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информационное агентство | information agency

Periodic review of industry

Conditions of consumer market of Russia and Rating of FMCG retail chains of Russia

April 2014

Demo-version

- Statistics of retail bussiness in Russia and regions
- Changing of the main retail indicators in Russia
- Review of Russian retail market developments in April 2014
- Rating of FMCG retailers by the number of stores, selling spaces in April 2014 and revenues in 2012 and 2013

Content of industry review "Conditions of consumer market of Russia and Rating of FMCG retail chains of Russia"

Introduction

The industry review **Conditions of consumer market of Russia and Rating of FMCG retail chains of Russia** contains information about the development of the retail trade, as well as the overview of events that took place at the Russian retail market during the period under review (for the present survey it is April 2014), the information related to the results of operating, financial and investment activities of FMCG chains in Russia, as well as **the rating of 130 largest FMCG retail chains of Russia**. The survey is prepared on the basis of integrated set of data sources:

- Regular monthly polling of more than 150 retail chains of Russia by the experts of INFOLine IA;
- Materials from MSM (printed press, electronic MSM, federal and regional information agencies);
- Information materials of the retail chains and supplying companies (press-releases, Web-site content, yearly and quarterly statements, trade literature regarding the securities issue and investment memorandums);
- Financial statements of the chains according to the international standards (audited and managerial);

At the present time a large variety of specialist in Russia require immediate and true-to-life coverage of events at the Russian retail market:

- Top-managers, specialist of marketing and sale department of companies that produce consumer goods;
- Top-managers, specialist of marketing and retail chains development departments;
- Specialists of sale departments of companies that produce goods for retail trade and offer services for various trade chains.
- Private and institutional investors, which own or are planning to acquire the assets in Russian retail chain trade.

The principal objective of “Rating of FMCG retail chains in Russia” is to satisfy the demand for immediate, statistical and analytical information on the Russian retail business and FMCG chains for the specialists of the above-mentioned specialisations. To be able to receive the forthcoming issues of the survey, please, **forward a req**uest to INFOLine IA, E-mail: mail@advis.ru or by fax + 7 495 772 76 40 (+7 812 322 68 48) and **conclude a contract for our information services**

You can receive additional information on www.advis.ru and www.infoline.spb.ru

Facts about INFOLine information agency

INFOLine information agency was established in 1999, its aim was to render information and advisory services to commercial organisations. The agency renders permanent information support to more than 1000 companies in Russia and world-wide. INFOLine IA monitors publications in more than 5 000 MSM on daily basis and carries out analytical research related to 80 subjects of the RF economy. Since 2003 INFOLine IA has been conducting various desk researches of the markets both on customer’s request and on the Agency’s own initiative. While working on a market research, the Agency’s analysts make extensive use of the unique data support available to them and their years-long experience of operating various data flows.

The research reports and surveys of INFOLine IA are used in their activities by **largest FMCG retailers** (X5 Retail Group, Magnit, Auchan, Metro Cash&Carry, Lenta, O'KEY), **producers** (Procter&Gamble, Coca-Cola, Pepsi, SABMiller, Fazer, Philip Morris, Mars), **distributors** (Megapolis GC), **financial** (Uralsib FC, MDM-Bank) and **service** companies (GC Servis-plus, Wincor-Nixdorf).

For additional information please visit our sites at www.infoline.spb.ru and www.advis.ru

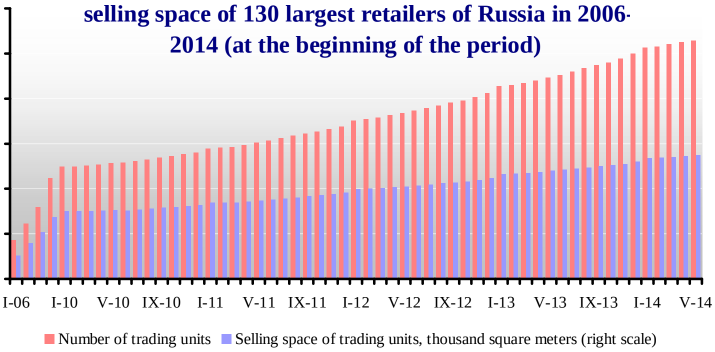
Rating of FMCG retailers in Russia

Performance results of TOP 130 FMCG chains[1]

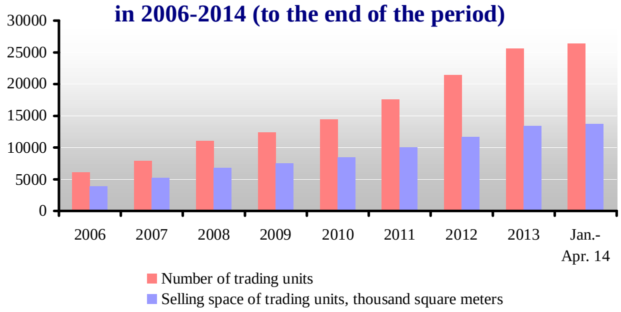
Performance results of TOP 130 FMCG chains in Russia

In **April 2014** the number of selling points of TOP-130 FMCG retailers (excluding X5 Retail Group, GK Dixy) increased by * units**;** all in all, during **January- April 2014** – by * units**.** In **April 2014** the growth of the total selling space was about **34.9** thousand sq. m. Altogether during **January- April 2014** the total selling space increased by * thousand sq. m.

Dynamics of number of trading units and their selling space of 130 largest retailers of Russia in 2006-2014 (at the beginning of the period)



Dynamics of number of trading units and their selling space of 130 largest retailers of Russia in 2006-2014 (to the end of the period)

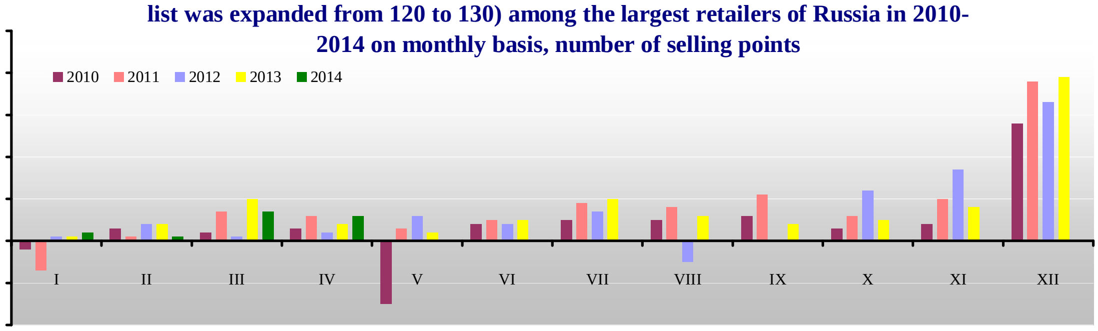


The total number of stores among TOP-130 FMCG retailers as of **01 May 2014** was * with total selling space of * million sq. m.

Development of hypermarket format[2]

In **April 2014 the** number of hypermarkets among TOP-130 FMCG retailers remained the same, while the selling space decreased by * thousand sq. m. In **January-April 2013**, the number of selling points increased by ***,** while the selling space increased by * thousand sq. m.

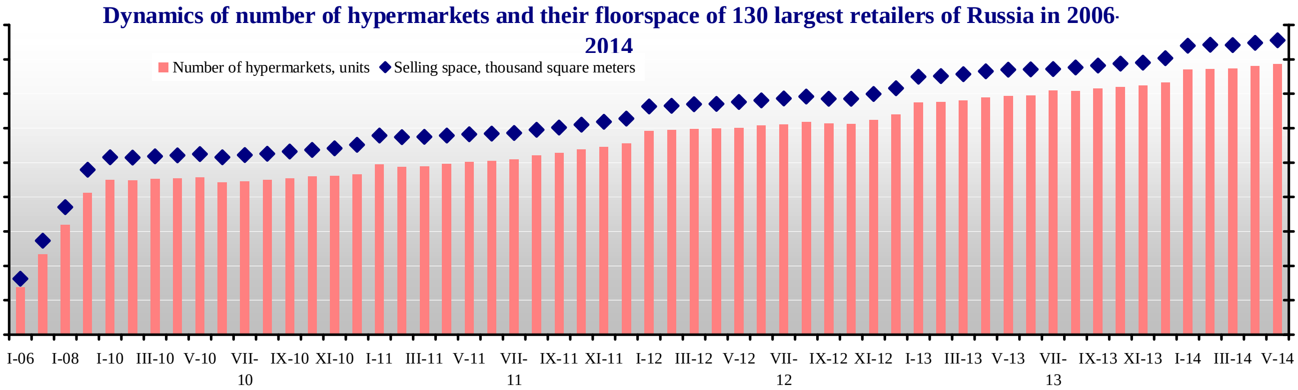
Dynamics of the net hypermarkets number increase (starting from January 2013 the list was expanded from 120 to 130) among the largest retailers of Russia in 2010-2014 on monthly basis, number of selling points



In **April 2014** the following hypermarkets were commissioned: 2 hypermarkets "Magnit" in Perm and Orenburg region (Orsk), hypermarket “O’KEY” in Moscow, “Lenta” in Ryazan, “SPAR” (Spar-Tomsk, Ltd.) in Tomsk and Globus in Tver.

[1] Data was corrected according to the results of April 2014. Hereinafter the data for X5 Retail Group, Magnit and Dixy is presented as it was available at the date of this survey’s preparation: Magnit – April 2014, Dixy – March 2014, X5 Retail Group – March 2013. Drugstore chain "Magnet Cosmetic" is not included

[2] "INFOLine-Analytics" classifies "hypermarkets" as shops with selling space more than 2.5 thousand square meters. However "Magnit Family" is attributed to the "supermarket", although it is different from the positioning of the chain by CJSC "Tander"



The total number of hypermarkets among TOP-130 FMCG retailers as of 01 **May 2014** was *, with total selling space of * million sq. m.

Research (full version) also includes the description of development of supermarket format, discounter[3] format and convenience store format

[3] As it has come to be generally accepted by the international retailers the format of discounter should meet the "one commodity - one demand" requirement. But it is important to emphasise that in Russia the discounter format doesn't exist. At the same time the specialists of INFOLine IA would like to distinguish two subformats of the convenience store format: soft discounters, the formats of the number of the largest Russian players, such as Pyaterochka, Diksi, Magnit, Monetka, Kopeika, Maria-Ra and others, and convenience stores.

Rating of FMCG retail chains of Russia by number of stores

INFOLine IA has been monitoring the dynamics of commissioning of FMCG stores since 2006. At the present time we monthly receive the data regarding the number of stores dynamics for 130 largest FMCG retailers of Russia

Dynamics of changes of the number of trading units among the largest retailers[4]

The dynamics of number of stores changes of the largest retailers for the period of 2012-2014 is represented in the table below.

Number of stores of the largest FMCG chains during 2012-2014 as of the end of the period, (units)

Name	Brand	Main formats[5]	**Number of stores by the end of the period**				**Dynamics of a number of stores**							
			2012	**2013**	April 2013	April 2014	April 2013		April 2014		Jan.-Apr. 2013		Jan.-Apr. 2014	
Magnit, JSC	Hypermarket Magnit	H	*	*	*	*	*	*	*	*	*	*	*	*
	Magnit	D	*	*	*	*	*	*	*	*	*	*	*	*
	Magnit Cosmetic, Rouge	C	*	*	*	*	*	*	*	*	*	*	*	*
	Magnit Family	H	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
X5 Retail Group[6]	Karusel	H	*	*	*	*	*	*	*	*	*	*	*	*
	Perekrestok	S	*	*	*	*	*	*	*	*	*	*	*	*
	Perekrestok-Express, Kopeika	C	*	*	*	*	*	*	*	*	*	*	*	*
	Pyaterochka	D	*	*	*	*	*	*	*	*	*	*	*	*
	Kopeika, Kopeika Super	C, S	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Auchan Groupe (Auchan, LTD.)	Auchan, Auchan-City, Raduga	H	*	*	*	*	*	*	*	*	*	*	*	*
	real,-	H	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Metro Group (Metro C&C, LTD.)	METRO, METRO Punct	H	*	*	*	*	*	*	*	*	*	*	*	*
DIXY GK	Megamart, Minimart, Dixy	D, S, H	*	*	*	*	*	*	*	*	*	*	*	*
	Victoria, Cash, Kvartal	C, S, H	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Lenta, LTD.	Lenta	S, H	*	*	*	*	*	*	*	*	*	*	*	*
O'KEY GK	O'KEY, O'KEY-express	S, H	*	*	*	*	*	*	*	*	*	*	*	*
Sedmoi Kontinent, JSC	Sedmoi Kontinent, Nash hypermarket	C, S, H	*	*	*	*	*	*	*	*	*	*	*	*
Monetka GK (Element-Trade, LTD.)	Monetka, Monetka Super, Rait	D, S, H	*	*	*	*	*	*	*	*	*	*	*	*
Monetka GK (Investproekt, LTD.)	Monetka (franchise)	C	*	*	*	*	*	*	*	*	*	*	*	*
Monetka GK	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Maria-Ra GK	Maria-Ra	D, S	*	*	*	*	*	*	*	*	*	*	*	*
Spar	Spar (total company)	C, S, H	*	*	*	*	*	*	*	*	*	*	*	*
HyperGlobus, LTD.	Globus	H	*	*	*	*	*	*	*	*	*	*	*	*
Auchan Groupe (Atack-Rossiya, LTD.)	Atack	S (D)	*	*	*	*	*	*	*	*	*	*	*	*
GK Holiday	Holiday Classic, Holdy, Sibiriada, Kora, Palata, Turne, Holdy Plus, Chervonec	C, D, S, H	*	*	*	*	*	*	*	*	*	*	*	*
TD Intertorg, LTD.	Norodnaya 7Ya, Idea, Spar, Norma	C, S	*	*	*	*	*	*	*	*	*	*	*	*
REWE Group (Billa LTD.)	Billa	S	*	*	*	*	*	*	*	*	*	*	*	*
Gorodskoy supermarket, LTD.	Azbuka Vkusa	S	*	*	*	*	*	*	*	*	*	*	*	*

Data source: INFOLine IA, according to the companies' data

[4] The rating was updated according to results of 2012. It presents retail chains with sales revenue in 2012 of more than 6 billion rubles.

[5] Legend: D - discounter, H - hypermarket, S - Supermarket, C – convenience store

[6] Data for the I quarter and march, due to the particuliarities of information disclosure of public companies (the information is published on a quarterly basis or at a later date than the rating is issued)

Rating of FMCG retail chains of Russia by selling space

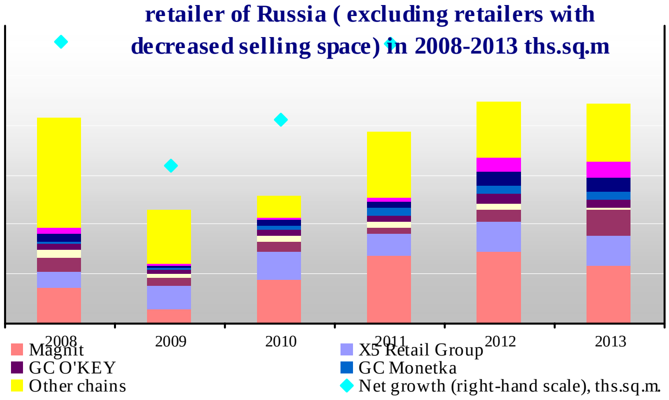
INFOLine IA has been monitoring the dynamics of selling space in FMCG retail since 2006. At the present time we monthly analyse the data regarding the changes in selling space for 130 largest FMCG retailers of Russia (since January 2013 the number of monitored retailers increased from 110 to 130).

The results of 2008-2013

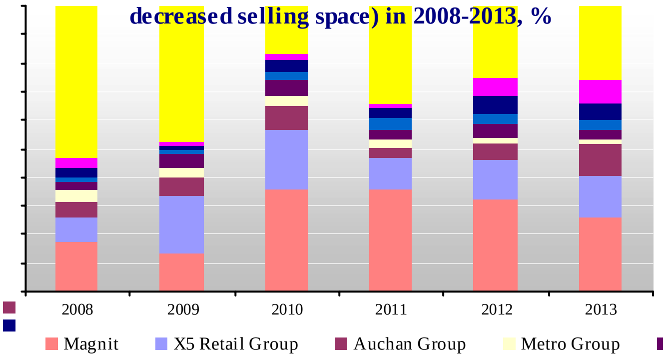
According to the results of 2013 the growth of selling space among 130 largest chain came up to more than * thousand square meters (in 2012 – * thousand square meters, in 2011 – * thousand square meters, in 2010 – * thousand square meters, in 2009 – * thousand square meters, in 2008 – * thousand square meters) or *% (in 2012 – *%, in 2011 – *%, in 2010 – *%, in 2009 – *%, in 2008 – *%). In this way, as of 01 January 2014, the aggregated selling space of TOP 130 FMCG retail chains came up to more than * million square meters.

<…>

Dynamics of selling space growth of 130 major retailer of Russia (excluding retailers with decreased selling space) in 2008-2013 ths.sq.m



Structure of selling space growth of 130 major retailer of Russia (excluding retailers with decreased selling space) in 2008-2013, %



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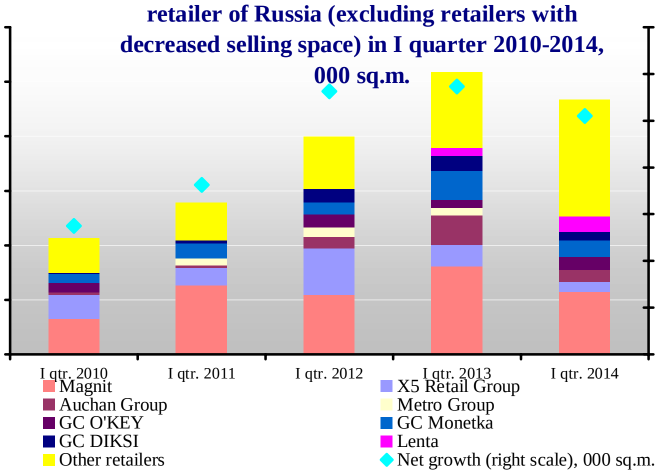
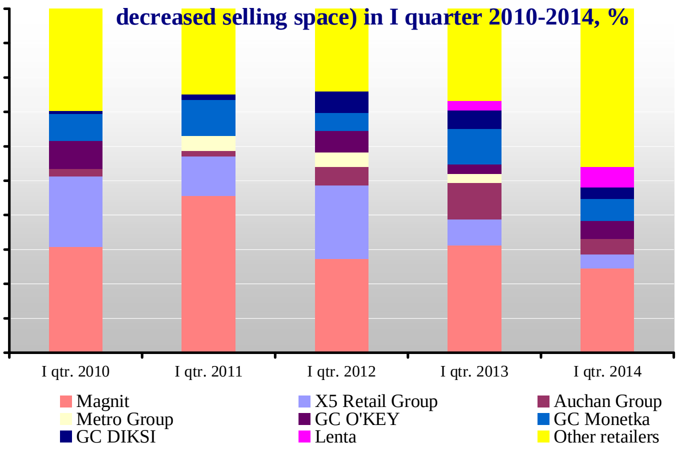
Results of the I quarter 2014

In the I quarter of 2014 the net growth of selling floorspace among TOP 130 largest retailers decreased in comparison with the I quarter of 2013 by *% or *thousand square meters. The share of the three largest retailers in the net growth of selling floorspace (without retailers that decreased their floorspace) came to *%, decreasing in comparison with the I quarter of 2013 by *pp. It was connected with the investment activity of other retail chains.

Structure of selling space growth of 130 major retailer of Russia (excluding retailers with decreased selling space) in I quarter 2010-2014, 000 sq.m.

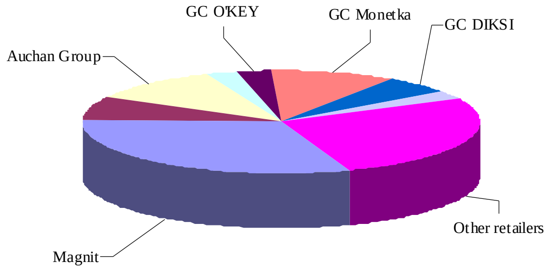


Structure of selling space growth of 130 major retailer of Russia (excluding retailers with decreased selling space) in I quarter 2010-2014, %

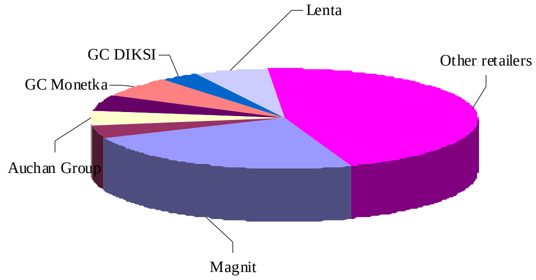


Selling floorspace decrease by *pp and *pp respectively was demonstrated by Dixy GC (*%) and Monetka GC (*%). The number of retail facilities of Metro Group in the I quarter of 2014 did not change in comparison with the year's beginning, while in the I quarter of 2013 Metro opened 1 shopping centre with floorspace of 7 thousand square meters.

Structure of selling space growth of 130 major retailer of Russia (excluding retailers with decreased selling space) in I quarter 2013, %



Structure of selling space growth of 130 major retailer of Russia (excluding retailers with decreased selling space) in I quarter 2014, %

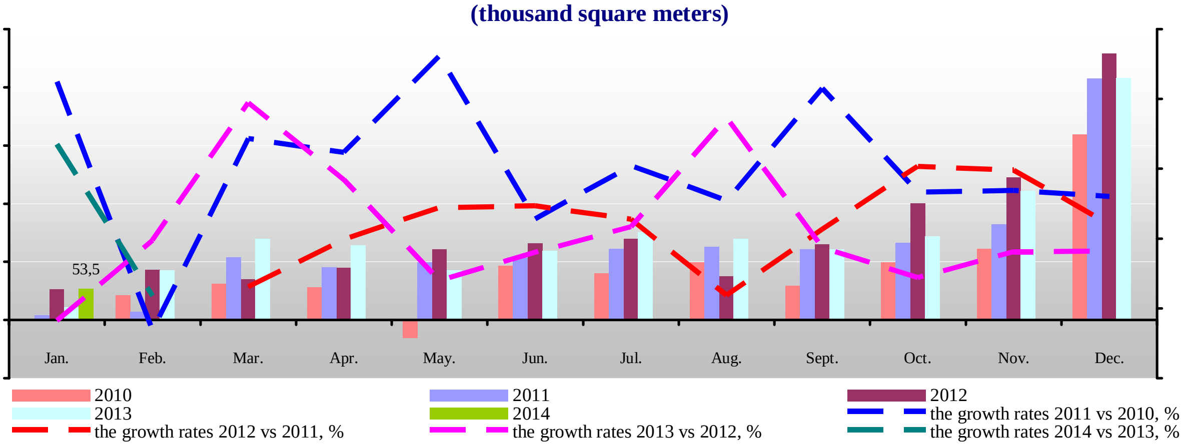


Full version also includes information about the dynamics of selling space growth and its structure

Results of January-April 2014

In April 2014 selling space was increased by 17 largest chains by * thousand sq. m. (excluding X5 Retail Group and GK Dixy). The dynamics of monthly selling space growth of the major 130 chains is presented at the diagram below. The selling space growth was provided by commissioning of "Magnit", "Lenta", "ESSEN", " Selgros C&C", "Magnit Family", "SPAR", "IdeyA", "Azbuka Vkusa", "Essen Green", "Commandor", "Atack", "Viktoria", "Slata" (Slata Ltd.), "Vivat" (GK Norman-Vivat), "Polyana" (GK Systema RegionMart, Holiday Classic (GK Holiday), Europa (Europe Ltd. (Kursk)): "discounters" and "convenient stores": Magnit, Pyaterochka, Dixy, Maria-Ra, Monetka and others.

Dynamics of net selling space growth of 130 largest retailers of Russia in 2010-2014 per month (thousand square meters)



Dynamics of selling space changes of the largest retailers[7]

The dynamics of selling space changes of the major retailers for the period of 2012-2014 is represented in the table below.

Total selling space of the largest FMCG chains of Russia during 2012-2014 at the end of the period, thousand square meters

Name	Brand	Main formats[8]	Number of stores by the end of the period				Dynamics of a number of stores							
			2012	2013	April 2013	April 2014	April 2013		April 2014		Jan.-Apr. 2013		Jan.-Apr. 2014	
Magnit, JSC	Hypermarket Magnit	H	*	*	*	*	*	*	*	*	*	*	*	*
	Magnit	D	*	*	*	*	*	*	*	*	*	*	*	*
	Magnit Cosmetic, Rouge	C	*	*	*	*	*	*	*	*	*	*	*	*
	Magnit Family	H	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
X5 Retail Group[9]	Karusel	H	*	*	*	*	*	*	*	*	*	*	*	*
	Perekrestok	S	*	*	*	*	*	*	*	*	*	*	*	*
	Perekrestok-Express, Kopeika	C	*	*	*	*	*	*	*	*	*	*	*	*
	Pyaterochka	D	*	*	*	*	*	*	*	*	*	*	*	*
	Kopeika, Kopeika Super	C, S	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Auchan Groupe (Auchan, LTD.)	Auchan, Auchan-City, Raduga	H	*	*	*	*	*	*	*	*	*	*	*	*
	real,-	H	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Metro Group (Metro C&C, LTD.)	METRO, METRO Punct	H	*	*	*	*	*	*	*	*	*	*	*	*
DIXY GK	Megamart, Minimart, Dixy	D, S, H	*	*	*	*	*	*	*	*	*	*	*	*
	Victoria, Cash, Kvartal	C, S, H	*	*	*	*	*	*	*	*	*	*	*	*
	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Lenta, LTD.	Lenta	S, H	*	*	*	*	*	*	*	*	*	*	*	*
O'KEY GK	O'KEY, O'KEY-express	S, H	*	*	*	*	*	*	*	*	*	*	*	*
Sedmoi Kontinent, JSC	Sedmoi Kontinent, Nash hypermarket	C, S, H	*	*	*	*	*	*	*	*	*	*	*	*
Monetka GK (Element-Trade, LTD.)	Monetka, Monetka Super, Rait	D, S, H	*	*	*	*	*	*	*	*	*	*	*	*
Monetka GK (Investproekt, LTD.)	Monetka (franchise)	C	*	*	*	*	*	*	*	*	*	*	*	*
Monetka GK	Total Company	Total formats	*	*	*	*	*	*	*	*	*	*	*	*
Maria-Ra GK	Maria-Ra	D, S	*	*	*	*	*	*	*	*	*	*	*	*
Spar	Spar (total company)	C, S, H	*	*	*	*	*	*	*	*	*	*	*	*
HyperGlobus, LTD.	Globus	H	*	*	*	*	*	*	*	*	*	*	*	*
Auchan Groupe (Atack-Rossiya, LTD.)	Atack	S (D)	*	*	*	*	*	*	*	*	*	*	*	*
GK Holiday	Holiday Classic, Holdy, Sibiriada, Kora, Palata, Turne, Holdy Plus, Chervonec	C, D, S, H	*	*	*	*	*	*	*	*	*	*	*	*
TD Intertorg, LTD.	Norodnaya 7Ya, Idea, Spar, Norma	C, S	*	*	*	*	*	*	*	*	*	*	*	*
REWE Group (Billa LTD.)	Billa	S	*	*	*	*	*	*	*	*	*	*	*	*
Gorodskoy supermarket, LTD.	Azbuka Vkusa	S	*	*	*	*	*	*	*	*	*	*	*	*

Source: IA "INFOLine"

[7] The rating was updated according to results 2012. It presents chains with sales revenue in 2012 of more than 6 billion rubles.

[8] Legend: D - discounter, H - hypermarket, S - Supermarket, C – convenience store

[9] Data for the I quarter and march, due to the particuliarities of information disclosure of public companies (the information is published on a quarterly basis or at a later date than the rating is issued)

Rating of FMCG retail chains of Russia by net profit

Financial performance results of as of **April 2014** are represented in the table below.

Legal name	Brand	Main formats[10]	Revenue 2013	2013 to 2012, %	LfL 2013,%	Revenue I qtr. 2014	I qtr. 2014 to I qtr. 2013, %	LfL I qtr. 2014,%	Revenue March 2014	Mar. 2014 to Mar. 2013, %
Magnit JSC	Magnit	D	*	*	*	*	*	*	*	*
	Magnit-Cosmetic, Rouge	C	*	*	*	*	*	*	*	*
	Magnit Family	S	*	*	*	*	*	*	*	*
	Hypermarket Magnit	H	*	*	*	*	*	*	*	*
	Total Company	D, H	*	*	*	*	*	*	*	*
X5 Retail Group N,V, (TD Perekrestok, CJSC)	Pyaterochka	D	*	*	*	*	*	*	*	*
	Perekrestok	S	*	*	*	*	*	*	*	*
	Karusel	H	*	*	*	*	*	*	*	*
	Perekrestok-Express,	M	*	*	*	*	*	*	*	*
	On-line retail	-	*	*	*	*	*	*	*	*
	Total (X5+Kopeyka)[11]	D, S, H, M	*	*	*	*	*	*	*	*
Dixy group JSC	Dixy	C, D	*	*	*	*	*	*	*	*
	Kvartal, Deshevo	S	*	*		*	*		*	*
	Victoria	S	*	*	*	*	*	*	*	*
	Cash	H	*	*		*	*		*	*
	Megamart	H	*	*	*	*	*	*	*	*
	Minimart	C, D, S, H	*	*		*	*		*	*
	Total company[12]	C, D	*	*	*	*	*	*	*	*
Lenta LTD	Lenta	S, H	*	*	*	*	*	*	*	*
O'KEY LTD	O'KEY, O'KEY-Express	S, H	*	*	*	*	*	*	*	*
Sedmoi Kontinent, JSC[13]	Sedmoi Kontinent, Nash hypermarket	C, S, H	*	*	*	*	*	*	*	*

Data source: INFOLine

Financial performance results for the I quarter 2014 for the largest public retailers are represented in the table below.

Financial performance (without VAT) of the largest FMCG chains during 2013-2014, billion rubles

Metric	Magnit JSC[14]		X5 Retail Group N.V.[15]		Dixy group JSC[16]		Lenta. LLC[17]		O'KEY LTD[18]		METRO[19]
	2013	I qtr. 2014	2013	I qtr. 2014	2013	I qtr. 2014	2013	I qtr. 2014	2013	I qtr. 2014	2013
Net revenue. billion rubles	*	*	*	*	*	*	*	*	*	*	*
Net revenue growth, %	*	*	*	*	*	*	*	*	*	*	*
Gross profit. billion rubles	*	*	*	*	*	*	*	*	*	*	*
Gross margin,%	*	*	*	*	*	*	*	*	*	*	*
Net profit, billion rubles	*	*	*	*	*	*	*	*	*	*	*
Net profit margin, %	*	*	*	*	*	*	*	*	*	*	*
EbitDA. billion rubles	*	*	*	*	*	*	*	*	*	*	*
EbitDA profit margin. %	*	*	*	*	*	*	*	*	*	*	*
LfL (sales), %	*	*	*	*	*	*	*	*	*	*	*
LfL (average revenue per user), %	*	*	*	*	*	*	*	*	*	*	*
LfL (traffic),%	*	*	*	*	*	*	*	*	*	*	*

Data source: INFOLine

The revenue dynamics of TOP 50 retailers during 2012-2013 is represented in the table below.

[10] Legend: D - discounter, H - hypermarket, S - supermarket, C – convenience store
[11] Data is presented according to the pro forma, includes "other income".
[12] Total revenues, including other income
[13] According to RAS
[14] Audited data according to ISFA
[15] Revenue of X5 Retail Group N.V according to ISFA
[16] Unaudited data
[17] Adited data in accordance with ISFA
[18] Adited data in accordance with ISFA
[19] Adited data in accordance with ISFA

Dynamics of net sales (excluding VAT) of the largest FMCG chains in 2012-2013, billion rubles[20]

Legal name	Brand	Main formats[21]	Data	2012	2013
Magnit, JSC (Tander, CJSC)	Hypermarket Magnit	H	IFRS	*	*
	Magnit	D		*	*
	Magnit Cosmetic, Rouge	C		*	*
	Magnit Family	H		*	*
	Total Company	Total formats		*	*
X5 Retail Group	Karusel	H	IFRS	*	*
	Perekrestok	S		*	*
	Perekrestok-Express, Kopeika	C		*	*
	Pyaterochka	D		*	*
	E5.RU	Internet-sales		*	*
	Total Company	Total formats		*	*
Auchan Groupe (Auchan, LTD.)	Auchan, Auchan-City, Raduga	H	RAS	*	*
Metro Group (Metro C&C, LTD.)	METRO, METRO Punct	H	IFRS	*	*
DIXY GK	Megamart, Minimart, Dixy	D, S, H	IFRS, 2011-IFRS pro-forma, 2012-IFRS (consolidate)	*	*
	Victoria, Cash, Deshevo, Kvartal, Semeinaya kopilka	C, S, H		*	*
	Total Company	Total formats	IFRS (retail revenue)	*	*
Lenta, LTD.	Lenta	S, H	MR	*	*
O'KEY GK	O'KEY, O'KEY-express	S, H	IFRS	*	*
Sedmoi Kontinent, JSC	Sedmoi Kontinent, Nash hypermarket	C, S, H	IFRS	*	*
Monetka GK (Element-Trade, LTD.)	Monetka, Monetka Super, Rait	D, S, H	RAS, MR	*	*
Maria-Ra GK	Maria-Ra	D, S	MR	*	*
Spar[22]	Spar (total company)	C, S, H	MR	*	*
HyperGlobus, LTD.	Globus	H	IFRS	*	*
Auchan Groupe (Atack-Rossiya, LTD.)	Atack	S (D)	RAS	*	*
GK Holiday	Holiday Classic, Holly, Sibiriada, Kora, Palata, Holly Plus, Chervonec	H, S, C	RAS, MR	*	*
TD Intertorg, LTD.	Norodnaya 7Ya, Idea, Spar, Norma	C, S	RAS, MR	*	*
REWE Group (Billa, LTD.)	Billa	S	MR	*	*
Gorodskoy supermarket, LTD.	Azbuka Vkusa	S	IFRS, MR	*	*

Data source: INFOLine

Full version also includes the description of the aggregated financial performance results for the I quarter 2014 for the largest public retailers, dynamics of net sales by main formats of the largest retailers.

[20] The rating presents chains with revenue of more than 6 billion rubles.
[21] Legend: D - discounter, H - hypermarket, S - supermarket, C – convenience store
[22] Including sub-franchaising

Section I. Development of retailing in Russia

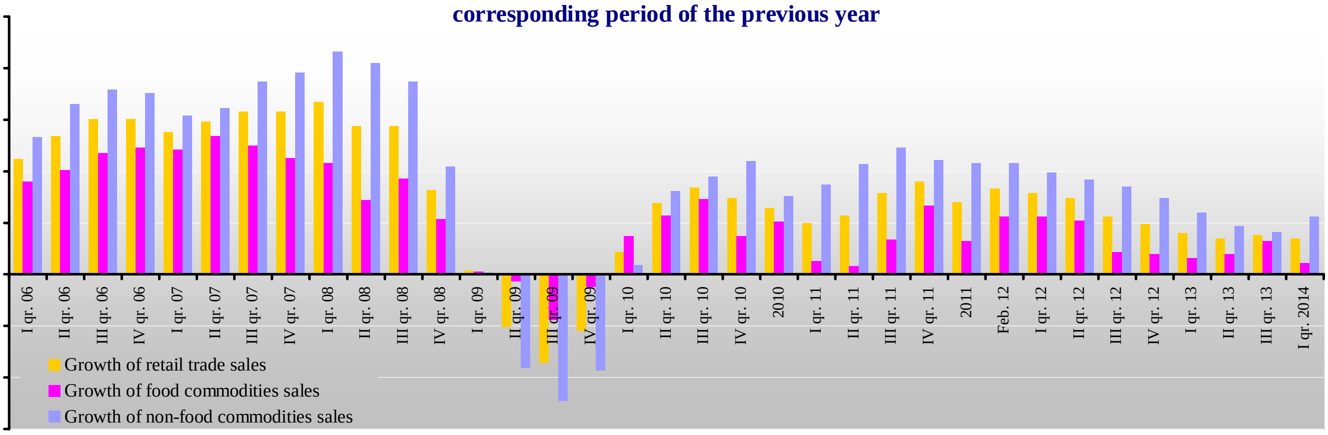
Macroeconomical figures of the retail trade

In March 2014 the retail turnover came to * billion rubles. In terms of commodity weight it comes to *% vs. March 2013 (*% in March 2013 vs. March 2012).

<…>

In January-March 2014 the retail turnover came to *billion rubles. In terms of commodity weight it comes to *% vs. January-March of 2013 (*% in January-March 2013 vs. January-March 2012). In January-March 2014 the food retail turnover came to *% as compared to January-March 2013 (*% in January-March 2013 vs. January-March 2012), the non-food retail turnover – to *% (*% in January-March 2013 vs. January-March 2012).

Dynamics of the main figures changes of the consumer market in 2006-2014, in % to the corresponding period of the previous year



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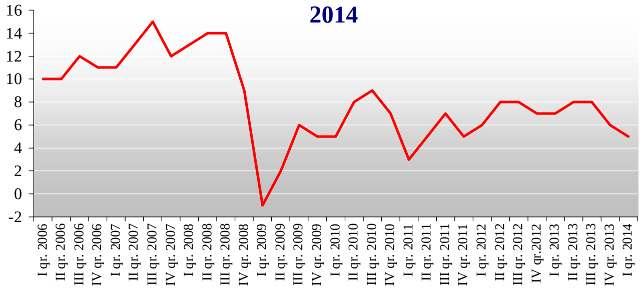
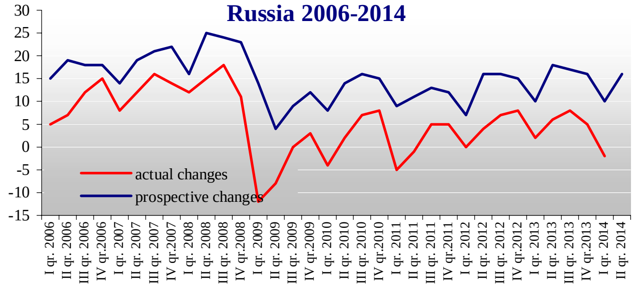
Leading indicators of retailing development

According to the results of the polls conducted by FSSS (Federal State Statistics Service) the Index of Business Confidence[23] in the I quarter of 2014 Index of Business Confidence decreased to the level of IV quarter 2011 and amount to 5 pp, decreasing by 1pp from IV quarter 2013 and by 2 pp vs. I quarter 2013.

The Index of Business Confidence in Russia 2006-2014



The evaluation of the economic situation in Russia 2006-2014



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Full version also includes leading indicators of the retailer sales turnover growth, changes of the average numbetr of employees, level of inventories, growth of the product mix, changes of selling prices and average profit margin, investments into bussiness expanding and storage floorspace, supportability of retail bussiness with their own financial resourses and key limitation factors.

[23] The index of entrepreneurial confidence in retail trade is calculated as the arithmetic mean value of evaluation balances for the level of storage stock (with the opposite sign), changes in economic situation during the current quarter as compared with the previous one and expected changes in economic situation during the coming quarter (in percentage points). The seasonal component in time series of the index is not excluded.

Government regulation of the retailing industry

<…>

Alcohol Market Regulation

On 03 March 2014 a law № 463846-6 "On Amending the Federal Law On state regulation of production and turnover of ethyl alcohol and alcohol products, and limit consumption (drinking) of alcohol products" (regarding the introduction of licensing of production and turnover of beer) was introduced to the State Duma. It is proposed not to introduce licensing for mini-breweries with annual output of less than 100 thousand dekalitres. Introduction of licensing should make it possible to control the volume and quality of beer produced in the RF. Among other things, such a procedure equal economic conditions for manufacturers of all types of alcohol products.

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Retail sector regulation

In April 2014 the Supreme Arbitration Court presented the draft of the resolution of the Supreme Arbitration Court of the RF On Certain Questions that Arise at Arbitration Courts when Considering Cases Related to VAT Levying. It proposes to introduce VAT for operational and natural losses of goods. The company will be able to avoid the tax if it can prove the fact of shop-lifting or spoilage of goods, the draft says. In case the given evidence is not convincing, the Court recommends to consider such goods as been handed over free of charge and subject to VAT charging. The Federal Tax Service shares the judgement of the Supreme Court.

<…>

Research (full version) includes information on the key events in the goverment regulation of Russian retail market

The structure of retail sales by the categories of goods

Retail turnover, according to the results of 2013, increased by *% against 2012 and came up to *billion rubles; in particular the consumption of food commodities increased by *%, non-food – by *%.

In total according to the results of 2013, the share of food commodities came up to *% against *% in 2012. According to the results of March 2014, the share of food commodities decreased by *pp against March 2013.

<…>

The structure of retailers' sales by groups of commodities in 2002-2014[24]

Index	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Jan-Mar.13	Jan-Mar.14	Mar.13	Mar.14
Retail trade sales	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Food commodities	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Non-food commodities	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Share of food commodities, %	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Share of non-food commodities, %	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

Data source: FSSS data

<…>

In March 2014 the share of food commodities came up to *%, and share of non-food commodities in retail turnover of Russia came up to *% (in March 2013 – *% and *% accordingly).

Research (full version) also includes the dynamics of sales of the main food and non-food retailers

[24] For comparison with 2009-2013 information about turnover and share of food commodities in 2002-2008 includes tobacco

Structure of sales by categories of retailers

The structure of retail turnover by types of businesses, according to the results of the I quarter 2014, retained the downward tendency regarding the shares of retail markets (by * pp against the I quarter 2013), small enterprises (decreased by *pp against the I quarter 2013). At the same time the share of large and medium businesses (to a considerable extent these are retail chains) increased by *pp against the I quarter 2013. The share of private enterprisers increased by *pp in the I quarter 2014 and decreased by *pp from 2013.

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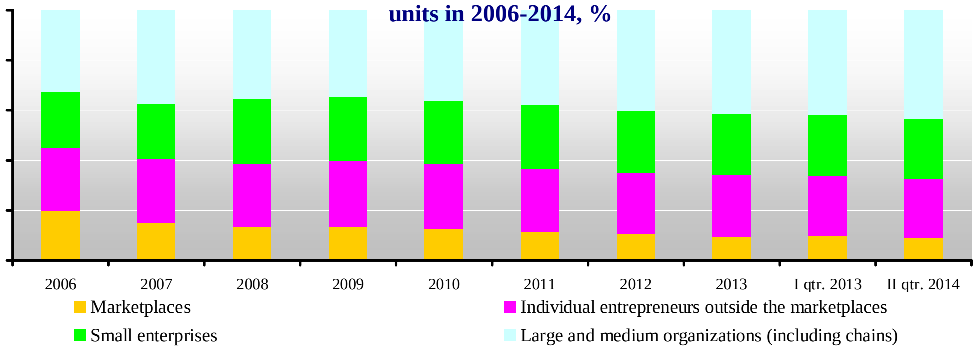
The structure of retail trade sales according to the categories of trading units in 2006-2014, %



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Research (full version) also contains information on structure of sale of the goods in markets and fairs, detailed information on unorganised trade: number of the markets, trading places in them, structure of the markets and the managing subjects and other.

Regional structure of retailers' sales

Regional structure of retail turnover in Russia demonstrates irregularity: *% of retail turnover in January - March 2014 fell on 11 districts (Moscow, Moscow region, St. Petersburg, Sverdlovsk region, Krasnodar Territory, Samara region, Republics of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk and Rostov region), which is by *pp higher than in January- March 2013.

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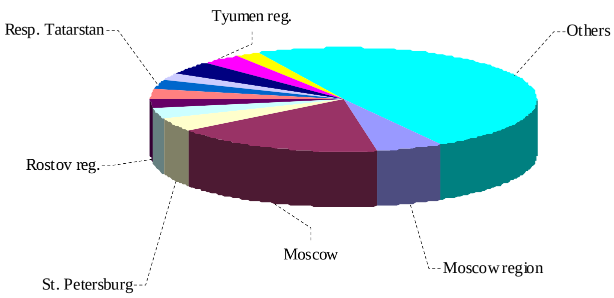
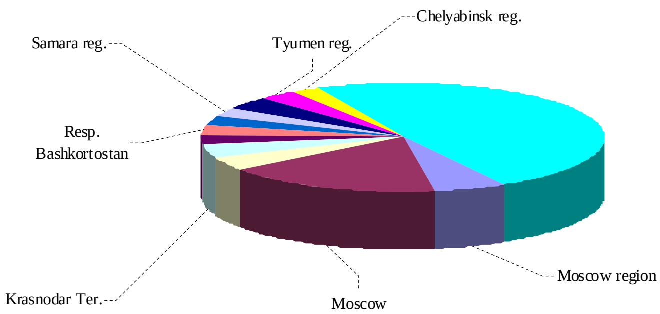
Structure of retail sales by region of the RF in January- March 2013, %



Structure of retail sales by regions of the RF in January-March 2014, %



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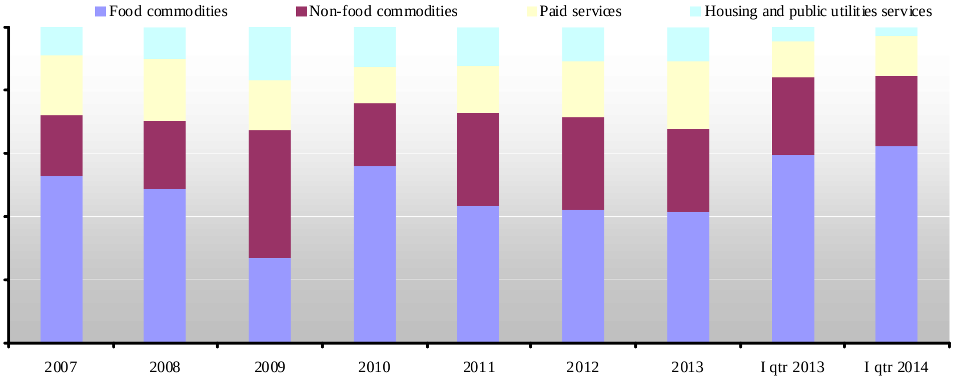
Inflation on food commodities market

Inflation dynamic

In 2013 the consumer inflation in Russia came up to *% and exceeded the forecast of Ministry of Economy Development by *pp. In 2013 food price index reached *%, non-food products – *%, services – *%. In April 2014 the consumer inflation in Russia came up to *% (in April 2013 – *%). Food price index reached *% (in April 2013 – *%), non-food products – *% (in April 2013 – *%), services – *% (in April 2013 – *%). In January-April 2014 the consumer inflation in Russia came up to *% (in January-April 2013 – *%), food price index reached *% (in January-April 2013 – *%), non-food products – *% (in January-April 2013 – *%), services – *% (in January-April 2013 – *%).

<…>

Structure of contribution to inflation in 2007-2014, percent points

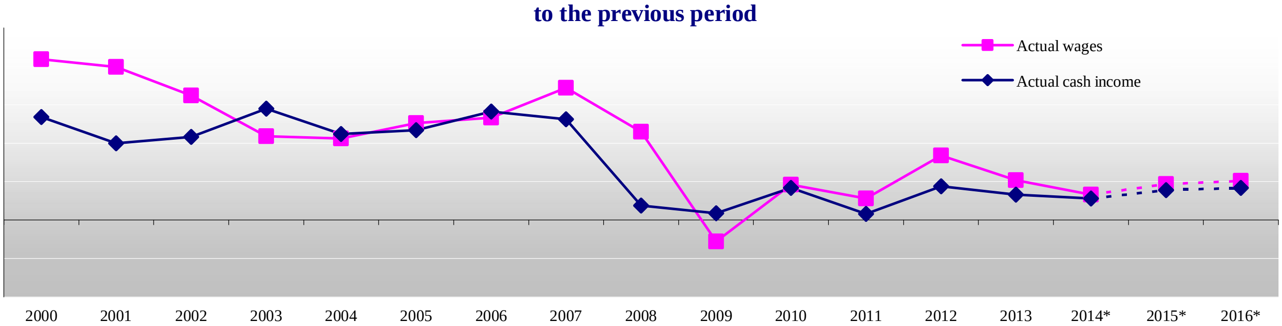


Research (full version) also contans the information on dynamics of cost on key consumer products in Russia and 8 regions of Russia

Personal income and expenditures

According to the results of 2013 real income of the population come up to *% and wage growth was *%. According to the forecasts of the Ministry of Economic Development wage growth in 2014 will be *%, the growth of real disposable income will be *%. The breakdown of the Russian economy in 2014 amid rouble devaluation and tense atmosphere due to the Krim situation will virtually cause the employment rate decrease (both in the form of layoffs, and the form of workweek shortening in some organisations) and, accordingly, on the basis of 2014, real wages and real incomes will be reduced as compared to 2013.

Dynamics of actual wages and actual income changes in 2000-2013 and forecast on 2014-2016, % as to the previous period



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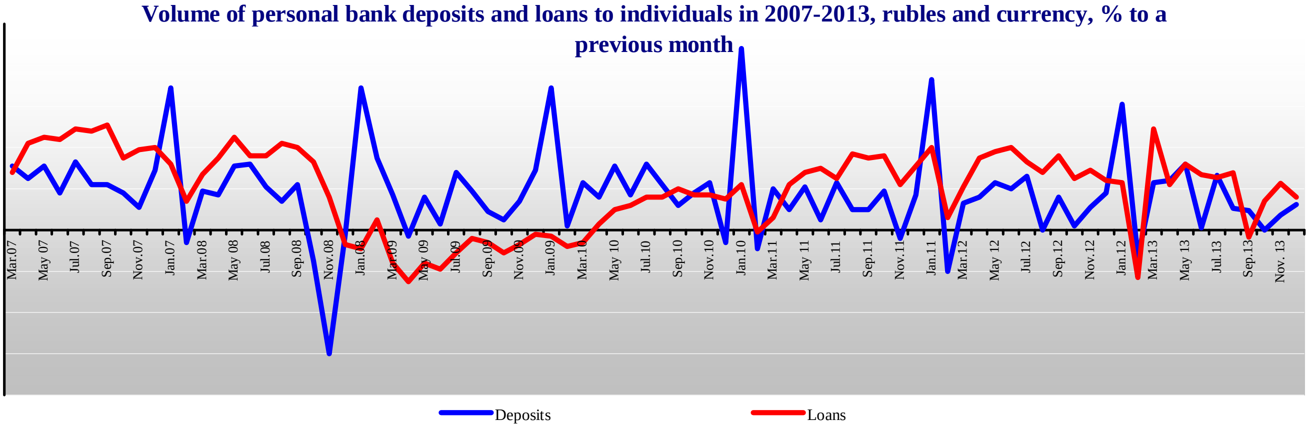
Credit and monetary policy

In 2014 the banks has run into another rise of reserves for possible losses as a result of unsecured consumer loans. The rise is to concern the loans granted after 01 January 2014. The minimum reserves for undue consumer loans are to be raised from the current *% to *%, for loans overdue for the period of less than 30 days – from *% to *%. If the bank does not separate undue and minimally overdue loans then the reserves for the total loans portfolio will increase from *% to *%. The banks will have to form reserves according to new regulations starting from as early as 01 March 2014 and record them in reports starting from 01 April 2014. <…>

Volume of personal bank deposits and loans to individuals in 2007-2013, rubles and currency, % to a previous month



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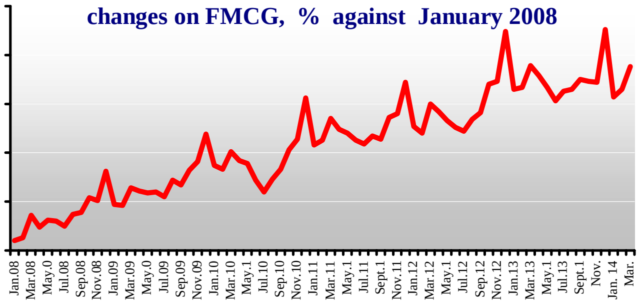
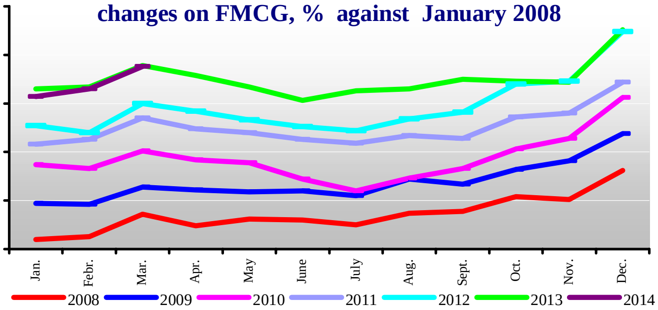
Household expenditures

In March 2014, according to the figures of the scan-panel of households[25], the daily expenses increased by *% in nominal terms compared with February 2014. It's perfectly normal seasonal growth. Exactly the same everyday expenses growth was observed in March 2103, compared with February 2013. In previous years, the March increase was somewhat more significant - at the level of *%. <…>

Dynamics of average household expenditures changes on FMCG, % against January 2008



Dynamics of average household expenditures changes on FMCG, % against January 2008



Research (full version) also includes the structure of the pernal income and expenditures, credit and monetary policy, results of the skan-panel of households following the results of the complete period, average receipt value analysis, consumers' expectations and confidence indexes and etc.

[25] The Romir research scan-panel of households is based on consumption data collected from 10 000 consumers, representing consumer behavior of residents in Russian cities with population over 100 thousand people. The participants of the panel scan bar codes of all purchased goods, which they bring home. Scanned data are entered on-line into the scan-panel data base.

Section II. Main events of the FMCG sector

IA "INFOLine" activity

Appearances at forums and conferences

On 02 April 2014 Moscow Expocentre successfully housed the 3d International Forum Problems and Development Prospects of Construction-Finishing Materials and DIY Retail Market. The forum, arranged and provided by MosBuild together with INFOLine as the strategic partner, has become during 3 previous years one of the key events of Russian DIY market. Traditionally the event is attended by more than 500 participants – top managers of the major retail companies and manufacturers on the market of constriction materials and household. They summarize annual results and discuss the most immediate issues of the industry's development. As during all previous years, the forum's hall was full.

As always, the CEO of ***INFOLine*** Ivan Fedyakov and the CEO of ***INFOLine-Analytics*** Mikhail Burmistrov, being the moderators, opened the first and second sessions respectively. In the beginning they presented detailed analytical lead-ins related to the markets of construction and finishing materials, as well as DIY retail. This provided an excellent information background for presentations made by representatives of the major industry's companies. This year among the speakers there were top managers of Russian and international DIY chains, producers of construction-finishing materials:

- Phillippe Mougeot, marketing director of Leroy Merlin
- Rinat Muhametvaleev, CEO of SKM Trest (Supertstroy, StroyArsenal chains)
- Aleksey Iovlev, CEO of SBR Corporation (Metrika chain)
- Vladimir Samohvalov, commercial director, STD Petrovich (Petrovich chain)
- Aleksey Dementyev, director for development, Axon Holding
- Aleksey Fedorov, managing partner, 220 Volts
- Denis Telyukov, key customers service department director for the RF and CIS, KNAUF Insulation
- Andrey Volkov, marketing and advertising director, KREPS
- Oleg Volkov, marketing manager of ABB in Russia
- Boris Ignatenko, national key account and OEM director, Saint-Gobain
- Sergey Vvedenskiy, director for interaction with retail chains, Akzo Nobel
- Gennadiy Kachinskiy, director, BLIZKO publishing group

The CEO of INFOLine Ivan Fedyakov voiced the results of the annual all-industry rating of the largest retail and small-wholesale DIY companies **INFOLine DIY Retail Russia TOP.** The rating leaders of some nominations were presented at the private awarding ceremony.

The leading information-and-analytics agency INFOLine became a strategic partner of the European DIY-Retail Association EDRA and the European Federation of DIY Manufacturers FEDIYMA, as well as the biggest business event for the European market of DIY, HH&Garden – The 3rd European Home Improvement Forum 2014. The forum is devoted to the market of home improvement and household. It is the most important event on the continental market of DIY, HH&Garden. Manufacturers and retailers annually get together there to exchange views and opinions on the current and coming events of the world market. The event, annually arranged by the two leading European DIY associations – EDRA (European DIY-Retail Association) and FEDIYMA (European Federation of DIY Manufacturers) is to take place on 05 - 06 June 2014 in Madrid, Spain.

Section III. Events and development plans of FMCG retail chains

Magnit, JSC / Magnit, Magnit Family, Magnit-Cosmetic, Rouge retail chains

Magnit, JSC / Magnit, Magnit Family retail chains

Company name: <u>*Magnit retail chain (Tander, CJSC)*</u> Address: *15/5, str. Solnechnaya, Krasnodar, 350002.* Phones: *+7 861 2109810 extension. 4311, 4522* Fax: *+7 861 2109810* E-Mail: *info@gw.tander.ru* Web: *www.magnit-info.ru* Chief executive: *Sergey Nikolaevich Galitskiy, CEO*

Chain development

As of 01 May 2014 the total number of Magnit chain's stores came up to 8343 (7410 convenience stores, 167 hypermarkets, 50 Magnit Family hypermarkets, 716 Magnit Cosmetic). The aggregated selling space of the chain reached 3097.58 thousand square meters. In the I quarter 2014 the company increased the number of shops by 163: 141 convenience stores, 4 Magnit hypermarkets, 4 Magnit Family hypermarkets, 14 "Magnit Cosmetics"). Selling space increased by 57.24 thousand square m. In January-April 2014 the company increased the number of shops by 250: 210 convenience stores, 6 Magnit hypermarkets, 4 Magnit Family hypermarkets, 30 "Magnit Cosmetics"). Selling space increased by 86.2 thousand square m. **<…>**

As of 01 April the number of employees of Magnit comes to over 194.949 thousands people. The company's personnel structure looks as follows: 133765 – personnel in the stores, 41990– responsible for distribution, 11723 – personnel of regional branches, 7470 – employed in the head quarter. In the I quarter 2014 the average monthly salary in the company amounts to 25899 rubles. **<…>**

The performance results and expectations

The key financial indicators of Magnit (by formats) according to Managerial report are presented in the table below (negative values are presented in brackets):

Key financial indicators of Magnit company in 2013-2014

Indicator	Format	2013 год	I qtr 2013	I qtr 2014	March 2013	March 2014	Jan.-Apr. 2013	Jan.-Apr. 2014	April 2013	April 2014
Net revenue, billion rubles	Magnit	450.801	104.145	126.020	37.802	45.655	140.24	171.693	36.088	45.673
	Magnit-Cosmetic	11.873	2.466	3.888	0.946	1.409	3.233	5.054	0.767	1.165
	Magnit Family	10.678	1.936	4.454	0.73	1.704	2.639	6.245	0.703	1.791
	Magnit (hypermarket)	106.176	22.671	29.59	8.574	11.045	30.886	40.685	8.215	11.095
	Total company	579.695	131.24	163.99	48.051	59.813	176.991	223.676	45.773	59.725
Net revenue growth, %	Magnit (discounter)	23.77%	24.49%	21.0%	26.72%	20.77%	25.1%	22.43%	26.89%	26.56%
	Magnit-Cosmetic	107.12%	158.81%	57.67%	-	48.96%	-	56.34%	-	52.05%
	Magnit Family	244.61%	-	130.06%	-	133.54%	-	136.63%	-	154.7%
	Magnit (hypermarket)	40.78%	44.58%	30.52%	46.64%	28.82%	45.24%	31.73%	47.09%	35.06%
	Total company	29.21%	29.79%	24.95%	32.82%	24.48%	30.02	26.38%	32.71%	30.48%
LFL (revenue), %	Magnit (discounter)	6.62%	7.34%	5.96%	-	-	-	-	-	-
	Magnit-Cosmetic	28.53%	4.47%	53.5%	-	-	-	-	-	-
	Magnit Family	17.23%	12.92%	15.73%	-	-	-	-	-	-
	Magnit (hypermarket)	9.39%	13.11%	9.17%	-	-	-	-	-	-
	Total company	4.47%	8.28%	7.49%	-	-	-	-	-	-
LFL (average receipt), %	Magnit (discounter)	5.82%	5.85%	5.32%	-	-	-	-	-	-
	Magnit-Cosmetic	0.32%	6.43%	1.97%	-	-	-	-	-	-
	Magnit Family	4.2%	6.78%	5.27%	-	-	-	-	-	-
	Magnit (hypermarket)	3.07%	4.93%	4.34%	-	-	-	-	-	-
	Total company	5.89%	6.34%	5.6%	-	-	-	-	-	-
LFL (traffic), %	Magnit (discounter)	0.76%	1.41%	0.61%	-	-	-	-	-	-
	Magnit-Cosmetic	28.12%	(1.84%)	5.54%	-	-	-	-	-	-
	Magnit Family	12.5%	5.75%	9.93%	-	-	-	-	-	-
	Magnit (hypermarket)	6.13%	7.8%	4.62%	-	-	-	-	-	-
	Total company	1.59%	1.82%	1.79%	-	-	-	-	-	-

Data source: company's data.

<…>

Logistics

As of 01 April 2014 "Magnit" (CJSC "Tander") operated 23 distribution centres, a total selling space of 674.249 sq. m. In the I quarter 2014 level of centralisation of supply for convenience stores is about 89%, for hypermarkets - 71%, the long-term plan is to bring this figure up to 92% for stores and up to 80% for hypermarkets. The car park accounts to 5720 trucks.

On 20 December 2013 Magnit JSC signed the Declaration of Mutual Understanding and Strategic Cooperation with the Hungarian Agency for Investments and Development of Commerce (HITA). It was connected with company's plans to optimize the logistics processes of goods supply from EU countries to the stores of Magnit chain. For instance, Magnit JSC plans to set up a transport operator in the eastern part of Hungary, with a vehicle fleet of up to 1000 trucks and a servicing infrastructure. As a result, the company may create up to 1500 new jobs for Hungary.

Commissioning of hypermarkets

On 26 April 2014 a Magnit hypermarket was opened in Perm at the following address: Svetlogorskaya, 15 A. The product mix of the store includes more than 9500 commodity items; about 77% among them are food commodities. The selling space is equipped with 19 point-of-sale terminals. The facility is owned by the company.

<…>

Planned commissioning of hypermarkets

In 2014 a Magnit hypermarket is planned for opening in Murmansk in Olenegorsk

<…>

Private label

As of 01 April 2014 the total number of company's PL reached 664 items. In the I quarter 2014 the share of PL in the revenue structure was to 12%. About 85% of PLs are food commodities. The share of non-food commodities is expected to increase with time.

Interaction with consumers

In March 2014 it became known that Magnit was going to launch a bank cards payment system in majority of its convenience stores before the end of the year. The acquiring services will be provided by Russkiy Standard and VTB 24 banks. As for Sberbank, the agreement with it is on the stage of technical clarification.

<…>

Corporative events

<…>

On 22 April 2014 Magnit JSC fulfilled its obligations and paid out the sixth coupon of series BO-06 and cleared off the nominal value of the bonds. The total amount of interest to be paid comes to 193.2 million roubles, exclusive of taxes and other deductions and 192 583 820 roubles inclusive of taxes and other deductions. The total volume of interest to be paid according to one issuer's bond of specific series was 38.64 roubles. Number of redeemed bonds: 5 million. Grounds for bonds redemption: payment of nominal bonds value according to the decision to issue securities of Magnit JSC, approved by the board of directors as of 04 February 2011. In connection with their redemption the bonds of series BO -06 were excluded from the level a quotation list of MICEX.

Research (full version) contain the description of 8 largest FMCG chains in Russia:

X5 Retail Group N.V. (Pyaterochka, Perekrestok, Karusel and Perekrestok-express); Magnit, JSC (Magnit, Magnit Semeiny, Magnit-Cosmetic, Rouge retail chains); Auchan Groupe (Auchan, Auchan-City, Nasha Raduga, real,- and Atac retail chains); Metro Group (METRO, METRO Punct and real- retail chains); GC DIKSI, JSC (Diksi trading chain, Megamart, Minimart, Viktoria-kvartal, Deshevo, Semeynaya Kopilka, Viktoria, Kesh) ; O'KEY, LTD. (O'KEY, O'KEY-Express retail chain); Lenta, LTD. (Lenta retail chain); Sedmoi Kontinent, JSC (Sedmoi Kontinent, Nash)

The description of each chan includes news according to the sections:

- **Chain development (operation results, plans of further development);**
- **Performance results and expectations (key financial idicators and plans);**
- **Investment activities;**
- **Private label (key private label of the chain, their development and plans to the future expansion);**
- **Resignations and appointments;**
- **M&A deals;**
- **New formats (introduce and/or plans on introduce new formats to the market);**
- **Logistics (opening new distribution centers, the level of supply centralisation, etc.);**
- **Commissioning of the stores (during the last month);**
- **Closing the stores (during the last month);**
- **Co-operation with consumers (actions, loyalty programs, etc.);**
- **Co-operation with suppliers (working conditions with suppliers, new partners, etc.);**
- **Corporative events (other news by the chain (judicial proceedings, labor relations, etc.).**