X5 RETAIL GROUP

Second Quarter 2013 Financial Results Conference Call

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Moscow, Russian Federation

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Пятёрочка Перекресток КАРУСЕЛЬ

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Summary Highlights – Q2 2013

Our Business

- **Multi-format brand** retail operator: **Pyaterochka** (Soft Discounter), **Perekrestok** (Supermarket), **Karusel** (Hypermarket) plus assorted brand name convenience stores

Q2 2013 Operating Results

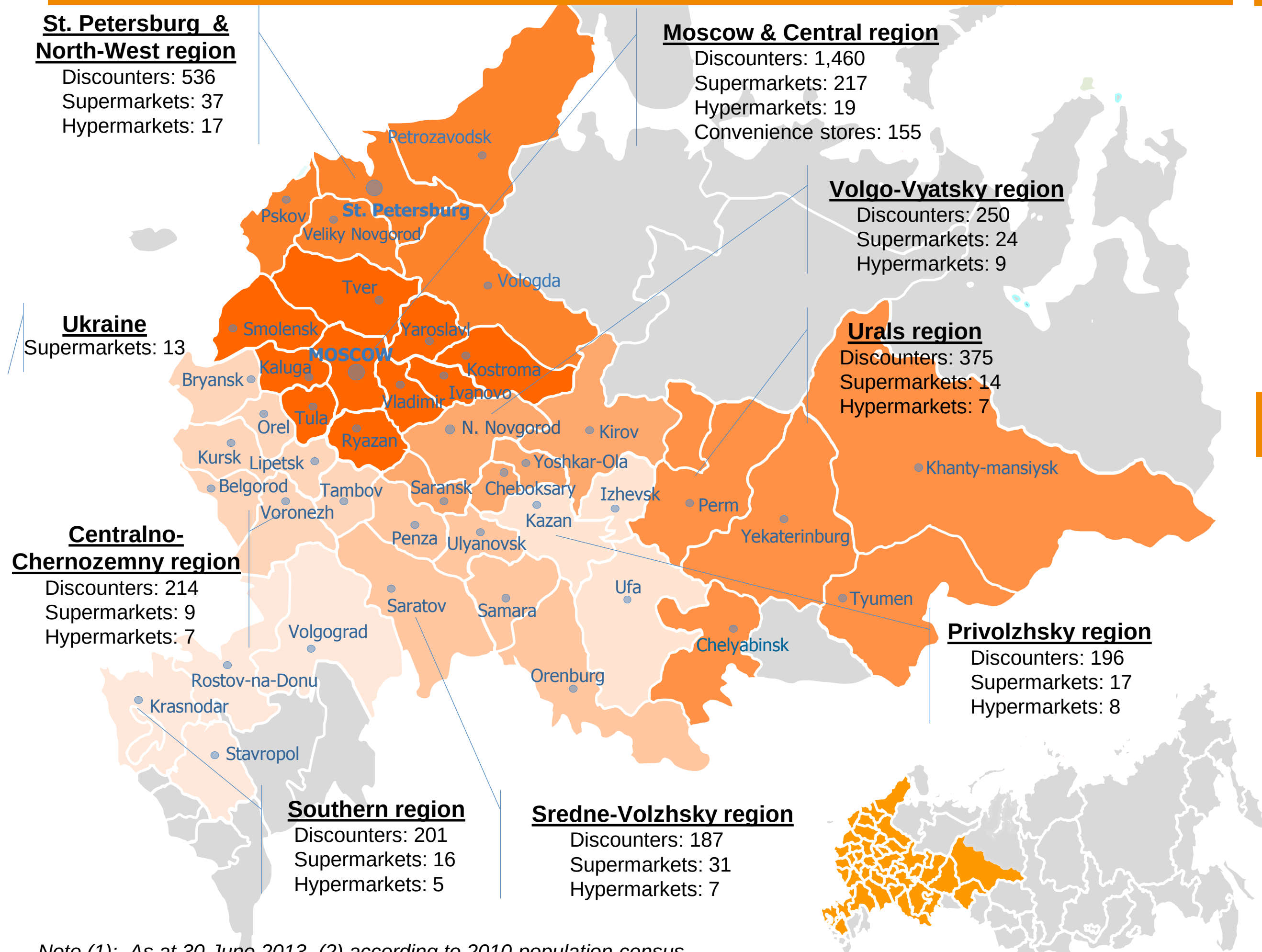
- Total number of stores – **4,031** with **net selling space** of **2,048 th sq. m.**
- Total number of Distribution Centers (DCs) **– 29;** number of own trucks **– 1,865**
- ~ **493 mln check-out transactions** recorded in Q2 2013, a 6.3% year-on-year increase
- Operations in **794 population centers** 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**

Q2 2013 Financial Results

- Consolidated **net sales increased by 7.9% in RUR terms** to **RUR 133.4 bn (USD 4.2 bn)**
- **Gross profit margin** = **23.6%**
- **EBITDA margin** = **6.9%**

Regional Presence (1)

Q2 2013 Regional Store Breakdown



St. Petersburg & North-West region
Discounters: 536
Supermarkets: 37
Hypermarkets: 17

Moscow & Central region
Discounters: 1,460
Supermarkets: 217
Hypermarkets: 19
Convenience stores: 155

Volgo-Vyatsky region
Discounters: 250
Supermarkets: 24
Hypermarkets: 9

Ukraine
Supermarkets: 13

Urals region
Discounters: 375
Supermarkets: 14
Hypermarkets: 7

Centralno-Chernozemny region
Discounters: 214
Supermarkets: 9
Hypermarkets: 7

Privolzhsky region
Discounters: 196
Supermarkets: 17
Hypermarkets: 8

Southern region
Discounters: 201
Supermarkets: 16
Hypermarkets: 5

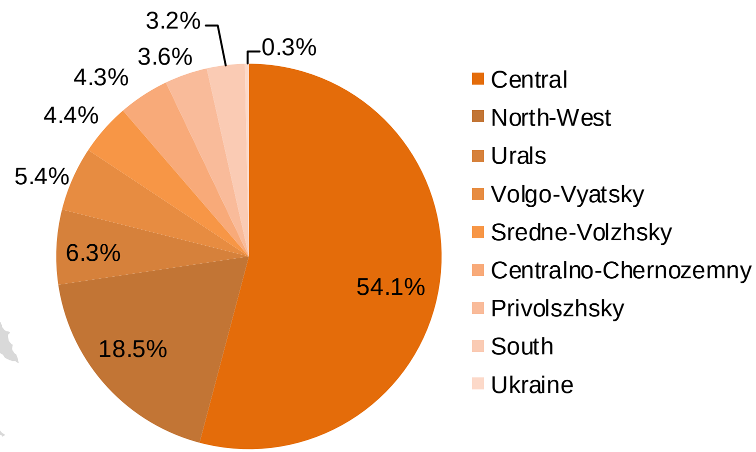
Sredne-Volzhsky region
Discounters: 187
Supermarkets: 31
Hypermarkets: 7

Note (1): As at 30 June 2013, (2) according to 2010 population census

Overview

- Multi-format presence in 62 cities of European Russia, the Urals and Ukraine with population > 200,000 (2)
- Total stores – 4,031 (2,048 th sq. m. selling space), including:
  - — 3,419 Pyaterochka "soft" discounters
  - — 378 Perekrestok supermarkets
  - — 79 Karusel hypermarkets
  - — 155 convenience stores

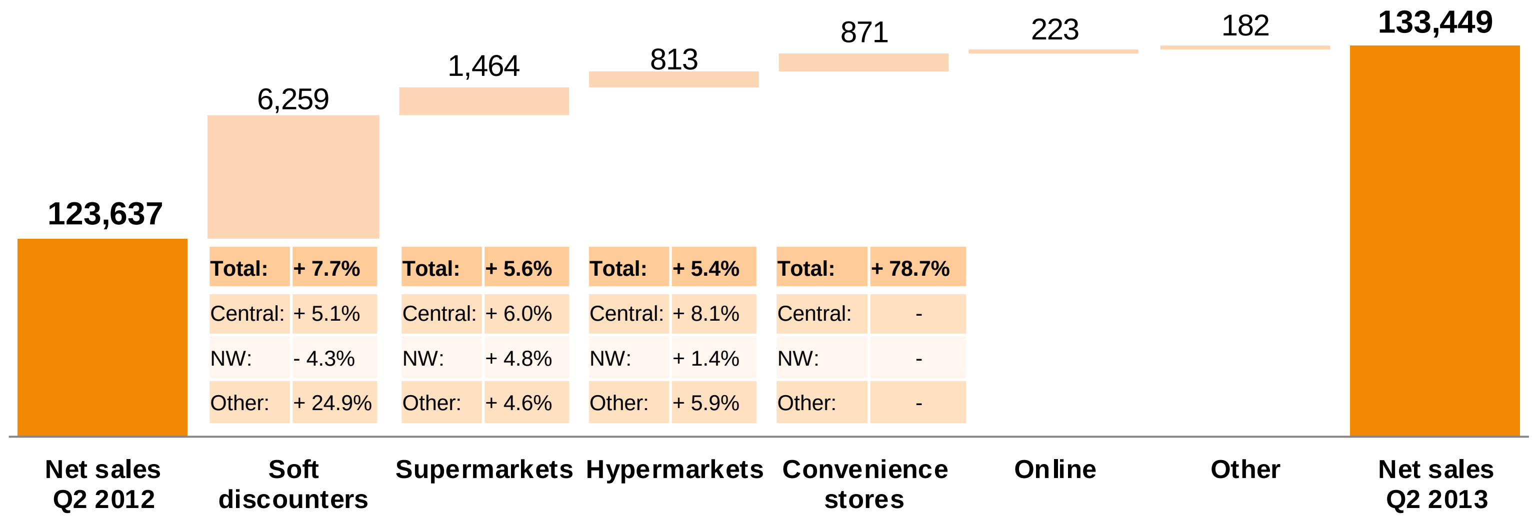
Q2 2013 Net Retail Sales by Region



Financial Overview – Q2 2013 vs. Q2 2012

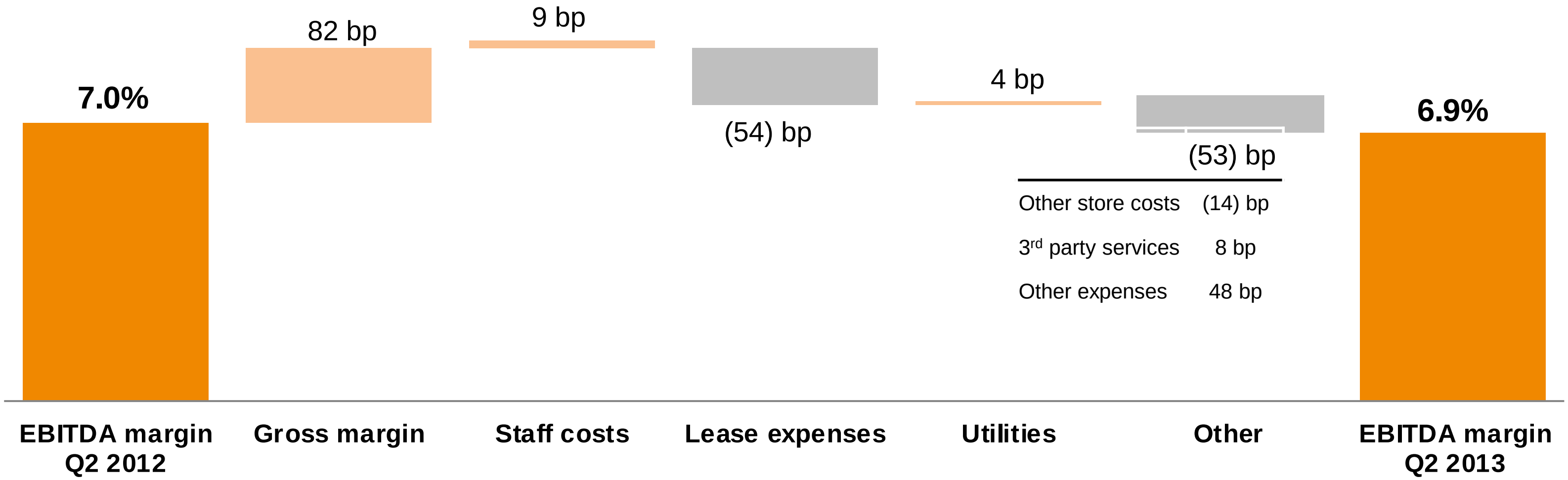
Sales & EBITDA Breakdown

Net sales breakdown, RUR million



	Soft discounters	Supermarkets	Hypermarkets	Convenience stores
Total:	**+ 7.7%**	**+ 5.6%**	**+ 5.4%**	**+ 78.7%**
Central:	+ 5.1%	+ 6.0%	+ 8.1%	-
NW:	- 4.3%	+ 4.8%	+ 1.4%	-
Other:	+ 24.9%	+ 4.6%	+ 5.9%	-

EBITDA margin breakdown



Other store costs	(14) bp
3rd party services	8 bp
Other expenses	48 bp

Financial Highlights

USD million (when applicable)	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q-o-Q +/(-)%	Y-o-Y +/(-)%
Retail sales	3,981.8	3,610.4	4,307.8	4,152.5	4,209.8	*1.4%*	*5.7%*
Total revenues	3,987.9	3,616.7	4,319.9	4,160.0	4,221.6	*1.5%*	*5.9%*
COGS	3,077.6	2,791.7	3,278.2	3,144.0	3,223.4	*2.5%*	*4.7%*
Gross profit	910.3	825.0	1,041.7	1,016.0	998.2	*(1.8%)*	*9.7%*
Gross profit margin	***22.8%***	***22.8%***	***24.1%***	***24.4%***	***23.6%***	**-**	**-**
EBITDA	280.3	219.9	349.6	284.2	291.4	*2.5%*	*3.9%*
EBITDA margin	***7.0%***	***6.1%***	***8.1%***	***6.8%***	***6.9%***	**-**	**-**
Effective income tax rate	25.5%	15.3%	n/a	24.9%	23.9%	-	-
Net profit	68.9	12.1	102.2(1)	65.1	73.7	*13.2%*	*7.0%*
Net profit margin	***1.7%***	***0.3%***	***2.4%***(1)	***1.6%***	***1.7%***	**-**	**-**
Earnings per share (EPS)	1.02	0.18	1.51 (1)	0.96	1.09	*13.1%*	*6.4%*
Diluted EPS	1.02	0.18	1.51 (1)	0.96	1.09	*13.1%*	*6.4%*
Net cash used in investing activities	194.5	195.4	225.9	105.3	152.4	*47.6%*	*(21.6%)*
Net debt	3,525.3	3,814.3	3,619.4	3,614.2	3,536.0	*(2.2%)*	*0.3%*

Note (1): Net income adjusted for impairment of assets (USD 467.3 million (mln)) and deferred tax income from impairment (USD 91.3 mln), not adjusted net loss for Q4 amounted to USD 273.8 mln .

SG&A Breakdown

Q2 2012	% of Net Sales	Q2 2013	% of Net Sales	USD mln	Q1 2013	% of Net Sales	Q2 2013	% of Net Sales
(324.5)	8.1%	(339.8)	8.0%	**Staff Costs**	(354.4)	8.5%	(339.8)	8.0%
(144.6)	3.6%	(175.7)	4.2%	**Lease Expenses**	(175.0)	4.2%	(175.7)	4.2%
(61.9)	1.6%	(71.6)	1.7%	**Other Store Costs**	(70.5)	1.7%	(71.6)	1.7%
(112.8)	2.8%	(107.8)	2.6%	**D&A**	(110.6)	2.7%	(107.8)	2.6%
(80.6)	2.0%	(83.6)	2.0%	**Utilities**	(101.0)	2.4%	(83.6)	2.0%
(34.3)	0.9%	(32.7)	0.8%	**Third Party Services**	(27.3)	0.7%	(32.7)	0.8%
(26.1)	0.7%	(47.7)	1.1%	**Other Expenses**	(50.3)	1.2%	(47.7)	1.1%
(784.8)	19.7%	(859.0)	20.3%	**Total SG&A**	(889.1)	21.4%	(859.0)	20.3%

- In Q2 2013, **SG&A expenses**, as a percentage of net sales, increased y-o-y by 67 bp to 20.3% as compared to 19.7% in Q2 2012.
- **Staff costs**, as a percentage of net sales, decreased y-o-y by 9 bp to 8.0% primarily due to lower annual bonuses (18 bp) that was partially offset by an increase in wages and regular benefits (9 bp).
- **Lease expenses**, as a percentage of net sales, increased y-o-y by 54 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 well as an increase in our average lease rates. As a percentage of X5's total real estate portfolio, leased space accounted for 54.8% at 30 June 2013 compared to 54.4% in the corresponding period of 2012.
- **Other store costs** increased, as a percentage of net sales, by 14 bp y-o-y to 1.7% mainly due to an increase in repair and maintenance work at our stores.
- **D&A** decreased, as a percentage of net sales, by 27 basis points as result of the asset impairment in Q4 2012 which mainly impacted PP&E
- **Third party services** expense decreased, as a percentage of net sales, by 8 bp y-o-y primarily due to a decrease in advertising and marketing activities.
- **Utilities**, as a percentage of net sales, decreased y-o-y by 4 bp as a result of cost saving initiatives implemented in previous periods.
- **Other expenses**, as a percentage of net sales, increased by 48 bp y-o-y primarily due to an increase in agency fees related to reverse franchising agreements and a gain recorded from the disposal of fixed assets during the Q2 2012 period.

Cash Flow Highlights

USD mln	Q2 2012	Q2 2013	+/(-)	+/ (-), % change
Net Cash From Operating Activities	68.8	49.3	(19.5)	(28.2%)
Net Cash from Operating Activities before Changes in Working Capital	275.0	296.9	21.9	7.9%
Change in Working Capital	(85.3)	(130.0)	(44.7)	52.4%
Net Interest and Income Tax Paid	(121.0)	(117.5)	3.5	(2.9%)
Net Cash Used in Investing Activities	(194.5)	(152.4)	42.1	(21.6%)
Net Cash From Financing Activities	125.5	95.4	(30.1)	(24.0%)
Effect of Exchange Rate Changes on Cash & Cash Equivalents	(22.6)	(14.9)	7.7	(34.2%)
Net Increase/(Decrease) in Cash & Cash Equivalents	(22.8)	(22.5)	0.3	(1.2%)

- In Q2 2013, **net cash flows generated from operating activities** totaled USD 49.3 mln compared to net cash flows generated from operating activities of USD 68.8 mln in the corresponding period of 2012. The decrease was primarily due to changes in working capital.
  - **Trade and other accounts receivable** increased by USD 25.4 mln in Q2 2013 due to a technical delay in the collection of bonuses from suppliers during the period.
  - **Inventories** decreased by USD 22.1 mln as a result of the higher inventory balance at 31 March 2013, compared to the 2012 period, which resulted in lower purchases in Q2 2013 and a USD 50.4 mln reduction in trade payables.
  - **Other accounts payable** decreased by USD 76.3 mln in Q2 2013 due to more efficient processing of reclaimable VAT from suppliers.
- **Net cash used in investing activities**, which generally consisted of payments for property, plant and equipment totaled USD 152.4 mln in Q2 2013 compared to USD 194.5 mln for the corresponding period in 2012, and reflects lower expenditures for IT, strategic projects and logistics.
- **Net cash generated from financing activities** in Q2 totaled USD 95.4 mln compared to net cash generated from financing activities of USD 125.5 mln in the corresponding periods of 2012. The difference was primarily related to a decrease in the net proceeds received from loans during the 2013 period.

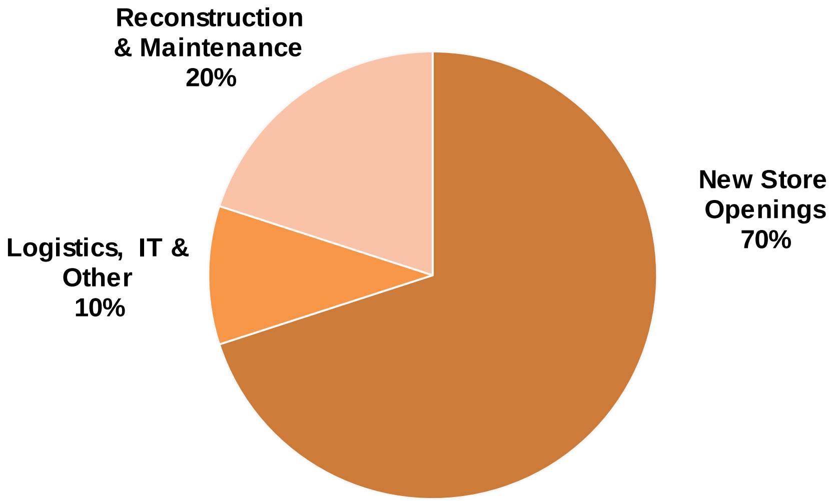
Condensed Balance Sheet[1]

USD mln	31 December 2012	30 June 2013	+/(-)	+/(-)%
Total current assets	**2,465.9**	**1,954.6**	**(511.3)**	***(20.7 %)***
incl. Cash & cash equivalents	*407.9*	*220.9*	*(186.9)*	*(45.8 %)*
incl. Inventories	*1,114.9*	*932.7*	*(182.2)*	*(16.3 %)*
Total non-current assets	**7,116.4**	**6,631.9**	**(484.6)**	***(6.8 %)***
incl. Net PP&E	*4,147.3*	*3,869.2*	*(278.0)*	*(6.7 %)*
incl. Goodwill	*2,114.3*	*1,966.1*	*(148.1)*	*(7.0 %)*
Total assets	**9,582.4**	**8,586.5**	**(995.9)**	***(10.4 %)***
Total current liabilities	**4,884.7**	**4,199.2**	**(685.5)**	***(14.0 %)***
incl. ST debt	*1,680.9*	*1,681.1*	*0.2*	*0.0 %*
incl. Trade accounts payable	*2,396.9*	*1,834.9*	*(562.0)*	*(23.4 %)*
Total non-current liabilities	**2,495.9**	**2,212.9**	**(283.0)**	***(11.3 %)***
incl. LT debt	*2,346.4*	*2,075.9*	*(270.5)*	*(11.5 %)*
Total liabilities	**7,380.6**	**6,412.1**	**(968.5)**	***(13.1 %)***
Total equity	**2,201.8**	**2,174.4**	**(27.4)**	***(1.2 %)***
Total liabilities & equity	**9,582.4**	**8,586.5**	**(995.9)**	***(10.4 %)***

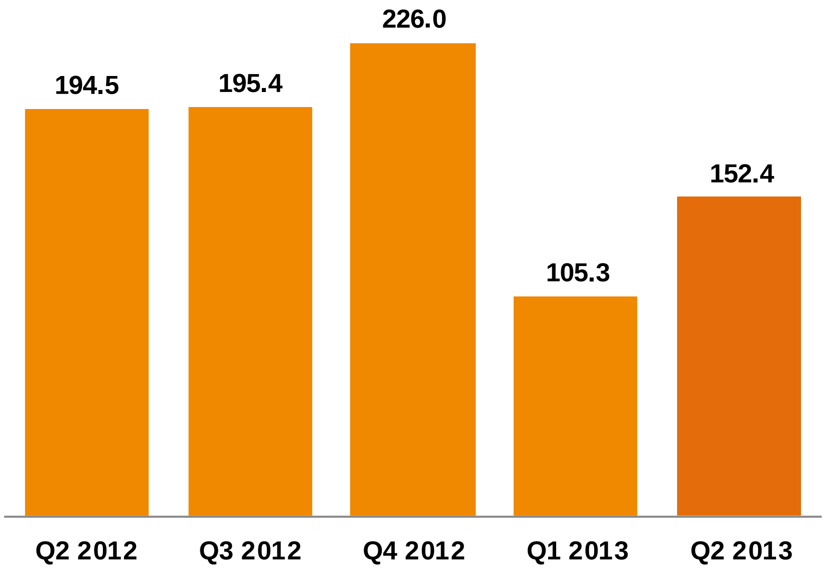
Note (1): RUR/USD exchange rate at 31 December 2012 – 30.37 and for 30 June 2013 – 32.71

Capital expenditures overview

H1 2013 CapEx amounted to USD 229 mln



Net Cash Flows From Investing Activities, USD mln (1)



In H1 2013, capex focused on investments in reconstruction and maintenance

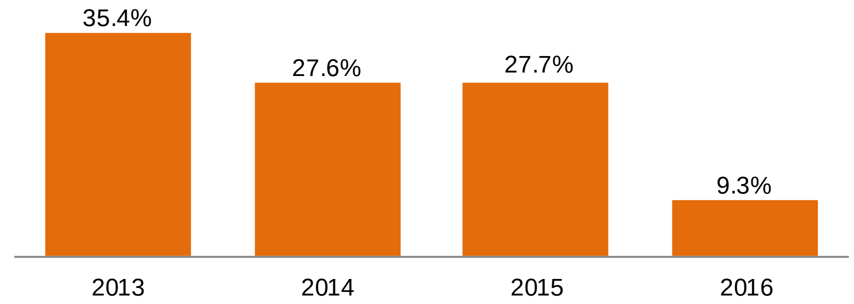
Note (1): Net CFI includes purchase of property, plant and equipment and intangible assets, non-current prepaid lease and compensation from prepaid lease disposal**,** acquisition of subsidiaries, repayment of loans issued, proceeds from sale of property, plant and equipment and intangible assets

Debt Structure

Debt profile

USD mln	31 Dec 2012	% in total	30 Jun 2013	% in total
Total Debt	**4,027.3**		**3,757.0**	
Short-Term Debt	1,680.9	41.7%	1,681.1	44.7%
Long-Term Debt	2,346.4	58.3%	2,075.9	55.3%
Net Debt / (Net Cash)	**3,619.4**		**3,536.0**	
RUR/USD exch. rate, EoP	30.37		32.71	

Debt portfolio maturity



Liquidity update

Covenant metrics & liquidity sources	30 Jun 2012	31 Dec 2012	30 Jun 2013	Covenants
Net Debt / EBITDA(1)	3.40x	3.15x	3.23x	< 4.00x
Interest Coverage ratio(2)	3.65x	3.29x	3.17x	> 2.75x
Cash Balance, USD mln	166.0	407.9	220.9	-
Undrawn credit lines, USD mln	1,849.6	2,686.6	2,484.0	-
RUR bonds available for issue on MICEX, USD mln	n/a	n/a	1,161.8	-

Comments

- At the end of Q2 2013 X5's Net debt to EBITDA ratio slightly increased to 3.23x relative to the ratio reported at the end of 2012 due to seasonal factors. Net debt to EBITDA ratio decreased from 3.40x at the end of Q2 2012.
- X5's debt portfolio is 100% RUR-denominated.
- 45%(3) of X5 debt portfolio consists of short-term loans and short-term portion of long-term loans, including:
  - 17% short-term revolving loans
  - 18% loans out of long-term credit lines and bonds
  - 10% club loan(4) that was will be refinanced in 2013.

Notes:

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

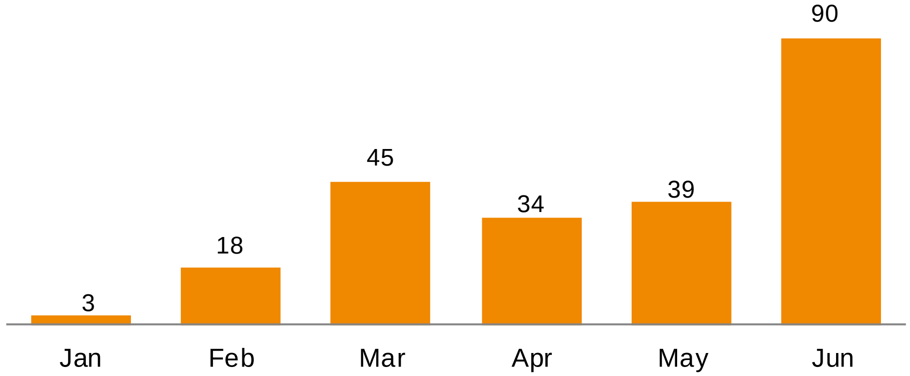
(2) Based on 12 months trailing financial results

(3) On the 2 August 2013 X5 signed a new club facility with a total amount of RUR 15.0 bln. The proceeds will be used to refinance the existing RUR 12.4 bln club facility, as well as other short-term loans.

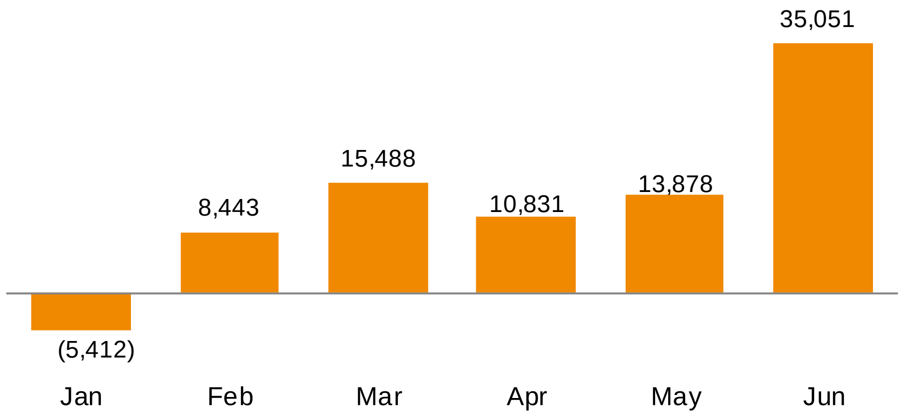
Appendix

2013 YTD Expansion Update

Number of Stores Opened, net



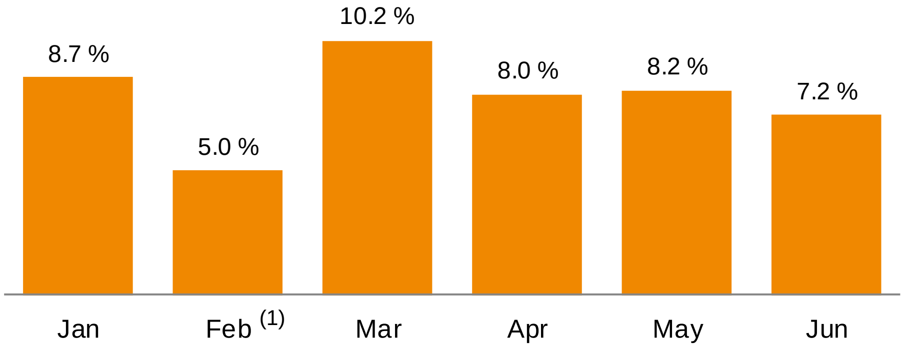
Selling Space Added, net sq.m.



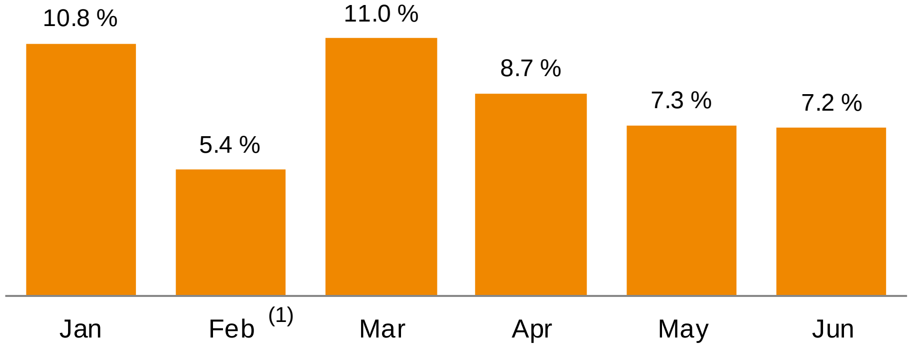
Expansion y-o-y in 6M 2013:
229 stores added vs 296 stores in 2012 / 78.3 thd sqm added vs 92.3 thd sqm in 2012

2013 Net RUR Retail Sales Dynamics

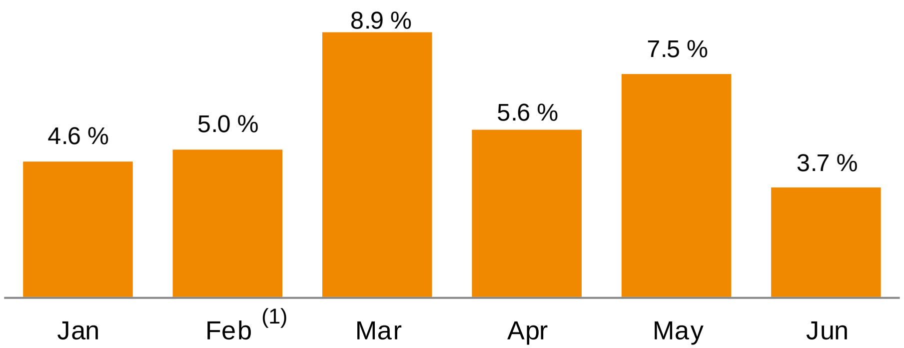
Total Net Retail Sales Growth, % y-o-y



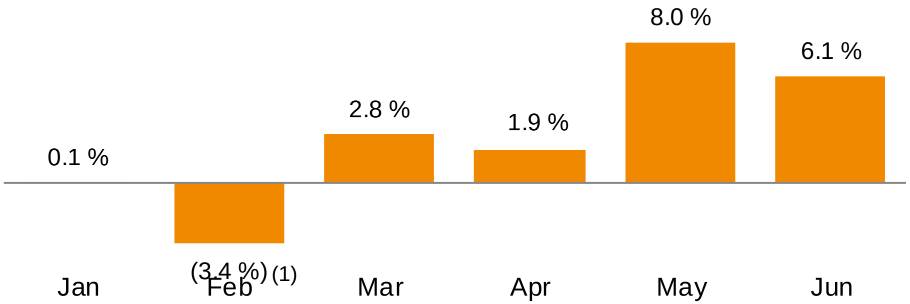
Soft Discounter Net Retail Sales Growth, % y-o-y



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



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

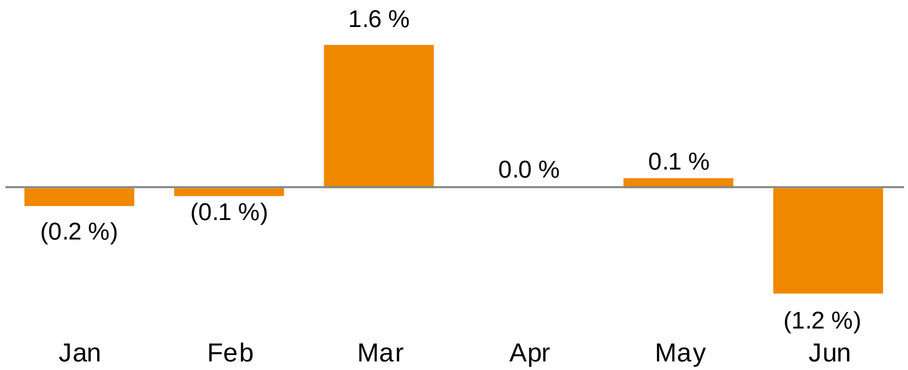


Notes:

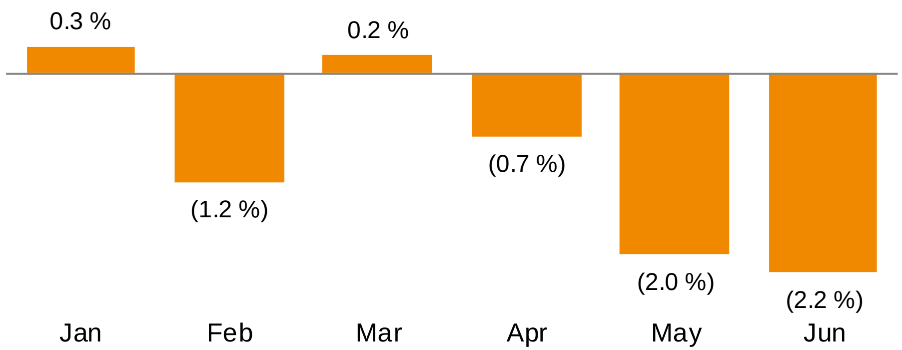
(1) Net retail sales results are not adjusted for the 2012 leap year effect (29 days in February). Adjusted net retail sales growth for February 2013 is as follows: X5 - 8.7%, Soft Discounters – 9.1%, Supermarkets – 8.7%, Hypermarkets – 0.1%, Convenience stores – 89.6%,

2013 LFL Sales Dynamics[1]

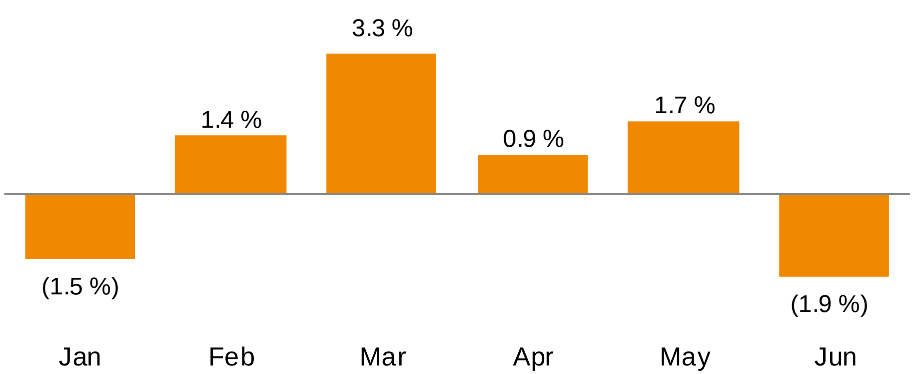
Total LFL Sales Growth, %



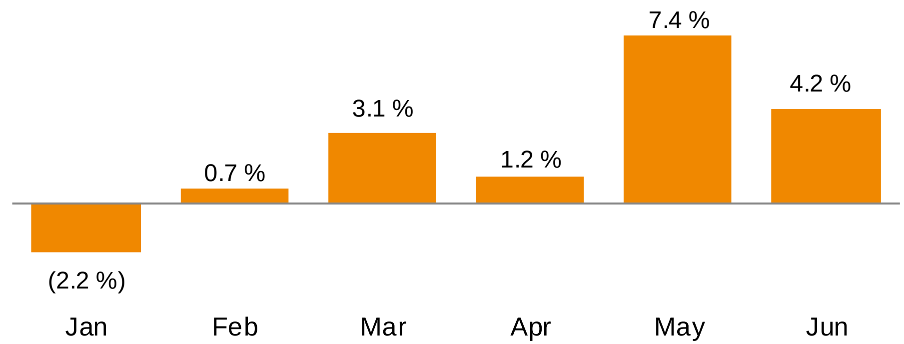
Soft Discounters LFL Sales Growth, %



Supermarkets LFL Sales Growth, %



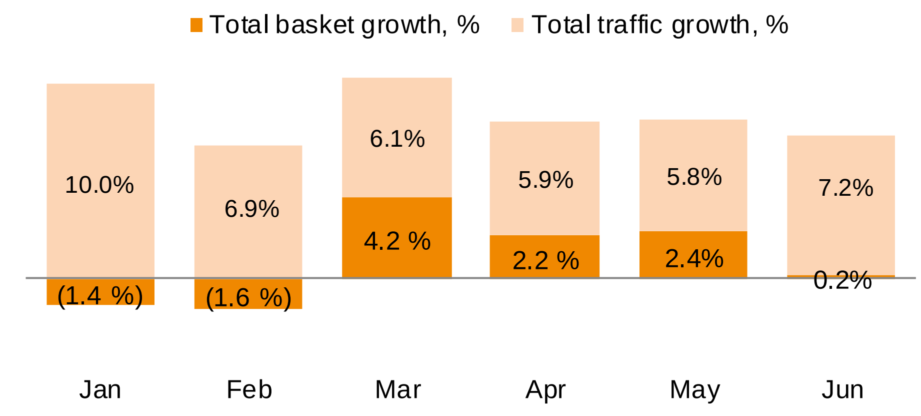
Hypermarkets LFL Sales Growth, %



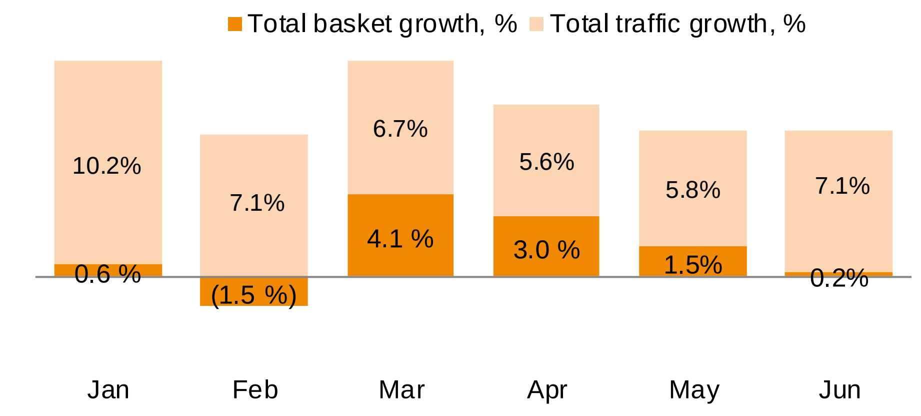
Note (1): LFL results are based on gross RUR sales

2013 Total Sales: Traffic and Basket(1)

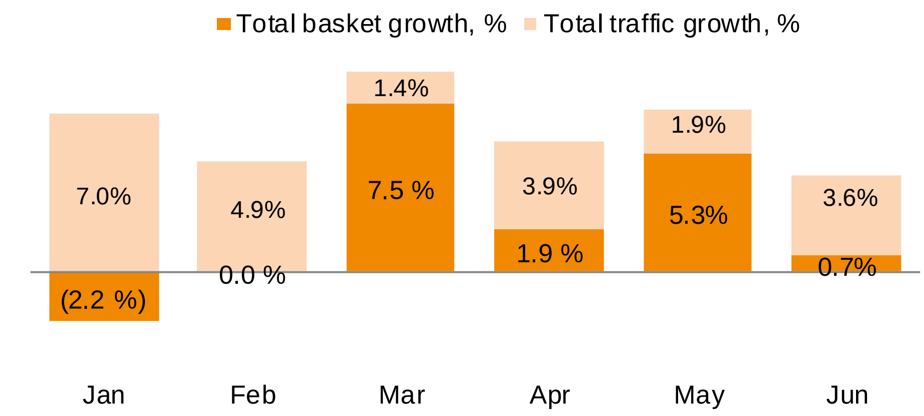
Total X5 Sales Growth, %



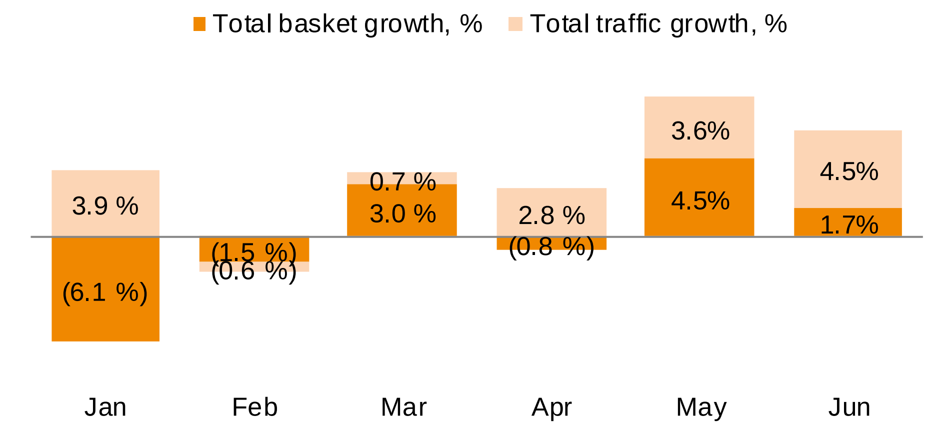
Soft Discounters Sales Growth, %



Supermarkets Sales Growth, %



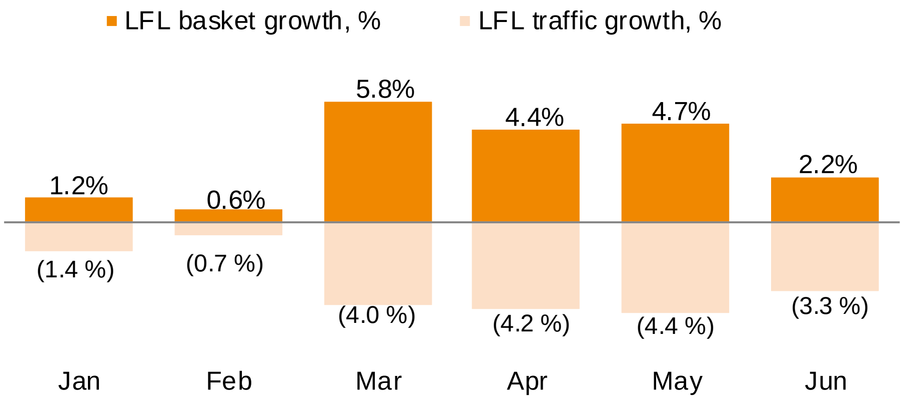
Hypermarkets Sales Growth, %



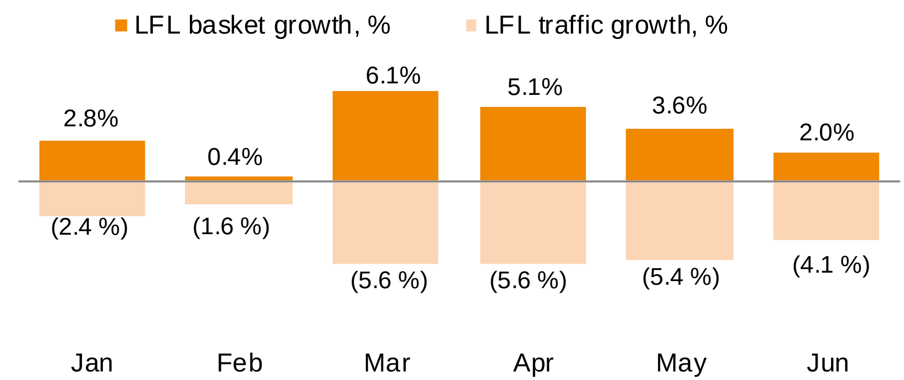
Note: (1) LFL results are based on gross RUR sales

2013 LFL Sales: Traffic & Basket[1]

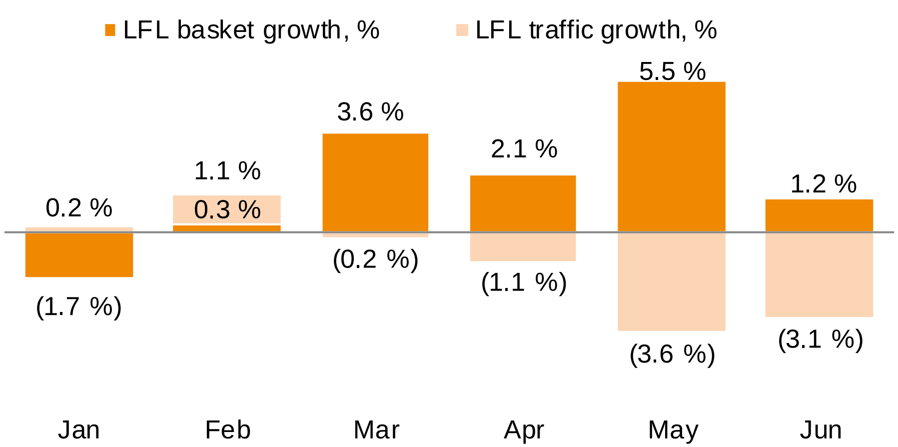
Total X5 LFL Sales Growth, %



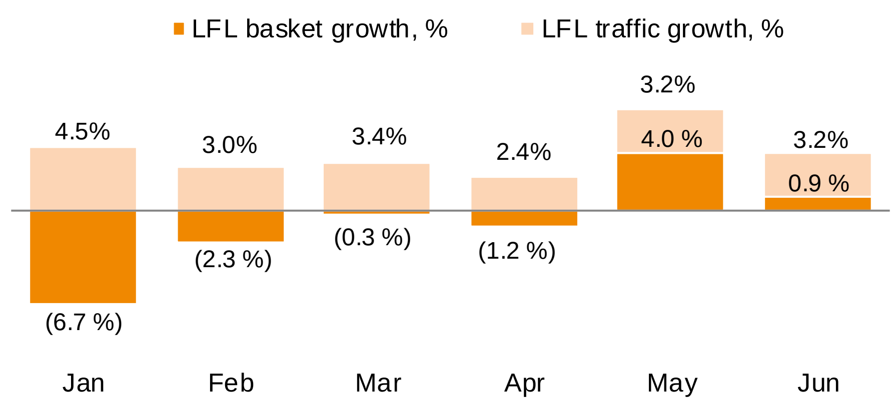
Soft Discounters LFL Sales Growth, %



Supermarkets LFL Sales Growth, %



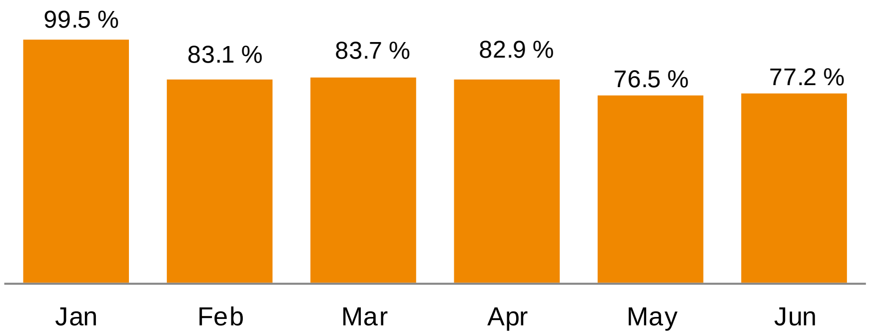
Hypermarkets LFL Sales Growth, %



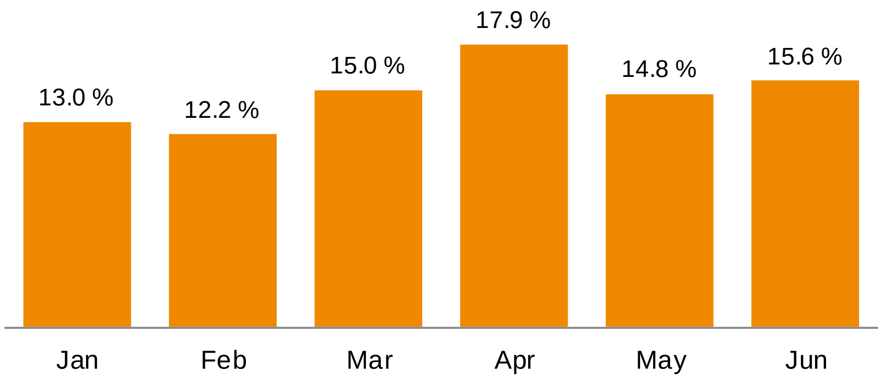
Note (1): LFL results are based on gross RUR sales

2013 Convenience Store RUR Results

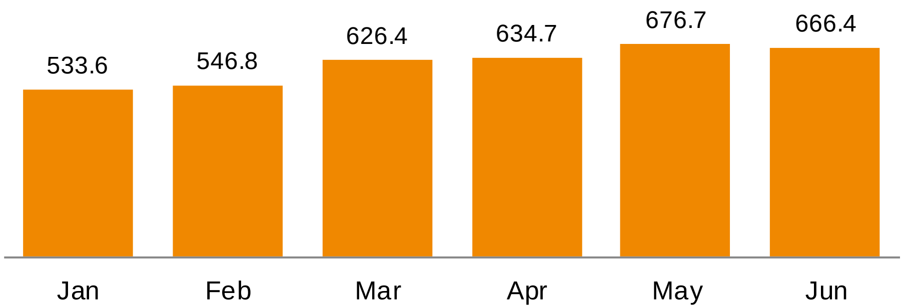
Net Retail Sales Growth, %



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

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