



Q4 AND FY2015 FINANCIAL RESULTS

MOSCOW, RUSSIAN FEDERATION
21 MARCH 2016

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I. HIGHLIGHTS



STRATEGIC HIGHLIGHTS



- **Turnaround completed:** all formats operating and growing as distinct value propositions and banners supported by the X5 corporate centre



- X5 grew faster than the food retail market average, and **narrowed the gap to the No 1 spot in 2015**



- **Renewed value proposition** adapted to Russian consumers' changing needs



- **New store formats being deployed:** 70% of Pyaterochka stores are now operating under a new concept; over 25% of Perekrestok stores are operating under a new brand



- **New DCs** opened in Moscow, Voronezh, Kaluga, Kazan, Chelyabinsk and the Leningrad region



- We significantly **expanded our logistics operations:** with the acquisition of **355 trucks**, our fleet was expanded to 1,561 vehicles

KEY ACHIEVEMENTS IN 2015



- Revenue increased by **27.6%** y-o-y, the Company's fastest pace of growth **since 2011**



- The Company added a record **1,537** new stores in 2015, vs. **939** stores in 2014
- 1,467** stores refurbished



- Gross margin increased by **8 b.p.** y-o-y to **24.5%**



- 70%** of Pyaterochka stores operating under new concept
- 25%** of Perekrestok stores operating under new concept



- Net debt / EBITDA at a comfortable level **below 2.5**



- Net additional selling space of **760.9 th. sq. m.**, **80%** of which was attributable to **organic growth**, was the **largest** annual opening programme delivered by X5



- LFL sales** growth (y-o-y) improved across all three of the Company's major formats
- LFL traffic growth** accelerated to **2.3%** in 2015, up from 0.6% in 2014

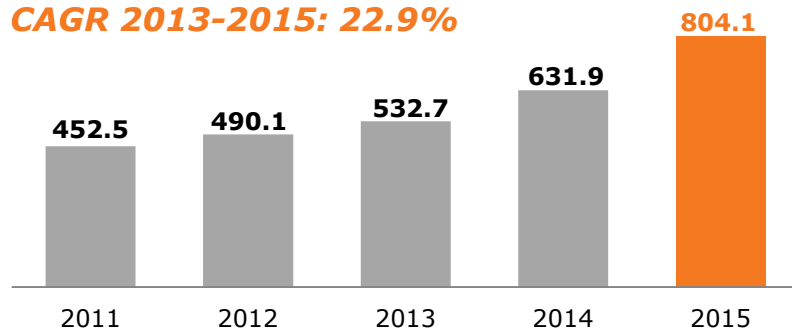


- Pyaterochka added **668.4 th. sq. m.** of net selling space, a record for any Russian food retail brand in a single year

OPERATIONAL HIGHLIGHTS

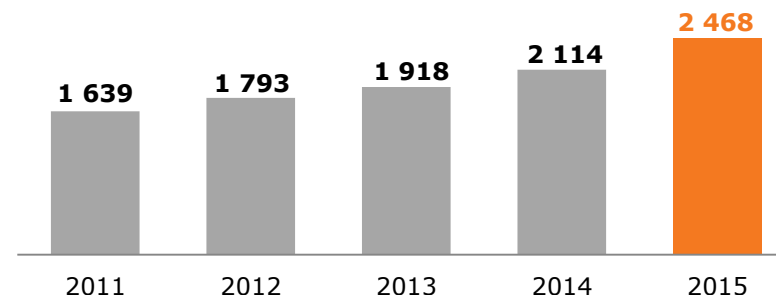
Net retail sales dynamics, Rub bn

CAGR 2011-2015: 15.5%
CAGR 2013-2015: 22.9%



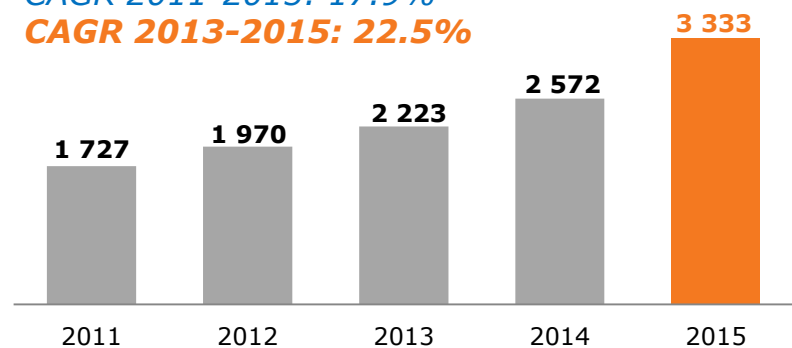
Customer visits, mln

CAGR 2011-2015: 10.8%
CAGR 2013-2015: 13.4%



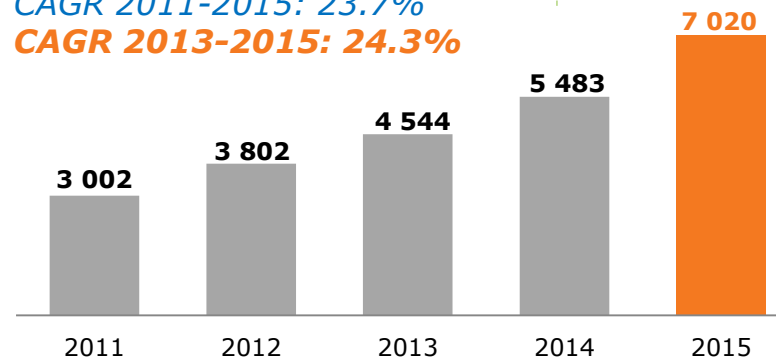
Selling space, ths. sq. m.

CAGR 2011-2015: 17.9%
CAGR 2013-2015: 22.5%



Number of stores, end of period

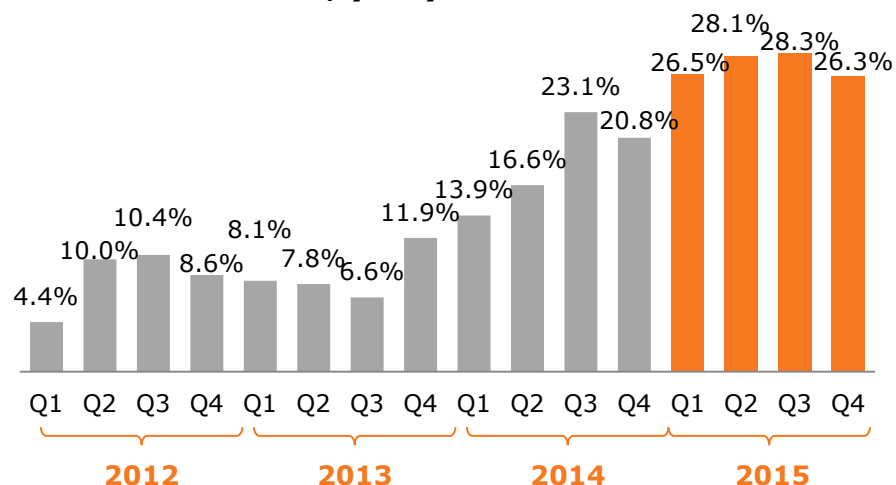
CAGR 2011-2015: 23.7%
CAGR 2013-2015: 24.3%



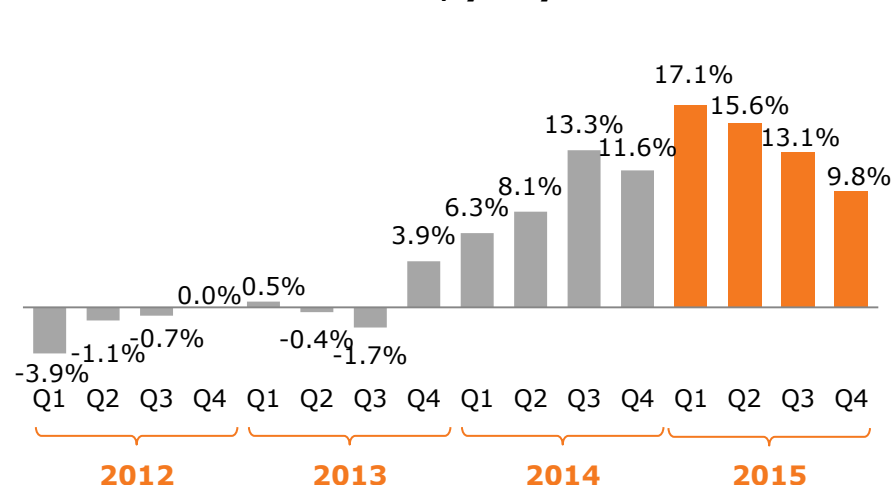
Source: X5 data

ACCELERATING GROWTH IN 2015

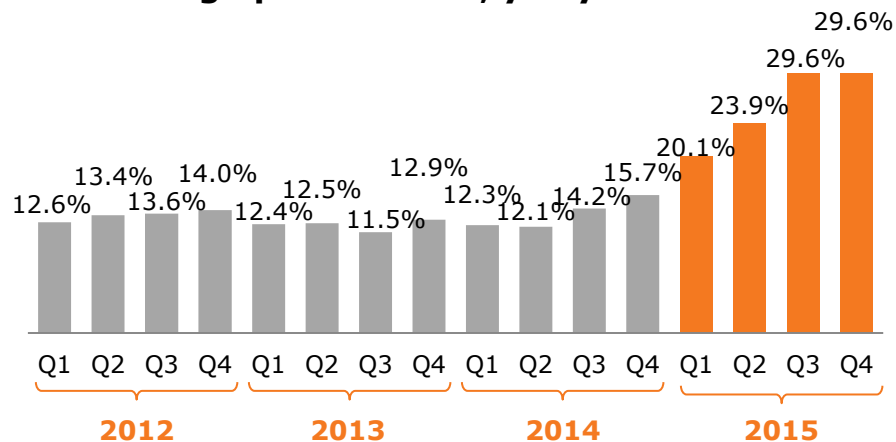
Net Sales Growth, y-o-y



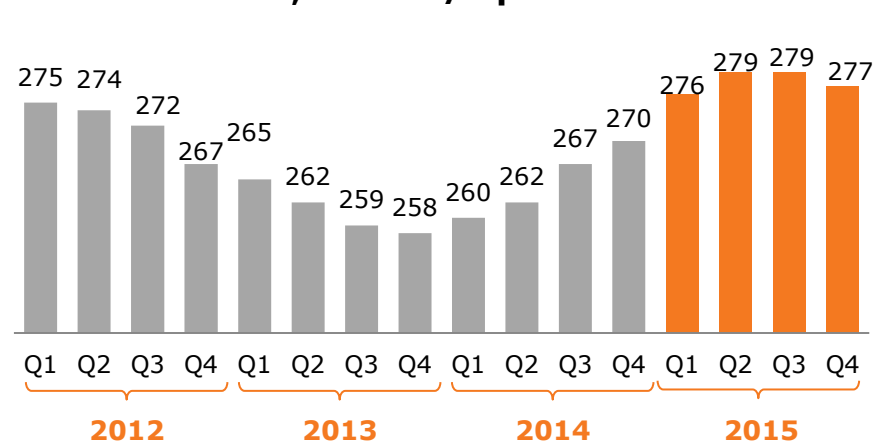
Total LFL Sales Growth, y-o-y



Net Selling Space Growth, y-o-y



Sales Densities, th. Rub/sq. m.^[1]



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

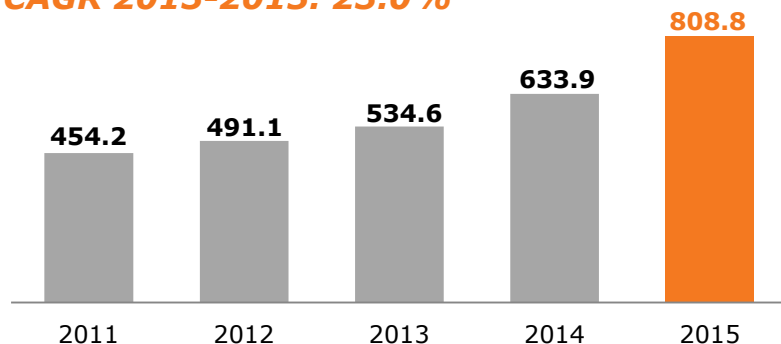
Source: X5 data

FINANCIAL HIGHLIGHTS

Revenue dynamics, Rub bn

CAGR 2011-2015: 15.5%

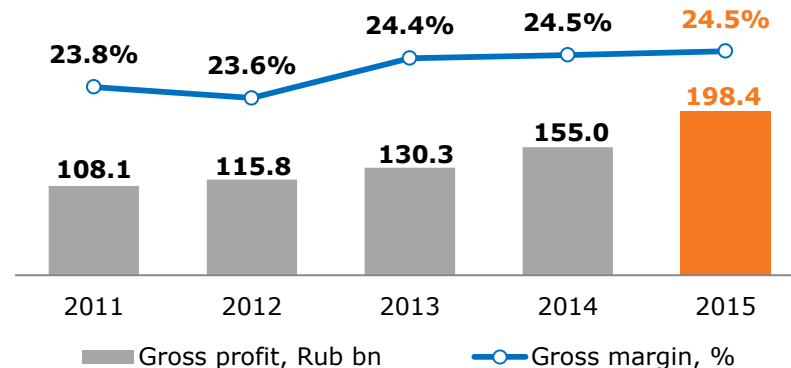
CAGR 2013-2015: 23.0%



Gross profit & gross margin

CAGR 2011-2015: 16.4%

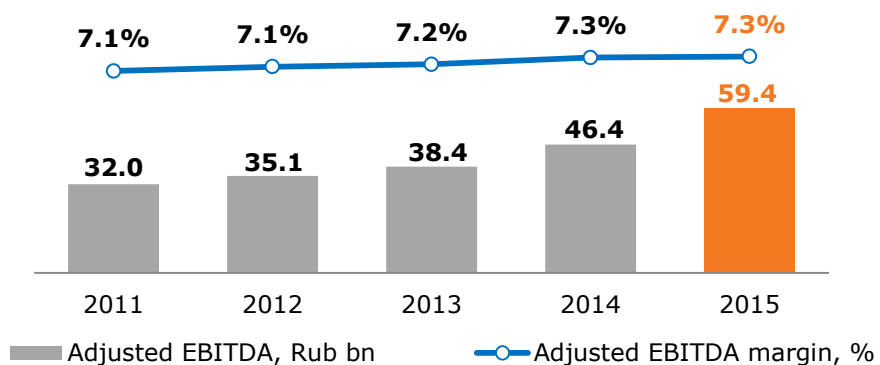
CAGR 2013-2015: 23.4%



Adjusted EBITDA & adjusted EBITDA margin^[1]

CAGR 2011-2015: 16.7%

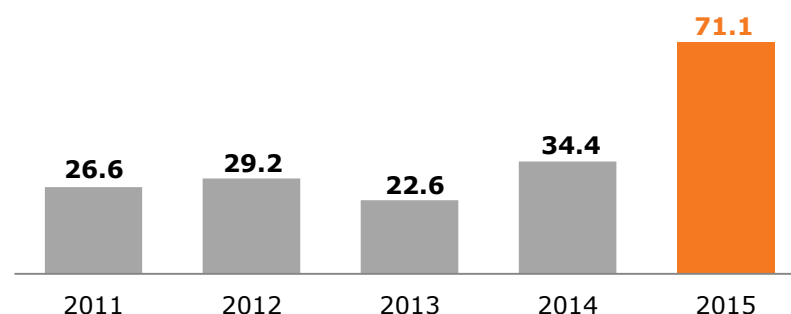
CAGR 2013-2015: 24.3%



Capex dynamics, Rub bn

CAGR 2011-2015: 27.8%

CAGR 2013-2015: 77.4%



[1] – Adjusted for accrued LTI and exit payment

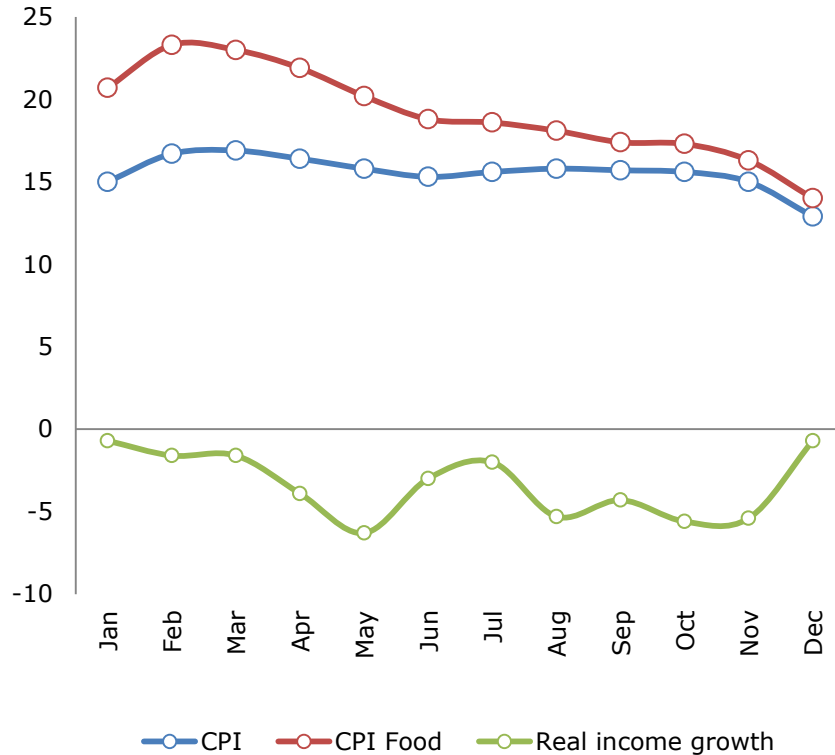
Source: X5 data

II. MARKET OVERVIEW



CHALLENGING CONSUMER & MACRO ENVIRONMENT

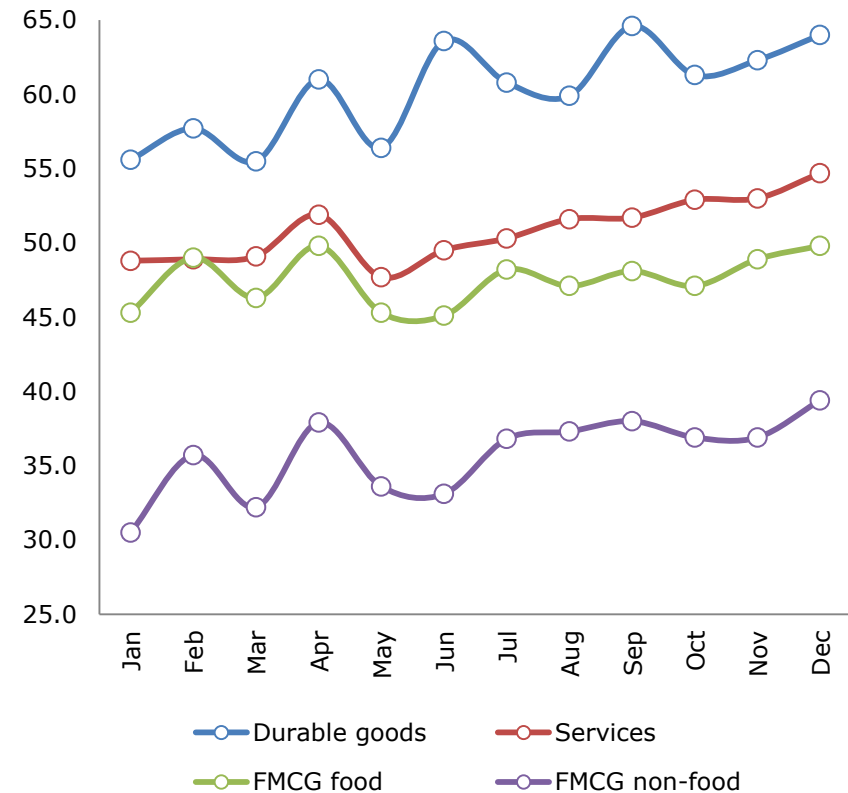
Inflation and real wage growth



Source: Synovate Comcon, Rosstat

Changing consumer attitudes:

Percentage of consumers, which cut spending on different categories for the past month



The Russian consumer market is feeling the pressure

X5 IS RESPONDING TO THE CHALLENGE

Drivers for Macro and consumer pressure

- Increase in prices for locally produced products
- Declining/negative real wage growth
- Decline of food expenditures as a percentage of the customers budget

Changes in consumer behavior

- Active search for attractive promotions
- Trading down within categories & formats
- Decreasing consumption/basket volume
- Splitting purchases between different formats and stores
- Price hunting increased
- Big purchases declined

X5 response



Assortment

- Ensure adequate representation/ share of value products in assortments
- Expand local assortment and further increase import substitution



Price strategy

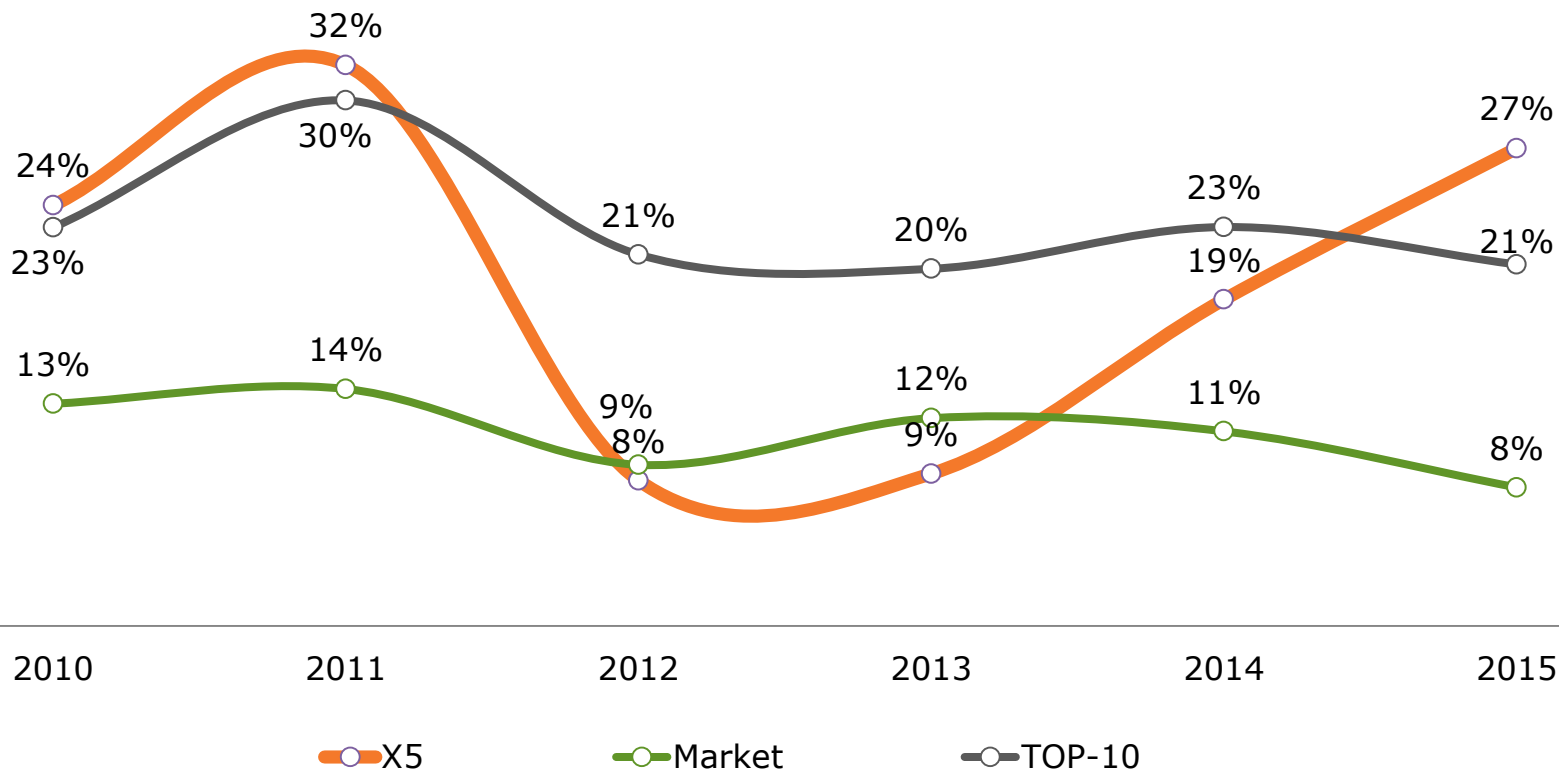
- Price monitoring of competition and formats' price perception to maintain market positioning
- Further increase import substitution with goods less affected by FX fluctuations
- Selectively control the amount of shelf inflation for certain categories to maintain price perception
- Selectively invest in the customer to support traffic and price perception



Supplier relations/ cooperation

- Active promotions supported by suppliers
- Maximizing import substitution and local production, particularly in the entry price category
- Trade improved payment terms for lower prices

X5 VS. RUSSIAN FOOD RETAIL IN TOP-LINE GROWTH













Source: Infoline, X5 analysis

In 2015, X5 top-line growth exceeded the market as well as Top 10 retailers growth

RETAIL MARKET SNAPSHOT

Top 10 Russian Food retailers

#	Company name	% in total market 2014	% in total market 2015
1	 Magnit ^[1]	6.2%	6.9%
2	 X5	5.2%	6.2%
3	 Auchan	2.5%	2.5%
4	 Dixy	1.9%	2.1%
5	 Lenta	1.5%	1.8%
6	 Metro	1.6%	1.5%
7	 O'Key	1.2%	1.2%
8	 SPS Holding	0.4%	0.7%
9	 Globus	0.4%	0.5%
10	 Monetka	0.5%	0.5%
	Total	21.5%	24.0%

[1] – Magnit retail sales exclude Magnit Cosmetic stores sales

Source: InfoLine

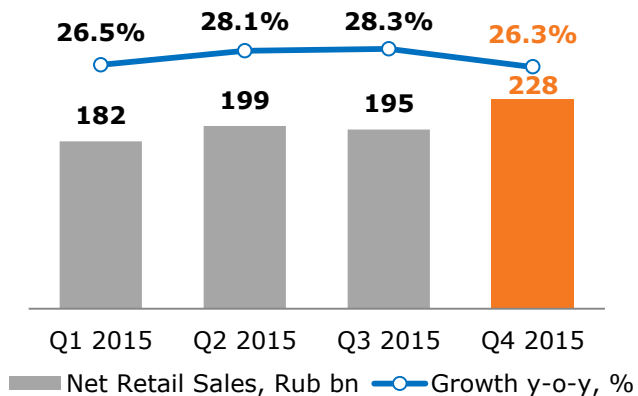
X5's market share increased from 5.2% in 2014 to 6.2% in 2015

III. OPERATIONAL RESULTS

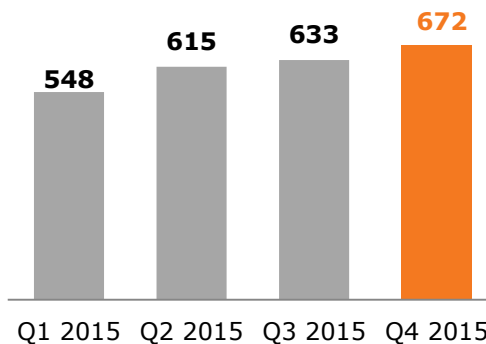


OPERATIONAL HIGHLIGHTS

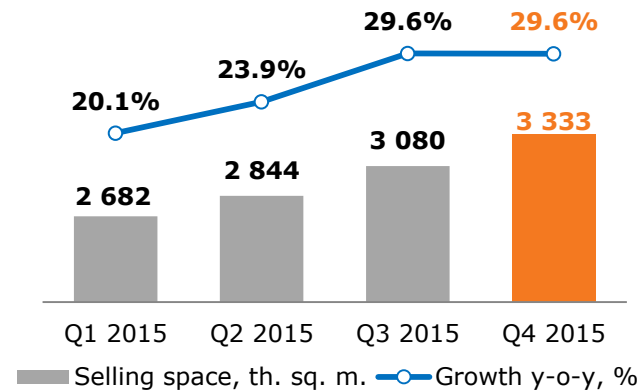
Net retail sales



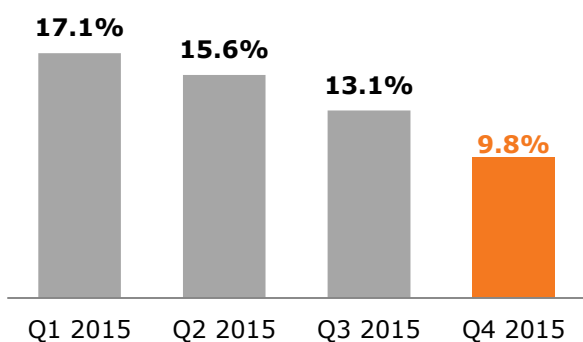
Traffic, mln customers



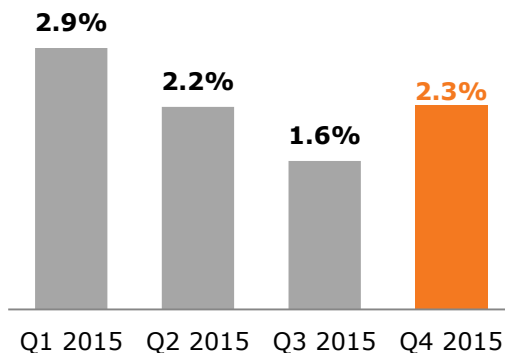
Net selling space (eop), th. sq. m



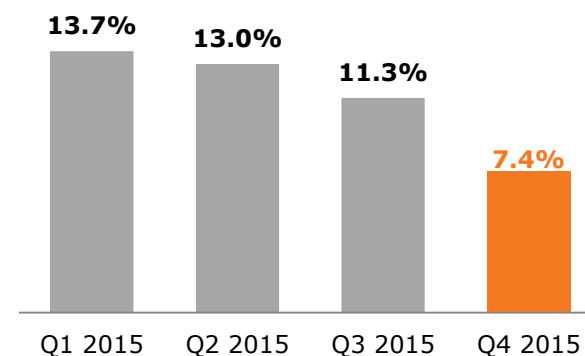
LFL sales, y-o-y



LFL traffic, y-o-y

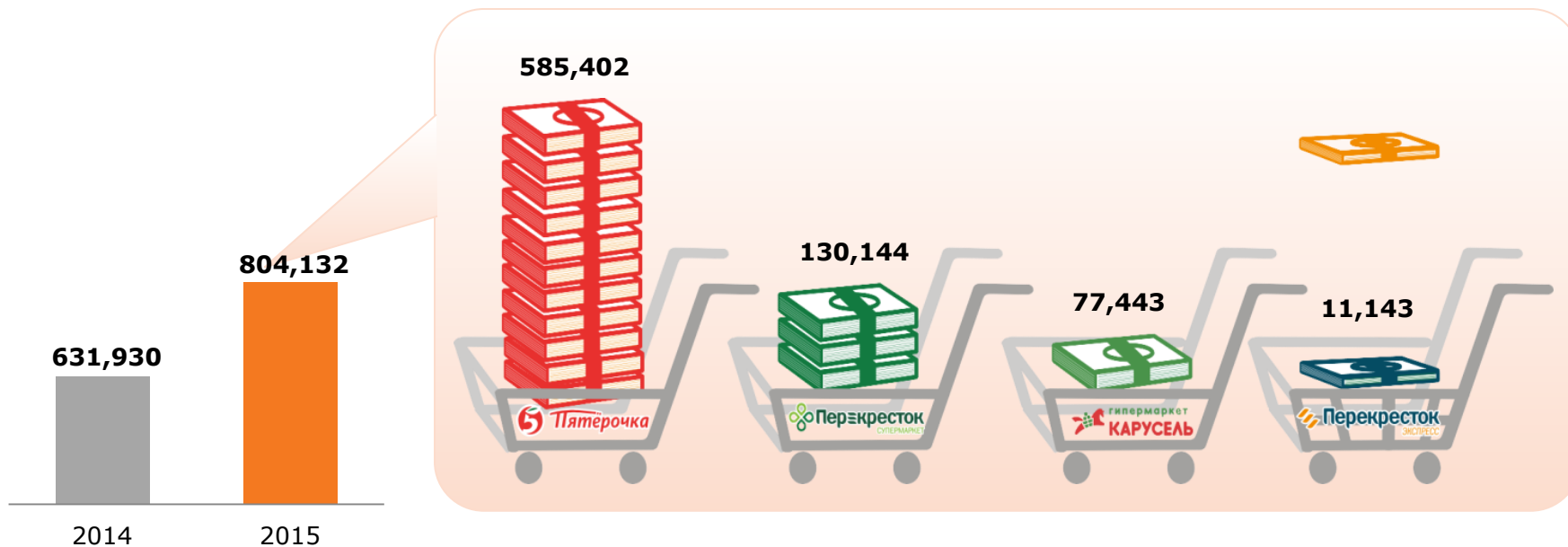


LFL basket, y-o-y



NET RETAIL SALES SUMMARY

Net retail sales breakdown by formats, 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:

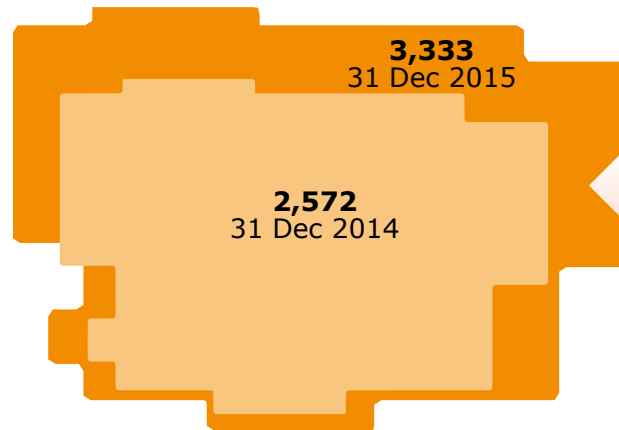
- Ambitious expansion programme
- Improved shopping experience at existing stores due to successful refurbishment programme and better shelf availability

Net retail sales growth of 27.3% was driven by a 13.7% increase in like-for-like (LFL) sales and a 13.6% sales growth contribution from a 29.6% rise in selling space

EXPANSION SUMMARY

- Total store base increased to 7,020 stores by the end of 2015
- Continued investments into existing stores resulted in 1,467 refurbishments in 2015
- Pyaterochka was the main driver of the increase, accounting for about 90% of selling space added in 2015

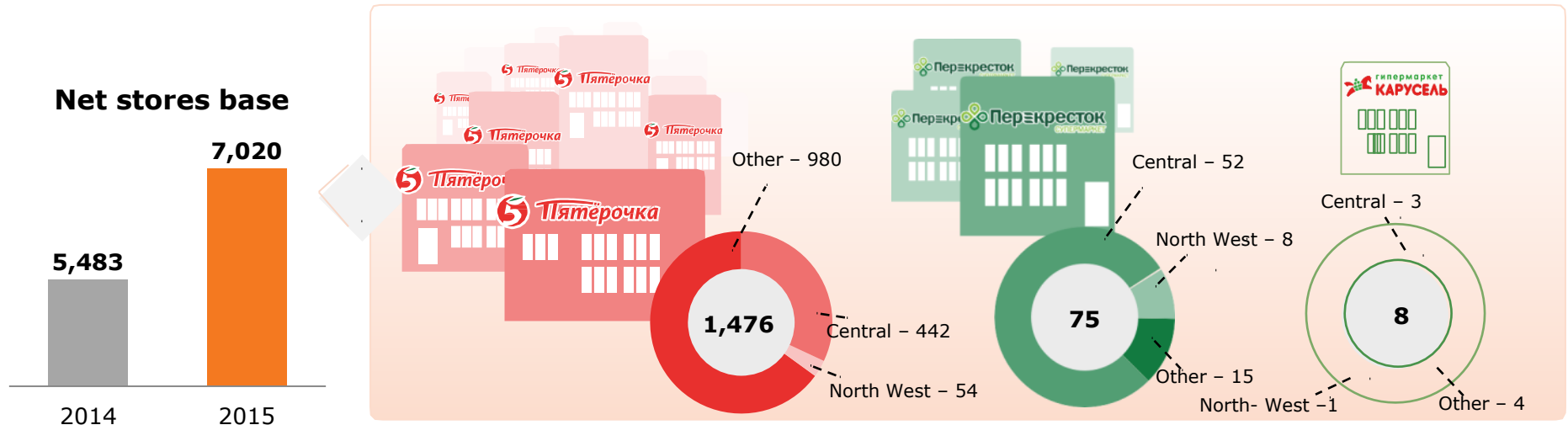
Net selling space, th. sq. m.



Net selling space added, th. sq. m.



Net stores added by formats and by regions

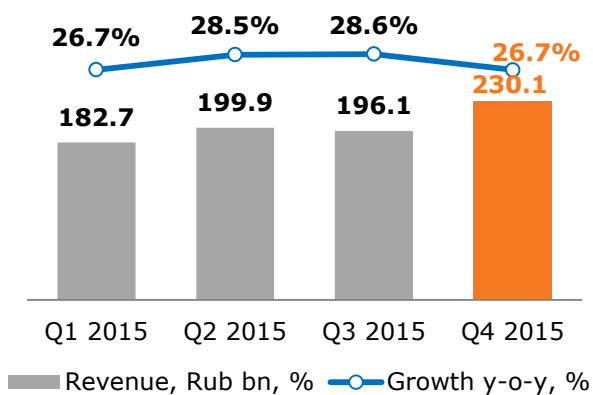


IV. FINANCIAL RESULTS

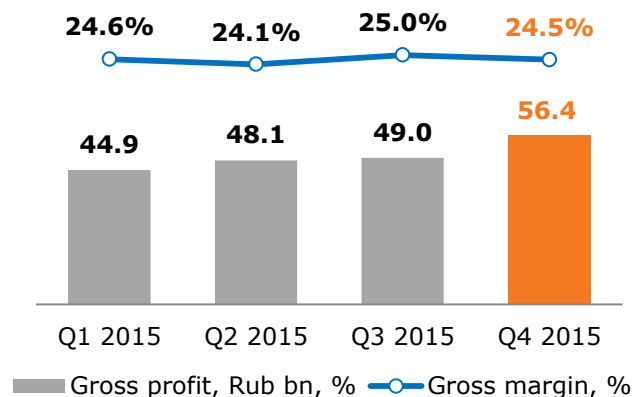


FINANCIAL HIGHLIGHTS

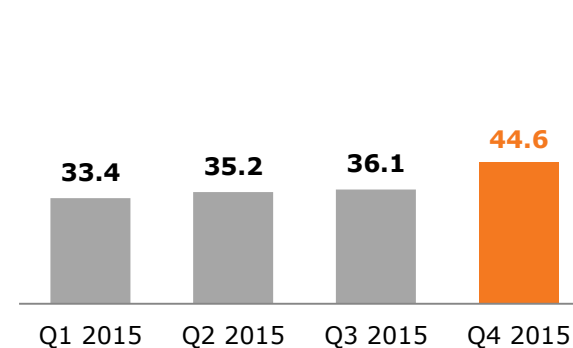
Revenue



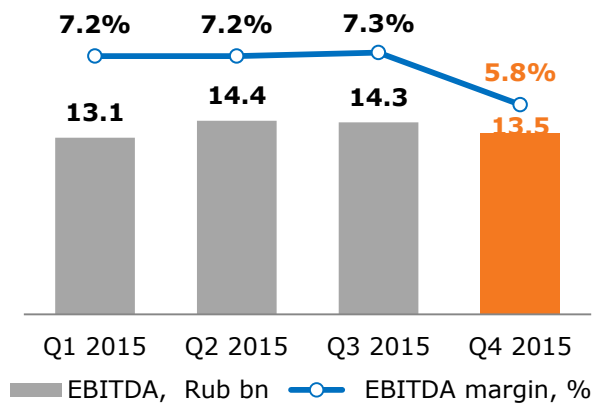
Gross profit & gross margin



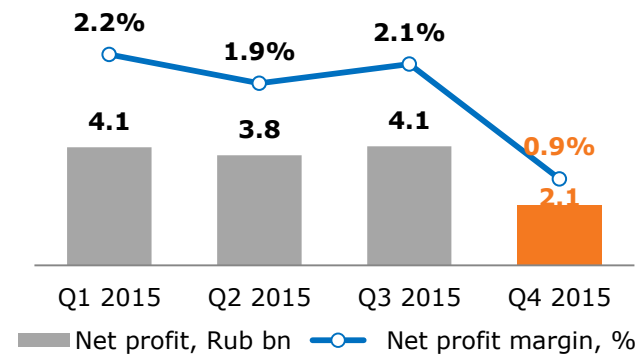
SG&A (excl. D&A&I), Rub bn



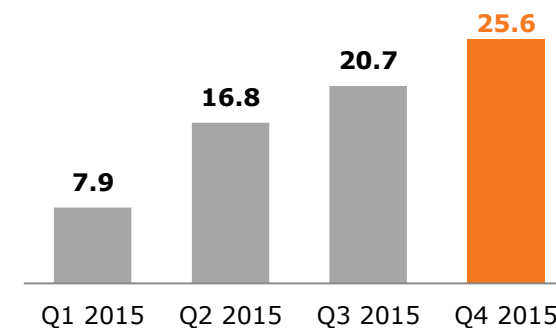
EBITDA & EBITDA margin



Net profit & net profit margin

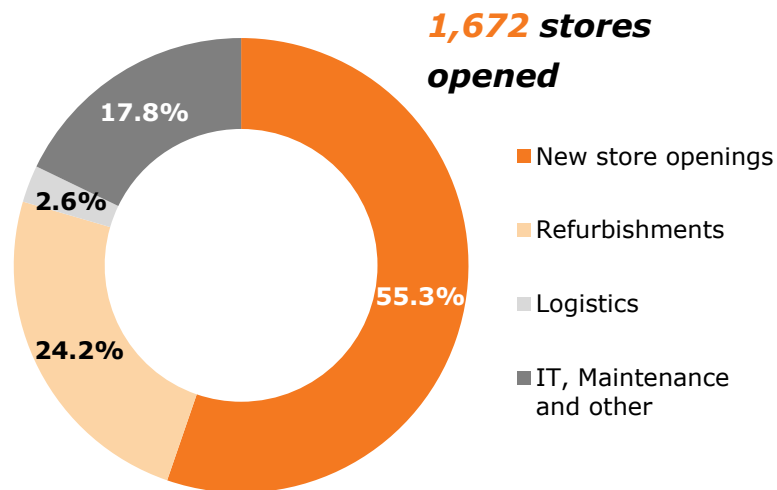


Capital expenditures, Rub bn



CAPITAL EXPENDITURES OVERVIEW

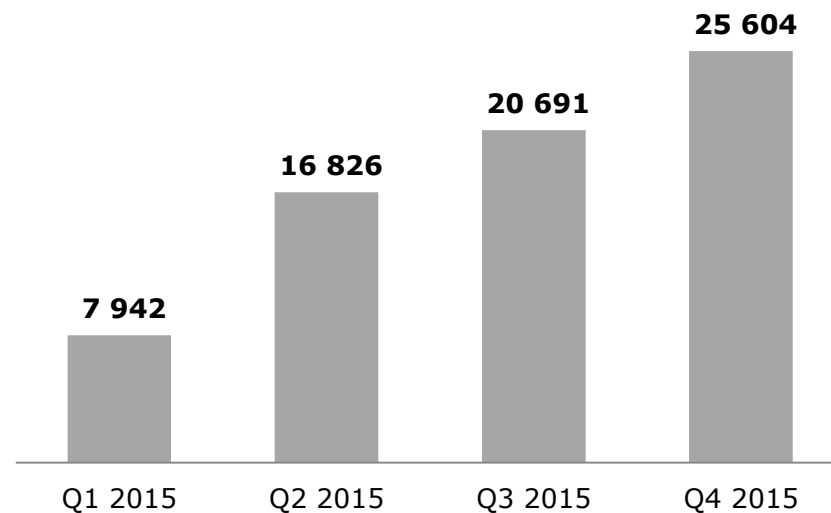
Capex breakdown for 2015



1,467 stores refurbished

Capex breakdown by quarters in 2015, Rub mln

Total Capex in 2015: **71,062 Rub mln**



In 2015, Capex programme was focused on organic expansion and investments in store refurbishments

DEBT STRUCTURE

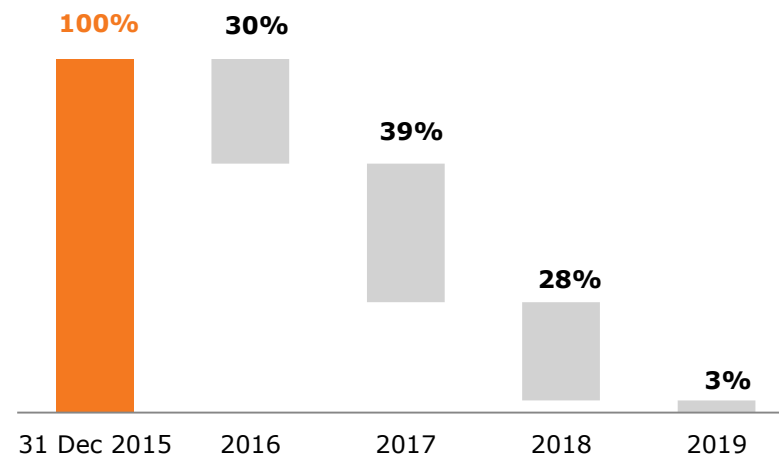
Debt profile

Rub mln	31 Dec 2015	31 Dec 2014
Total Debt	144,215	130,986
Short-Term Debt	42,670	15,834
<i>% of total debt</i>	<i>29.6%</i>	<i>12.1%</i>
Long-Term Debt	101,545	115,152
<i>% of total debt</i>	<i>70.4%</i>	<i>87.9%</i>
Net Debt	135,257	105,363

Covenants & liquidity update

Covenant metrics & liquidity sources	31 Dec 2015	31 Dec 2014	Covenants
Net Debt / EBITDA	2.45x	2.30x	< 4.00x
Cash & cash equiv., Rub mln	8,958	25,623	
Undrawn credit lines, Rub mln	140,176	84,200	

Debt portfolio maturity



Highlights

- X5's debt portfolio is 100% RUB-denominated
- The weighted average effective interest rate on X5's total debt for 2015 amounted to 12.67%
- X5 refinanced 100% of MosPrime-linked loans as loans with an interest rate linked to the Bank of Russia's key rate with significantly lower margins on them, thereby mitigating the risk of an interest rate increase

SG&A EXPENSES ANALYSIS

Rub mln	Q4 2015	Q4 2014	+ / (-), %	2015	2014	+ / (-), %
Adj. SG&A (excl. D&A&I&LTI), incl.:	40,598	32,727	24.1	145,101	115,396	25.7
Staff costs	17,795	14,425	23.4	63,052	50,593	24.6
Lease expenses	10,017	7,796	28.5	36,365	28,150	29.2
Utilities	4,281	3,480	23.0	15,449	13,105	17.9
Third party services	2,593	2,264	14.5	7,879	6,365	23.8
Other store costs	3,717	2,885	28.8	12,766	10,086	26.6
Other expenses	2,195	1,877	16.9	9,590	7,097	35.1
D&A&I	7,664	5,714	34.1	20,784	17,572	18.3
Accrued LTI and exit payment	3,587	131	2638.2	3,729	502	642.8
SSC attributable to accrued LTI and exit payment	432	8	5300.0	451	42	973.8
SG&A	52,281	38,580	35.5	170,065	133,512	27.4

FINANCIAL STATEMENT (1/3)

PROFIT AND LOSS STATEMENT

Rub mln	2015	2014	+ / (-)	+ / (-), %
Revenue	808,818	633,873	174,945	27.6
Net retail sales	804,132	631,930	172,201	27.3
COGS	(610,428)	(478,891)	(131,537)	27.5
Gross profit	198,390	154,982	43,408	28.0
<i>Gross profit margin</i>	24.5%	24.5%		8 b.p.
SG&A	(170,065)	(133,512)	(36,553)	27.4
Adj. EBITDA	59,413	46,404	13,009	28.0
<i>Adj. EBITDA margin</i>	7.3%	7.3%		2 b.p.
EBITDA	55,233	45,860	9,373	20.4
<i>EBITDA margin</i>	6.8%	7.2%		(41) b.p.
Operating profit	34,449	28,288	6,161	21.8
<i>Operating profit margin</i>	4.3%	4.5%		(20) b.p.
Net profit	14,174	12,691	1,483	11.7
<i>Net profit margin</i>	1.8%	2.0%		(25) b.p.

FINANCIAL STATEMENT (2/3)

BALANCE SHEET

Rub mln	31 December 2015	31 December 2014	+/(-)	+/(-)%
Total current assets	108,705	110,509	(1,804)	(1.6)
Cash & cash equivalents	8,958	25,623	(16,665)	(65.0)
Inventories	57,887	47,084	10,803	22.9
Total non-current assets	293,410	240,411	52,999	22.0
Net PP&E	189,000	150,328	38,672	25.7
Goodwill	75,313	65,684	9,629	14.7
Total assets	402,115	350,920	51,195	14.6
Total current liabilities	190,880	141,273	49,607	35.1
ST debt	42,670	15,834	26,836	169.5
Trade accounts payable	103,773	92,001	11,772	12.8
Total non-current liabilities	106,517	119,089	(12,572)	(10.6)
LT debt	101,545	115,152	(13,607)	(11.8)
Total liabilities	297,397	260,362	37,035	14.2
Total equity	104,718	90,558	14,160	15.6
Total liabilities & equity	402,115	350,920	51,195	14.6

FINANCIAL STATEMENT (3/3)

CASH FLOW

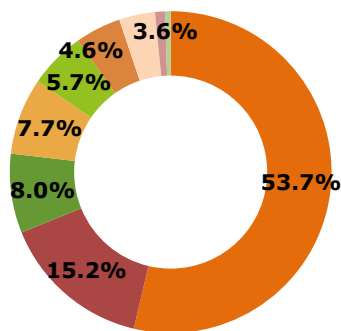
Rub mln	2015	2014	+/(-)	+/(-)%
Net cash generated from operating activities	35,487	28,567	6,920	24.2
Net cash from operating activities before changes in working capital	56,678	45,766	10,912	23.8
Change in Working Capital, incl.:	(1,406)	(2,212)	0,806	(36.4)
Decrease/(increase) in trade and other accounts receivable	(6,228)	(7,312)	1,084	(14.8)
Decrease/(increase) in inventories	(10,152)	(9,283)	(0,869)	9.4
(Increase)/decrease in trade payable	9,339	10,566	(1,227)	(11.6)
(Decrease)/increase in other accounts payable	5,635	3,817	1,818	47.6
Net interest and income tax paid	(19,785)	(14,987)	(4,798)	32.0
Net cash used in investing activities	(59,645)	(29,737)	n/a	n/a
Net cash generated from/(used in) financing activities	7,498	19,344	(11,846)	(11.6)
Effect of exchange rate changes on cash & cash equivalents	(5)	(162)	157	(96.9)
Net increase/(decrease) in cash & cash equivalents	(16,665)	18,012	n/a	n/a

X5 REGIONAL PRESENCE

X5 today

- Multi-format presence in 9 regions
- Total stores – 7,020, including:
 - 6,265 Pyaterochka
 - 478 Perekrestok
 - 90 Karusel
 - 187 Express stores

Net sales by region in 2015, %



- Central
- Povolzhsky
- Volga-Vyatsky
- North-Caucasus
- Western Siberia
- North-West
- Ural
- Central-Chernozemny
- North

Source: X5 data

North-West region

Pyaterochka: 635 (+54)
Perekrestok: 47 (+8)
Karusel: 17 (+1)
DC: 6 (In 2015: 1 Opened)

Central region

Pyaterochka: 2,325 (+442)
Perekrestok: 288 (+52)
Karusel: 27 (+3)
DCs: 12 (In 2015: 2 opened, 2 closed)

Central-Chernozemny region

Pyaterochka: 415 (+133)
Perekrestok: 13 (+1)
Karusel: 7 (n/a)
DCs: 3 (In 2015: 1 opened, 1 closed)

North-Caucasus region

Pyaterochka: 457 (+153)
Perekrestok: 24 (+3)
Karusel: 2 (+1)
DCs: 2

North region

Pyaterochka: 146 (+62)

Volgo - Vyatsky region

Pyaterochka: 467 (+104)
Perekrestok: 32 (+4)
Karusel: 9 (n/a)
DCs: 2

Western Siberia region

Pyaterochka: 49 (+22)
Perekrestok: 7 (n/a)
Karusel: 3 (+2)

Povolzhsky region

Pyaterochka: 768 (+148)
Perekrestok: 44 (+4)
Karusel: 14 (n/a)
DCs: 4 (In 2015: 1 Opened)

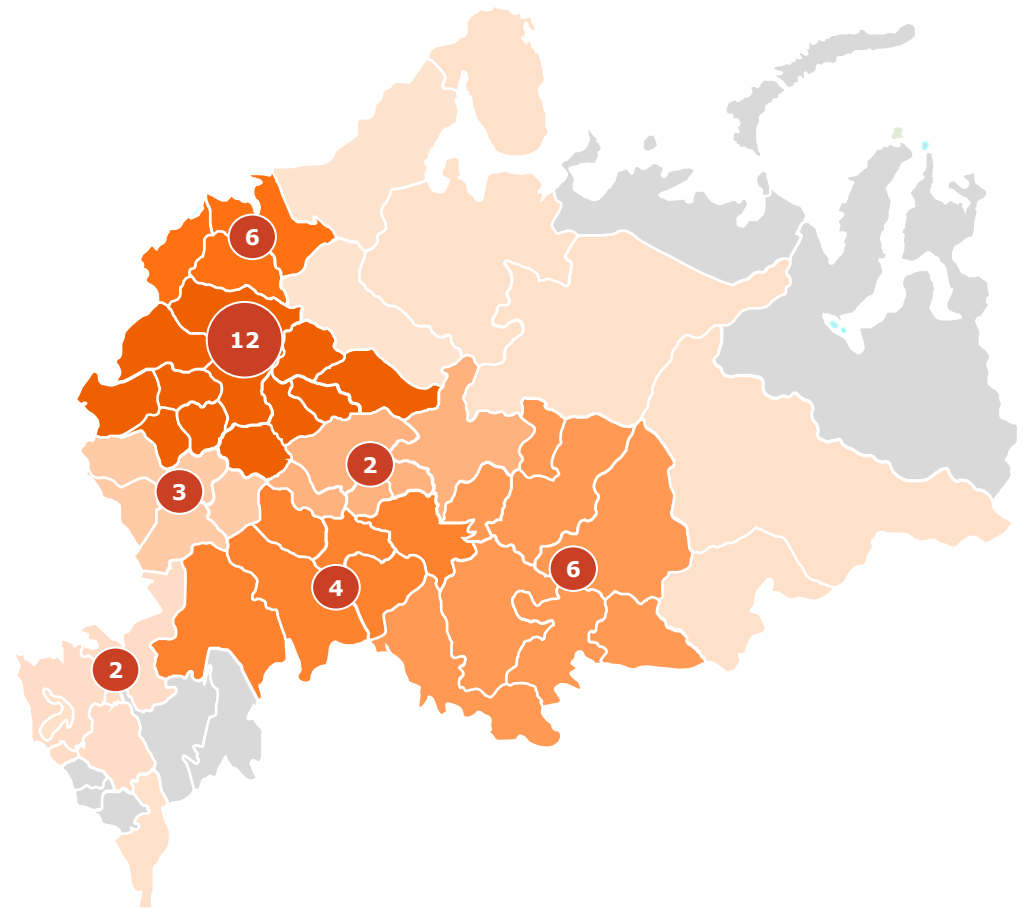
Ural

Pyaterochka: 1,003 (+358)
Perekrestok: 23 (+7)
Karusel: 11 (+1)
DCs: 6 (In 2015: 1 opened, 1 closed)

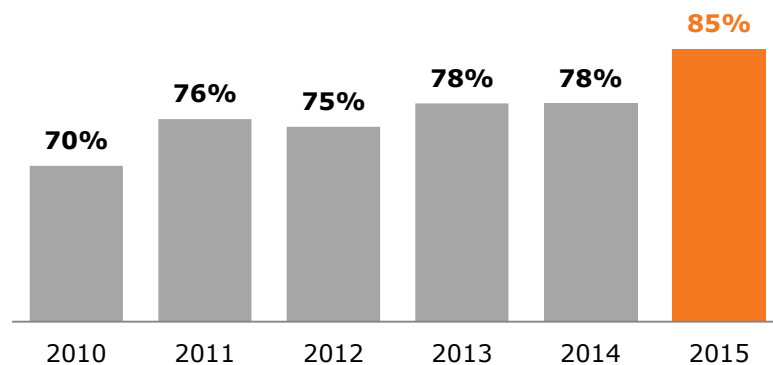
X5 DISTRIBUTION CAPABILITIES

Warehouse space as of December 2015

Region	Space, th. sq. m.	# of DCs
Central	364	12
North-West	117	6
Volgo-Vyatsky	42	2
Ural	65	6
Central-Chernozemny	59	3
Povolzhsky	85	4
South	41	2
Total	773	35



Centralization level dynamics



APPENDICIES

I. PERFORMANCE SUMMARY OF KEY FORMATS



PYATEROCHKA SUMMARY (1/2)



6,265 stores at 31 Dec 2015,
31% increase y-o-y



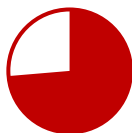
2,422 th. sq. m. of selling space
(at 31 Dec 2015), 38% increase y-o-y



12M 2015 net sales –
RUB 585.4 bn, 34% increase y-o-y



Q4 2015 net retail sales –
RUB 167.2 bn, 33% increase y-o-y



Share of X5's Q4 2015 sales: **~70%**



Q4 2015 LFL Results

- **Sales: 12.6%**
- **Traffic: 3.5%**
- **Basket: 8.8%**



Average check:
RUB 351 (Q4 2015),
7% increase y-o-y



Avg. net selling space: **387 sq. m.**

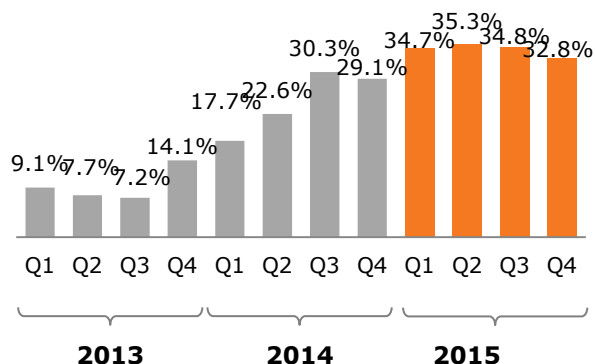
- **Formats**
 - 250-330 sq. m.
 - 330-430 sq. m.
 - 430-620 sq. m.
 - 620-and more

Your neighborhood store for daily shopping needs

PYATEROCHKA SUMMARY (2/2)

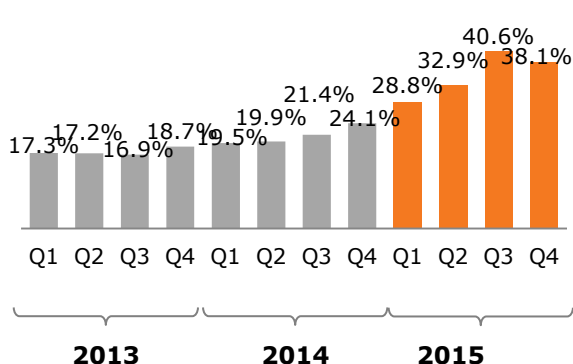
Q4 2015 net retail sales growth: 32.8% increase y-o-y

Net Sales Growth (% y-o-y)



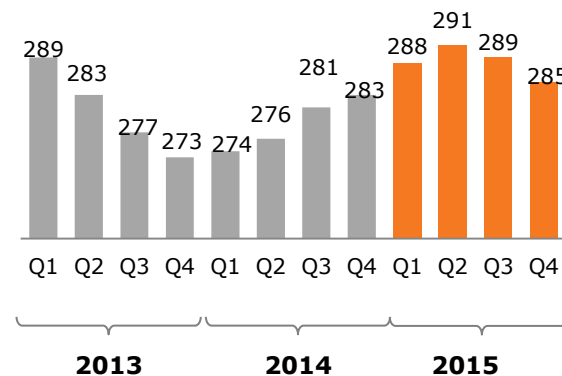
Q4 2015 selling space growth: 38.1% increase y-o-y

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



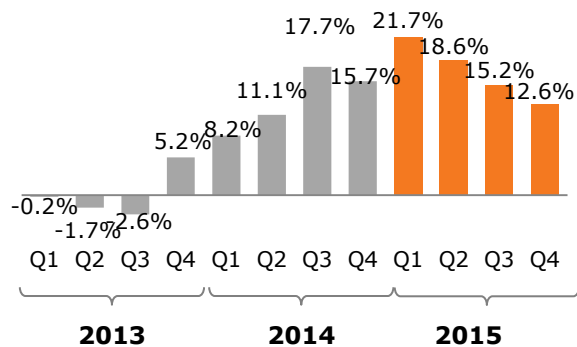
Q4 2015 sales densities: 0.7% increase y-o-y

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



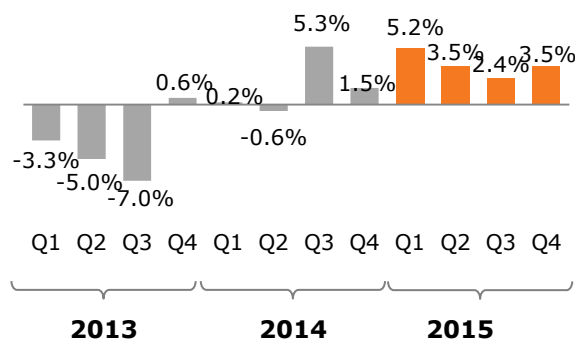
Q4 2015 LFL sales growth: 12.6% increase y-o-y

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



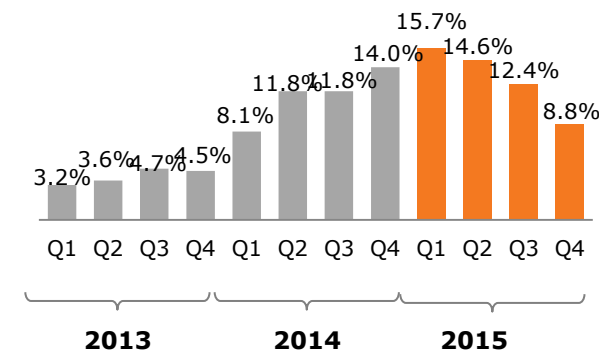
Q4 2015 LFL traffic growth: 3.5% increase y-o-y

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



Q4 2015 LFL basket growth: 8.8% increase y-o-y

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

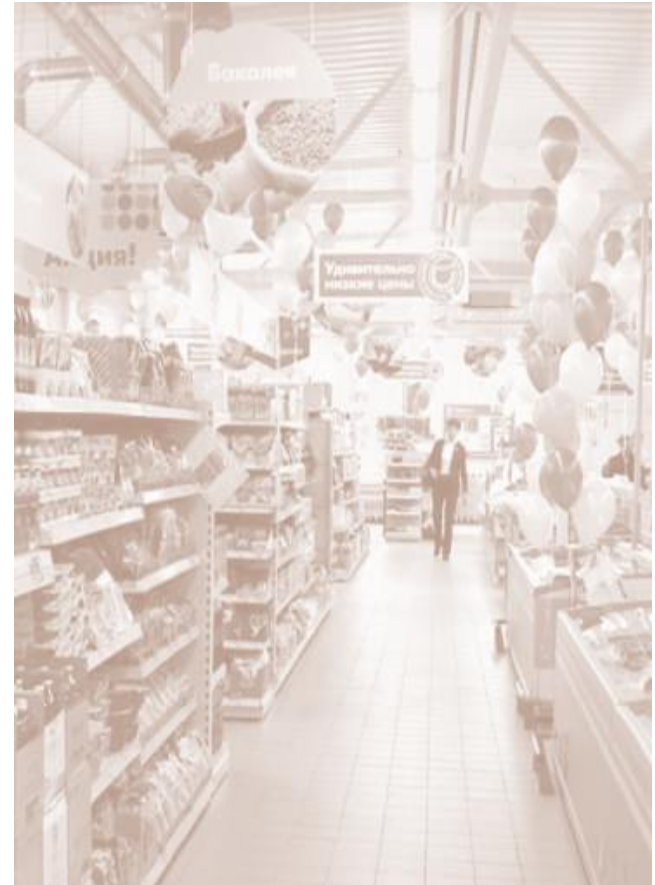


[1] – Total net sales from trailing four quarters divided by average selling space of trailing four quarters

SUMMARY OF PYATEROCHKA STRATEGY

Pyaterochka is a key growth engine for X5 thanks to its customer value proposition, which has already proved its efficiency and is especially sustainable in crisis

- Focus on **maximum growth rate**, entry and development in new regions with full coverage of all location types; sustain speed of new store openings
- Preserve **current CVP** with selective improvements in perceived quality and freshness
- Differentiation through **promo** (to be personalised in future) and **loyalty programme**
- Further focus on initiatives aimed at **losses reduction** and **optimisation of supply chain, planning** and **pricing**



PEREKRESTOK SUMMARY (1/2)



478 stores at 31 Dec 2015,
19% increase y-o-y



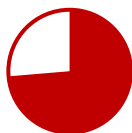
484 th. sq. m. of selling space
(at 31 Dec 2015), 16% increase y-o-y



12M 2015 net sales –
RUB 130.1 bn, 13% increase y-o-y



Q4 2015 net retail sales –
RUB 37.0 bn, 14% increase y-o-y



Share of X5's Q4 2015 sales: **~16%**



Q4 2015 LFL Results

- **Sales: 3.6%**
- **Traffic: (3.6%)**
- **Basket: 7.5%**



Average check:
RUB 518 (Q4 2015)



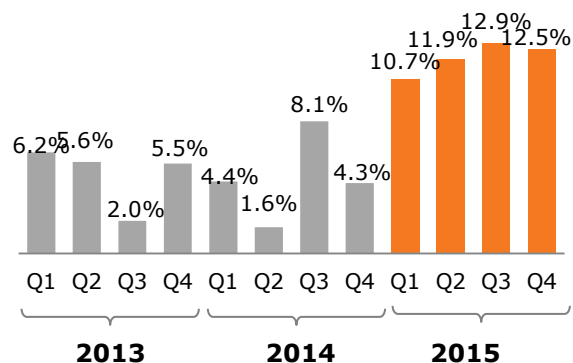
Avg. net selling space:
1,013 sq. m.

Main district supermarket

PEREKRESTOK SUMMARY (2/2)

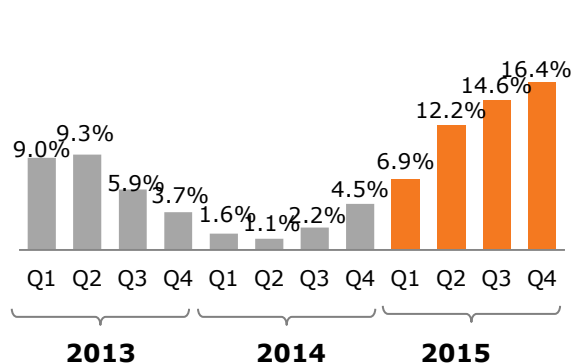
Q4 2015 net retail sales growth: 12.5% increase y-o-y

Net Sales Growth (% y-o-y)



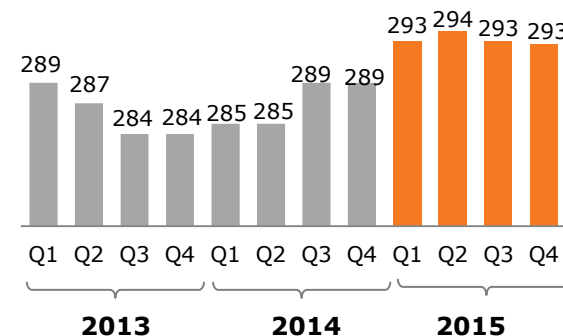
Q4 2015 selling space growth: 16.4% increase y-o-y

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



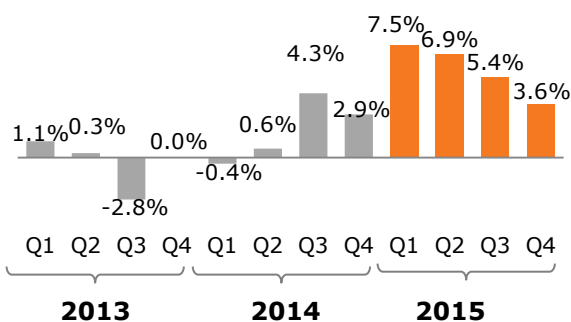
Q4 2015 sales densities: 1.3% increase y-o-y

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



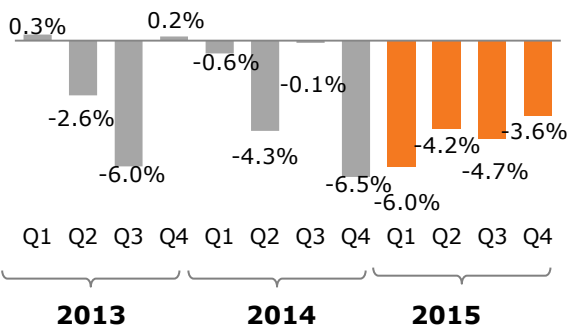
Q4 2015 LFL sales growth: 3.6% increase y-o-y

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



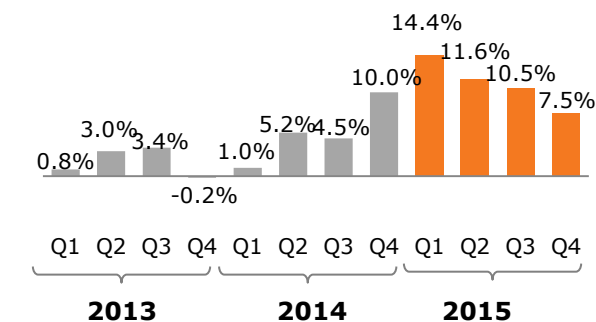
Q4 2015 LFL traffic growth: -3.6% y-o-y

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



Q4 2015 LFL basket growth: 7.5% 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

SUMMARY OF PEREKRESTOK STRATEGY

Perekrestok has made significant progress fine-tuning its value proposition in 2015, including an updated product range, rebranding and refurbishment programme

- Development **in Moscow and St. Petersburg** is a priority, critical mass growth in regional cities with >1 mln population
- Continue with **refurbishment programme**; new store openings to preserve the foothold for future growth
- Regional model trial in 2016 and its development since 2017
- Focus on **improving service and efficiency** of operations



KARUSEL SUMMARY (1/2)



90 stores as of 31Dec 2015:
10% increase y-o-y



390.1 th. sq. m. of selling space
(as of 31 Dec 2015), up 8.8% y-o-y



12M 2015 net sales:
RUB 77.4 bn 12% increase y-o-y



Q4 2015 net retail sales -
RUB 21.4 bn, 8.8% increase y-o-y



Share of X5's Q4 2015 sales: **~9%**



Q4 2015 LFL Results

- **Sales: 3.8%**
- **Traffic: 1.9%**
- **Basket: 1.9%**



Average check:
RUB 735 (Q4 2015)



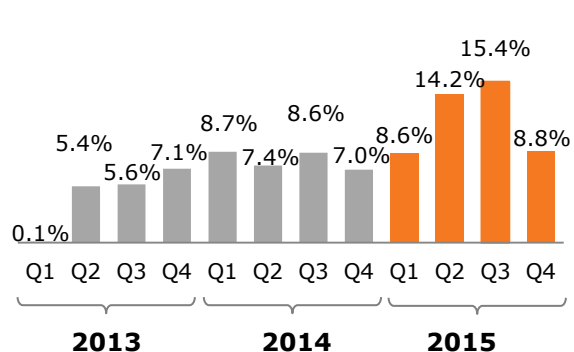
Avg. net selling space:
4,335 sq. m.

Your destination store for all food & household needs

KARUSEL SUMMARY (2/2)

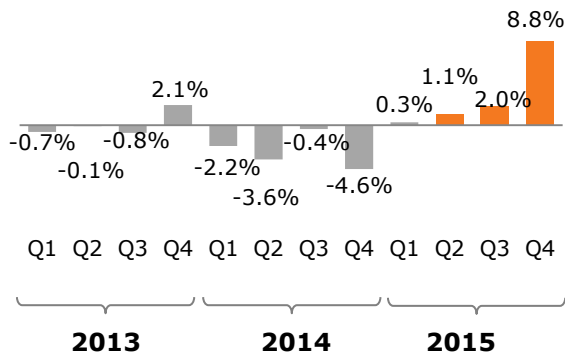
Q4 2015 net retail sales growth: 8.8% increase y-o-y

Net Sales Growth (% y-o-y)



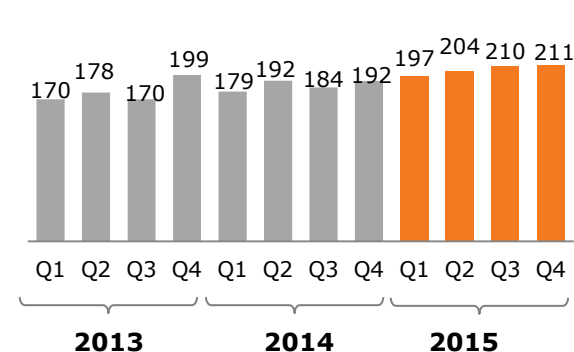
Q4 2015 selling space growth: 8.8% increase y-o-y

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



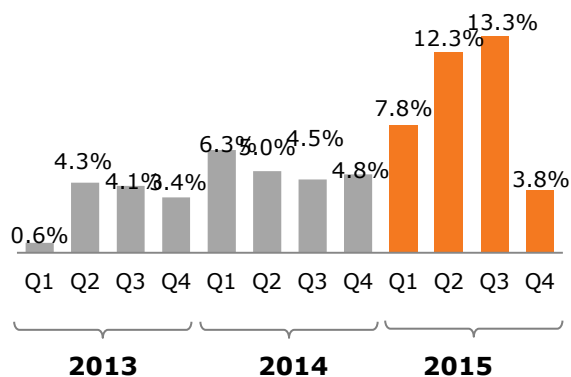
Q4 2015 sales densities: 10% increase y-o-y

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



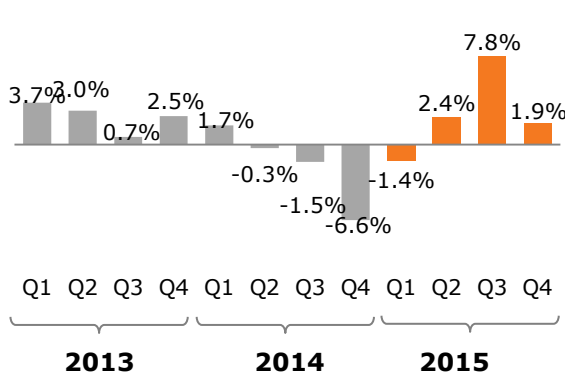
Q4 2015 LFL sales growth: 3.8% increase y-o-y

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



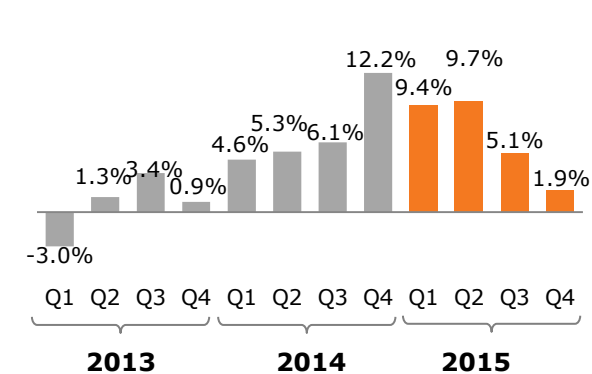
Q4 2015 LFL traffic growth: 1.9% increase y-o-y

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



Q4 2015 LFL basket growth: 1.9% 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

SUMMARY OF KARUSEL STRATEGY

Development and testing of value proposition is at the core of Karusel's strategic agenda, as well as a focus on operations and efficiencies

- Gradual finalisation and testing of compact city hypermarket model **with focus on price perception**
- Transition to **active growth after actual results** of pilot models are attained by the end of 2016
- Relaunch of Karusel's **loyalty programme, promo optimisation, development of private label**
- Focus on **efficiency improvement** and **bottom-line growth**

