



**2nd Quarter & 1st Half 2014
Financial Results
Conference Call Presentation**

**Stephan DuCharme, CEO
Sergey Piven, CFO
Moscow, Russian Federation
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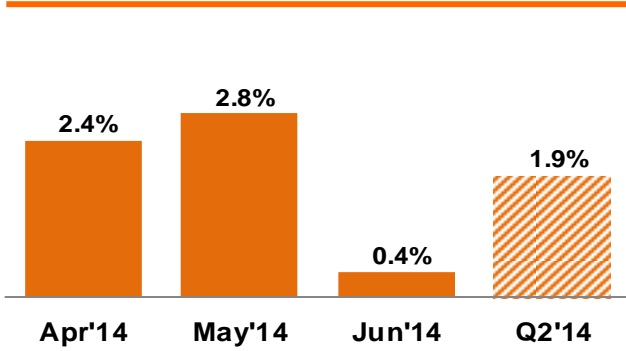
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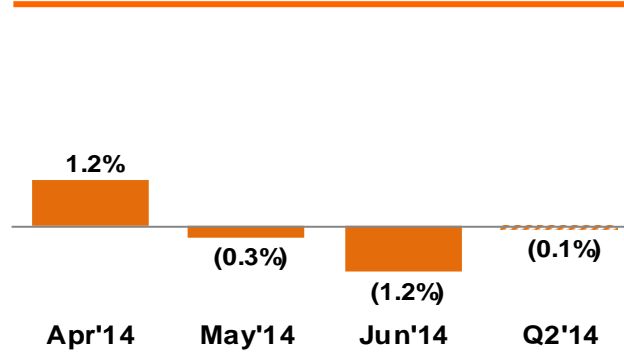
Macro & Retail Market

Q2 2014 Russian Macro & Retail Market

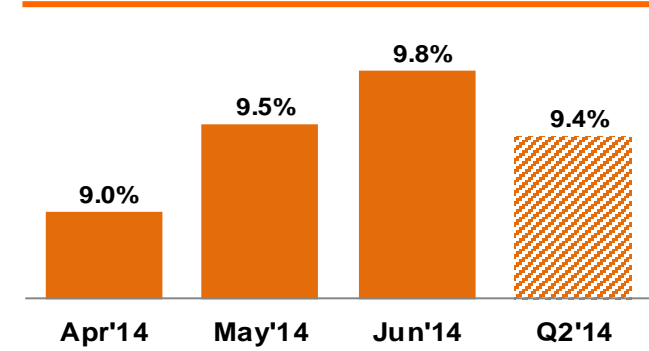
Industrial production



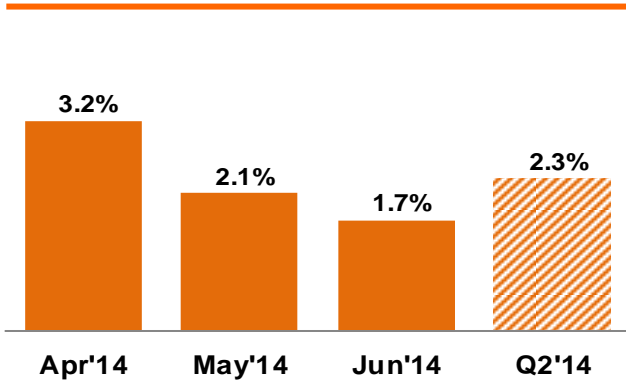
Real Retail Food Sales Growth



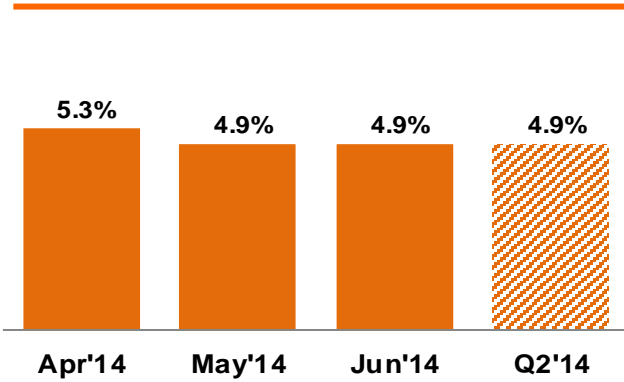
Food CPI



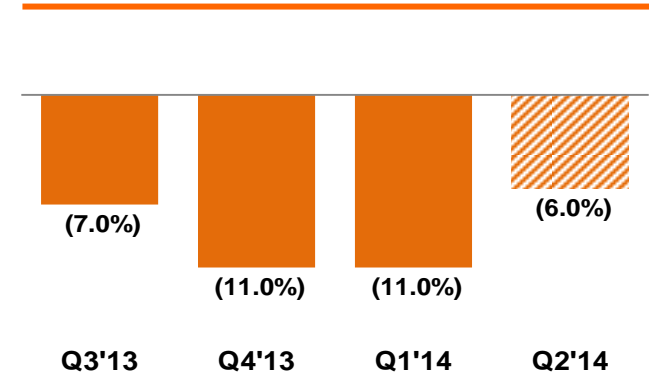
Real Wage Growth



Unemployment rate



Consumer Confidence Index



Real wage growth and decreasing unemployment rate were supporting Russian consumer throughout Q2 2014

Source: Rosstat

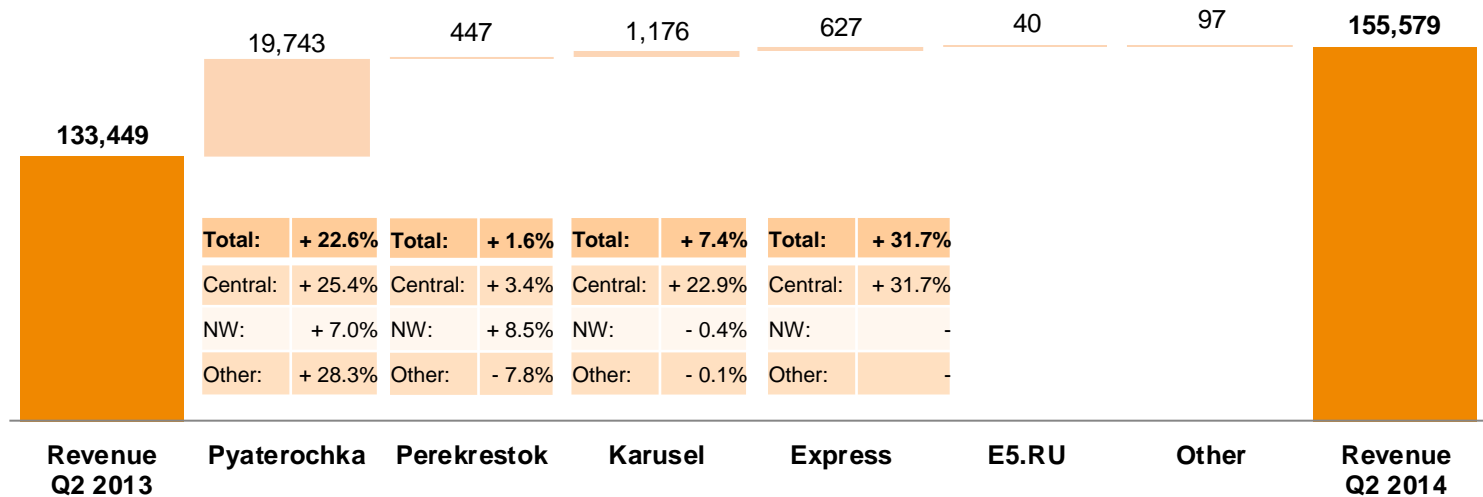
Q2 2014 Financial Results

Financial Highlights

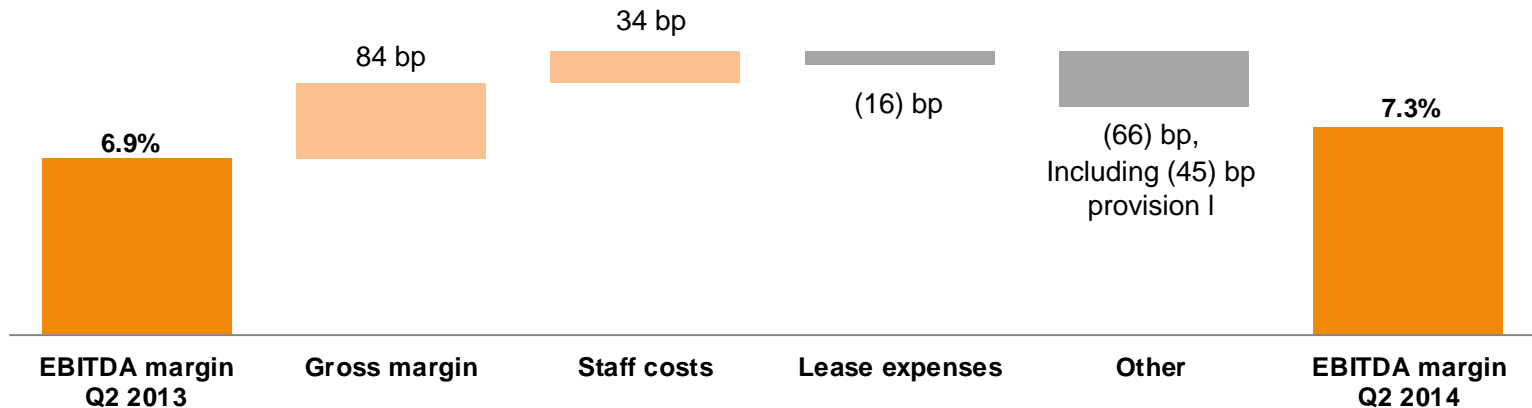
RUB million (where applicable)	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q-o-Q +/(-)%	Y-o-Y +/(-)%
Revenue	133,449	124,246	150,341	144,167	155,579	7.9 %	16.6 %
Net retail sales	133,076	123,534	149,786	143,898	155,109	7.8 %	16.6 %
COGS	(101,876)	(93,155)	(113,559)	(109,521)	(117,469)	7.3 %	15.3 %
Gross profit	31,573	31,091	36,782	34,646	38,110	10.0 %	20.7 %
Gross profit margin	23.7%	25.1%	24.5%	24.0%	24.5%	-	-
EBITDA	9,209	9,197	11,299	9,796	11,398	16.4 %	23.8 %
EBITDA margin	6.9%	7.4%	7.5%	6.8%	7.3%	-	-
Effective income tax rate	23.9%	23.2%	23.6%	23.0%	8.6%	-	-
Net profit	2,325	2,298	4,381	2,469	3,980	61.2 %	71.2 %
Net profit margin	1.7%	1.9%	2.9%	1.7%	2.6%	-	-
Earnings per share (EPS)	34.3	33.9	64.5	36.4	58.6	61.2 %	71.2 %
Investing cash flow	(4,787)	(5,183)	(7,885)	(4,289)	(4,911)	14.5 %	2.6 %
Net debt	115,660	117,579	102,911	111,910	104,240	(6.9) %	(9.9) %

Revenue & EBITDA Dynamics

Revenue Dynamics, RUB million



EBITDA Margin Bridge



SG&A Breakdown

Q2 2013	% of Revenue	Q2 2014	% of Revenue	RUB mln	Q1 2014	% of Revenue	Q2 2014	% of Revenue
10,754	8.1%	12,001	7.7%	Staff costs	12,104	8.4%	12,001	7.7%
5,555	4.2%	6,719	4.3%	Lease expenses	6,598	4.6%	6,719	4.3%
3,412	2.6%	4,108	2.6%	D&A	3,889	2.7%	4,108	2.6%
2,654	2.0%	3,069	2.0%	Utilities	3,499	2.4%	3,069	2.0%
2,262	1.7%	2,335	1.5%	Other store costs	2,345	1.6%	2,335	1.5%
1,032	0.8%	1,493	1.0%	Third party services	1,092	0.8%	1,493	1.0%
1,509	1.1%	2,591	1.7%	Other expenses	1,265	0.9%	2,591	1.7%
27,178	20.4%	32,316	20.8%	Total SG&A	30,791	21.4%	32,316	20.8%

- In Q2 2014, **SG&A** expenses, as a percentage of revenue, increased y-o-y by 41 bp to 20.8%.
- **Staff costs**, as a percentage of revenue, decreased y-o-y by 34 bp in Q2 2014 to 7.7% primarily due to a decrease in outstaffing expense (24 bp) and lower expenses for administrative personnel (29 bp) that were partially offset by an increase in wages and benefits of retail employees (19 bp).
- **Lease expenses** in Q2 2014, as a percentage of revenue, increased y-o-y by 16 bp to 4.3% 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 57.3% at 30 June 2014 compared to 54.8% at 30 June 2013.
- **Depreciation, amortization and utilities costs** changed immaterially as a percentage of revenue in Q2 2014 compared to Q2 2013.
- **Other store costs** decreased, as a percentage of revenue in Q2 2014, by 19 bp y-o-y to 1.5% mainly due to lower own and third party security expenses at our stores.
- **Third party services expenses** in Q2 2014 increased, as a percentage of revenue, by 19 bp y-o-y primarily due to an increase in advertising and marketing activities.
- In Q2 2014, **other expenses**, as a percentage of revenue, increased by 53 bp y-o-y primarily due to a provision for taxes other than income taxes, which accounted for 45 bp of the increase.

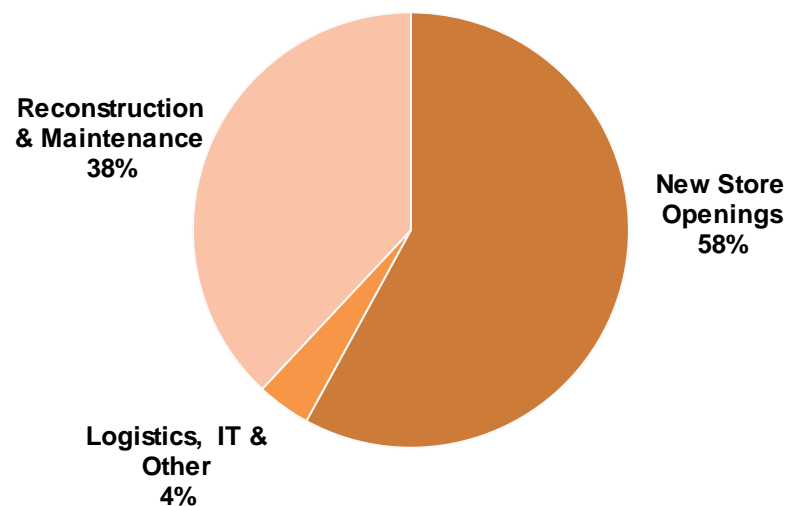
Cash Flow Highlights

RUB mln	Q2 2013	Q2 2014	+/(-)	+/(-), %
Net cash generated from/ (used in) operating activities	1,548	12,776	11,228	725.4 %
Net cash from operating activities before changes in working capital	9,383	12,201	2,818	30.0 %
Change in Working Capital	(4,114)	3,056	7,170	n/a
Decrease in trade and other accounts receivable	(736)	(1,342)	(606)	82.4 %
Decrease in inventories	736	(407)	(1,143)	n/a
Decrease in trade payable	(1,777)	3,905	5,682	n/a
Increase/ (decrease) in other accounts payable	(2,337)	900	3,237	n/a
Net interest and income tax paid	(3,721)	(2,481)	1,240	(33.3) %
Net cash used in investing activities	(4,787)	(4,911)	(124)	2.6 %
Net cash from financing activities	2,910	(6,556)	(9,466)	n/a
Effect of exchange rate changes on cash & cash equivalents	(11)	(13)	(2)	21.8%
Net Increase/(decrease) in cash & cash equivalents	(339)	1,296	1,635	n/a

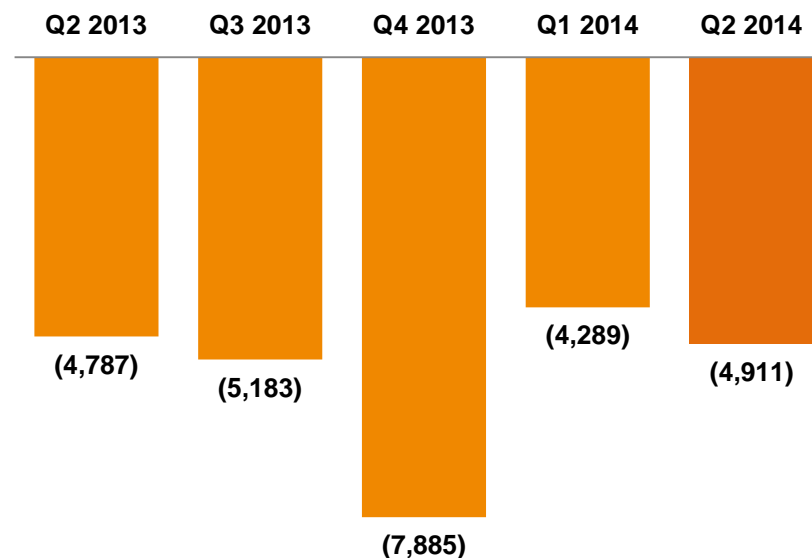
- In Q2 2014, **net cash flows generated from operating activities** totaled RUB 12,776 mln compared to net cash flows generated from operating activities of RUB 1,548 mln in the corresponding period of 2013. The increase was primarily due to changes in working capital and lower income taxes paid
 - Inventories** increased by RUB 407 mln, which was related to the buildup of inventories to support higher sales in 2014 compared to 2013 and also resulted in an increase of **trade and other accounts payable** of RUB 3,905 mln in Q2 2014.
 - Trade and other accounts receivable** increased by RUB 1,342 mln in Q2 2014 due to an increase in purchasing activities and the accrual of supplier related bonuses.
 - Other accounts payable** increased by RUB 900 mln in Q2 2014 mainly due to an increase in VAT payable.
 - Net interest and income tax paid** decreased due to the creation of a consolidated group taxpayer and a tax refund received in Q2 2014
- Net cash used in investing activities**, which generally consisted of payments for property, plant and equipment totaled RUB 4,911 mln in Q2 compared to RUB 4,787 mln for the corresponding period in 2013, and reflects higher expenditures for store expansion and refurbishment.
- Net cash used in financing activities** totaled RUB 6,556 mln in Q2 2014 compared to net cash generated in financing activities of RUB 2,910 mln in Q2 2013. The difference was primarily related to the use of cash to reduce outstanding debt in Q2 2014.

Capital Expenditures Overview

Q2 2014 Capital Expenditures⁽¹⁾



Investment Cash Flows, RUB mln



In Q2 2014, capex focused on organic expansion and investments in reconstruction and maintenance

Note (1): Accrued in Q1 2014

Condensed Balance Sheet

RUB mln	31 December 2013	30 June 2014	+/(-)	+/(-)%
Total current assets	76,488	75,741	(747.0)	(1.0) %
Cash & cash equivalents	7,611	6,121	(1,490.0)	(19.6) %
Inventories	37,465	37,009	(456.0)	(1.2) %
Total non-current assets	225,415	225,792	377.0	0.2 %
Net PP&E	134,998	136,654	1,656.0	1.2 %
Goodwill	64,503	64,624	121.0	0.2 %
Total assets	301,903	301,533	(370.0)	(0.1) %
Total current liabilities	138,894	123,110	(15,784.0)	(11.4) %
ST debt	30,680	20,729	(9,951.0)	(32.4) %
Trade accounts payable	81,050	73,432	(7,618.0)	(9.4) %
Total non-current liabilities	85,203	94,120	8,917.0	10.5 %
LT debt	79,843	89,632	9,789.0	12.3 %
Total liabilities	224,097	217,230	(6,867.0)	(3.1) %
Total equity	77,806	84,303	6,497.0	8.4 %
Total liabilities & equity	301,903	301,533	(370.0)	(0.1) %

Debt Structure

Debt Profile

RUB mln	30 Jun 2013	31 Dec 2013	30 Jun 2014
Total Debt	122,886	110,523	110,361
Short-Term Debt	54,987	30,680	20,729
% of total debt	44.7%	27.8%	18.8%
Long-Term Debt	67,899	79,843	89,632
% of total debt	55.3%	72.2%	81.2%
Net Debt	115,660	102,911	104,240

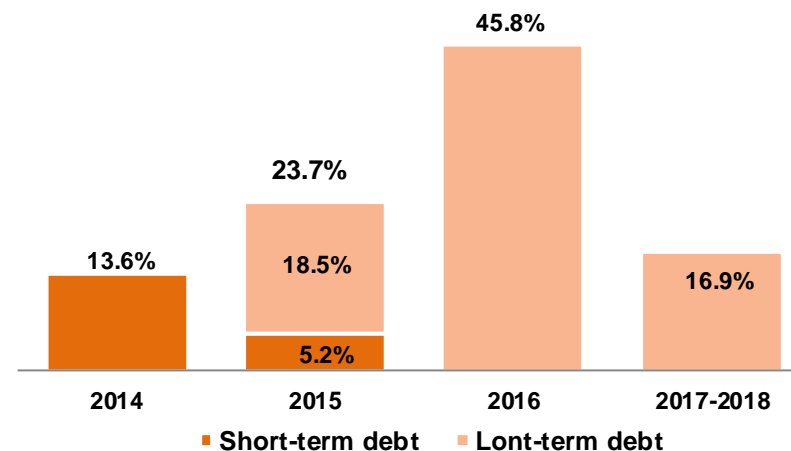
Covenants & Liquidity Update

Covenant metrics & liquidity sources	30 Jun 2013	31 Dec 2013	30 Jun 2014	Covenants
Net Debt / EBITDA ⁽¹⁾	3.23x	2.68x	2.50x	< 4.00x
Interest Coverage ratio ⁽¹⁾	3.17x	3.48x	3.69x	> 2.75x
Cash Balance, RUR mln	7,227	7,611	6,121	-
Undrawn credit lines, RUR mln	81,250	100,800	102,100	-

Notes:

(1) Based on 12 months financial results

Debt Portfolio Maturity



Comments

- X5's debt portfolio is 100% RUR-denominated.
- Substantial improvement in y-o-y net debt/EBITDA ratio.
- The weighted average effective interest rate on X5's total debt for H1 2014 increased to 9.3% from 8.8% for H1 2013.
- Y-o-y decrease in the share of short-term debt in the Company's credit portfolio.

Geography of Operations

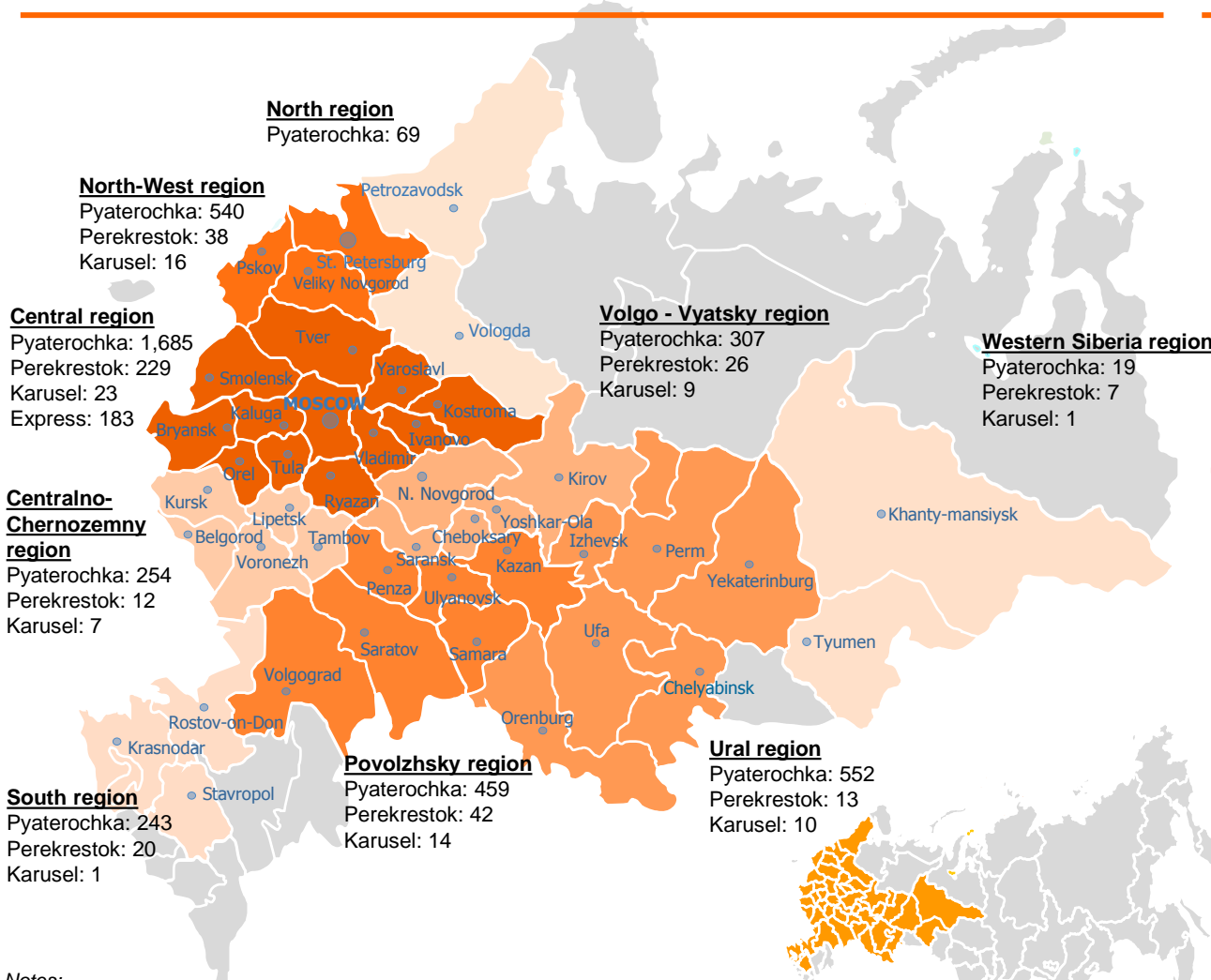
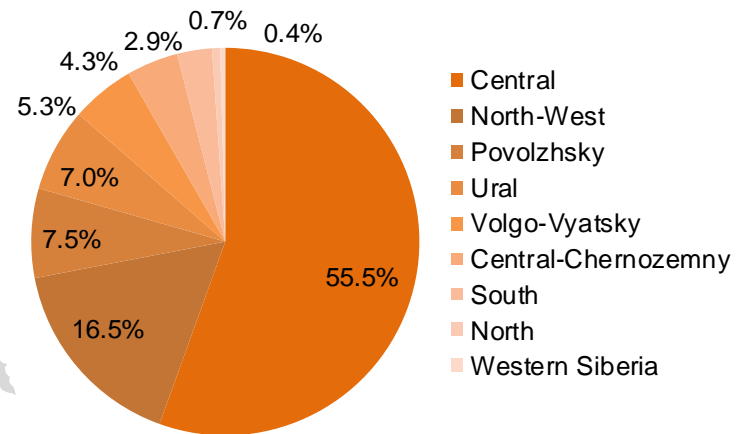
X5 Regional Presence

Number of stores by region as of June 30 2014 ⁽²⁾

Overview

- Multi-format presence in 62 cities of European Russia, the Urals and Western Siberia with population > 200,000 ⁽³⁾
- Total stores – 4,779, including:
 - 4,128 Pyaterochkas
 - 387 Perekrestoks
 - 81 Karusels
 - 183 Express stores

Q2 2014 Net Retail Sales by Region



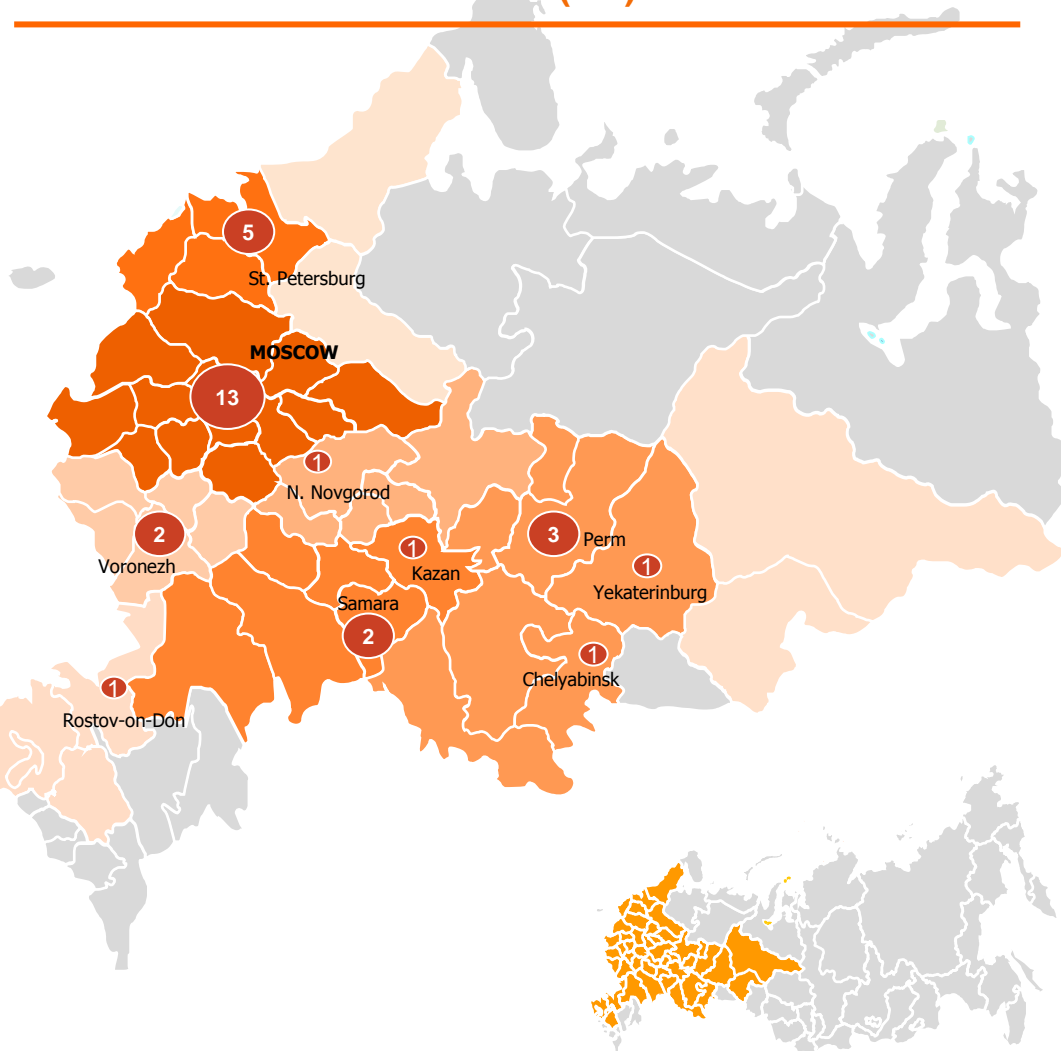
Notes:

(1) According to the economic classification of Russian regions.

(2) According to 2010 population census

X5 Distribution Capabilities

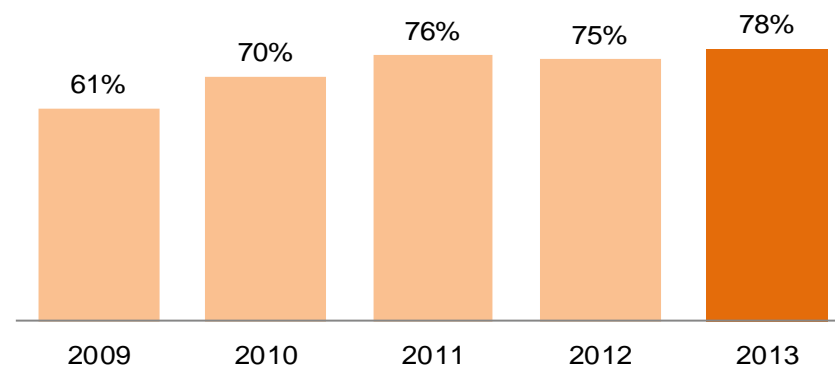
Distribution Center (DC) Locations



Warehouse Space (1)

Region	Space, th sq. m.	# of DCs
Central	330.9	13
North-West	84.3	5
Volgo-Vyatsky	29.1	1
Ural	46.8	5
Central-Chernozemny	30.0	2
Povolzhsky	62.5	3
South	15.0	1
Total	598.6	30

Centralization Level



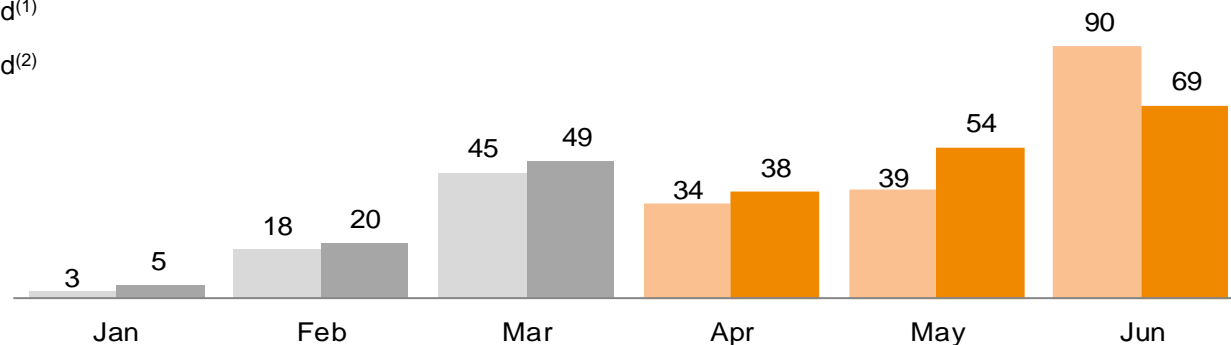
Note (1): As at 30 June 2014

2014 Monthly Results

Q2 2014 Expansion

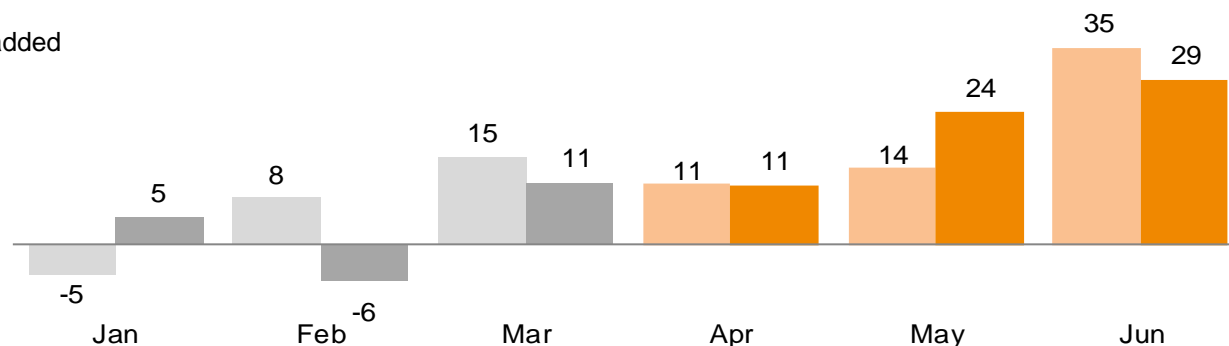
Number of Stores Opened, net

■ Q2 2013 - 163 stores added⁽¹⁾
■ Q2 2014 - 161 stores added⁽²⁾



Selling Space Net Additions, thd sqm

■ Q2 2013 – 60 thd sqm added
■ Q2 2014 – 64 thd sqm added

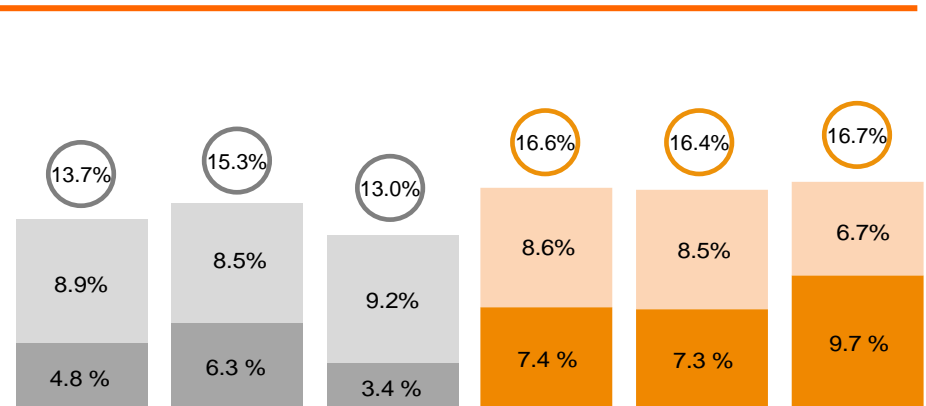


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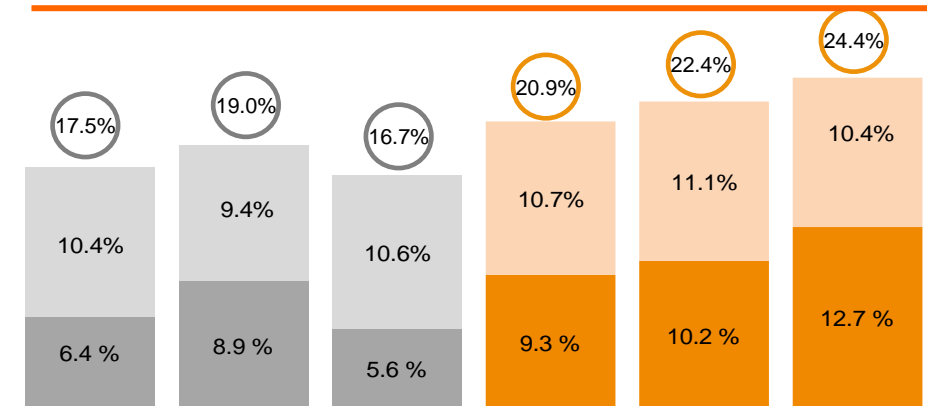
- (1) During Q2 2013, X5 closed 10 Pyaterochkas, two Perekrestoks and nine Express stores that did not meet the respective format's efficiency criteria.
- (2) During Q2 2014, X5 closed 10 Pyaterochkas, three Perekrestoks and 15 Express stores that did not meet the respective formats' efficiency criteria.

Q2 2014/2013 Net Retail Sales Growth

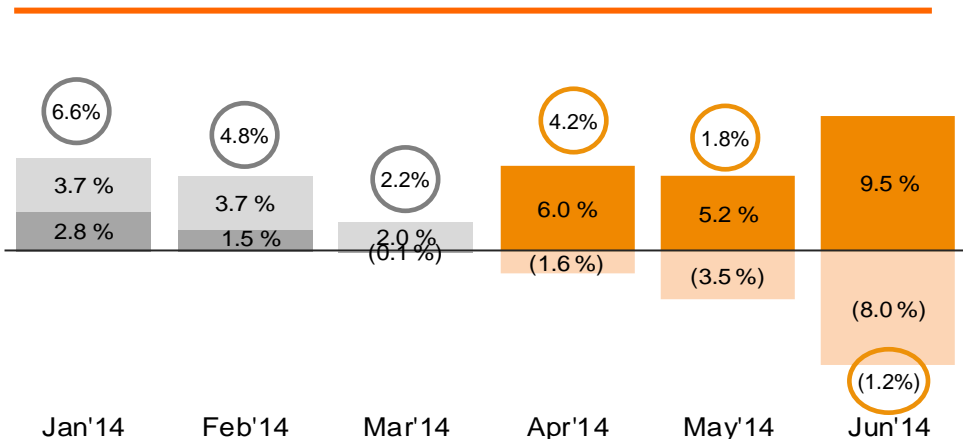
X5 Retail Group



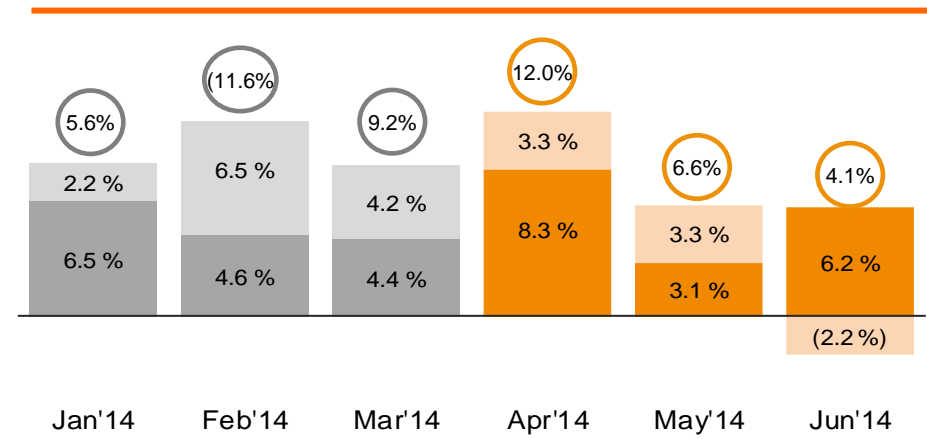
Pyaterochka



Perекrestok



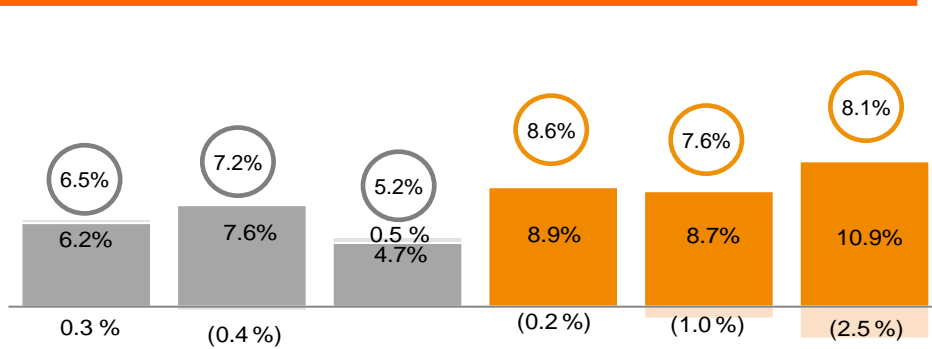
Karusel



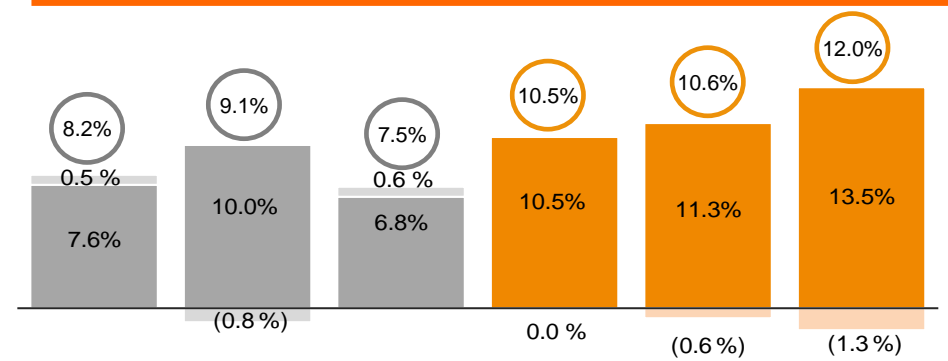
■ Basket growth, %
 ■ Traffic growth, %
 ○ Sales growth, %

Q2 2014/2013 LFL Sales Dynamics (1)

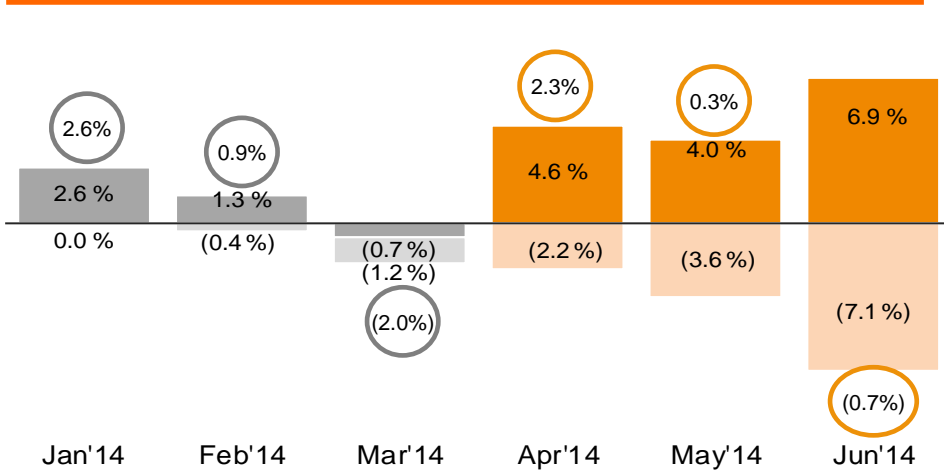
X5 Retail Group



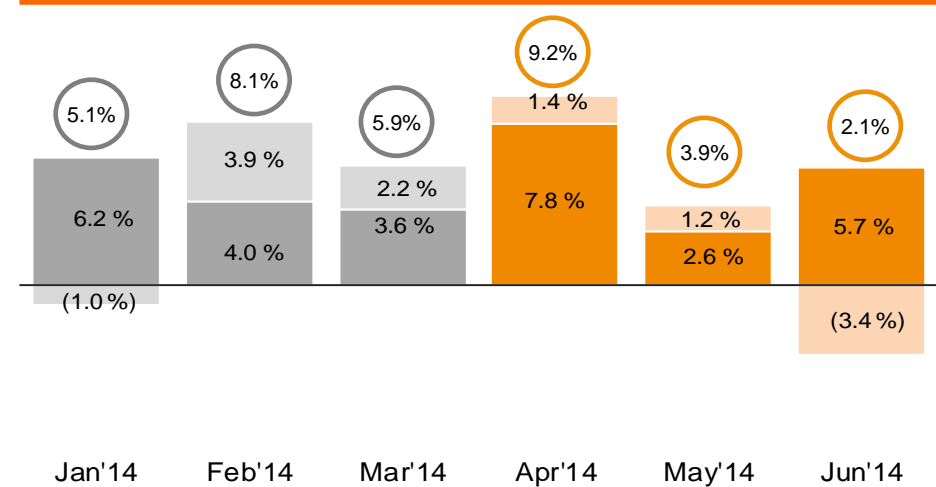
Pyaterochka



Perekrestok



Karusel

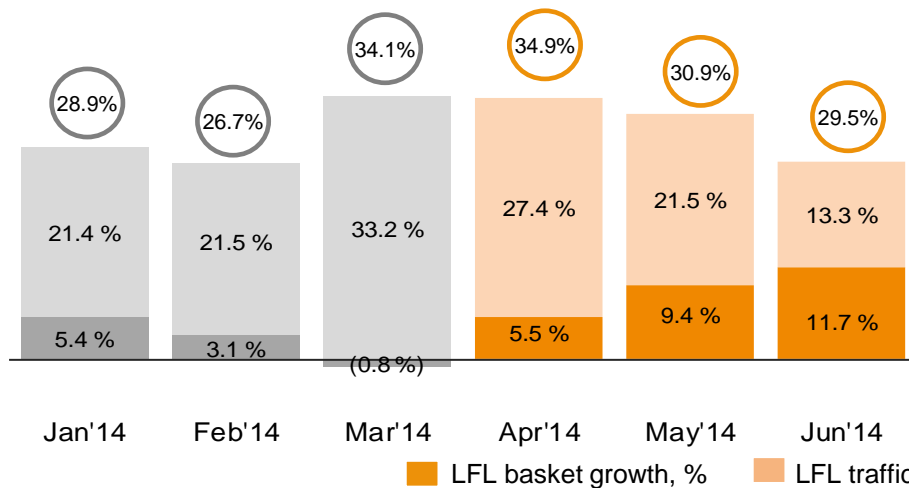


■ LFL basket growth, % ■ LFL traffic growth, % ○ LFL sales growth, %

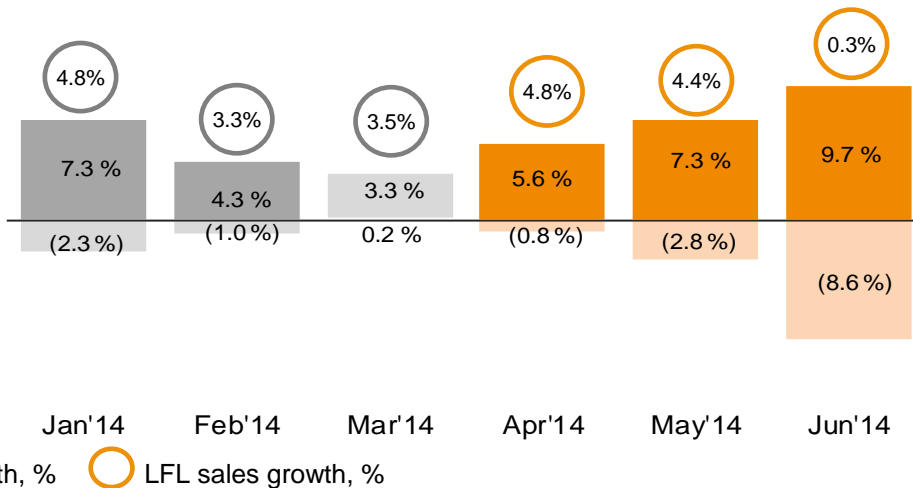
Note (1): LFL results are based on gross RUB sales

Q2 2014/2013 Express Stores Results

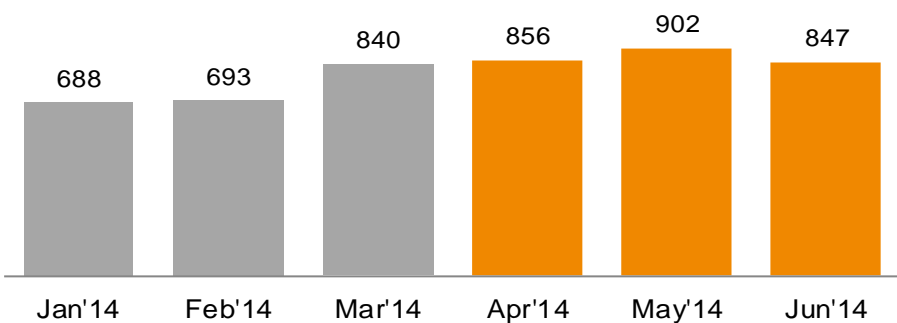
Net Retail Sales Growth, %



LFL Sales Growth (1), %



Net Retail Sales, mln RUR



Comments

- Rapidly developing format operating under Perekrestok Express and Kopeyka brands
- 55 net stores added in 2013
- 62.0% increase in 2013 net retail sales
- Strong LFL and sales dynamics
- Strong demand for this format in urban centers

Note: (1) LFL results are based on gross RUBsales

July 2014 Trading Results

Sales results

Format	Net retail sales growth, RUR, y-o-y			LFL sales results, y-o-y ⁽¹⁾		
	Net retail sales	Customer visits	Average ticket ⁽¹⁾	Total LFL	Traffic	Basket
Pyaterochka	30.9%	17.6%	11.5%	18.2%	5.4%	12.1%
Perekrestok	9.6%	(4.8%)	14.4%	6.1%	2.0%	4.1%
Karusel	6.5%	0.8%	5.5%	4.0%	(1.4%)	5.5%
Express	28.0%	19.8%	7.0%	5.9%	1.0%	4.9%
E5.RU	(31.1%)	(33.6%)	3.5%	-	-	-
X5 Retail Group	23.4%	13.1%	9.1%	13.9%	4.4%	9.1%

Expansion

Format	Number of stores added, net		Total number of stores			Selling space added net, thd sqm		Selling space, thd sqm		
	July 2013	July 2014	July 2013	July 2014	% Δ, y-o-y	July 2013	July 2014	July 2013	July 2014	% Δ, y-o-y
Pyaterochka	24	59	3,443	4,187	21.6%	6.4	21.6	1,262.3	1,527.7	21.0%
Perekrestok	0	(1)	378	386	2.1%	(0.8)	(0.2)	391.1	396.2	1.3%
Karusel	(1)	0	78	81	3.8%	(3.4)	(0.1)	367.5	357.3	(2.8%)
Express	(1)	(1)	154	182	18.2%	(0.2)	(0.3)	29.1	35.8	23.1%
X5 Retail Group	22	57	4,053	4,836	19.3%	2.0	21.1	2,050.1	2,317.0	13.0%

Notes: ⁽¹⁾ based on gross retail sales

IR Department Contact Details

Gregory Madick
Executive IR Director

Tel.: +7 (495) 502 97 83
Mob.: +7 (910) 459 73 56

E-mail: Gregory.Madick@X5.ru

Andrey Napolnov, CFA
Senior IR manager

Tel.: +7 (495) 662 8888 ext. 22-455
Mob.: +7 (926) 654 6262

E-mail: Andrey.Napolnov@X5.ru

Address: 4/28, Sr. Kalitnikovskaya, Moscow, Russia

E-mail: iro@X5.ru

Website: www.X5.ru