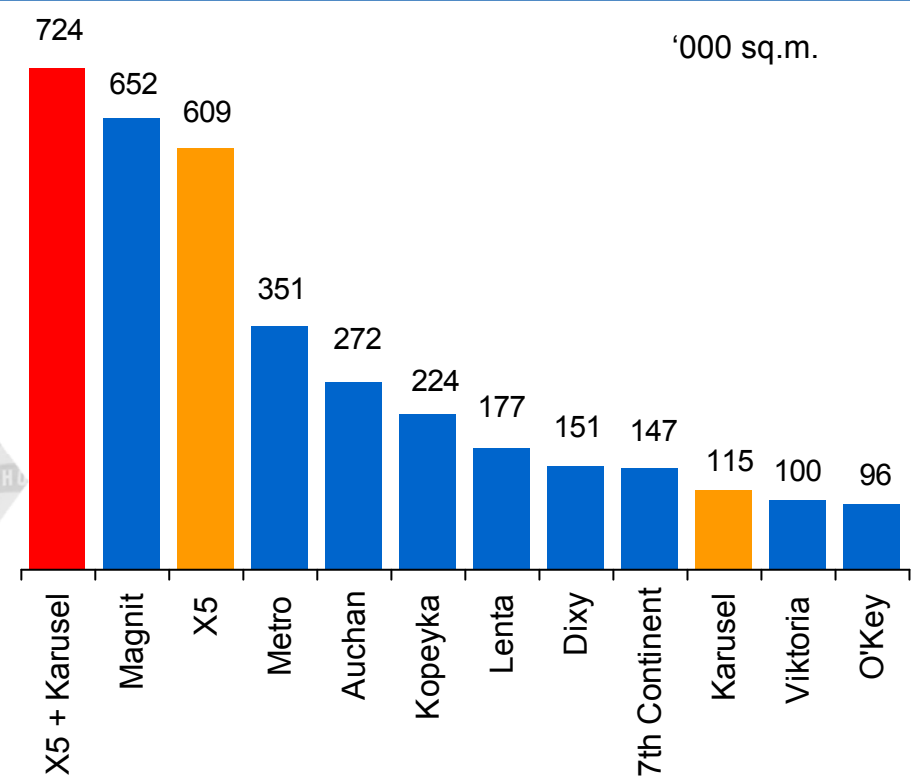


Sources: Companies' public information, Business Analytica and X5 estimates

2007 Share in Top-10 Retailers+Karusel(1)

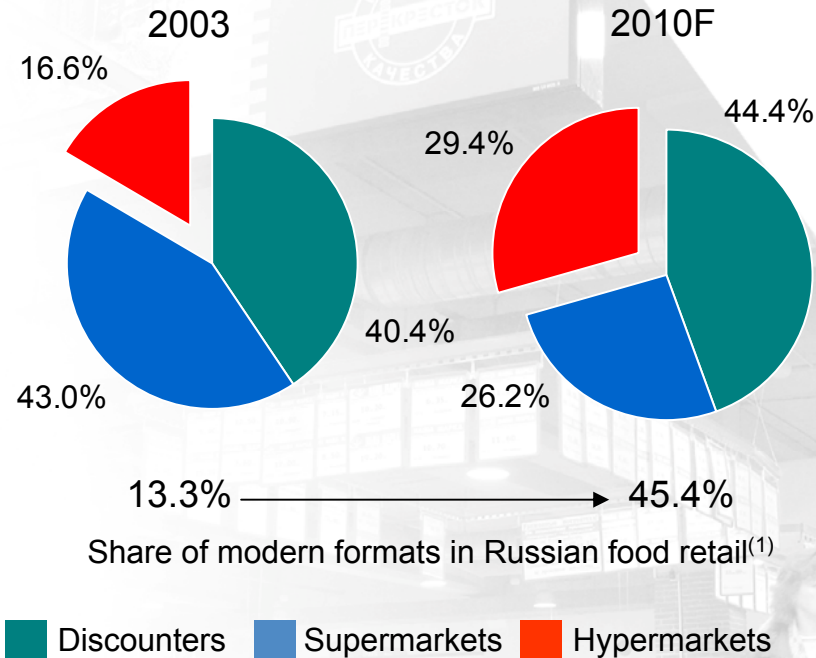


EOP 2007 Net Selling Space

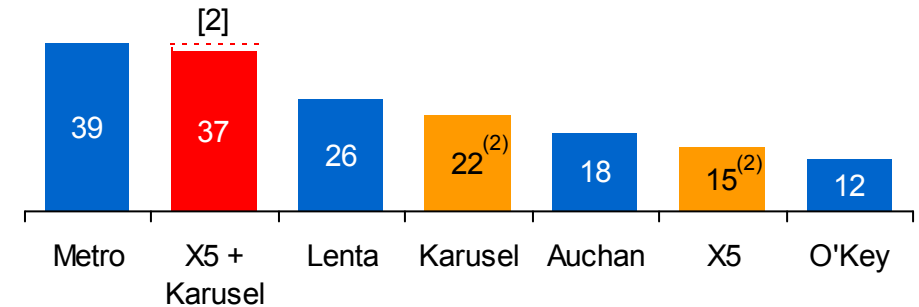


- The combined X5 and Karusel entity would have market share of 23.8% in the Top-10 Russian food retailers + Karusel, which translates into 2.8% market share in the total food retail market of Russia⁽²⁾
- Significant lead ahead of its closest competitors – over 30% gap in terms of PF 2007 sales

Evolution of Russian Modern Food Retail⁽¹⁾

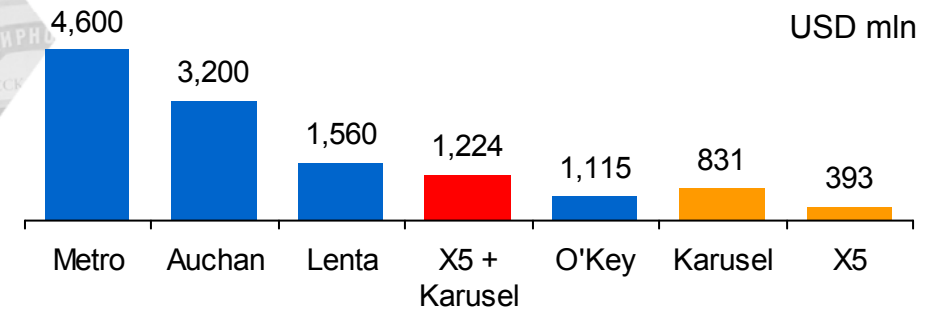


Russian Hypermarket Operators Store Count



Note: Figures as of 31 December 2007

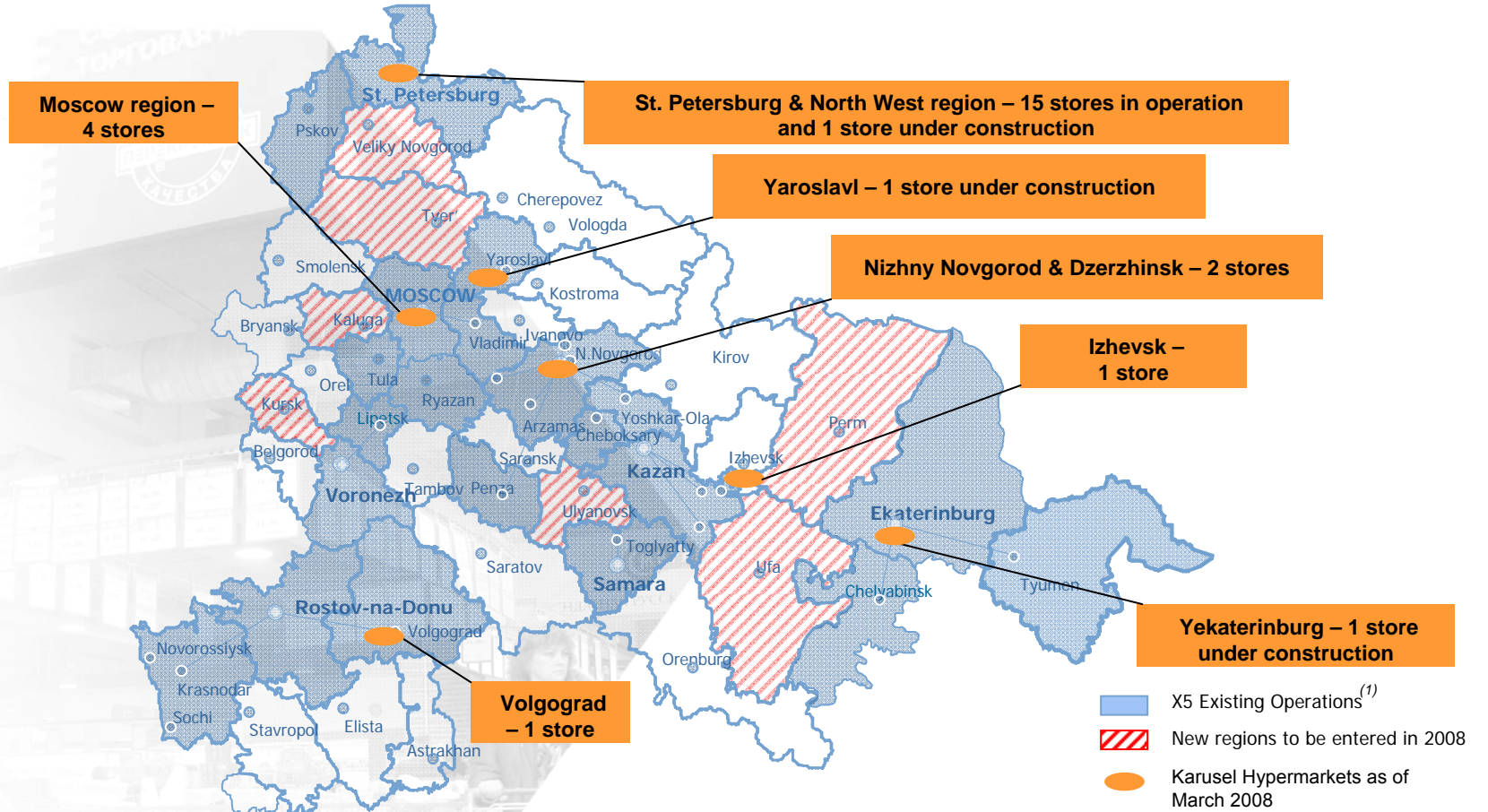
Russian Hypermarket Operators Sales⁽³⁾



Note: Figures as of 31 December 2007

- Significant enhancement of presence in hypermarkets - the fastest growing format in the Russian Food Retail Market
- The acquisition of Karusel⁽⁴⁾ would result in a portfolio of 39⁽²⁾ hypermarkets for the X5 Group

Karusel - Excellent Geographic Fit



- Almost 20% addition to X5 net selling space based on 2007 results
- Karusel stores complement X5's existing regional presence, maximizing efficiency
- X5 asset base will be enhanced through the addition of high quality locations and ownership of Karusel stores

Synergies	Sources
<p>Sales</p>	<ul style="list-style-type: none"> ▪ Improvement in sales per sq. m. of existing Karusel stores through <ul style="list-style-type: none"> - Rebranding - Layout improvement - Improvement in assortment - More competitive pricing & active promotions
<p>Gross Margin</p>	<ul style="list-style-type: none"> ▪ Enhancement of X5-Karusel combined purchasing power & better purchasing terms/contracts ▪ Leveraging on X5 logistics infrastructure
<p>EBITDA</p>	<ul style="list-style-type: none"> ▪ Optimization of management & administrative overheads ▪ Retail operating expense leverage – economies of scale ▪ Better non-commercial purchasing

Total integration costs expected to be USD 150 mln in 2008 and 2009



	2007	2008	2009
Net Sales (USD m)	831	<ul style="list-style-type: none"> ▲ Full year contribution of stores opened in 2007 ▲ One new store opened in March ▲ Early benefits of Mercado re-branding ▲ Competitive pricing to drive sales density ▼ Short-term closing of stores for re-branding, integration and IT upgrade 	<ul style="list-style-type: none"> ▲ Opening of two new stores currently under construction ▲ Like-for-Like normalizing at Mercado level ▲ Significant benefits of Mercado re-branding
Gross Margin	24.9%	<ul style="list-style-type: none"> ▼ Limited margin investment in customer retention and store re-launch 	<ul style="list-style-type: none"> ▲ Improvement in purchasing power ● Normalizing at Mercado level
EBITDA Margin	8.4%	<ul style="list-style-type: none"> ▲ Synergies enhancement ▼ Short-term closing of stores for integration ▼ One-off integration costs 	<ul style="list-style-type: none"> ▲ Start of synergies enhancement

Synergy and scale benefits further underpin attraction of the transaction



... Successfully Completed in May to Finance the Acquisition of Karusel

Offering Structure

- USD1,026 mln offering of rights to eligible⁽¹⁾ existing GDR holders to acquire new GDRs (48.1m new GDRs at USD 21.32 per new GDR (ratio of 2:9))
- New GDRs which were not subscribed for by the end of the Subscription Period were offered for sale by the underwriters in the Rump Offering
- Rights to acquire GDRs were not be tradable, however there was a “make-whole” provision resulting from the placement of the Rump to compensate non-participating shareholders

Results

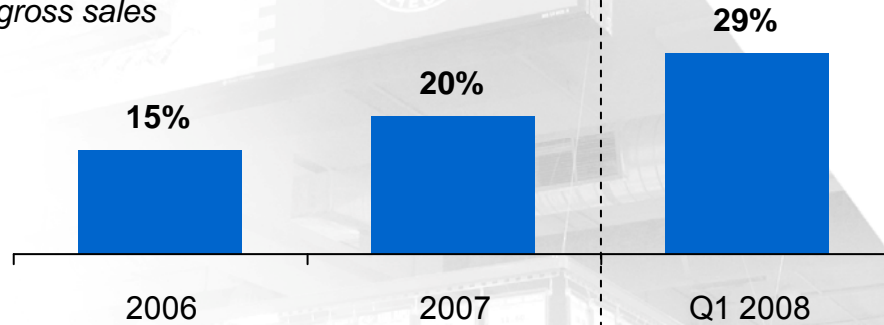
- Subscription rate - 96.5%
- The unsubscribed portion of the Offering (3.5%) included the Company's Treasury Shares (1.74%) that were not eligible to participate. Excluding them, subscription rate would have been 98.2%
- The unsubscribed GDRs were placed in the Rump Offering at a price of USD 35.0 per GDR
- As a result of the Offering, X5's gross proceeds totaled USD 1,026 million
- An amount of USD 22.96 million (based on the difference between the Rump Offering price (USD 35.0) and the Subscription price (USD 21.32) was paid to unsubscribed shareholders
- To satisfy high investor demand in the Rump Offering, the Company sold its Treasury Shares (3,769,113 GDRs) at the same price, generating additional proceeds of USD 131.9 million

Use of proceeds

- The gross proceeds of the Offering are intended to fund the cash portion of the purchase price for Karusel⁽²⁾ and the associated rebranding, restyling and integration costs
- Any remaining amounts to be used for general corporate purposes

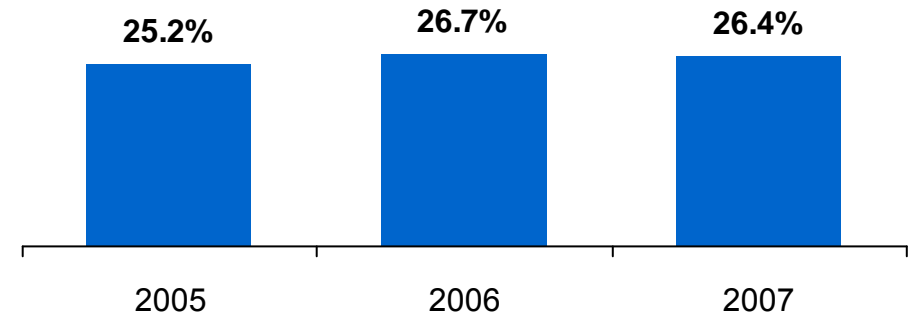
LFL⁽¹⁾

Based on RUR-denominated gross sales

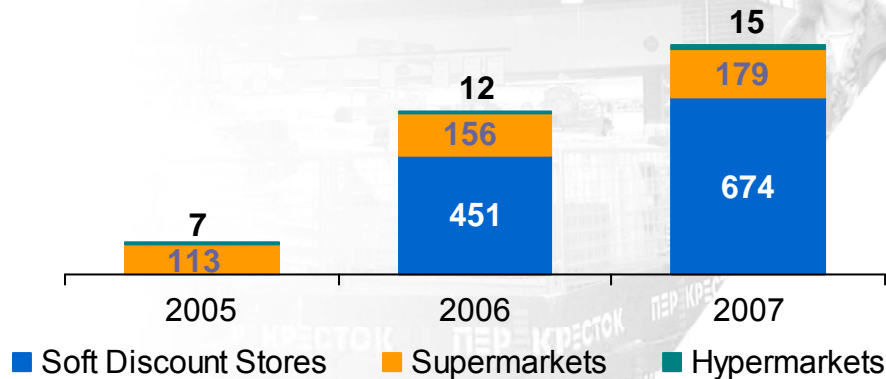


Gross Margins

% of net sales

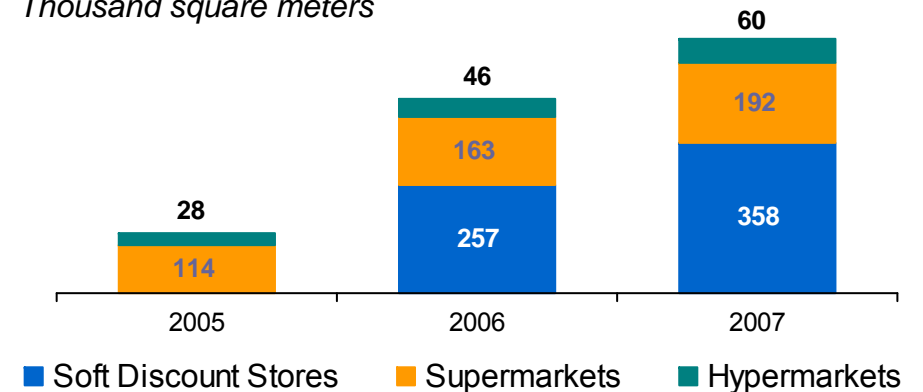


Number Of Stores



Net Selling Space

Thousand square meters



(1) LFL retail sales are calculated on a pro-forma basis, i.e. by including acquired Pyaterochka stores for the full year in each of 2006 and 2007

...Strong Growth Combined With Highly Attractive Margins

USD mln	2007	2006	% change, y-o-y
Net Sales	5,320.4	3,485.4	53%
Retail	5,284.3	3,460.4	53%
Gross Profit	1,403.9	928.9	51%
% Gross Margin	26.4%	26.7%	
EBITDA	479.3	296.7	62%
% EBITDA Margin	9.0%	8.5%	
Operating Profit	336.9	210.3	60%
% Operating Margin	6.3%	6.0%	
Net Profit	143.7	102.2	41%
% Net Margin	2.7%	2.9%	

... And Strong Cash Flow Generation

USD mln	2007	2006
Net Cash From Operating Activities	427.5	316.9
Net Cash (used in) / from Investing Activities	(898.8)	(40.9)
Net Cash (used in) / from Financing Activities	470.0	(138.1)
Effect of Exchange Rate Changes on Cash	12.8	0.2
Net Change in Cash Position	11.5	138.1
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Short-Term Debt	253.7	218.0
Long-Term Debt	1,464.7	949.1
Total Debt	1,718.4	1,167.1
Cash and Cash Equivalents	179.5	168.0
Net Debt	1,538.9	999.1
Net Debt / EBITDA	3.2x	3.4x
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Net Working Capital net of Short-Term Debt	(437.1)	(218.5)



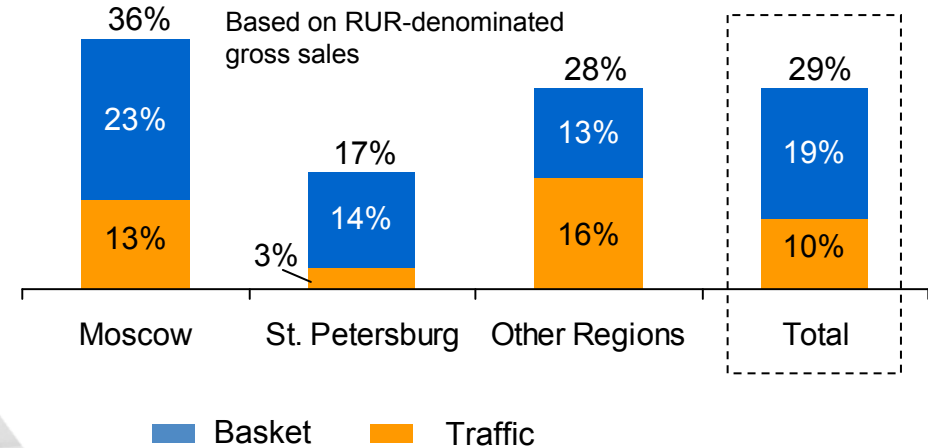
...Continuing Strong Performance

- 61% increase in net retail sales in Q1-08 over Q1-07
- 29% LFL growth in Q1-08
- 62 new stores opened adding 30,087 sq. m. of net selling space in Q1-08

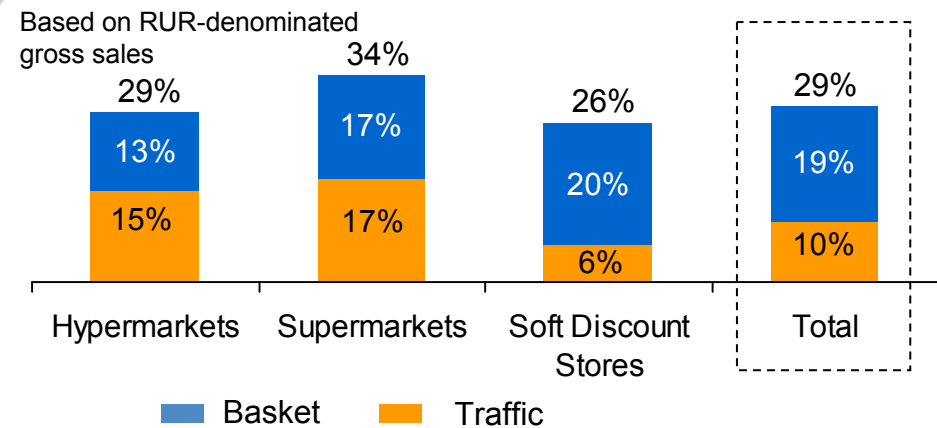
	Q1 2007	Q1 2008	YoY
Net Retail Sales	1,101	1,775	61.2%

	As of 31 Dec 2007	As of 31 Mar 2008	Net added in Q1-08
Stores	868	930	62
- Discounters	674	731	57
- Supermarkets	179	183	4
- Hypermarkets	15	16	1
Net Selling Space ('000 sq. m.)	609,210	639,297	30,087
- Discounters	357,517	379,084	21,567
- Supermarkets	191,730	196,102	4,372
- Hypermarkets	59,963	64,111	4,148

Q1 2008 LFL Breakdown per Region



Q1 2008 LFL Breakdown per Format







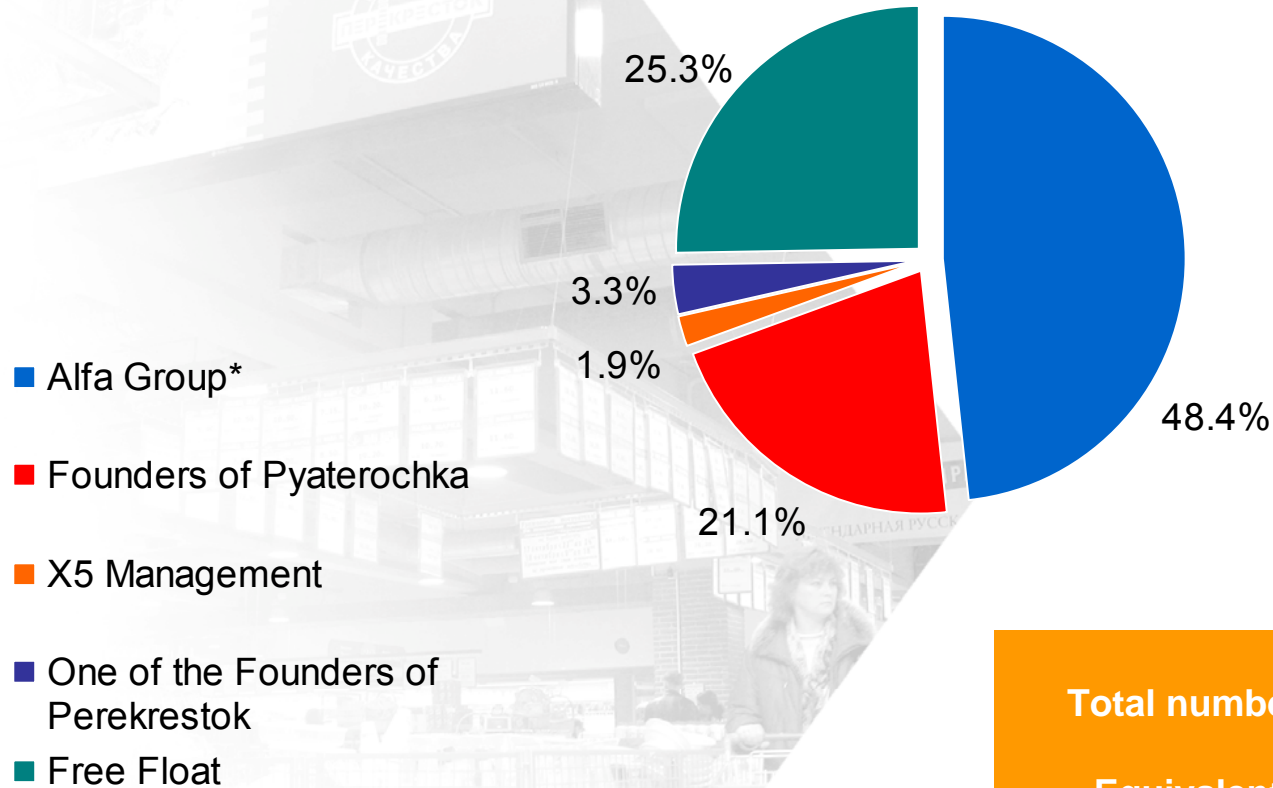
The amount payable by X5 Retail Group for the exercise of the Call Option (the Option Price) is the aggregate of:

- (a) the lesser of:
 - (i) 1.1 multiplied by consolidated net sales of Formata; or
 - (ii) 14.5 multiplied by the greater of
 - i. EBITDA; or
 - ii. 5% of consolidated net sales of Formata; plus
- (b) the value of the land and other real estate in the course of construction (where business is not carried out as at 31 December 2007), as determined by an independent real estate valuer; less
- (c) the aggregate amount of Formata's net debt,

In each case calculated by reference to Formata's audited consolidated IFRS accounts for the year ended 31 December 2007

The Call Option Agreement provides that, at the Company's discretion, up to 25% of the Option Price can be satisfied by newly issued X5 Retail Group shares ("Share Consideration"). The Share Consideration is based on the volume weighted average price of an X5 ordinary share for the 30-day period immediately prior to the date of the Option Notice.

The Option Notice was sent to Formata shareholders in January 2008.



Total number of shares – 66,146,71

Equivalent of 264,586,852 GDRs



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