МАГНИТ

We work hard to increase the prosperity of our customers by minimizing their expenditure on quality consumer goods, through:

- *Efficient use of the Company’s resources*
- *On-going improvements in technology*
- *Adequate compensation for our employees*

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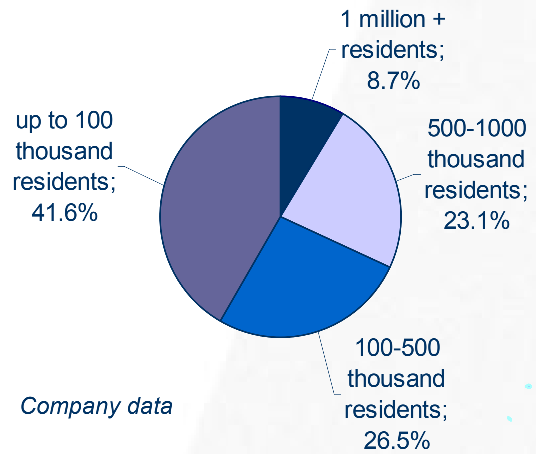
Magnit today*:

- **The leading Russian food retailer by number of stores and customers**
  - **1 761 stores** in discounter format as of September 30, 2006
  - **463.2 million customers** in 9M2006
  - The only retail chain with **presence in 531 cities** and towns in European Russia as of September 30, 2006
- **9M2006 Net Sales amounted to USD 1 735 million (RUR 47 513 million)**
- **Over 39 100 employees as of September 30, 2006**
- **In-house logistics based on 6 distribution centres with total warehousing space of 70 300 m² and a fleet of over 500 company-owned vehicles**
- **The average ticket as of 9M2006 is USD 3.67 (excl. VAT) (RUR 100.51)**
- **Prepares to enter the Hypermarket sector**
  - Developed own Hypermarket business model
  - 6 hypermarkets are already under construction, construction of 6 more hypermarkets will start in 4Q06.

*Note: * management accounts*

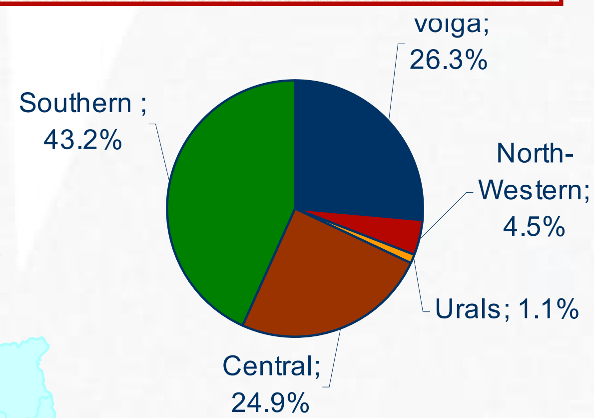
Strong regional coverage 1H2006

Demographical breakdown of store locations

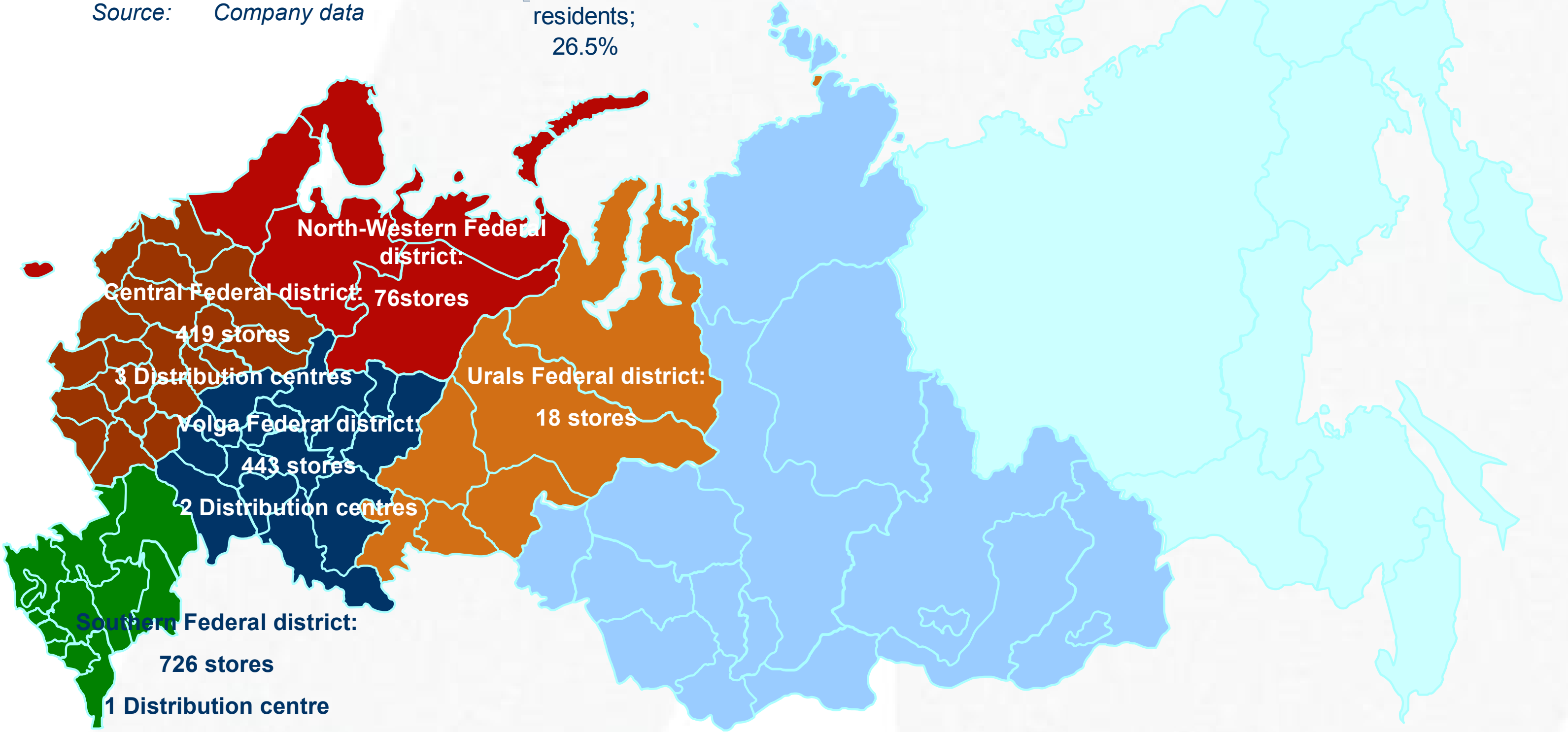


Source: Company data

Store portfolio by Federal district

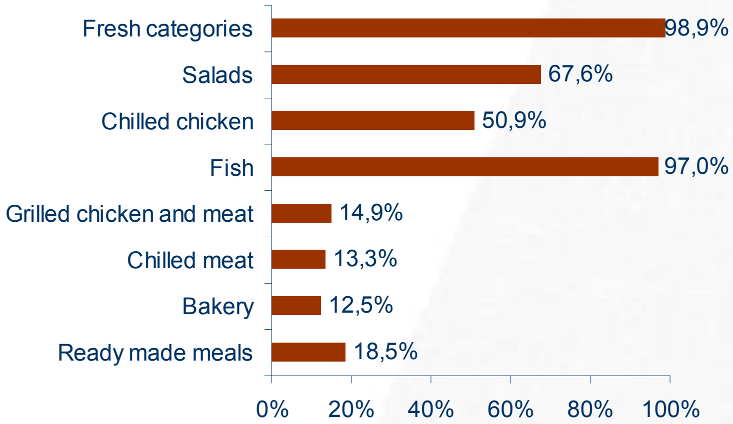


Source: Company data



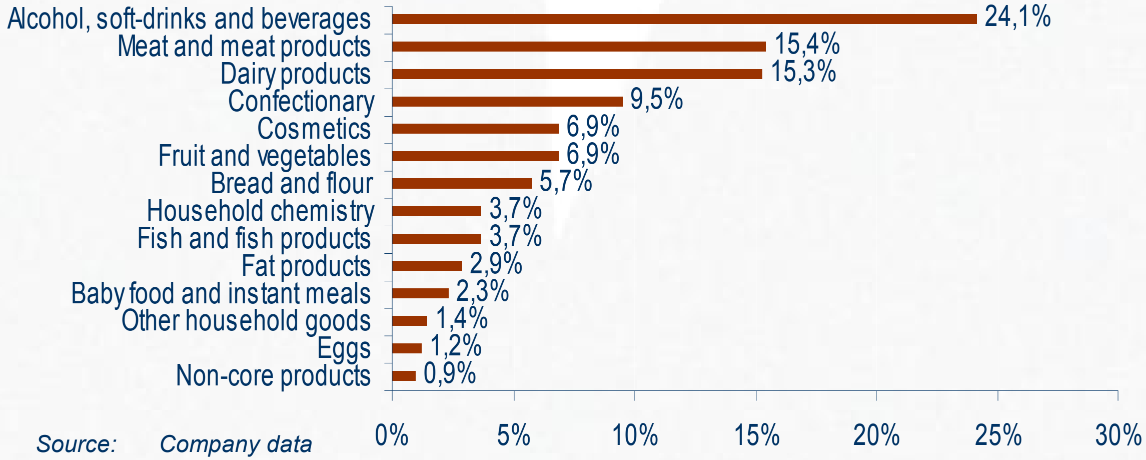
Assortment selection

Share of stores offering fresh and value-added products, 1H2006



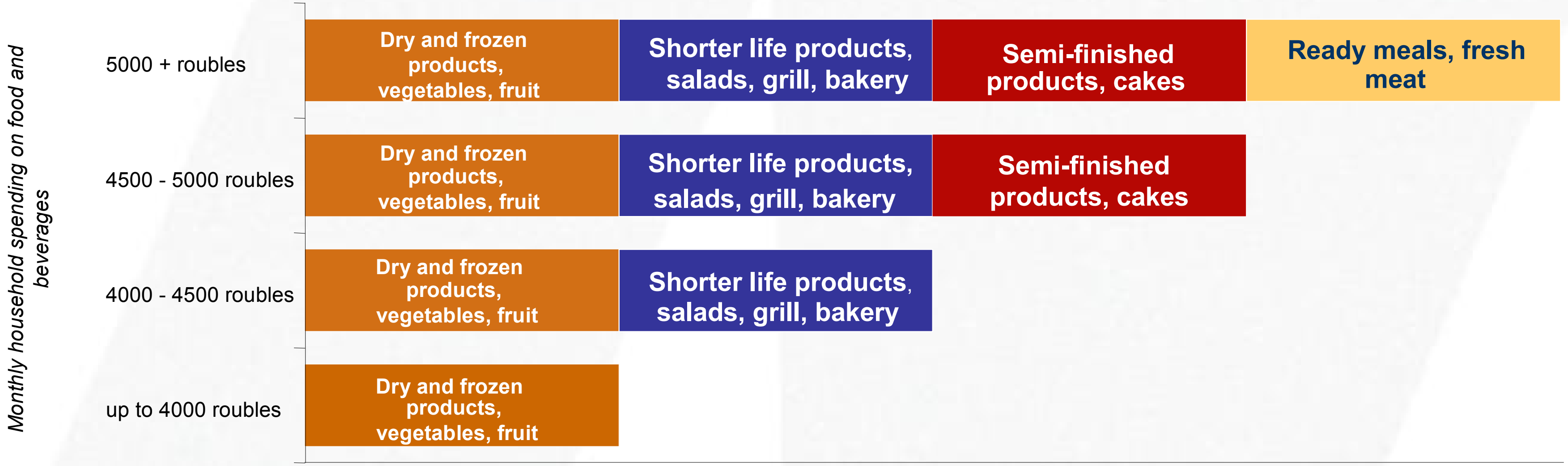
Source: Company data

Assortment structure, 1H2006



Source: Company data

Assortment correlates with customers' purchasing power



Source: Company data

Suppliers, purchasing and Private Label products

Magnit is the largest buyer for many domestic and international FMCG producers.

- Weekly Assortment Committee approves the assortment and suppliers.
- Direct purchasing and delivery contracts
- Large national suppliers account for approximately 64% of cost of goods sold
- Economies of Scale and wide geographical presence ensure the best prices and most favourable contract terms
  - Volume discounts
  - Compensation of external and internal logistics costs
  - Average credit term in 2005 was 34 days and could vary up to 60 days
  - Contract term is typically 1 year
  - Often can be unilaterally terminated by Magnit with no penalties
- Supplier bonuses
  - For meeting sales targets
  - For store promotions
  - For loyalty

Own Label products are designed to substitute the cheapest SKUs to maximise returns on each metre of shelving space:

- 520 Own Label SKUs (30 June 2006)
- Own Label products accounted for 10.47% share of retail revenue in 1H2006 and 14.57% of total SKUs
- Management aims to double the share of Own Label sales in retail revenue by 2015
- Approximately 90% of Own Label products are food
- The Gross margin of Private Label products is 8% and more percentage points higher than for similar product categories

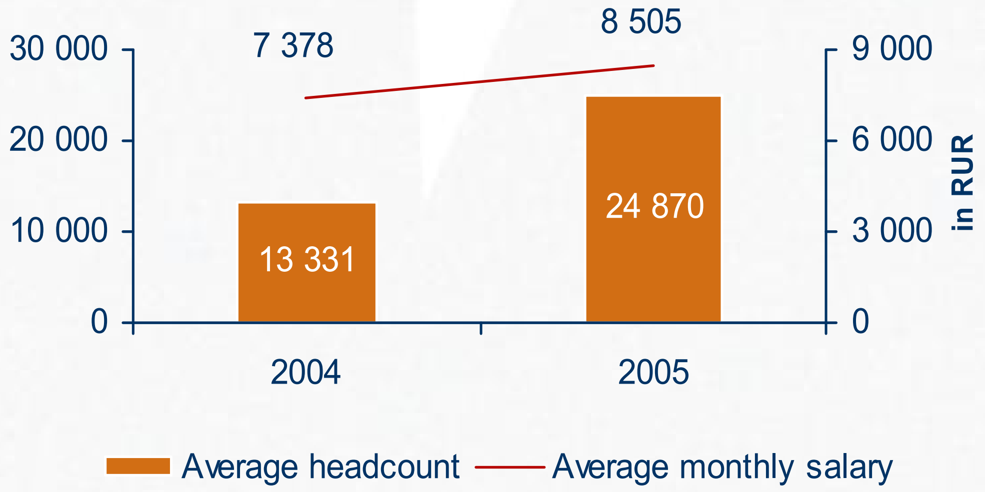
Share of Private Label products in revenue

Source: Company data

Well trained dedicated personnel

- The total number of employees in the Group exceeded 36 000 at the end of June 2006:
  - 27 972 in-store personnel,
  - 4 502 people engaged in distribution,
  - 2 774 people in regional branches and
  - 752 people employed by head office
- The average age of our employees is approximately 28 years
- The gross average monthly salary in 2005 was RUR 8 505, of which approximately 75% was basic salary
- Special performance-linked bonuses and incentives help to motivate the employees at all levels.
- Key members of the Management hold Company's shares
- Performance monitoring and evaluation on a regular basis
- Training system provides:
- Career development programmes for all levels to ensure
  - Lower staff turnover
  - Increased motivation
  - Higher productivity
- Personnel training
  - 60 classrooms for trainings at all levels
  - Regular meetings and seminars between mid-level managers to exchange best practices
  - Coaching for top-management
- Strong corporate culture aimed at development of loyalty of employees
  - The Company publishes a corporate newspaper every two months
  - Team building events to ensure integrity of the team

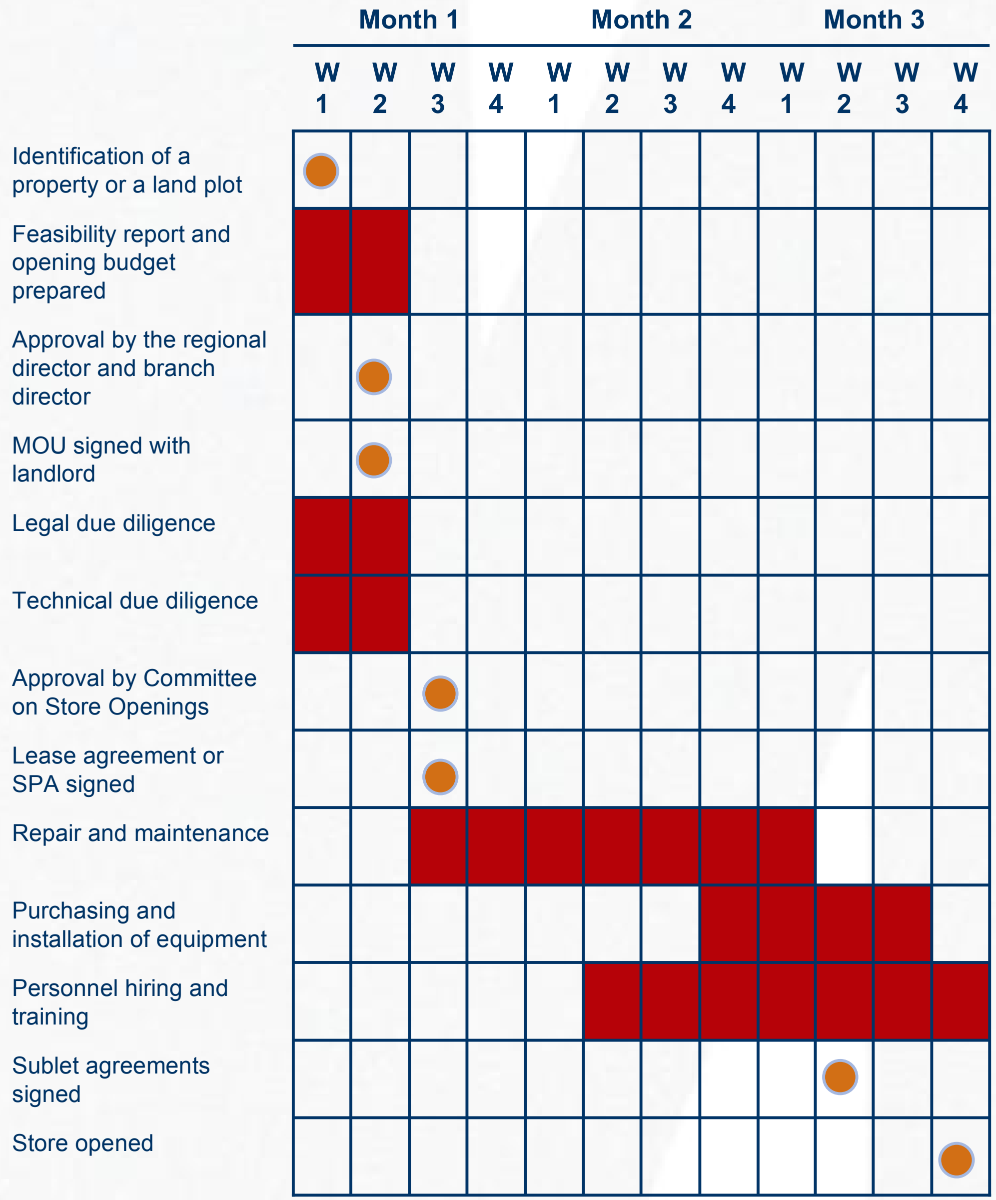
Average number of employees vs. average salary, 2004-2005



Source: audited IFRS Financial Statements, Management estimates

Store opening process varies from 1 to 3 months

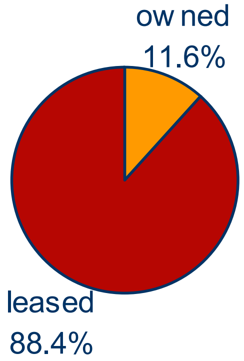
- Considerable experience of store openings
- Preference given to leased store due to quick roll out in new markets
- Acquisitions and construction are preferred in existing markets with already high penetration
- Key store opening criterion is payback period of not more than 3 years if leased; 6-7 years if owned
- Average total cost of a new outlet is USD130 000 (excluding cost of inventory and real estate <u>BUT</u> including USD70 000 cost of equipment),
- In the medium term, the Company plans to open between 200 and 400 stores each year
- The store maturity pattern: 42% of maximum traffic by the end of the first 3 months, 98% - within 6 months of opening
- Rationalisation of store portfolio

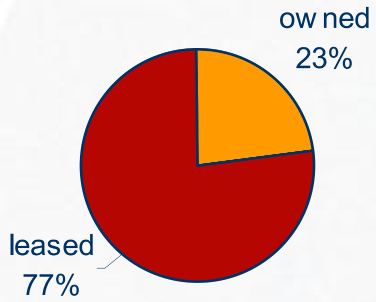


Summary Magnit store statistics

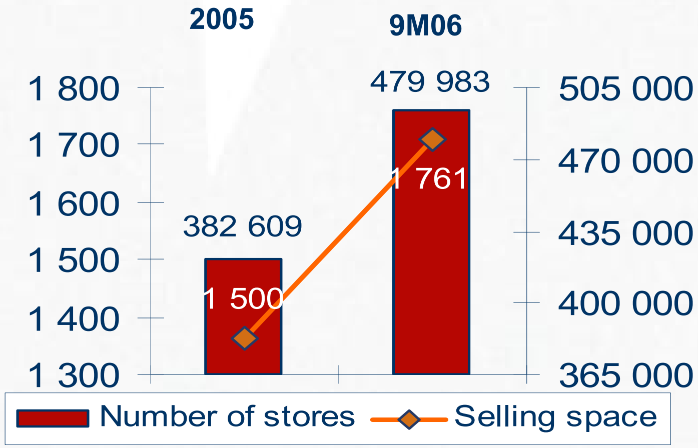
Store portfolio, 30 September 2006

Owned and leased stores breakdown, 9M2006





Number of stores and Selling space, sq. m



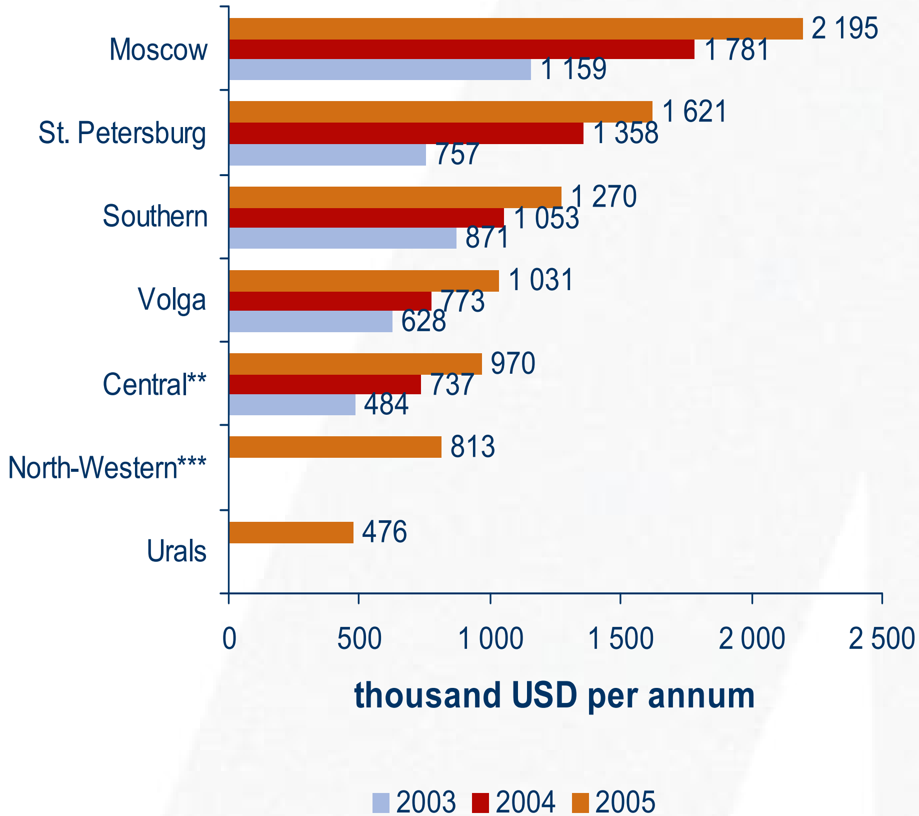
Store openings

	1998	1999	2000	2001	2002	2003	2004	2005	30 September 06
Southern	1	18	27	133	270	387	550	684	747
Central					40	100	224	379	435
Volga		2	1	19	53	114	214	368	480
North-Western				1	5	9	26	61	78
Urals								8	21
Total	**1**	**20**	**28**	**153**	**368**	**610**	**1 014**	**1 500**	**1 761**
New openings		19	10	127	222	259	438	550	349
Closings		0	2	2	7	17	34	64	88
Net openings		**19**	**8**	**125**	**215**	**242**	**404**	**486**	**261**

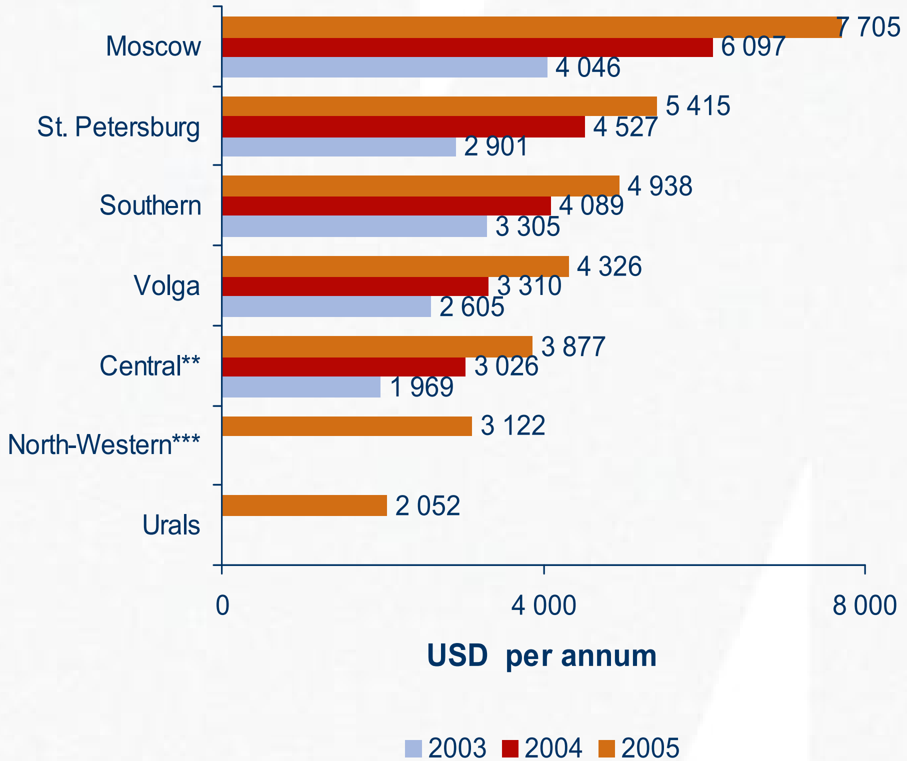
Source: Company data

Regional store performance

Sales per store*, 2003-2005



Sales per sq. m*, 2003-2005



Note: * calculated as retail revenue in a year divided by weighted average number of stores and selling space in the same year

** excluding Moscow and Moscow region

*** excluding St. Petersburg and Leningrad region

Source: Company data

Source: Company data

LFL sales analysis

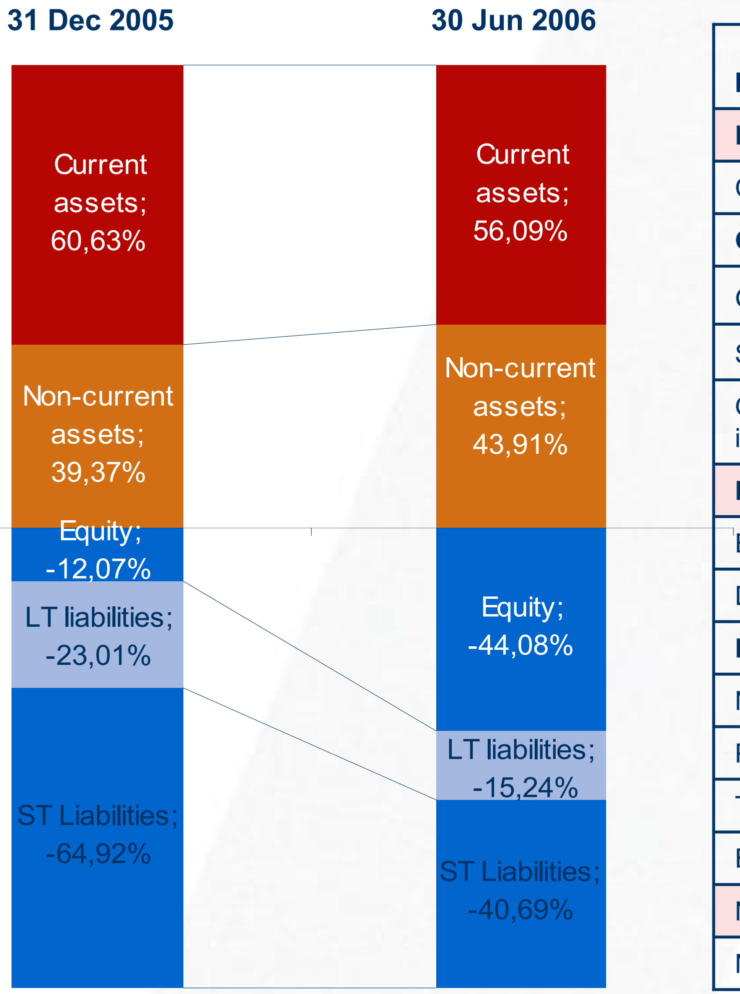
LFL 9M2005 to 9M2006, RUR

Tickets per store, LFL growth	2.97%
Average ticket, LFL growth	9.17%
LFL revenue growth	12.40%

Note: for stores opened before July 2003 and not closed down permanently, expanded or downsized by the end of 2005, i.e. 399 stores

Source: Company data

Improved operating efficiency and capital structure



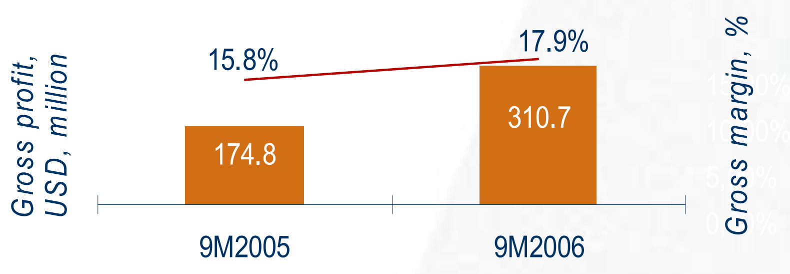
Net debt, 30.06.2006 - 73 mln. USD

In US$m	FY* 2004	FY * 2005	YoY, %	1H** 2005	1H** 2006	YoY, %
Net sales	**848.5**	**1577.7**	**86%**	**693.7**	**1,074.0**	**54,8%**
Cost of goods sold	(739.8)	(1 312.9)	77%	(587.5)	(882.1)	50,1%
Gross profit	**108.7**	**264.8**	**144%**	**99. 1**	**189.2**	**90.9%**
Gross margin, %	12.8%	16.8%		14.3%	17.6%	
SG&A	(92.9)	(185.5)	100%	(87.5)	(152.6)	74.4%
Other income/(expense)	(3.1)	(1.3)		(1.7)	(1.7)	
EBITDA	**12.7**	**78.0**	**513%**	**16.6**	**47.2**	**184.9%**
EBITDA margin, %	1.5%	4.9%		2.4%	4.4%	
Depreciation	(6.1)	(15.1)		(6.7)	(11.9)	
EBIT	**6.6**	**62.9**	**854%**	**9.9**	**35.4**	**258.8%**
Net finance costs	(5.3)	(12.9)		(5.2)	(6.4)	
Profit before tax	1.3	50.0		4.7	29.0	
Taxes	(3.0)	(13.2)		(0.553)	(8.105)	
Effective tax rate	232.0%	26.0%		11.8%	27.9%	
Net income	(1.7)	36.8		4.1	20.9	
Net margin, %	(0.2%)	2.3%		0.6%	1.9%	

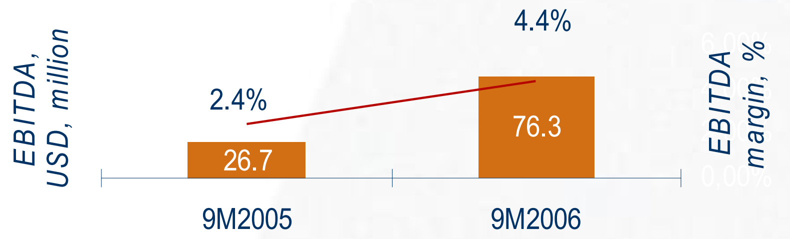
**Source: audited IFRS Financial Statements* ***Source: reviewed IFRS Financial Statements*

Profitability analysis

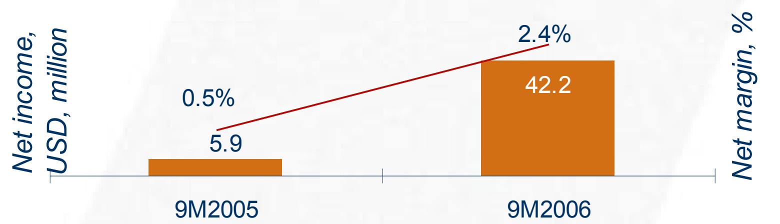
GM dynamics, 9M2005-9M2006



EBITDA dynamics, 9M2005-9M2006

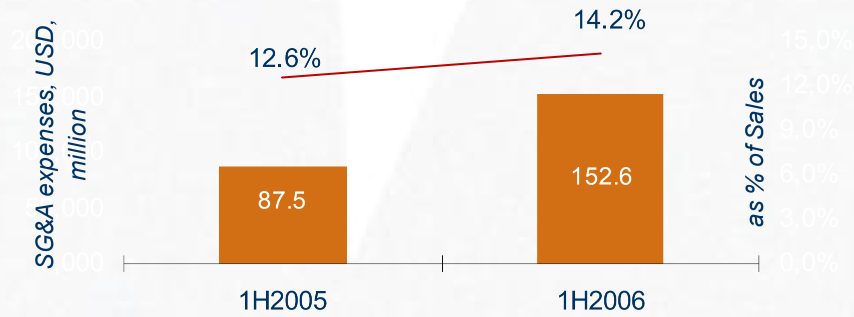


Net profit dynamics, 9M2005-9M2006

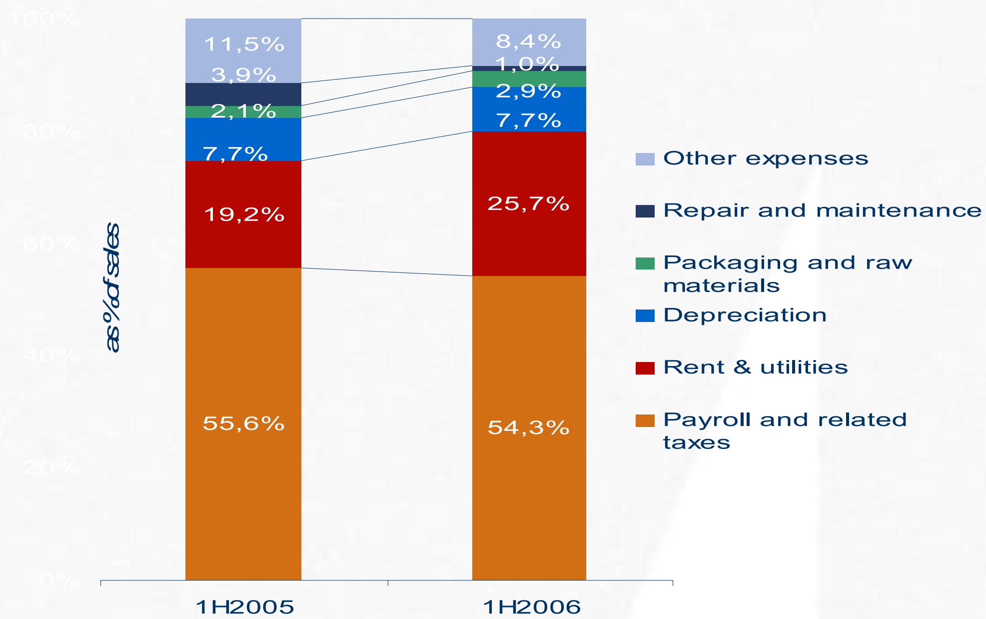


Source: Company Accounts

SG&A expense dynamics, 1H2005-1H2006



Changes in SG&A expense structure



Source: Reviewed IFRS Financial Statements

Consolidated balance sheet, 1H2006

In US$m	30-Jun-06 (unaudited)	31-Dec-2005 (audited)
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment, net	257,778	160,108
Goodwill	220	-
Intangible assets	330	350
Long-term investments	115	-
Total non-current assets	258,443	160,458
CURRENT ASSETS:		
Merchandise	195,238	151,276
Receivables and prepayments, net	75,267	50,051
Short-term investments	41,784	-
Cash and cash equivalents	17,896	45,771
Total current assets	330,185	247,098
TOTAL ASSETS	588,628	407,556
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY:		
Share capital	27	23
Share premium	185,482	143
Retained earnings	71,126	50,217
Cumulative translation adjustment	2,302	-1,195
Total shareholders' equity	258,937	49,188
MINORITY INTEREST	513	-
	259,45	49,188
NON-CURRENT LIABILITIES:		
Long-term loans and bonds	67,759	79,351
Long-term obligations under finance leases	9,168	3,466
Deferred tax liabilities, net	12,64	10,978
Total non-current liabilities	89,683	93,795
CURRENT LIABILITIES:		
Trade accounts payable	176,271	132,223
Other payables and accrued expenses	55,548	57,531
Short-term loans	7,676	74,819
Total current liabilities	239,495	264,573
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	588,628	407,556

Source: reviewed IFRS Financial Statements

Consolidated cash flow statement,1H2006

In US$m	1 H 2006	1 H 2005
OPERATING ACTIVITIES:		
Profit before income tax	29,014	4,668
Adjustments for:		
Depreciation	11,809	6,705
Loss on disposal of property, plant and equipment	411	286
Change in provision for doubtful receivables	973	485
Other adjustments	902	814
Finance costs, net	6,362	5,195
Operating cash flow before movements in working capital	49,471	18,153
Increase in receivables and prepayments	-22,897	-16,124
Increase in merchandise	-33,775	-20,789
Increase in trade accounts payable	35,035	14,089
Increase in other payables and accrued expenses	14,873	5,136
Cash provided by operations	42,707	465
Interest paid	-6,906	-5,148
Interest received	482	4
Income tax paid	-28,467	-527
Net cash provided by operating activities	7,816	-5,206
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	-87,136	-31,69
Proceeds on disposal of property, plant and equipment	578	577
Purchase of investments	-100,212	-329
Proceeds from sale of investments	59,142	515
Net cash used in investing activities	-127,628	-30,927
FINANCING ACTIVITIES:		
Proceeds from borrowings	176,465	239,931
Repayment of borrowings	-246,873	-208,128
Proceeds from long-term borrowings	5,166	642
Repayment of long-term borrowings	-21,428	-3,779
Repayment of obligations under finance lease	-5,404	-745
Proceeds from issue of shares	181,732	-
Cash paid for treasury shares	-	-1,524
Net cash from financing activities	90,129	26,397
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	-2,279	750
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-30,154	-9,736
CASH AND CASH EQUIVALENTS, beginning of year	45,771	18,599
CASH AND CASH EQUIVALENTS, end of year	17,896	9,613

Source: reviewed IFRS Financial Statements