

# 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:**

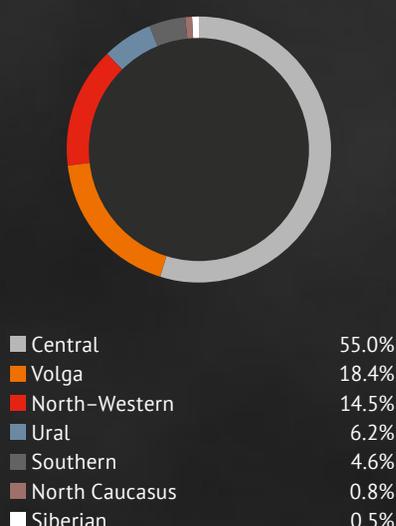
- Strengthening and expanding X5's presence in our core geographies
- Building critical mass in attractive new regions through both organic growth and tactical M&A
- Tailoring CVP to new regions with our regional supermarket model, working with local suppliers and "clusterisation" of assortment in stores 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
<b>Central and North-Western</b>	<b>2,958</b>	<b>3,373</b>	<b>4,107</b>	<b>5,172</b>	<b>6,614</b>
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	-	-	-	-
<b>TOTAL</b>	<b>4,544</b>	<b>5,483</b>	<b>7,020</b>	<b>9,187</b>	<b>12,121</b>

Note: based on federal districts of the Russian Federation

## Percentage of net retail sales by federal district in 2017



# X5 today

Multi-format presence in seven federal districts

Total stores

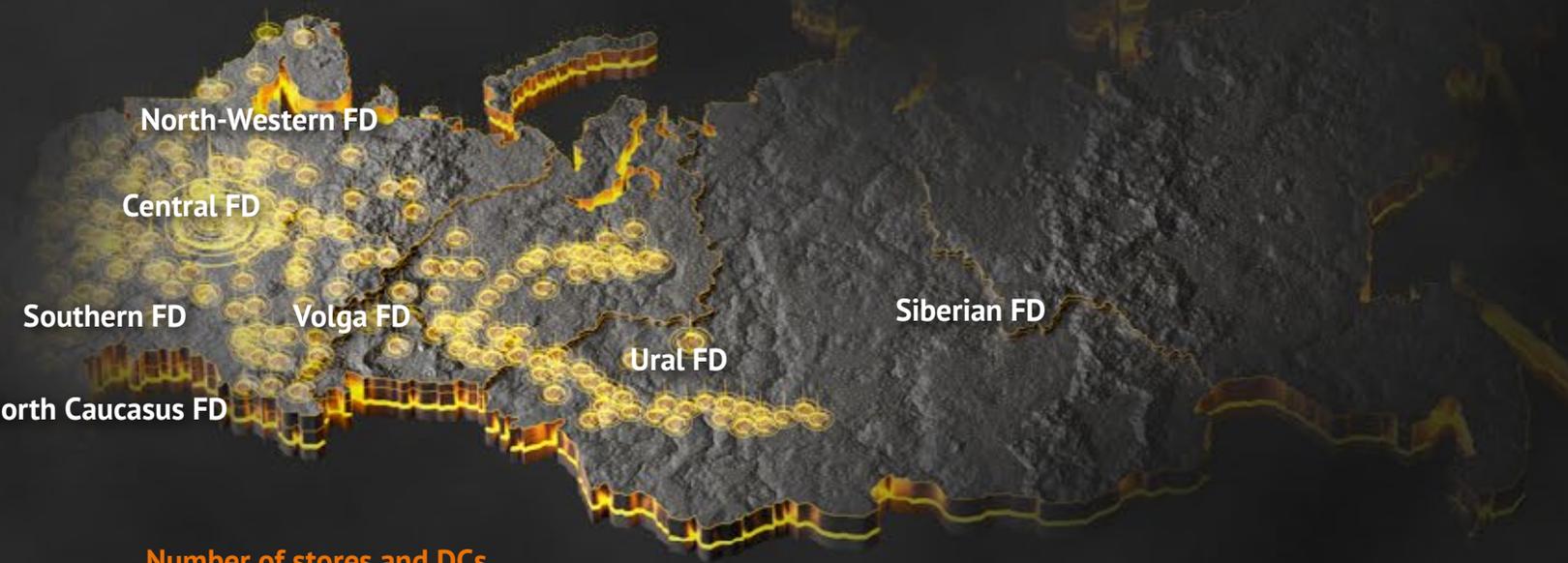
# 12,121

 **11,225**  
Pyaterochka stores

 **638**  
Perekrestok supermarkets

 **93**  
Karusel hypermarkets

 **165**  
Express stores



## Number of stores and DCs

### Central FD

Pyaterochka ..... 4,607  
Perekrestok..... 389  
Karusel .....37  
Distribution centres 16

### Volga FD

Pyaterochka ..... 3,038  
Perekrestok..... 107  
Karusel ..... 24  
Distribution centres 9

### North-Western FD

Pyaterochka .....1,333  
Perekrestok.....65  
Karusel .....18  
Distribution centres 4

### Ural FD

Pyaterochka ..... 951  
Perekrestok..... 40  
Karusel ..... 8  
Distribution centres 6

### Southern FD

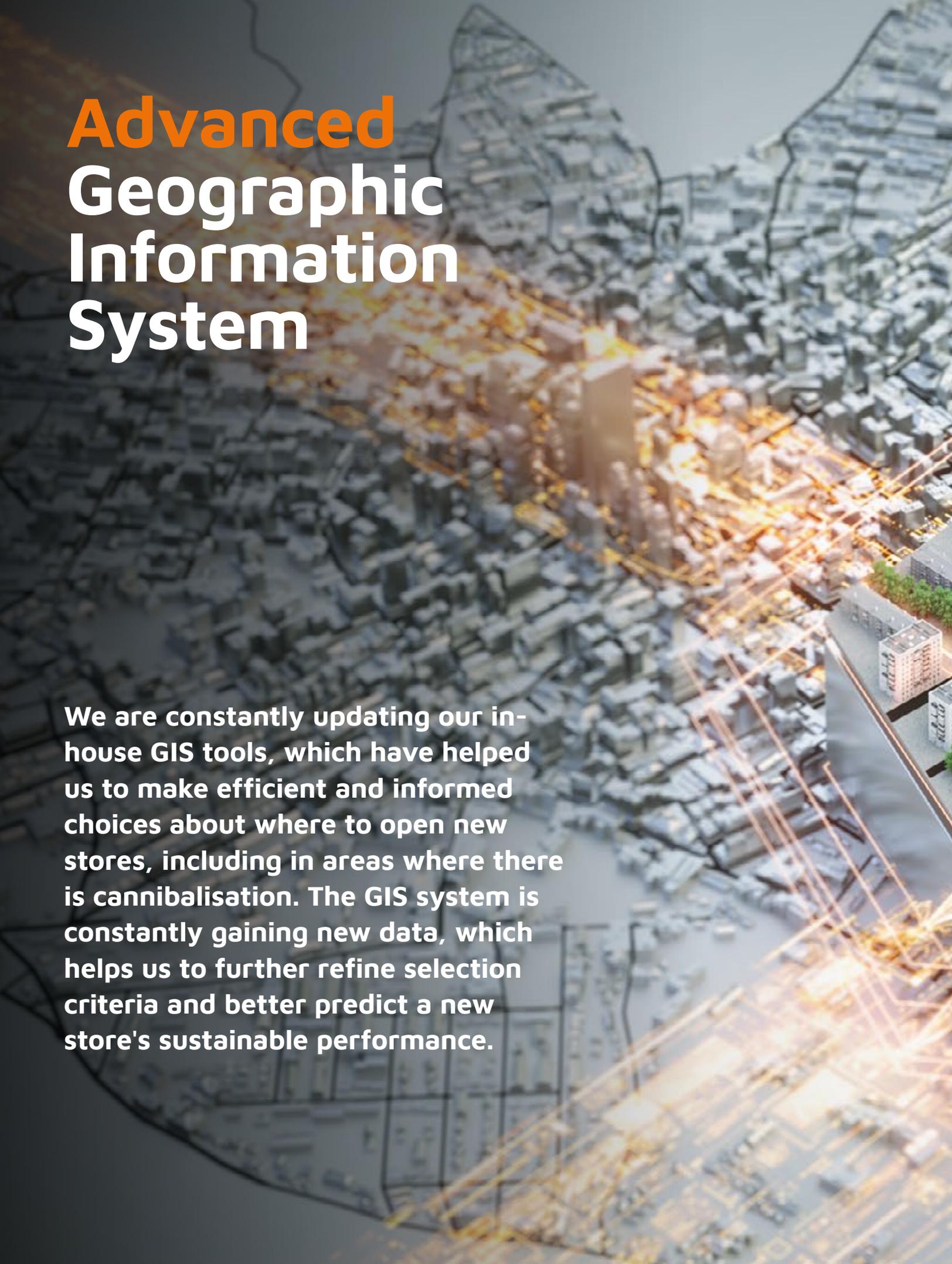
Pyaterochka ..... 841  
Perekrestok.....28  
Karusel ..... 5  
Distribution centres 3

### Siberian FD

Pyaterochka ..... 277  
Perekrestok.....0  
Karusel .....0  
Distribution centres 1

### North Caucasus FD

Pyaterochka .....178  
Perekrestok.....9  
Karusel .....1

An aerial view of a city with a grey 3D map overlay. A network of glowing orange lines is superimposed on the map, representing data or connections. The lines are most concentrated in the center and right side of the image, with some lines extending towards the bottom right corner. The background is a dark, slightly blurred aerial photograph of a city.

# **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.**



SCHOOL

ALLIED STORE

BANK OFFICE

HOSPITAL

POTENTIAL STORE LOCATION

TRANSPORT STOP