



Q3 2018 FINANCIAL RESULTS

MOSCOW, RUSSIAN FEDERATION
24 OCTOBER 2018

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I. HIGHLIGHTS

04 / STRATEGIC HIGHLIGHTS



- X5 is a true **multi-format** retailer with business model, which enables to capture growth in the three largest segments of Russia's food retail business



- 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, including expansion of fresh assortment, widening local assortment, development of loyalty programmes



- Significant **improvements in logistics and transport**: adding new links in the value chain and acquisition of **1,231 trucks**
- In the last three years X5 opened 23 DCs, including **10 DCs** in 2017



- 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



- Approval of the **dividend policy** by the Supervisory Board in September 2017
- Supervisory Board recommended to pay dividends in the amount of **RUB 21,590 million / RUB 79.5 per GDR**, subject to related fees and taxes



05 / KEY ACHIEVEMENTS IN Q3 2018



- Revenue growth remained strong at **17.6%**



- Adjusted EBITDA margin at solid **7.4%**



- Net debt / EBITDA at the level of **1.99x** as of 30 September 2018



- Positive LFL sales growth of **0.5%** in Q3 2018
- LFL traffic of Perekrestok was positive for **11 quarters** in a row



- The Company added **507** net new stores in Q3 2018 adding net **209 th. sq. m** of selling space, **83%** of which was **organic growth**



- All** of Pyaterochka stores and over **83%** of Perekrestok stores operating under new concept as of 30 September 2018



- 31.4 mln** loyalty card users as of 30 September 2018



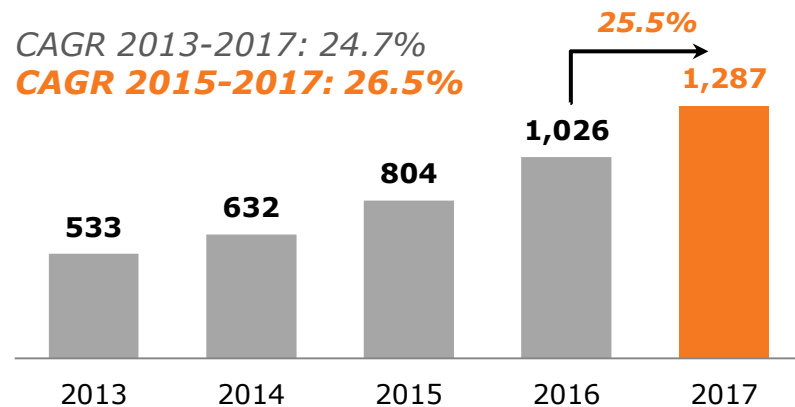
- Pyaterochka added **194 th. sq. m** of net selling space



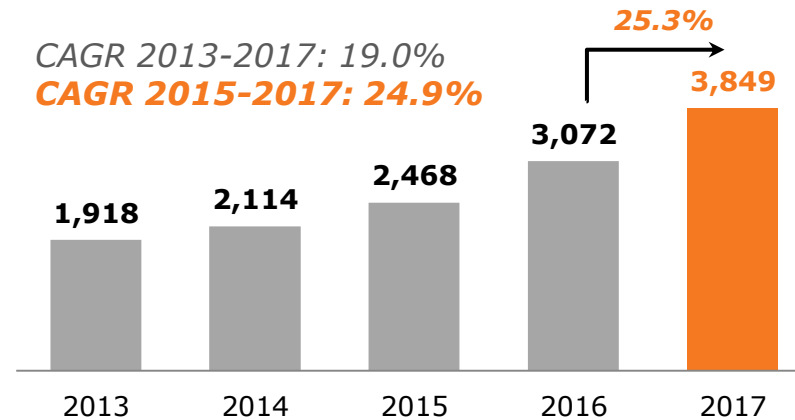
Source: X5 data

06 OPERATIONAL HIGHLIGHTS

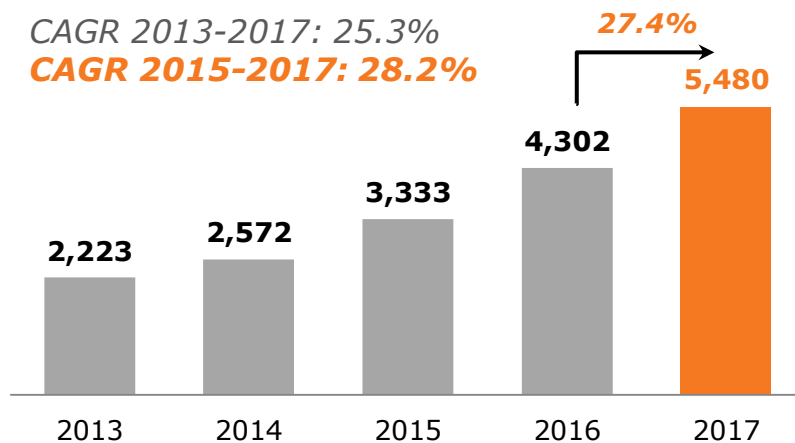
Net retail sales dynamics, RUB bn



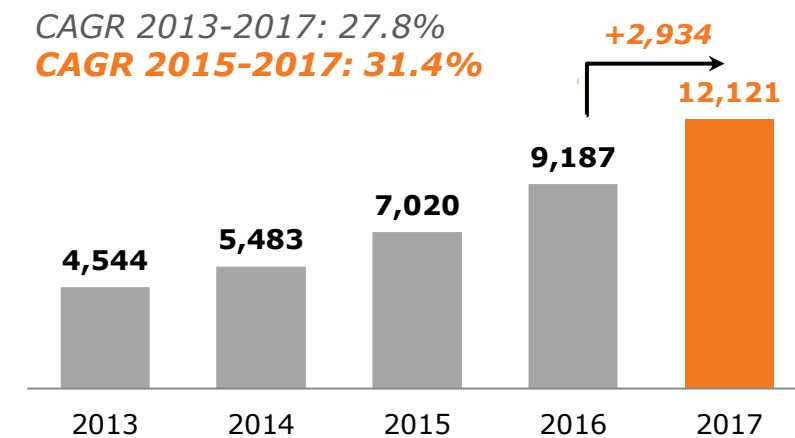
Customer visits, mln



Selling space, th. sq m



Number of stores, end of period



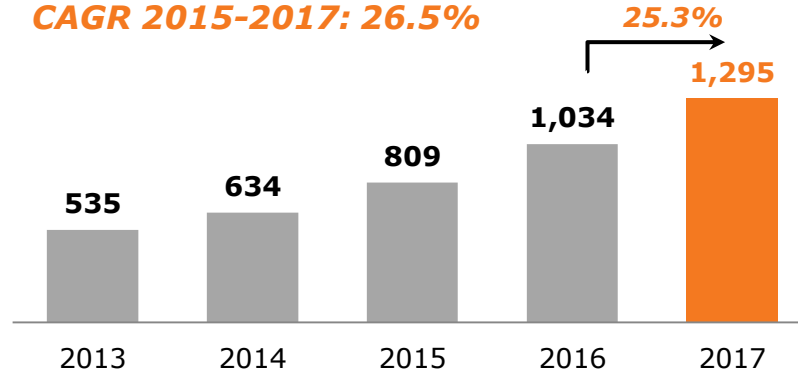
Source: X5 data



07 / FINANCIAL HIGHLIGHTS

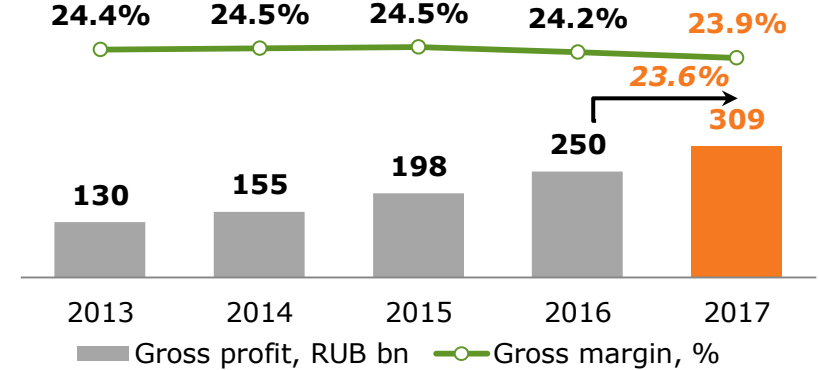
Revenue dynamics, RUB bn

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



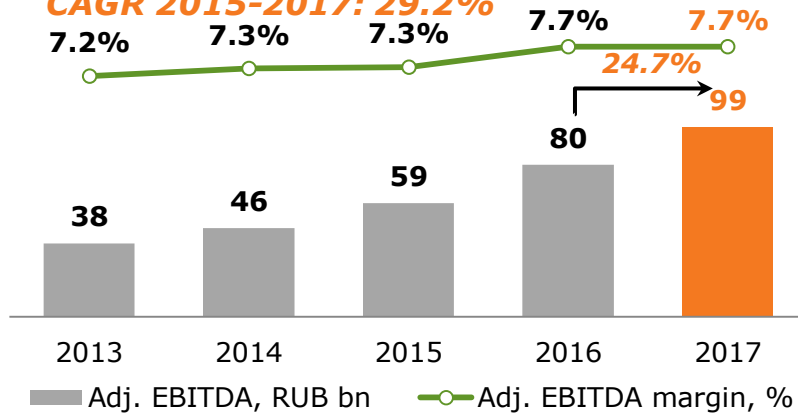
Gross profit & gross margin

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



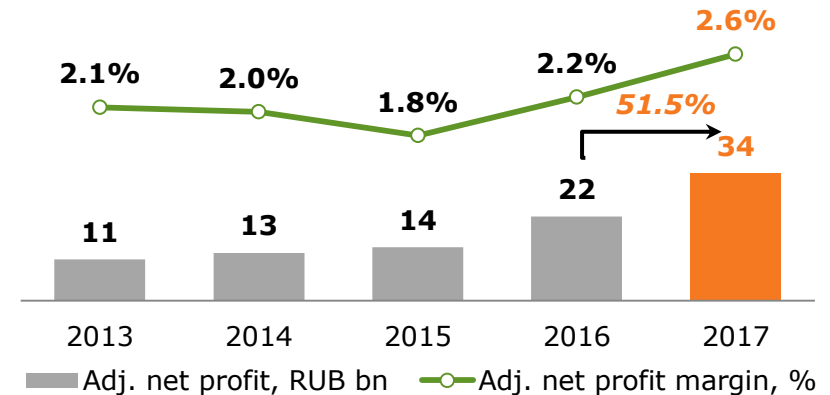
Adj. EBITDA & adj. EBITDA margin^[1]

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



Adj. net profit and adj. net profit margin^[2]

CAGR 2013-2017: 32.4%
CAGR 2015-2017: 54.4%



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

[2] – Adjusted for income tax expense affected by the Company's dividend policy (change in deferred tax liability associated with investments in subsidiaries) and a non-recurring increase in impairment related to the Perekrestok Express segment as a result of the decision to focus on the three major formats



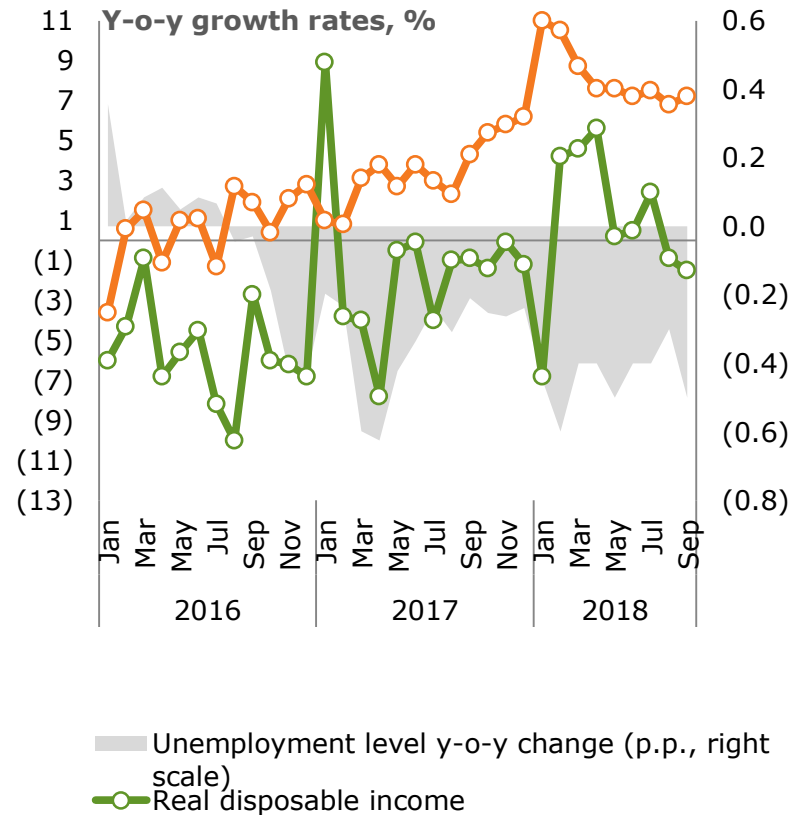
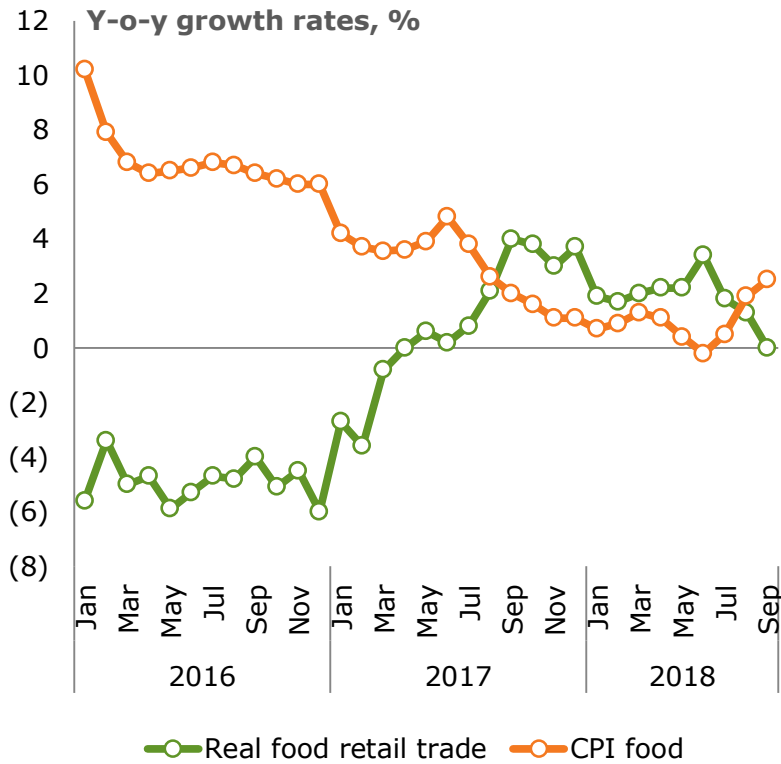


II. MARKET OVERVIEW

09 MACRO ENVIRONMENT (1/2)

Real food retail trade growth stopped by the end of Q3 2018 on the back of CPI food acceleration and consumer sentiment deterioration

Real income resumed decline in Q3 2018 despite persisting growth in real wage and record lows of unemployment



Source: Rosstat

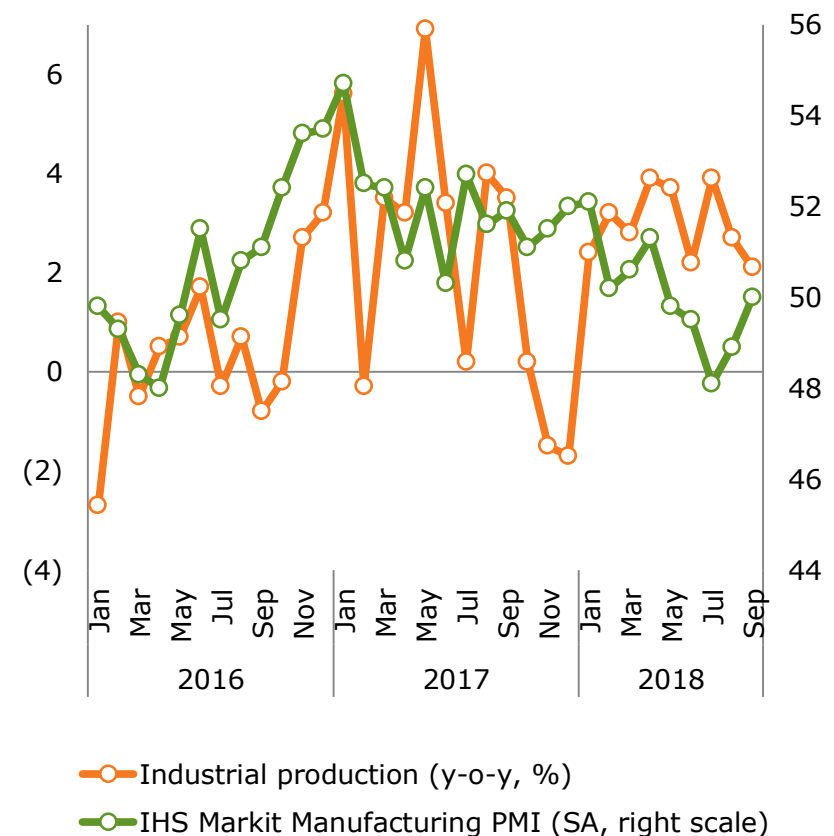
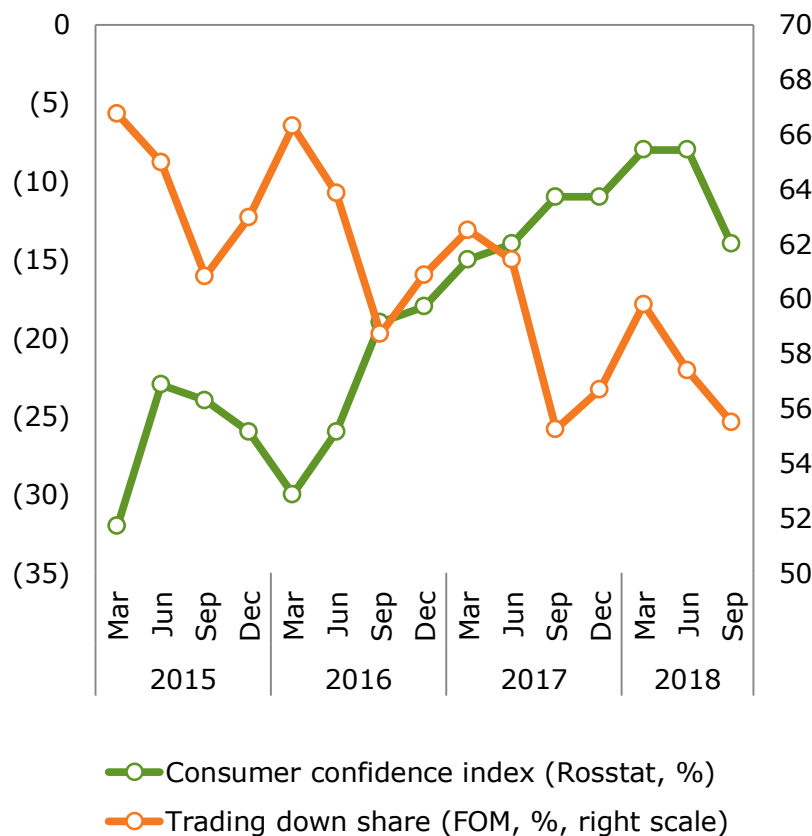
In 9M 2018 the Russian economy showed positive but weak growth in consumer demand on the back of volatile income dynamics and an increased level of economic uncertainty



10 / MACRO ENVIRONMENT (1/2)

Consumer confidence halted its recovery in Q3 2018. Trading down continued declining but remained high

Positive growth in industrial production is not supported by the outlook for future production indicated by the Russian manufacturing PMI index



Source: Rosstat, FOM

The key macroeconomic risks for the sustainability of the economic upturn are the weak consumer demand and uncertainty of recovery on the supply side



11 / RECENT MARKET TRENDS...

KEY TRENDS	DESCRIPTION	CONCLUSIONS
Changing demographics	<ul style="list-style-type: none"> ▪ Growth of over working age population by 2% p.a. vs. reduction of working age group by 1% p.a. 	<ul style="list-style-type: none"> ▪ Growth of price-sensitive consumer segment ▪ Growth of proximity format popularity
Declining population income	<ul style="list-style-type: none"> ▪ Increased price sensitivity and rational spending ▪ Growth of "cherry pickers" 	<ul style="list-style-type: none"> ▪ Growth in attractiveness of proximity/discounters ▪ Increased pressure on margins (need for opex reduction)
Growing competition	<ul style="list-style-type: none"> ▪ Retail space saturation ▪ "Value" format development (e.g., specialists, hard discounters, dollar stores) 	<ul style="list-style-type: none"> ▪ Increasing pressure on LFL ▪ Increased pressure on margins (need for opex reduction)
Spread of new technologies	<ul style="list-style-type: none"> ▪ Growth of online shopping and price transparency ▪ Increase in Big Data analytics 	<ul style="list-style-type: none"> ▪ Opportunity to improve competitiveness through service and personalisation
Tightening market regulation	<ul style="list-style-type: none"> ▪ Retail trade legislation (back margin constraints) ▪ EGAIS and other control systems ▪ International sanctions 	<ul style="list-style-type: none"> ▪ Additional costs due to new regulation ▪ Growing margin pressures ▪ Product shortages and price inflation



12 / ...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
- Negotiating better terms from suppliers
- 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

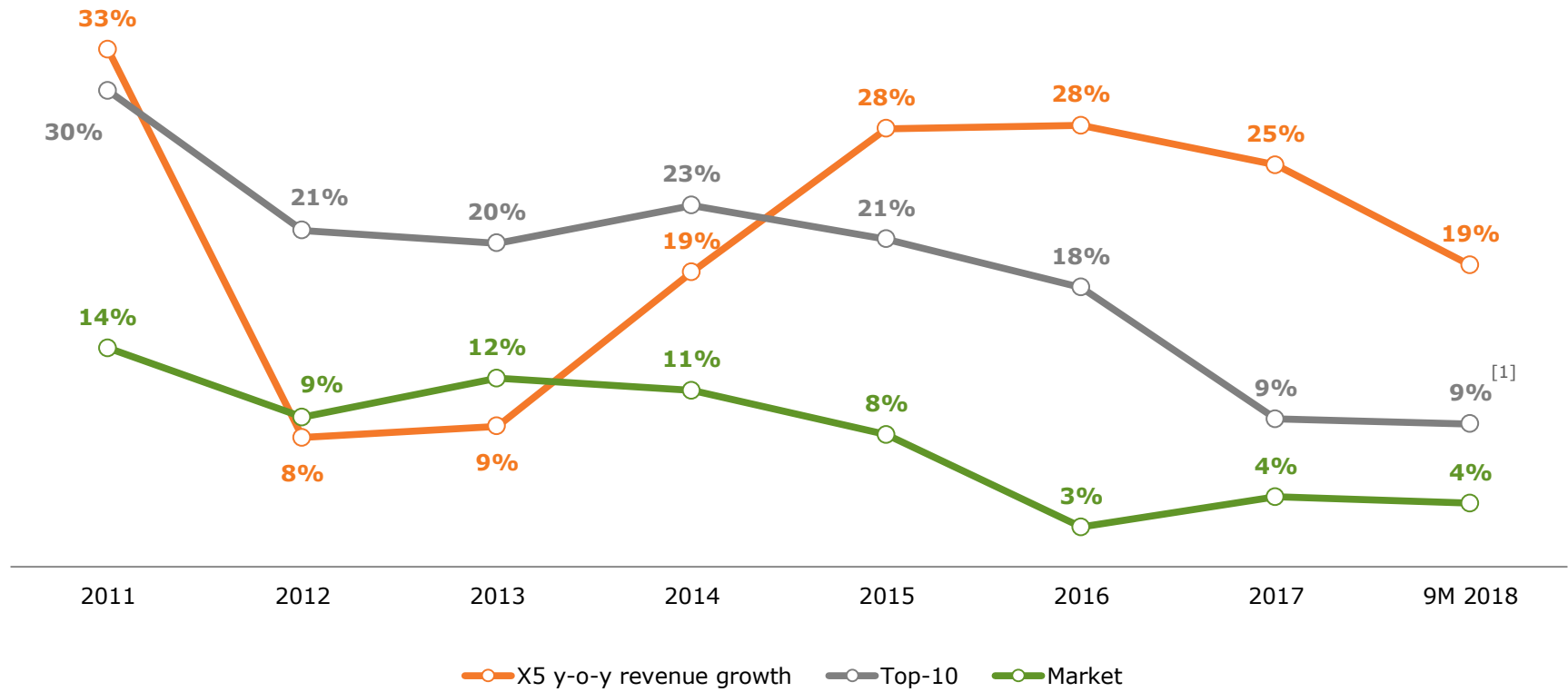
- Online retail initiative within the supermarket segment
- Successful development of loyalty programme and personalised promo in Perekrestok
- Further implementation of advanced analytics

Tightening market regulation

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



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













Source: Infoline, X5 analysis
[1] - X5's estimate

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



14 / 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

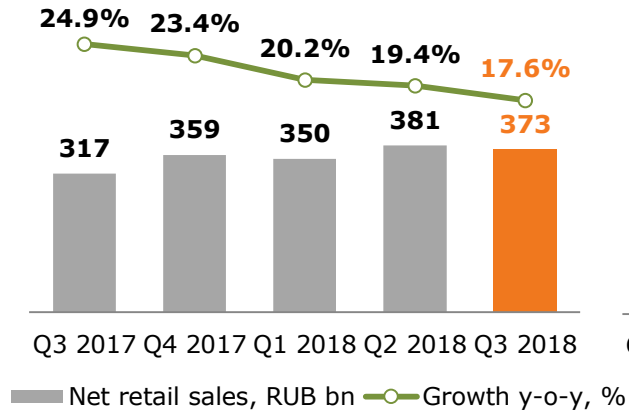
X5's market share increased from 8.0% in 2016 to 9.5% in 2017



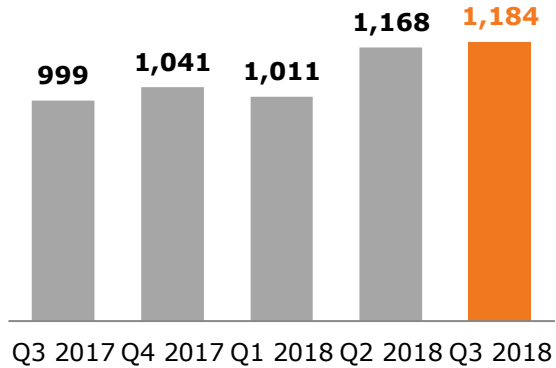
**III. OPERATIONAL RESULTS
Q3 2018**

16 / Q3 2018 RESULTS: OPERATIONAL HIGHLIGHTS

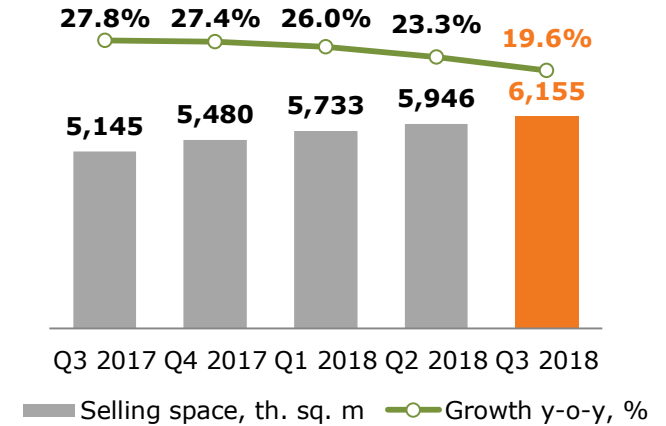
Net retail sales



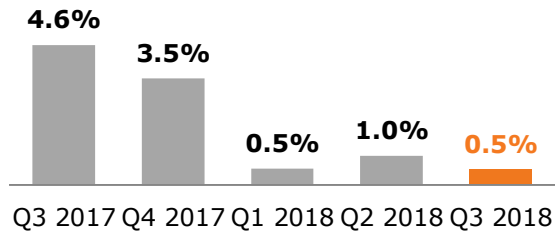
Traffic, mln customers



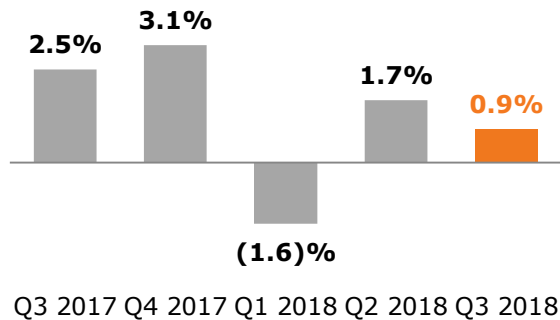
Net selling space (eop)



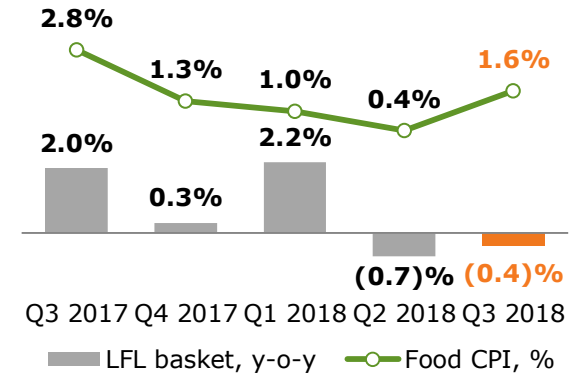
LFL sales, y-o-y



LFL traffic, y-o-y



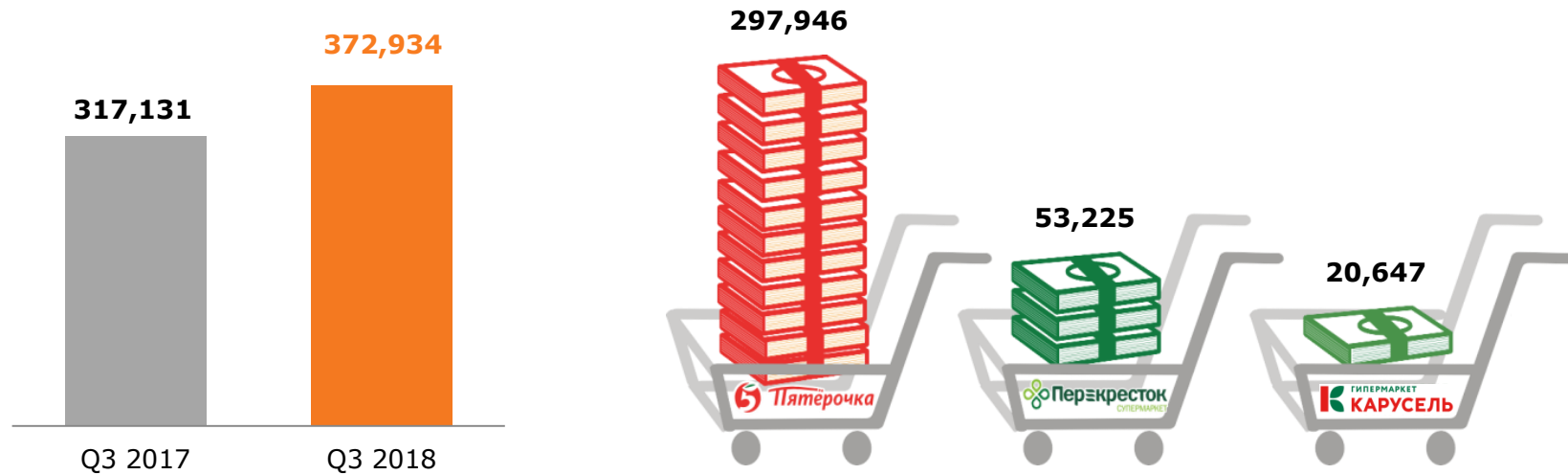
LFL basket, y-o-y



Source: X5 data

17/ Q3 2018 RESULTS: NET RETAIL SALES SUMMARY

Net retail sales breakdown by retail format, RUB mln



KEY DRIVERS

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

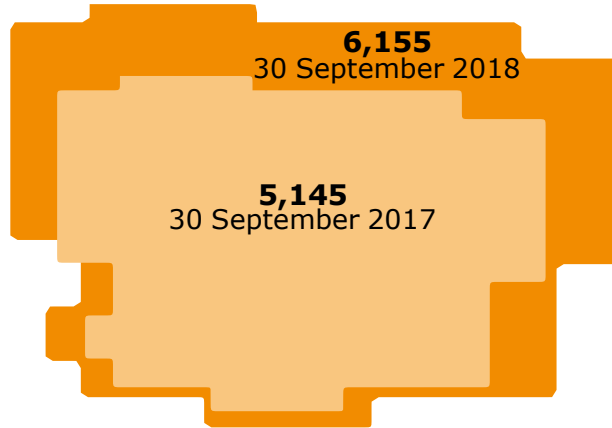
Source: X5 data

Net retail sales growth of 17.6% was driven by a 0.5% increase in like-for-like sales and a 17.1% sales growth contribution from a 19.6% rise in selling space

18 / Q3 2018 RESULTS: EXPANSION SUMMARY

- Total store base increased to 13,685 stores as of 30 September 2018
- Pyaterochka was the main driver for the store base increase with a 194 th. sq. m selling space addition in Q3 2018

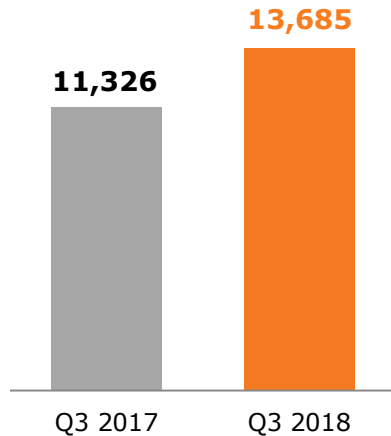
Net selling space, th. sq. m



Net selling space added in Q3 2018, th. sq. m

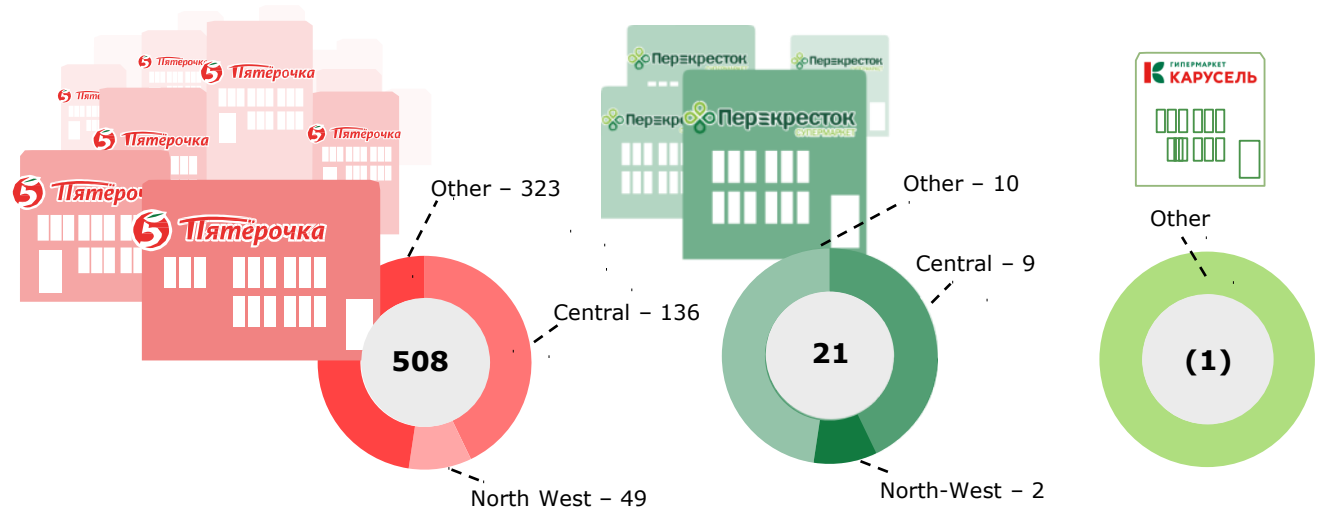


Net stores base



Source: X5 data

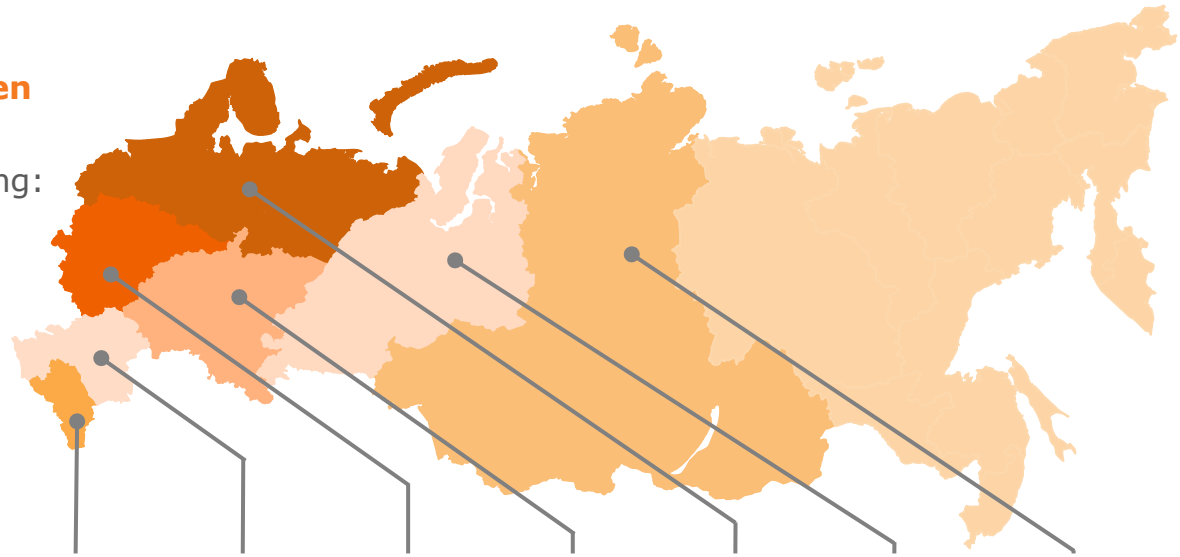
Net stores added in Q3 2018 by formats and by regions







19 X5 REGIONAL PRESENCE

X5 today

- Multi-format presence in **seven** Federal Districts
- Total stores – 13,685, including:
 - 12,822 Pyaterochka
 - 712 Perekrestok
 - 92 Karusel



Format	Unit	North Caucasus	Southern	Central	Volga	North Western	Ural	Siberian	Total
 Пятёрочка		208	1,047	5,085	3,506	1,477	1,075	424	12,822
 Перекресток	Number of stores, #	9	37	418	117	89	42	0	712
 КАРУСЕЛЬ		1	5	37	24	18	7	0	92
 X5 RETAIL GROUP	Net retail sales (9M 2018), %	0.9%	5.3%	53.2%	18.7%	14.4%	6.2%	1.2%	100%

Source: X5 data

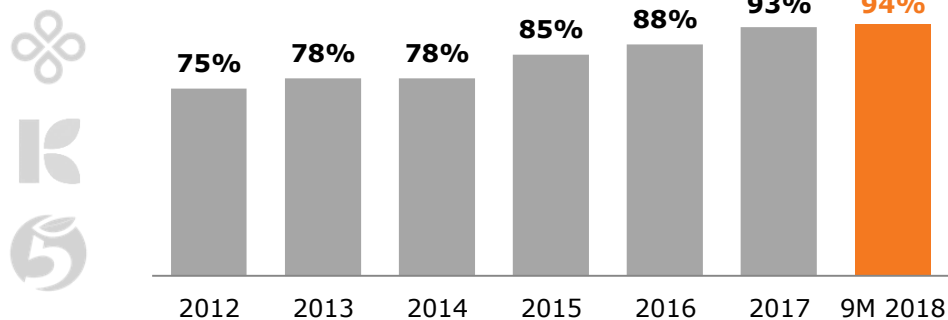
20 X5 DISTRIBUTION CAPABILITIES

Warehouse space as of 30 September 2018

Federal district	Space, th. sq. m	# of DCs
Central	578	16
North-Western	131	5
Volga	195	9
Ural	145	6
Southern	78	3
Siberian	18	1
Total	1,145	40



Centralisation levels



Source: X5 data

Highlights for Q3 2018

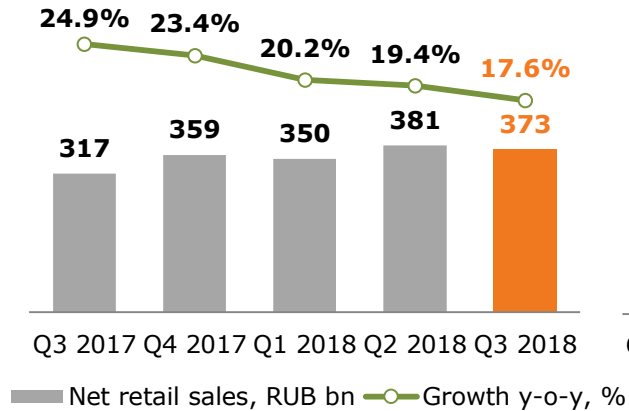
- X5 started the implementation of the new Logistics and Transportation Strategy covering the period until 2025.
- One new distribution centre in Yaroslavl was opened in Q3 2018.
- As of 30 September 2018 the Company owned 3,293 trucks.



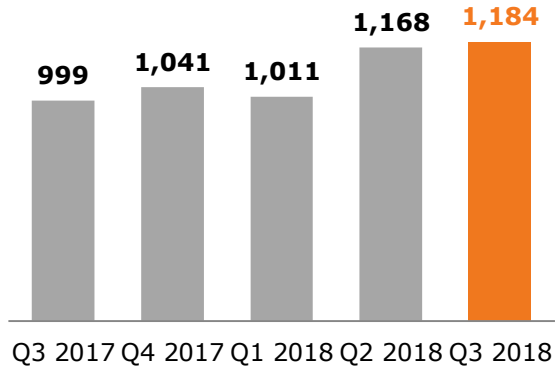
**IV. FINANCIAL RESULTS
Q3 2018**

22 / Q3 2018 RESULTS: FINANCIAL HIGHLIGHTS

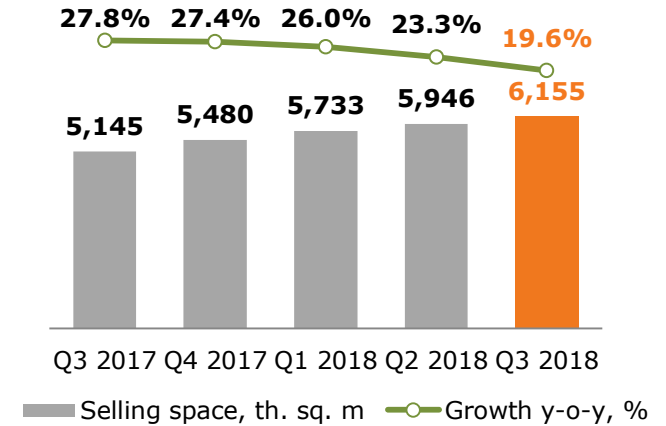
Net retail sales



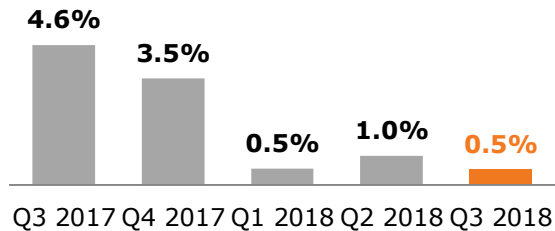
Traffic, mln customers



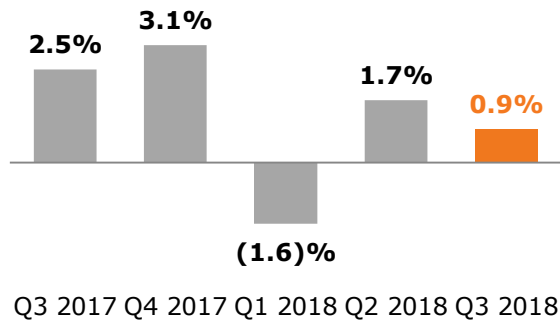
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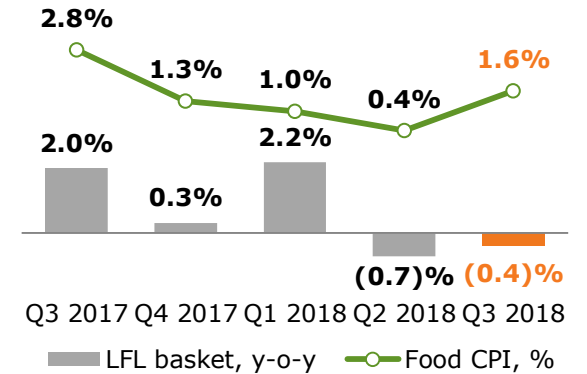
LFL sales, y-o-y



LFL traffic, y-o-y



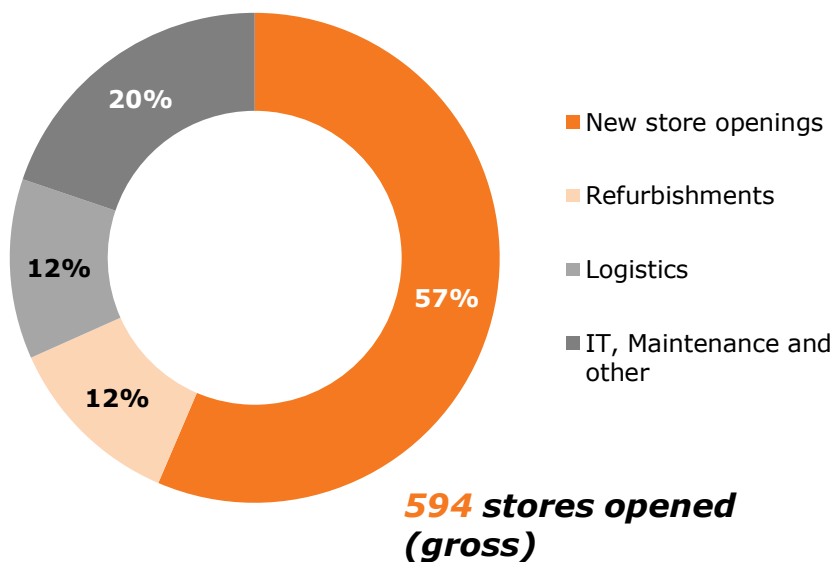
LFL basket, y-o-y



Source: X5 data

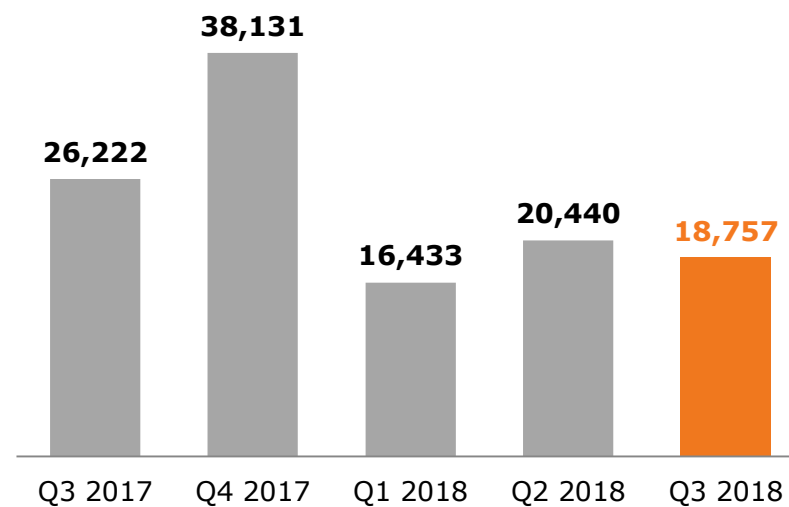
23 / Q3 2018 RESULTS: CAPITAL EXPENDITURE OVERVIEW

Capex breakdown for Q3 2018



Capex breakdown by quarter, RUB mln

Total Capex in Q3 2018: **RUB 18,757 mln**



Source: X5 data

In Q3 2018, capex programme focused on organic expansion, IT and maintenance and logistics

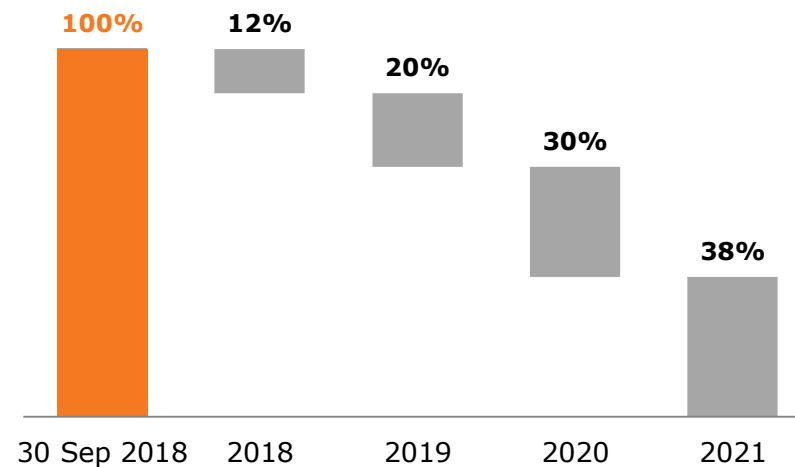


24 / Q3 2018 RESULTS: DEBT STRUCTURE

Debt profile

RUB mln	30 Sep 2018	30 Sep 2017
Total Debt	217,184	172,064
Short-Term Debt	55,987	46,496
<i>% of total debt</i>	<i>25.8</i>	<i>27.0</i>
Long-Term Debt	161,197	125,568
<i>% of total debt</i>	<i>74.2</i>	<i>73.0</i>
Net Debt	201,846	160,350

Debt portfolio maturity



Covenants & liquidity update

Covenant metrics & liquidity sources	30 Sep 2018	30 Sep 2017
Net Debt / EBITDA	1.99x	1.74x
Cash & cash equiv., RUB mln	15,338	11,714
Available credit limits, RUB mln	303,048	296,903

Highlights

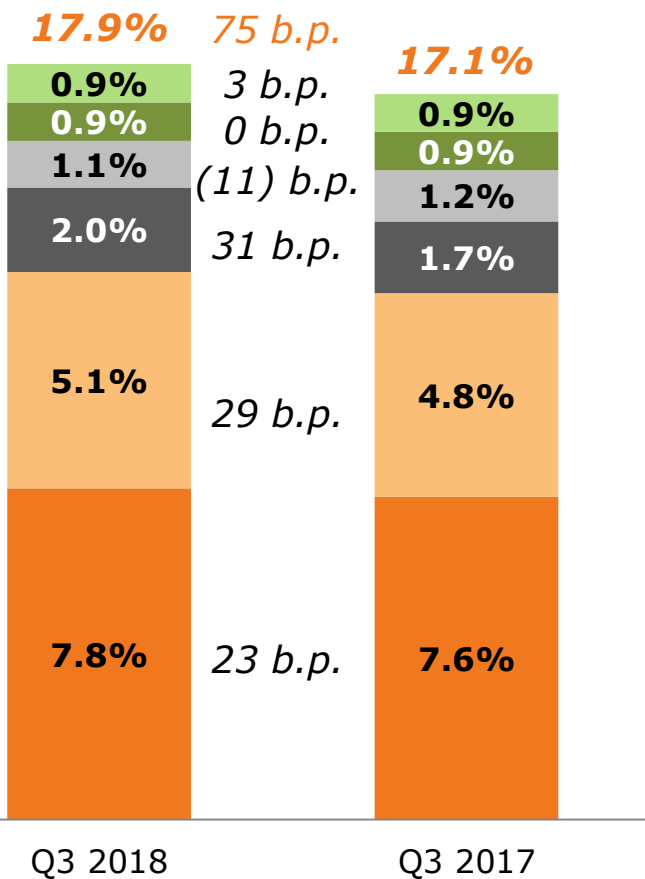
- X5's debt portfolio is 100% RUB-denominated
- All of the X5's loans and bonds have fixed interest rates
- X5's available credit limits amounted to RUB 303,048 bn

Source: X5 data

25 / Q3 2018 RESULTS: ADJUSTED SG&A [1] EXPENSES ANALYSIS

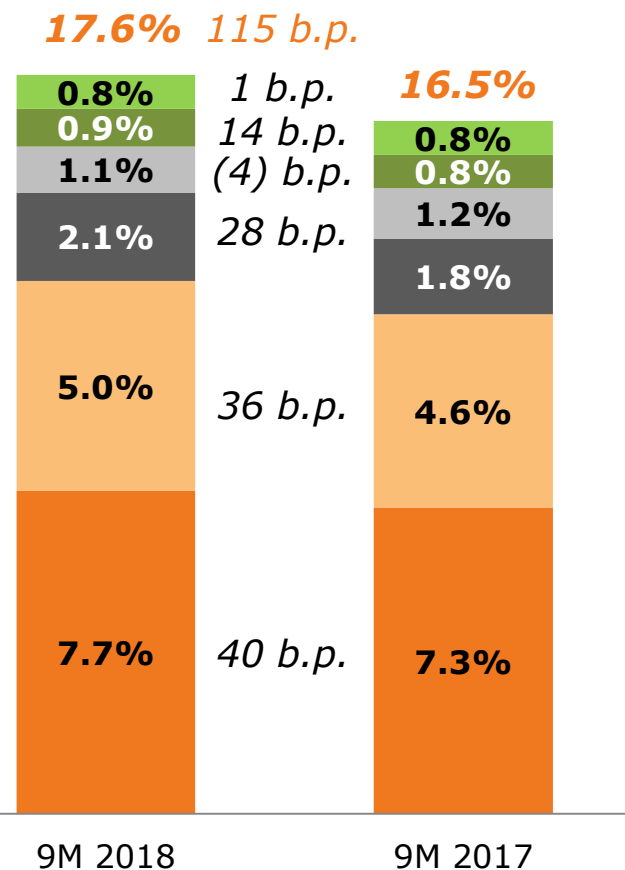
Q3 2018 analysis

as percentage of revenue



9M 2018 analysis

as percentage of revenue



Source: X5 data
 [1] – Adjusted for D&A&I, LTI, exit share-based payments



26 / FINANCIAL STATEMENTS (1/3)

PROFIT AND LOSS STATEMENT

RUB mln	Q3 2018	Q3 2017	+/(-)	+/(-), %	9M 2018	9M 2017	+/(-)	+/(-), %
Revenue	375,505	319,424	56,081	17.6%	1,109,582	933,303	176,279	18.9%
Net retail sales	372,934	317,131	55,802	17.6%	1,104,132	927,482	176,650	19.0%
COGS	(283,023)	(243,659)	(39,364)	16.2%	(841,642)	(710,305)	(131,337)	18.5%
Gross profit	92,482	75,765	16,717	22.1%	267,940	222,998	44,942	20.2%
<i>Gross profit margin</i>	24.6%	23.7%		91 b.p.	24.1%	23.9%		25 b.p.
SG&A	(79,466)	(64,981)	(14,485)	22.3%	(232,270)	(183,506)	(48,764)	26.6%
EBITDA	27,689	22,392	5,297	23.7%	77,827	72,392	5,435	7.5%
<i>EBITDA margin</i>	7.4%	7.0%		36 b.p.	7.0%	7.8%		(74) b.p.
Operating profit	15,367	12,844	2,523	19.6%	42,838	45,342	(2,504)	(5.5)%
<i>Operating margin</i>	4.1%	4.0%		7 b.p.	3.9%	4.9%		(100) b.p.
Net profit	8,087	7,277	810	11.1%	22,400	25,975	(3,575)	(13.8)%
<i>Net profit margin</i>	2.2%	2.3%		(12) b.p.	2.0%	2.8%		(76) b.p.

Source: X5 data



27 / FINANCIAL STATEMENTS (2/3)

BALANCE SHEET

RUB mln	30 Sep 2018	30 Sep 2017	+ / (-)	+ / (-)%
Total current assets	142,432	121,979	20,453	16.8%
Cash & cash equivalents	15,338	11,714	3,624	30.9%
Inventories	99,755	84,953	14,802	17.4%
Total non-current assets	426,644	378,598	48,046	12.7%
Net PP&E	295,547	259,814	35,733	13.8%
Goodwill	92,905	84,421	8,484	10.0%
Total assets	569,076	500,577	68,499	13.7%
Total current liabilities	241,673	215,943	25,730	11.9%
ST debt	55,987	46,496	9,491	20.4%
Trade accounts payable	119,516	109,331	10,185	9.3%
Total non-current liabilities	168,185	131,632	36,553	27.8%
LT debt	161,197	125,568	35,629	28.4%
Total liabilities	409,858	347,575	62,283	17.9%
Total equity	159,218	153,002	6,216	4.1%
Total liabilities & equity	569,076	500,577	68,499	13.7%

Source: X5 data

28 / FINANCIAL STATEMENTS (3/3)

CASH FLOW STATEMENT

RUB mln	Q3 2018	Q3 2017	+/(-)	+/(-)%	9M 2018	9M 2017	+/(-)	+/(-)%
Net cash generated from operating activities	28,147	26,693	1,454	5.4%	55,779	37,598	18,181	48.4%
Net cash from operating activities before changes in working capital	27,666	22,281	5,385	24.2%	77,726	72,562	5,164	7.1%
Change in Working Capital, incl.:	8,475	9,921	(1,446)	(14.6)%	(1,539)	(15,866)	14,327	(90.3)%
Decrease/(increase) in trade and other AR	(717)	(2,125)	1,408	(66.3)%	6,474	11,099	(4,625)	(41.7)%
Decrease/(increase) in inventories	3,192	(2,186)	5,378	-	(455)	(11,152)	10,697	(95.9)%
(Increase)/decrease in trade payable	1,527	10,085	(8,558)	(84.9)%	(11,184)	(21,799)	10,615	(48.7)%
(Decrease)/increase in other AP	4,473	4,147	326	7.9%	3,626	5,986	(2,360)	(39.4)%
Net interest and income tax paid	(7,994)	(5,509)	(2,485)	45.1%	(20,408)	(19,098)	(1,310)	6.9%
Net cash used in investing activities	(19,533)	(23,135)	3,602	(15.6)%	(68,986)	(59,910)	(9,076)	15.1%
Net cash generated from/(used in) financing activities	(7,012)	1,375	(8,387)	-	1,015	15,830	(14,815)	(93.6)%
Effect of exchange rate changes on cash & cash equiv.	(38)	2	(40)	-	(75)	6	(81)	-
Net increase/(decrease) in cash & cash equiv.	1,564	4,935	(3,371)	(68.3)%	(12,267)	(6,476)	(5,791)	89.4%





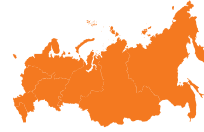
**APPENDIX
PERFORMANCE SUMMARY OF KEY
FORMATS**

30 PYATEROCHKA SUMMARY (1/3)

HIGHLIGHTS



12,822 stores as of 30 September 2018, 22.3% increase y-o-y



5,035 th. sq. m of selling space as of 30 September 2018, 21.5% increase y-o-y



Q3 2018 net retail sales – RUB 297.9 bn, 18.4% increase y-o-y



1,021 mln of customers in Q3 2018, 19.2% increase y-o-y



Share of X5's Q3 2018 sales: **~80%**



Q3 2018 LFL Results

- Sales: **0.1%**
- Traffic: **0.5%**
- Basket: **(0.4)%**



Average check: **RUB 333** (Q3 2018)

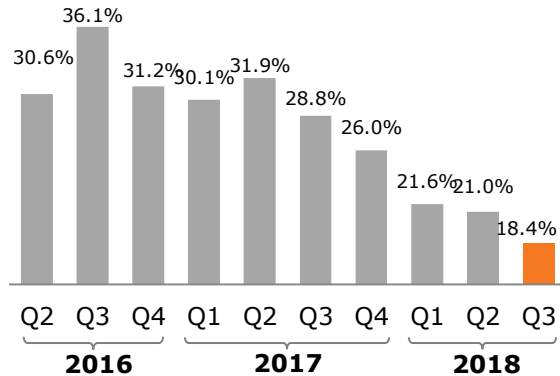


- Avg. net selling space: **393 sq. m.**
- **Formats**
 - 250-330 sq. m.
 - 330-430 sq. m.
 - 430-620 sq. m.
 - 620-and more

31 PYATEROCHKA SUMMARY (2/3)

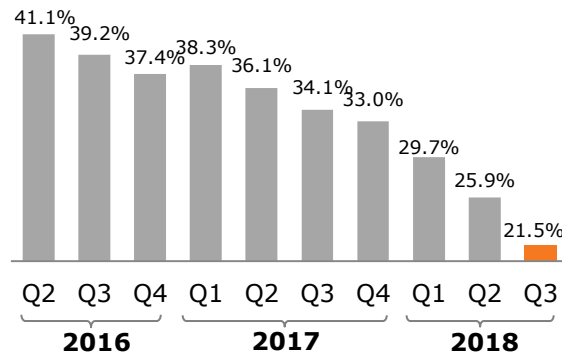
Q3 2018 net retail sales: 18.4% increase y-o-y

Net sales growth (% y-o-y)

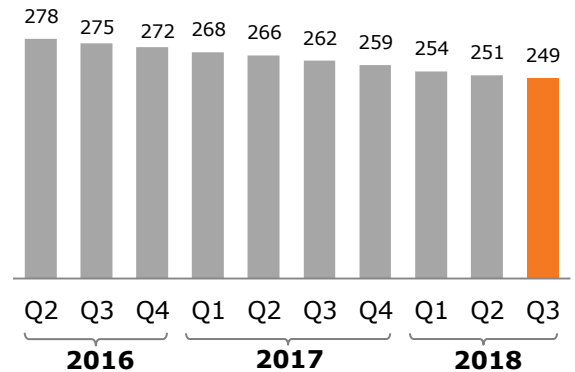


Q3 2018 selling space: 21.5% increase y-o-y

Net selling space growth (% y-o-y)

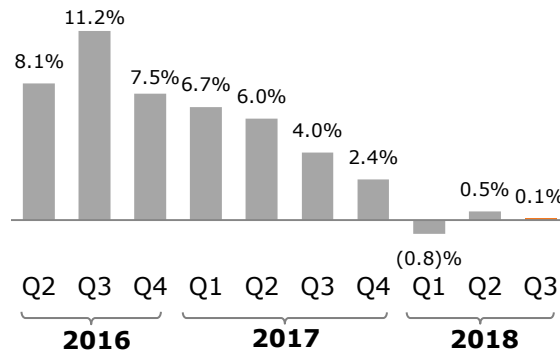


Net sales densities (th. RUB/sq. m^[1])



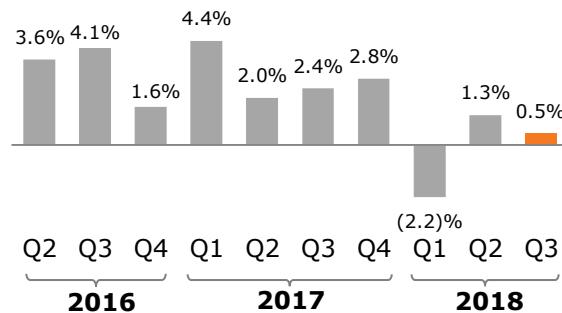
Q3 2018 LFL sales: 0.1% increase y-o-y

Total LFL sales growth (% y-o-y)

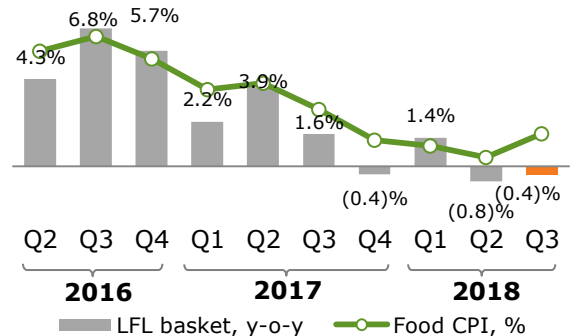


Q3 2018 LFL traffic: 0.5% increase y-o-y

Total LFL traffic growth (% y-o-y)



Total LFL basket growth (% y-o-y)



Source: X5 data

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



32 / 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

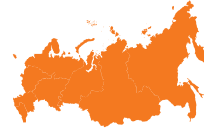


33 / PEREKRESTOK SUMMARY (1/3)

RUSSIA'S #1 SUPERMARKET



712 stores as of 30 September 2018, 21.9% increase y-o-y



728 th. sq. m. of selling space as of 30 September 2018, 24.4% increase y-o-y



Q3 2018 net retail sales of RUB 53.2 bn, 25.5% increase y-o-y



126 mln customers in Q3 2018, 27.2% increase y-o-y



Share of X5's Q3 2018 sales: **~14%**



Q3 2018 LFL Results

- Sales: **4.7%**
- Traffic: **6.7%**
- Basket: **(1.8)%**



Average check: **RUB 481** (Q3 2018),



Avg. net selling space: **1,023 sq. m.**

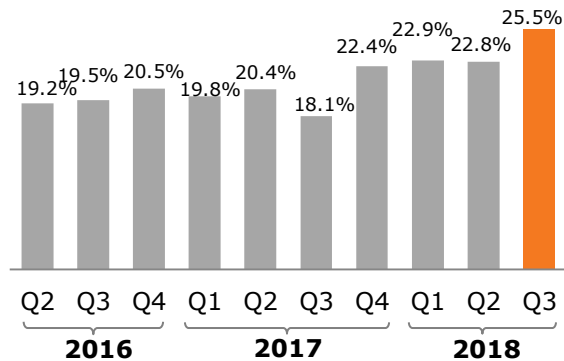


The main shop in every neighbourhood

34 / PEREKRESTOK SUMMARY (2/3)

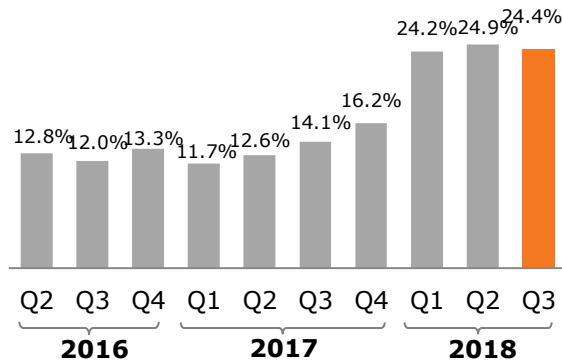
Q3 2018 net retail sales: 25.5% increase y-o-y

Net sales growth (% y-o-y)



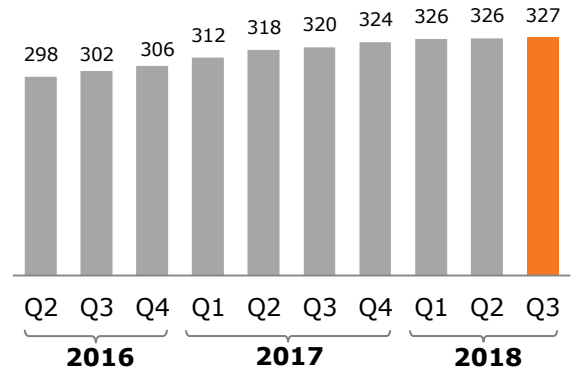
Q3 2018 selling space: 24.4% increase y-o-y

Net selling space growth (% y-o-y)



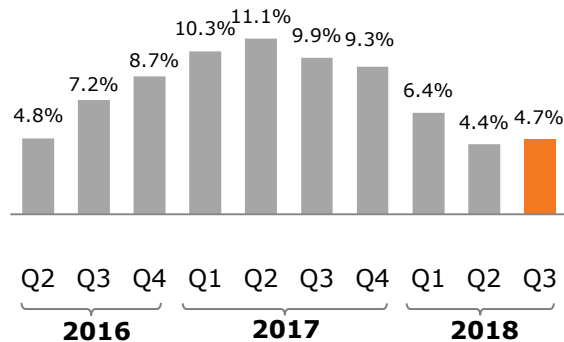
Q3 2018 sales densities: 2.0% increase y-o-y

Net sales densities (th. RUB/sq. m^[1])



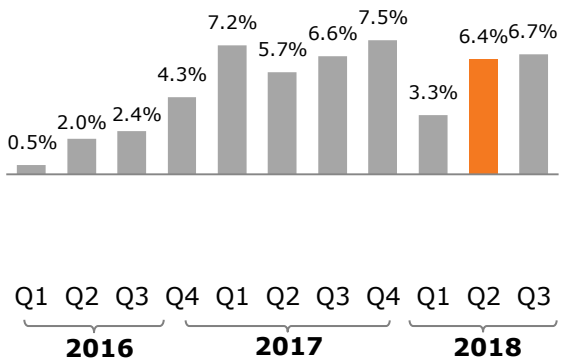
Q3 2018 LFL sales: 4.7% increase y-o-y

Total LFL sales growth (% y-o-y)



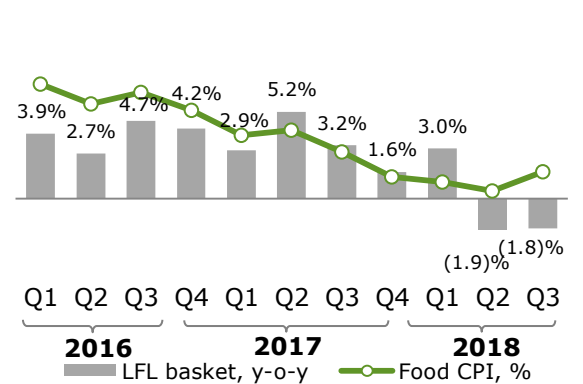
Q3 2018 LFL traffic: 6.7% increase y-o-y

Total LFL traffic growth (% y-o-y)



Q3 2018 LFL basket: 1.8% decline y-o-y

Total LFL basket growth (% y-o-y)



Source: X5 data

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



35 / 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

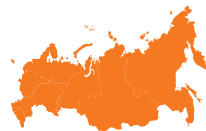


36 / KARUSEL SUMMARY (1/3)

HIGHLIGHTS



92 stores as of
30 September 2018:
1.1% increase y-o-y



382 th. sq. m. of selling space
as of 30 September 2018,
0.4% increase y-o-y



Q3 2018 net retail sales:
RUB 20.6 bn,
0.3% decrease y-o-y



32 mln customers in Q3 2018,
3.1% decrease y-o-y



Share of X5's Q3 2018 sales:
~6%



Q3 2018 LFL Results

- Sales: **(2.5)%**
- Traffic: **(4.8)%**
- Basket: **2.4%**



Average ticket:
RUB 746 (Q3 2018)
2.7% increase y-o-y



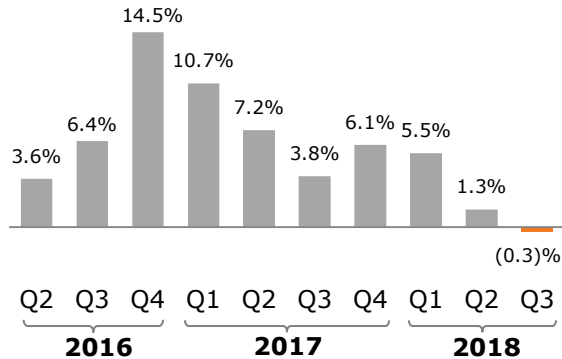
Avg. net selling space:
4,153 sq. m.



37 / KARUSEL SUMMARY (2/3)

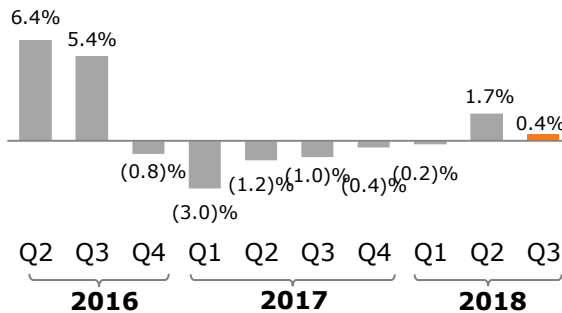
Q3 2018 net retail sales: 0.3% decline y-o-y

Net sales growth (% y-o-y)



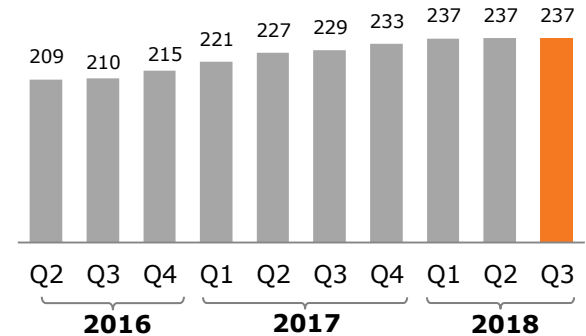
Q3 2018 selling space: 0.4% increase y-o-y

Net selling space growth (% y-o-y)



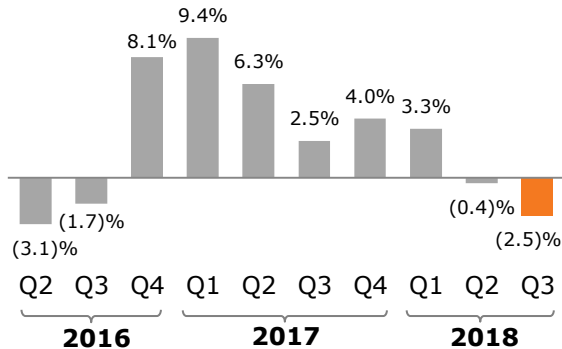
Q3 2018 sales densities: 3.2% increase y-o-y

Net sales densities (th. RUB/sq. m^[1])



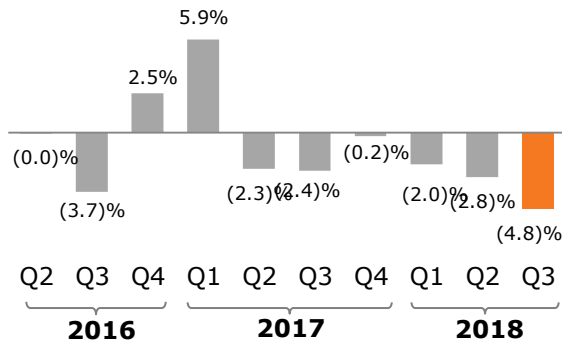
Q3 2018 LFL sales: 2.5% decline y-o-y

Total LFL sales growth (% y-o-y)



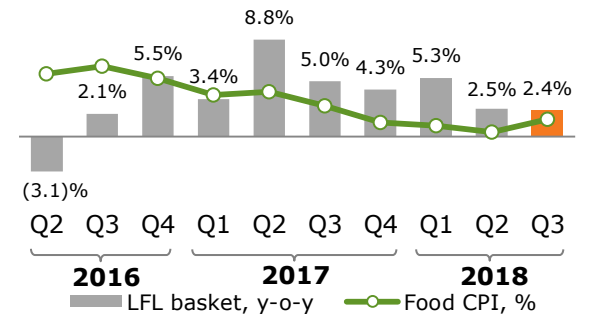
Q3 2018 LFL traffic: 4.8% decline y-o-y

Total LFL traffic growth (% y-o-y)



Q3 2018 LFL basket: 2.4% increase y-o-y

Total LFL basket growth (% y-o-y)



Source: X5 data

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



38 / 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



In 2017, we launched a pilot hypermarket based on Karusel's new branding and operating model, and we plan to expand this new model across the format in the coming years