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

May 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 May 2014
- Rating of FMCG retailers by the number of stores, selling spaces in May 2014 and revenues in 2012 and 2013

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

Introduction

The industry review **Conditions of consumer market of Russia and Rating of FMCG retail chains of Russia** contains information about the development of the retail trade, as well as the overview of events that took place at the Russian retail market during the period under review (for the present survey it is May 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

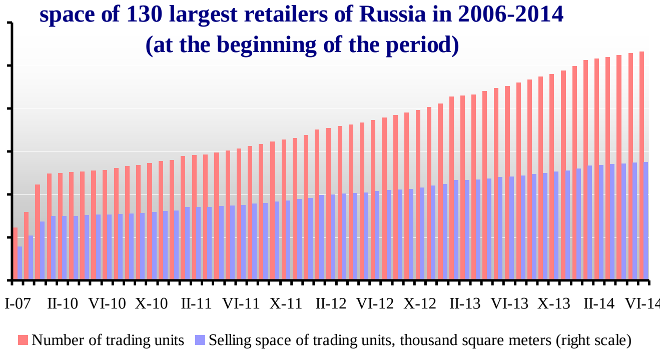
Rating of FMCG retailers in Russia

Performance results of TOP 130 FMCG chains[1]

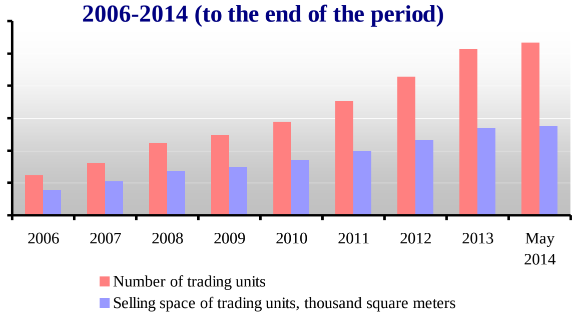
Performance results of TOP 130 FMCG chains in Russia

In **May 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- May 2014** – by * units**.** In **May 2014** the growth of the total selling space was about * thousand sq. m. Altogether during **January-May 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)

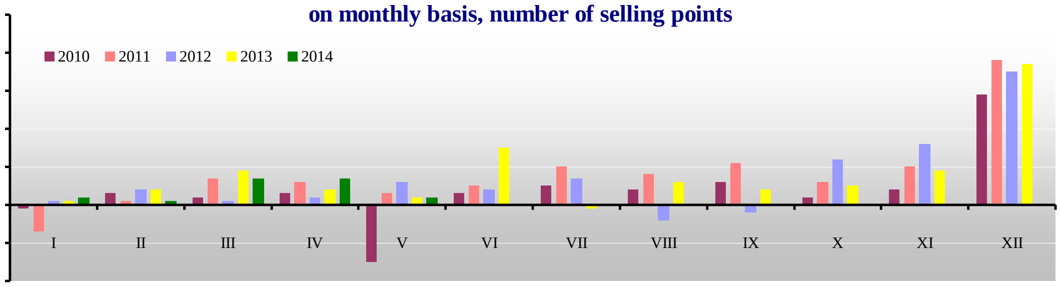


The total number of stores among TOP-130 FMCG retailers as of **01 June 2014** was *with total selling space of *million sq. m.

Development of hypermarket format[2]

In **May 2014** the number of hypermarkets among TOP-130 FMCG retailers increased by *, while the selling space increased by *thousand sq. m. In **January-May 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



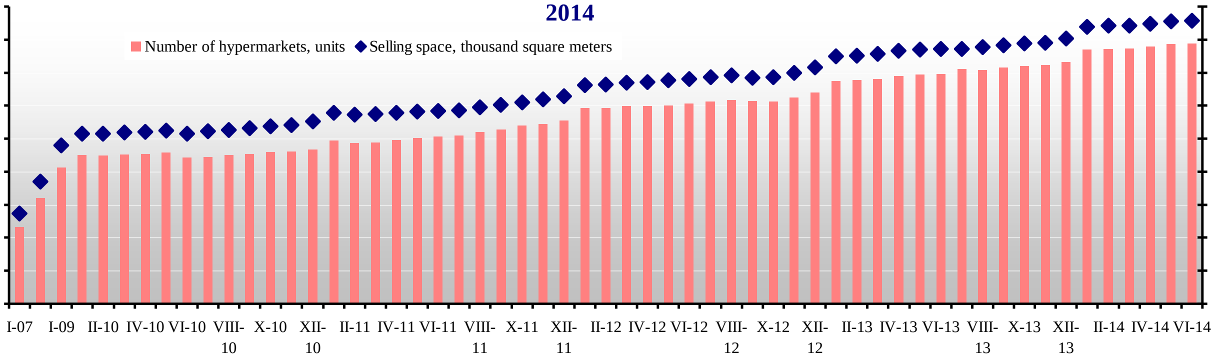
In **May 2014** the following hypermarkets were commissioned: hypermarket "Lenta" in Krasnoyarsk and 2 hypermarkets"Magnit" in Chelyabinsk region (Snezhinsk) and Chelyabinsk.

While in **May** 2014 was closed hypermarket "Polyana" (GK Sistema RegionMart) in Volgograd Region (Voljkiy),"Holiday Classic (GK Holiday) in Novokuznetsk (Kemerovo region).

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

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

[4] The rating was updated according to results of 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)

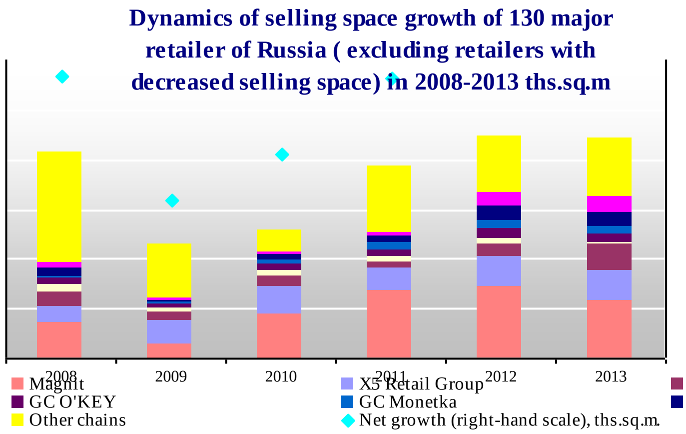
Rating of FMCG retail chains of Russia by selling space

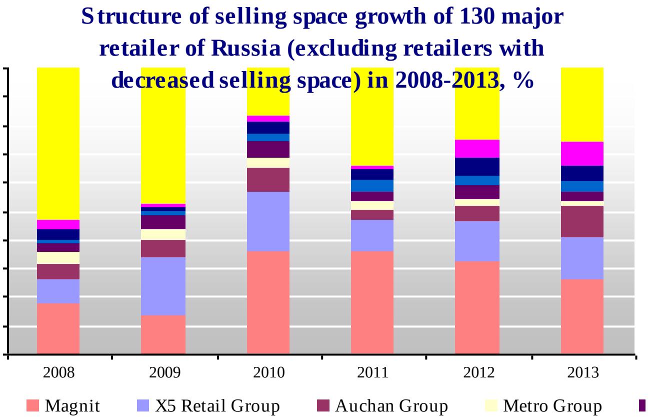
INFOLine IA monthly analyse the data regarding the changes in selling space for 130 largest FMCG retailers of Russia.

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.

<…>





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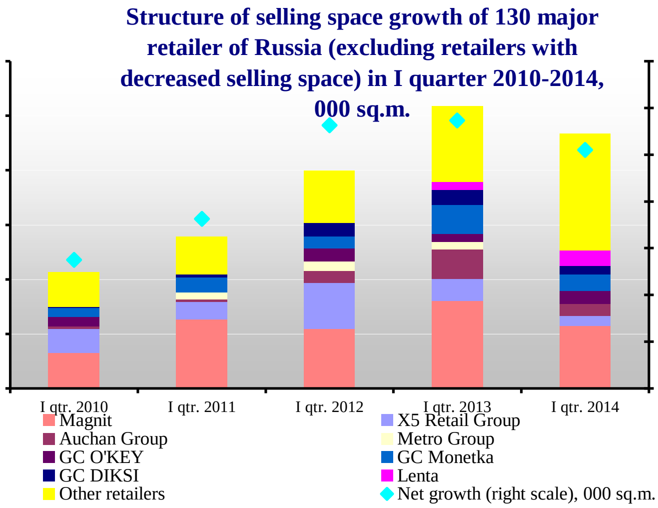
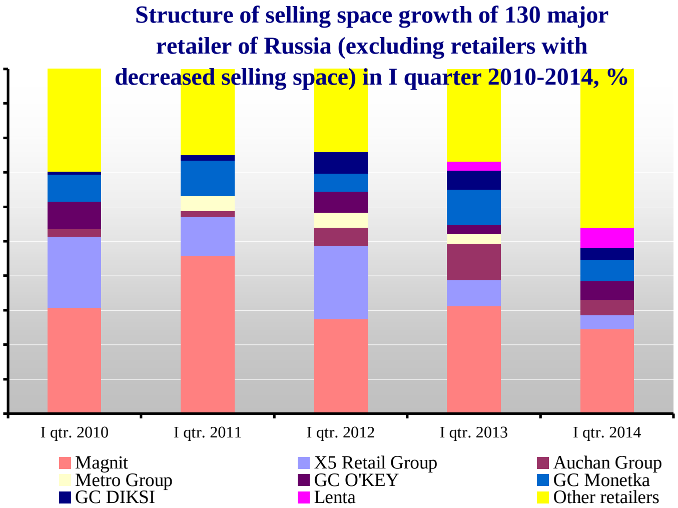
Results of the I quarter 2014

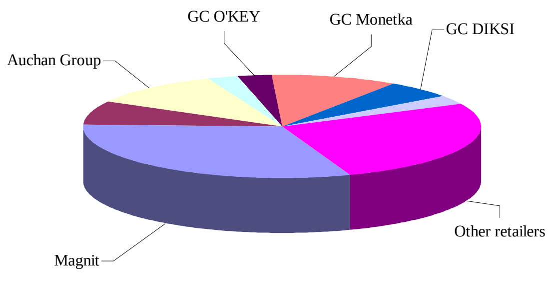
In the I quarter of 2014 the net growth of selling floorspace among TOP 130 largest retailers decreased in comparison with the I quarter of 2013 by *% or *thousand square meters. The share of the three largest retailers in the net growth of selling floorspace (without retailers that decreased their floorspace)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



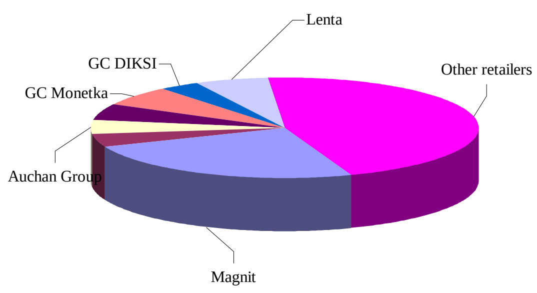


Selling floorspace decrease by *pp and *pp respectively was demonstrated by Dixy GC (*%) and Monetka GC (*%). The number of retail facilities of Metro Group in the I quarter of 2014 did not change in comparison with the year's beginning, while in the I quarter of 2013 Metro opened 1 shopping centre with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

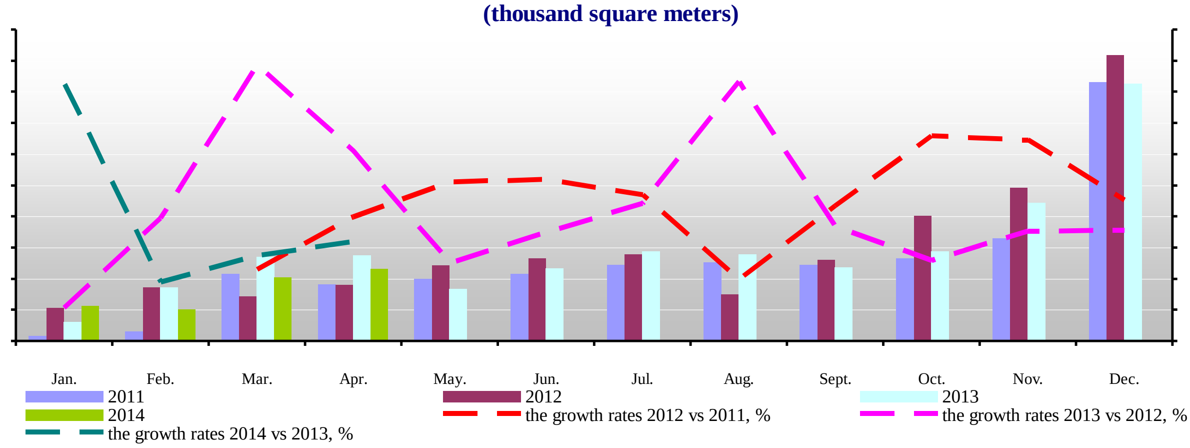


Full version also includes information about the dynamics of selling space growth and its structure

Results of January-May 2014

In May 2014 selling space was increased by 17 largest chains by 28.4 thousand sq. m. (excluding X5 Retail Group and GK Dixy). The dynamics of monthly selling space growth of the major 130 chains is presented at the diagram below. The selling space growth was provided by commissioning of "Magnit", "Lenta", "ESSEN", " Selgros C&C", "Magnit Family", "SPAR", "IdeyA", "Azbuka Vkusa", "Essen Green", "Commandor", "Atack", "Viktoria", "Slata" (Slata Ltd.), "Vivat" (GK Norman-Vivat), "Polyana" (GK Systema RegionMart, Holiday Classic (GK Holiday), Europa (Europe Ltd. (Kursk)): "discounters" and "convenient stores": Magnit, Pyaterochka, Dixy, Maria-Ra, Monetka and others.

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



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

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

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

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

Source: IA "INFOLine"

[7] The rating was updated according to results 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 particuliarities of information disclosure of public companies (the information is published on a quarterly basis or at a later date than the rating is issued)

Rating of FMCG retail chains of Russia by net profit

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

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

Data source: INFOLine

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

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

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

Data source: INFOLine

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

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

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

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

Data source: INFOLine

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

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

Section I. Development of retailing in Russia

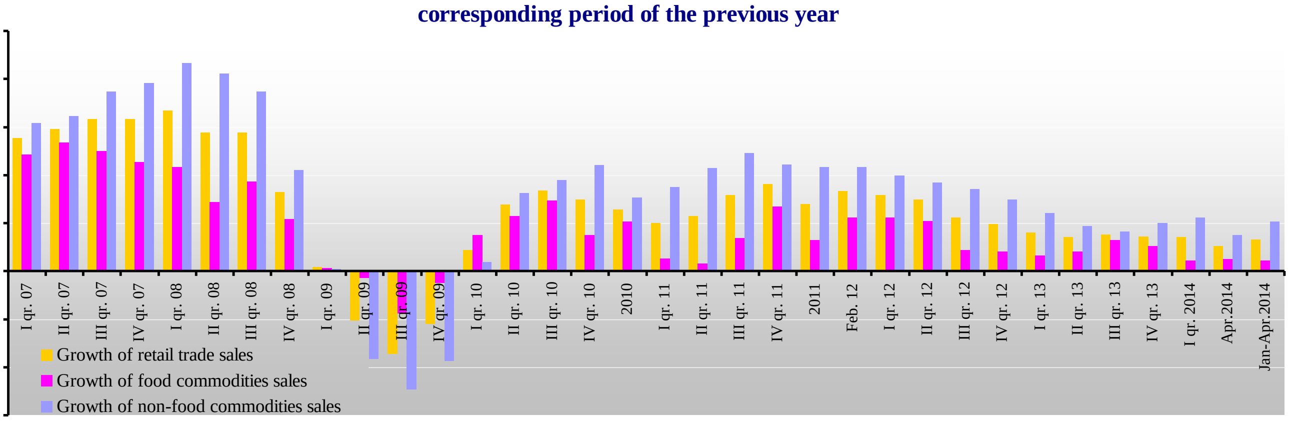
Macroeconomical figures of the retail trade

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

<…>

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

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



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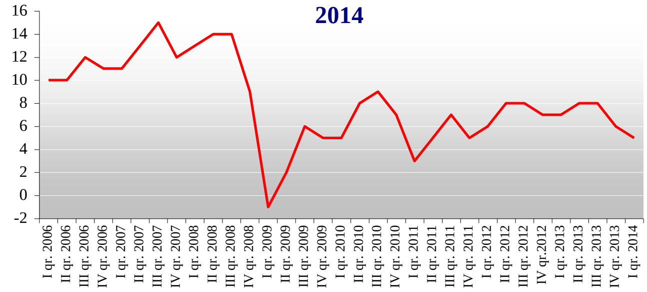
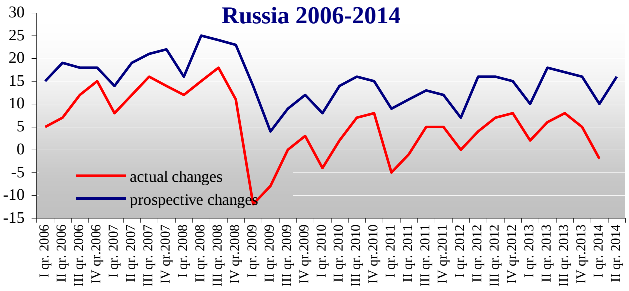
Leading indicators of retailing development

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

The Index of Business Confidence in Russia 2006-2014



The evaluation of the economic situation in Russia 2006-2014



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

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

Government regulation of the retailing industry

<…>

Alcohol Market Regulation

In May 2014 it became known that in 2017, in accordance with the main directives of the RF taxation policy for 2015-2017, the excise tax for one litre of alcoholic beverages with ethanol volume content above 9% was to reach 690 roubles and for beverages with lower ethanol content – 575 roubles. The tax is not applicable to beer, fruit and sparkling wines and wine-based beverages, as well as cider, pear cider and mead. The excise tax for beer-based beverages and low-alcohol beer (with ethanol volume content above 0.5% and below 8.6%) will come to 22 roubles per one litre. The excise tax for strong beer and strong beer beverages is to become more expensive – up to 41 roubles per one litre. The excise tax on wines, fruit wines, cider, pear cider and med will come to 11 roubles, on sparkling wine – 28 roubles per one litre. Furthermore, in 2017 the specific tobacco excise tax rates are to be indexed by 10%.

<…>

Retail sector regulation

On 06 May 2014 the draft law No. 514465-6 On Introduction of Alterations to the Federal Act On Consumers Rights Protection and Russian Federation Administrative Violations Code was introduced to the State Duma. It stipulates that the information about the shelf life needs to be printed in black against background, which is contrasting against the packaging colour and occupies minimum 5% of the packaging space. It should be sharp and easy to read. Among other things the draft proposes high penalties for production of goods without marking, if such goods are subject to marking.

<…>

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

Data source: FSSS data

<…>

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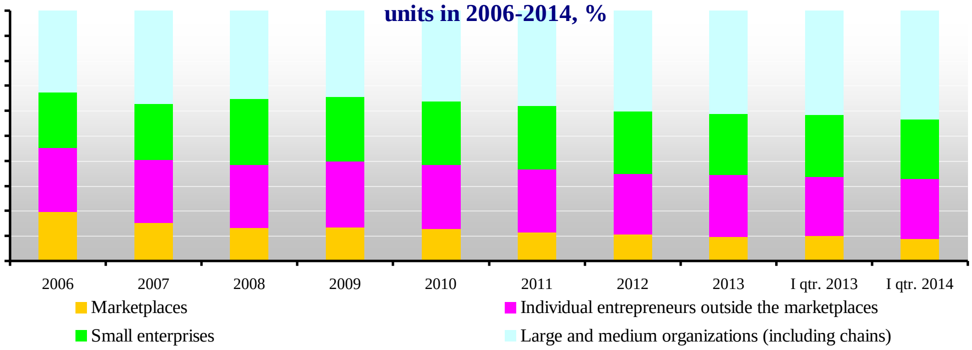
The structure of retail trade sales according to the categories of trading units in 2006-2014, %



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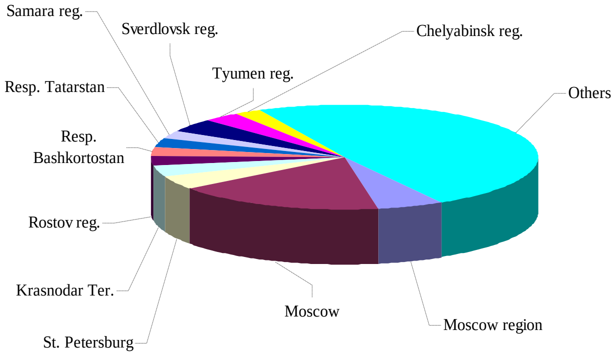
Research (full version) also contains information on structure of sale of the goods in markets and fairs, detailed information on unorganised trade: number of the markets, trading places in them, structure of the markets and the managing subjects and other.

Regional structure of retailers' sales

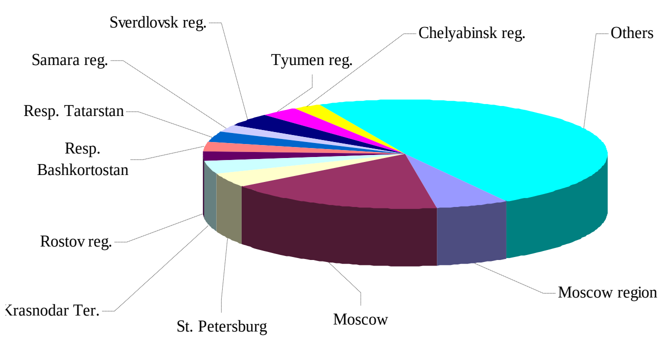
Regional structure of retail turnover in Russia demonstrates irregularity: *% of retail turnover in January - April 2014 fell on 11 districts (Moscow, Moscow region, St. Petersburg, Sverdlovsk region, Krasnodar Territory, Samara region, Republics of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk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

<...>

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



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



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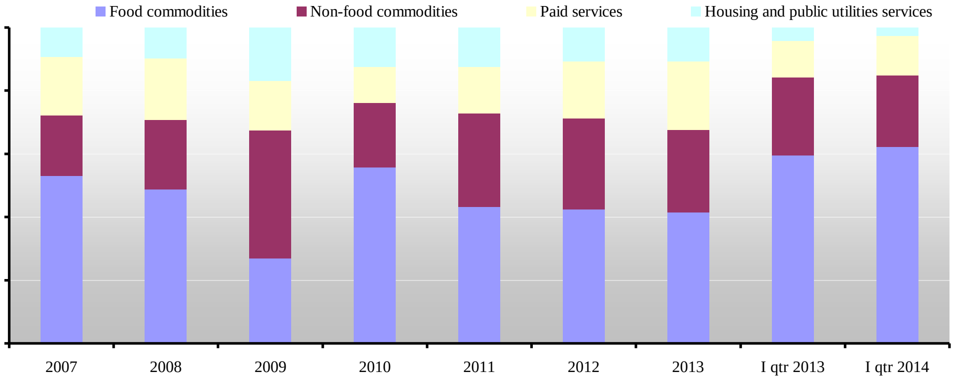
Inflation on food commodities market

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 May 2014 the consumer inflation in Russia came up to *% (in May 2013 – *%). Food price index reached *% (in May 2013 – *%), non-food products – *% (in May 2013 – *%), services – *% (in May 2013 – *%). In January-May 2014 the consumer inflation in Russia came up to *% (in January-May 2013 – *%), food price index reached *% (in January-May 2013 – *%), non-food products – *% (in January-May 2013 – *%), services – *% (in January-May 2013 – *%).

<…>

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

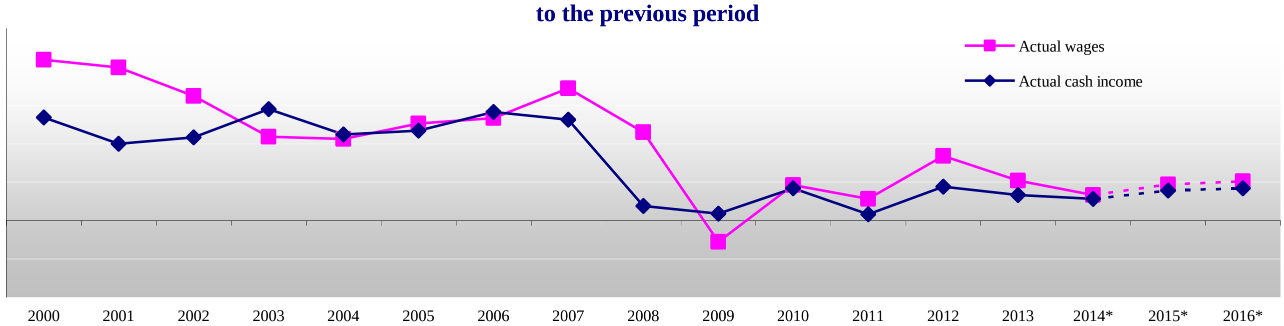


Research (full version) also contans the information on dynamics of cost on key consumer products in Russia and 8 regions of Russia

Personal income and expenditures

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

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



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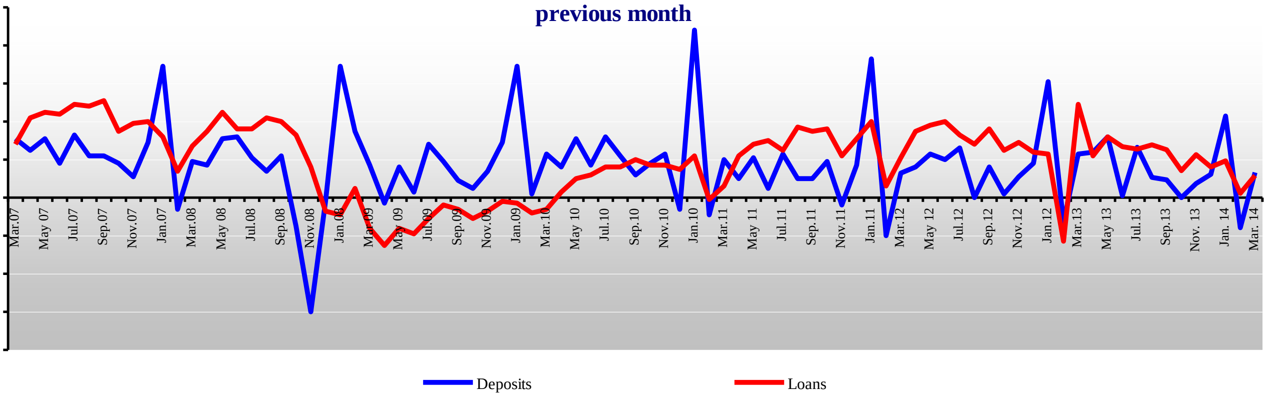
Credit and monetary policy

<…>

In 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 losses of banks related to retail credits have been growing since beginning of 2014 faster than expected. 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 *%. Other banks reported growing arrears in the first quarter of 2014 too. For instance, at OTP Bank, specialising in retail crediting, the arrears exceeded *% of portfolio. The bank failed to provide a positive contribution to the net profit of the group in 2014 because of declining credit activity of population.

<…>

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



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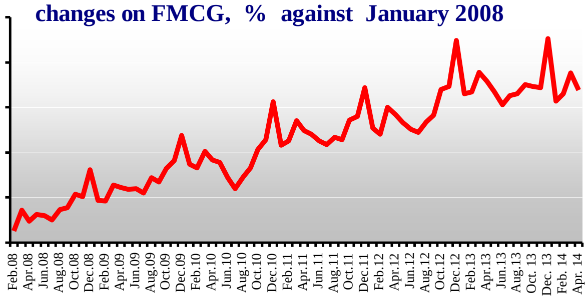
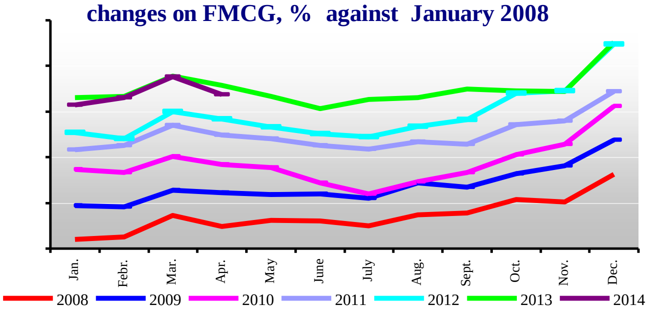
Household expenditures

In April 2014 nominally decreased by *% in comparison with March returned to the February level. In comparison with April 2013 they decreased by *% in nominal terms. With account of consumer inflation it is possible to say that the real everyday consumption decreased by *% during the year. The decrease of consumer activity in the format of "month to month of the previous year" has been observed for seven months in succession. Neither the "Olympics" February, nor March, rich in "external shocks", nor a relatively quite April, were able to interrupt this unpleasant tendency. **<…>**

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



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



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

Section II. Main events of the FMCG sector

IA "INFOLine" activity

Appearances at forums and conferences

On 29 May 2014 the CEO of INFOLine IA Ivan Fedyakov, as a key speaker, took part in the Figures and Facts morning session of the DIY, Household & Garden Centres Retail 2014, organised by B2B Conference Group. INFOLine is a traditional information partner of this event. The subject of the morning session was the results and trends on the market of home improvement, repair and HH. The session was attended by the CEO of the Centre of Dimensional Research Denis Strukov and the director of European Affairs of EDRA Alisdair Gray.

In the context of the morning session its moderator, Ivan Fedyakov, suggested the following issues for discussion:

- What happened during the last year, who opened and closed stores and how many, what M&A transaction are expected, what are the financial indicators of the leaders in comparison with previous reporting period, and what are the forecasts for the coming year/years?
- What are the important trends, according to analysts, on the Home Improvement and HH market in Russia and the world?
- What is the situation on the market of residential real estate property in regions?

In May 2014 the CEO of ***INFOLine-Analytics*** Mikhail Burmistrov took part in the **St. Petersburg International Economic Forum 2014**. In the context of the Forum Mikhail Burmistrov addressed the panel discussion System Integration: Resolving the Deadlock for Russian Logistics. The discussion was devoted to issues of Russian logistics efficiency improvement, as well as development of new technology and strategy aimed at streamlining and integration of business-processes. The session was attended by the president and chairman of the board of FESCO Ruslan Alihanov, the managing director of DHL Express in Russia, CIS countries and South-Eastern Europe Adrian Marley, the chairman of the board of GEFCO Group Luc Nadal, the CEO of Eurosib Dmitriy Nikitin and the CEO of the Design Bureau of UTLC (United Transport and Logistics Company) Zhanar Rymzhanova.

In May 2014 ***INFOLine IA,*** as a partner, participated in the first sectorial business- regatta **Russian Retail Regatta,** arranged on 17-21 May 2014 at Sicily Island. The event was organized by the retail-community RedisCrew, Retail Networking. The event was attended by more than 80 top-managers and chain owners. During five days the participants competed in the sailing-match around Aeolian Islands, climbed on Stromboli, an active volcano, visited local winemaking production businesses, communicated informally, established new business contact and shared experience with Italian retailers. Among the participants of the first Russian Retail Regatta there is a VIP-delegation from JTI Company, as well as top managers of such retail chains as Prisma, Azbuka Vkusa, A5, Spar Retail, DIM, SemYa (Perm), Sprint, Horoshie Novosti, Yappi, Zhuravli, Krasnoe&Beloe, Bubble-Gum, O'KEY, Lakmin, Karavay, Standart Vkusa, Rublbum, Makarovskiy and others. The winner was the team of top managers of Bubble-Gum chain of children goods from Vladivostok.

On 05 June 2014 **Home Improvement Forum** opened in Madrid. ***INFOLine IA*** is taking part, as a strategic partner, in this biggest business event of the European market of DIY, HH&Garden, as well as such associations as EDRA and FEDIYMA. Manufacturers and retailers from more than 40 countries participate in the Forum. Among them there are more than 150 chief executives and top managers of companies operating on retail home improvement market. **Mobile Commerce** was the subject of the first day of **Home Improvement Forum**. The participants discussed serious changes on the retail market that emerged several years ago with active introduction of mobile devices. The subject of the second day will be **Private Labels versus Brands**. The leading world retailers are going to discuss the vital subject of private label development.

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

Chain development

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

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

The performance results and expectations

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

Key financial indicators of Magnit company in 2013-2014

Indicator	Format	2013	I qtr 2014	Jan.-Apr. 2013	Jan.-Apr. 2014	April 2013	April 2014
Net revenue, billion rubles	Magnit	450.801	126.020	140.24	171.693	36.088	45.673
	Magnit-Cosmetic	11.873	3.888	3.233	5.054	0.767	1.165
	Magnit Family	10.678	4.454	2.639	6.245	0.703	1.791
	Magnit (hypermarket)	106.176	29.59	30.886	40.685	8.215	11.095
	Total company	579.695	163.99	176.991	223.676	45.773	59.725
Net revenue growth, %	Magnit (discounter)	23.77%	21.0%	25.1%	22.43%	26.89%	26.56%
	Magnit-Cosmetic	107.12%	57.67%	-	56.34%	-	52.05%
	Magnit Family	244.61%	130.06%	-	136.63%	-	154.7%
	Magnit (hypermarket)	40.78%	30.52%	45.24%	31.73%	47.09%	35.06%
	Total company	29.21%	24.95%	30.02	26.38%	32.71%	30.48%
LFL (revenue), %	Magnit (discounter)	6.62%	5.96%	-	-	-	-
	Magnit-Cosmetic	28.53%	53.5%	-	-	-	-
	Magnit Family	17.23%	15.73%	-	-	-	-
	Magnit (hypermarket)	9.39%	9.17%	-	-	-	-
	Total company	4.47%	7.49%	-	-	-	-
LFL (average receipt), %	Magnit (discounter)	5.82%	5.32%	-	-	-	-
	Magnit-Cosmetic	0.32%	1.97%	-	-	-	-
	Magnit Family	4.2%	5.27%	-	-	-	-
	Magnit (hypermarket)	3.07%	4.34%	-	-	-	-
	Total company	5.89%	5.6%	-	-	-	-
LFL (traffic), %	Magnit (discounter)	0.76%	0.61%	-	-	-	-
	Magnit-Cosmetic	28.12%	5.54%	-	-	-	-
	Magnit Family	12.5%	9.93%	-	-	-	-
	Magnit (hypermarket)	6.13%	4.62%	-	-	-	-
	Total company	1.59%	1.79%	-	-	-	-

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 first quarter of 2013, calculated according the new procedure.

<…>

Logistics

As of 13 May 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 5720 trucks.

In May 2014 Magnit Company commissioned a distribution centre in Novosibirsk. The total floorspace of the warehouse comes to about 18.95 thousand square meters. The facility is rented.

<…>

Commissioning of hypermarkets

On 28 May 2014 a Magnit hypermarket was opened in Chelyabinsk region at the following address: g. Snezhinsk, mkrn. 16 A. The product mix of the hypermarket includes about 9.3 thousand items; about 72% of them are food commodities. The selling floor is equipped with 19 point-of-sale terminals. The retail facility is the company’s property.

<…>

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.

<…>

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 May 2014 the first Magnit store with the acquiring service was opened in Syktyvkar in Republic of Komi. Such service makes it possible to use payment cards. Due multiple requests and appeals of the residents of Republic of Komi, Tander CJSC together with the Ministry of Economic Development of Komi began introduction of this system Magnit stores. The retail chain and the Ministry work together in the context of the Agreement for Cooperation. During the year all Magnit stores in the republic will be equipped with the cashless payment system for bank cards. All newly opened stores of the chain are already equipped with this payment system.

Corporative events

<…>

On 29 May 2014 the Annual General Meeting of Magnit JSC Shareholders took place. The meeting made positive decisions on agenda items that were put to vote, namely:

- Approval of the annual report, the annual financial accounts of Magnit JSC
- Approval of distribution of profits (including payment (announcement) of dividends) and losses of the Company according to results of 2013 fiscal year
- Election of the board of directors of Magnit JSC
- Election of the revision commission of Magnit JSC
- Approval of the auditor for Magnit JSC
- Approval of the auditor of Magnit JSC according to international standards of financial accounts **<…>**

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.).**