

What we did in 2017

Our markets

Governance

- Approved and presented X5's first dividend policy
- Short-listed for best communication of investment case by UK IR Society, awarded best annual report in retail sector by Moscow Exchange

Risk management

- Established detailed risk map and risk appetite approved by the Supervisory Board
- Enhanced focus on Risk Management and Internal Control, separate from Internal Audit

Our people

Corporate culture aligned with strategic goals

- Continued training and development programmes that include support for X5 values
- Began transition to focus on culture-led development instead of strategy-led development
- Pyaterochka and Karusel updated corporate culture models

Learning and opportunities

- Continued programme of training to provide essential job and work-place skills
- Ran career advancement and staff reserve programmes to enable promising employees to develop within X5

Health and well-being

- Continued implementation and monitoring of unified Occupational Health and Safety (OHS) standards across our operations
- Conducted 3,903 store audits to ensure the quality and safety of products we sell

Our world

Environmental management

- Implemented recycling and programmes across all of our operations to reduce the waste we produce
- Purchased new, efficient trucks for our transport fleet, reducing average age of fleet to just two years
- Continued installation of energy-efficient LED lighting across all of our operations
- Installed systems to monitor refrigeration units and ensure they are operating at optimal use

Community commitment

- New programmes and expansion of existing programmes aimed at providing food support to needy people in Russia
- Leveraged Perekrestok supermarket format to encourage charitable programmes by employees

Long-term goals

- Maintain constructive dialogues with investors, analysts, regulators and other market stakeholders
- Continuously refine X5 Retail Group's governance and investor relations in line with developing regulations and best practice

- Maintain an appropriate balance between business growth that creates returns for shareholders and the long-term sustainability of our business
- Ensure that our business takes the appropriate steps to mitigate risks it faces as it seeks to build value for all stakeholders

- Ensure that employees at all levels of X5 Retail Group contribute to achieving the Company's long-term strategic goals in a productive and efficient way

- Retain promising and talented staff with training and advancement programmes that provide rewarding career opportunities

- Ensure that all of X5 Retail Group's workforce shares responsibility for maintaining the safety of our operations

- Minimise X5 Retail Group's impact on the environment while improving efficiency across our operations
- Seek to ensure that our suppliers engage in environmentally sustainable practices.

- Contribute to the well-being of people in Russia by investing in initiatives that support sustainable development and protect those most in need

Geography of operations

Expanding our presence across Russia's diverse regions

Russia is a diverse country with over 185 ethnic groups living within its borders. As we expand our presence into new regions, we aim to ensure that our retail formats' customer value propositions are adapted to the needs and expectations of local communities. This is reflected in the fact that we source a significant portion of the products our stores sell from local producers, and we regularly conduct training events for local suppliers across our network of distribution centres. The share of local goods across all X5 stores reached 17% in 2017, and we aim to reach 20% in 2018. In some regions, the share of locally produced goods in Pyaterochka stores in 2017 was above 25%.

X5 continued its rapid expansion in 2017, bringing its modern food retail formats to around 500 new population centres (approximately a 25% increase in cities and towns where X5 operates compared to 2016) and six new Russian regions during the year.

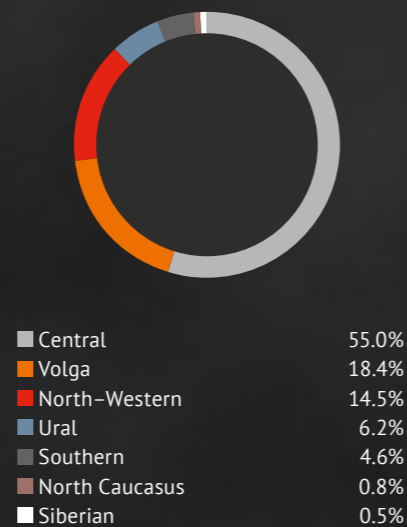
Our strategy to the end of 2020 calls for rapid and profitable expansion of X5's business in Russia, which we aim to do by:

- Strengthening and expanding X5's presence in our core geographies
- Building critical mass in attractive new regions through both organic growth and tactical M&A
- Tailoring CVP to new regions with our regional supermarket model, working with local suppliers and "clusterisation" of assortment in stores covering a small geographic area
- Accelerating expansion into rural areas while achieving investment return criteria
- Expanding logistics operations to support ongoing development of business in existing and new regions
- Leveraging innovations and big data to enable our business to adapt and meet the needs of local consumers across Russia's diverse regions

A platform for sustainable growth

Number of stores, eop	2013	2014	2015	2016	2017
Central	2,314	2,653	3,262	4,077	5,198
North-Western	644	720	845	1,095	1,416
Central and North-Western	2,958	3,373	4,107	5,172	6,614
Volga	1,002	1,368	1,848	2,468	3,169
Ural	325	405	551	764	999
Southern	201	276	418	606	874
North Caucasus	46	61	96	137	188
Siberian	-	-	-	40	277
Ukraine	12	-	-	-	-
TOTAL	4,544	5,483	7,020	9,187	12,121

Percentage of net retail sales by federal district in 2017



X5 today

Multi-format presence in seven federal districts



Total stores
12,121



Number of stores and DCs

Central FD	Volga FD	North-Western FD	Ural FD
Pyaterochka 4,607	Pyaterochka 3,038	Pyaterochka 1,333	Pyaterochka 951
Perekrestok..... 389	Perekrestok..... 107	Perekrestok..... 65	Perekrestok..... 40
Karusel 37	Karusel 24	Karusel 18	Karusel 8
Distribution centres 16	Distribution centres 9	Distribution centres 4	Distribution centres 6
Southern FD	Siberian FD	North Caucasus FD	
Pyaterochka 841	Pyaterochka 277	Pyaterochka 178	
Perekrestok..... 28	Perekrestok..... 0	Perekrestok..... 9	
Karusel 5	Karusel 0	Karusel 1	
Distribution centres 3	Distribution centres 1		

Note: based on federal districts of the Russian Federation

Advanced Geographic Information System

We are constantly updating our in-house GIS tools, which have helped us to make efficient and informed choices about where to open new stores, including in areas where there is cannibalisation. The GIS system is constantly gaining new data, which helps us to further refine selection criteria and better predict a new store's sustainable performance.



Leadership team

Our leadership team comes from a diverse set of backgrounds, which helps to ensure the right mix of retail experience combined with a wider set of competencies and views on Russian and international corporate practices.

Vitaly Valkov

Commercial Director

Timur Parshikov

Director of Transport

Stanislav Naumov

Government Relations Director

Svetlana Demyashkevich

Chief Financial Officer

Igor Shekhterman

Chief Executive Officer, Chairman and Member of the Management Board

Olga Kruzhkova

Organisational Development Director

Dmitry Agureev

Head of Corporate Security

Svetlana Volikova

Director of Risk Management and Internal Control

Sergey Budylin

Director of Large Format Real Estate Management Department



Ekaterina Lobacheva

General Counsel

Anton Mironenkov

Director of Strategy

Olga Naumova

General Director of Pyaterochka

Vladimir Sorokin

General Director of Perekrestok

Maksym Gatsuts

General Director of Karusel

Elena Konnova

Corporate Communications Director

Fabricio Granja

Chief Information Officer