



Q4 AND 12M 2017 FINANCIAL RESULTS

MOSCOW, RUSSIAN FEDERATION
29 MARCH 2018

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I. HIGHLIGHTS

04 / STRATEGIC HIGHLIGHTS



- X5 is a true **multi-format** retailer with unique **decentralised model** that allows development autonomy for three banners, with support of Corporate Centre enhancing efficiency and sharing best-practices



- 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



- 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
- Launch of the **loyalty programme** in Pyaterochka



- Approval of the **dividend policy** by the Supervisory Board in September 2017
- The dividend policy sets a **target payout ratio of at least 25%** of the Company's consolidated IFRS **net profit**



05 / KEY ACHIEVEMENTS IN 12M 2017



- Revenue growth remained strong at **25.3%**



- The Company added a record **2,934** new stores in 12M 2017, vs. **2,167** stores in 12M 2016.
- 350** stores refurbished



- EBITDA margin constant at **7.4%**



- All** of Pyaterochka stores and **~73%** of Perekrestok stores operating under new concept as of 31 December 2017



- The lowest level of Net debt / EBITDA in X5's public history at **1.73x** as of 31 December 2017



- Net additional selling space of **1,178 th. sq. m.**, **87%** of which was attributable to **organic growth**



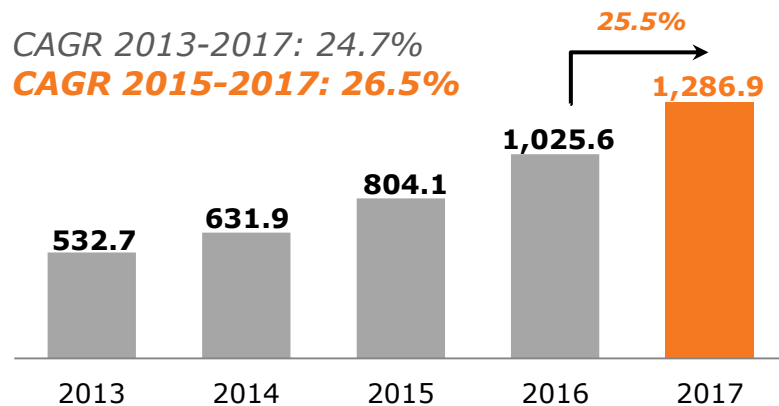
- Record LFL traffic growth of **3.0%** in 12M 2017
- LFL traffic of Perekrestok was positive for **eight quarters** in a row



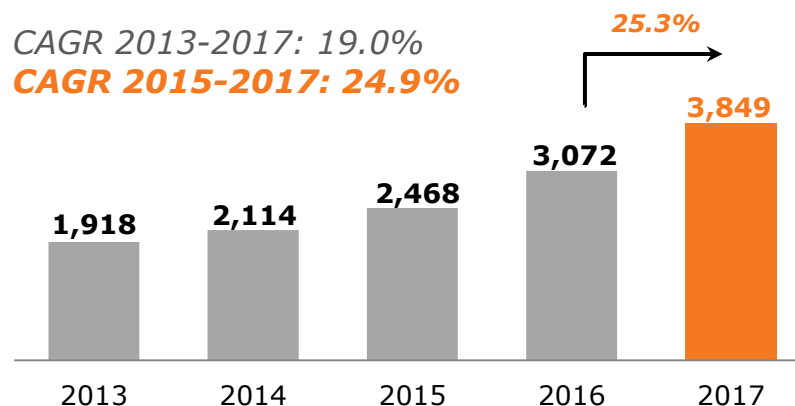
- Pyaterochka added **1,098 th. sq. m.** of net selling space

06 OPERATIONAL HIGHLIGHTS

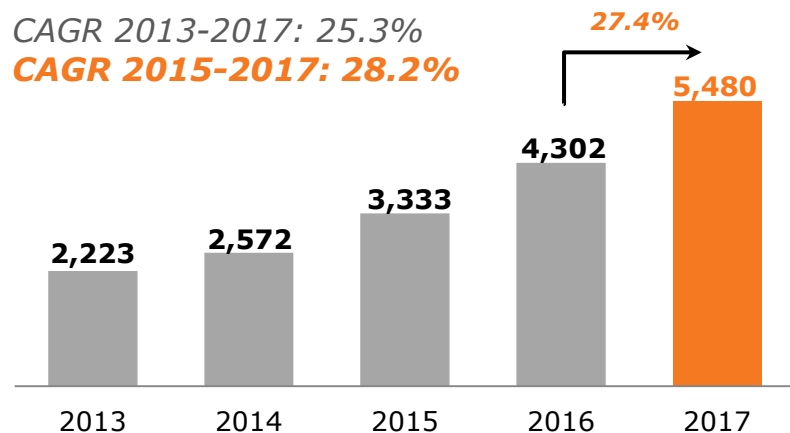
Net retail sales dynamics, RUB bn



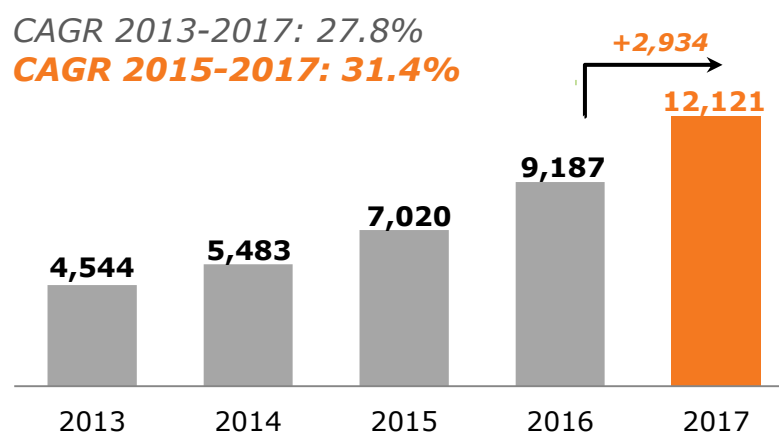
Customer visits, mln



Selling space, th. sq. m.



Number of stores, end of period

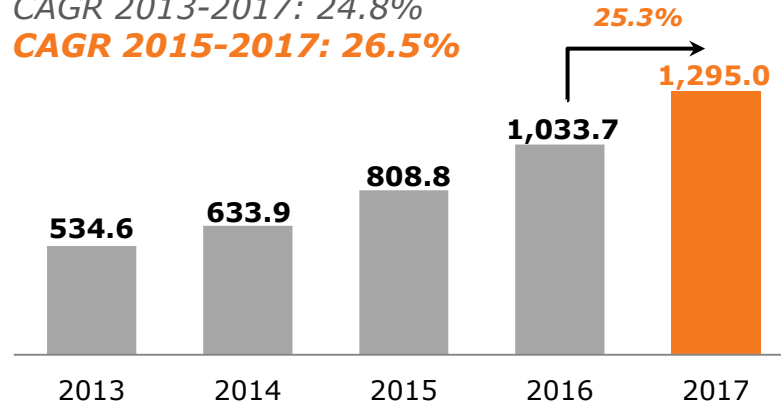


Source: X5 data

07 / FINANCIAL HIGHLIGHTS

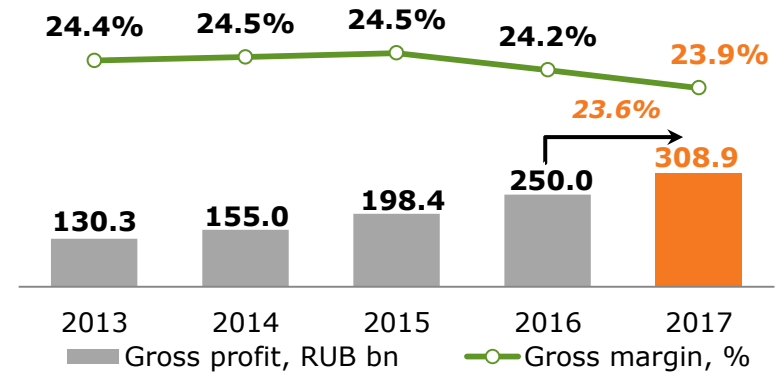
Revenue dynamics, RUB bn

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



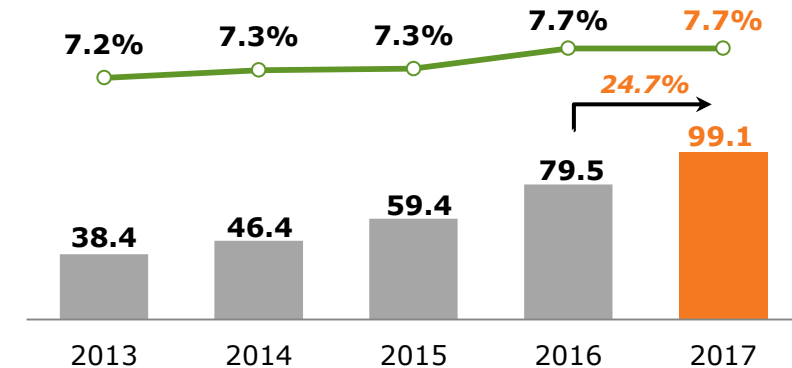
Gross profit & gross margin

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



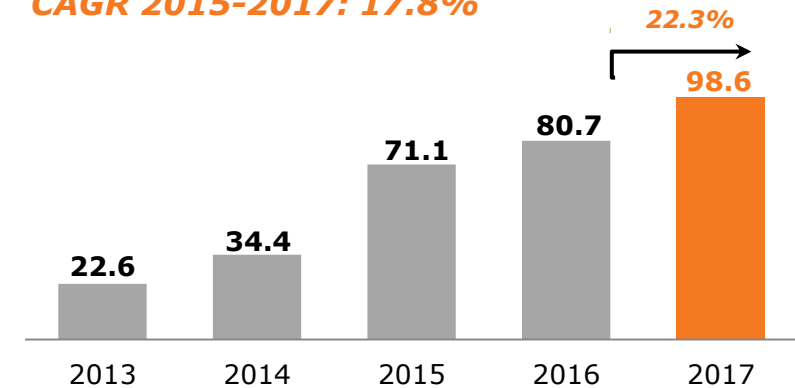
Adjusted EBITDA & adjusted EBITDA margin^[1]

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



Capex dynamics, RUB bn

CAGR 2013-2017: 44.6%
CAGR 2015-2017: 17.8%



■ Adjusted EBITDA, RUB bn ● Adjusted EBITDA margin, %

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

Source: X5 data



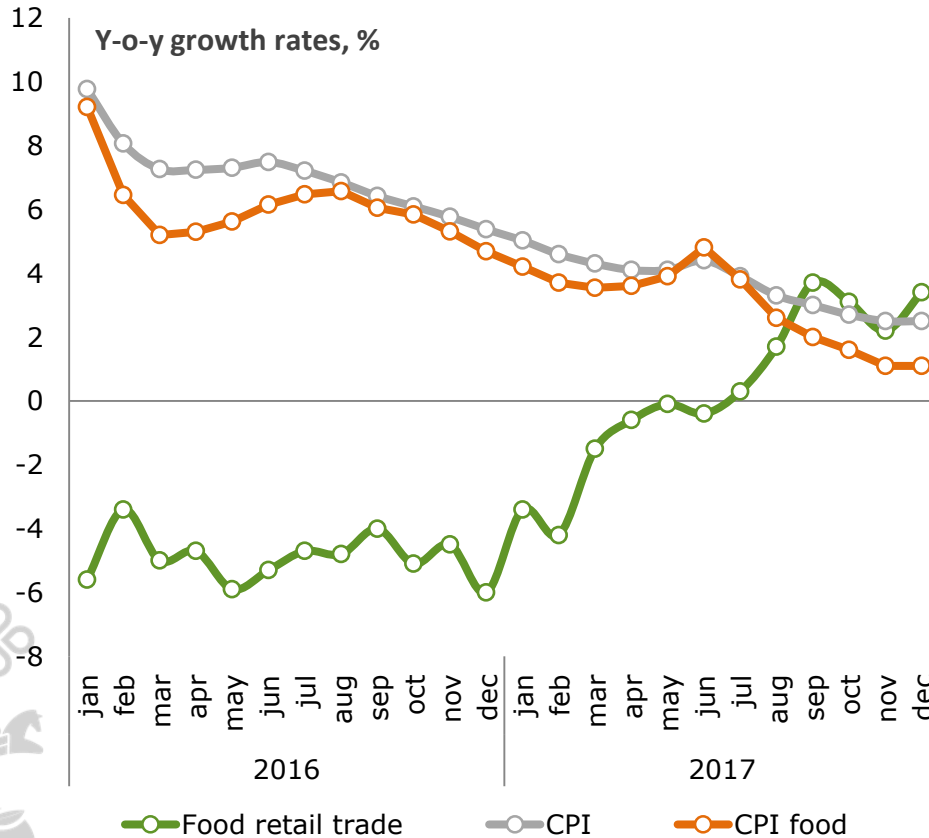


II. MARKET OVERVIEW

09 MACRO ENVIRONMENT

Real food retail market showed gradual recovery, inflation resumed its decline triggered by seasonal factors and relatively tight monetary policy

Real wage growth remained high, real disposable income continued to decline, consumer confidence stopped its recovery in Q4 2017 remaining negative



Source: Rosstat

Although the majority of macroeconomic indicators confirm a trend towards gradual economic recovery, significant risks for sustainability of consumption dynamics are still observed

10 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



11 / ...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
- 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

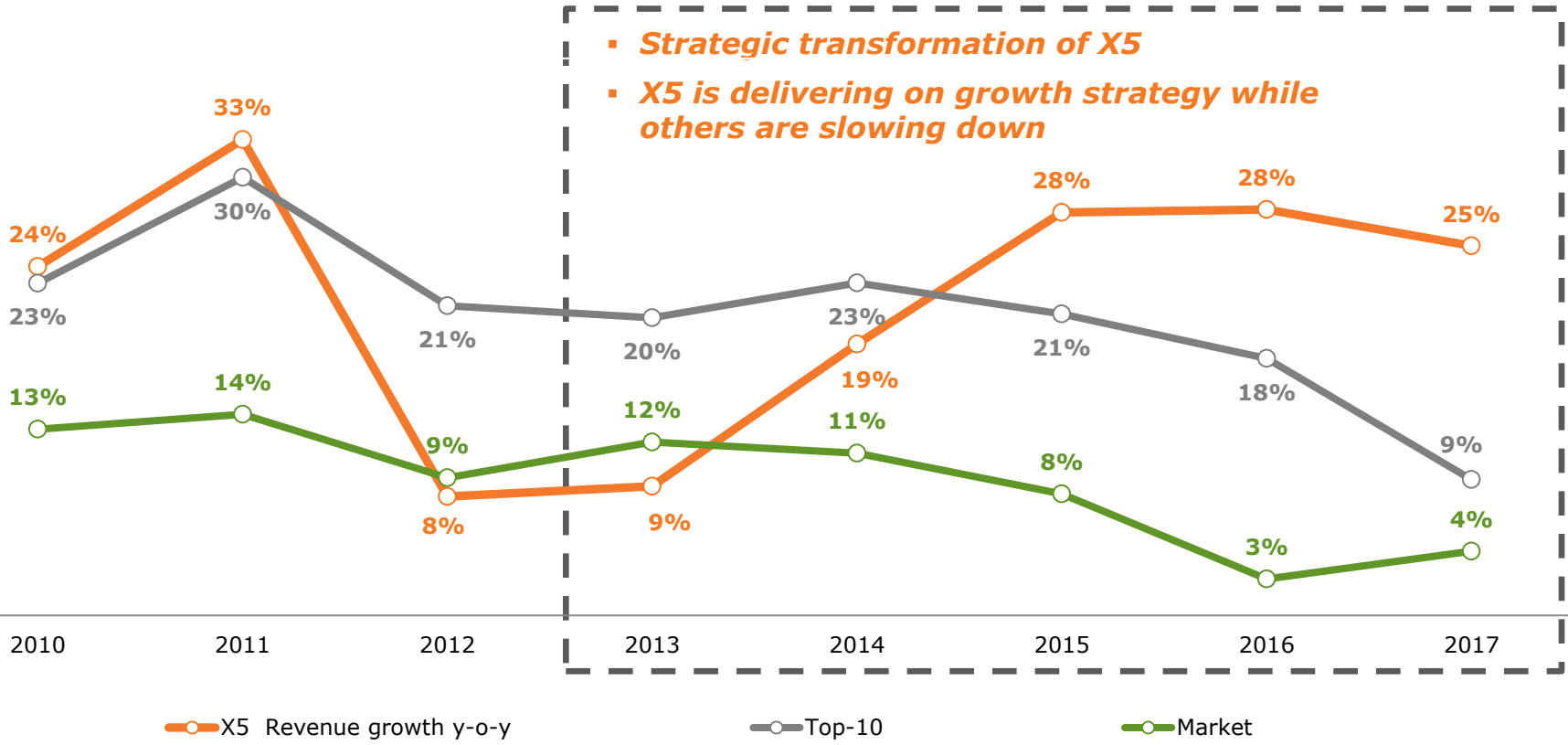
- Online retail initiative within the supermarket segment
- Successful development of loyalty programme and personalised promo in Perekrestok
- Further implementation of advanced analytics

Tightening market regulation

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



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













Source: Infoline, X5 analysis



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

13 / 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

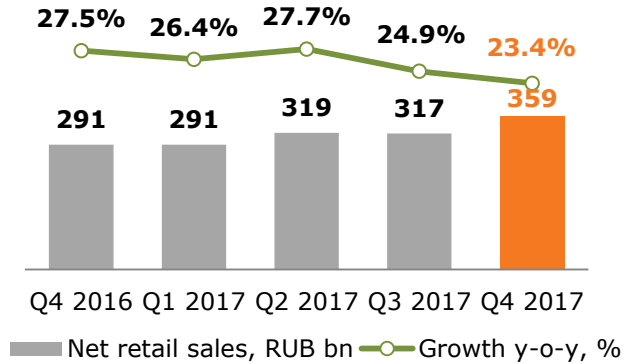
X5's market share increased from 8.0% in 2016 to 9.5% in 2017



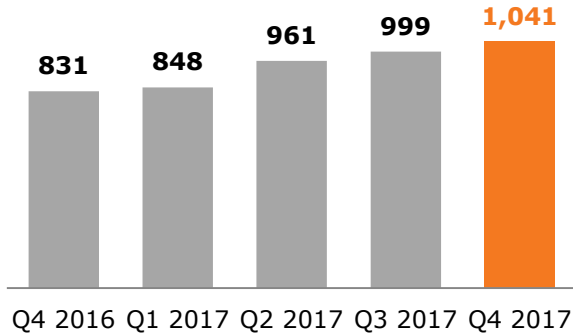
**III. OPERATIONAL RESULTS
Q4 2017**

15 / Q4 2017 RESULTS: OPERATIONAL HIGHLIGHTS

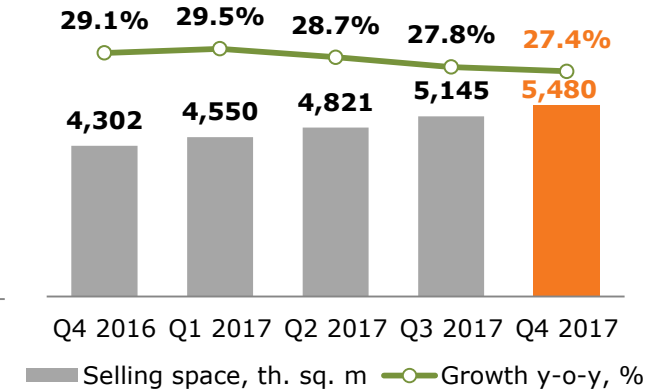
Net retail sales



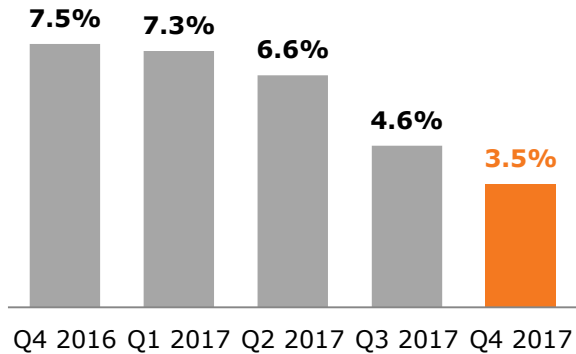
Traffic, mln customers



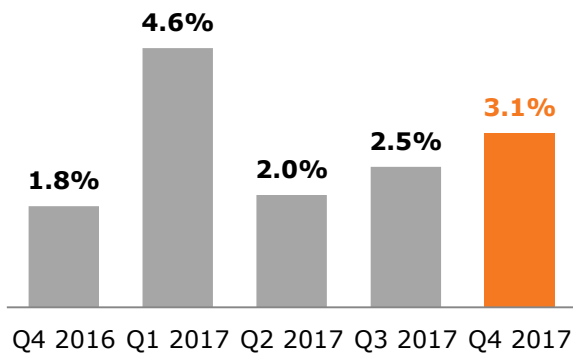
Net selling space (eop), th. sq. m



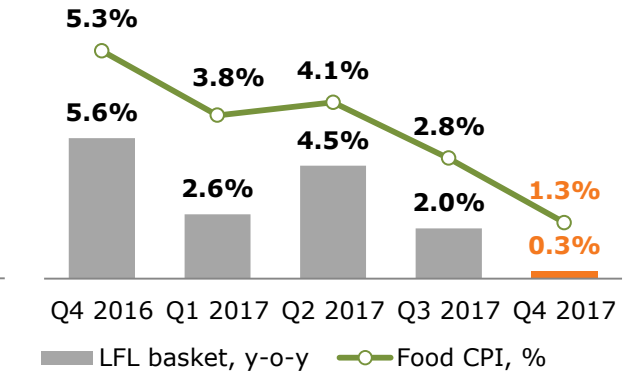
LFL sales, y-o-y



LFL traffic, y-o-y



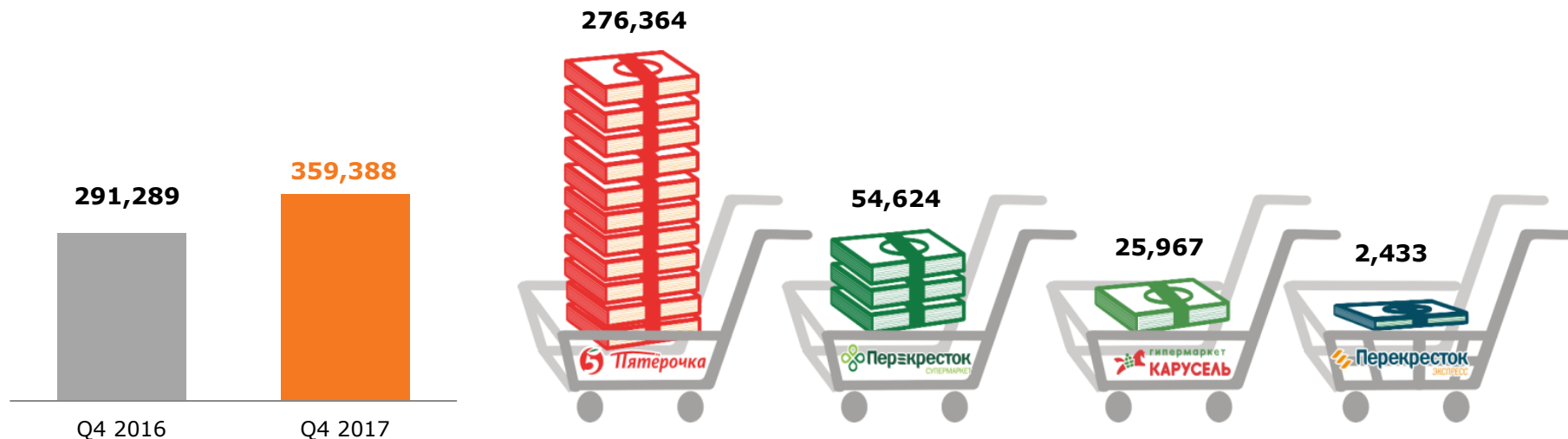
LFL basket, y-o-y



Source: X5 data

16 / Q4 2017 RESULTS: NET RETAIL SALES SUMMARY

Net retail sales breakdown by retail format, RUB mln



Source: X5 data

KEY DRIVERS

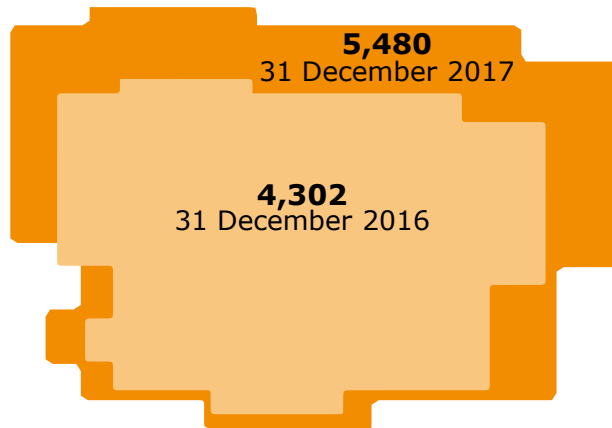
- Pyaterochka, which continues to meet customers' needs in a challenging macro environment, was the key driver for X5's growth thanks to:
 - Value proposition that is one of the best-adapted to Russian consumers' needs
 - Ambitious expansion programme

Net retail sales growth of 23.4% was driven by a 3.5% increase in like-for-like sales and a 19.9% sales growth contribution from a 27.4% rise in selling space

17 / Q4 2017 RESULTS: EXPANSION SUMMARY

- Total store base increased to 12,121 stores as of 31 December 2017
- Continued investments into existing stores, with 49 refurbishments in Q4 2017
- Pyaterochka was the main driver for the store base increase. In Q4 2017, X5's net added space increased by 21.2% y-o-y

Net selling space, th. sq. m.

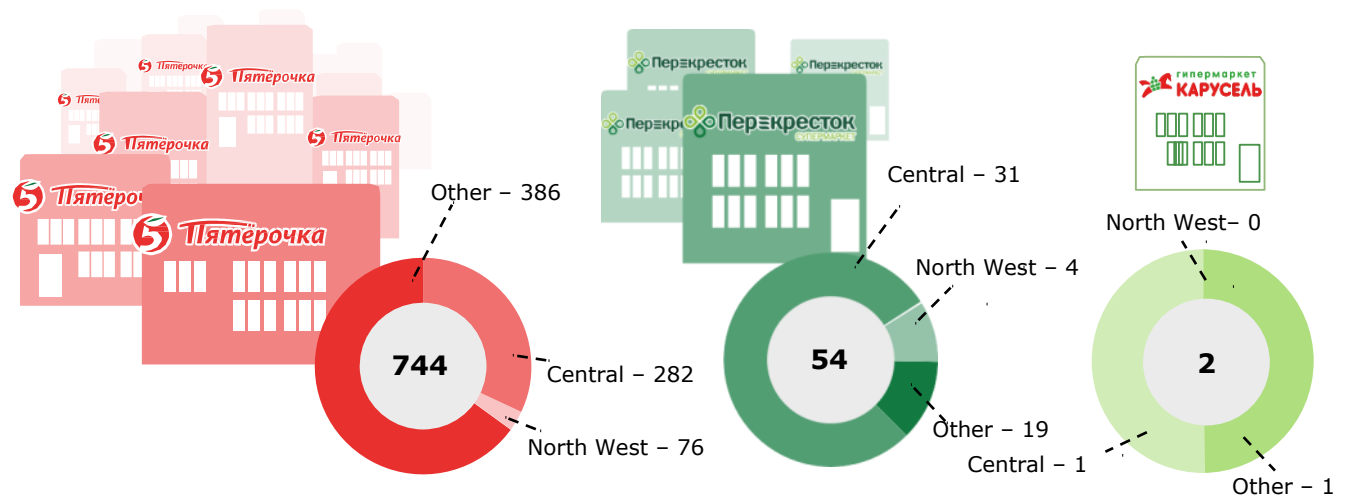
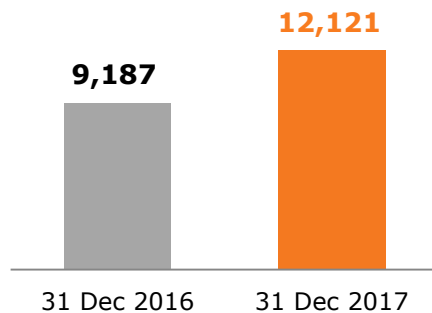


Net selling space added in Q4 2017, th. sq. m.



Net stores added in Q4 2017 by formats and by regions

Net stores base



[1] Supermarkets acquired by X5 from O'KEY in December 2017 are not included as of 31 December 2017 and will be included after reopening following refurbishment

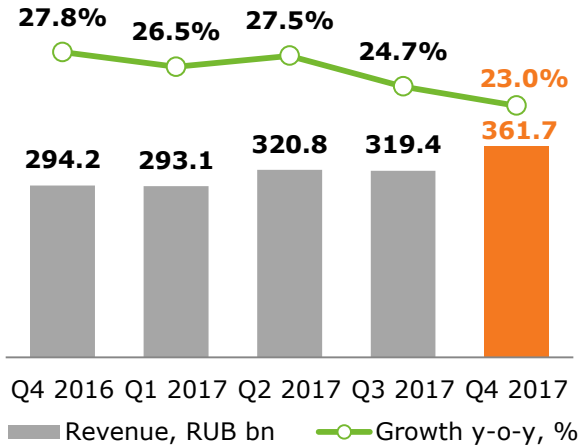
Source: X5 data



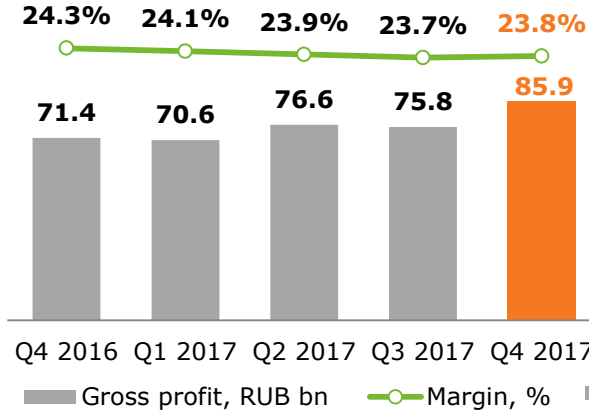
**IV. FINANCIAL RESULTS
Q4 2017**

19 Q4 2017 RESULTS: FINANCIAL HIGHLIGHTS

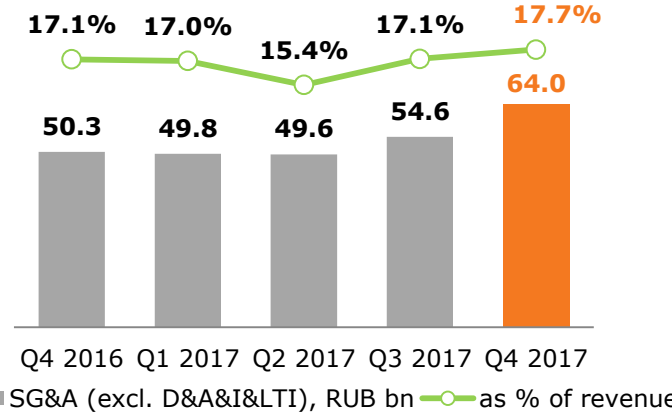
Revenue



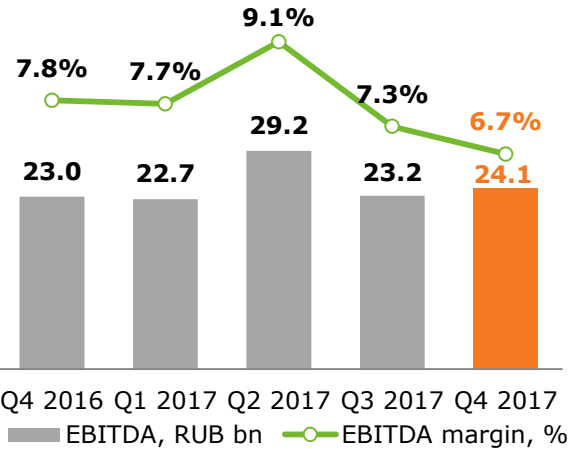
Gross profit & gross margin



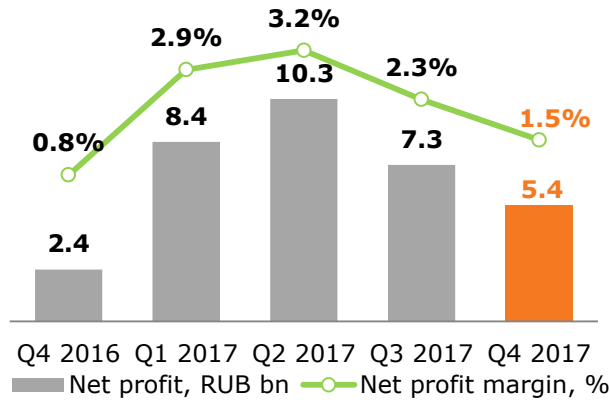
SG&A (excl. D&A&I<I), RUB bn ^[1]



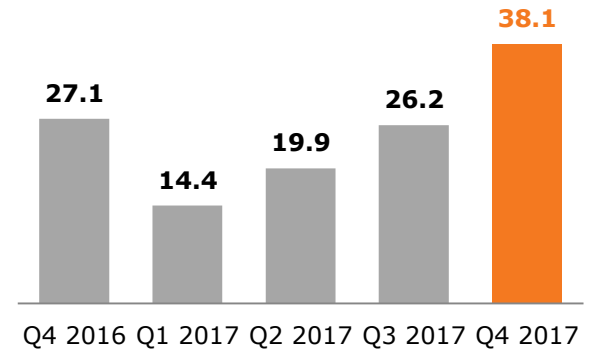
EBITDA & EBITDA margin ^[1]



Net profit & net profit margin



Capital expenditures, RUB bn



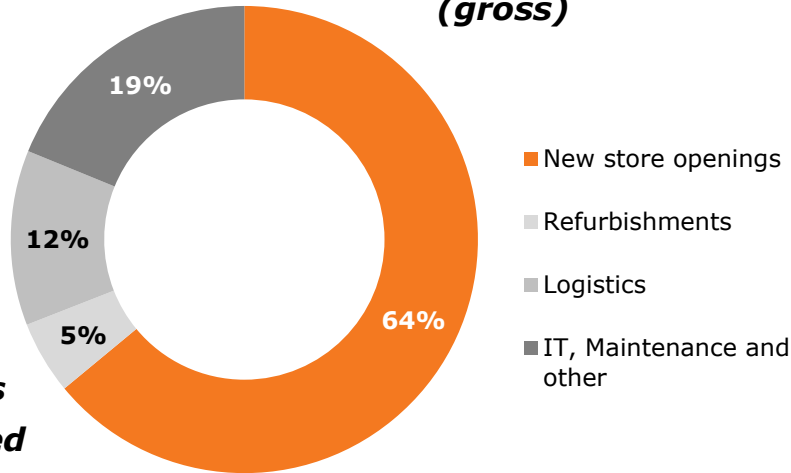
[1] – Adjusted for LTI, exit payments and share-based payments and other one-off remuneration payments

Source: X5 data

20 / Q4 2017 RESULTS: CAPITAL EXPENDITURE OVERVIEW

Capex breakdown for Q4 2017

837 stores opened (gross)



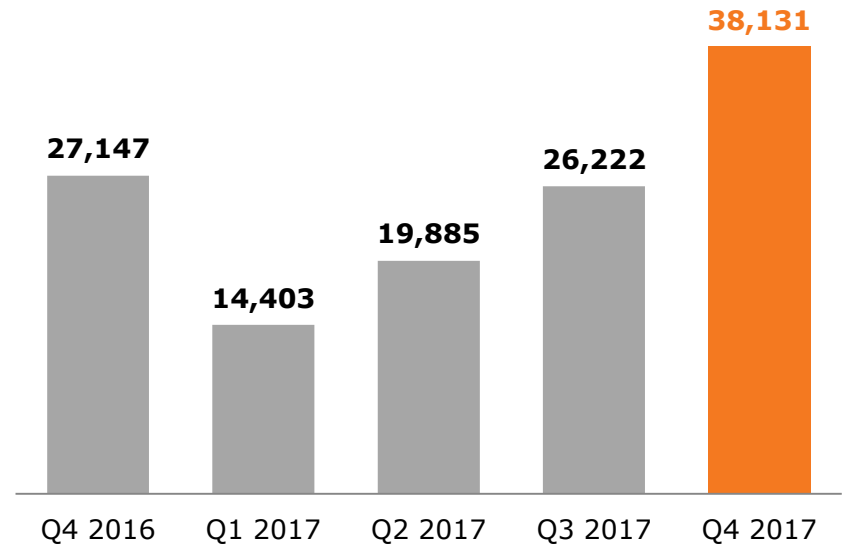
49 stores refurbished



Source: X5 data

Capex breakdown by quarter, RUB mln

Total Capex in Q4 2017: **RUB 38,131 mln**



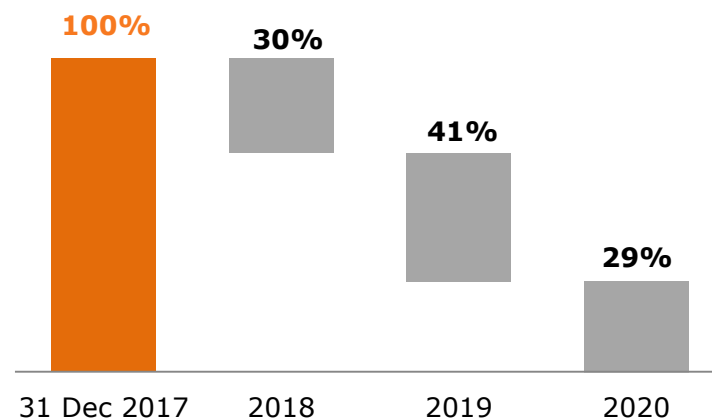
In Q4 2017, capex programme focused on organic expansion, investments in store refurbishments and logistics

21 / Q4 2017 RESULTS: DEBT STRUCTURE

Debt profile

RUB mln	31 Dec 2017	31 Dec 2016
Total Debt	194,296	156,033
Short-Term Debt	58,674	45,168
<i>% of total debt</i>	<i>30.2%</i>	<i>28.9%</i>
Long-Term Debt	135,622	110,865
<i>% of total debt</i>	<i>69.8%</i>	<i>71.1%</i>
Net Debt	166,691	137,843

Debt portfolio maturity



Covenants & liquidity update

Covenant metrics & liquidity sources	31 Dec 2017	31 Dec 2016
Net Debt / EBITDA	1.73x	1.81x
Cash & cash equiv., RUB mln	27,605	18,190
Available credit lines, RUB mln	314,838	280,808

Highlights

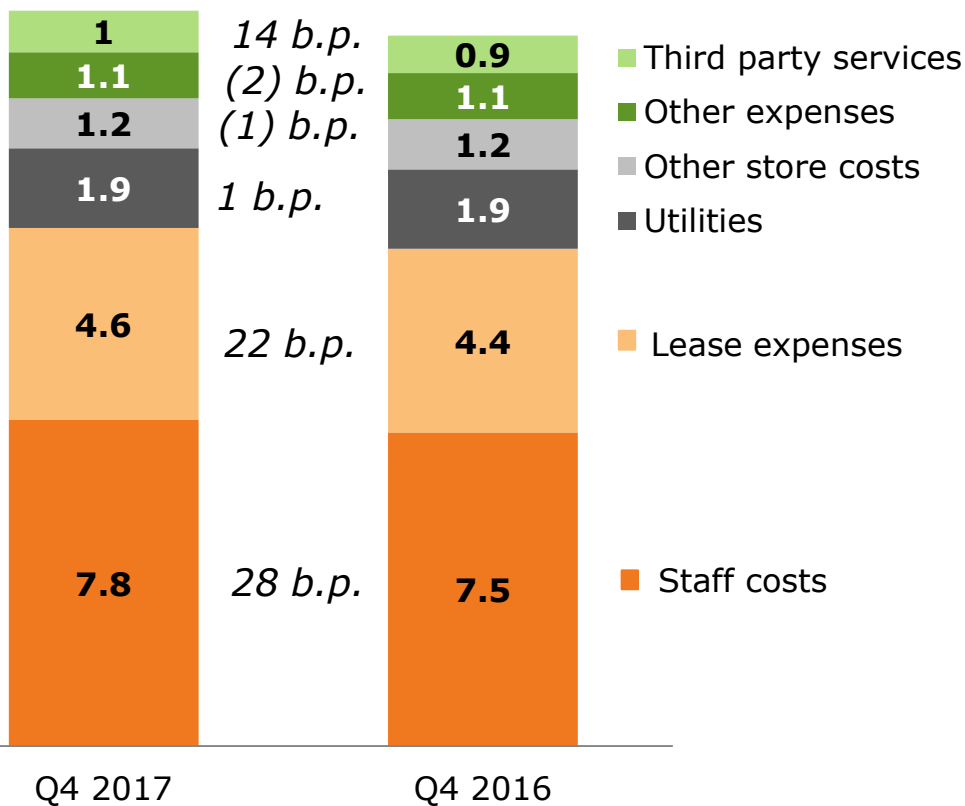
- X5's debt portfolio is 100% RUB-denominated
- All of the X5's loans and bonds have fixed interest rates
- X5's available credit lines increased by 12% to RUB 315 bn
- Net debt/EBITDA ratio decreased to 1.73x as of 31 December 2017, the lowest level in X5's history



22 / Q4 2017 RESULTS: ADJUSTED SG&A [1] EXPENSES ANALYSIS

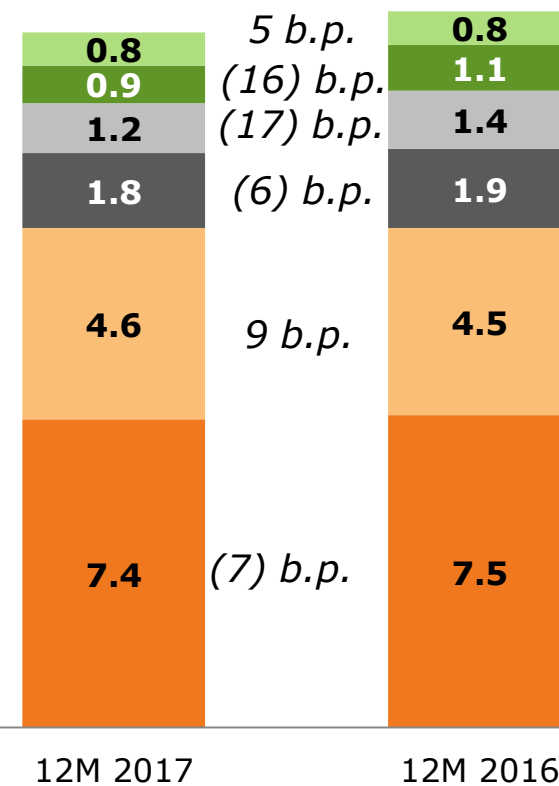
Q4 2017 analysis as percent of revenue

17.7% 62 b.p. 17.1%



12M 2017 analysis as percent of revenue

16.8% (33) b.p. 17.2%



23 / FINANCIAL STATEMENTS (1/3)

PROFIT AND LOSS STATEMENT

RUB mln	Q4 2017	Q4 2016	+/(-)	+/(-), %	12M 2017	12M 2016	+/(-)	+/(-), %
Revenue	361,705	294,176	67,529	23.0%	1,295,008	1,033,667	261,341	25.3%
Net retail sales	359,467	291,289	68,178	23.4%	1,286,949	1,025,589	261,360	25.5%
COGS	(275,765)	(222,743)	(53,022)	23.8%	(986,070)	(783,682)	(202,388)	25.8%
Gross profit	85,940	71,433	14,507	20.3%	308,938	249,985	58,953	23.6%
<i>Gross profit margin</i>	23.8%	24.3%		(52) b.p.	23.9%	24.2%		(33) b.p.
SG&A	(75,708)	(66,781)	(8,927)	13.4%	(259,376)	(211,314)	(48,062)	22.7%
EBITDA	23,802	19,906	3,896	19.6%	96,193	76,267	19,926	26.1%
<i>EBITDA margin</i>	6.6%	6.8%		(19) b.p.	7.4%	7.4%		5 b.p.
Operating profit	12,416	6,493	5,923	91.2%	57,758	45,631	12,127	26.6%
<i>Operating margin</i>	3.4%	2.2%		123 b.p.	4.5%	4.4%		5 b.p.
Net profit	5,419	2,417	3,002	124.2%	31,394	22,291	9,103	40.8%
<i>Net profit margin</i>	1.5%	0.8%		68 b.p.	2.4%	2.2%		27 b.p.

Source: X5 data

24 / FINANCIAL STATEMENTS (2/3)

BALANCE SHEET

RUB mln	31 Dec 2017	31 Dec 2016	+/(-)	+/(-)%
Total current assets	159,273	130,076	29,197	22.4%
Cash & cash equivalents	27,605	18,190	9,415	51.8%
Inventories	99,300	73,801	25,499	34.6%
Total non-current assets	405,985	343,409	62,576	18.2%
Net PP&E	278,928	232,316	46,612	20.1%
Goodwill	90,276	80,369	9,907	12.3%
Total assets	565,258	473,485	91,773	19.4%
Total current liabilities	264,175	227,370	36,805	16.2%
ST debt	58,674	45,168	13,506	29.9%
Trade accounts payable	130,766	131,180	(414)	(0.3)%
Total non-current liabilities	142,641	119,075	23,566	19.8%
LT debt	135,622	110,865	24,757	22.3%
Total liabilities	406,816	346,445	60,371	17.4%
Total equity	158,442	127,040	31,402	24.7%
Total liabilities & equity	565,258	473,485	91,773	19.4%

Source: X5 data

24 / FINANCIAL STATEMENTS (3/3)

CASH FLOW

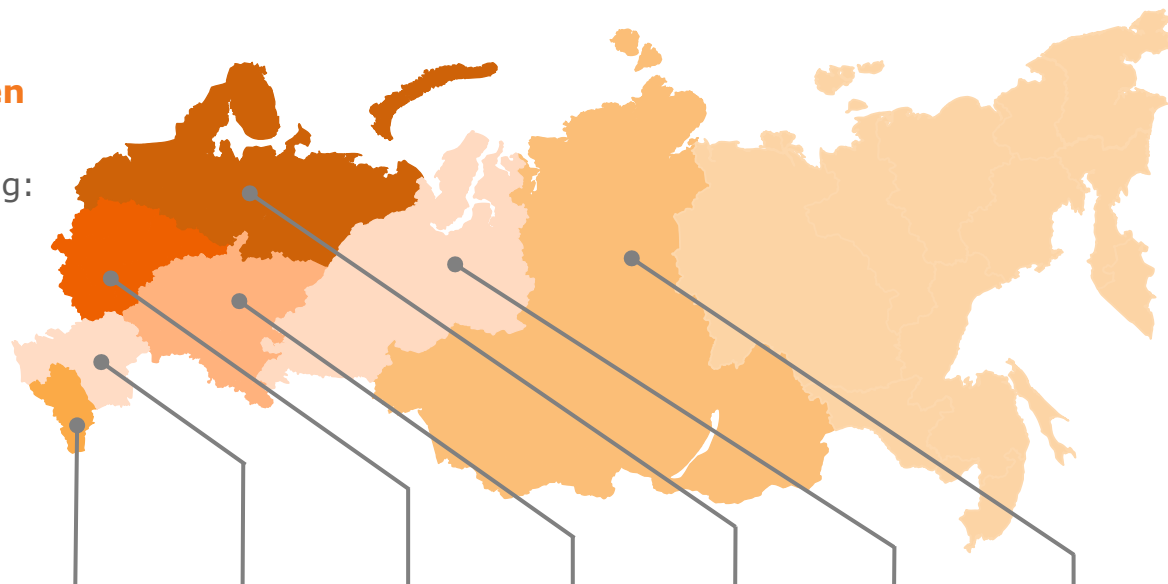
RUB mln	Q4 2017	Q4 2016	+/(-)	+/(-)%	12M 2017	12M 2016	+/(-)	+/(-)%
Net cash generated from operating activities	21,060	36,499	(15,439)	(42.3)%	58,658	74,915	(16,257)	(21.7)%
Net cash from operating activities before changes in working capital	24,268	18,885	5,383	28.5%	96,830	75,745	21,085	27.8%
Change in Working Capital, incl.:	4,480	22,474	(17,994)	(80.1)%	(11,386)	20,056	(31,442)	n/a
Decrease/(increase) in trade and other accounts receivable	(6,809)	(6,643)	(166)	2.5%	4,290	350	3,940	1,125.7%
Decrease/(increase) in inventories	(4,346)	(8,992)	(5,354)	59.5%	(25,498)	(15,914)	(9,584)	60.2%
Increase/(decrease) in trade payable	22,247	27,899	(5,652)	(20.3)%	448	27,471	(27,023)	(98.4)%
Increase/(decrease) in other accounts payable	3,388	10,210	(6,822)	(66.8)%	9,374	8,149	1,225	15.0%
Net interest and income tax paid	(7,688)	(4,860)	(2,828)	58.2%	(26,786)	(20,886)	(5,900)	28.2%
Net cash used in investing activities	(27,364)	(23,778)	(3,586)	15.1%	(87,274)	(77,279)	(9,995)	12.9%
Net cash generated from/(used in) financing activities	22,187	(494)	22,681	n/a	38,017	11,641	26,376	226.6%
Effect of exchange rate changes on cash & cash equivalents	8	(55)	63	n/a	14	(45)	59	n/a
Net increase/(decrease) in cash & cash equivalents	15,891	12,172	3,719	30.6%	9,415	9,232	183	2.0%





Source: X5 data

26 X5 REGIONAL PRESENCE

X5 today

- Multi-format presence in **seven** Federal Districts
- Total stores – 12,121, including:
 - 11,225 Pyaterochka
 - 638 Perekrestok
 - 93 Karusel
 - 165 Express stores



Format	Unit	North Caucasus	Southern	Central	Volga	North Western	Ural	Siberian	Total
 Пятёрочка		178	841	4,607	3,038	1,333	951	277	11,225
 Перекресток	Number of stores, #	9	28	389	107	65	40	0	638
 гипермаркет КАРУСЕЛЬ		1	5	37	24	18	8	0	93
 X5 RETAIL GROUP	Net retail sales (12M 2017), %	0.8%	4.6%	55.0%	18.4%	14.5%	6.2%	0.6%	100.0%

Source: X5 data

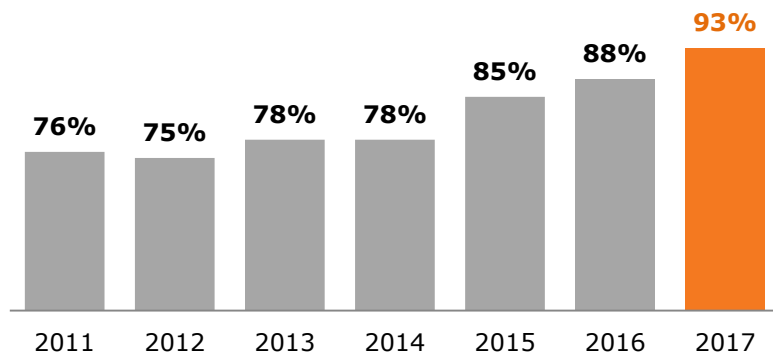
27 / X5 DISTRIBUTION CAPABILITIES

Warehouse space as of 31 December 2017

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 Q4 2017

- New Logistics and Transportation Strategy approved, which covers the period till 2025, and relies on advances in network optimisation
- In Q4 2017, X5 opened three new distribution centres (DCs) in Volga, Bashkortostan and Penza regions (30, 24 and 20 th. sq. m, respectively) to serve the Pyaterochka format
- X5 closed one DC in Perm region that served the Pyaterochka format and did not meet the Company's efficiency criteria





APPENDICIES

I. PERFORMANCE SUMMARY OF KEY FORMATS

29 / PYATEROCHKA SUMMARY (1/3)

HIGHLIGHTS



11,225 stores as of 31 December 2017, 34.2% increase y-o-y



4,427 th. sq. m. of selling space as of 31 December 2017, 33.0% increase y-o-y



Q4 2017 net retail sales – RUB 276.4 bn, 26.0% increase y-o-y



882 mln of customers in Q4 2017, 28.0% increase y-o-y



Share of X5's Q4 2017 sales: **~77%**



Q4 2017 LFL Results

- Sales: **2.4%**
- Traffic: **2.8%**
- Basket: **(0.4)%**



Average check: **RUB 359** (Q4 2017), 1.5% decrease y-o-y

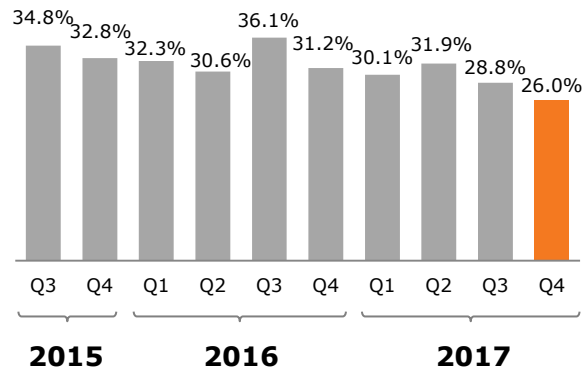


- Avg. net selling space: **394 sq. m.**
- **Formats**
 - 250-330 sq. m.
 - 330-430 sq. m.
 - 430-620 sq. m.
 - 620-and more

30 PYATEROCHKA SUMMARY (2/3)

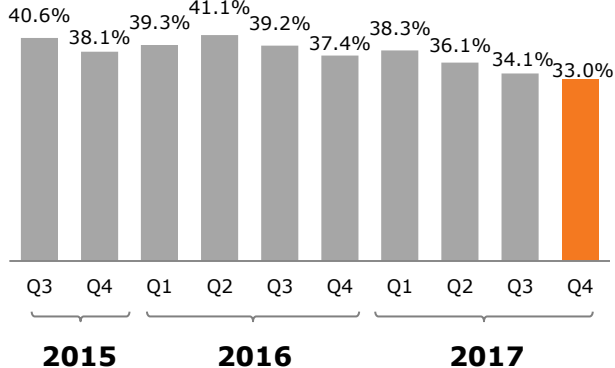
Q4 2017 net retail sales growth: 26.0% increase y-o-y

Net Sales Growth (% y-o-y)



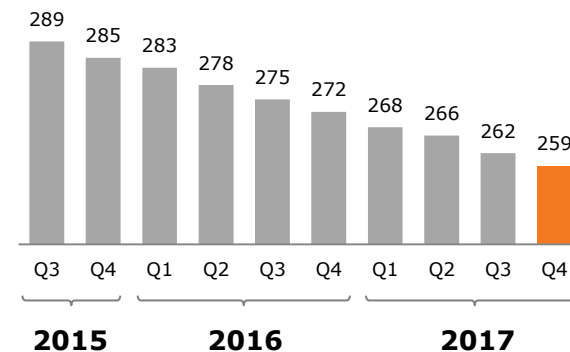
Q4 2017 selling space growth: 33.0% increase y-o-y

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



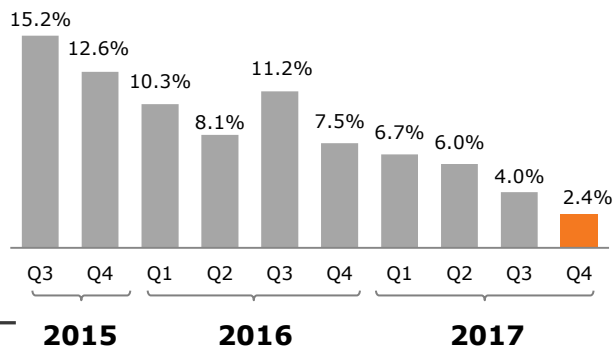
Q4 2017 sales densities: 4.8% decline y-o-y

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



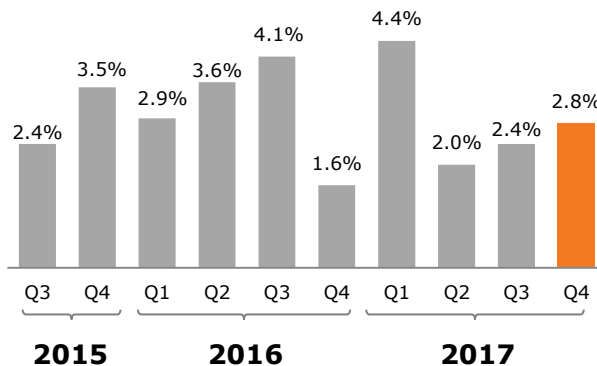
Q4 2017 LFL sales growth: 2.4% increase y-o-y

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



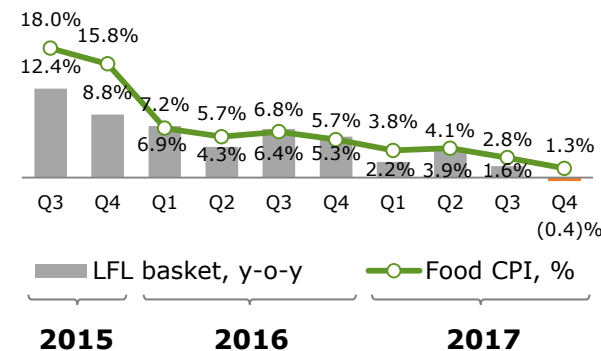
Q4 2017 LFL traffic growth: 2.8% increase y-o-y

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



Q4 2017 LFL basket growth: 0.4% decrease 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

31 / 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

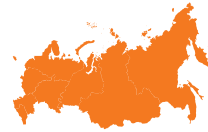


32 / PEREKRESTOK SUMMARY (1/3)

RUSSIA'S #1 SUPERMARKET



638 stores^[1] as of 31 December 2017, 18.4% increase y-o-y



637 th. sq. m. of selling space as of 31 December 2017, 16.2% increase y-o-y



Q4 2017 net retail sales of RUB 54.6 bn, 22.4% increase y-o-y



113.1 mln customers in Q4 2017, 19.7% increase y-o-y



Share of X5's Q4 2017 sales: **~15%**



Q4 2017 LFL Results

- Sales: **9.3%**
- Traffic: **7.5%**
- Basket: **1.6%**



Average ticket: **RUB 551** (Q4 2017), 1.7% increase y-o-y



Avg. net selling space: **999 sq. m.**

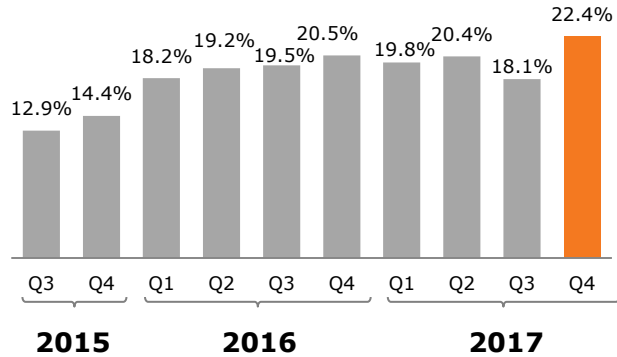


[1] Supermarkets acquired by X5 from O'KEY in December 2017 are not included as of 31 December 017 and will be included after reopening following refurbishment

33 PEREKRESTOK SUMMARY (2/3)

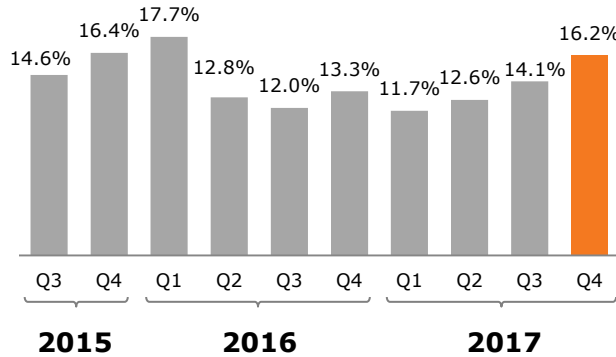
**Q4 2017 net retail sales growth:
22.4% increase y-o-y**

Net Sales Growth (% y-o-y)



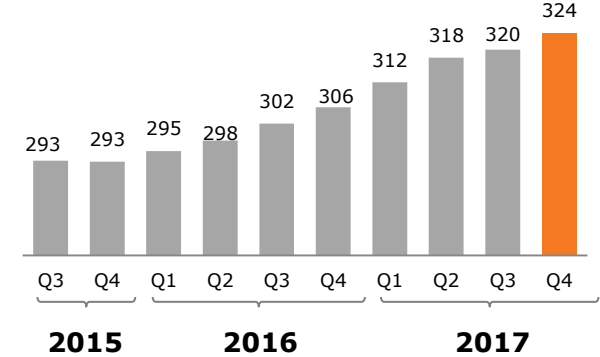
**Q4 2017 selling space growth:
16.2% increase y-o-y**

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



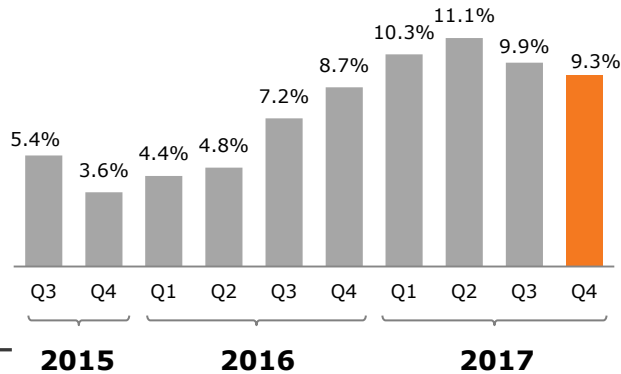
**Q4 2017 sales densities:
5.9% increase y-o-y**

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



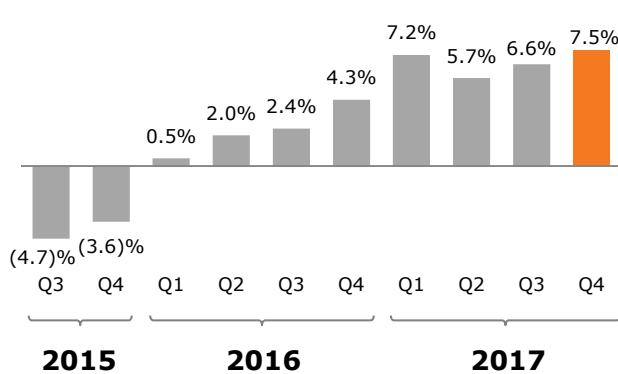
**Q4 2017 LFL sales growth:
9.3% increase y-o-y**

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



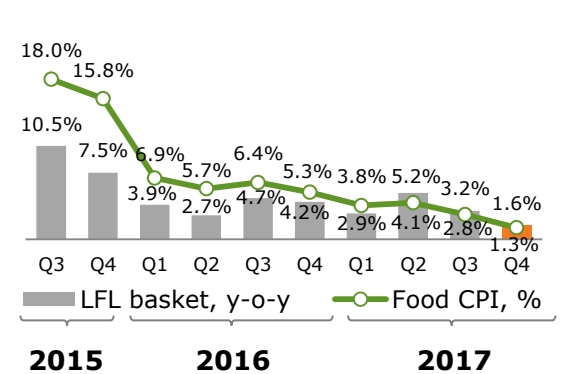
**Q4 2017 LFL traffic growth:
7.5% increase y-o-y**

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



**Q4 2017 LFL basket growth:
1.6% 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

34 / 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



35 / KARUSEL SUMMARY (1/3)

HIGHLIGHTS



93 stores as of
31 December 2017:
2.2% increase y-o-y



385 th. sq. m. of selling space
as of 31 December 2017,
down 0.4% y-o-y



Q4 2017 net retail sales:
RUB 26.0 bn,
6.1% increase y-o-y



35.9 mln customers in Q4 2017,
up 0.1% y-o-y



Share of X5's Q4 2017 sales:
~7%



Q4 2017 LFL Results

- Sales: **4.0%**
- Traffic: **(0.2)%**
- Basket: **4.3%**



Average ticket:
RUB 831 (Q4 2017)
6.0% increase y-o-y



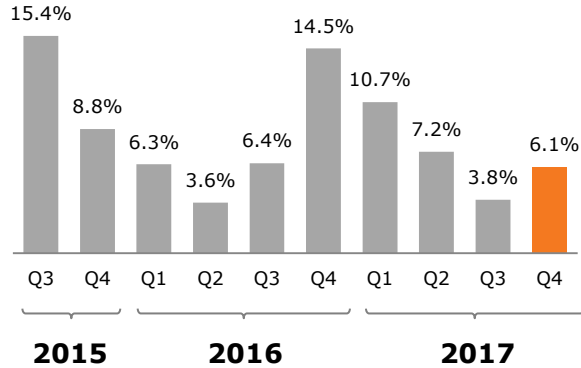
Avg. net selling space:
4,143 sq. m.



36 / KARUSEL SUMMARY (2/3)

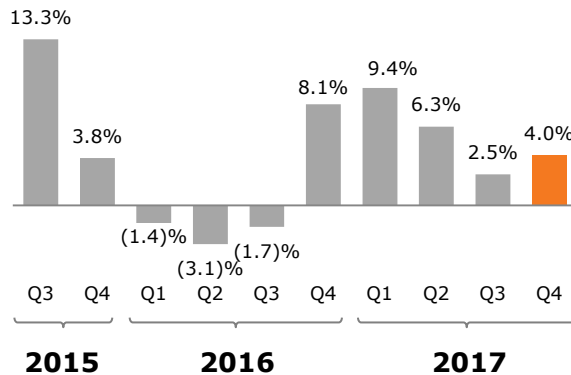
Q4 2017 net retail sales growth: 6.1% increase y-o-y

Net Sales Growth (% y-o-y)



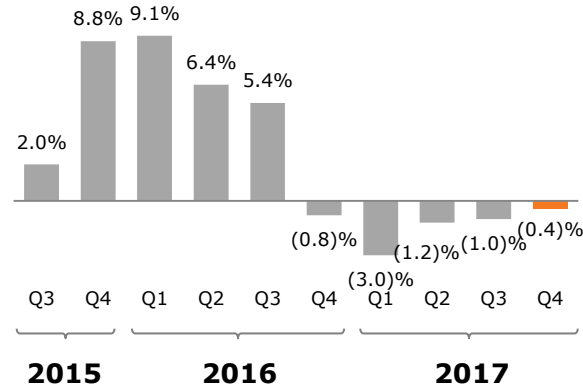
Q4 2017 LFL sales growth: 4.0% increase y-o-y

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



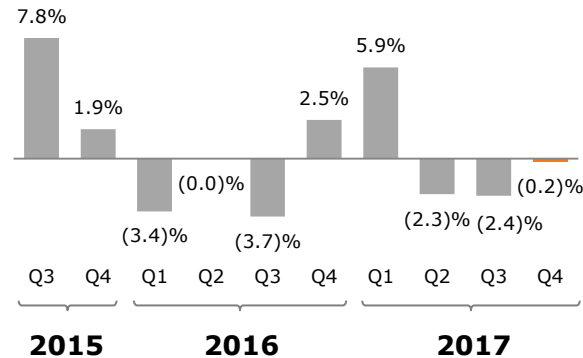
Q4 2017 selling space: 0.4% decline y-o-y

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



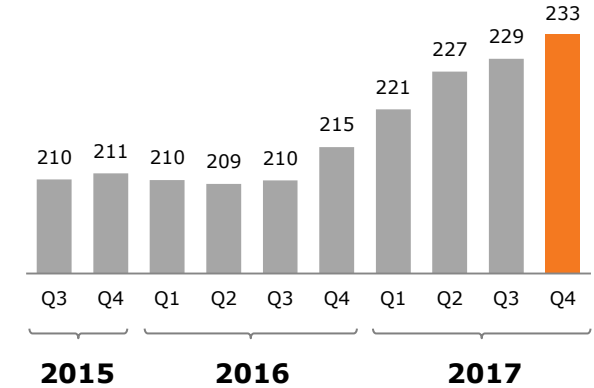
Q4 2017 LFL traffic: 0.2% decline y-o-y

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



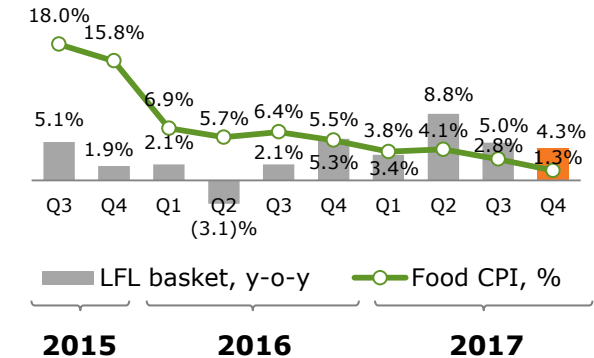
Q4 2017 sales densities growth: 8.4% increase y-o-y

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



Q4 2017 LFL basket growth: 4.3% 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

37 / 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



Best practices from model hypers will be translated to the new commercial model

