



# First Quarter 2015 Financial Results Conference Call

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Moscow, Russian Federation  
21 April 2015

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# DELIVERING GROWTH

# SUMMARY HIGHLIGHTS FOR Q1 2015

- ❖ Total revenue **increased by 26.7%**, year-on-year (y-o-y), to **RUB 183 billion**
- ❖ X5's best like-for-like (LFL) sales results in the past five years – total LFL sales **increased by 17.1%** in Q1 2015
- ❖ EBITDA **grew by 34.0%**, y-o-y, and profit margin **increased by 54 basis points to 2.2%**
- ❖ Solid financial structure with net debt (88% long-term) at **2.35x EBITDA**
- ❖ Pyaterochka, representing 71% of X5's net retail sales, achieved strong growth in Q1 2015 – net retail sales **increased by 26.5% y-o-y**, driven by a **28.8% y-o-y increase in net selling space**.
- ❖ Net selling space increased by **20.1%**, the highest growth level since 2011.

# FINANCIAL HIGHLIGHTS

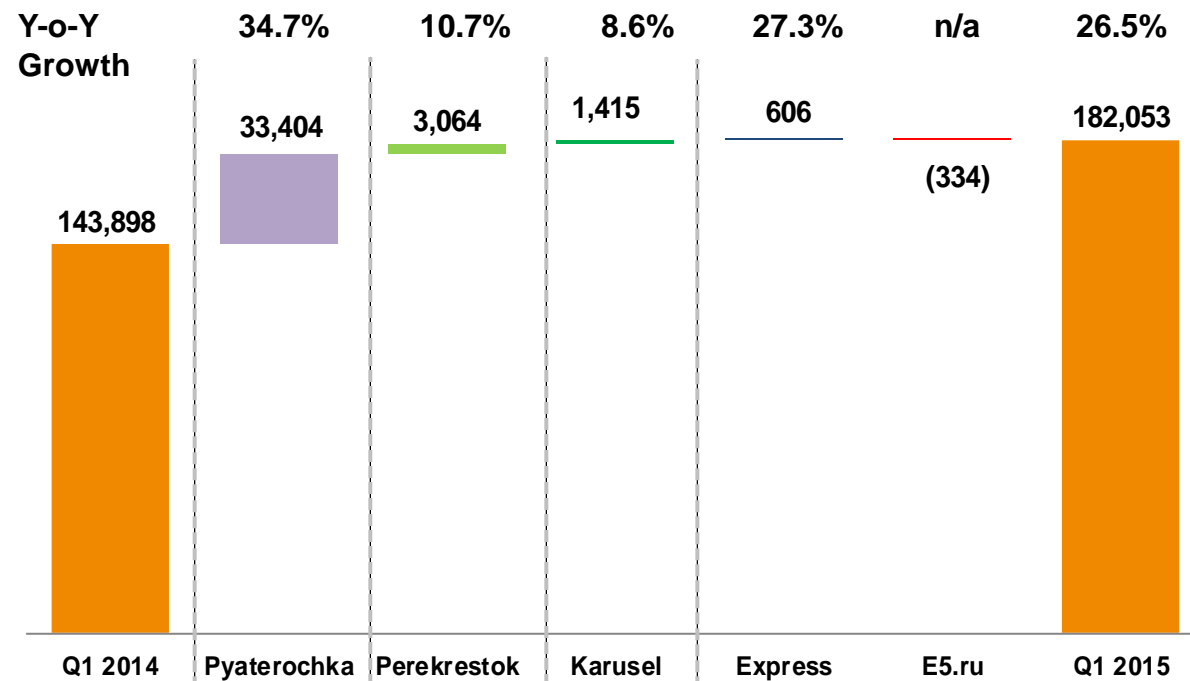
RUB mln <sup>(1)</sup> (where applicable)	Q1 2015	Q1 2014	+/( - )	+/( - )%
Total revenues	182,725	144,167	38,558	26.7%
COGS	137,829	109,521	28,308	25.8%
Gross profit	44,896	34,646	10,250	29.6%
<b>Gross profit margin</b>	<b>24.6%</b>	<b>24.0%</b>	-	
EBITDA	13,129	9,796	3,333	34.0%
<b>EBITDA margin</b>	<b>7.2%</b>	<b>6.8%</b>	-	
Profit for the period	4,110	2,469	1,641	66.5%
<b>Profit margin</b>	<b>2.2%</b>	<b>1.7%</b>		
Operating cash flow	(2,251)	(4,632)	2,381	(51.4%)
Net cash used in investing activities	(7,820)	(4,289)	(3,531)	82.3%
Total debt	<b>120,619</b>	<b>116,735</b>	3,884	3.3%
Net debt	115,516	111,910	3,606	3.2%
<b>Net debt/EBITDA</b>	<b>2.35x</b>	<b>2.83x</b>		

Notes:

(1) RUB/USD average exchange rate for Q1 2015 – 62.19 and for Q1 2014 – 34.96

# NET RETAIL SALES SUMMARY

## Q1 2015 NET RETAIL SALES BREAKDOWN, RUB MLN



### Regional contribution to y-o-y growth

	Pyaterochka	Perekrestok	Karusel	Express
<b>Total</b>	<b>34.7%</b>	<b>10.7%</b>	<b>8.6%</b>	<b>27.3%</b>
Central	17.0%	8.0%	3.3%	27.3%
NW	4.4%	1.2%	1.7%	0.0%
Other	13.3%	1.4%	3.6%	0.0%

## KEY DRIVERS

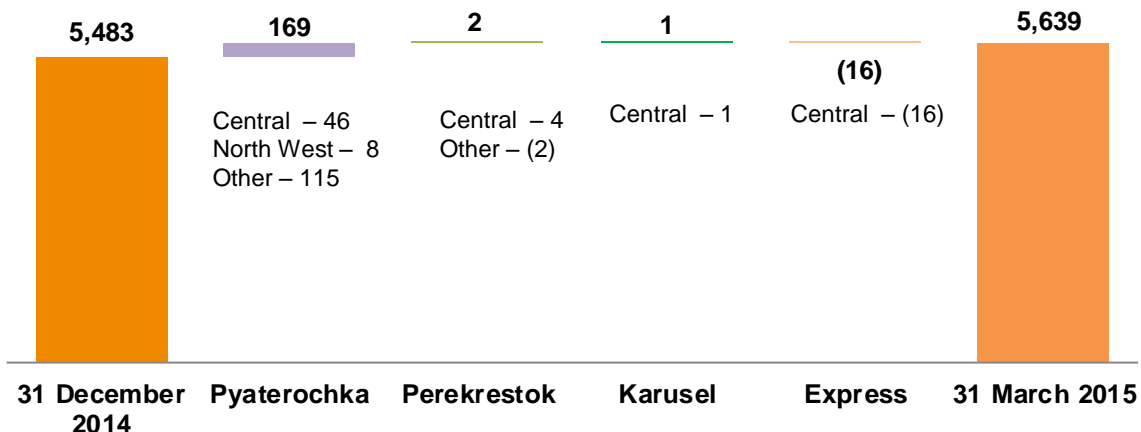
- ❖ Net retail sales grew by 26.5% primarily due to an increase in new selling space and improved LFL sales
- ❖ Pyaterochka's strong results relative to other formats is due to the success of the rebranding work leading to:
  - ❖ improved assortment and promotional offer;
  - ❖ updated store look with more modern feel and upgraded fixtures; and
  - ❖ better shelf availability of products due to improvements in logistics

# EXPANSION SUMMARY – Q1 2015

## NET SELLING SPACE GROWTH DYNAMICS IN Q1 2015, th.sq.m.



## NET STORE BASE GROWTH DYNAMICS IN Q1 2015

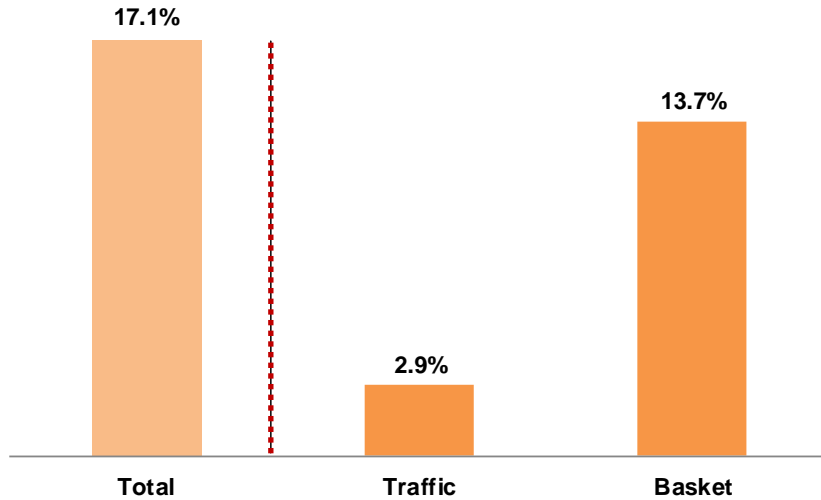


## KEY DRIVERS

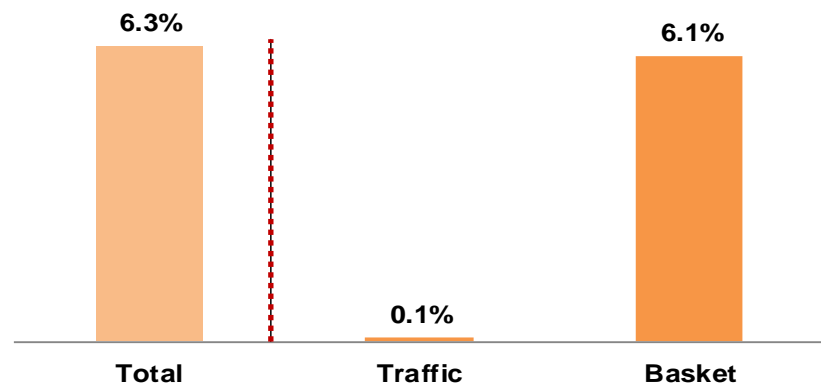
- ❖ Strong organic opening programs at Pyaterochka and Perekrestok
- ❖ Increased total store base to 5,639 stores by Q1 2015 end
- ❖ Pyaterochka opened X5's store number 5,555
- ❖ Continued investments into existing stores resulted in 344 refurbishments in Q1 2015

# IMPROVING LFL RESULTS

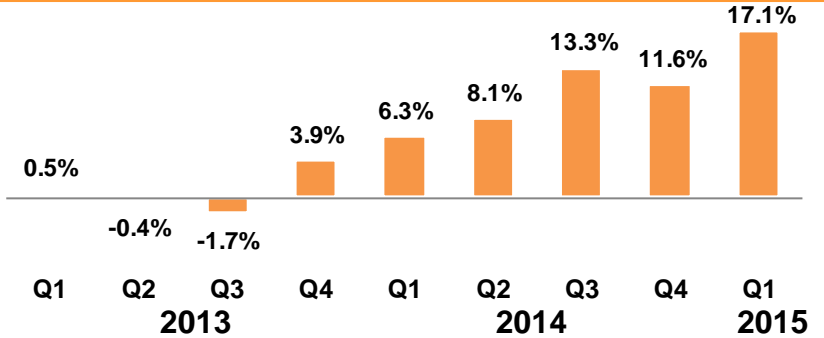
## X5 Q1 2015 LFL RESULTS



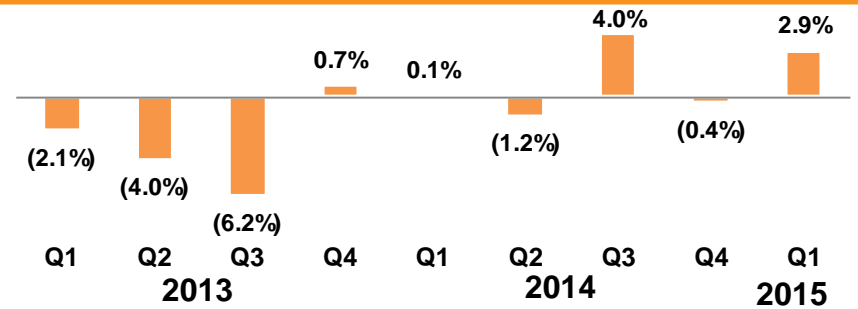
## X5 Q1 2014 LFL RESULTS



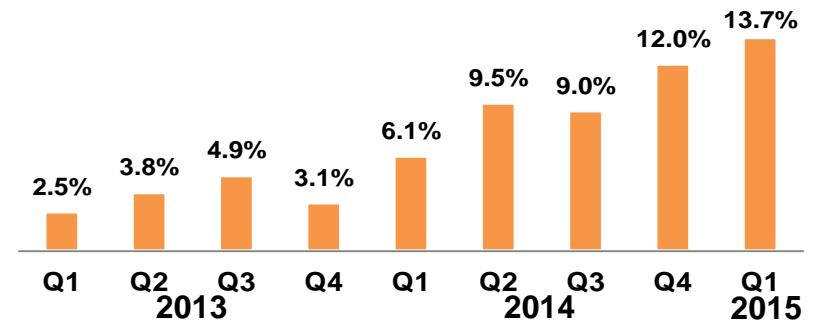
## X5 LFL SALES GROWTH



## X5 LFL TRAFFIC GROWTH

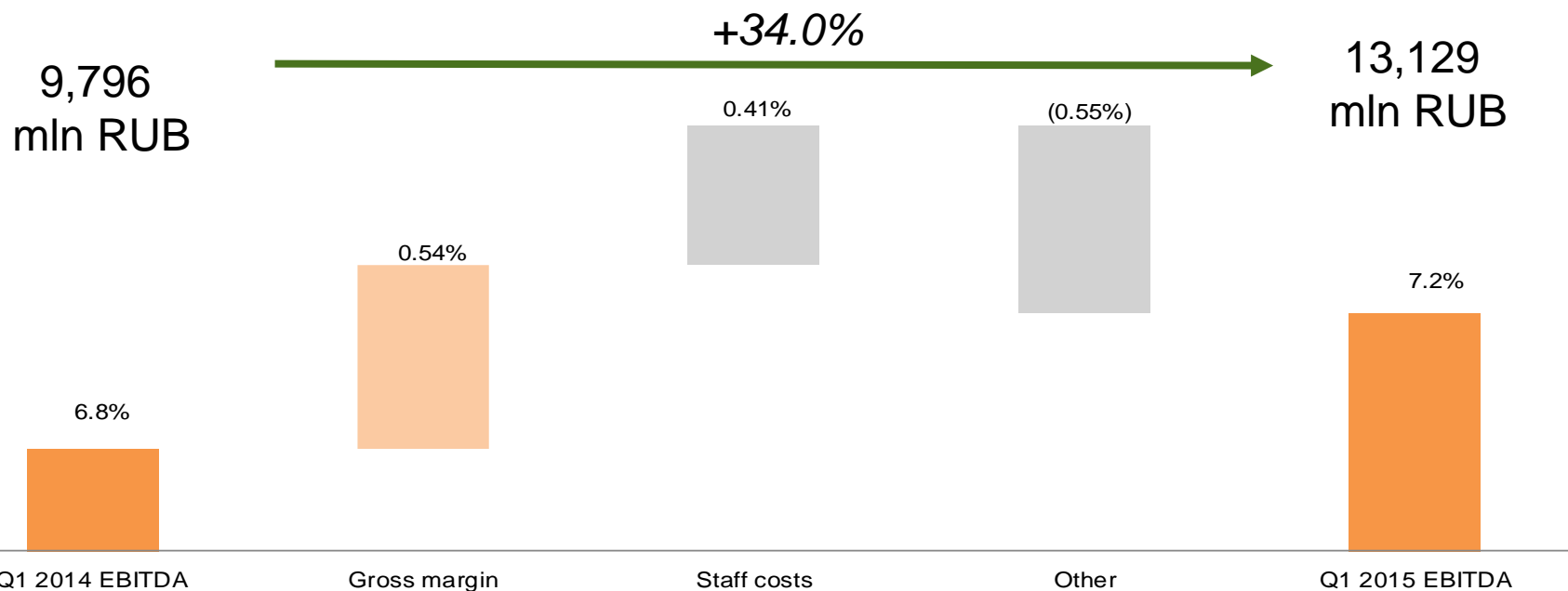


## X5 LFL BASKET GROWTH





# EBITDA BREAKDOWN



- ❖ Improvement in gross margin due to the improved logistics costs management as well as further optimization of assortment.
- ❖ Staff costs declined as a percentage of revenue primarily due to improvements in operating leverage

# DEBT STRUCTURE

## DEBT PROFILE

RUB mln	31 Mar 2015	31 Dec 2014
<b>Total Debt</b>	<b>120,619</b>	<b>130,986</b>
Short-Term Debt	14,407	15,834
% of total debt	11.9%	12.1%
Long-Term Debt	106,212	115,152
% of total debt	88.1%	87.9%
<b>Net Debt</b>	<b>115,516</b>	<b>105,363</b>

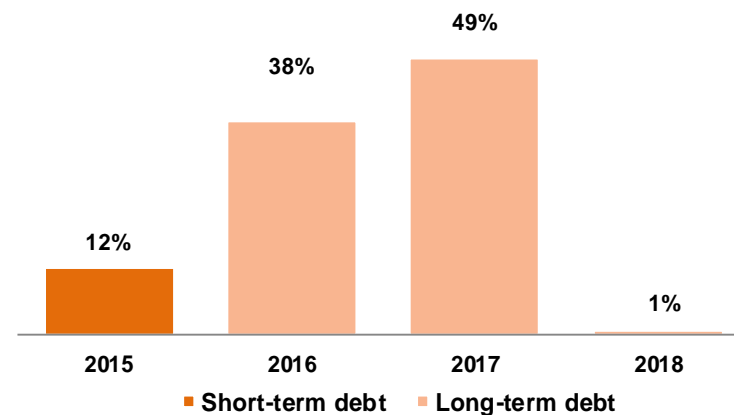
## COVENANTS & LIQUIDITY UPDATE

Covenant metrics & liquidity sources	31 Mar 2015	31 Dec 2014	Covenants
Net Debt / EBITDA <sup>(1)</sup>	2.35x	2.30x	< 4.00x
Interest Coverage ratio <sup>(1)</sup>	3.66x	3.76x	> 2.75x
Cash & Cash equivalents Balance, RUB mln	5,103	25,623	-
Undrawn credit lines, RUB mln	106,000	84,200	-

Notes:

(1) Based on 12 months financial results

## DEBT PORTFOLIO MATURITY



## COMMENTS

- ❖ X5's debt portfolio is 100% RUB-denominated.
- ❖ The weighted average effective interest rate on X5's total debt for Q1 2015 amounted to 13.6%.
- ❖ Y-o-y decrease in the share of short-term debt in the Company's credit portfolio.

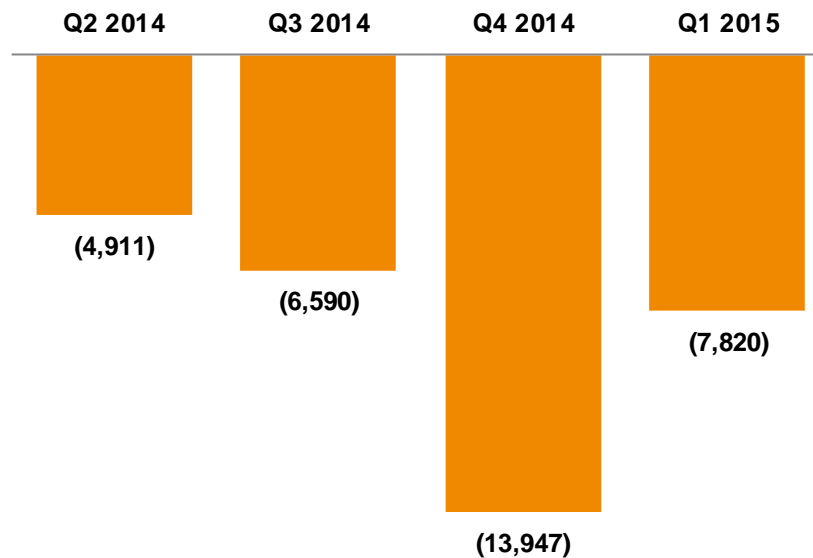
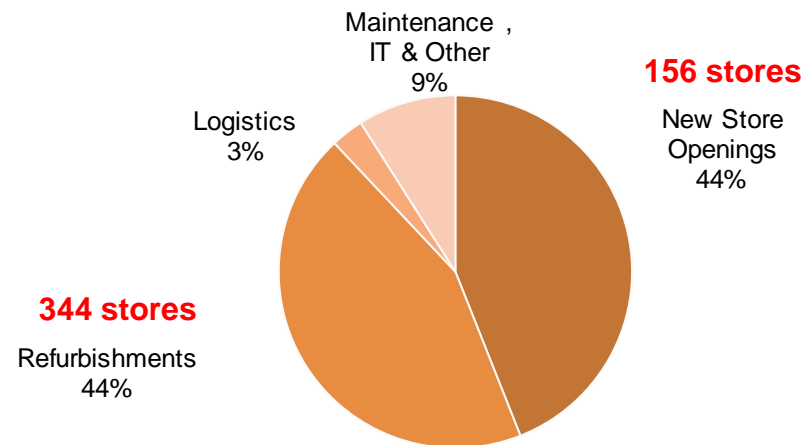
# CASH FLOW HIGHLIGHTS

RUB MLN	Q1 2015	Q1 2014	+/( - )	+/( - ), %
<b>Net cash used in operating activities</b>	<b>(2,251)</b>	<b>(4,632)</b>	<b>2,381</b>	<b>51.4%</b>
Net cash from operating activities before changes in working capital	13,573	9,196	4,377	47.6%
<b>Change in Working Capital</b>	<b>(11,139)</b>	<b>(10,120)</b>	<b>(1,019)</b>	<b>10.1%</b>
Decrease in trade and other accounts receivable	1,665	390	1,275	326.9 %
(Increase)/decrease in inventories	(5,716)	811	(6,527)	n/a
(Increase)/decrease in trade payable	(7,648)	(11,256)	3,608	32.1%
Increase in other accounts payable	560	(65)	625	n/a
Net interest and income tax paid	(4,685)	(3,708)	(977)	26.3 %
<b>Net cash used in investing activities</b>	<b>(7,820)</b>	<b>(4,289)</b>	<b>(3,531)</b>	<b>82.3 %</b>
<b>Net cash (used in)/generated from financing activities</b>	<b>(10,440)</b>	<b>6,135</b>	<b>16,575</b>	<b>n/a</b>
Effect of exchange rate changes on cash & cash equivalents	(9)	-	(9)	n/a
<b>Net decrease in cash &amp; cash equivalents</b>	<b>(20,520)</b>	<b>(2,786)</b>	<b>(17,734)</b>	<b>636.5%</b>

# CAPITAL EXPENDITURES OVERVIEW

Q1 2015 CAPITAL EXPENDITURES – 7,916 RUB MLN

Q1 2015 CASH USED INVESTING - 7,820 RUB MLN



In Q1 2015, Capex Focused on Organic Expansion and Investments in Store Refurbishments

# CONDENSED BALANCE SHEET

RUB MLN	31 MARCH 2015	31 DECEMBER 2014	+/( - )	+/( - )%
<b>Total current assets</b>	<b>93,190</b>	<b>110,509</b>	<b>(17,319)</b>	<b>(15.7%)</b>
Cash & cash equivalents	5,103	25,623	(20,520)	80.1%
Inventories	52,800	47,084	5,716	12.1%
<b>Total non-current assets</b>	<b>244,426</b>	<b>240,411</b>	<b>4,015</b>	<b>1.7%</b>
Net PP&E	154,670	150,328	4,342	2.9%
Goodwill	65,732	65,684	48	0.1%
<b>Total assets</b>	<b>337,616</b>	<b>350,920</b>	<b>(13,304)</b>	<b>(3.8%)</b>
<b>Total current liabilities</b>	<b>132,873</b>	<b>141,273</b>	<b>(8,400)</b>	<b>(5.9%)</b>
ST debt	14,407	15,834	(1,427)	(9.0%)
Trade accounts payable	84,336	92,001	(7,665)	(8.3%)
<b>Total non-current liabilities</b>	<b>110,064</b>	<b>119,089</b>	<b>(9,025)</b>	<b>(7.6%)</b>
LT debt	106,212	115,152	(8,940)	(7.8%)
<b>Total liabilities</b>	<b>242,937</b>	<b>260,362</b>	<b>(17,425)</b>	<b>(6.7%)</b>
<b>Total equity</b>	<b>94,679</b>	<b>90,558</b>	<b>4,121</b>	<b>4.6%</b>
<b>Total liabilities &amp; equity</b>	<b>337,616</b>	<b>350,920</b>	<b>(13,304)</b>	<b>(3.8%)</b>

# QUARTERLY FINANCIAL HIGHLIGHTS

RUB million	Q1 2014	Q2 2014	Q3 2014	Q4 2014	FY 2014	Q1 2015	Y-o-Y +/( - )%
Revenue	144,167	155,579	152,539	181,588	633,873	182,725	26.7%
<b>Net retail sales</b>	<b>143,898</b>	<b>155,109</b>	<b>152,028</b>	<b>180,894</b>	<b>631,930</b>	<b>182,053</b>	<b>26.5%</b>
COGS	(109,521)	(117,469)	(114,950)	(136,951)	(478,891)	(137,829)	29.6%
Gross profit	34,646	38,110	37,589	44,637	154,982	44,896	29.6%
<b>Gross profit margin</b>	<b>24.0%</b>	<b>24.5%</b>	<b>24.6%</b>	<b>24.6%</b>	<b>24.5%</b>	<b>24.6%</b>	-
SG&A	(30,791)	(32,316)	(31,825)	(38,580)	(133,512)	(37,417)	21.5%
EBIT	5,907	7,290	7,310	7,781	28,288	9,068	53.5%
<b>EBIT margin</b>	<b>4.1%</b>	<b>4.7%</b>	<b>4.8%</b>	<b>4.3%</b>	<b>4.5%</b>	<b>5.0%</b>	-
Net profit	2,469	3,980	3,420	2,822	12,691	4,110	15.5%
<b>Net profit margin</b>	<b>1.7%</b>	<b>2.6%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>2.0%</b>	<b>2.2%</b>	-
EBITDA	9,796	11,398	11,171	13,495	45,860	13,129	66.5%
<b>EBITDA margin</b>	<b>6.8%</b>	<b>7.3%</b>	<b>7.3%</b>	<b>7.4%</b>	<b>7.2%</b>	<b>7.2%</b>	-
Operating cash flow	(4,632)	12,776	6,825	13,598	28,567	(2,251)	(51.4%)
Investing cash flow	(4,289)	(4,911)	(6,590)	(13,947)	(29,737)	(7,820)	82.3%

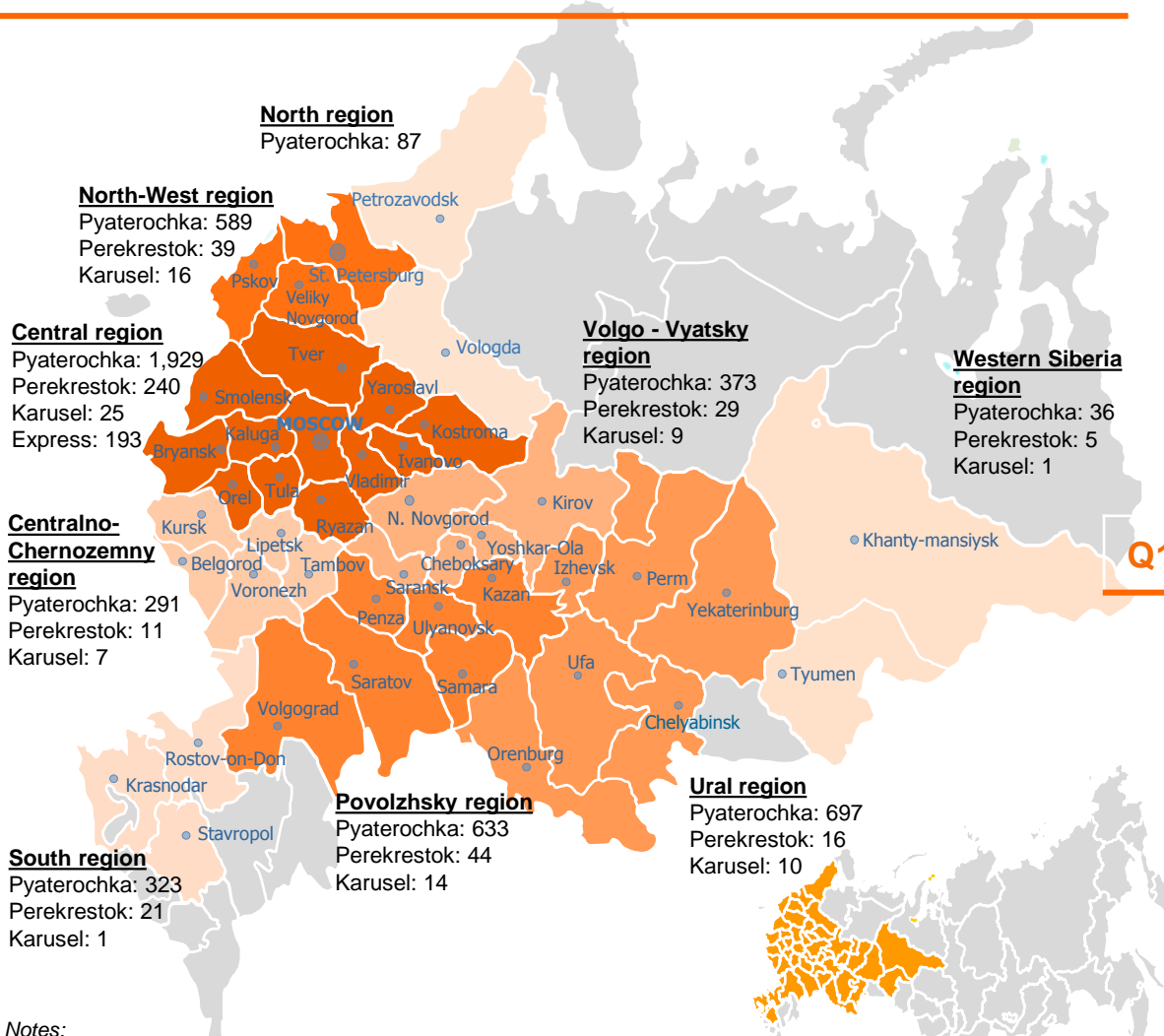
# OPERATIONAL REVIEW

# X5 REGIONAL PRESENCE

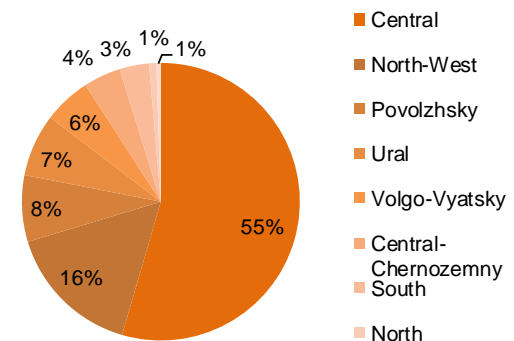
## NUMBER OF STORES BY REGION as of 31.03.2015 (1)

## OVERVIEW

- Multi-format presence in 62 cities of European Russia, the Urals and Western Siberia with population > 200,000 (2)
- Total stores – 5,639, including:
  - 4,958 Pyaterochkas
  - 405 Perekrestoks
  - 83 Karusels
  - 193 Express stores



## Q1 2015 NET RETAIL SALES BY REGION



Notes:

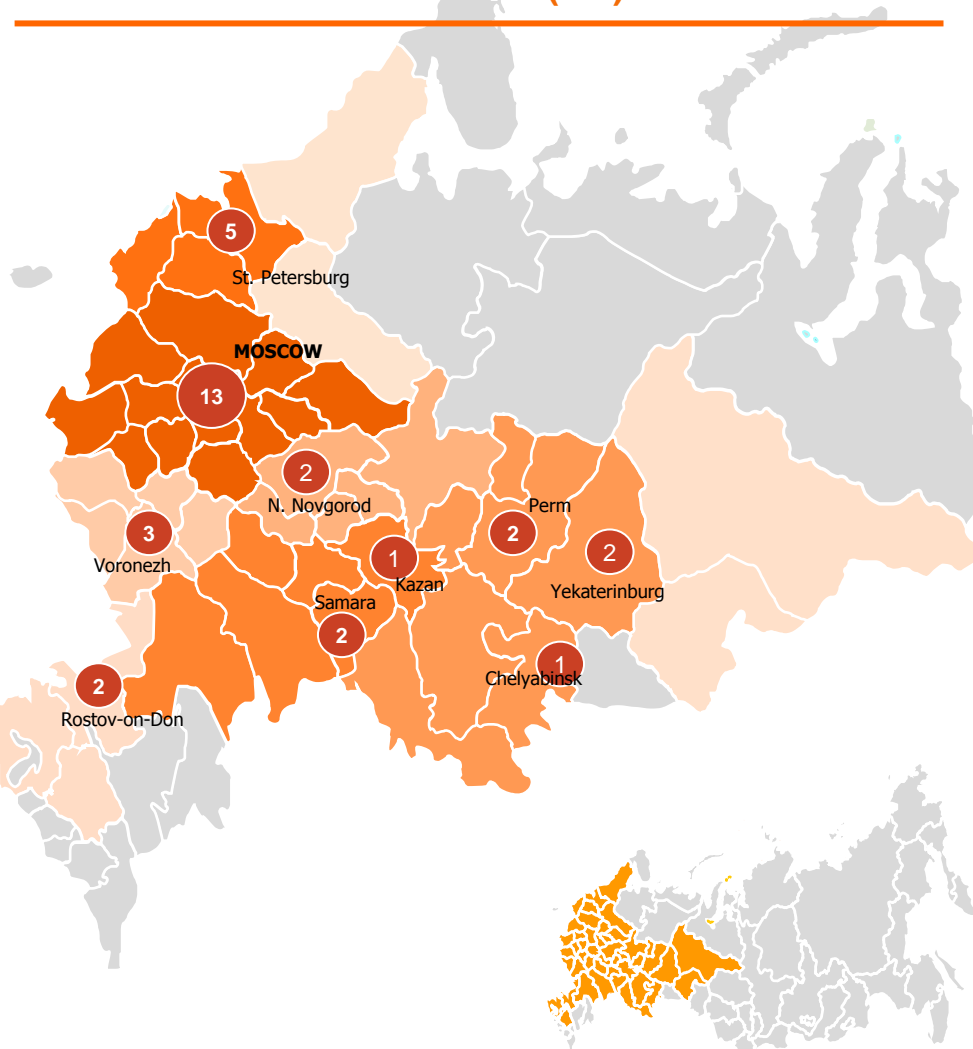
(1) According to the economic classification of Russian regions.

(2) According to 2010 population census



# X5 DISTRIBUTION CAPABILITIES

## DISTRIBUTION CENTER (DC) LOCATIONS

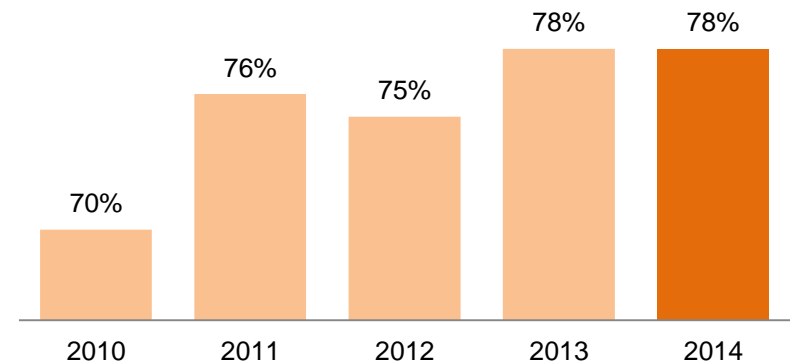


Note (1): As at 31 March 2015

## 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	58.7	5
Central-Chernozemny	34.2	3
Povolzhsky	71.7	3
South	41.3	2
<b>Total</b>	<b>690.3</b>	<b>33</b>

## CENTRALIZATION LEVEL



# KEY FORMATS



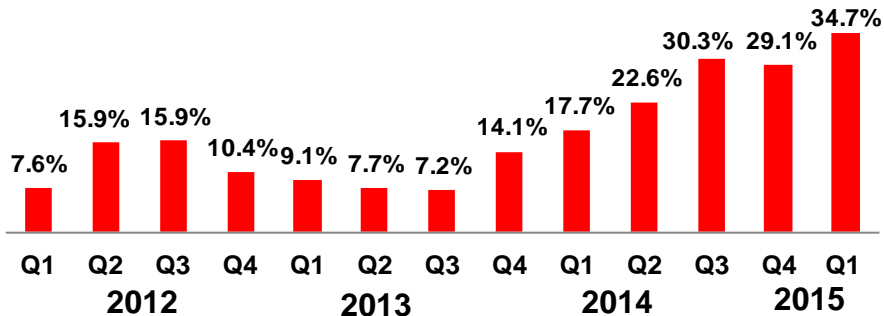
## “YOUR NEIGHBORHOOD STORE FOR DAILY SHOPPING NEEDS”



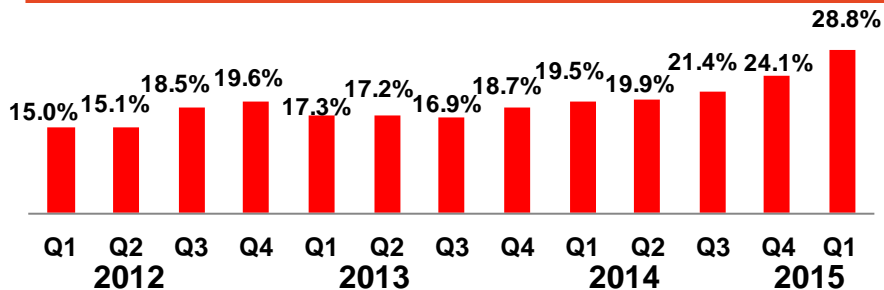
- ❖ 4,958 stores at 31 March 2015, 25 % increase y-o-y
- ❖ 1,859 thousand sq. m. of selling space (at 31 March 2015), 29% increase y-o-y
- ❖ 2014 Net sales – RUB 436 billion, 25% increase y-o-y
- ❖ Q1 2015 Net retail sales – RUB 130 billion, 35% increase y-o-y
- ❖ Share in X5’s sales: ~71%
- ❖ Q1 2015 LFL Results: Sales: 21.7%; traffic: 5.2%; basket: 15.7%
- ❖ Average check: 339 RUB (Q1 2015), 14.2% 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

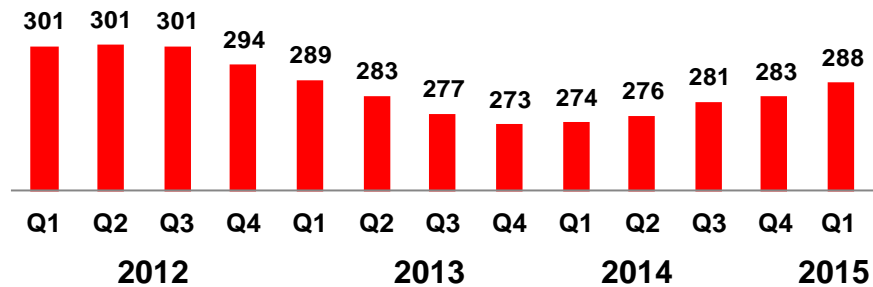
## Net Sales Growth, % y-o-y



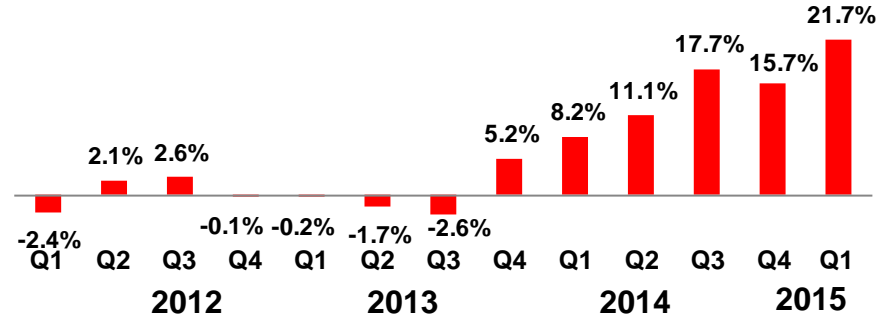
## Net Selling Space Growth, % y-o-y



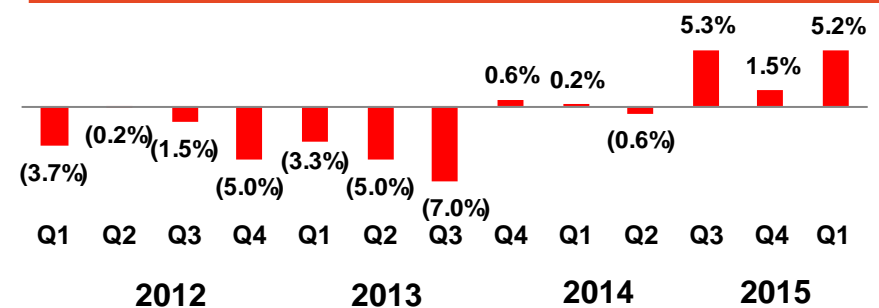
## Sales Densities, th.RUB/sq.m.(1)



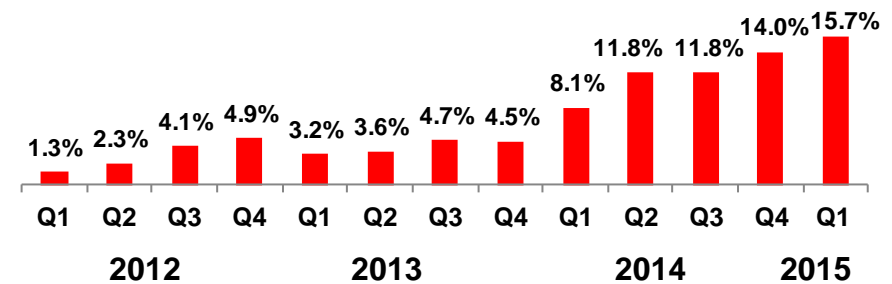
## Total LFL Sales Growth, % y-o-y



## Total LFL Traffic Growth, % y-o-y

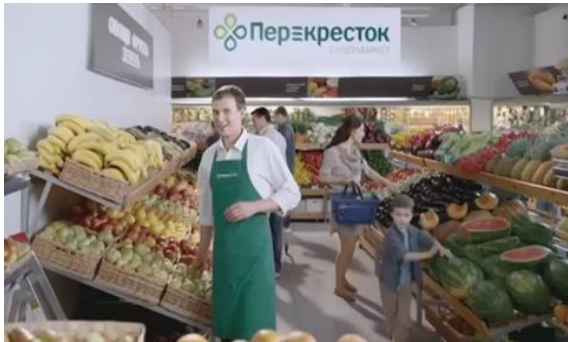


## Total LFL Basket Growth, % y-o-y



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

# PEREKRESTOK SUMMARY

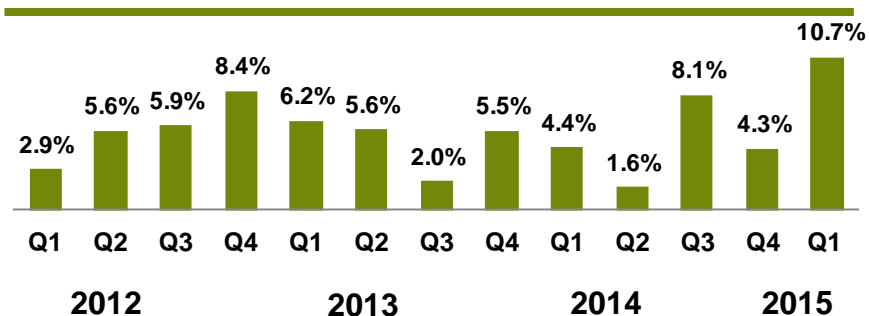


## “RUSSIA’S FAVORITE, HIGH QUALITY FRESH SUPERMARKET”

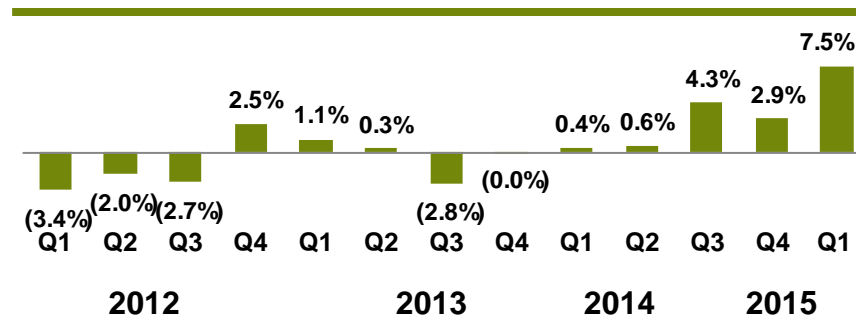
- ❖ 405 stores at 31 March 2015, 5.5% increase y-o-y
- ❖ 420 thousand sq. m. of selling space (at 31 March 2015), 6.9% increase y-o-y
- ❖ 2014 Net sales – RUB 116 billion; 4.5% increase y-o-y
- ❖ Q1 2015 Net retail sales – RUB 32 billion; 10.7% increase y-o-y
- ❖ Share in X5’s sales - ~17%
- ❖ Q1 2015 LFL Results: Sales: 7.5%; traffic: (6.0%); basket: 14.4%
- ❖ Average check: 506 RUB (Q1 2015)
- ❖ 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

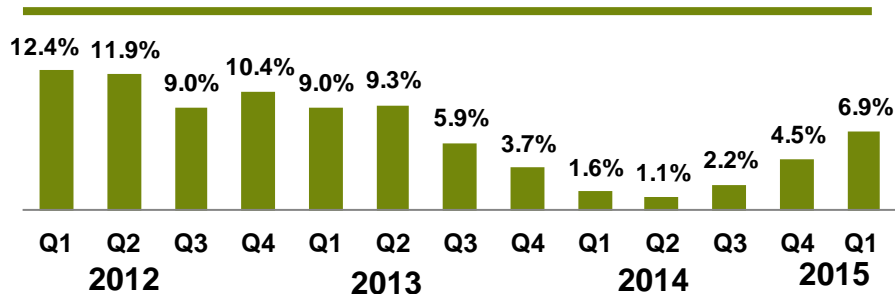
## Net Sales Growth, % y-o-y



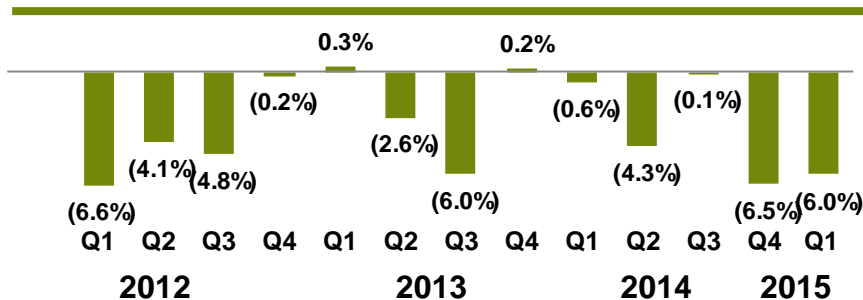
## Total LFL Sales Growth, % y-o-y



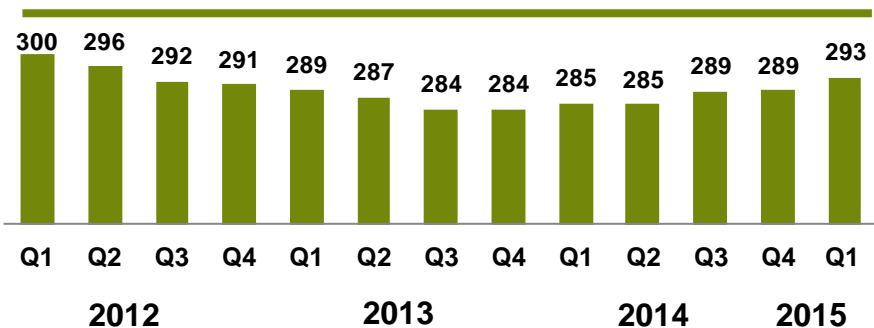
## Net Selling Space Growth, % y-o-y



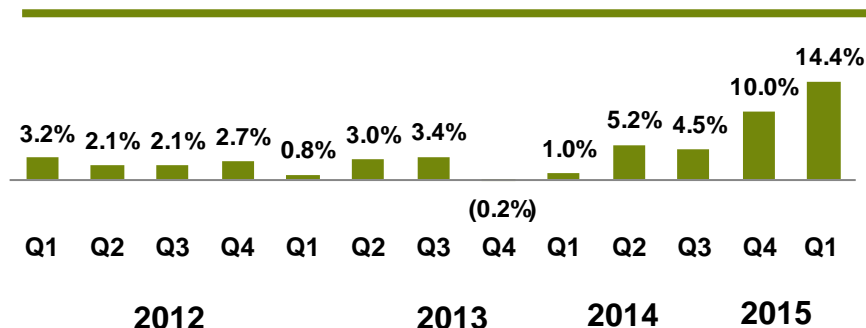
## Total LFL Traffic Growth, % y-o-y



## 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



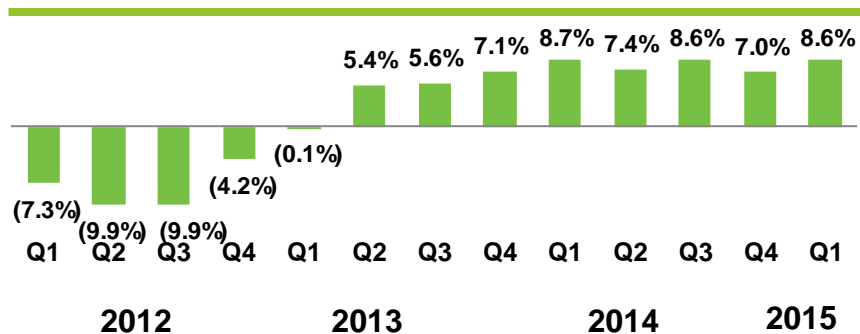


## “YOUR DESTINATION STORE FOR ALL FOOD & HOUSEHOLD NEEDS”

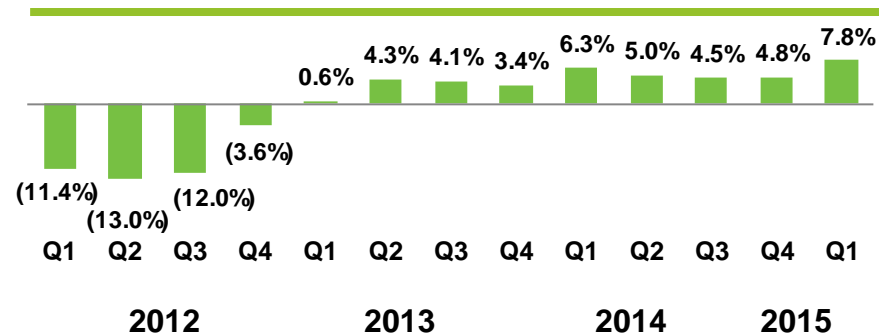
- ❖ 83 stores at 31 March 2015, 2.5% increase y-o-y
- ❖ 362 thousand sq. m. of selling space (at 31 March 2015), 0.3% increase y-o-y
- ❖ 2014 Net sales – RUB 69 billion, 7.9% increase y-o-y
- ❖ Q1 2015 Net retail sales – RUB 18 billion, 8.6% increase y-o-y
- ❖ Share in X5’s sales - ~10%
- ❖ Q1 2015 LFL Results: Sales: 7.8%; Traffic: (1.4%); Basket: 9.4%
- ❖ Average check: 678 RUB (Q1 2015)
- ❖ 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

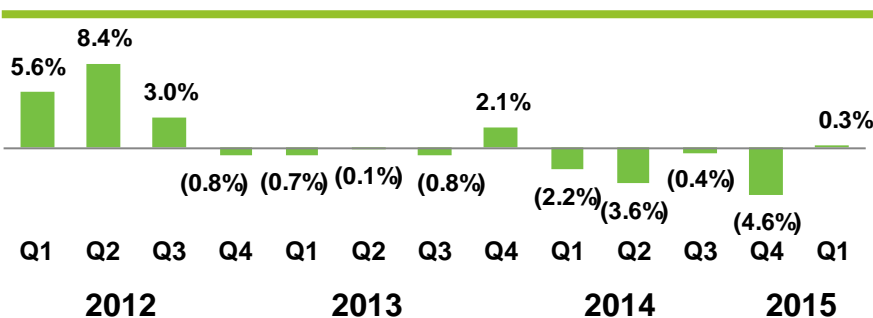
## Net Sales Growth, % y-o-y



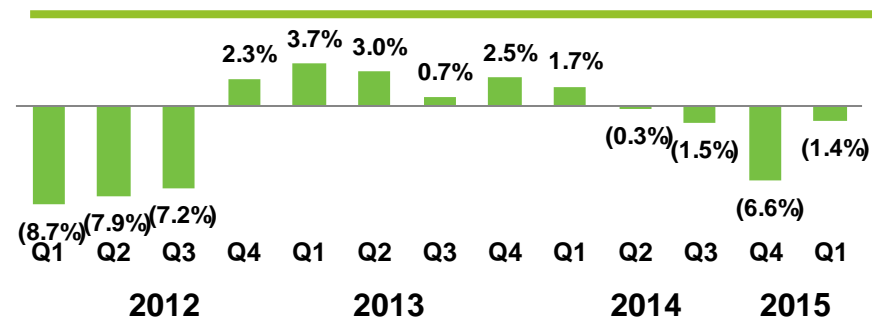
## Total LFL Sales Growth, % y-o-y



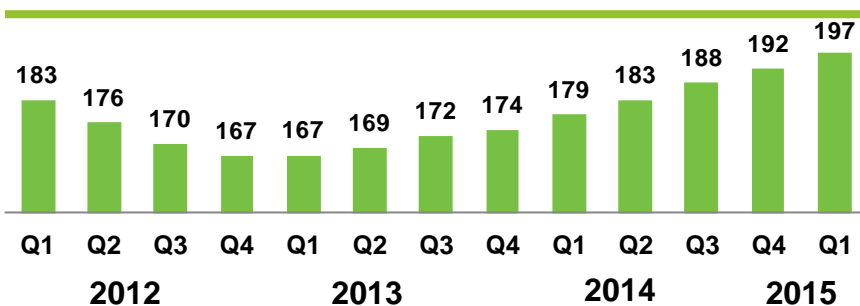
## Net Selling Space Growth, % y-o-y



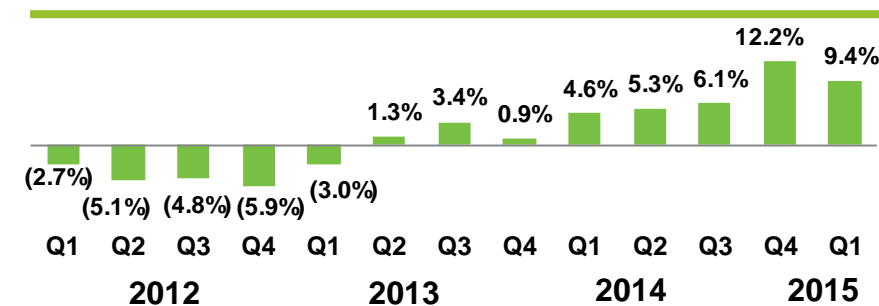
## Total LFL Traffic Growth, % y-o-y



## 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**