

Information on alternative performance measures

In this report and other public disclosures, X5 Retail Group presents certain alternative performance measures (APMs) that it believes provide readers with a more detailed and accurate understanding of the Company's financial and operating performance. In accordance with European Securities Markets Authority guidelines, a list of definitions, explanations of the relevance of APMs, comparatives and reconciliations are provided below.

EBITDA

(including EBITDA margin)

Earnings before interest, tax, depreciation and amortisation (EBITDA) is a measure of the Company's operating performance. It is a way to evaluate X5 Retail Group's performance exclusive of financing, accounting and taxation factors. X5 believes that showing EBITDA and EBITDA margin performance provides readers with greater detail about the Company's performance.

| RUB mln | 2017 | 2016 |
|---|---------------|---------------|
| Operating profit | 57,758 | 45,631 |
| Depreciation, amortisation and impairment | 38,435 | 30,636 |
| EBITDA | 96,193 | 76,267 |

| RUB mln | 2017 | 2016 |
|-------------------------|------------|------------|
| Revenue | 1,295,008 | 1,033,667 |
| EBITDA | 96,193 | 76,267 |
| EBITDA margin, % | 7.4 | 7.4 |

Adjusted EBITDA

(including adjusted EBITDA margin)

Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA) is a measure of the Company's operating performance. It is a way to evaluate a company's performance exclusive of financing, accounting and taxation factors, and also excluding the effects of the LTI programme, which does not represent an ongoing cost of doing business. X5 believes that showing adjusted EBITDA and adjusted EBITDA margin performance provides readers with a more accurate understanding of the Company's ongoing performance.

| RUB mln | 2017 | 2016 |
|--|---------------|---------------|
| EBITDA | 96,193 | 76,267 |
| Adjustments: | | |
| LTI, exit payment and share-based payment expenses | 2,556 | 2,826 |
| SSC attributable to accrued LTI, exit payment and share-based payment expenses | 382 | 426 |
| Adj. EBITDA | 99,131 | 79,519 |

| RUB mln | 2017 | 2016 |
|------------------------------|---------------|---------------|
| Revenue | 1,295,008 | 1,033,667 |
| Adj. EBITDA | 99,131 | 79,519 |
| Adj. EBITDA margin, % | 7.7 | 7.7 |

Adjusted SG&A

(including adjusted SG&A as % of revenue)

Selling, general and administrative expenses (SG&A) are reported on the income statement as the sum of all direct and indirect selling expenses and all general and administrative expenses of the Company. X5 Retail Group reports adjusted SG&A, which excludes the effects of the LTI programme, as well as depreciation, amortisation and impairment. The Company believes that adjusted SG&A provides additional detail to readers looking to understand the long-term SG&A costs of the business.

| RUB mln | 2017 | 2016 |
|--|----------------|----------------|
| SG&A | 259,376 | 211,314 |
| Adjustments: | | |
| LTI, exit payment and share-based payment expenses | (2,556) | (2,826) |
| SSC attributable to accrued LTI, exit payment and share-based payment expenses | (382) | (426) |
| Depreciation, amortisation and impairment | (38,435) | (30,636) |
| Adjusted SG&A | 218,003 | 177,426 |

| RUB mln | 2017 | 2016 |
|---|-------------|-------------|
| Revenue | 1,295,008 | 1,033,667 |
| Adjusted SG&A | 218,003 | 177,426 |
| Adjusted SG&A expenses as % of revenue | 16.8 | 17.2 |

Adjusted net profit

(including adjusted net profit margin)

Adjusted net profit is a measure of the Company's earnings for the reporting period, adjusted for:

- a) income tax expense affected by the Company's dividend policy (change in deferred tax liability associated with investments in subsidiaries); and
- b) 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.

X5 believes that showing adjusted net profit and adjusted net profit margin performance provides readers with a more accurate understanding of the Company's ongoing performance.

| RUB mln | 2017 | 2016 |
|--|---------------|---------------|
| Net profit | 31,394 | 22,291 |
| Adjustments: | | |
| Change in deferred tax liability associated with investments in subsidiaries | 1,158 | – |
| Increase in impairment and DTA write-off related to Perekrestok Express | 1,216 | n.a. |
| Adjusted net profit | 33,768 | 22,291 |

| RUB mln | 2017 | 2016 |
|--------------------------------------|------------|------------|
| Revenue | 1,295,008 | 1,033,667 |
| Adjusted net profit | 33,768 | 22,291 |
| Adjusted net profit margin, % | 2.6 | 2.2 |

Net debt/EBITDA

The net borrowings to earnings before interest depreciation and amortisation (EBITDA) ratio is a measurement of leverage. It is calculated as the Company's long-term and short-term borrowings, minus cash and cash equivalents, divided by EBITDA. The net debt to EBITDA ratio is a commonly used indicator that helps readers to understand the Company's debt burden.

| RUB mln | 31 Dec 17 | 31 Dec 16 |
|---------------------------|----------------|----------------|
| Total debt, incl.: | 194,296 | 156,033 |
| Short-term borrowings | 58,674 | 45,168 |
| Long-term borrowings | 135,622 | 110,865 |
| Cash and cash equivalents | (27,605) | (18,190) |
| Net debt | 166,691 | 137,843 |
| EBITDA | 96,193 | 76,267 |
| Net debt/EBITDA | 1.73x | 1.81x |

Net retail sales

Net retail sales shows the amount of sales generated by the Company after the deduction of revenue from franchise services, wholesale operations and other services. Because food retail is X5 Retail Group's core business, net retail sales is provided for readers to more clearly understand the performance of the Company's core business activity.

| RUB mln | 2017 | 2016 |
|--|------------------|------------------|
| Revenue | 1,295,008 | 1,033,667 |
| Adjustments: | | |
| Revenue from wholesale operations and other services | (8,030) | (8,044) |
| Revenue from franchise services | (29) | (34) |
| Net retail sales | 1,286,949 | 1,025,589 |

Like-for-like (LFL)

LFL comparisons of retail sales between two periods are comparisons of retail sales in the local currency (including VAT) generated by relevant stores. The stores that are included in LFL comparisons are those that have operated for at least 12 full months. Their sales are included in the LFL calculation starting from the day of the store's opening. We include all stores that fit our LFL criteria in each reporting period. This is a commonly used indicator in the retail industry that helps readers understand the sustainability of a company's growth by focussing on the performance of stores that have already been operating for more than 12 months, by removing the effect of new stores opened during the period.

| % | 2017 | 2016 |
|---|------------|------------|
| Net retail sales growth | 25.5 | 27.5 |
| Less contribution from an increase in selling space | (20.1) | (19.8) |
| LFL | 5.4 | 7.7 |