

# First Quarter 2014 Financial Results Conference Call

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Moscow, Russian Federation  
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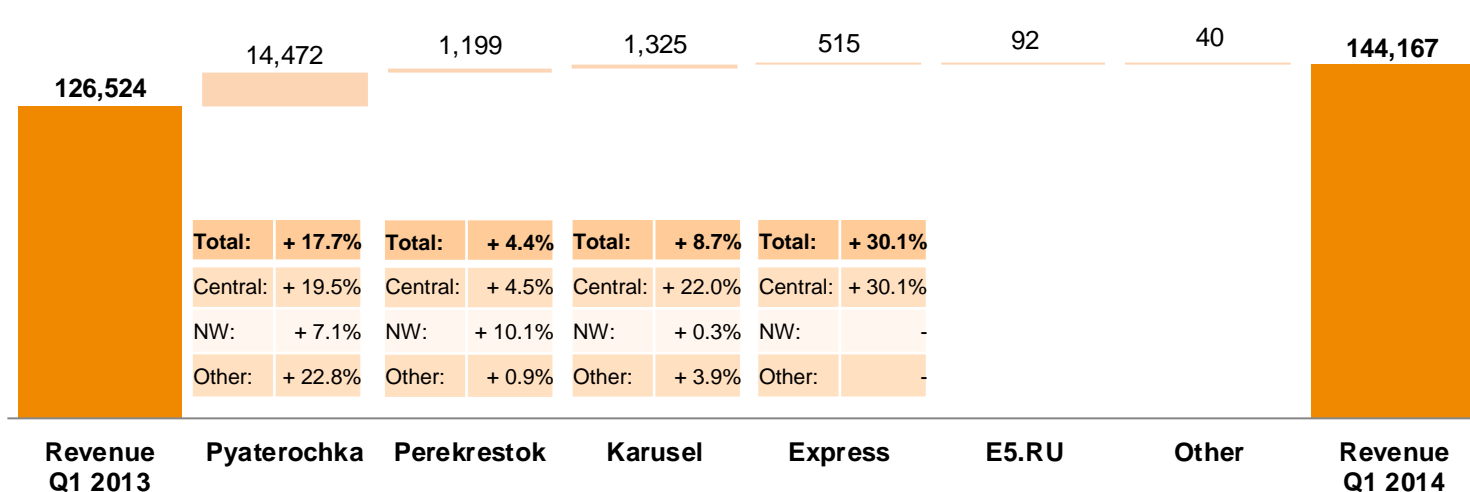
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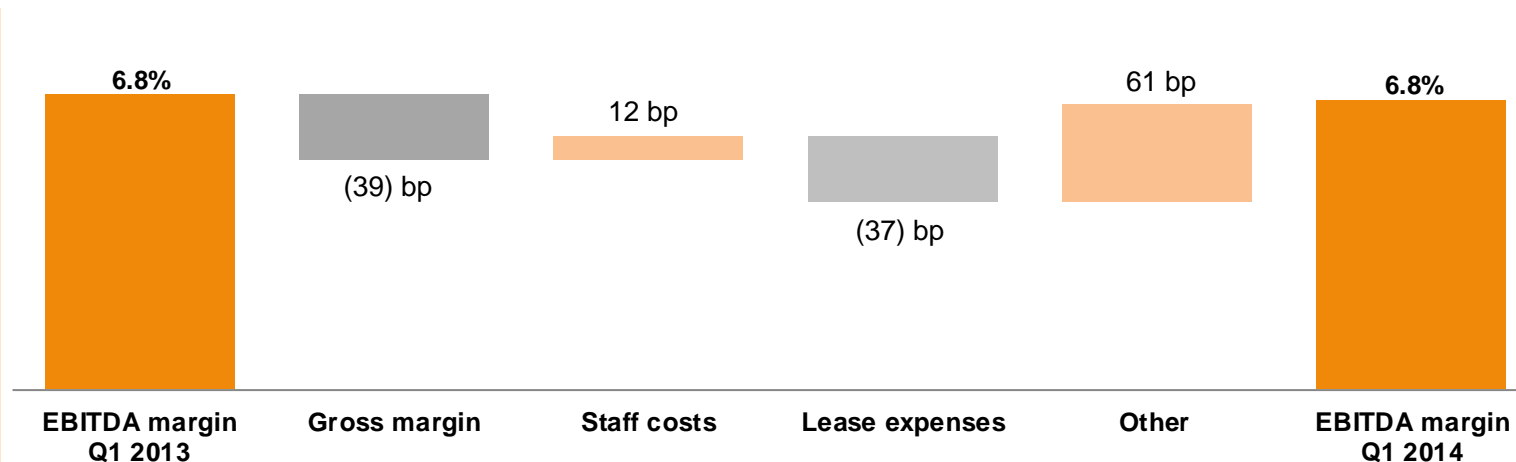
## Quarterly Financial Results

RUR million (when applicable)	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q-o-Q +/( - )%	Y-o-Y +/( - )%
Revenue	126,524	133,449	124,246	150,341	144,167	(4.1) %	13.9 %
<b>Net retail sales</b>	<b>126,296</b>	<b>133,076</b>	<b>123,534</b>	<b>149,786</b>	<b>143,898</b>	<b>(3.9) %</b>	<b>13.9 %</b>
COGS	(95,622)	(101,876)	(93,155)	(113,559)	(109,521)	(3.6) %	14.5 %
Gross profit	30,902	31,573	31,091	36,782	34,646	(5.8) %	12.1 %
<b>Gross profit margin</b>	<b>24.4%</b>	<b>23.6%</b>	<b>25.1%</b>	<b>24.5%</b>	<b>24.0%</b>	-	-
EBITDA	8,645	9,209	9,197	11,299	9,796	(13.3) %	13.3 %
<b>EBITDA margin</b>	<b>6.8%</b>	<b>6.9%</b>	<b>7.4%</b>	<b>7.5%</b>	<b>6.8%</b>	-	-
Effective income tax rate	24.9%	23.9%	23.2%	23.6%	23.0%	-	-
Net profit	1,980	2,325	2,298	4,381	2,469	(43.6) %	24.7 %
<b>Net profit margin</b>	<b>1.6%</b>	<b>1.7%</b>	<b>1.9%</b>	<b>2.9%</b>	<b>1.7%</b>	-	-
Earnings per share (EPS)	29.2	34.3	33.9	64.5	36.4	(43.6) %	24.7 %
Investing cash flow	(3,204)	(4,880)	(5,183)	(7,885)	(4,289)	(45.6) %	33.9 %
Net debt	112,341	115,660	117,579	102,911	111,910	8.7 %	(0.4) %

## Revenue Dynamics, RUR million



## EBITDA Margin Bridge



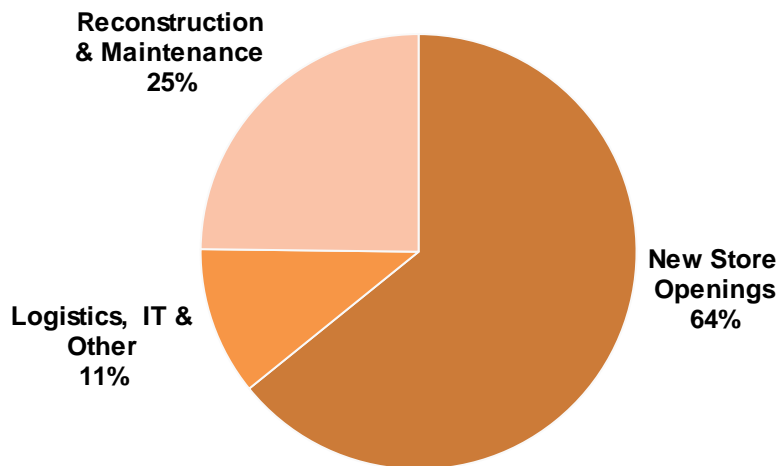
Q1 2013	% of Revenue	Q1 2014	% of Revenue	RUR mln	Q4 2013	% of Revenue	Q1 2014	% of Revenue
10,780	8.5%	12,104	8.4%	<b>Staff costs</b>	11,308	7.5%	12,104	8.4%
5,323	4.2%	6,598	4.6%	<b>Lease expenses</b>	6,161	4.1%	6,598	4.6%
3,362	2.7%	3,889	2.7%	<b>D&amp;A</b>	2,911	1.9%	3,889	2.7%
3,072	2.4%	3,499	2.4%	<b>Utilities</b>	3,123	2.1%	3,499	2.4%
831	0.7%	1,092	0.8%	<b>Third party services</b>	1,810	1.2%	1,092	0.8%
2,144	1.7%	2,345	1.6%	<b>Other store costs</b>	2,750	1.8%	2,345	1.6%
1,531	1.2%	1,265	0.9%	<b>Other expenses</b>	1,766	1.2%	1,265	0.9%
<b>27,043</b>	<b>21.4%</b>	<b>30,791</b>	<b>21.4%</b>	<b>Total SG&amp;A</b>	<b>29,830</b>	<b>19.8%</b>	<b>30,791</b>	<b>21.4%</b>

- In Q1 2014, **SG&A** expenses as a percentage of revenue were in line with Q1 2013 and amounted to 21.1%. Q-o-Q SG&A increased by 1.6%.
- **Staff costs**, as a percentage of revenue, in Q1 2014 decreased by 12 bp to 8.4% y-o-y mainly due to lower base salaries of retail personnel as % of revenue.
- **Lease expenses** in Q1 2014, as a percentage of revenue, increased y-o-y by 37 bp to 4.6% primarily due to an increase in our average lease rates, new store openings and the subsequent increase in the proportion of leased space as a percentage of our total real estate portfolio. As a percentage of X5's total real estate portfolio, **leased space accounted for 56.6% at 31 March 2014** compared to 54.5% at 31 March 2013.
- **Depreciation, utilities, and other store costs** (primarily maintenance and repair) changed immaterially as a percentage of revenue, in Q1 2014 compared to Q1 2013.
- In Q1 2014, **third party services**, as a percentage of revenue, were higher by 10 bp compared to Q1 2013 primarily due to an increase in advertising and marketing expense.
- **Other expenses** in Q1 2014, as percentage of revenue, decreased by 32 bp compared to Q1 2013 primarily due to a decrease in provision accruals.

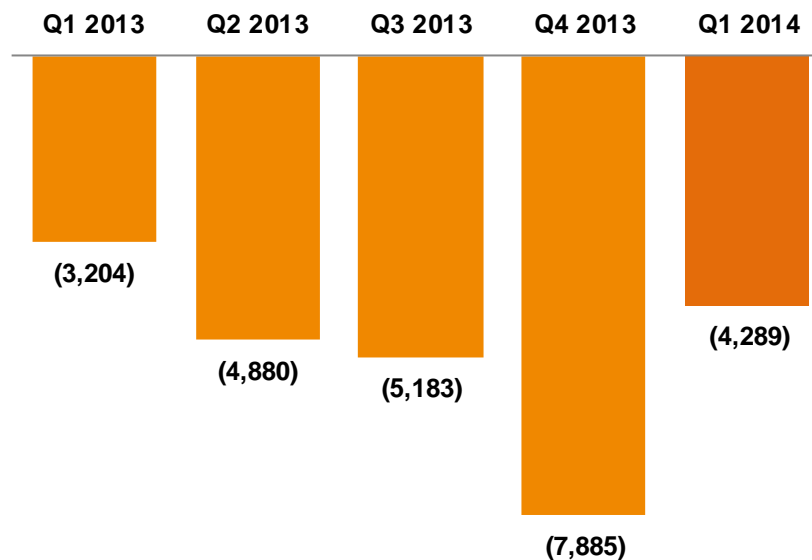
RUR mln	Q1 2013	Q1 2014	+/( - )	+/( - ), %
<b>Net cash generated from/ (used in) operating activities</b>	<b>866</b>	<b>(4,632)</b>	<b>(5,498)</b>	<b>n/a</b>
Net cash from operating activities before changes in working capital	8,807	9,196	389	4.4 %
Change in Working Capital	(4,081)	(10,120)	(6,039)	148.0 %
Decrease in trade and other accounts receivable	2,657	390	(2,267)	(85.3) %
Decrease in inventories	2,620	811	(1,809)	(69.0) %
Decrease in trade payable	(10,951)	(11,256)	(305)	2.8 %
Increase/ (decrease) in other accounts payable	1,593	(65)	(1,658)	n/a
Net interest and income tax paid	(3,860)	(3,708)	152	(4.0) %
<b>Net cash used in investing activities</b>	<b>(3,204)</b>	<b>(4,289)</b>	<b>(1,085)</b>	<b>33.9 %</b>
<b>Net cash from financing activities</b>	<b>(2,484)</b>	<b>6,135</b>	<b>8,619</b>	<b>n/a</b>
<b>Net Increase/(decrease) in cash &amp; cash equivalents</b>	<b>(4,822)</b>	<b>(2,786)</b>	<b>2,036</b>	<b>(42.2) %</b>

- The Company recorded **net cash used in operating activities** in Q1 2014 primarily due to a negative change in working capital that was partially offset by lower income tax paid and higher net cash from operating activities before changes in working capital.
  - In Q1 2014, **inventories** decreased by RUR 811 mln due to the seasonal buildup of inventories in Q4 2013 to meet increased demand during the holiday period and lower purchases during Q1 2014 reflecting demand normalization, which also resulted in a decrease in **trade payables** of RUR 11,256 mln.
  - Trade and other accounts receivable** decreased by RUR 390 mln in Q1 2014 due to improvements in collection of receivables from suppliers.
- Net cash used in investing activities**, which generally consisted of payments for property, plant and equipment totaled RUR 4,289 mln in Q1 2014, compared to RUR 3,204 mln in Q1 2013, and reflects higher expenditures for store expansion and refurbishment.
- Net cash generated from financing activities** in Q1 2014 totaled RUR 6,135 mln compared to net cash used in financing activities of RUR 2,484 mln in Q1 2013. In Q1 2014, X5 raised debt to finance expansion and working capital requirements as well as to refinance a portion of the Company's short-term debt.

## Q1 2014 Capital Expenditures<sup>(1)</sup>



## Net Investment Cash Flows, RUR mln



In Q1 2014, capex focused on organic expansion and investments in reconstruction and maintenance

Note (1): Accrued in Q1 2014



RUR mln	31 December 2013	31 March 2014	+/( - )	+/( - )%
<b>Total current assets</b>	<b>76,488</b>	<b>73,164</b>	<b>(3,324)</b>	<b>(4.3) %</b>
Cash & cash equivalents	7,611	4,825	(2,786)	(36.6) %
Inventories	37,465	36,602	(863)	(2.3) %
<b>Total non-current assets</b>	<b>225,415</b>	<b>221,292</b>	<b>(4,123)</b>	<b>(1.8) %</b>
Net PP&E	134,998	134,309	(689)	(0.5) %
Goodwill	64,503	64,428	(75)	(0.1) %
<b>Total assets</b>	<b>301,903</b>	<b>294,456</b>	<b>(7,447)</b>	<b>(2.5) %</b>
<b>Total current liabilities</b>	<b>138,894</b>	<b>127,098</b>	<b>(11,796)</b>	<b>(8.5) %</b>
ST debt	30,680	32,169	1,489	4.9 %
Trade accounts payable	81,050	69,528	(11,522)	(14.2) %
<b>Total non-current liabilities</b>	<b>85,203</b>	<b>87,086</b>	<b>1,883</b>	<b>2.2 %</b>
LT debt	79,843	84,566	4,723	5.9 %
<b>Total liabilities</b>	<b>224,097</b>	<b>214,184</b>	<b>(9,913)</b>	<b>(4.4) %</b>
<b>Total equity</b>	<b>77,806</b>	<b>80,272</b>	<b>2,466</b>	<b>3.2 %</b>
<b>Total liabilities &amp; equity</b>	<b>301,903</b>	<b>294,456</b>	<b>(7,447)</b>	<b>(2.5) %</b>

## Debt Profile

RUR mln	31 Mar 2013	31 Dec 2013	31 Mar 2014
<b>Total Debt</b>	<b>119,907</b>	<b>110,523</b>	<b>116,735</b>
Short-Term Debt	51,533	30,680	32,169
% of total debt	43.0%	27.8%	27.6%
Long-Term Debt	68,374	79,843	84,566
% of total debt	57.0%	72.2%	72.4%
<b>Net Debt</b>	<b>112,341</b>	<b>102,911</b>	<b>111,910</b>

## Covenants & Liquidity Update

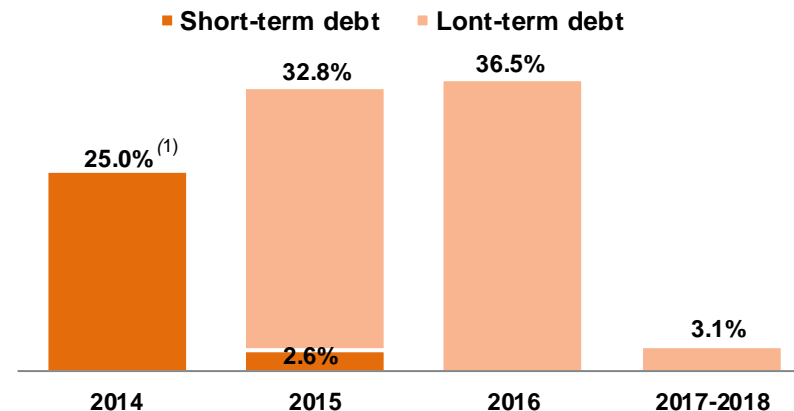
Covenant metrics & liquidity sources	31 Mar 2013	31 Dec 2013	31 Mar 2014	Covenants
Net Debt / EBITDA	3.18x	2.68x	2.83x	< 4.00x
Interest Coverage ratio <sup>(2)</sup>	3.22x	3.48x	3.60x	> 2.75x
Cash Balance, RUR mln	7,566	7,611	4,825	-
Undrawn credit lines, RUR mln	86,270	100,800	112,700	-

Notes:

(1) Includes bonds with embedded put option maturing in 2016

(2) Based on 12 months financial results

## Debt Portfolio Maturity

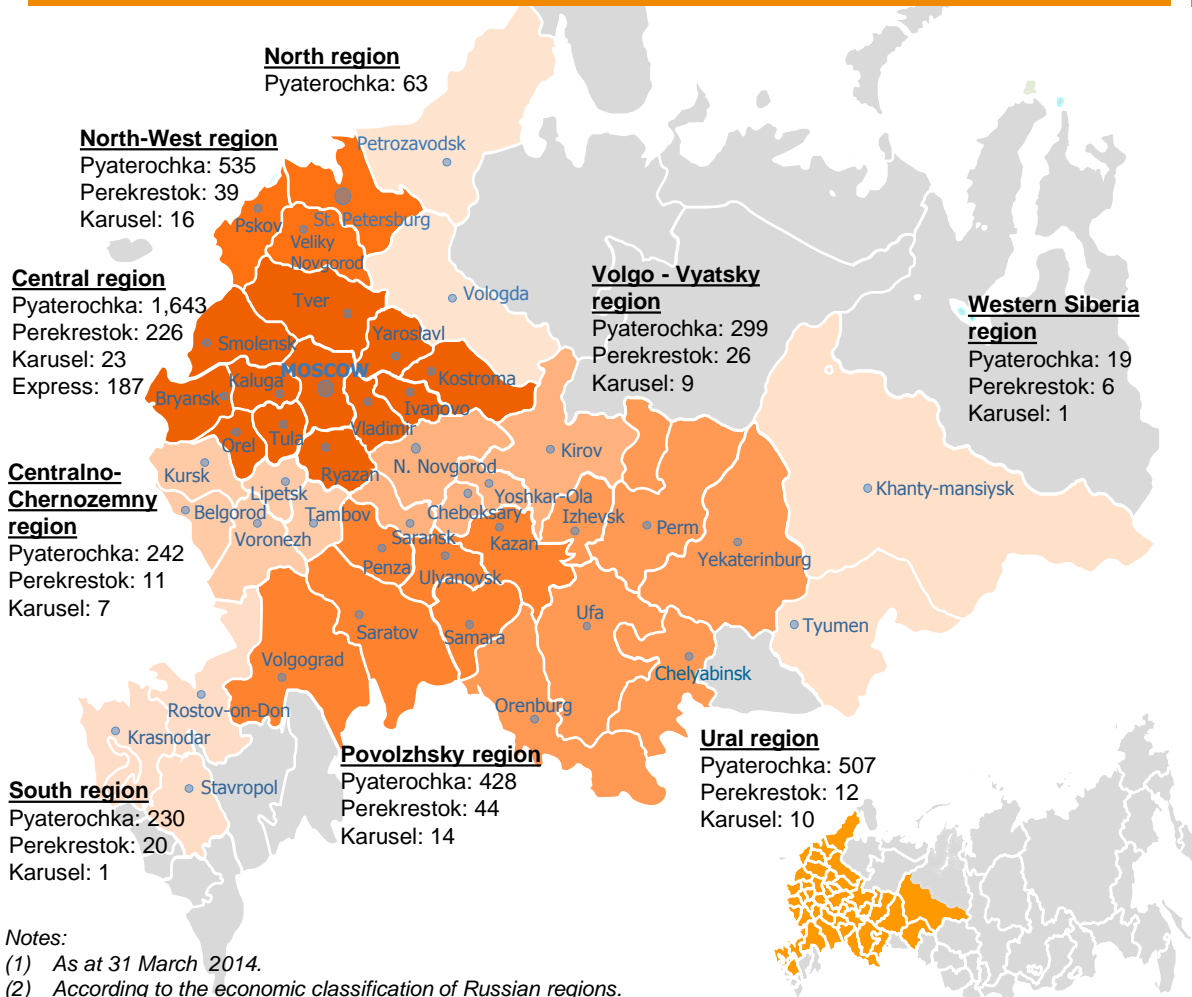


## Comments

- 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 in Q1 2014 amounted to 8.8% per annum in line with respective period of 2013.
- Y-o-y decrease in the share of short-term debt in the Company's credit portfolio.

## Operational Overview

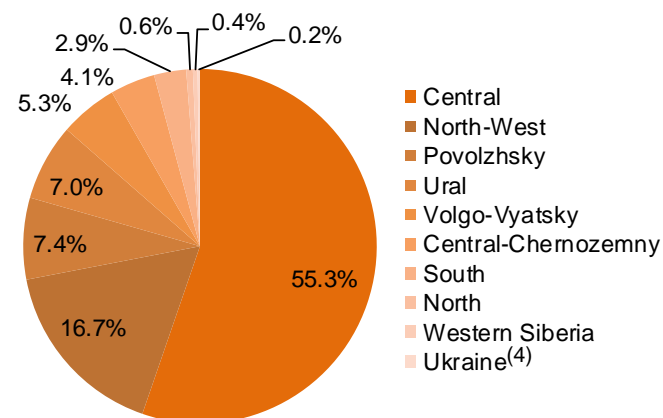
Q1 2014 Regional Store Breakdown (2)



Overview

- Multi-format presence in 62 cities of European Russia, the Urals and Western Siberia with population > 200,000 (3)
- Total stores – 4,618, including:
  - 3,966 Pyaterochkas
  - 384 Perekrestoks
  - 81 Karusels
  - 187 Express stores

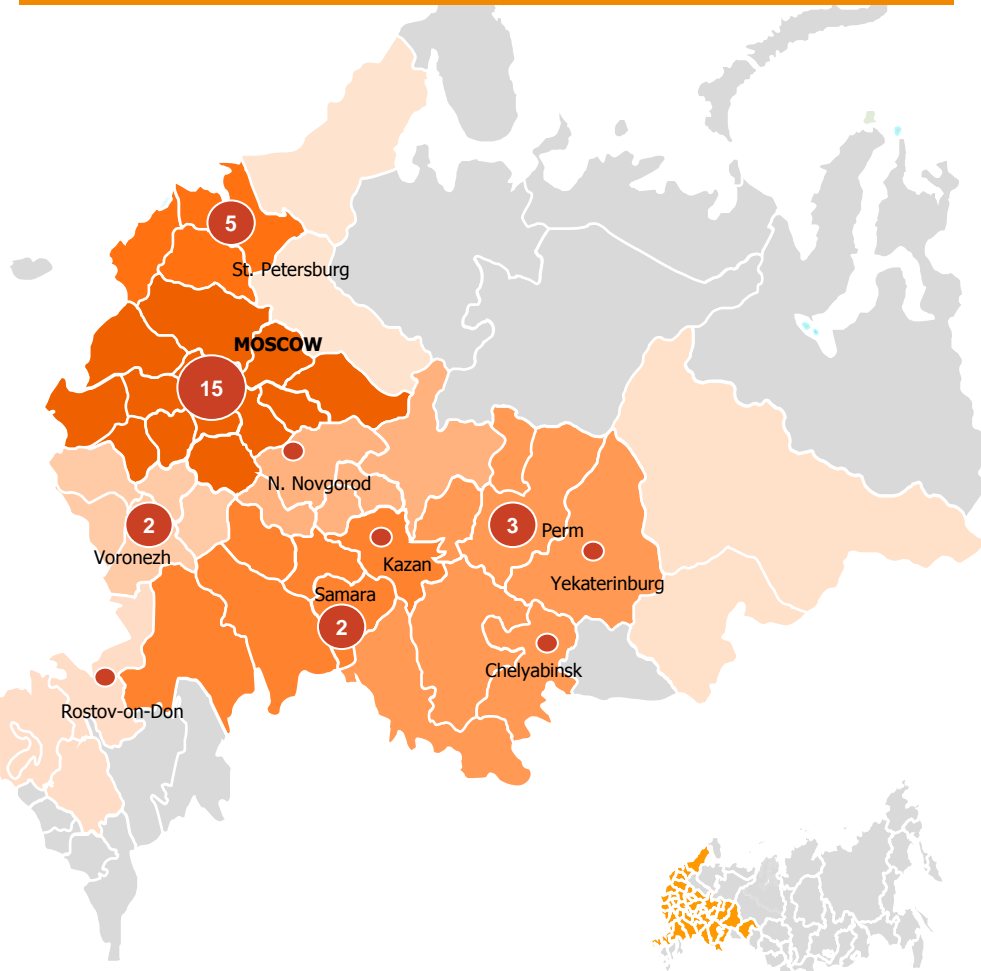
Q1 2014 Net Retail Sales by Region



Notes:

- As at 31 March 2014.
- According to the economic classification of Russian regions.
- According to 2010 population census
- Ukrainian business was sold in March 2014

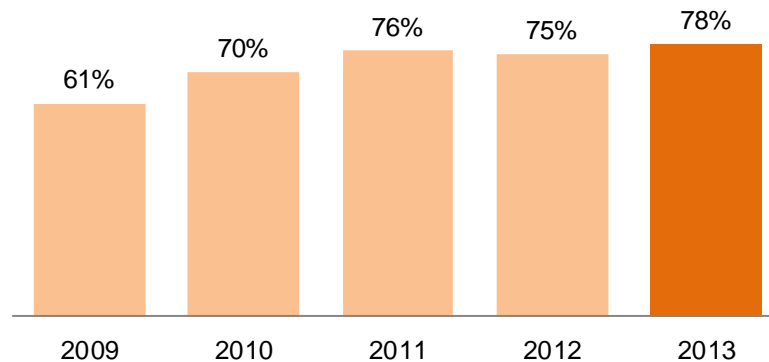
## Distribution center (DC) locations



## Warehouse Space (1)

Region	Space, th sq. m.	# of DCs
Central	343.4	15
North-West	80.4	5
Povolzhsky	62.5	3
Povolzhsky	43.5	5
Volgo-Vyatsky	29.1	1
Central-Chernozemny	30.7	2
South	13.6	1
<b>Total</b>	<b>603.3</b>	<b>32</b>











## Centralization Level



Note (1): As at 31 March 2014

## Russian Retail Market

## Top-10 Russian Retailers

#	Company name	Net retail sales 2013, RUR mln	% in top 10	% in total market
1	 Magnit <sup>(1)</sup>	567,655	24.8%	5.8%
2	 X5	532,692	23.3%	5.5%
3	 Auchan	379,357	16.6%	3.9%
4	 Metro	183,693	8.0%	1.9%
5	 Dixy	178,870	7.8%	1.8%
6	 Lenta	144,266	6.3%	1.5%
7	 O'Key	137,664	6.0%	1.4%
8	 7 <sup>th</sup> continent	58,998	2.6%	0.6%
9	 Monetka	53,405	2.3%	0.5%
10	 Maria Ra	52,000	2.3%	0.5%
<b>Total</b>		<b>2,288,610</b>	<b>100%</b>	<b>23.5%</b>

Top-10 retailers grew at 21.2% 4 year CAGR, resulting in an increase in their market share from 16.9% to 23.5%

Source: Rosstat, Companies' information, Planet retail

Notes:

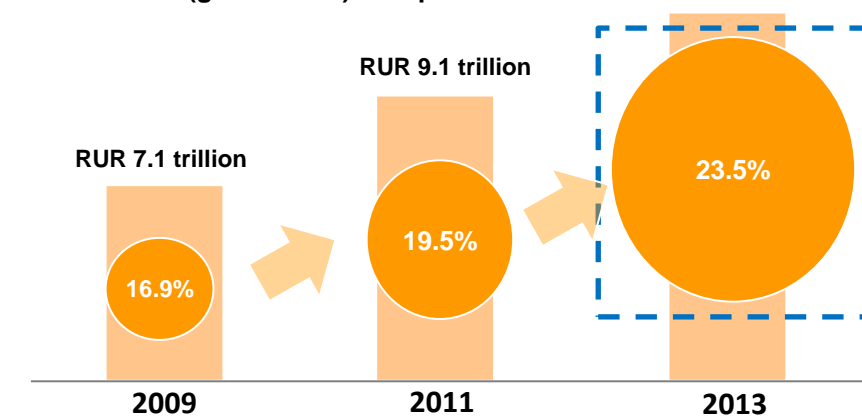
(1) Magnit net retail sales exclude Magnit Cosmetic stores sales

(2) According to Infoline

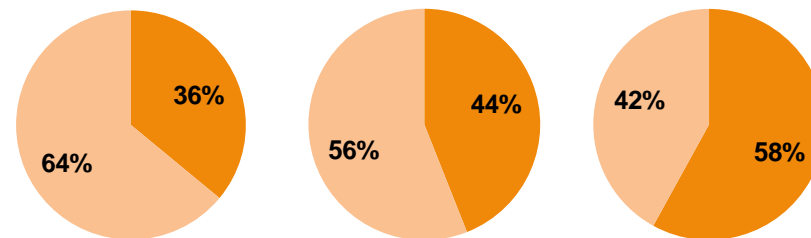
## Top-10 Market Share & Market Evolution

Retail market (gross sales) & Top 10 share

RUR 11.1 trillion

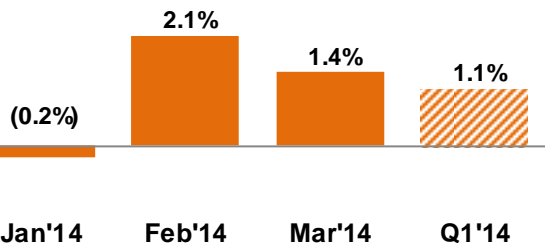


Modern retail penetration<sup>(2)</sup>

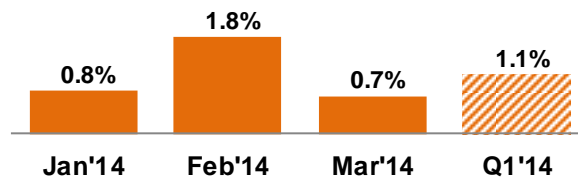


Increased from 36% in 2009 to 58% in 2013

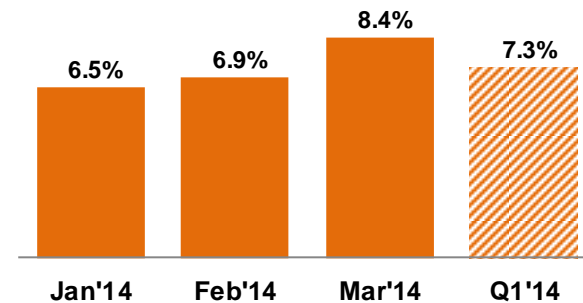
## Industrial production



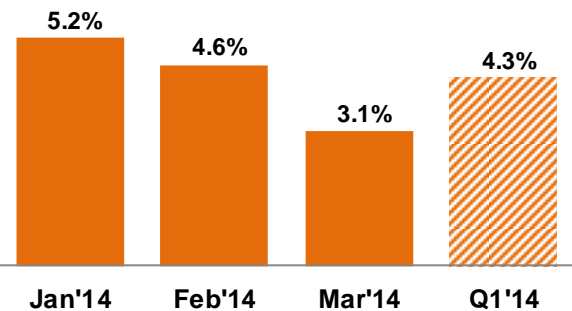
## Real Retail Food Sales Growth



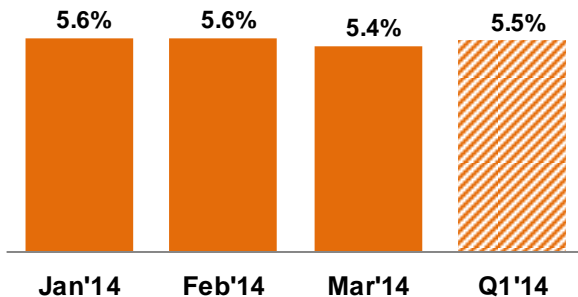
## Food CPI



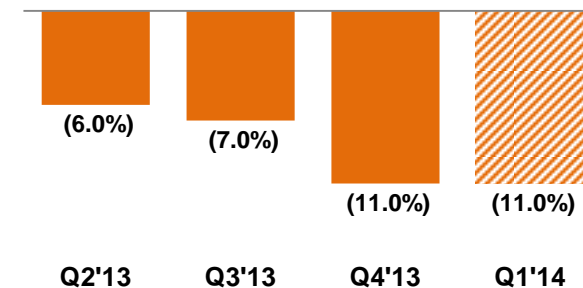
## Real Wage Growth



## Unemployment rate



## Consumer confidence index



Russian consumer remained relatively healthy throughout Q1 2014 on the back growing real wage and stable unemployment rate

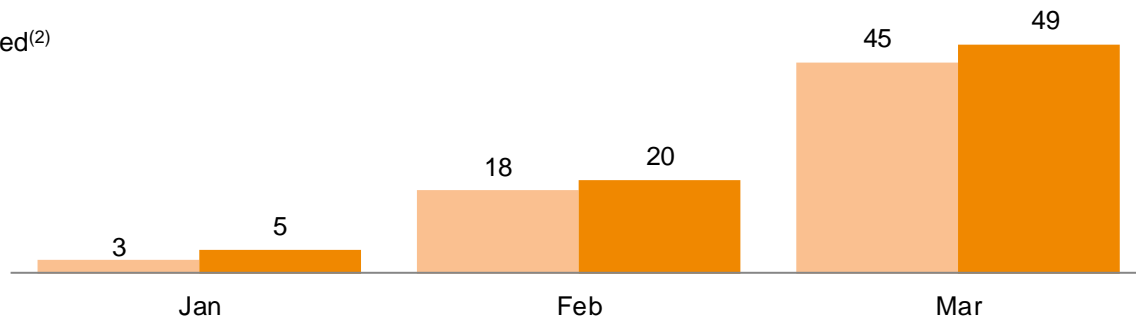
Source: Rosstat



## Appendix 1: 2014 Monthly Results

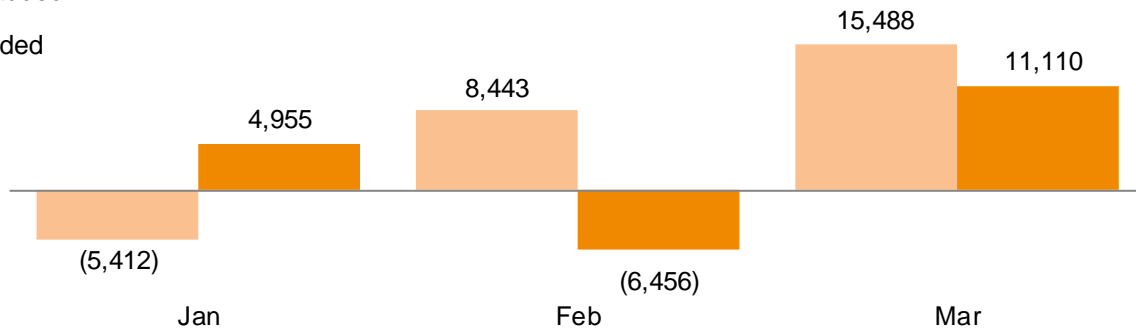
Number of Stores Opened, net

Q1 2013 - 66 stores added<sup>(1)</sup>  
 Q1 2014 - 74 stores added<sup>(2)</sup>



Selling Space Added, net sqm

Q1 2013 – 18,519 sqm added  
 Q1 2014 - 9,609 sqm added

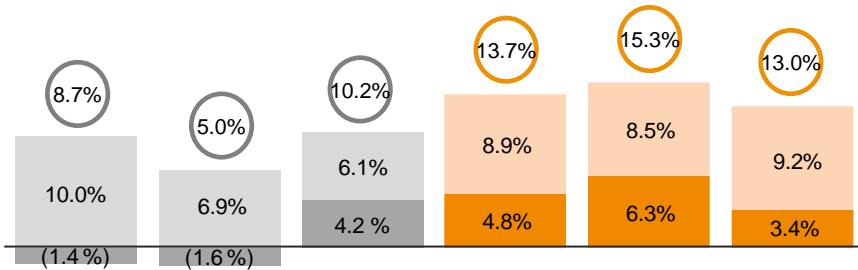


Notes:

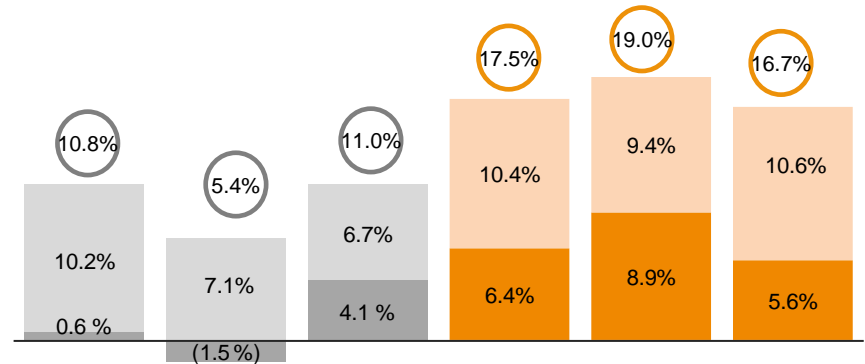
(1) During Q1 2013, X5 closed eight Pyaterochkas, three Perekrестoks, one Karusel and five Express stores that did not meet the respective format's efficiency criteria.

(2) During Q1 2014, X5 closed six Pyaterochkas, three Perekrестoks, two Karuseli and 19 Express stores that did not meet the respective formats' efficiency criteria; additionally the Company disposed of 12 Perekrестok supermarkets located in the Ukraine.

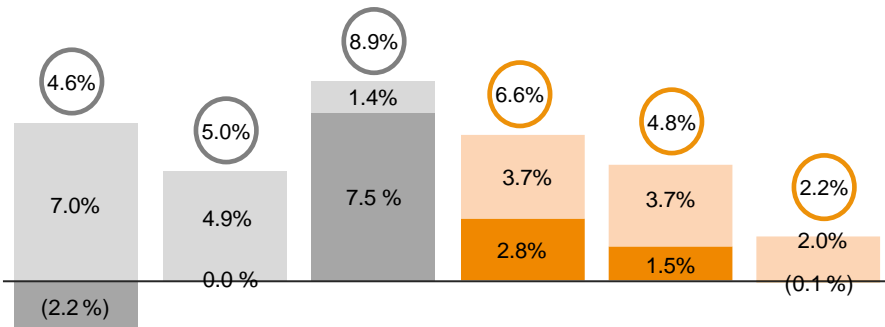
X5 Retail Group



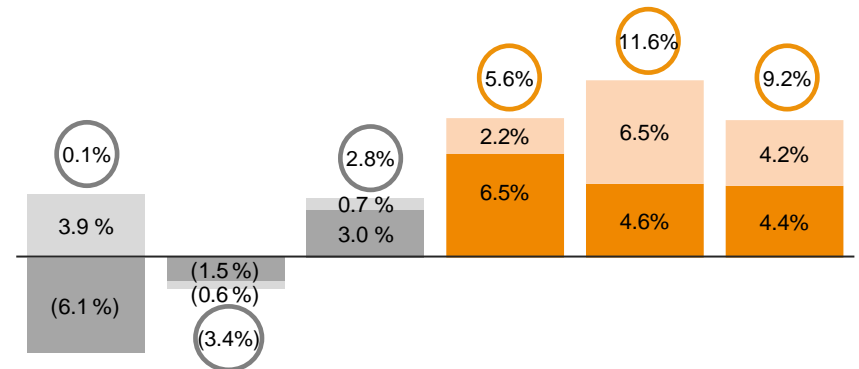
Pyaterochka



Perekrestok



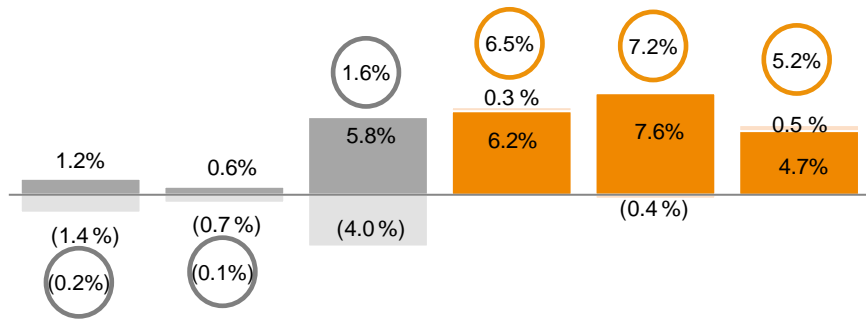
Karusel



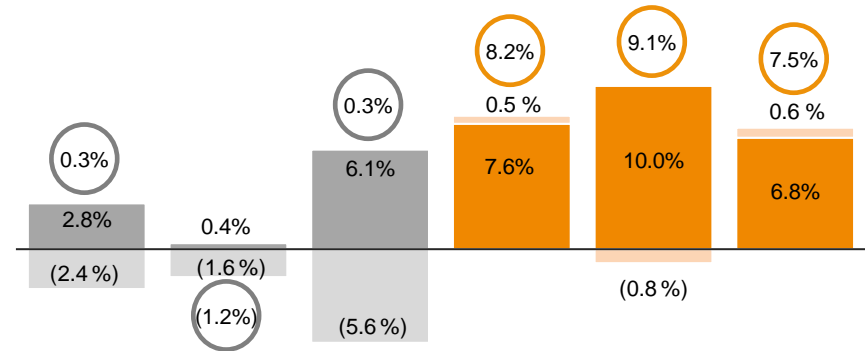
Jan'13 Feb'13 Mar'13 Jan'14 Feb'14 Mar'14 Jan'13 Feb'13 Mar'13 Jan'14 Feb'14 Mar'14

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

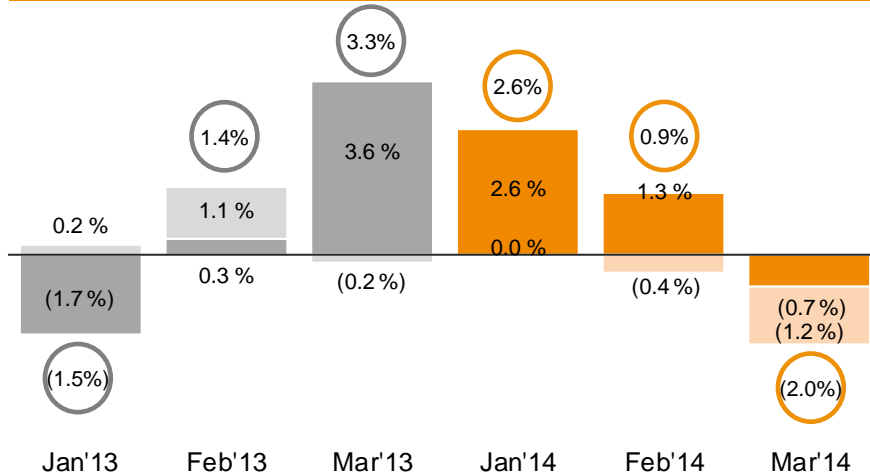
## X5 Retail Group



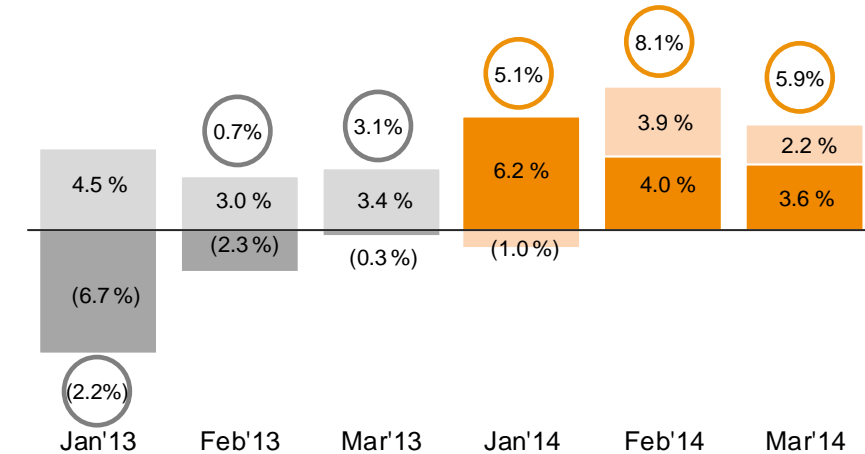
## Pyaterochka



## Perekrestok



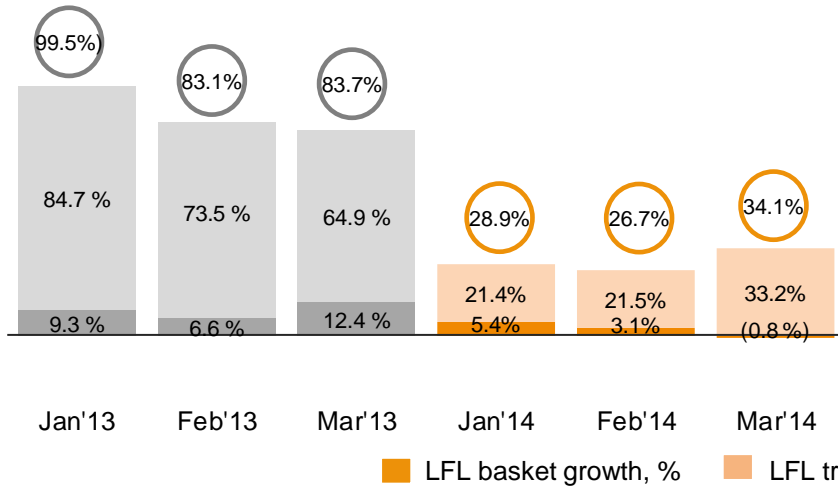
## Karusel



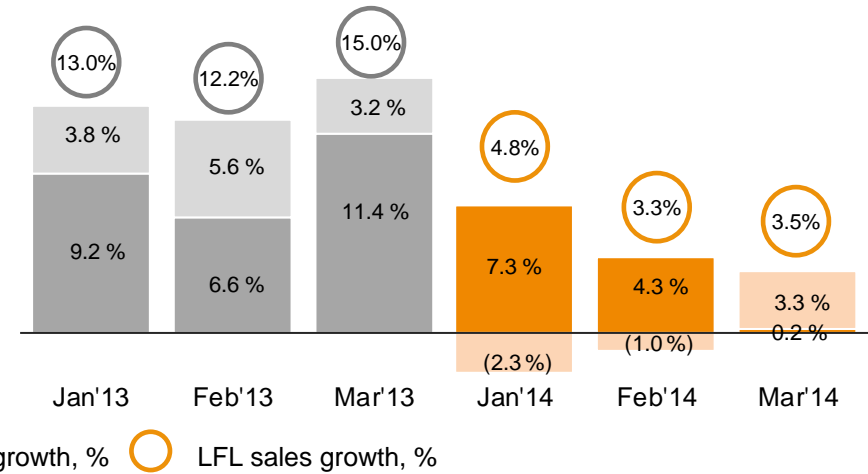
■ LFL basket growth, %   
 ■ LFL traffic growth, %   
 ○ LFL sales growth, %

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

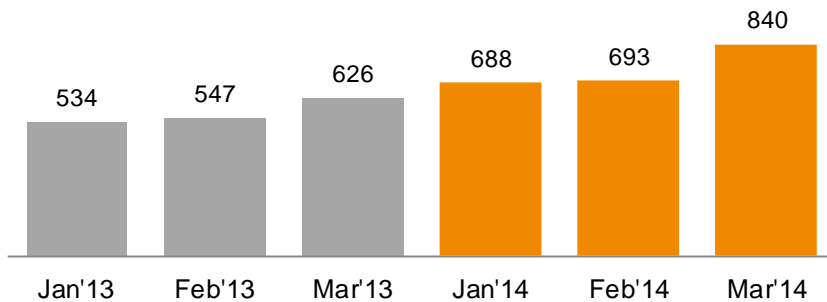
## Net Retail Sales Growth, %



## LFL Sales Growth<sup>(1)</sup>, %



## 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 RUR sales

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