Seventh Continent

2005 results

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СЕДЬМОЙ КОНТИНЕНТ

Seventh Continent

- ✓ Seventh Continent was founded in 1994 as the first high-end food retail chain in Russia
- ✓ After the 1998 crisis the Company's shareholders decided to diversify into other food retail market segments to take advantage of a broad market base
- ✓ As of 2006 1st quarter the Company operated 117 stores in 2 retail chain formats: supermarket and hypermarket ("Our Hypermarket"). Supermarket format includes 3 types of stores: Luxury "5 stars", mid-range "Universam" and convenience-type "Next-Door" stores
- ✓ Out of 115 stores, 102 stores are located in Moscow, 2 stores in Moscow region and 11 stores in Kaliningrad region
- ✓ The Company generated revenues of US$ 713 mn, EBITDA of US$ 75 mn and net profit of US$ 47 mn in 2005
- ✓ Seventh Continent had a 29% share of the Moscow market in the supermarket segment in 2005 (the Company's estimates)
- ✓ Company's spontaneous brand awareness was over 90% and customer loyalty near 72% according to AC Nielsen research for 2005
- ✓ The decision to develop into other regions of Russia was taken in 2004 and selective expansion out of Moscow started in 2005
- ✓ The Company is controlled by two major shareholders and its original founders Mr. A.Zanadvorov and Mr. V.Gruzdev
- ✓ In November 2004, the Company placed 13% of shares in an IPO with the listing on RTS and MICEX

СЕДЬМОЙ КОНТИНЕНТ

Two established store formats

Supermarkets

5 Stars

- 27 stores at the end of 2005
- 37% gross margin in 2005 *
- 35% of revenues in 2005
- 18,000 SKU

- Above-average income level
- Wealthy customers
- Located in central areas and upper-end residential districts
- Individual service approach

Universam

- 41 stores at the end of 2005
- 31% gross margin in 2005 *
- 41% of revenues in 2005
- 20,000 SKU

- Average income level
- Family purchases account for larger share of revenue
- Located close to major transport junctions or underground stations

Next-Door

- 42 stores at the end of 2005
- 28% gross margin in 2005 *
- 21% of revenues in 2005
- 7,500 SKU

- All income levels
- Occasional purchases
- Located in densely populated districts of Moscow
- Positioned as stores located close to customers

Hypermarkets

Hypermarkets

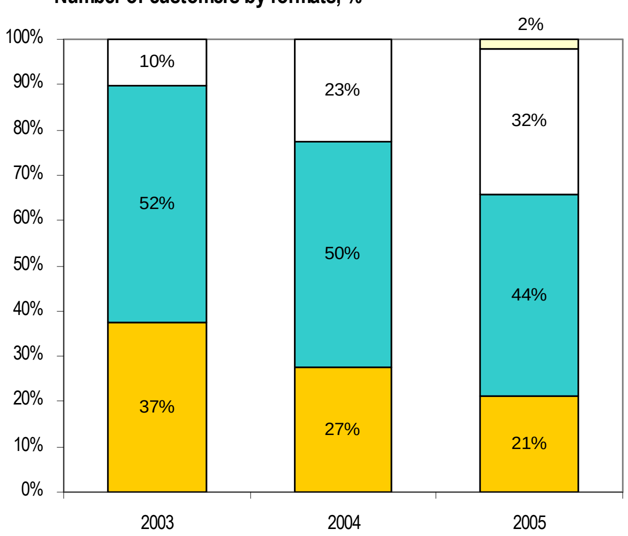
- New format
- First hypermarket was opened in Moscow in July 2005 under a new brand, the second one – in January 2006
- 21% gross margin in 2005 *
- 3% of revenues in 2005
- 40,000 SKU

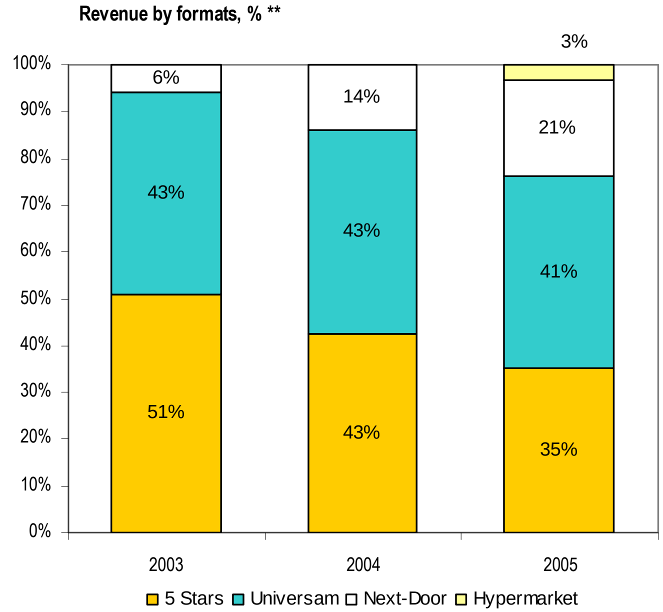
- Targeted large purchase size
- In future we are planning to penetrate regional markets in this segment

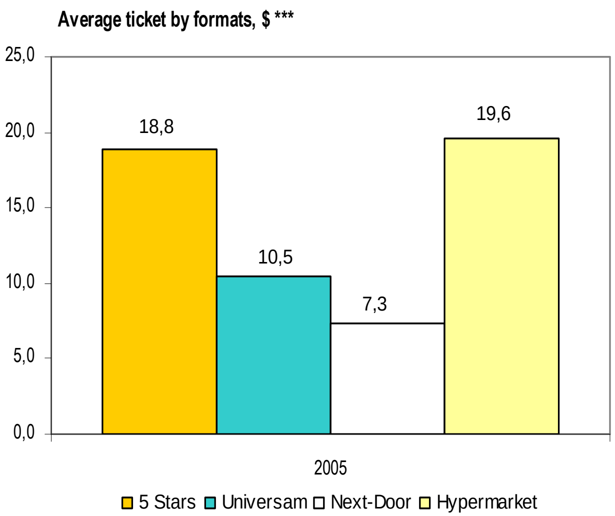
Coverage of key market segments

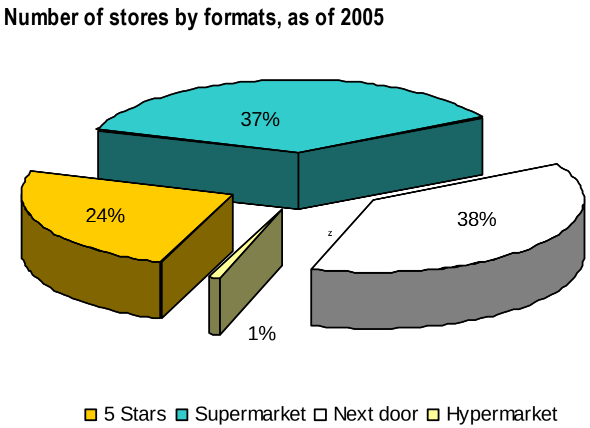
* - including marketing, rent and other revenues

Store types comparison









*In accordance with management accounts
**In accordance with management accounts, excluding VAT and marketing services
*** In accordance with management accounts, including VAT and excluding services

Our strategy

Increasing market share

- Development of hypermarket format
- Expansion to the regions covering cities with more than 0,5 mn people
- Retaining our leading position in Moscow supermarket segment
- Opening of 25 new stores per year in Moscow and Russian regions
- Profitable acquisitions and successful integration of other retail chains

Facilitating our sales growth

- Improvement of product mix
- Private label, in-store production and non-food products share growth
- Marketing and merchandising
- Value-added services
- Employee training

Improving operating efficiency

- Focus on cost control
- Centralised management
- Purchasing power
- IT and logistics

Developing customer loyalty

- Focus on competitive advantages and growth
- "One stop-shop" stores concept
- Introduction of discount programs, including new discount and bonus programme involving banking cards

Sustainable sales growth rate in the mid-term perspective

СЕДЬМОЙ КОНТИНЕНТ

Business model

Retail formats	Locations	
	Moscow	Other regions of Russia
Luxury food stores	Opportunistic	STAYING OUT
Upmarket supermarkets	CORE existing operations	STAYING OUT
Classic supermarkets	CORE existing operations	Opportunistic
Convenience stores	CORE existing operations	Opportunistic
Hypermarkets	CORE existing operations	Targeted niche
Cash & Carry	STAYING OUT	STAYING OUT
Discounters	STAYING OUT	STAYING OUT

СЕДЬМОЙ КОНТИНЕНТ

Estimated hypermarket store openings

Period	Region	Number of stores	Title	Population, mln people	Average salary,$	Retail turnover, $ bn	Major competitive environment
Opened 01.2006	Moscow (Bibirevo)	1	property	10,4	729	56,1	Auchan, Metro, Ramstore
2006	St. Petersburg	2	property	4,6	424	9,2	Metro, Lenta, Ramstore, Okey, Karusel, Paterson, Pyaterochka, Victoria, Kopeika, Dixi
2006	Ryazan	1	property	0,5	282	0,9	Metro, Kopeika, Dixi
2006	Kaliningrad	1	property	0,4	163	1,0	Victoria
Total 2006		**5**					
2007	Chelyabinsk	1	property	1,1	308	6,0	Paterson, Pyaterochka, Dixi
2007	Ufa	1	property	1,1	318	2,9	Metro, Ramstore, Paterson, Billa
2007	Krasnoyarsk	1	property	0,9	480	2,4	Ramstore
2007	Moscow region (Reutov)	1	leasing	6,6	201	11,6	Auchan, Metro, Ramstore
Total 2007		**4**					
2008	Yaroslavl	1	property	0,6	275	1,4	Metro, Magnit
Total 2008		**1**					

Hypermarket opening process

5 estimated new openings
in 2006

Market research and competition analysis

Analysis of other factors

Decision on opening

Rent of premises

Designing

Construction

Equipment installation

Personnel hiring and training

1-2nd month: 70%

3-4th month: 85%

5th month: 95%

6th month: 100%

New Hypermarket opening

Achieving target capacity

2 months

4 months

8 months

6 months

18 months from a decision to open a store to reaching target capacity

Supermarket opening process

Around 25 new openings annually

- Market research and competition analysis
- Analysis of other factors
- Decision on opening
- Rent of premises
- Repair and upgrades
- Personnel hiring and training
- 1st month: 75%
- 2nd month: 92%
- 3rd month: 98%
- 4th month: 100%

New store opening → **Achieving target capacity**

1.5 months | 4 months | 4 months

8 months from a decision to open a store to reaching target capacity

Considerable experience allows us to open stores within a short period of time

СЕДЬМОЙ КОНТИНЕНТ

2005 results

Regional expansion started	• Kaliningrad: acquisition of 12 former “Altyn” chain stores, 8 stores were integrated by 1 January 2006
Launch of Hypermarket format	• First hypermarket «Our Hypermarket» was opened in Moscow in July 2005
Launch of Private Label and in-store meat production	• Private Label «Our Product» is presented in all types of stores except for “5 Stars” •Over 400 types of meat products are made by Seventh Continent and present in almost all stores
IT and logistics development	• Computerised order, delivery/order schedules, goods acceptance with the help of hand-held computers, company’s business-portal
Customers loyalty increase	• Focus on the Company’s competitive advantages, distribution of gift certificates among the customers • Loyalty improved to 72% according to AC Nielsen research for 2005

Revenue and profitability growth

СЕДЬМОЙ КОНТИНЕНТ

Number of stores

	Stores opened by January 1, 2005	Stores opened by January 1, 2006	Stores opened by March 15, 2006
Seventh Continent — 5 Stars	20	27	27
Seventh Continent — Universam	26	41 incl. 6 former Altyn stores (Kaliningrad)	44 incl. 8 former Altyn stores (Kaliningrad)
Seventh Continent — Next-Door	31	42 incl. 2 former Altyn stores (Kaliningrad)	42 incl. 2 former Altyn stores (Kaliningrad)
Our Hypermarket	0	1	2
Total	**77**	**111**	**115**

Title	Stores opened by January 1, 2005	Stores opened by January 1, 2006	Stores opened by March 15, 2006
Own	1	24	28
Rented	76	87	87
Total	**77**	**111**	**115**

Store acquisitions and integration

Year	Retail Chain	Region	Number of store	Cost of acquisition, $ mn.	Cost of modernisation and inventories, $ mn.	Total cost, $ mn.	Sales growth rate after integration
2004	Petrovsky	Moscow	17	0,0	16,1	16,1	38%
2005	Altyn	Kaliningrad	12	38,0	0,0	38,0	30%
	Total		**29**	**38,0**	**16,1**	**54,1**	

"Altyn" retail chain

- In June 2005, acquisition of 12 of the "Altyn" retail chain stores in the city of Kaliningrad
- Total ammount of transaction came to $ 38 mn including the cost
- In 2005 6 of 12 stores were re-branded into "Universam" and 2 under "Next-Door" stores

"Petrovsky" retail chain

- In 2004, lease of 17 stores, formely operated under "Petrovsky" brand
- The annual rent varies from $150 to $250 per square meter of total space (depending on the location and the store format)
- Seventh Continent has acquired trading equipment and inventory for $ 16,1mn
- 15 stores were opened in November-December 2004, 1 - in January 2005, 1 – in April 2005 under Seventh Continent brand: 10 of "Next-Door" stores, 5 "Supermarkets" and 2 of '5 Stars' stores

СЕДЬМОЙ КОНТИНЕНТ

Hypermarket format introduction

Our hypermarkets operate under "Nash Gipermarket" ("Our Hypermarket") brand. They are:

- located close to major transport routes;
- aimed at daily visits as well as multi-purchase occasional store visits during the week-end

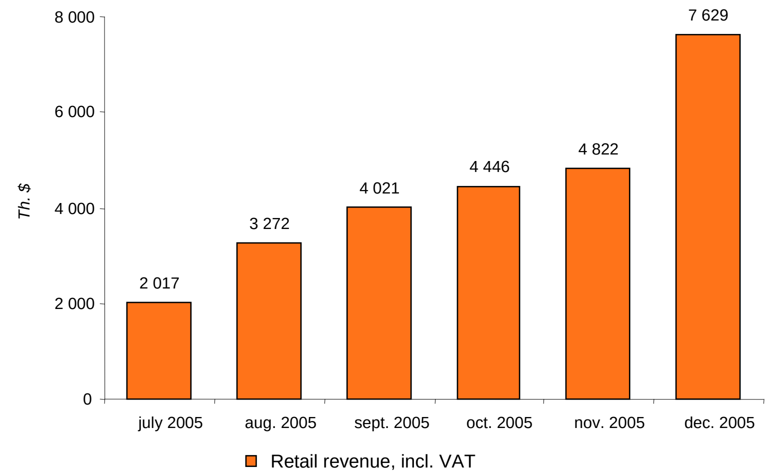
"Our Hypermarket" format offers customers the advantage of low prices, broad assortment of both food and non-food products as well as extended presence of our own "private label" product line compared to our supermarkets. The targeted share of non-food products in hypermarket is higher – 30-40% depending on space

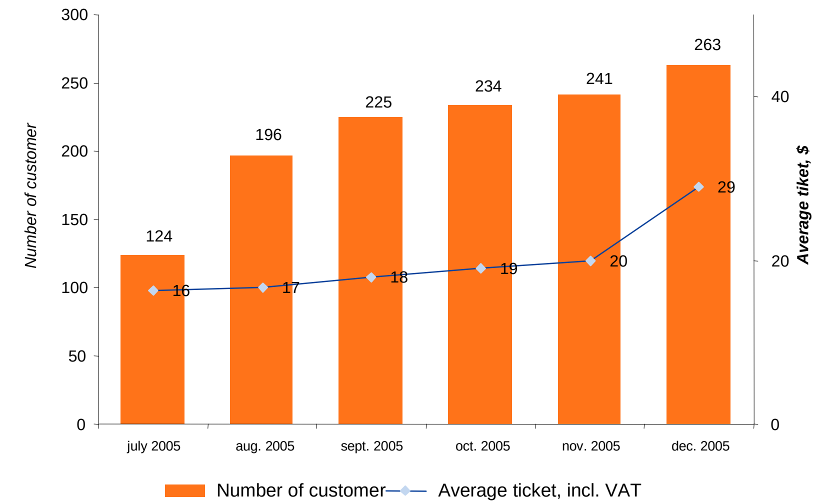
The Company's first "Our Hypermarket" store was opened in July 2005. It had following results in 2005 :

– 3% of our retail revenues
– 1,3 million of customers
– $19,6 average ticket in 2005 and $22 in 01.01-28.02.2006
– 28% share of non-food goods

We opened our second hypermarket in January 2006

Our first hypermarket performance





High margin products and services

Non-food products

- Share of 11-17% in supermarkets' revenue and up to 28% in hypermarkets' sales in 2005
- Hypermarkets will boost the share of non-food in total revenues to 30-40% depending on volume of selling spaces
- Higher margins than on foodstuffs: on average 32,5 % compared to 27,2 % on food products

Private label

- Sales started in July 2005:

  -More than 320 SKUs

  -20 product categories

  -In «Our Hypermarket», «Next-Door» stores and «Universam»

  -"Our product" brand

  -Selling price is at 10% lower than equivalent branded goods

In-store production

Bakeries

- 26 bakeries located in Supermarkets
- Over 70 types of product, including diet types of bread and traditional pastries

Meat products

- Sale of meat production production in most our retail chain stores
- Over 400 types of products, including marinade and meat convenience foods

Other services

- Direct delivery
- Outlets for mobile telephony service providers
- Dry-cleaning service providers
- Currency exchanges
- Photo laboratories
- Pharmacies
- Gift shops
- Retail banking services and discount programs

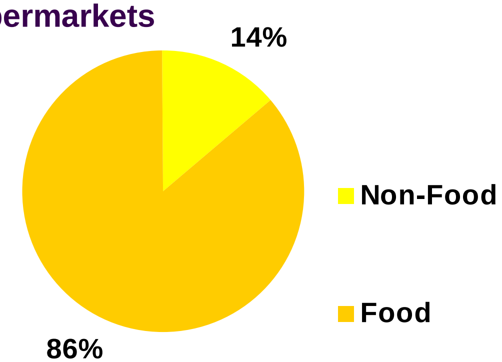
Focus on further increasing the share of high margin goods and services in revenue

Product mix

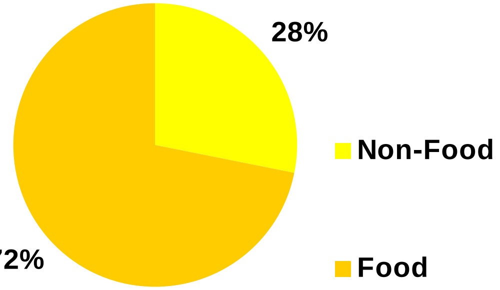
Food and non-food

In 2005

Supermarkets

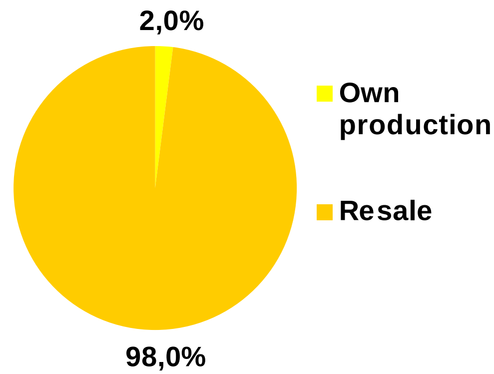


Hypermarkets



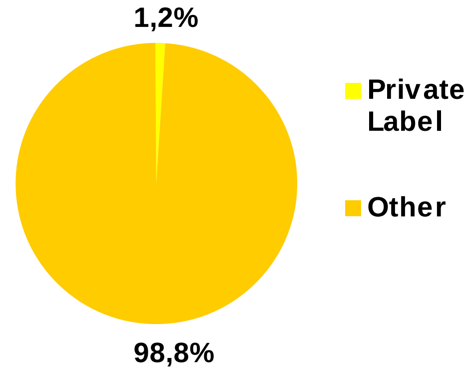
Production and resale

In 2005

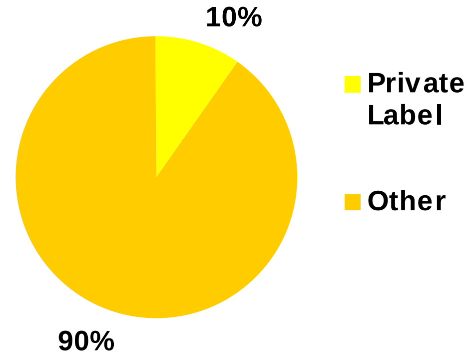


Private label

In 2005



Targeted by 2009



We plan to boost our revenues and profitability by increasing the share of high margin products in the product mix

Strategic development of Private Label

«Our product»

- Average or below-average prices
- All product groups
- Targeted group - customers of chain retail stores interested in purchasing consistently high-quality goods at low prices
- Sold at: Hypermarket, Universam, Next-door formats
- Project beginning – July 2005

- More than 320 SKUs in 20 product categories
- The purchase price in average 15% lower than for equivalent branded goods
- The selling price in average 10% lower than for similar branded goods
- 3% of total sales in February 2006

Private Label sales results

Walleye pollack
frozen fillet
«Our product»
500 g.

3 334 pcs.

Branded equivalent
– 1180 pcs.

x 2.8

Natural flower honey
«Our product»
500 g

4155 pcs.

Branded equivalent
– 456 pcs.

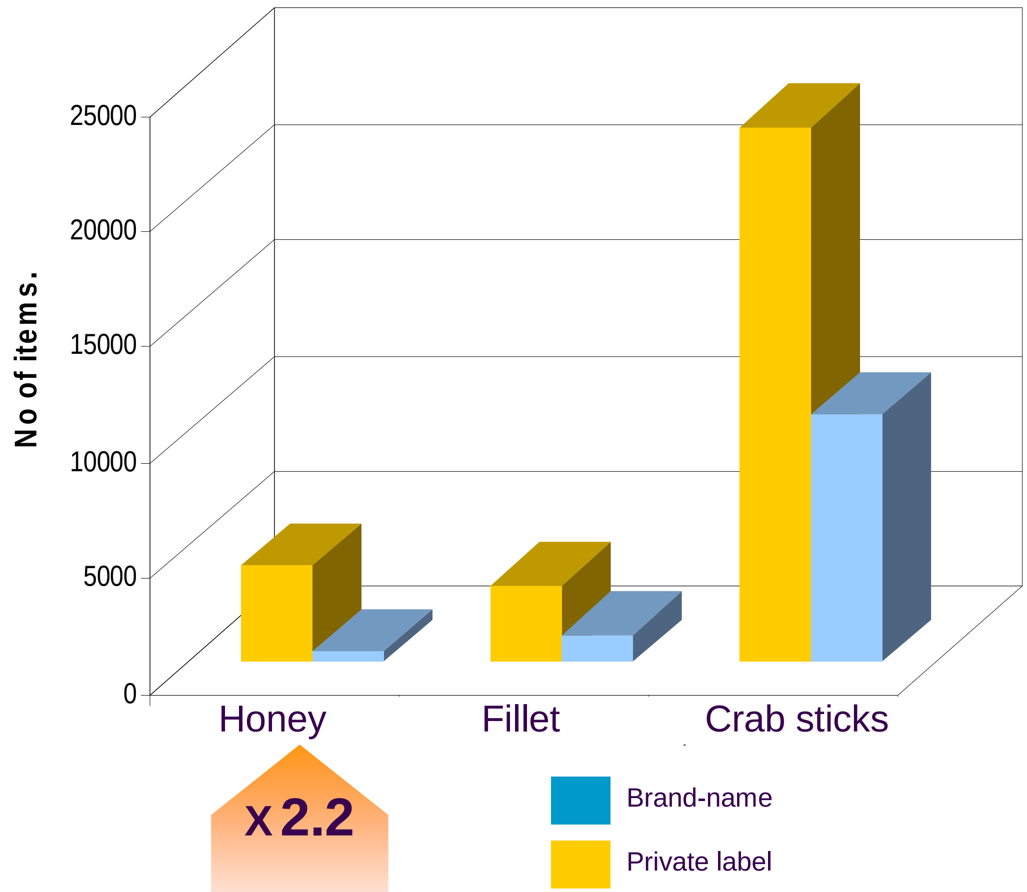
x 9.1

Crab sticks
«Our product»
200 g

23169 pcs.

Branded equivalent
– 10711 pcs.

x 2.2



2006 outlook

- **We expect to continue sustainable sales growth and strong operating and financial results in 2006 due to:**

  - up to 5 new openings of hypermarkets in Moscow, St. Petersburg, Ryazan and the Kaliningrad region
  - opening of "5 Stars," "Universam" and "Next-Door" stores
  - potential acquisition, including retail grocery chains

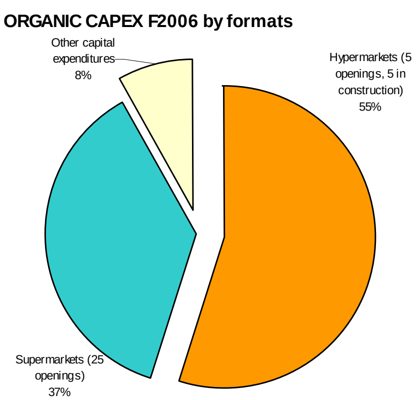
We plan to invest approximately $300 mn to finance our organic growth in 2006

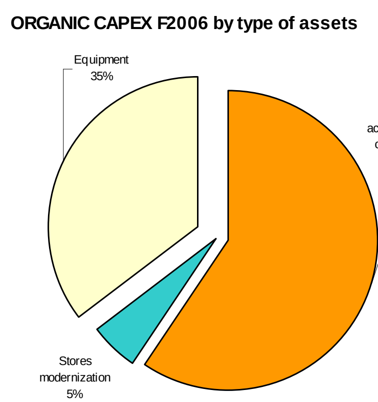
СЕДЬМОЙ КОНТИНЕНТ

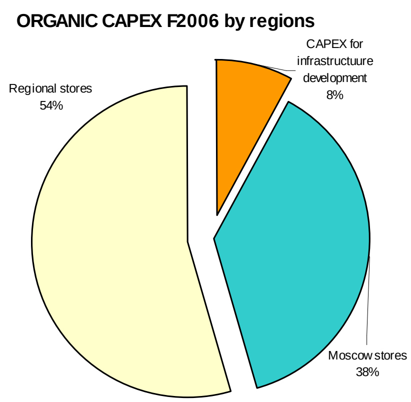
CAPEX 2006 breakdown

CAPITAL EXPENDITURES, mn $, incl. VAT	Buildings acquisition and construction	Stores modernization	Equipment	Total
CAPEX by type of investment				
Organic growth				
Hypermarkets (5 openings, 5 in construction)	104.2	0.0	60.4	164.7
Supermarkets (25 openings)	63.4	16.0	32.6	112.0
Other capital expenditures	11.0	0.0	12.8	23.8
Total CAPEX for organic qrowth	**178.6**	**16.0**	**105.8**	**300.4**
CAPEX by region				
Organic growth				
CAPEX for infrastructuure development	11.0	0.0	12.8	23.8
Moscow stores	63.4	16.0	34.1	113.5
Regional stores	104.2	0.0	58.9	163.2
Total CAPEX for organic qrowth	**178.6**	**16.0**	**105.8**	**300.4**

In addition to capital expenditures for organic growth in 2006, we intend to invest in potential acquisitions (including around $30mn in acquiring a stake in a bank) and support the same rate of organic expansion in 2007-2008

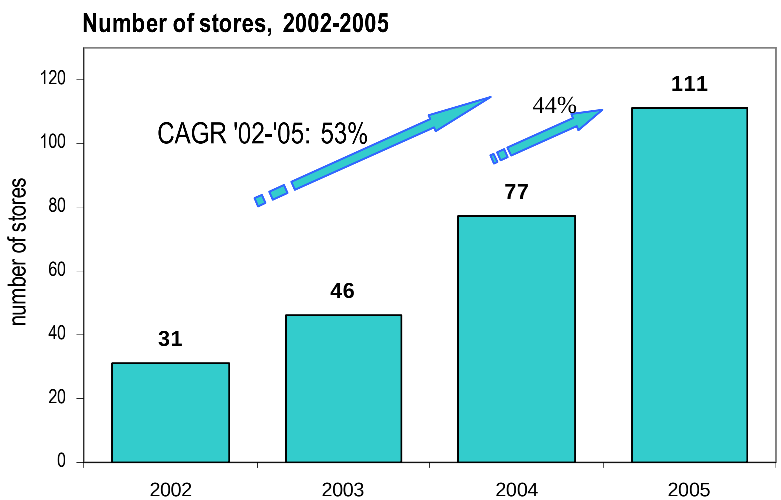


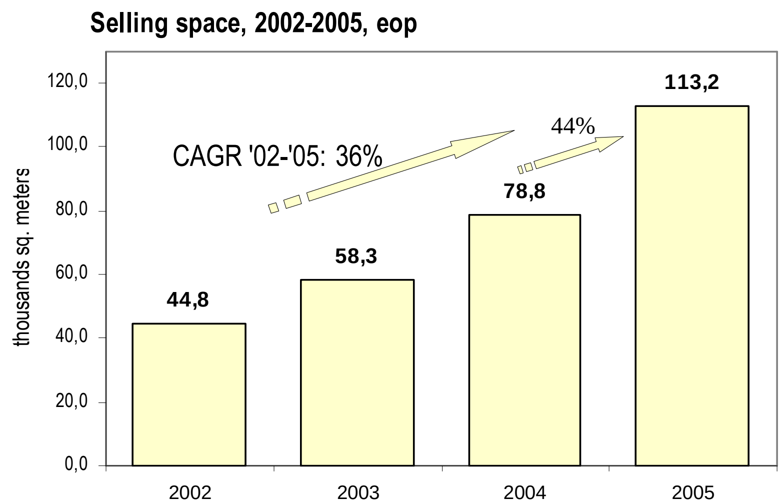


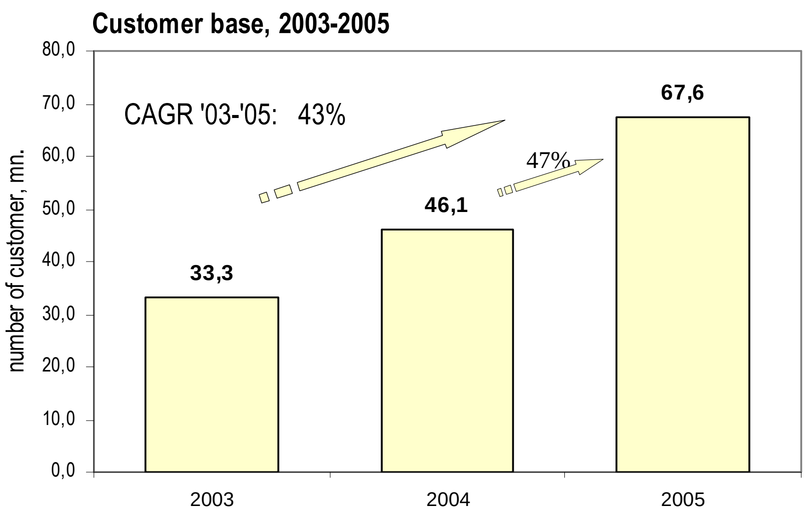


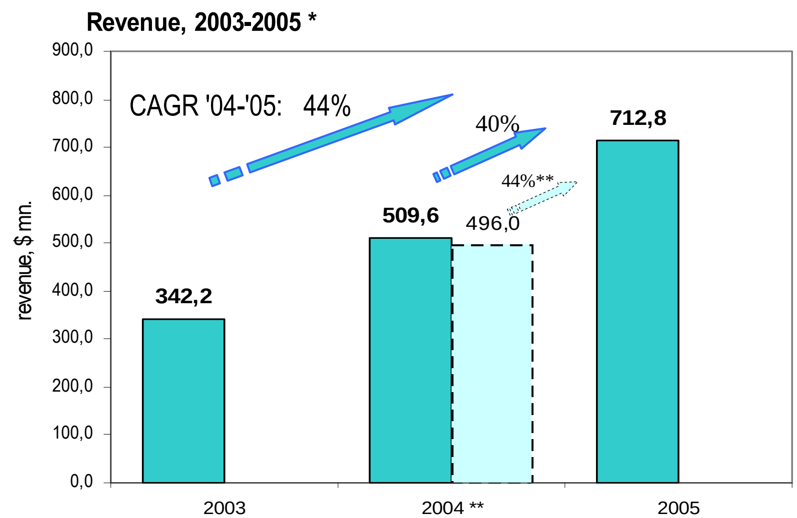
Financial review

Strategy focused on success







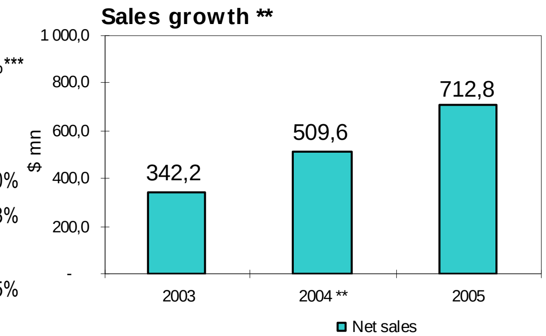


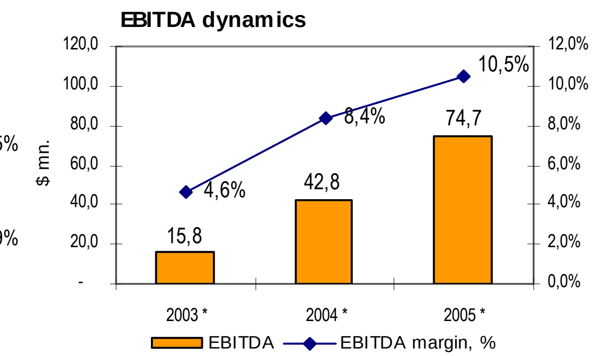
* In accordance with IFRS

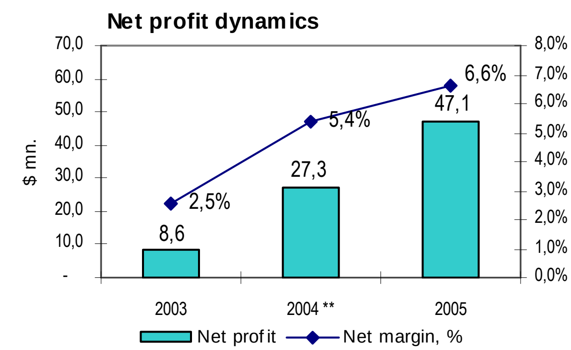
** $ 496,0 mn. - 2004 sales pro-forma before restatement

Income Statement *

$ mn	2003	2004 **	2005	Growth, %***
Net sales	**342,2**	**509,6**	**712,8**	40%
Cost of sales	(249,8)	(351,2)	(483,6)	38%
Gross profit	**92,4**	**158,4**	**229,2**	45%
Gross margin, %	*27,0%*	*31,1%*	*32,2%*	
Selling, General and Distribution expences	(84,4)	(122,6)	(168,1)	
Other operating income, net	5,2	0,4	0,1	
EBITDA	**15,8**	**42,8**	**74,7**	75%
EBITDA margin, %	*4,6%*	*8,4%*	*10,5%*	
EBIT	**13,2**	**36,2**	**61,2**	69%
EBIT margin, %	*3,9%*	*7,1%*	*8,6%*	
Interest income	1,0	0,9	4,4	
Interest expense	(2,5)	(0,3)	(1,7)	
Other non-operating income	0,2	(0,1)	0,1	
Taxes	(3,2)	(9,5)	(16,9)	
Net profit	**8,6**	**27,3**	**47,1**	72%
Net margin, %	*2,5%*	*5,4%*	*6,6%*	







* In accordance with IFRS

** year 2004 as restated (please see slide "Income Statement: restatement of marketing revenues and rent")

*** in US dollar terms

СЕДЬМОЙ КОНТИНЕНТ

Income Statement: restatement of marketing and rent revenues

• Following standardisation of IFRS procedures for the retail businesses and an increase in the share of the Company's marketing and rental revenue, the company's auditor has applied a new approach to reflecting of the respective revenues in 2005

The below table sets forth selected pro-forma 2004 results:

	Year ended 31 December 2004 (as restated)	Year ended 31 December 2004 (as reported)	Differences
Food and beverages	415,9	415,9	0,0
Household supplies	67,0	67,0	0,0
Marketing services	18,5	10,9	7,6
Rent revenue	6,1	0,0	6,1
Other revenue	2,3	2,3	0,0
Total revenue	**509,7**	**496,0**	**13,7**
Other Operating Income	**0,4**	**14,1**	**-13,7**

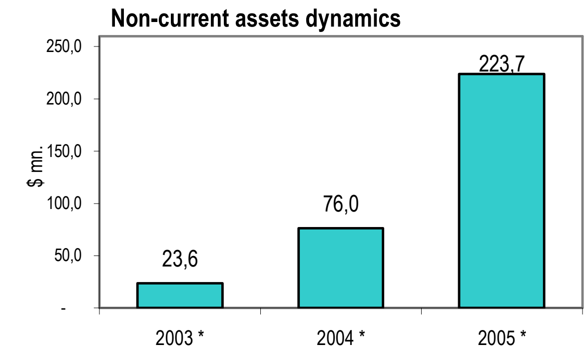
СЕДЬМОЙ КОНТИНЕНТ

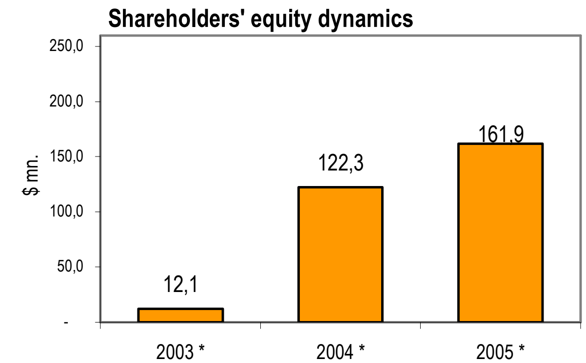
Balance Sheet

$ mn	2003 *	2004 *	2005 *	growth
Cash and cash equivalents	6,0	78,3	65,6	
Loan receivable	0,3	2,7	2,3	
Accounts receivable and prepayment	11,0	22,4	29,1	
Inventories	21,7	35,3	54,8	
Total curent assets	**39,0**	**138,8**	**151,8**	13,0
Total non-current assets	**23,6**	**76,0**	**223,7**	147,7
Total assets	**62,6**	**214,8**	**375,5**	160,7
	-	-	-	

$ mn	2003 *	2004 *	2005 *	
Accounts payable	36,2	77,1	97,5	
Borrowings	4,4	-	91,7	
Other	9,5	15,4	24,4	
Total liabilities	**50,1**	**92,5**	**213,6**	121,2
Minority interest	0,3	-	-	
Total shaholders' equity	**12,1**	**122,3**	**161,9**	39,5
Total liabilities and equity	**62,6**	**214,8**	**375,5**	160,7

* In accordance with IFRS





Working capital and CAPEX *

Working capital

$ mn	2003	2004	2005
Accounts receivable and prepayment	11,0	22,4	29,1
Inventories	21,7	35,3	54,8
Accounts payable	36,2	77,1	97,5
Working capital	(3,5)	(19,4)	(13,6)

Turnover

Days	2003	2004	2005
Accounts receivable turnover	11	12	13
Inventories turnover	31	30	34
Accounts payable turnover	42	59	66

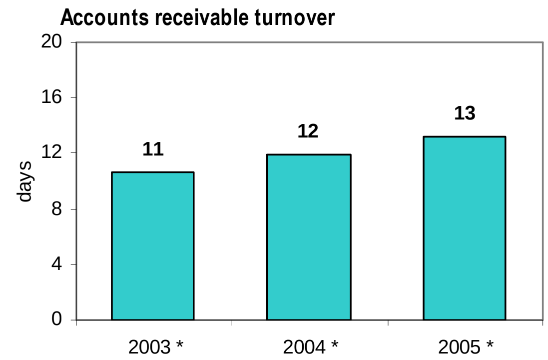
CAPEX 2005

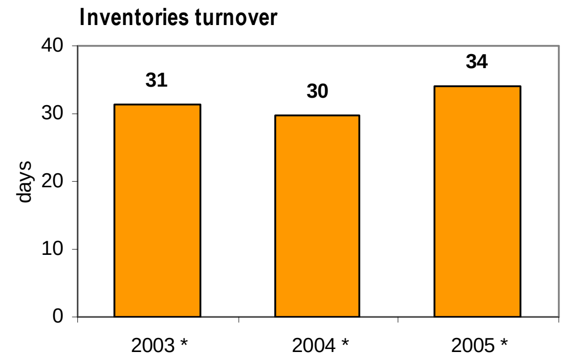
	$ mn	Percentage
Buildings acquisitions, construction and modernisation	130	84%
acquisitions	79	51%
construstuon	46	30%
modernisation	5	3%
Equipment	25	16%
Total CAPEX in 2005, $ mn. **	**156**	**100%**

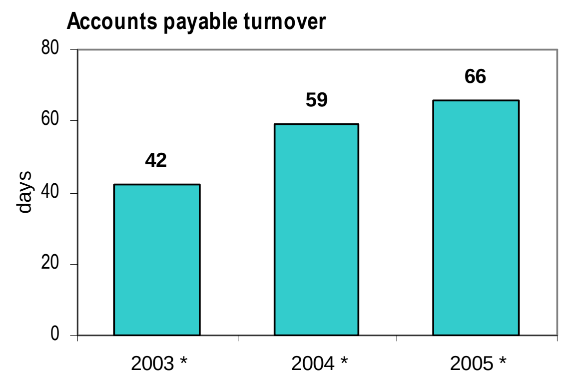
Capital expenditures figures include $ 38 mn in connection with "Altyn" chain aquisition

* In accordance with IFRS, excluding VAT

** Capital expenditures figures are presented on cash basis







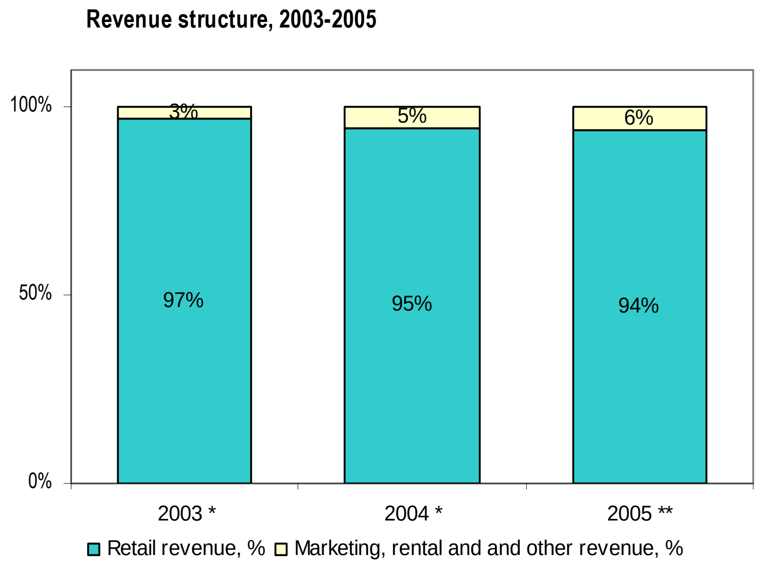
Leverage

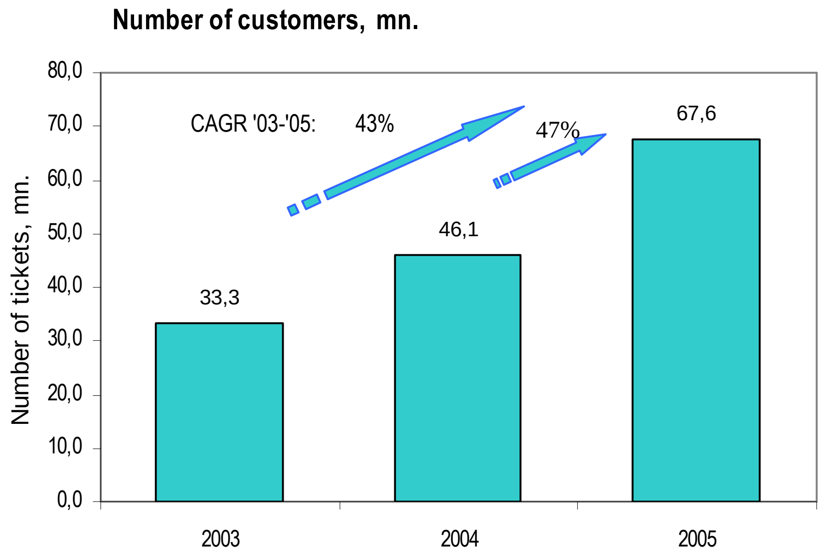
	2005
Debt / EBITDA	1,23x
Debt / Shareholders' equity	0,57x
EBITDA / Interest expenses	37x

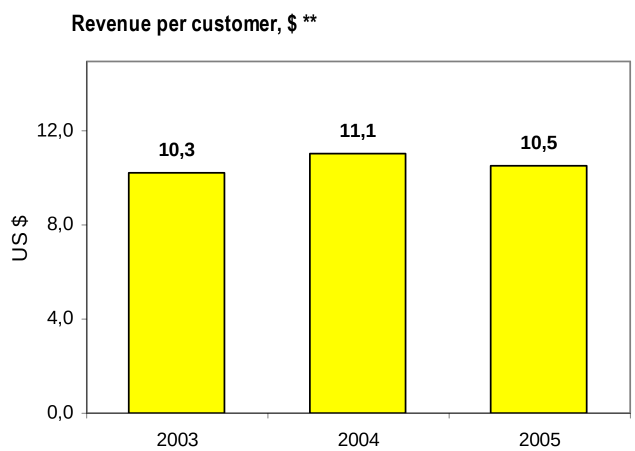
- In September 2005, the Company concluded a USD 90 million loan agreement with Dresdner Bank AG London Branch, as lender, for 2 years at 7,25%
- As of 31 December 2005 our borrowings amounted to US$ 91,7 mn including accrued interest
- As of 31 December 2005 our net debts amounted to US$ 23,9 mn, respectively Net Debts/EBITDA ratio was 0,32

As we grow and market conditions improve, we intend to increase the leverage

Revenues, number of customers and revenue per customer*



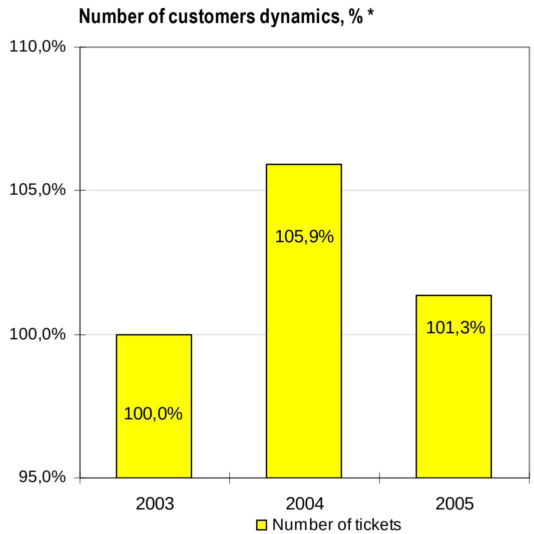


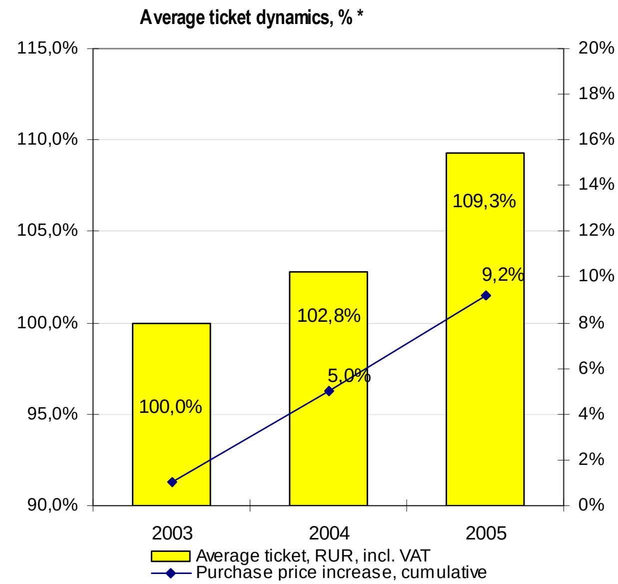


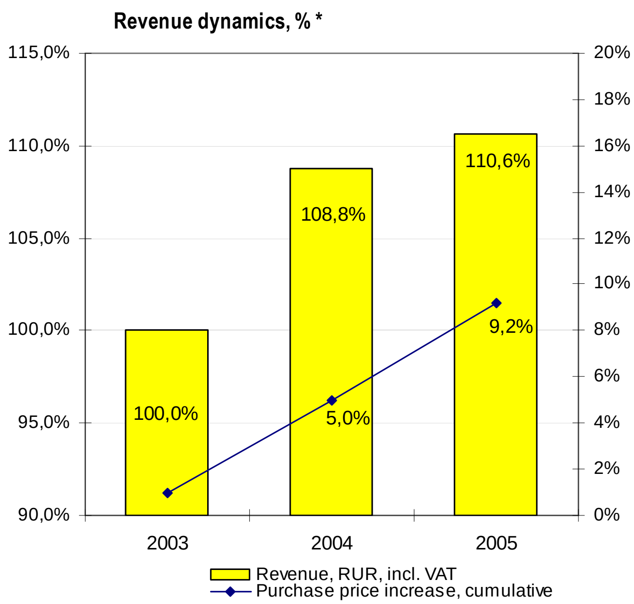
* In accordance with IFRS, excluding VAT

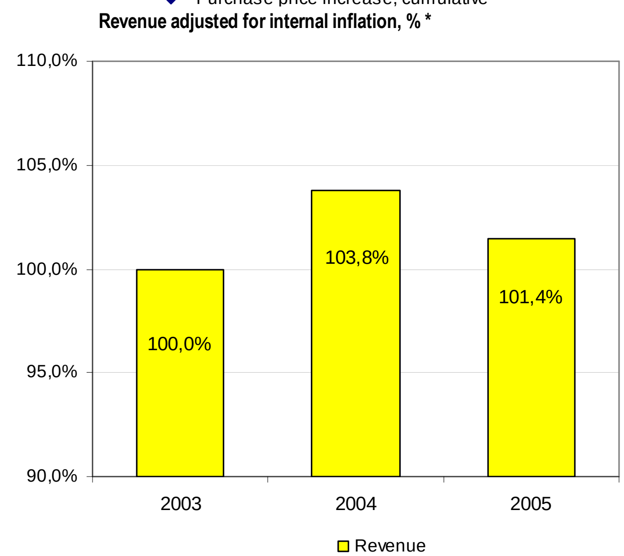
** Net sales In accordance with IFRS divided by number of customer

Same store analysis
for 2003-2005 *





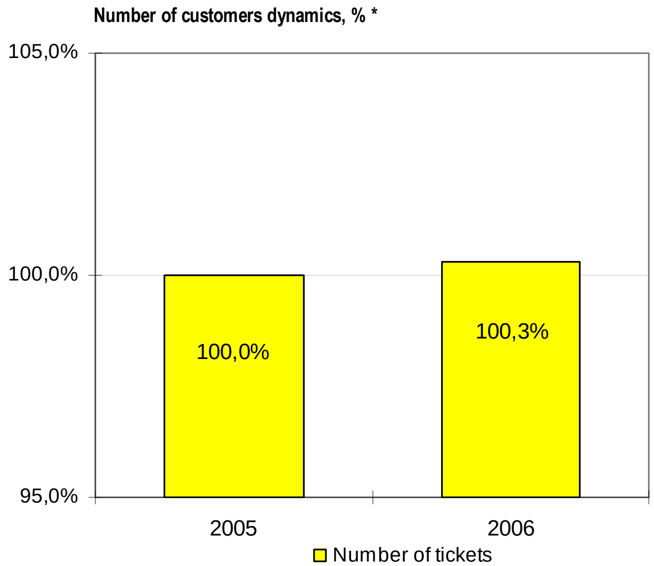


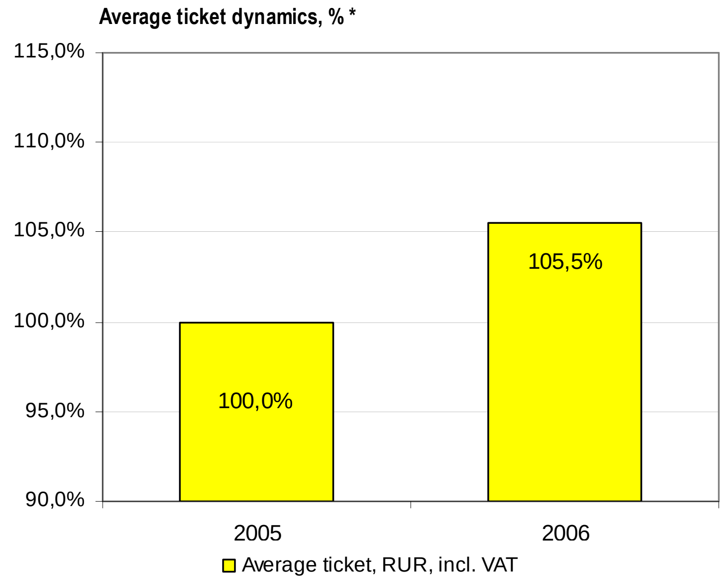


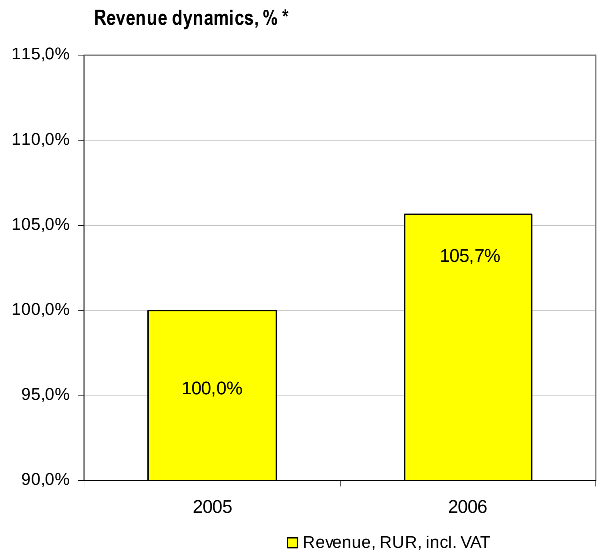
* Revenues agreed with Management Accounts include VAT

Same store analysis

for Jan-15Mar 2005/Jan-15Mar 2006*

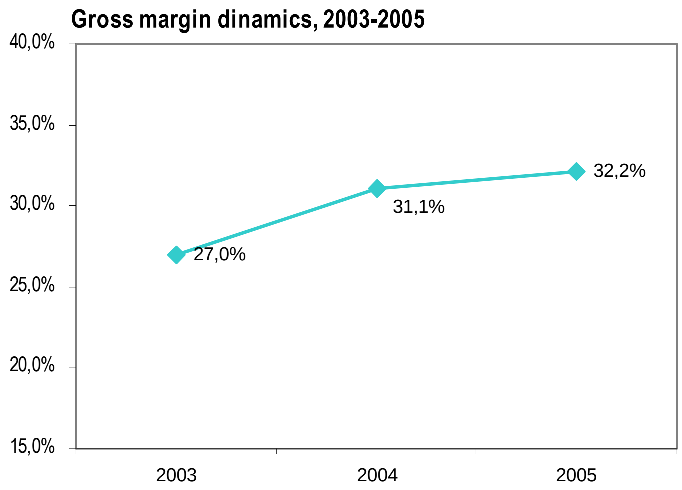


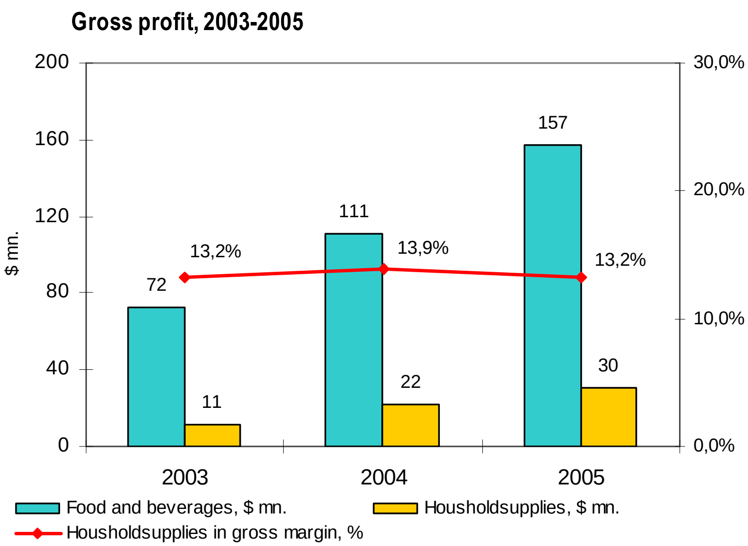


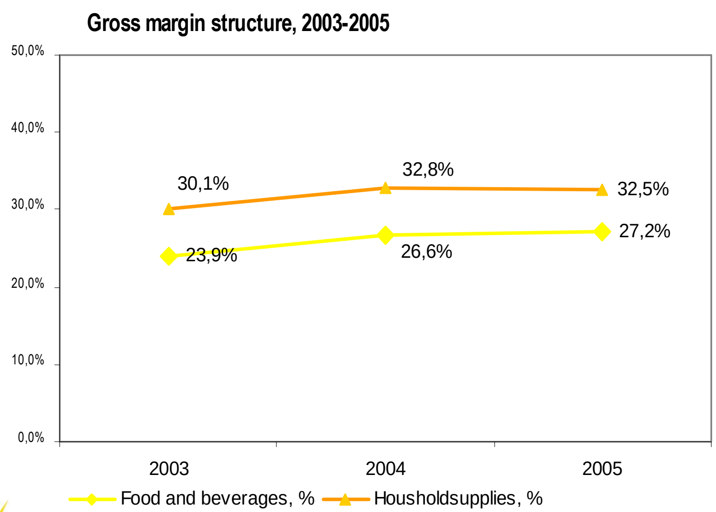


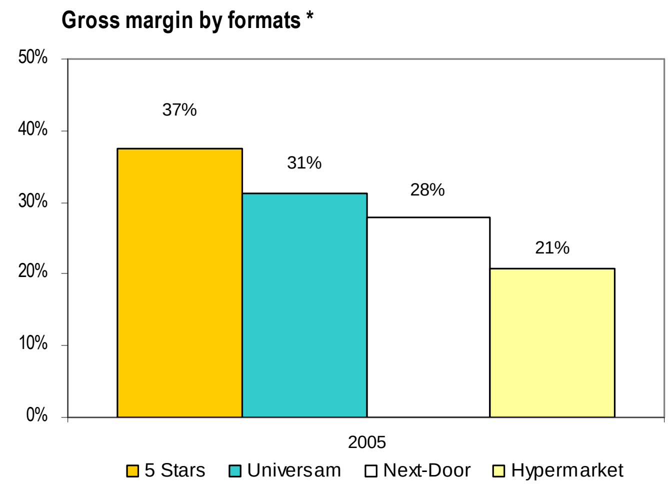
* Revenues agreed with Management Accounts include VAT

Gross profit structure



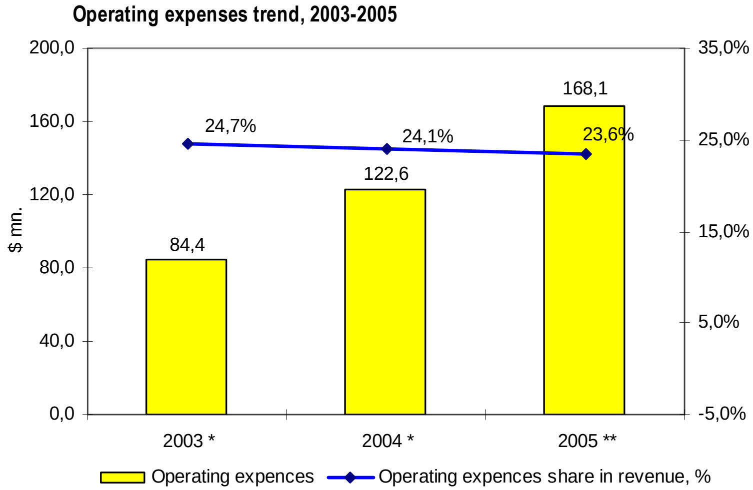


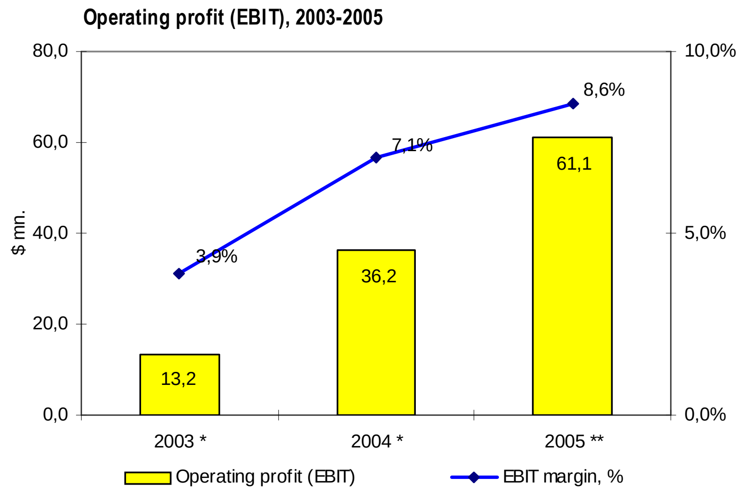




*) - including marketing and rent services revenue

Operating profit (EBIT)





Breakdown of operating expenses, as % of sales

	2003	2004	2005
operating leases	11,6%	7,2%	5,8%
labour costs	7,0%	9,6%	10,3%
materials	1,8%	1,9%	1,4%
advertising	1,3%	0,6%	0,5%
repairs	0,7%	1,2%	0,7%
depreciation	0,7%	1,3%	1,9%
public utilities	0,2%	0,7%	1,0%
other	1,4%	1,5%	2,1%
Total	24,7%	24,1%	23,6%

Breakdown of operating expenses, as % of total operating expenses

	2003	2004	2005
operating leases	47%	30%	25%
labour costs	28%	40%	44%
materials	7%	8%	6%
advertising	5%	3%	2%
repairs	3%	5%	3%
depreciation	3%	5%	8%
public utilities	1%	3%	4%
other	6%	6%	9%
Total	100%	100%	100%

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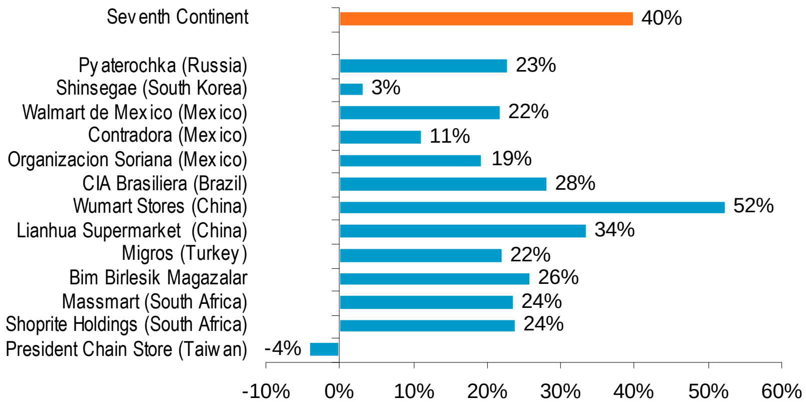
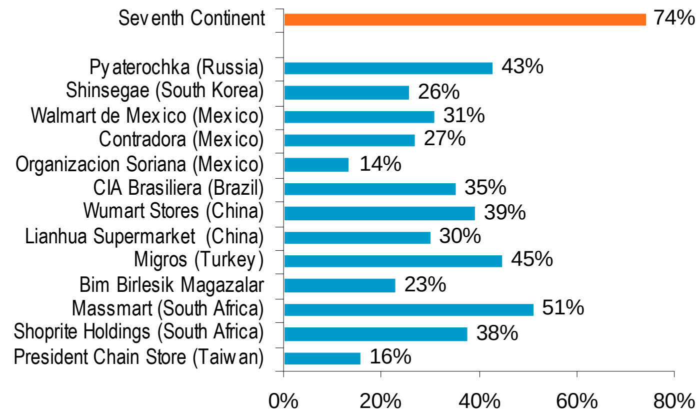
Comparison of financial performance with emerging markets peers (2005)

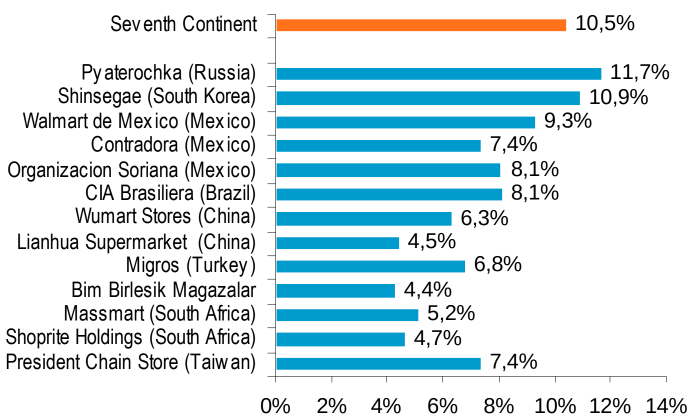
Sales growth '04-'05, %



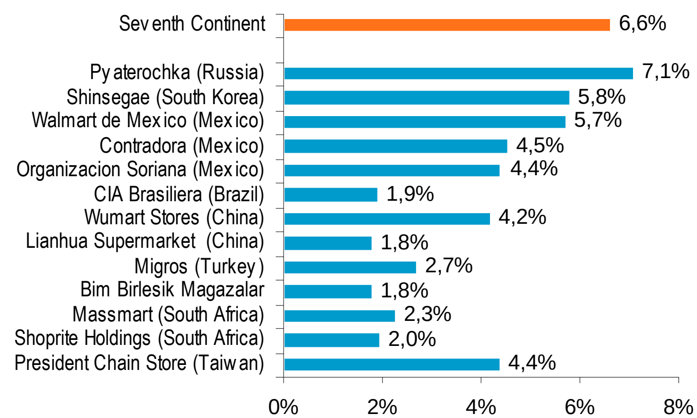
EBITDA growth '04-'05, %



EBITDA margin, %



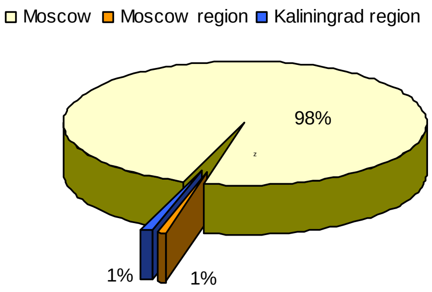
Net profit margin, %



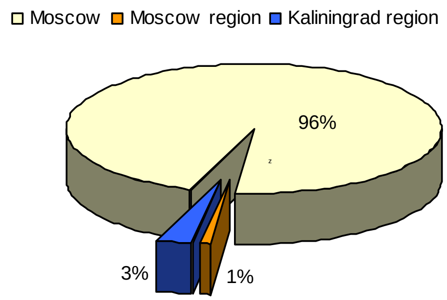
We outperform our traded peers in terms of growth and profitability

Store performance by regions *

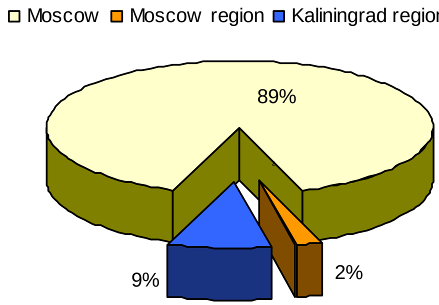
Revenue 2005 by regions, %



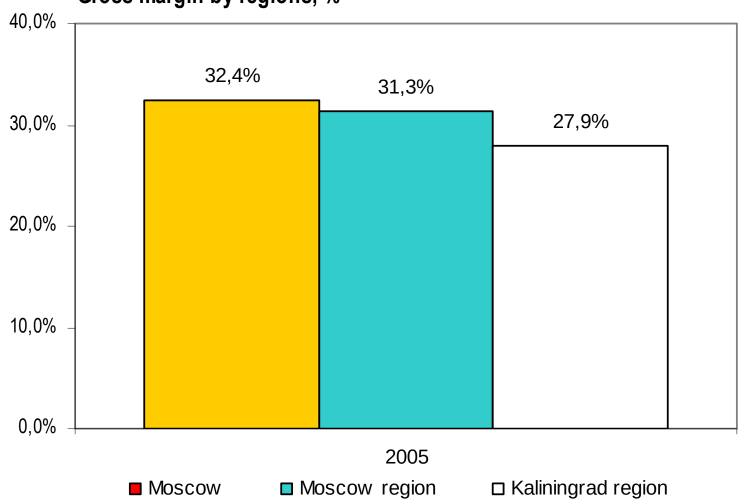
Customers 2005 by regions, %



Trade space by regions, %



Gross margin by regions, %



* In accordance with management accounts for 2005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