



# X5 Retail Group

**Gregory Madick, Executive IR Director**  
**VTB Capital “Russian Calling” Investment Forum**  
**World Trade Center**  
**Moscow, Russia**  
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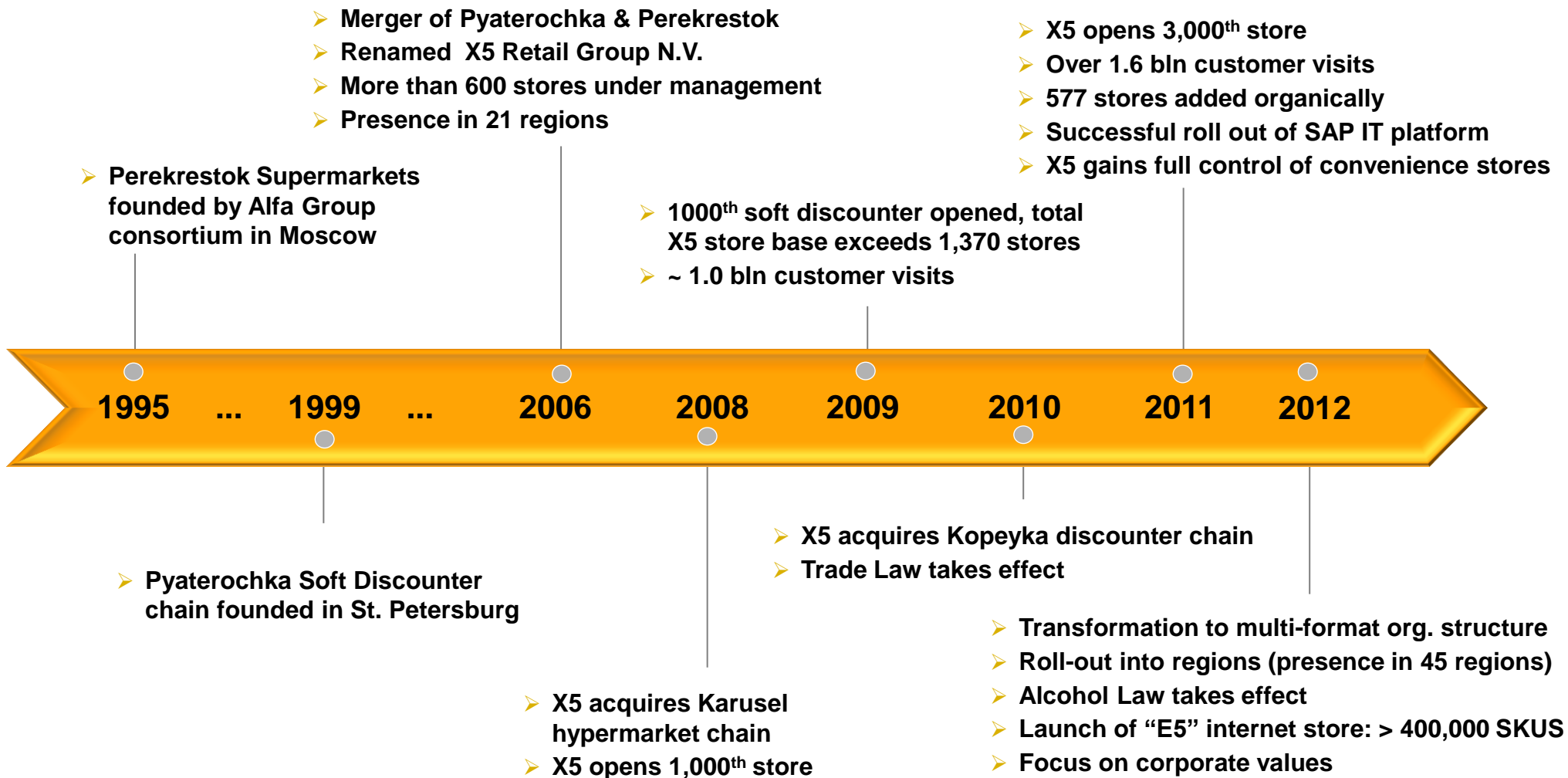
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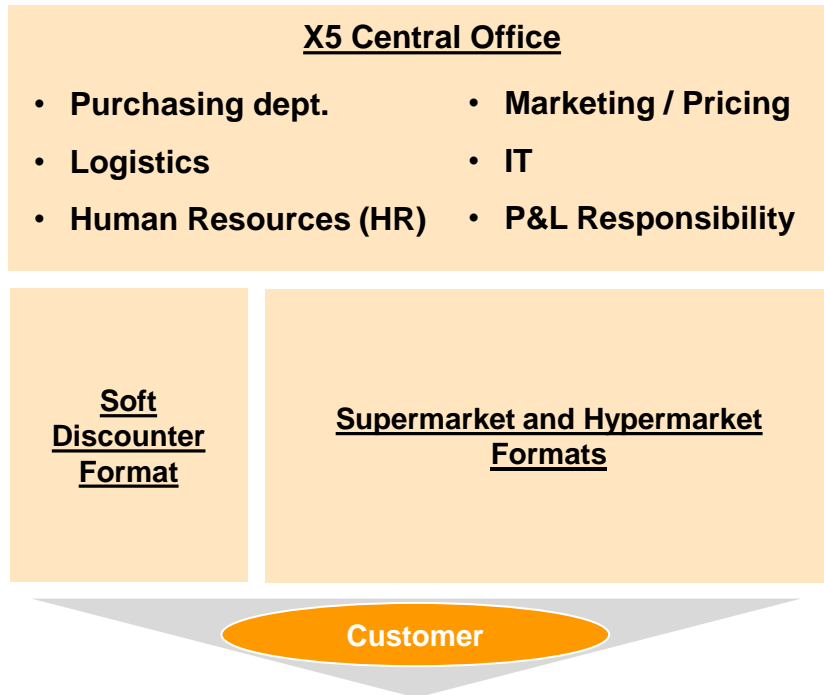
	Topic	Pg
I	Key Corporate Milestones	4
II	Recent Developments	5
III	Company Overview	12
IV	Strategy, Guidance & Targets	19
V	Russian Retail Market & Macroeconomic Review	24
VI	Summary	28
	Appendix 1: Q2 Financial Results	30



## II Recent Developments

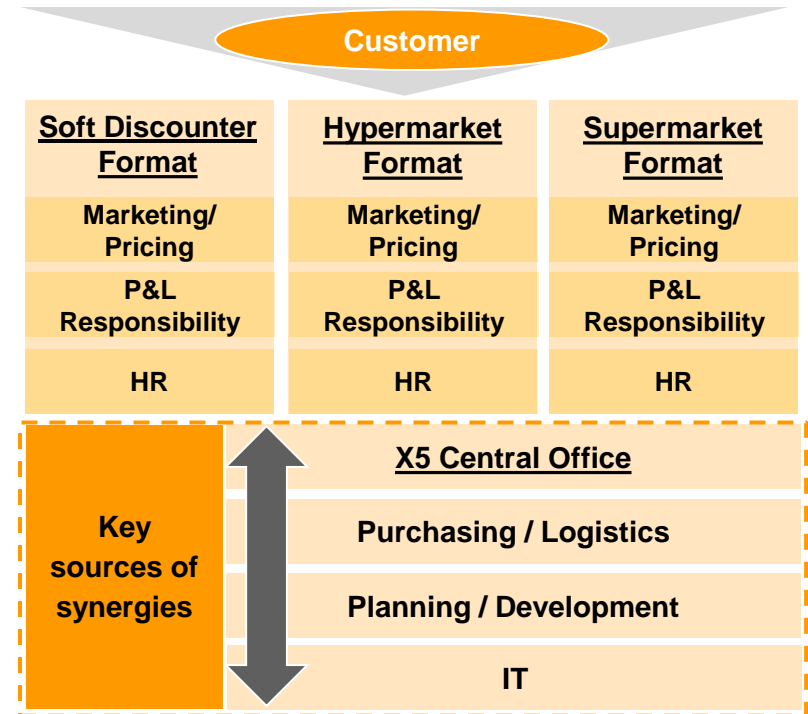


## 2007 – 2011: Functional Organizational Structure



- Limited focus on customer
- Top-down/centralized decision making
- Little format autonomy

## 2012 & beyond: Customer-Centric Multi-Format Organizational Structure



- Closer to the Customer
- Format accountability for budget & productivity
- Central office more focused on synergies



**Hypermarket**  
S. Volikova

*Since Aug. 2012 (at X5 since 2007) – Approx. 16 yrs experience in Russian food retail & FMCG (X5, Auchan, Danone)*

**Soft Discounter**  
F. Mros

*Since Jun. 2012 – Approx. 20 yrs experience in international food retail (Lidl)*

**Supermarkets**  
V. Tarakanov

*Since Aug. 2012 (at X5 since 2008) – Approx. 20 yrs experience in Russian food retail (various retail projects, Express-Retail)*

**Commercial**  
P. Martins

*Since Aug. 2011 - Over 25 yrs experience in international retail (Casino, Tesco)*

**Supply Chain**  
I. Sotnikov

*Since Aug. 2012 – Approx. 10 yrs experience in logistics and supermarket operations (at Perekrestok since 2001)*

**IT**  
L. Koenot

*Since Aug. 2012 - Over 30 yrs experience in IT & food retail (Delhaize)*

*Since Mar. 2011 – Approx. 10 yrs experience in Russian Retail Real Estate (Kopeyka)*

**Development**  
I. Plentev

**Strategy/Bus.Dev.**  
A. Mironenkov

*Since Mar. 2011 (at X5 since 2006) – Approx. 10 yrs experience in Russian IB & retail (X5, Alfa, Troika)*

*Since Jan. 2011 – Approx. 20 yrs finance experience in Russian Industry (Wrigley's, Mars)*

**CFO**  
K. Balfe





**HR**  
T. Kozhevnikova

*Since May 2011 – Approx. 20 yrs experience in HR (Coca-Cola, Mars, Metro, E&Y, Rosatom)*

**(Acting) CEO**  
S. DuCharme

*Since Jul. 2012 – CEO responsibilities have been delegated to Mr. DuCharme (X5 Supervisory Board member) by X5's Supervisory Board*

**X5 Value Proposition – A Store for Every Lifestyle, Budget & Occasion is Nearby**

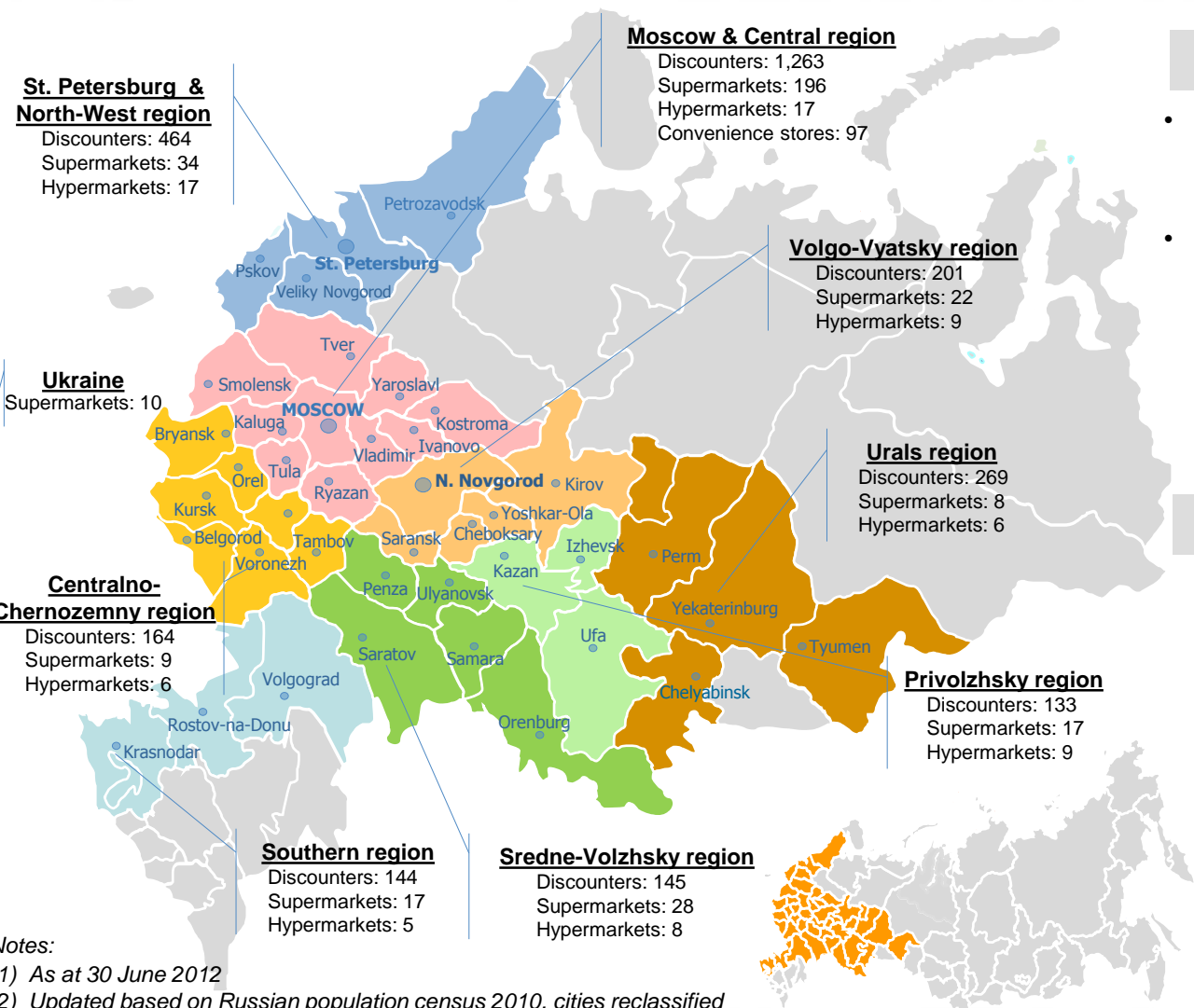
<p><b>Soft Discounters</b></p>  <p>2,783 stores 66% of sales</p>	<p><b>Net selling space:</b> ~ 350 sq. m. on average</p> <p><b>Assortment:</b> ~ 3,500 SKUs</p> <p><b>Value proposition:</b> <i>Convenient and efficient shopping, every day low prices, unique private label offerings and attractive promo for diverse low- and middle-income customer base</i></p>
<p><b>Supermarkets</b></p>  <p>341 stores 21% of sales</p>	<p><b>Net selling space:</b> ~ 1,000 sq. m. on average</p> <p><b>Assortment:</b> ~ 11,000 SKUs</p> <p><b>Value proposition:</b> <i>Differentiated offer for middle and upper income class customers valuing quality &amp; service, wide choice of fresh goods at fair prices supported by original promo &amp; advertising campaigns</i></p>
<p><b>Hypermarkets</b></p>  <p>77 stores 12% of sales</p>	<p><b>Net selling space:</b> ~ 5,000 sq. m. on average</p> <p><b>Assortment:</b> ~ 22,000 SKUs</p> <p><b>Value proposition:</b> <i>Economical one-stop shopping with wide range of quality food and supplementary non-food assortment; efficient service at cash registers and engaging weekly catalogues</i></p>
<p><b>Convenience Stores</b></p>  <p>97 stores 1% of sales</p>	<p><b>Net selling space:</b> ~ 150 sq. m. on average</p> <p><b>Assortment:</b> ~ 2,000 SKUs</p> <p><b>Value proposition:</b> <i>Convenient shopping in high-traffic zones (near subways, airports, train stations, etc) ready to go meals accounting for up to 50% of assortment (Perekrestok express brand) Convenient shopping in residential areas – focus on fresh (Kopeyka brand)</i></p>



Regional Breakdown	2008	2009	2010	2011	H1 2012
Moscow & Central	492	598	798	1,438	1,573
St. Petersburg & North-West	311	356	408	489	515
<b>Central and North-West regions</b>	<b>803</b>	<b>954</b>	<b>1,206</b>	<b>1,927</b>	<b>2,088</b>
Centralno-Chernozemny	35	37	57	167	179
Volgo-Vyatsky	54	64	92	215	232
Privolzhsky	12	46	77	142	159
Sredne-Volzhsky	29	55	91	160	181
Southern	21	50	87	144	166
Urals	141	160	193	237	283
<b>Other regions</b>	<b>292</b>	<b>412</b>	<b>597</b>	<b>1,065</b>	<b>1,200</b>
Ukraine	6	6	6	10	10
<b>Total number of stores, eop</b>	<b>1,101</b>	<b>1,372</b>	<b>1,809</b>	<b>3,002<sup>(1)</sup></b>	<b>3,298</b>

**Substantial presence in competitive but high sales density Central and North-West regions with attractive growth opportunities in new, less competitive regions**

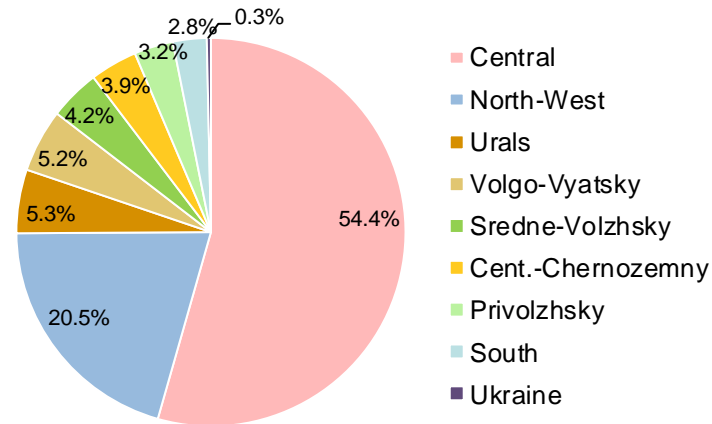
Note (1): Includes Kopeyka stores, which until 1 April 2011 were managed by the Kopeyka team



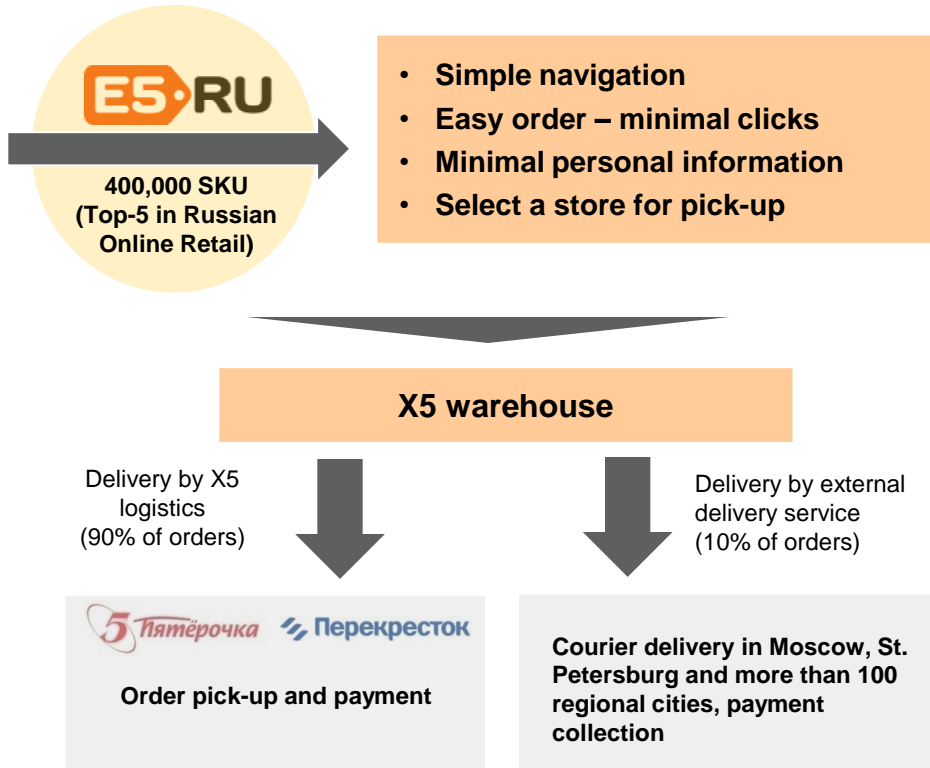
**Stores**

- More than 607 locations
  - ✓ Multi-format presence in 59 cities<sup>(2)</sup> of European Russia, the Urals and Ukraine with population > 200,000
- Total stores – 3,298 (1,820 th sq. m. selling space), including:
  - ✓ 2,783 Pyaterochka soft discounters
  - ✓ 341 Perekrestok supermarkets
  - ✓ 77 Karusel hypermarkets
  - ✓ 97 convenience stores

**Q2 2012 Net Retail Sales by Region**



**E5 Business Model**



**E5 at a Glance**

**Russian E-commerce Market Highlights**

- Largest internet audience in Europe (monthly audience 50 mln)
- Market size in 2011 – USD 9.0 bln, an increase of 25% y-o-y
- Fragmented market structure with Top-10 players controlling only 10% of the market

**X5 2012 goals**

- Staged project roll-out in stores
  - Moscow and Moscow region (~160 supermarkets and ~450 soft discounters)
  - St. Petersburg (~30 supermarkets and ~200 soft discounters)
  - Other regions (~80 supermarkets and ~300 soft discounters)
- Top-3 among peers by website traffic (>200,000 visits per day) by Year-end 2012
- Top-10 among peers by orders by Year-end 2012

**Leverage existing logistics and organizational structure to access new customers, increase non-food sales and store traffic**

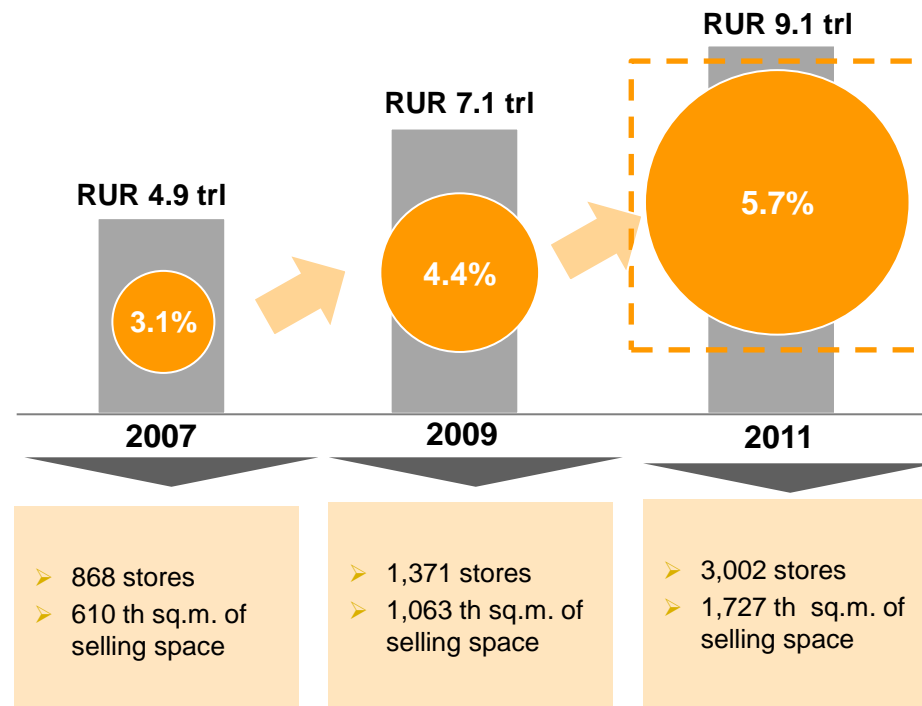
## III Company Overview



## Russia's Leading Food Retailers

#	Company name	Sales 2011, USD mln <sup>(2)</sup>	% in Top-10	% in total market <sup>(3)</sup>
1	X5RETAILGROUP X5	15,397	29.0%	5.7%
2	<b>МАГНИТ</b> Magnit	11,420	21.5%	4.2%
3	<b>Auchan</b> Auchan	6,965	13.1%	2.6%
4	<b>METRO</b> Metro	5,405	10.2%	2.0%
5	<b>ДИКСИ</b> Dixy <sup>(4)</sup>	4,143	7.8%	1.5%
6	<b>О'КЕЙ</b> O'key	3,138	5.9%	1.2%
7	<b>ЛЕНТА</b> Lenta	2,823	5.3%	1.0%
8	<b>СЕДЬМОЙ КОНТИНЕНТ</b> 7th Continent	1,767	3.3%	0.6%
9	<b>МОНЕТКА</b> Monetka	997	1.9%	0.4%
10	<b>ХОЛИДЕЙ КЛАССИК</b> Holiday Classic	994	1.9%	0.4%
	<b>Total</b>	<b>53,050</b>	<b>100.0%</b>	<b>19.5%</b>

## Evolution of X5 Market Share



Notes:

(1) Based on net sales

(2) Net retail sales for FY 2011, X5 estimates for non-public companies

(3) Based on estimated gross sales, i.e. including VAT; total market size (food retail) – USD 310 bln in 2011 as reported by Rosstat

(4) Based on pro-forma results

**Personnel Overview**

**Headcount**

- Year-end 2011, number of X5 employees was approximately 100,000, including 79,000 in-store employees

**Compensation package and benefits**

- Gross average monthly salary of retail employees in 2011 was RUR 21,900
- Employees' remuneration is split between base salary and bonus in proportion 75/25
- Employee social benefits include: medical and life insurance, discounts at Company stores, corporate transportation, additional vacation days, etc.

**Internal communications**

- X5 has corporate newspapers for each of the formats, logistics and office employees
- X5 organizes team building events to promote corporate culture and team integrity

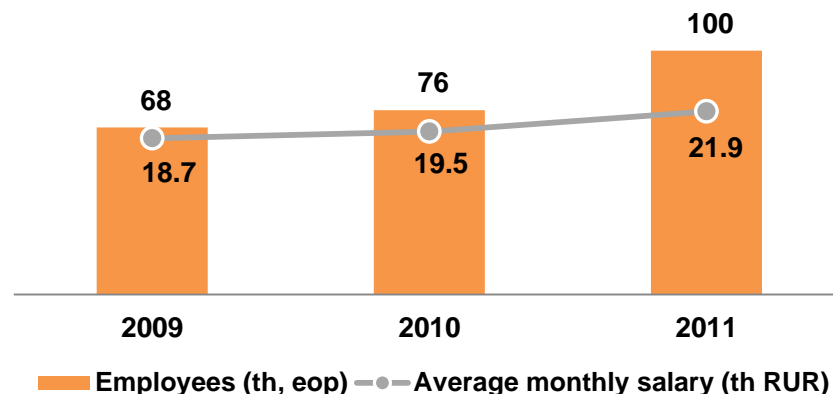
**Personnel training and development**

- Over 56,000 employees received training in 2011 at X5 training centers
- X5 maintains an active in-store training program

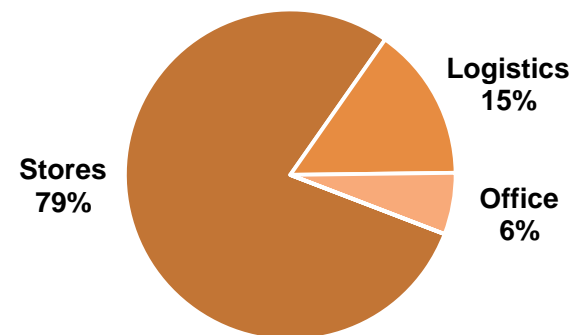
**Average number of employees per store (2011):**

Format	X5 Employees	Outsource
Soft Discounter	16	7
Supermarket	54	13
Hypermarket	155	33

**X5 Headcount and Average Salary**



**Personnel Breakdown, 2011**





## Overview

- Established relations with over ~5,000 leading domestic and international FMCG companies and continue to enhance and develop those relations on the back of the growing business scale
- As of 2012, negotiations with suppliers based on customer-driven assortment
- Strategy to build stronger relations not only with leading food producers but with local producers as well. Assortment matrix is supplemented by local items varying from region to region due to different consumer preferences
- Adopted initiatives to start direct imports in order to secure quality and cost positions as well as timing of deliveries

### Large Scale of Business

- As the largest retail chain in Russia in terms of sales X5 is the largest buyer for many domestic and international food producers

### Wide Geographical Presence

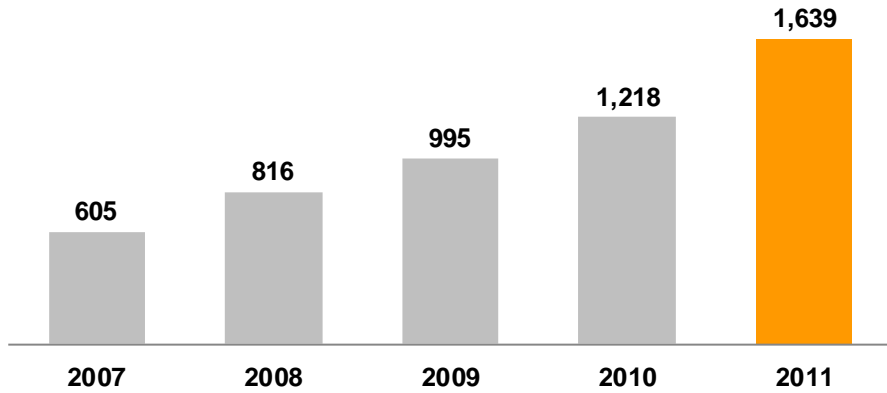
- X5 stores are located in 44 regions of European Russia and Ukraine allowing for wide penetration for vendors

### Developed Logistics Network

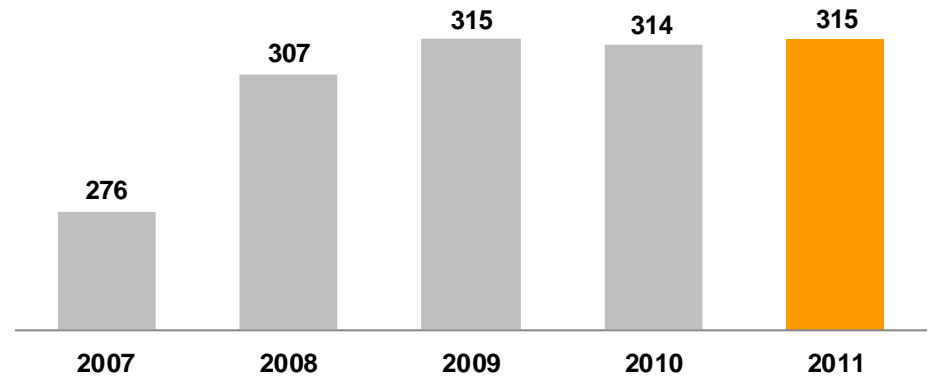
- X5 operates 28 distribution centers, including 12 in the regions, and a substantial transportation fleet
- Vendors share logistics' costs with X5

**Favorable purchasing terms**

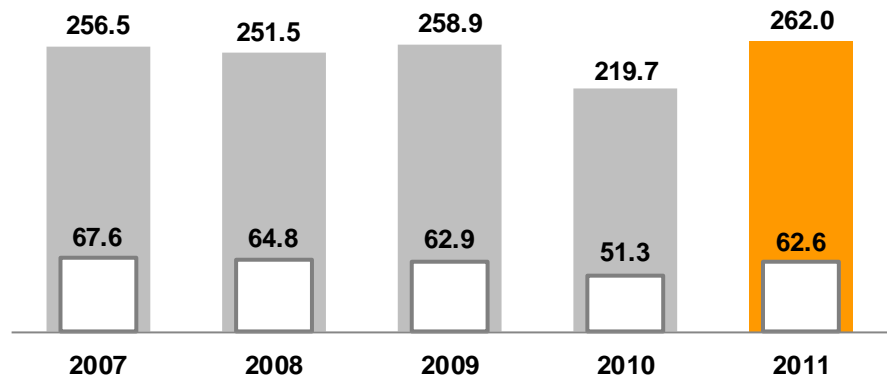
**Traffic, mln**



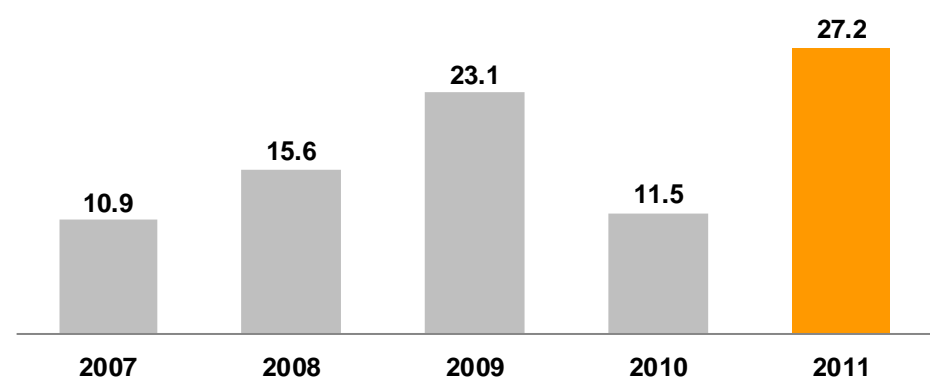
**Average Basket, RUR, incl. VAT**



**Net Sales and Gross Profit Dynamics**

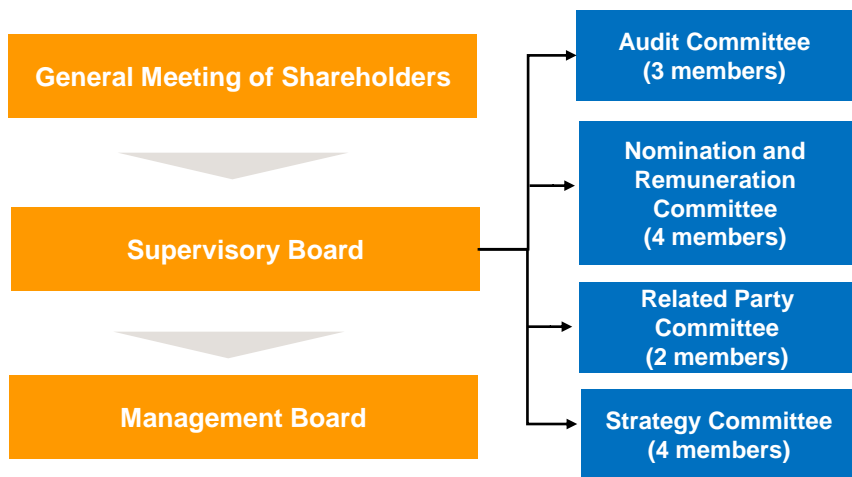


**Net Cash from Operations, RUR bln**



■ Net Retail Sales, th RUR/sq. m. □ Gross Profit, th RUR/sq. m.

Corporate Governance



Supervisory Board

Name	Position	Independent Directors <sup>(1)</sup>
Mr. Hervé Defforey	Chairman	✓
Mr. Mikhail Fridman	Member	
Mr. David Gould	Member	
Mr. Dmitry Dorofeev	Member	
Mr. Alexander Tynkovan	Member	✓
Mr. Stephan DuCharme	Member	✓
Mr. Christian Couvreur	Member	✓

Registered in the Netherlands, X5 is subject to Dutch corporate governance regulations and follows the principles of the UK Corporate Governance Code

Retail Experience at Board Level

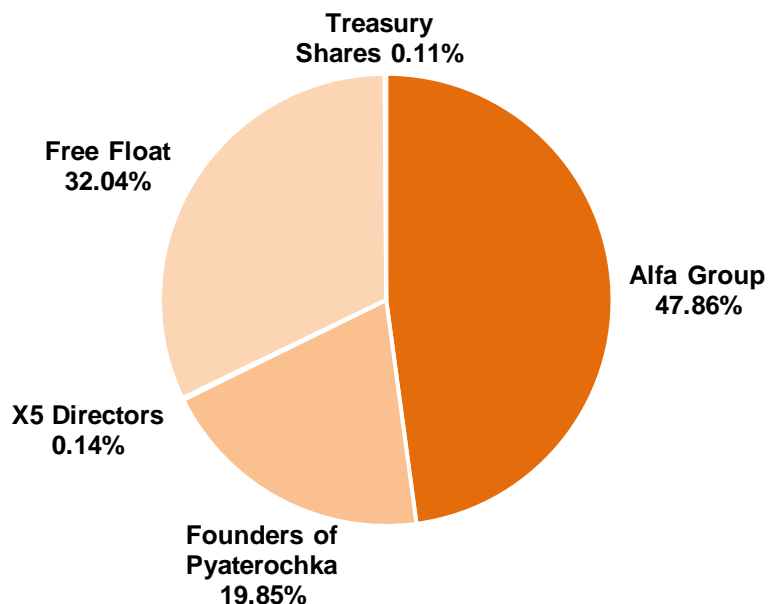
- Mr. Defforey, former CFO & MD of Carrefour S.A.
- Mr. Couvreur, former CEO of Casino Group
- Mr. Tynkovan, CEO and co-founder of “M.Video”<sup>(2)</sup>

Notes:

(1) Management is not represented on the Supervisory Board, only at the Management Board level

(2) Leading Russian electronics retailer

**Share Capital**



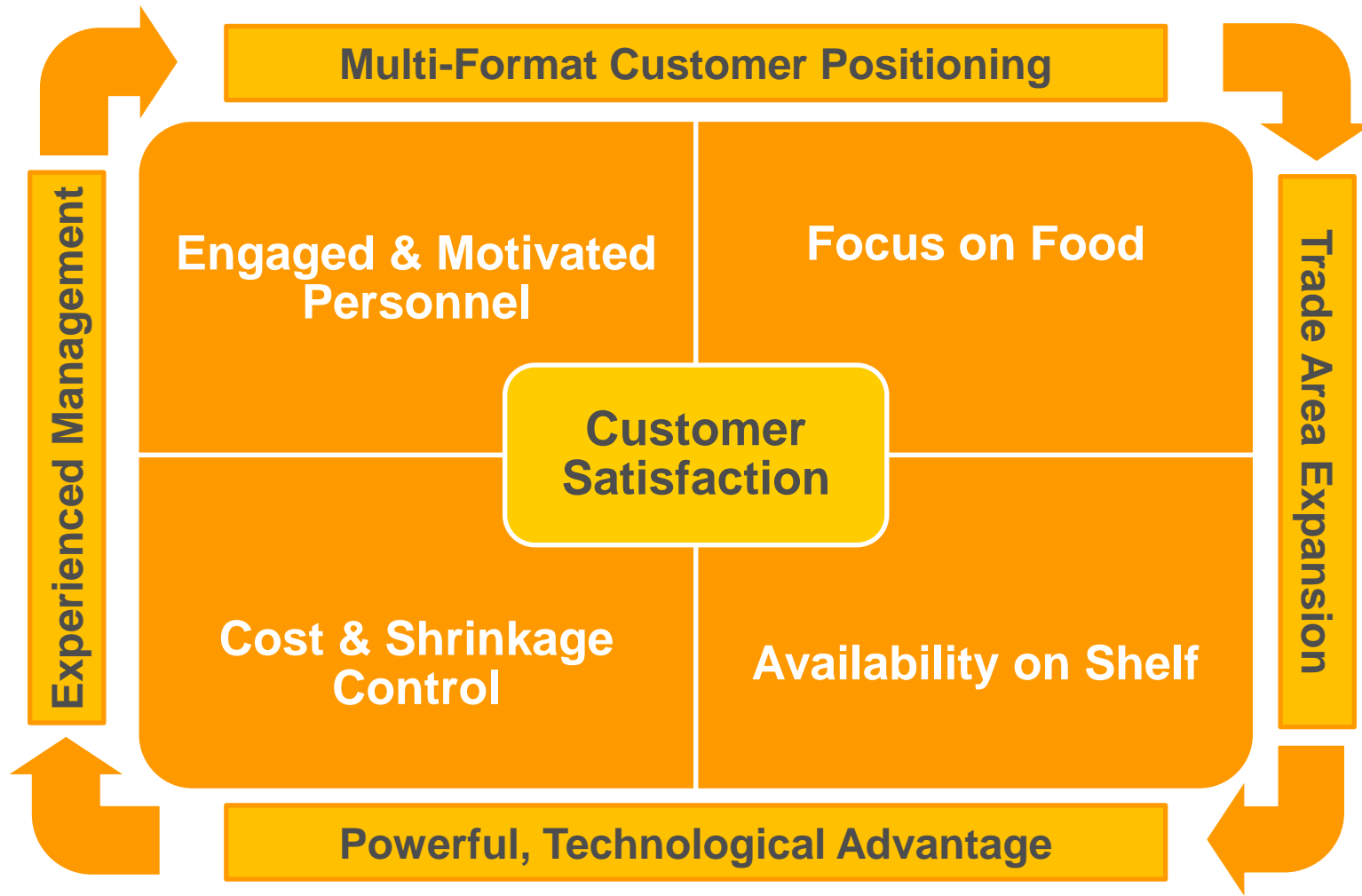
**Shares and Trading**

- The Company's shares are listed on the London Stock Exchange in the form of Global Depositary Receipts (GDRs)
- Each GDR represents an interest of 0.25 of one ordinary share
- Since 2008, X5's share capital consisted of 67,893,218 issued ordinary shares, with a nominal value of €1.00 each. This represents an equivalent of 271,572,872 GDRs

**Committed Owners and Management**

Note (1): As of 30 June 2012

## IV Strategy, Guidance & Targets

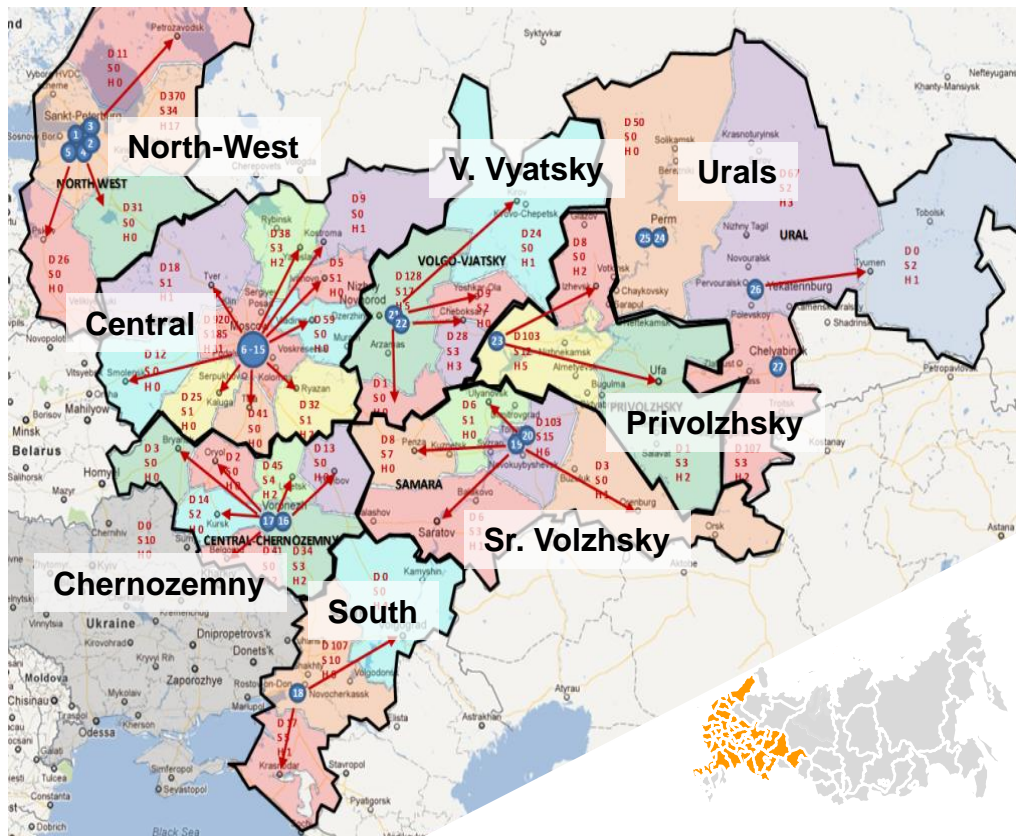




Objective	2012 Guidance	Mid-term Targets <sup>(1)</sup>
<b>Focus on Sales &amp; Margins</b>	<ul style="list-style-type: none"> <li>• <b>Net RUR retail sales growth of ~15%</b></li> <li>• <b>Maintain EBITDA margin above 7%</b></li> <li>• <b>Stronger sales results, expected in 2H 2012</b></li> </ul>	<ul style="list-style-type: none"> <li>• <b>Maintain EBITDA margin above 7%</b></li> <li>• <b>Increase share in Russian retail market to ~7%-8%</b></li> </ul>
<b>Invest in Growth</b>	<ul style="list-style-type: none"> <li>• <b>CapEx target</b> of approximately <b>RUR 45 bln</b> for record <b>expansion</b>: – New stores ~ 60%; Logistics &amp; IT ~ 30%; Reconstruction ~ 10%</li> <li>• <b>~18% net increase</b> in retail selling space (300,000 sq. m.)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Focus on Organic Expansion</b></li> <li>• <b>Over 50% net increase</b> over 2011 retail selling space (&gt;1,000,000 sq. m.)</li> </ul>
<b>Improve Customer Experience</b>	<ul style="list-style-type: none"> <li>• <b>Soft Discounters</b>: lead the market in offering low prices and convenient location</li> <li>• <b>Supermarkets</b>: focus on quality and enhanced fresh offerings, supported by original promotions and advertising campaigns</li> <li>• <b>Hypermarkets</b>: move to improved assortment and uniform layout/customer experience</li> </ul>	

Note (1): Subject to review on an annual basis

Distribution center (DC) locations

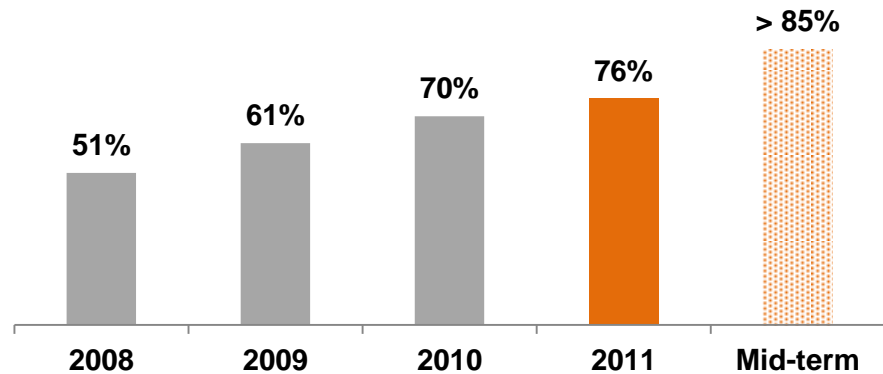





Notes:  
 (1) As at 30 June 2012  
 (2) As at 30 June 2012 (does not include 10 stores located in the Ukraine)

Warehouse Space<sup>(1)</sup>

Region	Space, th sq. m.	# of DCs	# of Stores Serviced <sup>(2)</sup>	Th sq. m. <sup>(2)</sup>
Central	301.6	11	1,573	809.7
North-West	80.4	5	515	335.5
V.-Vyatsky	23.6	2	232	140.7
Urals	38.7	4	283	123.7
Central Chernozemny	30.7	2	179	97.2
Sr.-Volzhsky	22.7	2	181	120.1
South	13.6	1	166	82.1
Privolzhsky	11.9	1	159	101.0
<b>Total</b>	<b>522.9</b>	<b>28</b>	<b>3,288</b>	<b>1,810.0</b>

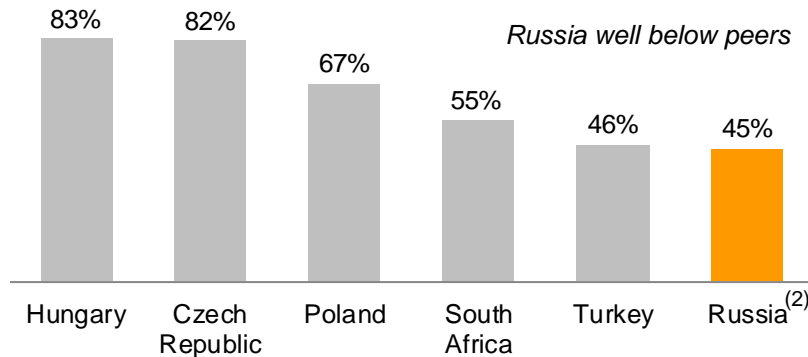
Centralization Level



	<b>Soft Discounter</b> 	<b>Supermarket</b> 	<b>Hypermarket</b> 
<b>Investment Committee approval</b>	<ul style="list-style-type: none"> <li>Regional Investment Committees have autonomy to open leased stores. Owned real estate requires Central Investment Committee (CIC) approval</li> </ul>	<ul style="list-style-type: none"> <li>Format Investment Committee approval is needed</li> </ul>	<ul style="list-style-type: none"> <li>CIC approval is needed</li> </ul>
<b>Store opening criteria</b>	<ul style="list-style-type: none"> <li>Technical condition, location &amp; infrastructure requirements</li> <li>Payback period – 20-40 months for leased stores / 72-84 months for owned stores</li> <li>NPV positive</li> </ul>	<ul style="list-style-type: none"> <li>Technical condition, location &amp; infrastructure requirements</li> <li>Payback period – 20-50 months for leased objects / 72-80 months for owned objects</li> <li>NPV positive</li> </ul>	<ul style="list-style-type: none"> <li>Technical condition, location &amp; infrastructure requirements</li> <li>Payback period – 32-55 months for leased / 85-110 months for owned</li> <li>NPV positive</li> </ul>
<b>Average total cost (excluding VAT)</b>	<ul style="list-style-type: none"> <li>USD 300-400 th (excluding real estate investment)</li> </ul>	<ul style="list-style-type: none"> <li>USD 1.5-1.7 mln (excluding real estate investment)</li> </ul>	<ul style="list-style-type: none"> <li>USD 4.0-5.0 mln (excluding real estate investment)</li> </ul>

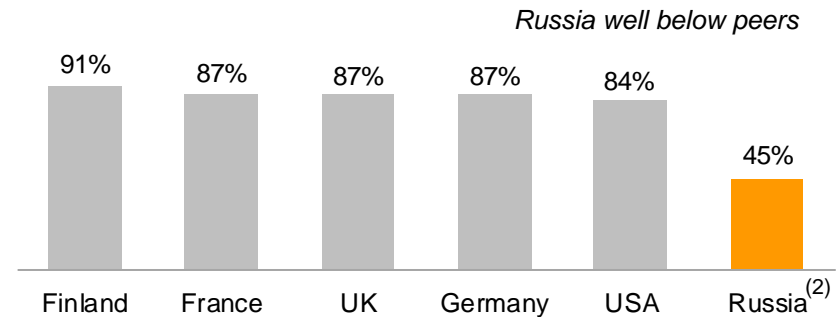
## V Russian Retail Market & Macroeconomic Review

## Modern Retail Penetration in Developing Markets, 2011<sup>(1)</sup>



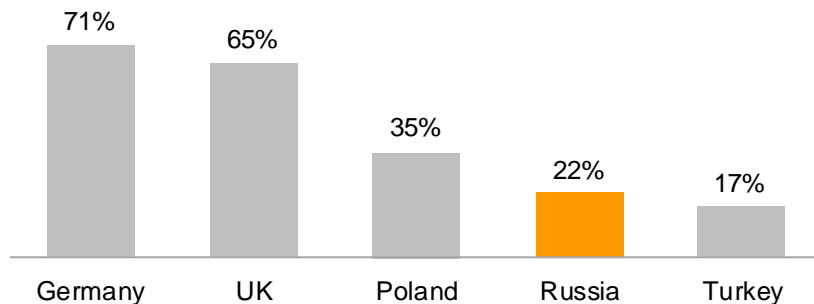
Sources: Euromonitor, X5 estimates

## Modern Retail Penetration in Developed Markets, 2011<sup>(1)</sup>



Sources: Euromonitor, X5 estimates

## Market Share of Top-5 Largest Players, 2011



Sources: Euromonitor, X5 estimates

Notes:

(1) Share of modern grocery retailers' sales in total grocery retailers' sales (excl. open markets)

(2) Adjusted for the estimated share of open markets in the total retail market

## Comments

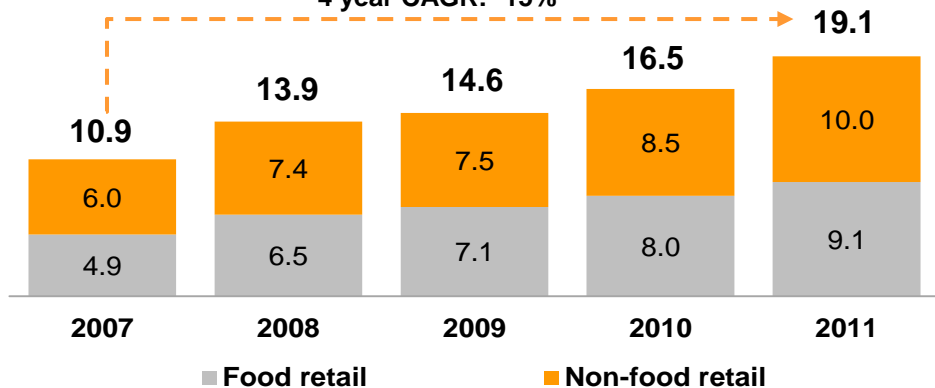
Russian food retail market is one of the most attractive markets to invest in the world:

- ✓ 5<sup>th</sup> largest food retail market in Europe
- ✓ Modern retail penetration of 52%; well below average of CEEMEA and developed markets
- ✓ Top-5 players occupy only about 22% of the market versus, for example, 35% in Poland and 65% in UK



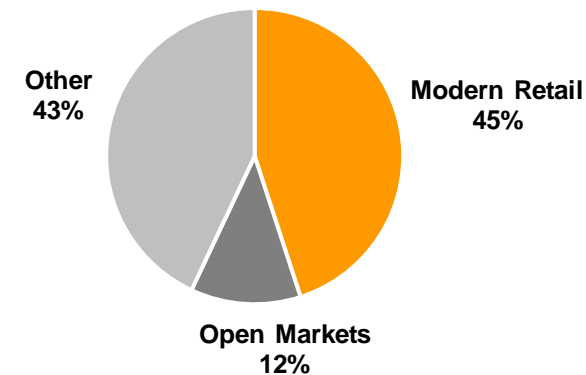
Russian Retail Market, tIn RUR

4 year CAGR: 15%



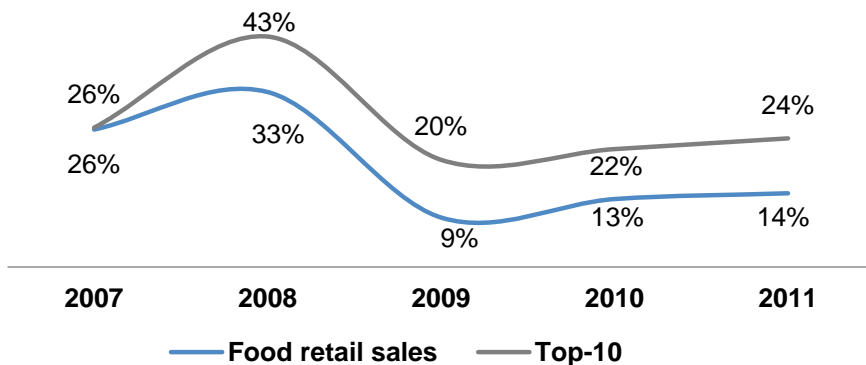
Sources: X5 estimates, Rosstat, Planet Retail

Russian Retail Market Structure, 2011



Sources: Euromonitor, X5 estimates

Food Retail Market vs. Top-10, RUR Growth



Sources: Rosstat, X5 estimates

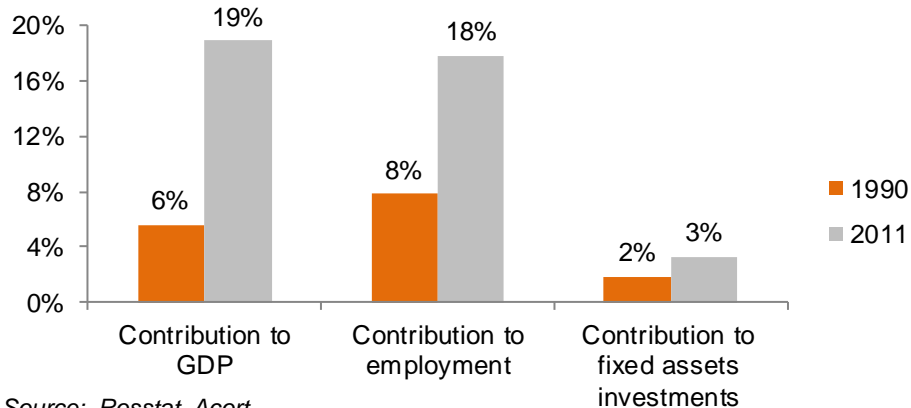
Comments

- Russian Retail market Compound Average Growth Rate (CAGR) forecast for 2012-2014: ~ 6-10%, nominal terms
- We expect CAGR of leading (Top-10) players to exceed the market's nominal growth rates in next 3 years due to declining market share of non-modern retail trade
- Modern retail formats will partially cannibalize market share of open markets, kiosks and other non-organized retailers to reach up to 60% within the next 5-7 years



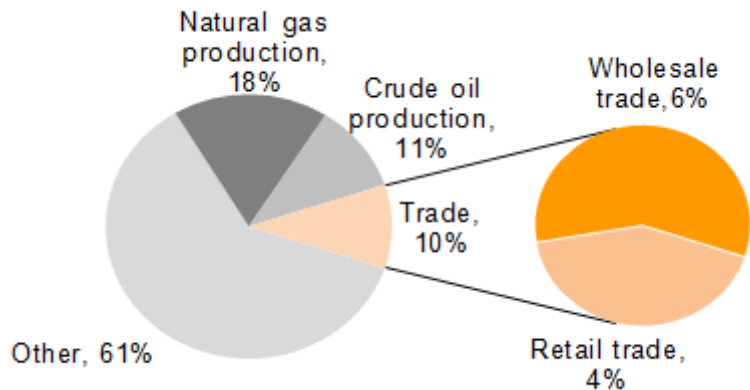


Contribution of Trade to Russian Economy



Source: Rosstat, Acort

Contribution of Trade to Russian State Budget, 2010



Source: Rosstat, Acort

Comments

- Trade sector represents one of the key contributors to Russian economy:
  - ✓ Trade input to GDP has tripled from 1990 to 2010
  - ✓ Trade contribution to employment has more than doubled since 1990
  - ✓ Trade share in Russia's fixed assets investments has been up by about 50% from 1990 to 2010
  - ✓ Tax input from trade to the state budget is comparable to that of crude oil production
- Consumer's per capita spending on grocery has grown by approximately 66% from 2007 to 2011

## VI Summary

## #1 Russian Retailer<sup>(1)</sup> With Substantial Growth Opportunities

- Modern food retail is one of the fastest growing industries in Russia
- Solid platform for growth in Russia's still developing, modern retail market
- Store base in the high density Central (Moscow) & North-West (St. Petersburg) regions generates healthy cash flow for growth
- Current level of penetration and market share in other regions provides substantial growth opportunities
- Scale plus logistical capabilities delivers favorable terms from suppliers
- Best in class IT platform to support sustainable growth
- Experienced and pragmatic management team
- Attractive entry point based on valuation



Creating  
Shareholder  
Value

Note (1): Based on net sales

## Appendix 1: Financial Results

## Our Business

- Russia's **largest food retailer** in terms of sales – 5.7% of total food retail market<sup>(1)</sup>
- **Multi-format brand** retail operator: **Pyaterochka** (Soft Discounter), **Perekrestok** (Supermarket), **Karusel** (Hypermarket) plus assorted brand name convenience stores

## H1 2012 Operating Results

- Total number of stores – **3,298** with **net selling space** of **1,820 th sq. m.**
- Total number of Distribution Centers (DCs) – **28**; number of own trucks – **1,539**
- ~ **880 mln check-out transactions** recorded in H1 2012, a 10.3% year-on-year increase
- Operations in **607 population centers** across **European 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**

## Q2 2012 Financial Results

- Consolidated **net sales** increased by **9.8%** in **RUR** terms to **RUR 123.6 bln (USD 4.0 bln)**
- **Gross profit margin** = **22.8%**
- **EBITDA margin** = **7.0%**

Notes:

(1) As of 31 December 2011 based on Rosstat

% change, y-o-y	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012
Retail turnover	7.4%	7.9%	7.4%	6.5%	6.8%	6.9%
Food retail turnover, incl. drinks and tobacco	5.2%	5.2%	5.3%	4.1%	4.8%	4.0%
Inflation (CPI)	4.2%	3.7%	3.7%	3.6%	3.6%	4.3%
Inflation (CPI), food products	2.0%	1.5%	1.3%	1.2%	1.7%	3.6%
Real disposable personal income	1.0%	3.1%	2.8%	2.1%	4.1%	3.0%
Average monthly salary of one employee:						
- nominal	15.1%	16.3%	13.0%	15.1%	16.5%	17.7%
- real	10.5%	12.1%	9.0%	11.1%	12.4%	12.9%
Unemployment rate	6.6%	6.5%	6.5%	5.8%	5.4%	5.4%
		<b>Q1</b>			<b>Q2</b>	
Consumer confidence index		-5%			-4%	

***The macroeconomic environment in H1 2012 was characterized by record low inflation (especially food inflation) and a strong consumer – based on solid growth in real income and low unemployment rates***



## Financial Overview – Q2 2012 vs. Q2 2011

USD mln	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q-o-Q +/( - )%	Y-o-Y +/( - )%
Retail sales	4,006.0	3,610.7	3,954.6	3,862.0	3,981.8	3.1%	(0.6)%
Total revenues	4,021.4	3,623.0	3,965.3	3,870.7	3,987.9	3.0%	(0.8)%
COGS	3,075.2	2,784.7	2,984.4	2,923.5	3,077.6	5.3%	0.1%
Gross profit	946.2	838.3	980.9	947.2	910.3	(3.9)%	(3.8)%
<b>Gross profit margin</b>	<b>23.5%</b>	<b>23.1%</b>	<b>24.7%</b>	<b>24.5%</b>	<b>22.8%</b>	-	-
EBITDA	284.9	219.8	344.5	274.0	280.3	2.3%	(1.6)%
<b>EBITDA margin</b>	<b>7.1%</b>	<b>6.1%</b>	<b>8.7%</b>	<b>7.1%</b>	<b>7.0%</b>	-	-
Effective income tax rate	26.3%	-	24.3%	26.6%	25.5%	-	-
Net profit	73.5	(2.1)	134.0	66.3	68.9	3.9%	(6.2)%
<b>Net profit margin</b>	<b>1.8%</b>	<b>(0.1) %</b>	<b>3.4%</b>	<b>1.7%</b>	<b>1.7%</b>	-	-
Earnings per share (EPS)	1.08	(0.04)	1.97	0.98	1.02	4.1%	(5.6)%
Diluted EPS	1.08	(0.04)	1.97	0.98	1.02	4.1%	(5.6)%
Capex <sup>(1)</sup>	171.6	226.6	397.6	180.4	194.5	7.8%	13.3%
Net debt	3,947.0	3,946.9	3,225.0	3,808.3	3,525.3	7.4%	(10.7)%

Note (1): based on investing cash flow consolidated statement of cash flows

Q2 2011	% of Net Sales	Q2 2012	% of Net Sales	USD mln	Q1 2012	% of Net Sales	Q2 2012	% of Net Sales
(320.5)	8.0%	(324.5)	8.1%	<b>Staff Costs</b>	(342.4)	8.8%	(324.5)	8.1%
(146.8)	3.7%	(144.6)	3.6%	<b>Lease Expenses</b>	(151.3)	3.9%	(144.6)	3.6%
(56.2)	1.4%	(61.9)	1.6%	<b>Other Store Costs</b>	(61.3)	1.6%	(61.9)	1.6%
(112.0)	2.8%	(112.8)	2.8%	<b>D&amp;A</b>	(103.0)	2.7%	(112.8)	2.8%
(88.9)	2.2%	(80.6)	2.0%	<b>Utilities</b>	(91.2)	2.4%	(80.6)	2.0%
(31.1)	0.8%	(34.3)	0.9%	<b>Third Party Services</b>	(23.7)	0.6%	(34.3)	0.9%
(67.0)	1.7%	(26.1)	0.7%	<b>Other Expenses</b>	(46.0)	1.2%	(26.1)	0.7%
<b>(822.5)</b>	<b>20.5%</b>	<b>(784.8)</b>	<b>19.7%</b>	<b>Total SG&amp;A</b>	<b>(818.9)</b>	<b>21.2%</b>	<b>(784.8)</b>	<b>19.7%</b>

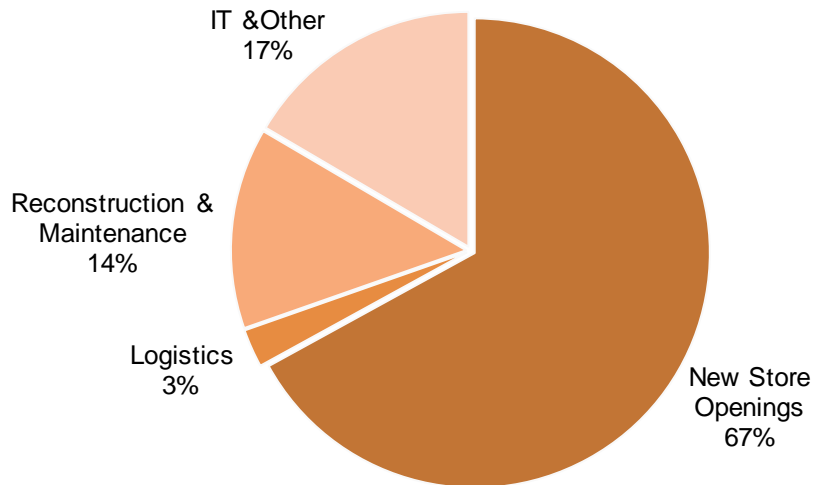
**SG&A expenses**, as a percentage of net sales, decreased by 80 bp y-o-y to 19.7% primarily due to a decrease in other expenses:

- **staff costs**, as a percentage of net sales, increased by 10 bp y-o-y to 8.1% primarily driven by an increase in store personnel associated with the increase in new store openings, employee bonuses and a net expense recognized on the Company's long-term incentive plans, resulting from the remeasurement of the plans liabilities at 30 June 2012, compared to income recognized on the plans and a reversal of accrued bonuses in the corresponding period of 2011
- **lease expenses**, as a percentage of net sales, decreased by 10 bp y-o-y to 3.6% due to the impact of temporary closures during the integration of Kopeyka in Q2 2011. As a percentage of X5's total real estate portfolio, leased space accounted for 54.4% at 30 June 2012 compared to 52.0% in the corresponding period of 2011
- **other store costs** increased, as a percentage of net sales, by 20 bp y-o-y to 1.6% mainly due to the reclassification of security expense and maintenance expense from staff costs to other store costs
- **utilities expense**, as a percentage of net sales, decreased by 20 bp y-o-y in Q2 2012, to 2.0% due to the impact of cost-saving initiatives
- **other expenses**, as a percentage of sales, decreased by 100 bp primarily due to the completion of the Kopeyka integration in Q3 2011, a decrease in a bad debt expenses, and the release of historical provisions for legal and tax risks.

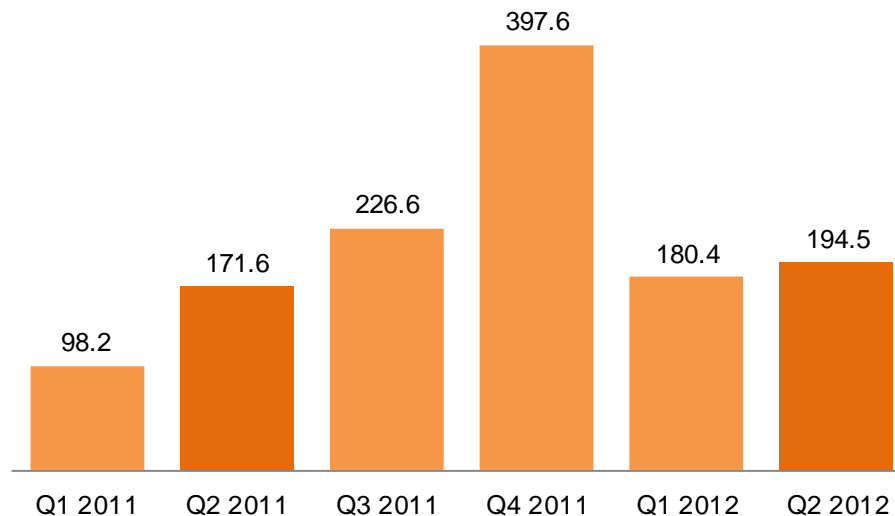
USD mln	Q2 2012	Q2 2011	+/( - )	+/( - )%
<b>Net Cash Flows (Used in)/Generated from Operating Activities</b>	68.8	(65.6)	134.4	n/a
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	275.0	293.3	(18.3)	(6.2) %
<i>Change in Working Capital</i>	(85.3)	(241.7)	156.4	(64.7) %
<i>Net Interest and Income Tax Paid</i>	(121.0)	(117.2)	(3.8)	3.2 %
<b>Net Cash Used in Investing Activities</b>	(194.5)	(171.6)	(22.9)	13.3 %
<b>Net Cash Generated from/(Used in) Financing Activities</b>	125.5	244.7	(119.2)	(48.7) %
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	(0.2)	7.5	(7.7)	n/a

- **Net cash flows generated from operating activities** totaled USD 69 mln compared to net cash flows used in operating activities of USD 66 mln in the corresponding period of 2011. The increase was primarily due to changes in working capital. In Q2 2012, changes in working capital resulted in a negative effect on cash flows from operating activity of USD 85.3 million compared to a negative effect of 241.7 million in Q2 2011.
- **The change in working capital** in Q2 2012 was primarily driven by an increase in VAT receivables, driven by internal improvements in processing VAT claims on purchases, resulting in a lower net VAT payable. The decrease in Q2 VAT payable was partially offset by an increase in trade accounts payable in Q2 2012.
- **Net cash used in investing activities** totaled USD 194 mln and USD 375 mln in Q2 and H1 2012 respectively, compared to USD 172 mln and USD 270 mln for the corresponding periods in 2011 due to an increase in store openings in the 2012 periods.
- **Net cash generated from financing activities** increased in Q2 and H1 2012 to USD 126 mln and USD 157 mln, respectively, and was related to an increase in short-term credit facilities to finance working capital needs.

**Q2 2012 Capital Expenditures Breakdown**



**Net Cash Flows From Investing Activities, USD mln**



**In Q2 2012, X5 continued to invest in new store openings, logistics initiatives, reconstruction of stores and IT projects**

USD mln	30 June 2012	31 December 2011	+/( - )	+/( - )%
<b>Total current assets</b>	<b>1,803.0</b>	<b>2,051.2</b>	<b>(248.2)</b>	<b>(12.1) %</b>
<i>incl. Cash &amp; cash equivalents</i>	166.0	385.0	(219.0)	(56.9) %
<i>incl. Inventories</i>	837.9	895.0	(57.1)	(6.4) %
<b>Total non-current assets</b>	<b>6,753.0</b>	<b>6,759.0</b>	<b>(6.0)</b>	<b>(0.1) %</b>
<i>incl. Net PP&amp;E</i>	3,902.3	3,824.9	77.4	2.0 %
<i>incl. Goodwill</i>	1,936.1	1,957.9	(21.8)	(1.1) %
<b>Total assets</b>	<b>8,556.0</b>	<b>8,810.2</b>	<b>(254.2)</b>	<b>(2.9) %</b>
<b>Total current liabilities</b>	<b>3,532.5</b>	<b>3,704.2</b>	<b>(171.7)</b>	<b>(4.6) %</b>
<i>incl. ST debt</i>	1,170.1	913.2	256.9	28.1 %
<i>incl. Trade accounts payable</i>	1,691.1	1,906.4	(215.3)	(11.3) %
<b>Total non-current liabilities</b>	<b>2,741.6</b>	<b>2,910.0</b>	<b>(168.4)</b>	<b>(5.8) %</b>
<i>incl. LT debt</i>	2,521.3	2,696.9	(175.6)	(6.5) %
<b>Total liabilities</b>	<b>6,274.1</b>	<b>6,614.2</b>	<b>(340.1)</b>	<b>(5.1) %</b>
<b>Total equity</b>	<b>2,281.9</b>	<b>2,196.0</b>	<b>86.0</b>	<b>3.9 %</b>
<b>Total liabilities &amp; equity</b>	<b>8,556.0</b>	<b>8,810.2</b>	<b>(254.1)</b>	<b>(2.9) %</b>



## Debt Profile

USD mln	31-Mar-12	% in total	30-Jun-12	% in total
<b>Total Debt</b>	<b>3,997.1</b>		<b>3,691.4</b>	
Short-Term Debt	1,091.9	27.3%	1,170.1	31.7%
Long-Term Debt	2,905.2	72.7%	2,521.3	68.3%
<b>Net Debt / (Net Cash)</b>	<b>3,808.3</b>		<b>3,525.3</b>	
Denominated in USD	(4.0)	-	0.0	-
Denominated in RUR	3,812.4	100.0%	3,525.3	100.0%
RUR/USD exch. rate, EoP	29.33	-	32.82	-

## Liquidity Update

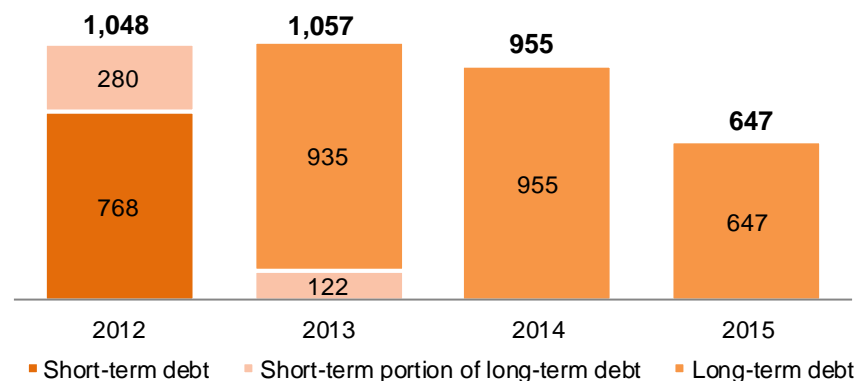
Metric	2011	Q1 2012	Q2 2012
Net Debt / EBITDA <sup>(1)</sup>	3.13x	3.36x	3.40x
Interest Coverage ratio	3.74x	3.65x	3.65x
Cash Balance, USD mln	385	189	166
Credit lines, USD mln	4,200	5,000	4,000
including undrawn, USD mln	1,600	2,800	1,800

Notes:

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

(2) Based on managerial accounts, w/o IFRS adjustments

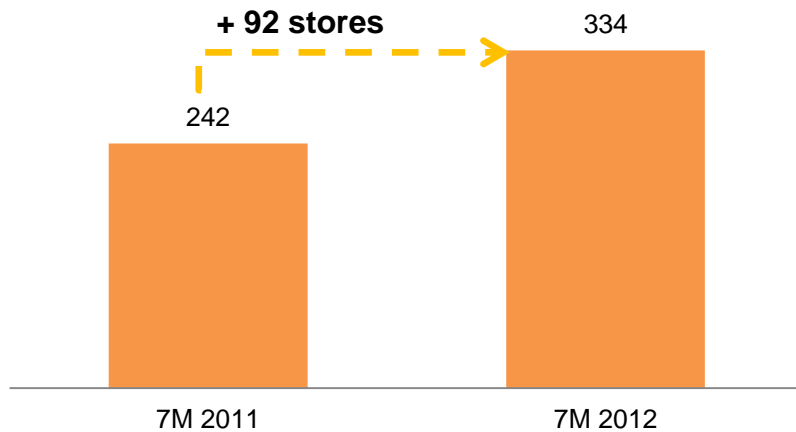
## Debt Portfolio Maturity, USD mln<sup>(2)</sup>



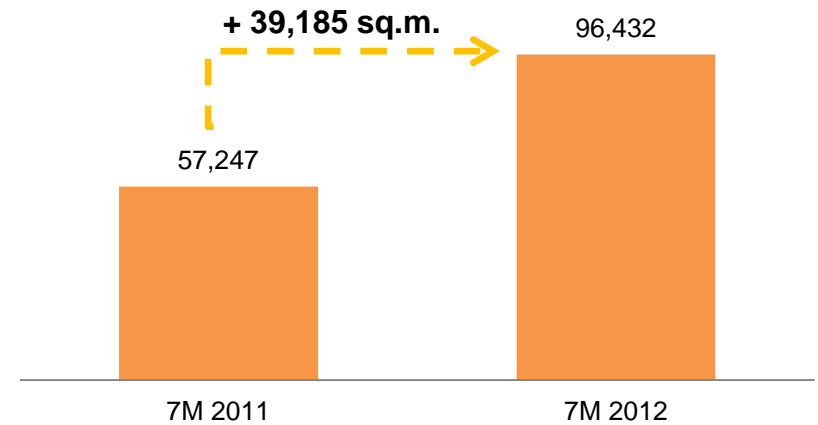
## Comments

- X5's net debt to EBITDA ratio increased to 3.40x compared to 3.36x at the end of Q2 2012
- 100% of X5's debt portfolio is RUR-denominated eliminating the impact of future exchange rate volatility on reported financial results
- Balanced maturity structure of X5's debt - loans maturing in 2012 amount to 29% of the total debt portfolio and include the short-term portion of long-term debt, revolving loans and other short-term debt

Number of Stores Opened, net

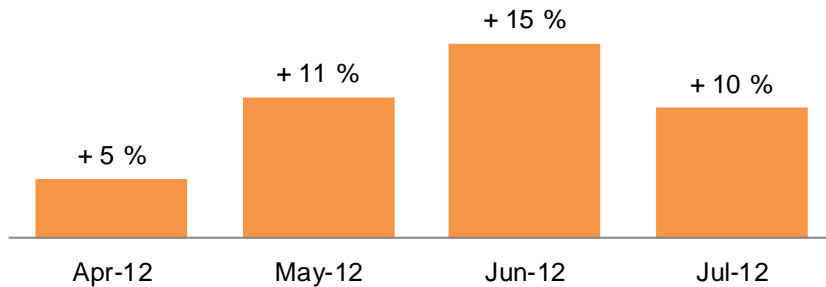


Selling Space Added, net sq.m.

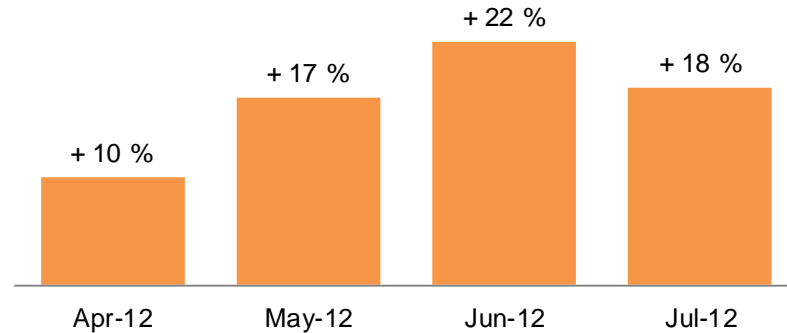


**Acceleration of expansion y-o-y in 7M 2012:  
~40% more stores opened adding ~70% more selling space**

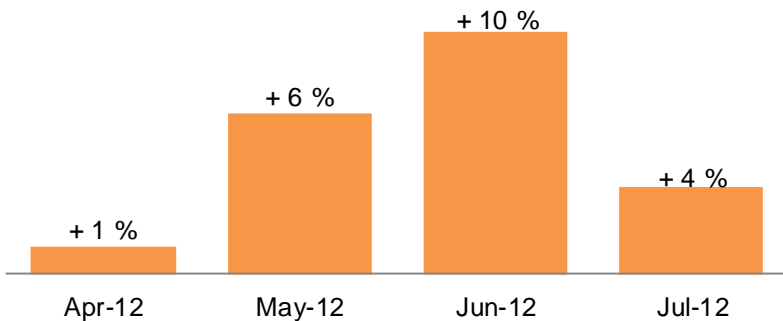
**Total Net Retail Sales Growth, % y-o-y**



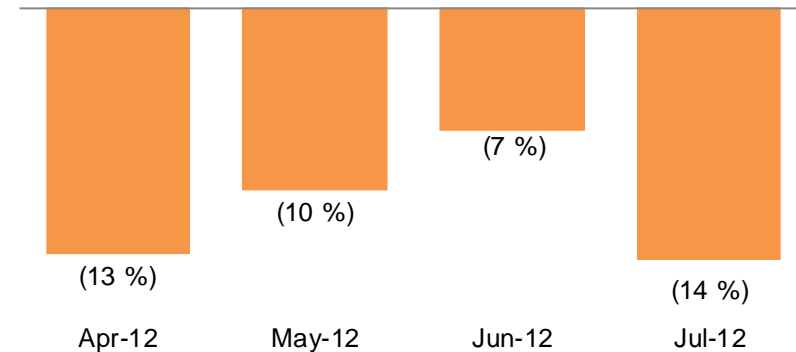
**Soft Discounters Net Retail Sales Growth, % y-o-y (1)**



**Supermarkets Net Retail Sales Growth, % y-o-y (1)**

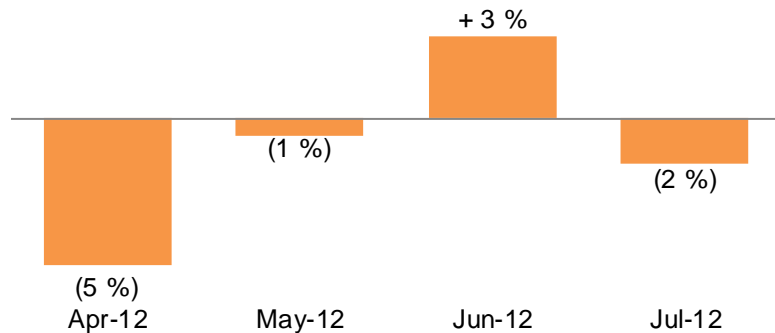


**Hypermarkets Net Retail Sales Growth, % y-o-y**

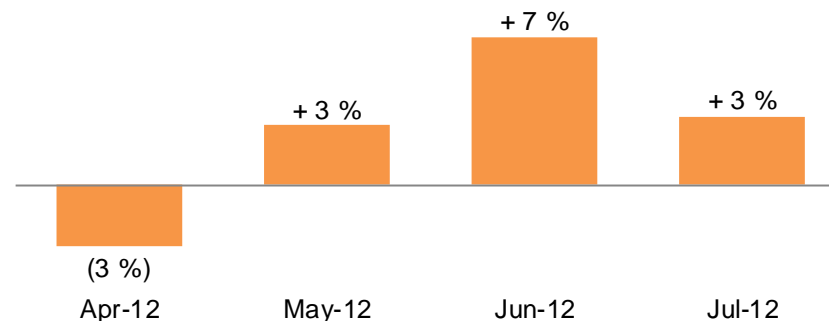


Note (1): Reflects updated Y-o-Y growth for the months of Q2 from the trading results presentation due to correction in the allocation of Kopeyka stores rebranded to supermarkets

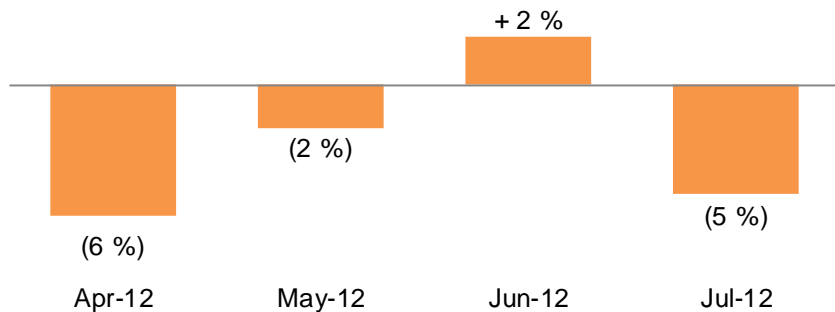
**Total LFL Sales Growth, %**



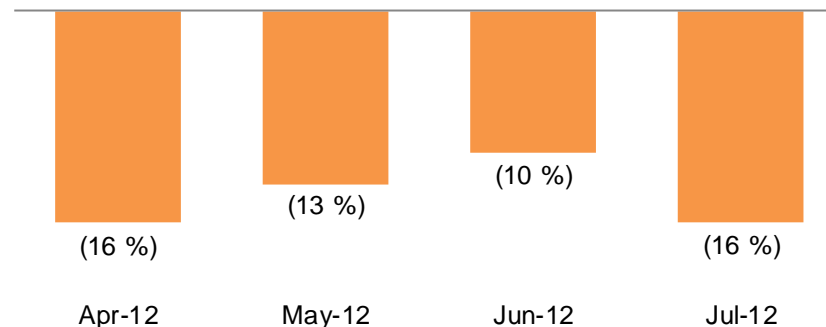
**Soft Discounters LFL Sales Growth, %**



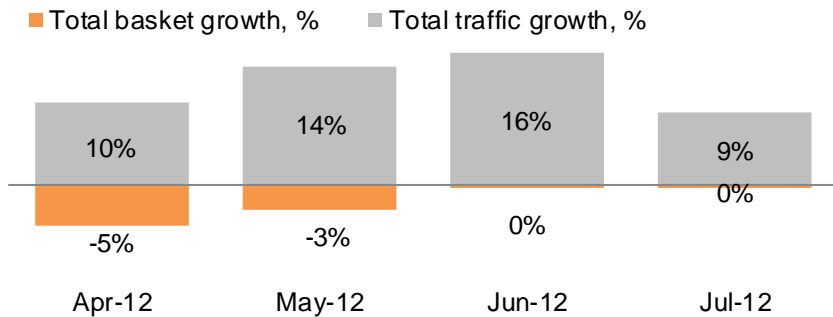
**Supermarkets LFL Sales Growth, %**



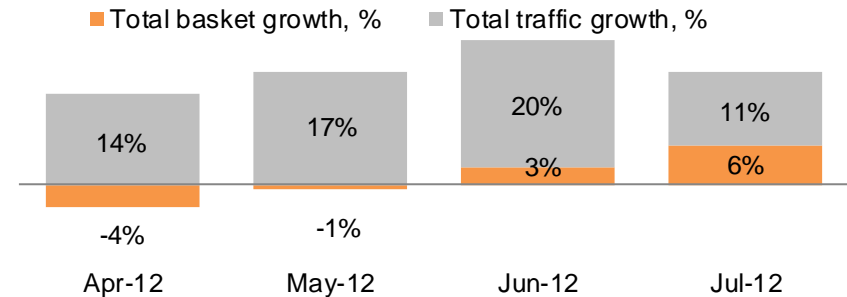
**Hypermarkets LFL Sales Growth, %**



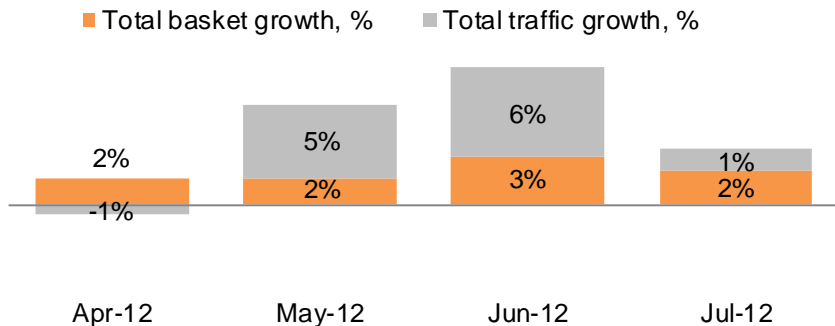
**Total X5 Sales Growth, %**



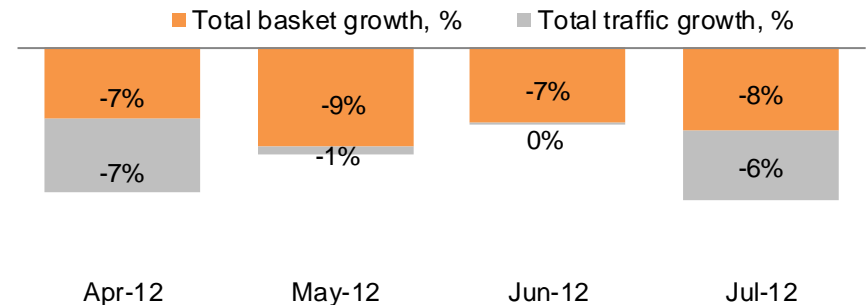
**Soft Discounters Sales Growth, %<sup>(1)</sup>**



**Supermarkets Sales Growth, %<sup>(1)</sup>**

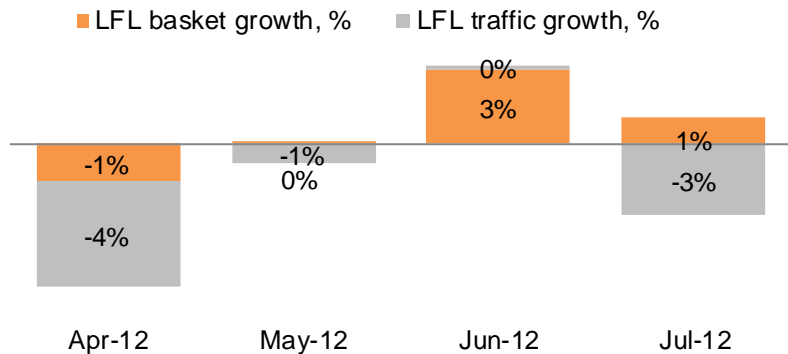


**Hypermarkets Sales Growth, %**

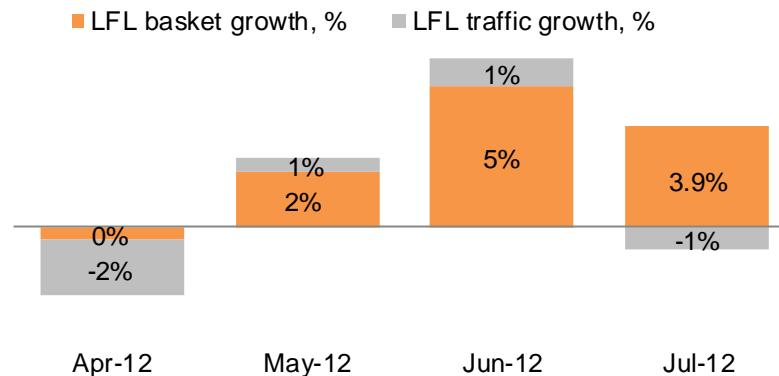


Note (1): Reflects updated Y-o-Y growth for the months of Q2 from the trading results presentation due to correction in the allocation of Kopeyka stores rebranded to supermarkets

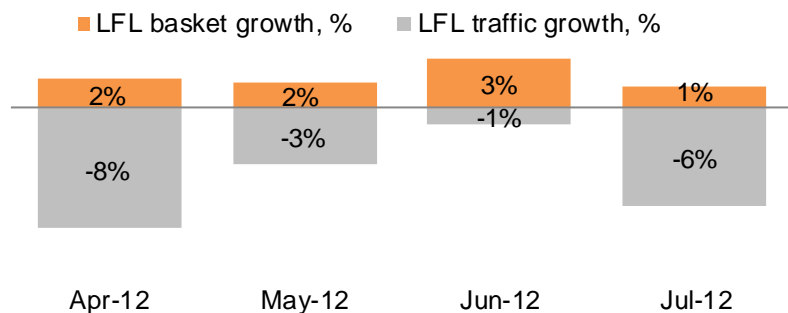
**Total X5 LFL Sales Growth, %**



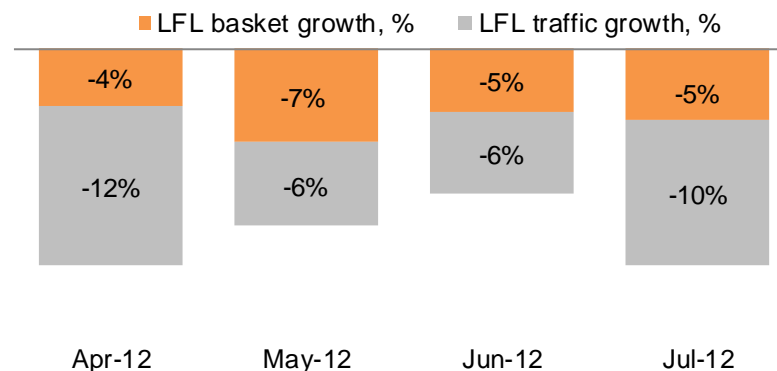
**Soft Discounters LFL Sales Growth, %**



**Supermarkets LFL Sales Growth, %**

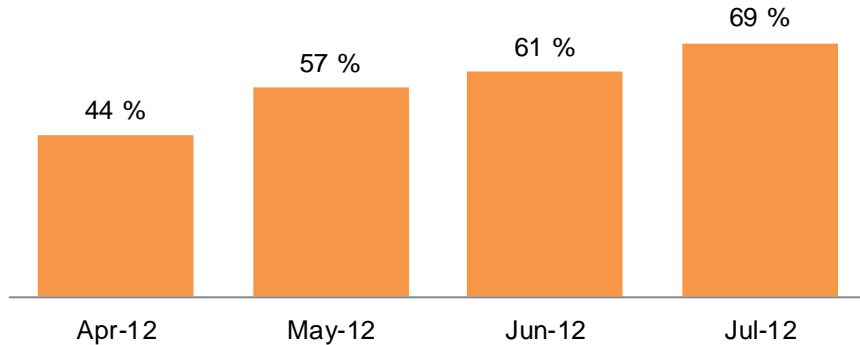


**Hypermarkets LFL Sales Growth, %**

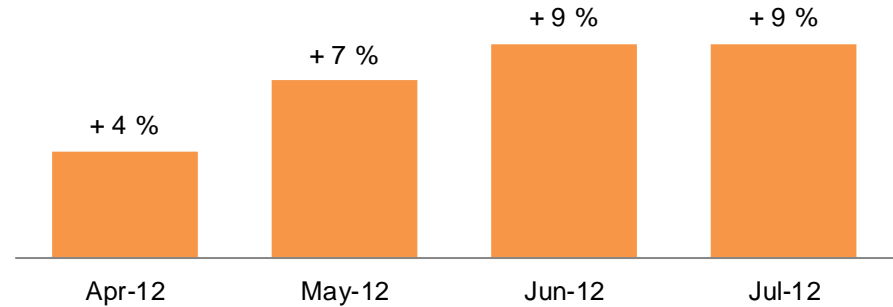




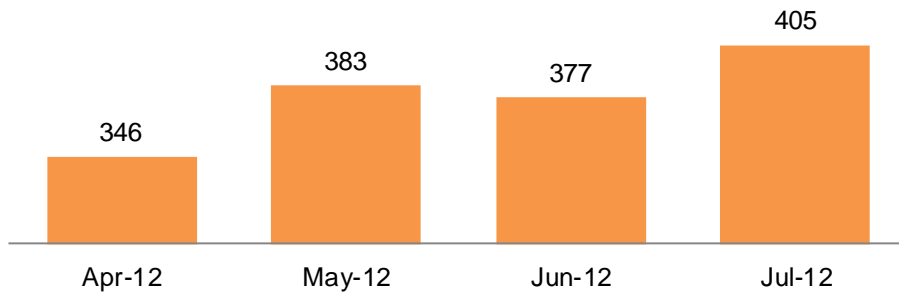
**Net Retail Sales Growth, %**



**LFL Sales Growth, %**



**Net Retail Sales, mln USD**



**Comments**

- Rapidly developing format operating under Perekrestok Express and Kopeyka brands
- Strong LFL and sales dynamics
- Strong demand for this format in urban centers
- In 2012, X5 plans to add 100 convenience stores in Central region

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