

First Quarter 2013 Financial Results Conference Call

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Moscow, Russian Federation
21 May 2013

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Our Business

- Leading **Russian food retailer** – 5.6% of total food retail market⁽¹⁾
- **Multi-format brand** retail operator: **Pyaterochka** (Soft Discounter), **Perekrestok** (Supermarket), **Karusel** (Hypermarket) plus assorted brand name convenience stores

Q1 2013 Operating Results

- Total number of stores – **3,868** with **net selling space** of **1,988 th sq. m.**
- Total number of Distribution Centers (DCs) – **29**; number of own trucks – **1,924**
- ~ **446 mln check-out transactions** recorded in Q1 2013, a 7.6% year-on-year increase
- Operations in **782 population centers** across **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**

Q1 2013 Financial Results

- Consolidated **net sales** increased by **8.0%** in **RUR** terms to **RUR 126.5 bn (USD 4.2 bn)**
- **Gross profit margin** = **24.4%**
- **EBITDA margin** = **6.8%**

Note (1): in 2012, based on Rosstat

Q1 2013 Regional Store Breakdown

St. Petersburg & North-West region

Discounters: 519
Supermarkets: 35
Hypermarkets: 17

Moscow & Central region

Discounters: 1,418
Supermarkets: 213
Hypermarkets: 18
Convenience stores: 140

Volgo-Vyatsky region

Discounters: 240
Supermarkets: 24
Hypermarkets: 9

Urals region

Discounters: 346
Supermarkets: 14
Hypermarkets: 7

Privolzhsky region

Discounters: 178
Supermarkets: 17
Hypermarkets: 8

Ukraine

Supermarkets: 11

Centralno-Chernozemny region

Discounters: 206
Supermarkets: 9
Hypermarkets: 7

Southern region

Discounters: 188
Supermarkets: 17
Hypermarkets: 5

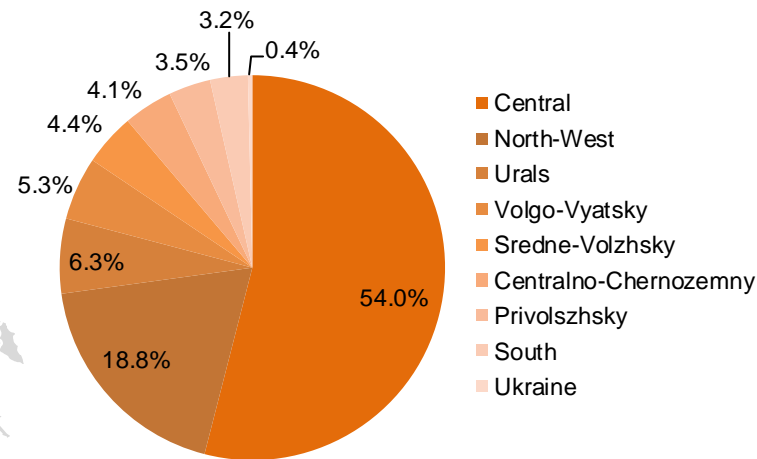
Sredne-Volzhsky region

Discounters: 184
Supermarkets: 31
Hypermarkets: 7

Overview

- Multi-format presence in 63 cities of European Russia, the Urals and Ukraine with population > 200,000 (2)
- Total stores – 3,868 (1,988 th sq. m. selling space), including:
 - 3,279 Pyaterochka “soft” discounters
 - 371 Perekrestok supermarkets
 - 78 Karusel hypermarkets
 - 140 convenience stores

Q1 2013 Net Retail Sales by Region

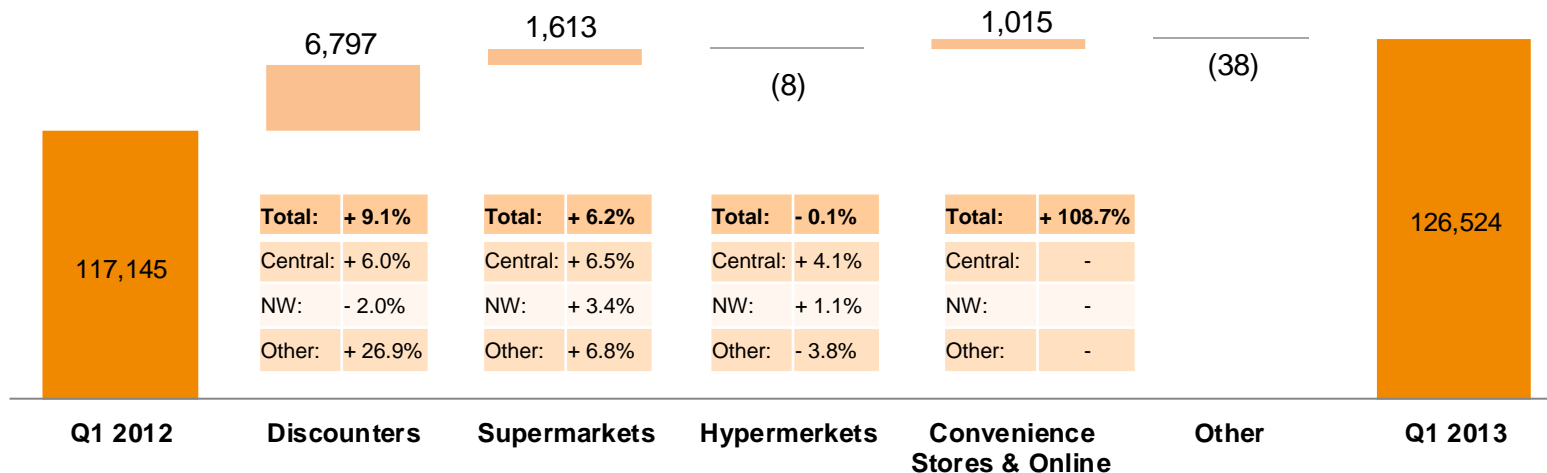


Notes: (1) as at 31 December 2012, (2) according to 2010 population census

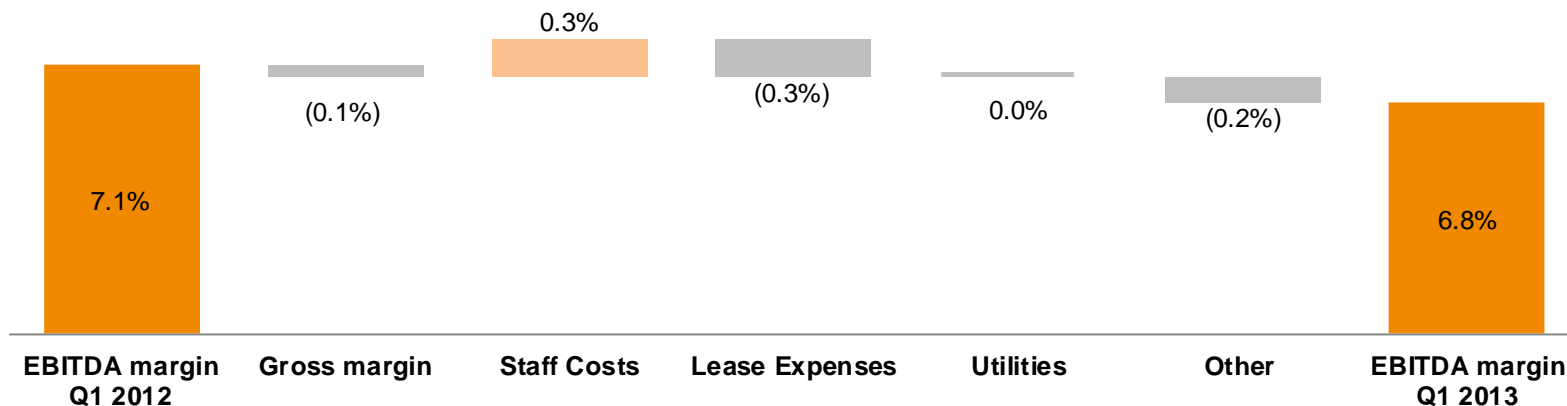
Financial Overview – Q1 2013 vs. Q1 2012



Increase in net sales by format, RUB mln & y-o-y net retail sales growth by format



EBITDA margin breakdown analysis



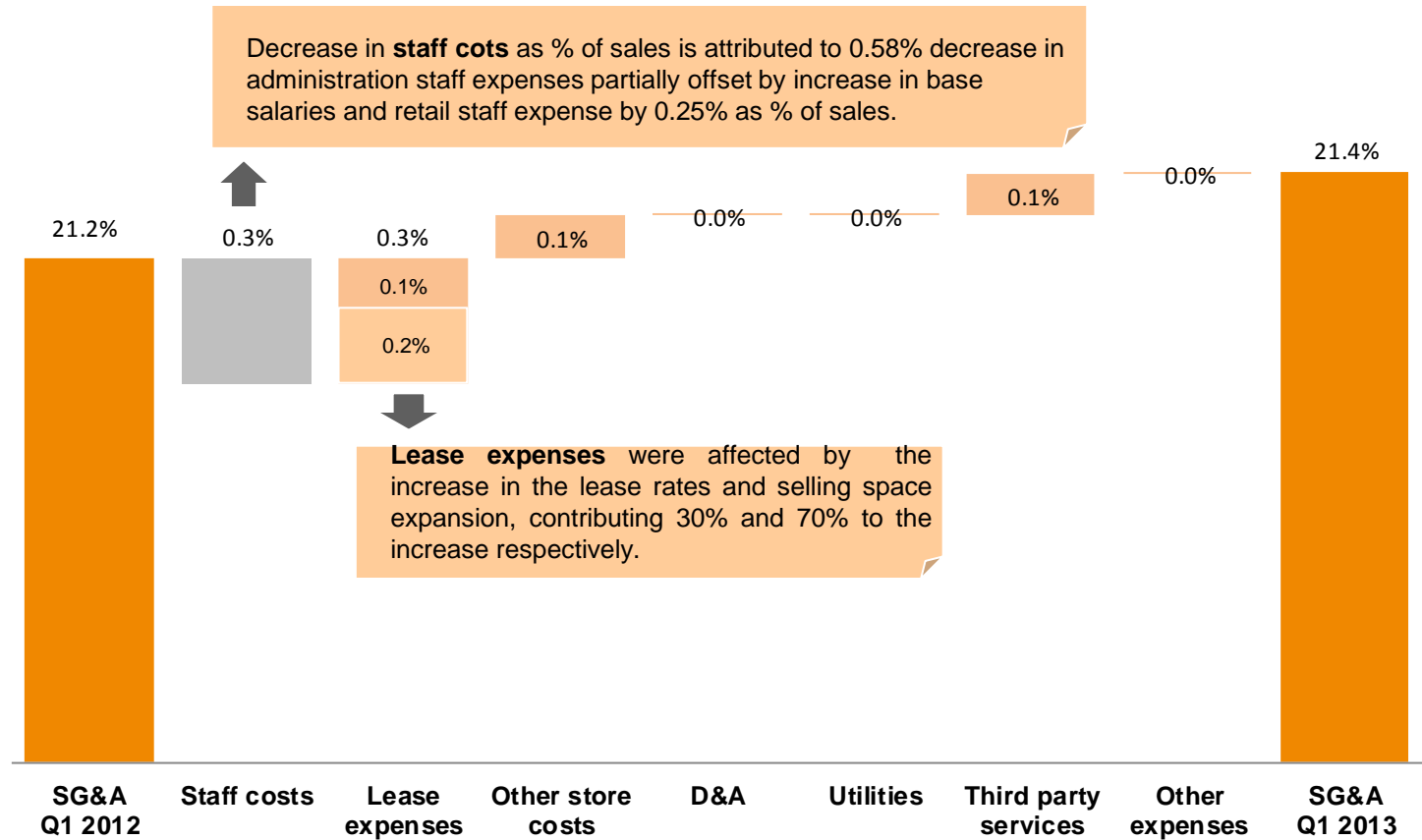
USD mln (when applicable)	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q-o-Q +/(-)%	Y-o-Y +/(-)%
Retail sales	3,862.0	3,981.8	3,610.4	4,307.8	4,152.5	(3.6) %	7.5 %
Total revenues	3,870.7	3,987.9	3,616.7	4,319.9	4,160.0	(3.7) %	7.5 %
COGS	2,923.5	3,077.6	2,791.7	3,278.2	3,144.0	(4.1) %	7.5 %
Gross profit	947.2	910.3	825.0	1,041.7	1,016.0	(2.5) %	7.3 %
Gross profit margin	24.5%	22.8%	22.8%	24.1%	24.4%	-	-
EBITDA	274.0	280.3	219.9	349.6	284.2	(18.7) %	3.7 %
EBITDA margin	7.1%	7.0%	6.1%	8.1%	6.8%	-	-
Effective income tax rate	26.6%	25.5%	15.3%	n/a	24.9%	-	-
Net profit	66.3	68.9	12.1	102.2 ⁽¹⁾	65.1	-	(1.8) %
Net profit margin	1.7%	1.7%	0.3%	2.4% ⁽¹⁾	1.6%	-	-
Earnings per share (EPS)	0.98	1.02	0.18	(4.05)	0.96	-	-
Diluted EPS	0.98	1.02	0.18	(4.04)	0.96	-	-
Net cash used in investing activities	180.4	194.5	195.4	225.9	105.3	(86.8) %	(41.6) %
Net debt	3,808.3	3,525.3	3,814.3	3,619.4	3,614.2	(0.1) %	(5.1) %

Note: (1) Net income adjusted for impairment of assets (USD 467.3 mln) and deferred tax income from impairment (USD 91.3 mln), not adjusted net income for Q4 amounted to USD 126.5 mln

Q1 2012	% of Net Sales	Q1 2013	% of Net Sales	USD mln	Q4 2012	% of Net Sales	Q1 2013	% of Net Sales
(342.4)	8.8%	(354.4)	8.5%	Staff Costs	(341.6)	7.9%	(354.4)	8.5%
(151.3)	3.9%	(175.0)	4.2%	Lease Expenses	(156.7)	3.6%	(175.0)	4.2%
(61.3)	1.6%	(70.5)	1.7%	Other Store Costs	(73.0)	1.7%	(70.5)	1.7%
(103.0)	2.7%	(110.6)	2.7%	D&A	(594.9)	13.8%	(110.6)	2.7%
-	-	-	-	Impairment	(467.3)	10.8%	-	-
(91.2)	2.4%	(101.0)	2.4%	Utilities	(83.7)	1.9%	(101.0)	2.4%
(23.7)	0.6%	(27.3)	0.7%	Third Party Services	(40.7)	0.9%	(27.3)	0.7%
(46.0)	1.2%	(50.3)	1.2%	Other Expenses	(42.2)	1.0%	(50.3)	1.2%
(818.9)	21.2%	(889.1)	21.4%	Total SG&A	(1,332.7)	30.9%	(889.1)	21.4%
				Adjusted SG&A	(865.4)	20.1%		

- In Q1 2013, SG&A expenses, as a percentage of net sales, increased y-o-y by 22 bp to 21.4%.
- Staff costs, as a percentage of net sales, decreased y-o-y by 32 bp in Q1 2013 to 8.5% primarily due to a y-o-y reduction in bonus accruals (48 bp) and income recognized the Company's long term incentive plans (10 bp) resulting from the re-measurement of the plans liability at 31 March 2013, compared to an expense recognized in the corresponding period of 2012. These decreases were partially offset by a y-o-y increase in our Q1 2013 employee salaries and wages (25 bp).
- Lease expenses in Q1 2013, as a percentage of net sales, increased y-o-y by 30 bp to 4.2% 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 a percentage of X5's total real estate portfolio, leased space accounted for 54.5% at 31 March 2013 compared to 53.9% in the corresponding period of 2012.
- In Q1 2013, other store costs increased, as a percentage of net sales, by 11 bp y-o-y to 1.7% mainly due to an increase repair and maintenance work at our stores.
- Third party services expense in Q1 2013 increased, as a percentage of net sales, by 4 bp y-o-y due to a slight increase in advertising and marketing activity.
- Utilities and Other expenses remained flat y-o-y as a percentage of net sales.

SG&A, % of sales



USD mln	Q1 2012	Q1 2013	+/(-)	+/- % change
Net Cash From Operating Activities	(77.1)	28.4	105.5	n/a
Net Cash from Operating Activities before Changes in Working Capital	289.8	289.6	0.2	(0.1) %
Change in Working Capital	(240.5)	(134.2)	(106.3)	(44.2) %
Net Interest and Income Tax Paid	(126.4)	(126.9)	0.5	0.4 %
Net Cash Used in Investing Activities	(180.4)	(105.3)	(75.1)	(41.6)
Net Cash From Financing Activities	31.6	(81.7)	113.3	n/a
Effect of Exchange Rate Changes on Cash & Cash Equivalents	29.8	(5.9)	35.7	n/a
Net Increase/(Decrease) in Cash & Cash Equivalents	(196.2)	(164.5)	(31.7)	(16.2) %

- **Net cash from operating activities** in Q1 2013 increased to USD 28 mln from USD (77) mln in Q1 2012, primarily due to changes in working capital.
 - Working capital changes in Q1 2013, compared to Q1 2012, were driven by improvements in trade accounts receivables and inventories management, which were offset by a decrease in trade payables and a decline in the positive contribution of other accounts payable.
 - Trade and other accounts receivables decreased by USD 87.4 mln in Q1 2013 due to the increased focus on front margin, and the subsequent decrease in vendor receivables, as well as overall improvements in our collection procedures. Inventories decreased by USD 86.1 mln as a result of the higher inventory balance at 31 December 2012, compared to the 2011 period, which also resulted in lower purchases in Q1 2013 and a reduction of USD 360.1 mln in trade payables. Other accounts payable increased by USD 52.4 mln in Q1 2013 and were impacted by more efficient processing of VAT payables compared to the corresponding period in 2012.
- **Net cash used in investing activities** totaled USD 105 mln in Q1 2013, compared to USD 180 mln for the corresponding period in 2012, and generally consisted of payments for property, plant and equipment and reflect the slower pace of selling space expansion in the 2013 period.
- **Net cash used in financing activities** in Q1 2013 totaled USD 82 mln.

USD mln	31 December 2012	31 March 2013	+/(-)	+/(-)%
Total current assets	2,465.9	2,073.1	(392.8)	(15.9) %
incl. Cash & cash equivalents	407.9	243.1	164.7	40.4 %
incl. Inventories	1,114.9	1,005.1	109.8	9.8 %
Total non-current assets	7,116.4	6,919.6	196.9	2.8 %
incl. Net PP&E	4,147.3	4,014.4	132.9	3.2 %
incl. Goodwill	2,114.3	2,068.9	45.4	2.1 %
Total assets	9,582.4	8,992.7	589.7	6.2 %
Total current liabilities	4,884.7	4,446.4	438.3	9.0 %
incl. ST debt	1,680.9	1,657.9	23.0	1.4 %
incl. Trade accounts payable	2,396.9	1,989.8	407.1	17.0 %
Total non-current liabilities	2,495.9	2,333.1	162.8	6.5 %
incl. LT debt	2,346.4	2,199.7	146.7	6.3 %
Total liabilities	7,380.6	6,779.5	601.1	8.1 %
Total equity	2,201.8	2,213.2	(11.4)	(0.5) %
Total liabilities & equity	9,582.4	8,992.7	589.7	6.2 %

Note: RUR/USD exchange rate at 31 December 2012 – 30.37 and for 31 March 2013 – 31.08

Debt profile

USD mln	31 Dec 2012	% in total	31 Mar 2013	% in total
Total Debt	4,027.3		3,857.6	
Short-Term Debt	1,680.9	41.7%	1,657.9	43.0%
Long-Term Debt	2,346.4	58.3%	2,199.7	57.0%
Net Debt / (Net Cash)	3,619.4		3,614.2	
Denominated in USD	0.0	-	0.0	-
Denominated in RUR	3,619.4	100.0%	3,614.2	100.0%
RUR/USD exch. rate, EoP	30.37		31.08	

Liquidity update

Metric	31 Dec 2012	31 Mar 2013	Covenants
Net Debt / EBITDA ⁽¹⁾	3.15x	3.18x	< 4.00x
Interest Coverage ratio ⁽²⁾	3.29x	3.22x	> 2.75x
Cash Balance, USD mln	407.9	243.4	-
Undrawn credit lines, USD mln	2,686.6	2,775.4	-

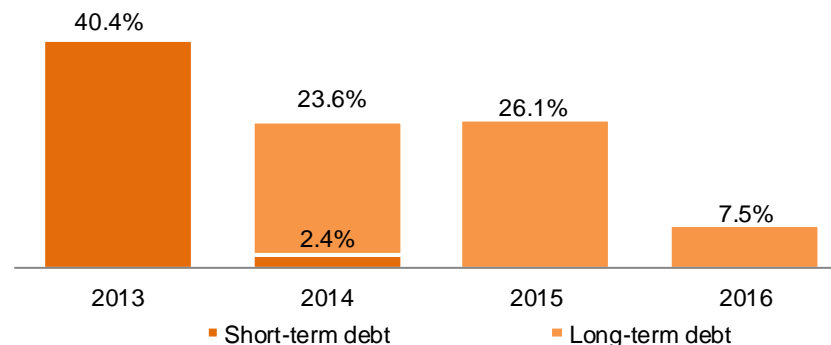
Notes:

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

(2) Based on 12 months trailing financial results

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

Debt portfolio maturity, USD mln ⁽³⁾



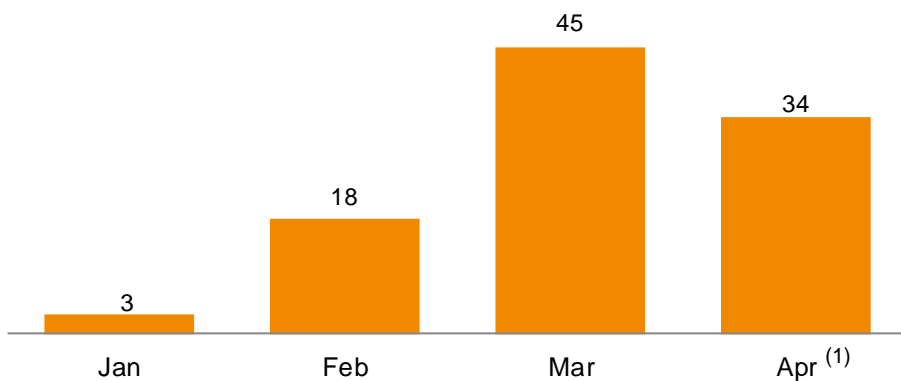
Comments

- In Q1 2013 X5's net debt to EBITDA ratio has slightly increased to 3.18x relative to the ratio reported at the end of 2012.
- 100% of X5's debt portfolio is RUR-denominated eliminating the impact of future exchange rate volatility on reported financial results.
- 42,8% of X5 debt portfolio are short-term loans and ST portion of LT loans, including:
 - 22,4% short-term revolving loans
 - 10,2% loans out of long-term revolving committed credit lines
 - 10,2% club loan that will be refinanced in 2013.

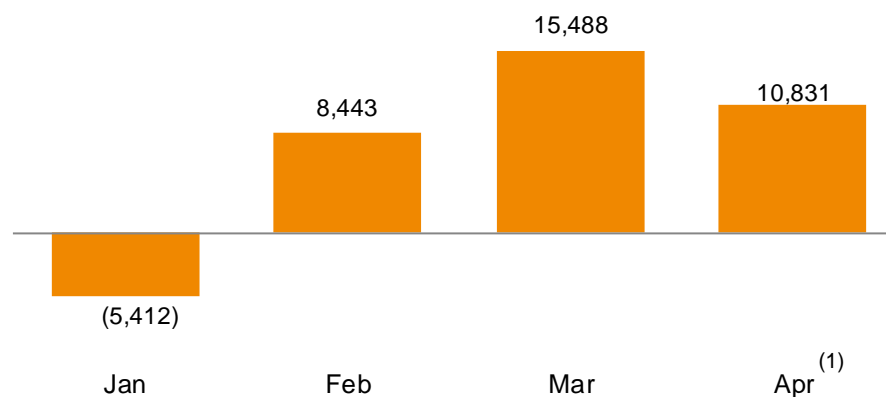
Appendix



Number of Stores Opened, net



Selling Space Added, net sq.m.

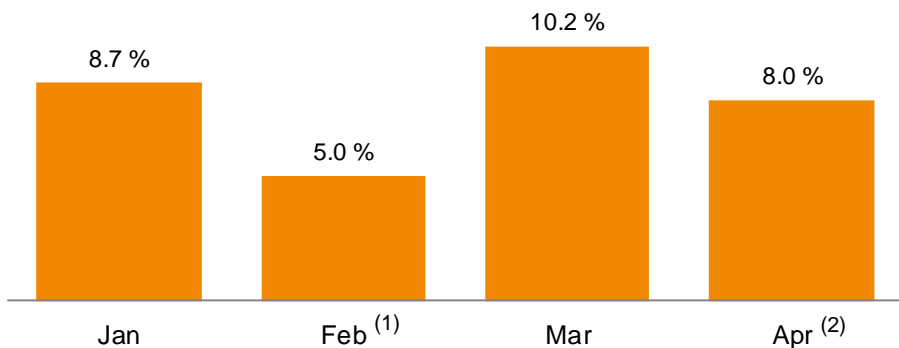


Expansion y-o-y in 4M 2013:
 100 stores added vs 170 stores in 2012 / 29.3 thd sqm added vs 59.2 thd sqm in 2012

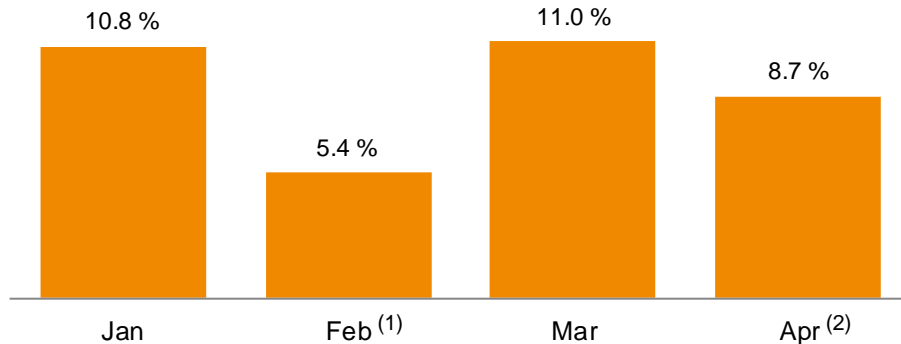
Notes:

(1) Preliminary results

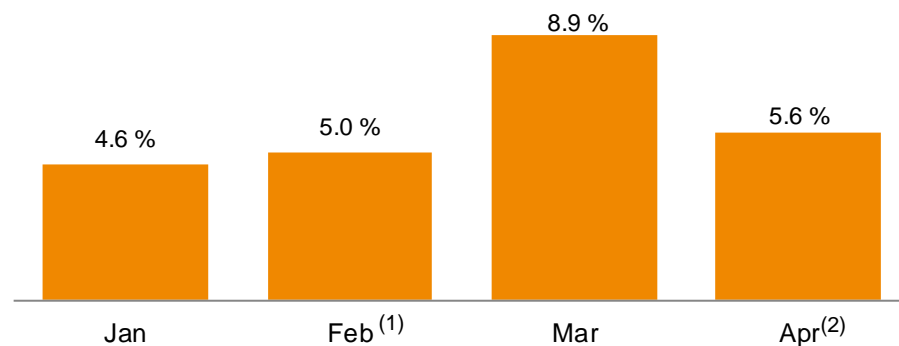
Total Net Retail Sales Growth, % y-o-y



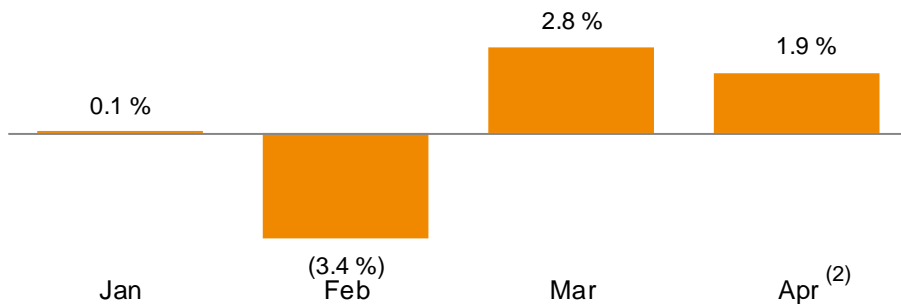
Soft Discounter Net Retail Sales Growth, % y-o-y



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



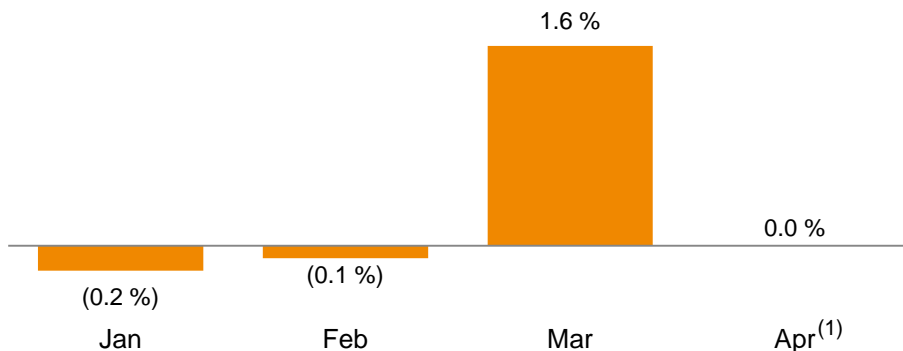
Hypermarkets Net Retail Sales Growth, % y-o-y



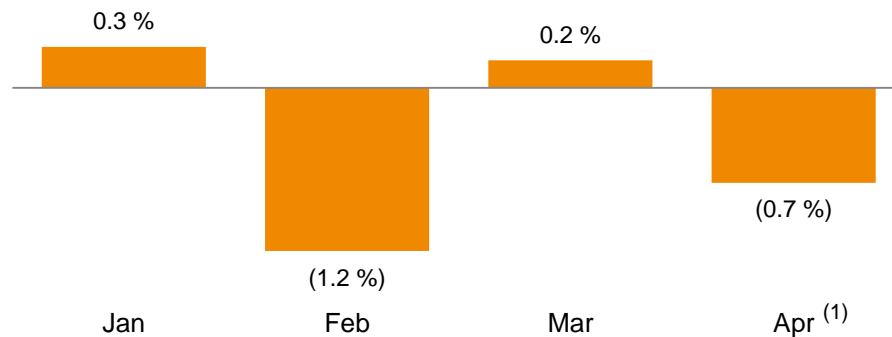
Notes:

- (1) Net retail sales results are not adjusted for the 2012 leap year effect (29 days in February). Adjusted net retail sales growth for February 2013 is as follows: X5 - 8.7%, Soft Discounters – 9.1%, Supermarkets – 8.7%, Hypermarkets – 0.1%, Convenience stores – 89.6%.
- (2) Preliminary results

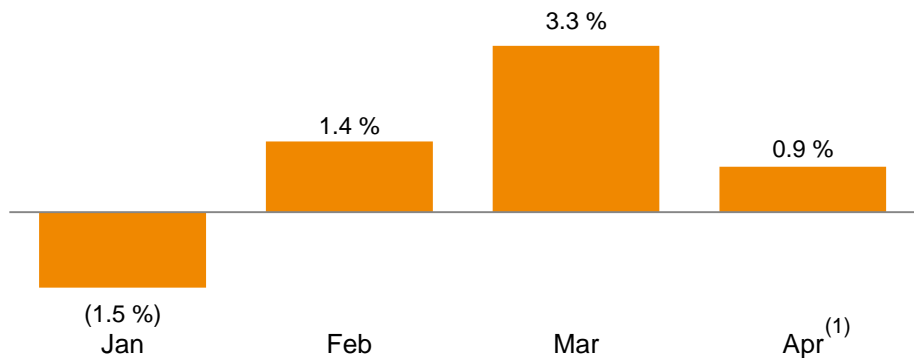
Total LFL Sales Growth, %



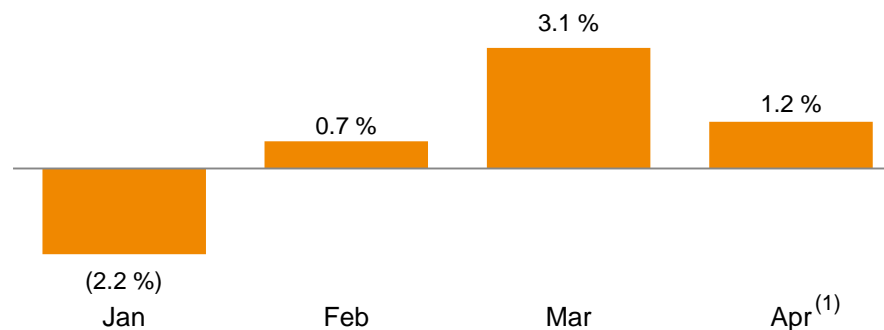
Soft Discounters LFL Sales Growth, %



Supermarkets LFL Sales Growth, %



Hypermarkets LFL Sales Growth, %

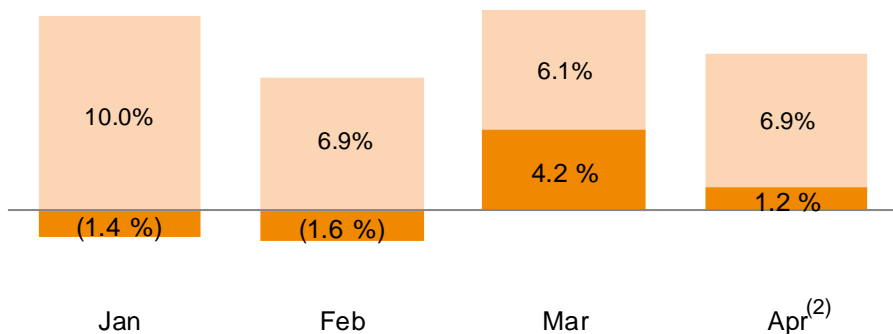


Notes:

(1) Preliminary results

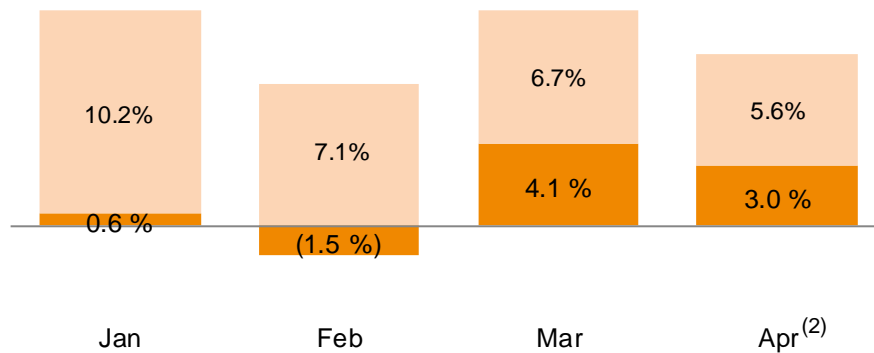
Total X5 Sales Growth, %

■ Total basket growth, % ■ Total traffic growth, %



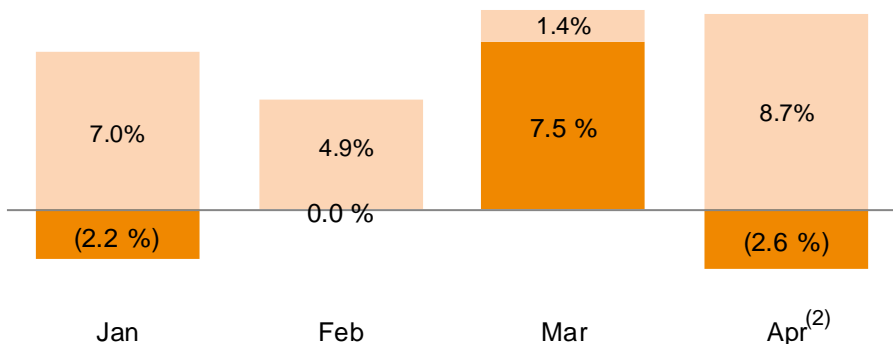
Soft Discounters Sales Growth, %

■ Total basket growth, % ■ Total traffic growth, %



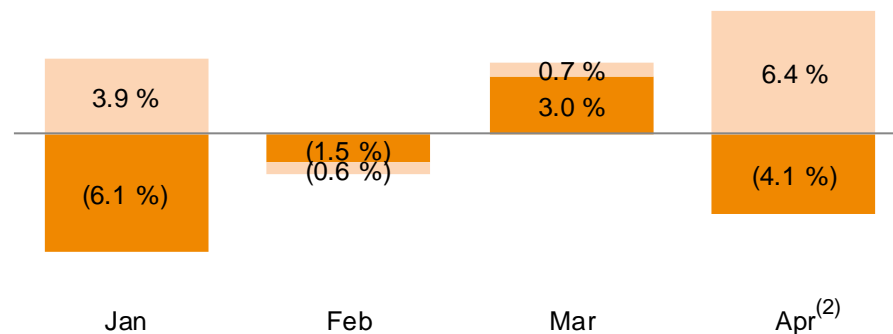
Supermarkets Sales Growth, %

■ Total basket growth, % ■ Total traffic growth, %



Hypermarkets Sales Growth, %

■ Total basket growth, % ■ Total traffic growth, %



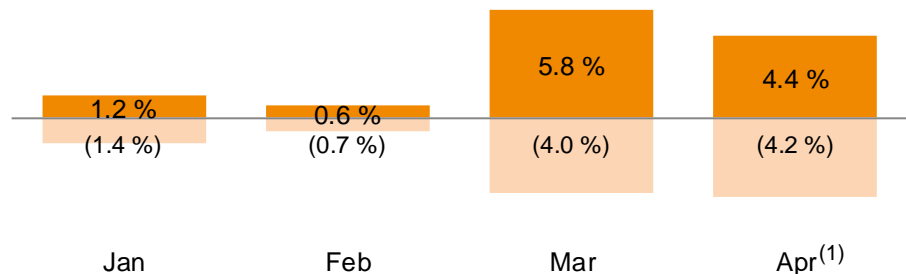
Notes:

(1) Based on gross sales

(2) Preliminary results

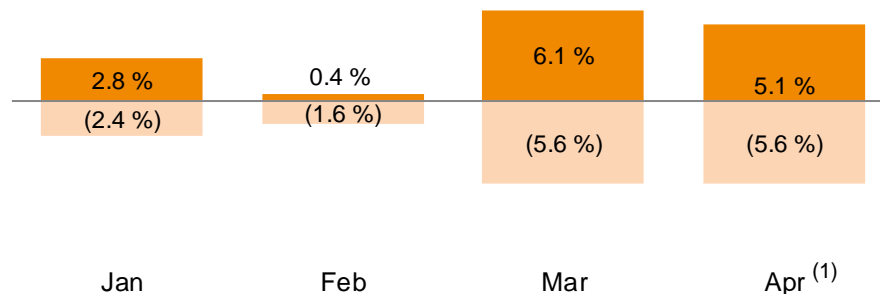
Total X5 LFL Sales Growth, %

■ LFL basket growth, % ■ LFL traffic growth, %



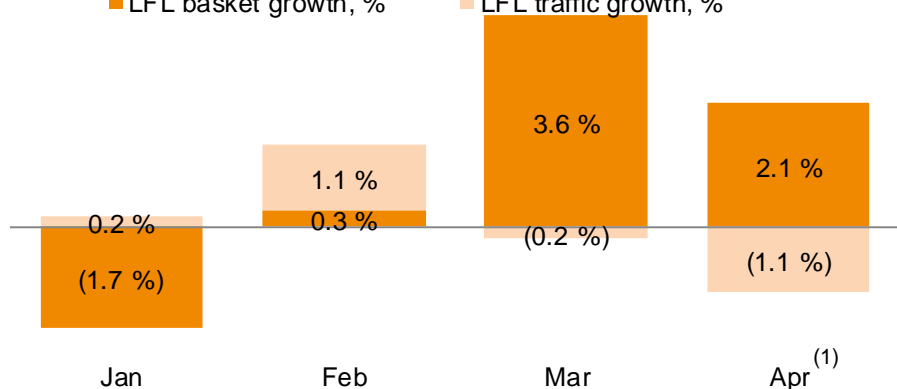
Soft Discounters LFL Sales Growth, %

■ LFL basket growth, % ■ LFL traffic growth, %



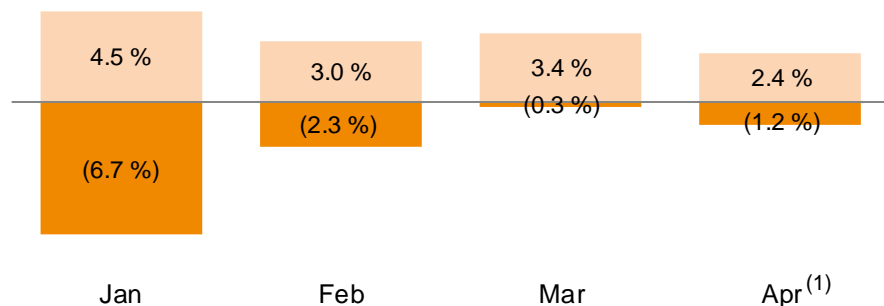
Supermarkets LFL Sales Growth, %

■ LFL basket growth, % ■ LFL traffic growth, %



Hypermarkets LFL Sales Growth, %

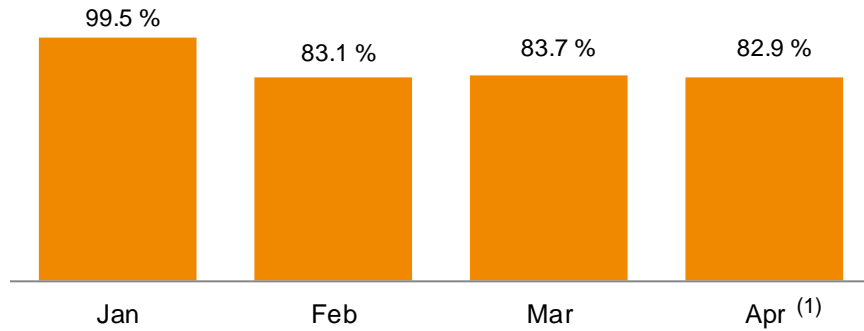
■ LFL basket growth, % ■ LFL traffic growth, %



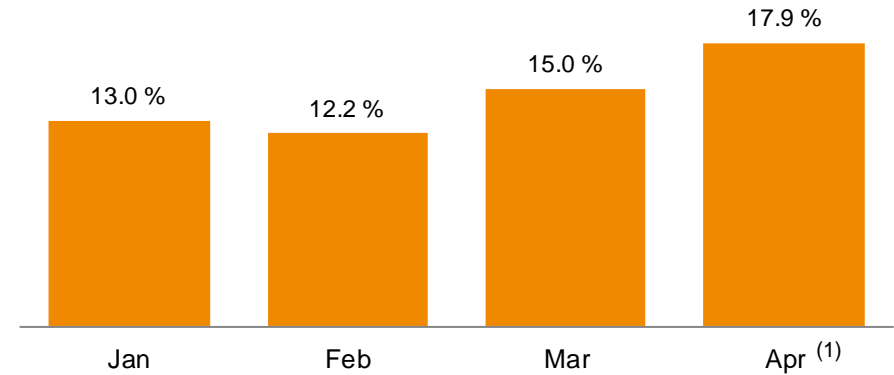
Notes:

(1) Preliminary results

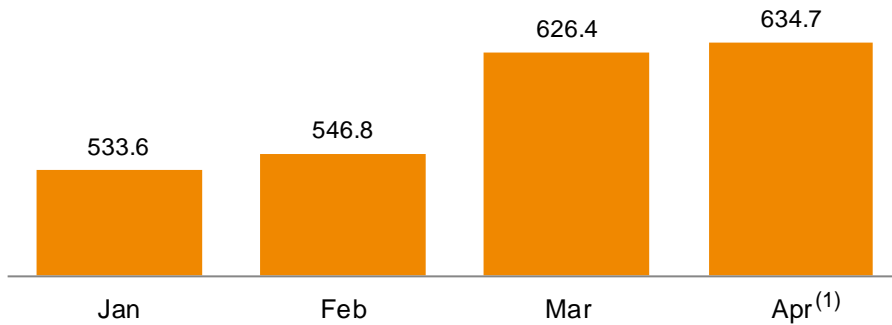
Net Retail Sales Growth, %



LFL Sales Growth, %



Net Retail Sales, mln



Comments

- Rapidly developing format operating under Perekrestok Express and Kopeyka brands
- Strong LFL and sales dynamics
- Strong demand for this format in urban centers

Notes:

(1) Preliminary results

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