

Building on X5's Success in Discounters: Acquisition of Kopeyka Retail Chain

06 December 2010





This presentation does not constitute or form part of and should not be construed as an advertisement of securities, an offer or invitation to sell or issue or the solicitation of an offer to buy or acquire or subscribe for securities of X5 Retail Group N.V. or any of its subsidiaries or any depositary receipts representing such securities in any jurisdiction or an invitation or inducement to engage in investment activity in relation thereto. In particular, this presentation does not constitute an advertisement or an offer of securities in the Russian Federation.

No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

No representation, warranty or undertaking, express or implied, is given by or on behalf of X5 Retail Group N.V. or any of its directors, officers, employees, shareholders, affiliates, advisers, representatives or any other person as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein or any other material discussed at the presentation. Neither X5 Retail Group N.V. nor any of its directors, officers, employees, shareholders, affiliates, advisers, representatives or any other person shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or any other material discussed at the presentation or their contents or otherwise arising in connection with the presentation.

This presentation includes statements that are, or may be deemed to be, "forward-looking statements", with respect to the financial condition, results, operations and businesses of X5 Retail Group N.V. 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 X5 Retail Group N.V.'s control. As a result, X5 Retail Group N.V.'s actual future results may differ materially from the plans, goals and expectations set out in these forward-looking statements. X5 Retail Group N.V. assumes no responsibility to update any of the forward looking statements contained in this presentation.

This presentation is not for distribution in, nor does it constitute an offer of securities for sale, or the solicitation of an offer to subscribe for securities in Australia, Canada, Japan or in any jurisdiction where such distribution, offer or solicitation is unlawful. Neither the presentation nor any copy of it may be taken or transmitted into the United States of America, its territories or possessions, or distributed, directly or indirectly, in the United States of America, its territories or possessions or to, or viewed by any U.S. person as defined in Regulation S under the US Securities Act 1933 (the "Securities Act"). Any failure to comply with these restrictions may constitute a violation of United States, Australian, Canadian or Japanese securities laws. The distribution of this presentation in certain jurisdictions may be restricted by law and persons into whose possession this document or any other document or other information referred to herein comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdiction.

For Russian law purposes, the securities mentioned in this presentation (the "Securities") represent foreign securities. It is not permitted to place or publicly circulate the Securities on the territory of the Russian Federation at present. No prospectus for the issue of the Securities has been or is intended to be registered with the Federal Service for Financial Markets of the Russian Federation. The information provided in this presentation is not intended to advertise or facilitate the offer of the Securities in the territory of the Russian Federation. This presentation does not represent an offer to acquire the Securities or an invitation to make offers to acquire the Securities.

The information and opinions contained in this document are provided as at the date of this presentation and are subject to change without notice. Some of the information is still in draft form and neither X5 Retail Group N.V. nor any other party is under any duty to update or inform recipients of this presentation of any changes to such information or opinions. In particular, it should be noted that some of the financial information relating to X5 Retail Group N.V. and its subsidiaries contained in this document has not been audited and in some cases is based on management information and estimates.

Neither X5 Retail Group N.V. nor any of its agents, employees or advisors intend or have any duty or obligation to supplement, amend, update or revise any of the statements contained in this presentation.



I. Strategic Rationale

II. Transaction

III. Kopeyka Overview

IV. X5 + Kopeyka

V. Synergies and Roadmap



Kopeyka Acquisition Adds to X5's Organic Strategy for Leadership, Growth and Value for Shareholders – Building on X5 Discounters' Phenomenal Success

Area of Focus	Rationale
<p>Leadership</p>	<ul style="list-style-type: none"> ▪ Undisputed leader in discounters by far leaving behind nearest competitors⁽¹⁾ ▪ Nearly 75% increase in Moscow and Moscow region store presence⁽²⁾ ▪ X5 total selling space up by 25%⁽³⁾
<p>Growth</p>	<ul style="list-style-type: none"> ▪ Pro forma combined retail turnover will increase 20% to RUR 360 billion⁽⁴⁾ ▪ Pro-forma combined EBITDA will increase 16% to RUR 27.7 billion⁽⁴⁾ ▪ More than 70% upside for sales density ▪ The deal gives more opportunity for organic growth in 2011
<p>Value</p>	<ul style="list-style-type: none"> ▪ X5 is buying one of Russia's strongest retailers, reinforcing our best performing format in our strongest geographic markets



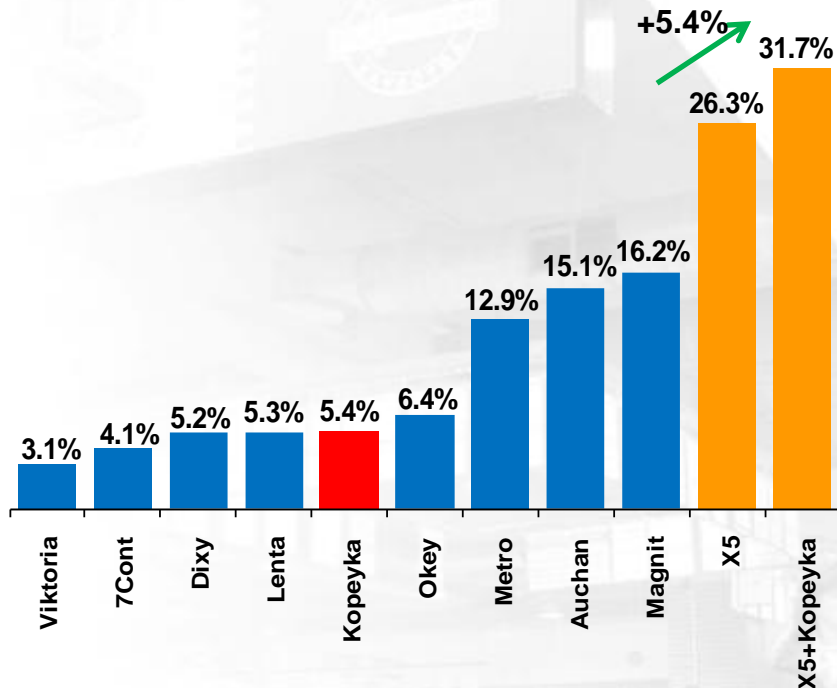
(1) By sales volume, for the 12 months to June 30 2010; (2) As of June 30 2010;

(3) X5 selling space as of 30 June 2010 + Kopeyka selling space as of 30 June 2010;

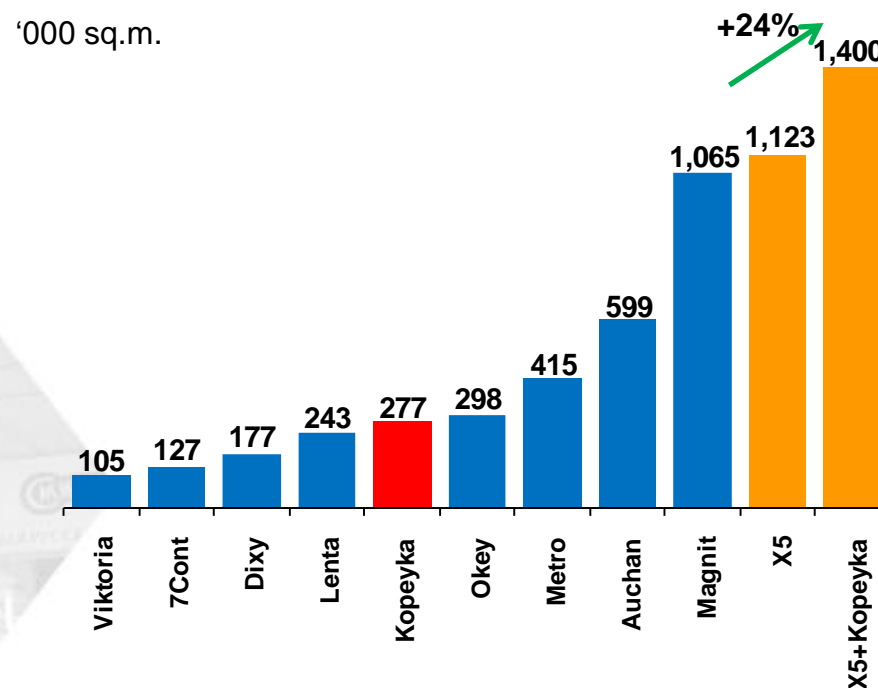
(4) For the 12 months to June 30 2010. Pro-forma includes unaudited results not considering for potential differences in accounting policies

Acquiring of Kopeyka Will Enhance X5's Number One Position In Russia

2009 Share in Top-10 Retailers⁽¹⁾



H1 2010 Net Selling Area⁽²⁾



The acquisition will transform X5 into the runaway market leader in terms of revenues, number of stores and operating results :

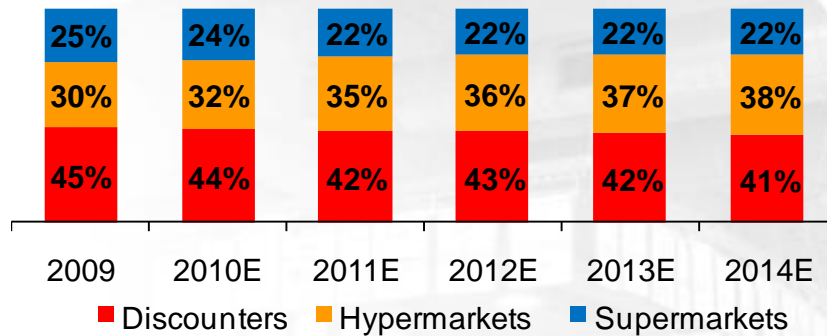
- ...boosting its market share up to 31.7% in the Top-10 Russian food retailers⁽³⁾ or 5.4% market share for the total Russian food retail market⁽³⁾



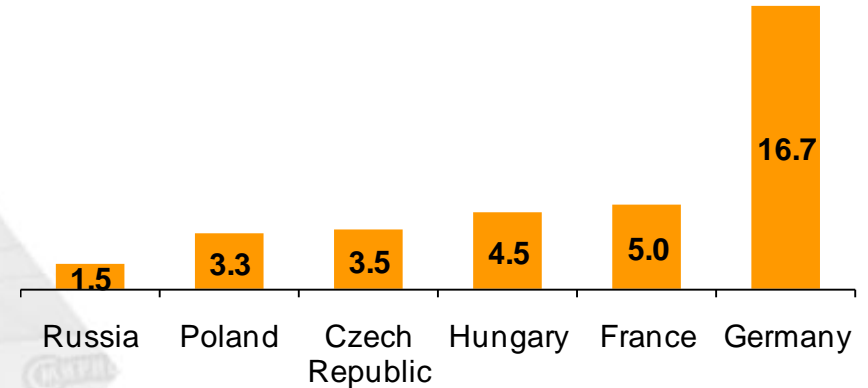
(1) Share of top 10 food retailers in Russia in 2009
 (2) H1 2010 net selling area from public sources

Discounters Format – Growth Driver with Outstanding Potential for Food Retail Market in Russia

Modern Retail Structure in Russia⁽¹⁾

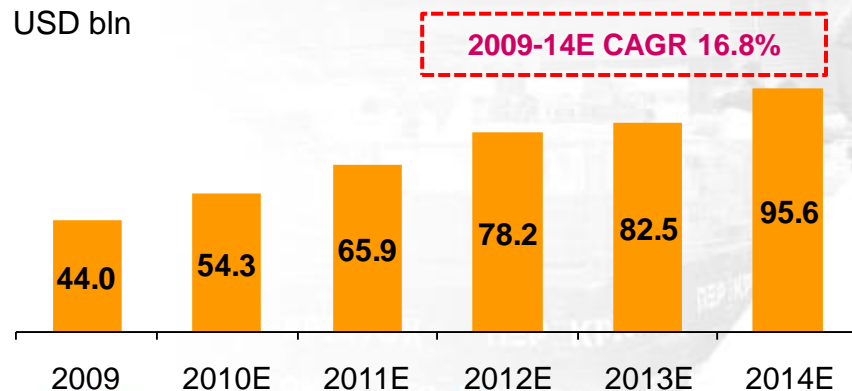


Discounters per 100,000 of Population⁽²⁾



Discounter Format Turnover in Russia⁽¹⁾

USD bln



Comments

- Discounters have strongest appeals for a high percentage of the Russian population with low to average incomes who and shop close to home
- Format penetration is low by international standards and growth is underpinned by the long-term development of modern retail

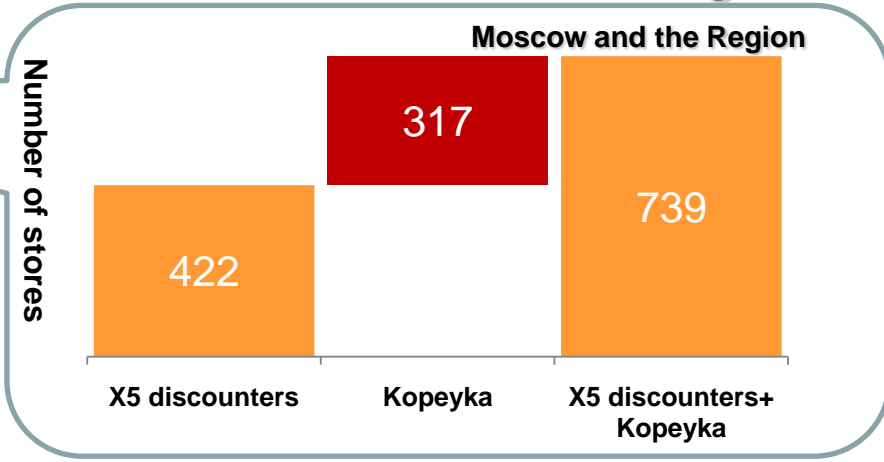
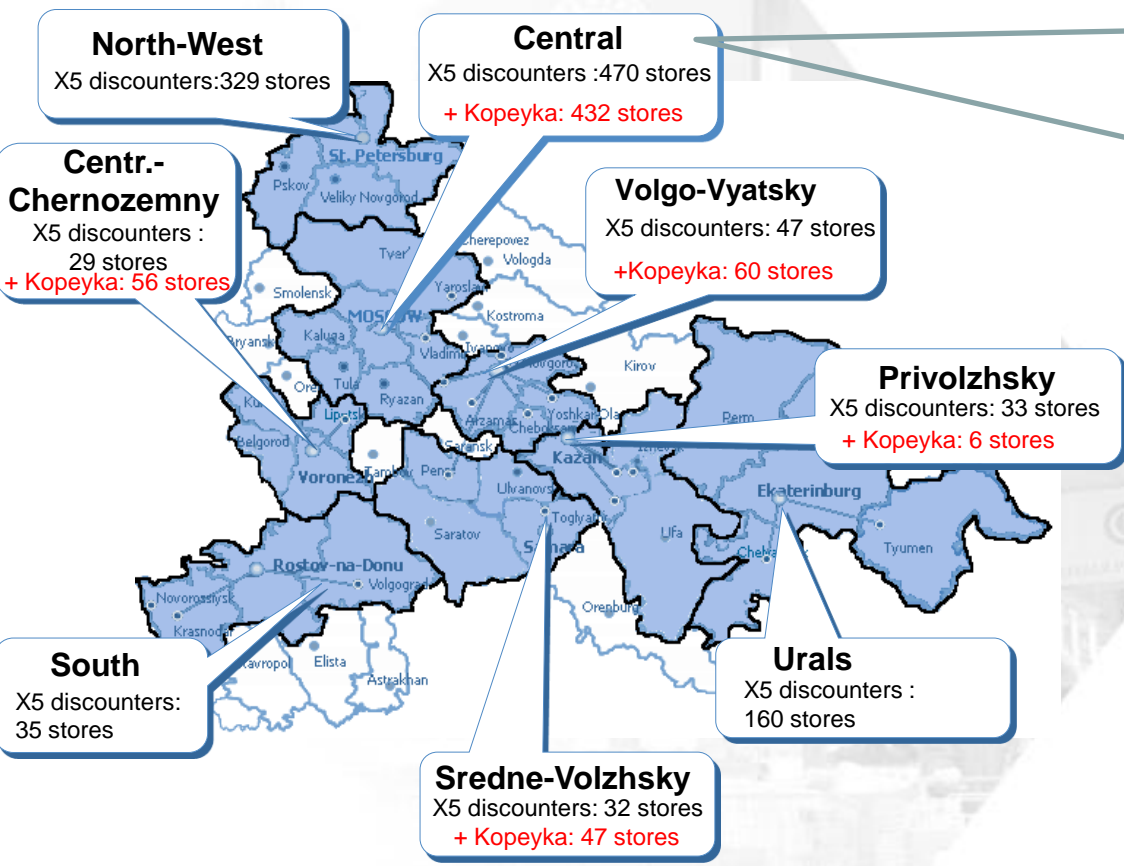


(1) Source: Company estimates, Renaissance Capital research, Bloomberg

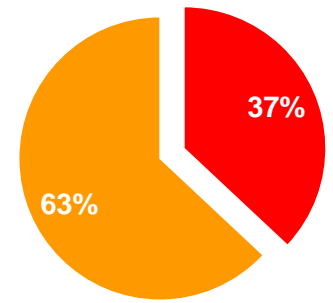
(2) As of year-end 2009

...in the Key Markets – Moscow and the Region

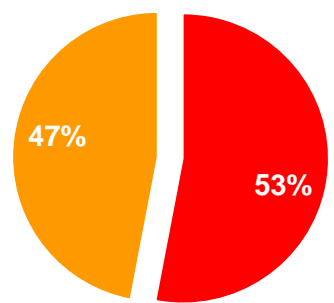
As of 30 June 2010



X5 Discounters Regional Breakdown

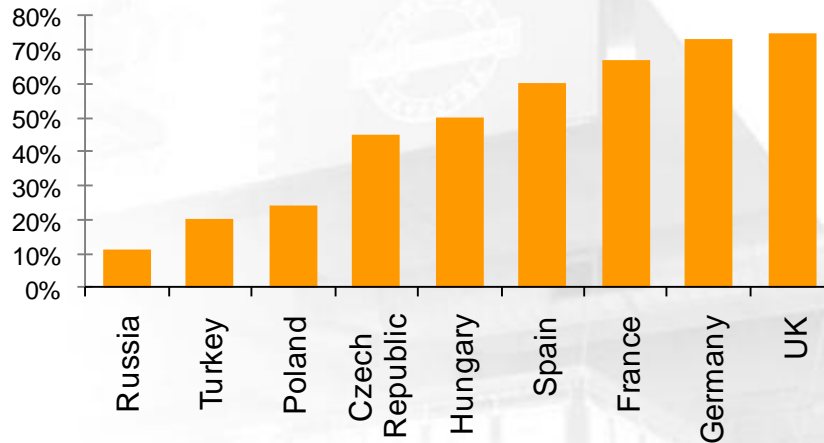


Kopeyka Regional Breakdown

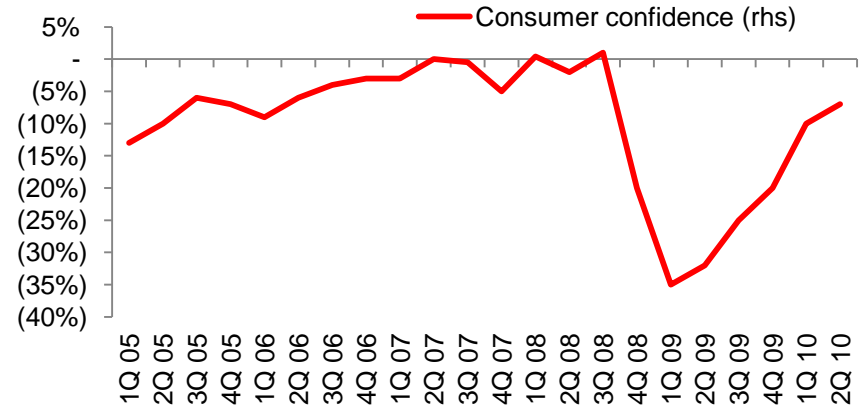


All Kopeyka stores are located in Central Russia, with the majority of them in Moscow and the Moscow region, and provide good overlap with X5 locations and infrastructure

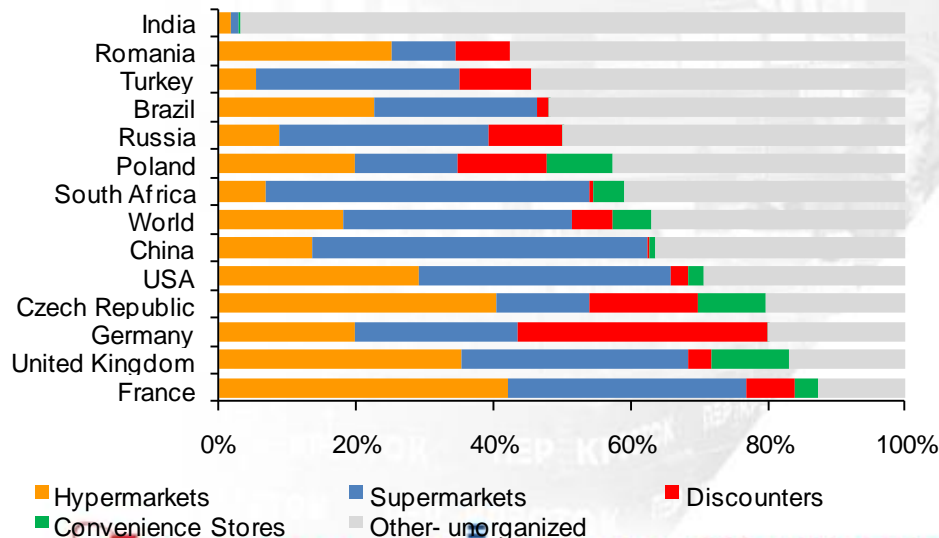
Top 5 Food Retail Chains, Market Share %⁽¹⁾



Consumer confidence index in Russia ⁽²⁾



Share of Different Formats in Retailing⁽³⁾



Comments

- X5 - Number one Russia's retailer has only 4.4% of total market share ⁽⁴⁾
- Top 5 Russia's food retail chains account for only 11% of total market share ⁽³⁾
- Modern retail format – just around 50% of the market in Russia compared to more than 80% in European countries⁽³⁾



(1) Sources: Rosstat, Planet Retail, Euromonitor. As of year-end 2009; (2) Source: Rosstat; (3) Sources: Merrill Lynch research data, Euromonitor. As of year-end 2009; (4) Based on estimated gross sales, total market size (food retail) – USD 223 USD bln. As of year-end 2009



I. Strategic Rationale

II. Transaction

III. Kopeyka Overview

IV. X5 + Kopeyka

V. Synergies and Roadmap



Description

- Acquisition of 100% ownership of Kopeyka retail business and property

Transaction Value

- Enterprise Value: RUR 51.5 bln
- Net Debt: less than RUR 16.5 bln

Transaction Structure

- 100% cash payment for equity
- All customary guarantees and warranties
- 100% assumption of debt

Approvals

- Conditional consent from Russian Federal Anti-Monopoly Service (FAS) received 09 September 2010 and 17 September 2010⁽¹⁾
- Approved by Supervisory Board of X5 Retail Group

Timing

- Deal completion and settlement expected in mid December 2010
- Integration to be finalized by 2013

Funding Structure

- USD 1 billion acquisition finance facility provided by Sberbank in RUB equivalent + available credit lines
- Kopeyka's existing debt refinancing with the current lenders or X5 relationships banks
- X5's net debt to EBITDA will be slightly above 3, well within X5's balance sheet target ratios and credit facility covenants, allowing flexibility in financing strategy.



(1) In accordance with the FAS decisions dated 09.09.2010 and 17.09.2010 the subsidiaries of OJSC "TD "KOPEYKA" will terminate trading activity at 27 stores before the completion of the transaction



I. Strategic Rationale

II. Transaction

III. Kopeyka Overview

IV. X5 + Kopeyka

V. Synergies and Roadmap



Strong Retail Operator...

- Russia's 3rd largest soft discounter with ~ 660 stores⁽¹⁾
- 20% Private Label penetration
- High in-store productivity
- Advanced IT systems on SAP platform
- Well developed franchising model
- Strong & professional management team



... With Strong Logistics Network⁽²⁾

- 7 DCs with total area ~ 87,000 sq.m.
- c. 90% centralization level, service level ~85%
- Kopeyka logistics efficiency supported by advanced IT platform, including warehouse monitoring system, GPS-monitoring of fleet and integration of all processes on SAP

Key Figures	FY 2009	1H 2010
Total Number of Stores	587	601
Total Space, ths. sq.m.	273	277
Net Retail Sales, RUR bln	54.9	30
EBITDA, RUR bln	3.7	1.6
<i>EBITDA Margin, %</i>	6.8	5.3



I. Strategic Rationale

II. Transaction

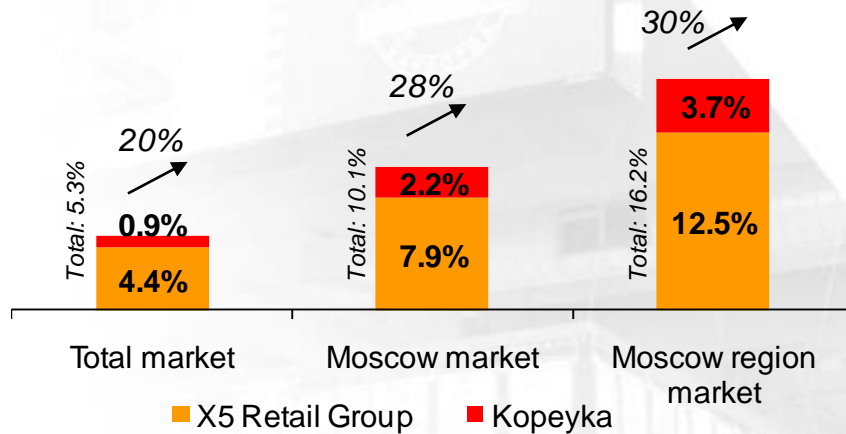
III. Kopeyka Overview

IV. X5 + Kopeyka

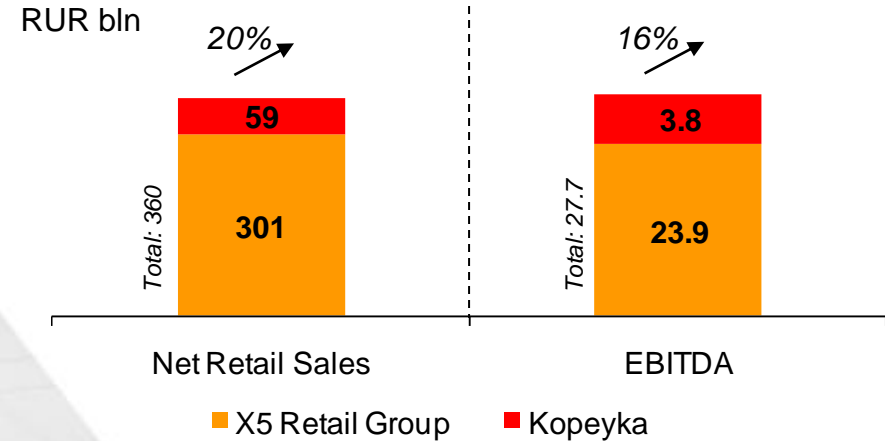
V. Synergies and Roadmap



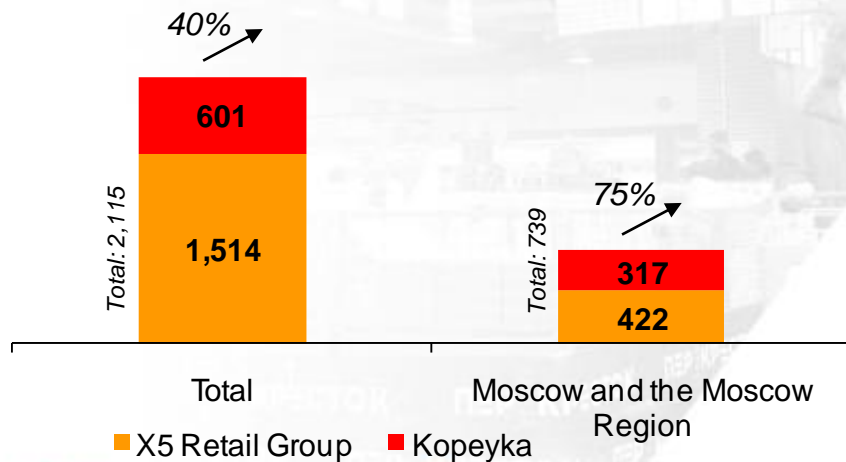
Market Share⁽¹⁾



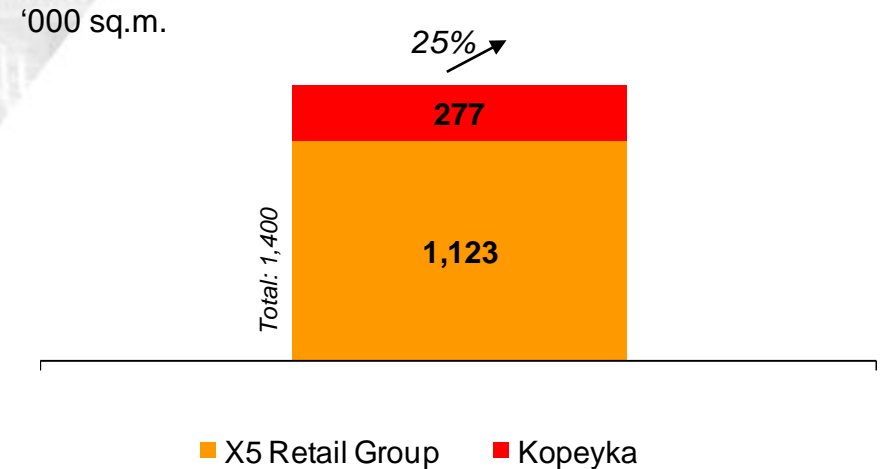
Net Retail Sales & EBITDA⁽²⁾



Number of Stores⁽²⁾



Selling Area⁽²⁾



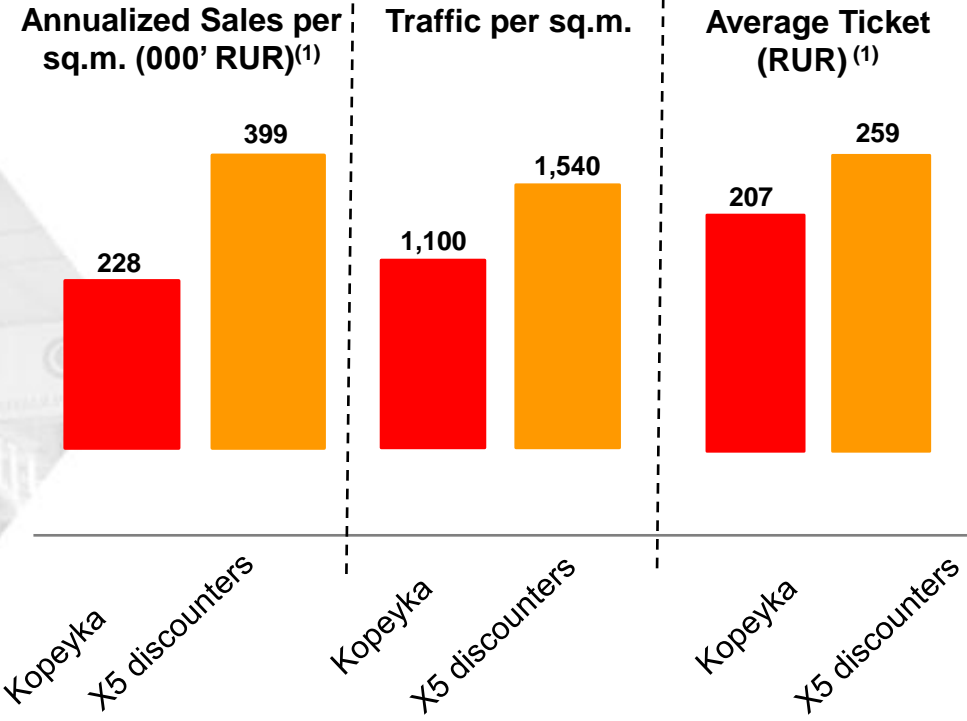
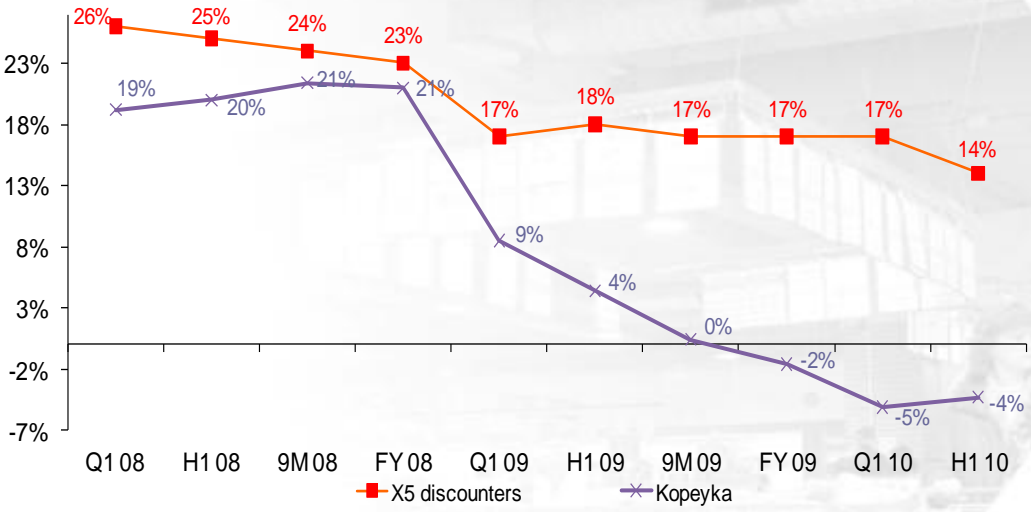
(1) Based on estimated gross sales; total market size (food retail) – USD 223 USD bln. As of year-end 2009

(2) For the 12 months to June 30, 2010

Substantial Upside Potential in Sales Density Through Traffic Improvement

Kopeyka vs X5 discounters (LFL)

Kopeyka vs X5 discounters



X5 discounters LFL performance set the benchmark for the peers' in Russia

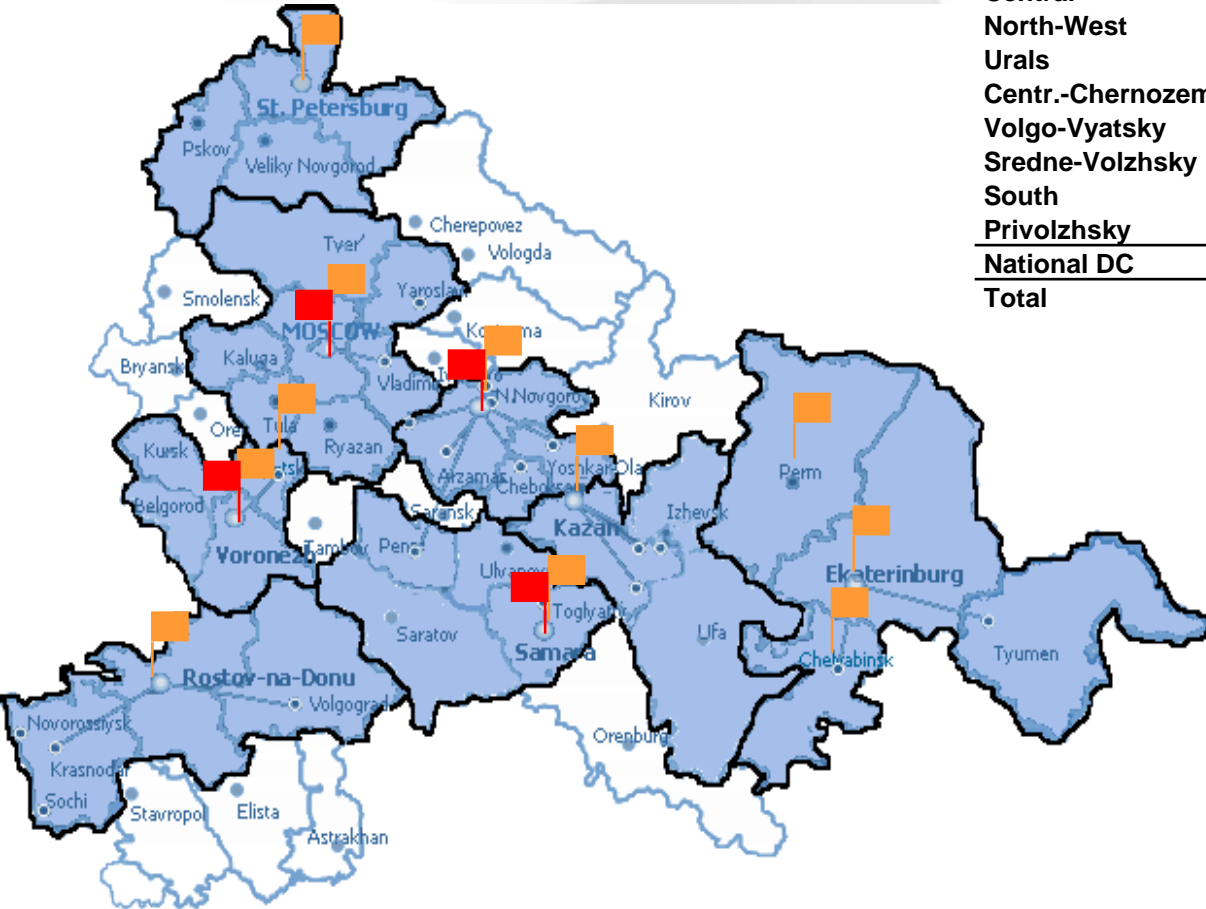
By driving traffic to X5 standards we have substantial upside in sales density - up to 75%



(1) For the 12 months to June 30, 2010; For mature (LFL) stores; Incl. VAT

7 Kopeyka Distribution Centres Provide X5 with Additional Logistics Capacity

■ X5 DC locations as at 30 June 2010
 ■ Kopeyka DC locations as at 30 June 2010



Region	X5		Kopeyka		Dry	Fruit & Veg.	Fresh	Frozen	Non-Food
	# of DCs	000 sq. m.	# of DCs	000 sq. m.					
Central	7	128.4	4	54.6	v	v	v	v	
North-West	5	65.1			v	v	v	v	
Urals	4	21.8			v	v	v		
Centr.-Chernozemny	2	11.8	1	10.7	v	v	v	v	
Volgo-Vyatsky	1	17.5	1	14.7	v	v	v	v	
Sredne-Volzhsky	1	13.4	1	6.7	v	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	7	86.8					

- 7 DCs with total area ~ 87 ths. sq.m. complement X5 logistics network
- 7 DCs' regions of presence fit those of X5



I. Strategic Rationale

II. Transaction

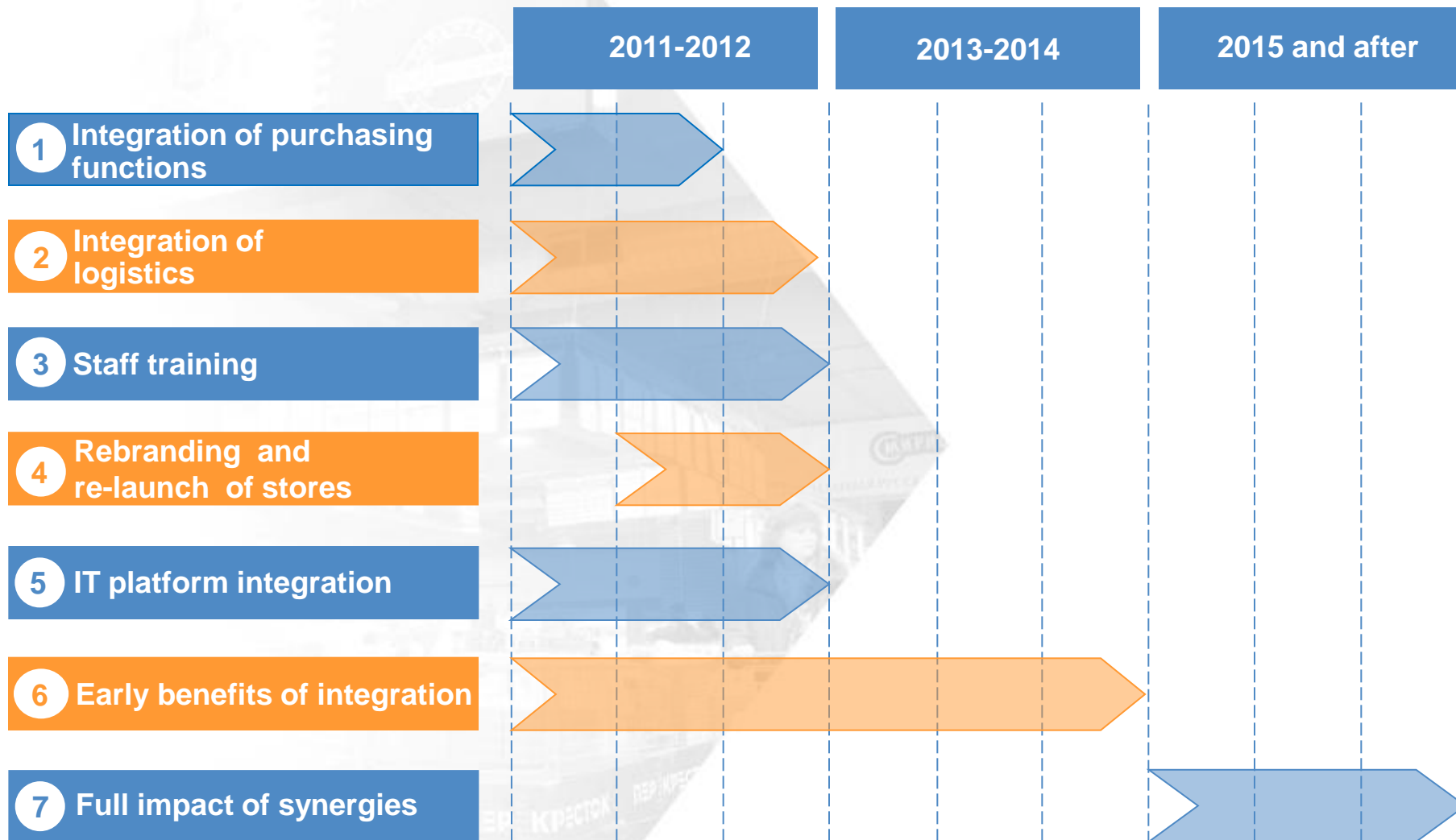
III. Kopeyka Overview

IV. X5 + Kopeyka

V. Synergies and Roadmap



Area of Focus	Expected Synergy Benefits
Top-Line Growth	<ul style="list-style-type: none"> • Adds ~ 660 highly compatible stores and increases selling space by 25% • Improvement in sales per sq.m. of existing Kopeyka stores achieved through: <ul style="list-style-type: none"> – Rebranding, including layout and equipment upgrades, publicity campaigns & promos – Change in pricing and assortment policies in line with X5 stores
Leadership & Scale Benefits	<ul style="list-style-type: none"> • Bigger business with boosting presence in key markets by 75% • Full advantage of purchasing power of two leading retailers • Operational integration of the combined asset base to support X5 future growth
Cost Control & Efficiency Gains	<ul style="list-style-type: none"> • Substantial scope for cost reduction and other efficiency improvements • Use best management practices & optimization of overheads costs
Operational Excellence	<ul style="list-style-type: none"> • Leverage strong professionals from both X5 and Kopeyka • Kopeyka: private label penetration, in-store productivity, franchising model, logistics, SAP • X5: fresh assortment and warehousing, promos, advertising, merchandising, staff training



	2011-2012	2013-2014	2015 and after
Net Sales	<ul style="list-style-type: none"> ▲ Early benefits of re-branding, mainly for regional stores rebranded first ▼ Short-term closing of stores for re-branding, integration and IT upgrade 	<ul style="list-style-type: none"> ▲ Benefits of re-branding ▲ Competitive pricing to drive sales density 	<ul style="list-style-type: none"> ▲ Sales per sq.m. normalizing at levels close to X5 stores
Gross Margin	<ul style="list-style-type: none"> ▲ Margin improvement thanks to X5 purchasing terms 	<ul style="list-style-type: none"> ▼ Margin investment in customer loyalty, to retain customers and support stores re-launch 	<ul style="list-style-type: none"> • Gross margin dynamics in line with X5 stores
EBITDA Margin	<ul style="list-style-type: none"> ▼ One-off integration costs 	<ul style="list-style-type: none"> ▲ Opex optimization and increasing post-integration synergies 	<ul style="list-style-type: none"> ▲ Full impact of synergies ▲ EBITDA margin at X5 stores levels

- Kopeyka performance can be substantially improved by raising sales density and EBITDA margin through rebranding, integration and application of X5's efficiency programs, keeping best Kopeyka practices with significant positive potential starting from the year one and coming into full result in 4 years time

Time for Q&A