



Q1 2018 FINANCIAL RESULTS

MOSCOW, RUSSIAN FEDERATION
26 APRIL 2018

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I. HIGHLIGHTS

04 / STRATEGIC HIGHLIGHTS



- X5 is a true **multi-format** retailer with business model, which enables to capture growth in the three largest segments of Russia's food retail business



- X5 reinforced its **market leadership** in Russian food retail, with **market share increasing to 9.5% in 2017**, up from 8.0% in 2016



- Constant adaptation of **value proposition** to Russian consumers' changing needs and current macro environment, including expansion of fresh assortment, widening local assortment, development of loyalty programmes



- Significant **improvements in logistics and transport**: adding new links in the value chain and acquisition of **1,231 trucks**
- In the last three years X5 opened 23 DCs, including **10 DCs** in 2017



- Focus on **innovations**. X5 already kicked off joint projects with a number of finance and high-tech companies
- Development and implementation of the **Big Data** strategy



- Approval of the **dividend policy** by the Supervisory Board in September 2017
- Supervisory Board recommended to pay dividends in the amount of **RUB 21,590 million / RUB 79.5 per GDR**, subject to related fees and taxes



05 / KEY ACHIEVEMENTS IN Q1 2018



- Revenue growth remained strong at **19.9%**



- The Company added **580** new stores in Q1 2018 adding net **253 th. sq. m.** of selling space, **80%^[1]** of which was **organic growth**



- Adjusted EBITDA margin at **6.3%**



- All** of Pyaterochka stores and **~76%** of Perekrestok stores operating under new concept as of 31 March 2018



- Net debt / EBITDA at the comfortable level of **1.88x** as of 31 March 2018



- 41.1 mln** loyalty card users as of 31 March 2018



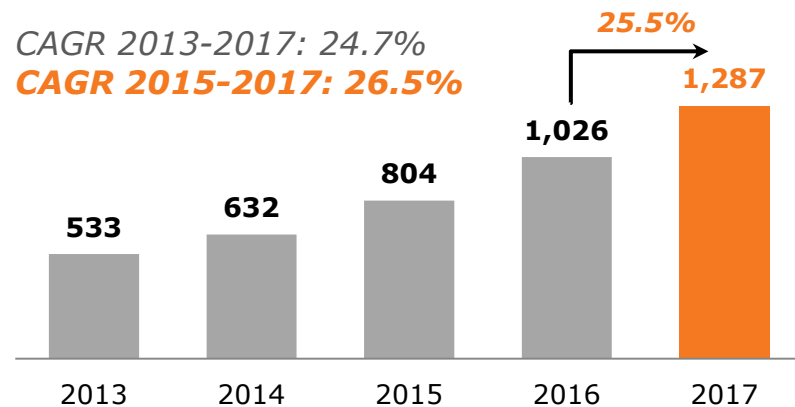
- Positive LFL sales growth of **0.5%** in Q1 2018
- LFL traffic of Perekrestok was positive for **nine quarters** in a row



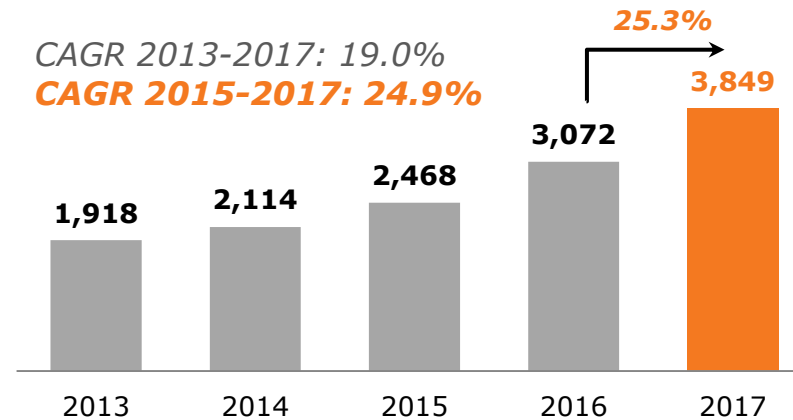
- Pyaterochka added **216 th. sq. m.** of net selling space

06 OPERATIONAL HIGHLIGHTS

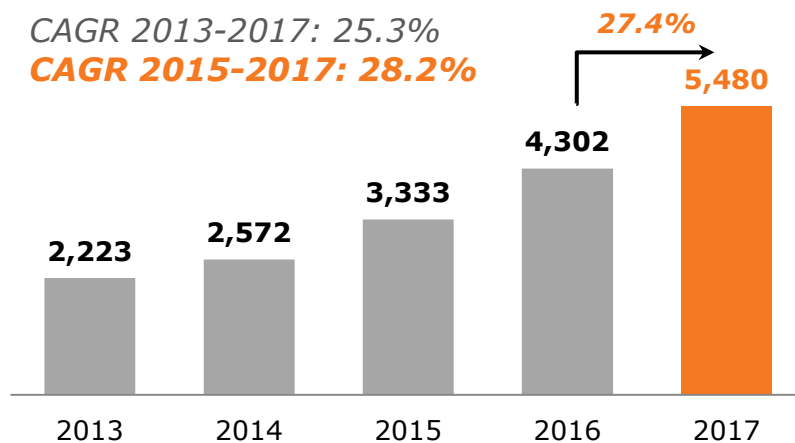
Net retail sales dynamics, RUB bn



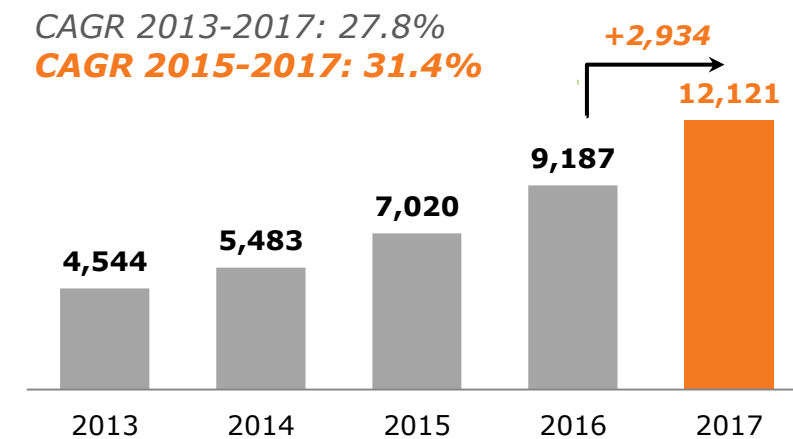
Customer visits, mln



Selling space, th. sq m



Number of stores, end of period



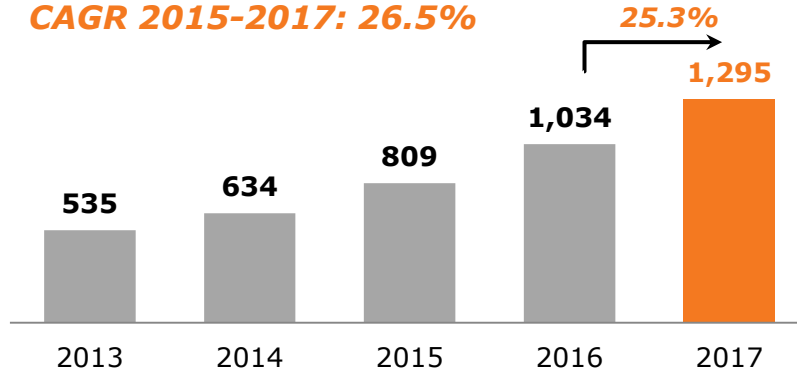
Source: X5 data



07 / FINANCIAL HIGHLIGHTS

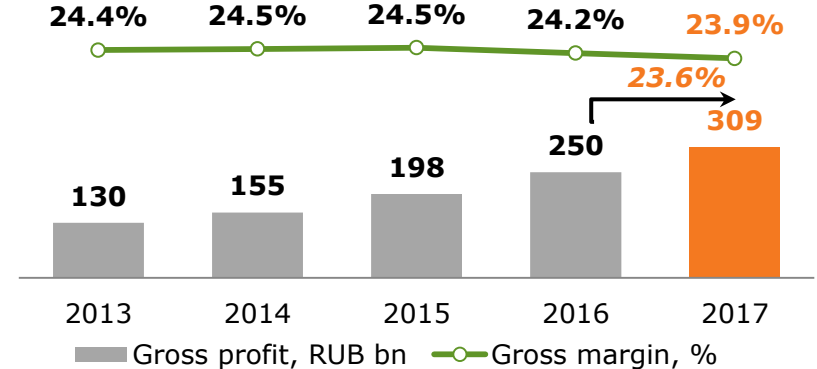
Revenue dynamics, RUB bn

CAGR 2013-2017: 24.8%
CAGR 2015-2017: 26.5%



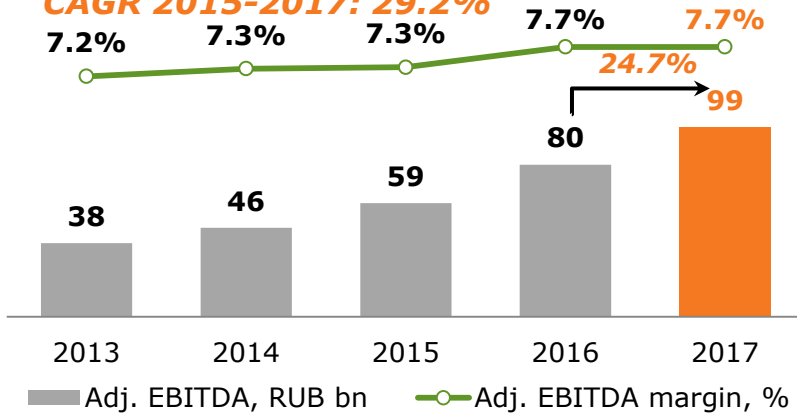
Gross profit & gross margin

CAGR 2013-2017: 24.1%
CAGR 2015-2017: 24.8%



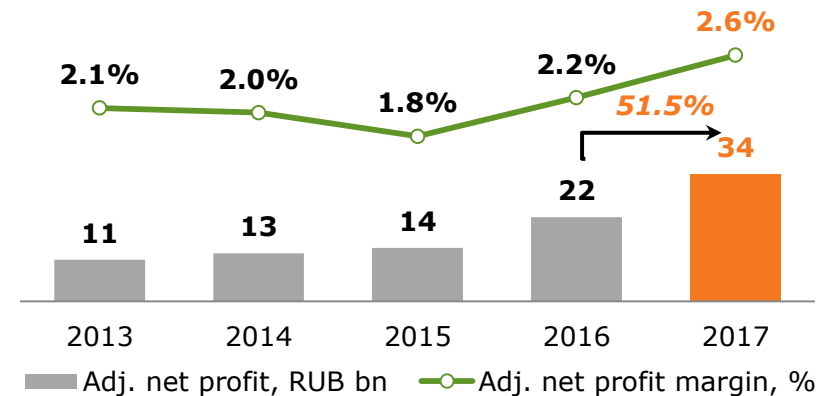
Adj. EBITDA & adj. EBITDA margin^[1]

CAGR 2013-2017: 26.8%
CAGR 2015-2017: 29.2%



Adj. net profit and adj. net profit margin^[2]

CAGR 2013-2017: 32.4%
CAGR 2015-2017: 54.4%



[1] – Adjusted for LTI, exit share-based payments and other one-off remuneration payments

[2] – Adjusted for income tax expense affected by the Company's dividend policy (change in deferred tax liability associated with investments in subsidiaries) and a non-recurring increase in impairment related to the Perekrestok Express segment as a result of the decision to focus on the three major formats

Source: X5 data



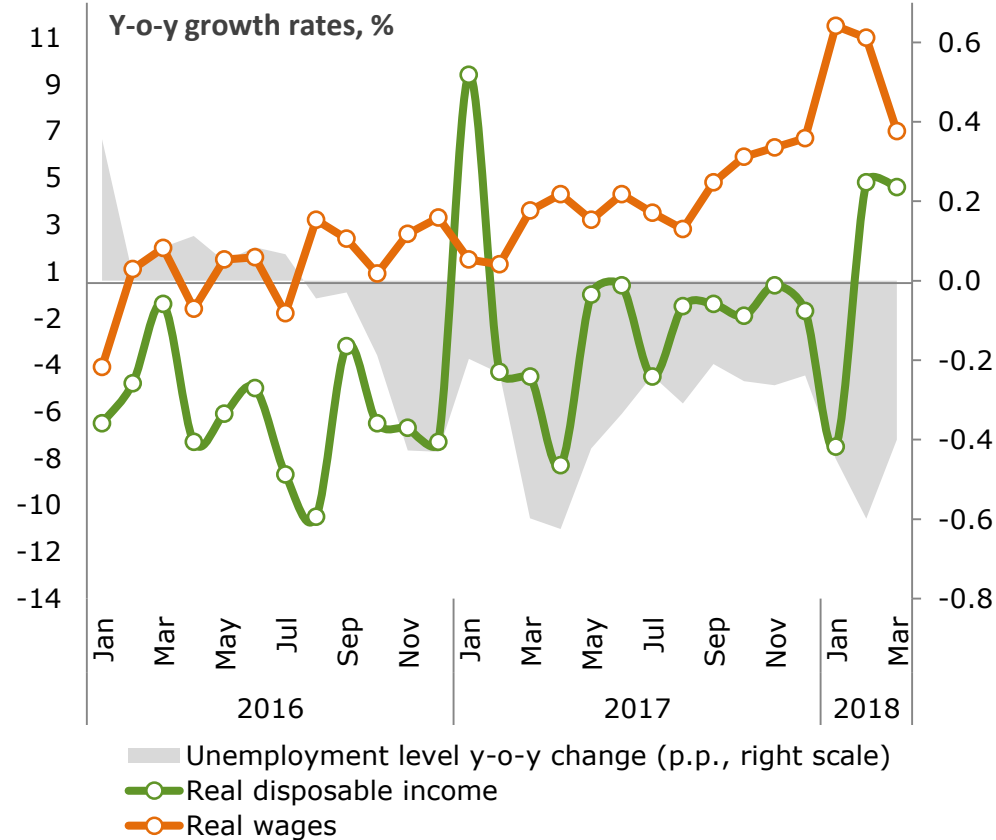
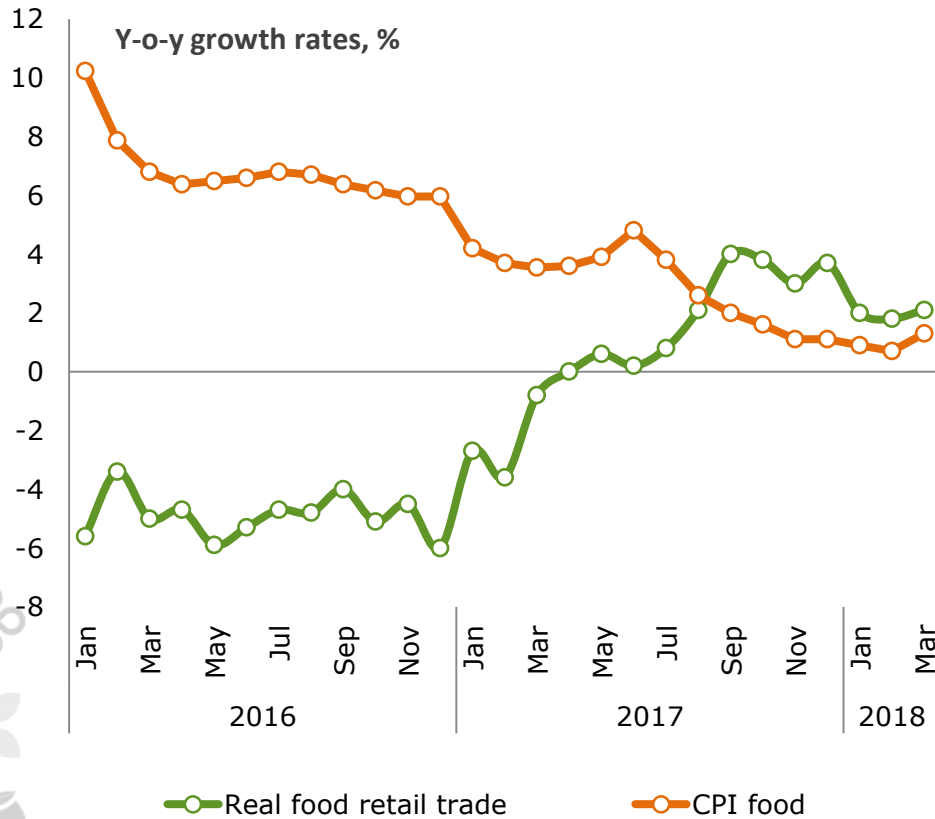


II. MARKET OVERVIEW

09 MACRO ENVIRONMENT (1/2)

Real food retail trade remained weak on the back of cautious consumer behavior after long-term real disposable income decline

Real disposable income switched to growth in Q1 2018 (0.9% y-o-y) along with record real wage growth (9.5%) because of significant pre-election payments to the population

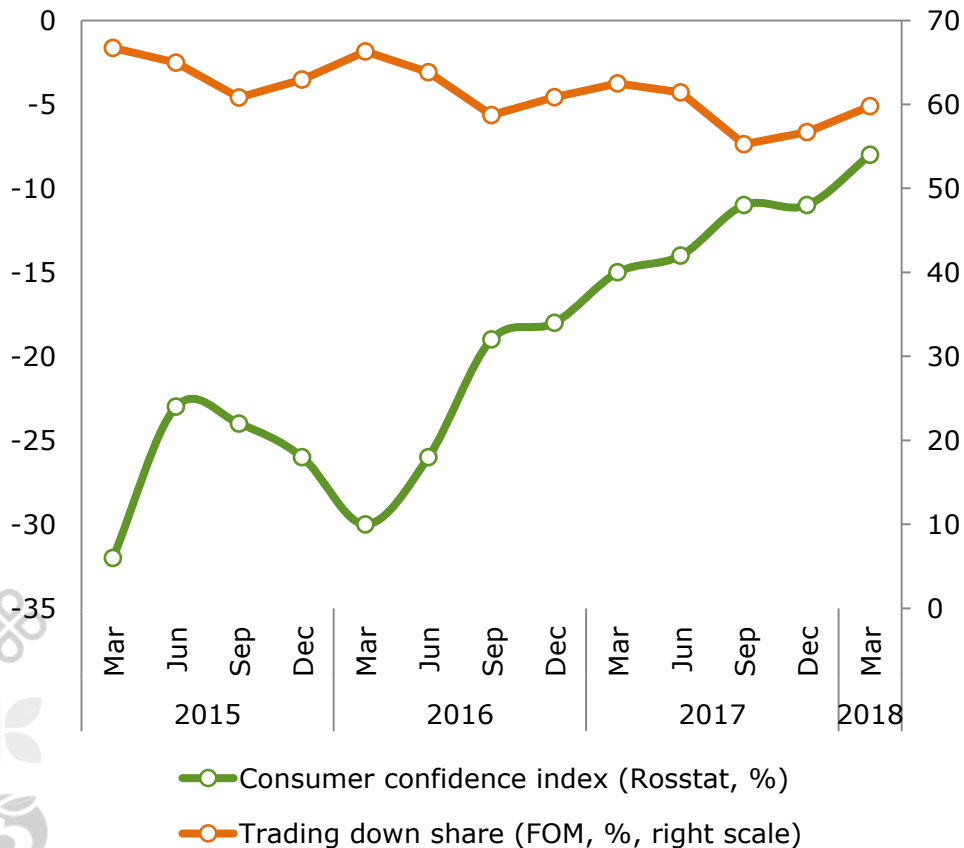


Source: Rosstat

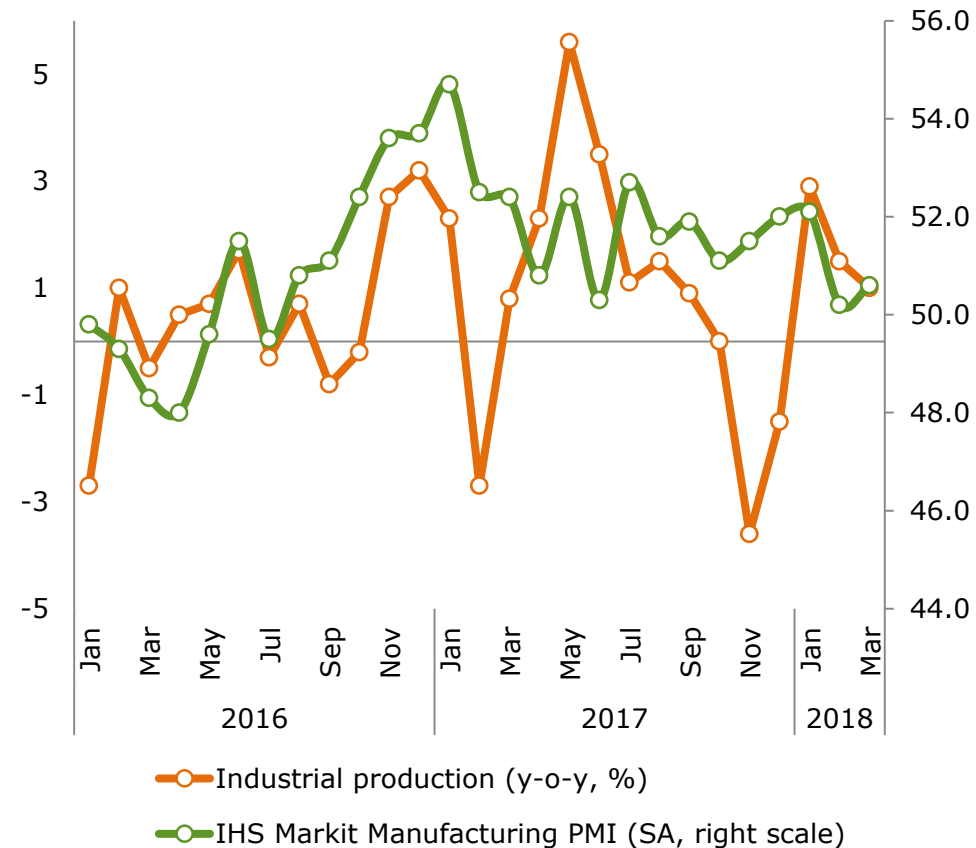
In Q1 2018 the Russian economy showed weak growth in consumer demand despite growth in real wages and an increase in real income, with risks to the sustainability of economic recovery persisting

10 MACRO ENVIRONMENT (2/2)

Consumer confidence improved but still remained negative. Trading down is still high in absolute terms



Industrial production recovery is still weak and unsustainable, but Russian manufacturing PMI index shows moderately positive outlook of firms for further production performance



Source: Rosstat, FOM

The key macroeconomic risks for the sustainability of the economic upturn are the weak recovery on the supply side and unstable real disposable income dynamics on the demand side

11 / RECENT MARKET TRENDS...

KEY TRENDS

DESCRIPTION

CONCLUSIONS

Changing demographics

- Growth of over working age population by 2% p.a. vs. reduction of working age group by 1% p.a.

- Growth of price-sensitive consumer segment
- Growth of proximity format popularity

Declining population income

- Increased price sensitivity and rational spending
- Growth of "cherry pickers"

- Growth in attractiveness of proximity/discounters
- Increased pressure on margins (need for opex reduction)

Growing competition

- Retail space saturation
- "Value" format development (e.g., specialists, hard discounters, dollar stores)

- Increasing pressure on LFL
- Increased pressure on margins (need for opex reduction)

Spread of new technologies

- Growth of online shopping and price transparency
- Increase in Big Data analytics

- Opportunity to improve competitiveness through service and personalisation

Tightening market regulation

- Retail trade legislation (back margin constraints)
- EGAIS and other control systems
- International sanctions

- Additional costs due to new regulation
- Growing margin pressures
- Product shortages and price inflation



12 / ...AND X5'S RESPONSE

KEY TRENDS

X5 RESPONSE

Changing demographics

- Continued expansion of proximity segment (>75% of X5 revenues)
- 5-10% discounts for pensioners from 9:00 until 13:00
- Focus on mothers with children

Declining population income

- Constant adaptation of value proposition to customers' needs
- Negotiating better terms from suppliers
- Best-in-class "promo engine"

Growing competition

- Strong regional expansion with effective value proposition for small cities and towns
- Clusterisation of Pyaterochka stores into different segments to specifically target consumer needs
- Development and rollout of new regional supermarket concept
- Effective GIS system to help find optimal locations

Spread of new technologies

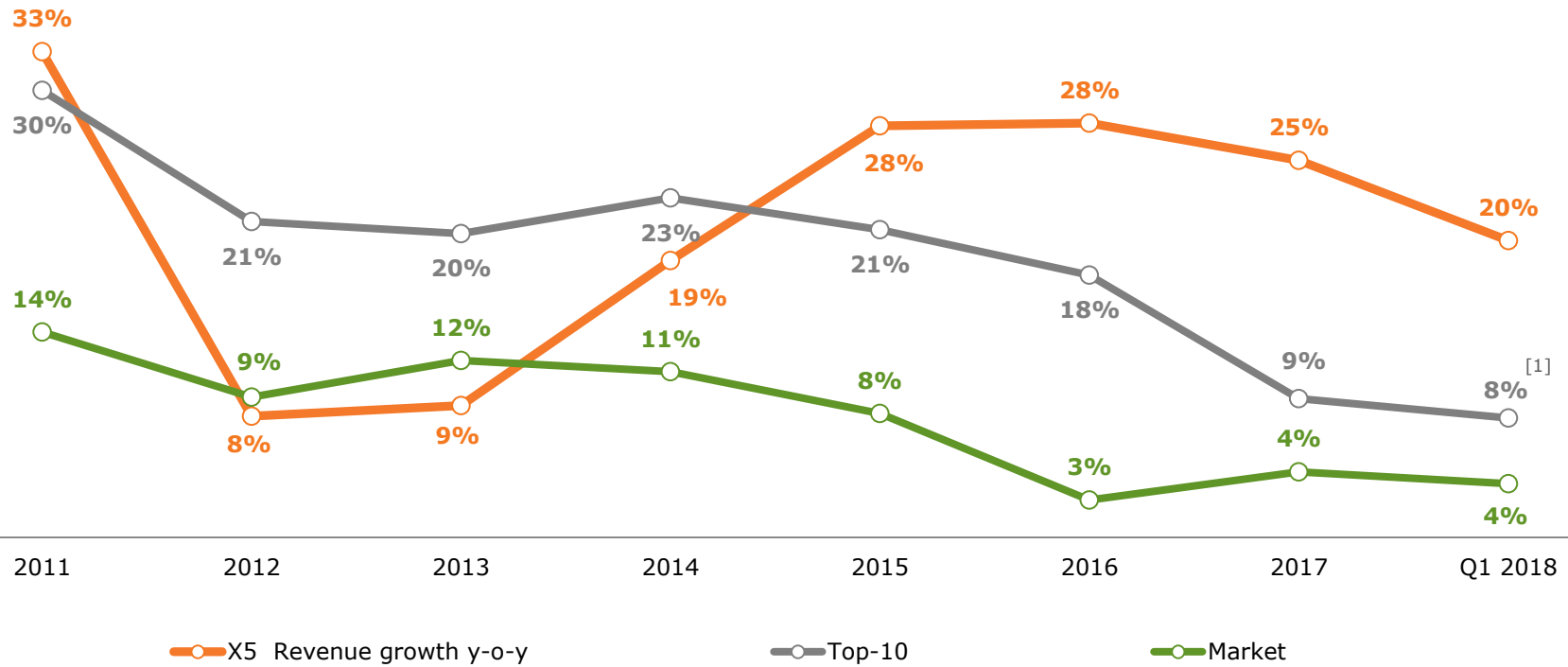
- Online retail initiative within the supermarket segment
- Successful development of loyalty programme and personalised promo in Perekrestok
- Further implementation of advanced analytics

Tightening market regulation

- Self-regulation approach
- Switch to net-net pricing
- Strategic partnerships with suppliers



13 X5 VS. RUSSIAN FOOD RETAIL IN TOP-LINE GROWTH













Source: Infoline, X5 analysis
[1] - X5's estimate

Starting from 2015, X5 has constantly outperformed the market and competition



14 / RETAIL MARKET SNAPSHOT

Top 10 Russian food retailers

#	Company name	% market share 2016	% market share 2017
1	 X5	8.0%	9.5%
2	 Magnit	7.4%	7.5%
3	 Lenta	2.1%	2.5%
4	 Auchan	2.9%	2.2%
5	 Dixy	2.4%	2.1%
6	 SPS Holding	1.2%	1.8%
7	 Metro	1.6%	1.4%
8	 O'Key	1.2%	1.2%
9	 Monetka	0.6%	0.6%
10	 Globus	0.6%	0.6%
Total Top 10		28.0%	29.4%

Source: InfoLine

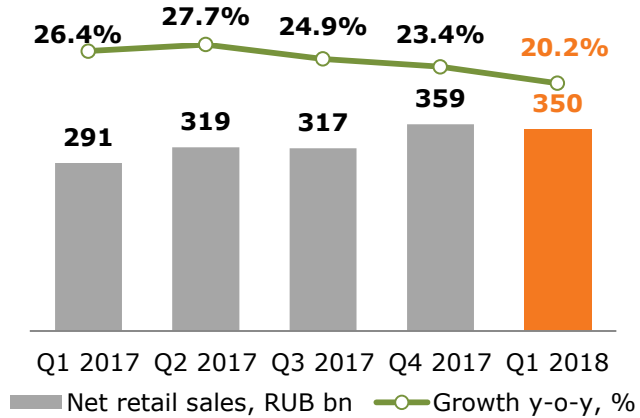
X5's market share increased from 8.0% in 2016 to 9.5% in 2017



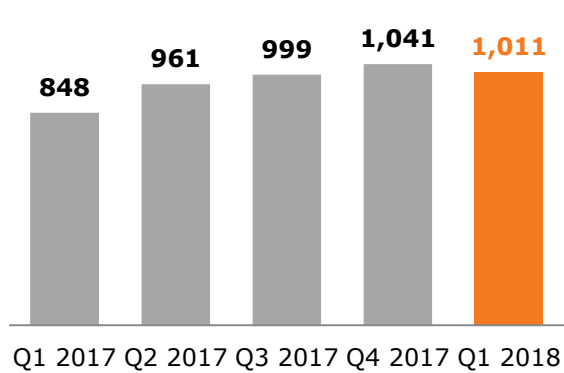
**III. OPERATIONAL RESULTS
Q1 2018**

16 / Q1 2018 RESULTS: OPERATIONAL HIGHLIGHTS

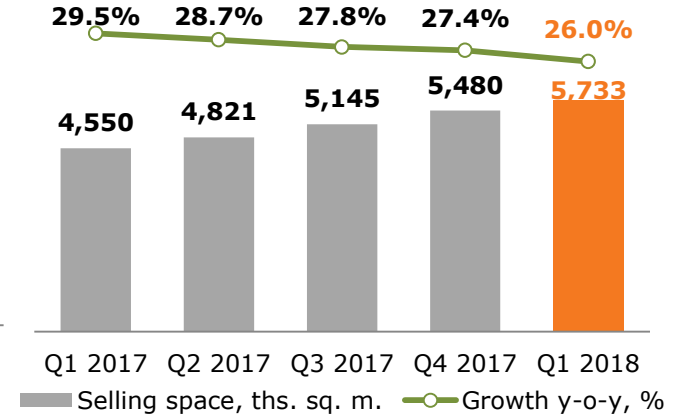
Net retail sales



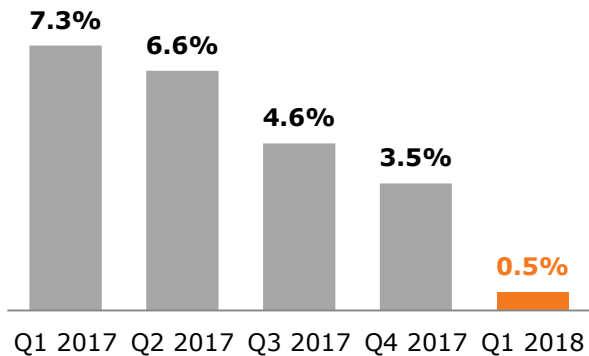
Traffic, mln customers



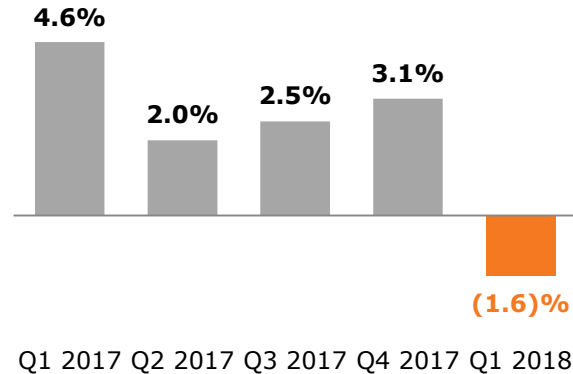
Net selling space (eop), th. sq. m



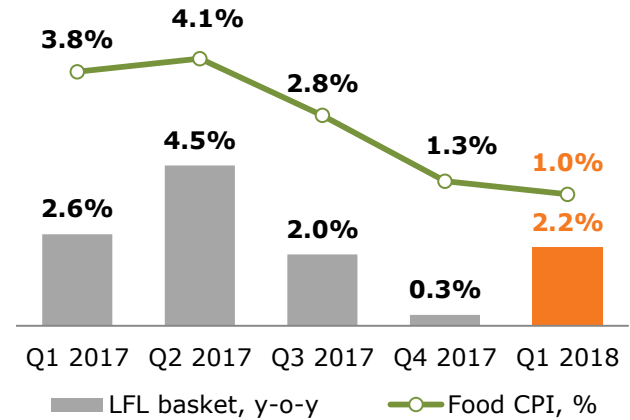
LFL sales, y-o-y



LFL traffic, y-o-y



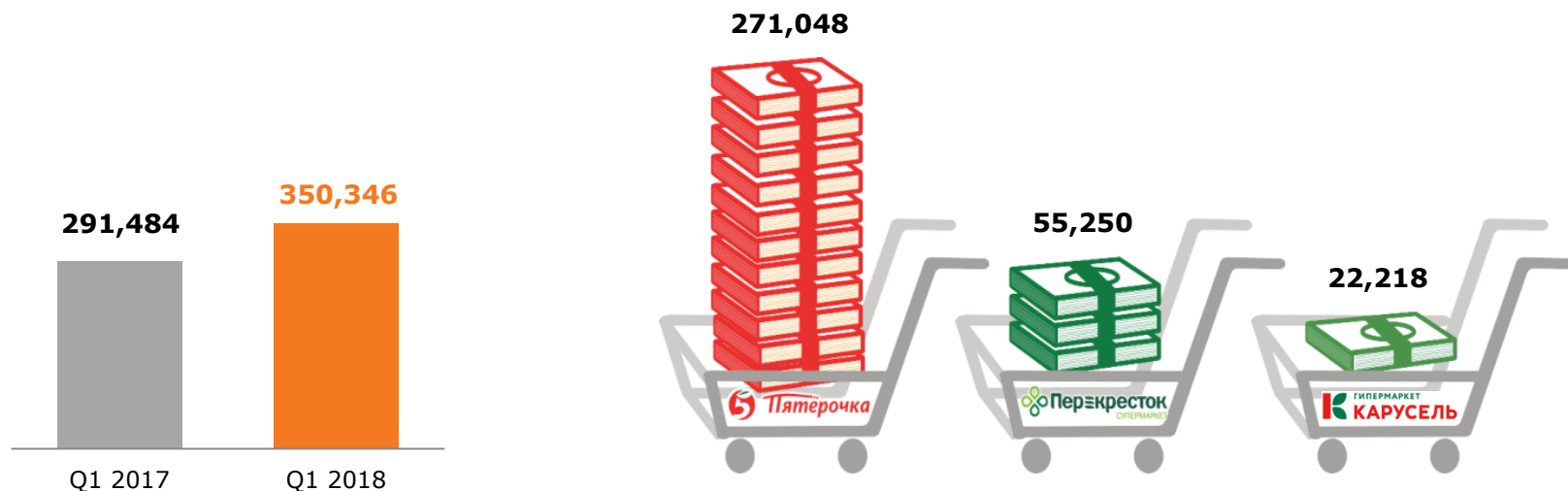
LFL basket, y-o-y



Source: X5 data

17 / Q1 2018 RESULTS: NET RETAIL SALES SUMMARY

Net retail sales breakdown by retail format, RUB mln



KEY DRIVERS

- Pyaterochka, which continues to meet customers' needs in a challenging macro environment, was the key driver for X5's growth thanks to:
 - Value proposition that is one of the best-adapted to Russian consumers' needs
 - Ambitious expansion programme

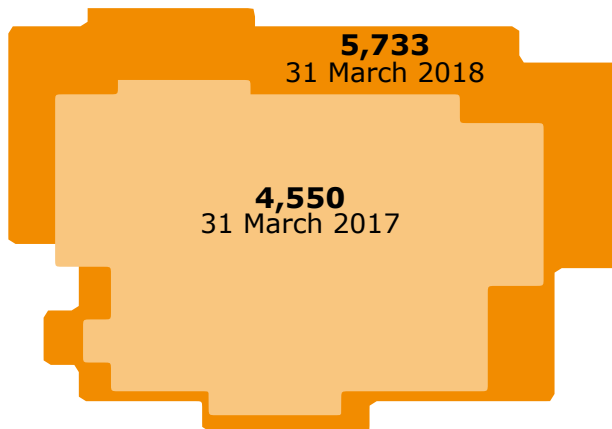
Source: X5 data

Net retail sales growth of 20.2% was driven by a 0.5% increase in like-for-like sales and a 19.7% sales growth contribution from a 26.0% rise in selling space

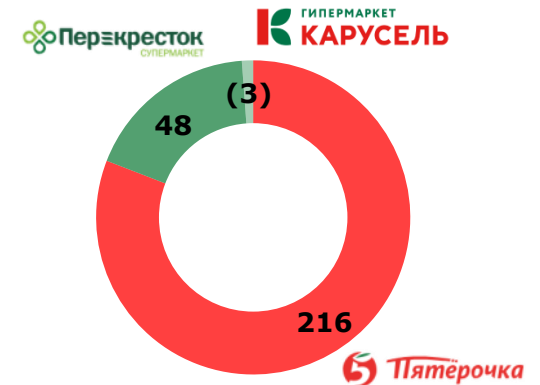
18 / Q1 2018 RESULTS: EXPANSION SUMMARY

- Total store base increased to 12,701 stores as of 31 March 2018
- Pyaterochka was the main driver for the store base increase with a 216 th. sq. m. selling space addition in Q1 2018
- X5 acquired 99 stores in Bashkortostan which are to be integrated into the Pyaterochka chain

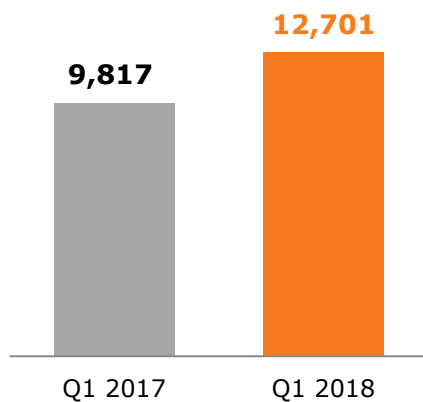
Net selling space, th. sq. m.



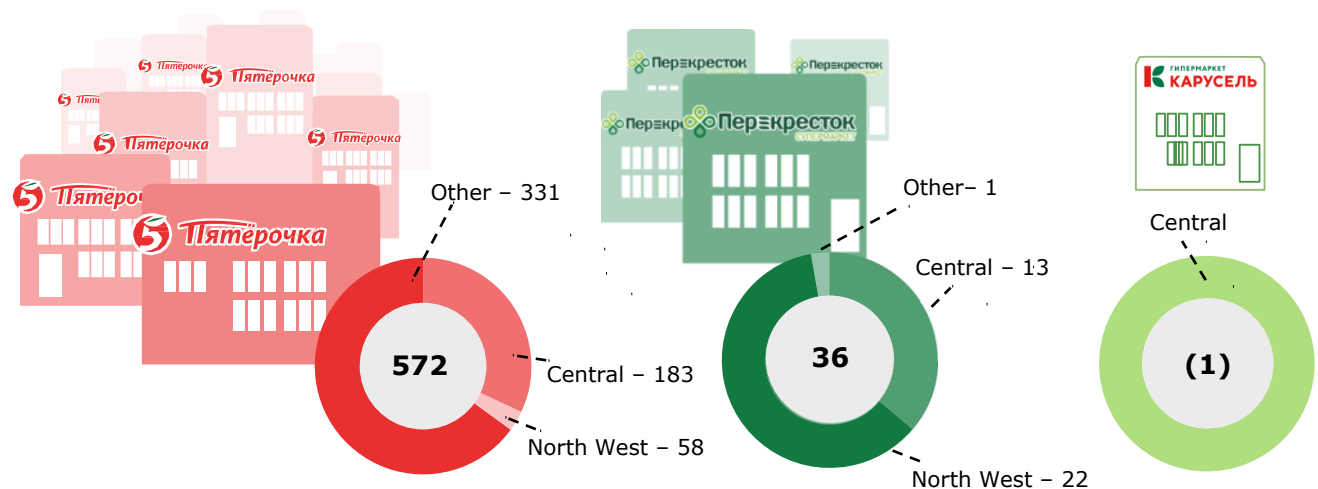
Net selling space added in Q1 2018, th. sq. m.



Net stores base



Net stores added in Q1 2018 by formats and by regions

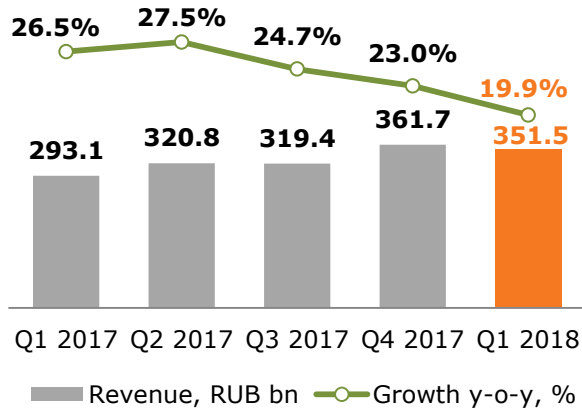




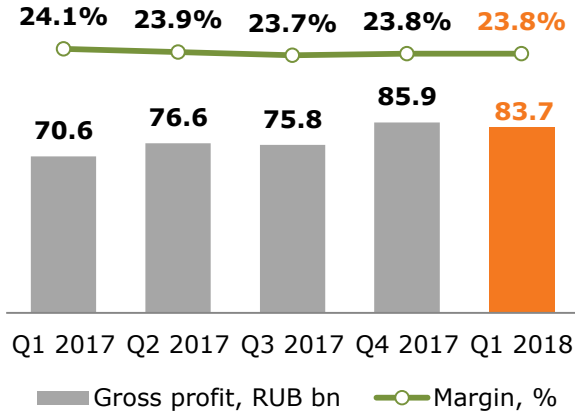
**IV. FINANCIAL RESULTS
Q1 2018**

20 Q1 2018 RESULTS: FINANCIAL HIGHLIGHTS

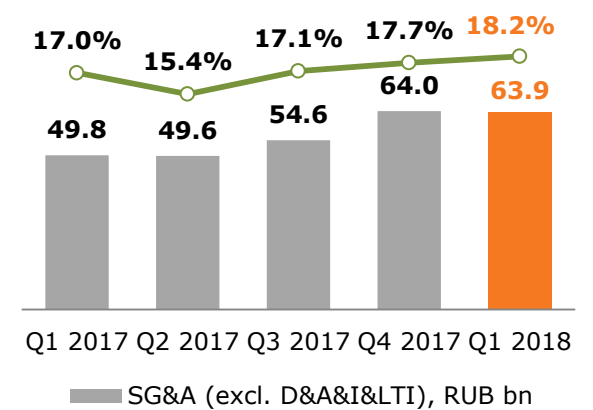
Revenue



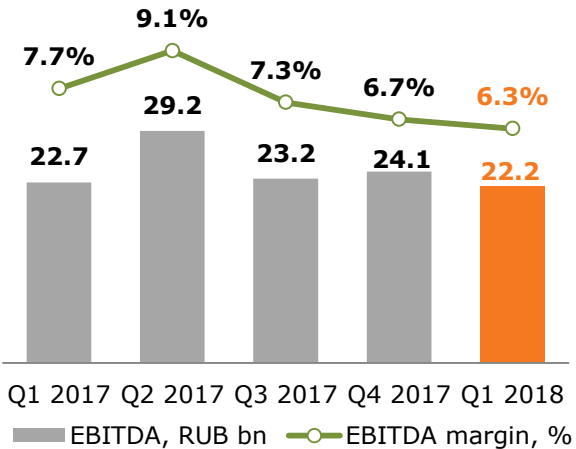
Gross profit & gross margin



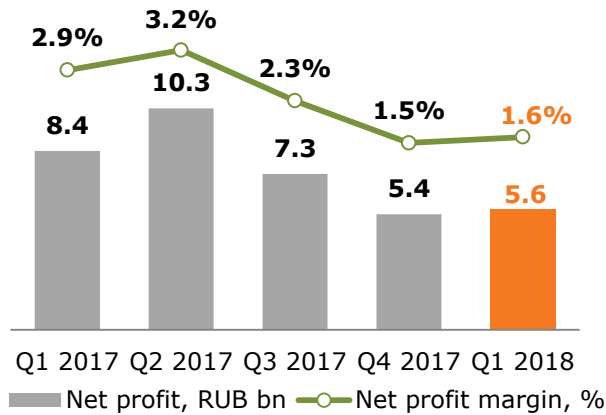
SG&A (excl. D&A&I<I), RUB bn ^[1]



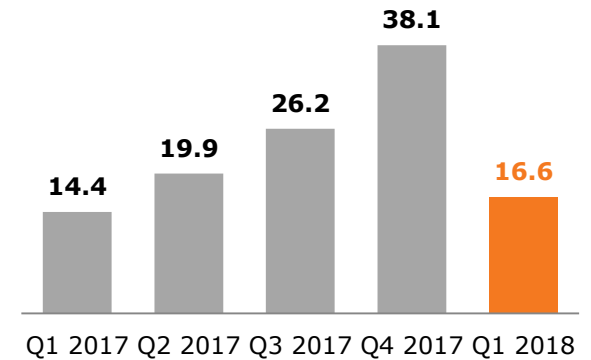
EBITDA & EBITDA margin ^[1]



Net profit & net profit margin



Capital expenditures, RUB bn



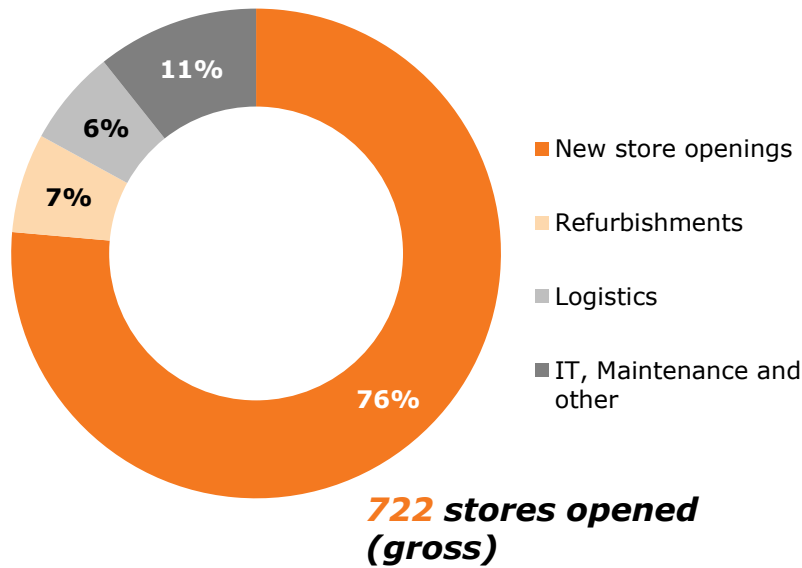
[1] – Adjusted for LTI, exit payments and share-based payments and other one-off remuneration payments

Source: X5 data



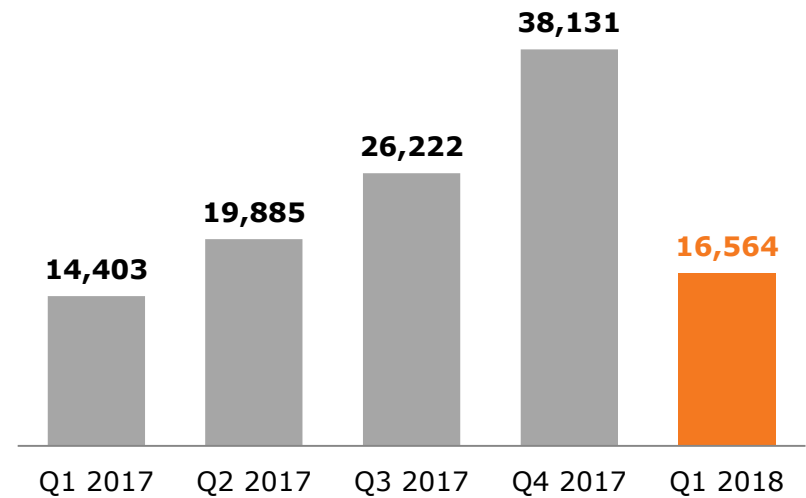
21 / Q1 2018 RESULTS: CAPITAL EXPENDITURE OVERVIEW

Capex breakdown for Q1 2018



Capex breakdown by quarter, RUB mln

Total Capex in Q1 2018: **RUB 16,564 mln**



Source: X5 data

In Q1 2018, capex programme focused on organic expansion, investments in store refurbishment, IT and maintenance

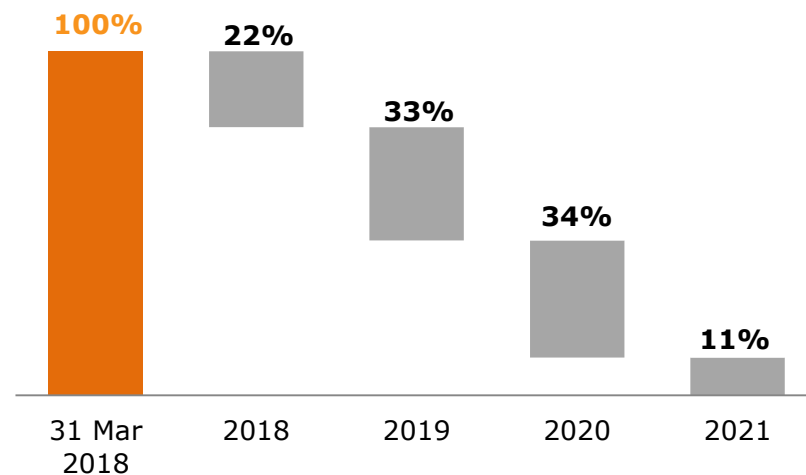


22 / Q1 2018 RESULTS: DEBT STRUCTURE

Debt profile

RUB mln	31 Mar 2018	31 Mar 2017
Total Debt	191,642	162,155
Short-Term Debt	57,427	49,280
<i>% of total debt</i>	<i>30.0%</i>	<i>30.4%</i>
Long-Term Debt	134,215	112,875
<i>% of total debt</i>	<i>70.0%</i>	<i>69.6%</i>
Net Debt	178,707	155,923

Debt portfolio maturity



Covenants & liquidity update

Covenant metrics & liquidity sources	31 Mar 2018	31 Mar 2017
Net Debt / EBITDA	1.88x	1.90x
Cash & cash equiv., RUB mln	12,935	6,232
Available credit lines, RUB mln	328,030	274,760

Highlights

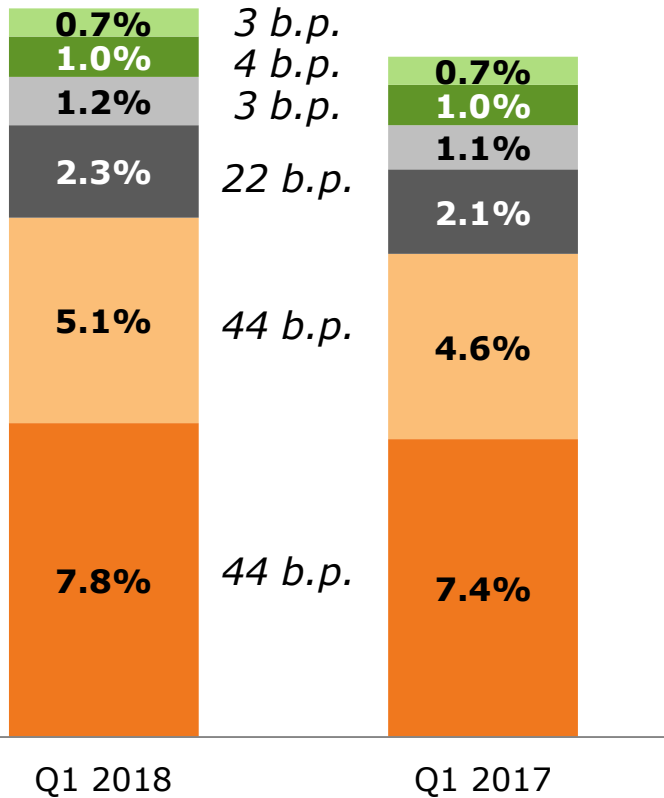
- X5's debt portfolio is 100% RUB-denominated
- All of the X5's loans and bonds have fixed interest rates
- X5's available credit lines increased by 19.4% y-o-y to RUB 328 bn
- Net debt/EBITDA ratio decreased to 1.88x y-o-y as of 31 March 2018

Source: X5 data

23 / Q1 2018 RESULTS: ADJUSTED SG&A [1] EXPENSES ANALYSIS

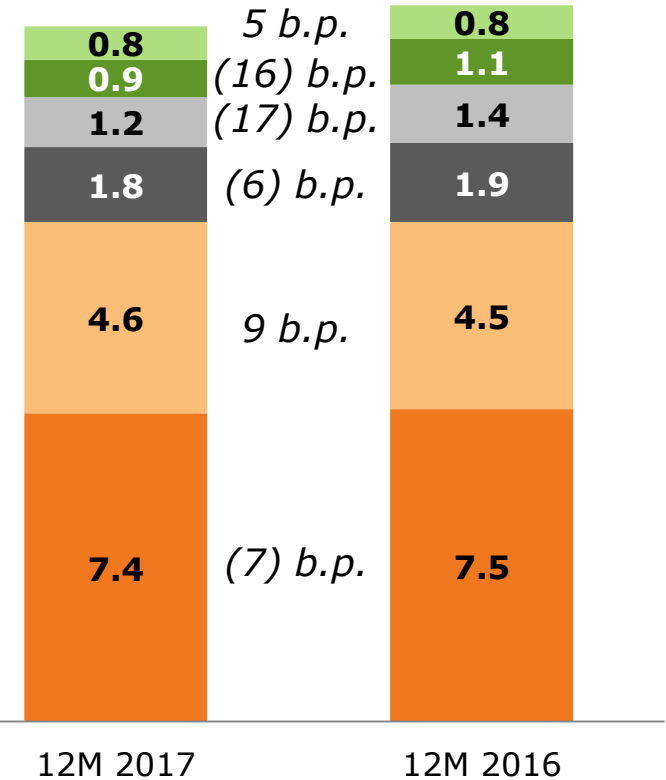
Q1 2018 analysis as percent of revenue

18.2% 119 b.p. **17.0%**



12M 2017 analysis as percent of revenue

16.8% (33) b.p. **17.2%**



24 / FINANCIAL STATEMENTS (1/3)

PROFIT AND LOSS STATEMENT

RUB mln	Q1 2018	Q1 2017	+/(-)	+/(-), %
Revenue	351,518	293,078	58,440	19.9 %
Net retail sales	350,346	291,484	58,862	20.2 %
COGS	(267,848)	(222,466)	(45,382)	20.4 %
Gross profit	83,670	70,612	13,058	18.5 %
<i>Gross profit margin</i>	23.8 %	24.1 %		(29) b.p.
SG&A	(74,858)	(58,001)	(16,857)	29.1 %
EBITDA	21,272	22,167	(895)	(4.0)%
<i>EBITDA margin</i>	6.1 %	7.6 %		(151) b.p.
Operating profit	11,236	14,459	(3,223)	(22.3)%
<i>Operating margin</i>	3.2 %	4.9 %		(174) b.p.
Net profit	5,628	8,355	(2,727)	(32.6)%
<i>Net profit margin</i>	1.6 %	2.9 %		(125) b.p.

Source: X5 data

25 / FINANCIAL STATEMENTS (2/3)

BALANCE SHEET

RUB mln	31 Mar 2018	31 Mar 2017	+/(-)	+/(-)%
Total current assets	140,030	110,322	29,708	26.9%
Cash & cash equivalents	12,935	6,232	6,703	107.6%
Inventories	99,174	81,879	17,295	21.1%
Total non-current assets	412,441	350,143	62,298	17.8%
Net PP&E	284,328	237,757	46,571	19.6%
Goodwill	91,099	80,538	10,561	13.1%
Total assets	552,471	460,465	92,006	20.0%
Total current liabilities	246,195	205,857	40,338	19.6%
ST debt	57,427	49,280	8,147	16.5%
Trade accounts payable	122,600	105,890	16,710	15.8%
Total non-current liabilities	142,185	119,204	22,981	19.3%
LT debt	134,215	112,875	21,340	18.9%
Total liabilities	388,380	325,061	63,319	19.5%
Total equity	164,091	135,404	28,687	21.2%
Total liabilities & equity	552,471	460,465	92,006	20.0%

Source: X5 data

26 / FINANCIAL STATEMENTS (3/3)

CASH FLOW

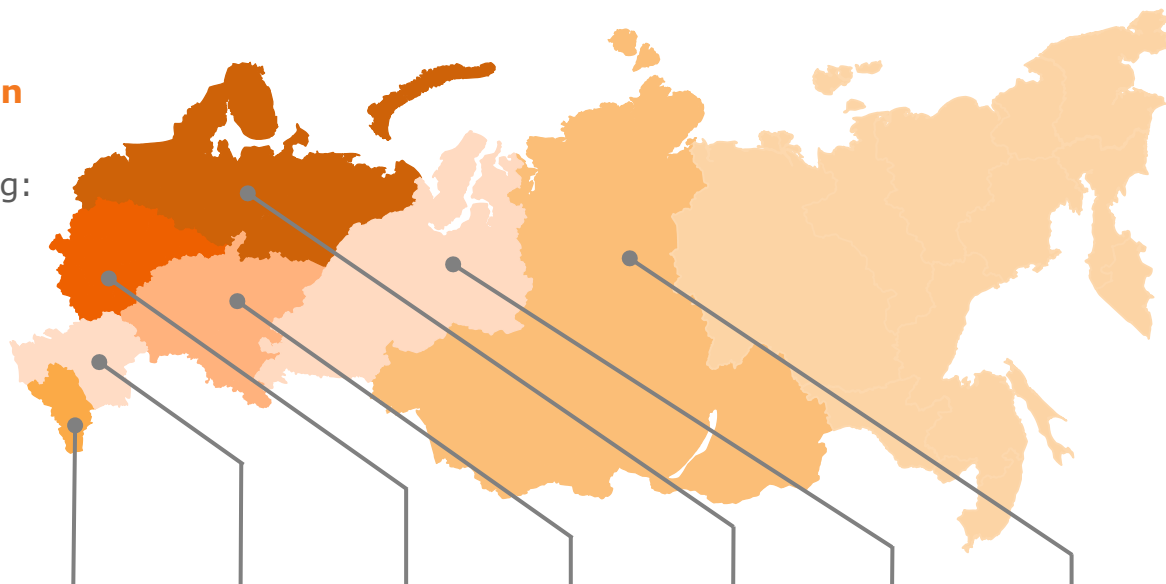
RUB mln	Q1 2018	Q1 2017	+/(-)	+/(-)%
Net cash generated from operating activities	13,704	(418)	14,122	(3,378.5)%
Net cash from operating activities before changes in working capital	21,318	22,287	(969)	(4.3)%
Change in Working Capital, incl.:	(1,888)	(13,914)	12,026	(86.4)%
Decrease/(increase) in trade and other accounts receivable	4,992	15,578	(10,586)	(68.0)%
Decrease/(increase) in inventories	126	(8,077)	8,203	n/a
Increase/(decrease) in trade payable	(8,152)	(25,270)	17,118	(67.7)%
Increase/(decrease) in other accounts payable	1,146	3,855	(2,709)	(70.3)%
Net interest and income tax paid	(5,726)	(8,791)	3,065	(34.9)%
Net cash used in investing activities	(25,656)	(17,637)	(8,019)	45.5 %
Net cash generated from/(used in) financing activities	(2,702)	6,083	(8,785)	n/a
Effect of exchange rate changes on cash & cash equivalents	(16)	14	(30)	n/a
Net increase/(decrease) in cash & cash equivalents	(14,670)	(11,958)	(2,712)	22.7 %





Source: X5 data

27 X5 REGIONAL PRESENCE

X5 today

- Multi-format presence in **seven** Federal Districts
- Total stores – 12,701, including:
 - 11,797 Pyaterochka
 - 674 Perekrestok
 - 92 Karusel
 - 138 Express stores



Format	Unit	North Caucasus	Southern	Central	Volga	North Western	Ural	Siberian	Total
 Пятёрочка		182	905	4,790	3,201	1,391	997	331	11,797
 Перекресток	Number of stores, #	9	32	402	103	87	41	0	674
 КАРУСЕЛЬ		1	5	36	24	18	8	0	92
 X5 RETAIL GROUP	Net retail sales (3M 2018), %	0.9%	5.0%	53.8%	18.6%	14.4%	6.3%	1.1%	100%

Source: X5 data

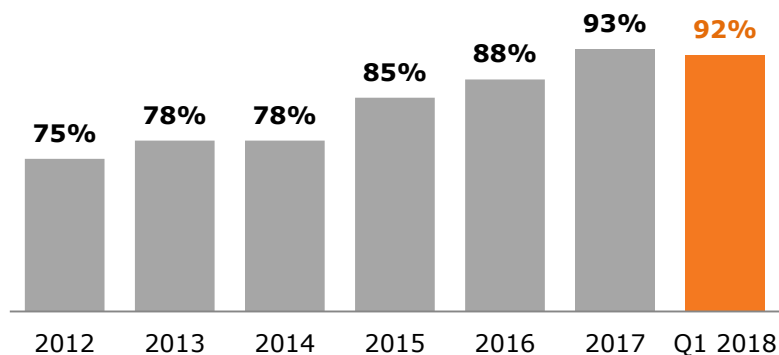
28 X5 DISTRIBUTION CAPABILITIES

Warehouse space as of 31 March 2018

Federal district	Space, th. sq. m.	# of DCs
Central	542	16
North-Western	114	4
Volga	194	9
Ural	145	6
Southern	77	3
Siberian	18	1
Total	1,089	39



Centralisation levels



Source: X5 data

Highlights for Q1 2018

- New Logistics and Transportation Strategy approved, which covers the period till 2025, and relies on advances in network optimisation.
- Ten new distribution centres (DCs) with a total space of 244 th. sq. m. were opened in 2017. X5 did not open or close any distribution centres in Q1 2018.
- As of 31 March 2018 the Company owned 3,038 trucks.





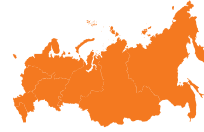
**APPENDIX
PERFORMANCE SUMMARY OF KEY
FORMATS**

30 PYATEROCHKA SUMMARY (1/3)

HIGHLIGHTS



11,797 stores as of
31 March 2018,
31.0% increase y-o-y



4,643 th. sq. m. of selling space
as of 31 March 2018,
29.7% increase y-o-y



**Q1 2018 net retail sales –
RUB 271.0 bn,**
21.6% increase y-o-y



858 mln of customers in Q1 2018,
20.8% increase y-o-y



Share of X5's Q1 2018 sales:
~77%



Q1 2018 LFL Results

- Sales: **(0.8)%**
- Traffic: **(2.2)%**
- Basket: **1.4%**



Average check:
RUB 361 (Q1 2018),
0.7% increase y-o-y

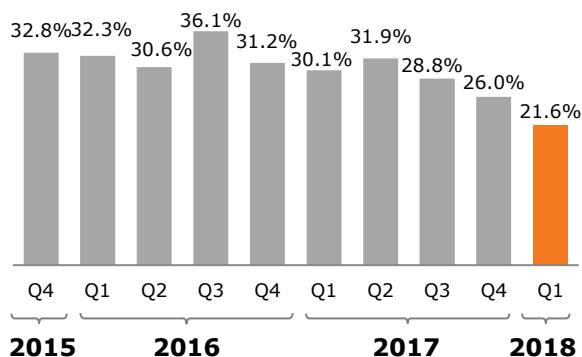


- Avg. net selling space: **394 sq. m.**
- **Formats**
 - 250-330 sq. m.
 - 330-430 sq. m.
 - 430-620 sq. m.
 - 620-and more

31 PYATEROCHKA SUMMARY (2/3)

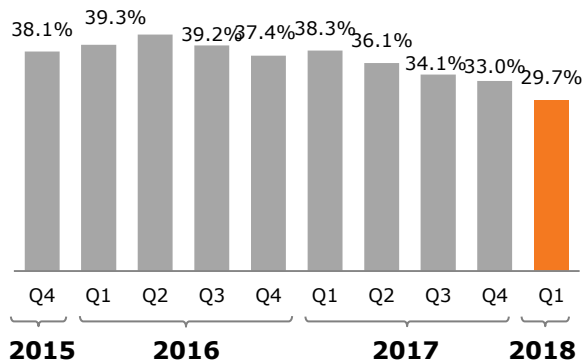
Q1 2018 net retail sales: 21.6% increase y-o-y

Net Sales Growth (% y-o-y)



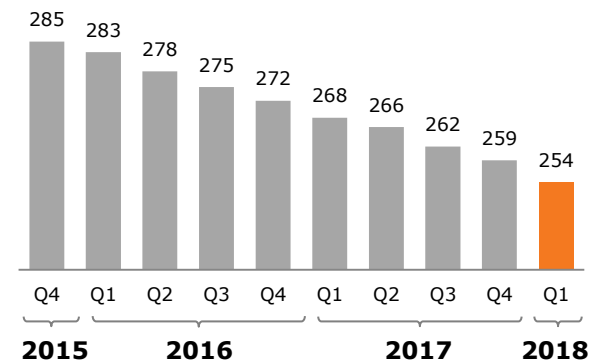
Q1 2018 selling space: 29.7% increase y-o-y

Net Selling Space Growth (% y-o-y)



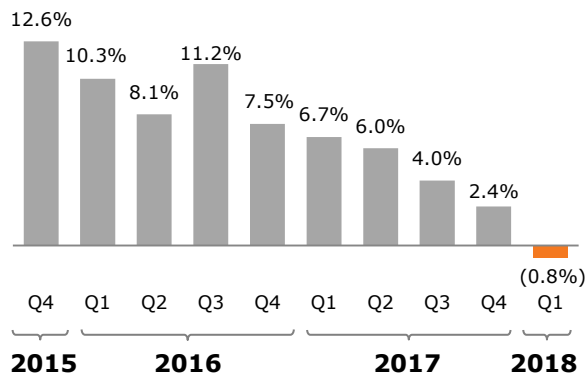
Q1 2018 sales densities: 5.3% decline y-o-y

Sales Densities Net (th. RUB/sq. m^[1])



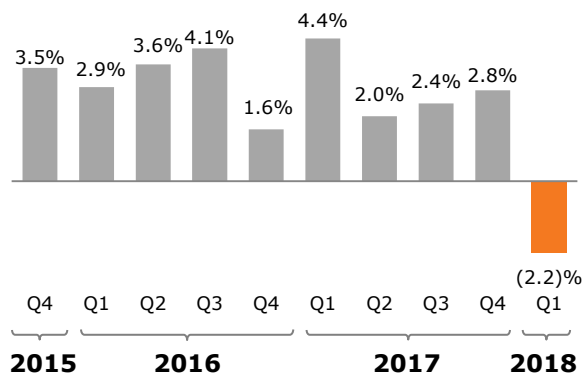
Q1 2018 LFL sales: 0.8% decline y-o-y

Total LFL Sales Growth (% y-o-y)



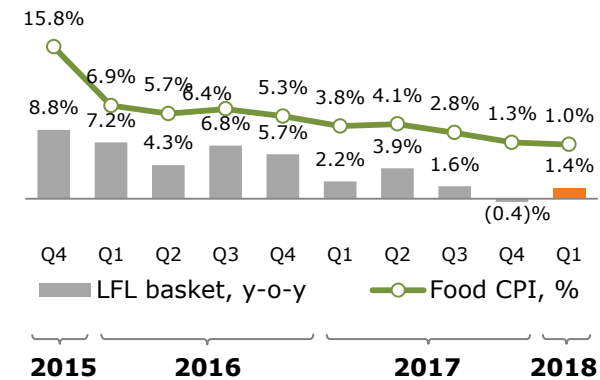
Q1 2018 LFL traffic: 2.2% decline y-o-y

Total LFL Traffic Growth (% y-o-y)



Q1 2018 LFL basket: 1.4% increase y-o-y

Total LFL Basket Growth (% y-o-y)



[1] – Total net sales from trailing four quarters divided by average selling space of trailing four quarters

32 / PYATEROCHKA SUMMARY (3/3)

STRATEGY OVERVIEW

- **Maximise the share of customers, and maximise share of these customers' wallet:**
 - Continue applying the current **value proposition**, enhancing it through implementation of new initiatives
 - Support rapid, **sustainable growth** with development in **new regions** (Siberia)
 - Further **adaptation of assortment**, introducing new categories, entry-price PLUs
 - Implement a **loyalty programme** and launch customised promotions
 - Further **improve NPS**
- **Improve efficiency and reduce costs:**
 - Grow the share of **private label** to >20% during the next 3-5 years
 - Increase the share of **direct import**
 - **Lean and agile** approach
 - **Further** improvements in opex and purchasing terms

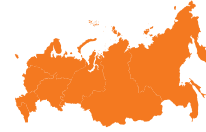


33 PEREKRESTOK SUMMARY (1/3)

RUSSIA'S #1 SUPERMARKET



674 stores as of
31 March 2018,
23.9% increase y-o-y



686 th. sq. m. of selling space
as of 31 March 2018,
24.2% increase y-o-y



**Q1 2018 net retail sales of
RUB 55.3 bn,**
22.9% increase y-o-y



113.3 mln customers in Q1 2018,
19.6% increase y-o-y



Share of X5's Q1 2018 sales:
~16%



Q1 2018 LFL Results

- Sales: **6.4%**
- Traffic: **3.3%**
- Basket: **3.0%**



Average ticket:
RUB 556 (Q1 2018)
2.7% increase y-o-y

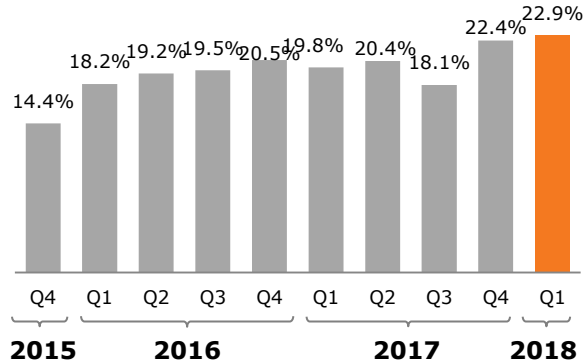


Avg. net selling space:
1,017 sq. m.

34 PEREKRESTOK SUMMARY (2/3)

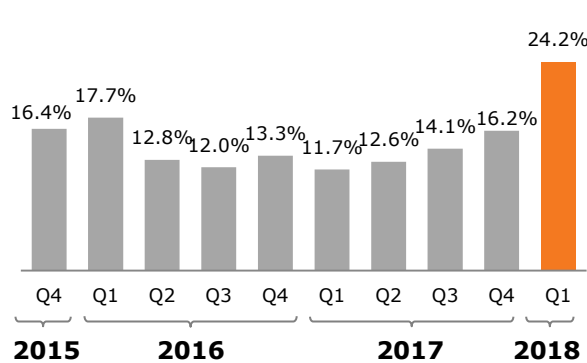
Q1 2018 net retail sales: 22.9% increase y-o-y

Net Sales Growth (% y-o-y)



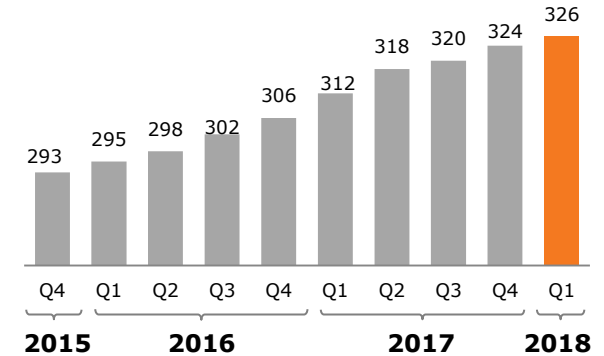
Q1 2018 selling space: 24.2% increase y-o-y

Net Selling Space Growth (% y-o-y)



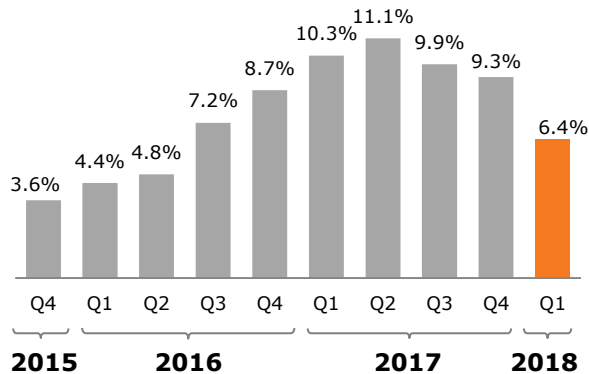
Q1 2018 sales densities: 4.5% increase y-o-y

Sales Densities Net (th. RUB/sq. m^[1])



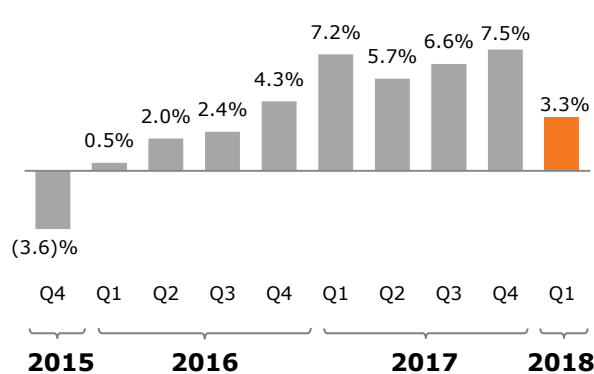
Q1 2018 LFL sales: 6.4% increase y-o-y

Total LFL Sales Growth (% y-o-y)



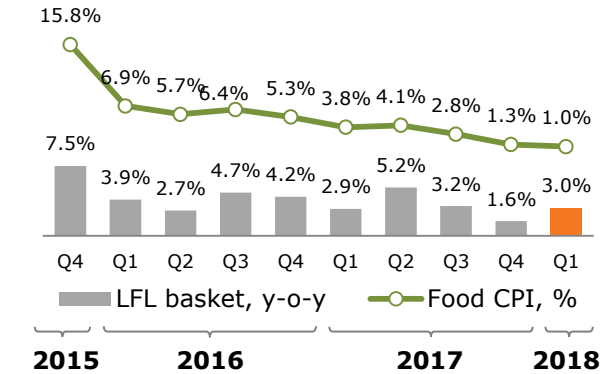
Q1 2018 LFL traffic: 3.3% increase y-o-y

Total LFL Traffic Growth (% y-o-y)



Q1 2018 LFL basket: 3.0% increase y-o-y

Total LFL Basket Growth (% y-o-y)



[1] – Total net sales from trailing four quarters divided by average selling space of trailing four quarters

35 / PEREKRESTOK SUMMARY (3/3)

STRATEGY OVERVIEW

- **Fine-tuning value proposition and adapting to customer needs:**
 - Maintaining the pace of **organic growth** and **refurbishments**
 - Roll out the **regional model** to support the future growth
 - Further **adaptation of assortment** to meet customer needs
 - **Increase loyalty card** penetration, and implement **personalised promotions**
 - Develop **online supermarket**
 - **Improve NPS**
- **Improve efficiency and reduce costs:**
 - Increase the share of **private labels**
 - Increase the share of **direct import**
 - **Further improve logistics** (forecasting, stock replenishment system)
 - **Further** improvements in opex and purchasing terms



36 / KARUSEL SUMMARY (1/3)

HIGHLIGHTS



92 stores as of
31 March 2018:
1.1% decrease y-o-y



382 th. sq. m. of selling space
as of 31 March 2017,
0.2% decrease y-o-y



Q1 2018 net retail sales:
RUB 22.0 bn,
5.5% increase y-o-y



32.4 mln customers in Q1 2018,
1.3% decrease y-o-y



Share of X5's Q1 2018 sales:
~6%



Q1 2018 LFL Results

- Sales: **3.3%**
- Traffic: **(2.0)%**
- Basket: **5.3%**



Average ticket:
RUB 783 (Q1 2018)
6.7% increase y-o-y



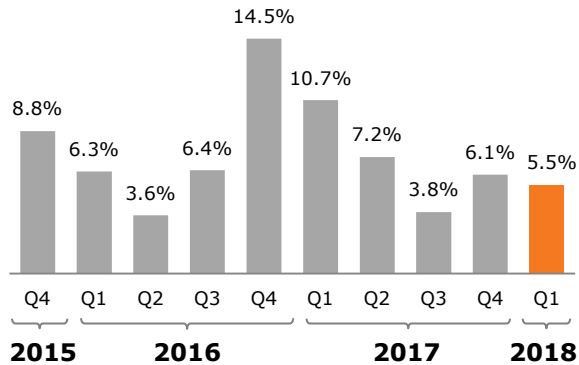
Avg. net selling space:
4,154 sq. m.



37 / KARUSEL SUMMARY (2/3)

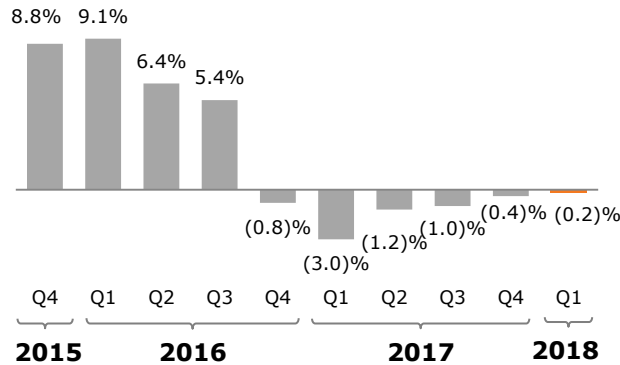
**Q1 2018 net retail sales:
5.5% increase y-o-y**

Net Sales Growth (% y-o-y)



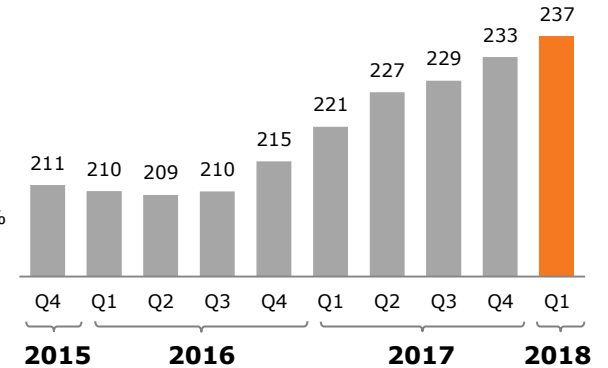
**Q1 2018 selling space:
0.2% decline y-o-y**

Net Selling Space Growth (% y-o-y)



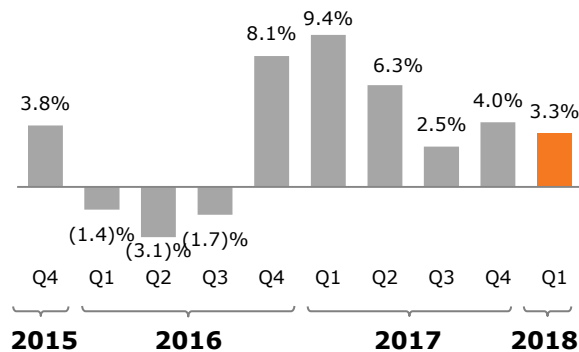
**Q1 2018 sales densities:
7.2% increase y-o-y**

Sales Densities Net (th. RUB/sq. m^[1])



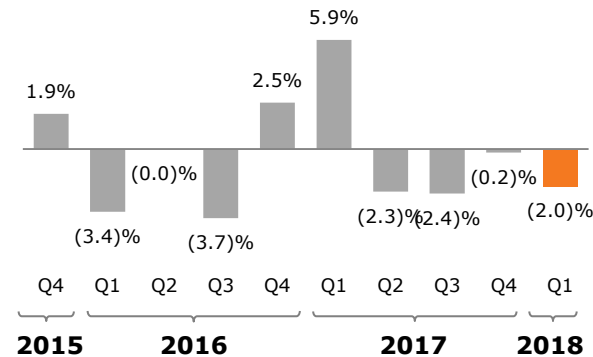
**Q1 2018 LFL sales:
3.3% increase y-o-y**

Total LFL Sales Growth (% y-o-y)



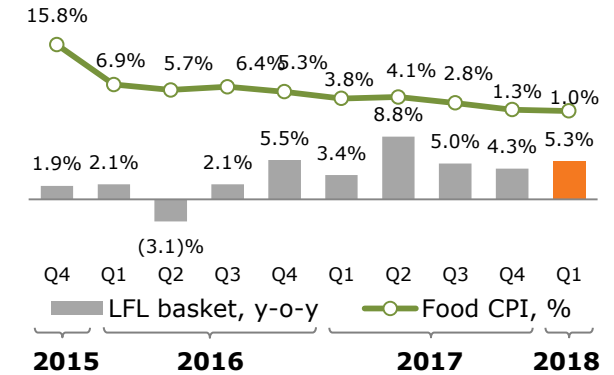
**Q1 2018 LFL traffic:
2.0% decline y-o-y**

Total LFL Traffic Growth (% y-o-y)



**Q1 2018 LFL basket:
5.3% increase y-o-y**

Total LFL Basket Growth (% y-o-y)



[1] – Total net sales from trailing four quarters divided by average selling space of trailing four quarters

38 / KARUSEL SUMMARY (3/3)

STRATEGY OVERVIEW

- **Implementing new CVP and increasing customer loyalty:**
 - Gradually rebrand the stores using **new branding**, giving priority to older stores or stores in one particular region
 - Expand **omni-channel** offering
 - Increase **loyalty card penetration** and implement personalised promotions
 - Increase the share of **private Labels**
 - Increase **sales density** at least to peers' average
 - Improve **logistics, reduce lease costs** and **shrinkage**
 - Expand **digital services** offering to increase efficiency and create a single digital environment in every store



In 2017, we launched a pilot hypermarket based on Karusel's new branding and operating model, and we plan to expand this new model across the format in the coming years