



---

---

## Creating the Clear Leader in the Fast-Growing Russian Food Retail Market

Dr. Lev Khasis, Group CEO, Pyaterochka Holding N.V.

Renaissance Capital Annual Conference

20 June 2006, Moscow

# Introduction

- **Enlarged Group is leading the consolidation of the Russian food retail market following the merger of Pyaterochka and Perekrestok**
  - Merger has created the clear leader in the fast-growing Russian food retail market
  - Diversified and complementary geographic presence, with leadership in key Moscow and St Petersburg markets and a strong platform for rapid regional expansion
- **Multi-format capability with potential for accelerated future growth – target sales of approximately \$6bn in 2008**
  - Potential for substantial synergies
  - Combination of two strong management teams
- **Alfa Group is now Pyaterochka's majority shareholder, committed to the long term development of the Enlarged Group**
  - Alfa Group is one of the largest and most successful financial investors in Russia and a long-standing investor in the Russian food retail sector

---

---

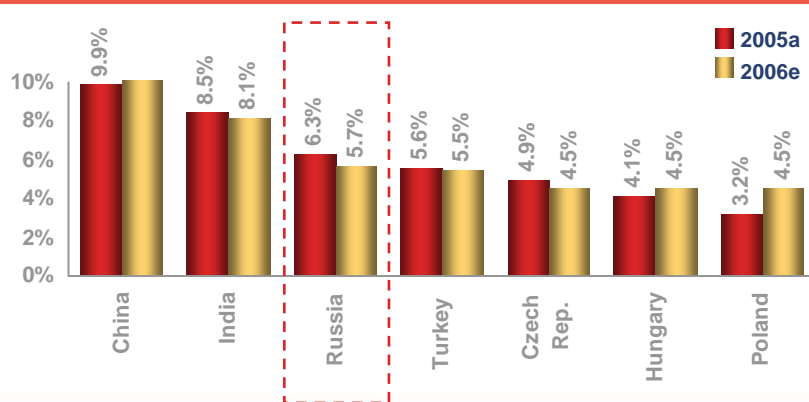
# The Russian Food Retail Market

---

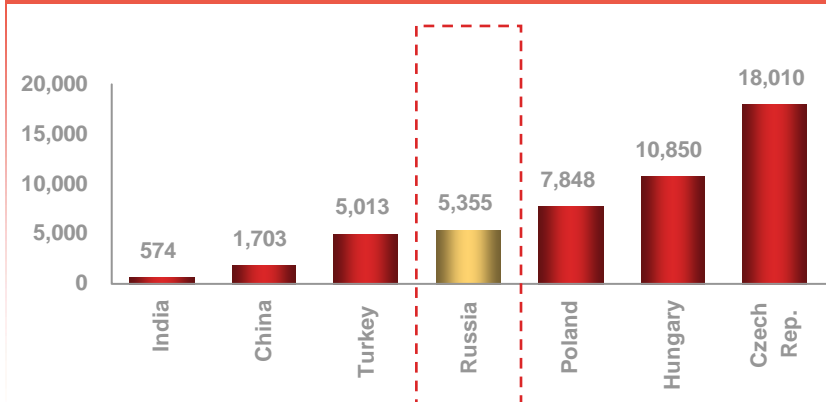
---

# Russia Today: Combination of Growth and Consumer Spending Power

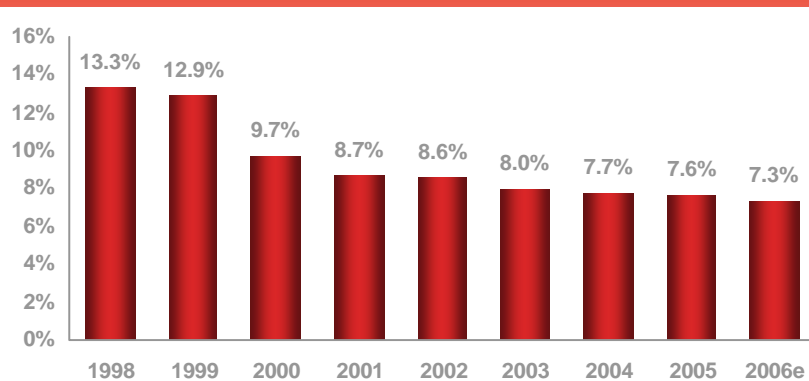
### Real GDP Growth (%)



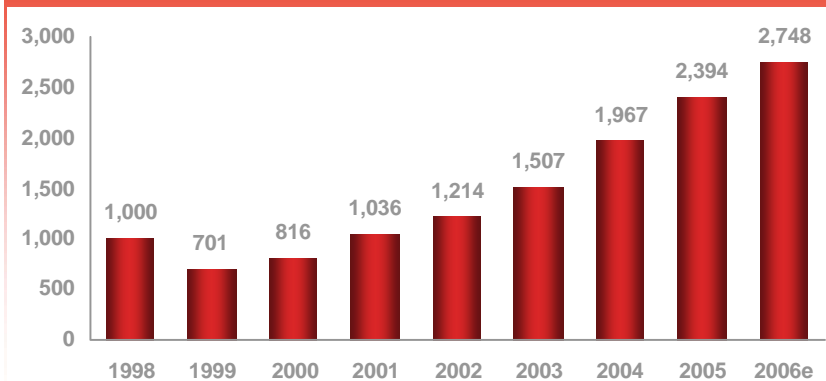
### 2005 GDP Per Head (US\$)



### Unemployment (%)



### Consumer Spending / Capita (US\$)



# Attractive Russian Food Retail Market Dynamics

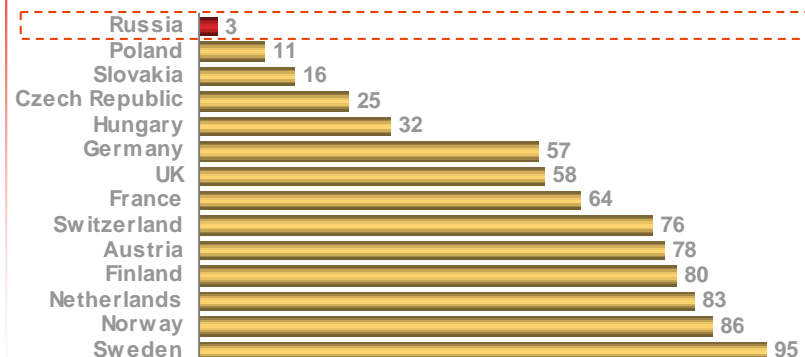
- **5th largest food retail market in Europe, the largest in Eastern Europe**
  - Total Russian food retail market estimated at US\$129bn
- **Annual projected market growth of c.7% p.a. through 2010**
  - Russia the #1 food retail market in Europe by 2010F, and #5 globally
- **Highly fragmented market**
  - Top 3 players represent approximately 3% of total market <sup>(1)(2)</sup>
- **Limited number of foreign competitors (currently)**
  - Foreign companies account for approximately 1.5%<sup>(2)</sup> of total market

## Comparative Food Retail Market Size & Growth

(US\$ in billions)	2003	2010F	CAGR
UK	156	183	2.3%
France	152	176	2.1%
Germany	136	147	1.1%
Italy	133	147	1.4%
Russia	129	203	6.7%

Source: IGD (2005)  
Note: 2003 and 2010F data

## Market Share of Top 3 Food Retailers (%)

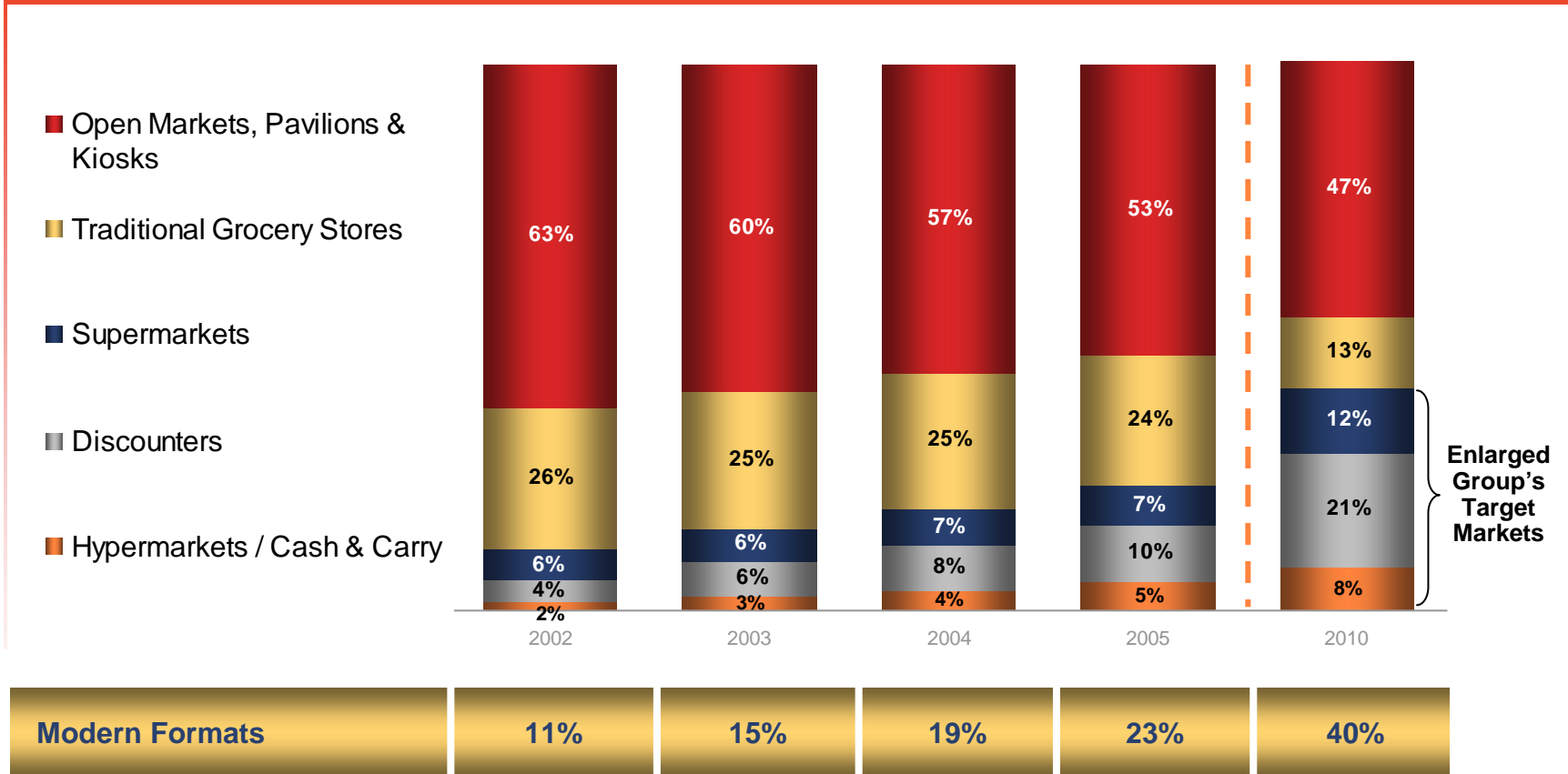


Source: ACNielsen, Company estimates for Russia

(1) Prior to Pyaterochka and Perekrestok merger  
(2) Excludes Metro given wholesale focus

# Strong Underlying Growth Further Accelerated Through Shift into Modern Retail Formats

Composition of Russian Food Retail Market



Discounters and Supermarket chains expected to be the primary beneficiaries

# Substantial Scope for Expansion

	Moscow / Moscow Region	St. Petersburg	Russian Regions
As % of Total Russian Food Retail Market	20%	4%	76%
Penetration of Modern Retail Formats	Medium / Low	Medium	Low
Future Expansion Potential	High	Medium	Very High

**“Blue-sky” opportunity to expand in the large, relatively under-developed food retail market in the Russian Regions**

---

---

# Transaction Overview

---

---



# Key Transaction Terms

- **Merger between Pyaterochka and Perekrestok, effected through the acquisition of Perekrestok by Pyaterochka for \$1,365 million<sup>(1)</sup>, funded by \$300 million in cash and 15.8 million newly-issued Pyaterochka shares**
  - Recommended by Pyaterochka's Board of Supervisory Directors – Fairness Opinion provided by HSBC
  - Transaction expected to be earnings enhancing in the first full year of acquisition<sup>(2)</sup>
  - Transaction closed as of 18 May 2006 having received Pyaterochka shareholder and customary regulatory approvals
  
- **Alfa Group acquired 14.5 million Pyaterochka shares from the Founding Shareholders<sup>(3)</sup> for \$1,178 million in cash**
  - Equivalent to \$20.26 per Pyaterochka GDR (20% premium)<sup>(1)</sup>
  
- **Pyaterochka granted a call option to acquire Carousel, a fast-growing Russian hypermarket chain (exercisable in 2008)**

(1) Based on the average closing price per Pyaterochka GDR of US\$ 16.83 during the 30 trading days prior to and including 5 April 2006, the last trading day before Pyaterochka's announcement that it was in merger discussions with Perekrestok

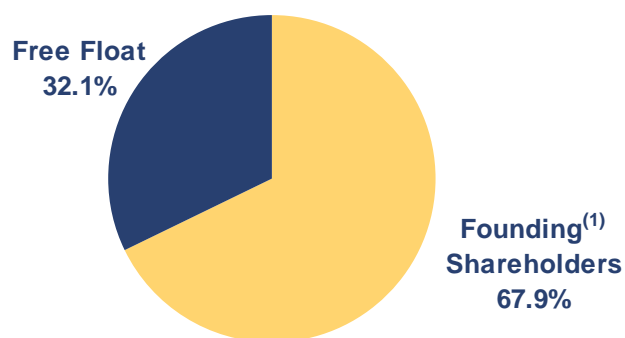
(2) This statement should not be interpreted to mean that future earnings of the Enlarged Group will necessarily match or exceed Pyaterochka's historical published earnings

(3) Mr. Rogachev, Mr. Girda and associates

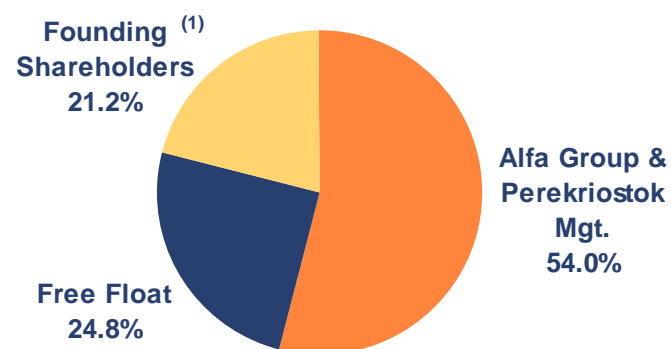
# Pro Forma Shareholding Structure

## Pyaterochka Shareholder Structure

Before Transaction



Post Transaction



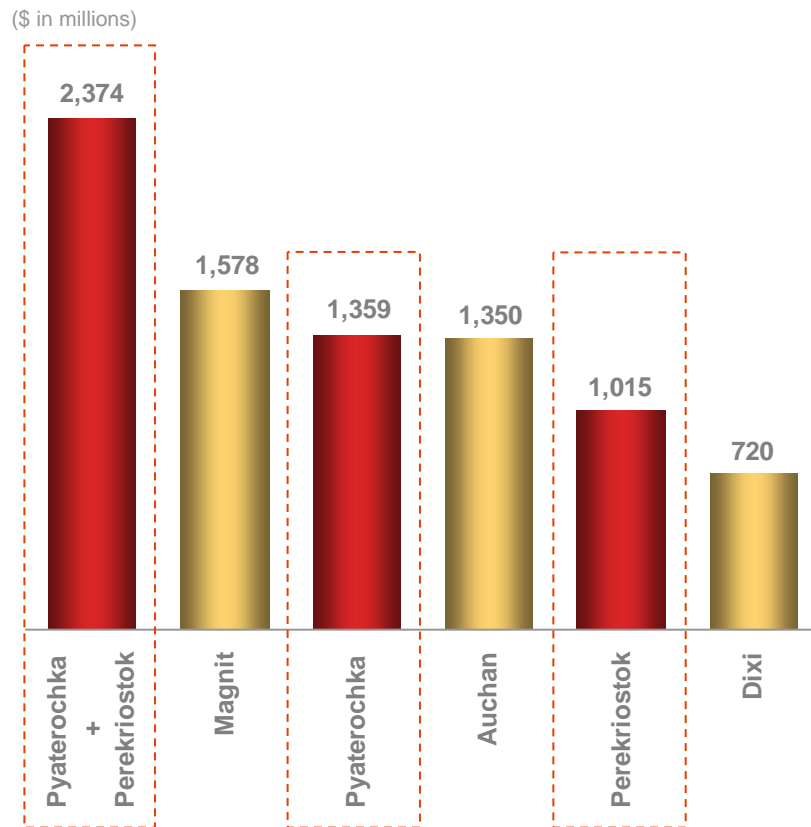
- **Alfa Group is now majority shareholder in the Enlarged Group**
  - Significant capital investment by Alfa Group (approximately \$900 million in cash<sup>(2)</sup> and contribution of its majority stake in Perekrestok)
- **Key Perekrestok management retain a significant equity interest in the Enlarged Group**
- **Founding Shareholders retain a 21.2% stake in the Enlarged Group and 2 seats on the Enlarged Group's Board of Supervisory Directors**

(1) Mr. Rogachev, Mr. Girda and associates

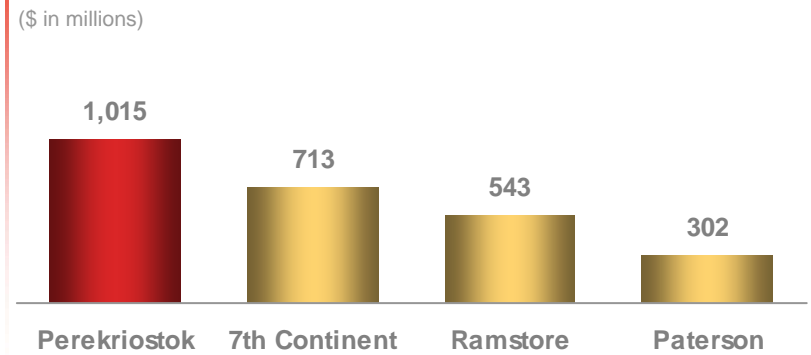
(2) Net cash investment by Alfa Group in connection with the acquisition of shares from Pyaterochka's Founding Shareholders

# Creation of the Clear Leader in the Fast-Growing Russian Food Retail Market

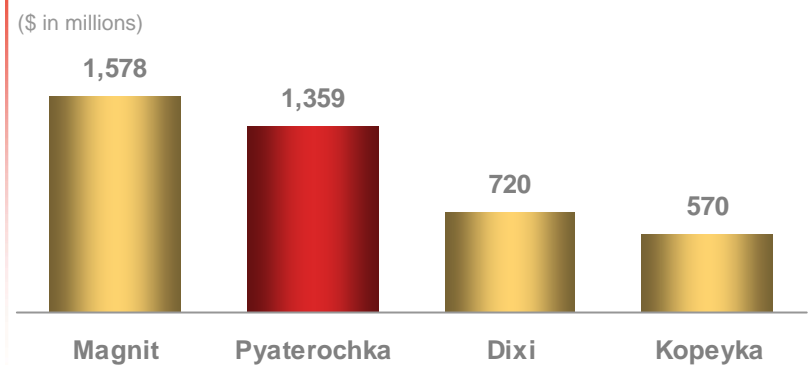
**Top 5 Food Retailers in Russia (2005 Net Sales)**



**Supermarket Chains in Russia (2005 Net Sales)**



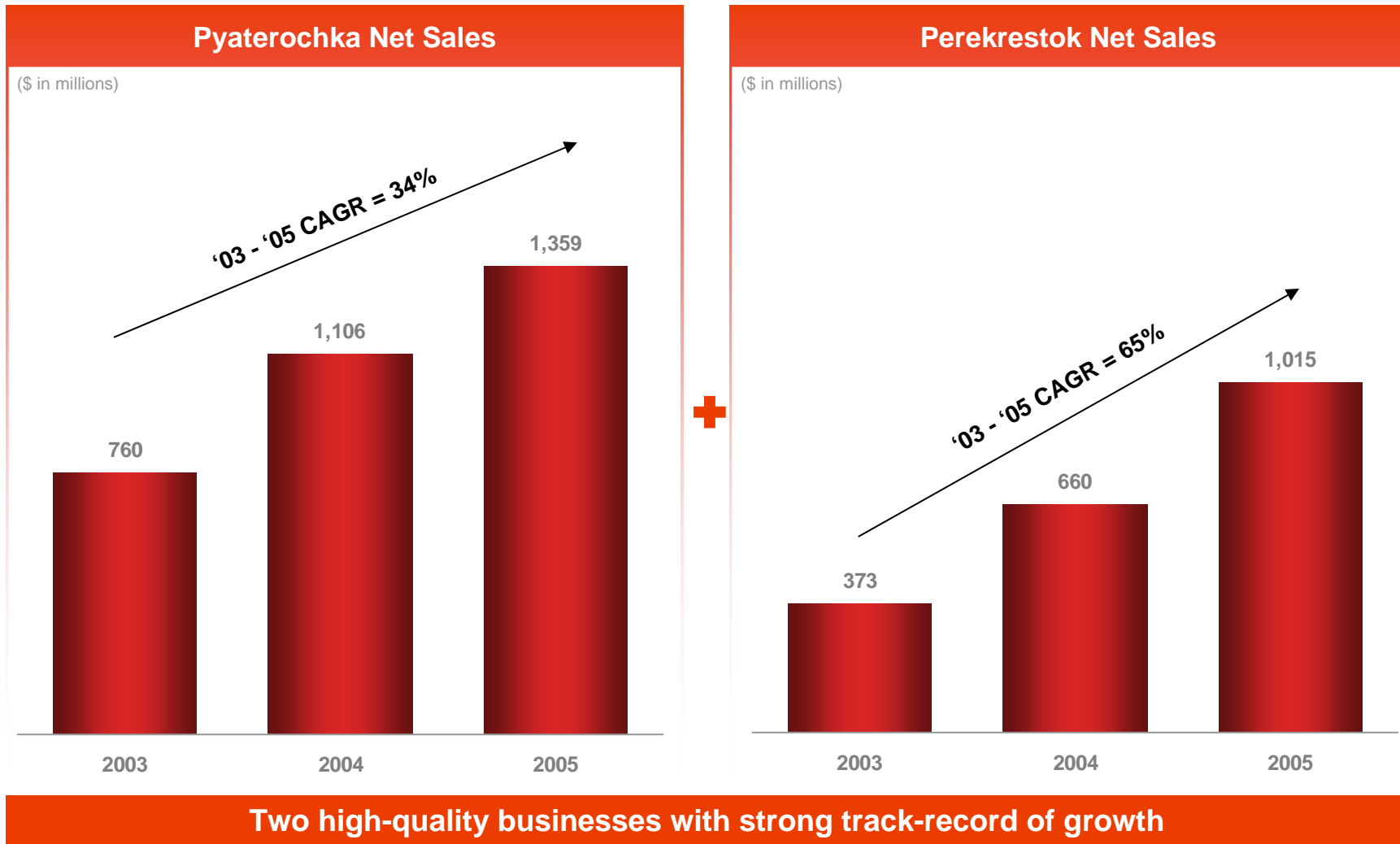
**Discounter Chains in Russia (2005 Net Sales)**



**Combination of leading supermarket and discounter chain in Russia**

Source: Company data, market research, broker estimates. Auchan and Dixi sales as per management estimates  
 Note: Metro excluded given wholesale focus

# Combination of Two High-Growth Stories



Source: Net sales as per IFRS. Year ended 31 December. Pyaterochka 2005 sales data unaudited (as per preliminary announcement dated 12 January 2006)

# Diversified and Complementary Geographic Presence

(store numbers as at 31 December 2005)

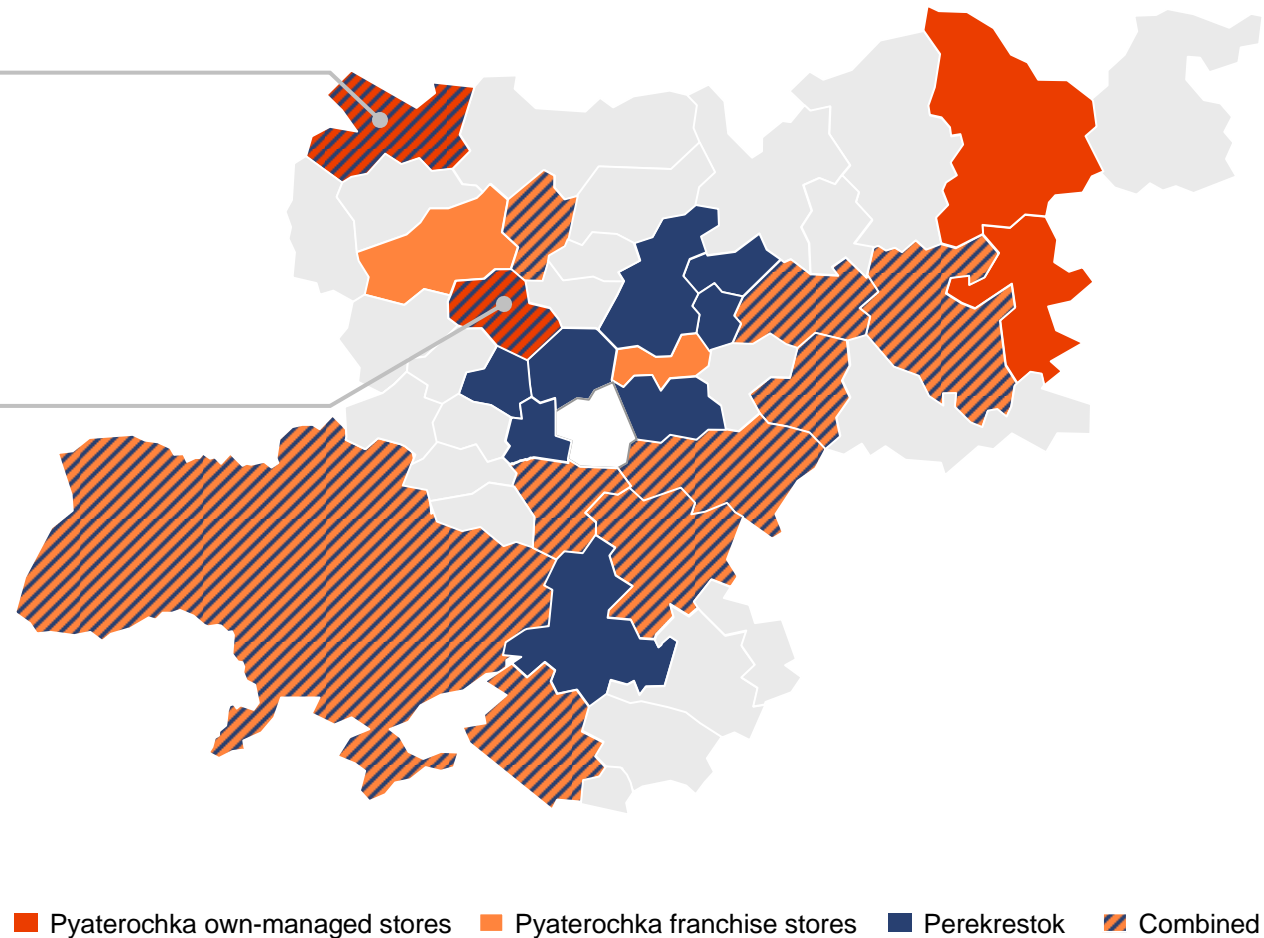
St Petersburg	
Company	# Store
Pyaterochka	167
Perekriostok	9

Moscow	
Company	# Store
Pyaterochka	159
Perekriostok	73

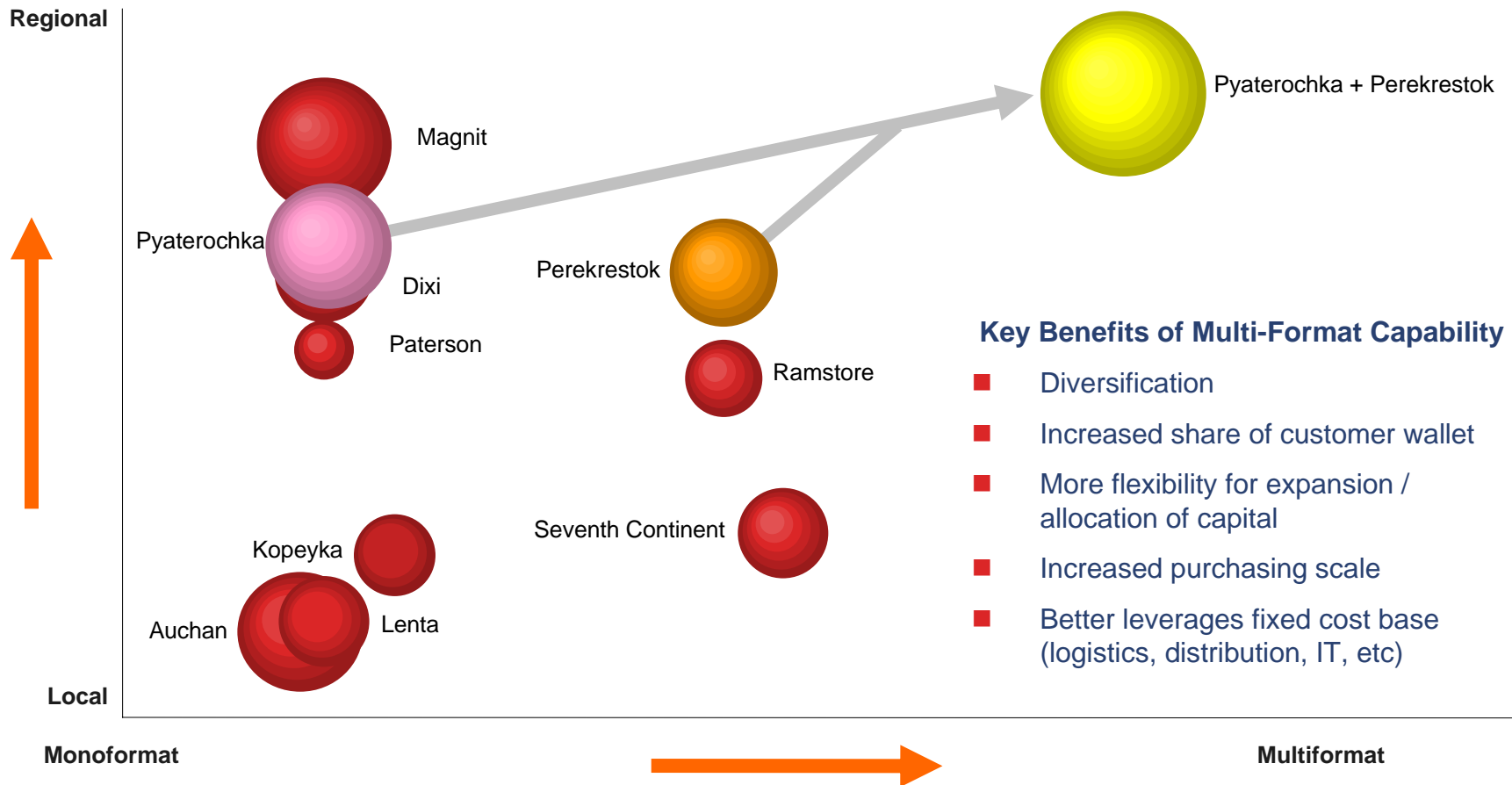
Regions	
Company	# Store
Pyaterochka	425 <sup>(1)</sup>
Perekriostok	38 <sup>(2)</sup>



**Leadership in key markets and strong platform for rapid regional expansion**

(1) As of 1 January 2006, 21 stores in Yekaterinburg have been transferred from franchisees to own managed stores. Following this, 404 stores in the regions are operated by franchisees and 21 are company-managed  
 (2) Includes 4 stores in Ukraine  
 Note: Perekrestok franchisees not included

# Multi-Format Capability



Potential for accelerated growth, and a key ingredient for sustainable market leadership

# Multi-Format Capability

## Call Option to Acquire Carousel in 2008

- **Fast-growing hypermarket business**
  - Average trading area of 4,000-11,000 m<sup>2</sup>
  - Food and non-food product offering
  - 7 stores opened since inception (2004), with current presence in St Petersburg, the Leningradsky Region and Nizhniy Novgorod
- **Plan to continue strong roll-out on a national scale**
  - Target of over 30 hypermarkets by the end of 2008
  - In addition to St Petersburg, plans to expand into Moscow and Russian Regions
- **Carousel call option provides opportunity for further expansion of hypermarket franchise**
  - Option exercisable in 2008
  - Exercise price by reference to Carousel's future financial performance



# Substantial Combination Benefits

- Quantified purchasing savings of approximately \$85m by FY 2008
- Limited merger disruption and implementation costs
- Incremental central costs expected to be limited

**Scope for additional upside. Limited operational disruption and negligible implementation costs**



# Substantial Combination Benefits

## Scope for Enhanced and/or More Profitable Growth

- **Multi-format capability increases expansion opportunities**
  - M&A targets in Regions often multi-format (supermarkets and discount stores), hitherto unsuitable for Pyaterochka or Perekrestok, standalone
  - Flexibility to deal with multi-format developers
- **Elimination of competition for new sites, and opportunity to share information on new store opportunities**
- **Better leverage of future investments in logistics and IT**
- **Transfer of best practices**
- **Market leadership attracts management talent, a key element for accelerated growth**
- **Optionality of format to adapt to any future changes in customer needs and demographic trends**
- **Ability to target capex to highest return format by location**

**Potential for substantial uplift in growth and financial returns**

# Financial Considerations

- **\$300 million of additional debt raised to finance the acquisition of Perekrestok**
  - Pro forma Net Debt/EBITDA (as at 31 December 2005) of below 3.0x <sup>(1)</sup>
- **Bank commitment for additional facilities of \$350 million to finance the future development of the Enlarged Group and of \$150 million to refinance existing debt**
- **Transaction expected to be earnings enhancing in the first full year of acquisition<sup>(2)</sup>**

(1) Based on Perekrestok's audited FY 2005 EBITDA, and consensus estimates for Pyaterochka's FY 2005 EBITDA

(2) This statement should not be interpreted to mean that future earnings of the Enlarged Group will necessarily match or exceed Pyaterochka's historical published earnings

# Enlarged Group Outlook

- **Significant store roll-out activity for FY2006; Pyaterochka and Perekrestok on track to meeting their respective 2006 targets**
  - 130 new discount stores
  - At least 40 new “Perekrestok” stores (approx. 60,000 square metres of additional selling space)
    - 70% of sites secured; remaining 30% under negotiation <sup>(1)</sup>
  
- **Plans to continue rapid expansion over the medium term**
  - Target of over 700 discount stores by 2008
  - Target of over 240 “Perekrestok” stores by 2008, including approximately 30 convenience stores, 180 supermarkets and 30 city hypermarkets

(1) Based on number of stores

---

# Q1 2006 Trading Update

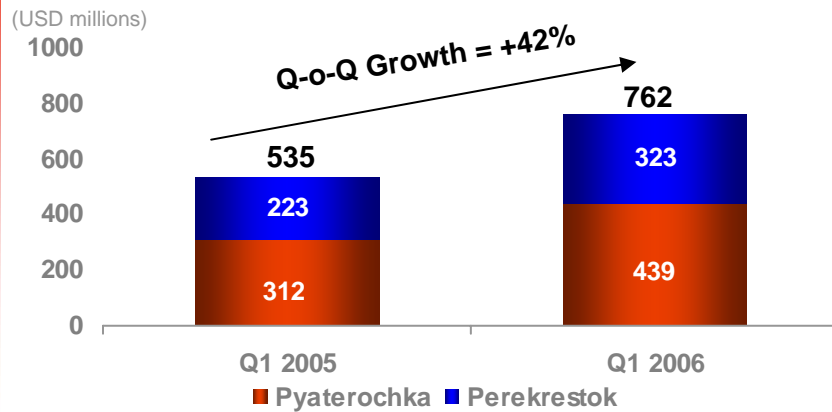
---

# Q1 2006 Financial Highlights

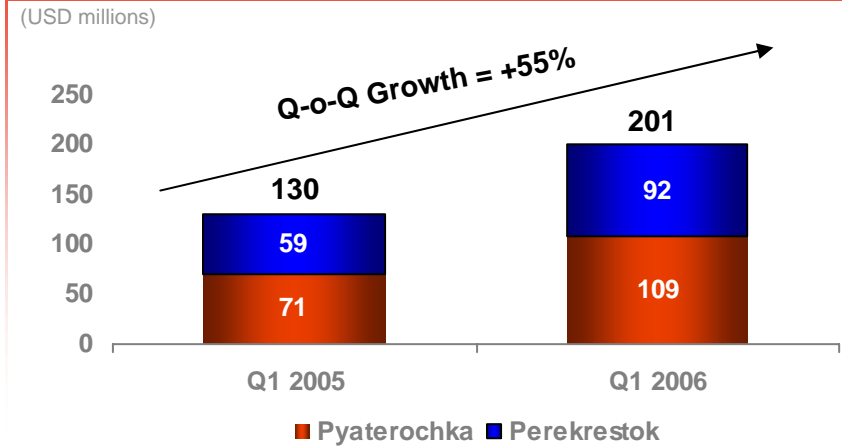
- **Net Sales of the Enlarged Group reached USD 762 million in Q1 2006**
  - Pyaterochka Q1 net sales of USD 439 million, up 41% vs. Q1 2005
  - Perekrestok Q1 net sales of USD 323 million, up 45% vs. Q1 2005
  
- **Gross margins improved significantly vs. Q1 2005**
  - Pyaterochka Q1 2006 gross margin of 24.8% (vs. 22.6% in Q1 2005)
  - Perekrestok Q1 gross margin of 28.4% (vs. 26.7% in Q1 2005)
  
- **Enlarged Group EBITDA reached USD 70 million in Q1 2006**
  - Pyaterochka Q1 EBITDA of USD 47 million; 10.7% EBITDA margin (*including cost of employee stock option programme; w/o option programme EBITDA margin of 12.0%*)
  - Perekrestok Q1 EBITDA of USD 23 million; 7.1% EBITDA margin

# Q1 2006: Strong Financial Performance

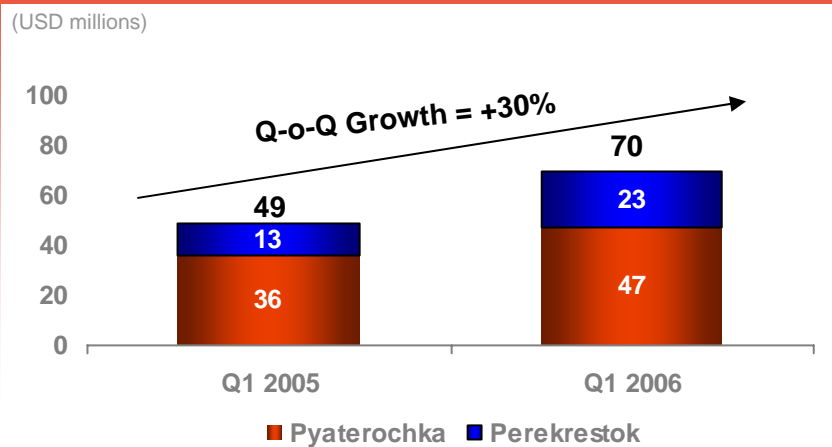
## Net Sales



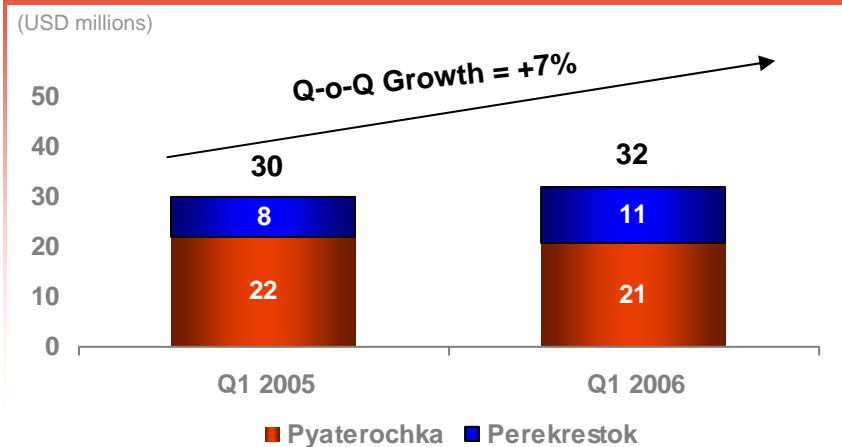
## Gross Profit



## EBITDA<sup>(1)</sup>



## Net Income



Source: Company data.

(1) EBITDA calculated as Operating Income plus D&A

# Q1 2006 Operating Highlights

## ■ Store opening program on track

- Pyaterochka added 18 new stores in Moscow and 8 new stores in St. Petersburg in Q1 2006 (including 13 rebranded “Kopeika” stores in Moscow)
- Perekrestok opened 6 supermarkets and 1 hypermarket during Q1 2006 (19,000 m<sup>2</sup> of additional selling space)

## ■ Like-for-Like trends are encouraging

- Pyaterochka LFL sales up +7% in Q1 2006:
  - +15% LFL sales in Moscow
  - -1% LFL sales in St. Petersburg
- Perekrestok LFL sales up +15% in Q1 2006
  - +12% LFL sales in Moscow

# Next Key Dates

- **10 July 2006 – Trading Update for Q2 2006, including:**
  - LFL performance
  - Store opening data
- **September 2006 – Consolidated Group Financials for 1H 2006**
  - First results for the combined entity post-merger
  - Management road-show planned with update on integration progress