



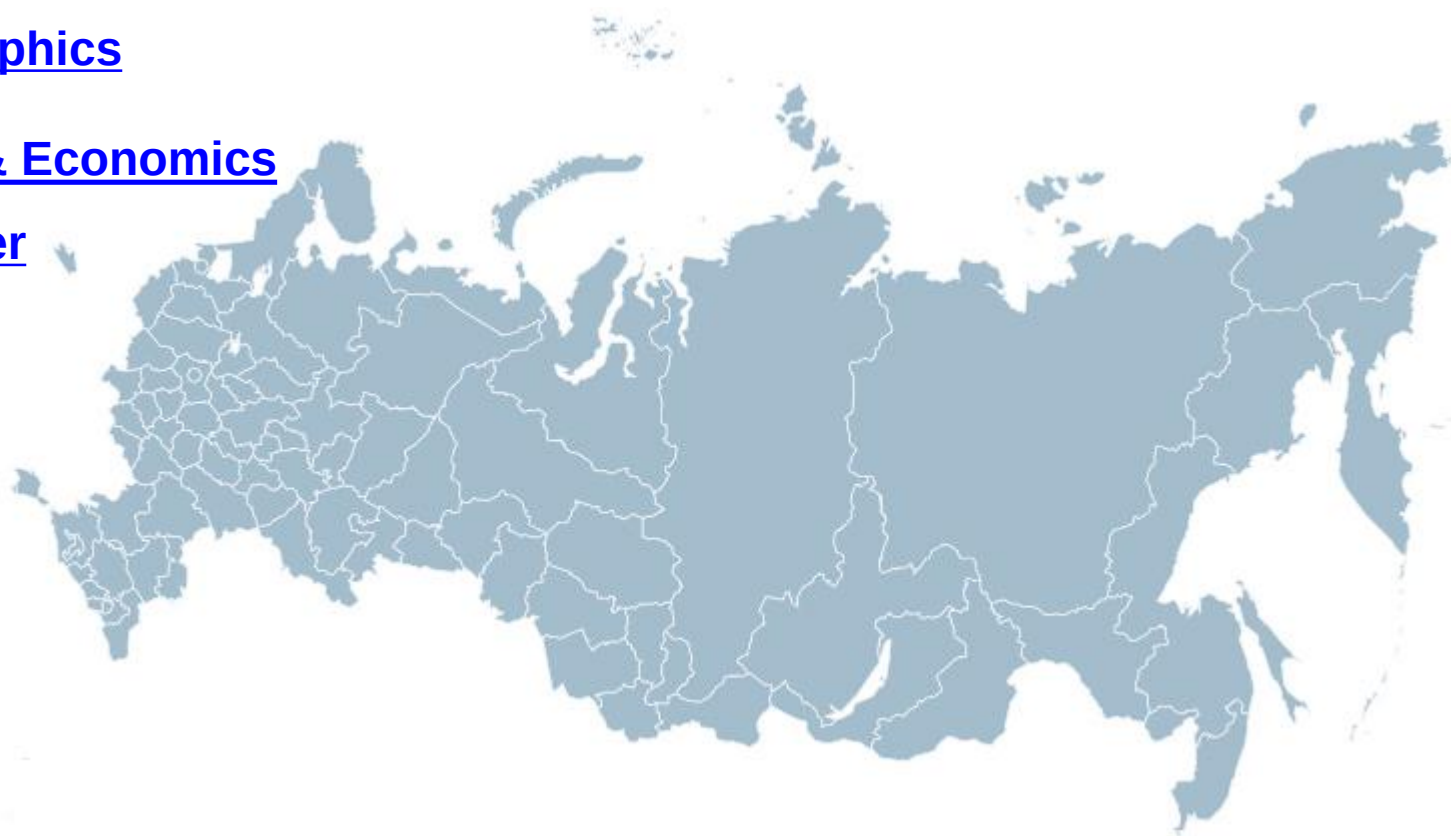
TrendVision

Review of State Statistics and Consumer Trends

Forecasts based on data for
2000-2014

Content

- 1 Background
- 2 General facts
- 3 Demographics
- 4 Politics & Economics
- 5 Consumer trends



Background



Background

Key objectives

- provide a brief overview of Russia's current social and economic situation
- single out key **political** and **economic** events
- study any changes in **population strata** and **consumers' behavior** for 2000-2014 to forecast possible future trends



SynovateComcon's annual report since 2005, based on these sources:

- RF formal state statistics
- RosIndex, SynovateComcon's syndicated study

RosIndex

Synovate Comcon's annual syndicated research (since 2005) into Russia's target groups

Target groups

Urban population: 100K+ aged 10-75

Deliverables

Quarterly

Methodology

Random household sample. In-home interviews with HHs + print questionnaire for self-completion

Sample

Respondents: 7,000 per wave = 28,000 annually
Households: 3,600 per wave = 14,400 annually

Universe

60.2 million people

Data

- For over 400 consumer categories
- For about 3,000 brands
- For more than 60 communication channels



Years researched

1995 - 2015

Geography

50 towns 100K+
13 cities 1m+
12 economic regions
9 federal districts

General facts



Is it actually as cold there?



Geographically, the world's biggest country, Russia's yearly climatic conditions range from -50 °C up to +30 °C (-58 °F to 86.0 °F)



This looks the typical Russian landscape in people's mind, though

Russia has both strengths and weaknesses. This makes it an appealing huge market!



Vast territory
Natural resources
Human capital

Lagging behind other countries due to technology/
political/ economic issues
(e.g. crisis)



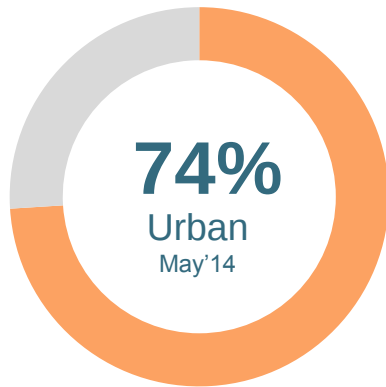
Even facing recession
currently, Russia
remains a

huge market



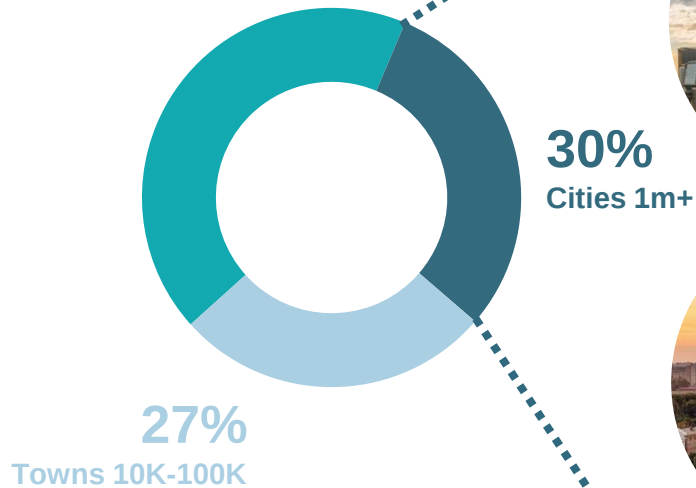
People consume a vast
majority of imported
goods or those made in
Russia using a foreign
technology

Definitely urban!



A typical marketing survey covers Russia's urban population (from 100K+)

43%
Towns 100K-1m



- 1 Moscow (12.1m)
- 2 St. Petersburg (5.1)
- 3 Novosibirsk (1.5)
- 4 Yekaterinburg (1.4)
- 5 Nizhny Novgorod (1.3)
- 6 Kazan (1.2)
- 7 Samara (1.2)
- 8 Omsk (1.2)
- 9 Chelyabinsk (1.2)
- 10 Rostov-on-Don (1.1)
- 11 Ufa (1.1)
- 12 Volgograd (1.0m)
- 13 Krasnoyarsk (1.0m)
- 14 Perm (1.0m)
- 15 Voronezh (1.0m)

Source: Federal State Statistics Service, 2014

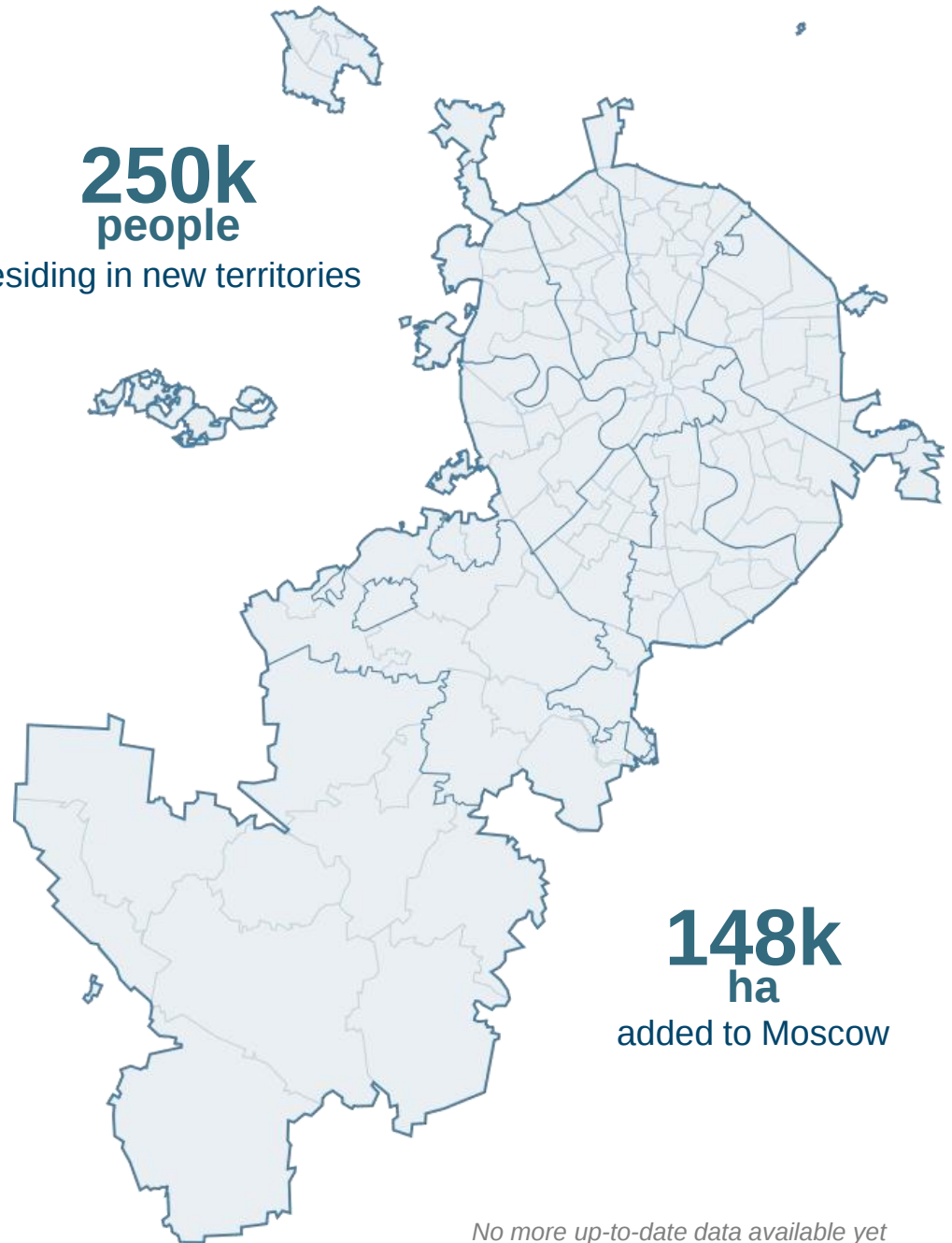
'New Moscow'

2.4
times as big
(after 1 July, 2012)



41%
of Moscow's
population
approve of
the city getting
bigger
(July '11)

250k
people
residing in new territories



148k
ha
added to Moscow

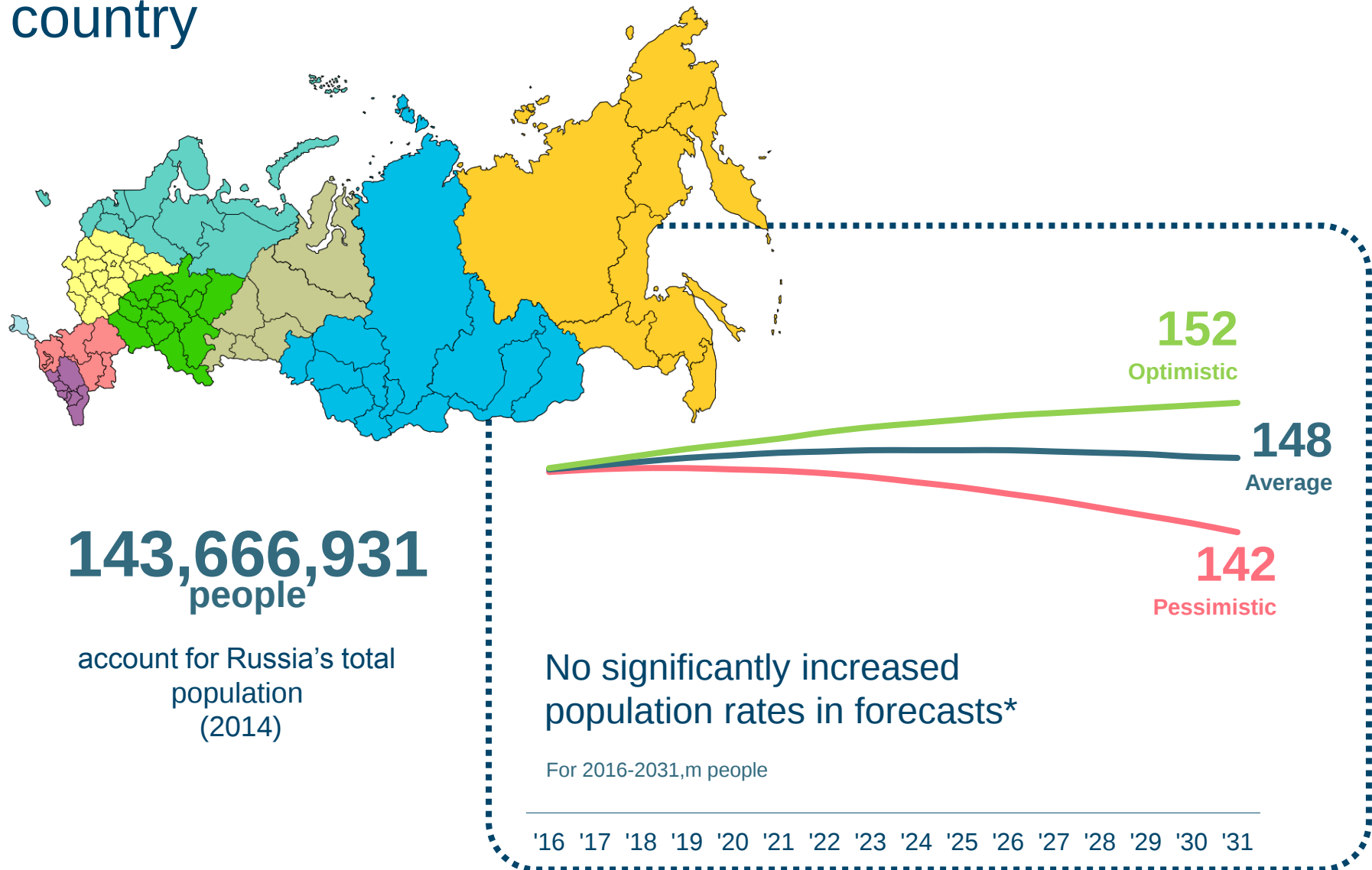
Source: Federal State Statistics Service, 2012

No more up-to-date data available yet

Demographics



Russia's population rates make it the world's #10 country

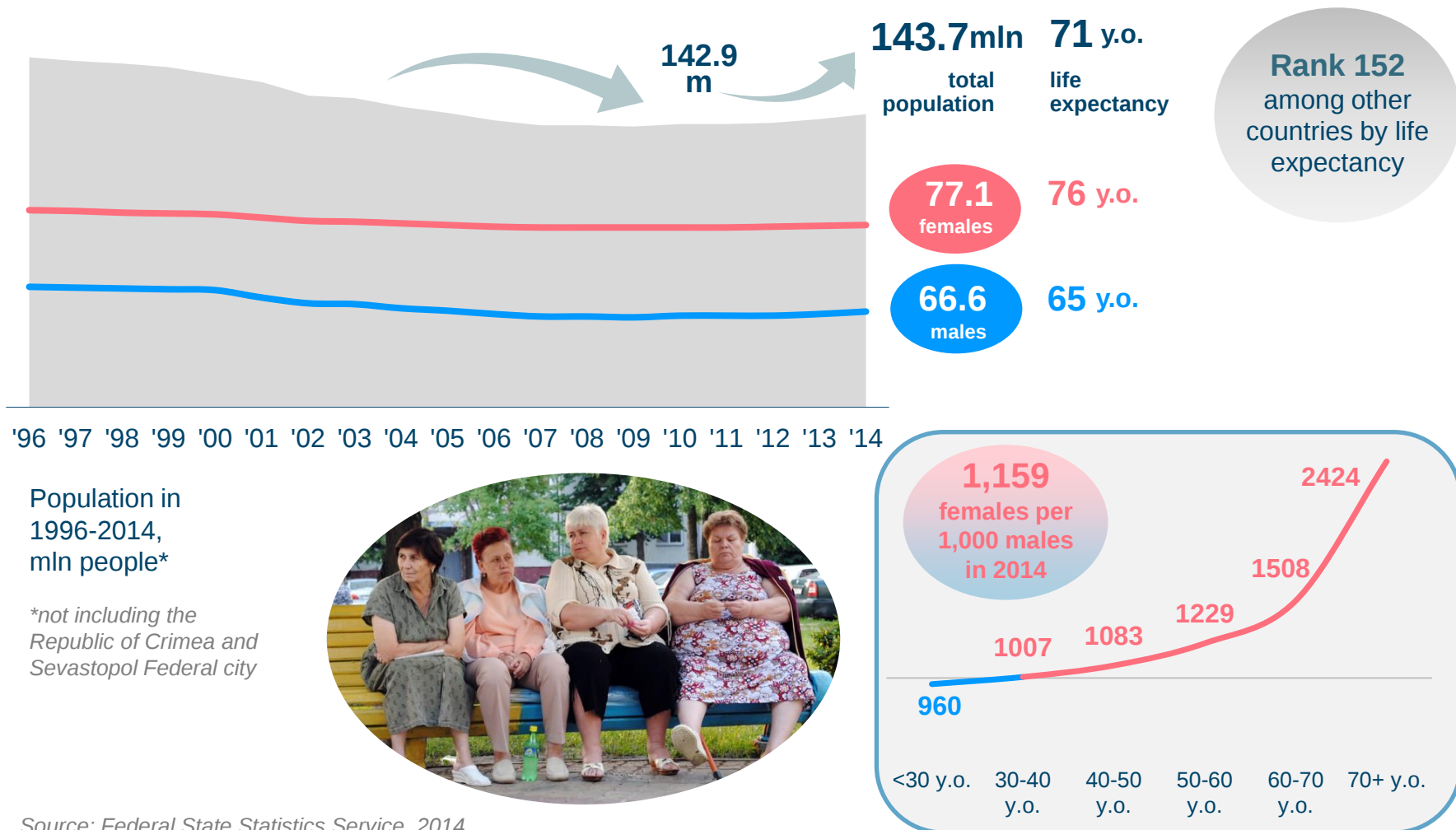


*including the population of the Republic of Crimea and Sevastopol, Federal city

Source: Federal State Statistics Service, 2014

Population growth is slow, men are in demand

- After some decrease before 2011 (from 146.9 to 142.9), population rates increase, not fast, though
- 30 y.o.+ reveal a counterbalance, with 11mln more females than males overall



Source: Federal State Statistics Service, 2014

Population density is low in non-European Russia

- 62% of Russia's citizens reside in its European part (about 21% of the whole territory)
- Even though this country is developing its Eastern regions gradually, population in Siberia still claim their desire to move to Western cities for better living

**by 1.5
mln. people**

decreased population in
Siberia since 2000

**approx. every
second**

person living in Tomsk,
Omsk, and Kemerovo
claims the desire to move to
another place to live in

tax holidays

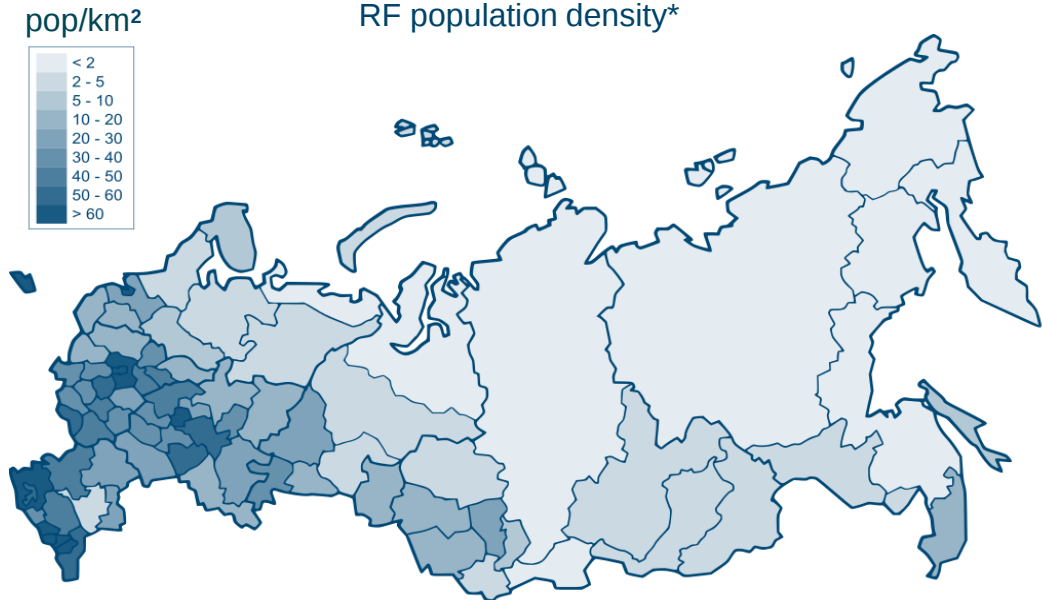
used to reduce population
deflux from Siberia

**as of early 2014, not including the Crimean Peninsula*

Source: Federal State Statistics Service, 2014

Federal Migration Service, 2014

8.4
pop. per km²
RF population density*



St. Petersburg



Moscow



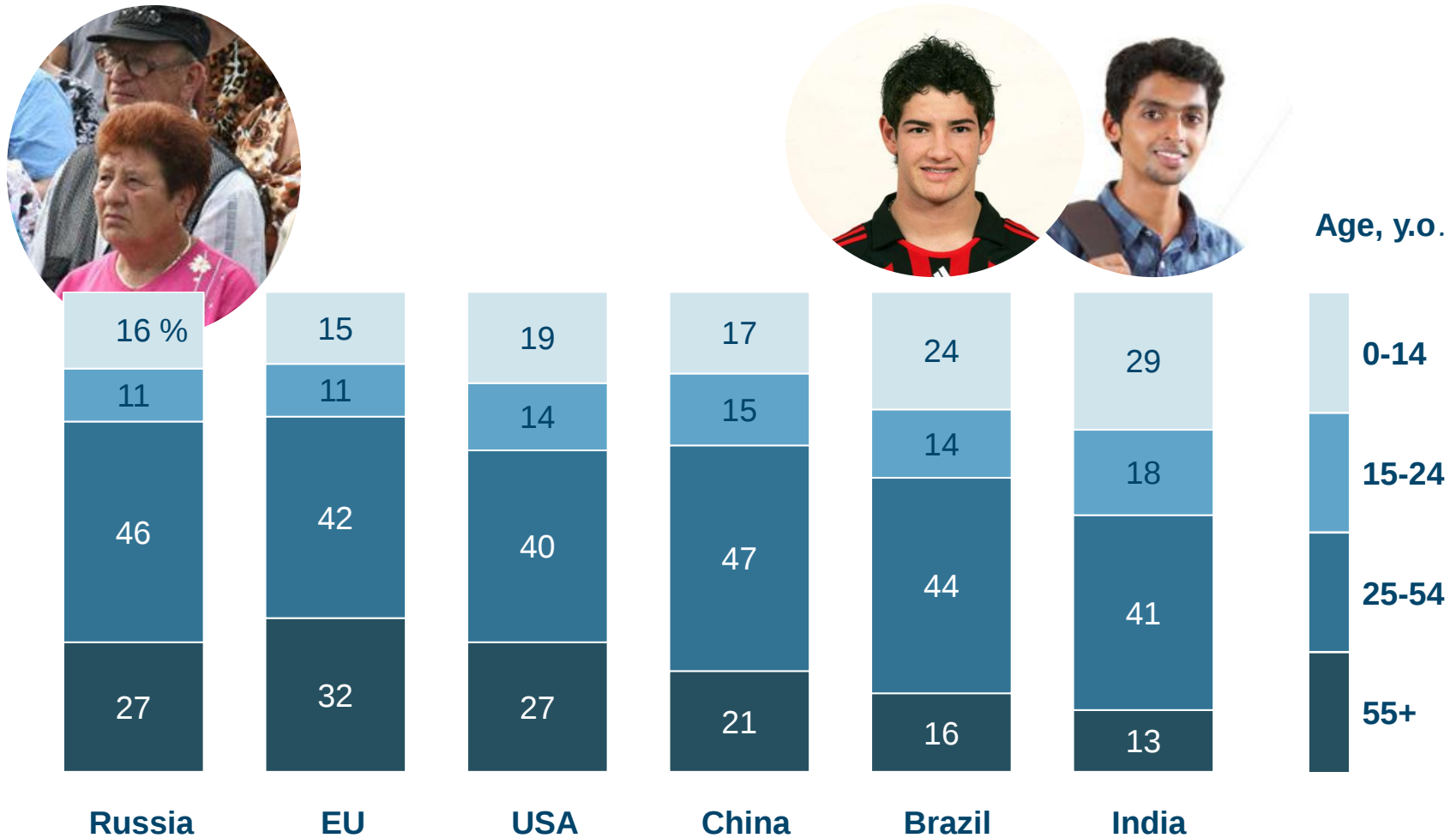
Sochi



Novosibirsk

**Top-4 claimed appealing destinations
for population in Siberia to move to**

With a rather aged population, Russia appears more similar to the developed countries



Source: Central Intelligence Agency World Factbook, 2014

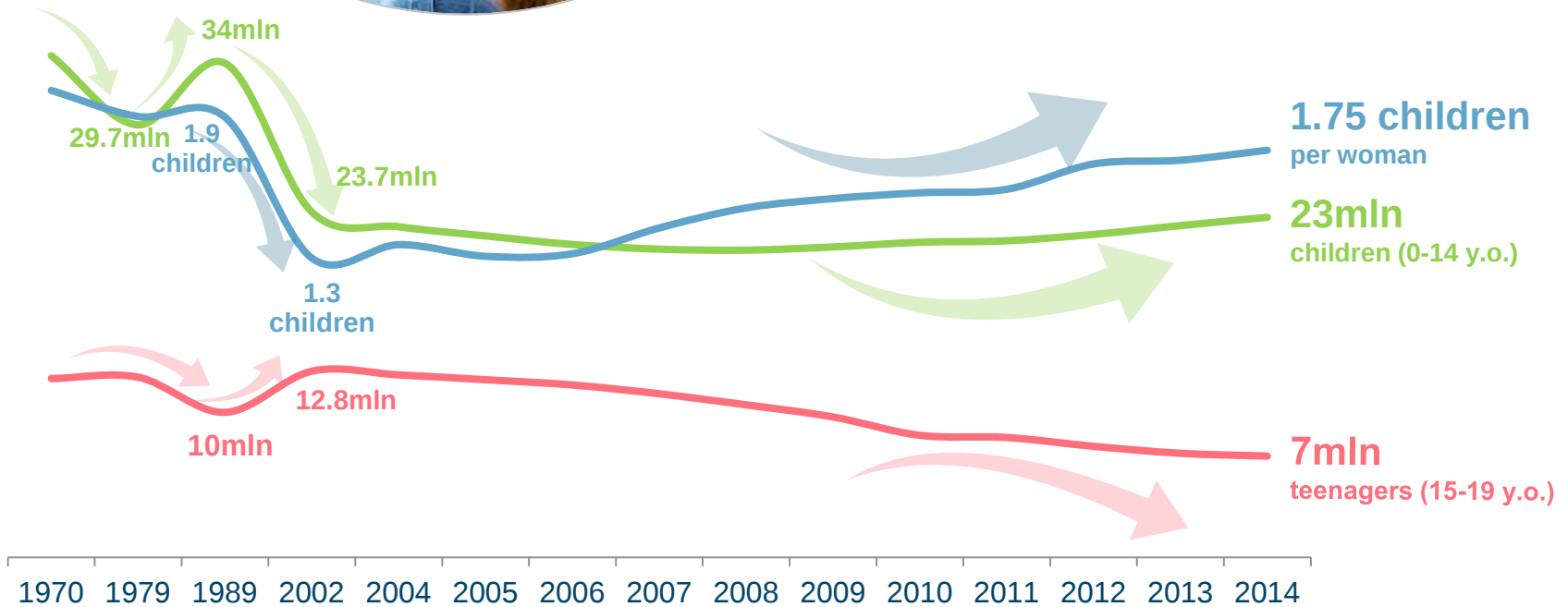
A 'teenager gap' expected in 2017

5%

of teenagers
among Russia's
population



- 2002 saw the lowest birthrate (1.3 children per woman). As a result, by 2017, the teenager share will have dropped much.
- Anyway, due to a constantly growing birthrate after 2002, this 'teenager gap' will disappear in future.



See more information on kids in **New Generation Study**
(as described on the next slide)

Source: Federal State Statistics Service. 2014

- 5-15 y.o. children/ teenagers and their moms
- Geography: Moscow, St. Petersburg, Ekaterinburg
- Sample:
 - 700 children and 700 moms in Moscow
 - 600 children and 600 moms in St. Petersburg/ Ekaterinburg (each) per wave
- Semiannually

New Generation research into children and teenagers



children and teenagers
aged 5 to 15 y.o.

Population is getting older

- Over the last 12 years, the number of working age people has decreased by 4mln.
- The latest changes about funding pensions have made retired population feel less secure now

Retirement age

 60 y.o.

 55 y.o.

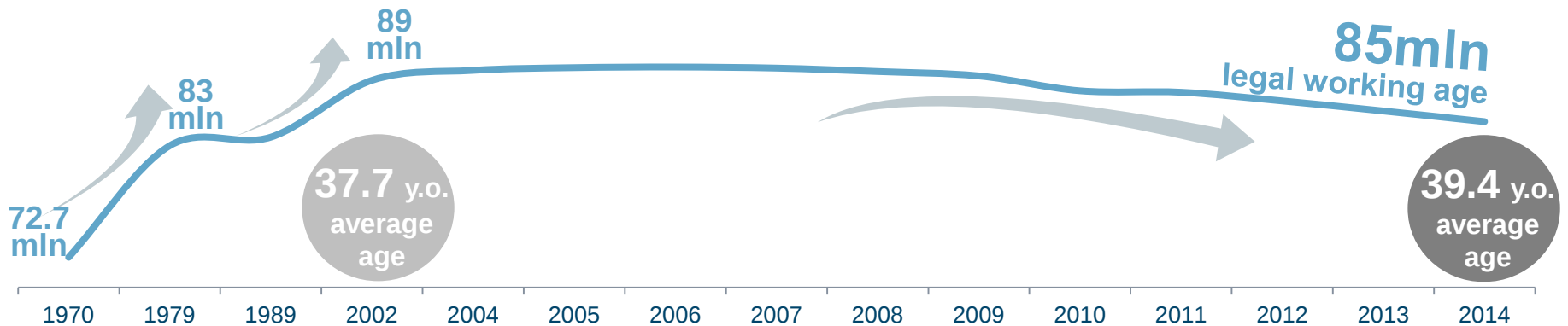


Insufficient Pension Fund budget

In 2014, the government **froze the funded pension part.**

With a lacking budget, it had to pay this amount to current retirees. In mid 2014, finance minister declared zero resources to pay back to retirees in future.

Working age population, mln people



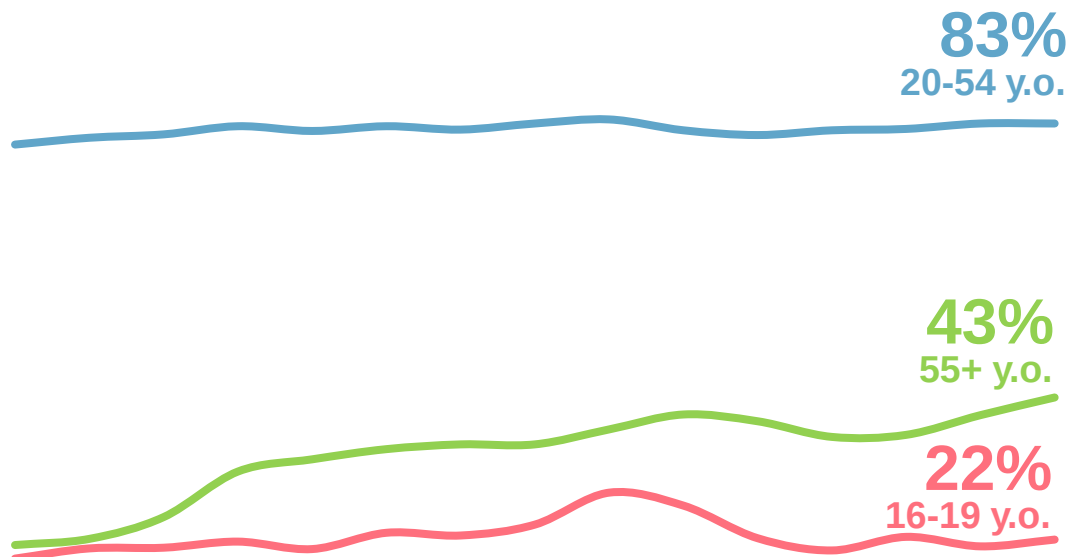
Source: Federal State Statistics Service, 2014

Quite high employment rates among retired people

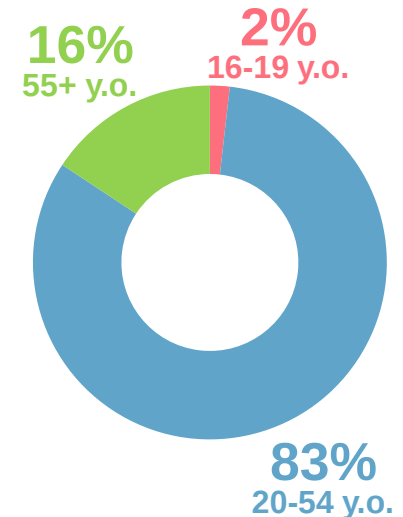
- In 2000s, population aged 55+ tend to continue their job. Pension sums are obviously not enough for living.
- Currently, fewer teenagers start work vs. 2008. Their households seem to become better off.



Employment by age, 2000-2014



Among all employed, 2014



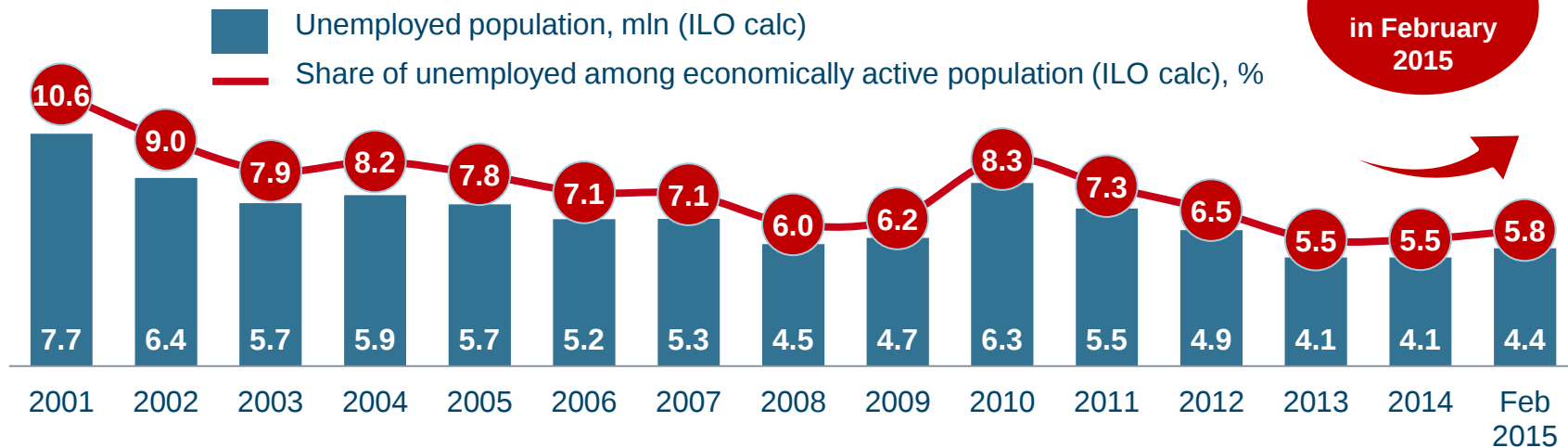
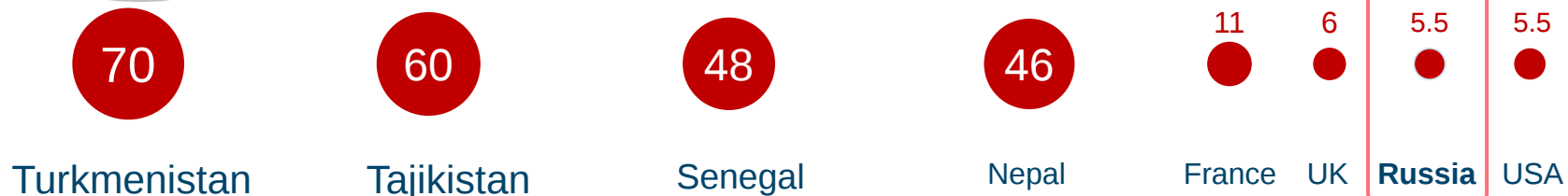
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014

Source: RusIndex, cities 100k+, 2014

Russia reveals relatively low unemployment rates even during economic crisis



- Even with the growing unemployed population shares in 2014-2015 due to crisis, this does not seem as crucial as the peak after the 2009 crisis or the early '00s.
- The worldwide data reveals low unemployment rates in Russia



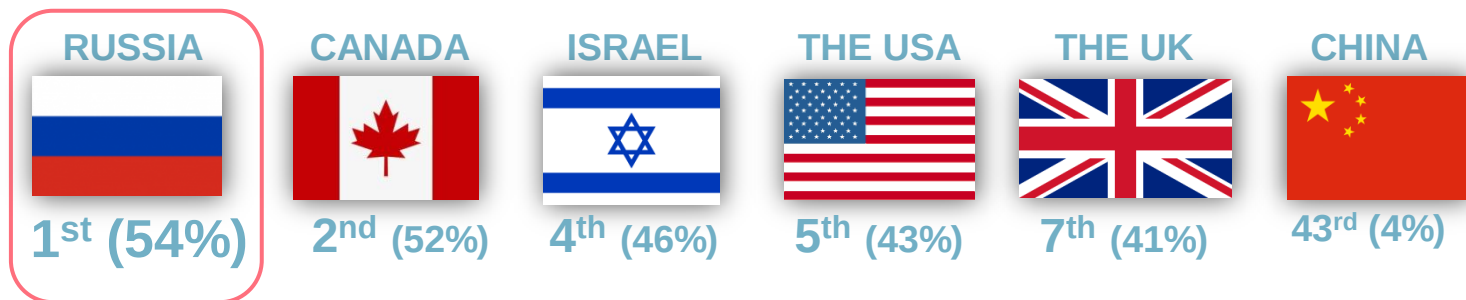
Source: Federal State Statistics Service, 2014

Russia has the highest share of population with a higher education degree

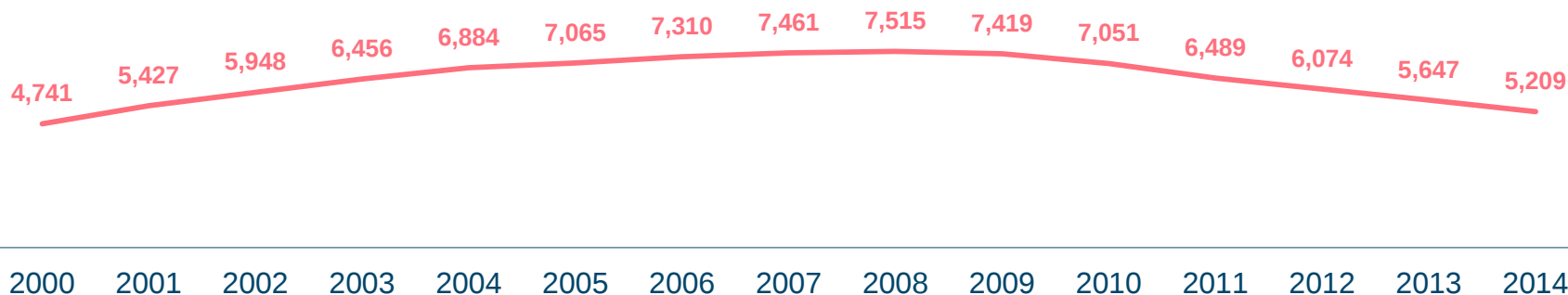


- 54% of all Russia's population over 23 y.o. have higher education (2014)
- Due to the growing trend for over the last few years, this share seems likely to increase
- Student numbers are decreasing each year after 2008 for demographic reasons, though. This can lead to the state's lacking qualified employees in future.

Those with
a higher
education
degree



Students, k people



Source: Federal State Statistics Service, 2014. RosIndex, 23 y.o.+, 2014, OECD, 2012

Russians only?

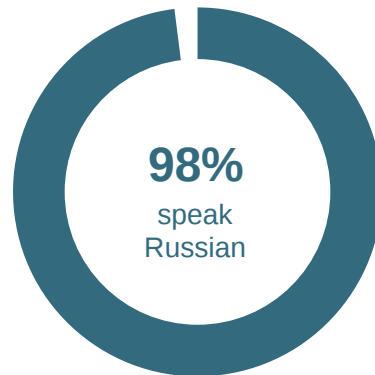
Russia is home for

180
nations



who speak

150
languages



Migration seems to provoke intolerance. Two in three Russians link increasing migrant numbers with elevated corruption and crime.



Migrant road workers having lunch

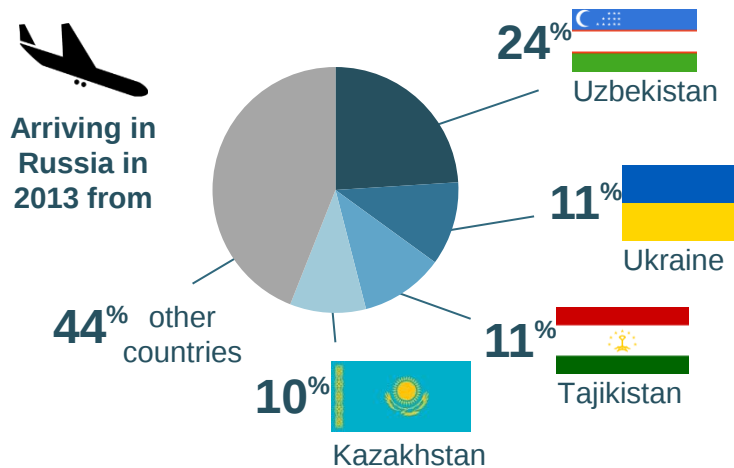


This ad says 'A flat/ room for rent. Russians only'.

Source: Federal State Statistics Service, 2014

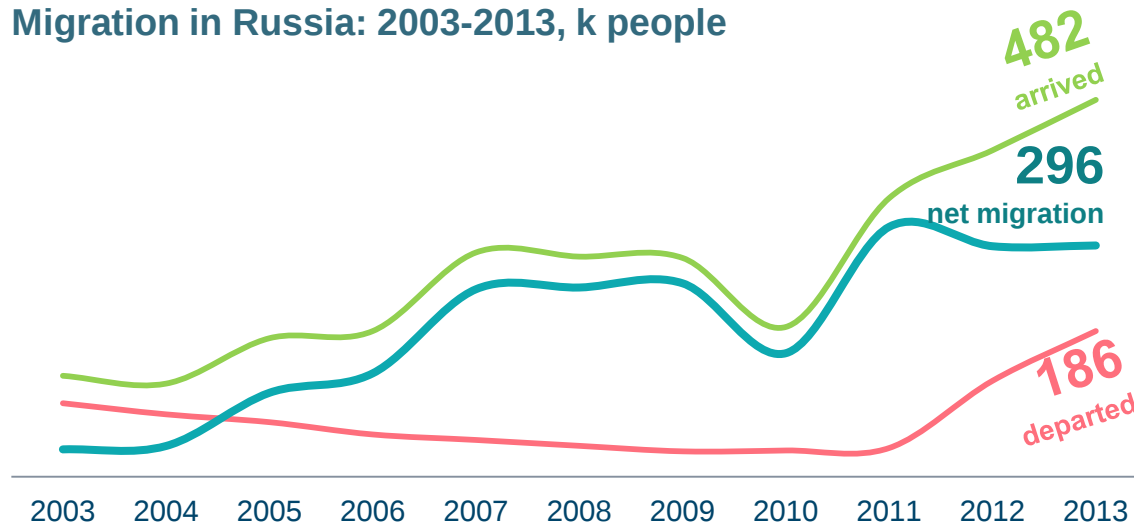
Source: WCIOM, 2013

Ongoing tangible migration from the CIS and Ukraine



- Many migrants leaving Russia by 1 January, 2014 due to new legislation to control their staying in Russia
- Migrant influx continues to increase anyway
- Migrants mainly arrive from Uzbekistan, Ukraine, Tajikistan, and Kazakhstan
- (Former) CIS citizens coming back home account for rising emigrant shares after 2011

Migration in Russia: 2003-2013, k people



13%

of Russians would consider emigration
AND

only **0.03%**
of them do leave



Source: Federal State Statistics Service. 2013, WCIOM, 2013

No more up-to-date data available yet

An increasing role of religion

68%

Orthodox



7%

Islamic



4%

other



19%

atheists



Source: Levada-Center, Nov. 2013



Orthodox church is supported by Putin

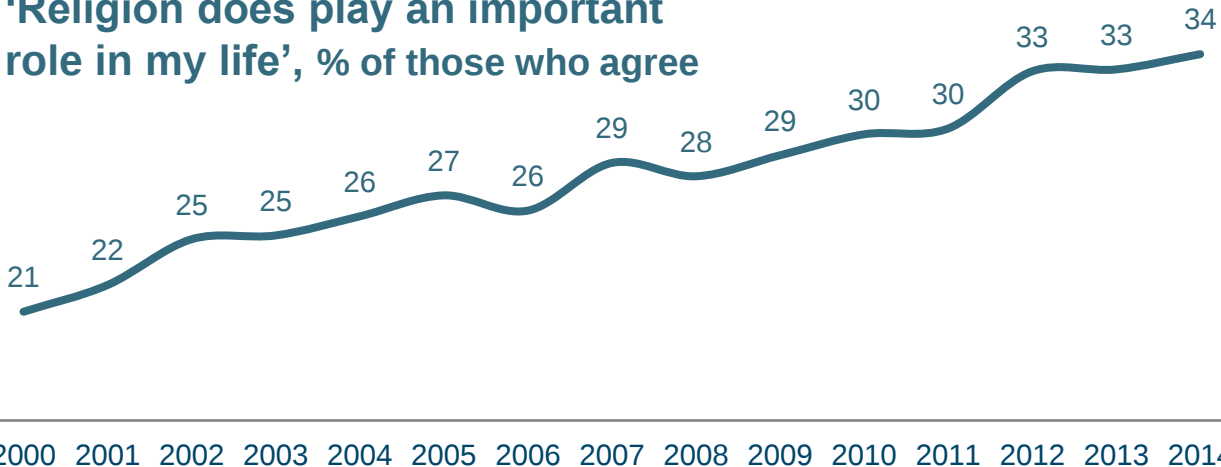
60%

claim more religion related aspects seen over the past 10 years

11 June, 2013

Blasphemy law passed in Russia

‘Religion does play an important role in my life’, % of those who agree



Source: RusIndex, 16+, cities 100k+, 2014



Timopheys Kulyabin, young Novosibirsk theater director, was sued at law for Tannhauser opera seen as offensive by orthodox church

Politics & Economics



Key events

Crimea annexation

March '14



War in Donbass

since April '14



Financial sanctions

August '14



Food embargo

since August '14



Russian ruble collapse

December '14



Economic recession

since December '14



Attitude toward national politics and economics

- In 2014, Russia shows its population's greatly increased patriotic moods
- Economic recession later that year leads to more pessimistic attitudes, though. Anyway, most Russians do approve of the national course.



Source: <http://wciom.ru/public-mood/>

Crucial issues for Russia and a splash of national pride caused by Crimea annexation

91%
approve of
Crimea
annexation
Feb'15

2.3
mln. people
living in Crimea (2014)

consider Crimea
annexation profitable
for Russia Dec'14



67%

54%

377
billion rub.

of Russia's budget to be
invested in the region

30% fewer people
travelling to Crimea in **2014**
vs. 2013
due to

- transportation issues
- unmet price expectations



consider Crimea annexation
worsening Russia's
international standing Dec'14

Source: <http://wciom.ru/>, <http://government.ru/news/14199/>, <http://fom.ru/>

Nostalgic trends linked to the USSR. 'Stalinization'

- An increasing number of USSR styled foodstuffs are coming out these days (GOST ice-cream, Zhiguli beer, soda vending machines, etc.)
- In addition, consumers can recollect the Soviet time through several other ways available to them. These include toys (Soyuzmultfilm), museums of game playing machines, cafés, new TV series about life in the USSR, etc.
- Some 'stalinization' related examples: discussions about creating Stalin monuments and similar memorials in Russia's several areas (including Crimea) to commemorate the 70th WWII Victory anniversary



'GOST' ice cream brand (hinting to USSR's Quality Standard)



Sparkling water vending machines like those in the USSR



Zhiguli beer and pub brand



Soviet like game playing machine



'The 80s' TV series related to the Soviet time

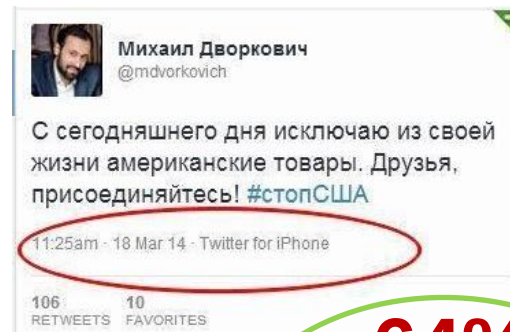
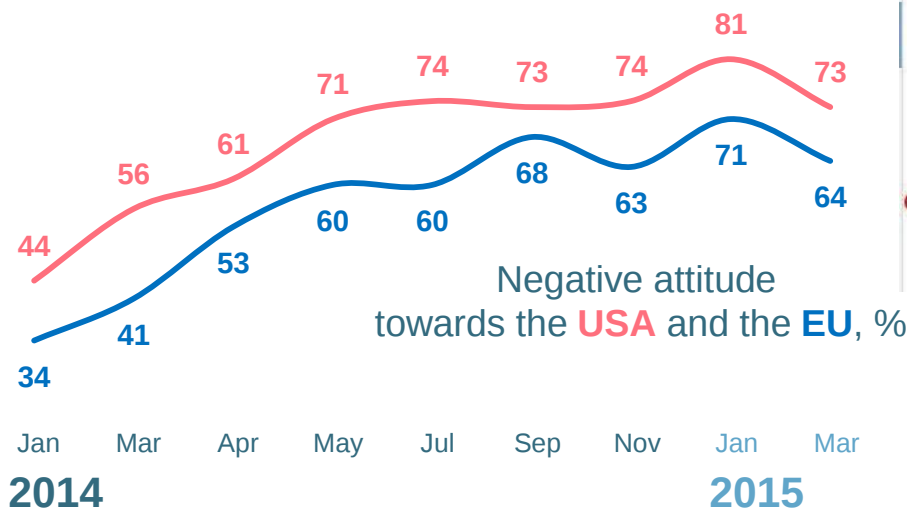
Stalin, Roosevelt, and Churchill Memorial opened in Yalta (Crimea) on 31 January, 2015



Memorial table saying 'On 1 February, 1945, Stalin arrived at Simferopol leading the Soviet delegation'



Increasing negative attitudes towards the USA and the EU do not affect actual brands selected for consumption as much



M. Dvorkovich, blogger, writes this via his iPhone: 'From now on, I exclude American goods from my life. Join me, guys!'

64% claim they prefer **Russian food**. They especially value local dairy category products.

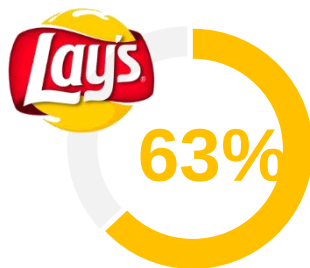


"Western" brands lead in many FMCG categories*

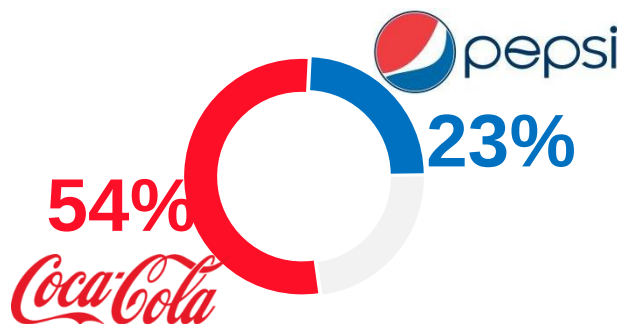
Chewing gum



Chips



Soft drinks



Fast food



Source: <http://www.levada.ru>, RusIndex, 16+, cities 100k+

*brands category users choose most often

Food embargo

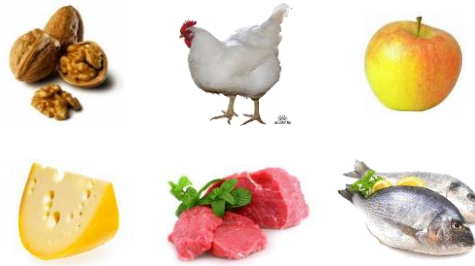
72%

approve of embargo

30% of them hope on
Russian agriculture
development

Source: Public Opinion Foundation,
9th November'14

Foods undergoing
embargo



- In August'14, Russian government had to respond to financial sanctions through embargo on foodstuffs from the USA, the EU, Australia, Norway, and Canada. The embargo is expected to last until August'15.
- The majority of Russia's population approved of the embargo hoping on Russian economy and agriculture development.
- Now wave of patriotic feelings goes down and people confess harsh prices increase especially on imported products.

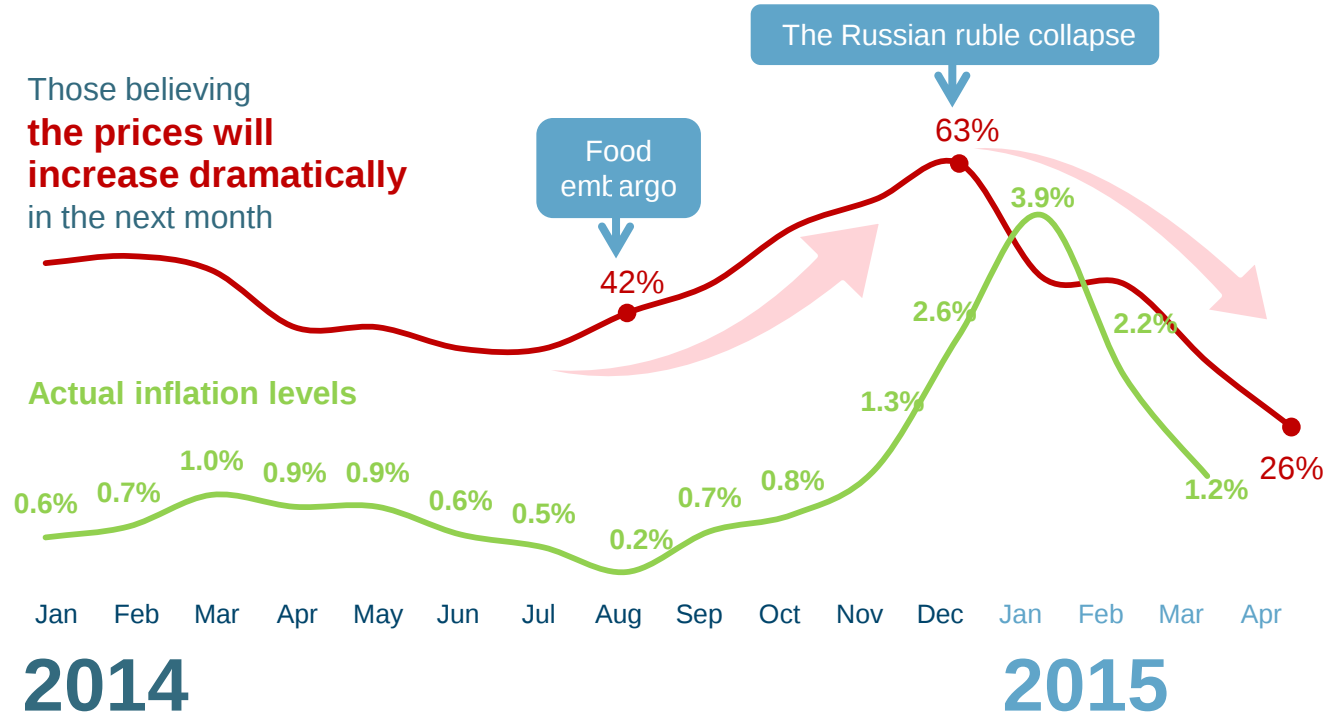
"Mozzarella cheese is replaced by Russian-made analogues, but it costs the same as Italian!"

"Now we spend 1,5-2 times more on food than it was before crisis. Cheese (even Russian) and sausage are kind of delicacy now."

Source: Comcon AntiCrisis, April, 2015

Those believing
the prices will increase dramatically
in the next month

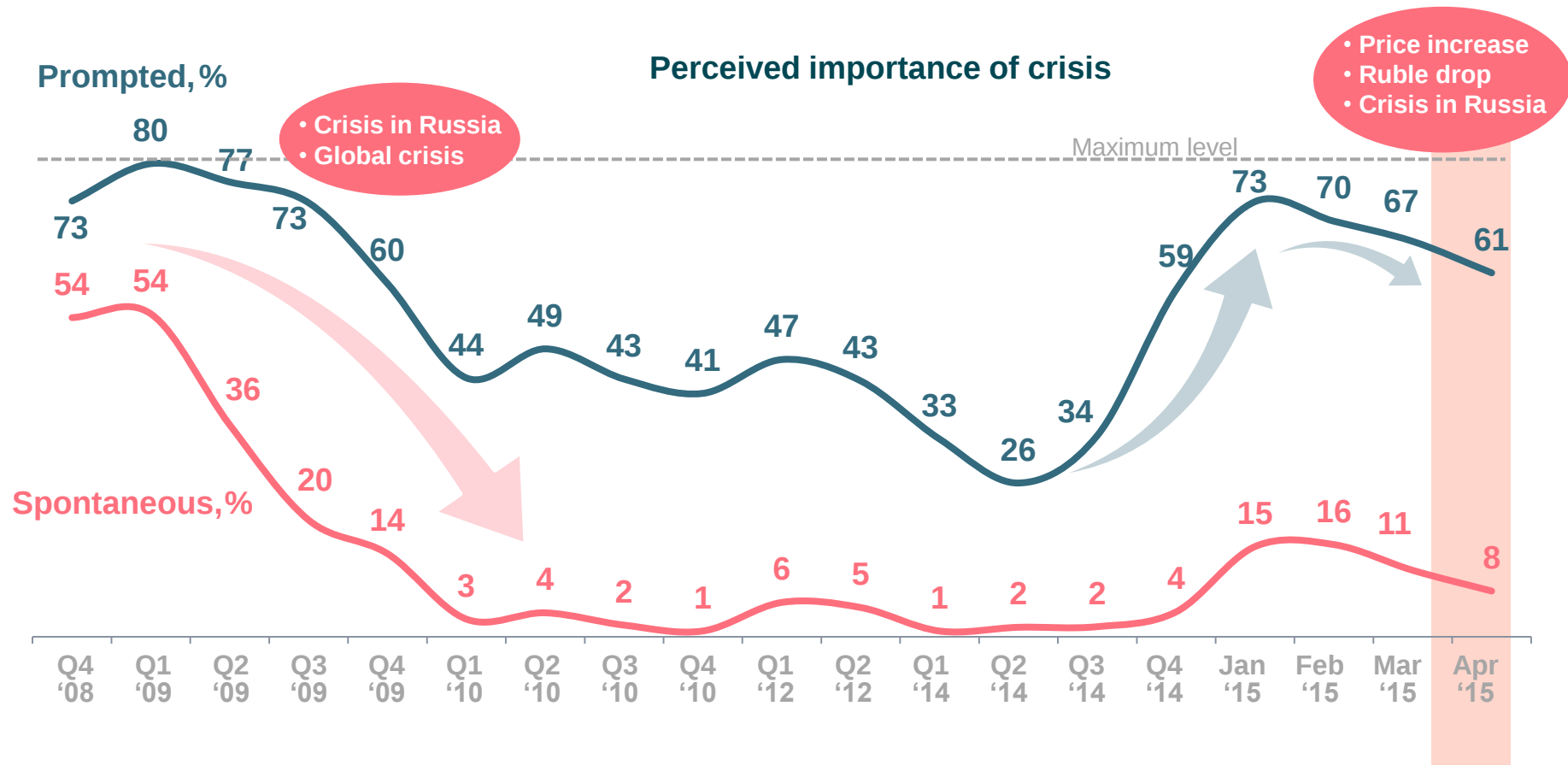
Actual inflation levels



Source: Bank of Russia, <http://wciom.ru/inflation/>, <http://kremlin.ru/>, fom.ru, Comcon AntiCrisis, April, 2015

Still feeling anxiety about crisis, though less vs. 2009

- Currently, the population is attributing less importance to the latest events during this crisis. The peak indices in January 2015 appear lower than the 2009 peak ones.



More data on Russia'14-15 crisis in **SynovateComcon's AntiCrisis Study**
(as described on the next slide)

- Aged 18-45 years
- Covers 13 cities (1m+)
- Sample: 1,000 per wave
- Methodology: online
- Monthly (2015)

SynovateComcon's AntiCrisis

Monitoring
consumers' behavior



- Crisis in Russia: opinion
- Changes in behavior patterns: food, non-food FMCG, durables, and services

Economy in 2014 / early 2015

GDP grew by 0.6% in 2014. Anyway, several factors matter.



As the baseline trend, lacking investment in 2012-2014 lead to **stagnation** in Russian industry with limited consumption-driven growth



Decreased oil prices and politically driven economic sanctions resulted in rapid inflation and consumers' actual income drops



As a result, Q4 2014 made consumers store up **very actively** and started a **negative trend** for the future

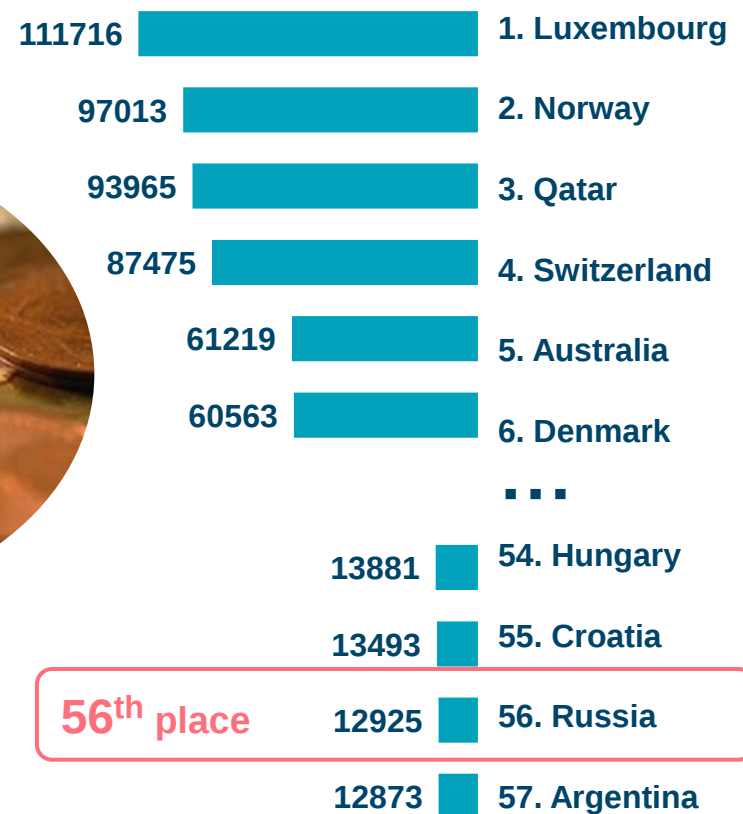


Russia is among the top-10 largest countries by overall economy volume

Total GDP, nominal, \$ B



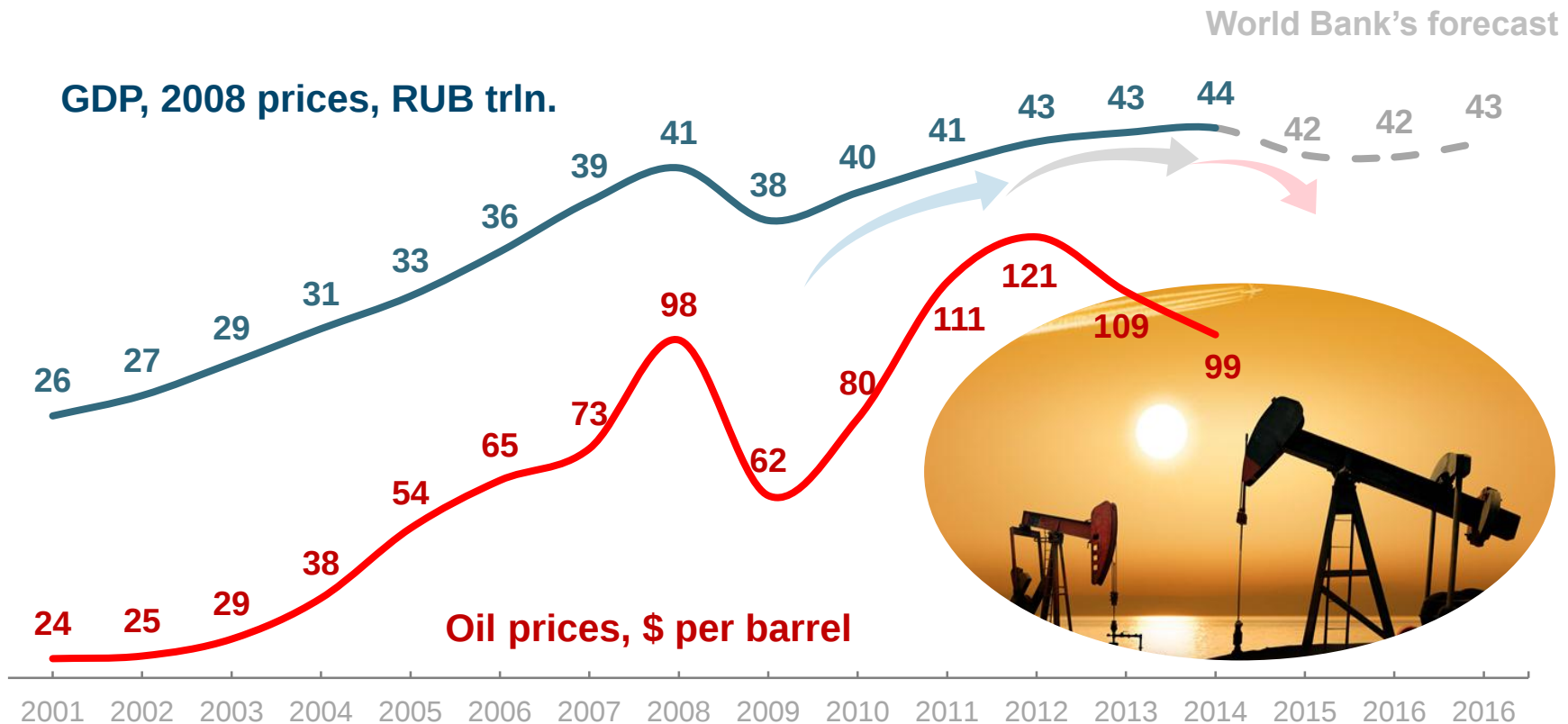
Per capita GDP, purchasing power weighted, \$



Source: International Monetary Fund, 2014

Starting in 2015, recession seems likely to bring the economy several years back

- Lacking investment leads to stagnation in 2012-2014. GDP for 2014 increases by 0.6%.
- Still, economy depends on oil prices quite a lot

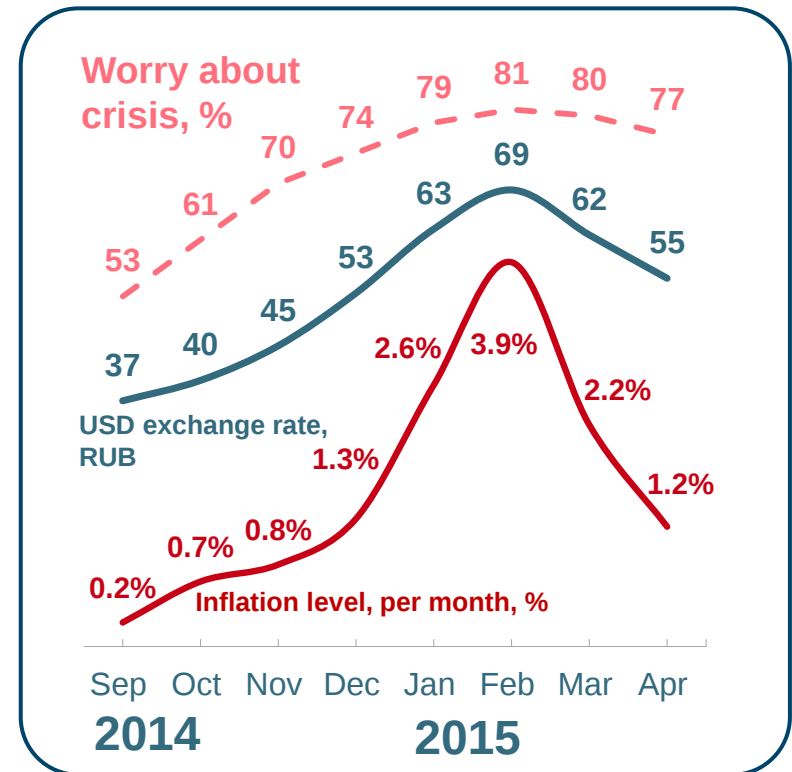
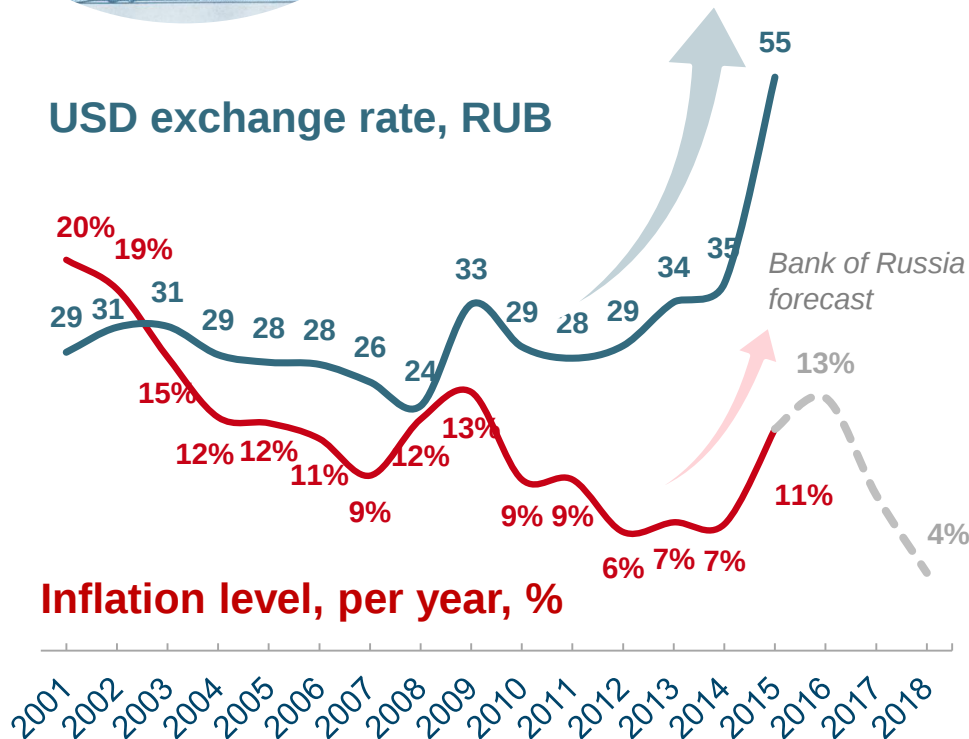


Source: Federal State Statistics Service, World Bank (forecast)

Once devaluated, the ruble leads to inflation and consumers' worries about crisis



- Several shocking inflation related events in 2014 maintain inflation levels up to 11%-13% for 2014-2015 not allowing any evident forecasts. Targeting inflation currently, The Central Bank intends to reach the medium 4% by sacrificing currency exchange rates.
- April 2015 manages to stabilize exchange rates and come down inflation
- Anyway, consumers feel worried about the economic situation, but less than on the peak of inflation and exchange rate in February'15



Source: Bank of Russia, 2014

Russia boasts the 13% friendly “headline” tax rate but conceals other charges

- Personal incomes taxed 13% flat rate
- Employers still pay off 30% of employees’ salaries to centralized social insurance funds. The actual tax turns out much higher than what the population perceives.
- Budget issues imposed several new taxes in 2014-2015

13%



Personal income tax

18%



Value added tax

20%



Corporate income tax

30%



Mandatory social insurance

New developments in 2014-2015

- Real estate tax based on market values
- Shifting the burden to finance renovating apartment blocks from the state to homeowners through a new tax
- New fixed payments for small business owners

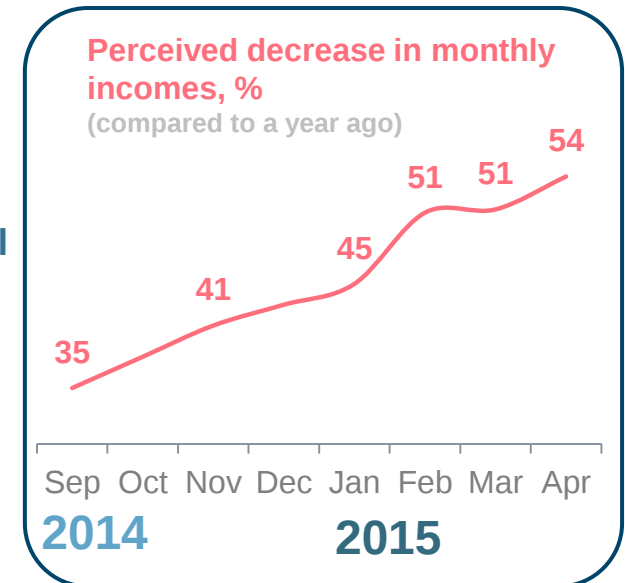
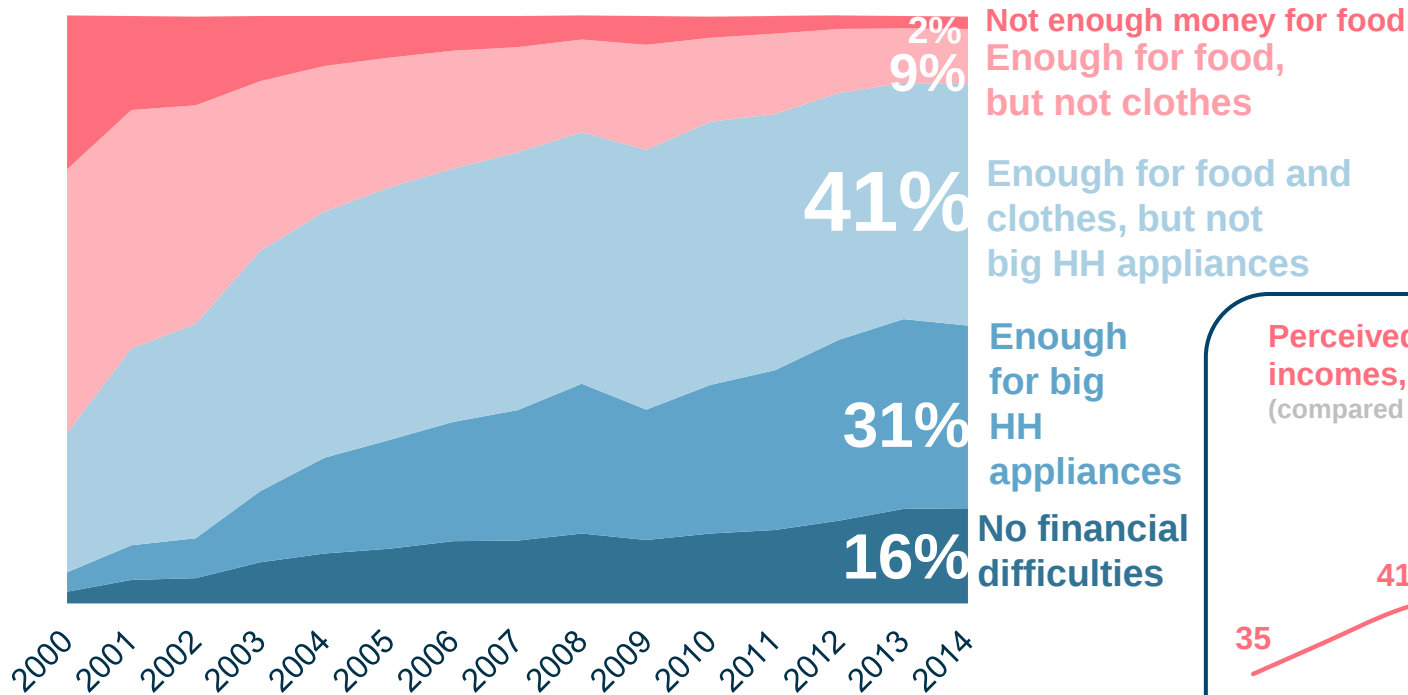
Income



The crisis has made people feel they are poorer than before. However, it's not about lack of money for food



- HHs' financial status self-assessments almost reach a plateau. 90% of the population in 100k+ cities can afford to buy foodstuffs and clothes now.
- The economic crisis makes more people claim their decreased monthly incomes currently (due to the ruble drop)



Source: RusIndex 2014, population 16-75, cities 100K+; SynovateComcon's AntiCrisis, April 2015

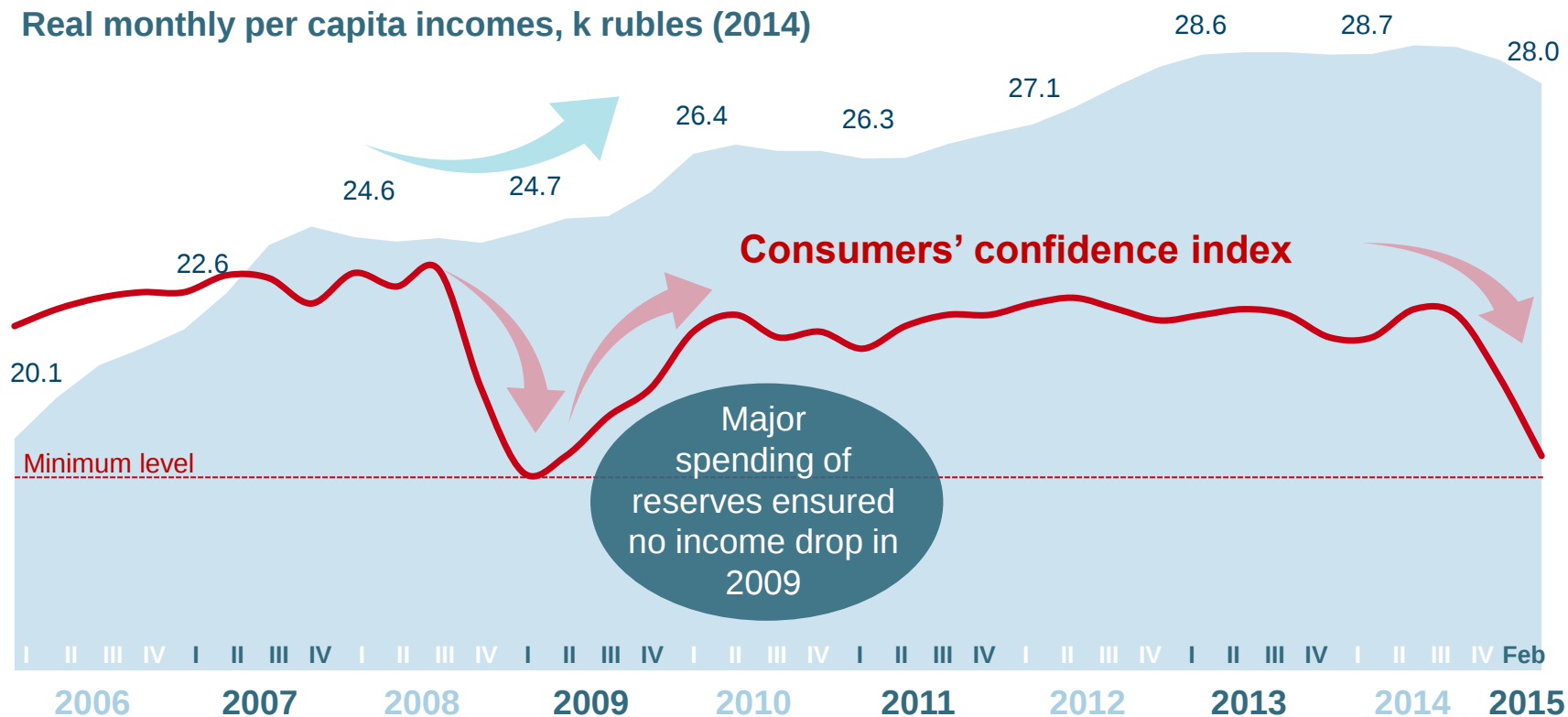
No growing incomes and optimism anymore



"Stock up on optimism"

- Consumers' actual incomes has grown by 50% since 2006
- Stagnated incomes after 2012 and yet no changes due to 2014 crisis
- Stagnated consumers' confidence index for 2010-2014 followed by a sharp drop in 2015

Real monthly per capita incomes, k rubles (2014)



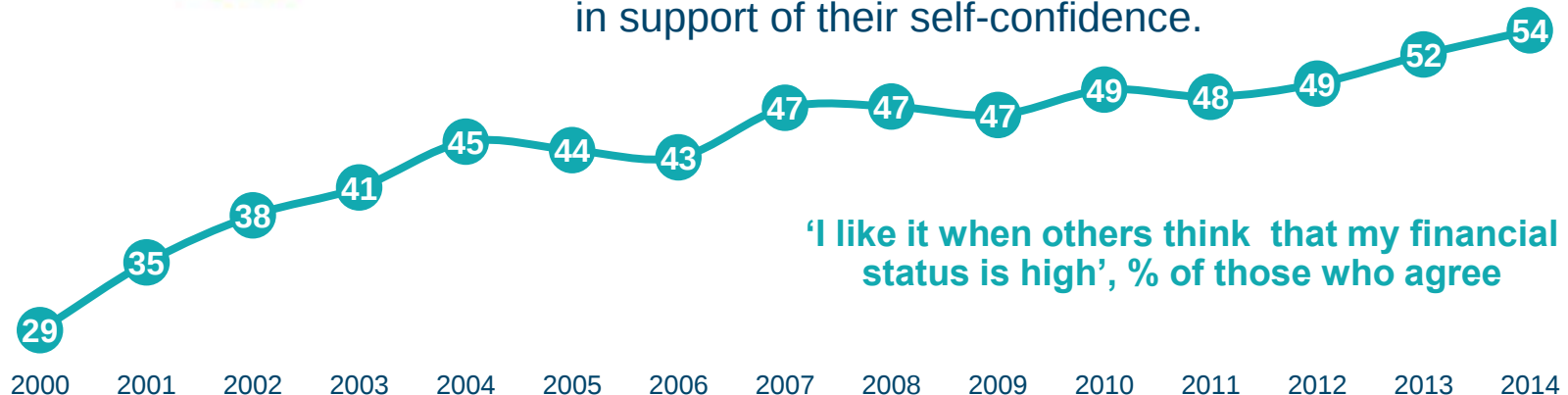
Source: Federal State Statistics Service (data), HSE (adjusting income data to inflation and seasonality).

Preferring to show off makes the market for (quasi-) premium products quite appealing

Russians tend to show off to support their status. They need premium gadgets, cars, white goods, clothing, jewelry, etc. for this.



Many people fail to afford premium products, though. This opens a niche for premium-like affordable products. Crisis makes this especially relevant and consumers start to look for mass FMCG quasi-premium products actively enough. For instance, lacking money to buy an apartment, they can choose a premium FMCG product in support of their self-confidence.



'I like it when others think that my financial status is high', % of those who agree

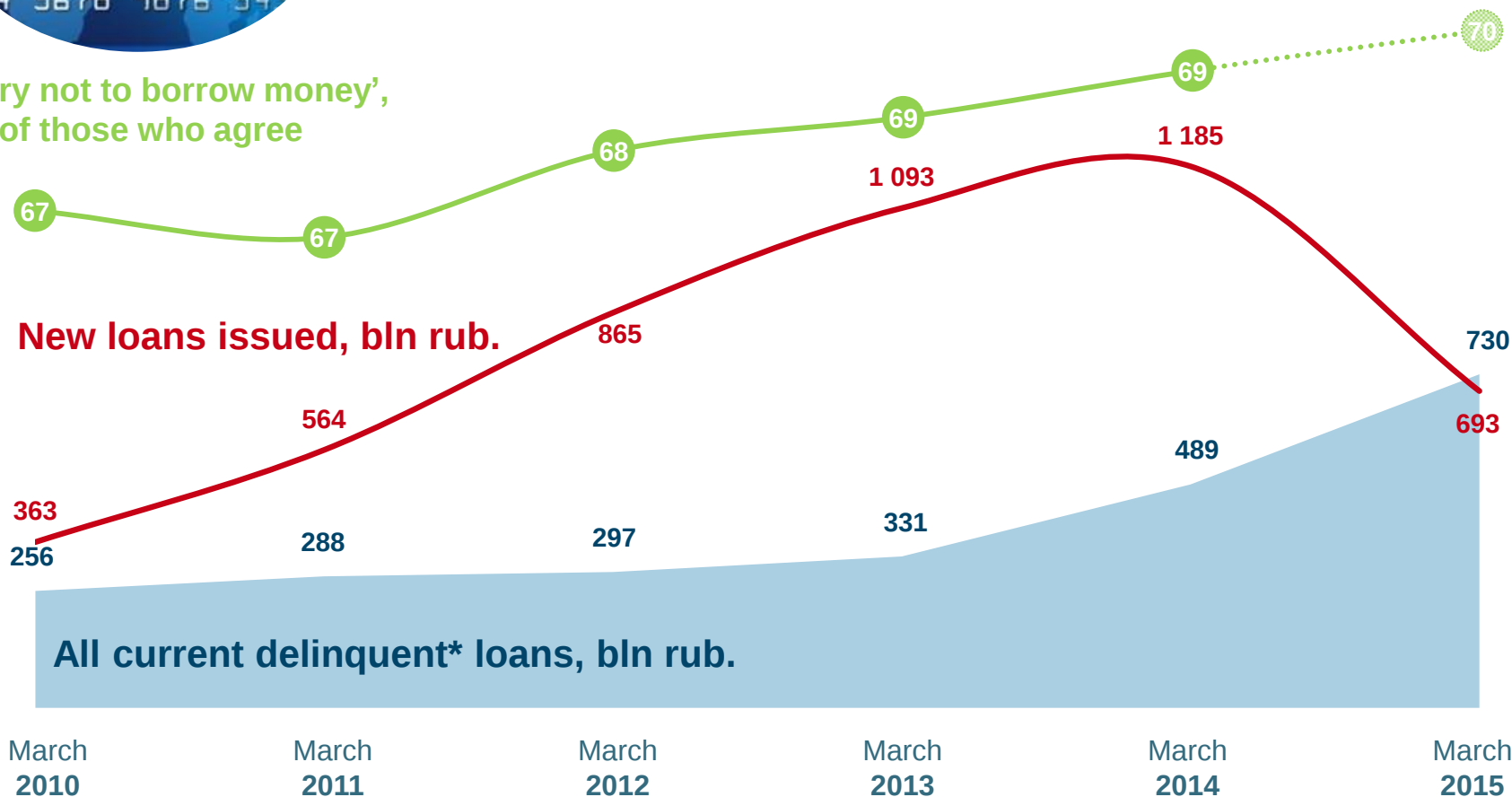
Source: RusIndex, cities 100k+, 2014

2014-2015 shrink consumer loans rapidly



- In early 2015, newly issued consumer loan shares drop sharply (almost halved)
- 2014 points out to some issues with repaying loans, which leads to doubled “bad” loans vs. 2010-2013

‘I try not to borrow money’,
% of those who agree



Source: Bank of Russia, RusIndex, 16-45, cities 100k+

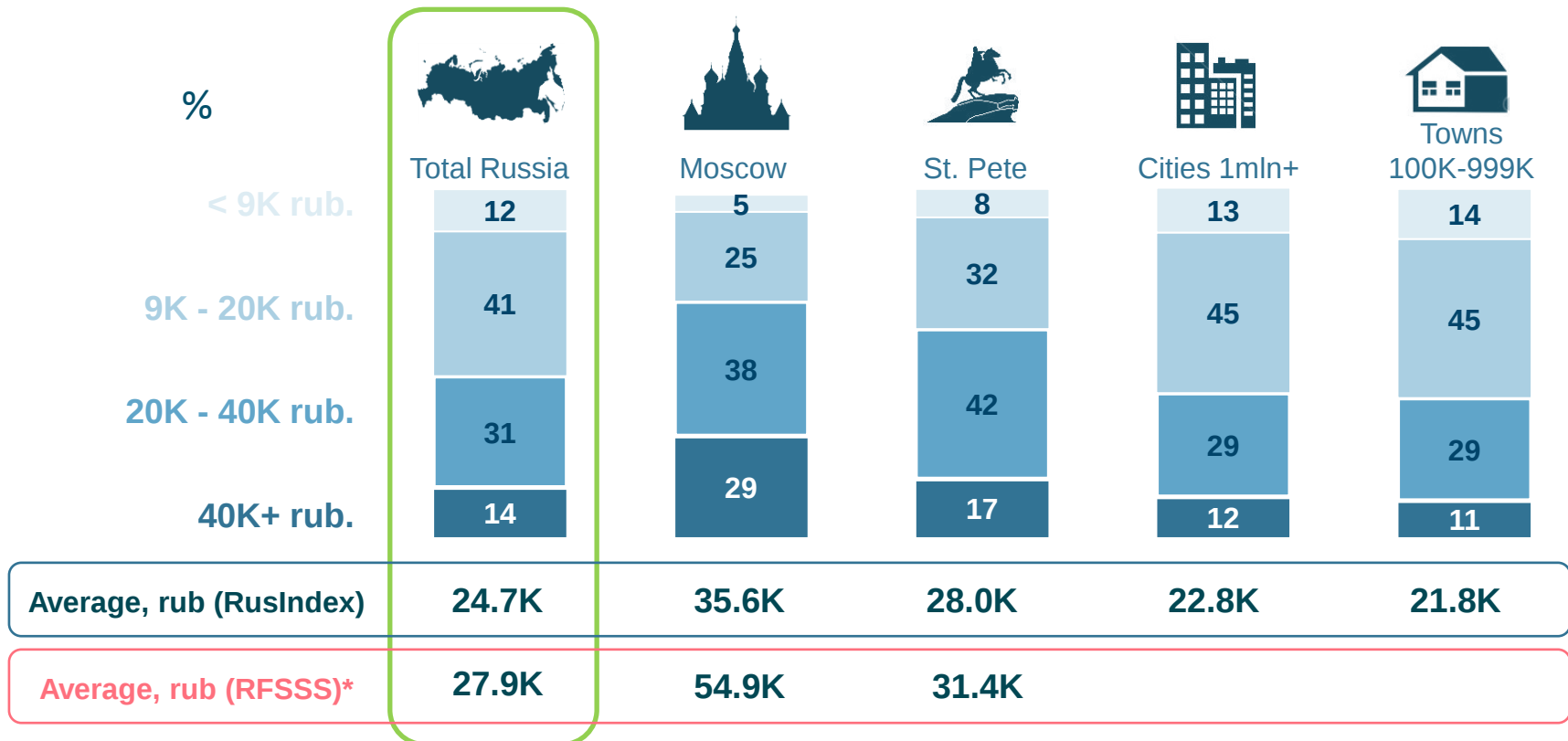
* Delinquent loans = payment late by 90 days or more.

Incomes differ by strata quite a lot



- Pretty close to other 1mln+ cities, St. Pete appears significantly less affluent than Moscow
- While most Muscovites' disposable incomes exceed the country's average, the majority of those living in cities under 1mln have below-average incomes.

Monthly per capita incomes, split by strata, % (2014)



Source: RusIndex, 16-75, cities 100k+, 2014

*Only 2013 FSSS data for the capital cities

** RusIndex Premier only covers the most affluent population residing in the capital cities

Affluent Russians differ from others quite a lot



- Rich Russians differ from others significantly regarding travel abroad, smartphone use, online shopping, and using bank services

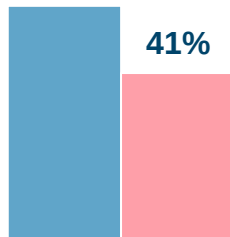


Those residing in 1mln+ cities, with a monthly per capita income over 50,000 rub.



Total Russian population (not including towns under 100K)

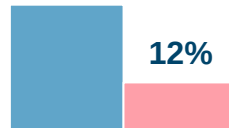
58%



Own
a smartphone



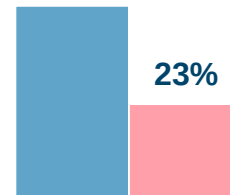
31%



Travel
abroad



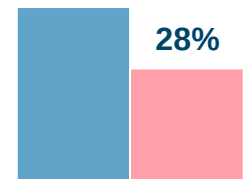
48%



Shop
online



43%



Clients of banks
other than Sberbank



See data for Russia's better-off population in **Premier Study**
(as described on the next slide)

Source: RusIndex, 18-54, 100k+, 2014

- Aged 18-54 y.o.
- High personal incomes
- Covers 13 cities (1m+)
- Sample: 2,500 per year
- Methodology: online
- Annually

Premier

Research into
Russia's middle
class



Complex analysis of Russian middle-class lifestyles, consumption, and media preferences

Consumption trends



Main consumption trends

**Conscious
consumption**



**Going
online!**



**Gadgeting
and technology**



**Healthy
living?**



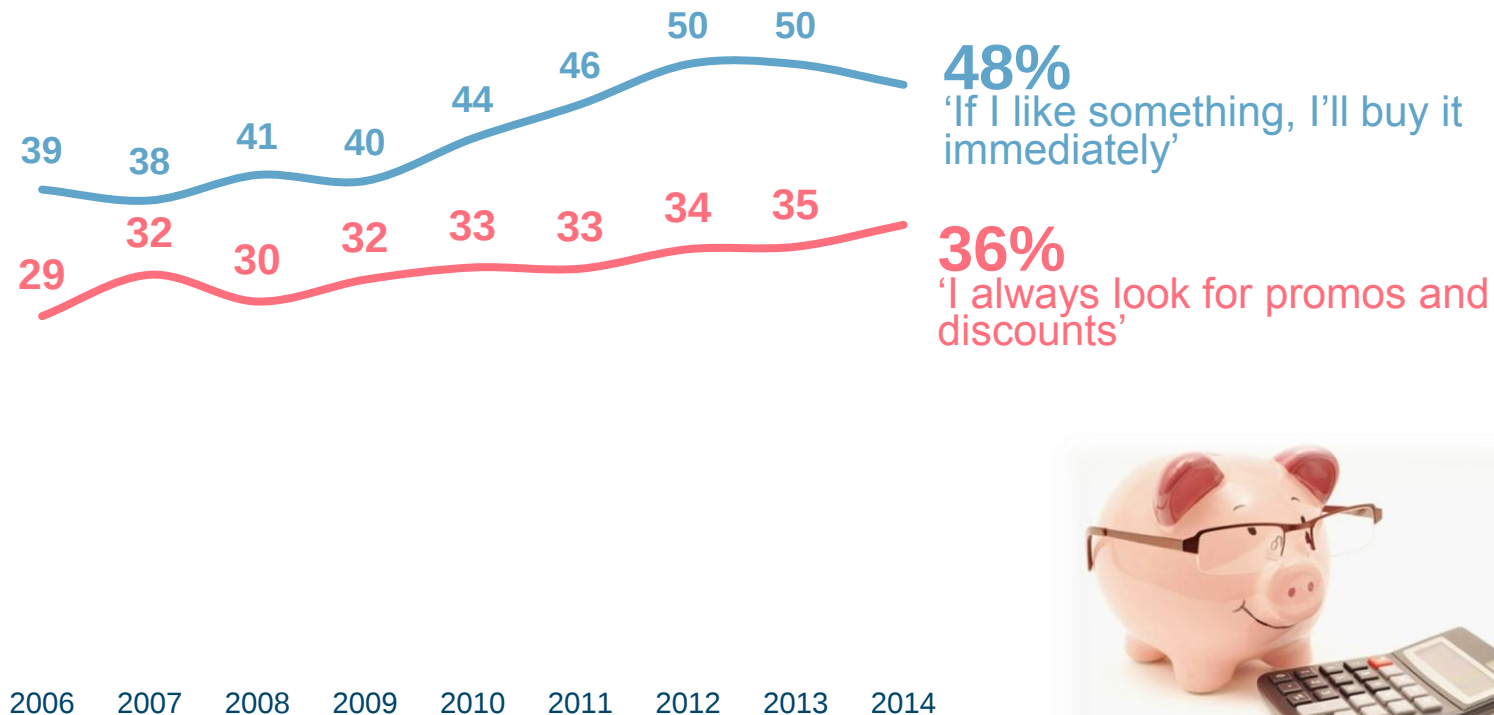
Conscious consumption

- The current economic situation makes consumers adjust their behavior. They start to purchase more carefully by trying to save more money and paying attention to promos.
- Consumers choose among a huge variety of brands showing less loyalty to a particular brand. They would consider several more features in addition to quality and brand names.



Impulse purchases no longer as fascinating

- Consumers tend to plan their expenses more accurately
- Promos and discounts seem a little more appealing, while impulse purchases are becoming less typical now



Source: RusIndex, 16-45, cities 100k+



Smart promo hunting

Promos become a more important purchase factor

Almost every store receipt has the average 1-3 products bought at a promo price/ on offer***

*** All respondents send photos/scans of store receipts with all purchases made within the survey timing

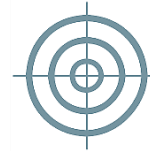
"When at a store, I always pay attention to promos. For example, when I need sour cream, I'll buy a promoted one. I won't buy anything I don't need, though, even when on promo."

Female, 27, Moscow



BUT! Shoppers don't rush for "yellow price tags" blindly.

Instead, they try to compare prices before and after a promo, read shelf life data, can buy a product to store up, when they like a promo, etc.



Consumers would compare products in search of "the best price." They notice significantly different prices for the same promoted products per channel.



"Good" promos and gimmick. Consumers seem aware of unfair promos.

See more data in **Syndicated Qual Panel**
(as described on the next slide)

Source: Synovate Comcon's Syndicated Qualitative Panel, May 2015

- Aged 18-50 y.o.
- 40% males, 60% females
- Low/ average+ incomes
- Moscow/ regions
- Sample: 100 per wave
- Monthly

Syndicated Qualitative Panel: Crisis Thinking

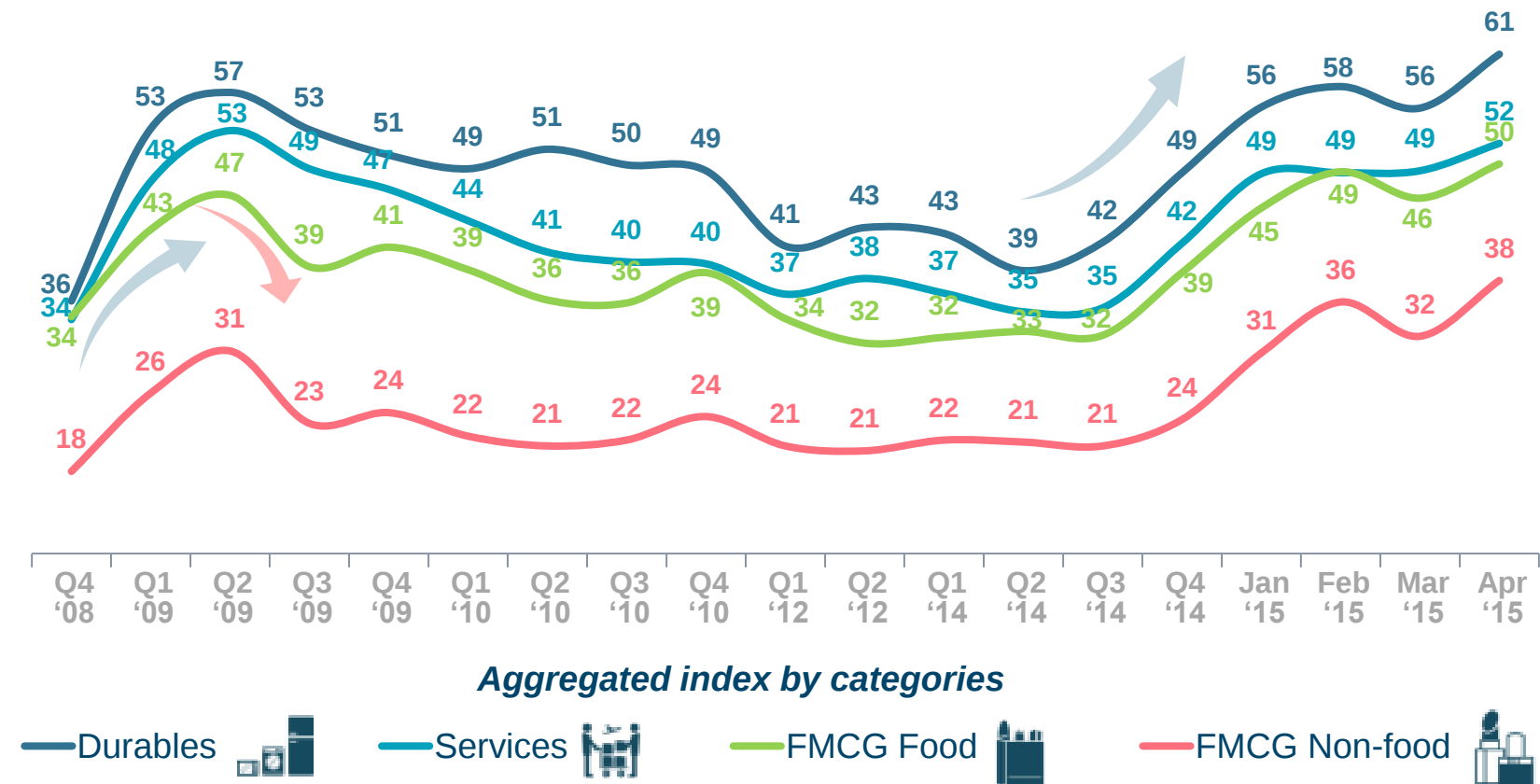
Monitoring actual
trends in consumers'
behavior



Qualitative study of consumers'
behavior, economy strategies and
current trends for food, non-food
FMCG, durables, and services

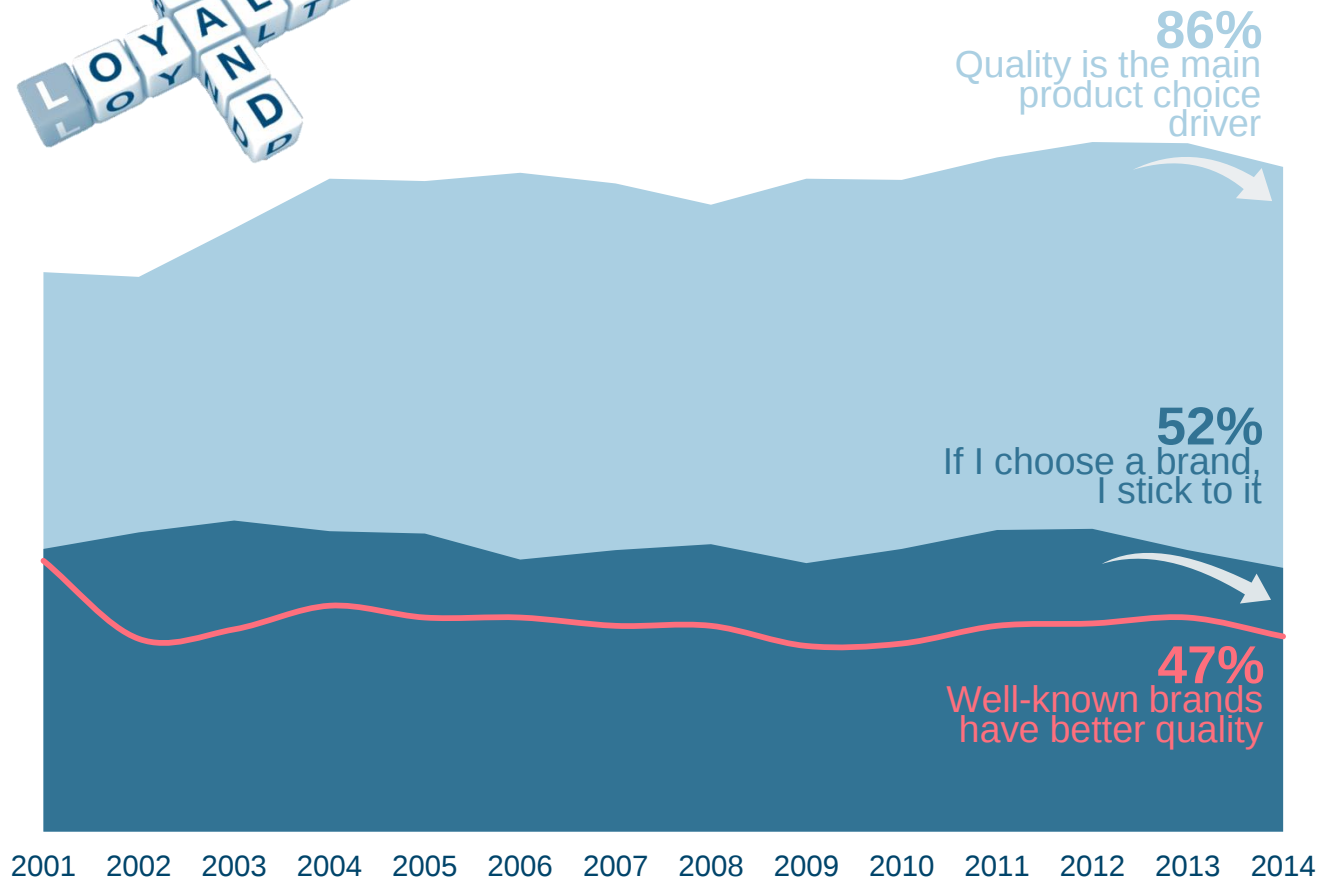
Trends to save money rising monthly due to reduced personal incomes

Dynamics (saving money on, %)



Less loyalty to brands

- Consumers start to show less loyalty to their chosen brands. Anyway, brands still matter, as associated with 'quality' and the chosen price segment.



Source: RusIndex, 16-45, cities 100k+, 2014

Going Online!

- The world's fast pace, especially during crisis, makes consumers interested in getting information daily
- Internet gets growing penetration and importance among other information channels. Using it almost daily, consumers look for online opportunities quite actively.
- The Internet helps people find reliable information about products and services they want (both through ads and reviews)



Google™ Яндекс®



The Internet becoming more popular

- TV remains #1 media channel
- Internet penetration grows annually, while all the remaining media channels lose their audience



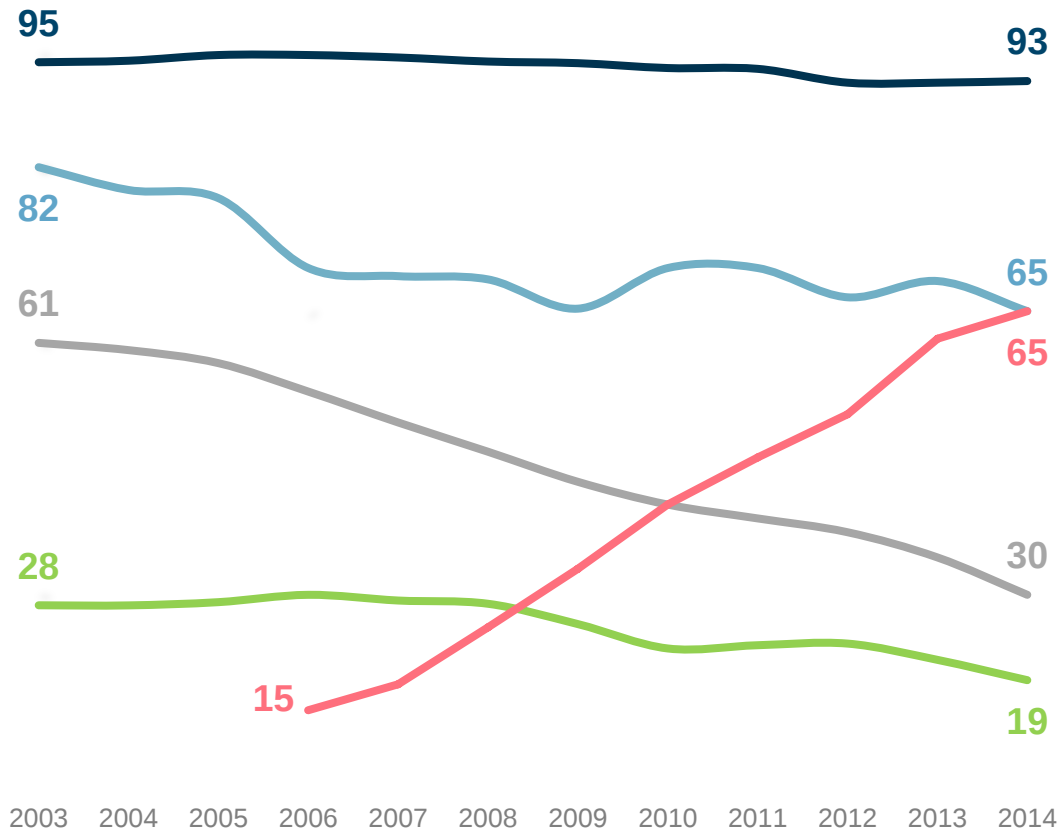
Radio

Newspapers

Magazines

Internet

Weekly+ audience, 2003-2014, %



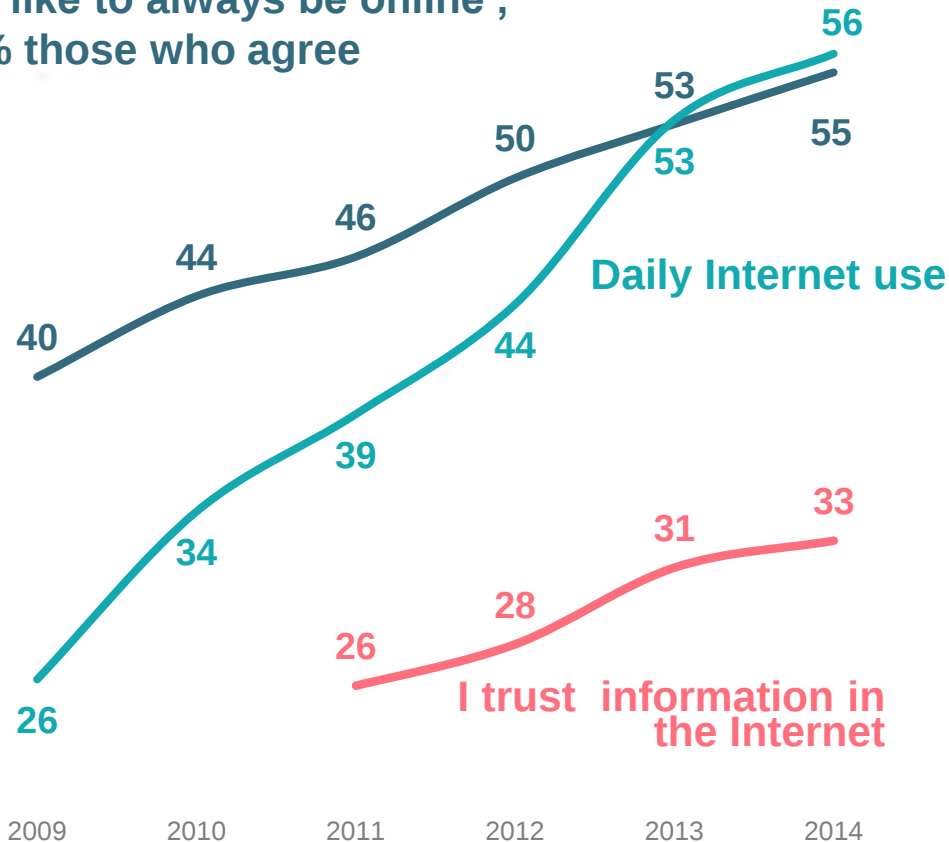
21%
use TV, radio
and Internet
altogether
weekly

Source: RusIndex, 16+, cities 100k+, 2014

Internet has become an important part of modern life

- People want to always feel connected, wherever they are
- They go online daily, trusting the Internet as a source of information more every year

**'I like to always be online',
% those who agree**



**Daily
online activities***

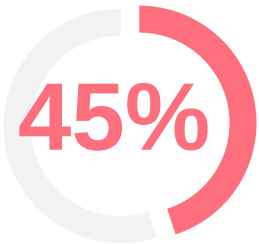
**Social
networking
websites**



**Search
engines**



**Reading
news**



Source: RusIndex, 16+, cities 100k+, 2014

*Among daily Internet users

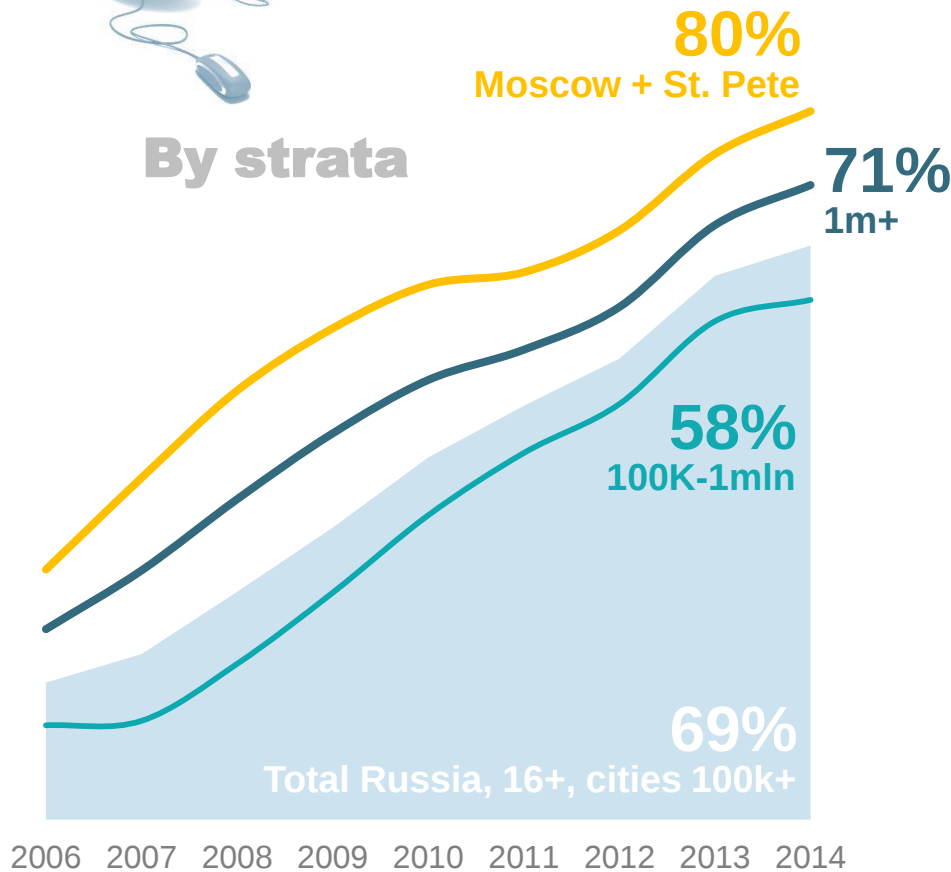
Growing Internet penetration among all groups

- Higher Internet penetration rates among younger people and the population in the capital cities

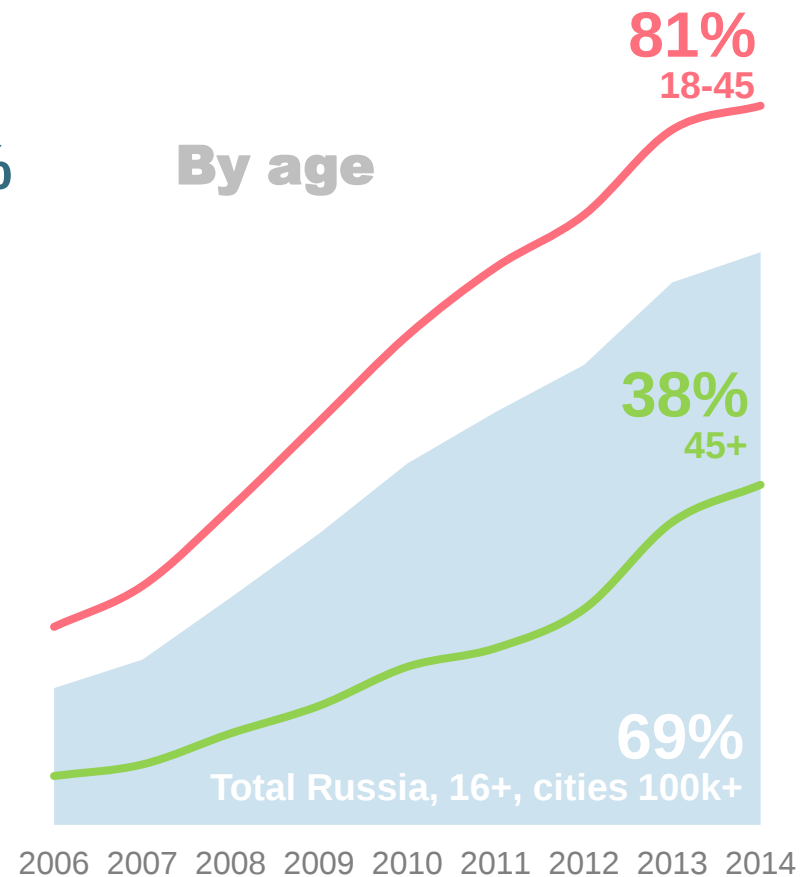


Have gone online P1W, 2006-2014, %

By strata



By age



Source: RusIndex, 16+, cities 100k+, 2014

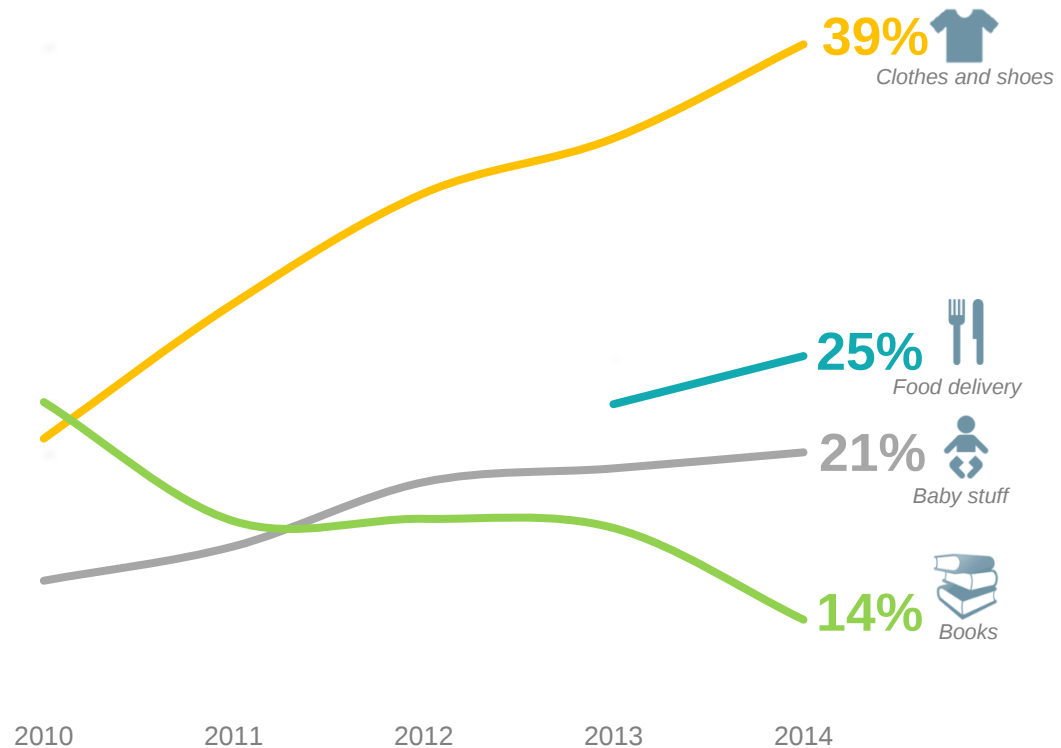
Becoming quite interested in online shopping

- Online shopping becomes more and more popular, mostly due to regional cities developing
- Shopping for clothes items and food delivery grows every year. Purchasing books online decreases, though.

Online shoppers (P3M), %



What they purchase, 2014, %



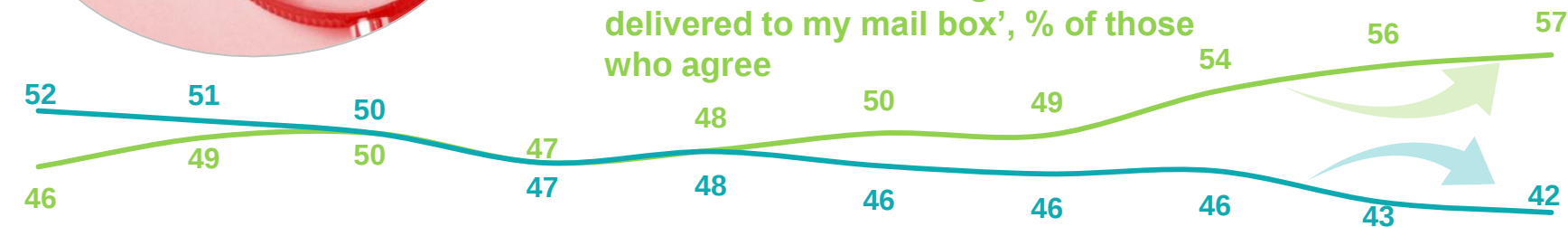
Source: RusIndex, 16+, cities 100k+, Internet monthly users, 2014

Consumers prefer the Internet to get product related information from

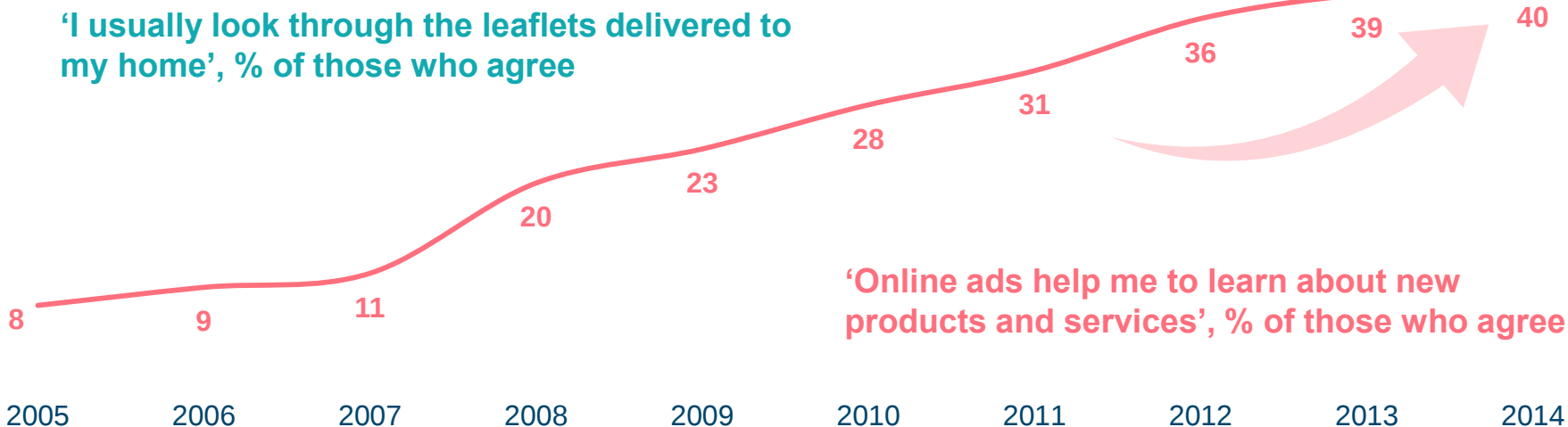
- Respondents show less interest in getting ads delivered to their mailbox and in what they say
- Consumers prefer to learn something new online



'I don't want advertising to be delivered to my mail box', % of those who agree



'I usually look through the leaflets delivered to my home', % of those who agree



'Online ads help me to learn about new products and services', % of those who agree

Source: RusIndex, 16+, cities 100k+, 2014

Gadgeting and technology

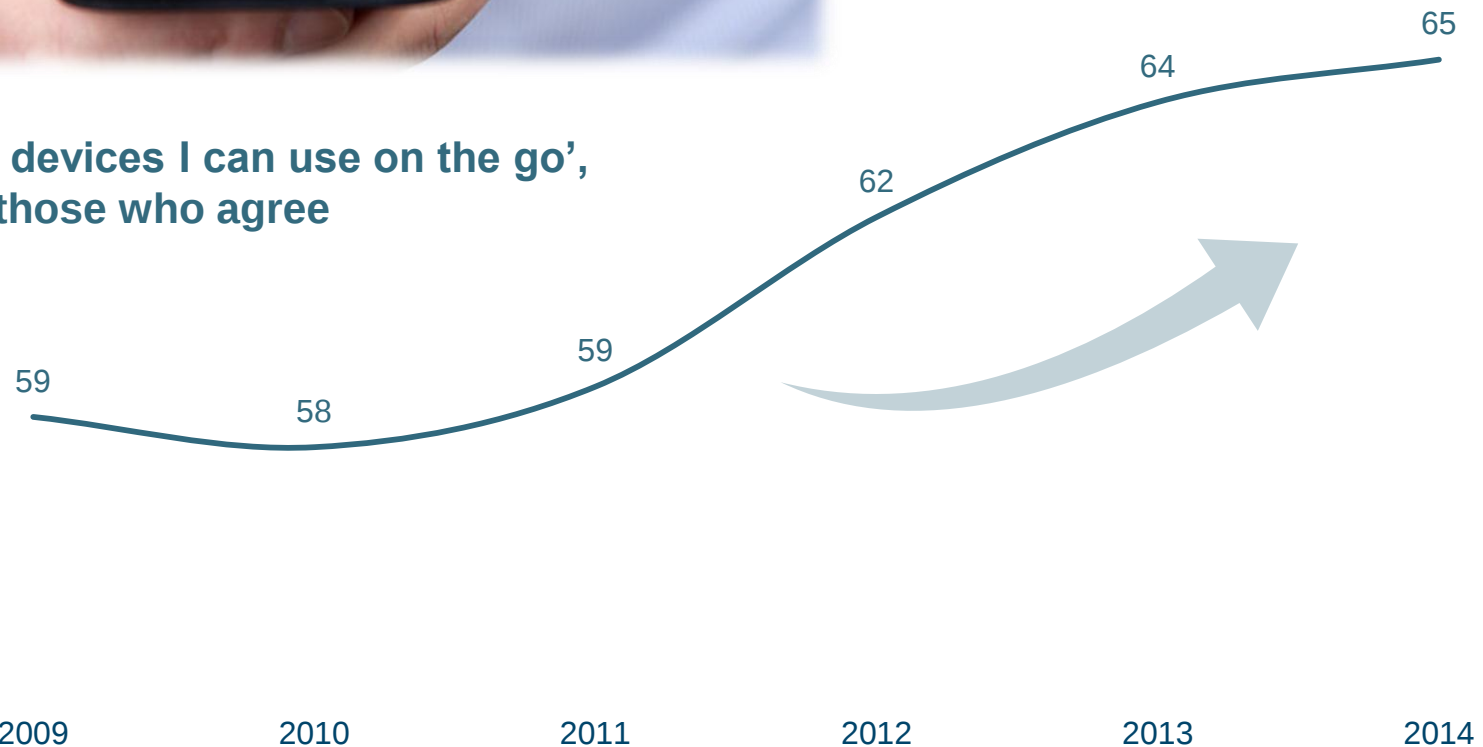
- People keep being mobile and prefer devices they can use on the go in any situation to make their life easier
- Mobile phones replace landline, laptop and tablet PCs overtake traditional computers
- Online services (social networking websites, messengers, chats) allow people to communicate wherever they are
- More consumers look for various technology solutions



People tend to prefer using portable devices



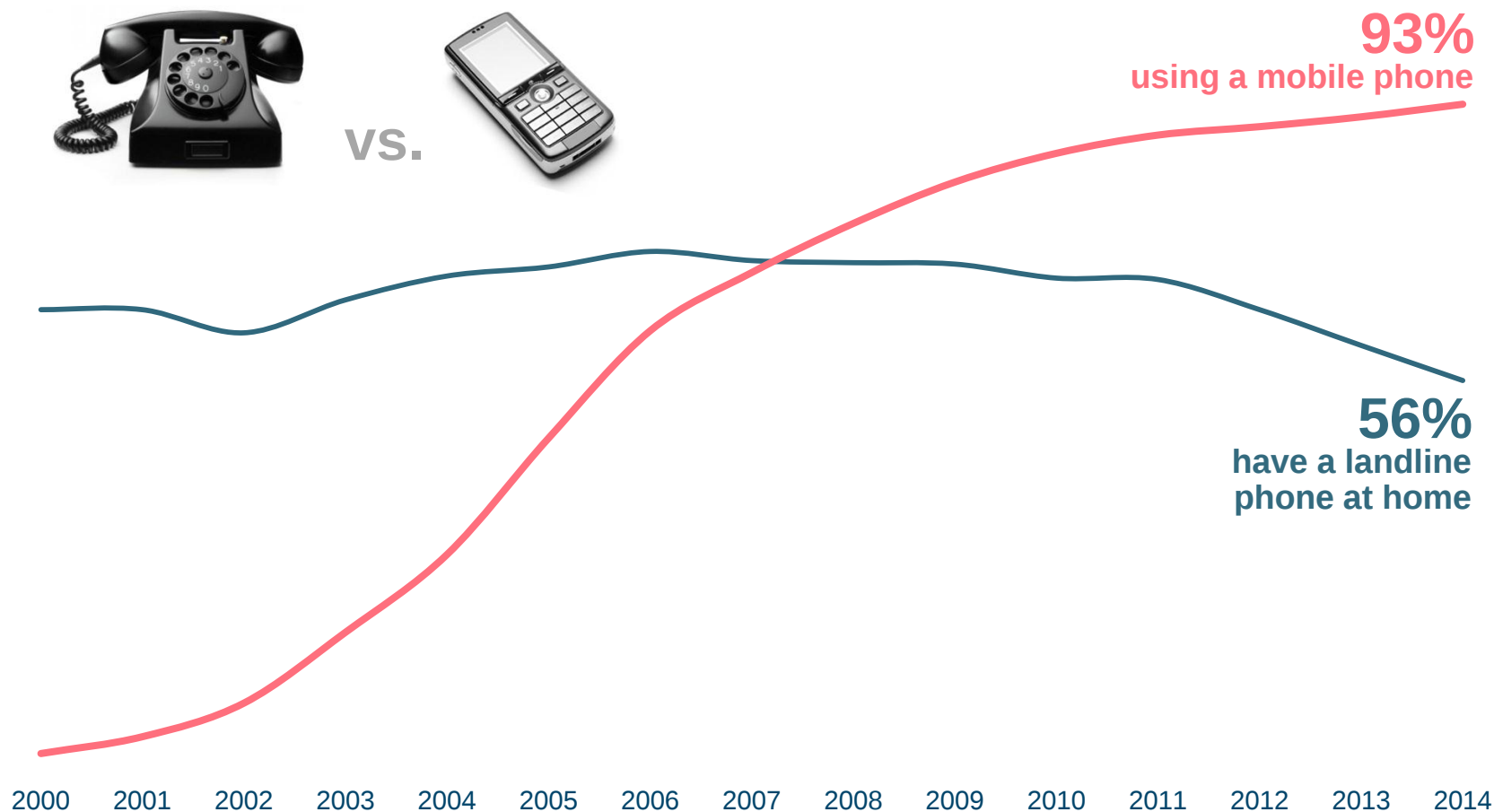
**'I like devices I can use on the go',
% of those who agree**



Source: RusIndex, 16+, cities 100k+, 2014

Almost everyone above 16 y.o. owns a mobile phone

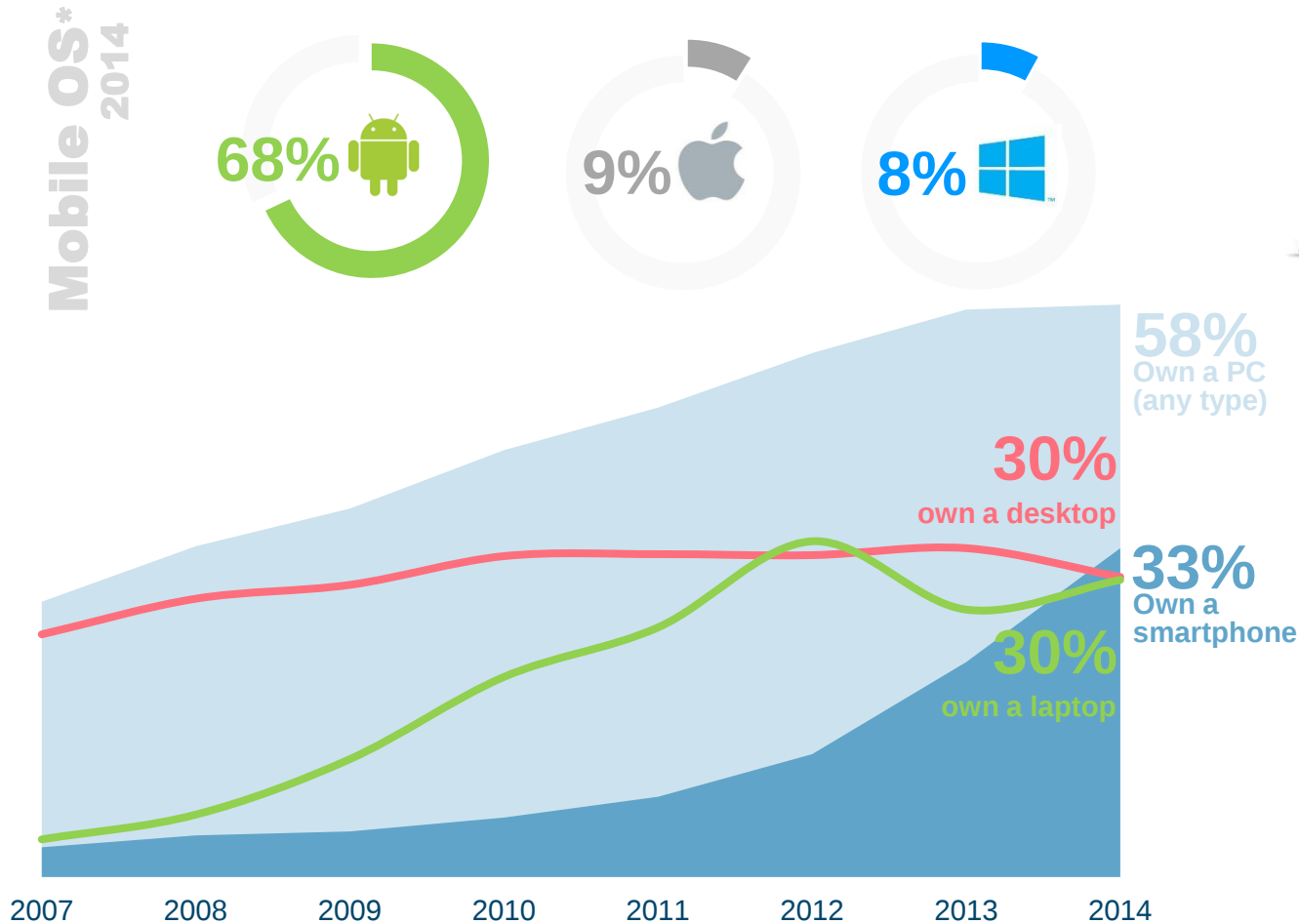
- Consumers show less interest in using their landline phone available at home



Source: RusIndex, 16+, cities 100k+, 2014

Smartphones continue to gain the market

- In the last two years, Russia has seen a booming smartphone use. Android based phones turn out more popular.
- Over a half of Russia's population owns a PC of any type. Laptops reveal a growing trend, while desktop PC shares tend to shrink. This results in similar penetration (30 % each).



Source: RusIndex, 16+, cities 100k+, 2014



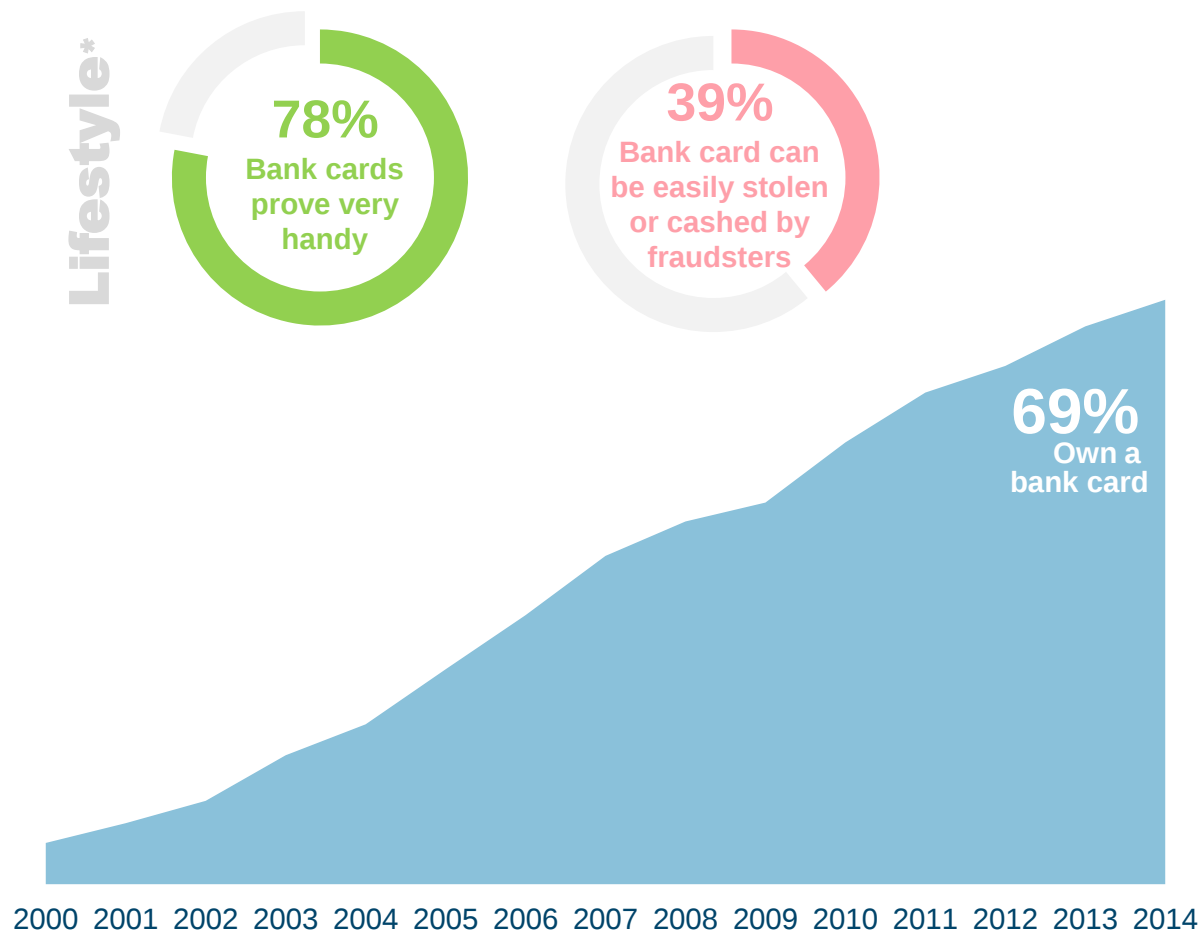
58%

Smartphone owners among 1mln+ city dwellers, monthly per capita income over 50K rubles

* % of smartphone users

Rapidly growing shares of bank card holders

- More people use their bank cards for cashless payments and transactions
- Some still feel anxiety with regard to using bank cards in a secured way



Bank card payments

Mobile communication



54%

Public utilities



35%

Shopping offline



13%

Online payments



5%

Source: RusIndex, 16-45, cities 100k+, 2014

* % of bank card owners

Healthy living?

- Currently, healthy lifestyles seem more popular in Russia than before. Any category often claims to offer natural and ecologically safe products.
- Supporting this idea consumers claim that they worry about their health and try to choose a healthy lifestyle. Actually, this is not always true.
- Half of Russians have weight problems
- Most of them avoid exercising regularly. These people prefer to watch a sport event sitting on the sofa. They eat healthy foods, but only when on a short diet for weight loss.
- However, the 'healthy' trend has become the reality due to decreased alcohol consumption and smoking rates.



'Free from preservatives' and '100% natural' are the key slogans for Russians

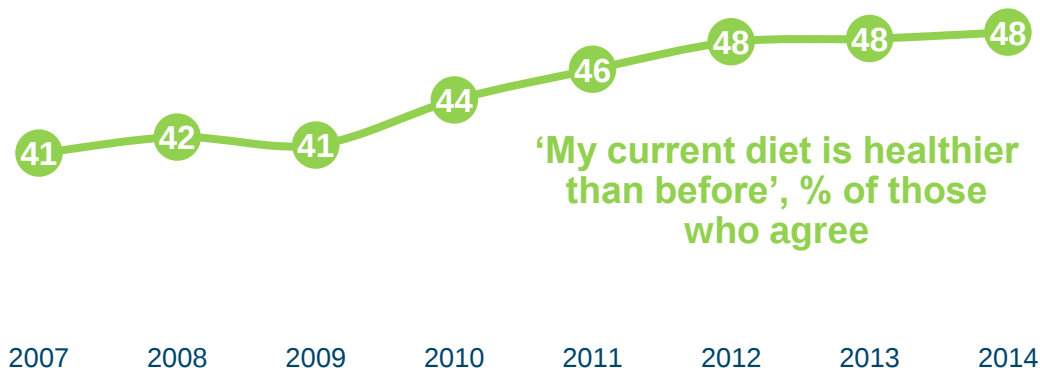
Any category has to claim that it offers natural products (if applied). Consumers show quite negative attitudes towards GMO use.



A successful carbonated drink



Non-GMO sign on the open market stand



'My current diet is healthier than before', % of those who agree

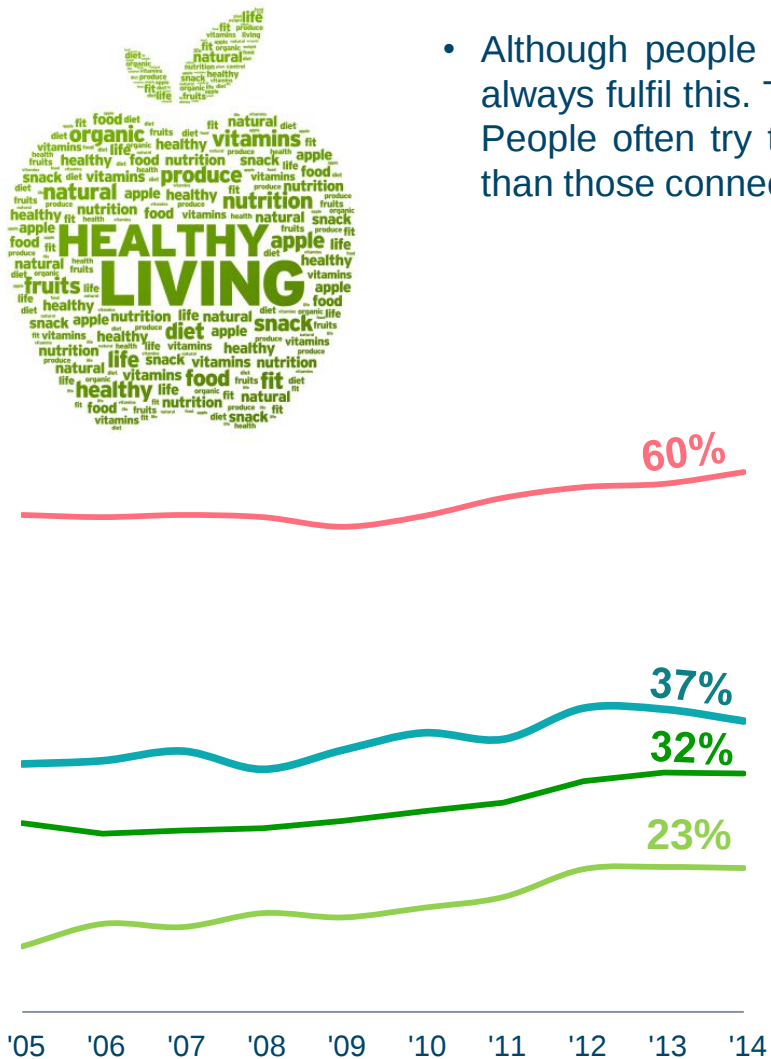


Source: RusIndex, cities 100k+, 2014

Despite all reservations, healthy lifestyle is a trend

- Although people claim their desire to have a healthy lifestyle, they do not always fulfil this. The majority of the population still fails to exercise regularly. People often try to control their weight due to beauty related issues rather than those connected to their health.

Well-off women with a higher education appear more focused on health vs. Total



I consider my diet healthy

I exercise at least once a week

High value of health*

I spend a lot of time trying to lose my weight



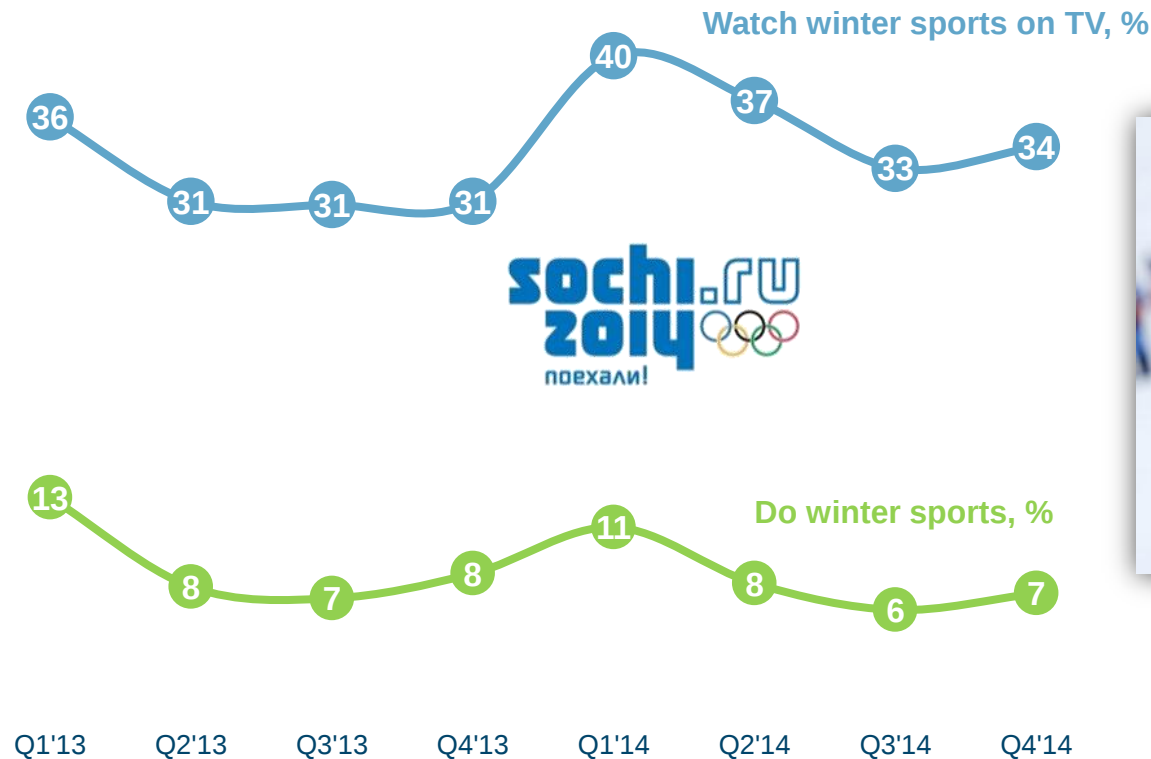
*Psychographic section results

Total
population 16+

Women with a higher education and income above 40,000 rub.

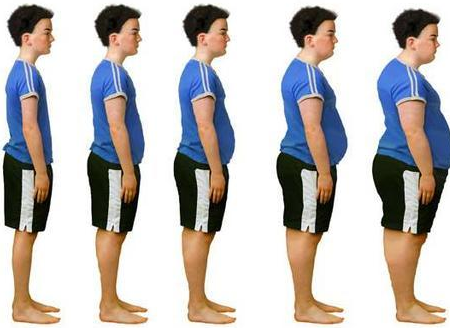
Winter Olympics in Sochi promoted more interest in watching winter sports rather than exercising

More involved in sports, % (2014)

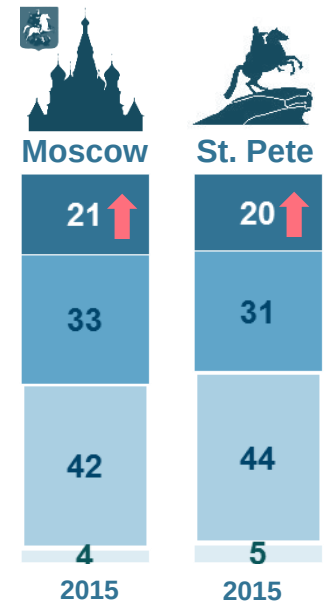
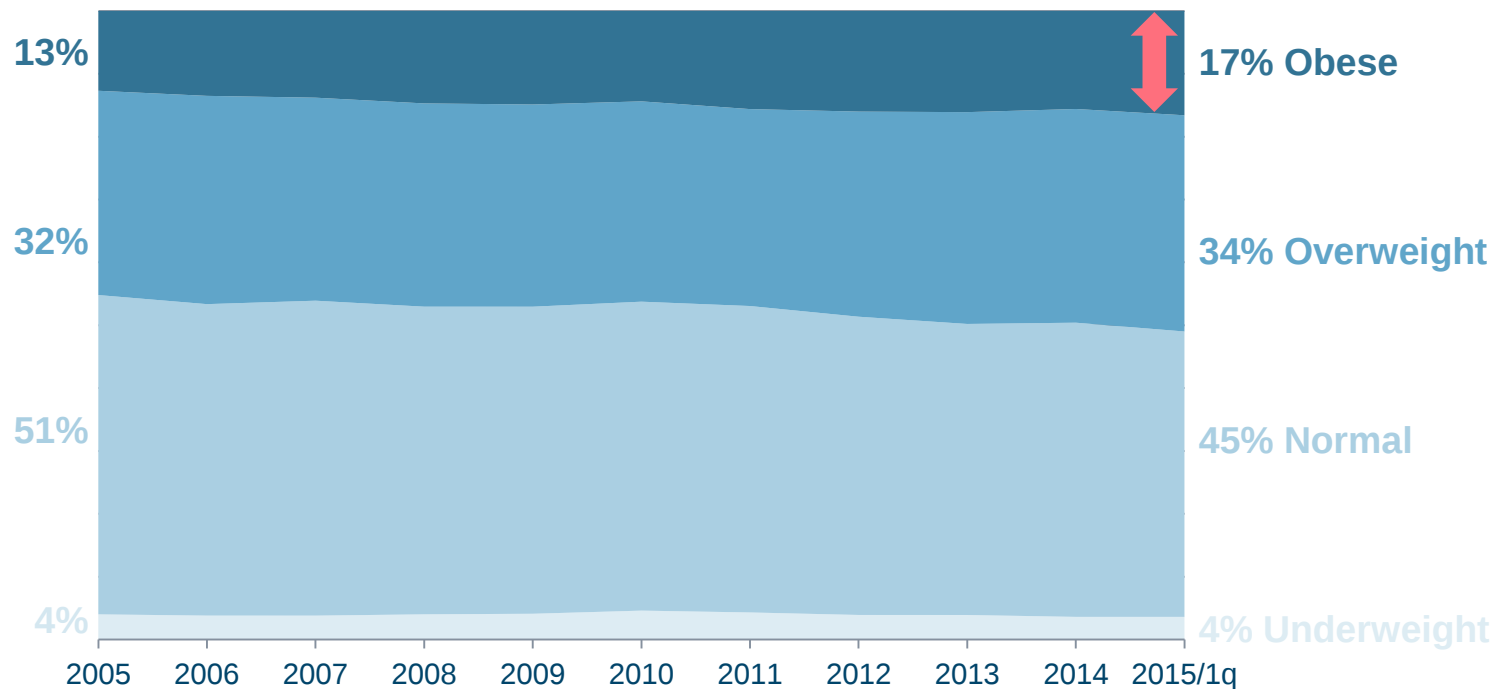


Source: RusIndex, cities 100k+, 2014

Is obesity a problem?

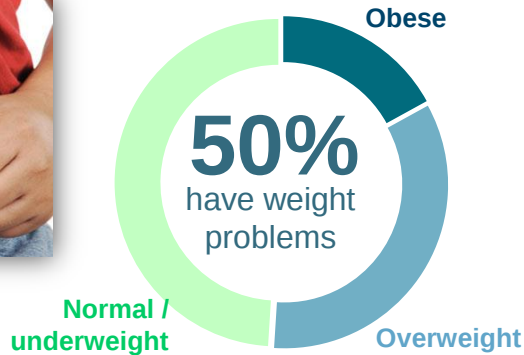


- Despite the growing healthy lifestyle trend, the share of obese people in Russia has been growing over the past 10 years. In 2015, it reaches 17%.
- Moscow and St. Petersburg have more obese people (21% and 20%, respectively)



Source: RusIndex, 16+, cities 100k+, 2005-2015/1q

Half of the population has weight problems

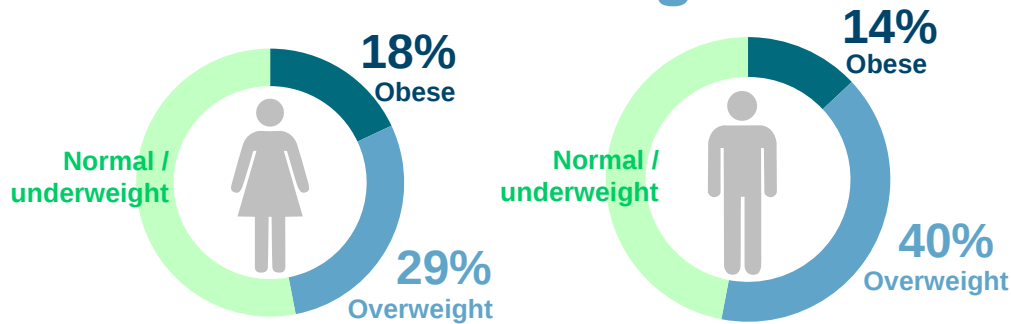


Share of obese is higher among women, but men are more overweight in general.

The share of obese people is also higher among

- low-income targets
- lower educated groups

Gender weighted



Obesity By Financial status

% of obese people among different subgroups



Obesity by education

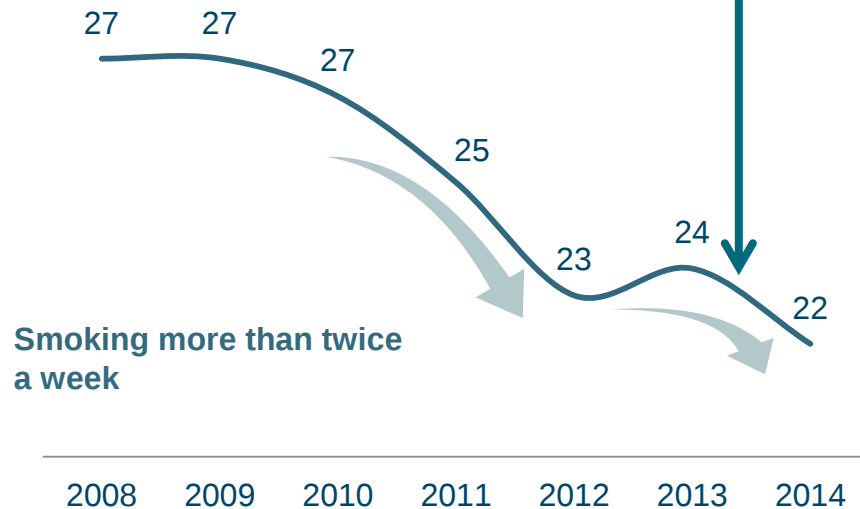


Source: RusIndex, 16+, cities 100k+, 2014

Russia still has high smoking rates, which tend to decrease, though

1 June, 2013

The law to ban smoking in public places was passed in Russia



4th

world rate of
Russia by smoking
(after Serbia, Bulgaria
and Greece)



20%

One pack per day or more



12%

A few cigarettes almost daily



3%

Sometimes a few cigarettes weekly/ monthly

Source: RosIndex, cities 100k+, 18+, 2014, European Research Council

Decreasing levels of alcohol consumption

- Although Russia still comes 4th by drinking alcohol, the share of non-drinking people is increasing constantly
- Beer and vodka lead along with rising consumption of premium-perceived imported spirits (brandy and whisky)
- The minimum retail price for vodka (restricted by the government) goes down for the first time in the 21st century.



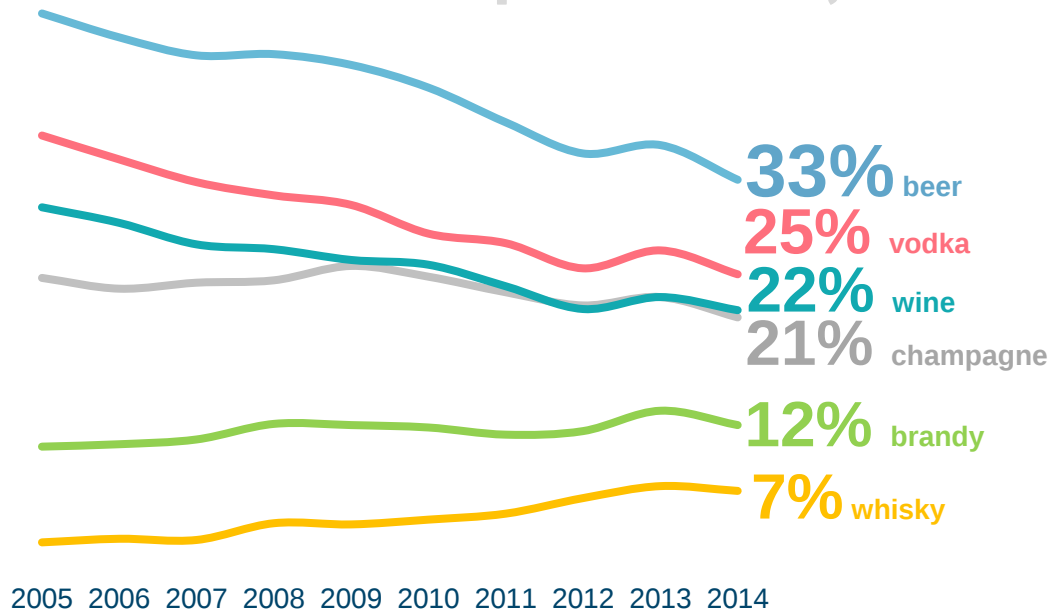
The government intends to restrict beer sale in **PET-packaging**



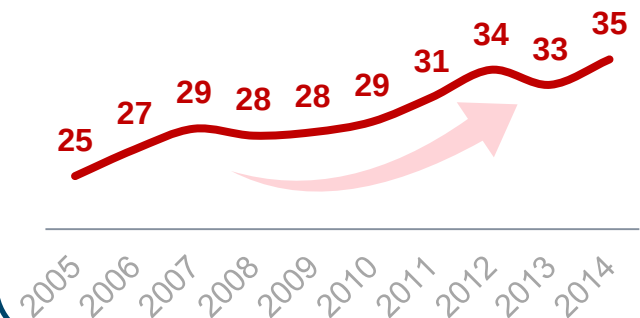
In February'15, the minimal retail price of vodka went down from **220 rubles** to **185 rubles** per 0.5 liter



Consumed in the past 3 months, 2005-2014



NOT drinking alcohol, %



Source: RosIndex, cities 100k+, 2014, World Health Organization

Lifestyle



Economic crisis leads to drastic car market drops



- The rate of car owners and purchases stagnates in 2013-2014. Rush purchases in late 2014 and car prices increase car sales. The latter drop by 43% in March 2015 vs. March 2014.
- Russians' attitude to cars is rather practical, but passionate

Lifestyle*

75%

I enjoy driving my car

55%

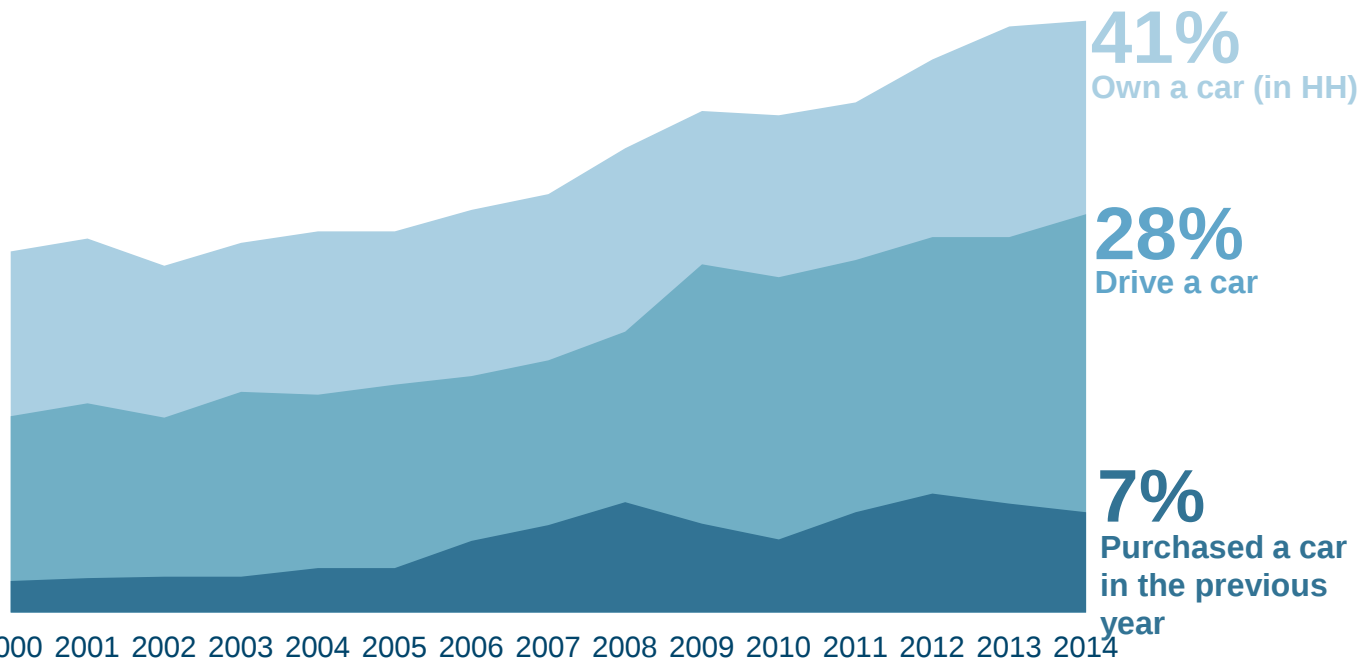
My car is only a transportation means

43%

My car is my second home

38%

I like driving fast and sharp



-43%
car sales in
March 2015
vs. March 2014

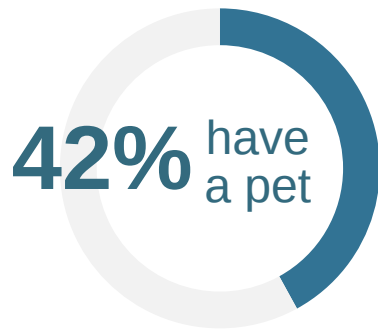
GM pulls Opel brand from the Russian market and cuts back Chevrolet production. SsangYong quits Russia.

Source: RusIndex, 16+, cities 100k+, rbc.ru, 2014

* % of car drivers

Cats are the most popular pets in Russia

- About a half of Russians have a pet. Three in four pets are cats.
- Watching meme-photos and videos with cute cats becomes one of the most popular ways to spend free time online.



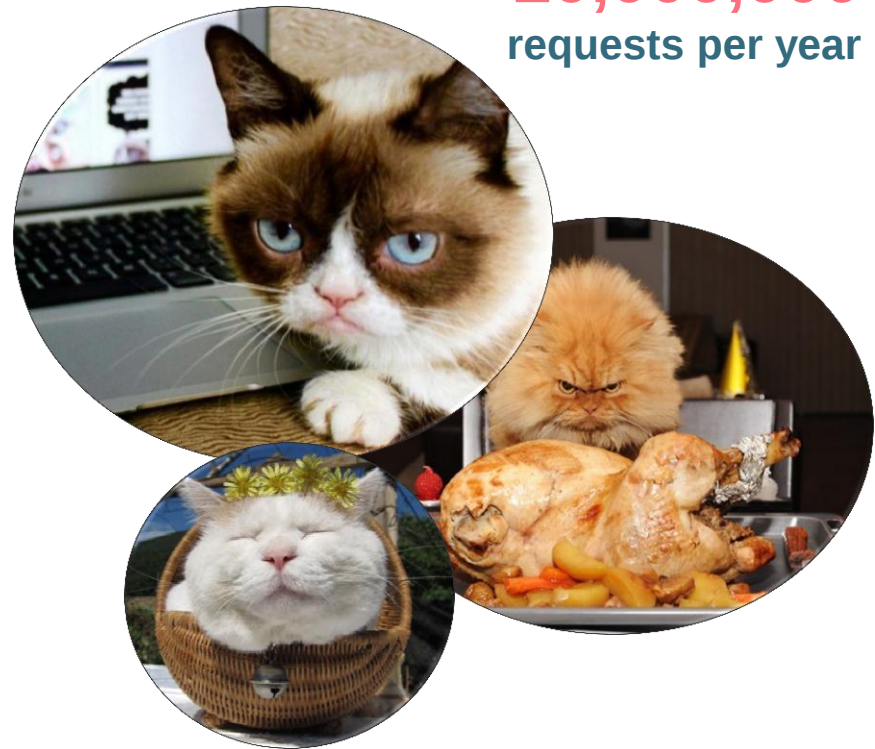
cats*
75%



dogs*
35%

Cats are still the main online
meme-topic:

20,000,000
requests per year



Source: RusIndex, 16+, cities 100k+, 2014 * % of pet owners



Consumers' behavior.
Segmentation. Trends

Customer and employee
loyalty/satisfaction



Innovation testing

Advertising and communications



Pricing and range
optimization

Shoppers'
behavior
and retail
strategies



Media research

Reputation research



Social and political research

Healthcare research

