

## INDUSTRY REVIEW

# Russian consumer market and FMCG retail chains rating

## Results of 2023-2024

### Demo version

- Analysis and statistics on retail and consumer market
- State regulation of consumer market
- Review of events on retail market of Russia
- Rating of FMCG retailers by stores number, selling space, net sales and market share
- Dynamics of development and key events of TOP-200 FMCG chains

Агентство INFOLine занимается разработкой и реализацией информационных и аналитических продуктов, консультированием и поддержкой деловых форумов и мероприятий в сфере строительства и инвестиций, ритейла и потребительского рынка, топливно-энергетического комплекса, транспорта, машиностроения и др. На постоянной основе мы оказываем поддержку более 3000 компаний России и мира. В соответствии с правилами ассоциации ESOMAR все продукты агентства INFOLine сертифицируются по общеевропейским стандартам.

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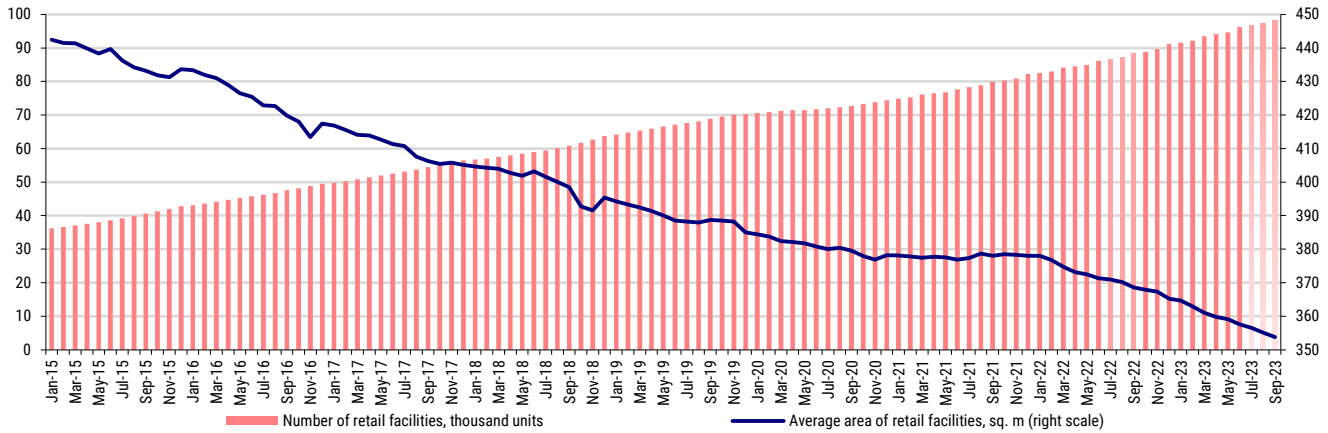
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# Rating of FMCG retail chains of Russia

## TOP 200 FMCG chains performance

The number of retail facilities of the TOP-200 FMCG chains in **September 2023** increased by **\***, and the total retail space – by **\* thousand sq. m** (hereinafter, excluding changes in public companies that disclose quarterly)<sup>1</sup>, in **January-September 2023** – by **\***, and the total trading area - by **\* million sq. m**.

Figure 1. Number and area of retail facilities TOP-200 FMCG chains in Russia at the end of the period <sup>2</sup>

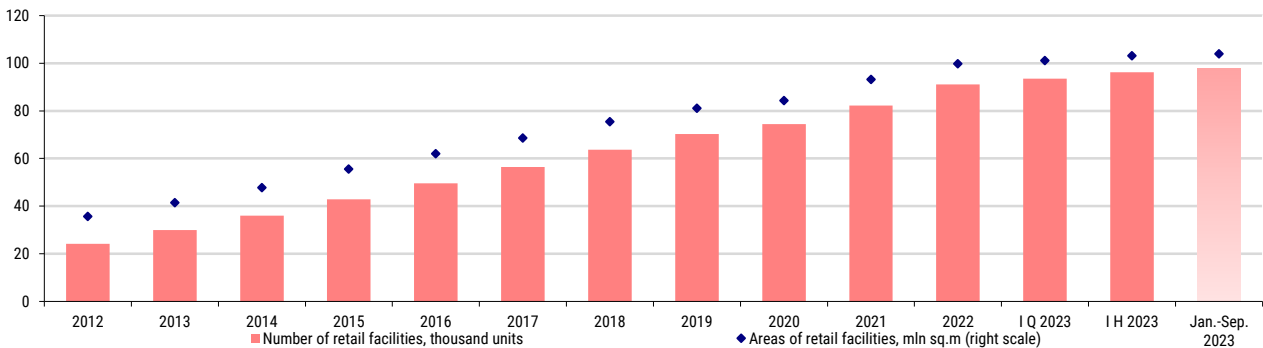


Source: INFOLine

As of **September 30, 2023**, the number of TOP-200 FMCG retail outlets amounted to **\* thousand**, and their total retail space is **\* million sq. m**.

Since 2015, there has been a downward trend in the total average selling space: by **\*%** to **\* sq. m** by the end of 2022. In 2023, the decrease in the average area continued (by **\*%** to **\* sq. m** in January-September 2023).

Figure 2. Number and selling space of TOP-200 FMCG chains in Russia (at the end of the period) <sup>3</sup>



Source: INFOLine

According to INFOLine estimates, the e-grocery market growth is expected to accelerate to approximately **\*%** in Q3 2023, including due to the low base effect of Q3 2023. The growth is still driven by the high level of investment in marketing and promotion by key players, primarily SberMarket, Samokat and Yandex, as well as the largest marketplaces (primarily Ozon, Yandex Market and Megamarket). The predominance of express delivery over time slot delivery and self-pickup is increasing in the market, including as a result of the active omnichannel sales development by leading FMCG chains through interaction with delivery services. Learn more about the e-grocery market state in the review **INFOLine E-Grocery Russia TOP rating**.

In **January-September 2023**, the area of discounters increased by **\*%** (by **\* million sq. m**), and the share in the total retail space increased by **\* p.p.** to **\*%**.

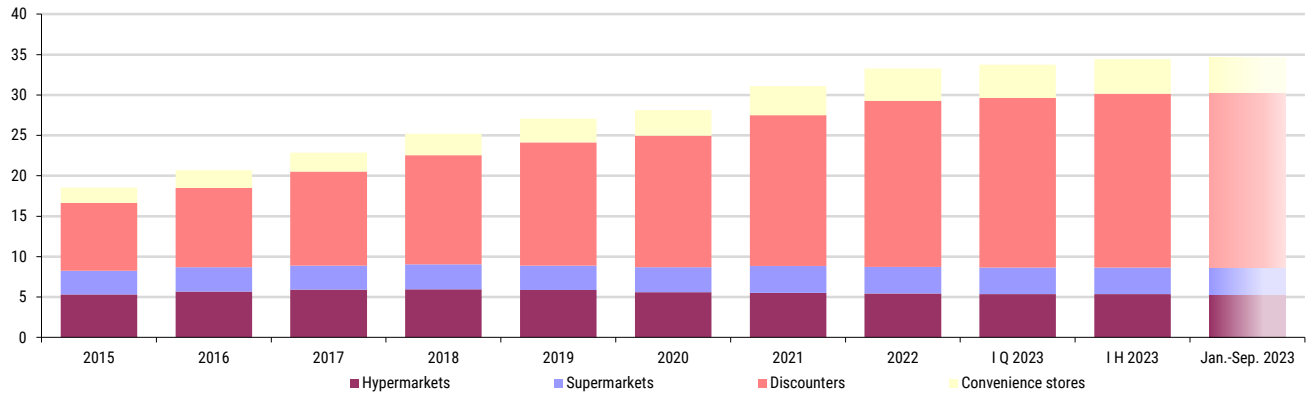
<sup>1</sup> Hereinafter, for X5 Group, Lenta and O'KEY the data available as of the date of preparation is used: June 30, 2023. The total number of FMCG stores does not include objects of the Magnit Cosmetic drogerie format, as well as pharmacies under the Magnit Apteka brand and Magnit GO kiosks, franchising projects of the Sladkaya Zhizn Group (Malinka and Avocado chains). The total number of objects under the Magnit brand includes small pilot formats such as Magnit City and My Price soft discounters.

<sup>2</sup> The gradient highlights preliminary data without taking into account the indicators of public companies, provided quarterly as the official publication. For quarterly disclosures, openings are attributed to the last month of the quarter.

<sup>3</sup> The gradient highlights preliminary data without taking into account the indicators of public companies, provided quarterly as the official publication. For quarterly disclosures, openings are attributed to the last month of the quarter.



Figure 3. Sales area dynamics by formats of TOP-200 Russian FMCG chains, mln sq. m, at the end of the period <sup>4</sup>

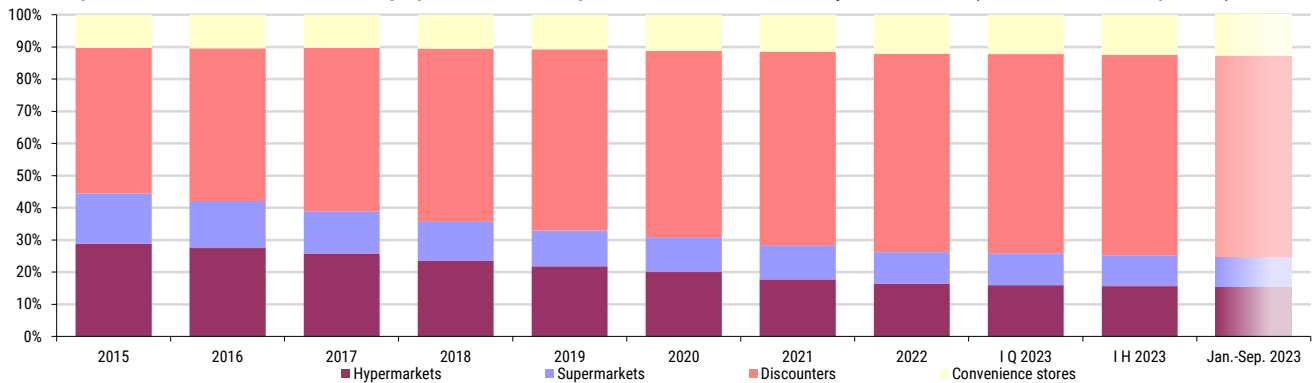


Source: INFOLine

The growth in discounter space in **September 2023**, except for the Pyaterochka, Magnit, Svetofor, Monetka chains, is associated with the opening of My price, V1-First choice, Chizhik, Nakhodka, Pobeda and Dobrotsen stores. At the same time, regional chains had a large number of closures, first of all, the number of Grozd discounters (Saratov region) decreased by \* to \* in January-September 2023, and the number of Amba discounters (Khabarovsk territory) decreased by \* to \*.

In **September 2023**, the share of convenience stores in the area structure increased by \* p.p., and in **January-September 2023** – by \* p.p. to \*%.

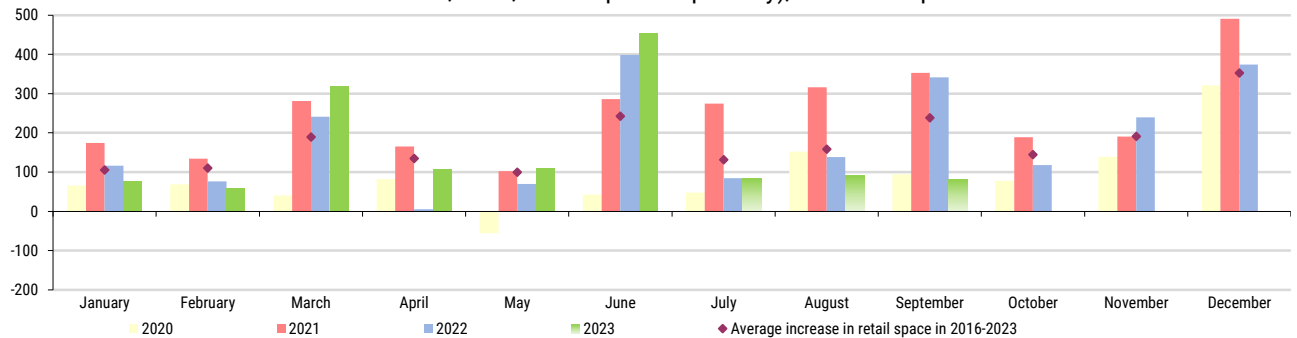
Figure 4. The structure of selling space of 200 largest retailers of Russia by formats. % (at the end of the period) <sup>5</sup>



Source: INFOLine

The share of hypermarkets and supermarkets in the structure of selling space continued decreasing in **January-August 2023** (hypermarkets – by \* p.p. to \*%, supermarkets – by \* p.p. to \*%) which is due to transformation with a reduction in space and the closure of a number of facilities in the face of changing consumer preferences and increased competition.

Figure 5. Dynamics of retail space of the 200 largest FMCG chains in Russia by months (data for X5 Group and Lenta and O'KEY as of June 30, 2023, and is updated quarterly), thousand square meters <sup>6</sup>



Source: INFOLine

<sup>4</sup> The gradient highlights preliminary data without taking into account the indicators of public companies, provided quarterly as the official publication. For quarterly disclosures, openings are attributed to the last month of the quarter.

<sup>5</sup> The gradient highlights preliminary data without taking into account the indicators of public companies, provided quarterly as the official publication. For quarterly disclosures, openings are attributed to the last month of the quarter.

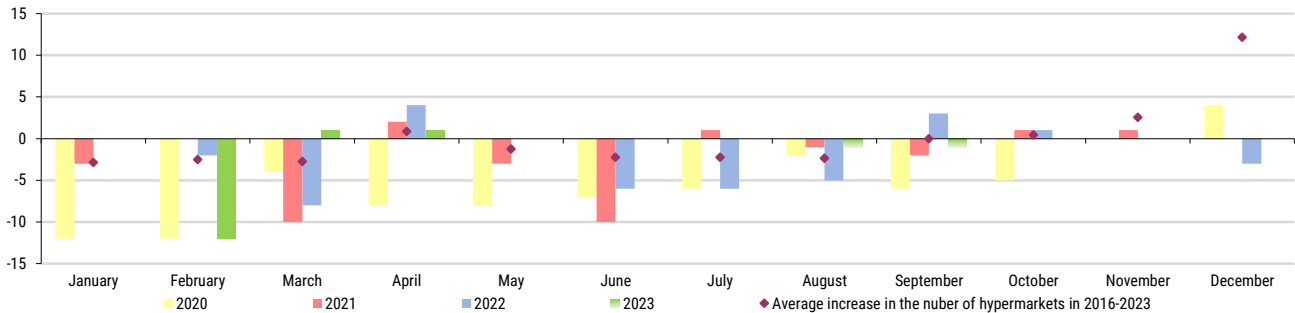
<sup>6</sup> The gradient highlights preliminary data without taking into account the indicators of public companies, provided quarterly as the official publication. For quarterly disclosures, openings are attributed to the last month of the quarter.

Hypermarket chains are actively transforming facilities for e-commerce development by arranging dark store zones in them to speed up picking and reduce picking costs, including in partnership with delivery services.

### Hypermarket Format Development

In September 2023, the number of hypermarkets<sup>7</sup> of TOP-200 FMCG chains (hereinafter, excluding changes in public companies that disclose quarterly) decreased by \*.

Figure 6. Dynamics of hypermarkets number of 200 largest retailers of Russia on monthly basis, number of outlets (data for X5 Group, Magnit, Lenta and O'KEY as of June 30, 2023, and is updated quarterly)<sup>8</sup>



Source: INFOLine (changes in the area of X5 Group and GC O'KEY for the quarter are attributed to the last month of the quarter)

The number of hypermarkets of TOP-200 FMCG chains as of September 30, 2023 amounted to \*, and their total selling space was \* million sq. m. <...>

### Capitalization and stock price of public FMCG chains

<...> Since February 2018, the minimum value of the share price of X5 Group on the MOEX was \* rubles (June 6, 2022), maximum - \* rubles (October 19, 2020). As of September 29, 2023, the company's capitalization amounted to \* billion rubles (an increase of \* compared to the beginning of 2023), and the share price was \* rubles. The average value of capitalization for January-September 2023 amounted to \* billion rubles.

Figure 7. Dynamics of capitalization of X5 Group and Magnit, RUB billion



Source: corporate data, Moscow Stock Exchange

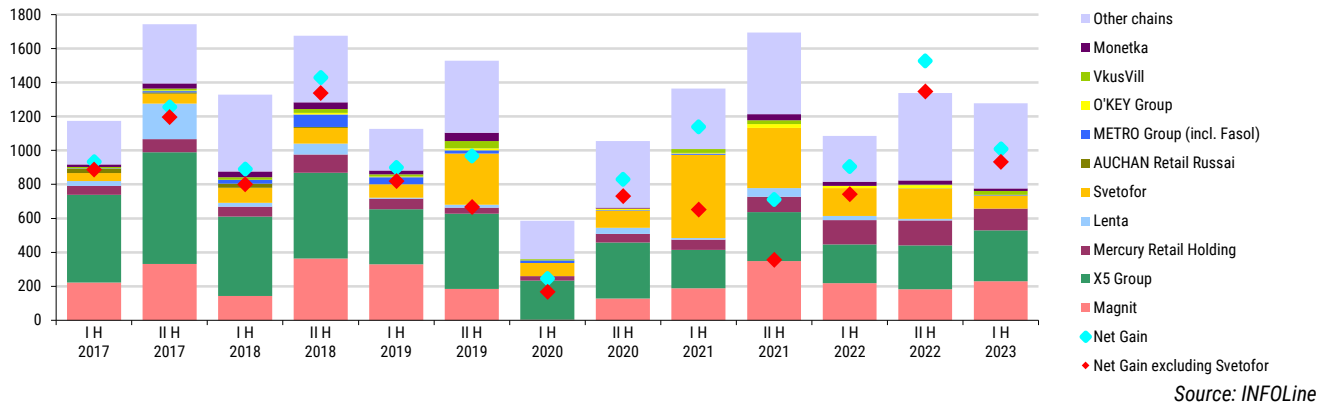
### TOP-200 FMCG development

As of June 30, 2023, the total number of retail facilities of the TOP-200 FMCG chains increased to \* thousand units (+\* thousand in Q2 2023), and their retail space (excluding Magnit Cosmetic and Magnit Apteka) amounted to more than \* million square meters (+\* million square meters in Q2 2023). The share of TOP-10 chains in the increase in selling space amounted to \*% (\*% in Q2 2022).

<sup>7</sup> The classification of objects of modern formats is presented in the Appendix "Methodology".

<sup>8</sup> The gradient highlights preliminary data without taking into account the indicators of public companies, provided quarterly as the official publication. For quarterly disclosures, openings are attributed to the last month of the quarter.

Figure 8. Dynamics of growth in retail space of the TOP-200 FMCG chains in Russia (excluding retailers that reduced their space)<sup>9</sup> for the first half, thousand sq. m<sup>10</sup>



**\*\*\* DEMO VERSION\*\*\***

**Research (full version) contains the description of development of supermarket format, discounter format and convenience store format, and the financial indicators of the largest retail chains**

**\*\*\* DEMO VERSION\*\*\***

<sup>9</sup> The "Net Growth" indicator is given taking into account chains that have reduced their selling space.

<sup>10</sup> INFOLine calculations, excluding M&A, dark stores and Non-Food formats.

## Section I. Retail trends and development in Russia

### Macroeconomic indicators

According to FSSS, in the first half of 2023, GDP growth amounted to \*% to RUB \* bn. In the second quarter of 2023, GDP grew by \*% compared to the second quarter of 2022.

On September 12, 2023, the Ministry of Economic Development presented a forecast for the Russian economy until 2026. GDP growth estimates were improved to \*% for 2023, and by \*% for 2024. According to the forecast, it is expected that exports of goods at the end of 2023 (September-December) will amount to USD \* bn per month, with USD \* bn for January-August.

On September 28, 2023, the Central Bank of the Russian Federation (CBR) released an updated version of the medium-term scenarios for Main Areas of Monetary Policy. The CBR expects the key rate to average \*% in 2023, \*% in 2024, \*% in 2025. In 2026, the rate will be within \*%.

In September 2023, according to the preliminary estimate of the CBR, the current account surplus of the balance of payments of the Russian Federation 2023 amounted to USD \* billion, in Q3 2023 – to USD \* billion, and in January-September – to USD \* billion. The growth in the current account balance is associated with an increase in exports in August-September. <...>

### Retail and wholesale indicators

#### Retail trade dynamics

In August 2023, the retail trade turnover amounted to \* billion rubles and in the mass of commodities increased by \*%, including food products - by \*%, and non-food products – by \*%.

In January-August 2023, the retail trade turnover amounted to 29,907 billion rubles and in the mass of commodities increased by \*%, including food products - by \*%, and non-food products – by \*%. <...>

### Food market inflation

#### Consumer prices index

According to Rosstat, inflation in Russia accelerated to \*% in September 2023 compared to \*% in August 2023. Compared to August 2023, the consumer price index amounted to \*%, compared to December 2022 – \*% (in September 2022 – \*%, compared to December 2021 – \*%). In September 2023, in annual terms, prices for food products increased by \*%, and for non-food products - by \*%.

In January-September 2023, inflation slowed down to \*%, including for food products by \*%, and for non-food products by \*%. <...>

**\*\*\*DEMO VERSION \*\*\***

**The full version of the section includes the wholesale trade turnover dynamics, the structure of retail trade turnover by types of goods and organizations, the regional structure of retail trade, information on income and expenses of the population, the state of the banking system, dynamics of loans and deposits of the population.**

**\*\*\* DEMO VERSION \*\*\***

## Section II. Retail legislation

### Changes in legislation and Anti-Crisis Measures

#### New economic paradigm

<...> On April 25, 2023, Decree No. 302 was signed on retaliatory measures in case of seizing Russian assets abroad. When the assets of Russian companies or individuals are frozen by unfriendly countries, temporary administration is introduced in respect of the property and assets of persons from unfriendly countries in Russia.

On July 31, 2023, Federal Law No. 389-FZ was signed on the personal income tax exemption applicable to cases where individuals receive income when buying shares/interests in a domestic company from a non-resident, and after that the seller forgives the resulting debt to the buyer. <...>

#### Key changes in legislation: individuals

<...> Since July 1, 2023, uniform social support standards began to operate in accordance with Regulation of the Government of the Russian Federation No. 835 including compensation for expenses on utilities and communal payments or parental fees for kindergarten. Uniform requirements on the federal level will allow people to apply for this assistance online through the Public Services Portal of the Russian Federation.

On June 28, 2023, Regulation of the Government of the Russian Federation No. 1055 expanded the Rural Mortgage program parameters. The maximum loan amount at a maximum rate of 3% per annum increased from RUB 3 mln to RUB 6 mln for residents of all regions participating in the program. It will now be possible to take out a preferential mortgage for the construction of a residential building on one's own using prefabricated house kits, and for the purchase of housing in an apartment building with a maximum height of five floors in backbone settlements. On August 27, 2023, the Ministry of Agriculture of the Russian Federation announced the suspension of granting new mortgage loans under the rural mortgage program. It is reported that lending will be resumed after the current economic situation changes. <...>

#### Key changes in legislation: business

<...> On December 19, 2022, an entrepreneur's digital profile was launched on the МСП.РФ digital platform for business. The digital profile is generated automatically based on 18 types of information, which includes more than 800 different business parameters. Until now, only individuals had a similar profile. The digital profile was formed by the Ministry of Digital Development, the Ministry of Economic Development, the Federal Tax Service, the SME Corporation and the Bank of Russia. As of September 2023, more than 20 services and more than 700 support measures are available on the platform, and more than 535 thousand users are registered.

On July 12, 2023, Regulation of the Government of the Russian Federation No. 1139 approved additional support for importers of significant industrial products – participants in foreign economic activities are exempted from the obligation to provide security for the payment of customs taxes and duties. They will receive such preferences provided that goods are imported to Russia in containers through the Far Eastern sea checkpoints and then transported first by road and then by rail. <...>

### National payment systems



Since March 10, 2022, the international payment systems Visa and Mastercard have suspended their work in Russia: all cards of these payment systems, already issued by Russian banks, will continue to work on the territory of the Russian Federation as before, but they will not be able to pay abroad. Also, Visa and Mastercard cards cannot be used in Apple Pay and Google Pay services.

On August 4, 2023, Federal Law No. 482-FZ was signed to increase the limit of no-fee transfers between one's own accounts in different banks to RUB 30 mln per month. At the same time, card-to-card transfers and transfers at a personal visit to a bank office within the specified limit are not exempt from the fee. <...>



## State regulation of retail

### State regulation of retail: main regulatory documents

Government Regulation No. 2516 extended the moratorium on unscheduled inspections of cash register equipment until the end of 2023.

### State regulation of retail: taxes and fees

From July 1, 2023, an excise tax on sugar-containing drinks was introduced according to Federal Law No. 443-FZ. An excise tax of 7 rubles per liter will be levied on drinks containing sugar, sugar syrup or honey if the volume fraction of carbohydrates in them exceeds 5 g per 100 ml of the drink (while ethyl alcohol must not exceed 1.2%). Juices, fruit drinks and nectars are not recognized as sugar-containing drinks. The Ministry of Finance clarifies that plant-based drinks made from cereal grains, legumes, oilseeds, nuts, coconut and/or products of their processing are not recognized as sugar-containing drinks except for tonic drinks and drinks including carbon dioxide as components. On September 20, 2023, the Ministry of Finance issued Letter No. 03-13-06/89689 to clarify the rules for paying excise duty on grape-containing drinks. In particular, grape-containing drinks are recognized as excisable goods regardless of the carbohydrate amount and are taxed at an excise tax rate in the amount of RUB 45 per 1 liter in 2023. <...>

### State regulation of retail: non-stationary trade

On April 14, 2023, Federal Law No. 123-FZ was signed to simplify the construction of retail facilities in gardening partnerships, which allows the meeting of gardening partnership members to lease general-purpose land plots for the construction of shops.

### State regulation of retail: logistics and transportation

From February 1, 2023, the rate of the Platon heavy vehicle road toll system has been indexed: now the fee is RUB 2.84 per 1 km (an increase of 30 kopecks compared to the previous rate). <...>

### State regulation of retail: MSW management

On August 4, 2023, Federal Law No. 451-FZ was signed to establish extended liability of goods and packaging manufacturers and importers. The Government of the Russian Federation sets recycling standards for each group of goods. For packaging – in relation to 45% of all packaging produced in the Russian Federation and imported into the territory of the Russian Federation from January 1 to December 31, 2024, 55% from January 1, 2025 to December 31, 2025, 75% from January 1 to December 31 2026, and finally 100% from 2027. Recycling is ensured either by creating and using the company's own waste disposal infrastructure, or by concluding an agreement with a legal entity or individual entrepreneur engaged in waste disposal activities. Otherwise, manufacturers of goods and importers shall pay an eco-tax. The packaging manufacturer will pay for the packaging with the environmental fee or the cost of disposal included in the price of its packaging. The cost of the eco-fee will be calculated using a special method: there will be a base rate for each type of product and packaging (currently the amount has not yet been approved), which will be multiplied by mark-up factors. They take into account the difficulty of extracting waste from the total mass of municipal solid waste, the availability of processing capacity in the country for a given product or packaging, and the demand for secondary raw materials for the production of new goods. <...>

### State regulation of retail: expiration dates

On September 6, 2023, the Center for Development of Advanced Technologies (CDAT) summed up the results of the experiment on blocking expired and illegal products at checkouts, which was carried out from February 1 to August 1, 2023 in accordance with Regulation of the Government of the Russian Federation No. 74. According to the results of the voluntary experiment, sales of expired products among the participants in the experiment are reduced to almost zero as the mechanism is replicated in all stores. Throughout the country, sales of expired labeled products decreased by 25% during the experiment – from over 10 mln units of products to 7.5 mln units.

### **State regulation of retail: interaction with foreign companies**

On December 5, 2022, Federal Law No. 499-FZ was signed on extending the deadline for lifting restrictions of 25% on the share within the borders of the region for deals on the acquisition or lease for any reason of additional retail space owned by foreign owners who have left Russia.

### **State regulation of retail: other news**

On April 28, 2023, Federal Law No. 175-FZ was signed on fines in the amount of RUB 20,000 to RUB 200,000 for selling drugs without a prescription. <...>

## **Food market inflation and governmental regulation of prices**

### **Inflation and state's pricing regulation**

On April 1, 2023, Regulation of the Government of the Russian Federation No. 2374 comes into force on changes to the list of medical goods exempted from VAT on the sale and import.

On May 6, 2023, Regulation of the Government of the Russian Federation No. 662 came into force enabling regions to enter into voluntary agreements with retail chains to stabilize prices for socially important essential food products. The document is temporary and will be valid until May 6, 2026.

On April 14, 2023, Regulation of the Government of the Russian Federation No. 594 added domestically produced goods to the list of children's goods subject to VAT at a reduced rate of 10%.

## **Parallel import**

On March 29, 2022, Government Decree No. 506 legalized parallel imports - the import of original foreign-made goods without the consent of the copyright holders. On June 28, 2022, Vladimir Putin signed Federal Law No. 213-FZ to legalize parallel imports until the end of 2022. The law protects Russian companies that import goods into the Russian Federation without the copyright holder's permission against any civil, administrative and criminal liability. <...>

## **Alcohol Beverage Market Regulation**

From January 1, 2023, manufacturers and importers of alcoholic beverages must switch to "new" alcohol codes according to USAIS (Unified State Automated Information System) approved by Order No. 157 of Rosalkogolregulirovanie (Federal Service for Alcohol Market Regulation).

From January 1, 2023, Order of the Ministry of Finance No. 166n will increase the minimum price for ethyl alcohol produced from food raw materials from RUB 63 to RUB 68 per liter. According to Order of the Ministry of Finance No. 168n, the minimum retail price will be RUB 281 for vodka, RUB 375 for brandy, RUB 517 for cognac since January 1, 2023.

From January 7, 2023, Order of the Ministry of Finance No. 180n was approved to increase minimum prices for sparkling wine from RUB 118 to RUB 166 per 0.75 L bottle for producers and from RUB 137 to RUB 199 per bottle for wholesalers. The retail minimum price of champagne was increased from RUB 169 rubles to RUB 239 per bottle.

On July 31, 2023, Federal Law No. 389-FZ was adopted to index excise rates on alcohol and tobacco products in 2024-2026. The law provides for rate indexation by 5% in 2024 and by 4% in 2025 and 2026.

On August 21, 2023, Regulation of the Government of the Russian Federation No. 1364 increased the price for federal special stamps by 8.5% from September 1, 2024. Currently, the price of the federal special stamp is RUB 1,890 per 1,000 pieces without VAT. From September 1, 2024, the federal special stamp price will be set at RUB 2,050 per 1,000 pieces without VAT. <...>

### **Marking of alcoholic products**

On September 6, 2022, Government Regulation No. 1567 expanded the experiment on labeling imported alcoholic beverages in bonded warehouse procedure with special marks: Moscow and the Bryansk Region were added to six regions (St. Petersburg, Leningrad, Kaliningrad, Smolensk, Moscow regions and Krasnodar Territory). The experiment was launched by Regulation of the Government of the Russian Federation No.

854 dated June 1, 2021 and will last until the end of May 2024. On June 10, 2023, by Decree of the Government of the Russian Federation No. 960, the Republic of Tatarstan was included in the experiment.

## Tobacco Market Regulation

From January 1, 2023, the minimum price of a pack of cigarettes increased by 5 rubles to 117 rubles. A single minimum price below which tobacco products cannot be sold to consumers was established by No. 504-FZ of December 30, 2020. The price is calculated based on the minimum excise tax rate per package of goods, VAT and a multiplying factor.

On July 31, 2023, Federal Law No. 390-FZ was adopted to introduce criminal liability for the unlicensed production and circulation of tobacco and tobacco products. It comes into force on April 1, 2024.

From September 1, 2023, in accordance with Regulation of the Government of the Russian Federation No. 1138, an electronic register of licenses for the production and circulation of tobacco and nicotine-containing products begins to operate.

## E-commerce regulation

<...> On October 20, 2022, Federal Law No. 405-FZ was signed to approve an experiment on remote retail sales of prescription drugs in Moscow, Belgorod and Moscow regions from March 1, 2023 for 3 years. On December 28, 2022, Regulation of the Government of the Russian Federation No. 2465 approved the criteria for including drugs in the experiment on the distance sale of drugs. Order of the Ministry of Health of the Russian Federation No. 36 dated February 1, 2023 approved a list of prescription drugs for remote sale comprising over 900 items. On February 22, 2023, Regulation of the Government of the Russian Federation No. 292 approved the experiment procedure. To take part in the experiment, pharmacy organizations must meet the following requirements:

- Possession of a pharmaceutical license and at least one-year tenure of such a license
- Availability of equipped premises to store orders according to medicine storage and transportation rules
- Availability of a website, mobile app or agreement with an aggregator
- Availability of its own courier service fitted with equipment to ensure maintenance of temperature conditions required for order delivery, or an agreement with other persons delivering orders using such equipment
- Availability of an electronic payment system and/or mobile point of sales
- Availability of information placed by the licensee in the Unified State Health Information System regarding the activities of the pharmaceutical organization and services it provides.

On October 10, 2023, Wildberries, Ozon, Yandex Market, the Opora Russia All-Russian Public Organization of Small and Medium-Sized Businesses, the Association of E-Commerce Market Participants (AECMP) and the Association of Internet Trade Companies (AITC) signed Standards for working with pick-up point owners. According to the new standards, partner pick-up points will begin to deliver orders of other logistics services (without their advertising or additional branding), while marketplaces undertake to warn pick-up points about changes in the offer, as well as provide documentation and other information for pick-up points upon request. The document also contains a ban on placing more than one pick-up point of the same marketplace in one building. In addition, pick-up point owners are prohibited from using mechanics to artificially inflate ratings.

## Roskachestvo activities



On April 30, 2015, the Government of the Russian Federation signed the **order on the establishment of the autonomous non-commercial organization ANO Russian Quality System**. On June 4, 2015, the first organizational meeting of the Autonomous Non-Commercial Organization Russian Quality System (Roskachestvo) ([www.rskrf.ru](http://www.rskrf.ru)) was held where Maksim Protasov was appointed as the Head of the Organization.

On February 19, 2019, Roskachestvo launched the "Smart Buyer Portal", where the organization's research results and advice for consumers are published. As of September

2023, Roskachestvo examined 10,390 products, identified 548 products with violations, and 262 products were marked with the quality mark of the organization.

Product ratings compiled by Roskachestvo, product verification by barcode and information about eco-labels are contained in a mobile application for iOS and Android.

### Roskachestvo activities

On June 15, 2023, Roskachestvo (Russian Quality System) and the Chamber of Commerce and Industry (CCI) of the Russian Federation signed a cooperation agreement, which provides for creating a network of territorial offices of the Roskachestvo Competence Center in the field of Halal products and services on the basis of regional chambers of the Russian CCI. The Republic of Bashkortostan was chosen as a pilot region for opening the first representative office. <...>

### Roskachestvo research

On September 27, 2023, Roskachestvo (Russian Quality System) and RusAccreditation (Federal Service for Accreditation) launched the second stage of assessing 30 online platforms. These are marketplaces, retail chains, and specialized online stores that submitted a voluntary application for research within the Register of Trusted Online Platforms. At the second stage, participants will undergo a "mystery shopper" test. In 2023, RusAccreditation and Roskachestvo updated the methodology for trading platform assessment. Last year's indicators were supplemented by requirements for promoting Russian products, protecting consumer rights and assessing the user journey by mystery shoppers to facilitate the analysis of the entire order placement path on the website. As part of the methodology, RusAccreditation evaluates the safety of goods presented on websites. The updated methodology contains a requirement for the presence of a search filter for products with documents of conformity, the sale of certified children's products, as well as the presence of an information block for consumers and sellers.

## Organic products



On January 1, 2020, Federal Law No. 280-FZ dated August 3, 2018 named "On Organic Products" entered into force. According to the law, goods released into circulation after January 1, 2020 can be called organic only with appropriate certification and compliance with the requirements of the "On Organic Products" legislation. Since February 1, 2020, the Unified State Register of Organic Producers has been posted on the website of the Ministry of Agriculture of the Russian Federation.

In June 2020, the Ministry of Justice of the Russian Federation registered the Order of the Ministry of Agriculture of Russia No. 232 dated July 24, 2020 "On approval of the list of products of the agro-industrial complex", in relation to which organizations will be compensated for part of the costs associated with certification of products of the agro-industrial complex in foreign markets, as part of the subprogram "Development of branches of the agro-industrial complex" of the State program for the development of agriculture and regulation of markets for agricultural products, raw materials and food. The rules for providing state support to organic exporters were approved by the Decree of the Government of the Russian Federation No. 1816 of December 25, 2019.

On March 1, 2022, No. 159-FZ on products with improved characteristics came into force - "green" products, the production of which uses technologies that comply with established environmental requirements and have a minimal negative impact on the environment. The law establishes the obligatory nature of the Green Standards, according to which such products will be produced, determines the creation of the Unified Register of Green Products Manufacturers, the obligatory certification of green products in accredited certification bodies and the labeling of certified products with the state mark of a single sample - "Green Standard".

On September 1, 2022, the register of producers of agricultural products, food, industrial and other products with improved characteristics was launched. Manufacturers of such products have the right to place the "Green One" sign on their products after obtaining an appropriate certificate. The Ministry of Agriculture of Russia holds the copyright to this sign. <...>



## Marking the products

On April 1, 2022, No. 86-FZ was signed, according to which the Ministry of Industry and Trade is the coordinator of the creation and operation of an information system for monitoring the circulation of goods subject to labeling with identification tools. On August 4, 2023, Federal Law No. 474-FZ was signed to grant Rospotrebnadzor (Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing) the authority to monitor compliance with labeling requirements.

On March 1, 2023, Regulation of the Government of the Russian Federation No. 1090 came into force to establish new requirements for the details of receipts for the delivery of labeled goods – cashier register receipts must contain a "product code". On May 19, 2023, Regulation of the Government of the Russian Federation No. 786 changed the rules for indicating the "product code" attribute in cash receipts and accountable forms in payments for labeled goods.

From March 1, 2023, Government Regulation No. 1861 additional labeling rules came into force:

- It is clarified that sellers of labeled products shall have software or hardware tools linked to cash register equipment for recognizing identification means.
- Requirements for the quality of product labeling with identification means are supplemented.
- It is specified that the initially submitted information can be adjusted only in terms of the price per unit of goods including discounts, markups, fees and taxes, the cost of goods including discounts, markups, fees and taxes, the value added tax rate included in the cost of goods. <...>

### Terms of introduction of goods marking

<...> On July 27, 2023, Regulation of the Government of the Russian Federation No. 2757 approved a standard form of an agreement for the provision of labeling codes to participants in the circulation of certain types of non-alcoholic drinks including juices.

Category	Experiment	Start of mandatory marking
Fur products (fur coats)	1.04.2016-11.08.2016	12.08.2016
Drugs	01.02.2017-31.12.2019	1.10.2019-partially. 1.07.2020-fully
Tobacco	15.01.2018-28.02.2019	1.03.2019- cigarettes. 1.07.2020- cigars, cigarillos, bidis, kretek, various types of tobacco
Shoes	1.06.2018-30.06.2019	1.07.2019
Milk products	15.07.2019-31.12.2020	01.06.2021- butter, ice cream, cheese; 01.09.2021- milk and cream with a shelf life of more than 28 days, buttermilk, curdled milk, cream, yoghurts, kefir, whey, cottage cheese, sour cream; 20.01.2021- milk and cream with a shelf life of less than 28 days, condensed milk and cream with / without added sugar, drinks with milk fat; 01.12.2023-fully 01.06.2025 - fully
Tires	20.06.2019-30.11.2019	01.11.2020
Perfumes, eau de toilette	1.07.2019-30.11.2019	1.10.2020 1.10.2022 - imported perfumes
Cameras and flashlights	15.05.2019-30.11.2019	1.10.2020 1.10.2022 - imported photo kits
Light industry (clothing, linen, textiles, blouses and shirts for women from different materials)	27.06.2019-30.11.2019	1.01.2021
Bicycles	16.09.2019-31.05.2020	01.09.2024
Manual wheel chairs	1.09.2019-1.12.2020- manually operated September 1, 2019-June 1, 2021 - with electric drive	September 1, 2023
Electric-driven wheel chairs	1.09.2019-1.06.2021	Unknown
Beer and beer drinks	01.04.2021-31.08.2022	01.04.2023 – in kegs; 01.10.2023 – in glass and PET containers; 15.01.2024 – in aluminum cans
Packaged drinking water	01.04.2020-01.06.2021	01.09.2021 – mineral water 01.12.2021 – fully 01.09.2022 – drinking water for baby food 01.11.2022-01.03.2025 – volumetric accounting 01.03.2025 – copy accounting
Biologically active additives	1.05.2021-28.02.2023	-
Medical devices	15.02.2022-31.08.2023	Unknown
Hand antiseptics	01.08.2021-28.02.2023	Unknown

Category	Experiment	Start of mandatory marking
Non-alcoholic drinks (excluding juices, fruit drinks and plant-based drinks)	01.06.2023-31.08.2023	December 1, 2023
Sturgeon and salmon caviar	15.04.2023-31.03.2024	-
Titanium metal products	01.09.2023-31.03.2024	-

### Product marking experiments

On April 15, 2023, a red and black caviar labeling experiment began in accordance with [Government Regulation No. 598](#). The experiment will last until March 31, 2024.

On October 3, 2023, [Regulation of the Government of the Russian Federation No. 1632](#) approved an experiment on labeling rehabilitation equipment to be conducted from October 15, 2023 to August 31, 2024.

### Mobile applications

The Chestny Znak mobile application for scanning markings, QR codes and Data Matrix codes is available on [App Store](#), [GooglePlay](#) and [RuStore](#). A free mobile application Chestny ZNAK.Business is also available for small and medium-sized businesses. The application is available on [App Store](#), [GooglePlay](#), [App Gallery](#) and [RuStore](#).

On August 29, 2023, the Goscan function appeared in the Public Services Portal app to [verify](#) the authenticity of labeled goods using a QR code. The application is available on [iOS](#), [Android](#), [AppGallery](#) and [RuStore](#).

## Customs regulation

On February 3, 2023, the Council of the Eurasian Economic Commission decided to grant tariff preferences for beef imported for meat processing in 2023. The preferences cover supplies of up to 10,000 tons to the Republic of Armenia, up to 7,500 tons to the Republic of Belarus, up to 5,000 tons to the Republic of Kazakhstan, up to 2,500 tons to the Kyrgyz Republic, and up to 100,000 tons to the Russian Federation. <...>

## Section III. Key events and plans of major FMCG chains

### X5 Group N.V. (TH Perekrestok, JSC) / Pyaterochka, Perekrestok, Vprok.ru, Karusel, Chizhik



Company's name: *X5 Group N. V. (TH Perekrestok, JSC)* Address: 119049, Moscow, Koroviy Val, 5, BC Oasis Phones: +7(495)6628888. (495)7899595. Fax: +7(495)6628888 ext. 61-145 E-mail: [info@x5.ru](mailto:info@x5.ru) Web: [www.x5.ru](http://www.x5.ru); <https://dialog.x5.ru/> Social nets: [www.vk.com/x5group](http://www.vk.com/x5group), [www.youtube.com/user/x5retailgroup](http://www.youtube.com/user/x5retailgroup), <https://t.me/x5news>, <https://zen.yandex.ru/x5group> Management: Ekaterina Lobacheva, President of X5 Group; Igor Shekhterman, Chief Executive Officer; Anton Mironenkov, Managing Director of X5 Technology, Sergey Pankov, Managing Director of X5 Digital; Larisa Romanovskaya, Advisor to the Chief Executive Officer of X5 Group; Vladimir Salakhutdinov, Director of Strategy and Business Development of X5.

#### Regional presence

As of June 30, 2023, X5 Group manages \*<sup>11</sup> retail facilities with an area of \* **thousand sq. m**, including \* Pyaterochka soft discounters<sup>12</sup>, \* Perekrestok supermarkets, \* Chizhik hard discounters and \* Krasny Yar and Slata stores. As of Q2 2023, X5 facilities are located in \* regions of Russia<sup>13</sup>.

Table 1. Regional presence of X5 Group's outlets as of 30.06.2023<sup>14</sup>

Federal District	Region	Format in region <sup>15</sup>
North-Western	Arkhangelsk Region	D
	Vologda Region	D, S
	Kaliningrad Region	D
	Leningrad Region	D, S, H
	Murmansk Region	D, S
	Novgorod Region	D, S, H
	Pskov Region	D, S
	Karelia Republic	D, S
	Komi Republic	D
	*	*

Source: corporate data. mass media. INFO Line estimations

#### Chain development

<...> In June 2023, the Federal Antimonopoly Service lifted the restriction on the opening of new retail facilities in St. Petersburg, which had been in effect for X5 Group since 2019 due to exceeding the maximum permitted share of \*%. According to FAS, X5 Group occupies \*% of the total turnover of FMCG retailers in the region.



#### X5 Group Investor Publication – Q2 2023 Investor Presentation.

Publication date: August 2023.

To receive the presentation, click [here](https://www.x5.ru/wp-content/uploads/2023/08/x5-investor-presentation-eng.pdf) or follow the link: <https://www.x5.ru/wp-content/uploads/2023/08/x5-investor-presentation-eng.pdf>

#### Share capital

As of December 31, 2021, the shareholders of X5 Group are: "CTF Holdings S.A." - \*%, "Intertrust Trustees Ltd" ("Axon Trust") - \*%, directors of X5 - \*%, treasury shares - \*%, shares in free float - \*%.

#### Capitalization

On August 3, 2023, X5 Group announced that it has approved and issued a prospectus for the GDRs. With this step, X5 aims to secure uninterrupted admission to trading of its GDRs on Moscow Exchange by establishing an admission to trading that is not dependent on the Company's listing and admission to trading on other trading venues. The Company does not expect any restrictions on trading in its GDRs on Moscow Exchange in connection with the prospectus registration process. No additional actions are required

<sup>11</sup> Including Perekrestok and Pyaterochka dark stores, Mnogo Lososya dark kitchens, Vprok.ru Perekrestok dark stores, Krasny Yar and Slata stores.

<sup>12</sup> X5 Group classifies Pyaterochka format as a "proximity store"

<sup>13</sup> Information on public companies is updated quarterly as the disclosure of data is officially published.

<sup>14</sup> The data is updated quarterly.

<sup>15</sup> H - hypermarket; D - discounter; C - convenience store; S is a supermarket. A description of the formats is available in the Appendix.



on the part of holders of the Company's GDRs. After the publication of the release, in August 2023, the company's capitalization increased by \*%, which allowed the company to take first place in terms of capitalization among public retailers. <...>

#### **M&A**

In April 2023, the Federal Antimonopoly Service (FAS) granted the X5 Group's petition for acquiring \*% of Tamerlan LLC (Pokupochka, PokupAlko, Ga-ga retail chains) provided that all X5 social price liabilities will be extended to this chain of stores. In particular, X5 Group undertakes to reduce to \*% the share of the total volume of retail chains' grocery turnover in municipalities, where it may be exceeded as a result of the deal, within a year. <...>

#### **Results and expectations**

In Q2 2023, the net retail revenue of X5 Group, including Krasny Yar and Slata, increased by \*% to RUB \* billion, while without the impact of the M&A transaction, it increased by \*%. Gross profit margin under IFRS 16 decreased by \* b.p. year-on-year to \*% (down \* b.p. year-on-year to \*% pre-IFRS 16) in Q2 2023, mainly due to the aggressive expansion of the Chizhik hard discounter format into regional markets, the consolidation of Krasny Yar and Slata, as well as the transformation of Pyaterochka's CVP. The adjusted EBITDA margin under IFRS 16 in Q2 of 2023 decreased by \* b.p. to \*% (by \* b.p. to \*% pre-IFRS 16). Net profit margin under IFRS 16 in Q2 2023 decreased by \* b.p. to \*% (by \* b.p. to \*% pre-IFRS 16). <...>

#### **IT**

On October 2, 2020, X5 Group launched **Dialog**, a multifunctional platform for solving business problems. Dialog X5 is a single entry point for suppliers and partners of the company, a set of digital tools that already include analytical and logistics reporting, advertising targeting and a tender platform. X5 integrates all services for suppliers into a single system based on the Dialog platform. By connecting to Dialog, suppliers receive a range of digital tools across all X5 networks, and the company receives a unified control system for operational processes and reporting. The platform is a proprietary development of X5 Technologies and is built on a unified authentication system, data architecture and integration model. Each of the four service applications meets information security requirements. The basic tools of the service are free. <...>

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### **\*\*\* DEMO VERSION \*\*\***

**Research (full version) contains the description of 11 largest FMCG chains in Russia: X5 Retail Group N.V. (Pyaterochka, Perekrestok, Vprok.ru Perekrestok, Karusel, Chizhik, 5POST, X5-Eastern Siberia, LLC and Tamerlan, LLC); Magnit, PJSC (Magnit, Magnit Family, My price, Magnit Cosmetic, Magnit Apteka, DIXY); Mercury Retail Group Limited (Krasnoe&Beloe, Bristol, Bristol Express, Victoria-kvartal, Victoria, Cash); Severgroup, LLC (Lenta, Utkonos); GC Torgservis (Svetofor, Mayak); Auchan Retail Russia (Auchan, Auchan-City, Atak, Auchan Supermarket, Moy Auchan); Metro AG (METRO, Fasol); VkusVill JSC (VkusVill); O'KEY, GC (O'KEY, DA!); Monетка GC (Monетка); Hyperglobus LLC (Globus).**

**The description of each chain includes news according to the sections: chain development (operational results, plans of further development); results and expectations (key financial indicators and plans); investment activity; new formats (launch and/or plans to launch new formats); store openings (during the last month); store closures (during the last month); M&A; appointments and resignations; online (development, and/or plans of development of own internet shops); collaboration with external delivery services; private label (key private label of the chain, their development and plans to the future expansion); own production; logistics (opening new distribution centers, the level of supply centralisation, etc.); interaction with consumers (actions, loyalty programs, etc.); interaction with suppliers (working conditions with suppliers, new partners, etc.); corporate events (other news by the chain (judicial proceedings, labor relations, etc.); IT projects**

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### **\*\*\* DEMO VERSION \*\*\***

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## About Russian consumer market and FMCG retail chains rating

The industry review **Russian consumer market and FMCG retail chains rating** contains actual and structured information about development of retail chains and retail as well as the review of events on the Russian retail market in the accounting period (for this review – **September 2023**), data on operational, financial and investment activity, as well as **rating of major FMCG retail chains in Russia**.

**Objective:** analysis of development and characteristics of events in retail and on the Russian consumer market, including monitoring the situation with the coronavirus pandemic and the economic crisis in 2020, structured description, comparative analysis, monitoring of investments and organic growth dynamics, ranking of operational and financial indicators of more than 200 major FMCG chains in Russia.

**Key market parameters:** retail trade turnover in August 2023 increased by \*% to **RUB \* billion**. Retail sales of food products in comparable prices in August 2023 increased by \*% to **RUB \* billion**, and non-food - an increase of \*% to **RUB \* billion**. The number of TOP-200 retail outlets of FMCG chains as of September 30, 2023 amounted to \* **thousand**, and their total retail space is \* **million sq. m**.

**Relevance of the review:** the 200 largest FMCG retail chains described in the review formed more than \*% of the food retail turnover in 2022, with the top 10 FMCG chains accounting for \*%. The total revenue of the TOP-10 largest chains in Q2 2023 grew by \* (a \* p.p. acceleration compared to Q1 2023) to **RUB \* trillion** excluding VAT.

**Research use:** benchmarking, analysis of competitors and partners, marketing and strategic planning, searching for customers and partners, preparation for negotiations with retail chains.

**Research time framework:** Dynamics since 2015 (market capacity and dynamics) and since 2020 (operational and financial results of the largest FMCG chains, structural indicators of the FMCG market), ranking by revenue in 2021 (TOP 10 largest chains), operating indicators based on the results of 2022 and January-September 2023, the results of 2022 and trends in 2023 (retail trade dynamics, consumer income and expenses, strategies and plans of FMCG chains).

**Research advantages:** monthly analysis and structured description of the consumer market and key events capable to influence food retail, including governmental regulation (new legislative acts and initiatives), monthly monitoring of more than 200 largest FMCG chains (corporate events, operational, financial and investment activity).

**Terms of sending the review:** 8th working day of the month following the reporting (Russian version), 16th working day of the month following the reporting (English version).

**Formats described in the review:** hypermarket, supermarket, discounter, convenience store (universal and specialized chains). The classification of modern trade objects is given in the section Methodology of the Review.

### Research methods and data sources

- regular monthly expert surveys and interviews with representatives of more than 200 FMCG retail chains in Russia;
- survey of 200 largest FMCG retail chains, and monitoring and analysis of operational and financial indicators of more than 700 retail chains;
- Quarterly research "**Food Retail and Consumer market of Russia. Results of 2021-2022**"
- Research "**Food Retail and Consumer market of Russia. Results of 2021. Development prospects till 2024**" in Russian and "**Food Retail and Consumer market of Russia Review. Results of 2021 and trends of 2022. Development prospects till 2024**" in English.
- Quarterly research "**Rating INFOLine E-Grocery Russia TOP**";
- Monitoring of over 2000 mass media sources and highlighting of landmark events on the FMCG retail market, carried out by INFOLine since 2002 as part of its services. "**Thematic news: Food retail and retail chains FMCG RF**". "**Thematic news: Food industry and food market of the Russian Federation**" and "**Thematic news: Retail of the Russian Federation**".
- official documents of the Government of the Russian Federation, federal and regional authorities (ministries, administrations, etc.)

**Russian consumer market and FMCG retail chains rating** consists of the following sections:

- **Rating of FMCG retail chains of Russia.** Operational results of 200 largest FMCG chains by formats: stores number and selling space dynamics (hypermarket, supermarket, discounter, convenience store), change of average retail space of objects, the most significant openings and closings of stores. Ratings by number, selling space, revenue of TOP-50 largest FMCG chains in Russia (with revenue over RUB 13 bn), financial indicators of public companies, selling space growth structure and dynamics by chains and formats. Rating of fast-growing chains, shares of largest FMCG retail chains on the Russian food retail market.
- **Section I. Retail trends and development in Russia.** Coronavirus Impact and Anti-Crisis Measures of the Government of the Russian Federation. Macroeconomic indicators of retail: turnover and money supply dynamics, turnover forecast. Structure of retail by types of goods and business. Regional structure of retail. Food market inflation. Incomes and expenditures of population. Monetary policy. Consumer expectations and confidence of population.
- **Section II. Government regulation of retailing.** Governmental regulation of retail, online trade, regulation of alcohol, tobacco markets, tax regulation, regulation of products quality, non-cash payments in retail, marking of products, Faster payments system, state regulation of prices
- **Section III. Key events and plans of major FMCG chains.** Current information on development of largest FMCG retail chains in Russia: strategy and plans, results and expectations, investment activity, stores opening and closing, planned openings, regional presence of chains, new formats development, development of online and

omnichannel model, M&A, appointments and resignations, logistics, private label, interaction with consumers and suppliers, corporate events, top management and contact information.

- **Appendix 1. Retail turnover by RF subjects**
- **Appendix 2. Methodology of Review Russian consumer market and FMCG retail chains rating.**

## Information about INFOLine agency



INFOLine information agency was established in 1999 to provide information and advisory services to commercial organizations. The agency renders permanent information support to more than 1150 companies in Russia and world-wide. On daily basis INFOLine monitors publications in more than 5 000 MSM and carries out analytical research according to 80 subjects of RF economy.

The research reports and surveys of INFOLine are used in their activities by the **largest FMCG retailers** (X5 Group, Magnit, Auchan, METRO Cash & Carry, Lenta, O'KEY, DIXY, Globus, Azbuka Vkusa), **producers** (Procter&Gamble, Coca-Cola, PepsiCo, Baltika, SABMiller, Fazer, Mars, Colgate-Palmolive, United Confectioners etc.), **distributors** (Megapolis GC), **financial** (Sberbank, VTB, etc.) and **service** companies (Microsoft, ATOL, GC Servis-plus), **online-retailers** (Utkonos, Ozon).

**For additional information you are welcome to visit our sites at [www.infoline.spb.ru](http://www.infoline.spb.ru), [www.advis.ru](http://www.advis.ru) and**