

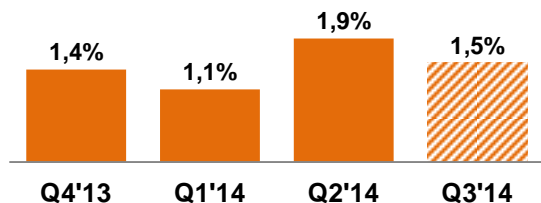
**“Disciplined Growth From
Back-to-Basics Focus”**

Elena Milinova, CFO
X5 Capital Markets Day 2014
Moscow, Russian Federation
29 October 2014

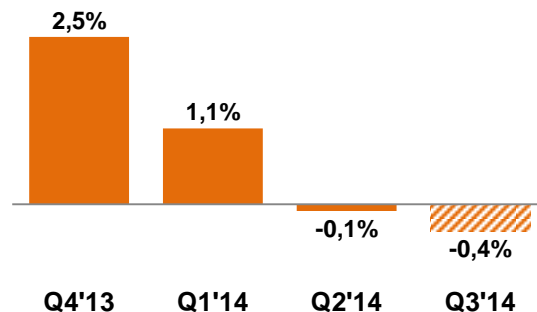
MACRO ENVIRONMENT

RUSSIAN MACRO ENVIRONMENT

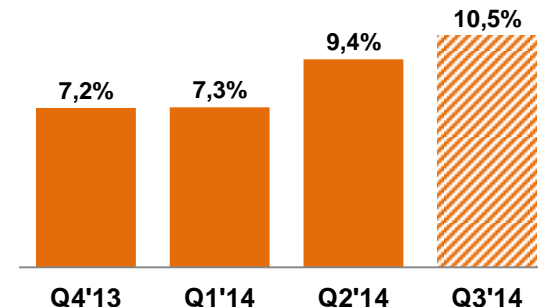
Industrial Production



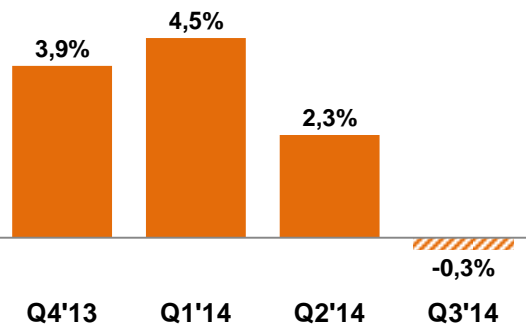
Real Retail Food Sales Growth



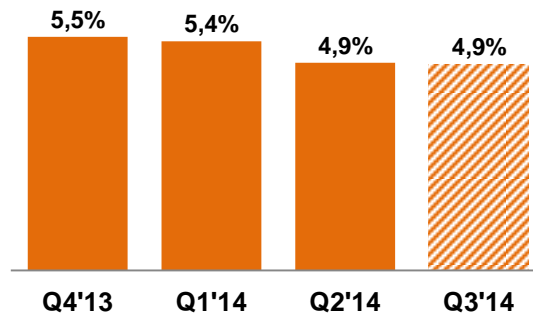
Food Inflation



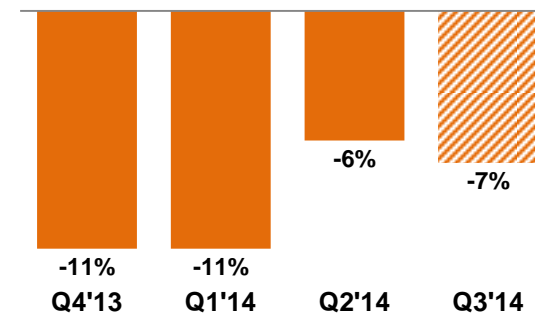
Real Wage Growth



Unemployment Rate



Consumer Confidence Index

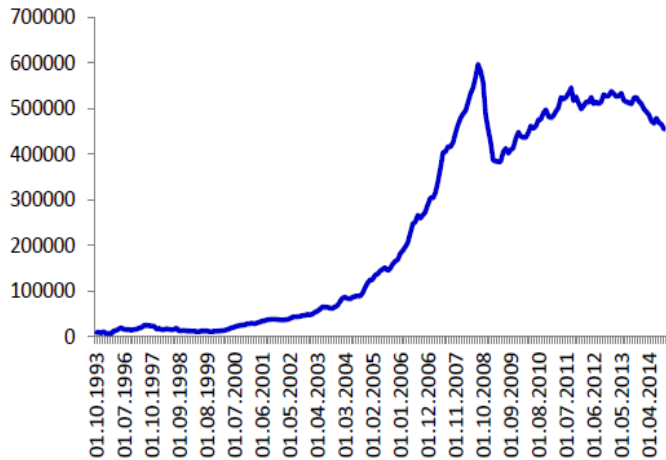


Consumer Confidence Relatively Strong Despite Current Macro Challenges

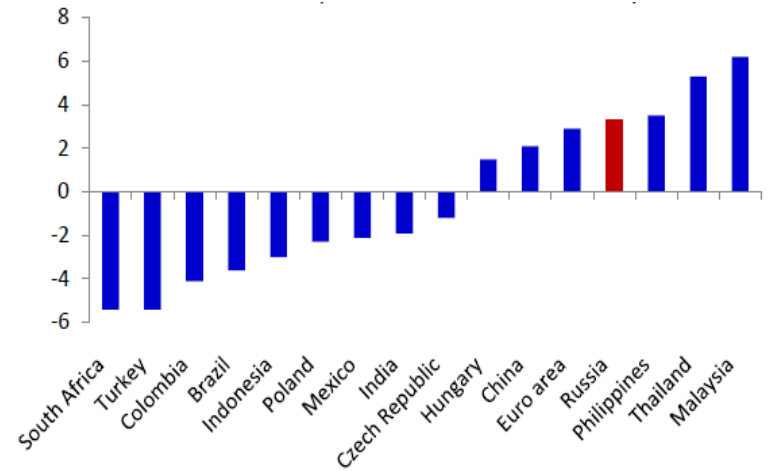
Source: Rosstat

RUSSIA'S FISCAL POSITION REMAINS STRONG

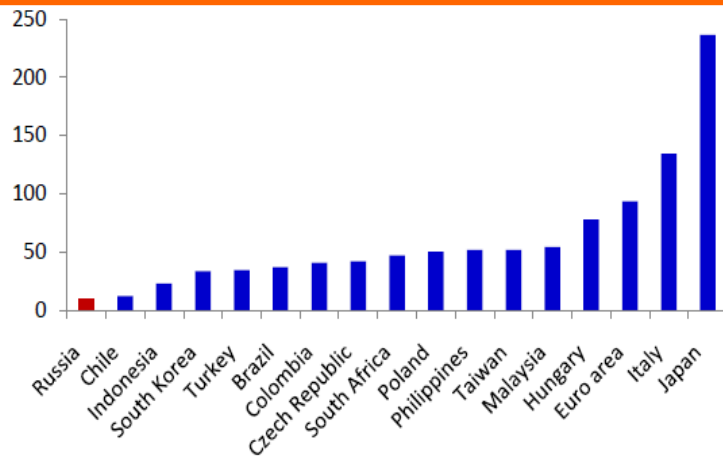
International Reserves, mln USD



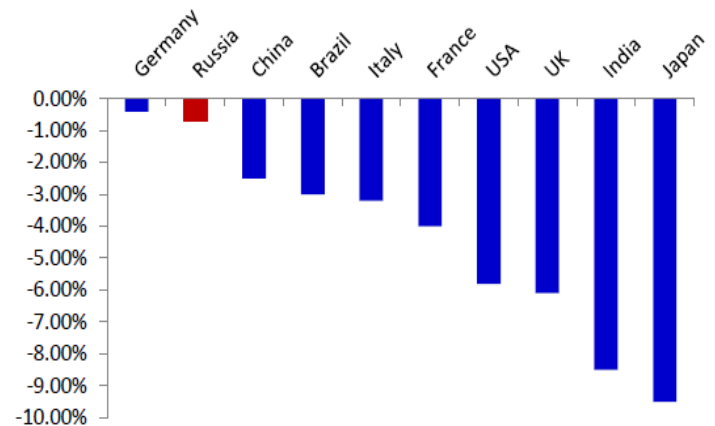
Current Account Position as % of GDP



Government Debt Ratio as a % of GDP



Budget Balance as a % of GDP



Source: Goldman Sachs, Russia: Equity Market Overview

FINANCIAL STRATEGY

Liquidity Management

- ❖ Top-tier banks placements, limit cash concentrations
- ❖ Maintain available bank credit lines sufficient to cover short-term debt

Funding Principles

- ❖ Centralized approach to funding and liquidity management
- ❖ Establish diversified sources of funding by instrument and maturity
- ❖ Funding priorities: working capital, bank loans, bonds

Debt Structure

- ❖ No exposure to FX rate change - 100% Rouble debt
- ❖ Optimized balance between debt with fixed/floating rate and ST/LT debt
- ❖ Reliance on unsecured debt financing
- ❖ Focus on RUB funding with tenor of three to five years

We Plan to Maintain Net Debt/EBITDA Ratio of Less Than 3.0x in the Mid-Term

FINANCIAL POLICIES & GUIDANCE

Metric	Covenants	FY 2013	Original 2014 Guidance	9M 2014	Updated 2014 guidance
Net Retail Sales Growth, %	na	8.7%	10.0% - 12.0%	17.8%	17.0%-19.0%
EBITDA Margin, %	na	7.2%	6.8% - 7.2%	7.2%	7.2%-7.5%
CAPEX, RUR billion	na	23	~40	17	~34
Selling Space Growth, %	na	12.9%	10.5%	14.2%	15.0%+
Net Debt / EBITDA, x	< 4.00x	2.68x	na	2.38x	< 3.00x
Interest Coverage Ratio, x	> 2.75x	3.48x	na	3.77x	> 2.75x

Upgraded Guidance is Driven by the Outperformance of Pyaterochka

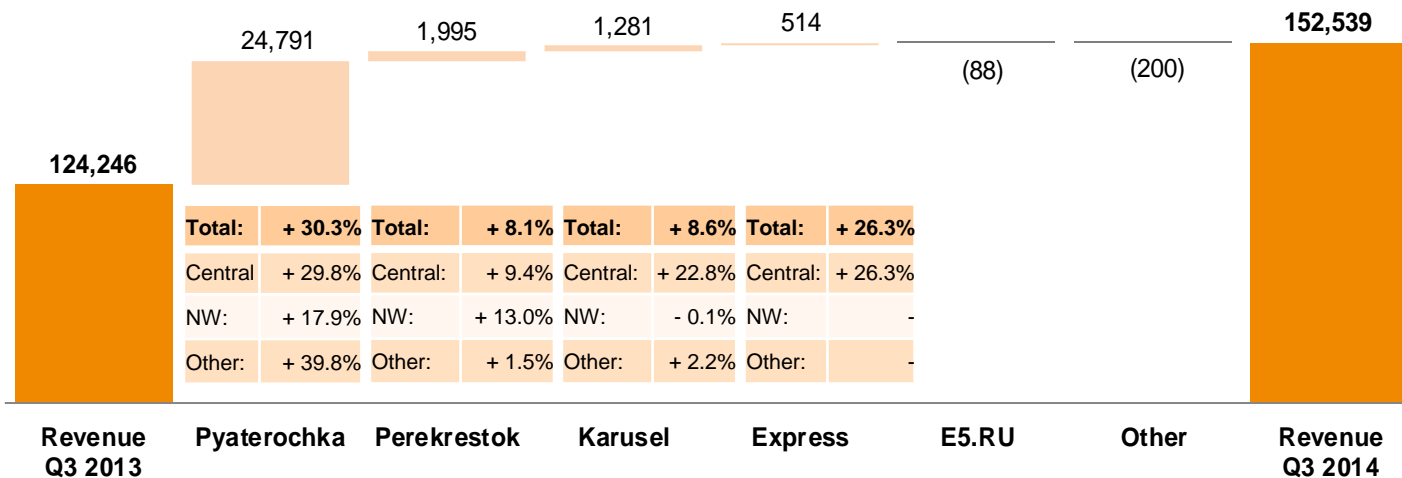
Q3 2014 FINANCIAL RESULTS

FINANCIAL HIGHLIGHTS

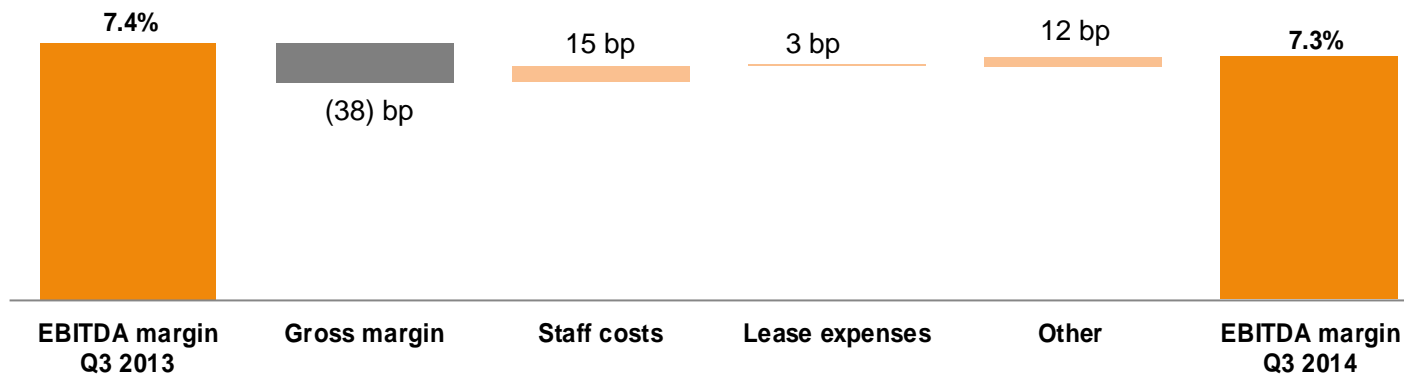
RUB million (where applicable)	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q-o-Q +/(-)%	Y-o-Y +/(-)%
Revenue	124,246	150,341	144,167	155,579	152,539	(2.0) %	22.8 %
Net retail sales	123,534	149,786	143,898	155,109	152,028	(2.0) %	23.1 %
COGS	(93,155)	(113,559)	(109,521)	(117,469)	(114,950)	(2.1) %	23.4 %
Gross profit	31,091	36,782	34,646	38,110	37,589	(1.4) %	20.9 %
Gross profit margin	25.0%	24.5%	24.0%	24.5%	24.6%	-	-
EBITDA	9,197	11,299	9,796	11,398	11,171	(2.0) %	21.5 %
EBITDA margin	7.4%	7.5%	6.8%	7.3%	7.3%	-	-
Net profit	2,298	4,381	2,469	3,980	3,420	(14.1) %	48.8 %
Net profit margin	1.8%	2.9%	1.7%	2.6%	2.2%	-	-
Earnings per share (EPS)	33.9	64.6	36.4	58.6	50.4	(14.1) %	48.7 %
Investing cash flow	(5,183)	(7,885)	(4,289)	(4,911)	(6,590)	34.2 %	27.1 %
Net debt	117,579	102,911	111,910	104,240	104,099	(0.1) %	(11.5) %

REVENUE & EBITDA DYNAMICS

Revenue Dynamics, RUB million



EBITDA Margin



SG&A BREAKDOWN

Q3 2013	% of Revenue	Q3 2014	% of Revenue	RUB mln	Q2 2014	% of Revenue	Q3 2014	% of Revenue
10,344	8.3%	12,468	8.2%	Staff Costs	12,001	7.7%	12,468	8.2%
5,768	4.6%	7,038	4.6%	Lease Expenses	6,719	4.3%	7,038	4.6%
3,369	2.7%	3,861	2.5%	D&A	4,108	2.6%	3,861	2.5%
2,549	2.1%	3,057	2.0%	Utilities	3,069	2.0%	3,057	2.0%
2,218	1.8%	2,521	1.7%	Other Store Costs	2,335	1.5%	2,521	1.7%
1,015	0.8%	1,516	1.0%	Third Party Services	1,493	1.0%	1,516	1.0%
1,443	1.2%	1,365	0.9%	Other Expenses	2,591	1.7%	1,365	0.9%
26,706	21.5%	31,825	20.9%	Total SG&A	32,316	20.8%	31,825	20.9%

SG&A Improvements Driven by Better Operating Leverage and Optimization of Staff Costs

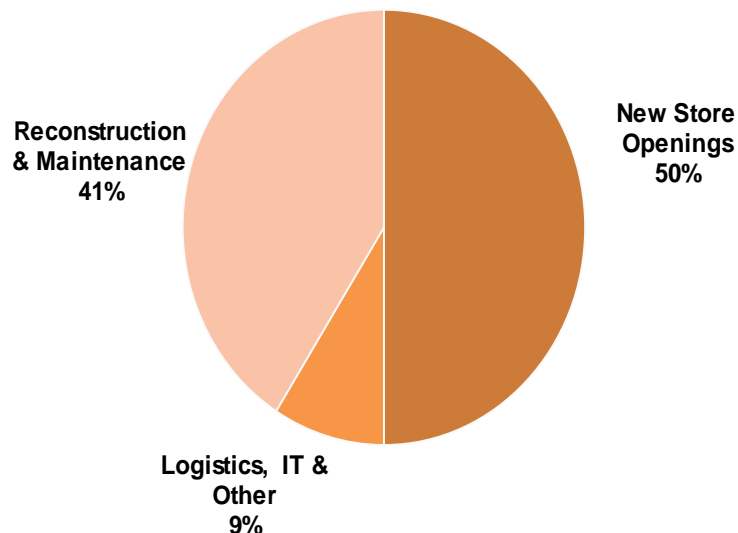
CASH FLOW HIGHLIGHTS

RUB mln	Q3 2014	Q3 2013	+/(-)	+/(-), %
Net cash generated from operating activities	6,825	3,334	3,491	104.7 %
Net cash from operating activities before changes in working capital	10,897	9,231	1,666	18.0 %
Change in Working Capital	379	(2,979)	3,358	n/a
(Increase) in trade and other accounts receivable	(1,188)	(2,385)	1,197	(50.2) %
(increase)/Decrease in inventories	(419)	1,749	(2,168)	n/a
Increase/(decrease) in trade payable	1,021	(5,976)	6,997	n/a
Increase in other accounts payable	965	3,633	(2,668)	(73.4) %
Net interest and income tax paid	(4,451)	(2,918)	(1,533)	52.6 %
Net cash used in investing activities	(6,590)	(5,183)	(1,407)	27.1 %
Net cash used in financing activities	(2,817)	(1,617)	(1,200)	74.2 %
Effect of exchange rate changes on cash & cash equivalents	(19)	6	(25)	n/a
Net decrease in cash & cash equivalents	(2,601)	(3,460)	859	(24.8) %

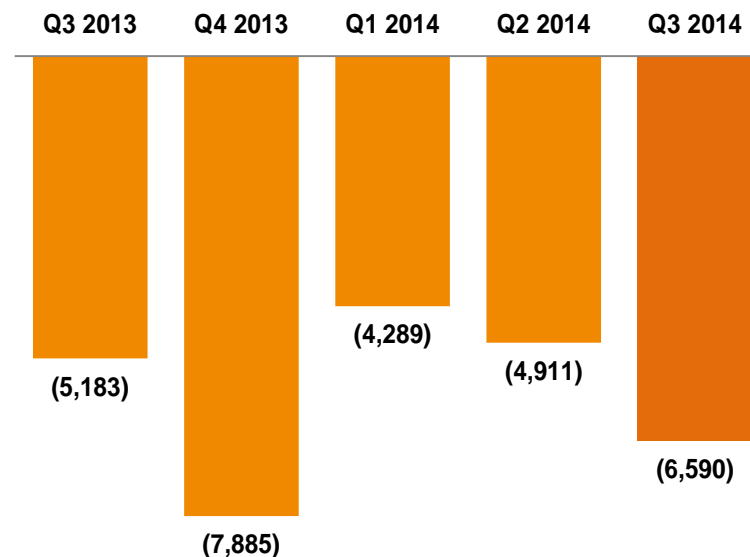
**Key Drivers For Increase in Operating Cash Flow in Q3 2014:
Higher EBITDA and Positive Working Capital Dynamics**

CAPITAL EXPENDITURES OVERVIEW

Q3 2014 Capital Expenditures⁽¹⁾



Investment Cash Flows, RUB mln



In Q3 2014, Capex Focused on Organic Expansion and Investments in Store Refurbishments

Note (1): Accrued in Q3 2014

CONDENSED BALANCE SHEET

RUB mln	31 December 2013	30 September 2014	+/(-)	+/(-)%
Total current assets	76,488	73,136	(3,352)	(4.4) %
Cash & cash equivalents	7,611	3,520	(4,091)	(53.8) %
Inventories	37,465	37,429	(36)	(0.1) %
Total non-current assets	225,415	229,228	3,813	1.7 %
Net PP&E	134,998	140,076	5,078	3.8 %
Goodwill	64,503	64,708	205	0.3 %
Total assets	301,903	302,364	461	0.2 %
Total current liabilities	138,894	119,961	(18,933)	(13.6) %
ST debt	30,680	17,003	(13,677)	(44.6) %
Trade accounts payable	81,050	74,449	(6,601)	(8.1) %
Total non-current liabilities	85,203	94,668	9,465	11.1 %
LT debt	79,843	90,616	10,773	13.5 %
Total liabilities	224,097	214,629	(9,468)	(4.2) %
Total equity	77,806	87,735	9,929	12.8 %
Total liabilities & equity	301,903	302,364	461	0.2 %

DEBT STRUCTURE

Debt Profile

RUB mln	30 Sep 2013	31 Dec 2013	30 Sep 2014
Total Debt	121,346	110,523	107,619
Short-Term Debt	44,273	30,680	17,003
% of total debt	36.5%	27.8%	15.8%
Long-Term Debt	77,073	79,843	90,616
% of total debt	63.5%	72.2%	84.2%
Net Debt	117,579	102,911	104,099

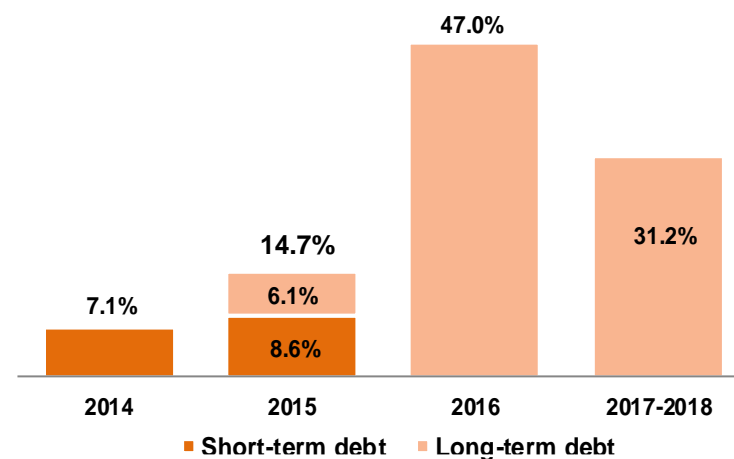
Covenants & Liquidity Update

Covenant metrics & liquidity sources	30 Sep 2013	31 Dec 2013	30 Sep 2014	Covenants
Net Debt / EBITDA ⁽¹⁾	3.10x	2.68x	2.38x	< 4.00x
Interest Coverage ratio ⁽¹⁾	3.34x	3.48x	3.77x	> 2.75x
Cash Balance, RUR mln	3,767	7,611	3,520	-
Undrawn credit lines, RUR mln	88,150	100,800	96,850	-

Notes:

(1) Based on 12 months financial results

Debt Portfolio Maturity



Comments

- ❖ X5's debt portfolio is 100% RUB-denominated.
- ❖ Substantial improvement in y-o-y net debt/EBITDA and interest coverage ratios, on the back of higher EBITDA and decrease in absolute volume of net debt
- ❖ The weighted average effective interest rate on X5's total debt for 9M 2014 increased to 9.7% from 8.7% for 9M 2013, due to the effect of key rate increase on market rates in 2014.
- ❖ Y-o-y decrease in the share of short-term debt in the Company's credit portfolio.

KEY FOCUS

- ❖ **Redesign internal financial procedures to support new operating model**
- ❖ **Implement benchmarking analysis as a tool to improve efficiency**
- ❖ **Develop new sources of financing to support growth strategy**

THANK YOU FOR YOUR ATTENTION

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