

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:

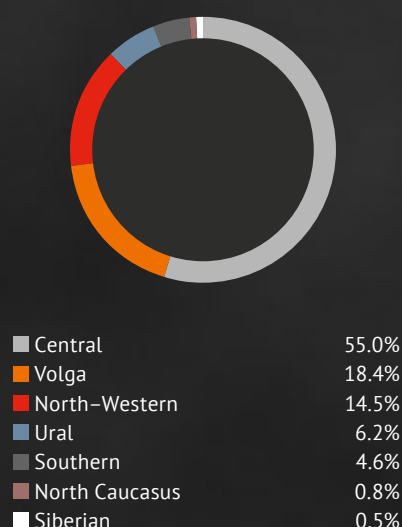
- Strengthening and expanding X5's presence in our core geographies
- Building critical mass in attractive new regions through both organic growth and tactical M&A
- Tailoring CVP to new regions with our regional supermarket model, working with local suppliers and "clusterisation" of assortment in stores 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

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



11,225
Pyaterochka stores



638
Perekrestok supermarkets



93
Karusel hypermarkets



165
Express stores

Total stores

12,121



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

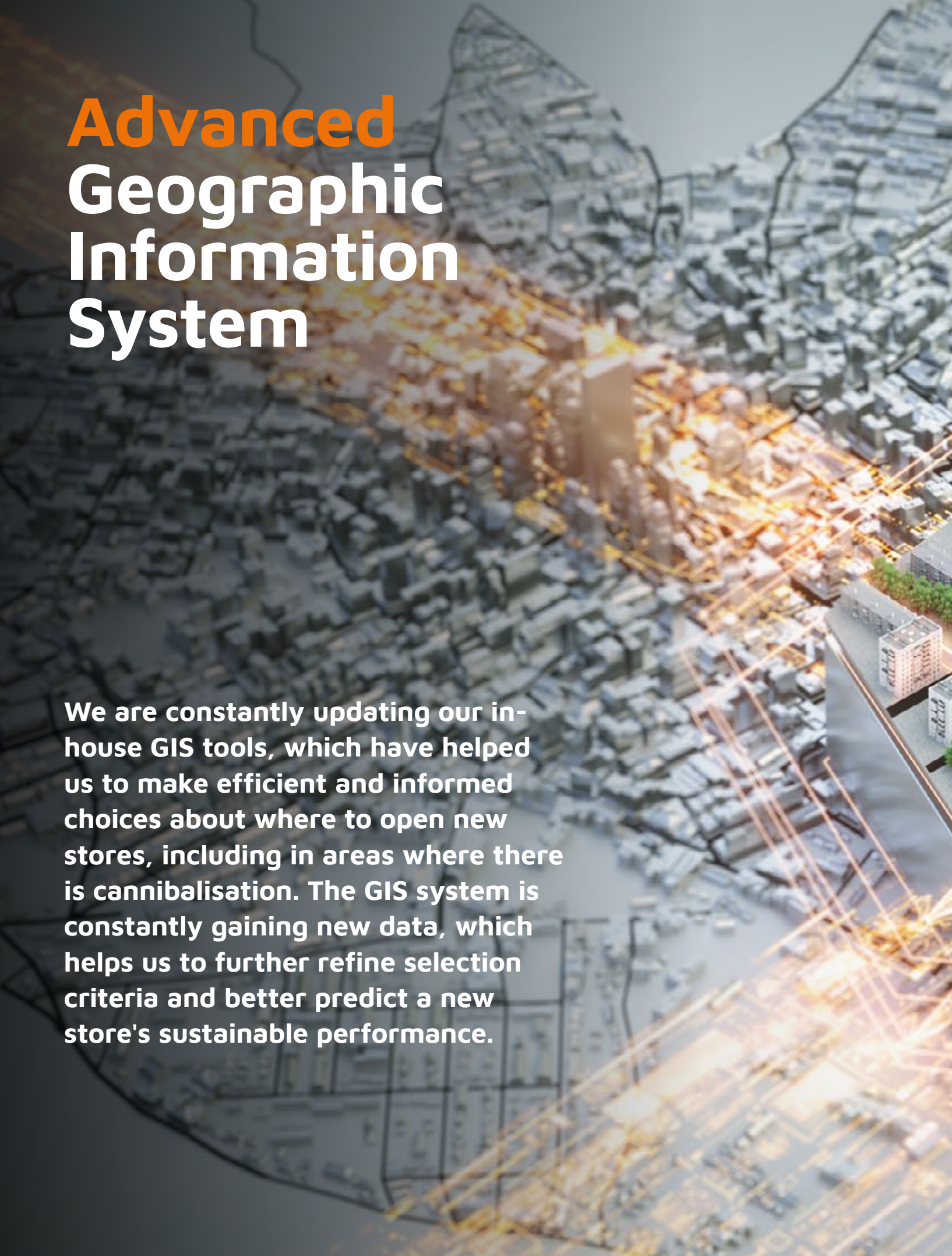
Pyaterochka 841
Perekrestok..... 28
Karusel 5
Distribution centres 3

Siberian FD

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


North Caucasus FD

Pyaterochka 178
Perekrestok..... 9
Karusel 1

An aerial, high-angle view of a city, likely New York City, showing a dense grid of buildings. Overlaid on the city are numerous glowing orange lines and points, suggesting a complex network of data or infrastructure, possibly representing a Geographic Information System (GIS) overlay. The lines are most prominent in the lower right and center, radiating from a central point. The overall tone is futuristic and data-driven.

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

This is an aerial photograph of a city development project. The image shows a mix of existing and proposed buildings. A central area is highlighted with orange lines and labels, indicating a 'POTENTIAL STORE LOCATION' and a 'TRANSPORT STOP'. Surrounding this are a 'SCHOOL', an 'ALLIED STORE', a 'BANK OFFICE', and a 'HOSPITAL'. The background shows a dense urban grid with a river or canal winding through it. The foreground shows a large, modern building complex with a green roof and surrounding greenery.

ALLIED
STORE

BANK OFFICE

HOSPITAL

POTENTIAL STORE
LOCATION

TRANSPORT
STOP