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ESOMAR WORLD RESEARCH MEMBER

Periodic review of industry

Rating of FMCG retailers in Russia

September 2012

Demo-version

- Statistical data on retail trade in Russia and regions
- Changing the main indicators of retail trade in Russia
- Review of developments in the retail market of Russia, took place in September 2012
- Rating of FMCG retailers by the number of stores, selling area in September 2012 and revenues in 2011, I half and 9 months 2012

Contents branch review "Rating retailers FMCG of Russia"

In October 2012 INFOLine IA releases the Retail FMCG Trade in Russia, Trends of 2012 and Prognosis till 2015 Research

Dear Colleagues,

INFOLine IA would like to inform about the release of its Retail FMCG Trade in Russia, Trends of 2011 and Prognosis till 2015 Research and possibility to conclude contracts for its purchase. In 2012 we continued to improve the quality of this product and finished the expansion of the analyzed retail chains list (70 chains – before 2010) to 120 chains (beginning from 2012). The results of the consumer market, commercial real estate and retail chains in regional areas Research allowed the experts of IA INFOLine to shape a model of integrated conditions of retail trade in Russian Federation, to match and contrast conditions at the markets of different regional areas, to compare the dynamics of retail chains in different territorial subjects of RF and to conduct performance evaluation of more than 120 major retail chains of Russia. Besides, for the first time the Research includes unique materials: financial performance results of the chains in 2010-2011 by formats and regional areas.

In 2012 the Retail FMCG Trade in Russia, Trends of 2012 and Prognosis till 2015 Research includes the following sections:

- Macroeconomical figures of RF
- History of development, the current conditions and development outlooks for retail trade in Russia
- The current conditions and development outlooks for main formats of FMCG retail trade in Russia
- State regulation of retail trade
- Analyses of activities of 8 largest FMCG retailers of RF and more than 145 of other FMCG retailers of Russia
- Consumer preferences of Russian population
- The conditions of economy and retail trade in Russia
- Conditions of shopping centers market in cities and regional areas of Russia
- Analysis of current conditions and development outlooks for unorganized trade in Russia
- The analyses of interaction between suppliers and FMCG chains; recommendations for its efficiency enhancement

The Retail FMCG Trade in Russia, Trends of 2012 and Prognosis till 2015 Research is offered at 100 000 roubles (without VAT).

For more information regarding the subscription you are welcome to contact INFOLine IA customers' service managers: mail@infoline.spb.ru and tel/fax + 7 (812) 322-68-48 or +7 (495) 772-76-40.

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Introduction

The branch survey **The Rating of FMCG retail chain 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 this is September 2012), the information related to the results of operating, financial and investment activities of FMCG chains in Russia, as well as **the rating of 120 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 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, the specialist of marketing and sale department of companies that produce consumer goods;
- Top-managers, the specialist of marketing and retail chains development departments;
- The 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.

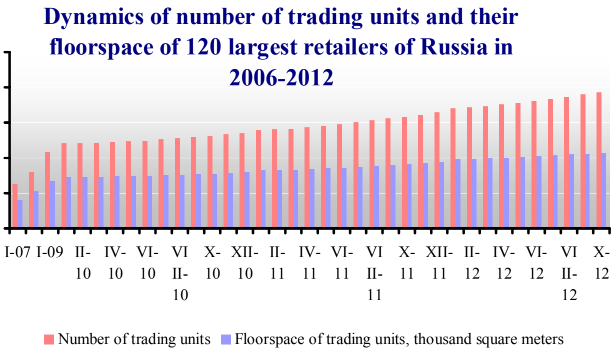
The principal objective of The Rating of FMCG retail chains in Russia is to satisfy the demand for immediate, statistical and analytical information regarding the Russian retail trade market and FMCG chains for the specialists of the above-mentioned specializations. To be able to receive the forthcoming issues of the survey, please, **forward a request 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**.

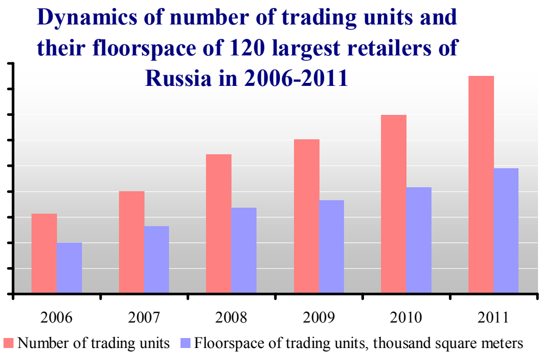
Rating of FMCG retailers in Russia

Performance results of TOP 120 FMCG chains[1]

Performance results of TOP 120 FMCG chains in Russia[2]

In **September** 2012 the number of trading units of TOP-120 FMCG retailers increased by * units**;** all in all, during **January-September 2012** - by * units**.** At the same time in **September** 2012 the growth in the total trading space was about * thousand sq. m. Altogether, during **January-September 2012** the total trading space increased by *thousand square sq. m.

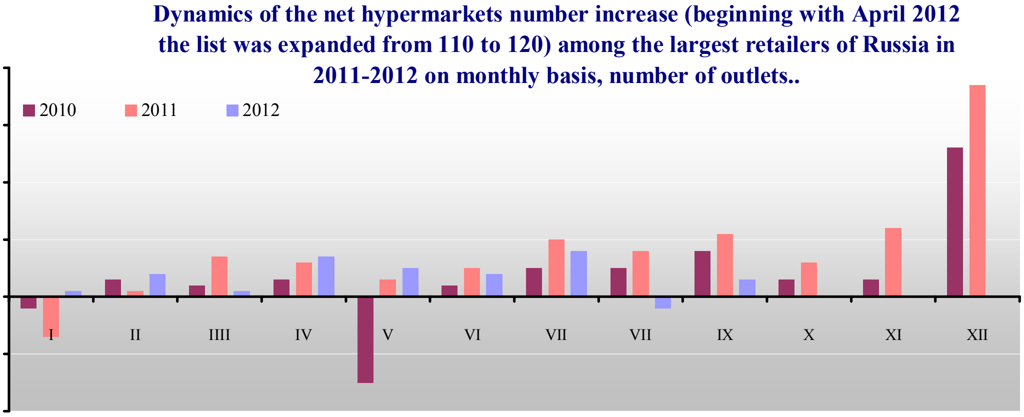




The total number of stores among TOP-120 FMCG retailers as of 01 **October** 2012 was *, with total trading floorspace of * thousand sq. m.

Development of hypermarket format[3]

In **September** 2012 the number of hypermarkets among TOP-120 FMCG retailers decreased by *, and the trading space decreased by * thousand sq. m. Altogether, during **January-September 2012**, the number of trading units increased by ***,** while the trading space increased by *thousand sq. m.



The following units were **commissioned** in **September** 2012: 3 Magnit Semeiniy hypermarkets in Rostov, Ulyanovsk and Samara regions, a Lenta hypermarket in Omsk region **<…>**

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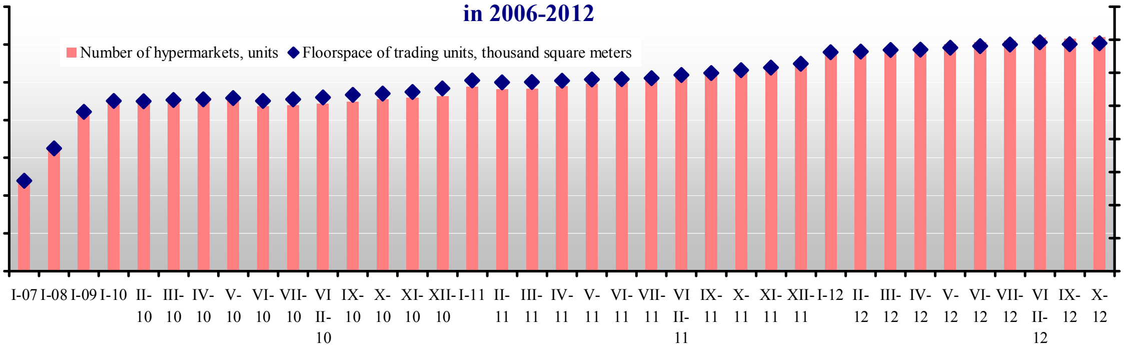
[1] Datas was corrected as a result of 9 months of 2012. Hereinafter the data for X5 Retail Group and Magnit is presented as it was available for the date of this survey's preparation.
[2] Datas was corrected as a result of 9 months of 2012. Hereinafter the data for X5 Retail Group and Magnit is presented as it was available for the date of this survey's preparation.
[3] Datas was corrected as a result of 9 months of 2012. Hereinafter the data for X5 Retail Group and Magnit is presented as it was available for the date of this survey's preparation.

Dynamics of number of hypermarkets and their floorspace of 120 largest retailers of Russia in 2006-2012



The total number of hypermarkets among TOP-120 FMCG retailers as of 01 **October** 2012 was *, with total trading floorspace of * thousand sq. m.

Research (full version) includes also the description of development of supermarket format, discounter[4] format and convenience store format

The rating of FMCG retail chains of Russia in terms of 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 120 largest FMCG retailers of Russia **(since April 2012 the number of monitored retailers increased fom 110 to 120)**.*

The dynamics of number of trading units among the largest retailers[5]

The dynamics of number of stores of the largest retailers for the period of 2011-2012 are represented in the table below.

Number of stores of the largest FMCG chains during 20011-2012 as of the end of the period, (units)

Name	Brand	Main formats[6]	2011	9m 12	Dynamics in September
X5 Retail Group N.V. (TH Prekrestok, JSC)	Pyaterochka	D	*	*	*
	Perekrestok	S	*	*	*
	Karusel, Pyaterochka Maxi	H	*	*	*
	Perekrestok-Express, Pyaterochka- Express	C	*	*	*
	Kopeika, Kopeika Super	C, S	*	*	*
	Total Company		*	*	*
Magnit, JSC (Tander, JSC)	Magnit	D	*	*	*
	Magnit cosmetic	C	*	*	*
	Magnit Semeiny	H	*	*	*
	Hypermarket Magnit	H	*	*	*
	Total Company		*	*	*
Auchan, LTD.	Auchan, Auchan-City, Raduga	H	*	*	*
Metro C&C, LTD.	Metro C&C, Metro Punct	S, H	*	*	*
Diksi group, JSC	Megamart, Minimart, Diksi	D, S, H	*	*	*
	Victoria, Cash, Deshevo, Kvartal, Semeinaya kopilka	C, S, H	*	*	*
	Total Company		*	*	*
O'Key, LTD.	O'Key, O'Key-express	S, H	*	*	*
Lenta, LTD.	Lenta	H	*	*	*
Sedmoi Kontinent, JSC	Sedmoi Kontinent, Nash hypermarket	C, S, H	*	*	*
	Mosmart, Maxi, Express	H, S	*	*	*
Element-Trade, LTD.	Monetka, Monetka Super	D, S, H	*	*	*

[4] 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 emphasize that in Russia the discounter format, as such, is non-existent. At the same time the specialists of INFOLine IA would like to distinguish two subformats of the convenience store format: soft discounters, for the formats of the number of the largest Russian players, such as Pyaterochka, Diksi, Magnit, Monetka, Kopeika, Maria-Ra and others, and convenience stores.

[5] The rating was updated according to results of the first half of 2012 regarding the revenue of chains in 2011. It presents chains with sales revenue of more than 3 billion roubles in 2011.

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

Name	Brand	Main formats6	2011	9m 12	Dynamics in September
GK Holiday (GK Holiday, LTD., Company Holiday, LTD., Kora-TC, LTD.)	Holiday Classic, Holdy, Sibiriada, Kora, Palata	C, D, S, H	*	*	*
Maria-Ra, LTD. (Roznitsa-1, LTD.)	Maria-Ra	D, S, H	*	*	*
Real-Hypermarket, LTD.	Real	H	*	*	*
HyperGlobus, LTD.	Globus	H	*	*	*
Corporation Grinn, JSC	Liniya	S, H	*	*	*
Atak-Rossiya, LTD.	Atak	S (D)	*	*	*
TD Intertorg, LTD.	Norodnaya 7Ya, Idea, Spar	C, S	*	*	*
	Norma	S	*	*	*
Billa, LTD.	Billa (Citystore7)	S	*	*	*
Gorodskoy supermarket, LTD.	Azbuka Vkusa	S	*	*	*
Supermarket Kirovskiy, CJSC (Lev, LTD.)	Kirovskiy	C, S	*	*	*
System RegionMart, LTD.	Chibis, Polyana, Bonus, Sputnik	D, S, H	*	*	*

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

Research (full version) includes the rating of TOP largest FMCG chains

The rating of FMCG retail chains of Russia in terms of trading floorspace

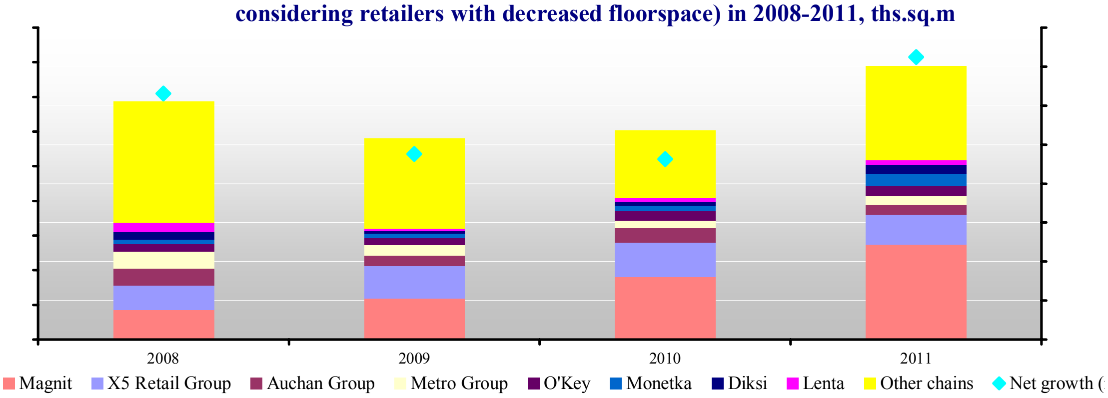
*INFOLine IA has been monitoring the dynamics of trading floorspace in FMCG retail since 2006. At the present time we monthly analyze the data regarding the changes in trading space for 120 largest FMCG retailers of Russia **(since April 2012 the number of monitored retailers increased from 110 to 120).***

The results of 2008-2011

<…>

The increase of concentration in retail sector became the key trend of 2011, determined by decreasing growth rates of the majority of the second echelon chains and higher development rates of the largest multiformat chains (Magnit and X5 Retail Group), the retailers, which develop large-format trading units (Auchan, Metro, O'Key), as well as federal retailers with their key format of the convenience store (Monetka). At the same time the two largest retail companies of Russia (Magnit and X5 Retail Group) occupy *% (in 2010– *%, in 2009 – *%, in 2008 - *%) of the total new trading floorspace (overall value of the floorspace growth among 110 largest retailers, which increased them according to results of 2011, not including chains, which decreased their trading floorspace).

Dynamics of trading floorspace growth of 110 major retailer of Russia (not considering retailers with decreased floorspace) in 2008-2011, ths.sq.m



The results of 9 months of 2012

The beginning of 2012 was marked by announcement of a number of important transactions at the M&A market. In February 2012 it became known that Sberbank-Capital put on sale 100% shares of Kaliningrad chain Vester, 51% of which were owned by the bank. The offer was received by O'Key and Diksi. And in March 2012 the founder and the chairman of the board of Vester Group, Oleg Bolychev, informed: "We are ready to settle

7 Don't include in common number of stores. They are in a rebranding stage

accounts ahead of schedule, though the buy-back of our assets was scheduled for after one year and the half, for July 2013." It is of importance to note that starting from March 2012 there was registered a trend towards slowing of net trading floorspace growth rates, which is mainly connected with decrease in number of Vester chain hypermarkets because of unstable financial situation of the company and the necessity to settle the debt liabilities to Sberbank JSC. As of 01 September 2012 the company owned 29 retail facilities.

Meanwhile 2012 was marked by a number of closed M&A deals at the FMCG market:

Major M&A deals in FMCG retail trade of Russia in 2012

Date	Deal's type	Subject and object of the deal	Owner of the object	Location of trading outlets	Buying company	Deal price[8], million US dollars.	Description of the deal
March 2012	Transfer of leasehold rights	13 outlets of Vesta retail chain	Vesta Plus LLC	St. Petersburg	TD Intertorg LLC	-	In March 2012 TD Intertorg LLC rented 13 outlets of Vesta retail chain with floorspace of more than 400 quarter meters each, for opening its own stores at those floorspace during two-three months. The sum of the deal and rent rate are kept confidential.
April 2012	Merger	12 Citystor outlets	ENKA SC LLC	Moscow and Moscow region	Billa LLC	-	Besides, in April 2012 Billa retail chain closed a transaction acquisition of 12 outlets of Citystor chain in Moscow region (formerly Ramstor of Enka TC LLC) and 100% of shares of Mmos LLC and Dmos LLC (belong to the same group as Citystor retail chain). The remaining 5 stores of the chain were closed during April 2012. Rebranding was completed in July 2012, when the 12th Billa supermarket was opened at the site of ф former Citystor outlet.
*	*	*	*	*	*	*	*

Data source: INFOLine IA data

<...>

In May 2012 the news got out about the plans of Andrey Rogachev, who in partnership with former managers of X5 Retail Group planned to launch Verniy chain of discounters in Moscow and St. Petersburg. This chain is practically an exact copy of Pyaterochka. The trading floorspace of the stores will reach 300-700 square meters, the product mix - about 3.5 thousand items. The first store should be open in November 2012, and then, during three years, minimum 400 outlets are to be opened. In October 2012 it became known that the first 11 outlets of Verniy chain would be opened simultaneously in Moscow and St. Petersburg before the end of 2012. Besides, in October 2012 it became known that Verniy chain would be a multiformat one and would develop 3 formats: convenience store, supermarket and discounter. Oleg Vysotskiy, who in March 2012 left his position of the Pyaterochka chain CEO, is to become the chief of the new chain.

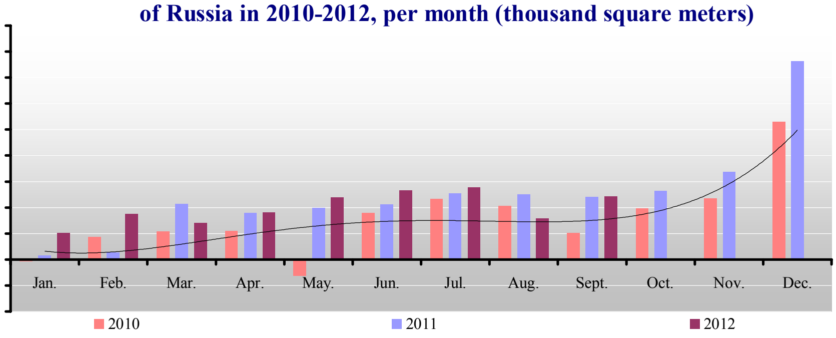
In October 2012 it became known that Tengelmann Group, which develops the OBI chain in Russia, one of the largest DIY chains, decided to try it in FMCG retail. In partnership with Roseurogroup it is going to open 150 food discounters under Plus brand in Russia. The total floorspace of discounters will come up to 1.2-1.6 thousand square meters, trading space – to 0.9-1.2 thousand square meters. Uwe Klostermann was appointed the CEO of the company in January 2011. As it is expected, the first facilities of the chain will be commissioned as early as in 2013.

<...>

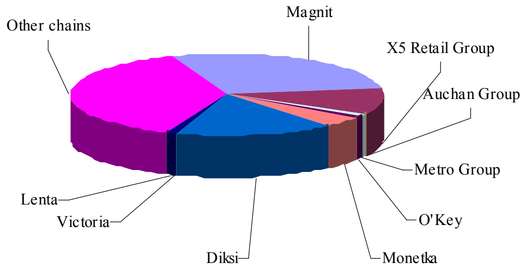
In **September** 2012 17 of the largest chains increased their trading floorspace by * thousand square meters. The dynamics of monthly floorspace growth of the major 120[9] chains are represented at the diagram[10].The floorspace growth was provided by commissioning of Lenta and Magnit hypermarkets, Sedmoi Kontinent, Maria-Ra supermarkets, outlets in the formats of discounter and convenience store – by Magnit, Pyaterochka, Diksi, Monetka, Maria-Ra and Holiday GC (Sibiriada, Planeta Holiday, Holdi) and others. It is important to note, that from March 2012 the net growth of trading floorspace demonstrate a downward trend, which is mainly connected with reduction of Vester hypermarkets number because of financial instability and necessity to settle the company's liabilities to Sberbank JSC.

[8] Estimation of INFOLine IA specialists.
[9] The represented data include 120 chains of the monthly branch survey of INFOLine IA: TOP -92 chains with revenue over 3 billion roubles, as well as other FMCG chains, including the members of Union of Independent Chains of Russia and Sistema T3S.
[10] Floorspace growth information for the 1st quarter of 2012 related to public companies – X5 Retail Group, Magnit and Diksi is offered according to the schedule of reports' disclosure (for Diksi GC – third ten-day period of the month following the accounting month, Magnit – second ten-day period of the month following the accounting month, and for X5 – quarterly).

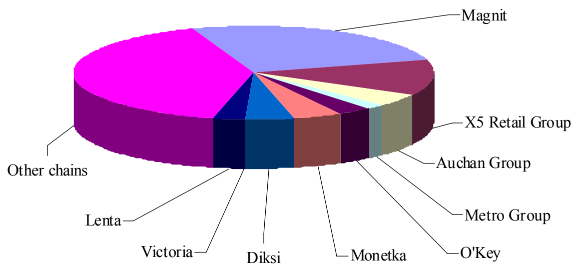
Dynamics of net trading floorspace growth of 120 largest retailers of Russia in 2010-2012, per month (thousand square meters)



Structure of floorspace growth for 120 major retailers of Russia (without retailers with reduced floorspace) in the 9 months 2011, %



Structure of floorspace growth for 120 major retailers of Russia (without retailers with reduced floorspace) in the 9 months 2011, %



Research (full version) includes the rating of TOP largest FMCG chains

The dynamics of trading floorspace of the largest retailers[11]

The dynamics of trading floorspace of the major retailers for the period of 2011-2012 are represented in the table below (since April 2012 the list of retailers was expanded to 120).

Name	Brand	Main formats*12*	2011	9 m 12	Dynamics in September
X5 Retail Group N.V. (TH Prekrestok, JSC)	Pyaterochka	D	*	*	*
	Perekrestok	S	*	*	*
	Karusel, Pyaterochka Maxi	H	*	*	*
	Perekrestok-Express, Pyaterochka- Express	C	*	*	*
	Kopeika, Kopeika Super	C, S	*	*	*
	Total Company	C, S, D, H	*	*	*
Magnit, JSC (Tander, JSC)	Magnit	D	*	*	*
	Magnit cosmetic	C	*	*	*
	Magnit Semeiny	H	*	*	*
	Hypermarket Magnit	H	*	*	*
	Total Company	D, C,H	*	*	*
Auchan, LTD.	Auchan, Auchan-City, Raduga	H	*	*	*
Metro C&C, LTD.	Metro C&C, Metro Punct	S, H	*	*	*
Diksi group, JSC	Megamart, Minimart, Diksi	D, S, H	*	*	*
	Victoria, Cash, Deshevo, Kvartal, Semeinaya kopilka	C, S, H	*	*	*
	Total Company		*	*	*
O'Key, LTD.	O'Key, O'Key-express	S, H	*	*	*
Lenta, LTD.	Lenta	H	*	*	*
Sedmoi Kontinent, JSC	Sedmoi Kontinent, Nash hypermarket	C, S, H	*	*	*
	Mosmart, Maxi, Express	H, S	*	*	*

[11] The rating was updated according to results of the first half of 2012 regarding the revenue of chains in 2011. It presents chains with sales revenue of more than 3 billion roubles in 2011.

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

Name	Brand	Main formats[12]	2011	9 m 12	Dynamics in September
Element-Trade, LTD.	Monetka, Monetka Super	D, S, H	*	*	*
GK Holiday (GK Holiday, LTD., Company Holiday, LTD., Kora-TC, LTD.)	Holiday Classic, Holdy, Sibiriada, Kora, Palata	C, D, S, H	*	*	*
Maria-Ra, LTD. (Roznitsa-1, LTD.)	Maria-Ra	D, S, H	*	*	*
Real-Hypermarket, LTD.	Real	H	*	*	*
HyperGlobus, LTD.	Globus	H	*	*	*
Corporation Grinn, JSC	Liniya	S, H	*	*	*
Atak-Rossiya, LTD.	Atak	S (D)	*	*	*
TD Intertorg, LTD.	Norodnaya 7Ya, Idea, Spar	C, S	*	*	*
	Norma	S	*	*	*
Billa, LTD.	Billa (Citystore[13])	S	*	*	*
Gorodskoy supermarket, LTD.	Azbuka Vkusa	S	*	*	*
Supermarket Kirovskiy, CJSC (Lev, LTD.)	Kirovskiy	C, S	*	*	*
System RegionMart, LTD.	Chibis, Polyana, Bonus, Sputnik	D, S, H	*	*	*

Data source: INFOLine IA

The rating of FMCG retail chains of Russia in terms of net sales[14]

Financial performance results III quarter and 8 and 9 months 2012 for public companies are represented in the table below.

Financial performance (without VAT) of the largest FMCG chains during 2011-5 months 2012, billion roubles.

Legal name	**Brand**	**Main formats[15]**	**Sales during 8m 12**	**8m 2012 vs 8m 2011, %**	**Sales during III q 12**	**III q 2012 vs III q 2011, %**	**LFL III q 2012 , %**	**Sales during 9 m 12**	**9m 2012 vs 9m 2011, %**	**LFL 9m 2012 , %**
X5 Retail Group N.V.	Pyaterochka	D	*	*	*	*	*	*	*	*
	Perekrestok	S	*	*	*	*	*	*	*	*
	Karusel, Pyaterochka Maxi	H	*	*	*	*	*	*	*	*
	Perekrestok-Express, Pyaterochka-Express, Kopeika	M	*	*	*	*	*	*	*	*
	Kopeika, Kopeika Super	D, S	*	*	*	*	*	*	*	*
	On-line retail	-	*	*	*	*	*	*	*	*
	Total Company	D, S, H, M	*	*	*	*	*	*	*	*
Magnit. JSC	Magnit	D	*	*	*	*	*	*	*	*
	Magnit-Cosmetic	C	*	*	*	*	*	*	*	
	Magnit Seminy	S	*	*	*	*	*	*	*	*
	Hypermarket Magnit	H	*	*	*	*	*	*	*	
	Total Company	D, H	*	*	*	*	*	*	*	*
Diksi group. JSC	Diksi	C	*	*	*	*	*	*	*	*
	Kvartal, Deshevo	C, D	*	*	*	*	*	*	*	*
	Minimart	S	*	*	*	*	*	*	*	*
	Victorya	S	*	*	*	*	*	*	*	*
	Megamart	H	*	*	*	*	*	*	*	*
	Kesh	H	*	*	*	*	*	*	*	*
	Total company	C, D, S, H	*	*	*	*	*	*	*	*

Data source: INFOLine IA

Dynamics of net sales (without VAT) of the largest FMCG chains in 2011-2012, billion roubles

Legal name	**Brand**	**Main formats[16]**	**Data**	**2011**	**I half 2012**
X5 Retail Group N.V. (TH Prekrestok, JSC)	Karusel, Pyaterochka Maxi	H	IFS, I half 2012 - MR	*	*
	Perekrestok	S	IFS, I half 2012 - MR	*	*
	Perekrestok-Express, Pyaterochka-Express	C	IFS, I half 2012 - MR	*	*
	Pyaterochka	D	IFS, I half 2012 - MR	*	*
	Kopeika, Kopeika Super	C, S	IFS, I half 2012 - MR	*	*
	Total company	C, S, D, H	IFS, I half 2012 - MR	*	*
Magnit, JSC (Tander, JSC)	Magnit	D	IFS, I half 2012 - MR	*	*

13 Don't include in common number of stores. They are in a rebranding stage

[14] The rating was updated according to results of the first half of 2012 regarding the revenue of chains in 2011. It presents chains with sales revenue of more than 6 billion roubles in 2011.

[15] Legend: D - discounter, H - hypermarket, S - supermarket, C – convenience store

[16] Legend: D - discounter, H - hypermarket, S - supermarket, C – convenience store

Legal name	Brand	Main formats[16]	Data	2011	I half 2012
	Magnit cosmetic	C	IFS, I half 2012 - MR	*	*
	Magnit Semeiny	H	IFS, I half 2012 - MR	*	*
	Hypermarket Magnit	H	IFS, I half 2012 - MR	*	*
	Total company	C, D, H	IFS, I half 2012 - MR	*	*
Auchan, LTD.	Auchan, Auchan-City, Raduga	H	RAS	*	*
Metro C&C, LTD.	Metro C&C, Metro Punct	S, H	IFS	*	*
Diksi group, JSC	Megamart, Minimart, Diksi	D, S, H	IFS, 2011- IFS pro-forma, I half 2012 (consolidate)	*	*
	Victoria, Cash, Deshevo, Kvartal, Semeinaya kopilka	C, S, H		*	*
	Total company	C, D, S, H	IFS, 2011 and I half 2012 - IFS (consolidate)	*	*
O'Key, LTD.	O'Key, O'Key-express	S, H	IFS	*	*
Lenta, LTD.	Lenta	H	MR, estimate by RAS	*	*
Sedmoi Kontinent, JSC	Sedmoi Kontinent, Nash hypermarket	C, S, H	IFS, RAS, 2011 and I half 2012 - MR	*	*
Spar (all companies)	Spar, EUROSPAR, Spar-express	C, S, H	MR, 2009 - estimate	*	*
Element-Trade, LTD.	Monetka, Monetka Super	D, S, H	RAS, MR	*	*
Maria-Ra, LTD. (Roznitsa-1, LTD.)	Maria-Ra	D, S, H	MR	*	*
Real-Hypermarket, LTD.	Real	H	IFS	*	*
GK Holiday (GK Holiday, LTD., Company Holiday, LTD., Kora-TC, LTD.)	Holiday Classic, Holdy, Sibiriada, Kora, Palata	C, D, S, H	MR, 2008-2009- RAS, 2011- estimate IA "INFOLine"	*	*
HyperGlobus, LTD.	Globus	H	RAS, 2011- estimate IA "INFOLine"	*	*
Corporation Grinn, JSC	Liniya	S, H	MR	*	*
Atak-Rossiya, LTD.	Atak	S (D)	RAS, 2009,2011 - estimate IA "INFOLine", 2010- MR	*	*
TD Intertorg, LTD.	Norodnaya 7Ya, Idea, Spar, Norma	C, S	RAS, MR	*	*
Gorodskoy supermarket, LTD.	Azbuka Vkusa	S	IFS, RAS, MR, estimate IA "INFOLine"	*	*
Billa, LTD.	Billa (Citystore[17])	S	RAS, MR	*	*
Supermarket Kirovskiy, CJSC (Lev, LTD.)	Kirovskiy	C, S	MR	*	*
System RegionMart, LTD.	Chibis, Polyana, Bonus, Sputnik	D, S, H	MR, 2009-2011 – estimate on total turnover	*	*

Research (full version) includes the rating of TOP largest FMCG chains

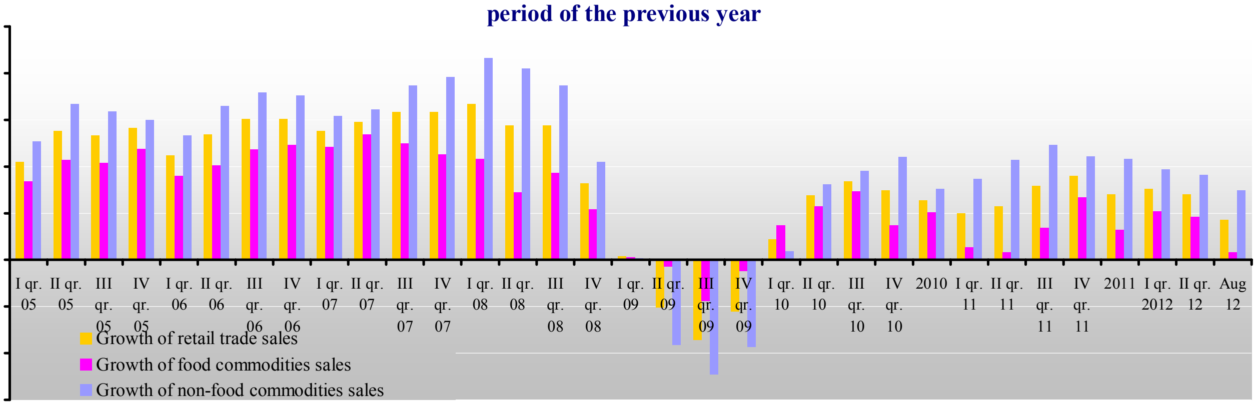
[17] Don't include in common number of stores. They are in a rebranding stage

Section I. Development of retail trade in Russia

Macroeconomical figures of the retail trade

The retail trade sales volume in 2011 amounted to *billion roubles, which, in terms of commodities mass was *% against the figures of 2010. In January-August 2012 trade sales volume was *billion roubles, which was *% as compared to January-August 2011. In August 2012 trade sales volume was *billion roubles, which was *% as compared to August 2011.

Dynamics of the main figures of the consumer market in 2005-2012, in % as to the corresponding period of the previous year



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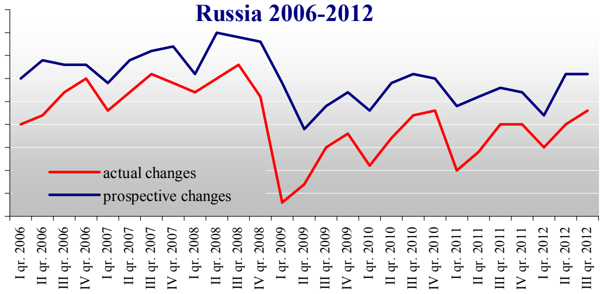
Leading indicator of retail trade development

According to results of the polls conducted by FSGS (Federal Service of Government Statistics) the Index of Business Confidence[18] decreased by 10 pp in the first half of 2009 (initial period of the recession in 2009), upon which it began to recover and according to results of the third quarter of 2012 the index increased by 9 pp against the first quarter of 2009. However, the index has not yet reached the pre-crisis level of confidence and it is unlikely to reach the level of 2006-2008 in the near future because of worsening of the overall macroeconomic situation. As for the evaluation of the economic situation in Russia as a whole, the economic situation[19] in Russia, according to FSGS data, by 20 pp exceeded the first quarter of the recessionary 2009, when actual changes of economic situation came up to -12 pp.

The Index of Business Confidence in Russia 2006-2012

The evaluation of the economic situation in Russia 2006-2012



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[18] 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.
[19] The balance of the index changes evaluation, determined as the difference between respondents' shares which distinguished "improvement" and "decline" of the index in comparison with the previous quarter (in percentage points).

State regulation of retail trade

Trade Act

On 06 September 2012 FAS published the Draft of the Federal Act On Introduction of Amendments into Individual Legislative Acts of Russian Federation (related to issues of trade regulation). Among other things, according to the amendments, "the business entities and units, engaged in trade operations, and business entities engaged in supplying of goods (except goods' producers), are under obligation annually, but not later than three months upon the end of the previous calendar year, to make available for the pertinent authorized agency of the executive department of a Russian Federation's subject the information to be entered into the trade registry in accordance with the approved regulations of the federal executive body…".

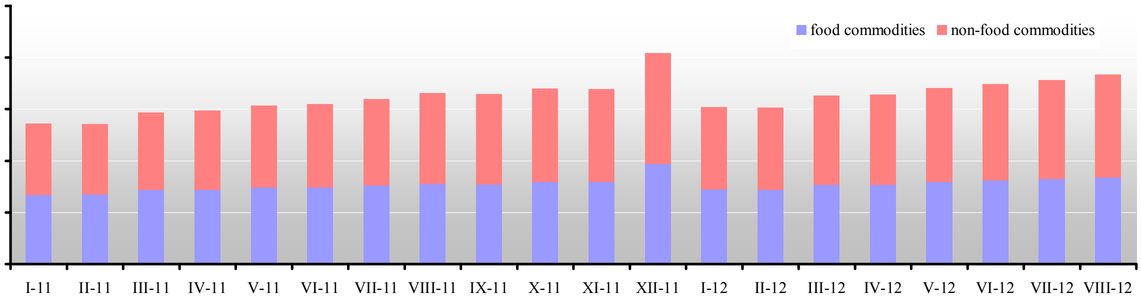
<…>

Research (full version) includes information on key events in the state regulation of retail trade of Russia

The structure of retail sales by the categories of goods

<…>

Structure of retail trade turnover by commodity groups in 2011-2012 (by months), billion roubles



In August 2012 the share of food commodities came up to *%, and share of non-food commodities in retail trade turnover of in Russia came up to *% (in August 2011 – *% and *% accordingly).

Research (full version) also consists the dynamics of sales of the main food and non-foods

The structure of retail sales by the categories of trading units

The structure of retail trade sales according to the categories of trading units according to results of I half-year 2012 continues to demonstrate the decrease of the share of the marketplaces (by 0.9 percentage points) and individual entrepreneurs (by 0.9 percentage points).

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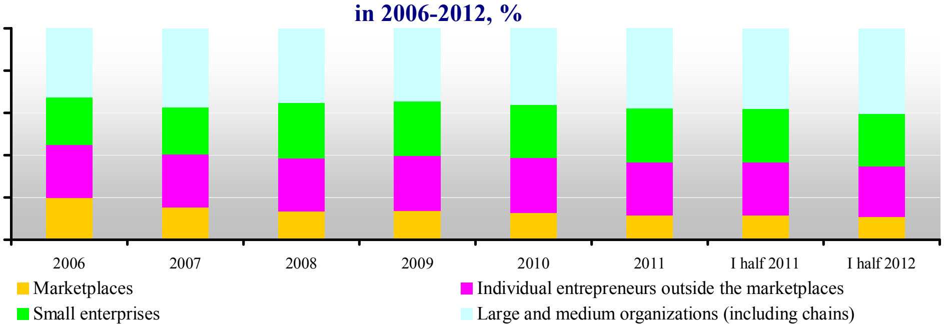
The structure of retail trade sales according to the categories of trading units in 2006-2012, %



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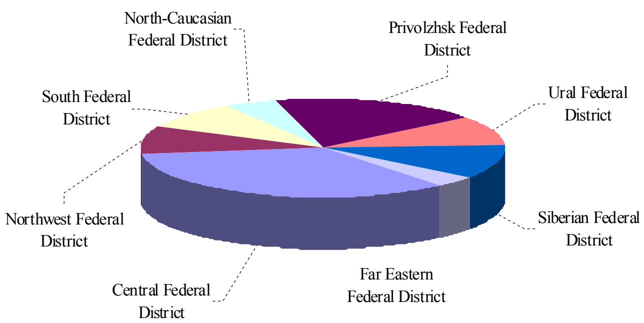
Research (full version) also consists information on structure of sale of the goods in the retail markets and fairs, detailed information on unorganized trade: number of the markets, trading places on them, structure of the markets and the managing subjects presented on them and other.

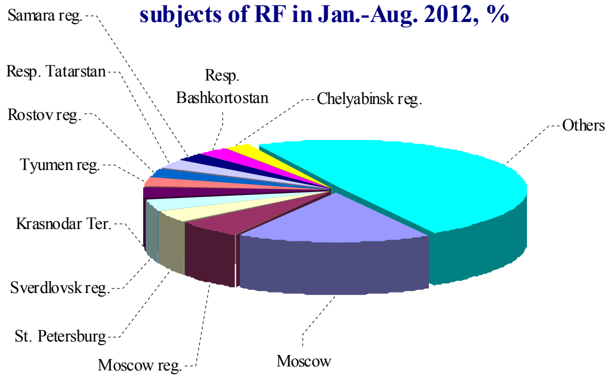
Regional structure of retail sales

Regional structure of retail trade sales in Russia features irregularity: *% retail trade sales in January-August 2012 falls on 11 territorial subjects of RF (Moscow, Moscow region, St. Petersburg, Sverdlovsk region, Krasnodarskiy Territory, Samara region, Republics of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk and Rostov regions).

Structure of retail sales according to federal districts of RF in Jan.-Aug. 2012, %



Structure of retail sales according to territorial subjects of RF in Jan.-Aug. 2012, %



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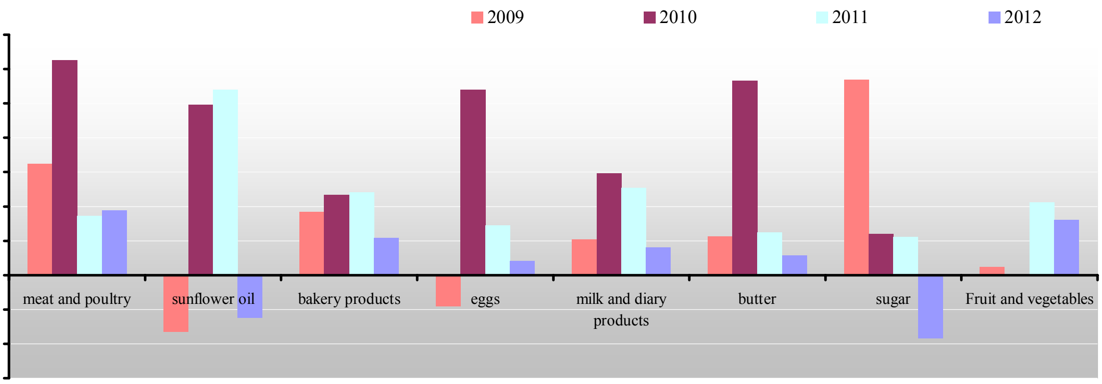
Inflation at the food market

Dynamics of the prices for articles of food

In September 2012 the prices on the majority of vegetables and fruit decreased. Most noticeably they decreased for white fresh cabbage – by *%, bulb onion – by *%, carrots – by *%, potatoes -– by *%, grapes and beet-root – by *% and *% respectively. At the same time prices on bananas increased by *%, oranges – by *%, lemons -– by *%.

Rates of food commodities prices variations in 2009-2012, in % vs. previous year



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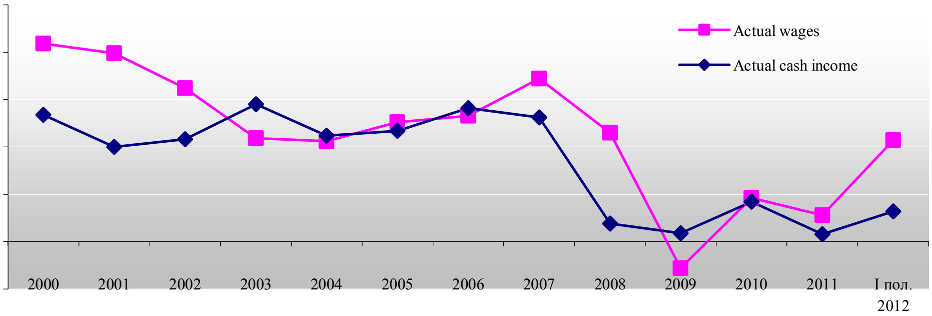
Research (full version) also consists the information on dynamics of cost on key consumer products on Russia and 8 regions of Russia

Incomes and expenditures of the population

According to results of 2010 the growth of actual cash earnings was at the level of actual wages, then according to results of 2011 it considerably slowed down. Dynamics of labor wages and per capita incomes of the population from 2000 to 2011 are represented in the diagrams below.

Dynamics of actual wages and actual income of population in 2000-2012, % as to the previous period



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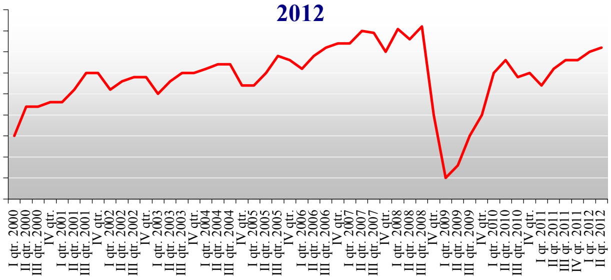
Research (full version) also consists the structure of the monetary income of the population and structure of their use, results of the skan-panel of households following the results of the complete period, etc.

Consumer expectations and confidence of population

The results of the polls conducted by the Federal State Statistics Service among 5 000 people at the age of 16 and older, residing in all RF territorial subjects, during after-crisis period starting from the second quarter of 2009 and till the second quarter of 2010, the index reflecting collective consumer expectations of the population[20] demonstrated growth and according to results of third quarter came up to (*%). However, in the fourth quarter of 2010 and the first quarter of 2011 the dynamics of the consumer expectations index were negative and just in the second quarter of 2011 the index grew up by * pp to (*%), and in the third quarter of 2011 – for another 2 pp to (*%), in the fourth quarter of 2011 it remained at the same level (*%), but in the first quarter of 2012 somewhat improved, growing by * pp (*%), also continuing its growth in the second quarter of 2012 (*%).

Consumer confidence index for Russia, 2000-2012



Evaluation of economics conditions in Russia by consumers, 2000-2012

[20] Index of consumer confidence is calculated as the arithmetic average of 5 individual indexes: expected and actual changes in individual financial conditions, expected and actual changes in economic conditions of Russia, favorability of conditions for major purchases. The balance of estimations represents the difference between the sum of definitely positive and more likely positive than not answers and the some of definitely negative and more likely negative than not answers. Neutral answers are disregarded.

Section II. Other events of the retail trade

Activities of INFOLine IA specialists

On 03 September 2012 the CEO of INFOLine, Ivan Vadimovich Fedyakov, became an expert at the Working Group for support of national regional manufacturer. Due to the professional expertise and status that he gained, Ivan Fedyakov was invited to the Group on a permanent basis. The Working Group for support of national regional manufacturer was created by State Duma deputies and senators of the Federation Council. The activities of the Group are aimed at development of a new instrument for a dialogue between business and authorities, for consolidation of the efforts in the field of law making activity, problem-centered solutions for Russian food manufacturers.

<…>

During 18-19 September 2012, at Moscow International Trade Center there was held XI All-Russia Anti-Crisis Trade Forum Competent Supplier-2013, Strategies for Working with Retail Chains, organized by Imperia congress-exhibition company, in which ***INFOLine IA*** was participate as an information partner. The CEO of ***INFOLine IA-Analytics*** Mikhail Burmistrov will act as a moderator at the plenary meeting Food Retail Chains of Russia: season of 2012-2013, Assortment and purchasing policy, which was open the business program of the forum. The moderators of the plenary meeting, the CEO of ***INFOLine IA- Analytics***, a member of the expert council of FAS of RF for development of competition in the segment of retail trade Mikhail Burmistrov and the executive director of ACORT (Association of Companies of Retail Trade) I. V

10 October 2012 INFOLine IA started its iPad as a Gift! action.

An iPad as a Gift will be received by customers of INFOLine which buy products of the agency through its site infoline.spb.ru for the sum 115 thousand roubles before 30 November 2012. Currently the agency is adjusting its services for the most up-to-date information media. In the context of the action INFOLine will give iPads as a gift to the first 10 customers who purchase INFOLine's products for the some from 115 thousand roubles and more through 30 November 2012.

Terms of the action

1. Payment through www.infoline.spb.ru.
2. The action does NOT apply to periodical services of INFOLine.
3. The products purchased under the action's terms are delivered to the customer via iPad, no printed paper version available.

<…>

INFOLine agency is an independent company that has been operating at the market of branch research of Russia, Ukraine, Belarus and Kazakhstan since 2001. Many of research materials produced by specialists of ***INFOLine*** in 2005-2012 have been recognized to be the best at the market, and this has been acknowledged by many of its customers and partners.

Analytical products of INFOLine are always a good buy!

Case

Research (full version) also consists the description of the major events, capable to influence retail trade and the FMCG chains, occurred for September 2012. The section also contains a case on the key events which have occurred in retail trade for the considered period of time.

Section III. Events and development plans of FMCG retail chains

X5 Retail Group N.V. / Pyaterochka, Perekrestok, Karusel and Perekrestok-express trading chain

Company name: *X5 Retail Group N.V. V.* Address: *28, str.4, Srednyaya Kalitnikovskaya, Moscow, 109029.* Phones: *+7 495 6628888 +7 495 7899595* Fax: *+7 495 6628888, +7 495 7899595* E-Mail: *info@x5.ru* Web: *www.x5.ru* Chief executive: *Stephan Ducharme, CEO ad interim.*

Chain development

As of 01 October 2012 X5 Retail Group manages 3472 stores, with trading floorspace of 1865.4 thousand square meters. The chain includes 2936 Pyaterochka soft discounters[21], Perekrestok-Express 110 convenience stores, 350 Perekrestok supermarkets, 76 Karusel hypermarkets. The number of franchisee stores in Russia came up to 404 outlets by 01 October 2012. During 9 months of 2012 X5 Retail Group increased its trading floorspace by 138.1 thousand square meters, and the number of stores – by 470, including 411 Pyaterochka soft discounters, 40 Perekrestok-Express convenience stores, 20 Perekrestok supermarkets and decreased it by one Karusel hypermarket (besides, all 6 Pyaterochka Maxi hypermarkets were rebranded into Karusel).

As of 01 October 2012 the stock capital of X5 Retail Group was distributed as follows: Alfa Group – 47.86%, founders of Pyaterochka chain – 19.85%, management of X5 – 0.13%, treasury stock – 0.11%, in free floating – 32.05%.

In September 2012 it became known that X5 Retail Group and the Government of Tula region concluded an Agreement on cooperation, under which it was planned to implement an investment projects for development of trading infrastructure in this regional area. The Agreement was signed by the director for corporative relations of X5 Retail Group Mikhail Susov and the governor of Tula region Vladimir Gruzdev. The agreement provides for opening of minimum 45 stores at the territory of Tula region during 2012-2014 and investment of up to one billion roubles.

The performance results and expectations

Net sales revenue of X5 Retail Group in the third quarter of 2012 came up to 115.882 billion roubles, increasing by 10.4% in roubles against 104.979 billion roubles during the third quarter of 2011. During the third quarter of 2012 the like-for-like sales decreased by 0.7%, which was determined by lowering of buyers traffic by 2.5%, while the average receipt increased by 1.8%. The buyers traffic during the third quarter of 2012 came up to 454 million people, and the average receipt came up to 291.7 roubles.

The net sales revenue of X5 Retail Group in the 9 months of 2012 came up to 356.207 billion roubles, increasing by 7.2% in roubles against 239.166 billion roubles during the 9 months of 2011. During the 9 months of 2012 the like-for-like sales decreased by 1.9%, the buyers traffic decreased by 2.8%, meanwhile the average receipt increased by 0.9%. The buyers traffic during the 9 months of 2012 came up to 1 332.6 million people, and the average receipt – to 305.1 roubles.

In the company's report for 9 month of 2012 it is noted that the growth of net retail sales revenue was mainly determined by the growth of sales revenue at discounters and, to a less extent, at supermarkets due to organic growth of new stores and positive operational results of stores opened during last two years, as well as systematic promo-actions. The overall growth of sales revenue was negatively influenced by decreasing net sales in hypermarkets.

Resignations and appointments

In October 2012 it became known that the position of the CEO of A5 pharmacy chain was assigned to Andrey Gusev, ex-director of X5 Retail Group, who previously headed Rigla pharmacy chain and Clinic +31 medical center. The top manager took office

[21] As it has come to be generally accepted by the international retailers the format of discounter should meet the "one commodity - one demand" rule. But it is important to emphasize that in Russia the discounter format, as such, is non-existent. At the same time the specialists of INFOLine IA would like to distinguish two subformats of the convenience store format: soft discounters, for the formats of the number of the largest Russian players, such as Pyaterochka, Diksi, Magnit, Monetka, Kopeika, Maria-Ra and others, and convenience stores. In this section we are using the term of a convenience store meaning a soft discount store.

on 08 October 2012, thus replacing Sergey Solodov, which would continue his work as a member of the board of A5. According to Andrey Gusev, his priority task at the new position will be building of an efficient model of the pharmacology retail and business processes.

<…>

New formats

In January 2012 X5 Retail launched its Internet shop (www.e5.ru), through which ctomers can order over 200 thoand items of non-food commodities. From 01 December 2011 the shop was functioning in testing mode, now it is accessible for a wide community of ctomers. The goods, selected by a ctomer at the site, can be collected at any convenient Perekrestok supermarket (the address should be indicated when placing the order). In April 2012 at the fourth Forum of Electronic and Multichannel Retail (Online Retail Business Russia), arranged by BBCG Company, the E5.RU project launched by the ultimate leader of sales volumes X5 Retail Group Company was recognized as the prize winner of Online Retail Awards 2012 in nomination of The Most Outstanding Project. The E5.RU project makes it possible to save your time making the purchase at the familiar outlet as well as paying for the goods in a conventional way through a cashier desk. As an average, the site is visited by about 100 thousand people a day. On 07 August 2012 e5.ru Internet store opened collection points for goods ordered online in Perekrestok supermarkets located in Samara region. On 10 September 2012 the Internet store e5.ru opened its distribution outlets in Perekrestok supermarkets (2) and Pyaterochka discounters (20) in Yekaterinburg. Afterwards the number of stores with distribution outlets will be increased. The CEO of e5.ru is Kirill Grodinskiy.

The net sales revenue of X5 Retail Group in the third quarter of 2012 in the format of Internet trade came up to 123.7 million roubles. The buyers traffic during the third quarter of 2012 came up to 0.1 million people, and the average receipt came up to 1 661.9 roubles.

The net sales revenue of X5 Retail Group in the 9 months of 2012 in the format of Internet trade came up to 221.9 million roubles, decreasing by 1% in roubles against 224.2[22] million roubles during the 9 months of 2011. The buyers traffic during the 9 months of 2012 came up to 0.2 million people, and the average receipt - to 1 690.9 roubles, decreasing by 68% against 5282.4[23] roubles in the 9 months of 2011.

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Interaction with suppliers

Beginning from 01 October 2012 the company was to begin massive link-up of its suppliers to the service of electronic exchange of commercial invoices through Exite (System Group Rus LLC) and LeraData (Fora-Prom LLC). Only those EDI-providers would be able to participate in the exchange of commercial invoices which have signed with X5 Retail Group the Agreement On Quality Level of Electronic Data Interchange Services: Exite, LeraData and Edisoft. X5 Retail Group has plans to develop direct import o food to its stores and expects to improve the quality of supplier commodities in this way. As of August 2012 the share of direct import in overall supplies of X5 Retail Group is insignificant. X5 Retail Group began energetic development of direct import in spring of 2012. As of August 2012 this retailer imports more than 30 commodity items in the product lines of vegetables and fruit (for instance, bananas and apples), as well as some non-food and confectionary commodities. Remember that on 22 August 2012 X5 Retail Group announced that it had completed the development of technology for computer-aided exchange of electronic commercial invoices with its suppliers. The computer-aided exchange of electronic commercial invoices was approved by the Ministry of Justice of RF as of 11 April 2012, upon which X5 Retail Group initiated this pilot project, under which a score of suppliers during two months successfully sent more than 700 invoices to X5 Retail Group chain. The pilot project is scheduled for completion in the end of September 2012.

<…>

[22] The sales revenue is indicated according to performance of Internet-stores of bolero.ru and 003.ru companies, which were sold on 29 April 2011; in the middle of February 2012 X5 Retail Group launched its renewed online-project under the E5.ru brand, a modified Internet-model of the Company's retail trade

[23] The sales revenue is indicated according to performance of Internet-stores of bolero.ru and 003.ru companies, which were sold on 29 April 2011; in the middle of February 2012 X5 Retail Group launched its renewed online-project under the E5.ru brand, a modified Internet-model of the Company's retail trade

Corporative events

In September 2012 it became known that X5 Retail Group was going to deprive Moskovskiy Provansal (Moscow Provencal) trade mark of legal protection (TM belongs to Moscow Oil and Fat Factory). X5 Retail Group considers the word “provencal” to be without distinguishing power and therefore it cannot fall under legal protection. If the claimer gains its objective, then the word “Provansal” can be used by anyone as an element of their trade marks. But in this case Alpha Bank, a structure related to X5 Retail Group, could suffer, since this brand has been pledged as a credit security. We would like to remind that in the end of August 2012 TD Perekrestok filed its objection with the Chamber for Patent Disputes regarding Moskovskiy Provansal TM. The petition is expected to be reviewed in October 2012.

In October 2012 X5 Retail Group announced that its 100% subsidiary, IKS 5 FINANS LLC, successfully floated an issue of bonds of series BO-01 for the sum of 5 billion roubles. The oversubscription came up to more than 20%. The coupon rate of bonds with 3-year circulation period was established at the level of 9.5%. The company plans to use the bond emission attracted funds for refinancing of its short-term debts for improvement of X5 Retail Group credit portfolio structure. The floatation was organized by Alpha-Bank JSC, Raiffeizenbank CJSC, VTB Capital CJSC; co-organized by Globexbank CJSC and Ronin LLC acted as an underwriter. The bid book was opened on 28 September 2012.

Research (full version) consists description by 10 largest FMCG chains in Russia:

X5 Retail Group N.V. (Pyaterochka, Perekrestok, Karusel and Perekrestok-express); Magnit, JSC (Magnit retail chain); Auchan Group (Auchan and Atac retail chains); Metro Group (Metro Cash&Carry and real- retail chains); O'Key, LTD. (O’Key retail chain); Lenta, LTD. (Lenta Cash&Carry retail chain); DiksiGroup, JSC (Diksi trading chain, Megamart, Minimart, Viktoria-kvartal, Deshevo, Semeynaya Kopilka, Viktoria, Kesh); Sedmoi Kontinent, JSC (Sedmoi Kontinent, Nash)

The description of each network includes news according to sections:

- **Chain development (operation results, plans of further development);**
- **The performance results and expectations (key financial results 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 centralization, etc.);**
- **Commissioning of the stores (during last month);**
- **Closing the stores (during 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.).**