

Third Quarter 2013 Financial Results Conference Call

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Moscow, Russian Federation
14 November 2013

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Our Business

- **Multi-brand** retail operator: **Pyaterochka** (Soft Discounter), **Perekrestok** (Supermarket), **Karusel** (Hypermarket) plus assorted brand name convenience stores

Q3 2013 Operating Results

- Total number of stores – **4,187** with **net selling space** of **2,081 th sq. m.**
- Total number of Distribution Centers (DCs) – **29**; number of own trucks – **1,823**
- ~ **470 mln check-out transactions** recorded in Q3 2013, a 3.5% year-on-year increase
- Operations in **895 population centers** across **Russia** and **Ukraine**
- #1 position in **Moscow** and **St. Petersburg** in terms of number of stores
- **Leading position** in Russian cities with **population ≥ 500,000**

Q3 2013 Financial Results

- Consolidated **net sales** increased by **7.0%** in **RUR** terms to **RUR 124.2 bn (USD 3.8 bn)**
- **Gross profit margin** = **25.1%**
- **EBITDA margin** = **7.4%**

Q3 2013 Regional Store Breakdown

St. Petersburg & North-West region

Pyaterochka: 558
Perekrestok: 39
Karusel: 17

Moscow & Central region

Pyaterochka: 1,507
Perekrestok: 218
Karusel: 19
Convenience stores: 159

Volgo-Vyatsky region

Pyaterochka: 260
Perekrestok: 25
Karusel: 8

Urals region

Pyaterochka: 400
Perekrestok: 14
Karusel: 7

Ukraine

Perekrestok: 13

Centralno-Chernozemny region

Pyaterochka: 225
Perekrestok: 9
Hypermarkets: 7

Southern region

Pyaterochka: 205
Perekrestok: 16
Karusel: 5

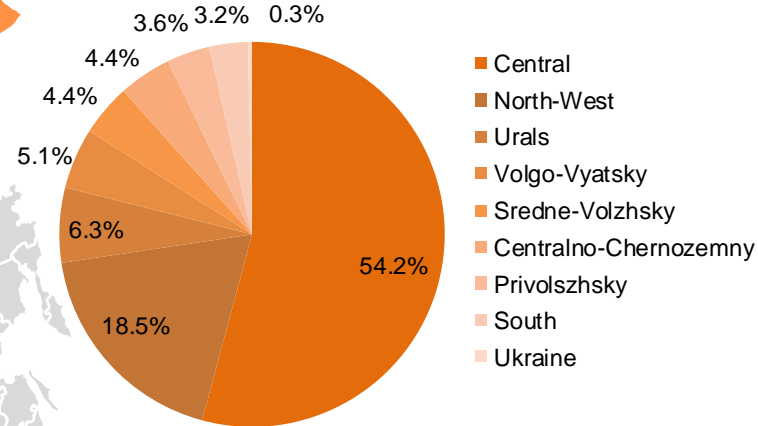
Sredne-Volzhsky region

Pyaterochka: 199
Perekrestok: 31
Karusel: 7

Overview

- Multi-format presence in 62 cities of European Russia, the Urals and Ukraine with population > 200,000 (2)
- Total stores – 4,187 (2,081 th sq. m. selling space), including:
 - 3,568 Pyaterochkas
 - 382 Perekrestoks
 - 78 Karusels
 - 159 convenience stores

Q3 2013 Net Retail Sales by Region



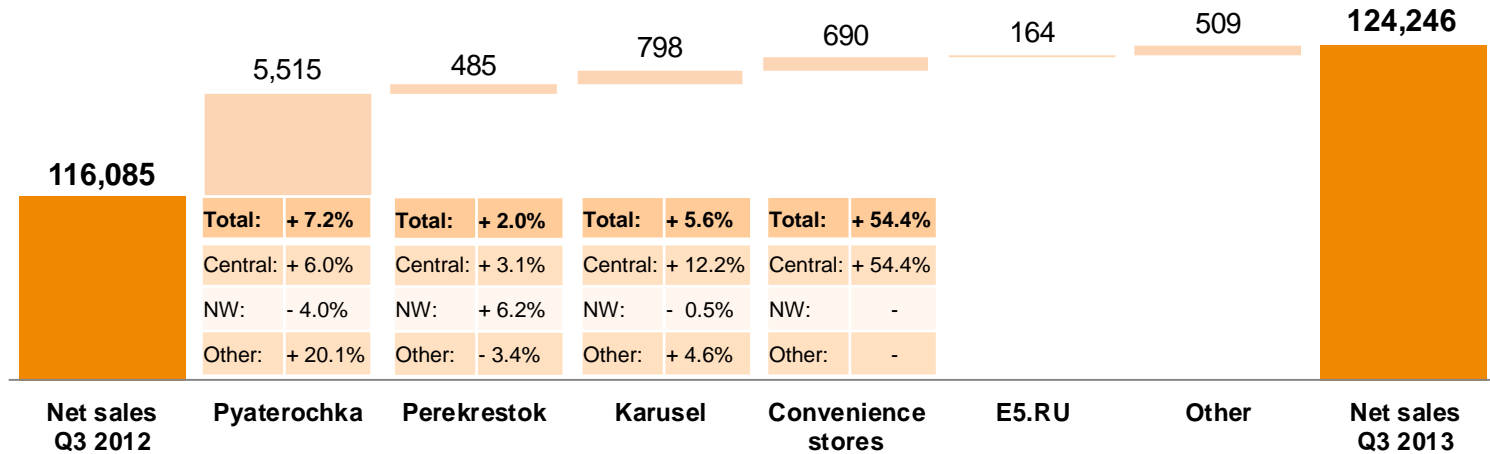
Notes:

(1) As at 30 September 2013

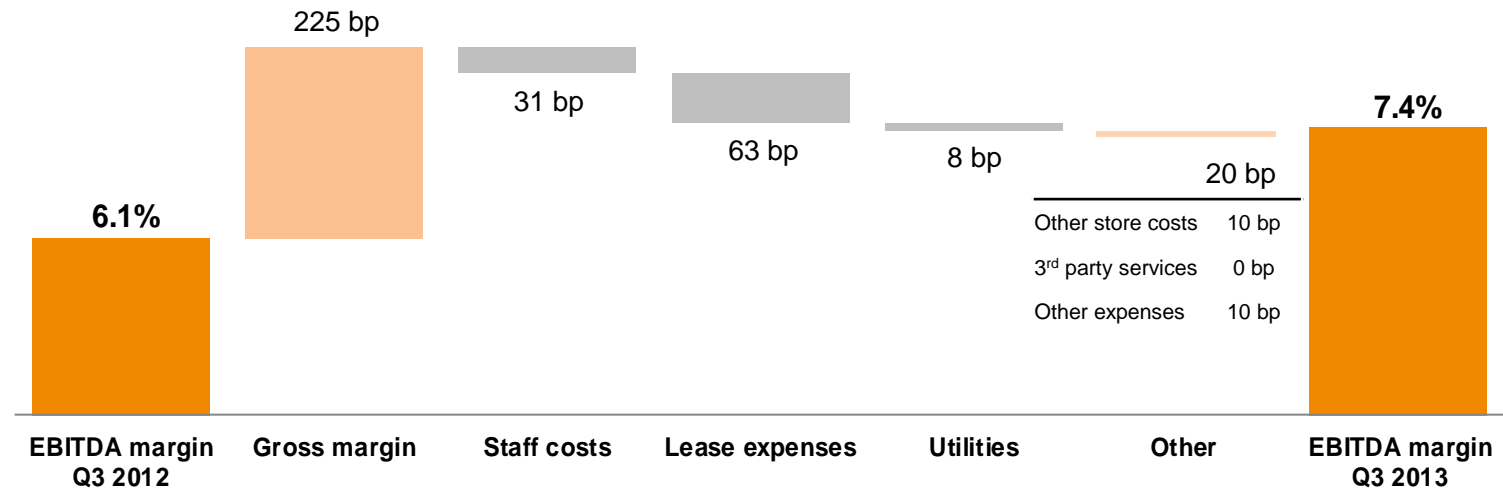
(2) According to 2010 population census

Financial Overview – Q3 2013 vs. Q3 2012

Net sales breakdown, RUR million



EBITDA margin breakdown



USD million (when applicable)	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q-o-Q +/(-)%	Y-o-Y +/(-)%
Retail sales	3,610.4	4,307.8	4,152.5	4,209.8	3,748.5	(11.0) %	3.8 %
Total revenues	3,616.7	4,319.9	4,160.0	4,221.6	3,770.6	(10.7) %	4.3 %
COGS	2,791.7	3,278.2	3,144.0	3,223.4	2,825.5	(12.3) %	1.2 %
Gross profit	825.0	1,041.7	1,016.0	998.2	945.1	(5.3) %	14.6 %
Gross profit margin	22.8%	24.1%	24.4%	23.6%	25.1%	-	-
EBITDA	219.9	349.6	284.2	291.4	280.0	(3.9) %	27.3 %
EBITDA margin	6.1%	8.1%	6.8%	6.9%	7.4%	-	-
Effective income tax rate	15.5%	n/a	24.9%	23.9%	23.2%	-	-
Net profit	12.1	102.2 ⁽¹⁾	65.1	73.7	70.0	(5.0) %	476.9 %
Net profit margin	0.3%	2.4% ⁽¹⁾	1.6%	1.7%	1.9%	-	-
Earnings per share (EPS)	0.18	1.51 ⁽¹⁾	0.96	1.09	1.03	(5.0) %	478.9 %
Diluted EPS	0.18	1.51 ⁽¹⁾	0.96	1.09	1.03	(5.0) %	478.9 %
Net cash used in investing activities	195.4	225.9	105.3	152.4	159.2	4.4 %	(18.5) %
Net debt	3,814.3	3,619.4	3,614.2	3,536.0	3,635.1	2.8 %	(4.7) %

Note (1): Net income adjusted for impairment of assets (USD 467.3 million (mln)) and deferred tax income from impairment (USD 91.3 mln), not adjusted net loss for Q4 amounted to USD 273.8 mln

Q3 2012	% of Net Sales	Q3 2013	% of Net Sales	USD mln	Q2 2013	% of Net Sales	Q3 2013	% of Net Sales
(290.0)	8.0%	(314.0)	8.3%	Staff Costs	(339.8)	8.0%	(314.0)	8.3%
(145.9)	4.0%	(175.8)	4.7%	Lease Expenses	(175.7)	4.2%	(175.8)	4.7%
(68.2)	1.9%	(67.5)	1.8%	Other Store Costs	(71.6)	1.7%	(67.5)	1.8%
(121.7)	3.4%	(102.4)	2.7%	D&A	(107.8)	2.6%	(102.4)	2.7%
(71.2)	2.0%	(77.1)	2.0%	Utilities	(83.6)	2.0%	(77.1)	2.0%
(27.7)	0.8%	(30.9)	0.8%	Third Party Services	(32.7)	0.8%	(30.9)	0.8%
(45.8)	1.3%	(43.8)	1.2%	Other Expenses	(47.7)	1.1%	(43.8)	1.2%
(770.5)	21.3%	(811.5)	21.5%	Total SG&A	(859.0)	20.3%	(811.5)	21.5%

- In Q3 2013, **SG&A expenses**, as a percentage of net sales, increased y-o-y by 22 bp to 21.5%.
- **Staff costs**, as a percentage of net sales, increased y-o-y by 31 bp in Q3 2013 to 8.3% primarily due to an increase in bonus accruals (42 bp), compared to a decrease in bonus accruals in the corresponding period of 2012, which was partially offset by a decrease in administrative staff expense (12 bp) in Q3 2013.
- **Lease expenses** in Q3 2013, as a percentage of net sales, increased y-o-y by 63 bp to 4.7% primarily due to new store openings, and the subsequent increase in the proportion of leased space as a percentage of our total real estate portfolio, as well as an increase in our average lease rates. As a percentage of X5's total real estate portfolio, leased space accounted for 55.6% at 30 September 2013 compared to 54.0% in the corresponding period of 2012.
- **Other store costs** decreased, as a percentage of net sales, by 10 bp y-o-y to 1.8% mainly due to the lower volume of maintenance and repair work carried out in Q3 2013 compared to Q3 2012.
- **Utilities** in Q3 2013, as a percentage of net sales, increased y-o-y by 8 bp due to an increase in tariffs that were offset by the introduction of cost saving initiatives implemented in previous periods.
- **Third party services** expenses, as a percentage of net sales, in Q3 2013 were in-line with the corresponding period in 2012 and mainly consisted of expenses related to advertising and marketing activities
- **Other expenses**, as a percentage of net sales, were lower by 10 bp compared to Q3 2012 primarily due to a loss recorded on the disposal of fixed assets in the 2012 period.

USD mln	Q3 2012	Q3 2013	+/(-)	% change
Net Cash From Operating Activities	131.4	104.0	(27.4)	(20.9) %
Net Cash from Operating Activities before Changes in Working Capital	221.9	280.9	58.9	26.6 %
Change in Working Capital	24.3	(89.2)	(113.6)	n/a
Net Interest and Income Tax Paid	(114.9)	(87.6)	27.2	(23.7) %
Net Cash Used in Investing Activities	(195.4)	(159.2)	36.2	(18.5) %
Net Cash From Financing Activities	113.4	(51.4)	(164.8)	n/a
Effect of Exchange Rate Changes on Cash & Cash Equivalents	7.0	2.1	(4.9)	(69.7) %
Net Increase/(Decrease) in Cash & Cash Equivalents	56.4	(104.5)	(160.9)	n/a

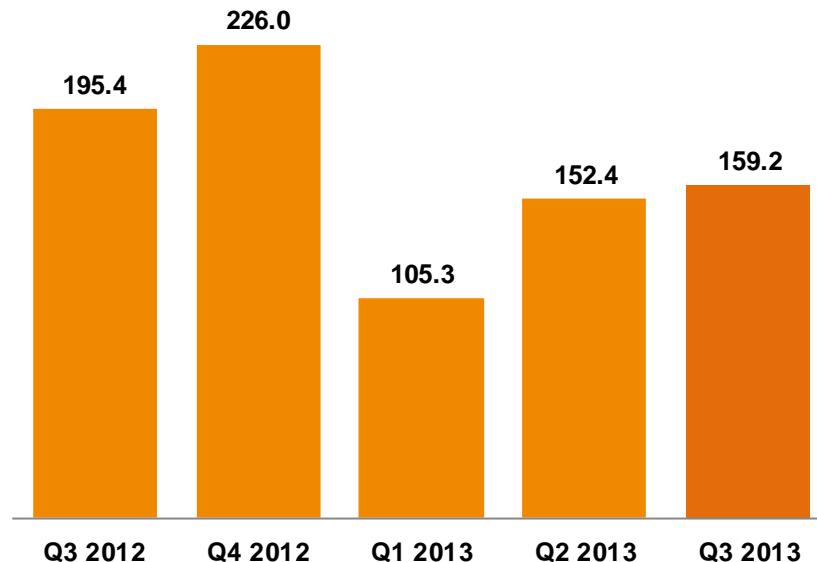
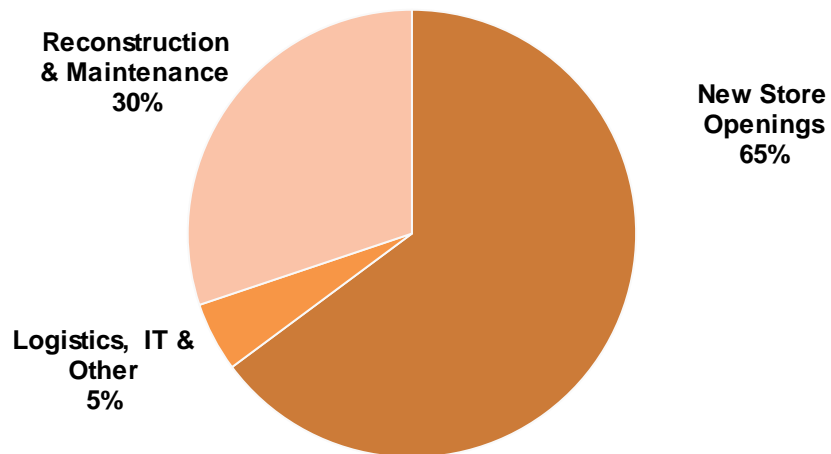
- In Q3 2013, **net cash flows generated from operating activities** totaled USD 104.0 mln compared to net cash flows generated from operating activities of USD 131.4 mln in the corresponding period of 2012. The decrease was primarily due negative changes in working capital, which were partially offset by lower income tax paid.
 - **Trade and other accounts receivable** increased by USD 76.6 mln in Q3 2013 due to an increase in recoverable VAT and other receivables from suppliers during the Q3 2013 period.
 - **Inventories** decreased by USD 53.2 mln as a result of the higher inventory balance at 30 June 2013, compared to the corresponding period in 2012, which also resulted in lower purchases in Q3 2013. The lower purchases and improvements in invoice processing resulted in a USD 181.2 mln reduction in trade accounts payable.
 - **Other accounts payable** increased by USD 115.3 mln in Q3 2013 primarily due to an increase in VAT payable and deferred revenues.
- **Net cash used in investing activities**, which generally consisted of payments for property, plant and equipment totaled USD 159.2 mln in Q3 2013 compared to USD 195.4 mln for the corresponding period in 2012, and reflects the slower pace of selling space expansion and lower expenditures for IT, strategic projects and logistics.
- **Net cash used in financing activities** in Q3 totaled USD 51.4 mln compared to net cash generated from financing activities of USD 113.4 mln in the corresponding period of 2012. The differences were primarily related to the use of cash to finance capital expenditures and reduce outstanding debt in the 2013 period.

USD mln	31 December 2012	30 September 2013	+/(-)	+/(-)%
Total current assets	2,465.9	1,874.9	(591.1)	(24.0) %
incl. Cash & cash equivalents	407.9	116.5	(291.4)	(71.4) %
incl. Inventories	1,114.9	889.1	(225.8)	(20.3) %
Total non-current assets	7,116.4	6,771.3	(345.1)	(4.8) %
incl. Net PP&E	4,147.3	3,981.8	(165.5)	(4.0) %
incl. Goodwill	2,114.3	1,988.3	(126.0)	(6.0) %
Total assets	9,582.4	8,646.2	(936.2)	(9.8) %
Total current liabilities	4,884.7	3,853.1	(1,031.6)	(21.1) %
incl. ST debt	1,680.9	1,368.8	(312.1)	(18.6) %
incl. Trade accounts payable	2,396.9	1,669.5	(727.4)	(30.3) %
Total non-current liabilities	2,495.9	2,523.3	27.4	1.1 %
incl. LT debt	2,346.4	2,382.8	36.4	1.6 %
Total liabilities	7,380.6	6,376.4	(1,004.2)	(13.6) %
Total equity	2,201.8	2,269.8	68.0	3.1 %
Total liabilities & equity	9,582.4	8,646.2	(936.2)	(9.8) %

Note (1): RUR/USD exchange rate at 31 December 2012 – 30.37 and for 30 September 2013 – 32.35

Q3 2013 CapEx amounted to USD 190 mln

Net Investment Cash Flows, USD mln ⁽¹⁾



In Q3 2013, capex focused on investments in reconstruction and maintenance

Note (1): Net CFI includes purchase of property, plant and equipment and intangible assets, non-current prepaid lease and compensation from prepaid lease disposal, acquisition of subsidiaries, repayment of loans issued, proceeds from sale of property, plant and equipment and intangible assets

Debt profile

USD mln	31 Dec 2012	% in total	30 Sep 2013	% in total
Total Debt	4,027.3		3,751.6	
Short-Term Debt	1,680.9	41.7%	1,368.8	36.5%
Long-Term Debt	2,346.4	58.3%	2,382.8	63.5%
Net Debt / (Net Cash)	3,619.4		3,635.1	
RUR/USD exch. rate, EoP	30.37		32.35	

Covenants & Liquidity update

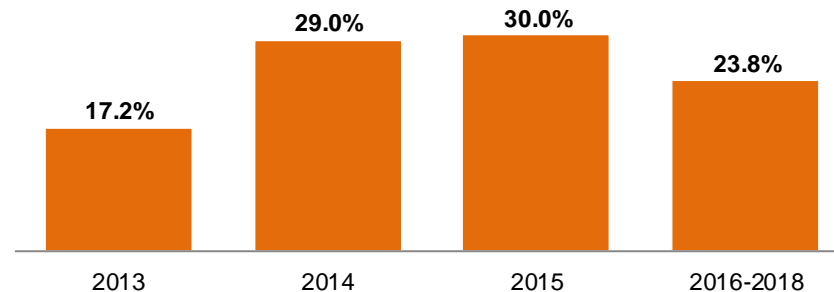
Covenant metrics & liquidity sources	30 Sep 2012	31 Dec 2012	30 Sep 2013	Covenants
Net Debt / EBITDA ⁽¹⁾	3.40x	3.15x	3.10x	< 4.00x
Interest Coverage ratio ⁽²⁾	3.38x	3.29x	3.34x	> 2.75x
Cash Balance, USD mln	222.5	407.9	116.5	-
Undrawn credit lines, USD mln	2,503.9	2,686.6	2,725.3	-

Notes:

(1) Debt covenants are set in RUR terms in accordance with loan facilities the Company maintains

(2) Based on 12 months trailing financial results

Debt portfolio maturity

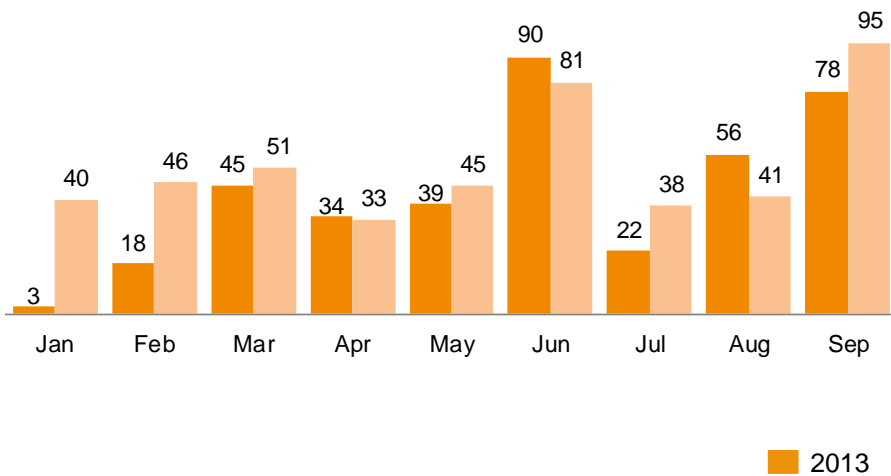


Comments

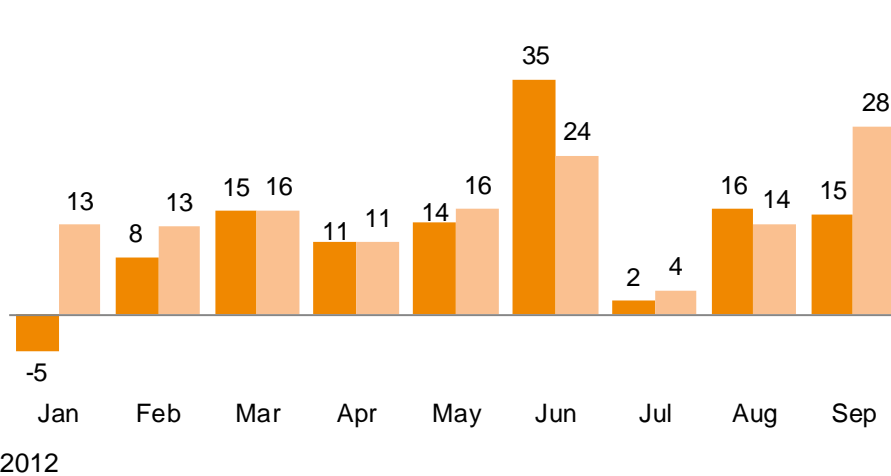
- At the end of Q3 2013 X5's Net debt to EBITDA ratio decreased to 3.10x relative to the ratios reported at the end of 2012 and in Q3 2012.
- X5's debt portfolio is 100% RUR-denominated.
- X5's debt structure was slightly improved if compared to FY2012. 36.5% of Company credit portfolio at the end of Q3 2013 was represented by short-term debt and consisted of :
 - 14.7% short-term revolving loans;
 - 11.3% ST portion of long-term credit lines;
 - 10.5% bonds maturing in 2014.

Appendix

Number of Stores Opened, net



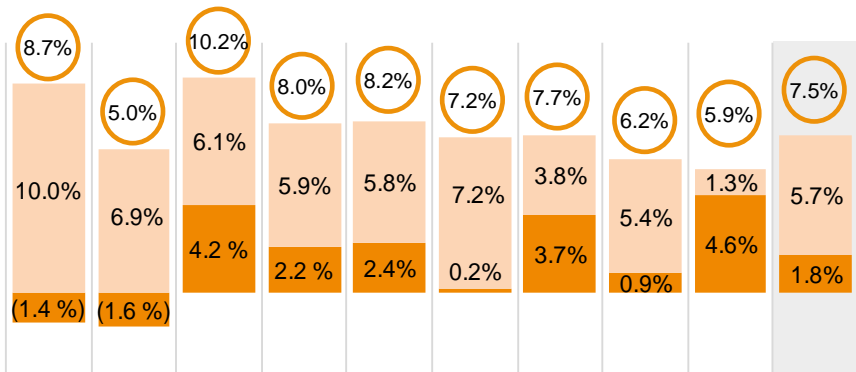
Selling Space Added, net thd sqm



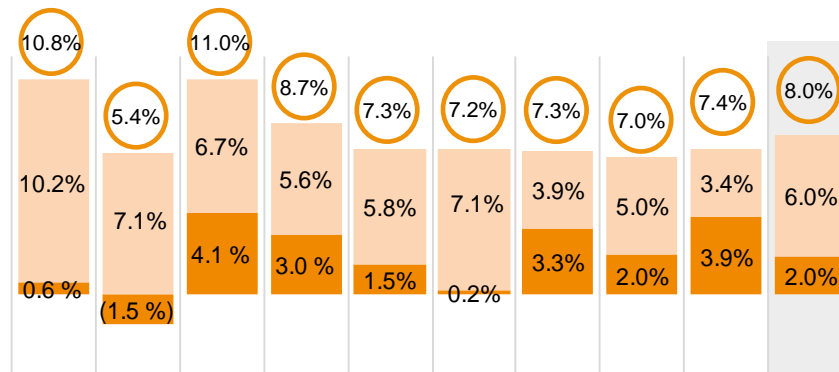
Expansion y-o-y in 9M 2013 vs 9M 2012:

385 stores added vs 470 stores in 2012 / 111 thd sqm added vs 139 thd sqm in 2012

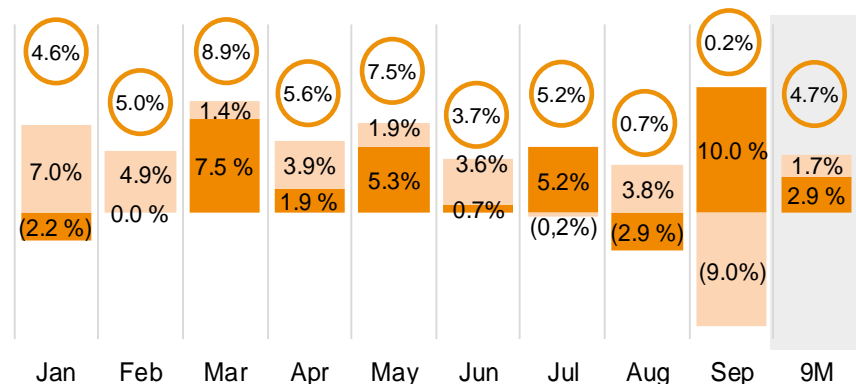
Total X5 Sales Growth, %



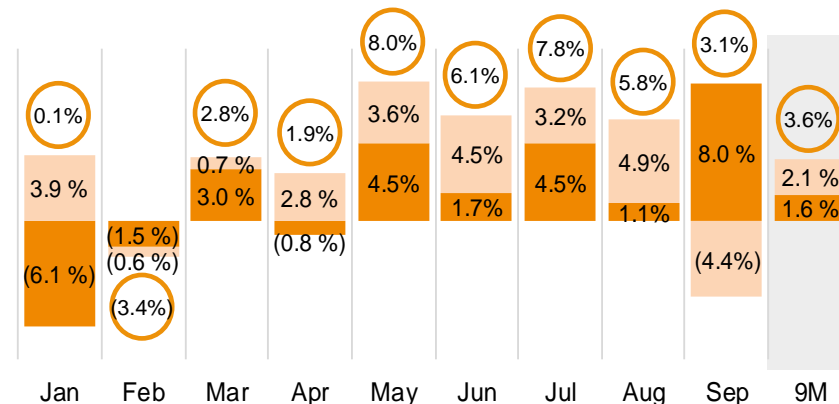
Pyaterochka Sales Growth, %



Perekrestok Sales Growth, %

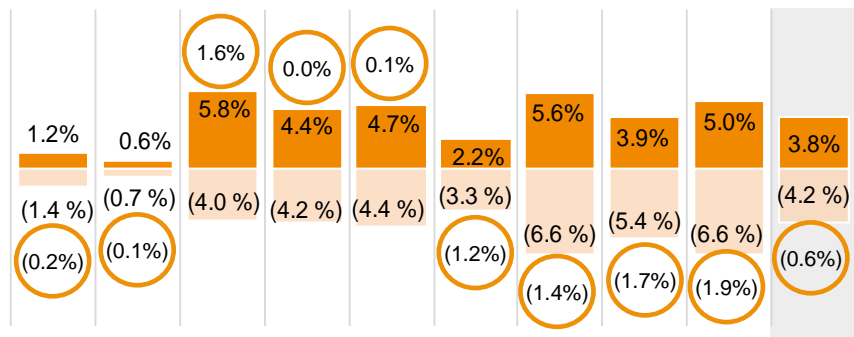


Karusel Sales Growth, %

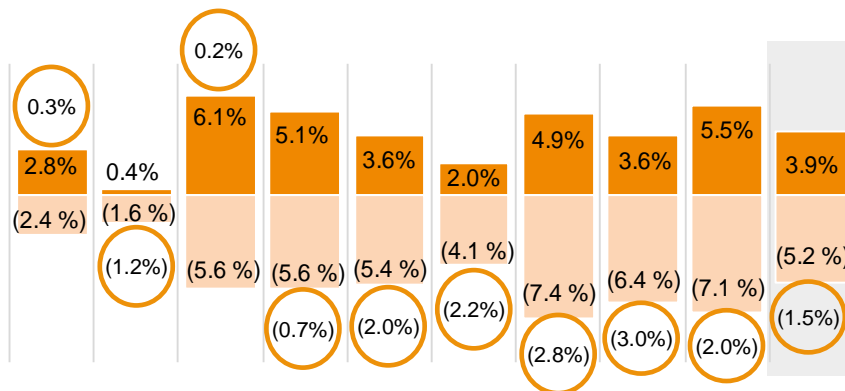


■ Total basket growth, % ■ Total traffic growth, % ○ Total sales growth, %

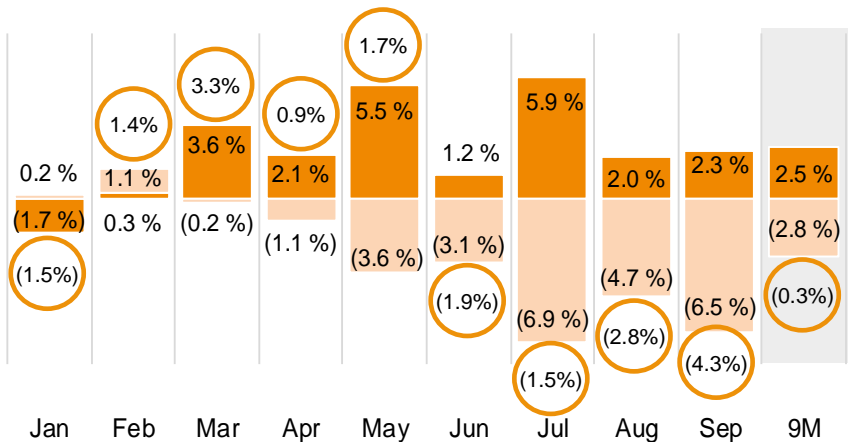
Total LFL Sales Growth, %



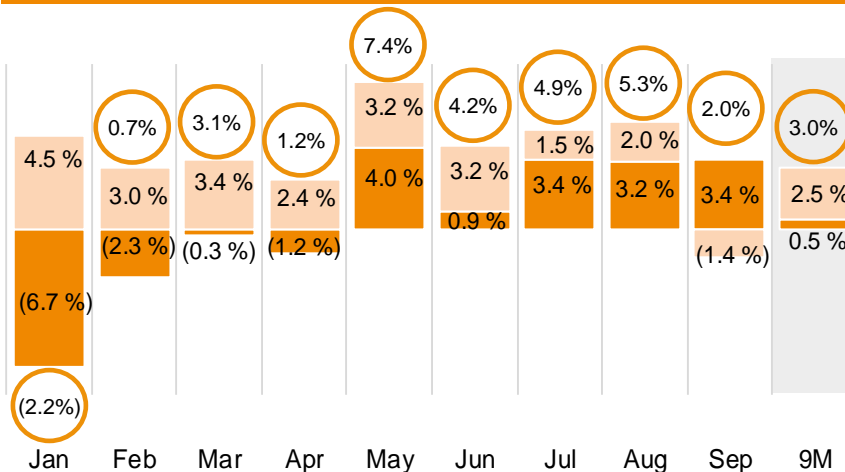
Pyaterochka LFL Sales Growth, %



Perekrestok LFL Sales Growth, %



Karusel LFL Sales Growth, %



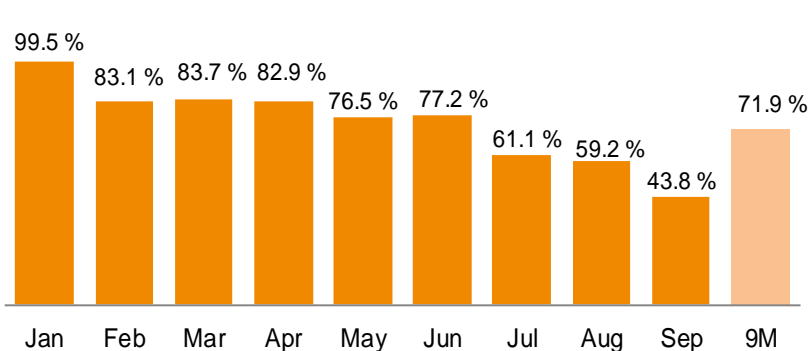
Note (1): LFL results are based on gross RUR sales

■ LFL basket growth, %

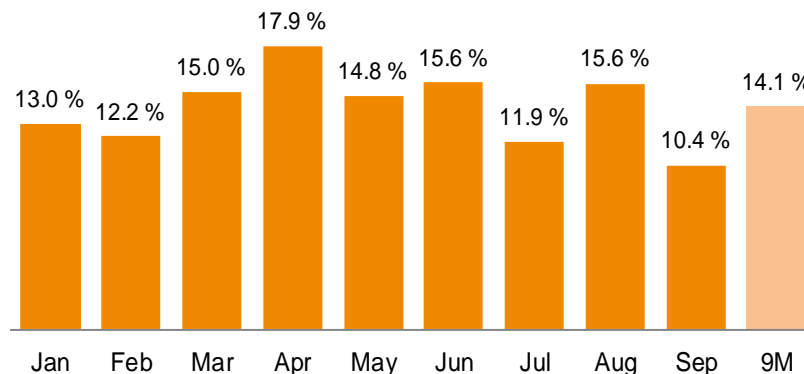
■ LFL traffic growth, %

○ Total LFL sales growth, %

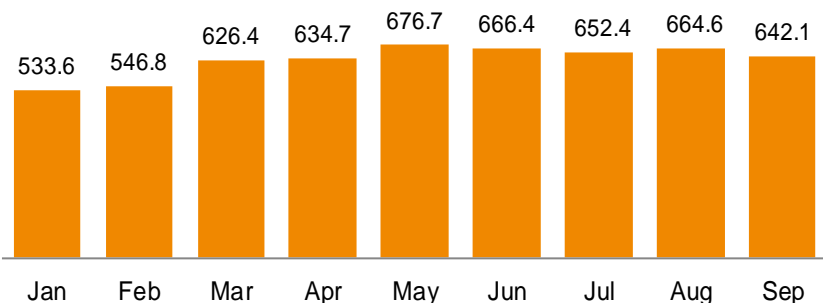
Net Retail Sales Growth, %



LFL Sales Growth(2), %



Net Retail Sales, mIn RUB



Comments

- Rapidly developing format operating under Perekrestok Express and Kopeyka brands
- Strong LFL and sales dynamics
- Strong demand for this format in urban centers

Notes:

(1) Convenience stores are represented by Perekrestok Express and Kopeyka brands

(2) LFL results are based on gross RUR sales

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