Pyaterochka
X5 Retail Group
Capital Markets Day 2014

Olga Naumova, Pyaterochka General Director

29 October 2014
Moscow, Russian Federation
INTRODUCTION
<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of stores, 30.09.2014</td>
<td>4,342</td>
</tr>
<tr>
<td>Total new &amp; rebranded stores, 30.09.2014</td>
<td>1,122</td>
</tr>
<tr>
<td>Total selling space (th sq. m.), 30.09.2014</td>
<td>2,376</td>
</tr>
<tr>
<td>Net sales for 9M 2014, RUB BLN</td>
<td>310</td>
</tr>
<tr>
<td>Share in X5’s total net sales</td>
<td>69%</td>
</tr>
<tr>
<td>Average assortment size, # of SKU’s</td>
<td>4,000 +</td>
</tr>
<tr>
<td># of employees, 30.09.2014</td>
<td>60,000</td>
</tr>
</tbody>
</table>
ESTABLISHING A TRACK RECORD

Net Sales Growth, % y-o-y

<table>
<thead>
<tr>
<th></th>
<th>Q4 '13</th>
<th>Q1 '14</th>
<th>Q2 '14</th>
<th>Q3 '14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>14.1%</td>
<td>17.7%</td>
<td>22.6%</td>
<td>30.3%</td>
</tr>
</tbody>
</table>

Net Selling Space Growth, % y-o-y

<table>
<thead>
<tr>
<th></th>
<th>Q4 '13</th>
<th>Q1 '14</th>
<th>Q2 '14</th>
<th>Q3 '14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>18.7%</td>
<td>19.6%</td>
<td>19.9%</td>
<td>21.3%</td>
</tr>
</tbody>
</table>

Sales Densities, th.RUB/sq.m.\(^{(1)}\)

<table>
<thead>
<tr>
<th></th>
<th>Q4 '13</th>
<th>Q1 '14</th>
<th>Q2 '14</th>
<th>Q3 '14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Densities</td>
<td>273</td>
<td>274</td>
<td>276</td>
<td>281</td>
</tr>
</tbody>
</table>

Total LFL Sales Growth, % y-o-y

<table>
<thead>
<tr>
<th></th>
<th>Q4 '13</th>
<th>Q1 '14</th>
<th>Q2 '14</th>
<th>Q3 '14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>5.2%</td>
<td>8.2%</td>
<td>11.0%</td>
<td>17.7%</td>
</tr>
</tbody>
</table>

**4 Quarters of Improving Results**

Note 1: Total net sales from trailing four quarters divided by average selling space of trailing four quarters
<table>
<thead>
<tr>
<th>Initiative</th>
<th>Status</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Store Openings</td>
<td>✔️</td>
<td>~800 openings in 2014</td>
</tr>
<tr>
<td>Assortment Review</td>
<td>✔️</td>
<td>Increase by ~500 SKU’s</td>
</tr>
<tr>
<td>Improve Product Quality</td>
<td>✔️</td>
<td>Quality Director in all Stores / accessible to customers</td>
</tr>
<tr>
<td>Improve Availability</td>
<td>✔️</td>
<td>90% Shelf Availability for “Top – 100 Products”</td>
</tr>
<tr>
<td>Launch Refurbishment Program</td>
<td>✔️</td>
<td>~500 Refurbishments in 2014</td>
</tr>
<tr>
<td>Improve Customer service</td>
<td>✔️</td>
<td>Mystery shoppers/ Store Mentors</td>
</tr>
<tr>
<td>Improve In-store routines</td>
<td>✔️</td>
<td>66 clusters established resulting in increased accountability</td>
</tr>
<tr>
<td>Finalize Pricing Strategy</td>
<td>✔️</td>
<td>Competitive – determined by category role in basket</td>
</tr>
</tbody>
</table>

✔️ = completed over the last twelve months
ASSORTMENT & CATEGORY MANAGEMENT
ASSORTMENT UPDATE

Focus on “right” assortment to drive basket & traffic

- **Assortment expansion** – on average 15% to 20% in 2014 to ~ 4,000+ SKU’s

- **Weekly rotation** – up to 50 new SKU’s in stores provides “something new” for customers and opportunities for new listings (positive for supplier relations)

- **Assortment reviews** – Central & North West regions completed (with exception of some sanctioned items) we expect to finalize other regions in November 2014

- **Regional share of SKU** – increase regional content from current average of ~25% up to ~40% in some regions

- **Promo** – focus on traffic generation, price perception and new product introduction

Key Driver For  +11.3% LFL Basket and +5.3% LFL Traffic in Q3 2014
ASSORTMENT ROTATION

Click to start video

50 New SKUs Every Week
CASE-STUDY: REVIEW OF SAUCES & SPICES CATEGORY

Assortment
- Enhanced largely through mid-price segment and local assortment

Pricing
- Lower prices on key high-volume SKUs and higher prices on other SKUs

Planogram
- Planogram adjustment frees up space for high-demand SKUs

Promo
- Increase in promo campaigns for category growth

RESULTS

Category reviews for all regions completed by November 2014
REFURBISHMENTS
**REFURBISHMENT PROGRAM UPDATE**

**Program Targets**

- **Net Retail Sales Growth At 30 September 2014**
  - 13.2%

- **Average Duration Of Store Closure**
  - 16 days

- **Average Capex (incl. VAT)**
  - 11.1 mln RUB

- **Average Payback Period**
  - ~40 months

**Program Results**

- **332 = 317**
  - **332** Stores refurbished at 30 September 2014 (excluding 23 pilot projects)
  - **317** Positive Result
  - **15** Negative Result

- **Selling space growth**
  - +16%

- **LFL growth**
  - +25.2%
OLD PYATEROCHKA VS…
EXPANSION
STORE OPENINGS

PROCESS

- Identifying optimal store location, estimating turnover & space
- Establishing assortment
- Establishing complementary services
- Liaising with local authorities and communities
- Recruiting and training staff

RESULTS

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014E</th>
</tr>
</thead>
<tbody>
<tr>
<td># Of Store Openings  (gross)</td>
<td>696</td>
<td>~800</td>
</tr>
<tr>
<td>AVG Store Opening Cost, mln RUB (Ex real estate, incl. VAT)</td>
<td>12.6</td>
<td>13.3</td>
</tr>
<tr>
<td>AVG Pay – Back Period, years</td>
<td>~3.0</td>
<td>~3.0</td>
</tr>
</tbody>
</table>

Improving the store opening process – quicker, more efficient and improved layout

Increasing ratio of selling space to total space from 53% in 2013 to 60% in 2014
STORE OPENING SOFTWARE – GIS

Population  Competition  Social infrastructure  Local market share  Personal income  Transport accessibility

Retail turnover analysis, presentations for the Investment Committee

Development priorities

Roadmap

Retail turnover estimation, screenshot from the system

GIS: key components

Search engine

Mobile Application

Boss
Web application

Analytics
Desktop application

Database
GIS IN ACTION

Summary information on the town of Shakhovskaya:
- Population: 10 700
- Number of Pyaterochka stores: 3
- Number of rival stores: 1
- Distance from Moscow: 154 km, M9 highway

Click to start video
STRATEGIC FOCUS

- **Top-line growth** – increase selling space and improve sales densities

- **Selling space** – accelerate store and DC roll out in target regions including tactical M&A

- **Sales densities** – improve best in class position through assortment/price/service – especially in fruits & vegetables

- **Refurbishment program** – process industrialization for increased speed

- **Profitability** – improve purchasing terms, operating leverage, SG&A & capital efficiency

- **Better service** – improve employee motivation and customer service systems (feedback, perception)
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