



Fourth Quarter and Full Year 2014 Financial Results Conference Call

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Moscow, Russian Federation
23 March 2015

DELIVERING GROWTH

SUMMARY HIGHLIGHTS FOR 2014

- ❖ Total revenue **increased by 18.6%**, year-on-year (y-o-y), to **RUB 634 billion**
- ❖ X5's best annual like-for-like (LFL) sales results in the past five years – total LFL sales **increased by 9.8%** in 2014 (**11.6% in Q4 2014**)
- ❖ EBITDA **grew by 19.6%**, y-o-y, and adjusted profit margin **increased by 20 basis points to 2.3%**
- ❖ ROIC, before goodwill adjustments, **increased by 100 basis points y-o-y to 20.1%**.
- ❖ Solid financial structure with net debt (88% long-term) at **2.30x EBITDA**
- ❖ Pyaterochka, representing 69.0% of X5's net retail sales, achieved strong growth in 2014 – net retail sales **increased by 25.1% y-o-y**, driven by a **24.1% y-o-y increase in net selling space**.

DELIVERING GROWTH

Metric	Covenants	FY 2012	FY 2013	FY 2014	2014 guidance	
Net Retail Sales Growth, %	na	8.3%	8.7%	18.6%	17.0%-19.0%	✓
EBITDA Margin, %	na	7.1%	7.2%	7.2%	7.2%-7.5%	✓
Selling Space Growth, %	na	14.0%	12.9%	15.7%	15.0%+	✓
CAPEX, RUB billion	na	29	23	34	~34	✓
Net Debt / EBITDA, eop, x	< 4.00x	3.15x	2.68x	2.3x	< 3.00x	✓
Interest Coverage Ratio, x	> 2.75x	3.29x	3.48x	3.76x	> 2.75x	✓
EBITDAR Margin, %	na	10.9%	11.4%	11.6%	na	
Adjusted ⁽¹⁾ profit margin, %	na	1.6%	2.1%	2.3%	na	
ROIC	Na	16.0	19.1	20.1	na	

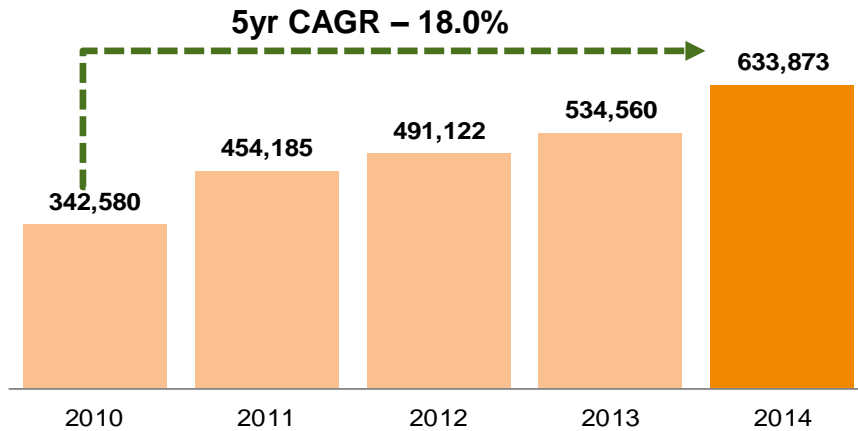
Driven by the Outperformance of Pyaterochka

Note:

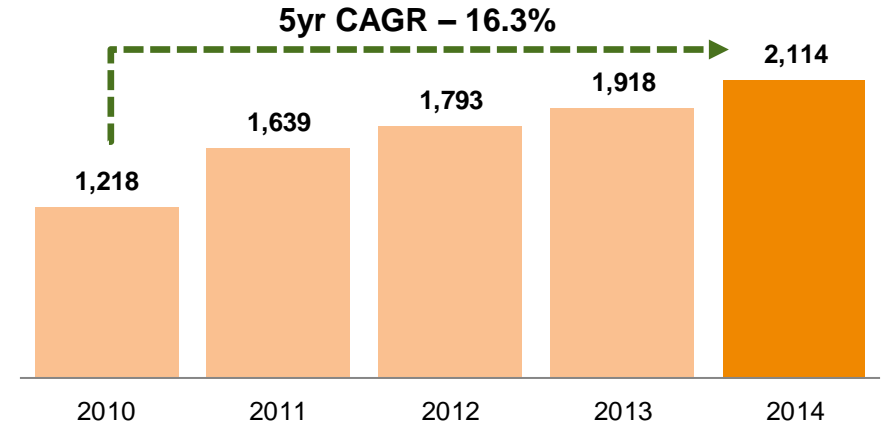
(1) Adjusted for impairments of assets and deferred taxes for impairment

ESTABLISHED PLATFORM

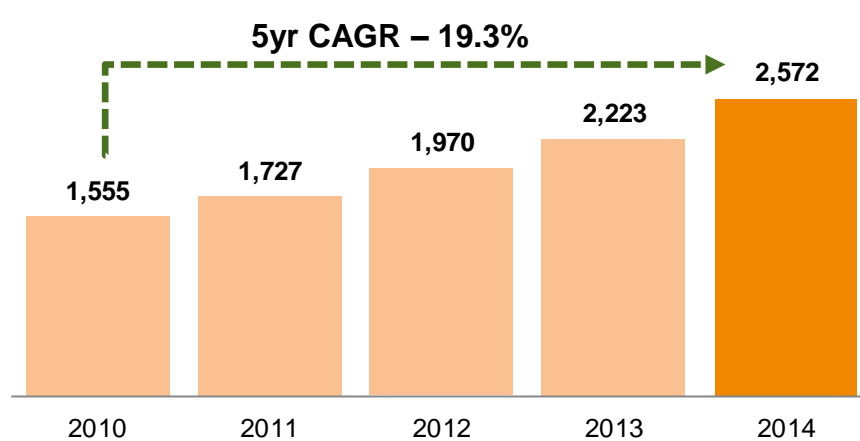
NET SALES DYNAMICS (RUB MLN)



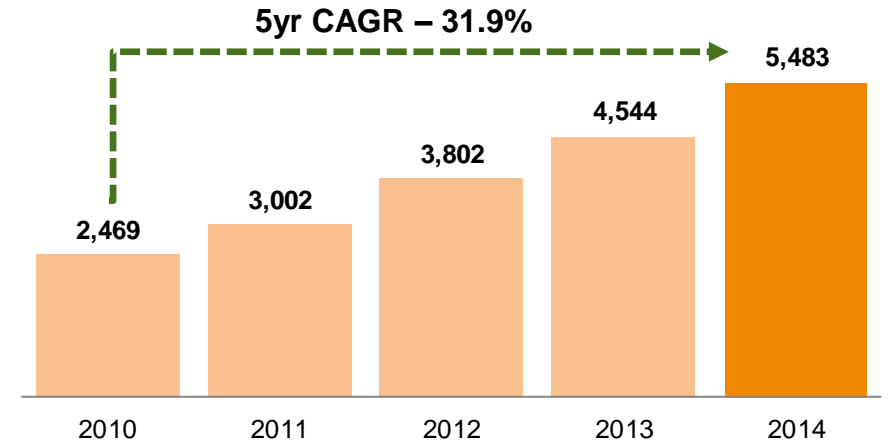
CUSTOMER VISITS (MLN)



SELLING SPACE (TH. SQ. M.)

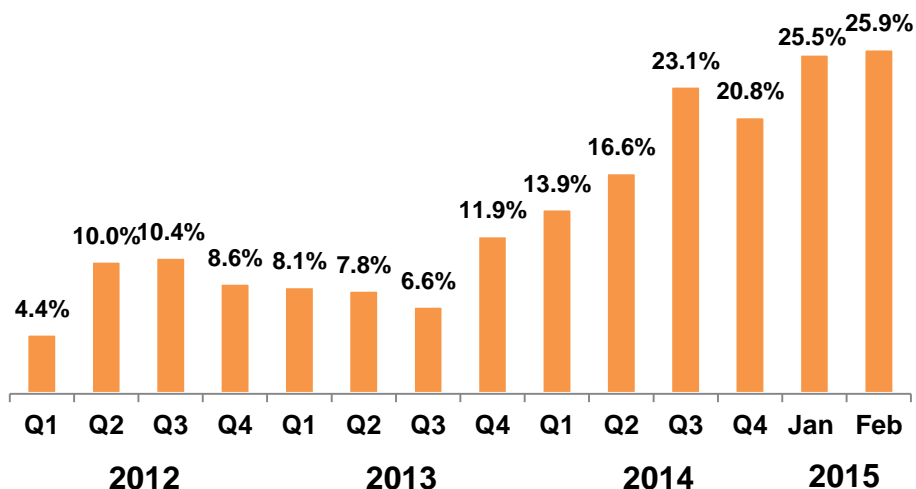


OF STORES (END OF PERIOD)

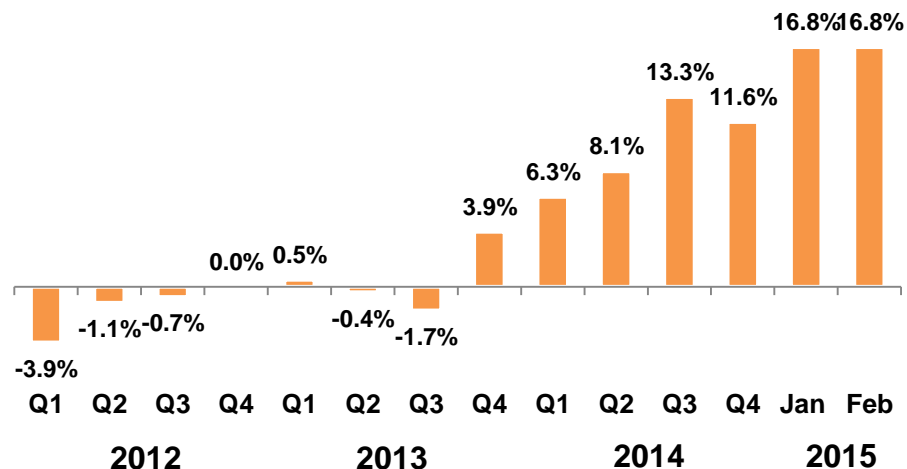


ACCELERATING GROWTH

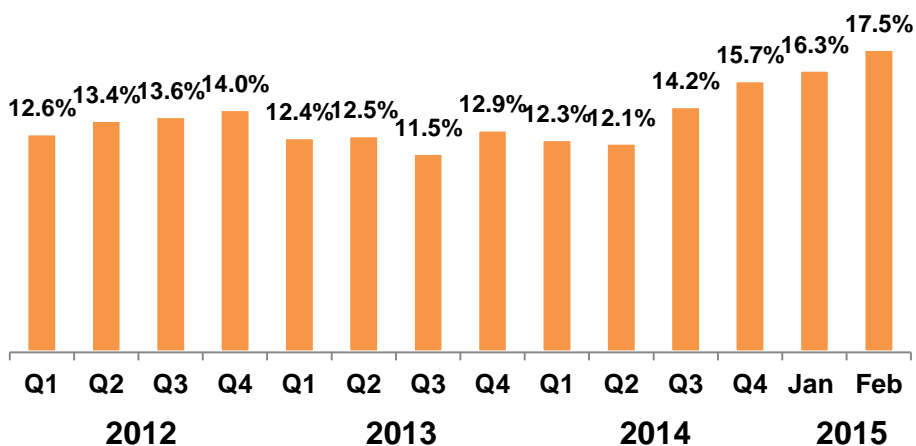
NET SALES GROWTH, % Y-O-Y



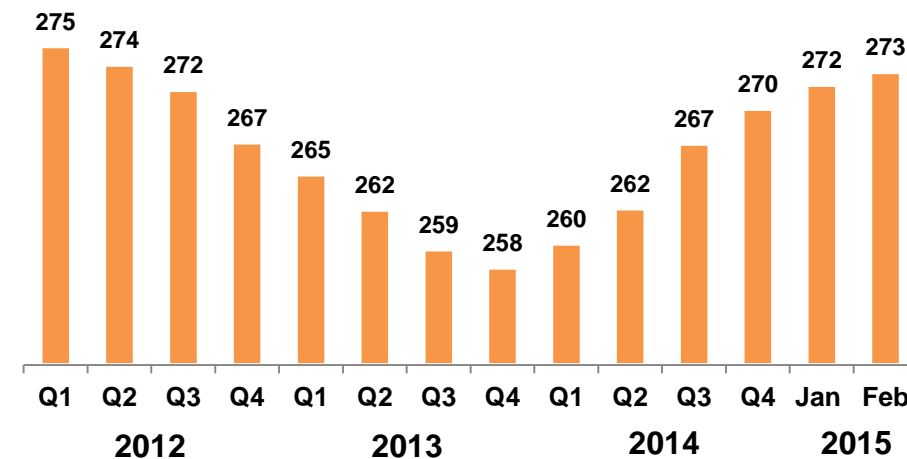
TOTAL LFL SALES GROWTH, % Y-O-Y



NET SELLING SPACE GROWTH, % Y-O-Y



SALES DENSITIES, TH.RUB/SQ.M.(1)



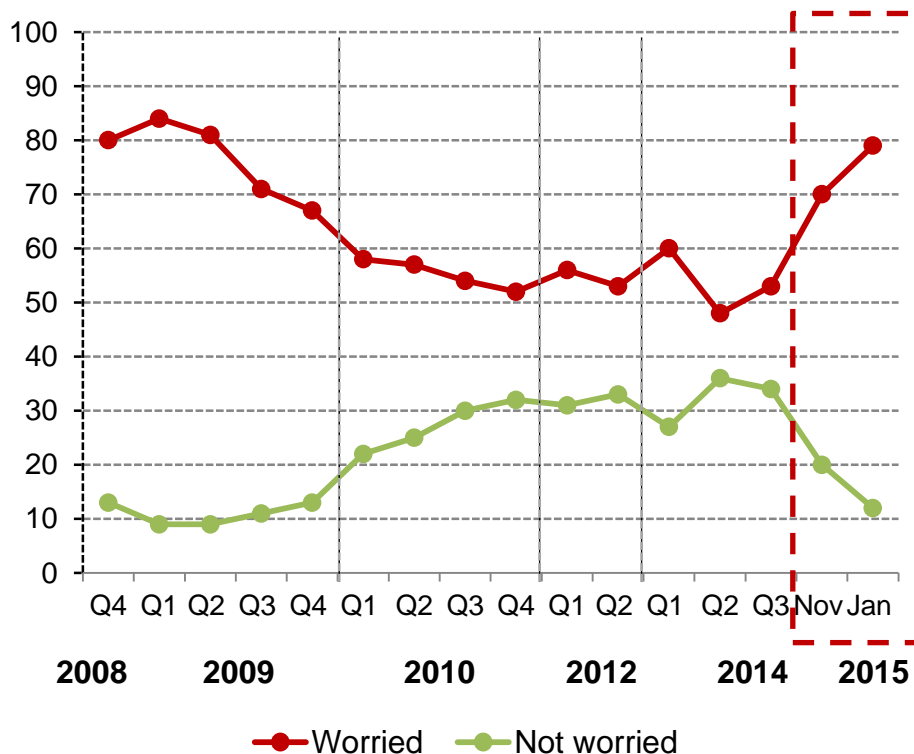
Note 1: Total net sales from trailing four quarters divided by average selling space of trailing four quarters

MARKET OVERVIEW

CHALLENGING CONSUMER & MACRO ENVIRONMENT

CHANGING CONSUMER ATTITUDES

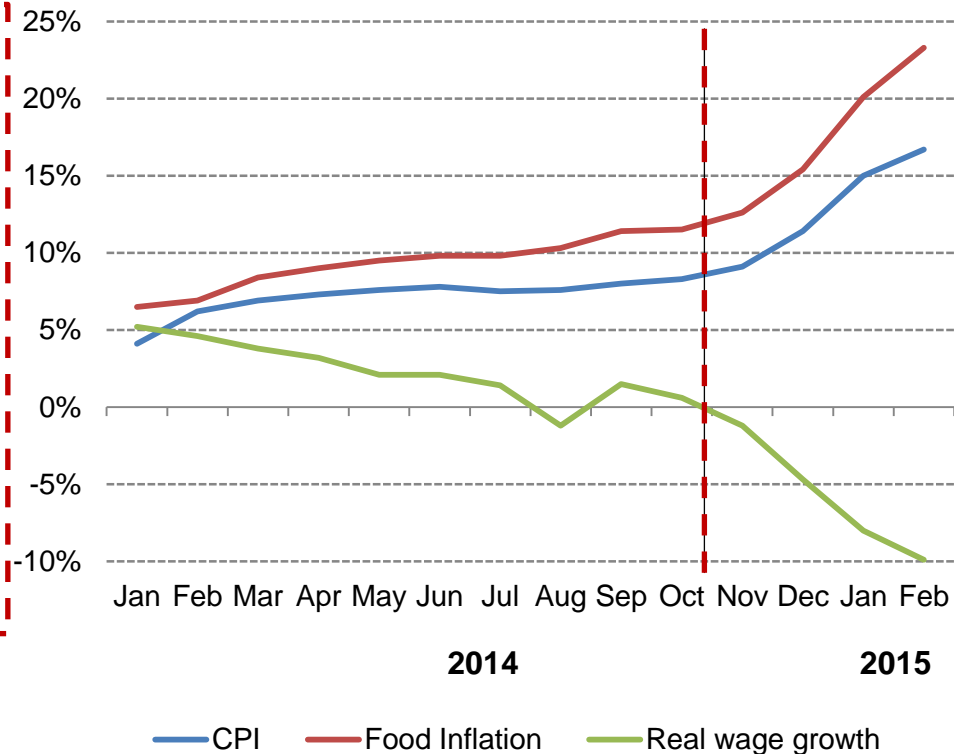
Question: Are you worried about the economic crisis?



Source: Sinoveit Komkon, 'Monitoring the change in consumers attitudes' – 2015

INFLATION & REAL WAGE GROWTH

Response in line with deterioration in wage growth & increase in inflation



Source: Rosstat

THE RUSSIAN CONSUMER IS FEELING THE PRESSURE

X5 IS RESPONDING TO THE CHALLENGE

DRIVERS FOR MACRO & CONSUMER PRESSURE

- ❖ High share of imported products in assortment – price sensitive to currency devaluation
- ❖ Impact of sanctions and food import ban
- ❖ Increase in prices for locally produced products
- ❖ Higher inflation
- ❖ Declining/negative real wage growth

CHANGES IN CONSUMER BEHAVIOR

- ❖ Promo hunting and price sensitivity
- ❖ Trading down within categories & formats
- ❖ Decreasing consumption/basket volume

KEY X5 RESPONSE

Assortment

- ❖ Ensure adequate representation/share of value products in assortments
- ❖ Increase import substitution

Price strategy

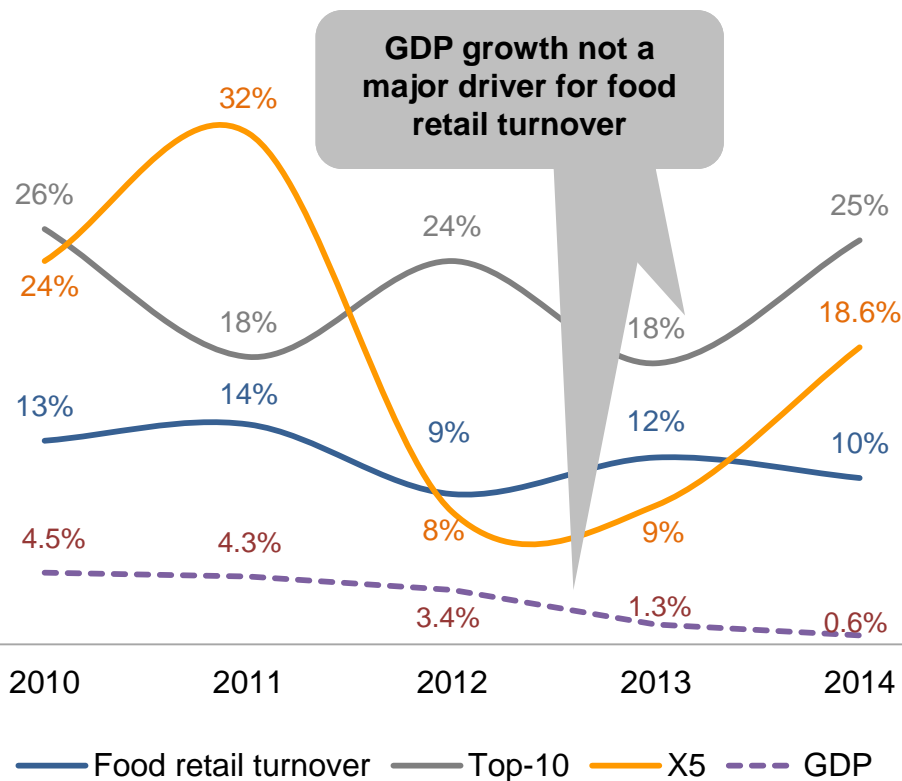
- ❖ Price monitoring of competition and formats' price perception to maintain market positioning
- ❖ Increase import substitution
- ❖ Selectively control the amount of shelf inflation for certain categories to maintain price perception
- ❖ Selectively invest in the customer to support traffic and price perception

Supplier relations/cooperation

- ❖ Extra purchases in Q4 2014 to lock in low prices
- ❖ Trade improved payment terms for lower prices

RUSSIAN RETAIL MARKET DYNAMICS

TURNOVER GROWTH, RUB Y-O-Y



TOP-10 RUSSIAN FOOD RETAILERS & FOOD RETAIL MARKET SHARE

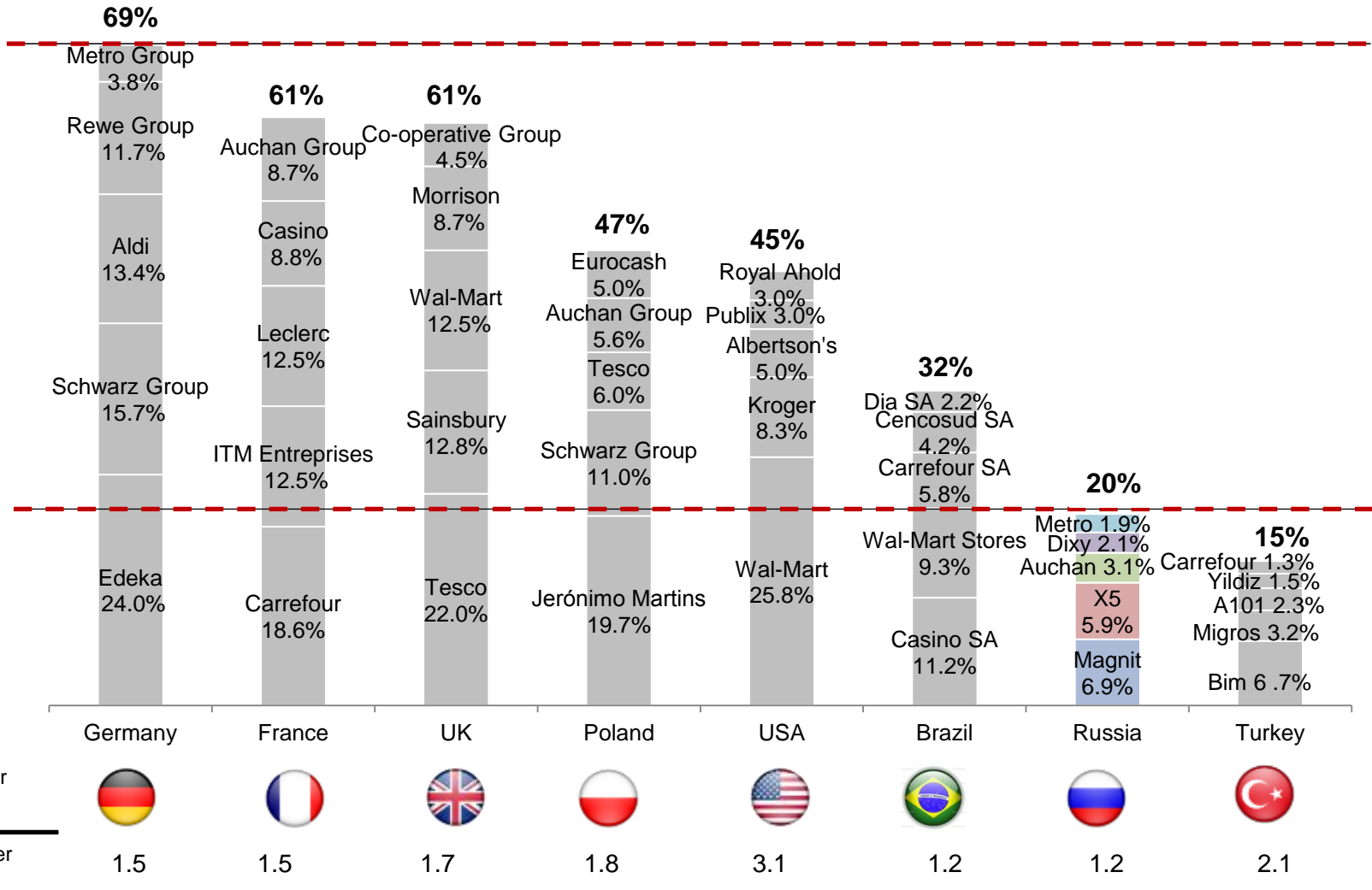
#	Company name	Net retail sales, RUB mln ⁽¹⁾	% in Top-10	% in total market
1	Magnit	742,964	27.2%	6.9%
2	X5	631,930	23.2%	5.9%
3	Auchan	334,107	12.3%	3.1%
4	Dixy	228,988	8.4%	2.1%
5	Metro	207,580	7.6%	1.9%
6	Lenta	193,988	7.1%	1.8%
7	O'key	149,916	5.5%	1.4%
8	Spar	86,221	3.2%	0.8%
9	Monetka	75,443	2.8%	0.7%
10	7 th Continent	75,443	2.8%	0.7%
Total		2,726,581	100.0%	25.3%

X5 RETURNED TO GROWTH IN 2014 AND IS READY TO TAKE ADVANTAGE OF THE FRAGMENTATION AND OPPORTUNITIES IN THE RUSSIAN RETAIL MARKET

Note (1): Magnit sales do not include cosmetics stores' sales
Source: Rostat, Infoline, Euromonitor, companies' data, X5 estimates

TOP-5 SHARE OF GROCERY RETAIL GLOBALLY IN 2014

THE RUSSIAN MARKET IS HIGHLY FRAGMENTED COMPARED TO DEVELOPED MARKETS



Market leader sales

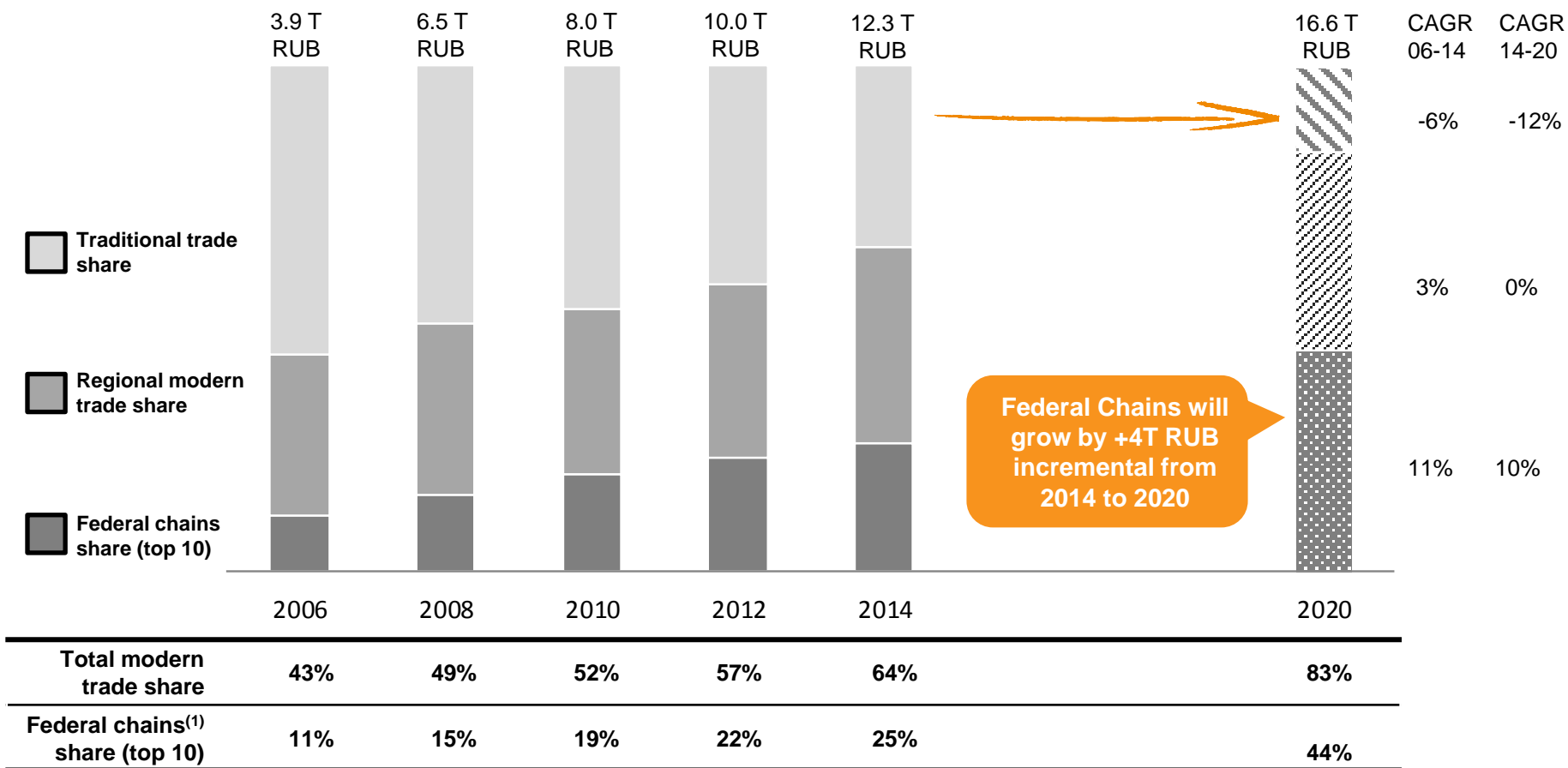
Second player sales



Source: Company Reports, Planet Retail. Euromonitor

CHALLENGING ENVIRONMENT BRINGS OPPORTUNITIES

THE POWER SHIFT FROM TRADITIONAL TO MODERN TRADE WILL ACCELERATE



Note (1): Federal chains include top 10 Russian food retailers
 Source: Euromonitor, Infoline, Company Reports

FINANCIAL RESULTS REVIEW

FINANCIAL HIGHLIGHTS

RUB mln ⁽¹⁾ (where applicable)	FY 2014	FY 2013	+/(-)	+/(-)%
Total revenues	633,873	534,560	99,313	18.6%
COGS	478,891	404,212	74,679	18.5%
Gross profit	154,982	130,348	24,634	18.9%
Gross profit margin	24.5%	24.4%	-	
EBITDA	45,860	38,350	7,510	19.6%
EBITDA margin	7.2%	7.2%	-	
Profit for the period	12,691	10,984	1,707	15.5%
Profit margin	2.0%	2.1%		
Adjusted profit for the period ⁽²⁾	14,771	11,007	3,764	34.2%
Adjusted profit margin ⁽²⁾	2.3%	2.1%	-	
Operating cash flow	28,567	28,387	180	0.6%
Net cash used in investing activities	29,737	21,059	8,678	41.2%
Total debt	130,986	110,523	20,463	
Net debt	105,363	102,912	2,451	2.4%
Net debt/EBITDA	2,30x	2,68x		

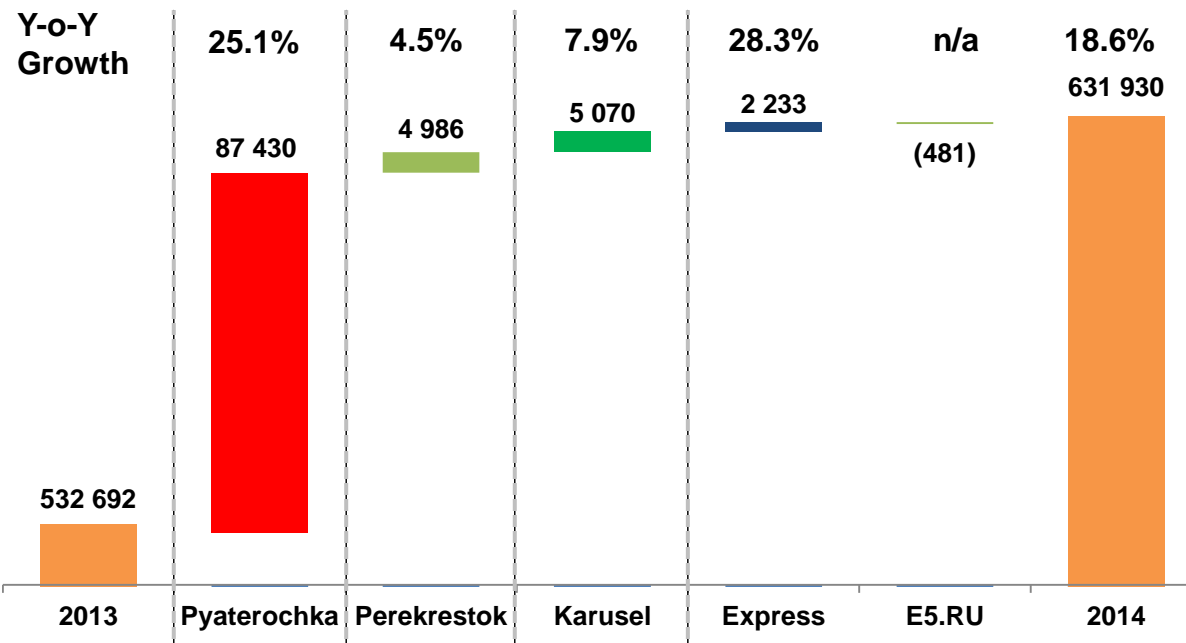
Notes:

(1) RUB/USD average exchange rate for 2014 – 38.5 and for 2013 – 31.8

(2) Net profit for 2014 is adjusted for impairment of assets in the amount of RUB 2,660.mln and deferred tax income from impairment of RUB 580 mln

NET RETAIL SALES SUMMARY

2014 NET RETAIL SALES BREAKDOWN, RUB MLN



Regional contribution to y-o-y growth

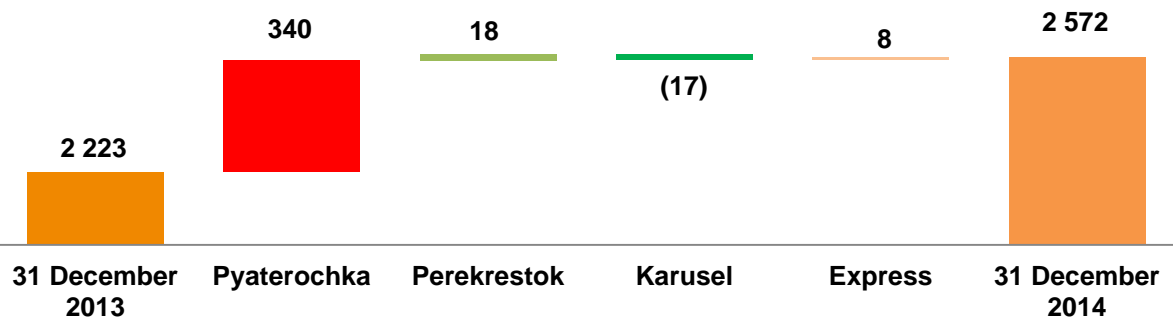
	Pyaterochka	Perekrestok	Karusel	Express
Total	25.1%	4.5%	7.9%	28.3%
Central	13.4%	3.9%	6.8%	28.3%
NW	2.2%	1.0%	0.1%	0.0%
Other	9.5%	-0.3%	1.0%	0.0%

KEY DRIVERS

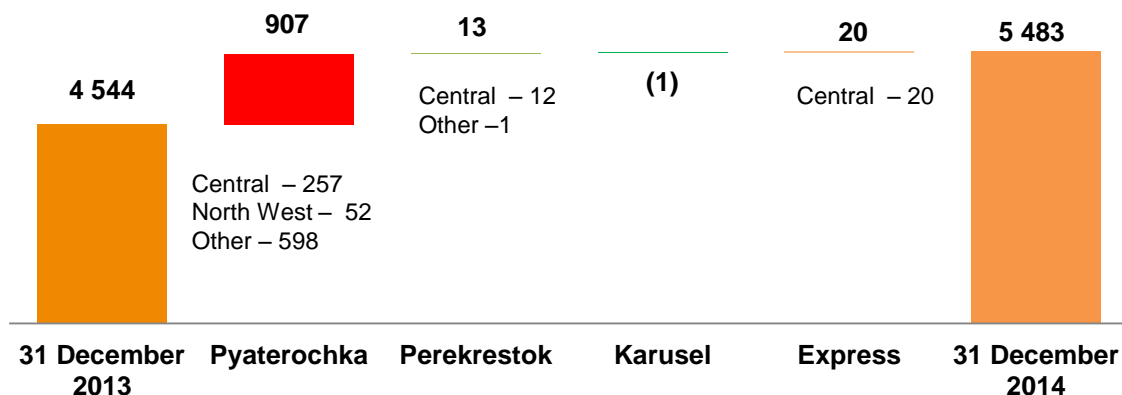
- ❖ Net retail sales grew by 18.6% primarily due to an increase in new selling space and improved LFL sales
- ❖ Pyaterochka's strong results relative to other formats is due to the success of the rebranding work leading to:
 - ❖ improved assortment and promotional offer;
 - ❖ updated store look with more modern feel and upgraded fixtures; and
 - ❖ better shelf availability of products due to improvements in logistics

EXPANSION SUMMARY - 2014

NET SELLING SPACE GROWTH DYNAMICS IN 2014



NET STORE BASE GROWTH DYNAMICS IN 2014

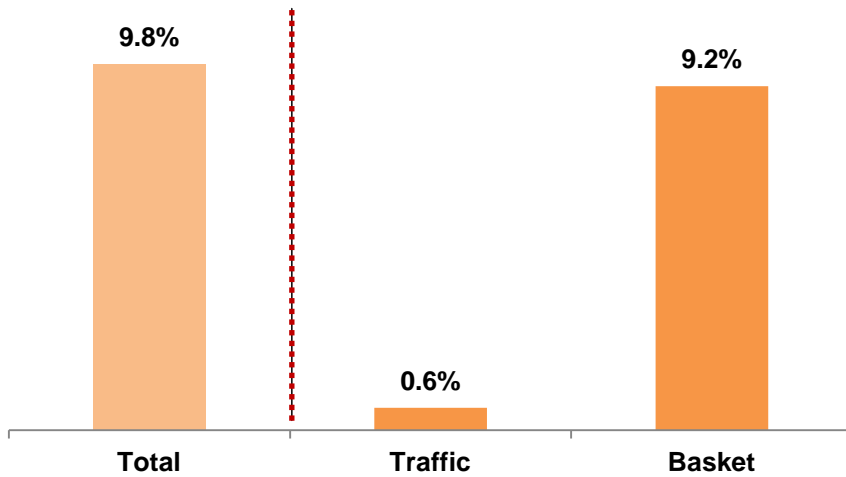


KEY DRIVERS

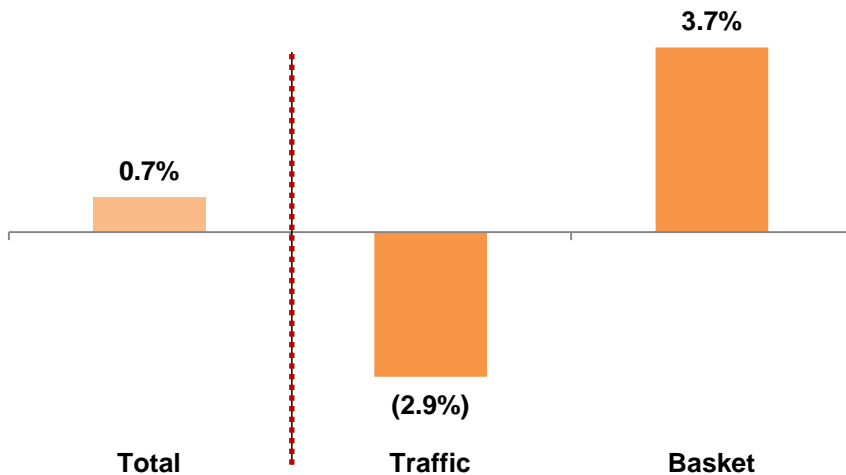
- ❖ Strong organic opening programs at Pyaterochka and Perekrestok
- ❖ Tactical acquisition of 116 proximity stores in Samara region
- ❖ Increased total store base to almost 5,500 stores by year-end 2014
- ❖ Pyaterochka opened its 500th store in Moscow
- ❖ Perekrestok opened its 400th store nationwide
- ❖ Continued investments into existing stores resulted in 523 refurbishments in 2014
- ❖ Increase in DC capacity by ~80 thousand sq. m. (5 new DCs)

IMPROVING LFL RESULTS

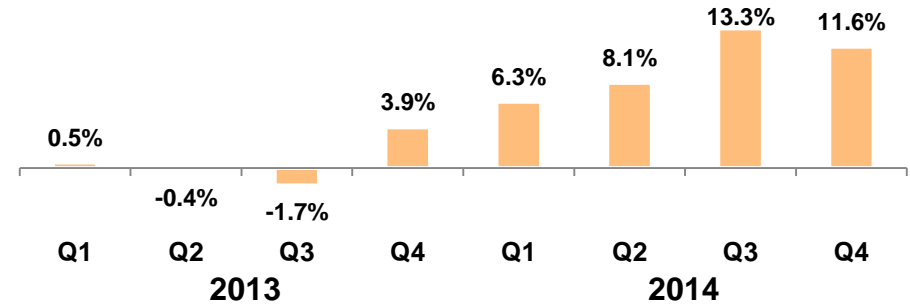
X5 2014 LFL RESULTS



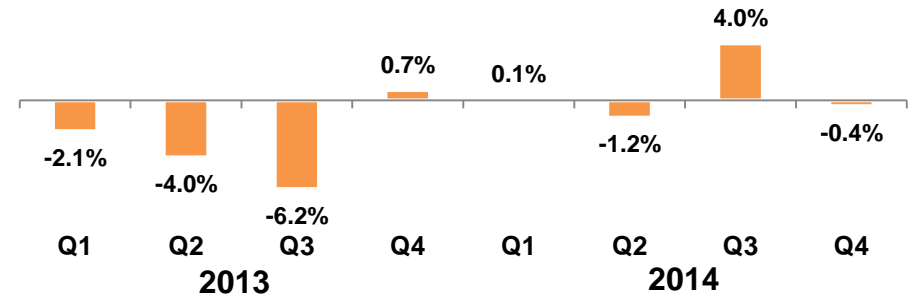
X5 2013 LFL RESULTS



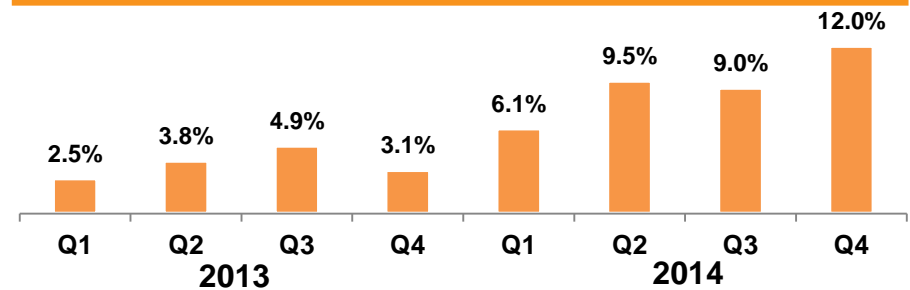
X5 LFL SALES GROWTH



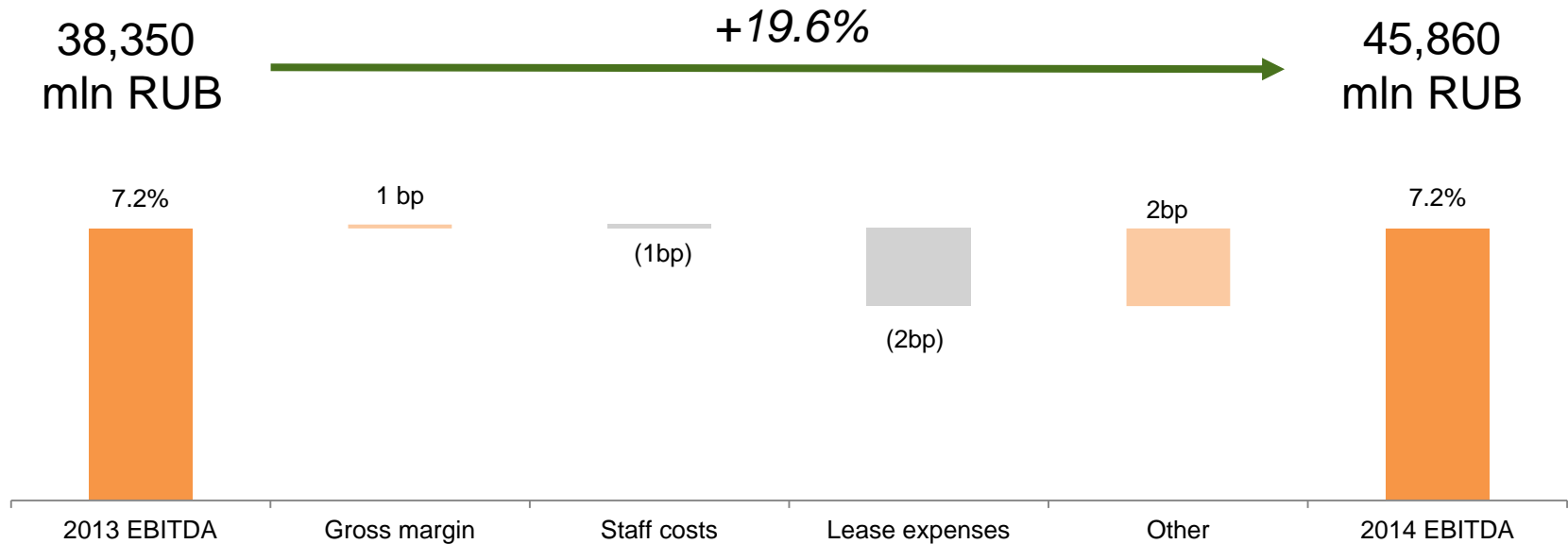
X5 LFL TRAFFIC GROWTH



X5 LFL BASKET GROWTH



EBITDA BREAKDOWN



- ❖ Slight improvement in gross margin due to lower logistics costs
- ❖ Staff costs remained in line due to ongoing optimization of Company and out-staffed employees as well as improved operating leverage
- ❖ Lease expense increased due to higher lease expense related to new store openings, forex linked agreements & the increase in leased the percentage of leased space in our real estate portfolio to 58.6% from 56.3%.

DEBT STRUCTURE

DEBT PROFILE

RUB mln	31 Dec 2013	31 Dec 2014
Total Debt	110,523	130,986
Short-Term Debt	30,680	15,834
% of total debt	27.8%	12.1%
Long-Term Debt	79,843	115,152
% of total debt	72.2%	87.9%
Net Debt	102,912	105,363

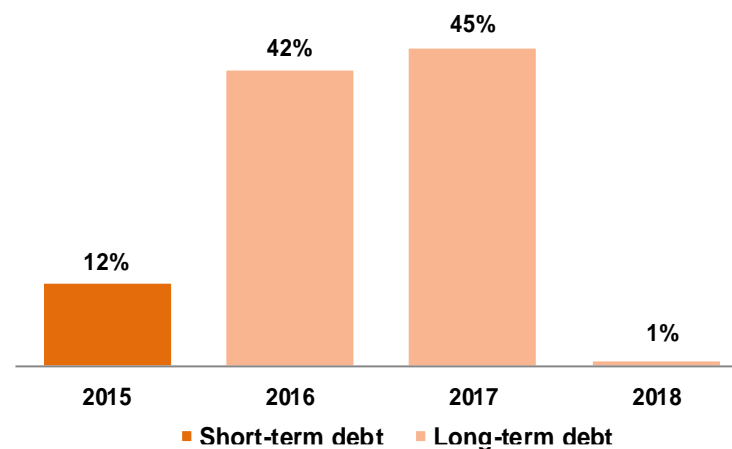
COVENANTS & LIQUIDITY UPDATE

Covenant metrics & liquidity sources	31 Dec 2013	31 Dec 2014	Covenants
Net Debt / EBITDA ⁽¹⁾	2.68x	2.30x	< 4.00x
Interest Coverage ratio ⁽¹⁾	3.48x	3.76x	> 2.75x
Cash Balance, RUB mln	7,611	25,623	-
Undrawn credit lines, RUB mln	100,810	84,200	-

Notes:

(1) Based on 12 months financial results

DEBT PORTFOLIO MATURITY



COMMENTS

- ❖ X5's debt portfolio is 100% RUB-denominated.
- ❖ Substantial improvement in y-o-y Net debt/EBITDA and interest coverage ratios, on the back of higher EBITDA
- ❖ The weighted average effective interest rate on X5's total debt for 12M 2014 increased to 10.0% from 8.7% for 12M 2013, due to the effect of key rate increase on market rates in 2014.
- ❖ Y-o-y decrease in the share of short-term debt in the Company's credit portfolio.

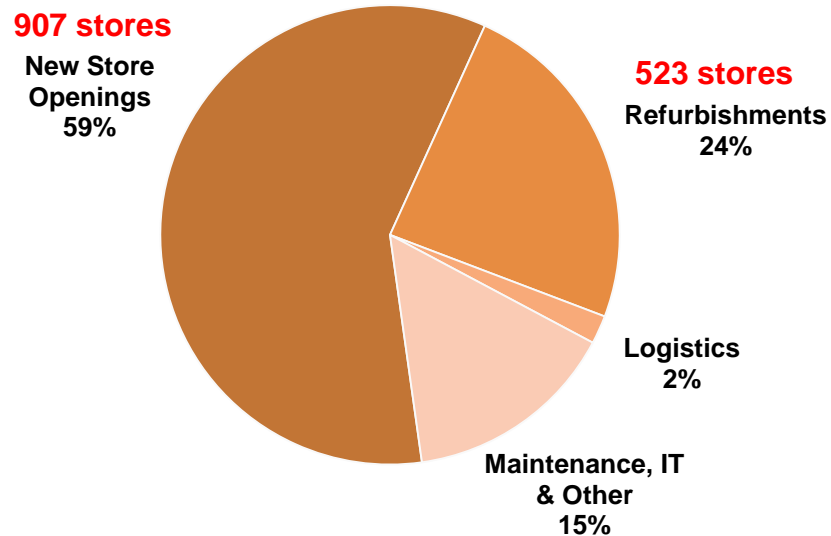
CASH FLOW HIGHLIGHTS

RUB MLN	FY 2014	FY 2013	+/(-)	+/(-), %
Net cash generated from operating activities	28,567	28,387	180.4	0.6%
Net cash from operating activities before changes in working capital	45,766	38,817	6,949	17.9%
Change in Working Capital	(2,212)	2,319	(4,531)	n/a
(Increase) in trade and other accounts receivable	(7,312)	(6,246)	(1,066)	17.1 %
(Increase) in inventories	(9,283)	(3,601)	(5,682)	158 %
Increase in trade payable	10,566	8,356	2,211	26.5%
Increase in other accounts payable	3,817	3,810	7	0.2 %
Net interest and income tax paid	(14,987)	(12,749)	(2,238)	17.6 %
Net cash used in investing activities	(29,737)	(21,059)	(8,678)	41.2 %
Net cash generated from/(used in) financing activities	19,344	(12,093)	31,437	n/a
Effect of exchange rate changes on cash & cash equivalents	(162)	(12)	(150)	1250%
Net decrease in cash & cash equivalents	18,012	(4,777)	22,789	n/a

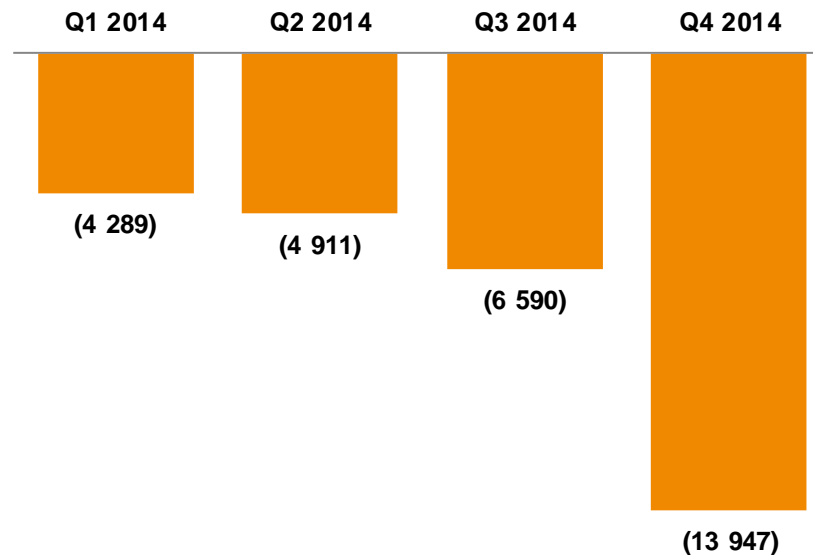
- ❖ Negative contribution from change in working capital primarily due to increase in receivables related to supplier bonuses, higher inventory balance related to expanded assortment and increase in purchases at year-end to ensure availability and lock in favorable prices

CAPITAL EXPENDITURES OVERVIEW

2014 CAPITAL EXPENDITURES – 34,433 RUB MLN



2014 CASH USED INVESTING - 29,737 RUB MLN



In 2014, Capex Focused on Organic Expansion and Investments in Store Refurbishments

CONDENSED BALANCE SHEET

RUB MLN	31 DECEMBER 2013	31 DECEMBER 2014	+/(-)	+/(-)%
Total current assets	76,682	110,509	33,827	44.1%
Cash & cash equivalents	7,611	25,623	18,012	236.7%
Inventories	37,465	47,084	9,619	25.7%
Total non-current assets	225,415	240,411	14,996	6.7%
Net PP&E	134,998	150,328	15,330	11.4%
Goodwill	64,503	65,684	1,181	1.8%
Total assets	302,097	350,920	48,823	16.2%
Total current liabilities	139,088	141,273	2,185	1.6%
ST debt	30,680	15,834	(14,846)	(48.4)%
Trade accounts payable	81,244	92,001	10,757	13.2%
Total non-current liabilities	85,203	119,089	33,886	39.8%
LT debt	79,843	115,152	35,309	44.2%
Total liabilities	224,291	260,362	36,071	16.1%
Total equity	77,806	90,558	12,752	16.4%
Total liabilities & equity	302,097	350,920	48,823	16.2%

- ❖ Increase in cash & cash equivalents related to draw-down of facilities at year-end 2014
- ❖ Increase in inventories related to assortment expansion and locking in products at favorable prices
- ❖ Improvement in debt profile – 88% LT-Debt

QUARTERLY FINANCIAL HIGHLIGHTS

RUB million	FY 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Y-o-Y +/(-)%
Revenue	534,560	144,167	155,579	152,539	181,588	633,873	18.6%
Net retail sales	532,692	143,898	155,109	152,028	180,894	631,930	18.6%
COGS	(404,212)	(109,521)	(117,469)	(114,950)	(136,951)	(478,891)	18.5%
Gross profit	130,348	34,646	38,110	37,589	44,637	154,982	18.9%
Gross profit margin	24.4%	24.0%	24.5%	24.6%	24.6%	24.5%	-
SG&A	(110,757)	(30,791)	(32,316)	(31,825)	(38,580)	(133,512)	20.5%
EBIT	25,296	5,907	7,290	7,310	7,781	28,288	11.8%
EBIT margin	4.7%	4.1%	4.7%	4.8%	4.3%	4.5%	-
Net profit	10,984	2,469	3,980	3,420	2,822	12,691	15.5%
Net profit margin	2.1%	1.7%	2.6%	2.2%	1.6%	2.0%	-
EBITDA	38,350	9,796	11,398	11,171	13,495	45,860	19.6%
EBITDA margin	7.2%	6.8%	7.3%	7.3%	7.4%	7.2%	-
Operating cash flow	28,387	(4,632)	12,776	6,825	13,598	28,567	0.6%
Investing cash flow	(21,059)	(4,289)	(4,911)	(6,590)	(13,947)	(29,737)	41.2%

OPERATIONAL REVIEW

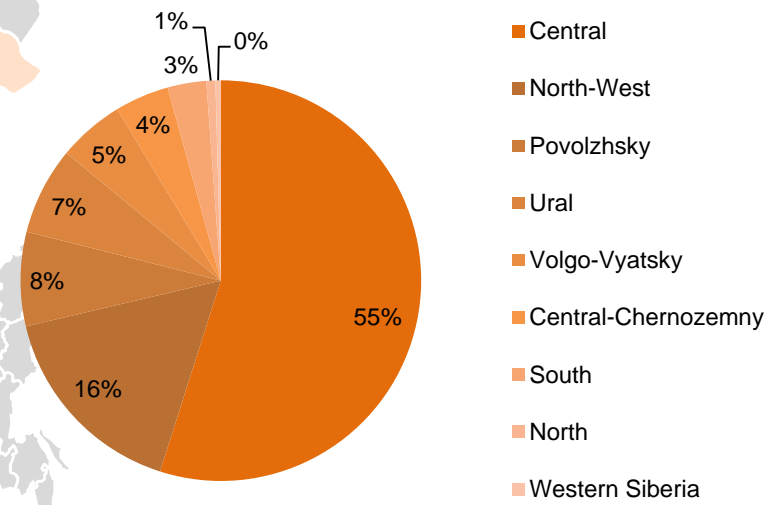
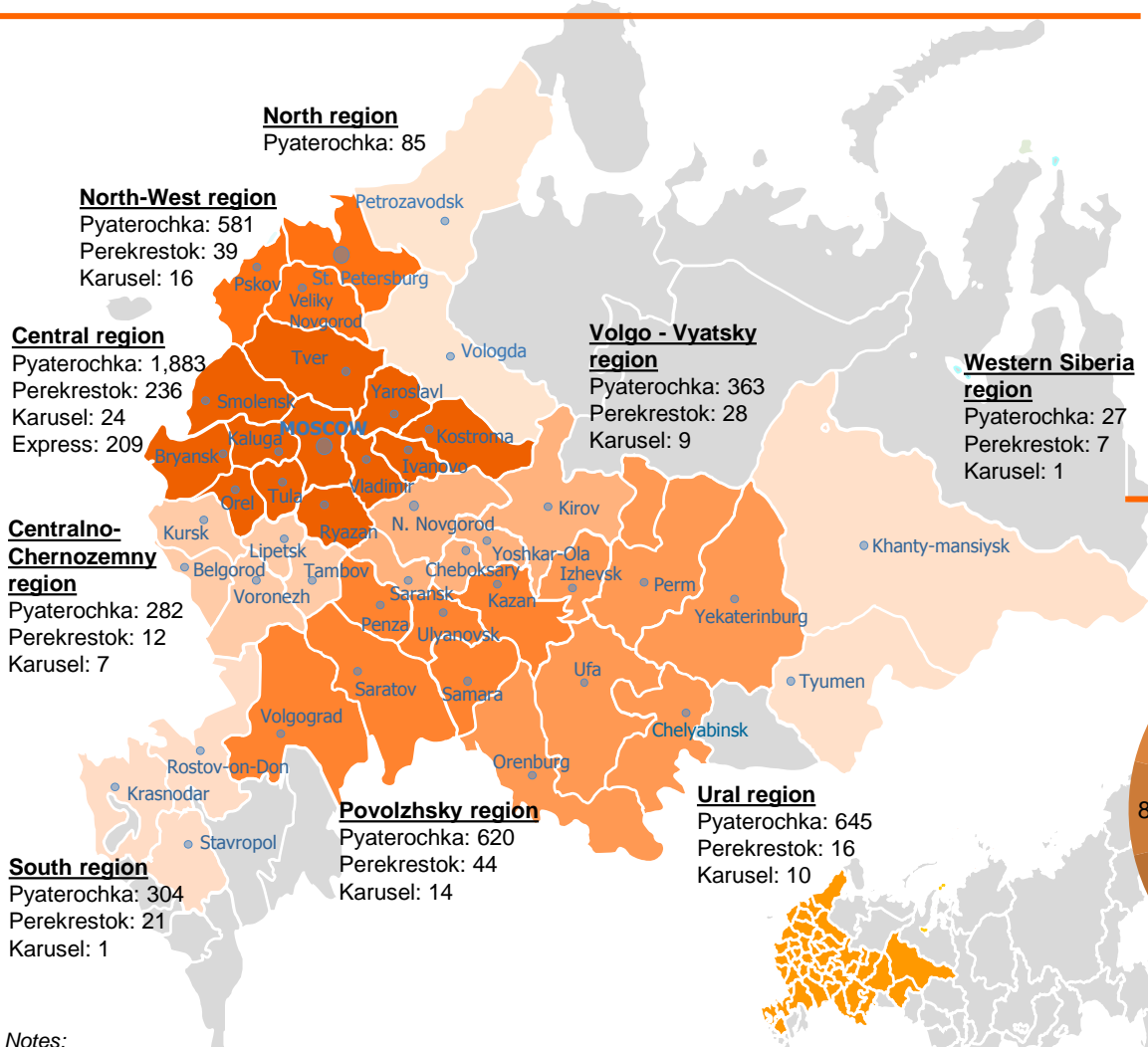
X5 REGIONAL PRESENCE

NUMBER OF STORES BY REGION 2014 (1)

OVERVIEW

- Multi-format presence in 62 cities of European Russia, the Urals and Western Siberia with population > 200,000 (2)
- Total stores – 5,483, including:
 - 4,789 Pyaterochkas
 - 403 Perekrestoks
 - 82 Karusels
 - 209 Express stores

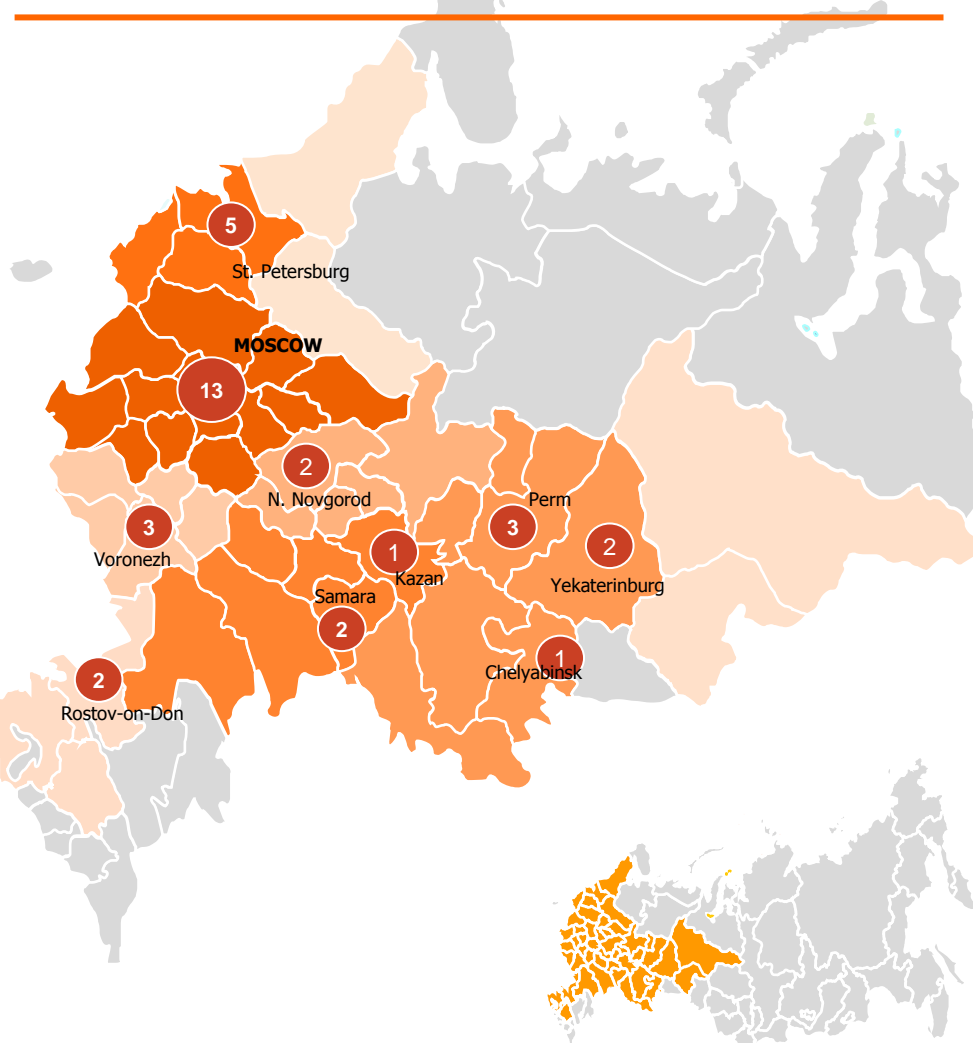
2014 NET RETAIL SALES BY REGION



Notes:
 (1) According to the economic classification of Russian regions.
 (2) According to 2010 population census

X5 DISTRIBUTION CAPABILITIES

DISTRIBUTION CENTER (DC) LOCATIONS

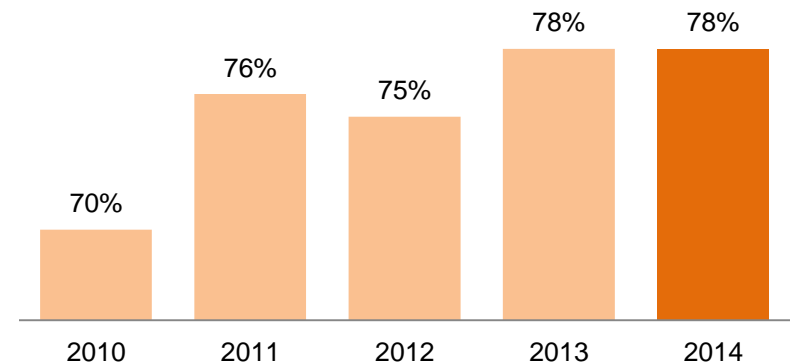


Note (1): As at 31 December 2014

WAREHOUSE SPACE (1)

Region	Space, th. sq. m.	# of DCs
Central	359.7	13
North-West	82.8	5
Volgo-Vyatsky	41.9	2
Ural	58.9	6
Central-Chernozemny	34.2	3
Povolzhsky	71.7	3
South	41.3	2
Total	690.5	34

CENTRALIZATION LEVEL



EMPLOYEES – OUR MOST VALUABLE ASSET

PERSONNEL OVERVIEW

Average number of X5 and outsourced (O/S) employees per store

Chain	2014			2013		
	X5	O/S	Total	X5	O/S	Total
Pyaterochka	13	3	16	13	4	17
Perekrestok	52	3	55	48	29	77
Karusel	140	56	196	143	50	193

Compensation package and benefits

- Employees' compensation consists of fixed and variable parts. The size of the latter depends on achievement of respective KPIs.
- Employee social benefits include: medical and life insurance, discounts at Company stores, corporate transportation, additional vacation days, etc.

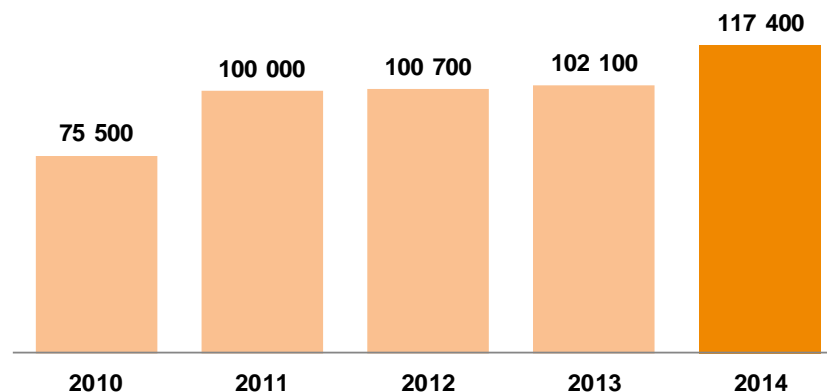
Internal communications

- 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

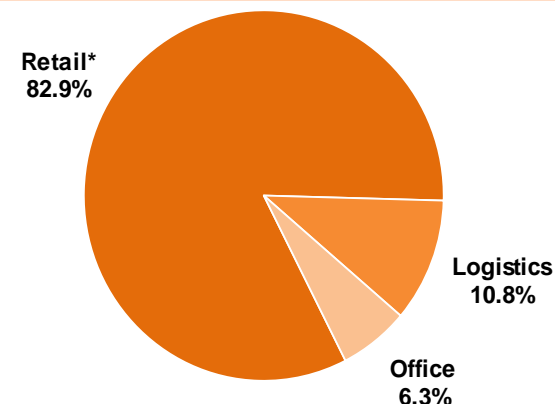
Personnel training and development

- Over 60,000 employees received training in 2014 at X5 training centers
- X5 maintains an active in-store training program:

X5 HEADCOUNT DYNAMICS



PERSONNEL BREAKDOWN – 2014



Note: Retail employees include Pyaterochka, Perekrestok, Karusel, Express-stores and E5.RU employees

KEY FORMATS



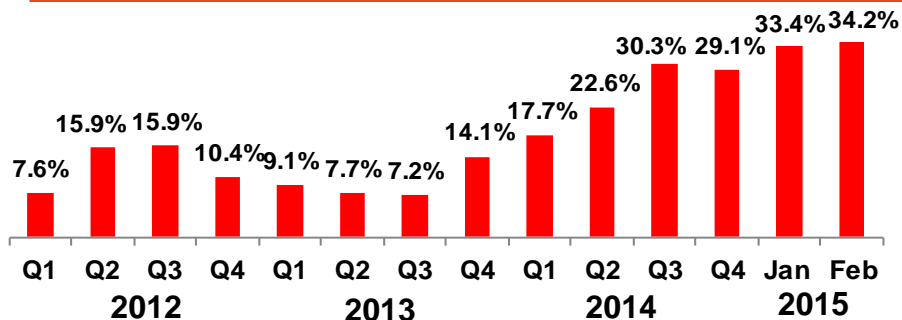
“YOUR NEIGHBORHOOD STORE FOR DAILY SHOPPING NEEDS”



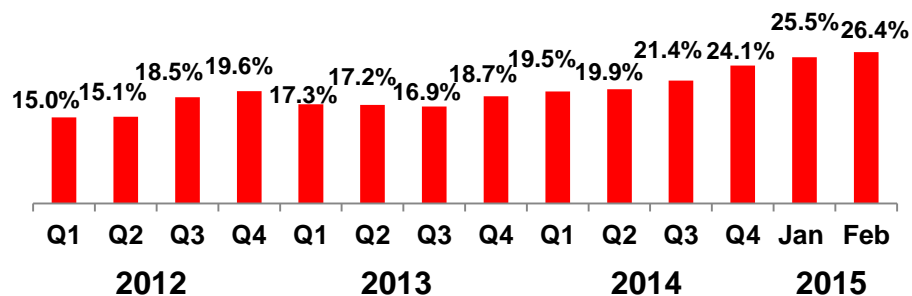
- ❖ 4,789 stores at 31 December 2014, 23 % increase y-o-y
- ❖ 1,754 thousand sq. m. of selling space (at 31 December 2014), 24% increase y-o-y
- ❖ 2014 Net sales – RUB 436 billion, 25% increase y-o-y
- ❖ Share in X5’s sales: ~70%
- ❖ 2014 LFL Results: Sales: 13.3%; traffic: 1.6%; basket: 11.5%
- ❖ Average check: 328 RUB (Q4 2014), 12.6% increase y-o-y
- ❖ Avg. net selling space, 350 sq. m.; formats: 150-300 sq. m. / 300-400 sq. m. / 400-600 sq. m. / 600-800 sq. m.
- ❖ Average assortment size: +4,000 skus, 15% to 20% increase in 2014

ESTABLISHING A TRACK RECORD - PYATEROCHKA

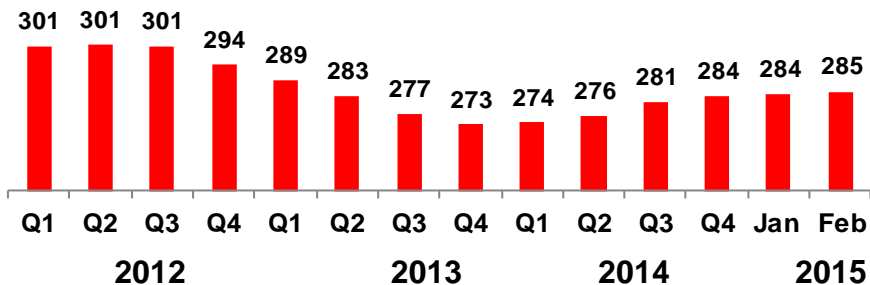
Net Sales Growth, % y-o-y



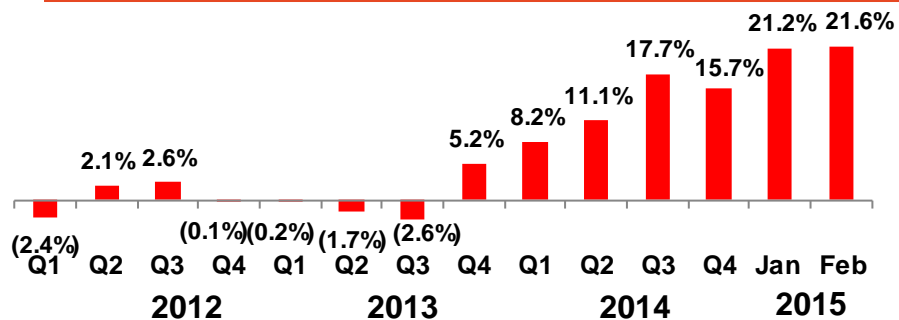
Net Selling Space Growth, % y-o-y



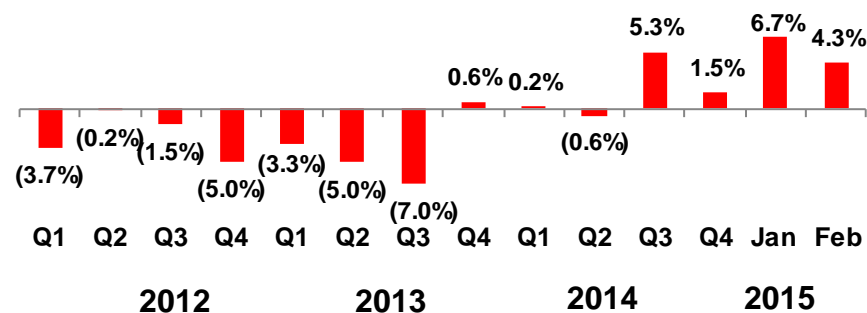
Sales Densities, th.RUB/sq.m.(1)



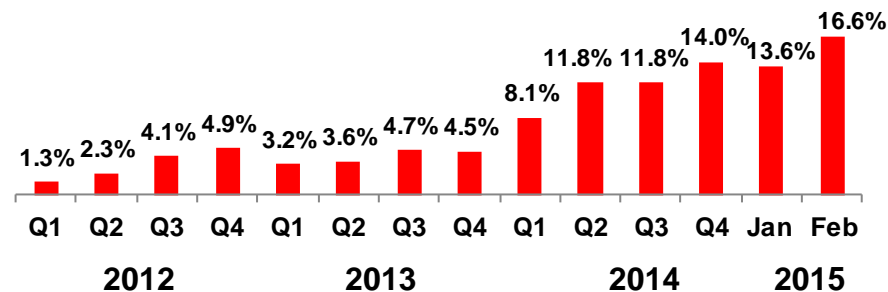
Total LFL Sales Growth, % y-o-y



Total LFL Traffic Growth, % y-o-y

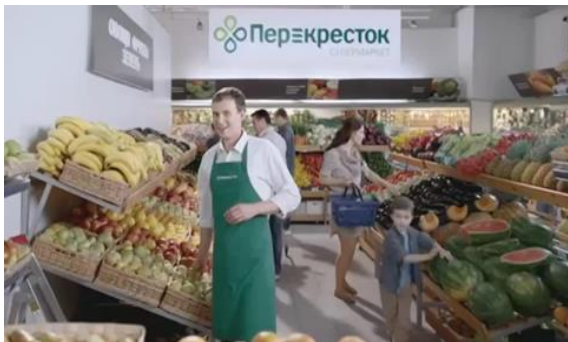


Total LFL Basket Growth, % y-o-y



Note (1): Total net sales from trailing four quarters divided by average selling space of trailing four quarters

PEREKRESTOK SUMMARY

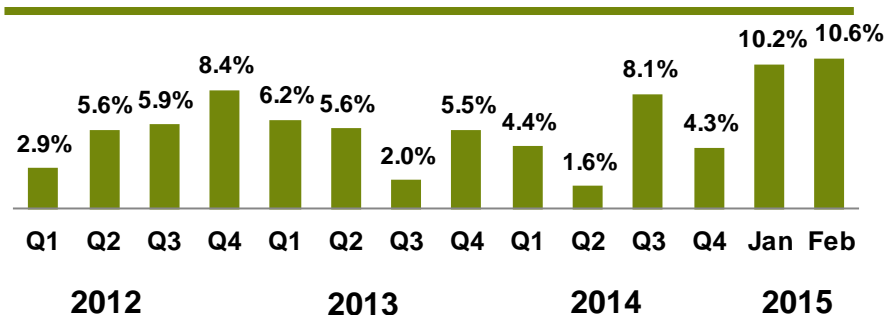


“RUSSIA’S FAVORITE, HIGH QUALITY FRESH SUPERMARKET”

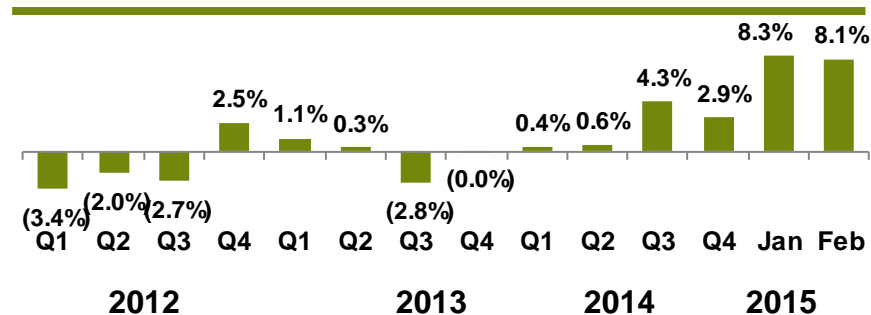
- ❖ 403 stores at 31 December 2014, 3.3% increase y-o-y
- ❖ 416 thousand sq. m. of selling space (at 31 December 2014), 4.5% increase y-o-y
- ❖ 2014 Net sales – RUB 116 billion; 4.5% increase y-o-y
- ❖ Share in X5’s sales - ~18%
- ❖ 2014 LFL Results: Sales: 2.1%; traffic: (2.9%); basket: 5.2%
- ❖ Average check: 485 RUB (Q4 2014)
- ❖ Avg. net selling space, ~ 1,000 sq. m.; formats: 800 sq. m. / 1,200 sq. m. / 1,600 sq. m.
- ❖ Average assortment size: +13,500 skus, 5% increase in 2014

ESTABLISHING A TRACK RECORD - PEREKRESTOK

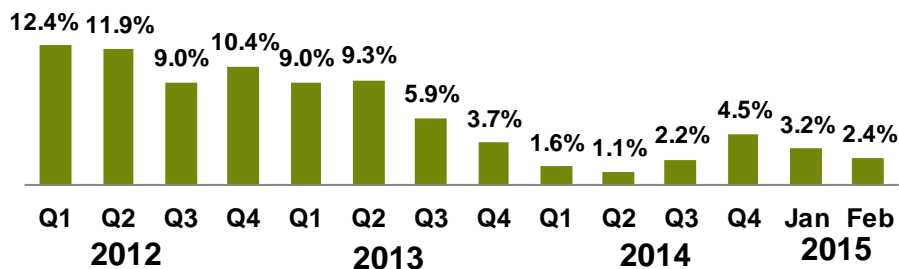
Net Sales Growth, % y-o-y



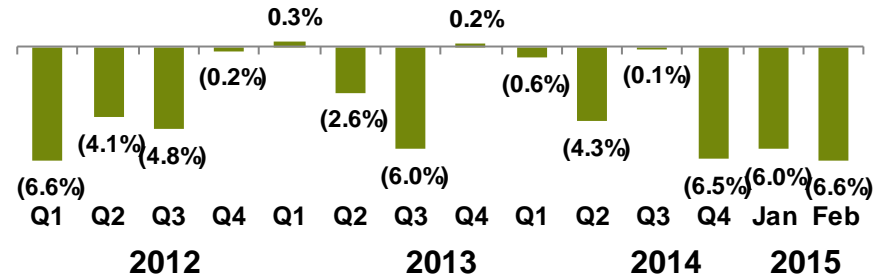
Total LFL Sales Growth, % y-o-y



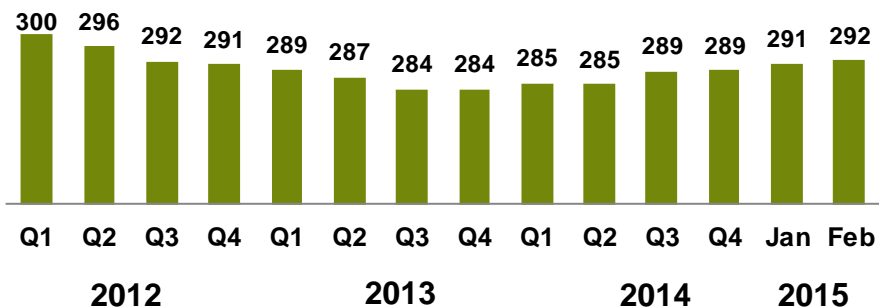
Net Selling Space Growth, % y-o-y



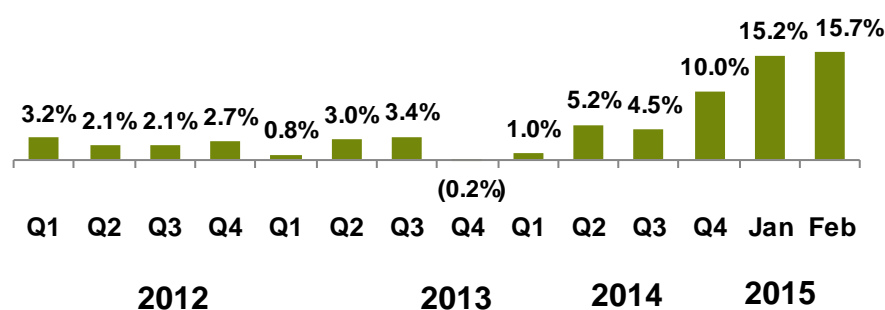
Total LFL Traffic Growth, % y-o-y



Sales Densities, th.RUB/sq.m.(1)



Total LFL Basket Growth, % y-o-y



Note (1): Total net sales from trailing four quarters divided by average selling space of trailing four quarters

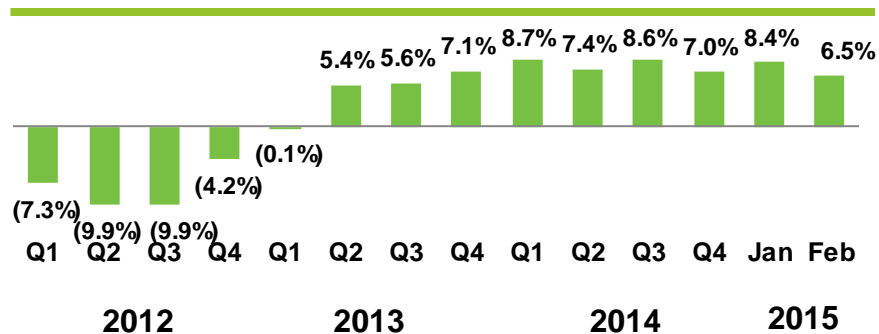


“YOUR DESTINATION STORE FOR ALL FOOD & HOUSEHOLD NEEDS”

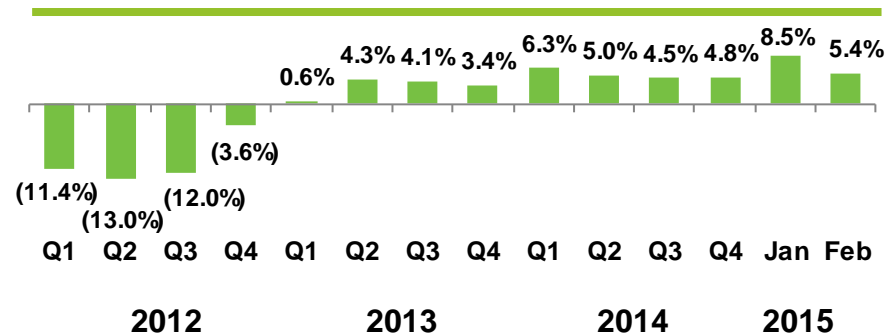
- ❖ 82 stores at 31 December 2014, (1.2%) decrease y-o-y
- ❖ 359 thousand sq. m. of selling space (at 31 December 2014), (4.6%) decrease y-o-y
- ❖ 2014 Net sales – RUB 69 billion, 7.9% increase y-o-y
- ❖ Share in X5's sales - ~11%
- ❖ 2014 LFL Results: Sales: 5.1%; Traffic: (1.8%); Basket: 7.1%
- ❖ Average check: 645 RUB (Q4 2014)
- ❖ Average net selling space: 3,000 - 4,500 sq. m.
- ❖ Average assortment size: 17,000 – 25,000 skus, new assortment targets up to 10,000 new skus and 15% - 20% rotation

ESTABLISHING A TRACK RECORD - KARUSEL

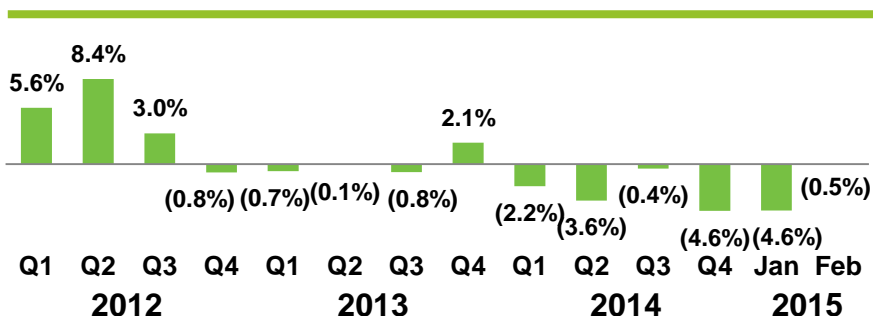
Net Sales Growth, % y-o-y



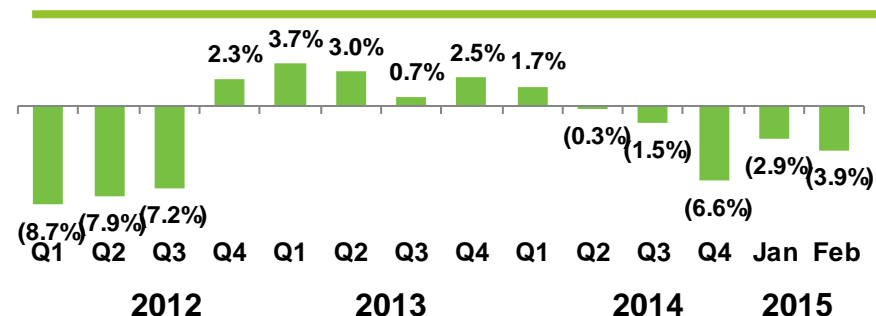
Total LFL Sales Growth, % y-o-y



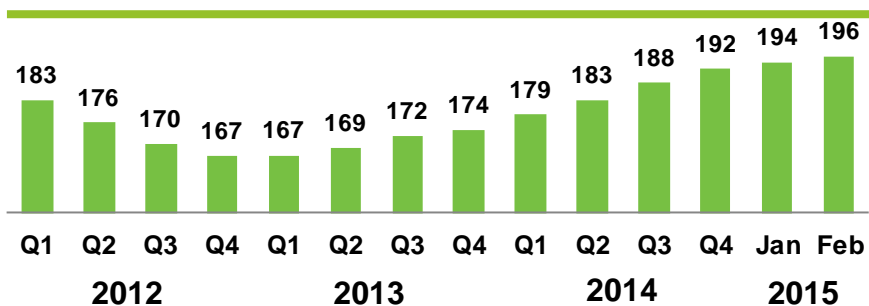
Net Selling Space Growth, % y-o-y



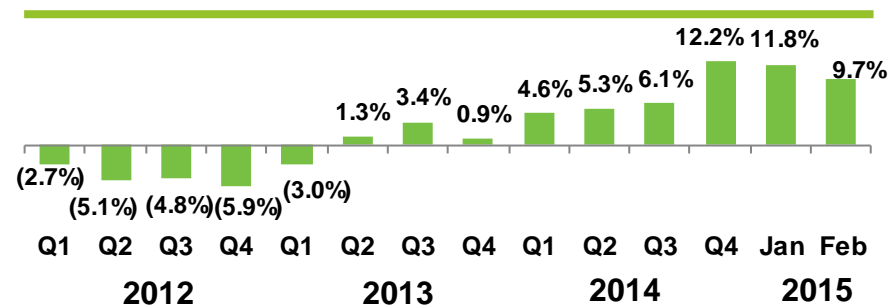
Total LFL Traffic Growth, % y-o-y



Sales Densities, th.RUB/sq.m.(1)



Total LFL Basket Growth, % y-o-y



Note (1): Total net sales from trailing four quarters divided by average selling space of trailing four quarters

- ❖ **Creating shareholder value by improving customer value propositions**
 - ❖ **Focus on customers and stores**
 - ❖ **Increase sales densities**
 - ❖ **Focus on operating efficiencies**
 - ❖ **Improve profitability and returns**
 - ❖ **Increase employee engagement and develop corporate culture**
- ❖ **Focus on accelerating growth**



**Creating
Stakeholder
Value**

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