

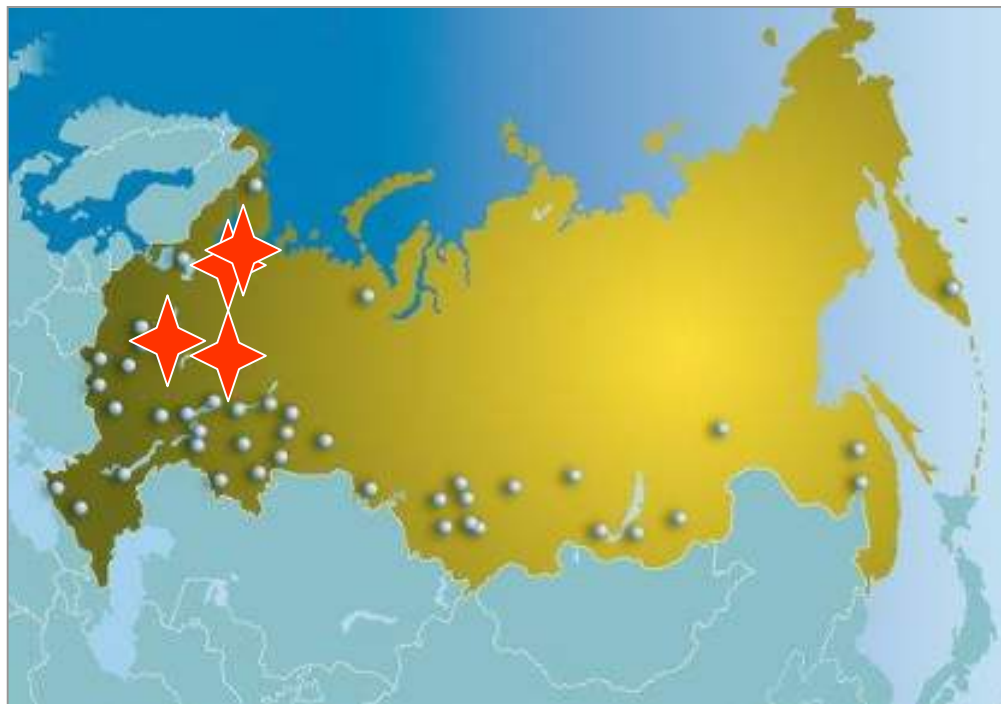
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Castorama Russia

Investor visit

July 2007

Introduction: Castorama Russia



- **4 stores:** Moscow (1), St. Petersburg (2), Samara (1)
- **Next opening:** Rostov-on-Don – September 2007
- **People:**
 - Stores: 1150
 - Headquarters: 115

РЕМОНТ – ЭТО
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Introduction: Oleg Pisklov



- 37 years old
- Has an extensive experience in the British, Turkish and Russian FMCG & retail sectors
- 3 years in Castorama:
 - joined Castorama Russia as Commercial Director / Deputy Managing Director in 2004
 - Managing Director of Castorama Russia since March 1, 2007
- 4 years in Tesco:
 - prior to joining Kingfisher Plc had worked for Tesco plc in the UK as Category Director and Turkey as Commercial Director

Introduction: Natalia Morozova



- 33 years old
- Has an extensive experience in marketing/brand management in Russian FMCG sector
- 3 years in Castorama
 - joined Castorama Russia as Marketing Manager in 2005
- 10 years in brand management
 - has held various senior marketing positions in several leading FMCG companies: Dirol Cadbury LLC, Wimm-Bill-Dann, Bestfoods/CPC Ltd., Oleina S.A. etc.

AGENDA

1. Why Russia?
2. The Russian home improvement market
3. Castorama Russia overview
4. Store visit

1. Why Russia?

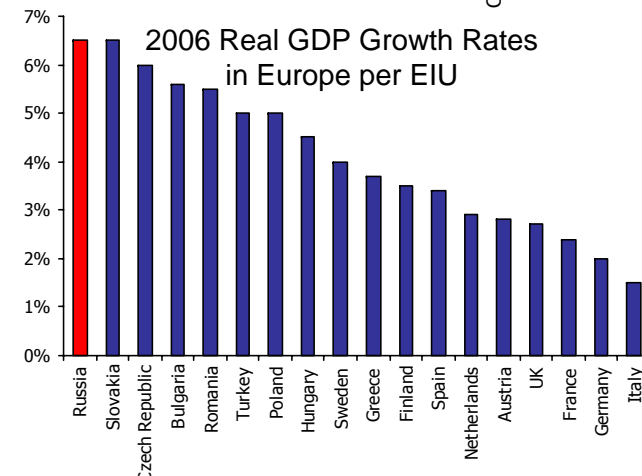
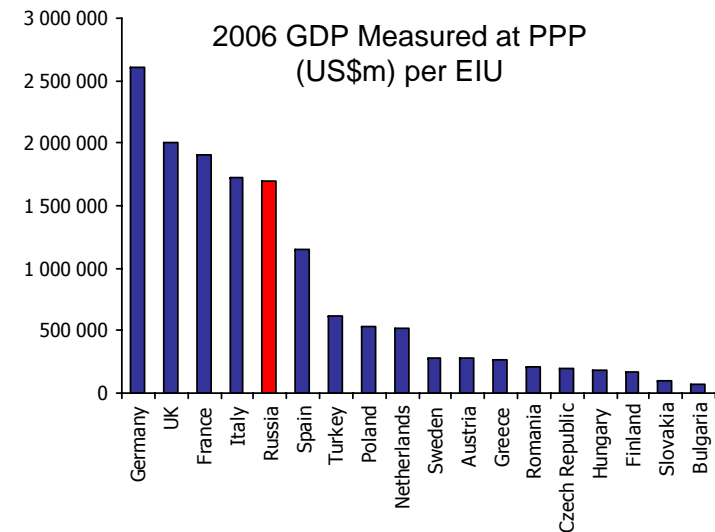
- One of the largest consumer markets in Europe
- The fastest growing economy in Europe
- Large home owning population
- Fast developing home building and renovation market
- High demand for DIY and DIFM products and services
- Highly fragmented local competitors



1. Why Russia?

Macro-economic overview

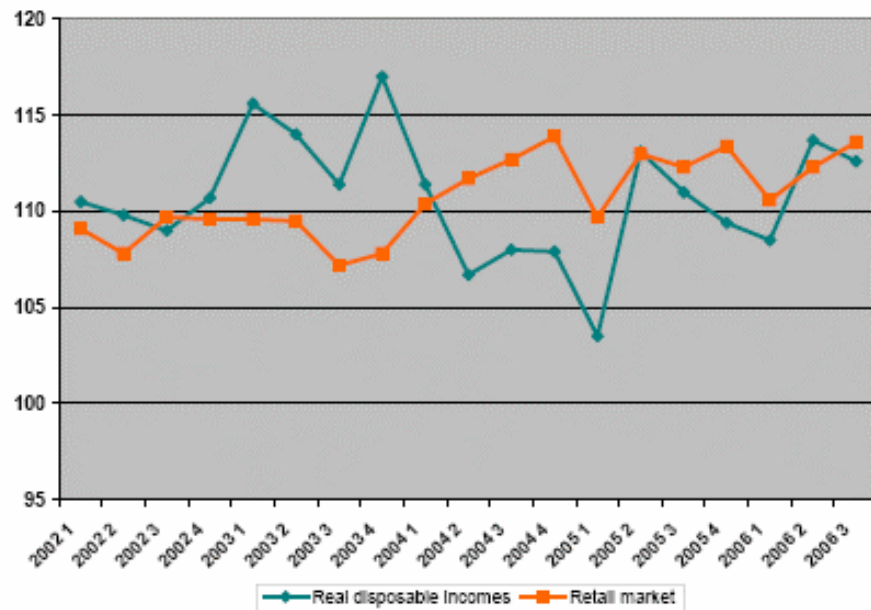
- **No 5** European economy
- Fastest real GDP growth **+6.8%** in 2006
- Population **142.8 m people**
- 2006 statistics
 - retail sales **\$ 300 bn** (+22% YOY)
 - ave income per capita **+25% YOY**
 - New housing + **50.2 m sq.m**
- Home ownership
 - **70%** own apartments
 - **50%** have dachas (country house)
 - **72%** live in cities/towns
- Russia ranks **No 2** in the retail development index and is quoted as having the 3rd LOWEST country risk within the top 10.



1. Why Russia?

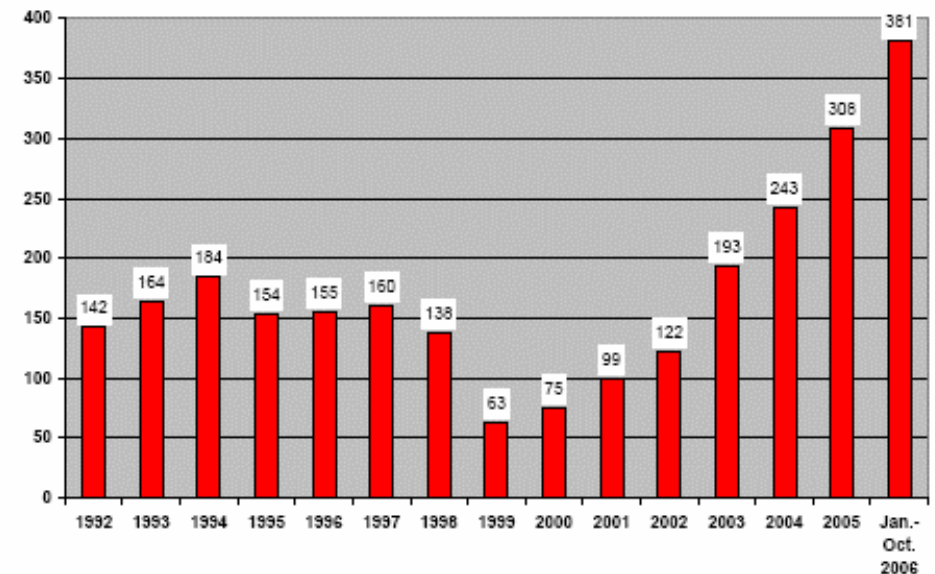
Macro-economic overview

Graph 7 Real Disposable Incomes of Population Via Russia's Retail Market in 2000 – 3Q2006



Source: The Federal Statistics Service, Interfax-CNA's analysis

Graph 9 Russia's Average Wages Per Capita in 1992-2006, \$ per month



Source: The Federal Statistics Service, Interfax-CNA's analysis

- Recently average population incomes have improved considerably
- There still exists a great difference in incomes level in various parts of Russia

2. Home improvement market

Russian market

€ 10* billion

12% annual growth rate

- The Russian market is difficult to assess due to the high proportion of sales through open-air markets.
- **Retail formats are developing** (hypermarkets, convenience chains, non-food big boxes). Open markets today are 75% of DIY market, but are losing their position. Down to 20% share over the next 5 years

**this figure doesn't include dacha market*

Example of open market: Kashirskiy Dvor



2. Home improvement market

Differs by region

Moscow



- All key international players are already here

St. Pet



- Very competitive market, international and local players

Regions



- No strong local players
- Big interest in DIY big box format

2. Home improvement market

Customer Behaviour

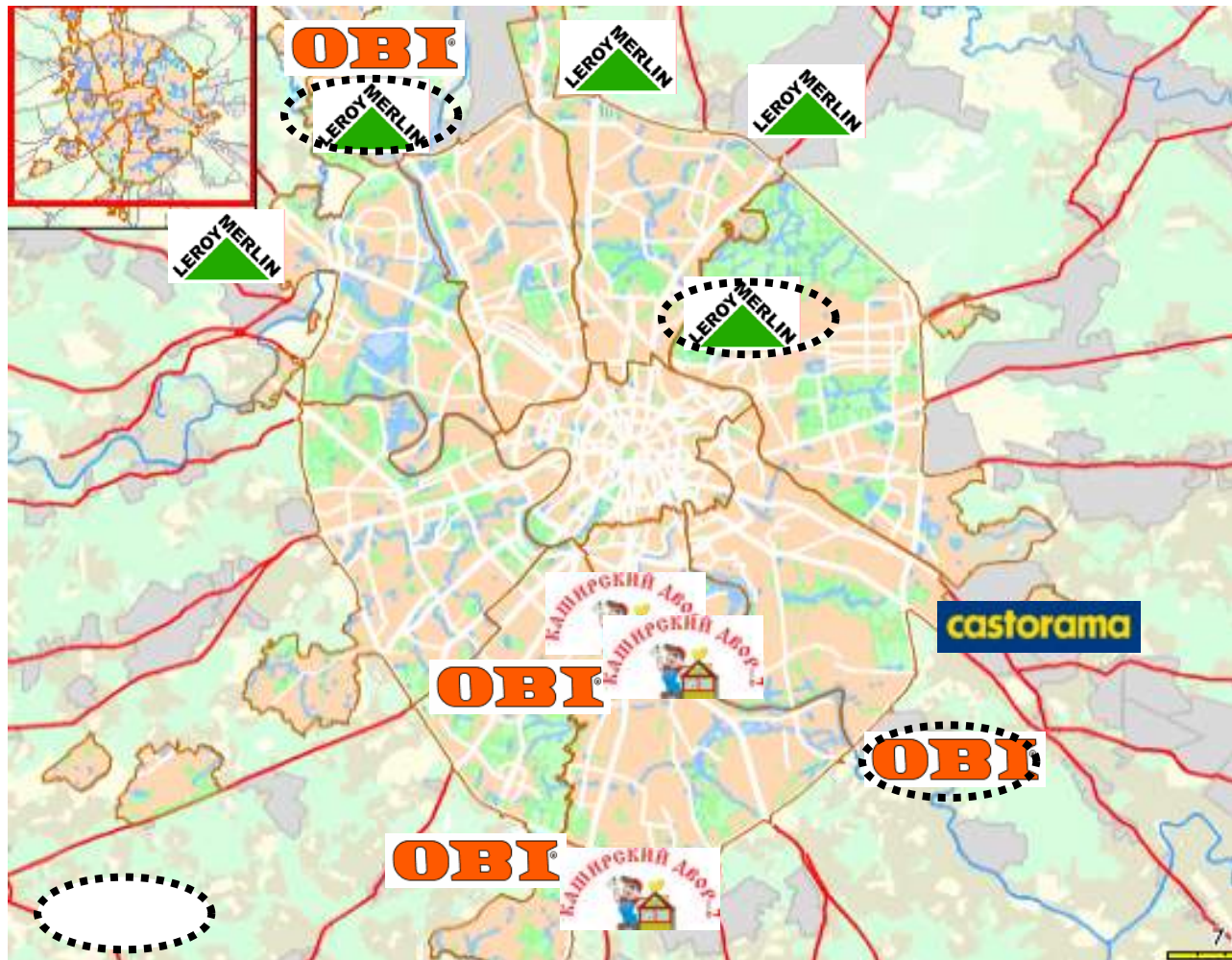
- Customers do not trust retailers to keep prices low.
- **Share of DIYers** (vs. DIFM) varies from 45% to 75% depending on income level
- Consumers, who spend >20 000 RUR (£ 387), make about 70% of total spending. Thus **market is driven by projects** not individual purchases
- Customer values are changing, attitude to home renovation is changing , purchases are becoming more aspirational. Customers paying more attention to **home improvement ideas**
- Customers do need service, advice, education
- All new apartments are **Shell & Core**

2. Home improvement market

Moscow competitors overview



Open market

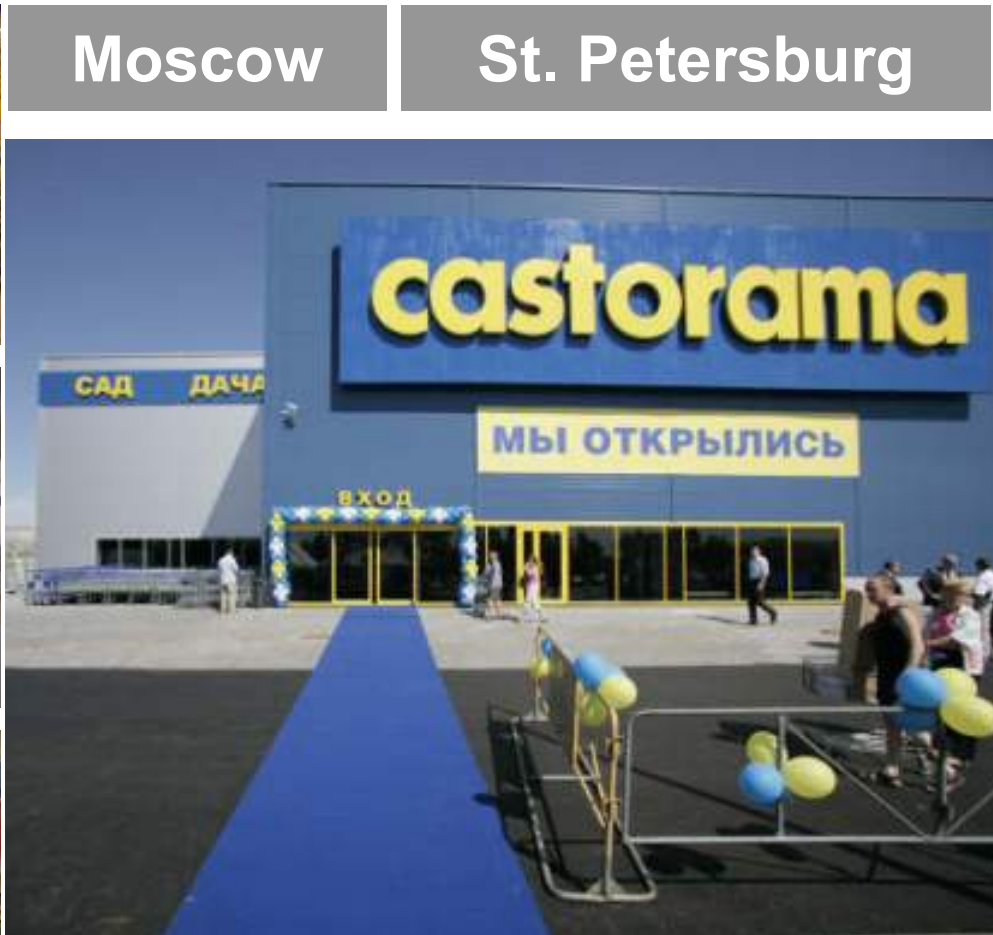


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3. Castorama Russia

Moscow

St. Petersburg



Rostov-on-Don

Samara

3. Castorama Russia

Format & positioning: providing the elements for completing projects

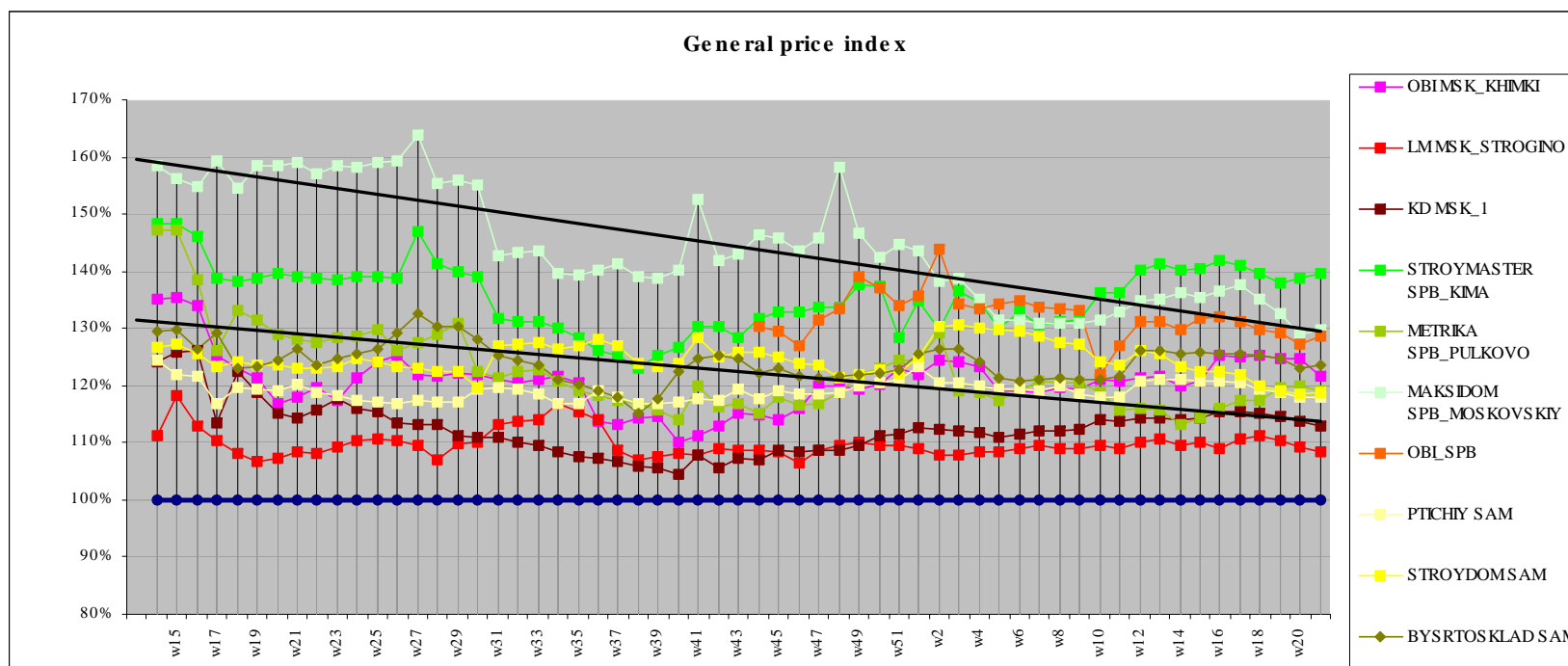


Castorama has **all the quality products** at **affordable prices** for home, business and dacha (building, renovation, decoration and home improvement) and **advice and services** to enable you to complete the projects

РЕМОУТ – ЭТО
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3. Castorama Russia

Keeping Prices Low



- To ensure Castorama has the best price offer we run weekly price check monitoring (4 cities, 3 major competitors in each)
- Castorama prices are always **lower than the competitor's**
- Price check basket has been recently **increased up to 1000 skus** (25% of sales)

3. Castorama Russia

Customer profile



3. Castorama Russia

Targeted types of customer

Retail customer

Active DIY:



- are currently into renovation or have recently completed it. The whole scope of works was done/is being done by themselves
- higher percentage of males,
- visit DIY store **8-9** times a year
- spent on DIY goods on average **2000 RUR (70 USD)**

32%

Active LSEDI:



- are currently into renovation or have recently completed it. Some share of works were done / are being done by professionals
- bigger share of young (25-34) buyers
- visit DIY store **7-8** times a year
- spent on DIY goods on average **3000 RUR (110 USD)**

34%

Passive DIY:

- are not conducting renovation. Intend to do all works by themselves in case if start it
- visit DIY store **6-7** times a year
- spent on DIY goods on average **1000 RUR (35 USD)**

18%

Passive LSEDI:

- are not conducting renovation. Intend to hire professionals to conduct some share of works
- higher percentage of females
- visit DIY store **5-6** times a year
- spent on DIY goods on average **1000 RUR (35 USD)**

16%

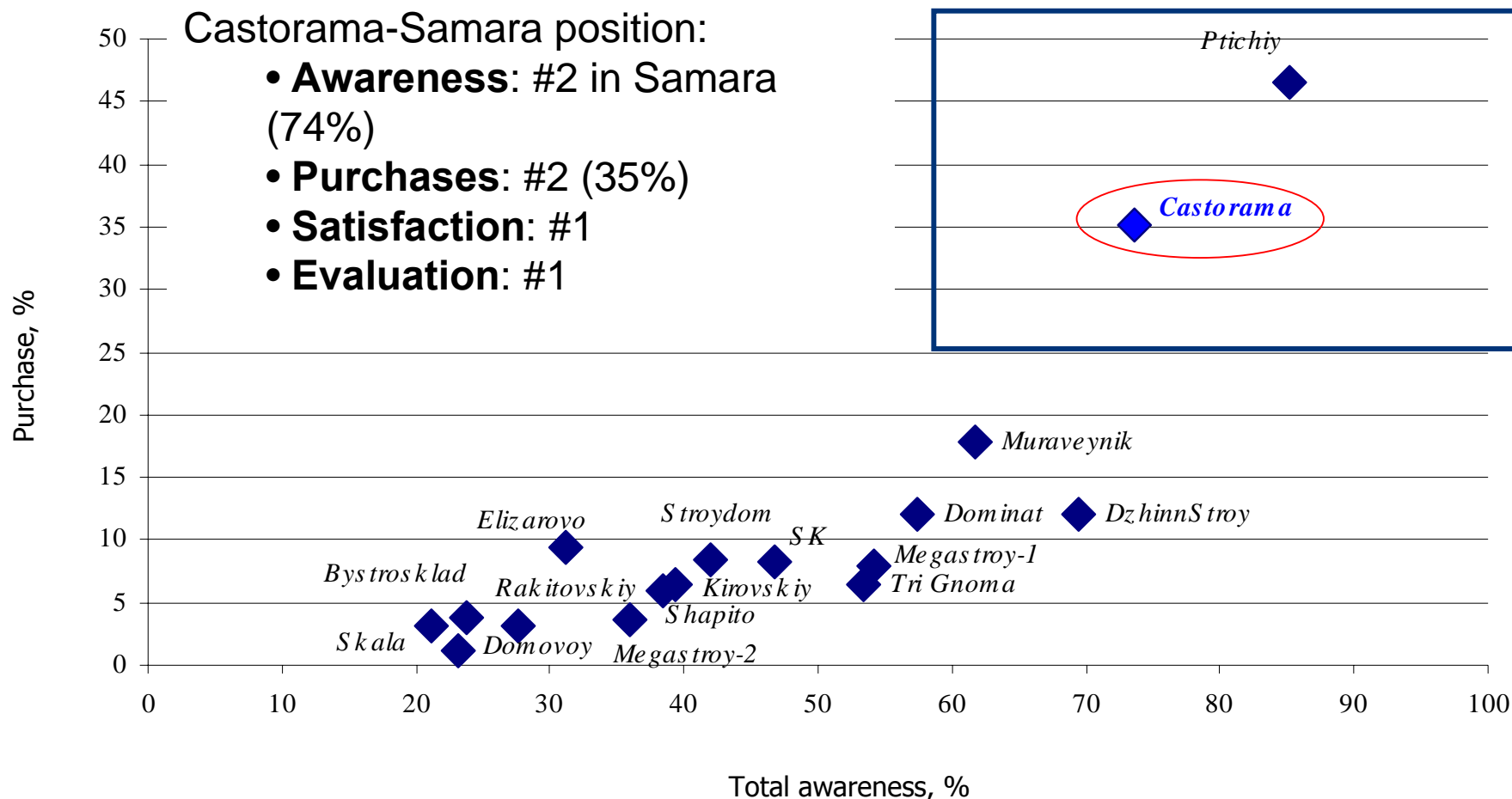
Trade customer

- We mostly aim at Active DIY and Active LSEDI since they report the heaviest expenses per one visit.
- More than 65% of Castorama visitors are active (currently into renovation or have recently completed it).

3. Castorama Russia

Image check: Samara – successful start

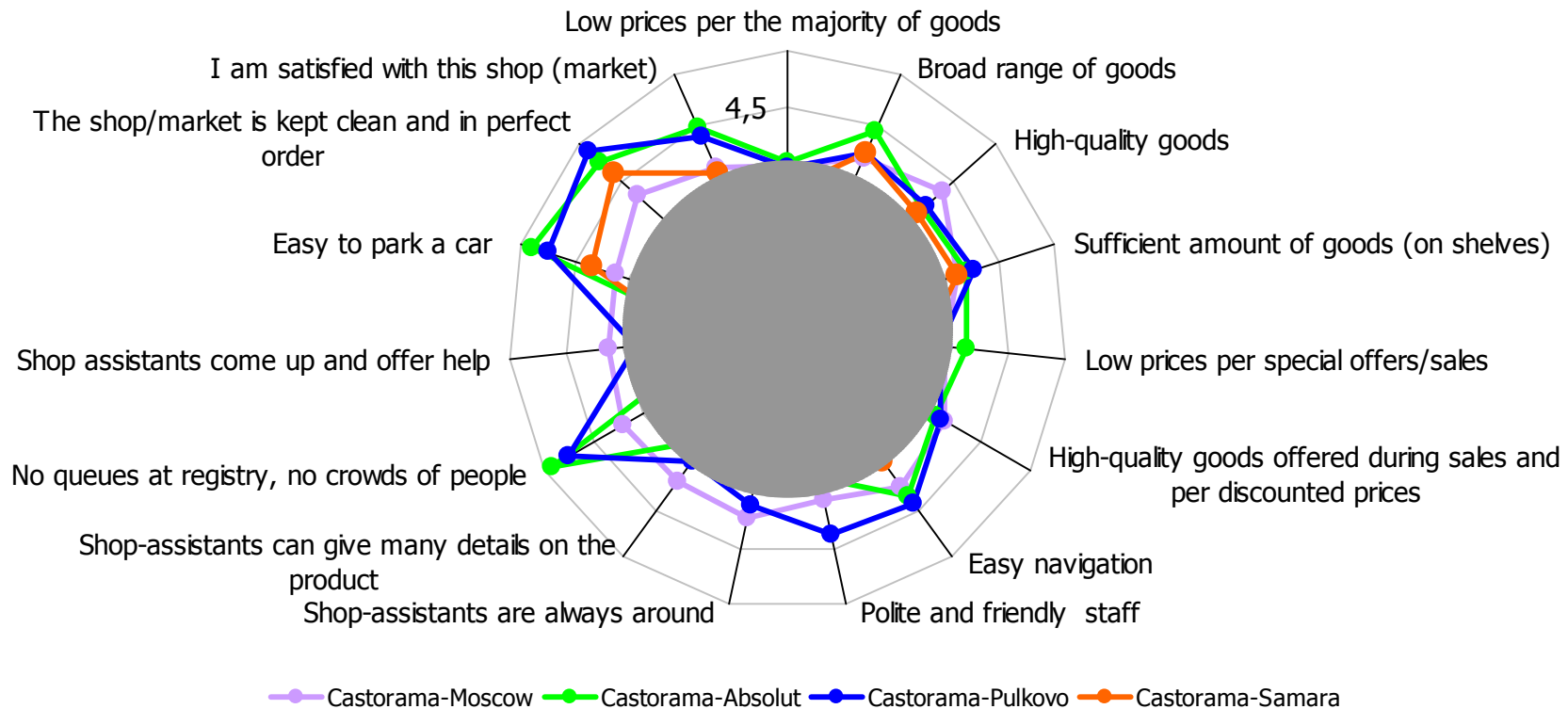
Samara



3. Castorama Russia

Customer satisfaction

- Castorama in all cities shows **good satisfaction rating** of all key parameters (price, range, special offers, quality, stock), but still has low satisfaction level of the staff knowledge and availability in Absolut and Samara



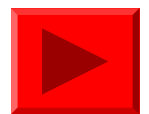
3. Castorama Russia

Customer communication



For customers renovation with Castorama is

**simple,
interesting,
exciting!**



3. Castorama Russia

Targets market leadership

STRATEGIC OBJECTIVE

ACTIVITY

1. Develop economic model

LFL Sales
Margin Improvements
Cost Efficiencies

2. Develop business organisation

Regional structures
Head office infrastructure
Communication

3. Develop infrastructure

Logistics
Systems Development

4. Develop our people

Training and Development
Paying Good Market Rates
Retention

5. Develop the supply base

Agreements negotiations (buying terms)
Range rationalisation
Vendor Management

6. Open stores

Find good locations at a sensible price

Conclusion

- A very **attractive** home improvement market
- **Huge** opportunity for growth and economic returns
- Castorama has got off to a **very good start**
- Clear plans for **profitable** expansion

Moscow store visit

- **Location:** South-East of Moscow
- **Size:** selling space 8 875 square metres
- **Product mix:** building, timber, decor, lighting, showrooms, flooring, ceramics, tools, hardware, garden
- **Staff:** 228



LET'S VISIT THE STORE!