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.

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 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.

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.

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

**Perekrestok**
- **supermarkets**
- 760 stores

**Karusel**
- **hypermarkets**
- 94 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.

**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.

**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.

As of 31 December 2018.
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

+2.2

15.0 17.2

2018 2021F

Source: Rosstat, Infoline
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.

<table>
<thead>
<tr>
<th></th>
<th>Number of stores</th>
<th>Selling space, thousand m²</th>
<th>Net retail sales, RUB bln</th>
<th>Share of X5’s net retail sales</th>
<th>Potential market segment growth, RUB trn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pyaterochka</td>
<td>13,522</td>
<td>5,291</td>
<td>1,198</td>
<td>78.5%</td>
<td>+2.2</td>
</tr>
<tr>
<td>Perekrestok</td>
<td>760</td>
<td>782</td>
<td>231</td>
<td>15.1%</td>
<td>+0.6</td>
</tr>
<tr>
<td>Karusel</td>
<td>94</td>
<td>382</td>
<td>91</td>
<td>6.0%</td>
<td>+2.1</td>
</tr>
</tbody>
</table>

Source: X5 data, Rosstat, Infoline