

Q2 2010 Financial Results

Conference Call Presentation
26 August 2010



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Operational Drivers

- **11%** Industry-leading LFL sales growth at discounters
- Stepped up store openings – **73** stores opened in Q2 2010 compared to 20 stores in Q2 2009
- Trading down and low inflation (**4.5%** in June 2010) trends continue and expected to recover until year-end
- Reached 2010 target centralisation rate of **67%**
- **99%** of all contracts with suppliers already comply with new Retail Law
- Paterson integration completed (**53** supermarkets and **22** discounters)
- Low-**20%** RUR sales growth outlook reconfirmed in lower inflation environment
- Buying land plots for own construction and reviewing real estate opportunities

Customer Focus

Operational Excellence

Disciplined Growth

Financial Drivers

- Solid Net Retail sales growth of **18%** (25% in USD)
- Reduced pace of gross margin investment (**60 bp** decline vs. Q2 2009)
- **75** Converted Paterson stores already demonstrate improving performance
- Strong EBITDA margin of **8.3%**
- Continued focus on cost control and Strategic Efficiency Programme
- SG&A expenses as a percentage of revenue increased slightly (20 bp yoy) to **19.8%** while sales from Paterson and new stores still ramping up
- X5 increased investment in new store openings is in line with 2010 CAPEX guidance of **18 bln.** RUR
- Liquidity management under control with well positioned for refinancing USD 1.1 bn loan and bonds refinanced in July

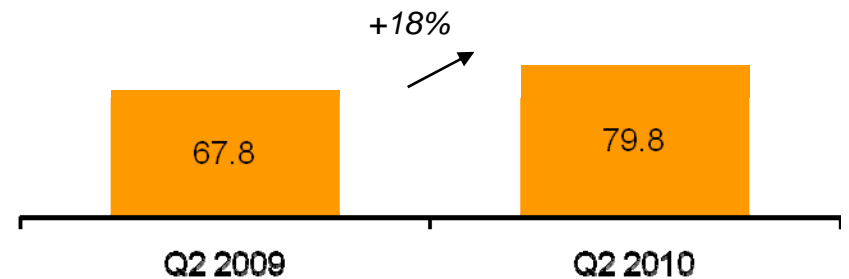


18% net retail sales growth in RUR against a backdrop of weak consumer spending....

- ...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 still ramping up following temporary closings for conversion to X5 formats

Q2 2010 Net Retail Sales

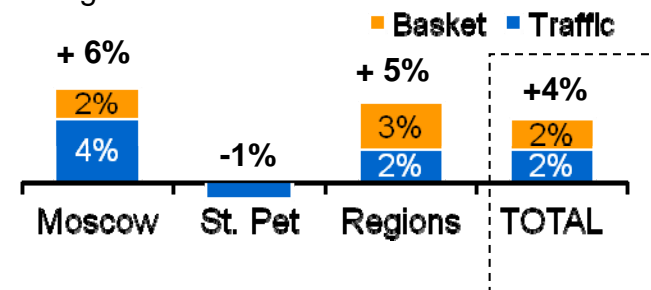
RUR bln



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 %, incl. FX				26

Q2 2010 LFL Sales by Region

Based on RUR-denominated gross sales

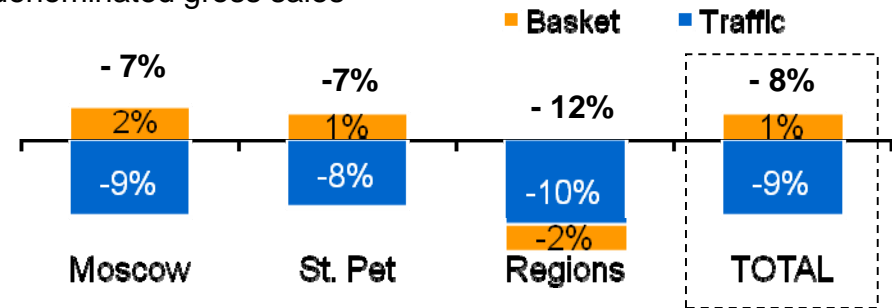


... Industry-Leading Performance at Discounters with 11% LFL Sales Growth

- X5's LFL sales **growth** at 4% in RUR terms year-on-year
- **Strong** Discounters LFL growth was achieved in Q2 2010 against a high base
- 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. LFL increased in Moscow and regions but performance was affected by intense competition in St. Petersburg

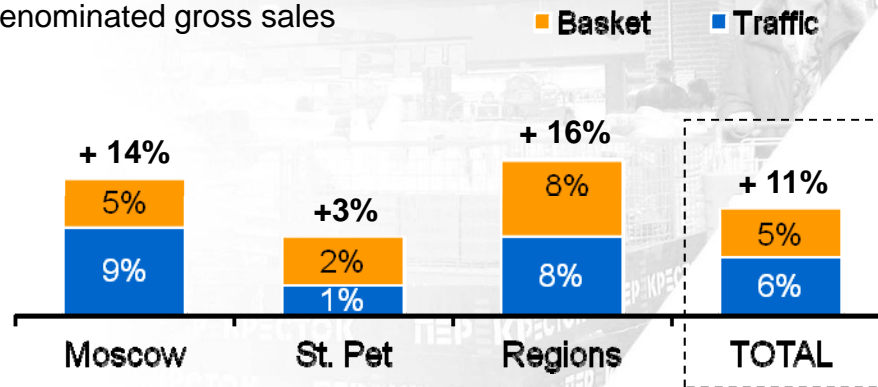
Supermarkets' Q2 2010 LFL Performance

Based on RUR-denominated gross sales



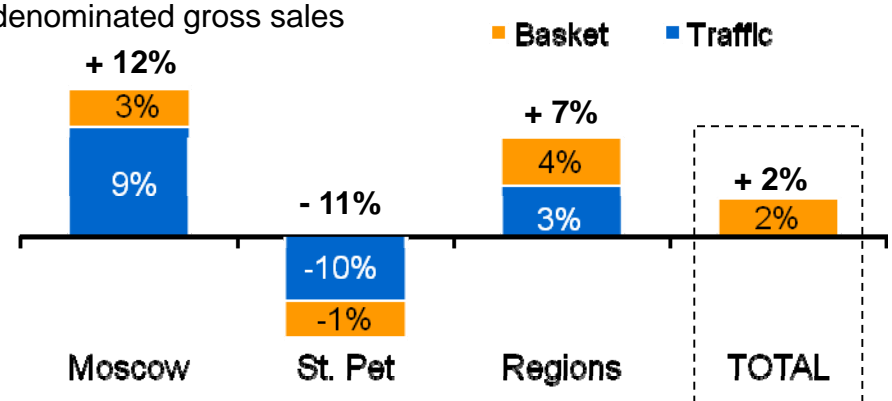
Discounters' Q2 2010 LFL Performance

Based on RUR-denominated gross sales



Hypermarkets' Q2 2010 LFL Performance

Based on RUR-denominated gross sales



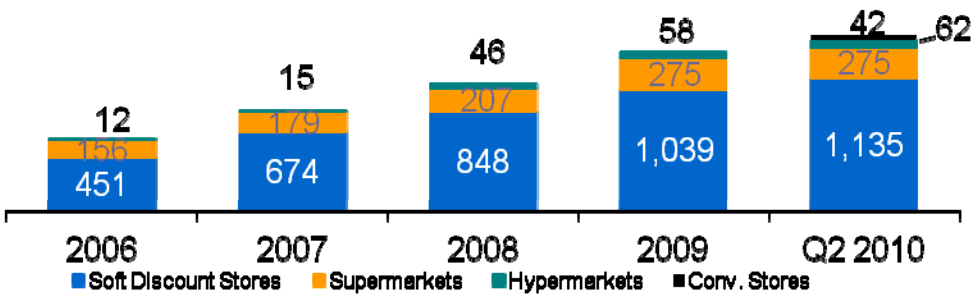
Selective and Efficient New Store Openings

In Q2 2010

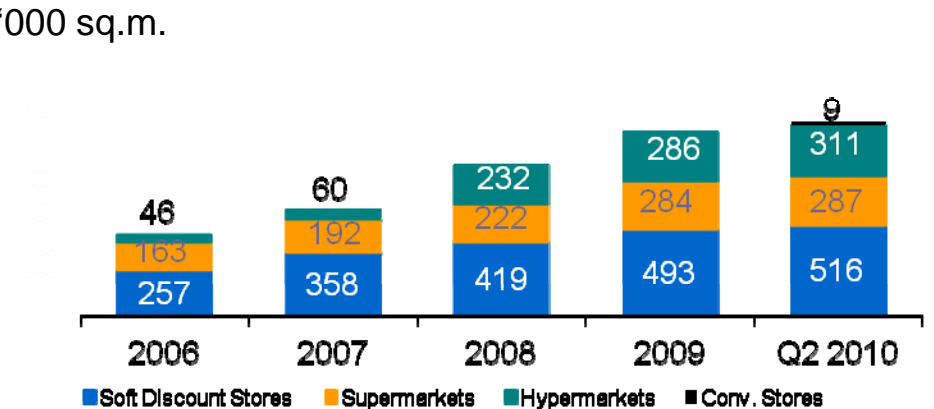
- Net 73 stores or 29 th. sq.m. of selling space added:
 - 72 soft discounters
 - one supermarket closed
 - two hypermarkets
- 42 convenience stores added via gaining operational control of Express Retail

- 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

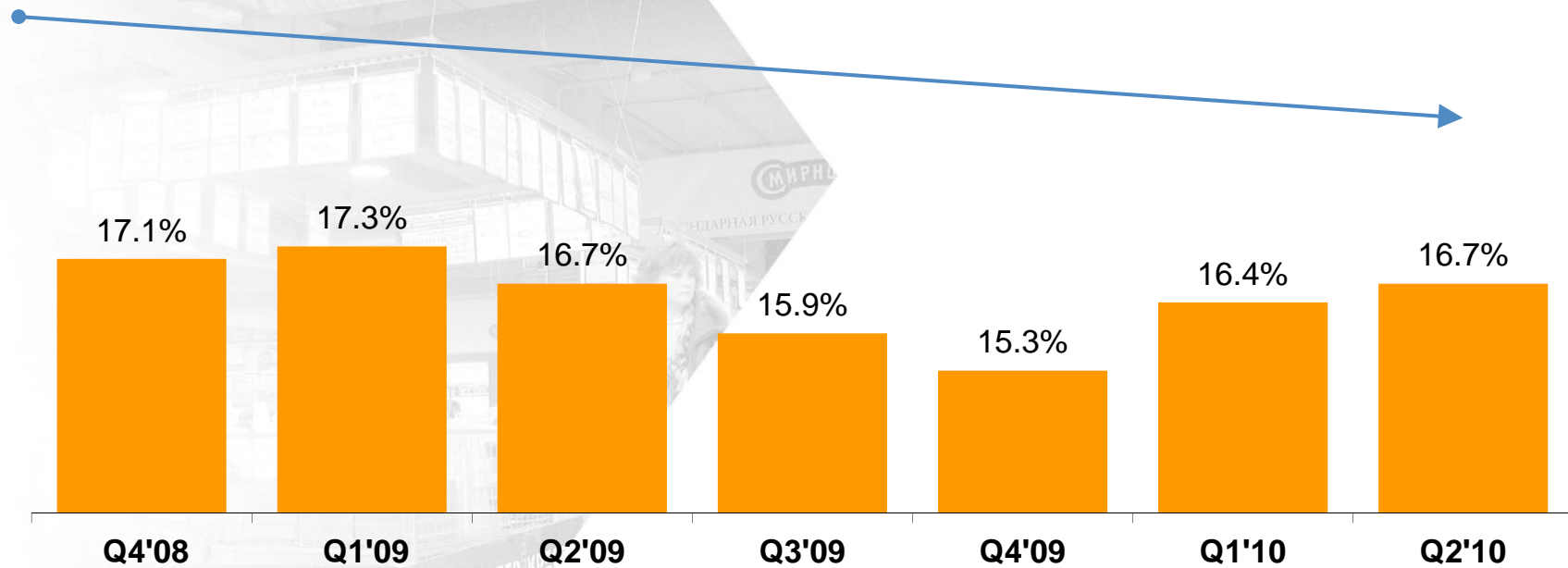


Net Selling Space, EoP



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

SG&A⁽¹⁾ as % of Sales

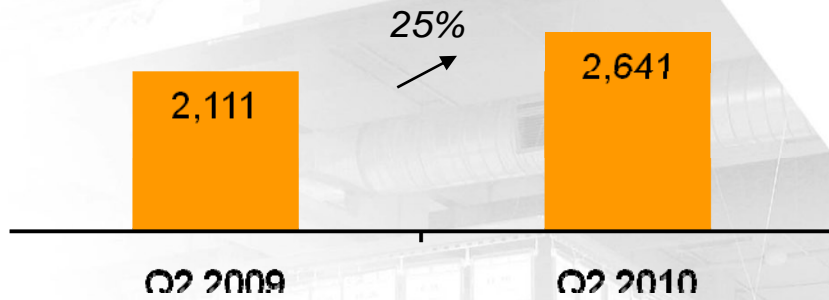


(1) Excluding ESOP & D&A



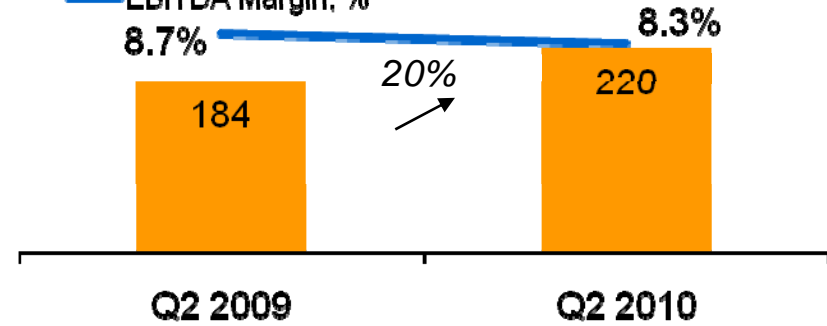
Net Sales

USD mln



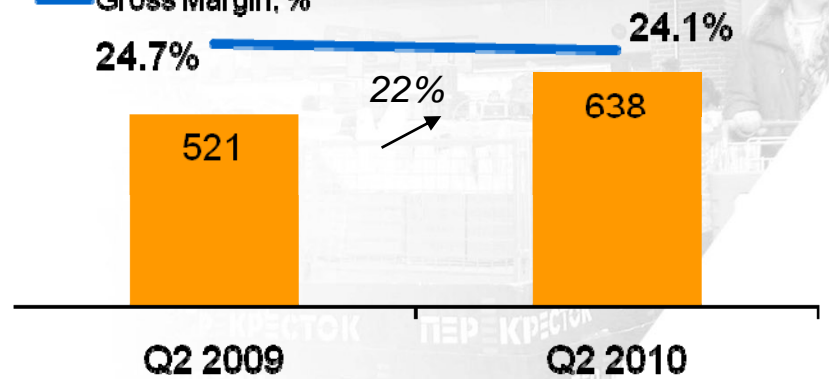
EBITDA & EBITDA Margin

EBITDA, USD mln
EBITDA Margln, %



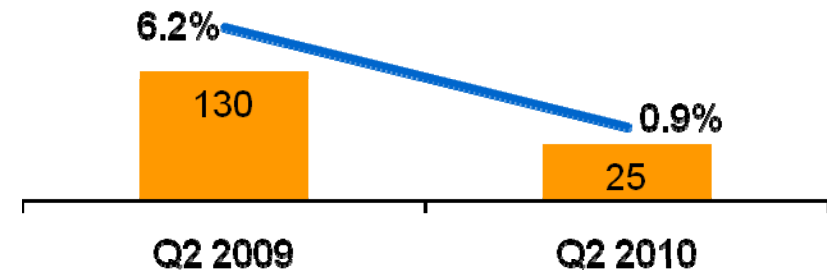
Gross Profit

Gross Profit, USD mln
Gross Margln, %



Net Profit / (Loss)

Net Profit, USD mln
Net Margln, %



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

USD mln	Q2 2010	Q2 2009	% change y-o-y, USD	% change y-o-y, RUR
Net Sales	2,640.9	2,111.2	25%	17%
incl. Retail	2,637.7	2,099.6	26%	18%
Gross Profit	637.8	520.8	22%	15%
Gross Margin, %	24.1%	24.7%		
SG&A (excl. D&A)	(449.2)	(358.0)	25%	18%
% of revenue	17.0%	17.0%		
ESOP Expense	(8.4)	(7.3)	14%	5%
% of revenue	0.3%	0.3%		
EBITDA	220.3	184.3	20%	12%
EBITDA Margin, %	8.3%	8.7%		
Operating Profit/(Loss)	146.9	129.1	14%	6%
Operating Margin, %	5.6%	6.1%		
Net FX Result	(72.4)	86.0	n/a	n/a
Profit/(Loss) before tax	44.6	174.6	(74%)	(77%)
Income Tax Expense	(19.7)	(44.2)	(55%)	(59%)
Net Profit/(Loss)	24.9	130.4	(81%)	n/a
Net Margin, %	0.9%	6.2%		



- Net sales increased 17% year-on-year in RUR terms to RUR 79,850 mln or 25% in USD terms to USD 2,641 mln;
- Gross profit totaled USD 638 mln, for a gross margin of 24.1%;
- EBITDA amounted to USD 220 mln, for an EBITDA margin of 8.3%;
- X5 reported a net profit of USD 25 mln affected by a non-cash foreign exchange (FX) loss;
- Second quarter 2010 SG&A expenses as a percentage of revenue increased slightly by 20 bp year-on-year to 19.8%;
- First half 2010 net finance costs decreased 14% year-on-year in USD terms and 22% in RUR terms due to lower interest rates on funding;
- As at 30 June 2010, the Company's total debt amounted to RUR 59 billion or USD 1,899 million (at RUR/USD exchange rate of 31.19). Net debt totaled RUR 56 billion or USD 1,794 million;
- X5 reiterates 2010 sales growth and CapEx outlook, as announced on May 27, 2010;

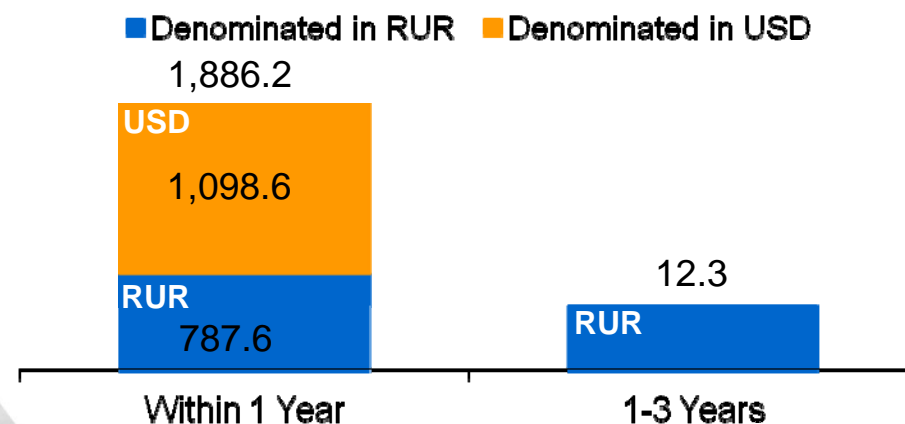
USD mln	Q2 2010	Q2 2009	% change USD	% change RUR
Net Cash Flows from Operating Activities	(9.5)	77.9	n/a	n/a
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	238.6	210.2	13%	6%
<i>Change in Working Capital</i>	(176.9)	(56.1)	215%	207%
<i>Net Interest and Income Tax Paid</i>	(71.2)	(76.2)	(7%)	(12%)
Net Cash Used in Investing Activities	(84.9)	(55.8)	52%	50%
Net Cash (used in)/generated from Financing Activities	130.0	23.9	445%	350%
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(7.7)	17.3	n/a	n/a
Net Increase in Cash & Cash Equivalents	27.8	63.2	(56%)	(43%)

Highlights

- As at 30 June 2010, the Company's total debt amounted to RUR 59 billion or USD 1,899 million (at RUR/USD exchange rate of 31.19). Net debt totaled RUR 56 billion or USD 1,794 million.
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- Most of X5's debt at 30 June 2010 is classified as short-term (USD 1,886 million or RUR 59 billion), the Company has a guaranteed source of refinancing both for USD 1.1 billion syndicated loan and RUR 9 billion corporate bonds
- As of 30 June 2010, the Company had access to RUR-denominated credit facilities of approximately RUR 29.6 billion (approximately USD 948 million).

Debt Maturity Profile as at 30.06.10

USD mln



USD mln	30-Jun-10	% in total	31-Mar-10	% in total	31-Dec-09	% in total
Total Debt	1,898.5		1,811.2		1,944.0	
Short-Term Debt	1,886.2	99%	1,530.9	85%	1,656.6	85%
Long-Term Debt	12.3	1%	280.4	15%	287.4	15%
Net Debt	1,794.1		1,734.7		1,532.3	
Denominated in USD	1,097.2	61%	1,091.7	63%	1,162.8	76%
Denominated in RUR	696.9	39%	643.0	37%	369.5	24%
FX, EoP	31.20		29.36		30.24	
Net Debt/EBITDA	2.28x		2.31x		2.08x	

 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.