

# Q3 & 9M 2010 Financial Results

*Conference Call Presentation*

26 November 2010



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**I. Q3 2010 Highlights**

**II. Q3 2010 Operational Performance**

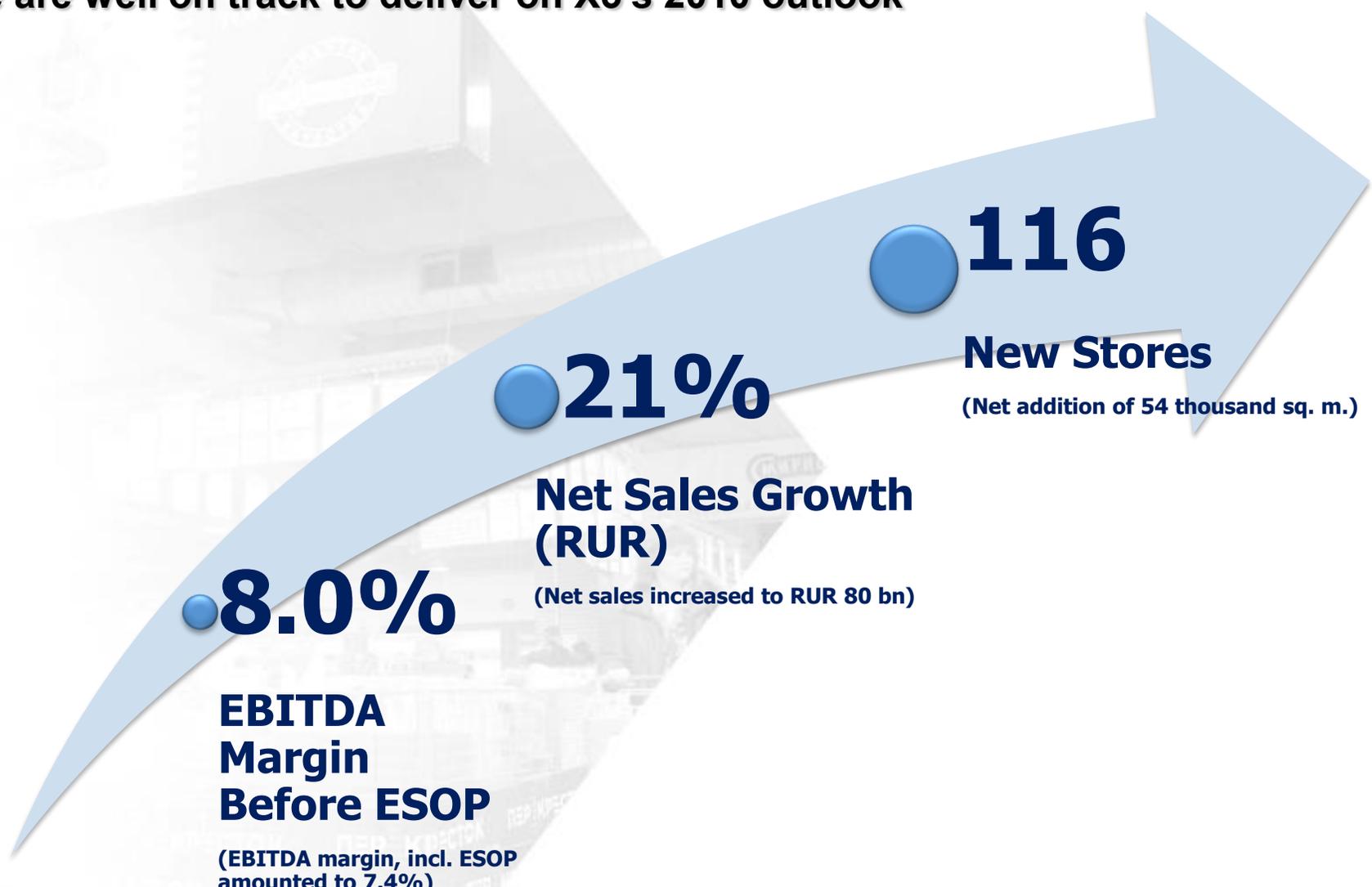
**III. Q3 & 9M 2010 Financial Performance**





- **Q3 2010 - Best top-line growth this year**
- **Consumer spending recovery and trading-up now visible**
- **Well on track to meet 2010 growth outlook**
- **Execution of store expansion plan ahead of expectations**

**We are well on track to deliver on X5's 2010 outlook**



**First Pyaterochka-Maxi Opened 18th November 2010 in Syzran (Samara Region)**

**Pyaterochka-Maxi extends the brand’s price leadership advantages in a new “economy-class” hypermarket**

- Format specially developed for Russian regions, enabling X5 to reach under-served customers in small cities with population of +50 thousand
- Competitive advantage – lowest prices on the market, and wholesale volume discounts of 10% to 15%
- Sales of food and non-food items to retail and wholesale customers
- Store layout, infrastructure and simpler assortment are geared both to retail and B2B wholesale purchasers



Selling space, sq. m.	3,500
SKU	~ 7,000
Cashiers	18

**First Five Trading Days <sup>(1)</sup>**

Average daily sales, RUR	2,320,699
Average daily traffic	3,322
Average daily ticket, RUR	696



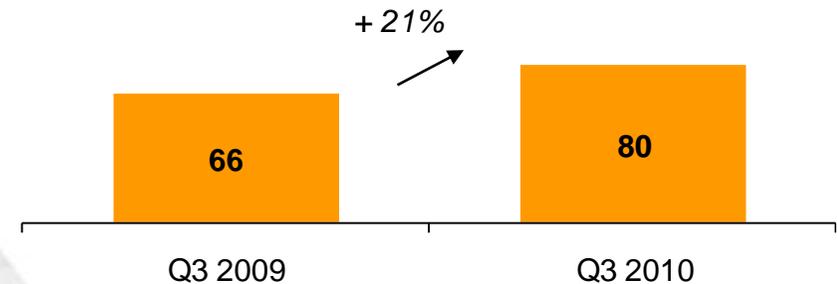
(1) Data for the period from 18 November 2010 to 22 November 2010

## X5 Delivered Its Best Top-Line Growth of 2010 with RUR Net Retail Sales Up 21%

- Sales growth in the third quarter 2010 consisted of 6% LFL sales growth with the rest coming from organic expansion (+13%) as well as the contribution from acquired Paterson stores (+3%)
- X5 added a record 258 stores through the first nine months, including a Company record 116 in the third quarter, contributing over half our growth
- LFL sales increase of 6% in RUR terms was driven by a 4% increase in customer traffic and 2% increase in average basket
- Prices on X5's shelves rose on average by 5.8% in September 2010 compared to September 2009. By comparison, Russia's official food inflation rate in September 2010 was 8.7% due to the effects of the summer heat

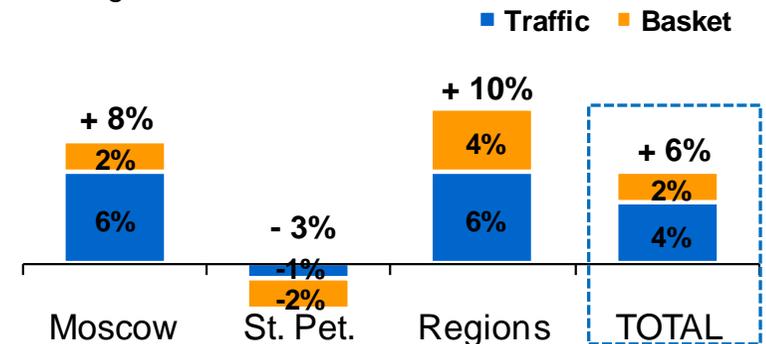
### Q3 2010 Net Retail Sales

RUR bln



### Q3 2010 LFL Sales by Region

Based on RUR-denominated gross sales



Sales Growth Composition RUR	LFL, %	Organic Expansion, %	Scope Change Paterson, %	Total Change %
Hypermarkets	(3)	13	-	10
Supermarkets	2	5	11	18
Soft Discounters	10	15	1	26
<b>Total Gross Retail Sales</b>	<b>6</b>	<b>13</b>	<b>3</b>	<b>22</b>
Translation difference				2
<b>Total change %, incl. FX</b>				<b>24</b>

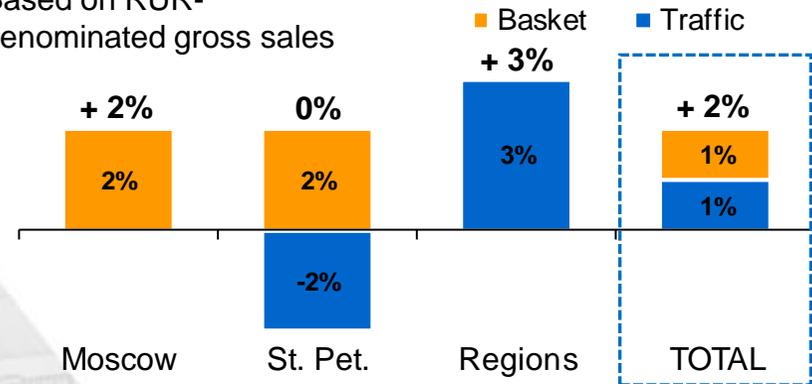
## Strong Sales and New Store Openings in Discounter Segment Positive Trends In Supermarkets LFL Performance

- X5's LFL sales growth at 6% in RUR terms year-on-year
- Soft discounters achieved 10% LFL growth against last year's high comparable base (16% LFL)
- Supermarkets improved to positive LFL sales as customers responded to Perekrestok's summer price campaign, assortment changes and trading up signs
- Hypermarkets LFL sales declined 3% affected by intensified competition in St. Petersburg
- LFL sales of the acquired Paterson stores surged more than 20% on a pro forma basis compared to pre-acquisition levels of Q3 2009

### Supermarkets' Q3 2010 LFL Performance

Based on RUR-

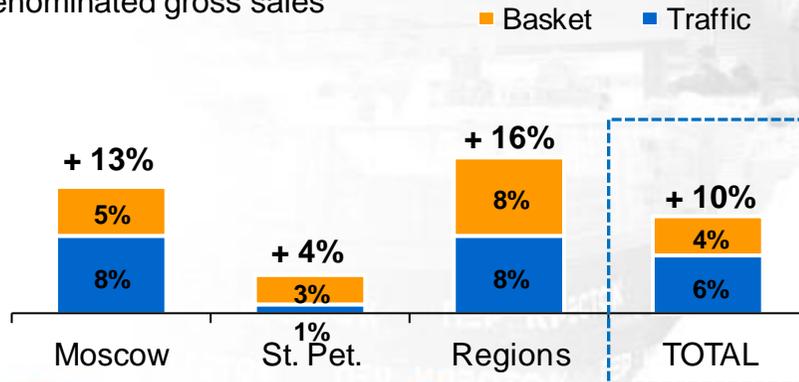
denominated gross sales



### Discounters' Q3 2010 LFL Performance

Based on RUR-

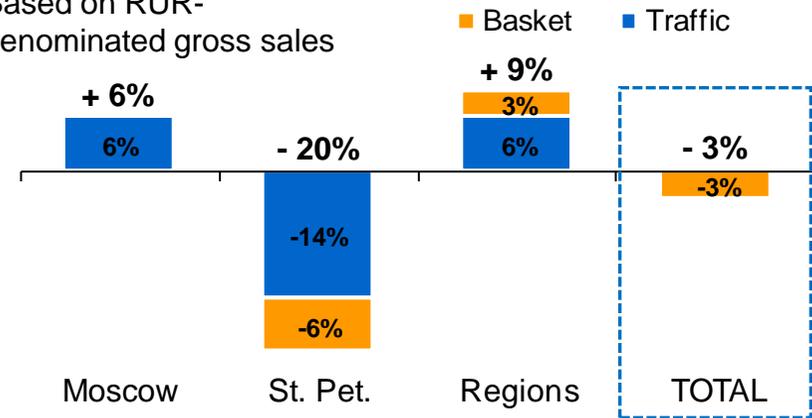
denominated gross sales



### Hypermarkets' Q3 2010 LFL Performance

Based on RUR-

denominated gross sales



## Record 116 New Stores Added In Q3 2010 – X5 On Track to Exceed 2010 New Store Plan While Staying Below CapEx Limit

### In Q3 2010

- Net 116 stores or 54 th. sq.m. of selling space added:
  - 97 soft discounters
  - 14 supermarkets
  - three hypermarkets
  - two convenience stores

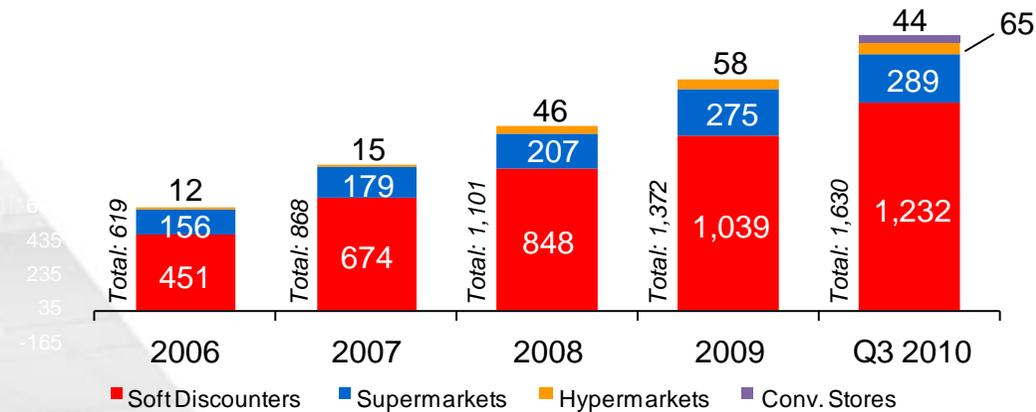
### In 9M 2010

- Net 258 stores or 114 th. sq.m. of selling space added:
  - 193 soft discounters
  - 14 supermarkets
  - seven hypermarkets
  - 44 convenience stores

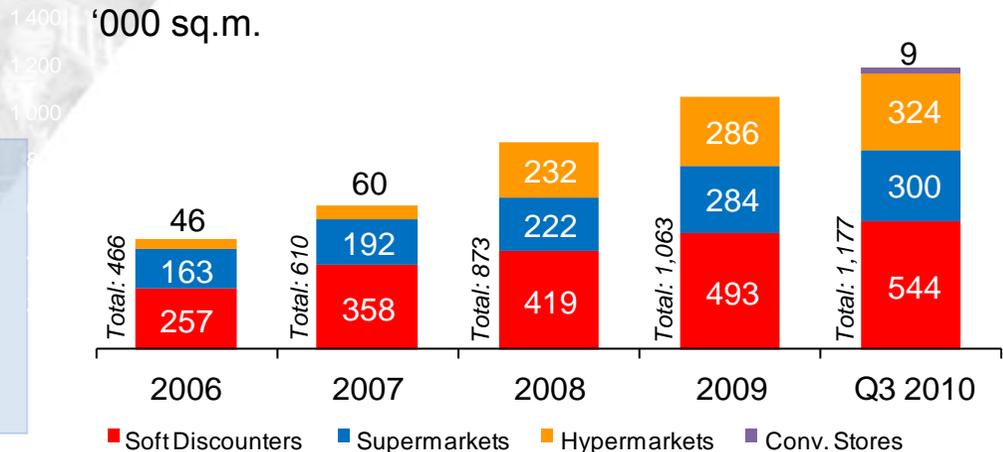
• **At 30 September 2010** X5 operated 1,630 stores (1,177 th. sq.m. of net selling space):

- 1,232 soft discounters
- 289 supermarkets
- 65 hypermarkets
- 44 convenience stores

### Number Of Stores, EoP



### Net Selling Space, EoP

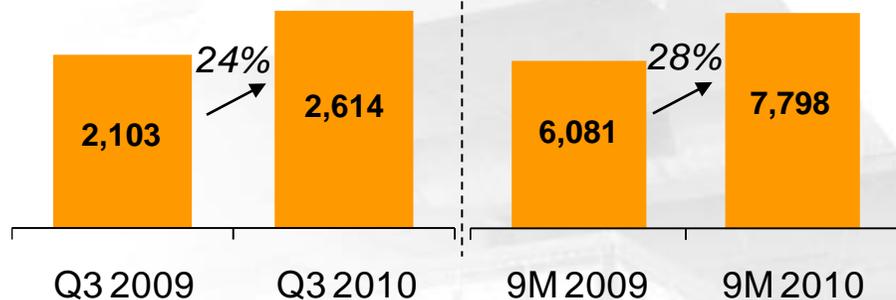


**X5's multi-year effort has made good progress in establishing a strong efficiency platform for the Company to drive competitive advantages and growth**



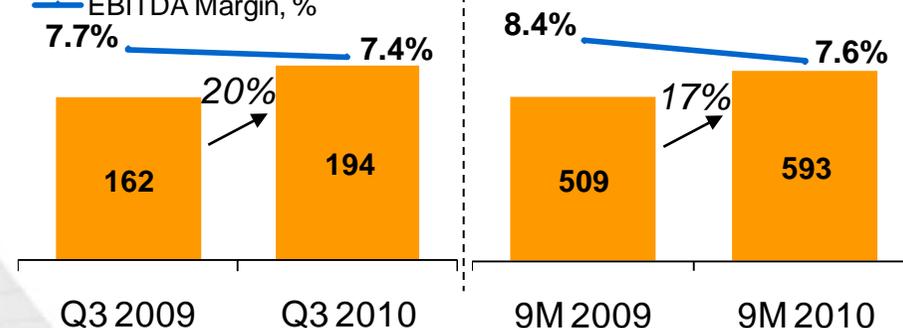
Net Sales

USD mln



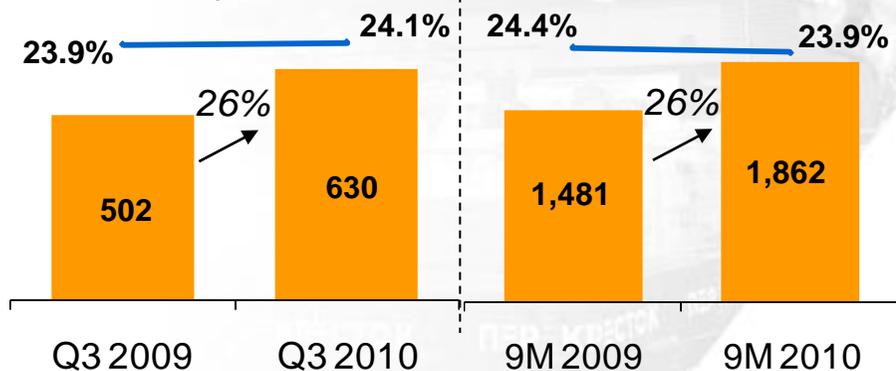
EBITDA & EBITDA Margin

EBITDA, USD mln  
EBITDA Margin, %



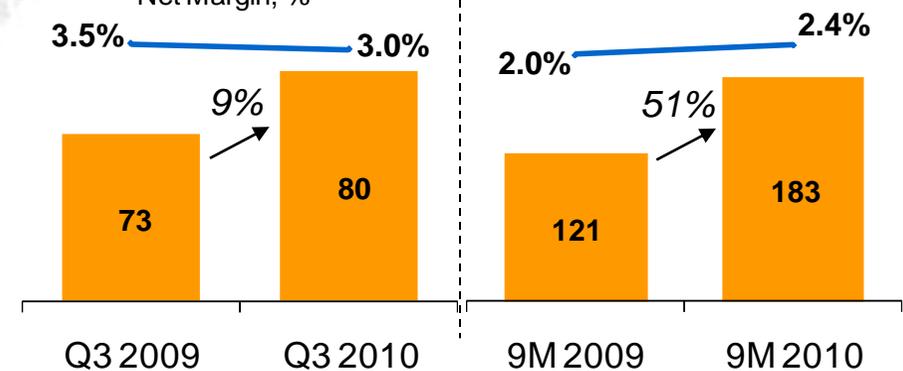
Gross Profit

Gross Profit, USD mln  
Gross Margin, %



Net Profit / (Loss)

Net Profit, USD mln  
Net Margin, %



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

USD mln	Q3 2010	Q3 2009	% change USD	% change RUR	9M 2010	9M 2009	% change USD	% change RUR
<b>Net Sales</b>	<b>2,614.0</b>	<b>2,103.1</b>	<b>24%</b>	<b>21%</b>	<b>7,797.7</b>	<b>6,081.2</b>	<b>28%</b>	<b>19%</b>
incl. Retail	2,606.6	2,094.2	24%	21%	7,778.6	6,053.2	29%	20%
<b>Gross Profit</b>	<b>629.9</b>	<b>501.8</b>	<b>26%</b>	<b>23%</b>	<b>1,861.8</b>	<b>1,480.8</b>	<b>26%</b>	<b>17%</b>
Gross Margin, %	24.1%	23.9%			23.9%	24.4%		
SG&A	(545.9)	(417.0)	31%	28%	(1,579.3)	(1,196.2)	32%	23%
% of revenue	20.9%	19.8%			20.3%	19.7%		
ESOP Expense	(13.6)	(26.3)	(49%)	(51%)	(47.3)	(31.6)	50%	40%
% of revenue	0.5%	1.3%			0.6%	0.5%		
<b>EBITDA</b>	<b>194.4</b>	<b>161.8</b>	<b>20%</b>	<b>18%</b>	<b>593.2</b>	<b>508.8</b>	<b>17%</b>	<b>9%</b>
EBITDA Margin, %	7.4%	7.7%			7.6%	8.4%		
<b>Operating Profit/(Loss)</b>	<b>120.8</b>	<b>107.5</b>	<b>12%</b>	<b>11%</b>	<b>378.9</b>	<b>353.5</b>	<b>7%</b>	<b>0%</b>
Operating Margin, %	4.6%	5.1%			4.9%	5.8%		
Net FX Result	23.1	39.7	(42%)	(48%)	(12.7)	(38.1)	(67%)	(69%)
<b>Profit/(Loss) before tax</b>	<b>111.3</b>	<b>108.9</b>	<b>2%</b>	<b>(3%)</b>	<b>269.0</b>	<b>198.7</b>	<b>35%</b>	<b>26%</b>
Income Tax Expense	(31.7)	(36.0)	(12%)	(15%)	(85.6)	(77.5)	11%	3%
<b>Net Profit/(Loss)</b>	<b>79.6</b>	<b>72.9</b>	<b>9%</b>	<b>4%</b>	<b>183.3</b>	<b>121.2</b>	<b>51%</b>	<b>41%</b>
Net Margin, %	3.0%	3.5%			2.4%	2.0%		

- Net sales increased 21% year-on-year in RUR terms to RUR 80,050 mln or 24% in USD terms to USD 2,614 mln;
- Gross profit totaled USD 630 mln, for a gross margin of 24.1%;
- EBITDA amounted to USD 194 mln, for an EBITDA margin of 7.4%;
- X5 reported a net profit of USD 80 mln;
- Third quarter 2010 SG&A expenses as a percentage of revenue increased by 110 bp year-on-year to 20.9%;
- First nine months 2010 net finance costs decreased 14% year-on-year in USD terms and 20% in RUR terms due to lower interest rates on funding;
- As at 30 September 2010, the Company's total debt amounted to RUR 60 billion or USD 1,965 million (at RUR/USD exchange rate of 30.4). Net debt totaled RUR 57 billion or USD 1,874 million;

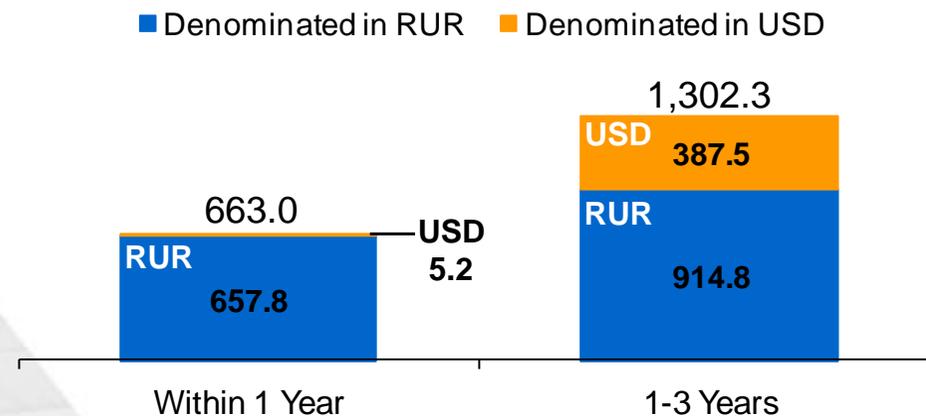
USD mln	Q3 2010	Q3 2009	% change USD	% change RUR	9M 2010	9M 2009	% change USD	% change RUR
<b>Net Cash Flows from Operating Activities</b>	<b>72.8</b>	<b>151.0</b>	<b>(52%)</b>	<b>(55%)</b>	<b>(66.2)</b>	<b>190.5</b>	<b>n/a</b>	<b>n/a</b>
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	210.6	191.8	10%	7%	659.5	571.9	15%	7%
<i>Change in Working Capital</i>	(86.9)	(0.01)	n/a	n/a	(535.9)	(182.9)	193%	173%
<i>Net Interest and Income Tax Paid</i>	(50.9)	(40.8)	25%	27%	(189.8)	(198.5)	(4%)	(11%)
<b>Net Cash Used in Investing Activities</b>	<b>(114.8)</b>	<b>(50.1)</b>	<b>129%</b>	<b>126%</b>	<b>(251.7)</b>	<b>(149.1)</b>	<b>69%</b>	<b>62%</b>
<b>Net Cash (used in)/generated from Financing Activities</b>	<b>28.9</b>	<b>13.9</b>	<b>108%</b>	<b>78%</b>	<b>(1.0)</b>	<b>(47.6)</b>	<b>(98%)</b>	<b>(98%)</b>
<b>Effect of Exchange Rate Changes on Cash &amp; Cash Equivalents</b>	<b>0.5</b>	<b>17.2</b>	<b>(97%)</b>	<b>(78%)</b>	<b>(1.0)</b>	<b>6.2</b>	<b>n/a</b>	<b>n/a</b>
<b>Net (Decrease)/Increase in Cash &amp; Cash Equivalents</b>	<b>(12.7)</b>	<b>131.9</b>	<b>n/a</b>	<b>n/a</b>	<b>(319.9)</b>	<b>(0.0)</b>	<b>n/a</b>	<b>n/a</b>

## Highlights

- As at 30 September 2010, the Company's total debt amounted to RUR 60 billion or USD 1,965 million (at RUR/USD exchange rate of 30.4)
- Net debt totaled RUR 57 billion or USD 1,874 million
- X5 short-term debt decreased by 65% from USD 1,886 mln as at 30 June 2010 to USD 663 mln as at 30 September 2010 mostly due to refinancing of the USD 1.1 bn syndicate loan in Q3 2010 through a new USD 800 million 3 year club facility, with the remaining USD 300 million refinanced through other lines available for X5
- In September 2010 the Company signed USD 500 mln. RUR denominated revolving committed facility with Sberbank effective until 2015 to refinance other short term debt.

## Debt Maturity Profile as at 30.09.10

USD mln



USD mln	30-Sep-10	% in total	30-Jun-10	% in total	31-Dec-09	% in total
<b>Total Debt</b>	<b>1,965.3</b>		<b>1,898.5</b>		<b>1,944.0</b>	
Short-Term Debt	663.0	34%	1,886.2	99%	1,656.6	85%
Long-Term Debt	1,302.3	66%	12.3	1%	287.4	15%
<b>Net Debt</b>	<b>1,873.5</b>		<b>1,794.0</b>		<b>1,532.3</b>	
Denominated in USD	380.3	20%	1,095.1	61%	1,162.8	76%
Denominated in RUR	1,493.2	80%	698.9	39%	369.5	24%
FX, EoP	30.40		31.20		30.24	
<b>Net Debt/EBITDA</b>	<b>2.28x</b>		<b>2.28x</b>		<b>2.08x</b>	

Time for Q&A