



X5 Retail Group Capital Markets Day

Stephan DuCharme

X5 Chief Executive Officer

11 October 2013

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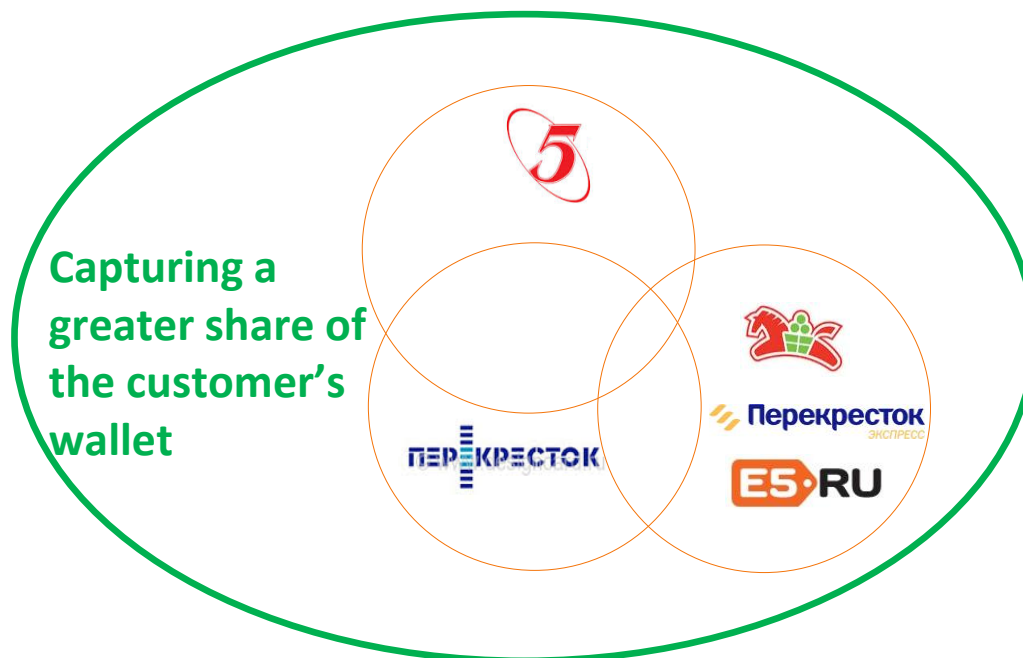
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X5 since 2005



The right strategy, however not always the right focus

We are confident we can turn the situation around...



No Change in 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 Priorities

- ❖ **Build the right management team**
- ❖ **Define appropriate format value propositions**
- ❖ **Focus on operational execution**
- ❖ **Create effective multi-format business model**
- ❖ **Continue to take advantage of market opportunities for “intelligent” growth**

Executive Board

Operational

Karusel
S. Volikova

Pyaterochka
O. Naumova

Perekrestok
J. Lella

supported by strong divisional teams of experienced Russian & International retailers

Central Office Support

IT
L. Koenot

HR
T. Ryabova

Legal
V.Yavorskaya

Strategy/Bus.Dev.
A. Mironenkov

CFO
S.Piven

Administration
S.Bakumov

CEO
S. DuCharme

Shared Business Values

- ❖ Professionalism
- ❖ Result oriented
- ❖ Client orientation (external/internal)
- ❖ Ethics & values
- ❖ Honesty & trust



Surprising customers everyday!

We want to move closer to customers, and surprise with cleanness, freshness and new assortment.

- ❖ Best prices/economical shopping
- ❖ Clear, easy store navigation
- ❖ Convenient locations
- ❖ Complimentary non-food assortment
- ❖ Quality fresh products

New philosophy, new company.

We are changing!

#1 Supermarket for fresh!

Develop fresh categories with an accent on quick and easy purchases:

- ❖ Number one supermarket for fish
- ❖ Fruits & Vegetables, bread, meat and prepared food – quality and freshness
- ❖ Attractive promotions
- ❖ Consistent service and quicker check-outs
- ❖ Fair prices – best price on fresh among supermarkets

Supported by the right assortment & price strategy

Convenient shopping, fair prices!

Why I shop at Karusel:

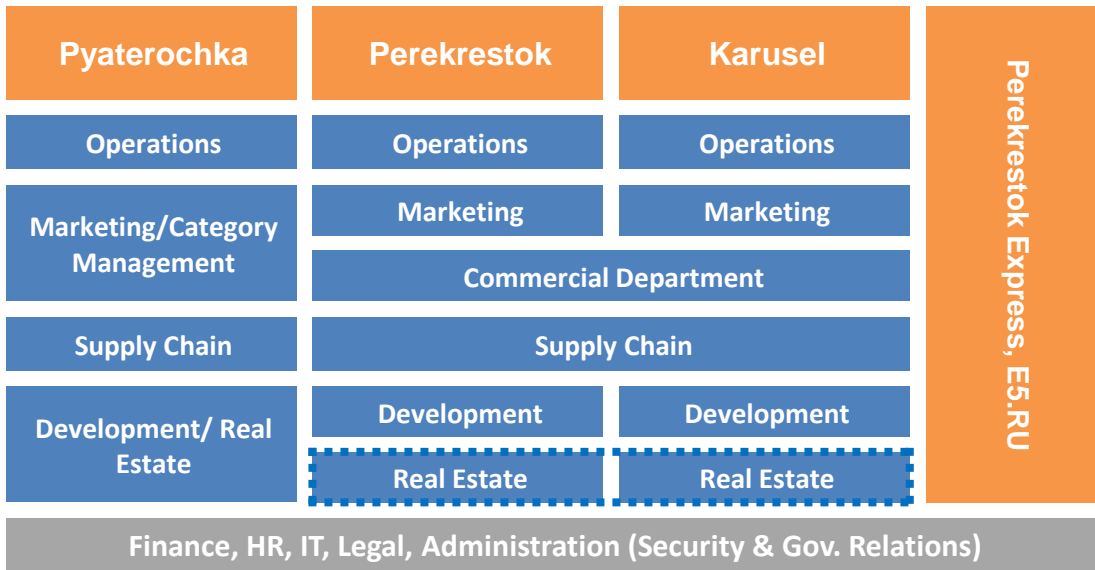
- ❖ I can find **everything I need** for my weekly shopping and more...
- ❖ I don't overpay – **good value for money**, no need to drive further
- ❖ I am **shopping, not waiting** in lines
- ❖ I have a **Karusel card** which rewards my loyalty and gives me access to exclusive deals

Back to Basics Retail

- ❖ Assortment
- ❖ Availability
- ❖ In-store operations – routines & processes
- ❖ Personnel – training & accountability
- ❖ Focus on like-for-like results
 - ❖ Pyaterochka: Refurbishments, new operational model (incl. category management/logistics) and updated assortment (focus on fresh)
 - ❖ Perekrestok: Updated concept and assortment (focus on fresh), service, refurbishments and communication with customers
 - ❖ Karusel: Communication (internal/external), in-store processes, price rollback, loyalty program, updated assortment and concept
- ❖ Organic growth



- ❖ Mid – 2011 begin transition towards a multi-format organizational structure, start cascading resources to formats
- ❖ Strong, autonomous banners provide long-term success in terms of market share/presence
- ❖ In 2013, we strengthened our formats operational capabilities by providing more focused category management and logistics functions



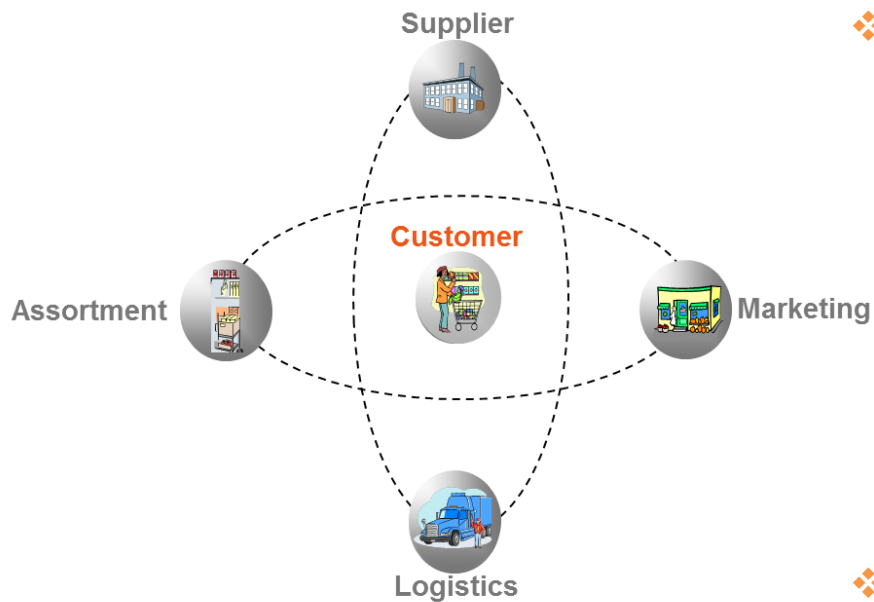
Moving formats closer to the customer

New structure reinforces format strategy and value propositions

- ❖ Globally most multi-format retailers provide significant operational independence to individual formats
- ❖ Dedicated operations, category management & supply chain teams focus on customer needs, drive sales and avoid convergence of format value propositions
- ❖ Purchasing power preserved through joint negotiations with common suppliers
- ❖ Business processes of discounters are simpler than those of bigger formats
- ❖ Provides all formats more focus on cost control
- ❖ Logistics requirements differ amongst formats; centralization levels, assortment, and assortment size, frequency of delivery

New model provides formats with more focused service and a better set of tools to deliver value to customers

Customer-focused: “We buy what our customers want to buy”...



- ❖ **Creation of two category management teams:**
 - ❖ **Pyaterochka:** team in place and functioning
 - ❖ **Big formats:** Perekrestok and Karusel will use existing commercial department services until 1 February 2014 with increased focus, jointly with the formats, on the “right” assortment
 - ❖ **From 1 February,** Perekrestok and Karusel will introduce category management principles as well
 - ❖ **In-house and external training** of category management teams
- ❖ **Category management focus:** customer needs, increase in sales and target profitability level

... not “What we can buy cheaply”

Core responsibilities of category managers

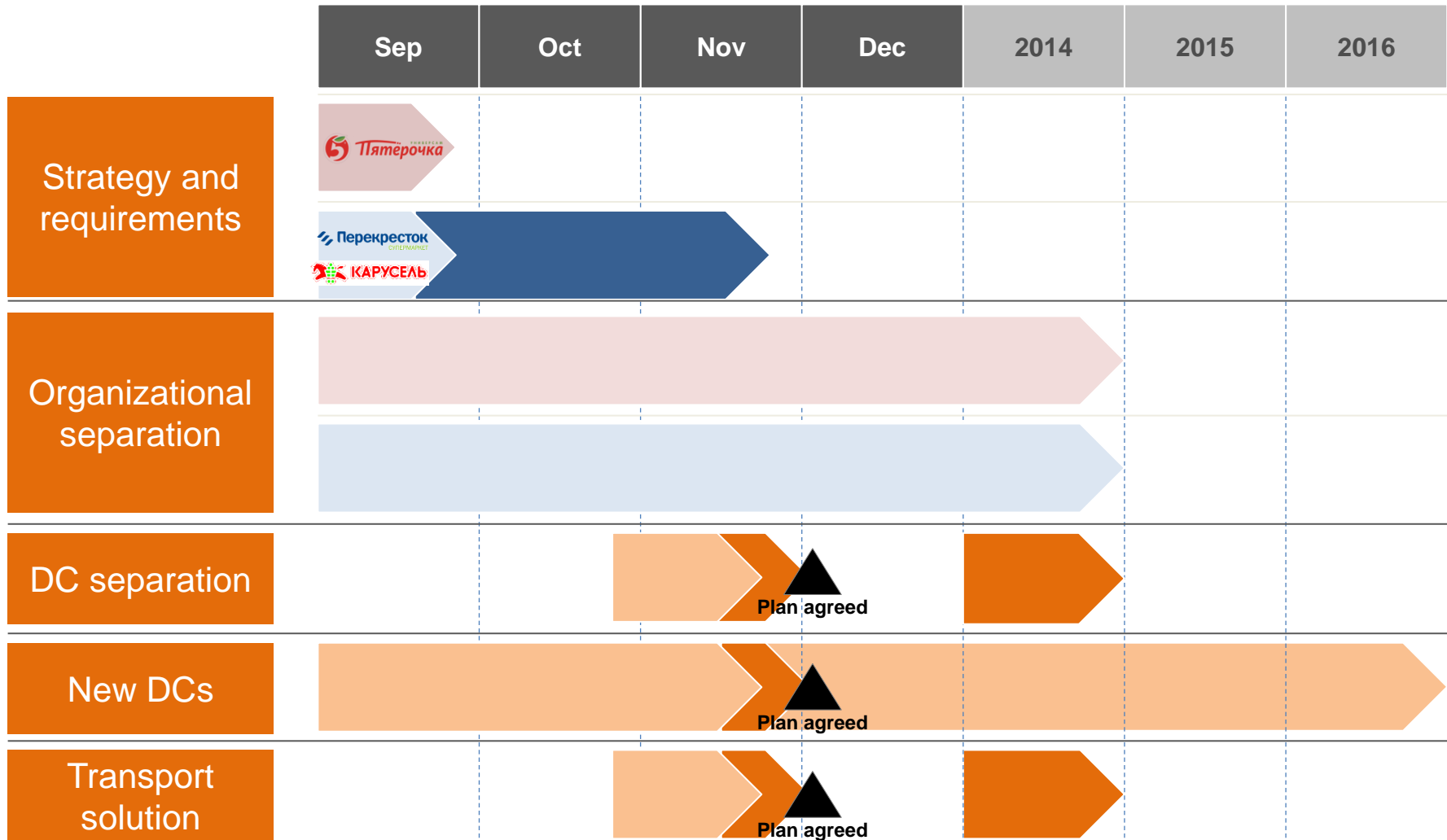
- ❖ Right assortment
- ❖ Right price and place on the shelf
- ❖ Proper margins
- ❖ Proper suppliers' trade terms
- ❖ Right and well-timed promos
- ❖ Properly defined logistic and service level

Category indicators

- ❖ Sales, losses
- ❖ Stock turnover
- ❖ Gross profit (RUR)
- ❖ Accounts receivable and accounts payable
- ❖ Customer traffic
- ❖ Logistics' expenditures

Focus on individual needs of formats

- ❖ Different value propositions and assortments – Perekrestok & Karusel have larger proportion of fresh category (fish, meat, poultry, fruit & vegetables) & non-food
- ❖ Different levels of centralization – higher for Pyaterochka
- ❖ Store densities & delivery distances – higher densities and shorter delivery distances for Pyaterochka
- ❖ Assortment range – much wider assortment range for Perekrestok & Karusel as well as higher proportion of slow moving items
- ❖ 5 DC's in Moscow Region already dedicated to Pyaterochka
- ❖ Construction of new DCs will be based on mono-format principles
- ❖ Current multi-format DCs will be evaluated on a case-by-case basis for conversion to mono-format and utilization of cross docking/direct delivery solutions
- ❖ Synchronizing/optimizing all steps of logistics operations, including; trucks inbound, order picking, delivery routes loading, inbound in the stores



IT is a competitive advantage for X5

- ❖ Fully integrated SAP Retail platform – a base that no other Russian retailer has and one that we have not used to the fullest potential
- ❖ Scalable IT platform to allow company growth: from both the physical store perspective as well as virtual world
- ❖ Robust IT systems that provide opportunities for improved data capture and analysis
- ❖ Replenishment tools being introduced in 2013 & 2014 have/will improve on-shelf availability while decreasing stock levels
- ❖ E5.RU has one of the most extensive on-line offers in the market

To move closer to the customer we also need to **improve our supplier relationships**

- ❖ Better cooperation on assortment
 - ❖ Streamlined processes for new product introduction
 - ❖ Sharing information on sales, plans and forecasts
 - ❖ Category reviews and management with supplier cooperation
- ❖ Better communication
 - ❖ Category management teams will focus on both sales and profitability, have decision making power and provide clear channel for communication
 - ❖ Better promo planning
 - ❖ Simpler contract terms
 - ❖ Investment in supplier feedback and regular communication to address concerns
 - ❖ Increase cooperation with category unions
 - ❖ Annual X5 Category Management Conference

Thank you for your attention!