

Better, faster, stronger



Stephan DuCharme, CEO
X5 Capital Markets Day 2015
Moscow, 22 October 2015

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Agenda



Performance overview since last Capital Markets Day



What is next? Strategic guidance



Financial results: Q3 and 9M



Russian food retail market opportunities



Overview by format

- Pyaterochka
- Perekrestok
- Karusel

What we said: overview since last Capital Markets Day

Back-to-Basics focus

Strategy



Leverage our scale and multi-format value proposition to capture greater wallet share by providing the best customer experience in the dynamic Russian food retail market

Strategic Building Blocks Reiterated in Oct. 2014



The right management team



Effective multi-format business model



Appropriate and evolving format value propositions



Operational execution



Take advantage of market opportunities for "intelligent" growth

Strong progress in 9M 2015



Net retail sales **increased by 27.6%** year-on-year (y-o-y) to **RUB 575.7 billion**



X5's best annual like-for-like (LFL) sales results in the past six years – total LFL sales **increased by 15.2%** in 2015 (**13.1% in Q3 2015**)



6,512 stores at 30th Sep 2015, **30.1% increase y-o-y**

For 9M 2015, **X5 added 1,029 new stores** (vs. 461 in 9M 2014)



3,080 th. sq. m. of selling space (at 30 September 2015), a **29.6% y-o-y increase**



EBITDA grew by 27.7% y-o-y, EBITDA margin remains flat at **7.3%**



Solid financial position, with net debt at **2.48x EBITDA**

Key achievements for 9M 2015



1,000+ stores
refurbished



5,555th
Pyaterochka store
opened



62% of Pyaterochka
stores operating under
new concept



NPS of Perekrestok
demonstrates **solid**
growth



Positive traffic at
Karusel stores



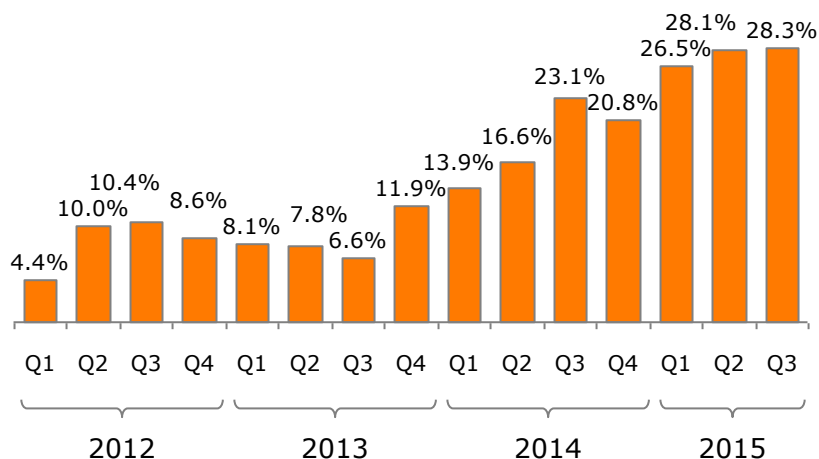
SAP HANA platform to
be rolled out



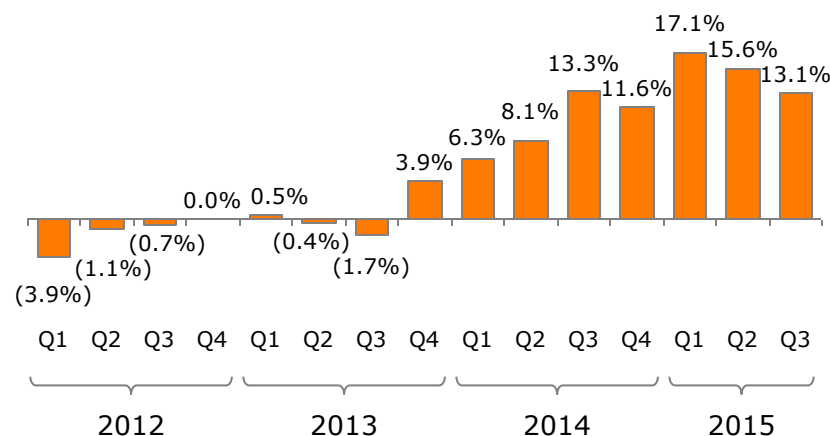
New DCs in Voronezh
and Kaluga

Accelerating growth in 2015

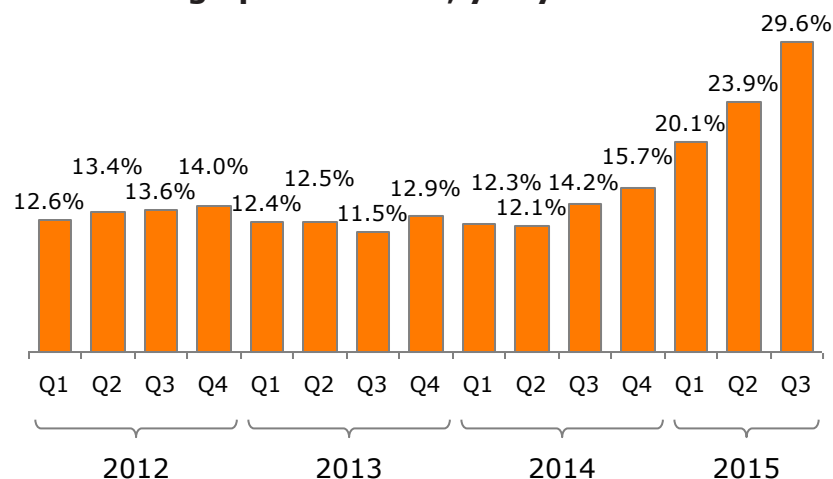
Net Sales Growth, y-o-y



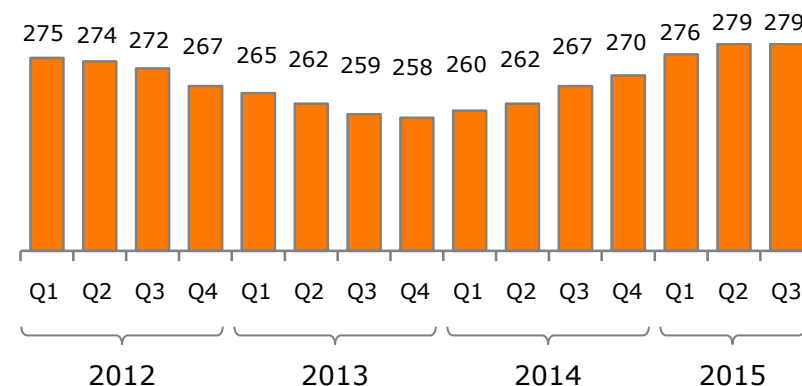
Total LFL Sales Growth, y-o-y



Net Selling Space Growth, y-o-y



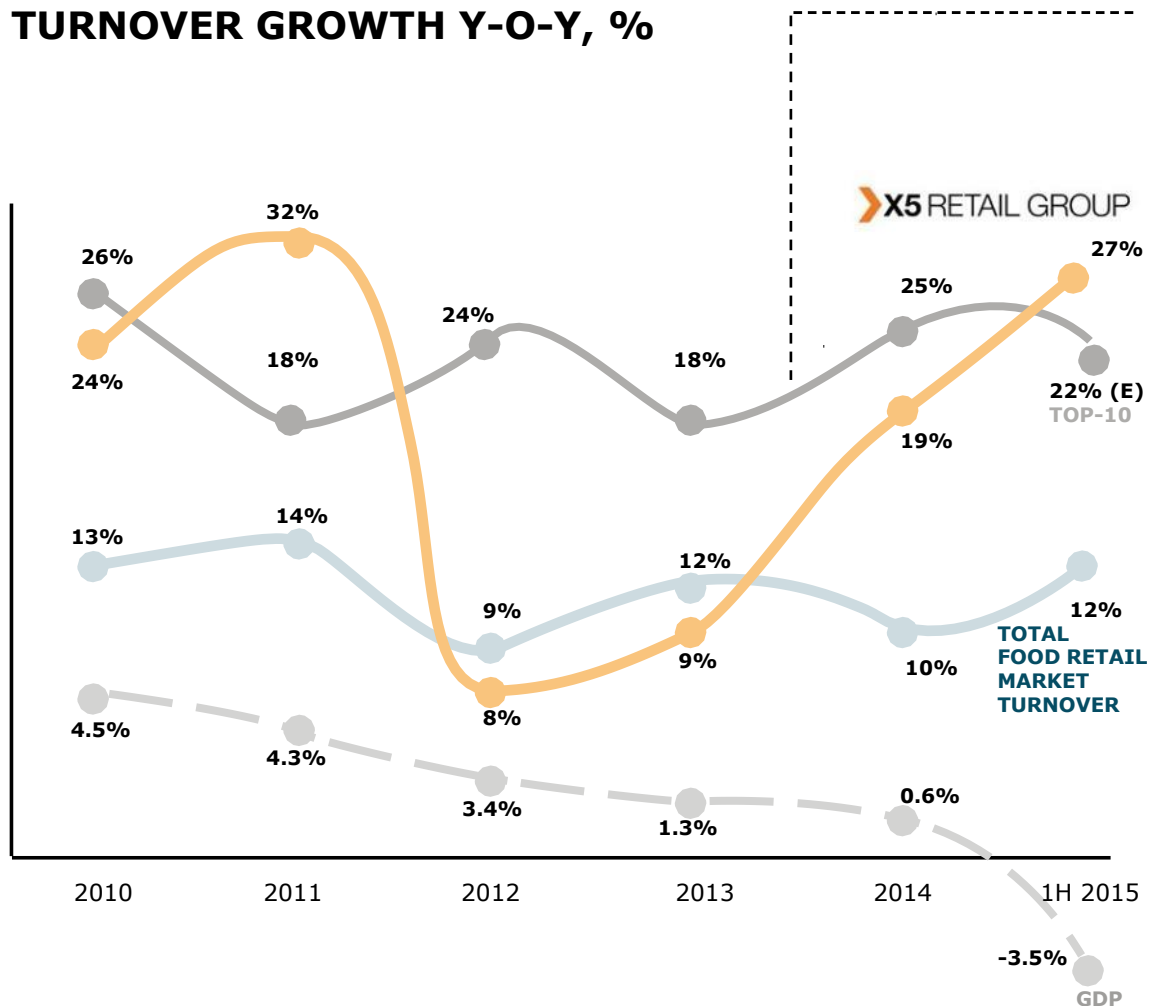
Sales Densities, th. RUB/sq. m.¹



1. Total net sales from trailing four quarters divided by average selling space of trailing four quarters

We are growing faster than the market in a profitable and sustainable manner

TURNOVER GROWTH Y-O-Y, %



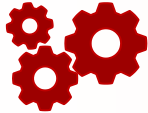
TOP-10 RUSSIAN FOOD RETAILERS & TOTAL FOOD RETAIL MARKET SHARE (AS OF END 2014)

#	Company name	Net retail sales, RUB mln	% in Top-10	In to-tal market
1	Magnit ¹	742,964	27.2%	6.9%
2	X5	631,930	23.2%	5.9%
3	Auchan	334,107	12.3%	3.1%
4	Dixy	228,988	8.4%	2.1%
5	Metro	207,580	7.6%	1.9%
6	Lenta	193,988	7.1%	1.8%
7	O'key	149,916	5.5%	1.4%
8	Spar	86,221	3.2%	0.8%
9	Monetka	75,443	2.8%	0.7%
10	7th Continent	75,443	2.8%	0.7%
Total		2,726,581	100.0%	25.3%

1. Magnit sales do not include cosmetics stores sales

Source: Russian Federal Statistics Service, Infoline, Euromonitor, companies' data

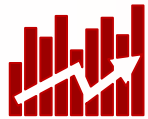
Strategic building blocks



New unique multi-format operating model that combines scale with flexibility



Renewal of value propositions which allow us to satisfy key shopping missions in food retail



Disciplined focus on **intelligent growth** with back-to-basics initiatives



Continued focus on excellence in **operational execution** end-to-end



Strong leadership team with substantial Russian and international retail sector experience



Unique multi-format operating model that combines scale with flexibility

 Пятёрочка



Marketing\Category
Management

Operations

Logistics (excl.
transportation)

Expansion

 Перекресток
СУПЕРМАРКЕТ



Marketing\Category
Management

Operations

Logistics (excl. transportation)

Expansion

 гипермаркет
КАРУСЕЛЬ



Marketing\Category
Management

Operations

Expansion

**CORPORATE CENTER: OVERALL STRATEGIC
LEADERSHIP AND FORMAT SUPPORT**

- **Retail formats** responsible for execution of value propositions
- **Corporate centre** provides overall strategic leadership and format support

Our strategy is to encourage the maximum share of customers to part with maximum share of their wallet



1

Our objective is to maximize our share of the **Russian food retail** market

2

X5 is a **hub of customer value propositions** / retail chains; a platform that enables management of a portfolio of retail chains

3

We aim to operate in **the largest and most profitable segments** of the Russian grocery retail market

4

Each X5 retail chain must have a **clear customer value proposition** and be the **#1-2 player** in its segment

5

Retail chains **can compete** with each other if they serve different shopping missions and meet different customer tastes

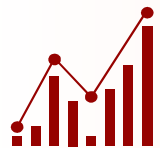


Renewal of customer value propositions

Covering all key shopping missions in food retail



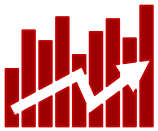
Distinct value proposition for each format
to capture a maximum share of wallet and market share



Adapted to current state of market and **customer demands**,
and will continue to evolve



Executed holistically from comprehensive category reviews
of assortment to store refurbishment

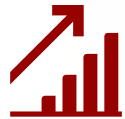


Disciplined focus on intelligent growth with back-to-basics initiatives

Parallel focus on delivering new selling space and improving sales densities



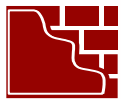
Organic growth (mostly Pyaterochka), opening 4 stores per day



Tactical regional M&A as way of quickly reaching critical mass



Own construction operations used **selectively** to ensure timing, quality and budget of new build



Improved efficiency of refurbishments and new store openings



Partnerships



Striving for excellence in operational execution

Optimisation of operating costs and improvements in operating leverage



In-store execution



Distribution centre logistics, transportation



Shelf availability



Cutting losses



The team to win

Leadership team with substantial Russian and international retail experience



What is next?

Directionality of the next 3-4 years

No change in Strategy



Leverage our scale and multi-format value proposition to capture greater wallet share by providing the best customer experiences in the dynamic Russian food retail market

Strategic Priorities



Deliver strong top-line growth



Focus on selling space expansion on the back of current market opportunity



Develop sustainable path to margin expansion



Enhance relationships with suppliers



Support self-regulation strategy of Russian retail

Future corporate role description

Supervisory Board Chairman



- Manages Supervisory Board
- Guides Company's overall strategic development
- Actively supports areas of strategy, strategic partnerships, M&A and innovation
- Engages regularly with shareholders and investors in support of CEO, CFO

Chief Executive Officer



- Manages Company's operations
- Responsible for Company's results
- Executes Company's strategy
- Ensures stability of operating model
- Enables the top team to deliver upon their respective targets

Rapid growth while maintaining margins



Elena Milinova, CFO
X5 Capital Markets Day 2015
Moscow, 22 October 2015

Rapid, yet disciplined growth while maintaining margins

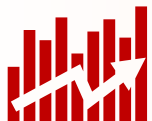
Focus on "intelligent" growth



Standardised, simple business process for new stores openings and refurbishments with higher autonomy of retail chains



Value-accretive investment with a strong balance sheet: "intelligent growth" using organic new store openings + tactical regional M&A with clear selection criteria and fast integration



Focus on cost control - optimisation of operating costs and improvements in operating leverage

Maintaining current growth rates through quality of investments

New, simplified business processes



Standardised process for new stores openings



Reduced bureaucracy



Higher autonomy and responsibility of formats



Improved performance of investment projects

Regular monitoring of process

Retail chains

- Searching for and selecting store locations, estimating store performance potential
- Approve major part of investment projects, including reconstruction, organic growth, M&A
- Carry out operational monitoring and control over launched projects

Corporate center role

- CAPEX allocation (between formats)
- Setting target project parameters: framework, direction, financial targets and criteria
- Methodological and expert support in terms of benchmarks and valuation
- Quarterly monitoring of investment projects, post-mortem analysis etc.
- Approval of large investment projects: reconstruction, organic growth, M&A

Benchmarking analysis as a tool to improve efficiency

Driving operational efficiencies

X5 conducted comprehensive efficiency analysis

- Based on the best international and Russian practices
- Using data from international consulting agencies and public sources

The following areas for improvement were identified

Profit & loss



- Commercial margin
- Logistics costs
- Losses
- Lease costs
- Utilities costs

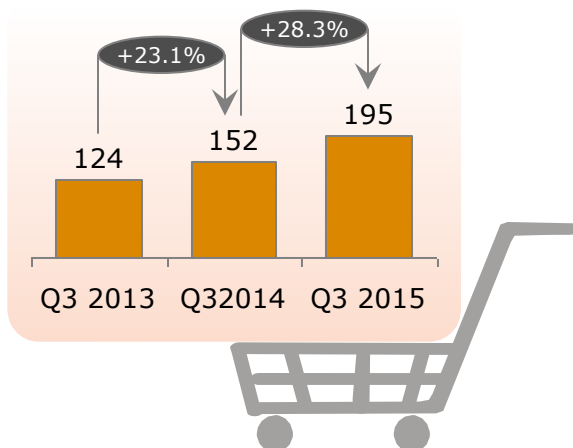
Cash flow



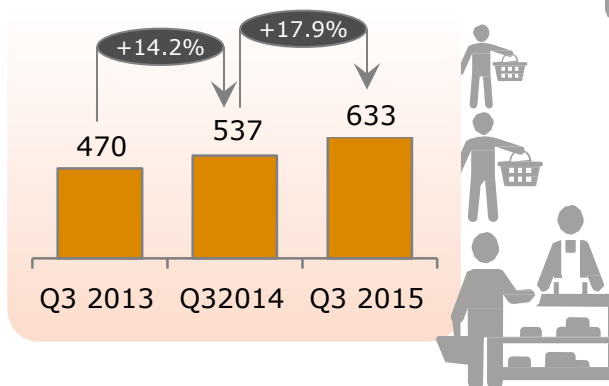
- Inventory stock holding

Q3: Operational highlights

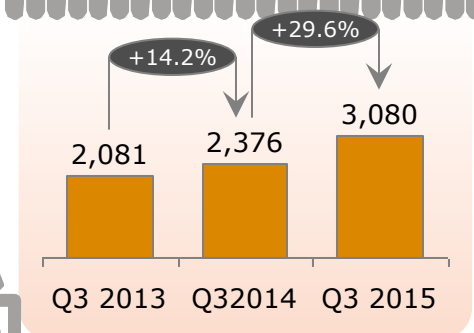
NET RETAIL SALES
(RUB bln)



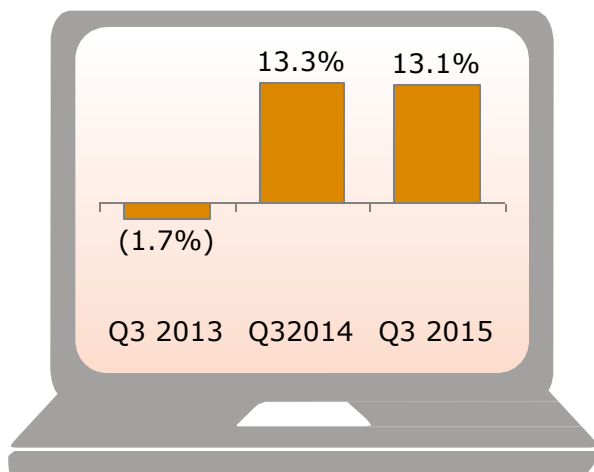
TRAFFIC
(mln customers)



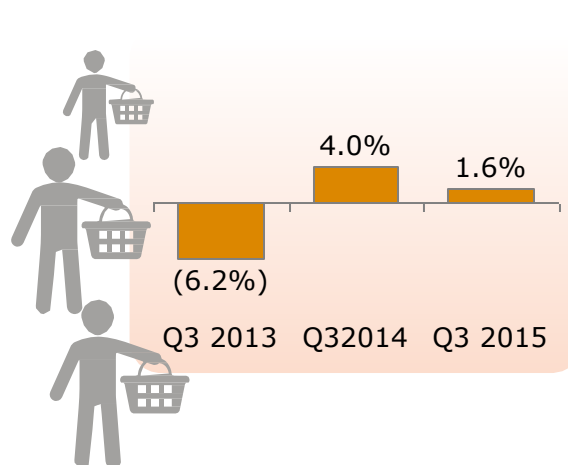
NET SELLING SPACE
(ths. sq. m.)



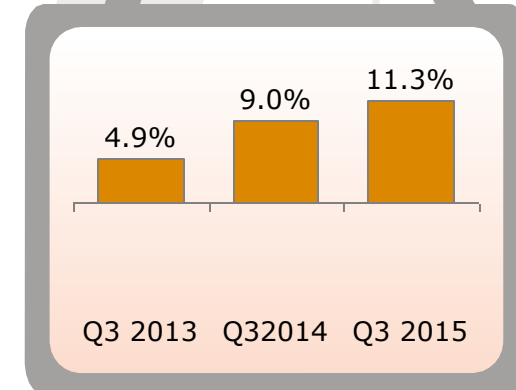
LFL SALES (%)



LFL TRAFFIC (%)

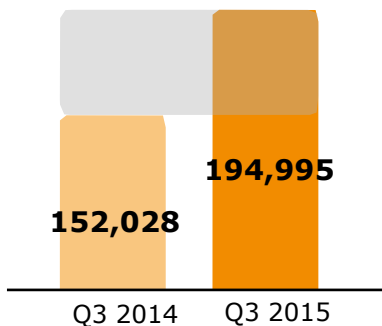


LFL BASKET (%)



Q3: Net retail sales summary

Q3 2015 net retail sales breakdown, RUB mln



KEY DRIVERS

Net retail sales grew by 28.3% y-o-y in Q3 2015 due to an increase in new selling space and improved LFL sales

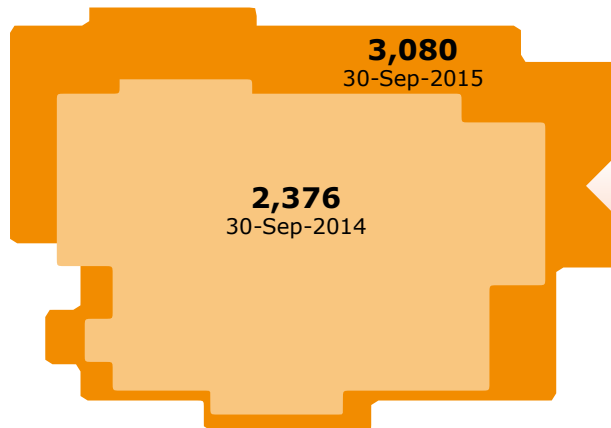
Pyaterochka, which continues to meet customers' needs in a challenging macro environment, was the key driver for X5's Q3 growth thanks to

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

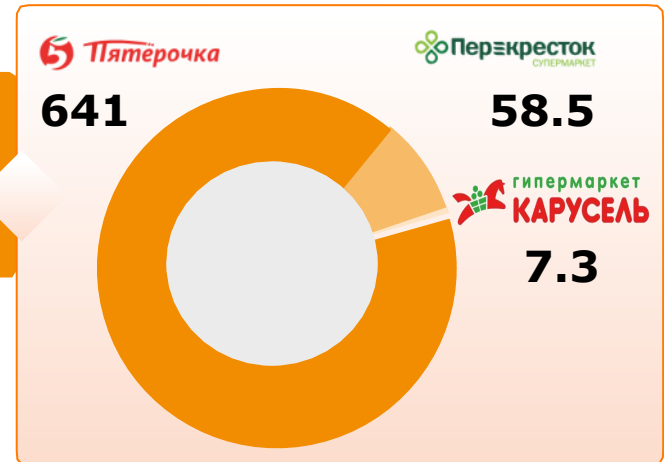
9M 2015: Expansion summary

- Pyaterochka was the main driver of the increase, accounting for more than 90% of selling space added in 9M 2015
- Total store base increased to 6,512 stores by the end of Q3 2015
- Continued investments into existing stores resulted in 486 refurbishments in Q3 2015

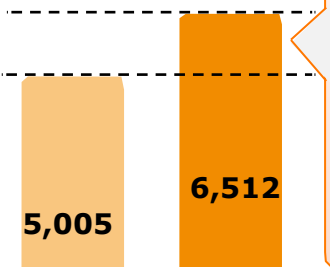
NET SELLING SPACE,
th.sq.m.



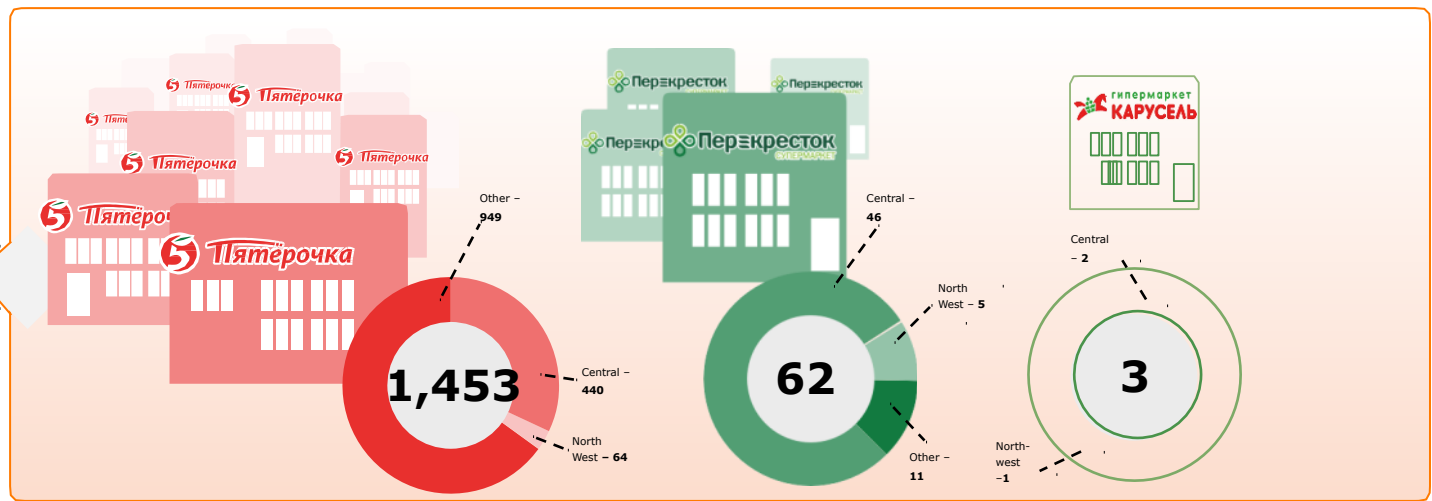
NET SELLING SPACE ADDED,
th.sq.m.



**NET STORE
BASE GROWTH
DYNAMICS**



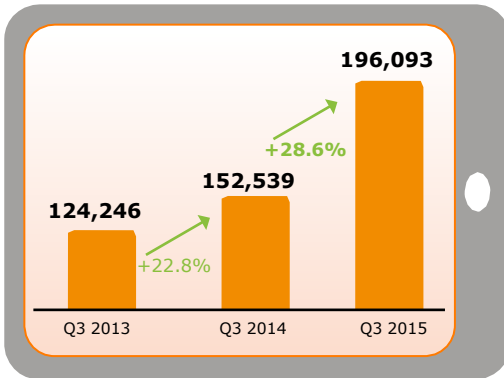
30-Sep-2014 30-Sep-2015



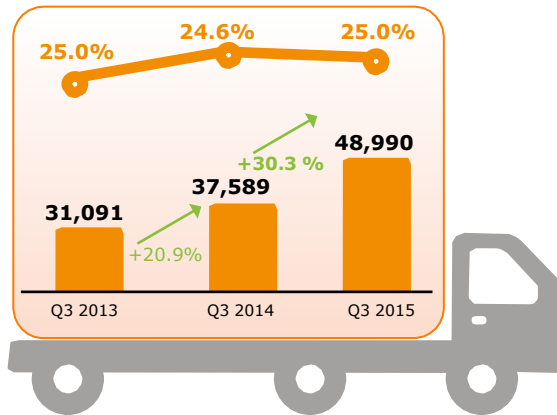
FINANCIAL HIGHLIGHTS



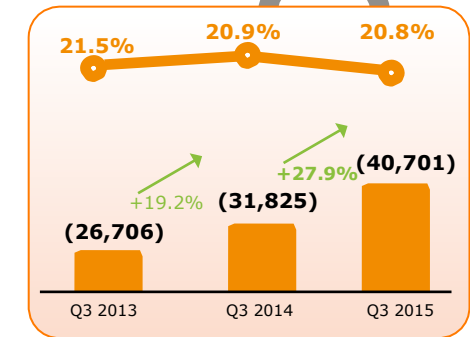
TOTAL REVENUE (RUB mln)



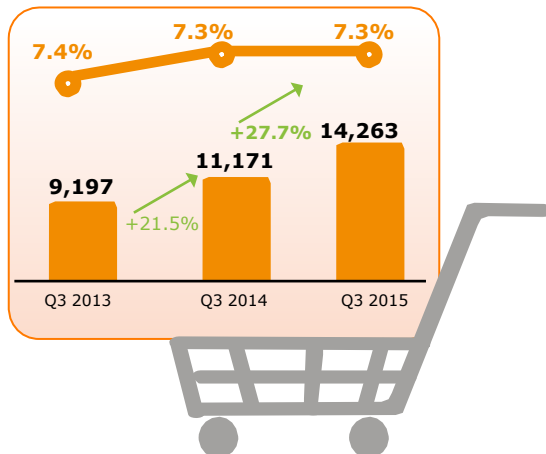
GROSS PROFIT (RUB mln, %)



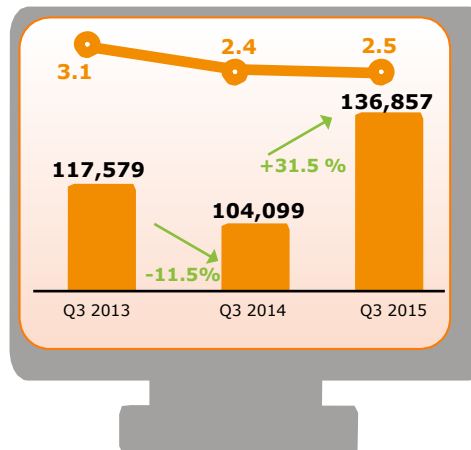
SG&A (RUB mln, %)



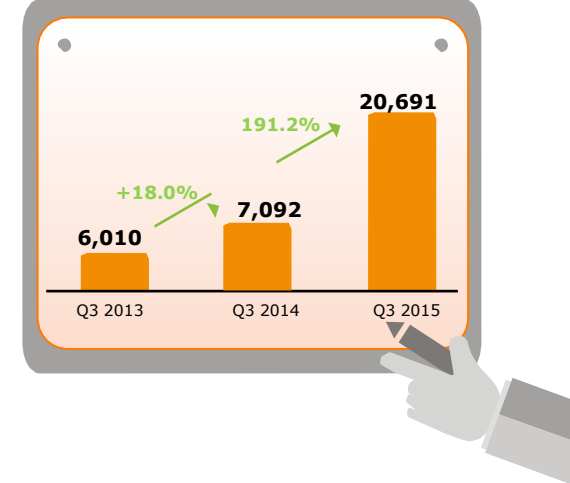
EBITDA (RUB mln, %)



NET DEBT & NET DEBT/EBITDA (RUB mln, X)



CAPITAL EXPENDITURE (RUB mln)

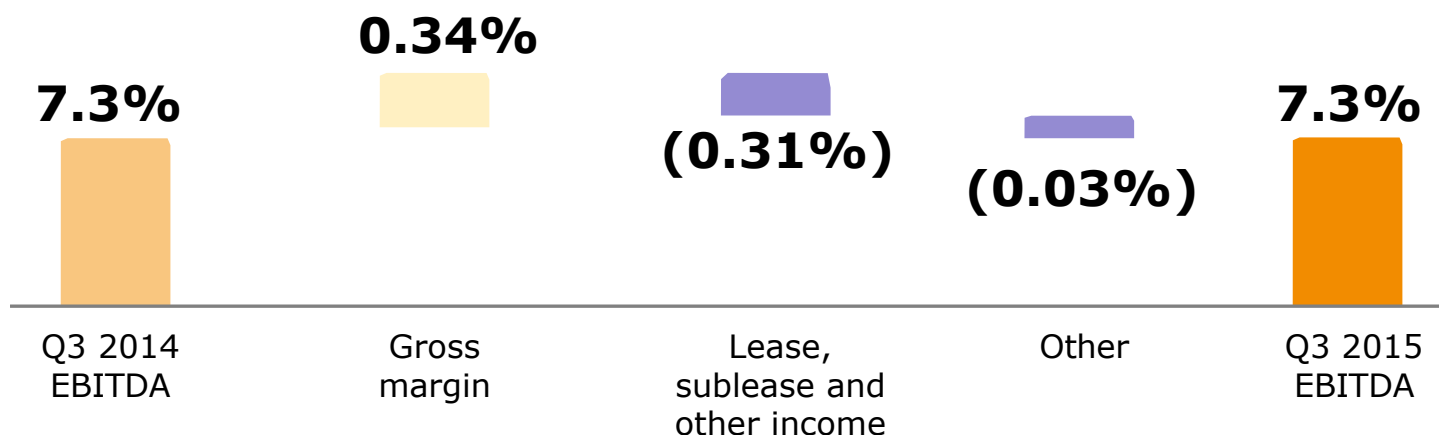


EBITDA breakdown

11,171
mln RUB

+27.7%

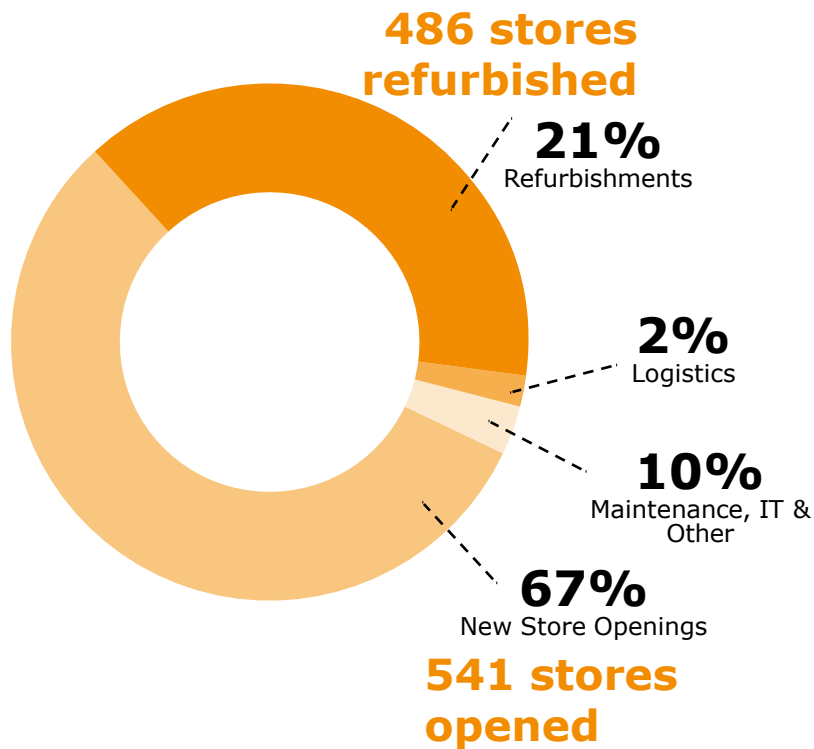
14,263
mln RUB



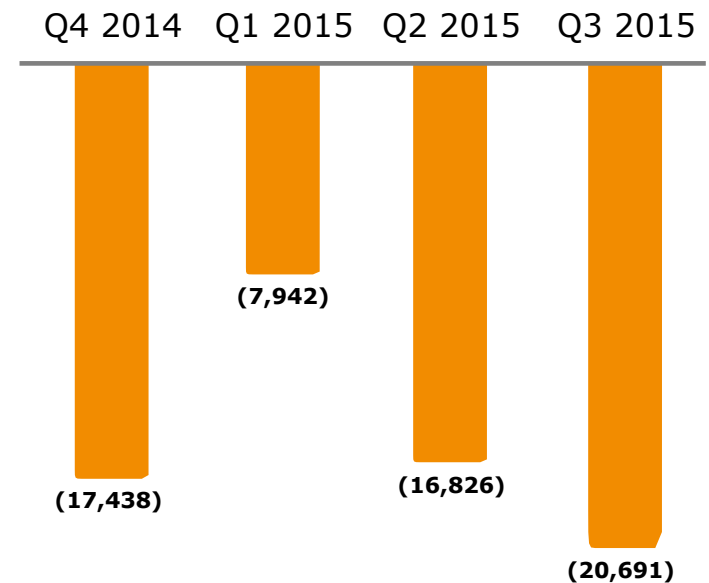
- The growth in gross margin in Q3 2015 was due to improved logistics and transportation costs
- As a percentage of revenue, the Company's income from lease, sublease and other operations decreased in Q3 2015 by 31 b.p. y-o-y and totaled 0.7%, as sales density growth at Pyaterochka stores outpaced X5 income growth from lease and sublease operations

Capital expenditure overview

**Q3 2015 capital expenditure:
RUB 20,691 mln**



Q4 2014 – Q3 2015 capital expenditure



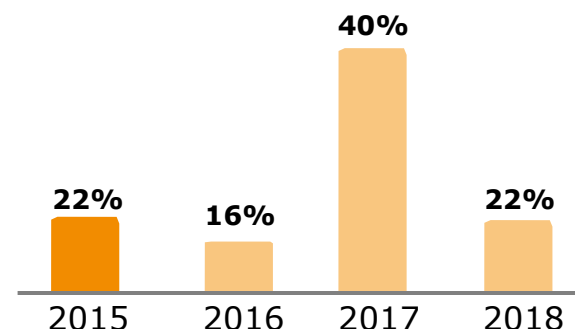
In Q3 2015, CAPEX focused on organic expansion and investments in store refurbishments

Debt structure

Debt profile

RUB mln	30 Sep 2015	31 Dec 2014
Total Debt	141,698	130,986
Short-Term Debt	44,220	15,834
% of total debt	31.2%	12.1%
Long-Term Debt	97,478	115,152
% of total debta	68.8%	87.9%
Net Debt	136,857	105,363

Debt portfolio maturity



Covenants & liquidity update

Covenant metrics & liquidity sources	30 Sep 2015	31 Dec 2014	Covenants
Net Debt / EBITDA ⁽¹⁾	2.48x	2.30x	< 4.00x
Interest Coverage ratio ⁽¹⁾	3.55x	3.76x	> 2.75x
Cash & Cash equivalents Balance, RUB mln	4,841	25,623	
Undrawn credit lines, RUB mln	116,160	84,200	

Highlights

- X5's debt portfolio is 100% RUB-denominated
- The weighted average effective interest rate on X5's total debt for 9M 2015 amounted to 13.0%
- X5 has refinanced all of its loan facilities linked to MosPrime interest rate, thereby mitigating the risk of interest expense growth

1. Based on last 12 months financial results

Quarterly financial highlights

RUB mln	Q3 2014	Q4 2014	FY 2014	Q1 2015	Q2 2015	Q3 2015	Y-o-Y
Revenue	152,539	181,588	633,873	182,725	199,883	196,093	28.6%
Net retail sales	152,028	180,894	631,930	182,053	198,623	194,994	28.3%
COGS	(114,950)	(136,951)	(478,891)	(137,829)	(151,808)	(147,103)	28.0%
Gross profit	37,589	44,637	154,982	44,896	48,075	48,990	30.3%
Gross profit margin	24.6%	24.6%	24.5%	24.6%	24.1%	25.0%	—
SG&A	(31,825)	(38,580)	(133,512)	(37,417)	(39,666)	(40,701)	27.9%
EBITDA	11,171	13,495	45,860	13,129	14,389	14,263	27.7%
EBITDA margin	7.3%	7.4%	7.2%	7.2%	7.2%	7.3%	—
Net profit	3,420	2,822	12,691	4,110	3,832	4,142	21.1%
Net profit margin	2.2%	1.6%	2.0%	2.2%	1.9%	2.1%	—
Operating cash flow	6,825	13,598	28,567	(2,251)	6,843	7,241	6.1%
Investing cash flow	(6,590)	(13,947)	(29,737)	(7,820)	(13,520)	(16,248)	146.6%

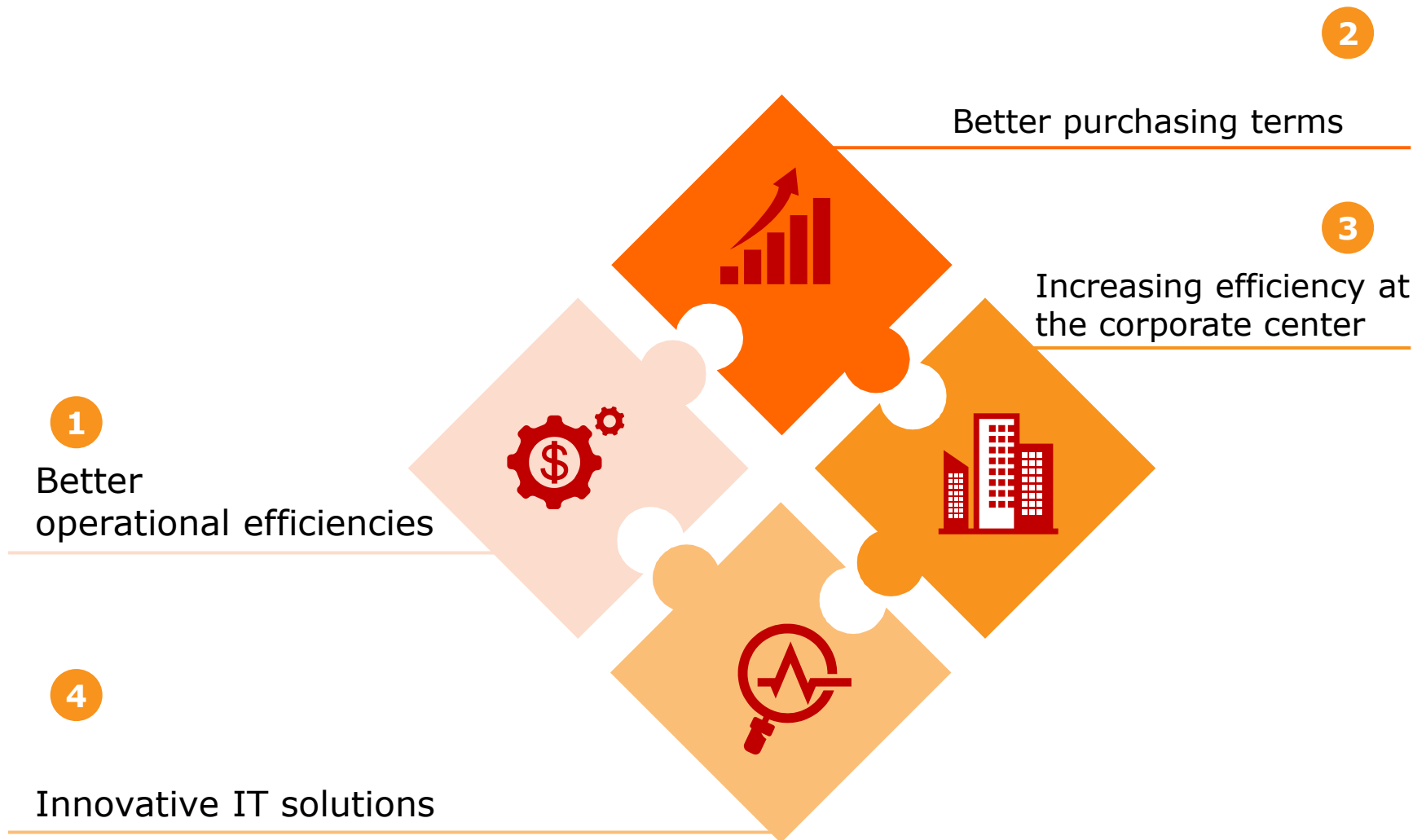
Condensed balance sheet

RUB mln	30 September 2015	31 December 2014	+/(-)	+/(-)%
Total current assets	92,953	110,509	(17,556)	(15.9%)
Cash & cash equivalents	4,841	25,623	(20,782)	(81.1%)
Inventories	49,206	47,084	2,122	4.5%
Total non-current assets	275,331	240,411	34,920	14.5%
Net PP&E	175,121	150,328	24,793	16.5 %
Goodwill	73,325	65,684	7,641	11.6%
Total assets	368,284	350,920	17,364	4.9%
Total current liabilities	163,810	141,273	22,537	16.0%
ST debt	44,220	15,834	28,386	179.3%
Trade accounts payable	81,818	92,001	(10,183)	(11.1%)
Total non-current liabilities	101,861	119,089	(17,228)	(14.5%)
LT debt	97,478	115,152	(17,674)	(15.3%)
Total liabilities	265,671	260,362	5,309	2.0%
Total equity	102,613	90,558	12,055	13.3%
Total liabilities & equity	368,284	350,920	17,364	4.9%

Cash flow highlights

RUB mln	Q3 2015	Q3 2014	+/(-)	+/(-)%
Net cash generated from operating activities	7,241	6,825	416	6.1%
Net cash from operating activities before changes in working capital	14,458	10,897	3,561	32.7%
Change in Working Capital	(755)	379	(1,134)	n/a
Decrease/(increase) in trade and other accounts receivable	329	(1,188)	1,517	n/a
Decrease/(increase) in inventories	1,747	(419)	2,166	n/a
(Increase)/decrease in trade payable	(1,745)	1,021	(2,766)	n/a
(Decrease)/increase in other accounts payable	(1,086)	965	(2,051)	n/a
Net interest and income tax paid	(6,462)	(4,451)	(2,011)	45.2%
Net cash used in investing activities	(16,248)	(6,590)	(9,658)	146.6 %
Net cash generated from/(used in) financing activities	9,355	(2,817)	12,172	n/a
Effect of exchange rate changes on cash & cash equivalents	(39)	(19)	(20)	105.3%
Net increase/(decrease) in cash & cash equivalents	309	(2,601)	2,910	n/a

Going forward: opportunities for margin improvements



Innovative solutions that improve efficiency

Analytical reports



- Online reporting
- Detailed analysis of tickets
- Monitoring of transportation
- Product availability on shelves
- Monitoring of promotions
- Analysis of customer offer



Management of forecasting and inventory



- Automation of forecasting and inventories for Karusel, Perekrestok and their DCs
- Reduce inventories and increase retail turnover by 3% (turnover calculated by OOS)



Managing transportation efficiency



- Optimise routes
- Increase efficiency of transportation usage
- Cut transportation costs
- Real-time monitoring of deliveries



Store efficiency management

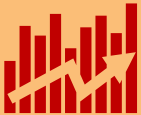


- Automated planning of personnel in stores based on demand
- Forecasting workforce requirements based on different drivers (receipts, etc.)
- Recording hours worked



Electronic Data Interchange (EDI)

X5 uses EDI in its relationships with 98% of suppliers



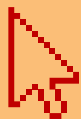
Increased operational efficiencies

- Time for suppliers to submit invoices to X5's Service Centre cut from 7 days to 6 minutes
- Invoice processing time at X5's Service Centre cut from 5 working days to 1
- 80% of suppliers use notice of acceptance



Financial benefits of EDI

- Timely VAT refunds (replenishment of working capital)
- Reduction of receivables (commercial suppliers, banks)
- Decreased interest rates for suppliers (factoring)



Portals for supplier and subcontractor relationship management

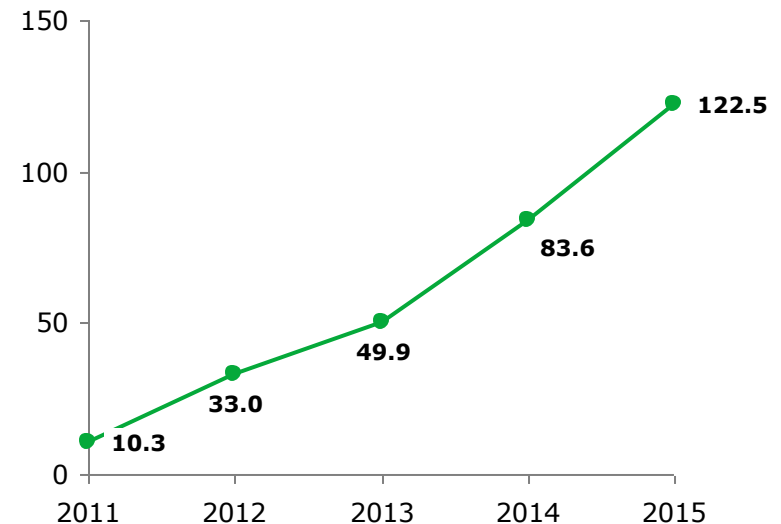
- Advertising and Analytics Inventory Portal
- Fruit and Vegetable Portal
- Maintenance Portal
- Electronic Pyaterochka



Internal document processing

- Process underway to automate internal document processing using SAP OpenText solution

Number of EDI documents at X5 (mln)



As of now the following types of documents have been transferred to electronic format

- Finances: Invoices
- Logistics: orders, acceptance notices, return of goods, waybills
- Non-commercial procurement: utilities, banks, rental agreements

Key elements of transport strategy (1/2)



What we've done



Introduced tariffs for transportation on own fleet and benchmarking against market

- **Tariffs for own fleet transportation decreased** on some routes **by up to 60%** y-o-y due to improved efficiency
- Since Q3 2015, tariffs for own fleet transportation on the majority of routes has been lower than for third-party services



Introduced piece-rate wage system and optimised routes

- **Total payroll per lorry decreased by 9%**, while average salaries for drivers increased by 10%
- Launch of a new mileage monitoring system led to **reduction of diversions from planned routes from 20% to 4%**
- **Fuel costs decreased by 5%** per-unit



Purchase of lorries

- As a result of increased efficiency from using own fleet, **the Company purchased 375 new lorries** to support retail chain growth
- Such purchases had not taken place since 2012

Key elements of transport strategy (2/2)



What we will do



Develop forwarding as a new area of expertise

- Building strong relations with fleet owners to reduce risk of dependency on freight forwarding companies



Develop commercial transportation

- Seek out additional clients for transportation services to reduce empty runs



Increase quality of supply using own fleet

- Reduced supply delays
- Guaranteed delivery to stores within 3-hour windows
- Introduced automated temperature control systems
- Automated control over delivery schedules to DCs

Taking advantage of growth opportunities in Russian market



Anton Mironenkov, Head of Strategy
X5 Capital Markets Day 2015
Moscow, 22 October 2015

Russian food retail market opportunity

Food retail in Russia

7th

largest globally
by food retail turnover

64%

share of modern format in
overall retail market

16%

nine-year CAGR (real
growth rate 6%): one of the
fastest-growing markets
globally before the crisis

Additional growth drivers for national players



Transition to modern retail

- Gradual replacement of traditional formats



Consolidation of the leading national players

- Leader to have 20% market share within 5-10 years
- National retail chains benefit from economies of scale and mature internal capabilities
- Increased focus on value proposition as the market becomes saturated and competition increases



Regional expansion

- Strong growth potential for national retail chains outside the Central and North-West federal districts

Economic situation in Russia affected customer expectations, which in turn put pressure on food retail market

Economy



Oil price decreased by **~42%** in Q2 2015 VS Q2 2014



Physical GDP dropped by **4.6%** in Q2 2015 VS Q2 2014



Average USD/RUB exchange rate increased by **~51%** in Q2 2015 VS Q2 2014



~\$53bn of net capital outflow in private sector over the first two quarters of 2015



Customer



8 out of 10 customers believe that Russia is in a new economic crisis



67% are not sure about their employment prospects



52% negatively assess their well-being



60% are not willing to purchase new goods

We expect further pressure on retail due to the unstable economic situation

Tomorrow will be no better than today



Forecasts of further stabilisation of low oil prices, FX rate growth and steadily high inflation



Current sanctions are expected to remain in place and new ones could be introduced



Structural economic reform is unlikely; moreover, the state will expand its intervention into economy

What does it mean for the industry?



Customers will remain in thrifty spending mode



Capital raising opportunities will remain limited



The state might continue to increase its influence on retail market

X5 is responding to the challenge

Well positioned to take advantage of growth opportunities in the Russian retail market



Setting the retail industry standard

- Transition to modern retail
- Regional expansion
- Further consolidation of the leading players



Unique multi-format operating model

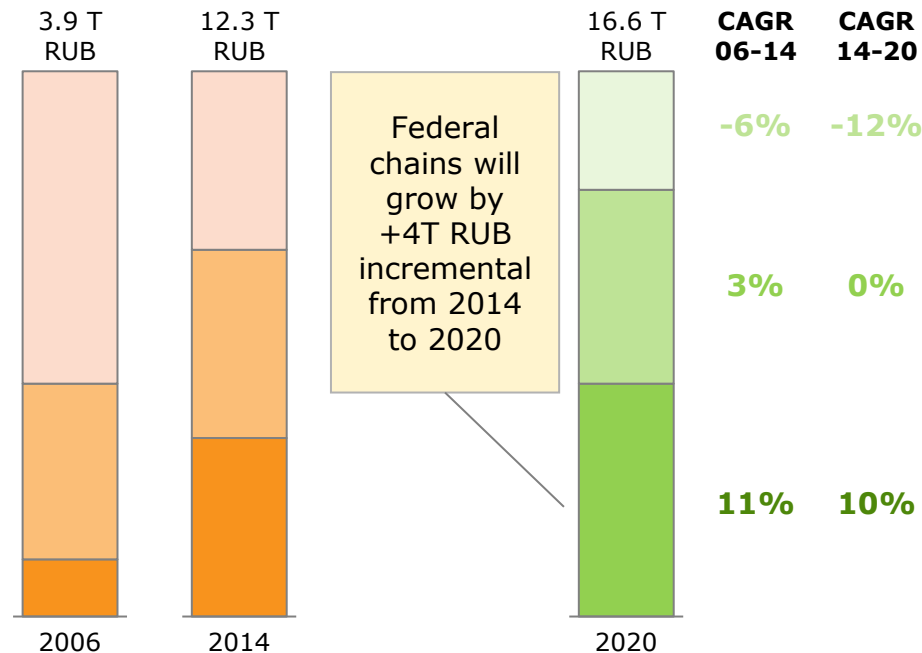
- Combines scale and purchasing power with flexibility
- Enables coverage of all key shopping needs of Russian customers



Identifying additional upside opportunities

- Strategic and tactical M&A
- New shopper megatrends
- Advanced analytics

Challenging environment brings unique opportunities



- Transition to modern retail**
- Regional expansion**
- Further consolidation of leading players**

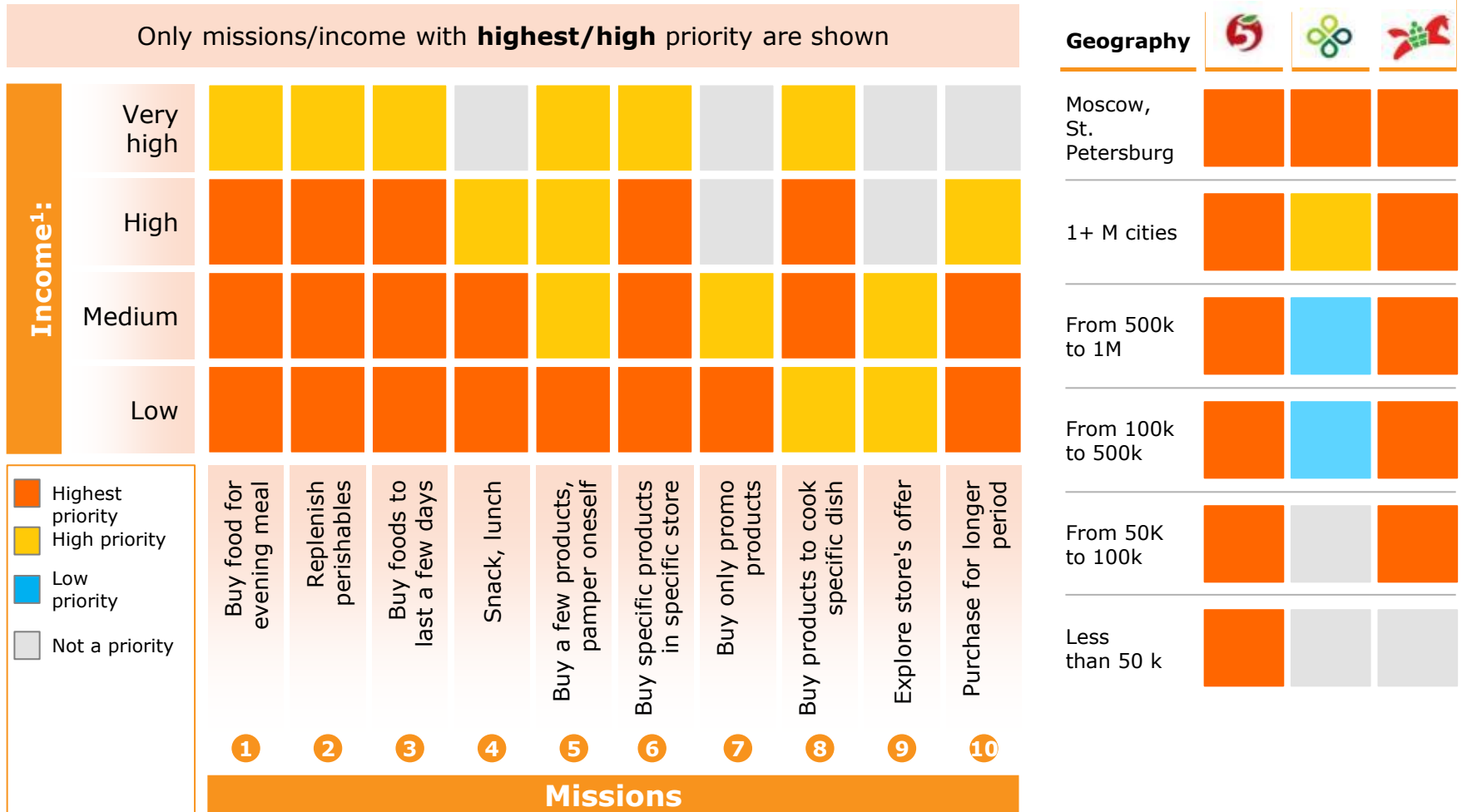
Total modern trade share	43%	64%	83%
Federal chains ¹ share (top 10)	11%	25%	44%

THE POWER SHIFT FROM TRADITIONAL TO MODERN TRADE WILL ACCELERATE

Traditional trade share
 Regional model trade share
 Federal chains share (top 10)

1. Federal chains include top 10 Russian food retailers
Source: Euromonitor, Infoline, Company Reports

We aim to cover all key needs of Russian customers with our retail chains



1. Monthly income per family member as of June 2015: very high means > 100k RUB, high means >30k RUB, medium means from 10 to 30k RUB, low means <10k RUB 2. 4 locations in Khanty-Mansy Autonomous Region
 Note: Breakdown by income is representative only for overall Russia, segment size is illustrative only
 Source: X5 data

X5 is well positioned to respond to the challenge

Unique multi-format model aimed to capture...



...a greater share of the customer's wallet



Additional upside opportunities identified

Regional M&A

- Acquisition of players in attractive regions

- Leveraging new M&A opportunities open due to the crisis especially for "non-saturated formats" in regions: convenience stores and hypermarkets



Regional supermarket

- Active development of regional supermarket model

- Development and piloting of regional supermarket model to leverage insufficient coverage of small cities (less than 1M inhabitants) with supermarkets



New consumer megatrends

- Healthy lifestyle
- Hyperefficiency
- Online retail

- Development of online retail format to preserve the foothold for future growth



Advanced analytics

- Customer behaviour analysis
- Improved supplier monitoring and analytics

- Use big data algorithms for unified database of customer behavior – launch personalized promo and communications
- Advanced supplier analytics – improve negotiating position and leverage potential for margin improvement



Approach to M&A: clear set of criteria that are aligned with X5's strategic goal



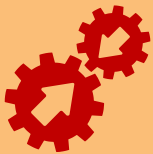
Clear selection criteria

- We only consider regional chains with good locations that fit with the footprints of X5 formats
- Same IRR criteria for M&A transactions and organic growth



Opportunistic approach

- M&A is the most effective way to enter a new region, enabling X5 to immediately achieve a critical mass of stores



Fast integration

- Unique know-how to enable faster & better integration
- Start of integration before transaction is complete

Pyaterochka: Full speed ahead!



Olga Naumova, Head of Pyaterochka
X5 Capital Markets Day 2015
Moscow, 22 October 2015

Pyaterochka today: highlights



Your neighborhood store for daily shopping needs



5,795 stores at
30 Sep 2015,
33% increase
y-o-y



9M 2015 net sales:
RUB 418.2 bln,
35% increase y-o-y



Share in X5's Q3
2015 sales: **~73%**



Average check: 320 RUB (Q3 2015), 11%
increase y-o-y



**2,221 th. sq. m. of
selling space**
(at 30 Sep 2015),
41% increase y-o-y



Q3 2015 **Net retail
sales: RUB 143.6
bln**, 35% increase
y-o-y



Q3 2015 LFL Results
• **Sales: 15.2%**
• **Traffic: 2.4%**
• **Basket: 12.4%**



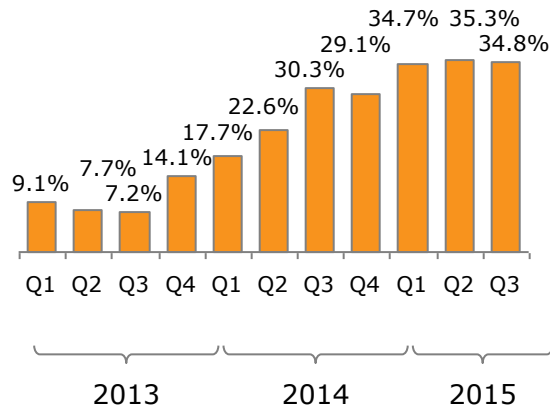
- Avg. net selling space, **380 sq. m.**
- **Formats**
 - 250-330 sq. m.
 - 330-430 sq. m.
 - 430-620 sq. m.
 - 620-and more

Establishing a track record



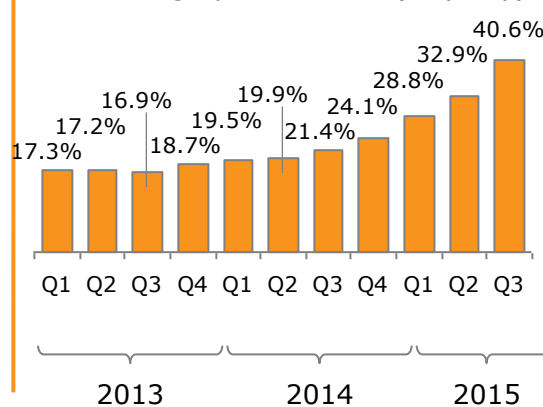
Q3 2015 net retail sales growth: 34.8% increase y-o-y

Net Sales Growth (% y-o-y)

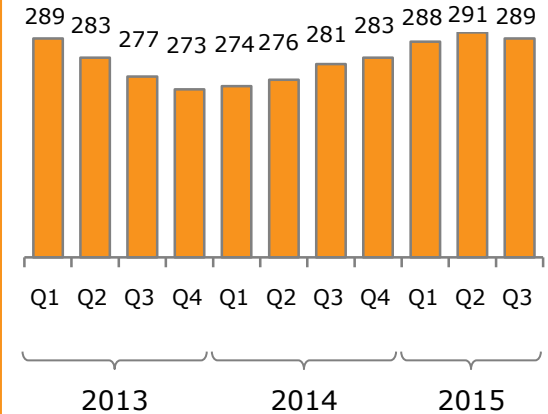


Q3 2015 selling space growth: 40.6% increase y-o-y

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

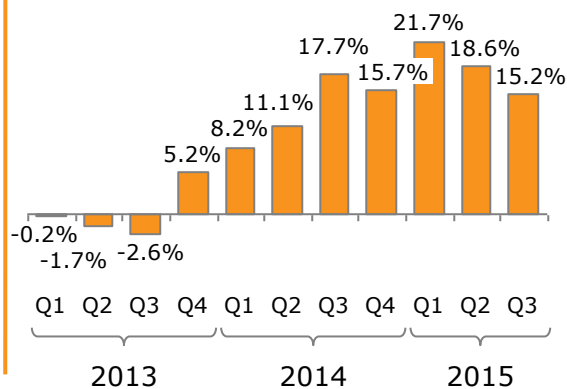


Q3 2015 sales densities: 2% increase y-o-y

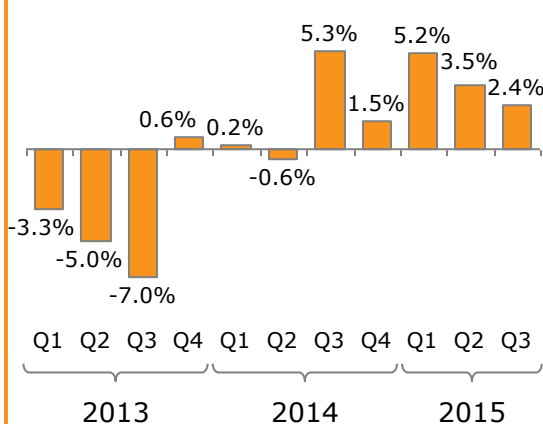


Q3 2015 LFL sales growth: 15.2% increase y-o-y

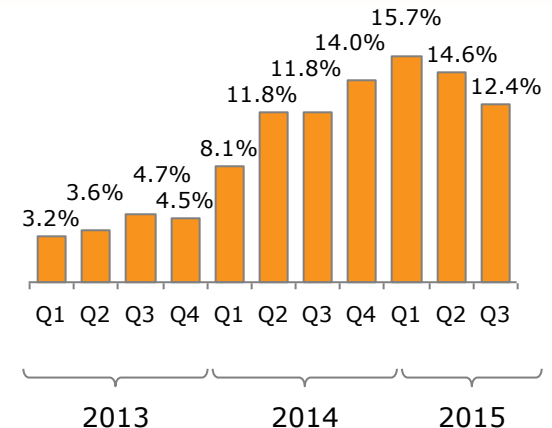
Total LFL Sales Growth (% y-o-y)



Q3 2015 LFL traffic growth: 2.4% increase y-o-y



Q3 2015 LFL basket growth: 12.4% increase y-o-y



What we said: overview since last Capital Markets Day



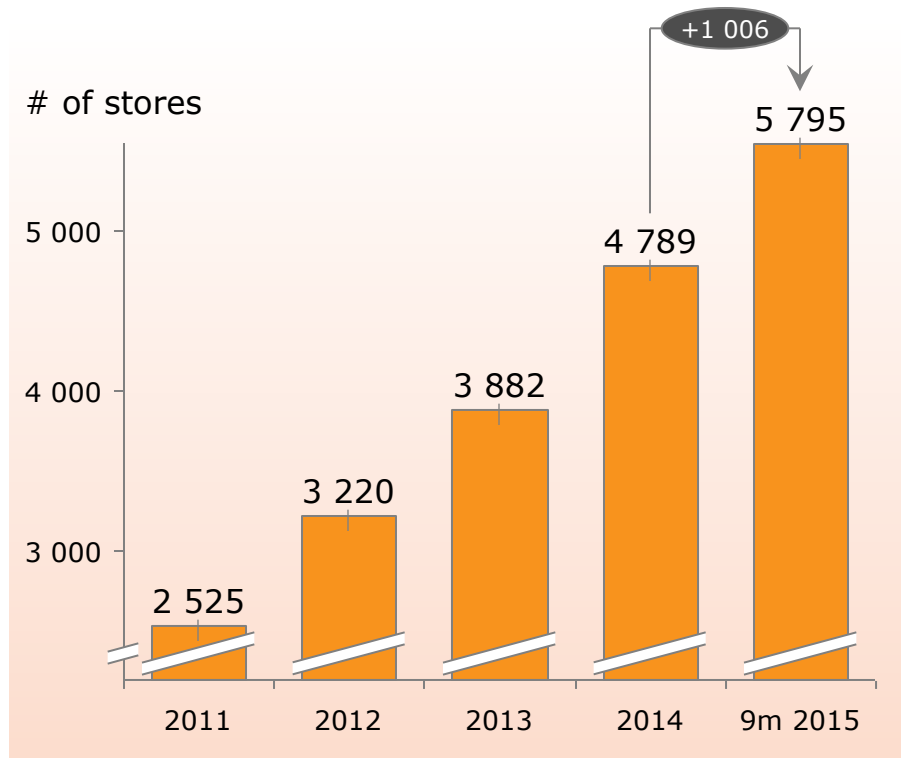
Focus on growth and profitability

Strategic Priorities set in October 2014	Status	Comments
Top-line growth 	Increase selling space	✓ 5,795 stores at Sept 30th 2015, 33% increase y-o-y 2,221 th. sq. m. at 30 Sep 2015, 41% increase y-o-y
	Industrialize refurbishment program	✓ ~1,100 refurbishments in 2015 (460 in 2014)
	Improve sales densities	✓ Further improvements on assortment, promo & pricing
Profitability 	Improve purchasing terms	✓ Negotiating improved terms if margin from supplier is below a category average - Requiring suppliers to increase investments in promotions (more frequent promotions without sacrificing margin)
	Increase SG&A and capital efficiency	✓ Promo optimization, better aged stock mgmt, launch of network optimization and Lean DC programs
Better service 	Improve employee motivation	✓ New remuneration system - Flexible schedules, biometry
	Improve customer service systems (feedback, perception)	✓ Mystery shoppers, "Freshness director" in the stores - New communication concept "5ka is helping out"

Building on success: new openings



Sustaining the speed of new stores openings



What is next?

- Focus on max. growth rate
- Defend core regions and move into new regions
- Growth supported by tactical M&A with clear selection criteria and fast integration
- Focus on rent vs. ownership of stores
- Advanced analytics (GIS software) and Strategic partnerships (Rostelecom, Voyentorg, ZhTK, MSPK)

Selling space,
(th. sq. m.)

996

1,191

1,414

1,754

2,221

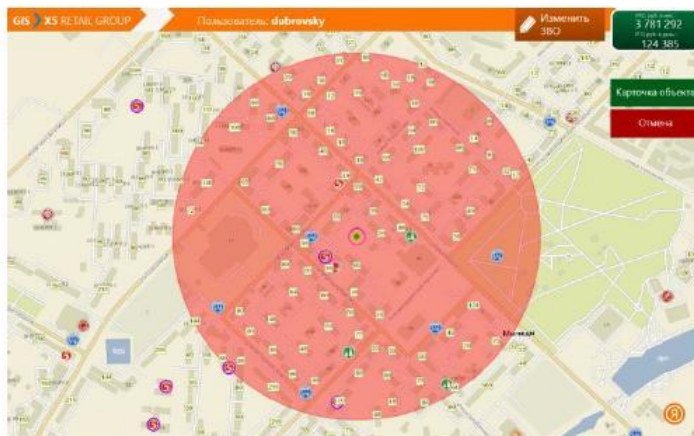
Sustaining the speed of new stores openings

GIS – store opening software

Further upgrade of GIS implemented

- Net retail sales calculator
- Heat map of potential locations (net sales)
- Store location validation (business process)

Retail turnover estimation, screenshot from the system



Strategic partnerships

Focus on large network partners to expand 5ka network (~60 stores in 2015)

- Rostelecom
- Voyentorg
- MSPK
- ZhTK and others



Refurbishment program: Comfortable, clean and modern stores





Refurbishment and rebranding programme: 9M 2015 progress



Programme highlights



Average selling space increase per store

19.2%



Average Duration Of Store Closure*

16.2 days



Average Capex (excl. VAT)

10.9 RUB M



Average Payback Period*

~25 months

Programme Results

1,047 =

962

85

Stores refurbished at 30 September 2015

In-line or above target

Below target



21.4%



LFL Sales growth

Note: Calculated for premises opened after renovation in 1H 2015 that completed ramp-up by September 2015. Excludes premises obtained through the acquisitions of Pokupochka, Soseddushka and Lite

Pyaterochka's value proposition proved its efficiency, and is especially sustainable in crisis



5ka's value proposition

-  **Price**
 - Store with low prices near home
-  **Promos and rebates**
 - Most attractive promos and discounts
-  **Quality and freshness**
 - Always fresh and good quality products
-  **Product range**
 - You can always fulfill your daily needs here and also find smth new
-  **Location**
 - Always nearby in any situation
-  **Shopping convenience**
 - Most natural and convenient shopping option for my family
-  **Service**
 - A store with good day-to-day service level



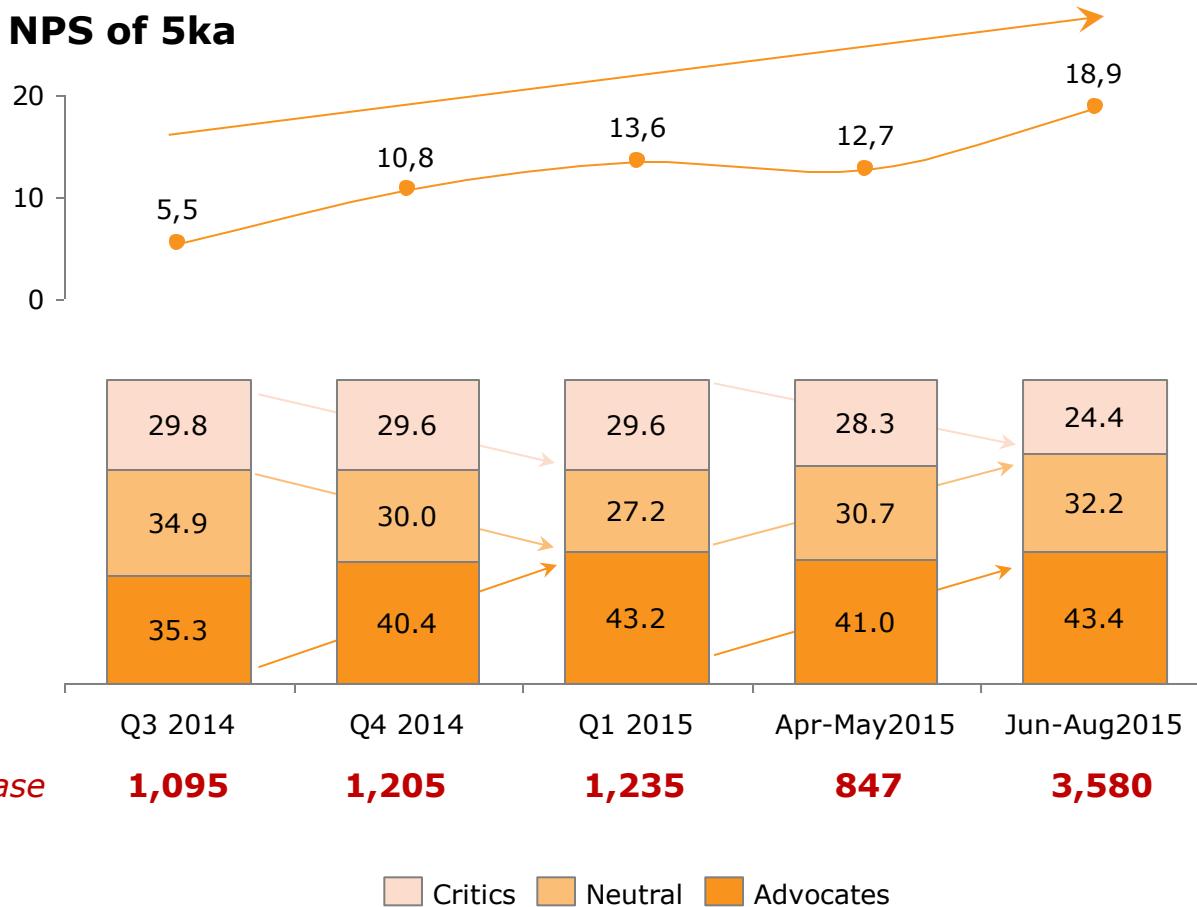
Consumer behavior in crisis

-  **Looking for stores with lower prices:** every 4th buyer increased their purchases in discounters and convenience stores
-  Choose **cheaper labels** across all product categories
-  **Reduce** consumption of **non-essential categories** (alcohol, beverages, snacks, candy)
-  **Proactively seek promo and compare prices.** Prefer price discounts over all other types of promo
-  **Rarely make substantial cupboard purchases**

Executing with excellence: Growing number of 5ka advocates



NPS of 5ka



5ka Net Promoter Score growth from 5.5 to 18.9

- *Neutral becoming Advocates as of 2H 2014*
- *Critics becoming Neutral as of beginning of 2015*

New communication concept to reinforce value proposition



Pyaterochka is helping out

Understanding our customers' needs...

"The most valuable thing is when someone knows you need support, and he offers you a helping hand!"

5ka consumer



and offering what they need

Red price private label is at core of 5ka's value proposition

- High quality at the most attractive price
- Sold exclusively in 5ka as of Q2 2015
- Rebranding to reflect 5ka brand identity
- Additional driver of traffic and price perception



Network optimisation efforts: 5ka DCs

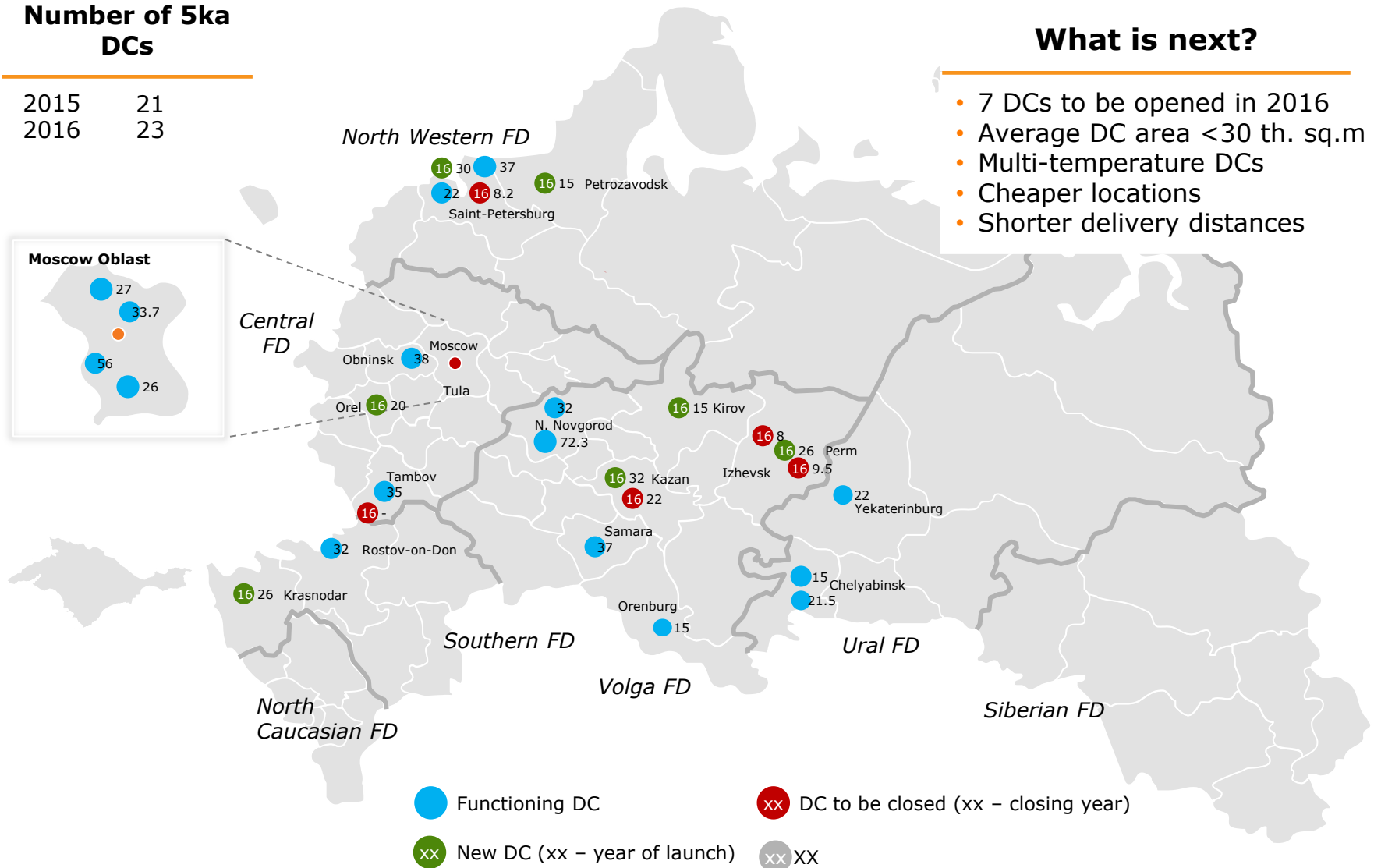


Number of 5ka DCs

2015	21
2016	23

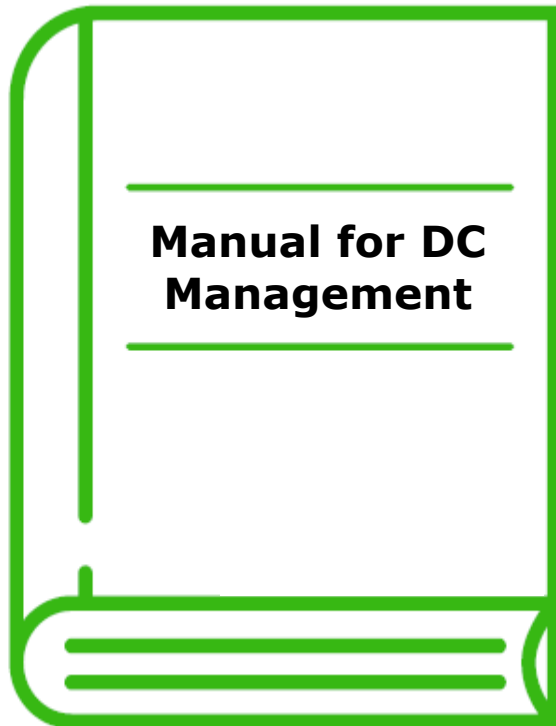
What is next?

- 7 DCs to be opened in 2016
- Average DC area <30 th. sq.m
- Multi-temperature DCs
- Cheaper locations
- Shorter delivery distances



Note: Illustrative DCs' location

Increasing efficiency of supply chain



Development of comprehensive manual to run DC

- Description of core processes & organisation set-up
- Development and implementation of new standards
- Optimisation of product flows, productivity increase, costs optimisation

Implementation plans

- Pilot in DC Vorsino Aug 2015-Apr 2016
- Implementation in DC Lobnya and Samara by Sep 2016
- Roll-out to all DCs in 2016-2017

Ambition

- Reach best-in-class KPIs in retail supply chain

Higher employee satisfaction



Earn with us for decent living



- Focus on higher bonus part
- Increase average total income to the 3rd quartile across retail market

People as best asset



- Attracting best people in the industry and developing own talents pool

Employer brand



- Improving X5 brands image as an employer

Culture



- Building a winning team mentality

Planning and accounting



- Implementing flexibility with efficiency (flexible schedules, biometrics)

HR service model



- Building efficient HR services with low transaction costs, high service level and transparent tracking system

Turboliada 2015: building a winning team mentality



- > 1,500 athletes



- > 12,000 participants: employees and their family members with kids



- Age: 3 months to 80 years old



- Geography: 8 cities



- 15 unique trials for Pyaterochka



- 1,000 views of the live online broadcast of the final round



- VKontakte group created at the start of the Turboliada grew to 2,000 members

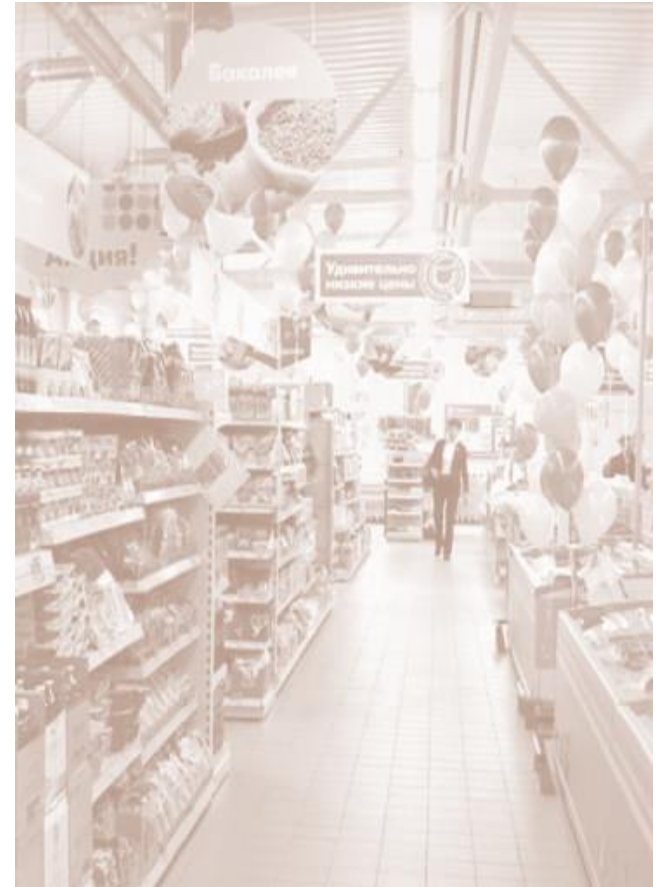


Summary of 5ka strategy



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: focus on service and operations



Vladimir Sorokin, Head of
Perekrestok
X5 Capital Markets Day 2015
Moscow, 22 October 2015

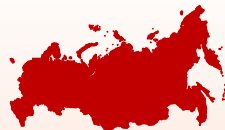
Perekrestok today: highlights



Main district supermarket



451 stores at
30 Sep 2015,
16% increase
y-o-y



**458 th. sq. m. of
selling space**
(at 30 Sep 2015),
15% increase y-o-y



**9M 2015 net sales
– RUB 93.1 bln,**
12% increase y-o-y



Share in X5's Q3
2015 sales: **~15%**



**Average check:
453 RUB**
(Q3 2015), 10%
increase y-o-y



Q3 2015 **Net retail
sales: RUB 30.1
bln**, 13% increase
y-o-y



Q3 2015 LFL
Results

- **Sales: 5.4%**
- **Traffic: (4.7%)**
- **Basket: 10.5%**



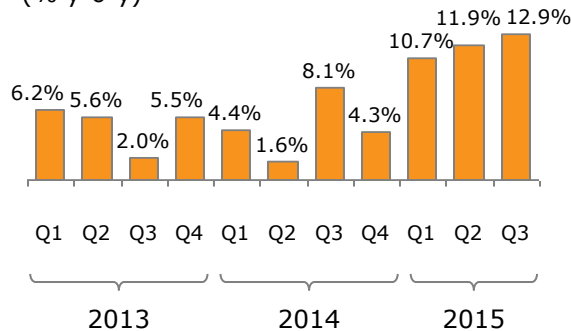
- Avg. net selling space **~1K sq. m.**
- **Formats**
 - 800 sq. m.
 - 1,200 sq. m.
 - 1,600 sq. m.

Establishing a track record



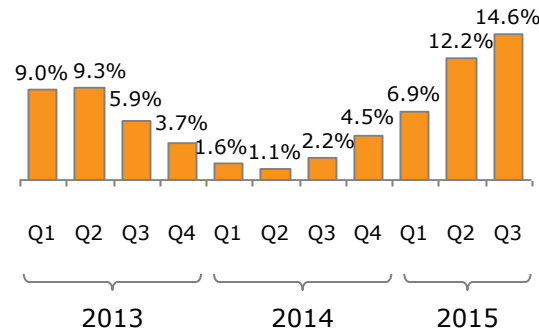
Q3 2015 net retail sales growth: 12.9% increase y-o-y

Net Sales Growth
(% y-o-y)



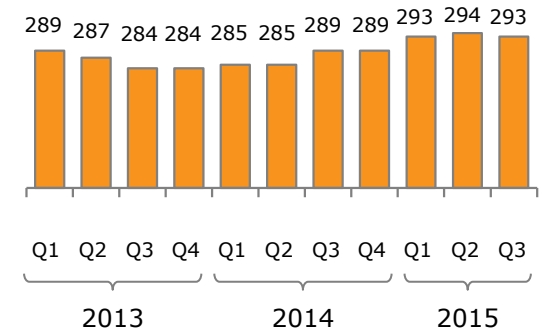
Q3 2015 selling space growth: 14.6 % increase y-o-y

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



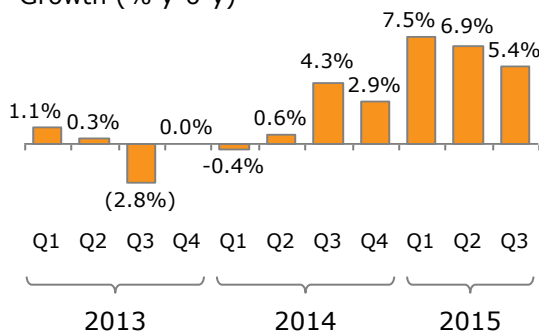
Q3 2015 sales densities: 1.4% increase y-o-y

Sales Densities Net
(th. RUB/sq.m.¹)



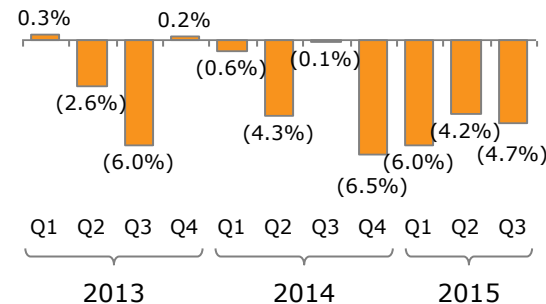
Q3 2015 LFL sales growth: 5.4% increase y-o-y

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



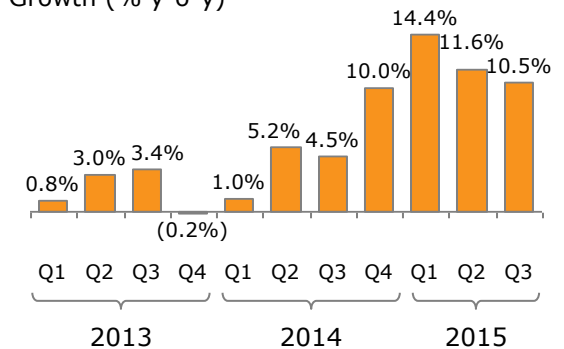
Q3 2015 LFL traffic growth: -4.7% y-o-y

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



Q3 2015 LFL basket growth: 10.5% 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

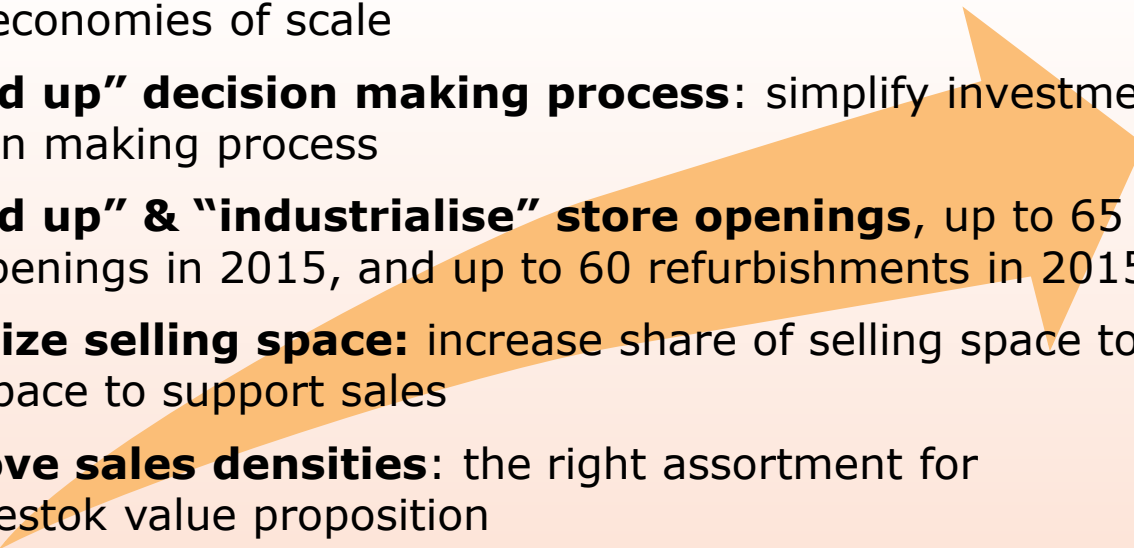
What we said: overview since last Capital Markets Day



Accelerate growth in sales and selling space

Strategic priorities set in October 2014

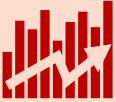
- **Increase # of stores** in current regions: critical mass/economies of scale
- **“Speed up” decision making process**: simplify investment decision making process
- **“Speed up” & “industrialise” store openings**, up to 65 new openings in 2015, and up to 60 refurbishments in 2015
- **Optimize selling space**: increase share of selling space to total space to support sales
- **Improve sales densities**: the right assortment for Perekrestok value proposition
- **Improve service** – develop service-based corporate culture & training programme



ACCELERATE
GROWTH

What we did: initiatives scorecard



	Initiative	Status	Comments
Top-line growth 	Increase number of stores	✓	80 new stores to be opened by the end of 2015
	"Speed up" decision making process	✓	Majority of investment projects approved, including reconstruction, organic growth, M&A
	"Speed up" and "industrialize" store openings	✓	60 refurbishment projects to be completed by the end of 2015 - Average refurbishment period reduced from 50 to 45 days
	Improve sales densities	✓	Sales density for LFL stores improved by 6.6% for 9m 2015
Efficiencies 	Optimize selling space	—	Average share of selling space is similar to last year (56% of total space)
Better service 	Improve service	✓	Higher NPS score from (-25)% in Q1 to (-5)% in Q3 as a result of improved service

Proper middle class supermarket for all your shopping needs



Value proposition

- ✓ **Price**
 - Fair price
- ✓ **Promos and rebates**
 - Shop with us: Delicious and good value
- ✓ **Quality and freshness**
 - Affordable high quality
- ✓ **Product range**
 - Variety, broad choice, novelties
- ✓ **Location**
 - Main store in a district
- ✓ **Shopping convenience**
 - Shopping in our supermarket is an exciting journey into food world
- ✓ **Service**
 - Quick and sincere response to customer needs, personalized approach
- ✓ **Loyalty programme**
 - Personalized offers for me and my family



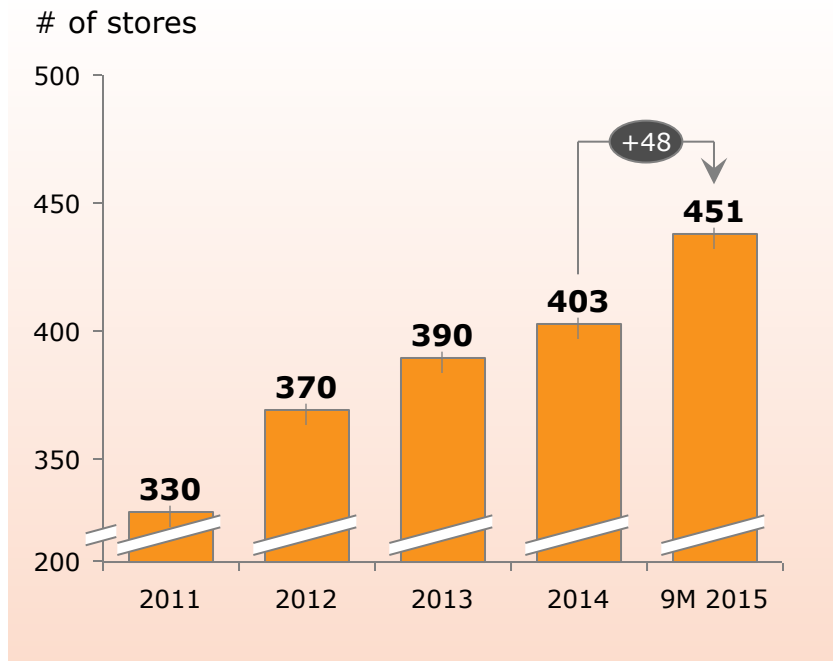
Target audience

- ✓ **Client base**
 - Everyone living within 1.5 km of the store
 - Women and men (70/30), 25-55 y.o., mid/high income, married, live in big cities, rational approach to shopping
- ✓ **Target audience (core)**
 - Female, 35-45 years, married, 1 or 2 kids, medium and higher income, car owner, higher education, lives in a big city
- ✓ **Needs**
 - Buy everything you need in one place
 - Service ensuring pleasure from shopping
 - High quality
 - Variety, broad choice, novelties
- ✓ **Implications**
 - Active modern middle class representatives
 - Rational, know prices, reluctant to pay more w/o good reason

New openings: progress



Focus on 1+M cities



What is next?

- Development **in Moscow, Moscow region and St. Petersburg** is a priority
- Critical mass growth in regional cities with >1 mln population in good locations
- Regional model development and piloting in 2016 and roll-out from 2017

Perekrestok & Karusel DCs

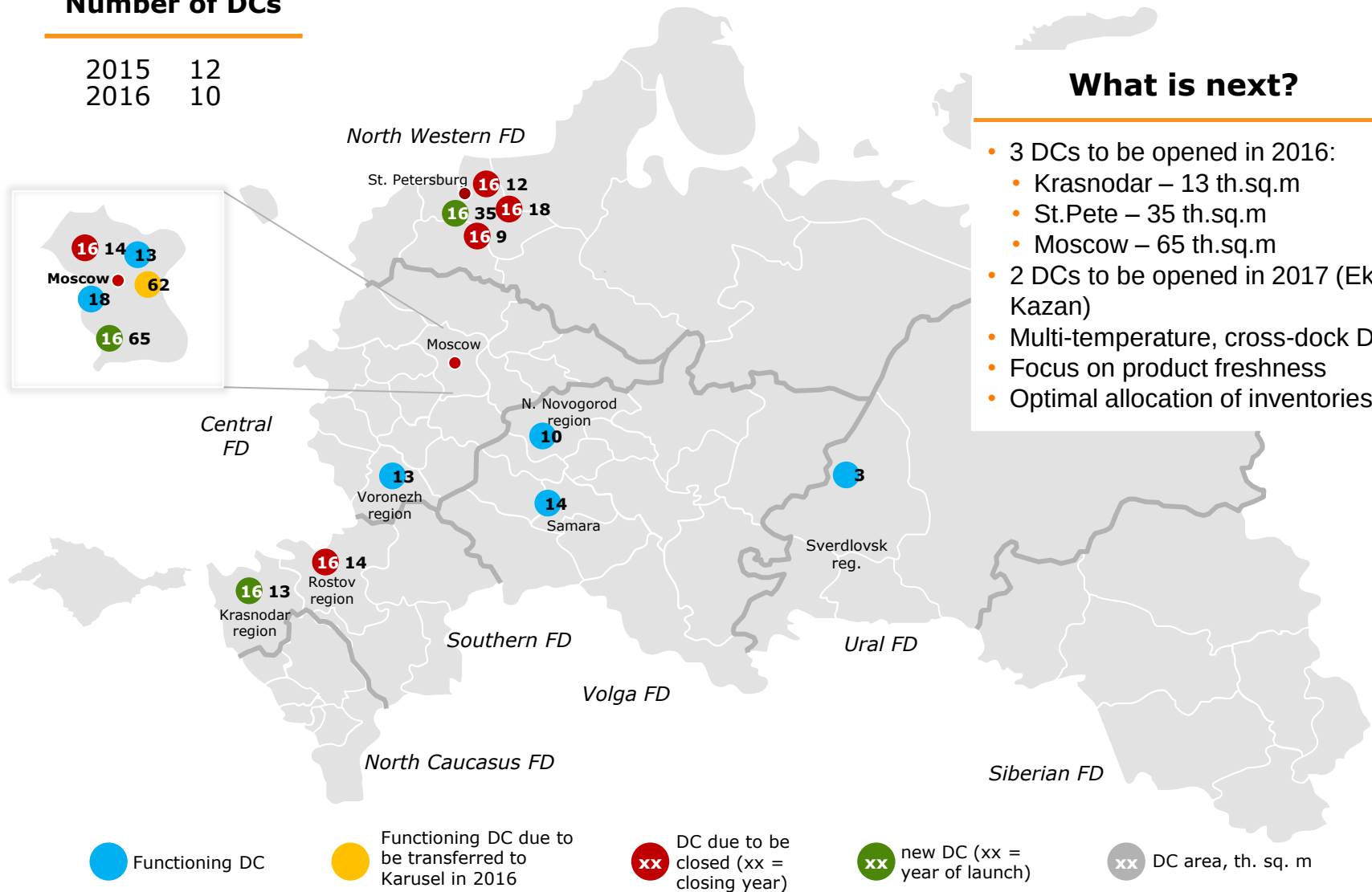


Number of DCs

2015	12
2016	10

What is next?

- 3 DCs to be opened in 2016:
 - Krasnodar – 13 th.sq.m
 - St.Pete – 35 th.sq.m
 - Moscow – 65 th.sq.m
- 2 DCs to be opened in 2017 (Ekat & Kazan)
- Multi-temperature, cross-dock DCs
- Focus on product freshness
- Optimal allocation of inventories



Note: Illustrative DCs' location

Refurbishment programme



Gaining critical mass to change supermarket perception





Refurbishment programme: 9M 2015 progress



Program highlights



Average share
of selling space
per store

56%



Average duration
of store closure

48.6 days



Average Capex
(excl. VAT)

RUB 52.4M



Average Recovery
period

~4-6 months

Program Results

37

=

34

3

of stores
refurbished at 30
September 2015

In-line
or above
target

Below
target



19.7%



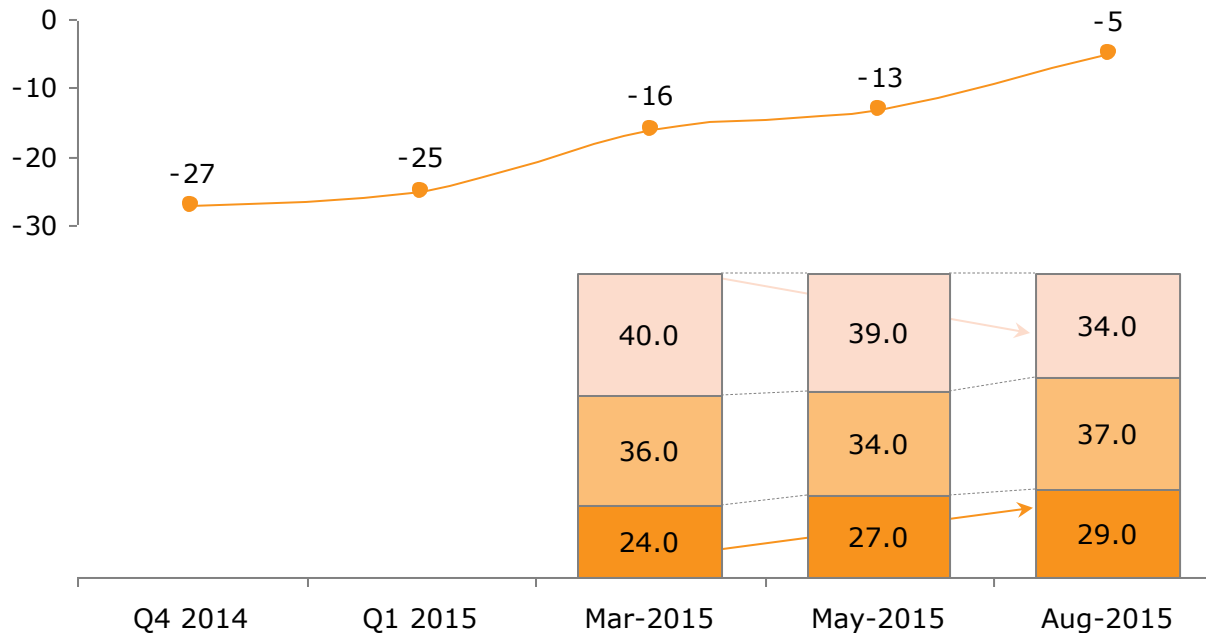
LFL sales growth after
4-6 months recovery period

Growing number of Perekrestok promoters among customers



Growing NPS as a top priority for Perekrestok

NPS of Perekrestok



Consistent growth of Net Promoter Score

- Growing # of Promoters at the expense of Detractors

Increased satisfaction in

- Interior design
- Loyalty cards
- Staff politeness
- Cleanliness in the stores

	Detractors	The least loyal. Ready to recommend Perekrestok on points 0-6
	Neutrals	Average loyalty, rated willingness to recommend Perekrestok on 7-8 points
	Promoters	The most loyal, ready to recommend Perekrestok on 9- 10 points

Focus on private label



PL best offer in all price segments and all categories

Strong multi-tier PL proposition ...

High

Coming in 2016

Mid & mid+



Chef Perekrestok Market Perekrestok

Low & mid



Bonte Noviy Ocean

Low



Zelenyi Krai

... delivers promising results

Private label is at the core of Perekrestok value proposition

- Any price, any occasion

PL development progress

- From 200 PLUs in Jan 2015 to 601 PLUs in Oct 2015 and to 1,000 PLUs by Jan 2016

Record PL share in Oct 2015

- 3.5% in sales
- 21% in # of bills

Loyalty program: *Perekrestok Club*



Enhancing loyalty program for customers retention

"Perekrestok Club" at a glance

- 1 point for 10 RUB; 5 points for 10 RUB in "favourite category"
- Personalised discounts and offers
- Points can be used for payments in stores: 10 points = 1 RUB
- Customers can accumulate points and use them in partner outlets: gas stations, restaurants, airlines etc



Key initiatives

Key programme objectives

- Reliable source of data for advanced analytics for better decision-making
- Most efficient targeted communications channel
- Tool to drive traffic and basket growth
- Source of extra earnings from partners and suppliers

Loyalty programme enhancement

- Launch of personal accounts and mobile applications
- Full range CRM implementation in 2016
- Strengthening promo communication

What is next?



Strengthening execution of Perekrestok value proposition



Promo

- Expand promo offer: new products and meats selection
- Expand targeted promo offers share



Quality and freshness

- Improving quality and freshness of goods end-to-end - from DC and transportation to in-store



Product range

- Focus on the hero categories: bread, meat, fish, ready to eat.
- Development of Bio, Health Farm, Childhood categories
- Increasing share of own production up to 10%
- Launch of own imports (F&V, coffee, tea, Own Brand products of middle and high price segment)
- Launch of First Price products (in 60 categories)



Shopping convenience

- Listening to the customers: introducing new feedback channels via Viber, Whatsapp, Call Center, etc.
- Gaining VP via sub-rent concept implementation



Service

- Sincere service (training, certification, etc.)
- Mystery shopper as a base for staff remuneration



Loyalty and communications

- Expanding loyalty programme for customer retention
- Building relationships with programme partners and suppliers

Driving operational efficiencies



Driving operational efficiencies



OpEx

- Optimisation of Retail and Admin OPEX
- Optimisation of rent terms
- Introduction of flexible schedules in the store
- Introduction of LED-technologies
- Energy saving initiatives
- Promo: improving replenishment & forecasting (F&R)
- Improving inventory turnover and reducing aged stock
- Focus on losses reduction end-to-end



Logistics

- Monitoring technical condition of the refrigerators to reduce losses
- TMS optimisation
- Transport monitoring



Profitability

- Improving purchasing terms – focus on increasing margin and supplier investments

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: finalising value proposition and delivering growth



Vardan Dashtoyan, Head of Karusel
X5 Capital Markets Day 2015
Moscow, 22 October 2015

Your destination store for all food & household needs



84 stores as of 30
Sept 2015:
3.7% increase
y-o-y



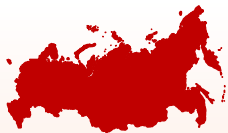
**9M 2015 net
sales: RUB 56.1
bln**
12.7% increase
y-o-y



Share of X5's Q3
2015 sales: **~10%**



Average check:
RUB 658
(Q3 2015)



**365.0 th. sq. m.
of selling space**
(as of 30 Sept
2015), up
2.1% y-o-y



**Q3 2015 net retail
sales - RUB 18.7
bln**, 15.4%
increase
y-o-y



Q3 2015 LFL
Results

- **Sales: 13.3%**
- **Traffic: 7.8%**
- **Basket: 5.1%**

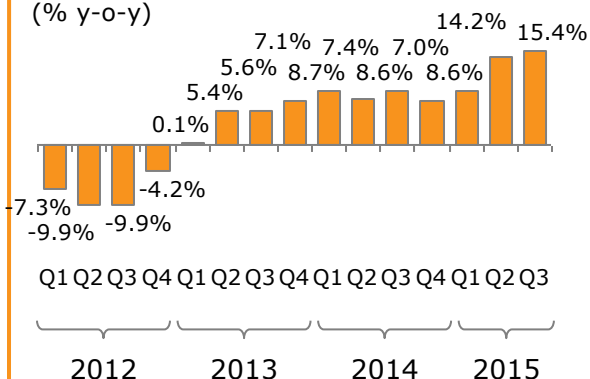


Avg. net selling
space:
4,400 sq. m.

Establishing a track record – Karusel

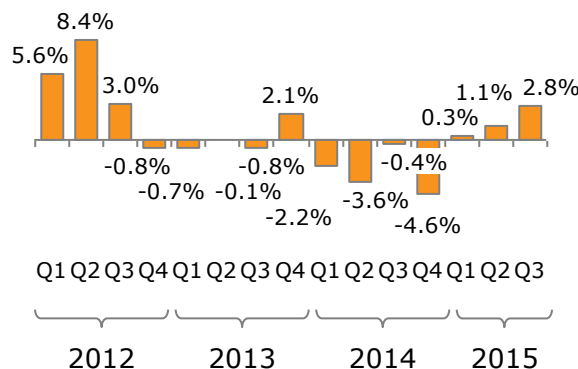
Q3 2015 net retail sales growth: 15.3% increase y-o-y

Net Sales Growth
(% y-o-y)



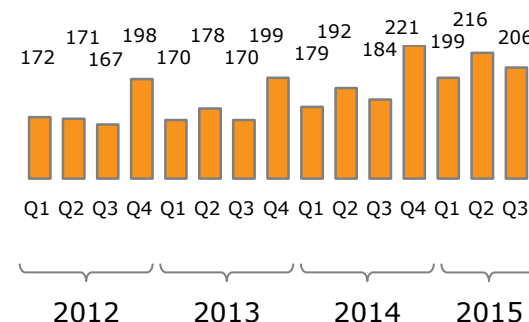
Q3 2015 selling space growth: 2.8% increase y-o-y

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



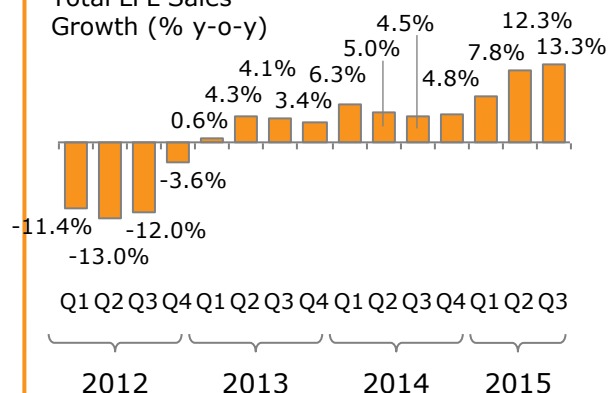
Q3 2015 sales densities: 12% increase y-o-y

Sales Densities Net (th. RUB/sq. m.)



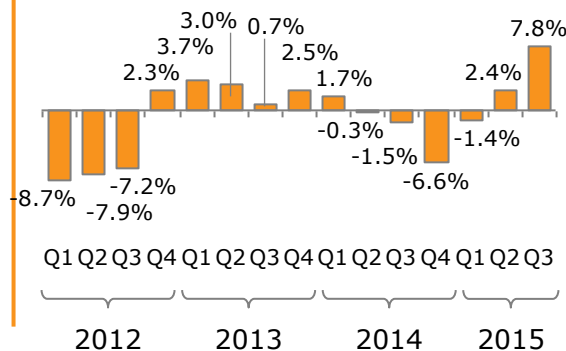
Q3 2015 LFL sales growth: 13.3% increase y-o-y

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



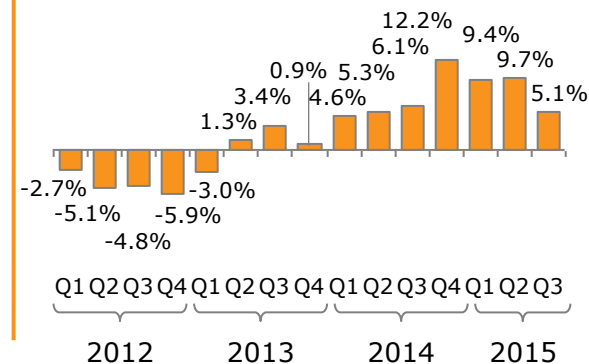
Q3 2015 LFL traffic growth: 7.8% increase y-o-y

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



Q3 2015 LFL basket growth: 5.1% increase y-o-y

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



What we said: overview since last Capital Markets Day

The right hypermarket value proposition

Strategic Priorities set in October 2014

Improve sales densities and selling space expansion

- ✓ **Value proposition niche** – complete new Karusel brand-book

 Finalise **category management roll-out** and **assortment review**

- ✓ Improve **loyalty programme** analysis and data utilisation

- ✓ Improve **service** (line management) and **shelf availability**

- ✓ **Personnel development** – new motivation programme and organisational structure to accommodate expansion targets

 Increase **openings** (up to 10) & **refurbishments** (up to 15) in 2015-2016

THE RIGHT
HYPERMARKET
VALUE
PROPOSITION

What we did: initiatives scorecard

Initiative	Status	Comments
New pricing policy and strong communication campaign	✓	Stable positive trend in LFL traffic (YTD +3%, Q2 +2.4%, Q3 +7.8%), resulted in total sales growth (+11.1% LFL YTD, Q2 12.3%, Q3 13.3%) and sales density increase (sales/sq. m.: +12% y-o-y)
Selling space increase	✓	11.1% increase by year-end
Refurbishment programme	✓	5 refurbishments in 2015 (2 finished; 3 ongoing)
New openinags	✓	84 stores as of 30 Sep 2015, 5 new openings by the end of 2015 - Store-bank for 2016-17 guarantees around 10 new stores per year
Operations improvement	✓	Operation process improvement (decentralisation of orders, shelf space adaptation to sales needs, operational effectiveness)
New operational model launch: 3 model stores	✓	- Effective and competitive operational model - Consumer loyalty improvement, traffic growth - Possibility to roll out model for the whole chain
Private label	✓	- PL brand "Круглый Год" (Year Round) launched in Aug 2015 200 PLUs to be launched in 2015 (50 PLUs already launched, 150 PLUs ready for launch); w-o-w sales growth at 28%
Loyalty program	✓	New programme with greater clarity and transparency launched and available – new card holders' share in total sales of 37.7%

Development of value proposition is at the core of strategic agenda

Value proposition

✓Price

- No need to compare, Karusel offers best price

✓Promos and rebates

- We love low prices! (Мы любим низкие цены!)

✓Quality and freshness

- Always fresh

✓Product range

- Just the right amount of choice

✓Location

- Always on the way and easy to find!

✓Shopping convenience

- Trouble-free, quick shopping - convenient navigation, clear merchandising

✓Service

- Service – fast, simple and respectful

✓Loyalty programme

- Personalised offer, clear communication



Target audience

✓Target audience (core)

- Families, mostly with children
- Mid and low income
- Primarily with jobs
- Could own a car

✓Core mission

- Stock-up purchasing (buying "in advance") for 1 week or 2-3 days

✓Implications

- Price sensitive

New communication concept to reinforce price perception

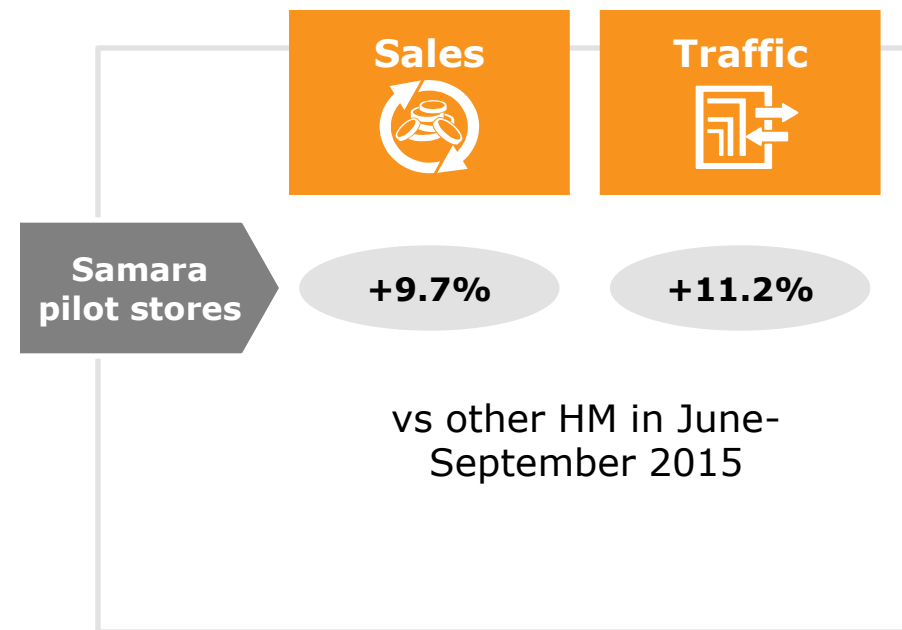
Launch of new communication concept delivered ...

Key elements

- Increase in KVIIs with 40% target share of KVIIs+FP+Promo
- Launch of Loud Products *Shock price*
- Effective price monitoring outsourced to the external agency
- Strong Communication support with ATL/BTL activities



... strong results in pilot stores: +11.2% traffic and + 9.7% sales growth



New operating model: pilot launch in 3 stores

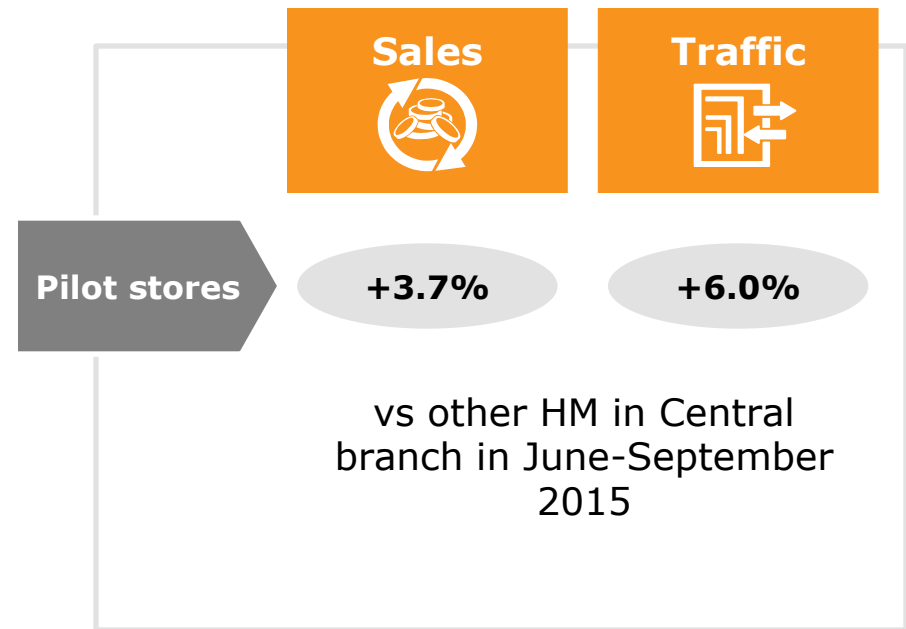
**Piloting compact city HM model with
focus on good price perception**

Developing effective and competitive operating model

- Complete rezoning of stores
- New internal navigation principles
- New approach to merchandizing
- GAP check procedure implemented
- Modified KVI basket
- New trading equipment



**... delivers first results:
+6% traffic and +3.7% sales growth**



Own production as destination category

Ambition: own production sales leader among hypermarkets in Russia

Product and quality

- Based on consumer preferences
- Regular, local and seasonal assortment
- Ready-to-eat, ready-to-cook and other consumer time-savers
- HACCP implementation

Pricing policy

- Best market price

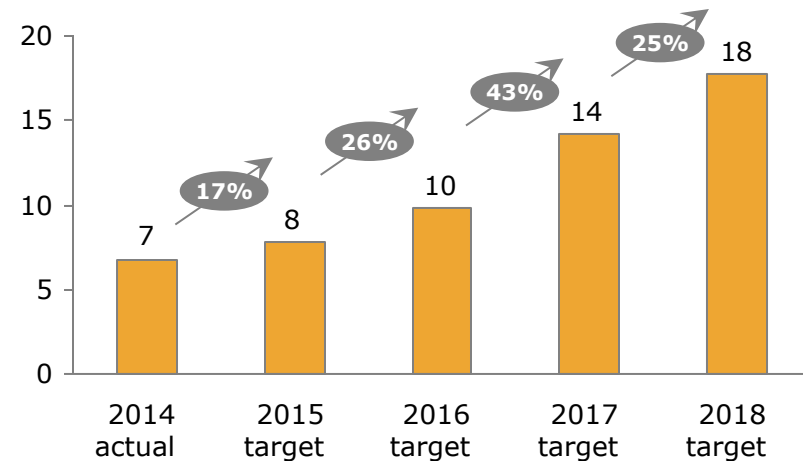
Staff and Production

- Cost reduction and efficient technologies
- Development of motivational systems and coaching
- Standardisation of production processes, standards implementation
- Increased efficiency of production space

Plans

- Increase year-average OP sales share from 9.6% to 15.5% by the end of 2018
- Growth of penetration in sales slips from 37% to 45% by the end of 2018
- Increase NPS level from 38% to 75% by May 2018

Sales, RUB bn,



Private label is at the core of Karusel's value proposition



PL strategy

- 2 price tiers: low and mid

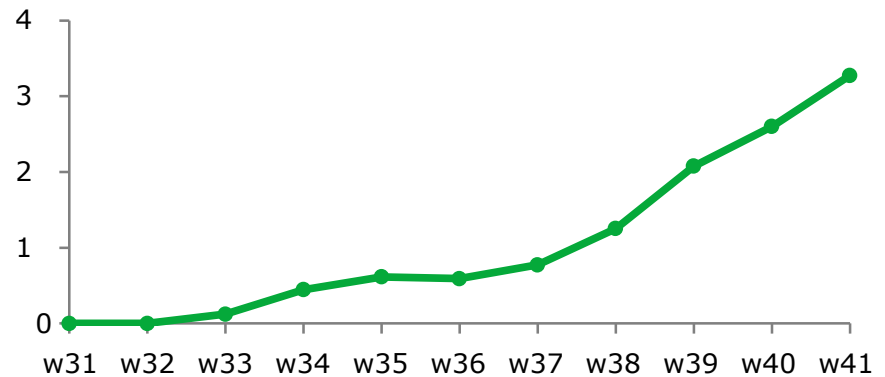
PL brand "Круглый год"

- Launched in August 2015
- 50 PLUs already launched, 150 PLUs to be launched by the end of 2015

What is next?

- Karusel PL to be launched in Q1 2016 (mid segment)

First results: Sales (M RUB)



Loyalty programme relaunch

New mechanism

- Points collection:
10 points for 100 RUR
- Points can be used to pay for shopping:
10 points = 1 RUB

Benefits for programme members

- Clear and transparent mechanism
- Paying with points is a real tangible benefit from customer's point of view
- "The more you spend the more you get" principle
- Participation in promos only for cardholders

New mechanism: Transition to points collection

- Discount optimisation within loyalty programme
- Higher PL penetration

Personal data collection

- Implementation of tools for in-depth analytics and targeted marketing



What is next?

Focus on efficiency improvements and bottom-line growth



Commercial terms

Improve assortment profitability

- Improve commercial terms with suppliers
- BB profitability management



Logistics costs

Logistics costs optimisation

- Improve efficiency of DC operations
- Supply chain optimisation



Losses

Detailed plan to reduce losses

- Better quality management in the store (storage, merchandising), DCs (procurement, acceptance, storage, transportation)
- New stock management approach for fruits & vegetables
- Tighter control over inventory-taking procedure



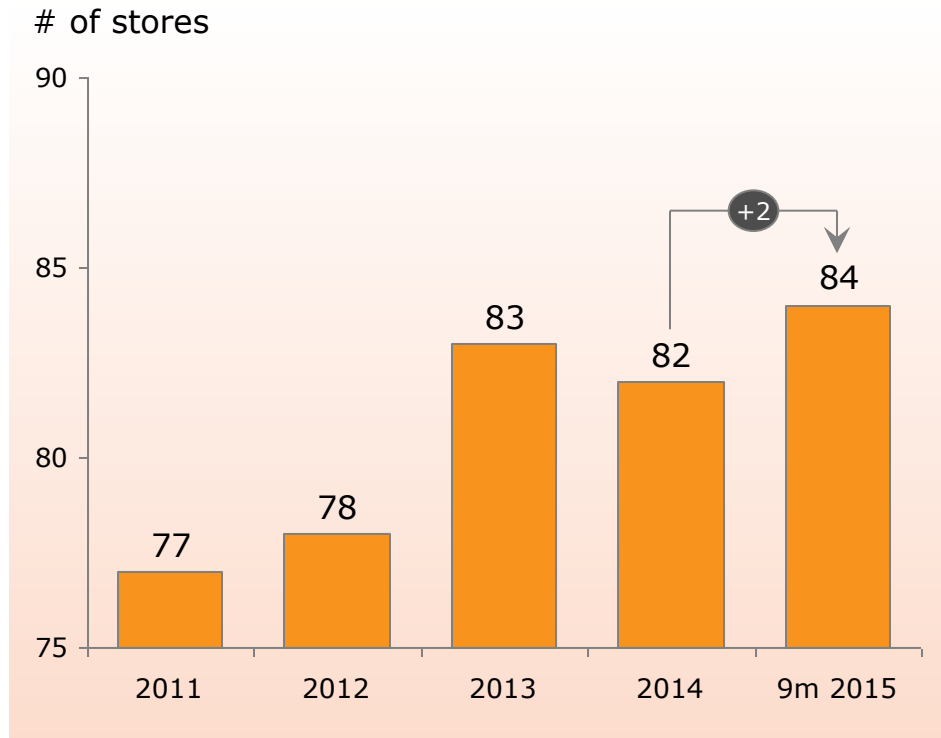
OpEx

Labour cost optimisation

- Simplification of store operations
- New motivation system
- Productivity improvement (training, recruiting and promotion)
- Implementation of store benchmarking programme

New openings

Focus on successful model before active expansion



What is next?

- Development with **moderate growth** during CVP trial period until 2H 2016, then transition to active growth
- Opening of **~10 new stores per year** provided availability of attractive locations

Selling space,
(th. sq. m.)

371

368

376

359

366

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**



Thank you!