

Our business model

X5 Retail Group is Russia's leading food retailer, with a market share of 10.7% and 14,431 stores operating in 64 regions as of 31 December 2018. Our business is evolving from modern offline retail to an omnichannel model that aims to provide consumers with a wide range of convenient ways to achieve their shopping missions, whether in a store, at home or on the go. We are confident in our ability to lead the way to the next generation of retail, supported by our advanced retail operations infrastructure and our robust innovation pipeline.

Corporate Centre

The Corporate Centre provides strategic guidance and supports initiatives aimed at increasing efficiency, improving customer service or testing and introducing innovations. Initiatives like big data analytics, piloting of innovative projects and omnichannel sales development start in the Corporate Centre, along with direct import operations and strategic partnerships with suppliers. The Corporate Centre is also responsible for pooling purchasing power, managing strategic partnerships with suppliers, running and maintaining X5 Retail Group's systems of internal controls and reporting systems, as well as implementing Group-wide IT infrastructure and solutions.

Suppliers

Our supply chain is the first critical stage in our business. Our operations with suppliers span from handling third-party imported goods and direct imports from international producers to work with domestic federal-level producers as well as local producers in regions where we are present.

Number
of suppliers:

5,633

Share of of top 30 suppliers
in revenue:

31.3%

We strive to build value for our suppliers by creating partnerships that ensure that our high standards of business conduct and product quality are met.

Supply chain infrastructure

Direct imports:

5 import hubs

Logistics:

42 DCs

Transport:

3,830 owned trucks

As of 31 December 2018

Retail formats

We operate three food retail formats, each operating or piloting omnichannel initiatives. Each format is responsible for its own operations, marketing, category management, logistics, distribution and expansion, including developing new sales channels.



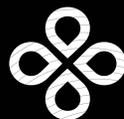
Pyaterochka
proximity stores

13,522 stores

Leading: Russia's largest proximity store chain and the only one to offer personalised promos through its loyalty programme in proximity format

Evolving: piloting new last-mile delivery services, including a network of parcel lockers for customers to pick up third-party online purchases; launched a lab store to test innovative technologies in real store environment

 For more details, please refer to pages 60-77



Perekrestok
supermarkets

760 stores

Leading: Russia's largest supermarket chain

Evolving: After launching Perekrestok Online in Moscow in 2017, expanded to St Petersburg and parts of the Moscow region

 For more details, please refer to pages 78-97



Karusel
hypermarkets

94 stores

Leading: introduced new concept and new brand, with greater focus on a convenient and pleasant experience for shoppers

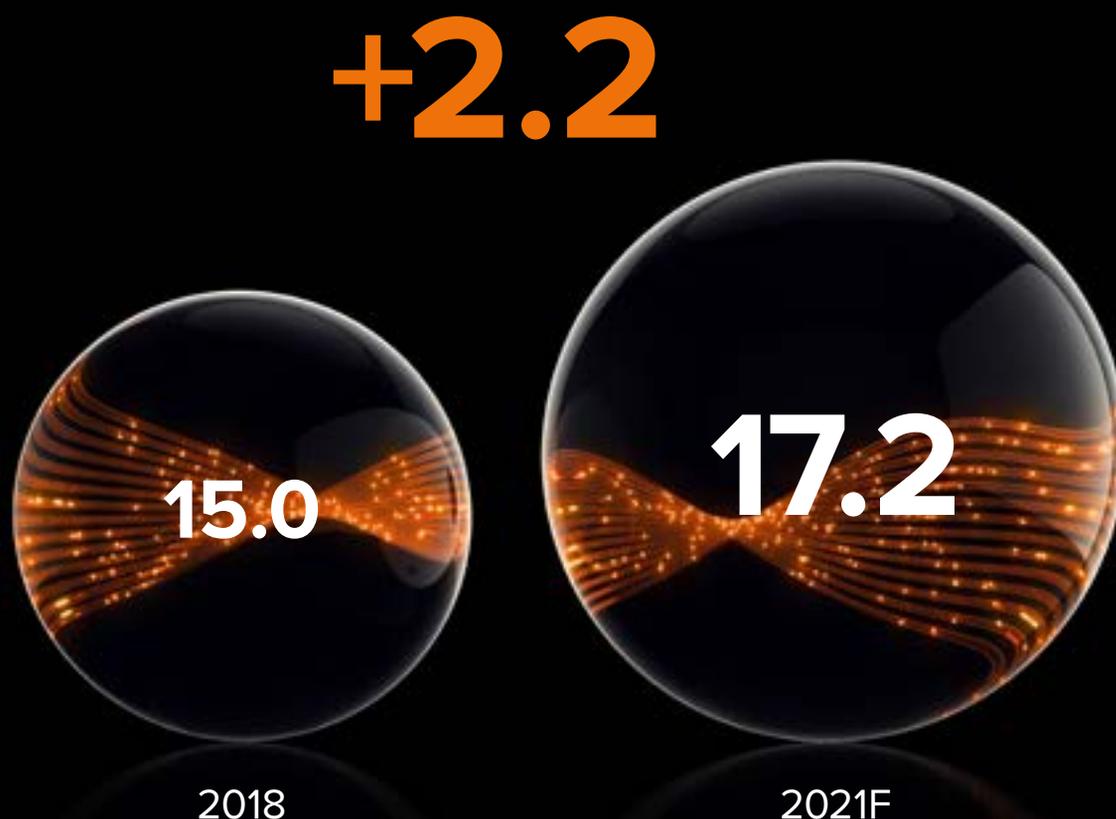
Evolving: Development of click-and-collect services to be launched in 2019

 For more details, please refer to pages 98-111

Our brands

We operate three retail formats in key traditional segments of Russia's food retail market: proximity stores (Pyaterochka), supermarkets (Perekrestok) and hypermarkets (Karusel), as well as an online supermarket. In line with our decentralised business model, each of these formats is independently responsible for its development in line with X5's overall strategy. As the market landscape develops and consumer expectations change, the formats are adapting their business models and CVPs in order to evolve and help X5 remain the leading food retailer in the country.

Potential total market growth, RUB trillion



Pyaterochka

Pyaterochka, established in 1999, is the largest proximity format in Russia, with 13,522 stores as of 31 December 2018. We aim to provide a wide array of Russian consumers with the goods they need every day, while rolling out our innovative offerings with personalised promos, piloting a network of delivery lockers for online purchases and expanding our range of high-quality, affordable private-label offerings.

Perekrestok

Perekrestok, established in 1995, was Russia's first large supermarket chain and maintains its leadership today. While continuing a large-scale refurbishment programme, we have been expanding in our core regions while also adapting the format to new regional localities. Perekrestok offers customers in key markets like Moscow, the Moscow region and St Petersburg a full online supermarket service: Perekrestok Online. The supermarkets have been adapting their CVP with a greater focus on the fresh and fruits and vegetables assortment.

Karusel

Karusel, established in 2004, operates compact hypermarkets that are usually within city limits. The format recently launched a new brand identity and new concept aimed at winning over rational shoppers looking to buy goods for their household for a week or more ahead. With improved navigation and features like in-store dining, the new Karusel hypermarkets are performing well. In addition to in-store shopping, Karusel aims to launch its click-and-collect service in 2019.

Number of stores

13,522

760

94

Selling space, thousand m²

5,291

782

382

Net retail sales, RUB bln

1,198

231

91

Share of X5's net retail sales

78.5%

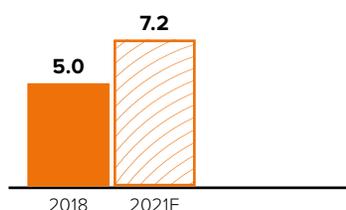
15.1%

6.0%

Potential market segment growth, RUB trn

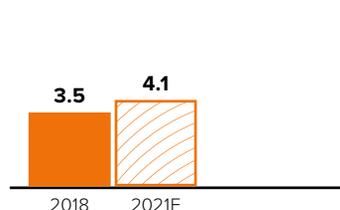
Proximity/discounters

+2.2

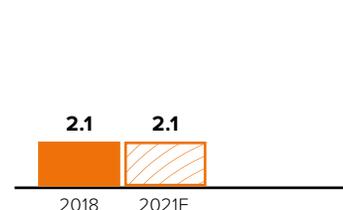


Supermarkets

+0.6



Hypermarkets



Source: X5 data, Rosstat, Infoline