информационное агентство information agency

In 2007, research products of the information agency "INFOLine" were appreciated by the leading European companies. Agency "INFOLine" was made into a single association of consulting and marketing agencies of the world "ESOMAR". In accordance with the rules of the association all the products of the agency "INFOLine" certified by European standards, ensuring that our customers receive a quality product and sales service through further consultations at the request of customers.

Periodic review of industry

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

June 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 June 2014
- Rating of FMCG retailers by the number of stores, selling spaces in June 2014 and revenues in 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 June 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

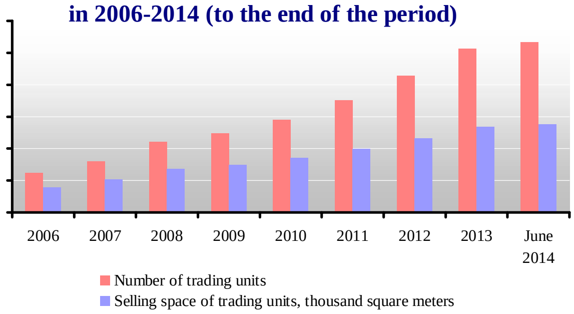
Performance results of TOP 130 FMCG chains[1]

Performance results of TOP 130 FMCG chains in Russia

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

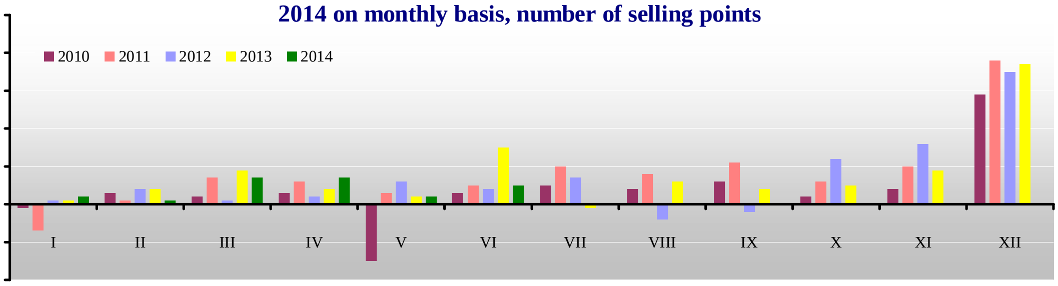


The total number of stores among TOP-130 FMCG retailers as of **01 July 2014** was ***with total selling space of ***million sq. m.

Development of hypermarket format[2]

In **June 2014** the number of hypermarkets among TOP-130 FMCG retailers increased by *, while the selling space increased by *thousand sq. m. In **January-June 2014**, 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 **June 2014** the following hypermarkets were commissioned: hypermarket "Lenta" in Elino (Moscow region), hypermarket “Auchan” in Simferopol (Republic of Crimea) and “Nasha Raduga” in Arzamas (Nizhny Novgorod region), hypermarket “Europa” (Europa Ltd. (Kursk)) in Bryansk, “Polyana” (GK Sistema RegionMart) in Novokuznetsk (Kemerovo region).

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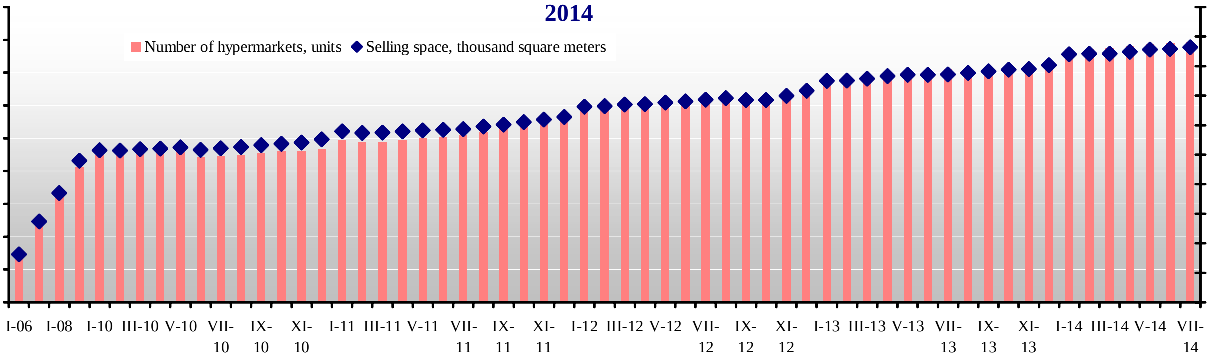
[1] Data was corrected according to the results of April 2014. Hereinafter the data for X5 Retail Group, Magnit and Dixy is presented as it was available at the date of this survey’s preparation: Magnit – April 2014, Dixy – March 2014, X5 Retail Group – March 2013. Drugstore chain "Magnet Cosmetic" is 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"

Dynamics of number of hypermarkets and their floorspace of 130 largest retailers of Russia in 2006-2014



The total number of hypermarkets among TOP-130 FMCG retailers as of **01 July 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**	June 2013	June 2014	June 2013		June 2014		Jan.-June 2013		Jan.-June 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, AB Daily	S	*	*	*	*	*	*	*	*	*	*	*	*

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

[4] The rating was updated according to results of 2013. It presents retail chains with sales revenue in 2013 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

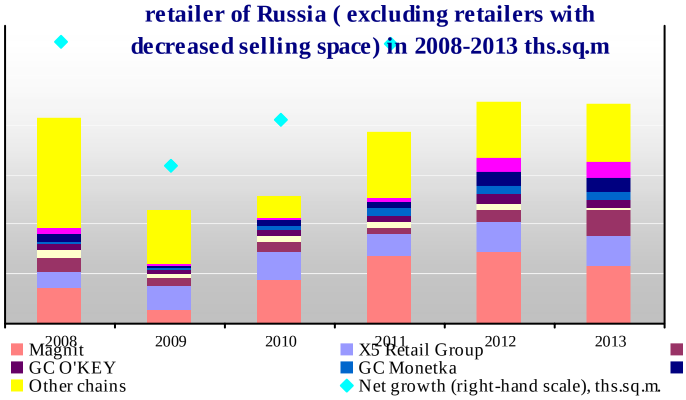
INFOLine IA monthly analyse the data regarding the changes in selling space for 130 largest FMCG retailers of Russia.

The results of 2008-2013

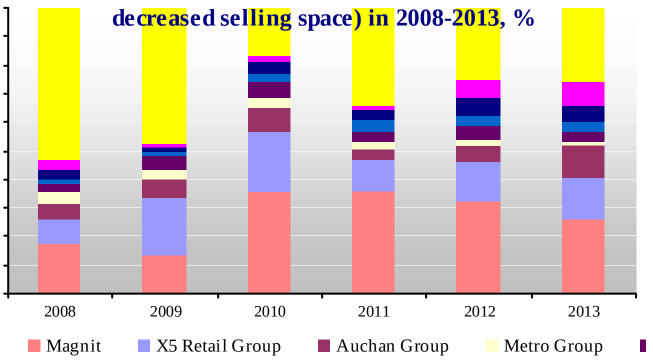
According to the results of 2013 the growth of selling space among 130 largest chain came up to more than * thousand square meters (in 2012 – * thousand square meters, in 2011 – * thousand square meters, in 2010 – * thousand square meters, in 2009 – * thousand square meters, in 2008 – * thousand square 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, %

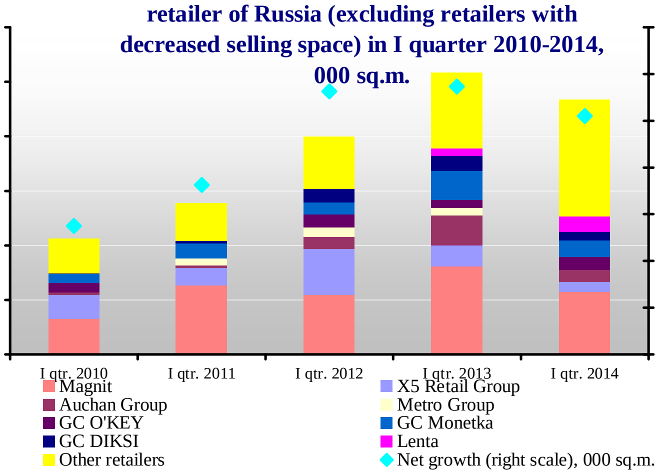


<…>

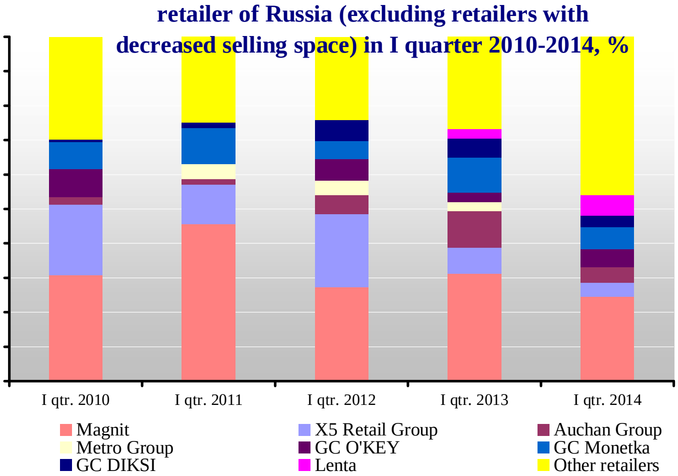
Results of the I quarter 2014

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.

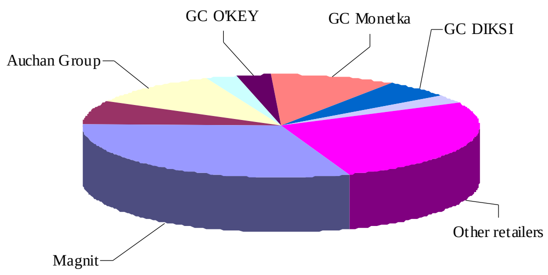


Structure of selling space growth of 130 major retailer of Russia (excluding retailers with decreased selling space) in I quarter 2010-2014, %

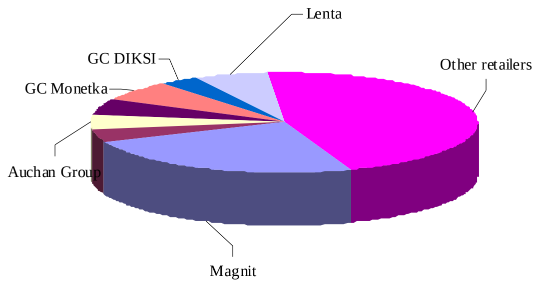


Selling floorspace decrease by *pp and *pp respectively was demonstrated by Dixy GC (*%) and Monetka GC (*%). The number of retail facilities of Metro Group in the I quarter of 2014 did not change in comparison with the year’s beginning, while in the I quarter of 2013 Metro opened 1 shopping centre with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

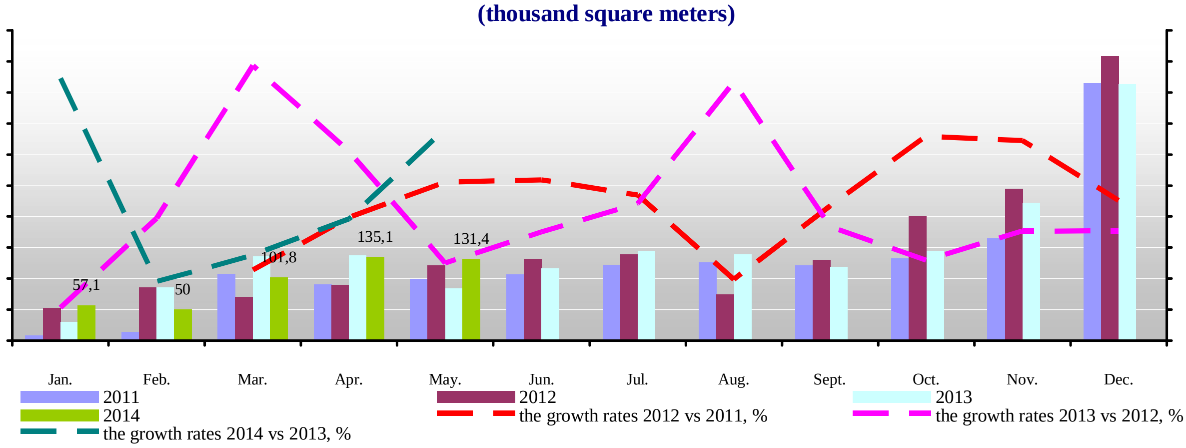


Full version also includes information about the dynamics of selling space growth and its structure

Results of January-June 2014

In June 2014 selling space was increased by 17 largest chains by 89.7 thousand sq. m. (excluding 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 "Lenta", "Auchan", "Nasha Raduga", "Europa" (Europa, Ltd. (Kursk)), "Polyana" (GK Systema RegionMart), “Magnit Semeiny”, “Perekrestok”, “Atac”, “Azbuka Vkusa”, “Lenta”, SPAR, “Komandor”, "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**	June 2013	June 2014	June 2013	June 2014	Jan.-June 2013	Jan.-June 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, AB Daily	S	*	*	*	*	* *	* *	* *	* *

Source: IA "INFOLine"

[7] The rating was updated according to results 2013. It presents chains with sales revenue in 2013 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 particiuliarities 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 **June 2014** are represented in the table below.

Legal name	Brand	Main formats[10]	Revenue I half 2014	I h 2014 to I h 2013, %	LfL I half 2014,%	Revenue II qtr. 2014	II qtr. 2014 to II qtr. 2013, %	LfL II qtr. 2014,%	Revenue May 2014	May 2014 to May 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, AB Daily	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.

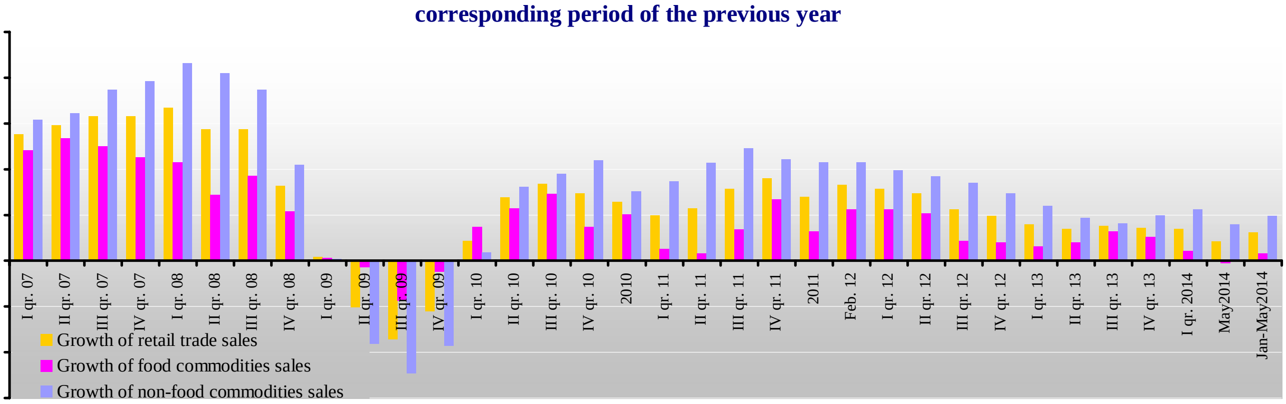
[20] The rating presents chains with revenue of more than 6 billion rubles.
[21] Legend: D - discounter, H - hypermarket, S - supermarket, C – convenience store
[22] Including sub-franchaising

Section I. Development of retailing in Russia

Macroeconomical figures of the retail trade

In May 2014 the retail turnover came to *billion rubles. In terms of commodity weight it comes to *% vs. May 2013 (*% in May 2013 vs. May 2012). In May 2014 the food retail turnover was *% vs. May 2013 and *% vs. April 2014. In May 2014 non-food retail turnover came up to *% against May 2013 and *% – against April 2014. In January-May 2014 the retail turnover came to *billion rubles. In terms of commodity weight it comes to *% vs. January-May of 2013 (*% in January-May 2013 vs. January-May 2012). In January-May 2014 the food retail turnover came to *% as compared to January-May 2013 (*% in January-May 2013 vs. January-May 2012), the non-food retail turnover – to *% (*% in January-May 2013 vs. January-May 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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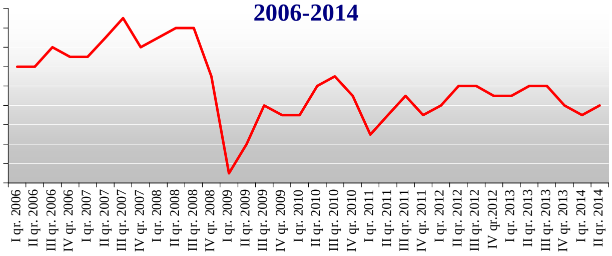
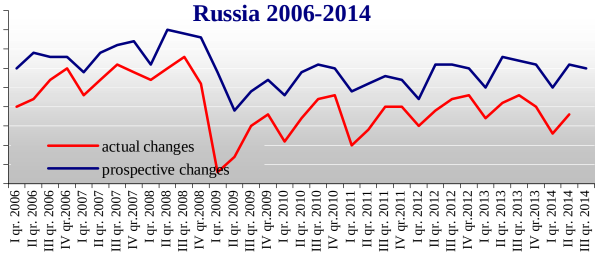
Leading indicators of retailing development

According to the results of the polls conducted by FSSS (Federal State Statistics Service) the Index of Business Confidence[23] in the II quarter of 2014 Index of Business Confidence decreased to the level of IV quarter 2011 and amount to 6 pp, increasing by 1pp from I quarter 2014 and decreasing by 2 pp vs. II quarter 2013. The economic environment assessment indicator lowered to (-2) pp in the first quarter of 2014 and grew by 5 pp in the second quarter of 2014, reaching the level of the fourth quarter of 2009 (3pp).

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 11 June 2014 the draft law **No. 545053-6 On Introduction of Alterations to Tax Code of the RF** was introduced to the State Duma. According to this draft law the state duty for alcohol retailing license in Moscow, St. Petersburg and Sevastopol may be increased 20 times beginning from 2015. The current state duty is 40 thousand roubles and applicable across the entire territory of the RF. The cost of alcohol retailing license will reach 800 thousand roubles. The document authorizes the cities of federal significance to independently determine the cost of alcohol retailing license. The differentiation range may reach 20 times. The implementation of this draft law should increase the fiscal revenues of the cities by 3.5 – 4.5 billion roubles annually.

<…>

Retail sector regulation

In June 2014 it was reported that in autumn of 2014 the Sate Duma would increase fines for adulteration of food products. The initiative was supported by the President of the RF V.V. Putin at the meeting in Stavropol devoted to agriculture issues. The document envisages fines of up to 500 thousand roubles. It also introduces responsibility for "unlawful usage of trade marks, service marks and designation of the goods' place of origin". The fines may reach up to 200 thousand roubles for legal entities.

<…>

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 May 2014, the share of food commodities increased by * pp against May 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-May.13	Jan-May.14	May.13	May.14
Retail trade sales	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Food commodities	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Non-food commodities	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Share of food commodities, %	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*
Share of non-food commodities, %	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*	*

Data source: FSSS data

<…>

In May 2014 the share of food commodities came up to *%, and share of non-food commodities in retail turnover of Russia came up to *% (in May 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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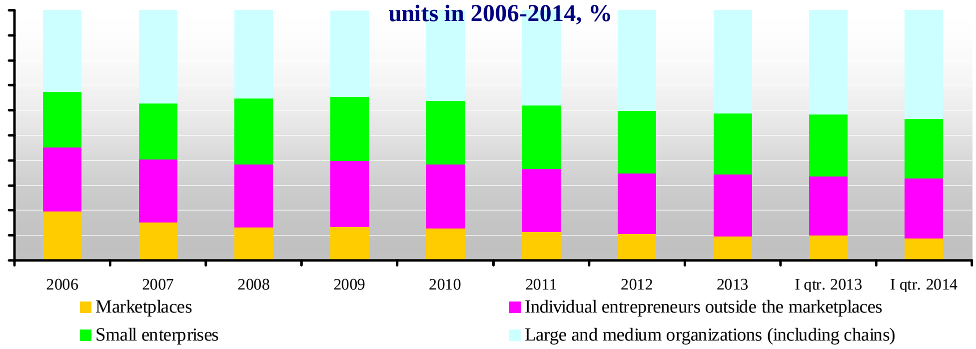
The structure of retail trade sales according to the categories of trading units in 2006-2014, %



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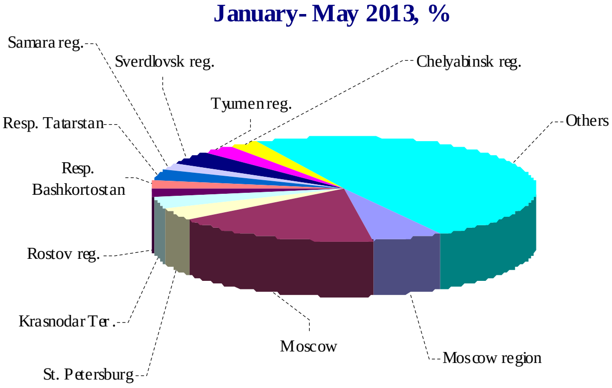
Research (full version) also contains information on structure of sale of the goods in markets and fairs, detailed information on unorganised trade: number of the markets, trading places in them, structure of the markets and the managing subjects and other.

Regional structure of retailers' sales

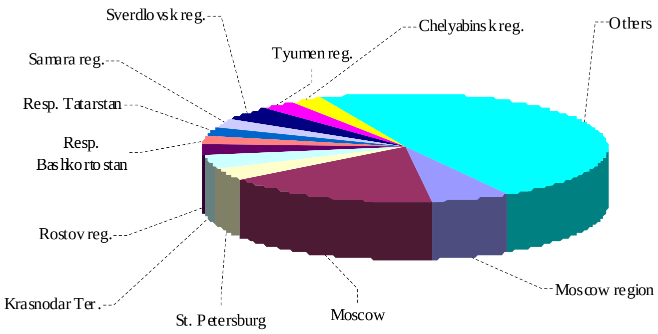
Regional structure of retail turnover in Russia demonstrates irregularity: *% of retail turnover in January - May 2014 fell on 11 districts (Moscow, Moscow region, St. Petersburg, Sverdlovsk region, Krasnodar Territory, Samara region, Republics of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk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

<…>

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



Structure of retail sales by regions of the RF in January-May 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 June 2014 the consumer inflation in Russia came up to *% (in June 2013 – *%). Food price index reached *% (in June 2013 – *%), non-food products – *% (in June 2013 – *%), services – *% (in June 2013 – *%). In January-June 2014 the consumer inflation in Russia came up to *% (in January-June 2013 – *%), food price index reached *% (in January-June 2013 – *%), non-food products – *% (in January-June 2013 – *%), services – *% (in January-June 2013 – *%).

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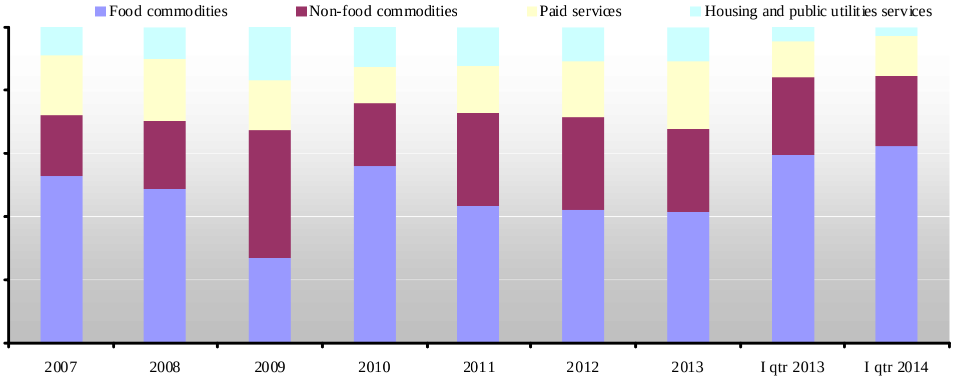
Structure of contribution to inflation in 2007-2014, percent points

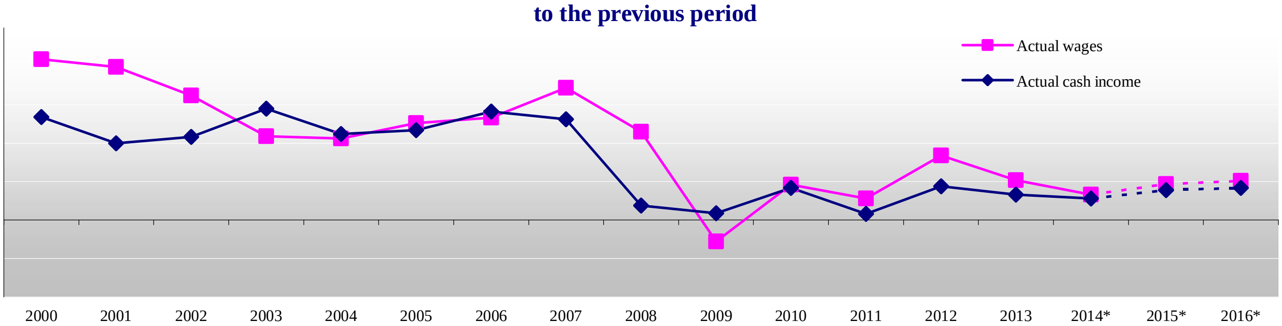


Research (full version) also contans the information on dynamics of cost on key consumer products in Russia and 8 regions of Russia

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 May 2014 the Central Bank of the RF calculated that Russians spend more than *% of their income on payments for credit. Moreover, this share continues to grow and results in failure to pay. The Central Bank of the RF registers lowering of return on assets (ROA) in banks operating in the consumer crediting segment. These are banks with more than 10 billion roubles of unsecured loans. The share of unsecured loans in their assets reaches more than *%, the share of consumer credits interest yields comes to more than *%. 27 banks account for *trillion roubles of unsecured loans. According to the Central Bank, their ROA was gradually lowering and in the first quarter of 2014 lowered below the average level of the banking market – *% vs. *% (in the first quarter of 2013 – *% vs. *% of the market average). The share of more than 90-day overdue indebtedness among these players is *% vs. *% of the banking market average. For instance, in the first quarter of 2014 Sberbank demonstrated the growth of past-due debt by almost by *pp, to *%. In contrast to other banks, which explain a worse quality of their credit portfolios by slowing of crediting, the governmental bank continues to build-up retail crediting – the growth came to *%.

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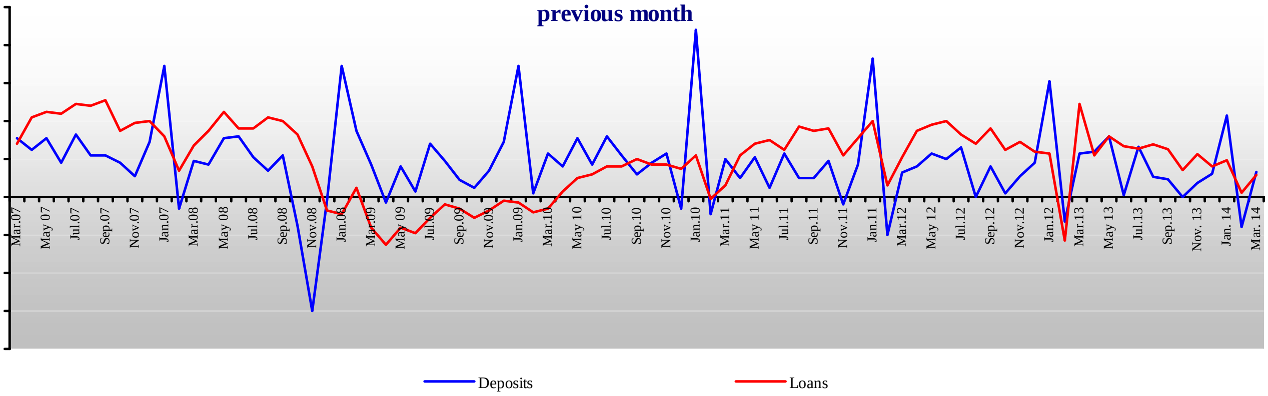
Volume of personal bank deposits and loans to individuals in 2007-2014, rubles and currency, % to a previous month



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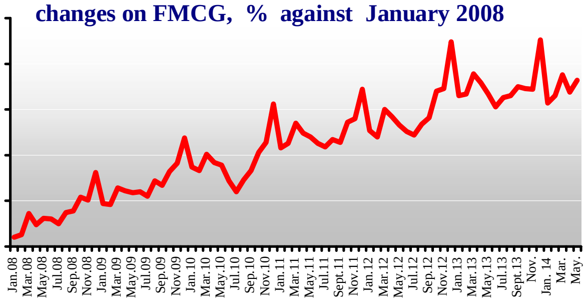
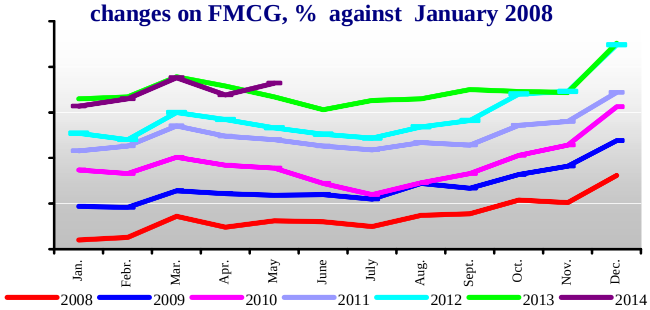
Household expenditures

According to scan-panel of households25, the Russians' everyday consumer expenditures increased *% in nominal terms in April 2014 in comparison with April 2013. They nominally increased *% in comparison with May 2013. Growth of expenditures in yearly terms happened for the first time since October 2013. **<…>**

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



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



[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.

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.

Section II. Main events of the FMCG sector

IA "INFOLine" activity

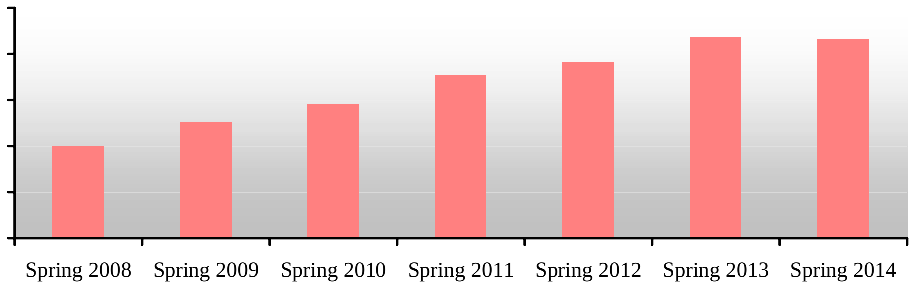
Appearances at forums and conferences

The largest business event of the European home improvement market took place during 05-06 June 2014 in Madrid – **Home Improvement Forum**. It was arranged by EDRA (European DIY-Retail Association) and FEDIYMA (European Federation of DIY Manufacturers). ***INFOLine IA*** participated in the Forum as a strategic partner. The Forum was attended by manufacturers and retailers from more than 40 countries. Among them were more than 150 CEOs and top managers of companies. ***INFOLine IA*** presented information about the current state and prospects of the Russian home improvement market, the fastest growing one in Europe. The specialists arranged an information booth and distributed specially prepared materials: **DIY Market of the RF, Results of 2013 and Forecast till 2017** and **Rating of FMCG Retailers of Russia, Results of 2012-2013.** The reports contain relevant information about Russian consumer preferences and structured description of the major market players and development tendencies. It was noted that European manufacturers and retail chains were greatly interested in Russian home improvement and HH market. The specialists of ***INFOLine IA*** plan to make a presentation about the current state of Russian DIY market at the Fourth Home Improvement Forum in 2015.

Case: Consumer Behaviour in 2014

ROMIR Company has analyzed the seasonal consumer activity for the period of 6 years (spring 2008-2014). The nominal expenditures on food and FMCG (except utilities and major purchases, like furniture, appliances etc.) increased *%. The real everyday expenditures, with inflation adjustment, increased *%. The average salary and aggregate income nominally increased by *% during the same period. Therefore, the growth rate of everyday consumer expenditures exceeded the growth of income by almost *% in nominal terms. Between spring of 2008 and spring of 2013 the FMCG expenditures increased *-*% annually. In 2013-2014 they demonstrated *% decline.

Everyday consumption index dynamics in 2008 – 2014. Spring of 2008 – 100%



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 July 2014 the total number of Magnit chain's stores came up to 8 618 (7 614 convenience stores, 169 hypermarkets, 57 Magnit Family hypermarkets, 778 Magnit Cosmetic). The aggregated selling space of the chain reached 3 189.21 thousand square meters. In the II quarter 2014 the company increased the number of shops by 362: 273 convenience stores, 4 Magnit hypermarkets, 7 Magnit Family hypermarkets, 78 "Magnit Cosmetics"). Selling space increased by 120.6 thousand square m. In I half 2014 the company increased the number of shops by 525: 414 convenience stores, 8 Magnit hypermarkets, 11 Magnit Family hypermarkets, 92 "Magnit Cosmetics"). Selling space increased by 177.83 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 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	I qtr 2014	II qr. 2013	II qr. 2014	I haf 2013	I half 2014	June 2013	June 2014
Net revenue, billion rubles	Magnit	450.801	126.020	111.116	140.962	215.261	266.982	37.034	47.957
	Magnit-Cosmetic	106.176	29.59	25.687	34.419	48.358	64.008	8.732	11.632
	Magnit Family	10.678	4.454	2.268	5.628	4.204	10.081	0.809	1.948
	Magnit (hypermarket)	11.873	3.888	2.512	3.943	4.978	7.832	0.908	1.494
	Total company	579.695	163.99	141.583	184.952	272.801	348.904	47.483	63.032
Net revenue growth, %	Magnit (discounter)	23.77%	21.0%	26.54%	26.86%	25.54%	24.03%	24.74%	29.49%
	Magnit-Cosmetic	40.78%	30.52%	46.61%	33.99%	45.65%	32.36%	41.2%	33.21%
	Magnit Family	244.61%	130.06%	-	148.19%	-	139.84%	-	140.91%
	Magnit (hypermarket)	107.12%	57.67%	-	57.0%	-	57.33%	-	64.51%
	Total company	29.21%	24.95%	32.48%	30.63%	31.49%	27.9%	30.29%	32.75%
LFL (revenue), %	Magnit (discounter)	6.62%	5.96%	8.33%	12.2%	7.99%	9.26%	-	-
	Magnit-Cosmetic	9.39%	9.17%	11.99%	15.02%	12.52%	12.28%	-	-
	Magnit Family	17.23%	15.73%	17.0%	20.4%	15.48%	18.22%	-	-
	Magnit (hypermarket)	28.53%	53.5%	15.28%	45.65%	10.09%	49.54%	-	-
	Total company	4.47%	7.49%	9.07%	13.43%	8.82%	10.63%	-	-
LFL (average receipt), %	Magnit (discounter)	5.82%	5.32%	6.55%	9.0%	6.21%	7.23%	-	-
	Magnit-Cosmetic	3.07%	4.34%	3.69%	8.13%	4.27%	6.37%	-	-
	Magnit Family	4.2%	5.27%	2.67%	9.47%	3.98%	7.51%	-	-
	Magnit (hypermarket)	0.32%	1.97%	(0.17%)	3.61%	2.28%	3.05%	-	-
	Total company	5.89%	5.6%	6.66%	9.16%	6.5%	7.46%	-	-
LFL (traffic), %	Magnit (discounter)	0.76%	0.61%	1.66%	2.93%	1.67%	1.9%	-	-
	Magnit-Cosmetic	6.13%	4.62%	8.01%	6.37%	7.91%	5.55%	-	-
	Magnit Family	12.5%	9.93%	13.95%	9.99%	11.06%	9.96%	-	-
	Magnit (hypermarket)	28.12%	5.54%	15.48%	40.58%	7.63%	45.11%	-	-
	Total company	1.59%	1.79%	2.25%	3.91%	2.18%	2.95%	-	-
Gross profit, billion rubles,	Total company	165.263	44.666	-	-	-	-	-	-
Gross margin, %	Total company	28.51%	27.24%	-	-	-	-	-	-
Net profit, billion rubles	Total company	35.620	6.988	-	-	-	-	-	-
Net profit margin, %	Total company	6.14%	4.26%	-	-	-	-	-	-
EbitDA, billion rubles	Total company	64.721	14.88	-	-	-	-	-	-

Indicator	Format	2013	I qtr 2014	II qr. 2013	II qr. 2014	I haf 2013	I half 2014	June 2013	June 2014
EbitDA profit margin, %	Total company	11.16%	9.07%	-	-	-	-	-	-

Data source: company's data.

Beginning from 2014, in order to comply with regulations accepted in the industry, JSC Magnit is going to publish its Like-for-Like (LFL) indicators. The indicators are calculated according to procedure adopted by the rest of Russian food retailers. Earlier the company used a LFL calculation procedure that assumed longer periods for reaching the level of mature sales. The previous LFL calculation base included convenience stores and cosmetics stores that have operated minimum 6 months before the first day of the basic calculation period, as well as hypermarkets and Magnit Semeiniy stores with minimum 8 months of such operations. In future the company is going to use the LFL calculation procedure that includes stores (all formats), which have operated minimum 12 months before the beginning of the last month of the accounted period. This survey uses LFL data for the II quarter and I half of 2013, calculated according the new procedure.

<…>

Commissioning of supermarkets

On 06 June 2014 a Magnit Semeiniy supermarket was opened in Vologda at the following address: ul. Karla Marksa, 105, Apelsin shopping centre. The product mix of the supermarket includes about 9.6 thousand items; 86% of them are food commodities. The selling floor is equipped with 13 point-of-sale terminals. The retail facility is rented.

<…>

Planned commissioning of hypermarkets

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

In 2014 a Magnit hypermarket is planned for opening in Murmansk at the following address: Apatity, Fersmana str., 29.

<…>

Logistics

As of 1 July 2014 "Magnit" (CJSC "Tander") operated 24 distribution centres, a total selling space of 693.199 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 5697 trucks.

In 2014 "Magnit" plans to commission 5 distribution centres and a fruits and vegetables transhipment point in Novorossiysk.

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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 June 2014 Magnit presented a **mobile application**. The software helps to look for the best prices, detailed description of goods and nearest stores of the chain. In combination with Apple or Google maps it is able to plot the shortest way to the nearest store. It also will inform about coming actions and offers of Magnit and Magnit Cosmetic. Shoppers will be able to put together and adjust their shopping lists. Purchased goods can be deleted from the list by one touch. The application is available for user of iOS only.

In June 2014 it was reported that stores of Magnit in Krasnodar began to accept bank cards for payment. Earlier it was possible only at Magnit hypermarkets and Magnit Cosmetics stores.

Corporative events

<…>

In June 2014 it was reported that Magnit lost a lawsuit initiated by the Rosselhoznadzor (Federal Veterinary and Phytosanitary Monitoring Service). The agency revealed severe violations of veterinary regulation at fish and meat processing shops of Magnit supermarkets. The production was not accompanied with pertinent veterinary documentation. Rosselhoznadzor obliged the company to properly supervise the safety of processed meat and fish products. Tander CJSC, in its turn, appealed to the arbitration court. The company accuses Rosselhoznadzor of the violation of the company's business rights and interests. However, the court's decision was in favour of Rosselhoznadzor. Now Magnit has to thoroughly control the veterinary safety of its in-house production.

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.).**