

Second Quarter 2012 Financial Results Conference Call

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Moscow, Russian Federation
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Our Business

- Russia's **largest food retailer** in terms of sales – 5.7% of total food retail market⁽¹⁾
- **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%
		Q1			Q2	
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)%
Gross profit margin	23.5%	23.1%	24.7%	24.5%	22.8%	-	-
EBITDA	284.9	219.8	344.5	274.0	280.3	2.3%	(1.6)%
EBITDA margin	7.1%	6.1%	8.7%	7.1%	7.0%	-	-
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)%
Net profit margin	1.8%	(0.1) %	3.4%	1.7%	1.7%	-	-
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 ⁽¹⁾	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

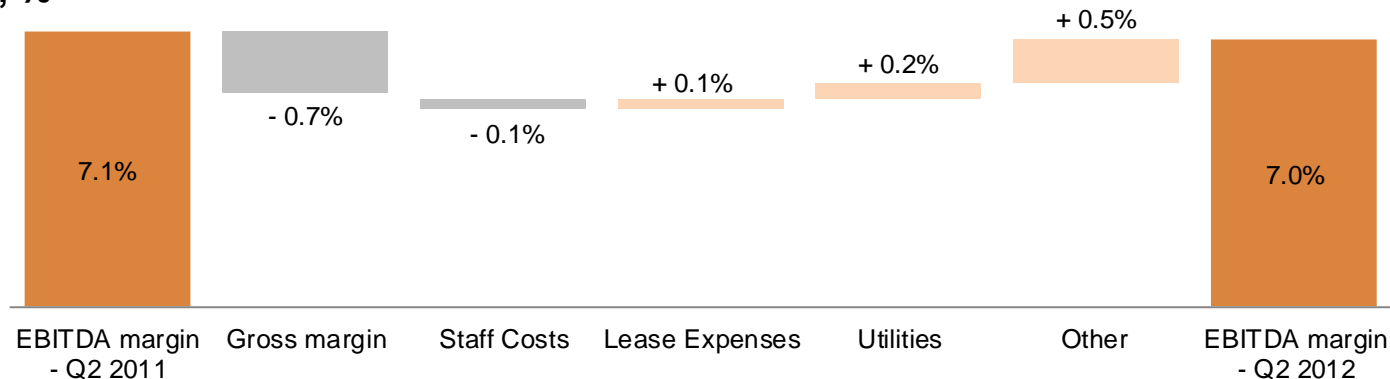
Change in net retail sales by format, USD mln

Net retail sales grew by 10.0% in RUB terms primarily due to soft discounters and supermarkets' sales growth offset by a decrease in hypermarkets sales



Sustainable EBITDA margin, %

Maintained healthy EBITDA margin during step-up in organic growth



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%	Staff Costs	(342.4)	8.8%	(324.5)	8.1%
(146.8)	3.7%	(144.6)	3.6%	Lease Expenses	(151.3)	3.9%	(144.6)	3.6%
(56.2)	1.4%	(61.9)	1.6%	Other Store Costs	(61.3)	1.6%	(61.9)	1.6%
(112.0)	2.8%	(112.8)	2.8%	D&A	(103.0)	2.7%	(112.8)	2.8%
(88.9)	2.2%	(80.6)	2.0%	Utilities	(91.2)	2.4%	(80.6)	2.0%
(31.1)	0.8%	(34.3)	0.9%	Third Party Services	(23.7)	0.6%	(34.3)	0.9%
(67.0)	1.7%	(26.1)	0.7%	Other Expenses	(46.0)	1.2%	(26.1)	0.7%
(822.5)	20.5%	(784.8)	19.7%	Total SG&A	(818.9)	21.2%	(784.8)	19.7%

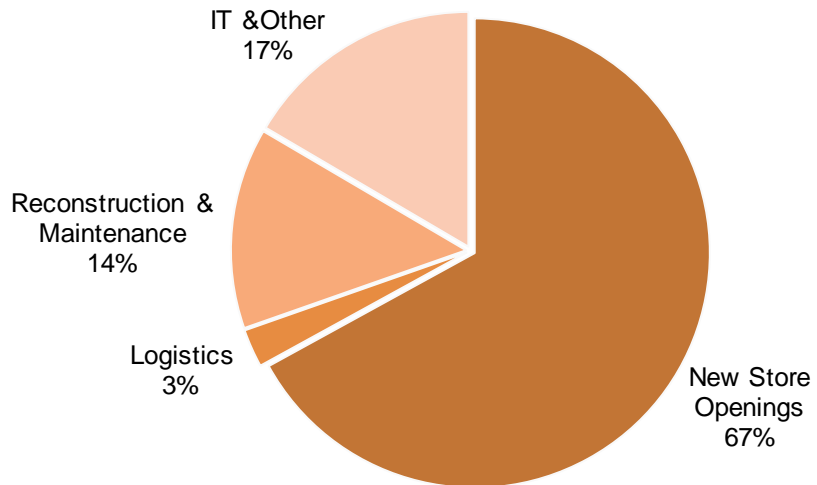
SG&A expenses, as a percentage of net sales, decreased by 80 bp y-o-y to 19.7% primarily due to a decrease in other expenses :

- **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.

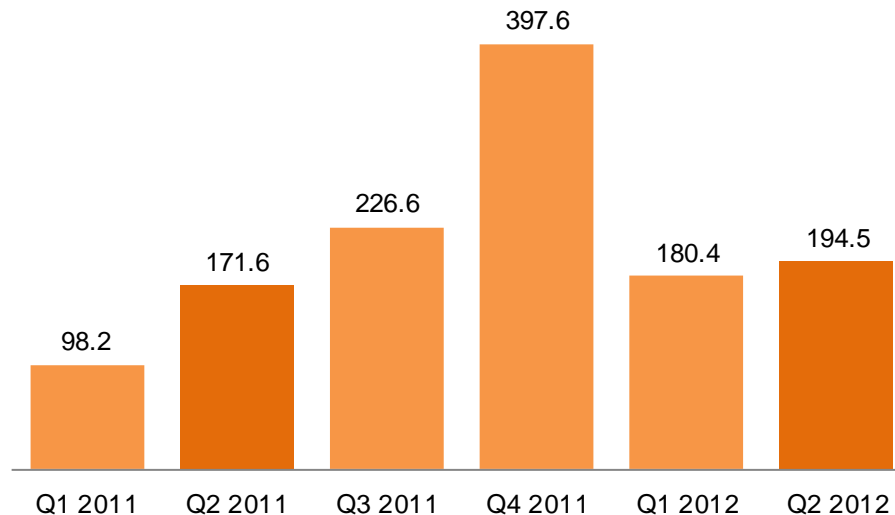
USD mln	Q2 2012	Q2 2011	+/(-)	+/(-)%
Net Cash Flows (Used in)/Generated from Operating Activities	68.8	(65.6)	134.4	n/a
<i>Net Cash from Operating Activities before Changes in Working Capital</i>	275.0	293.3	(18.3)	(6.2) %
<i>Change in Working Capital</i>	(85.3)	(241.7)	156.4	(64.7) %
<i>Net Interest and Income Tax Paid</i>	(121.0)	(117.2)	(3.8)	3.2 %
Net Cash Used in Investing Activities	(194.5)	(171.6)	(22.9)	13.3 %
Net Cash Generated from/(Used in) Financing Activities	125.5	244.7	(119.2)	(48.7) %
Net Decrease in Cash & Cash Equivalents	(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	+/(-)	+/(-)%
Total current assets	1,803.0	2,051.2	(248.2)	(12.1) %
<i>incl. Cash & cash equivalents</i>	166.0	385.0	(219.0)	(56.9) %
<i>incl. Inventories</i>	837.9	895.0	(57.1)	(6.4) %
Total non-current assets	6,753.0	6,759.0	(6.0)	(0.1) %
<i>incl. Net PP&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) %
Total assets	8,556.0	8,810.2	(254.2)	(2.9) %
Total current liabilities	3,532.5	3,704.2	(171.7)	(4.6) %
<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) %
Total non-current liabilities	2,741.6	2,910.0	(168.4)	(5.8) %
<i>incl. LT debt</i>	2,521.3	2,696.9	(175.6)	(6.5) %
Total liabilities	6,274.1	6,614.2	(340.1)	(5.1) %
Total equity	2,281.9	2,196.0	86.0	3.9 %
Total liabilities & equity	8,556.0	8,810.2	(254.1)	(2.9) %

Debt profile

USD mln	31-Mar-12	% in total	30-Jun-12	% in total
Total Debt	3,997.1		3,691.4	
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%
Net Debt / (Net Cash)	3,808.3		3,525.3	
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

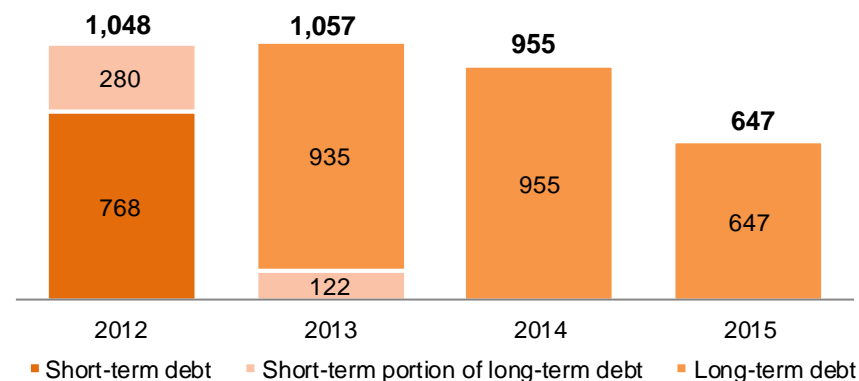
Metric	2011	Q1 2012	Q2 2012
Net Debt / EBITDA ⁽¹⁾	3.13x	3.36x	3.40x
Interest Coverage ratio	3.74x	3.65x	3.65x
Cash Balance, USD mln	385	189	166
Credit lines, USD mln	4,200	5,000	4,000
including undrawn, USD mln	1,600	2,800	1,800

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 ⁽²⁾



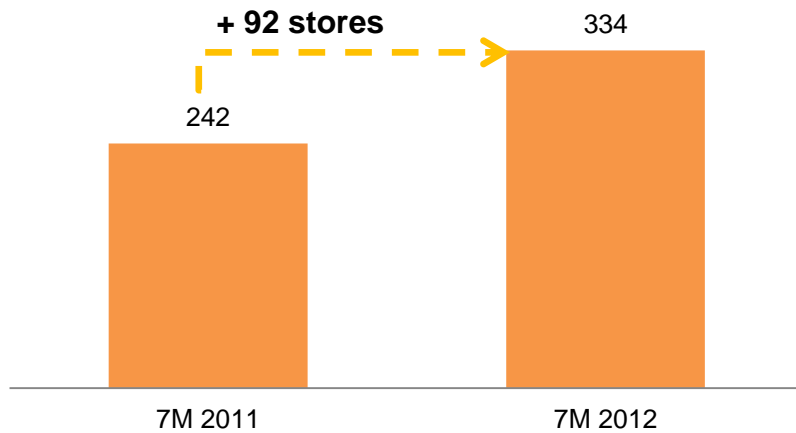
Comments

- X5's net debt to EBITDA ratio increased to 3.40x compared to 3.36x at the end of Q1 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

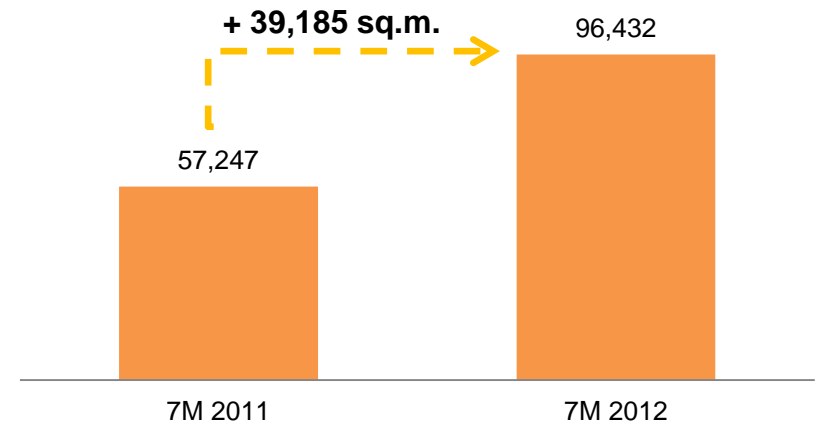
Appendix



Number of Stores Opened, net

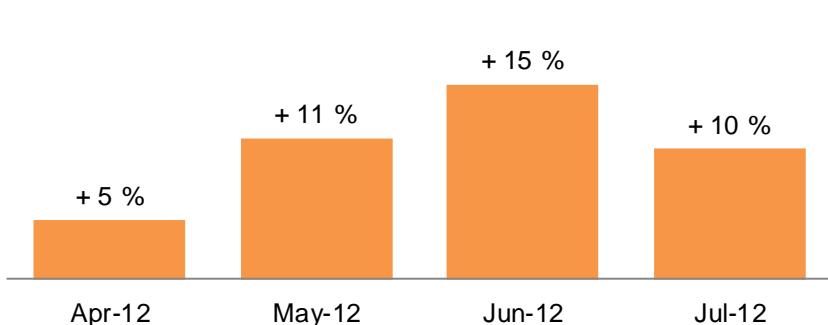


Selling Space Added, net sq.m.

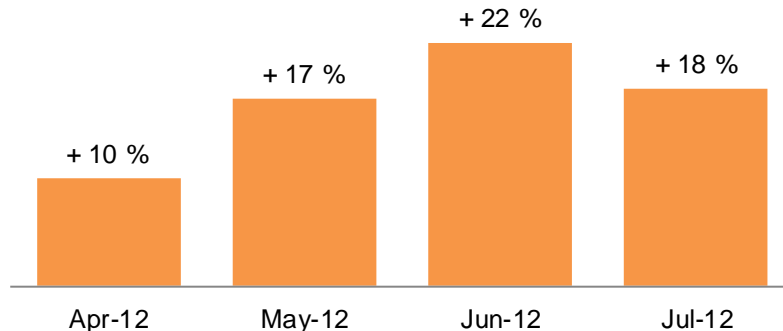


**Acceleration of expansion y-o-y in 7M 2012:
~40% more stores opened adding ~70% more selling space**

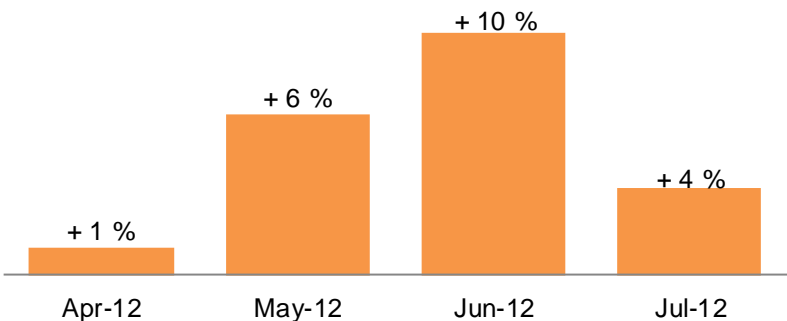
Total Net Retail Sales Growth, % y-o-y



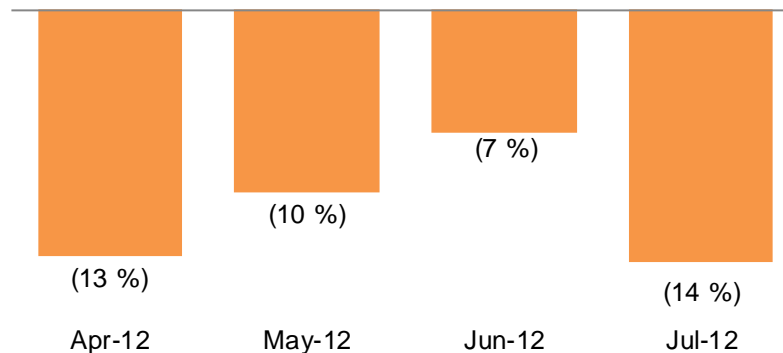
Soft Discounter Net Retail Sales Growth, % y-o-y¹



Supermarkets Net Retail Sales Growth, % y-o-y¹

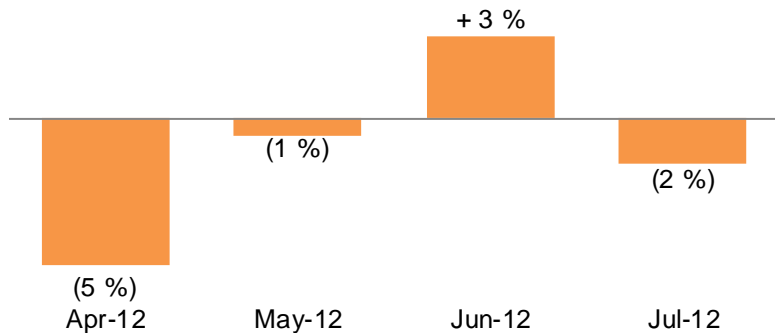


Hypermarkets Net Retail Sales Growth, % y-o-y

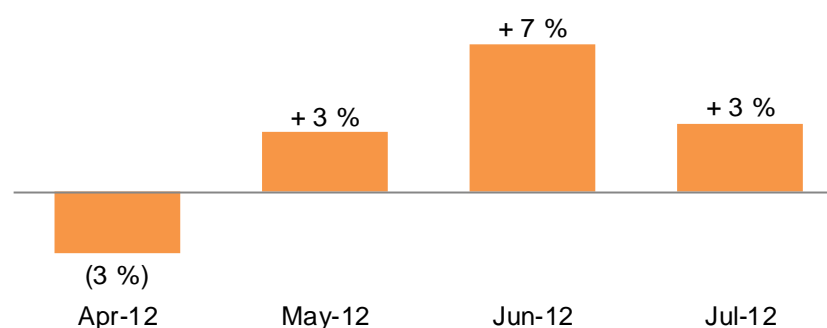


Note 1: Reflects updated Y-o-Y growth for the months of Q2 from the trading results presentation due to correction in the allocation of Kopeyka stores rebranded to supermarkets

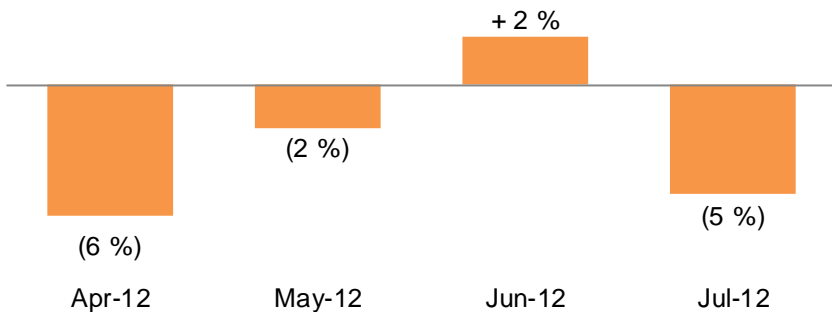
Total LFL Sales Growth, %



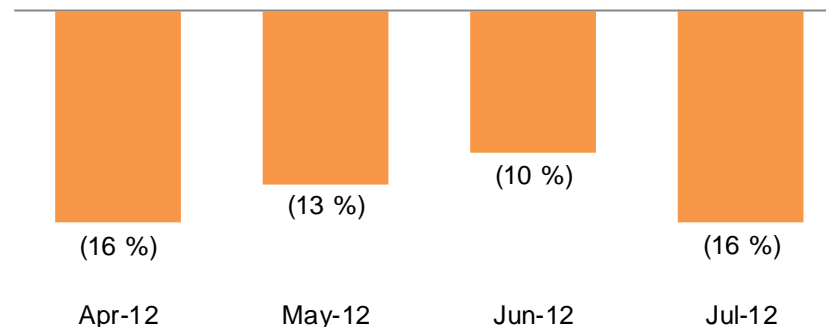
Soft Discounters LFL Sales Growth, %



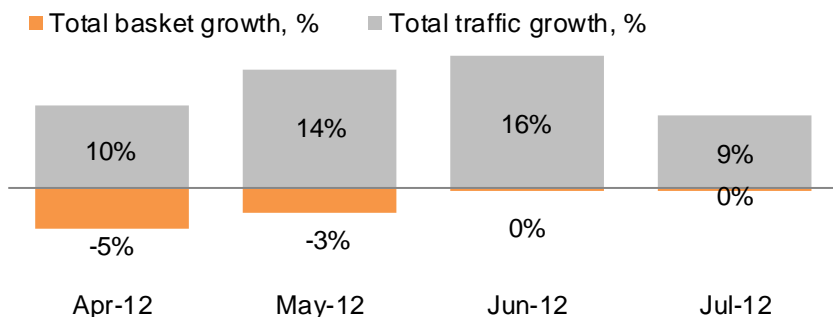
Supermarkets LFL Sales Growth, %



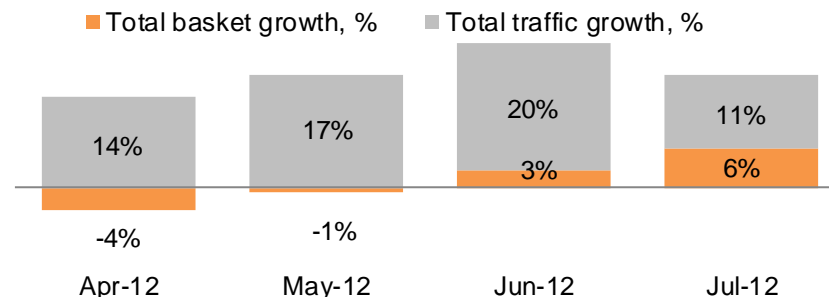
Hypermarkets LFL Sales Growth, %



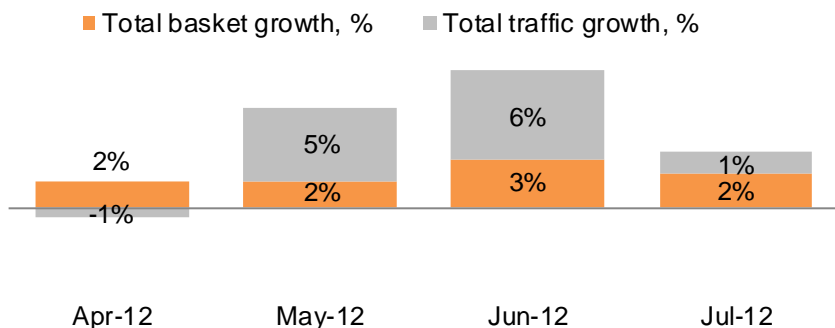
Total X5 Sales Growth, %



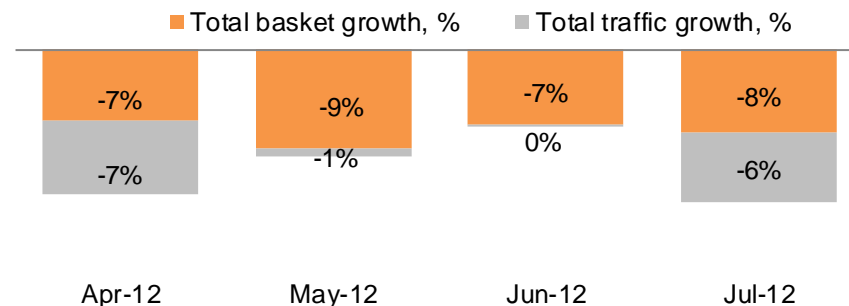
Soft Discounters Sales Growth, %¹



Supermarkets Sales Growth, %¹

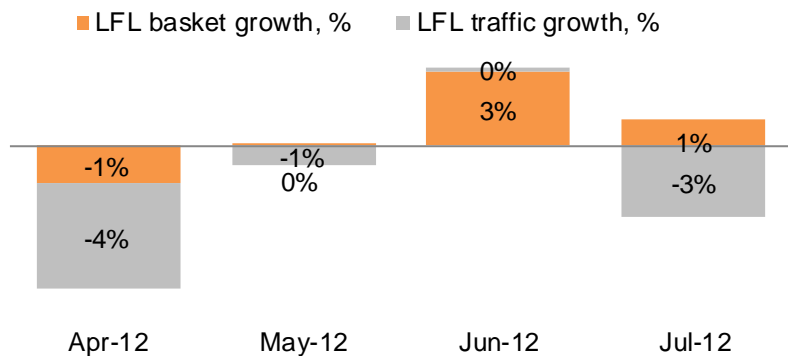


Hypermarkets Sales Growth, %

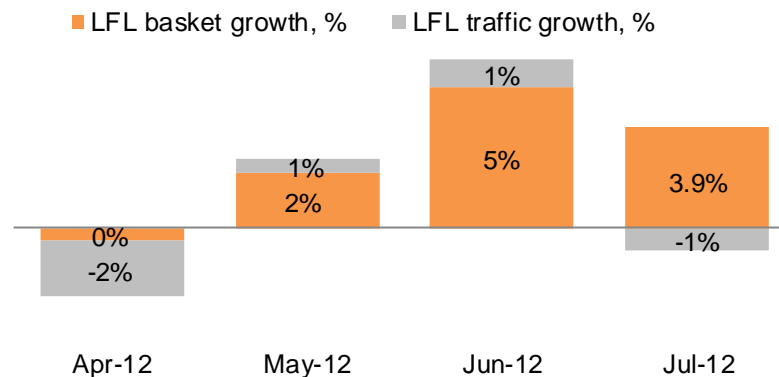


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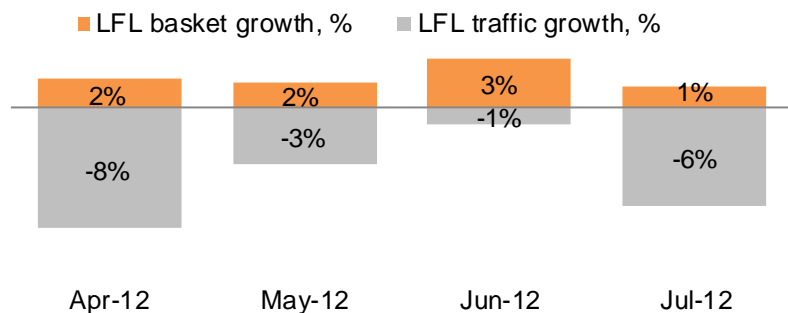
Total X5 LFL Sales Growth, %



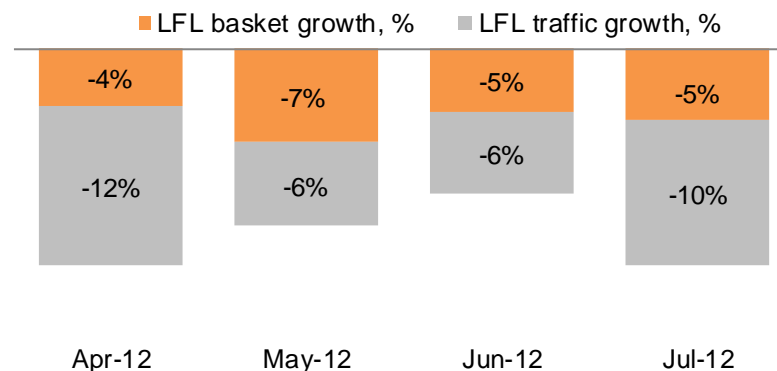
Soft Discounters LFL Sales Growth, %



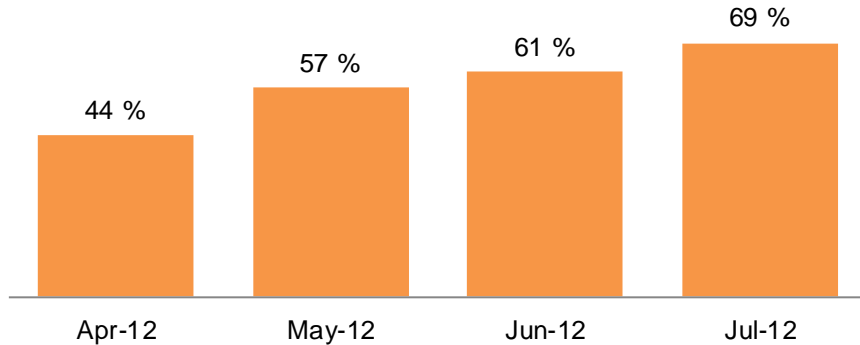
Supermarkets LFL Sales Growth, %



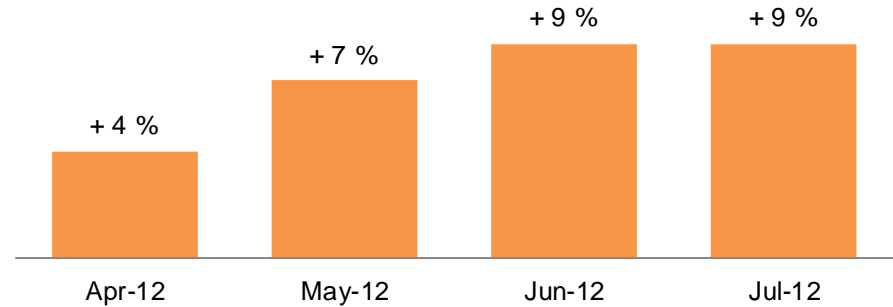
Hypermarkets LFL Sales Growth, %



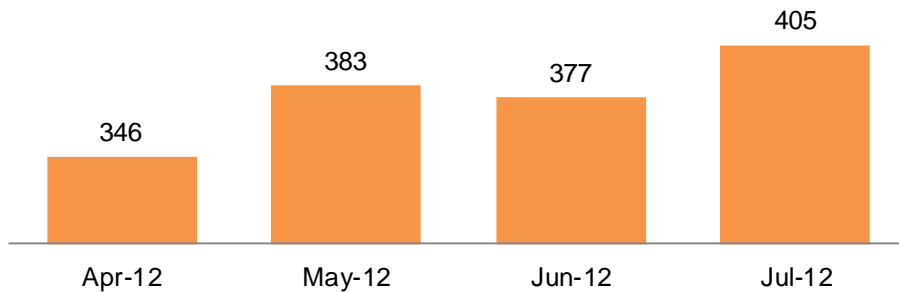
Net Retail Sales Growth, %



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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