

# Third Quarter 2012 Financial Results Conference Call

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**Moscow, Russian Federation**  
**20 November 2012**

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## Our Business

- Russia's **largest food retailer** in terms of sales – 5.7% of total food retail market<sup>(1)</sup>
- **Multi-format brand** retail operator: **Pyaterochka** (Soft Discounter), **Perekrestok** (Supermarket), **Karusel** (Hypermarket) plus assorted brand name convenience stores

## 9M 2012 Operating Results

- Total number of stores – **3,472** with **net selling space** of **1,865 th sq. m.**
- Total number of Distribution Centers (DCs) – **28**; number of own trucks – **1,854**
- ~ **1,333 mln check-out transactions** recorded in 9M 2012, a 10.3% year-on-year increase
- Operations in **662 population centers** across **European 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**

## Q3 2012 Financial Results

- Consolidated **net sales** increased by **10.2%** in **RUR terms** to **RUR 116.1 bn (USD 3.6 bn)**
- **Gross profit margin** = **22.8%**
- **EBITDA margin** = **6.1%**

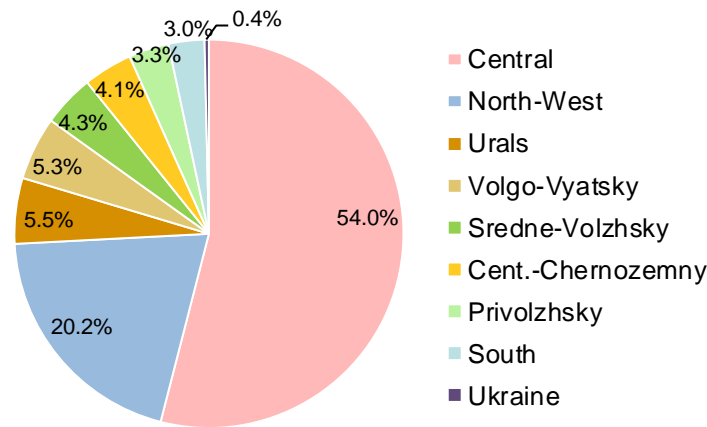
Note (1): As of 31 December 2011 based on Rosstat



**Stores**

- More than 662 locations
  - ✓ Multi-format presence in 61 cities of European Russia, the Urals and Ukraine with population > 200,000
- Total stores – 3,472 (1,865 th sq. m. selling space), including:
  - ✓ 2,936 Pyaterochka soft discounters
  - ✓ 350 Perekrestok supermarkets
  - ✓ 76 Karusel hypermarkets
  - ✓ 110 convenience stores

**Q3 2012 Net Retail Sales by Region**



Note: As at 30 September 2012



% change, y-o-y (when applicable)	JAN 2012	FEB 2012	MAR 2012	APR 2012	MAY 2012	JUN 2012	JUL 2012	AUG 2012	SEP 2012
Retail turnover	7.4%	7.9%	7.4%	6.8%	7.1%	7.1%	5.4%	4.3%	4.4%
Food retail turnover, incl. drinks and tobacco	5.2%	5.2%	5.3%	4.3%	5.1%	4.3%	1.6%	0.8%	0.5%
Inflation (CPI)	4.2%	3.7%	3.7%	3.6%	3.6%	4.3%	5.6%	5.9%	6.6%
Inflation (CPI), food products	2.0%	1.5%	1.3%	1.2%	1.7%	3.6%	5.5%	6.5%	7.3%
Real disposable personal income	1.0%	3.1%	2.8%	2.4%	4.5%	5.0%	2.2%	6.8%	3.8%
Average monthly salary of one employee:									
- nominal	15.1%	16.3%	13.0%	15.1%	16.5%	14.9%	14.1%	12.3%	13.6%
- real	10.5%	12.1%	9.0%	11.1%	12.4%	10.2%	8.1%	6.0%	6.6%
Unemployment rate	6.6%	6.5%	6.5%	5.8%	5.4%	5.4%	5.4%	5.2%	5.2%
		<b>Q1</b>			<b>Q2</b>		<b>Q3</b>		
Consumer confidence index		-5%			-4%		-6%		

***The macroeconomic environment in H1 2012 was characterized by record low inflation (especially food inflation) and a strong consumer – based on solid growth in real income and low unemployment rates.***

***In Q3 2012, inflation started to accelerate leading to slower growth in retail turnover and real wages while unemployment rate continued to fall***

Note: August numbers are corrected from previous presentations based on updated Rosstat data



## Financial Overview – Q3 2012 vs. Q3 2011

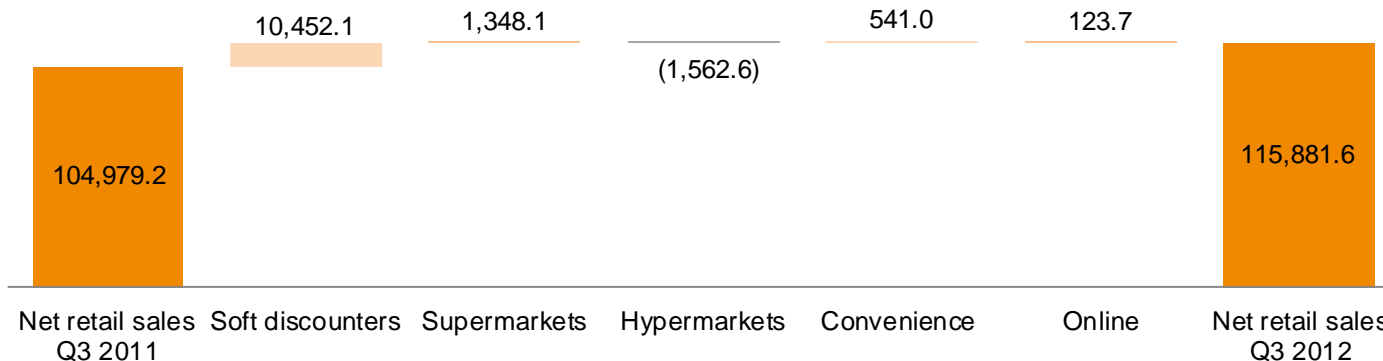


USD mln (when applicable)	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q-o-Q +/( - )%	Y-o-Y +/( - )%
Retail sales	3,610.7	3,954.6	3,862.0	3,981.8	3,610.4	(9.3) %	(0.0) %
Total revenues	3,623.0	3,965.3	3,870.7	3,987.9	3,616.7	(9.3) %	(0.2) %
COGS	2,784.7	2,984.4	2,923.5	3,077.6	2,791.7	(9.3) %	0.3 %
Gross profit	838.3	980.9	947.2	910.3	825.0	(9.4) %	(1.6) %
<b>Gross profit margin</b>	<b>23.1%</b>	<b>24.7%</b>	<b>24.5%</b>	<b>22.8%</b>	<b>22.8%</b>	-	-
EBITDA	219.8	344.5	274	280.3	219.9	(21.5) %	0.0 %
<b>EBITDA margin</b>	<b>6.1%</b>	<b>8.7%</b>	<b>7.1%</b>	<b>7.0%</b>	<b>6.1%</b>	-	-
Effective income tax rate	-	24.3%	26.6%	25.5%	15.5%	-	-
Net profit	(2.1)	134	66.3	68.9	12.1	(82.4) %	-
<b>Net profit margin</b>	<b>(0.1)%</b>	<b>3.4%</b>	<b>1.7%</b>	<b>1.7%</b>	<b>0.3%</b>	-	-
Earnings per share (EPS)	-0.04	1.97	0.98	1.02	0.18	-	-
Diluted EPS	-0.04	1.97	0.98	1.02	0.18	-	-
Capex <sup>(1)</sup>	226.6	397.6	180.4	194.5	195.4	0.5 %	(13.8) %
Net debt	3,946.9	3,225.0	3,808.3	3,525.3	3,814.3	8.2 %	(3.4) %

Note (1): Based on investing cash flow from consolidated statement of cash flows

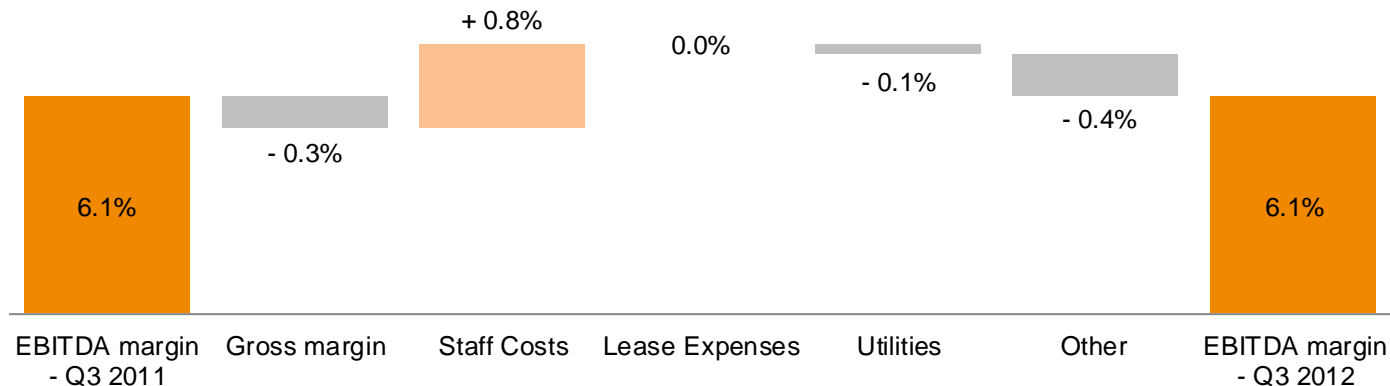
Change in net retail sales by format, RUB mln

Net retail sales grew by 10.2% in RUB terms primarily due to soft discounters and supermarkets' sales growth offset by a decrease in hypermarkets sales



EBITDA margin waterfall, %

EBITDA margin is in line with Q3 2011





Q3 2011	% of Net Sales	Q3 2012	% of Net Sales	USD mln	Q2 2012	% of Net Sales	Q3 2012	% of Net Sales
(318.8)	8.8%	(290.0)	8.0%	<b>Staff Costs</b>	(324.5)	8.1%	(290.0)	8.0%
(145.9)	4.0%	(145.9)	4.0%	<b>Lease Expenses</b>	(144.6)	3.6%	(145.9)	4.0%
(54.2)	1.5%	(68.2)	1.9%	<b>Other Store Costs</b>	(61.9)	1.6%	(68.2)	1.9%
(103.7)	2.9%	(121.7)	3.4%	<b>D&amp;A</b>	(112.8)	2.8%	(121.7)	3.4%
(70.4)	1.9%	(71.2)	2.0%	<b>Utilities</b>	(80.6)	2.0%	(71.2)	2.0%
(26.9)	0.7%	(27.7)	0.8%	<b>Third Party Services</b>	(34.3)	0.9%	(27.7)	0.8%
(45.3)	1.3%	(45.8)	1.3%	<b>Other Expenses</b>	(26.1)	0.7%	(45.8)	1.3%
(765.1)	21.1%	(770.5)	21.3%	<b>Total SG&amp;A</b>	(784.8)	19.7%	(770.5)	21.3%

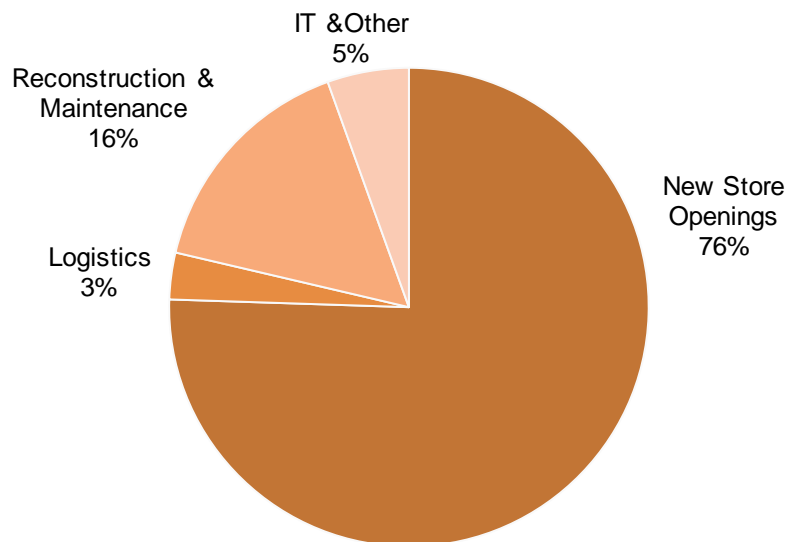
**SG&A expenses**, as a percentage of net sales, increased by 20 bp y-o-y to 21.3% in Q3 2012 compared to 21.1% in Q3 2011 :

- **staff costs**, as a percentage of net sales, decreased 80 bp y-o-y in Q3 2012, to 8.0% primarily driven by a reduction in bonus accruals (86 bp), the reclassification of security and maintenance staff expenses from staff costs to other store costs (40 bp), and a decrease in the social tax rate from 34% to 30%, effective from 1 January 2012 (19 bp). These decreases were partially offset by a y-o-y increase of 45 bp in employee salaries and wages as a percentage of sales as well as a 20 bp decrease in income recognized on the re-measurement of the Company's long term incentive plans at 30 September 2012, compared to the corresponding period of 2011;
- **lease expenses**, as a percentage of net sales, remained unchanged y-o-y at 4.0% primarily due to an increase in store openings and lower sales densities, while lease expenses in Q3 2011 were impacted by store closures related to the Kopeyka integration. As a percentage of X5's total real estate portfolio, leased space accounted for 54.0% at 30 September 2012 compared to 52.9% in the corresponding period of 2011.
- **other store costs increased**, as a percentage of net sales, by 40 bp y-o-y to 1.9% mainly due to the reclassification of security and maintenance staff expenses from staff costs to other store costs;
- **utilities expense**, as a percentage of net sales, increased by 10 bp y-o-y in Q3 2012 to 2.0% due to an increase in tariffs, which was partially offset by cost-saving initiatives;
- **third party services expense** increased, as a percentage of net sales, by 10 bp y-o-y due to an increase in advertising activity.

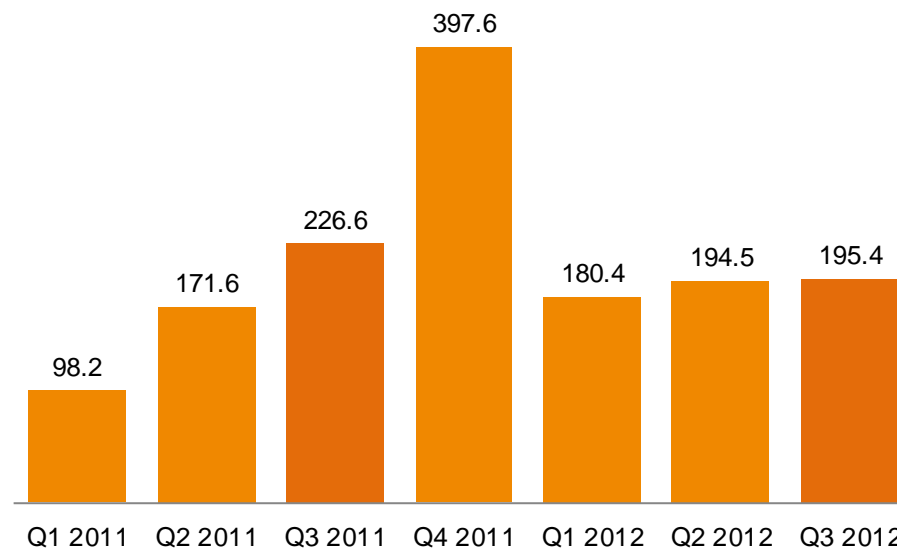
USD mln	Q3 2012	Q3 2011	+/( - )	+/( - )%
<b>Net Cash Flows (Used in)/Generated from Operating Activities</b>	131.4	308.6	(177.2)	(57.4) %
<i>CFO before Changes in Working Capital</i>	221.9	224.4	(2.5)	(1.1) %
<i>Change in Working Capital</i>	24.3	181.0	(156.7)	(86.6) %
<i>Net Interest and Income Tax Paid</i>	(114.9)	(96.9)	(18.0)	18.6 %
<b>Net Cash Used in Investing Activities</b>	(195.4)	(226.6)	31.2	(13.8%)
<b>Net Cash Generated from/(Used in) Financing Activities</b>	113.4	(89.1)	202.5	n/a
<b>Net Decrease in Cash &amp; Cash Equivalents</b>	49.4	(7.1)	56.5	n/a

- **Net cash flows generated from operating activities** totaled USD 131 mln compared to USD 309 mln in the corresponding period of 2011. Working capital deficits in Q3 2012 and 2011 were primarily due to increases in trade and other accounts payable. We generally operate with a working capital deficit in the second half of the year due to the seasonal impact of the Q4 holidays on inventory and accounts payable.
- **Net cash used in investing activities** totaled USD 195 mln compared to USD 227 mln for the corresponding period in 2011 and generally consisted of payments for property, plant and equipment. These capital expenditures were primarily related to new store growth as well as the remodeling of existing stores, which aggregated to approximately 92% of investments in Q3.
- **Net cash generated from financing activities** totaled USD 113 and was related to short-term credit facilities drawn to finance working capital requirements.

## Q3 2012 CapEx Breakdown (USD 231.9 mn) <sup>(1)</sup>



## Net Cash Flows From Investing Activities, USD mln



In Q3 2012, X5 continued to invest in new store openings and reconstruction of stores

Note (1): Based on managerial accounts, w/o IFRS adjustments

USD mln	30-Sep-12	31-Dec-11	+/( - )	+/( - )%
<b>Total current assets</b>	<b>2,034.1</b>	<b>2,041.1</b>	<b>(7.0)</b>	<b>(0.3) %</b>
<i>incl. Cash &amp; cash equivalents</i>	222.5	385.0	(162.5)	(42.2) %
<i>incl. Inventories</i>	868.9	895.0	(26.1)	(2.9) %
<b>Total non-current assets</b>	<b>7,303.9</b>	<b>6,769.1</b>	<b>534.8</b>	<b>7.9 %</b>
<i>incl. Net PP&amp;E</i>	4,245.6	3,824.9	420.7	11.0 %
<i>incl. Goodwill</i>	2,072.5	1,957.9	114.6	5.9 %
<b>Total assets</b>	<b>9,338.0</b>	<b>8,810.2</b>	<b>527.8</b>	<b>6.0 %</b>
<b>Total current liabilities</b>	<b>4,035.9</b>	<b>3,704.2</b>	<b>331.7</b>	<b>9.0 %</b>
<i>incl. ST debt</i>	1,404.8	913.2	491.6	53.8 %
<i>incl. Trade accounts payable</i>	1,861.9	1,906.4	(44.5)	(2.3) %
<b>Total non-current liabilities</b>	<b>2,865.4</b>	<b>2,910.0</b>	<b>(44.6)</b>	<b>(1.5) %</b>
<i>incl. LT debt</i>	2,632.0	2,696.9	(64.9)	(2.4) %
<b>Total liabilities</b>	<b>6,901.4</b>	<b>6,614.2</b>	<b>287.2</b>	<b>4.3 %</b>
<b>Total equity</b>	<b>2,436.6</b>	<b>2,196.0</b>	<b>240.6</b>	<b>11.0 %</b>
<b>Total liabilities &amp; equity</b>	<b>9,338.0</b>	<b>8,810.2</b>	<b>527.8</b>	<b>6.0 %</b>

## Debt profile

USD mln	30-Jun-12	% in total	30-Sep-12	% in total
<b>Total Debt</b>	<b>3,691.4</b>		<b>4,036.8</b>	
Short-Term Debt	1,170.1	31.7%	1,404.8	34.8%
Long-Term Debt	2,521.3	68.3%	2,632.0	65.2%
<b>Net Debt / (Net Cash)</b>	<b>3,525.3</b>		<b>3,814.3</b>	
Denominated in USD	0.0	-	0.0	-
Denominated in RUR	3,525.3	100.0%	3,814.3	100.0%
RUR/USD exch. rate, EoP	32.82		30.92	

## Liquidity update

Metric	2011	Q1 2012	Q2 2012	Q3 2012
Net Debt / EBITDA <sup>(1)</sup>	3.13x	3.36x	3.40x	3.40x
Interest Coverage ratio <sup>(2)</sup>	3.74x	3.65x	3.65x	3.38x
Cash Balance, USD mln	385	189	166	222
Credit lines, USD mln	4,200	5,000	4,000	5,500
including undrawn, USD mln	1,600	2,800	1,800	2,500

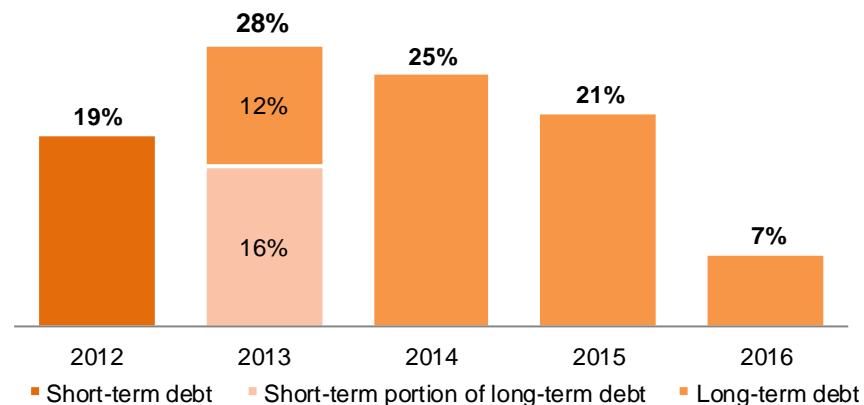
Notes:

(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 <sup>(3)</sup>



## Comments

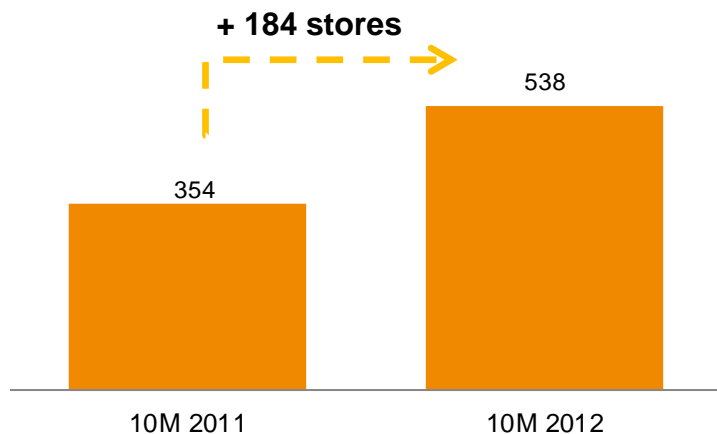
- In Q3 X5's net debt to EBITDA ratio is in line with that of Q2 and amounts to 3.40x a slight increase from the ratio of 3.36x reported at the end of Q1 2012
- 100% of X5's debt portfolio is RUR-denominated eliminating the impact of future exchange rate volatility on reported financial results
- 35% of X5 debt portfolio are short term loans, including 16% short term portion of long term debt and 19% to be refinanced by the end of the year



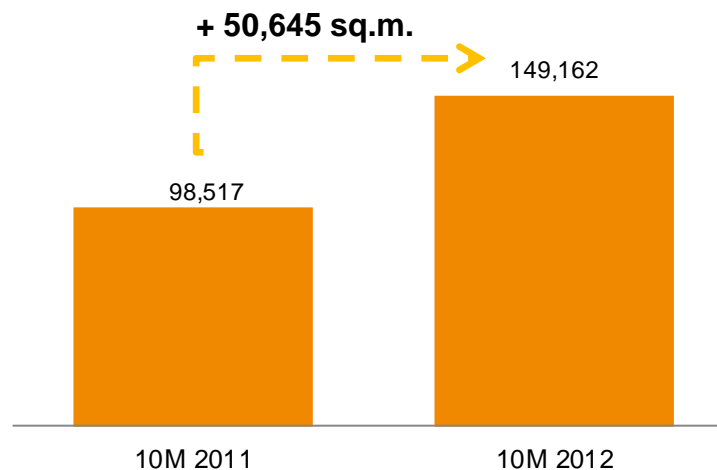
## Appendix



Number of Stores Opened, net

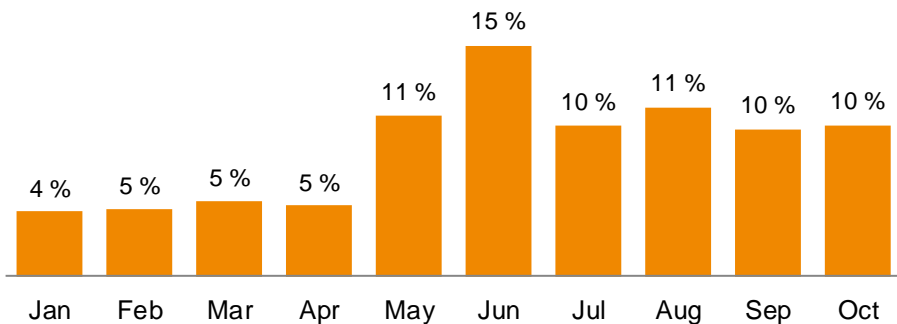


Selling Space Added, net sq.m.

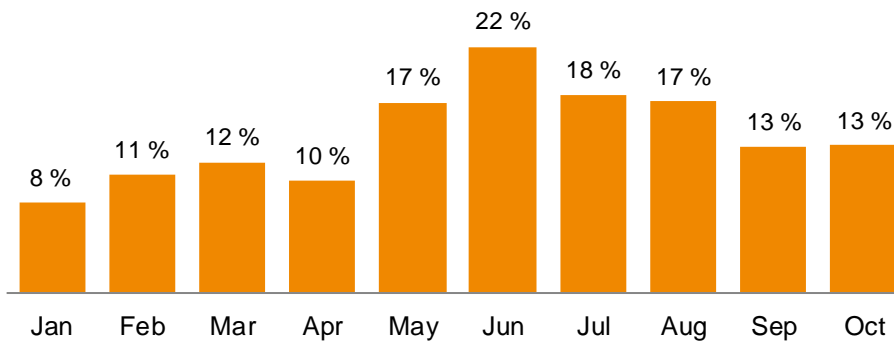


Acceleration of expansion y-o-y in 10M 2012:  
~50% more stores opened adding ~50% more selling space

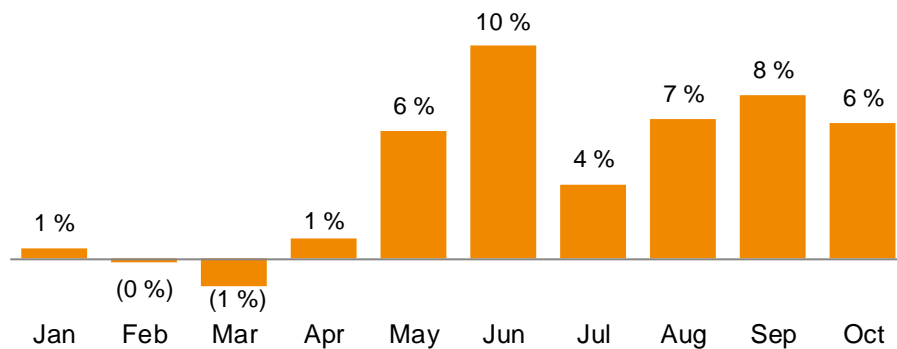
**Total Net Retail Sales Growth, % y-o-y**



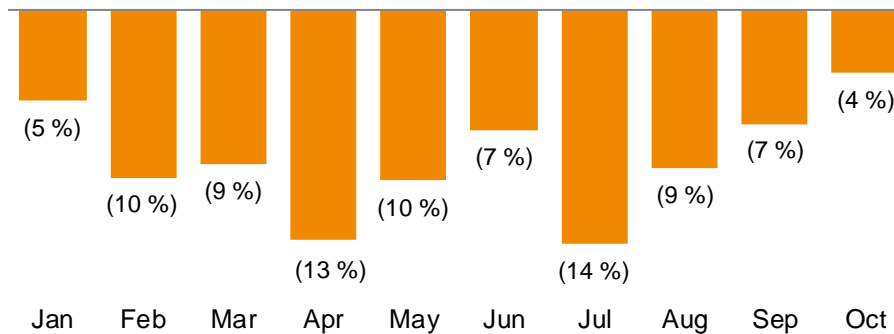
**Soft Discounter Net Retail Sales Growth, % y-o-y**



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

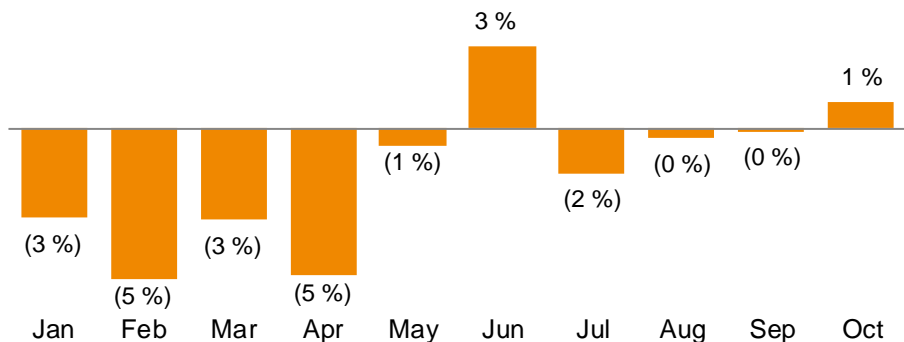


**Hypermarkets Net Retail Sales Growth, % y-o-y**

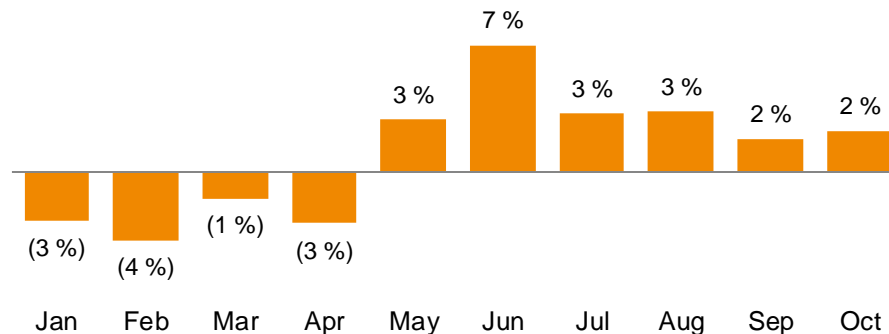


Note: monthly data is based on preliminary management accounts and subject to year-end adjustments

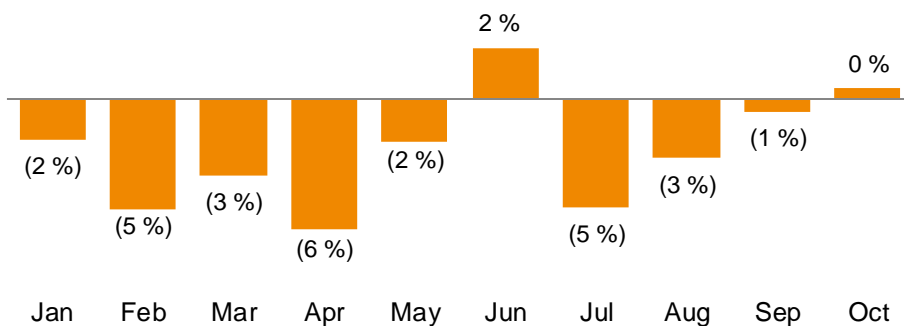
**Total LFL Sales Growth, %**



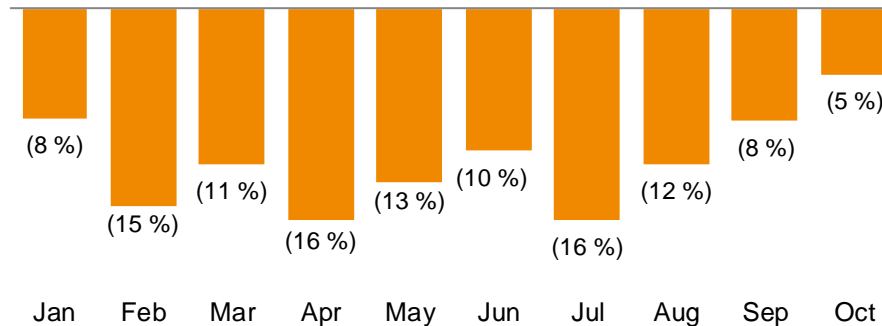
**Soft Discounters LFL Sales Growth, %**



**Supermarkets LFL Sales Growth, %**

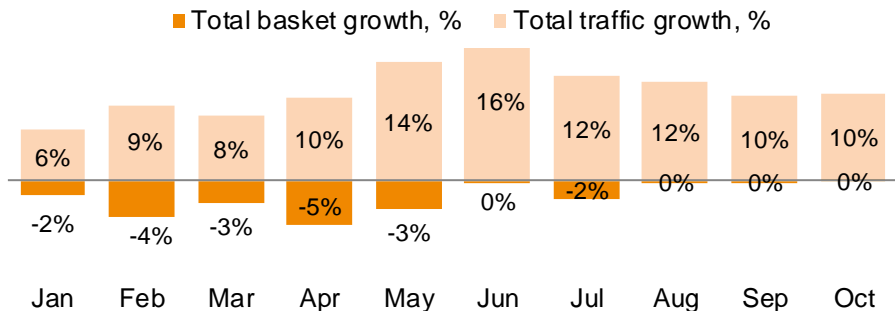


**Hypermarkets LFL Sales Growth, %**

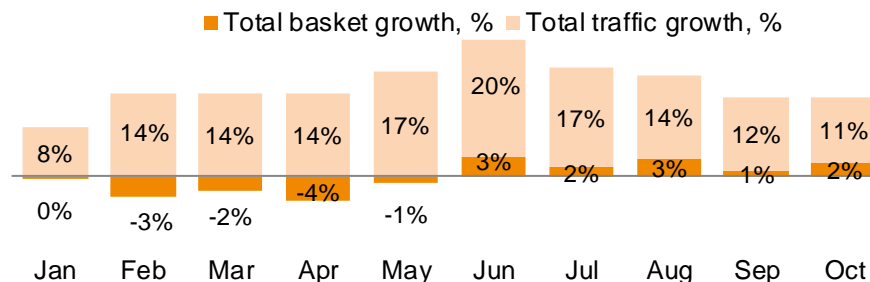


Note: monthly data is based on preliminary management accounts and subject to year-end adjustments

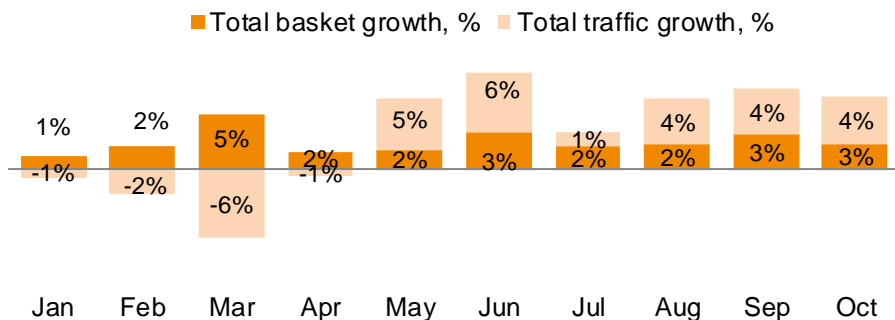
### Total X5 Sales Growth, %



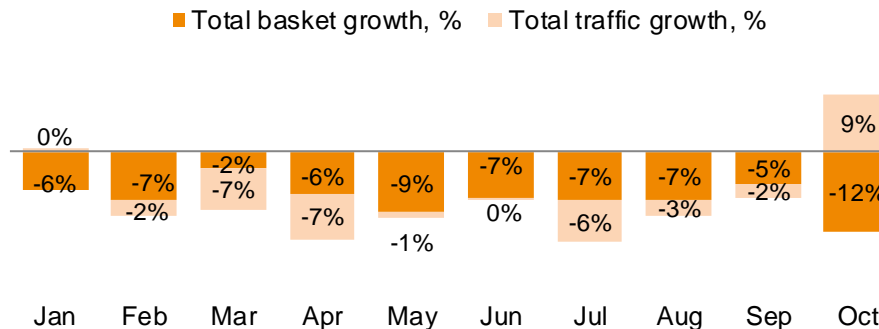
### Soft Discounters Sales Growth, %



### Supermarkets Sales Growth, %



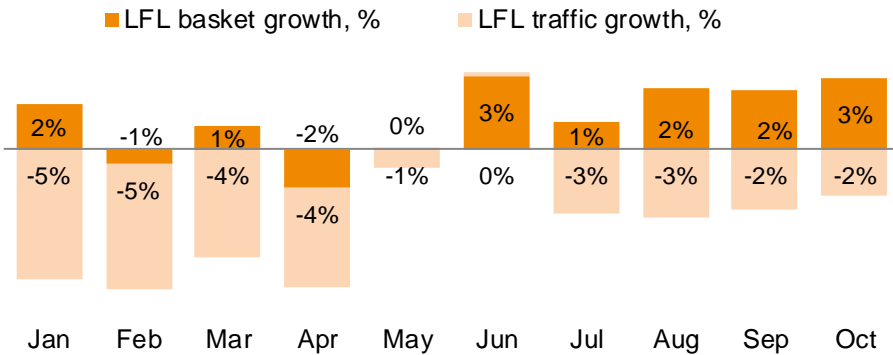
### Hypermarkets Sales Growth, %



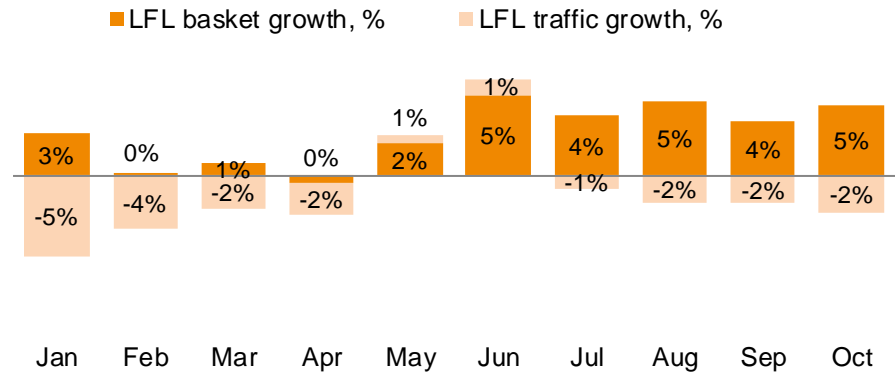
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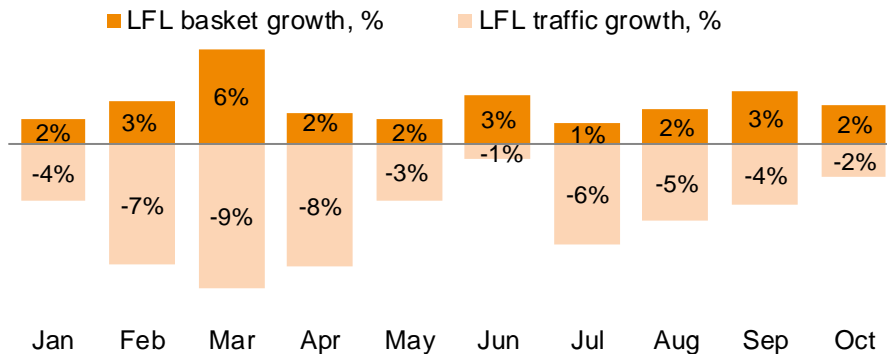
### Total X5 LFL Sales Growth, %



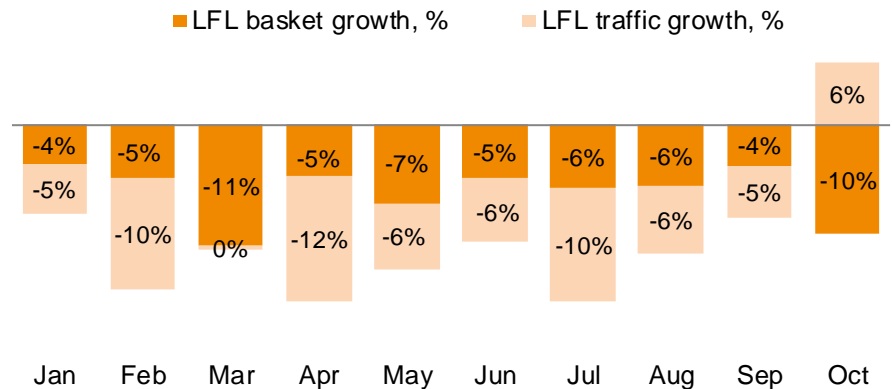
### Soft Discounters LFL Sales Growth, %



### Supermarkets LFL Sales Growth, %

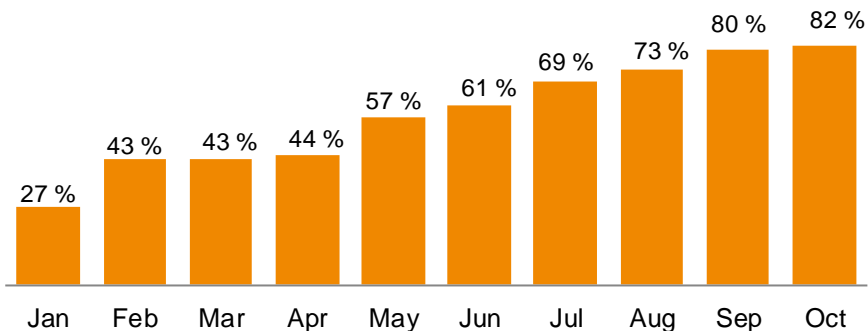


### Hypermarkets LFL Sales Growth, %

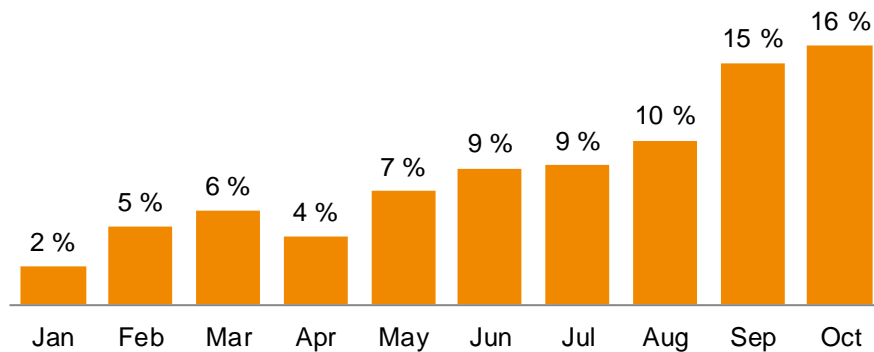


Note: monthly data is based on preliminary management accounts and subject to year-end adjustments

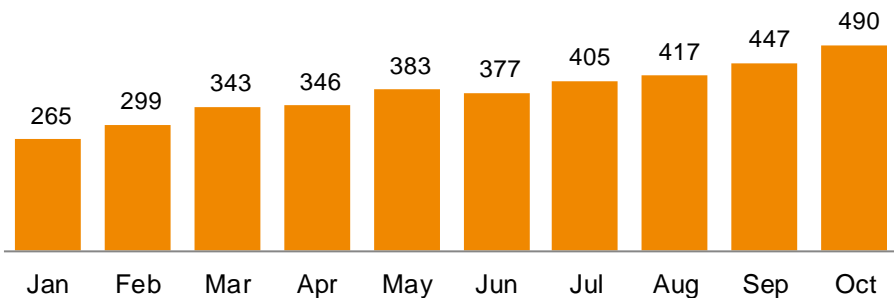
## Net Retail Sales Growth, %



## LFL Sales Growth, %



## Net Retail Sales, mln

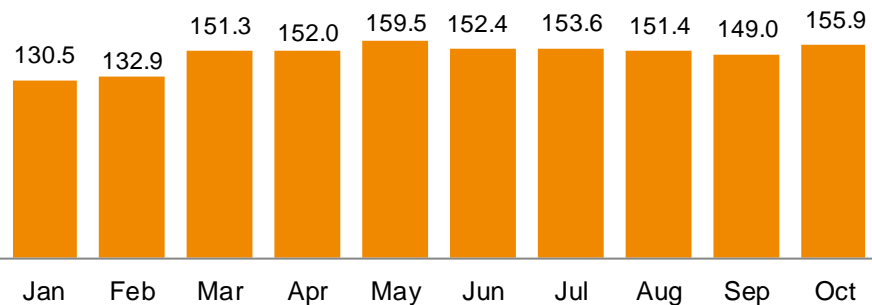


## Comments

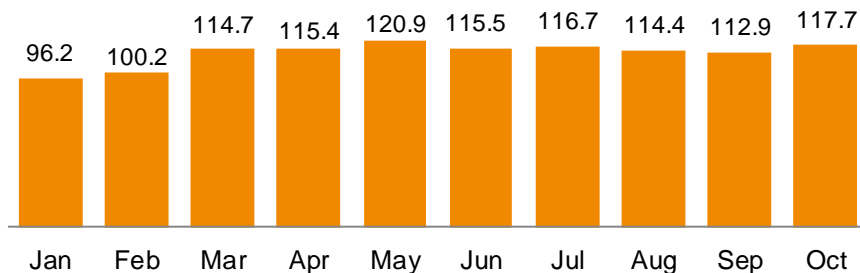
- Rapidly developing format operating under Perekrestok Express and Kopeyka brands
- Strong LFL and sales dynamics
- Strong demand for this format in urban centers
- In 2012, X5 plans to add 100 convenience stores in the Central region

Note: monthly data is based on preliminary management accounts and subject to year-end adjustments

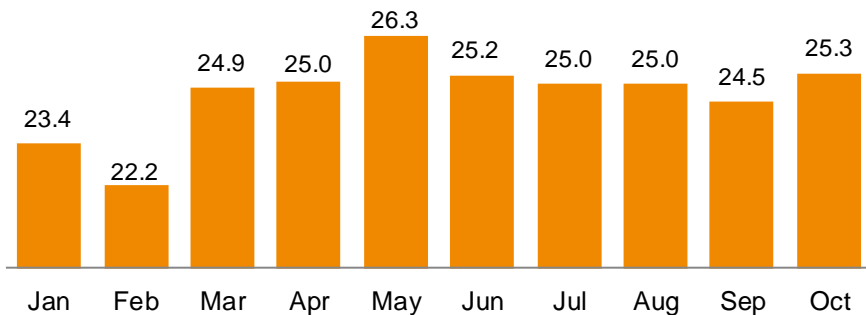
**Total X5, mln customer visits**



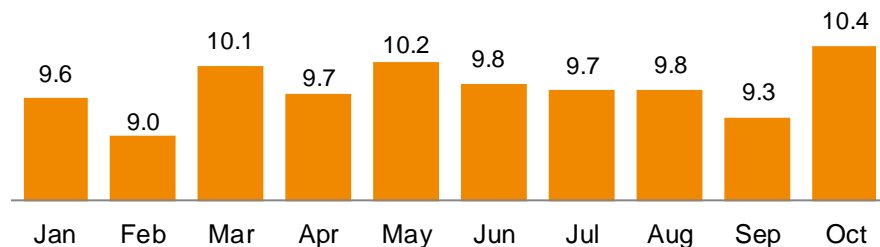
**Soft Discounters, mln customer visits**



**Supermarkets, mln customer visits**



**Hypermarkets, mln customer visits**



Note: monthly data is based on preliminary management accounts and subject to year-end adjustments

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