МАГНИТ


9M 2013 Results

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1. Magnit at a Glance

Our History

1994 – 1998

Early years: wholesale distribution

- Foundation of wholesale business by Mr. Galitskiy
- Tander becomes one of the major distributors of household products and cosmetics in Russia
- Decision to expand into food retail market

1998 – 1999

Entrance into food retail

- First convenience store opened in Krasnodar
- Experiments with format
- Stores merged into Magnit discounter retail chain

2001 – 2005

Extensive roll-out to capture market share

- Rapid regional roll-out: 1,500 stores by the end of 2005
- Adoption of IFRS
- Strict financial control
- Performance-linked compensation

2006 – 2009 crisis

Continued growth with focus on margin expansion and multi-format

- Leading food retailer in Russia by number of stores
- IPO in 2006
- Independent director elected to the Board
- Audit Committee established
- Corporate governance rules established to comply with best practice
- SPO – 2008, 2009
- 24 hypermarkets opened in 2007-2009
- 636 convenience stores opened in 2009

2010-2012

Strong performer compared to peers

- Successful SPO in December 2011, proceeds amounted to US$ 475 mn
- Acceleration of growth – 1,575 stores added in 2012
- Total of 6,884 stores as of 31 December 2012 with plan to open up to 1,200 stores in 2013
- Ongoing development of logistics system – 4 new DCs and 1,200 trucks to be added in 2013
- Large investment program for 2013 - plan to make CAPEX of about US$ 1,8 bn
- Ongoing efficiency improvement
- Expansion into complementary business – 692 cosmetics stores as of December 31, 2012
- Vertical integration via own vegetables and other food production



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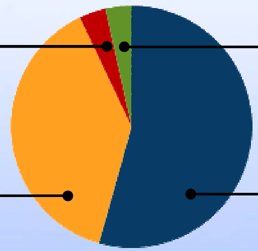
Magnit Today

- **#1 Russian food retail chain** by revenue and number of stores with presence in **1,763** cities and towns[1]
- # 2 retailer in Europe in market capitalisation **of approximately $30 bn**[2]
- > **6% share** in Russian Grocery sector
- **Multi-format business model** comprising convenience stores, hypermarkets, cosmetics stores and “Magnit Family” stores[3]
- **In-house logistics system** including **19** distribution centers and fleet of **4,969** vehicles[1]
- **Diversified shareholder base** with free-float of approximately **54%**

Shareholder Structure



As of 30.06.2013

Key Financial Metrics

USD mn	1H2013	1H2012	Growth rate
Net sales	8,796.4	6,775.8	*+29.8%*
Convenience stores	6,940.1	5,596.4	*+24.0%*
Hypermarkets	1,559.1	1,083.6	*+43.9%*
Other[4]	297.2	95.7	*+210.5%*
EBITDA	889.9	670.6	*+32.7%*
EBITDA margin, %	10.12%	9.90%	*+0.2 п.п.*
Net Profit	468.9	339.9	*+38.0%*
Net Margin, %	5.33%	5.02%	*+0.3 п.п.*

USD mn	1H2013	1H2012	Growth rate
Assets	7,029.4	5,487.5	*+28.1%*
Total Debt	1,865.3	1,499.2	*+24.4%*
Short-term Debt	50.9%	7.0%	*+43.9 п.п.*
Net Debt	1,599	1,370.8	*+16.6%*
Net Debt / LTM EBITDA	0.9	1.1	*-0.2 п.п.*
EBITDA / Financial expenses	11.7	10.9	*+0.8 п.п.*

Key Operational Statistics

	1H2013	1H2012	Growth rate
Total number of stores	7,416	5,722	*+29.6%*
Selling space, thousand sq. m.	2,748.1	2,119.5	*+29.7%*
Number of customers, million	1,182.6	965.1	*+22.5%*
LFL Revenue growth, RUB terms	5.3%	3.5%	*+1.8 п.п.*
Convenience stores	5.0%	3.3%	*+1.7 п.п.*
Hypermarkets	7.1%	5.7%	*+1.4 п.п.*

Source: IFRS accounts for FY2011 – 1H2013
[1]As of 30.09.2013 [2]As of 25.10.2013 according to Bloomberg [3] Format adapted to premises where hypermarket accommodation is impossible for technical reasons
[4] Includes revenue from cosmetics stores, "Magnit Family" stores and wholesale sales



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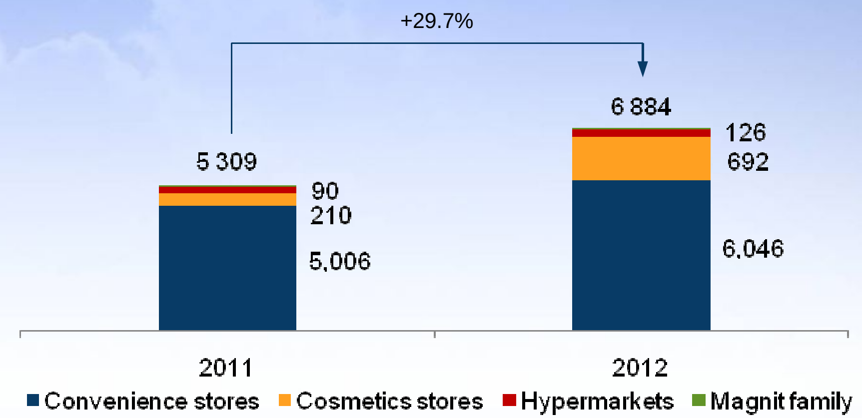
Recent Developments

- Opened **762** new stores in 9M2013: **737** convenience stores, **22** hypermarkets and **10** stores "Magnit Family"
- Total headcount approximately **200 thousand people**
- Launch of **a new distribution center** in September 2013 in Zelenodolsk (the Rebublic of Tatarstan) and the plan to open another 3 DCs in 4Q 2013
- Expansion of automobile fleet: the number of transport units is approximately **5000**
- Assignment of the "**BB (outlook stable)**" credit rating by S&P - the highest rating among CIS retailers
- Magnit corporate awards:
  - All-Russia competition "**Carrier of the Year - 2012**" by the Association of International Road Transport Carriers
  - «**Active corporate policy on information disclosure**» by «Interfax» and AK&M
- Sergey Galitskiy's awards and nominations:
  - nomination "**Man of the year**" by "Vedomosti"
  - premier award "**Retail Grand Prix - 2012**"
  - contest "**Russian leaders in corporate governance**"

New Stores Opened



Share Price Return Relative to Competitors

Source: Company, Bloomberg

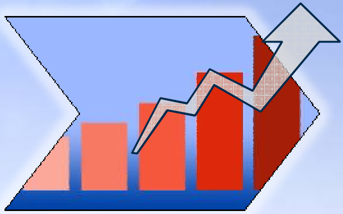
Strategy

Expansion of convenience store operations

- Further penetration in existing regions
- Qualitative analysis of each object opening prospects
- Adjusting format to customers’ needs
- Shift to multi-format: Growth of cosmetics store chain
- Plan to add in 2013: **1,100** convenience stores; 30 cosmetics stores

Hypermarket roll-out

- Creation of a leading hypermarket chain in regions with low competition and income growth potential
- Use of the existing business platform
- Shift to multi-format: Development of the format "Magnit Family"
- Plan to add in 2013: **60** hypermarkets



Efficiency and profitability improvement

- Increase of the share of products distributed through own logistics system
- Improvement of the product mix
- Synergies between hypermarkets and convenience stores
- Increase of purchasing power
- Labor productivity optimization



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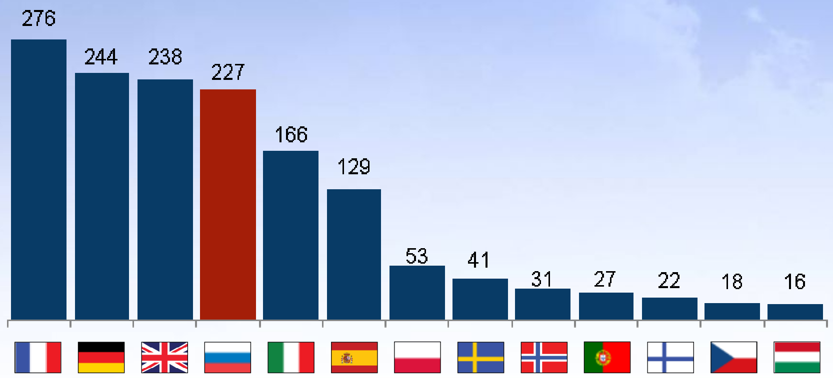
2. Market Overview

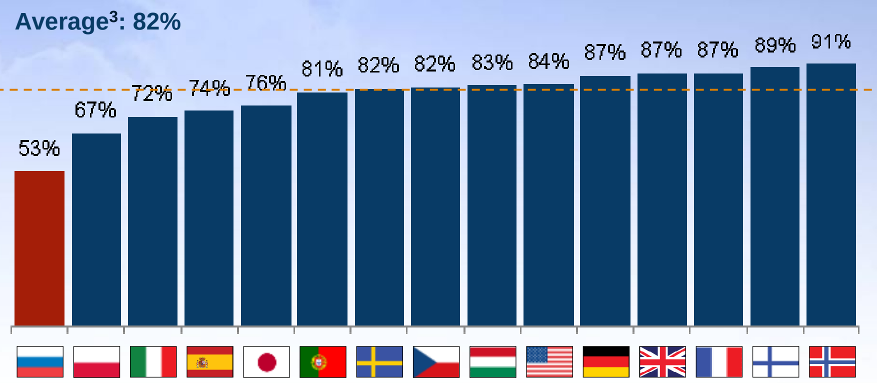
Russian Food Retail Market

Market Size by Country[1], USD bn



Source: Euromonitor, as of 2011

Modern Retail Penetration by Country[2]

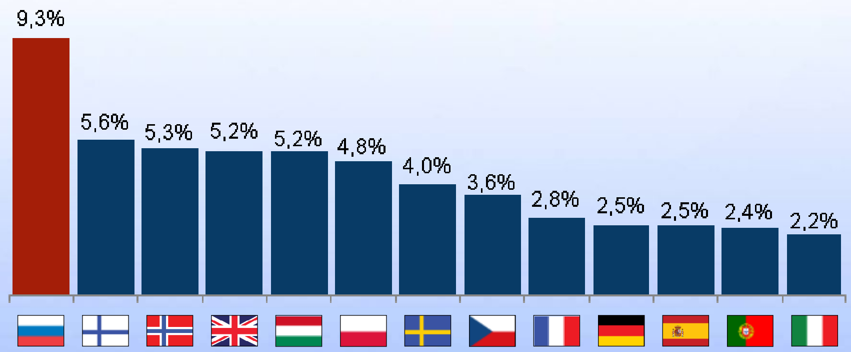


Source: Euromonitor, as of 2011

Russian Market vs Real Wage Dynamics

Source: GKS

Expected Market Growth by Country, 2011-2016 CAGR[4]



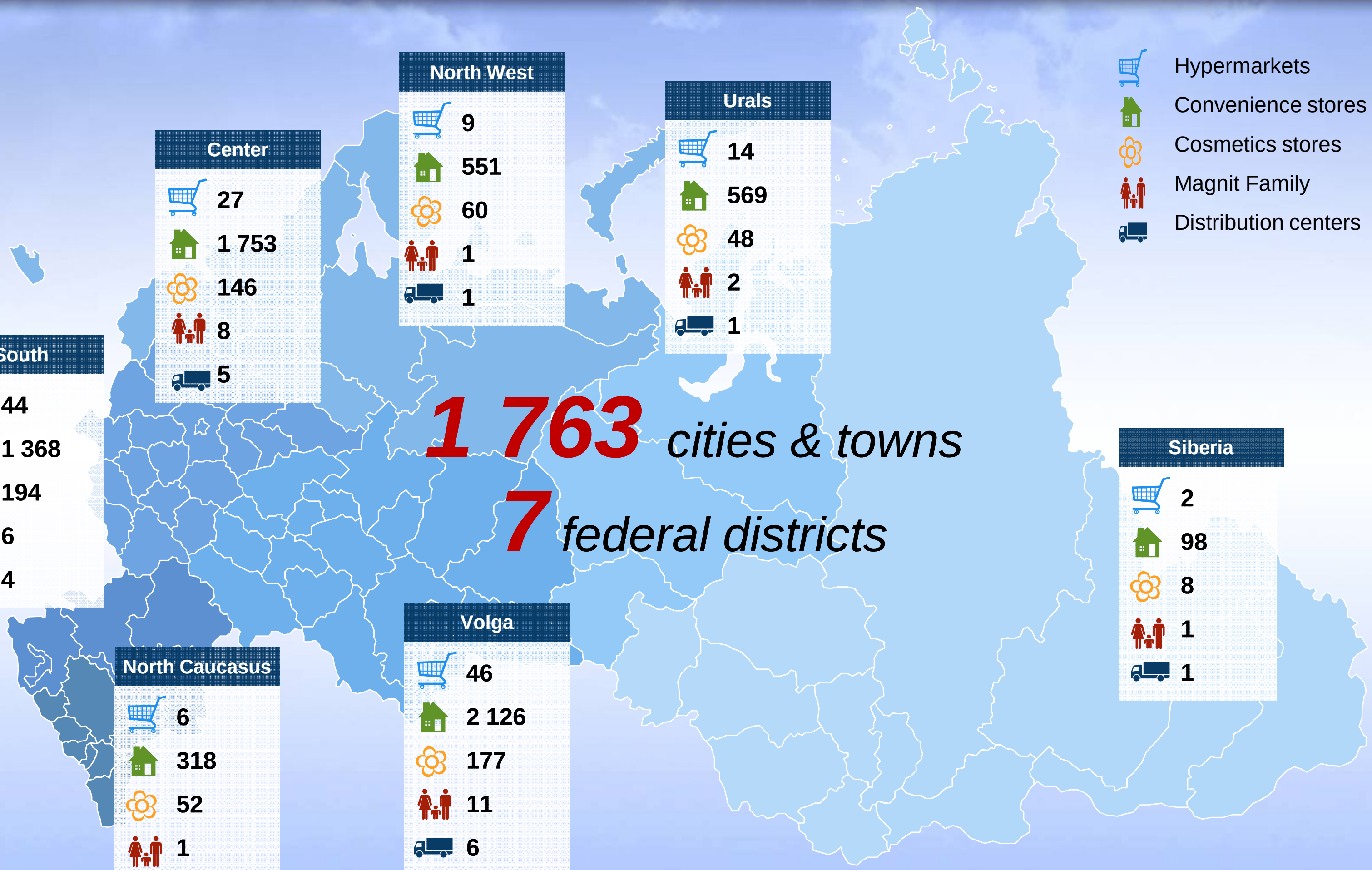
Source: Planet Retail, as of April 2012

[1] Nationwide total sales of food retailers operating in both modern and traditional channels. Excludes wholesale channels

[2] Includes all types of modern retail chains [3] Does not include Russia [4] In local currency

3. Operational Overview

Geographical Coverage



Region	Hypermarkets	Convenience stores	Cosmetics stores	Magnit Family	Distribution centers
North West	9	551	60	1	1
Urals	14	569	48	2	1
Center	27	1 753	146	8	5
South	44	1 368	194	6	4
Siberia	2	98	8	1	1
Volga	46	2 126	177	11	6
North Caucasus	6	318	52	1	1

Source: Company, as of 30 September 2013

Store Opening Dynamics

<table>
<tr><th></th><th>2003</th><th>2004</th><th>2005</th><th>2006</th><th>2007</th><th>2008</th><th>2009</th><th>2010</th><th>2011</th><th>2012</th><th>9M 2013</th></tr>
<tr><td>Southern</td><td rowspan="2">387</td><td rowspan="2">550</td><td rowspan="2">684</td><td rowspan="2">783</td><td rowspan="2">889</td><td rowspan="2">1,013</td><td rowspan="2">1,167</td><td>1,103</td><td>1,298</td><td>1,531</td><td>1,612</td></tr>
<tr><td>North-Caucasian</td><td>263</td><td>302</td><td>375</td><td>377</td></tr>
<tr><td>Central</td><td>100</td><td>224</td><td>379</td><td>461</td><td>546</td><td>642</td><td>807</td><td>961</td><td>1,270</td><td>1,692</td><td>1,934</td></tr>
<tr><td>Volga</td><td>114</td><td>214</td><td>368</td><td>536</td><td>628</td><td>744</td><td>954</td><td>1,245</td><td>1,662</td><td>2,142</td><td>2,360</td></tr>
<tr><td>North-West</td><td>9</td><td>26</td><td>61</td><td>84</td><td>89</td><td>116</td><td>161</td><td>217</td><td>348</td><td>504</td><td>621</td></tr>
<tr><td>Urals</td><td></td><td></td><td>8</td><td>29</td><td>45</td><td>67</td><td>139</td><td>245</td><td>372</td><td>550</td><td>633</td></tr>
<tr><td>Siberian</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td>21</td><td>57</td><td>90</td><td>109</td></tr>
<tr><td>Total</td><td>610</td><td>1,014</td><td>1,500</td><td>1,893</td><td>2,197</td><td>2,582</td><td>3,228</td><td>4,055</td><td>5,309</td><td>6,884</td><td>7,646</td></tr>
<tr><td>New openings</td><td>259</td><td>438</td><td>550</td><td>513</td><td>412</td><td>463</td><td>712</td><td>892</td><td>1,337</td><td>1,675</td><td>904</td></tr>
<tr><td>Closings</td><td>17</td><td>34</td><td>64</td><td>120</td><td>108</td><td>78</td><td>66</td><td>65</td><td>83</td><td>100</td><td>142</td></tr>
<tr><td>Net openings</td><td>242</td><td>404</td><td>486</td><td>393</td><td>304</td><td>385</td><td>646</td><td>827</td><td>1,254</td><td>1,575</td><td>762</td></tr>
</table>

- 3,075 convenience stores (net) launched in 2010-2012, 1,100 to be added in 2013
- 72 convenience stores were closed in 9M 2013
  - 27 due to poor performance
  - 35 were relocated to better locations
  - 10 were shut due to disagreements with landlords

Source: Company

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A Shift to Multi Format

	Convenience Store	Hypermarket	Cosmetics store
			
Number of stores	**6,783**	**148**	**685**
Average store size	▪ Total space: 460 sq. m. ▪ Selling space: 324 sq. m.	▪ Total space: 7,217 sq. m. ▪ Magnit selling space (1): 3,030 sq. m.	▪ Total space: 314 sq. m. ▪ Selling space: 236 sq. m
Product range	▪ 2,894 SKUs on average ▪ Private label – 14.8% of retail sales	▪ 12,952 SKUs on average (may vary by format) ▪ Private label – 7.3% of retail sales	▪ 8,237 SKUs on average ▪ Private label – 3.6% of retail sales
Positioning (format)	▪ Walking distance from home ▪ Ground floor stores or freestanding ▪ Open 12hrs/7 days	▪ All hypermarkets are built in convenient locations ▪ All easily accessed by public transport	▪ Walking distance from home ▪ Ground floor stores or above the convenience stores
Target group	▪ People living within 500 meters from the store	▪ People living within 15 minutes by car / 30 minutes by public transport from the store. Effective radius – 7 km	▪ People living within 500 meters from the store
Ownership	▪ 30.4% owned / 69.6% leased	▪ 85.1% owned / 14.9% leased	▪ 28.5% owned / 71.5% leased
% in total revenue	**78%**	**18%**	**2%**

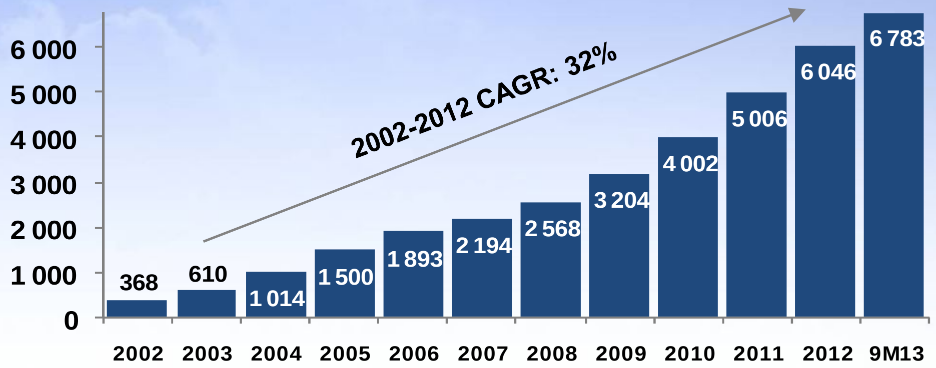
Notes: September 30, 2013 (1) Excludes selling space designated for leases <2% of sales is accounted for Magnit Family stores

Convenience Store
Format Description

Format Highlights

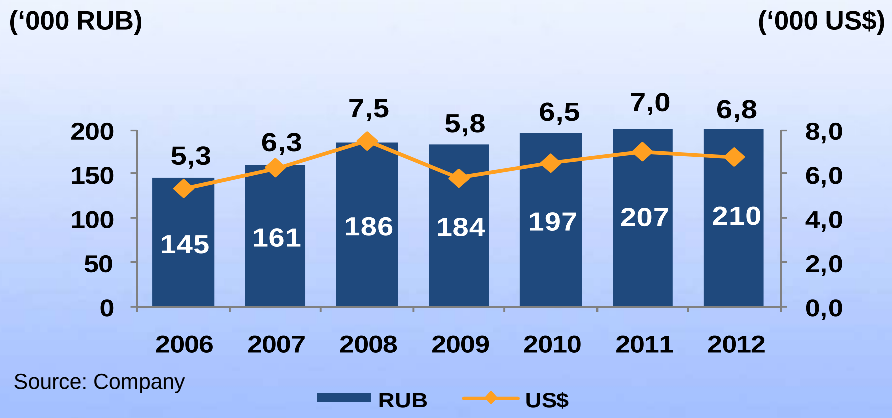
- Low prices
- Convenient locations
- Carefully selected product mix
- Standardised exterior and car parking
- Functional interior design
- Attention to customers
- Increasing customer convenience
- Main target group: all consumers living within 500 m radius

Number of Convenience Stores



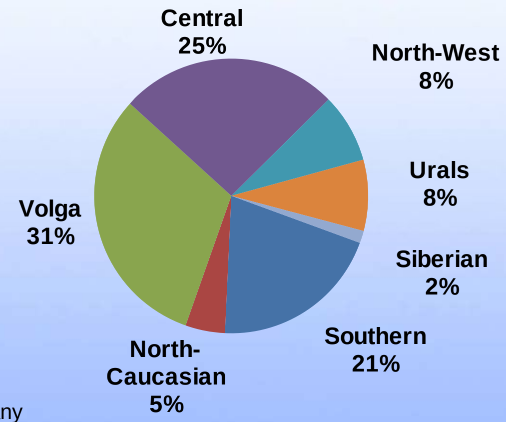
Source: Company

Operating Statistics (sales / sq. m. / year)



Source: Company

Geographical Breakdown (% of total stores)



Source: Company

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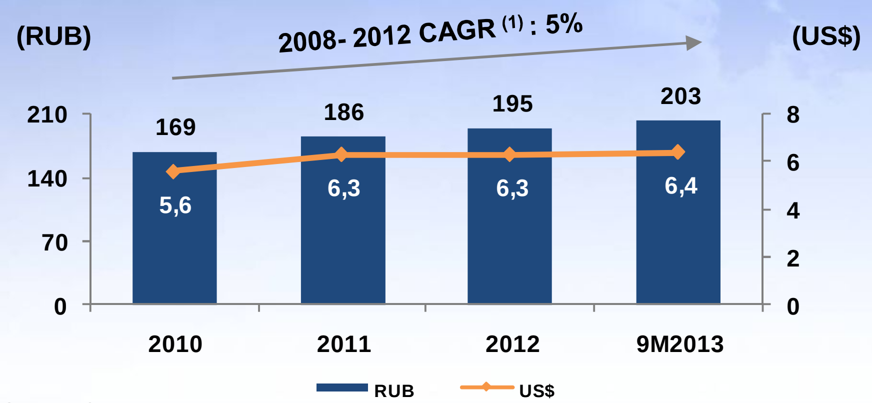
Convenience Store

Key Operating Statistics

Average Ticket

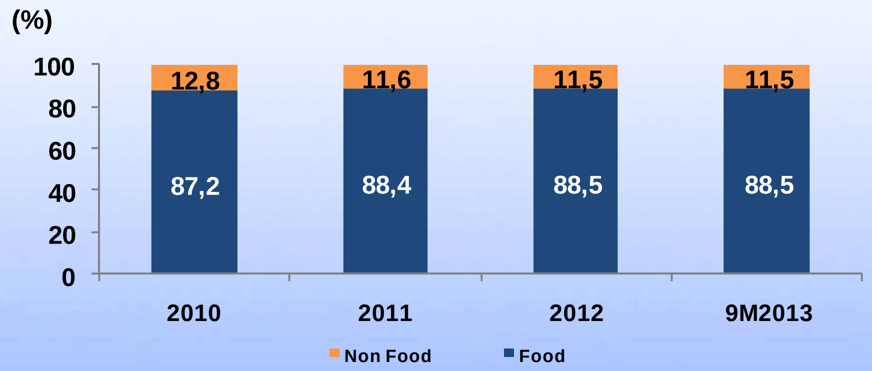


Source: Company

Traffic

Source: Company

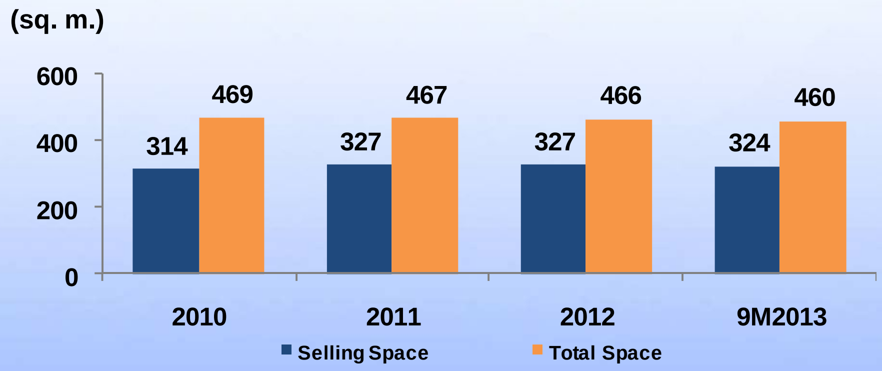
Sales Mix



Source: Company

Note: (1) In RUR terms

Average Floor Size



Source: Company

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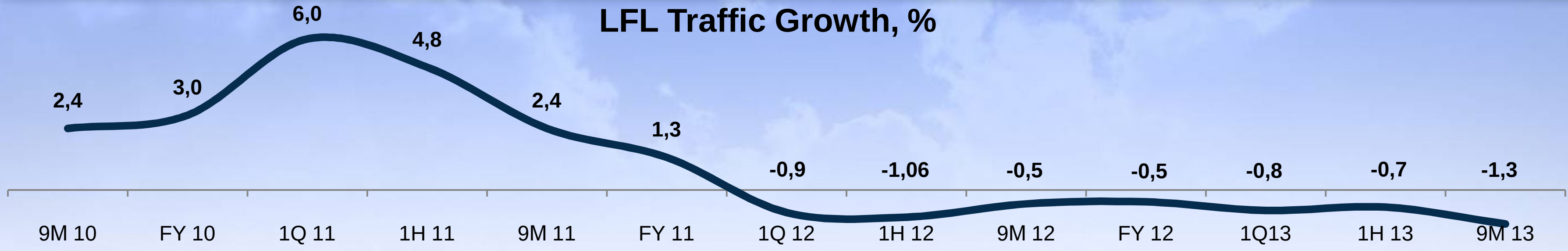
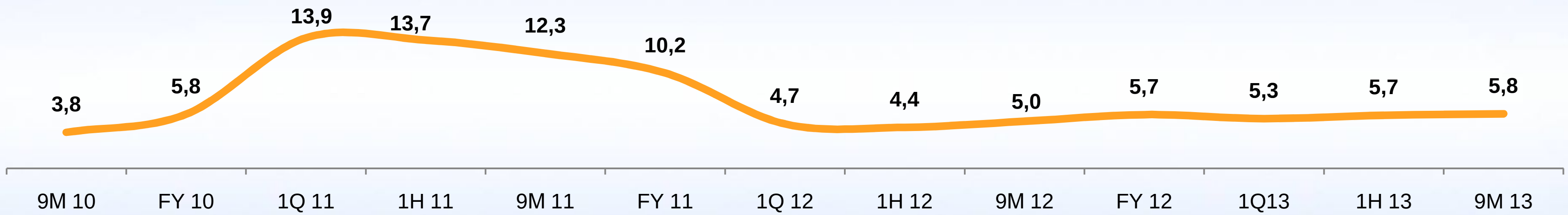
Convenience stores
LFL Sales Growth Analysis

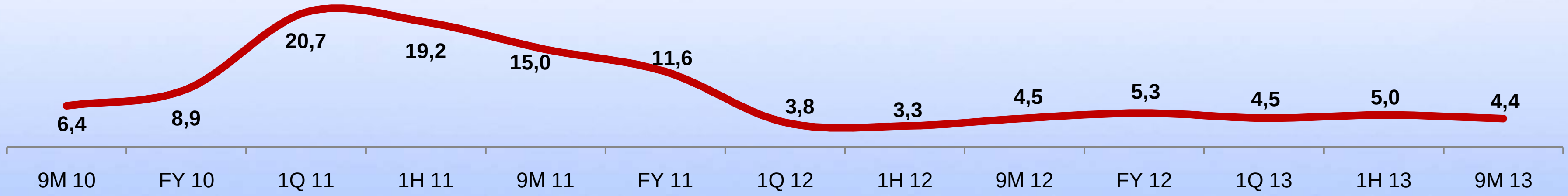
LFL Traffic Growth, %



LFL Average Ticket Size Growth, %



LFL Sales Growth, %



Note: LFL analysis is based on the result of convenience stores that had been operating for not less than six months and have achieved a mature level of sales

Source: Company

Convenience Store
Opening Schedule

- Considerable experience of store openings
- 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; 4 – 6 years if owned
- Average total cost of a new convenience store is US$800 – 2,500 per sq. m. of total space (excl. VAT)
- New stores reach their average traffic and sales target within 6 months from opening
- Rationalisation of store portfolio

	Month 1				Month 2				Month 3			
	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4	W 1	W 2	W 3	W 4
Identification of a property or a land plot	■											
Feasibility report and opening budget prepared	■	■										
Approval by the regional director and branch director		■										
MOU signed with landlord		■										
Legal due diligence	■	■										
Technical due diligence	■	■										
Approval by Committee on Store Openings			■									
Lease agreement or SPA signed			■									
Repair and maintenance			■	■	■	■	■	■	■			
Purchasing and installation of equipment								■	■	■	■	
Personnel hiring and training						■	■	■	■	■	■	■
Sublet agreements signed										■		
Store opened												■



Hypermarket
Format Description

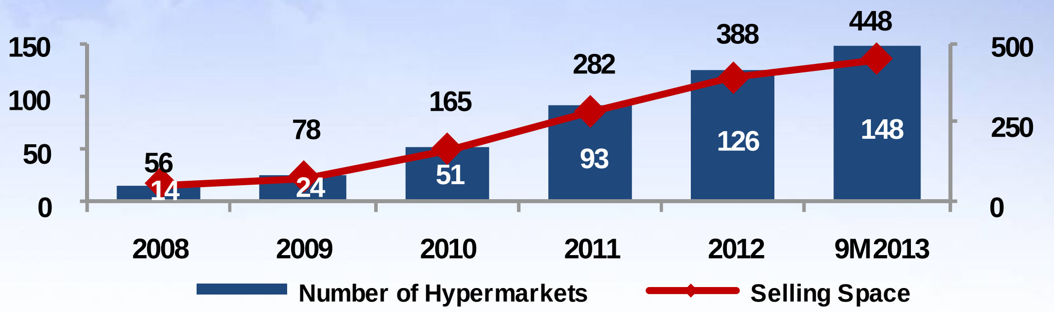
Format Highlights

- 3 principal hypermarket sub-formats
  - **Small:** selling space [1] of up to 3,000 sq. m.
  - **Medium:** selling space [1] of 3,000 – 6,000 sq. m.
  - **Large:** selling space [1] of over 6,000 sq. m.
- The decision with regards to hypermarket format principally depends on the following factors:
  - Consumer disposable budget of the region
  - 5-7 year budget forecast
  - Percentage of the consumer budget, attributable to hypermarket
  - Population of the region
  - Competition

Source: Company

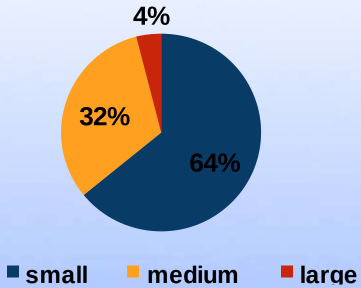
Notes: (1) Excluding rental space; (2) Based on selling space

Number of Hypermarkets and Selling Space



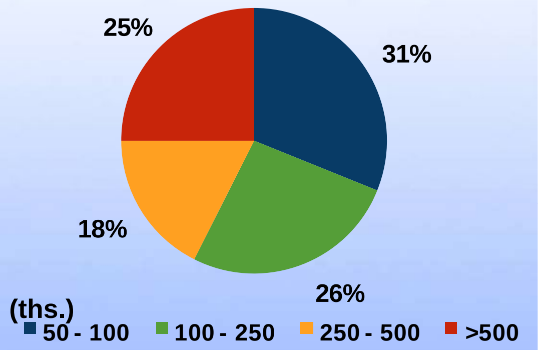
Source: Company

Breakdown by Sub-format [2]



Source: Company

Breakdown by Population

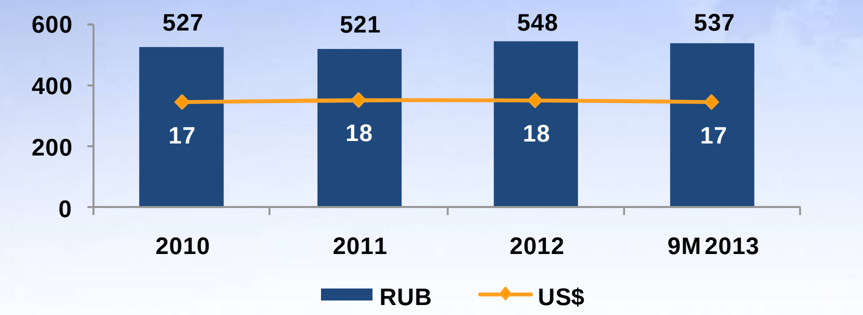


Source: Company



Hypermaket
Key Operating Statistics

Average Ticket

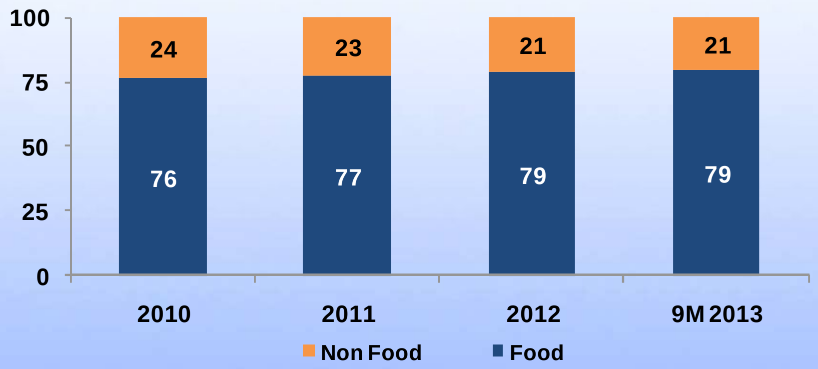


Source: Company

Traffic

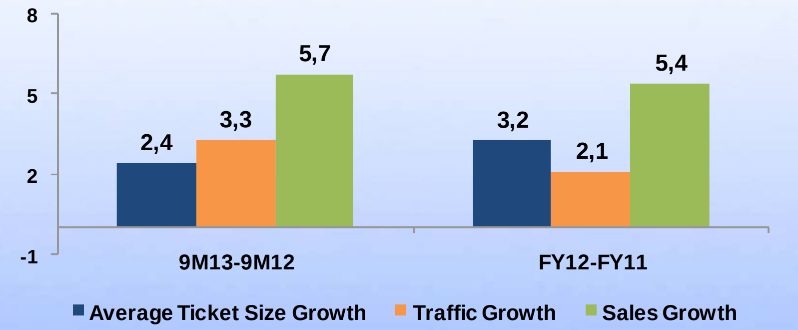
Source: Company

Sales Mix



Source: Company

LFL Analysis (RUB Terms) (1)



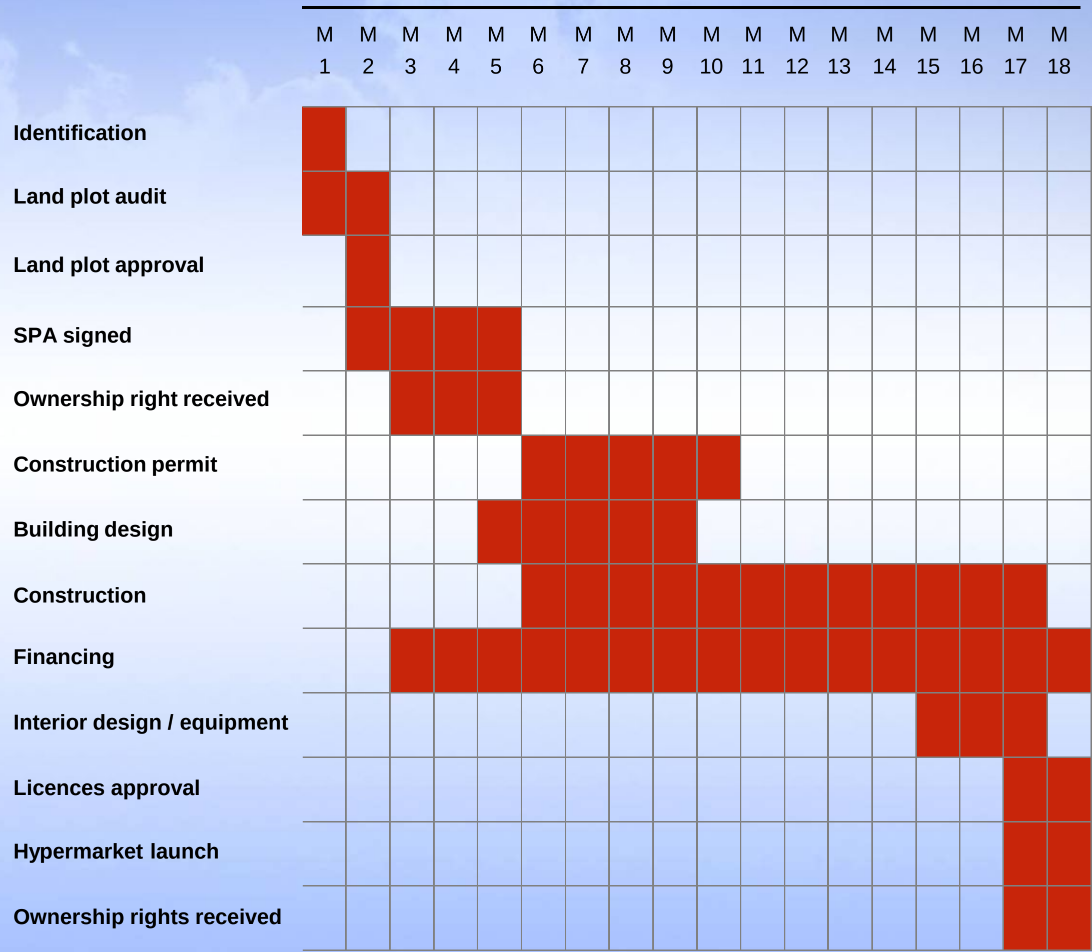
Note: (1) Based on hypermarkets that had been operating for not less than 8 months and have achieved a mature level of sales

Source: Company



Hypermarket
Opening Schedule

- Key store opening criterion is payback period from 6 to 9 years
- Average total cost of a new hypermarket varies between US$1,500 – 3,500 per sq. m. of total space depending on format (excl. VAT)
- Expected store maturity pattern: 8 - 15 months from opening





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Magnit Family
Format Description

Magnit Family is a new format introduced in May 2012 as a hybrid of a hypermarket and a convenience store

- One of the reasons to expand into this format is to meet the needs of customers in wider assortment and aggressive pricing in premises which are not suitable for a standard hypermarket due to technical features
- As of September 30, 2013 there were 30 Magnit Family stores

Format Highlights

- Selling space of up to 1,500 sq. m.
- Assortment of more than 7,200 SKUs
- Expanded fresh zone
- Limited non-food assortment (<15%)
- Own production facilities (ready meals)
- Main technologies of the hypermarket format
- Pricing of the hypermarket format
- Location primarily in the leased premises of the shopping and entertainment malls

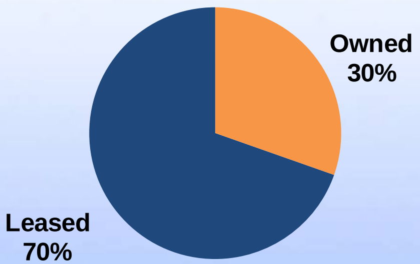
Store Ownership Structure

- As of 30 September 2013 the Company owned 2 060 convenience stores, 126 hypermarkets, 9 Magnit Family and 195 cosmetics stores and leased 4 723 convenience stores, 22 hypermarkets, 21 Magnit Family and 490 cosmetics stores

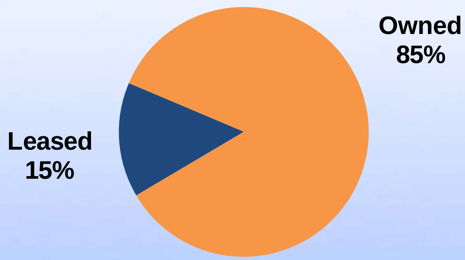
- Store ownership is gained on the basis of the following documents:
  - Sale-purchase agreements
  - Lease agreements with redemption rights
  - Construction share holding agreements
  - Investment contracts

Store Ownership Structure

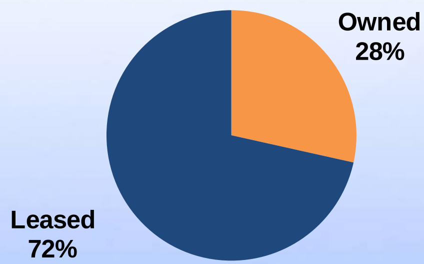
Convenience stores



Hypermarkets



Cosmetics stores



Source: Company (as of 30 September 2013)

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Logistics System

As of September 30, 2013 approximately **85%** of COGS vs. 57% in 2005 were distributed through the company's distribution centers and the long-term target is to increase this share up to **90-92%** for convenience stores and up to **80%** for hypermarkets (vs. 68% today)

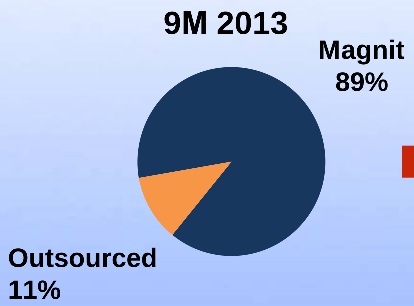
At the moment the Company's logistics system includes:

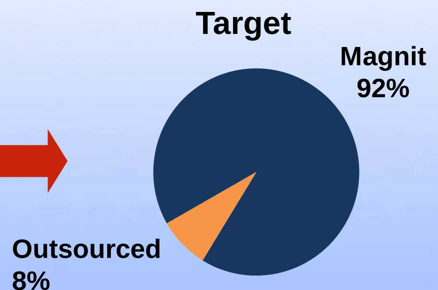
- Automated stock replenishment system
- 19 distribution centers with approximately 483 127 sq. m. capacity
- Fleet of 4,969 vehicles

	City	Federal District	Effective Space sq. m.	No. of Serviced Stores
1	Bataysk	Southern	17,407	480
2	Kropotkin	Southern	30,048	416
3	Slavyansk-on-Kuban	Southern	20,496	352
4	Erzovka (Volgograd)	Southern	26,074	383
5	Lermontov	North-Caucasian	34,503	362
6	Engels	Volga	19,495	339
7	Togliatti	Volga	19,157	436
8	Dzerzhinsk	Volga	30,523	450
9	Izevsk	Volga	34,141	434
10	Sterlitamak	Volga	22,043	488
11	Zelenodolsk	Volga	22,524	248
12	Tver	Central	15,726	222
13	Oryol	Central	14,326	384
14	Tambov	Central	26,733	471
15	Ivanovo	Central	52,929	722
16	Tula	Central	51,205	457
17	Veliky Novgorod	North-Western	21 060	371
18	Chelyabinsk	Urals	17,623	447
19	Omsk	Siberian	7,114	184
	Total		**483 127**	**7 646**

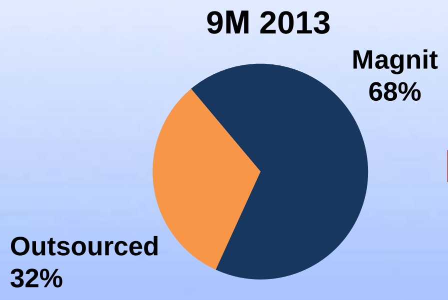
Goods Processed through Magnit DCs

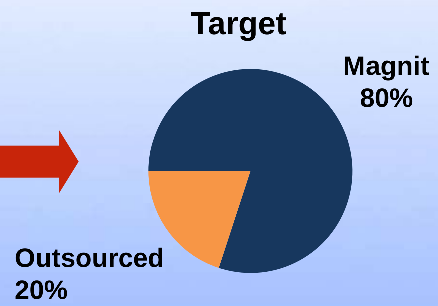
Convenience stores





Hypermarkets





Source: Company



Suppliers, Purchasing and Private Label

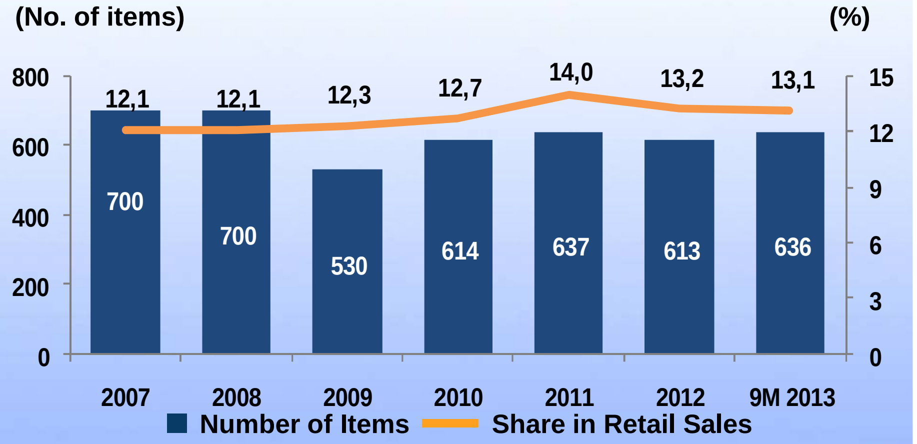
Magnit is the largest buyer for many domestic and international FMCG producers

- Weekly Assortment Committee approves the assortment and suppliers
- Direct purchasing and delivery contracts
- Economies of scale and wide geographical presence enable low prices and favorable contract terms
  - Volume discounts
  - Compensation of external and internal logistics costs
  - Average credit term in 2012 was 41 days
  - Contract term is typically 1-year
  - Often can be unilaterally terminated by Magnit with no penalties
- Supplier bonuses criteria is based on
  - Meeting sales targets
  - Store promotions
  - Loyalty

Private label products are designed to replace the cheapest SKUs to maximize returns on each meter of shelf space

- 636 private label SKUs
- Private label products accounted for 13,1% share of retail revenue in 9M 2013
- Approximately 87% of private label products are food
- Share of non-food products in private label is expected to increase

Share of Private Label Products in Revenue



Source: Company

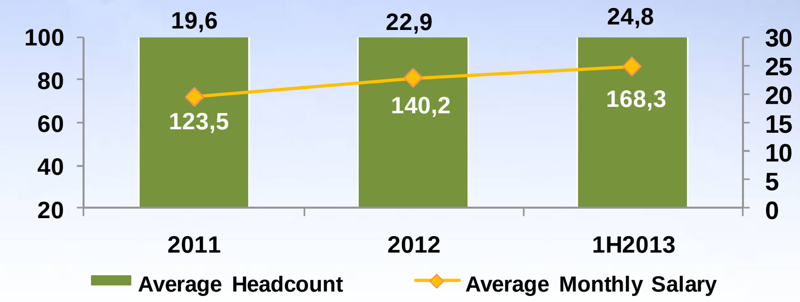
Well-Trained Dedicated Personnel

- The **average number of employees** (1) in the Group amounted to **171,261** in 9M 2013:
  - 118,752 in-store personnel,
  - 34,885 people engaged in distribution,
  - 11,612 people in regional branches,
  - 6,013 people employed by head office
- The average age of our employees is approximately 25 years
- The gross **average monthly salary** in 1H2013 was RUB **24,828** (c. US$800(2)) per month 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
- Career development programs for all levels to ensure
  - Lower staff turnover
  - Increased motivation
  - Higher productivity
- Personnel training
  - 174 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 monthly
  - Team building events to ensure integrity of the team

Notes: (1) Total number of employees as of September 30, 2013 is 202,385
(2) Converted to US$ using average exchange rate for 1H2013 of 31.0169 RUB/US$ (CBR)

Average Number of Employees vs. Average Salary, 2011 – 1H2013

(No. of employees, '000) ('000 RUB per month)



Source: IFRS accounts

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4. Financial Overview

Summary P&L

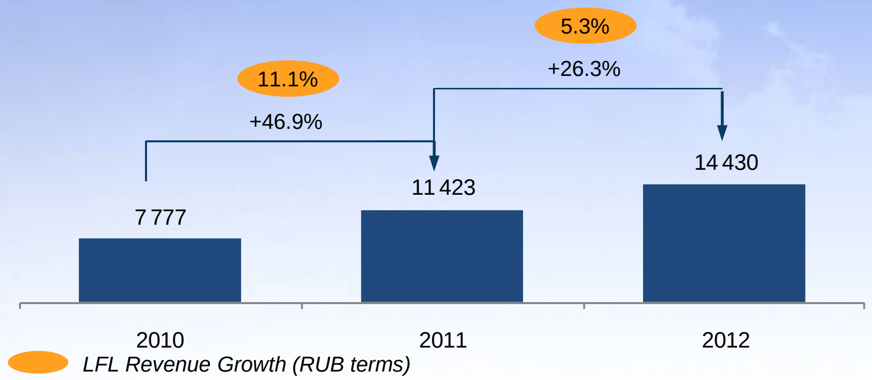
US$ MM	1H2012	1H2013	1H2012 / 1H2013 Y-o-Y Growth
Net sales	**6,775.8**	**8,796.4**	29.8%
Cost of sales	(5,040.2)	(6,398.5)	26.9%
Gross profit	**1,735.5**	**2,398.0**	38.2%
Gross margin, %	25.6%	27.3%	
SG&A	(1,079.7)	(1,518.9)	40.7%
Other income/(expense)	14.7	10.9	-26.3%
EBITDA	**670.6**	**889.9**	32.7%
EBITDA margin,%	9.9%	10.1%	
Depreciation & amortization	(171.8)	(217.7)	26.7%
EBIT	**498.8**	**672.2**	34.8%
Net finance costs	(55.0)	(72.2)	31.1%
Profit before tax	443.7	600.1	35.2%
Taxes	(103.9)	(131.2)	26.3%
Effective tax rate	23.4%	21.9%	
Net income	**339.9**	**468.9**	38.0%
Net margin, %	5.0%	5.3%	

Source: IFRS accounts

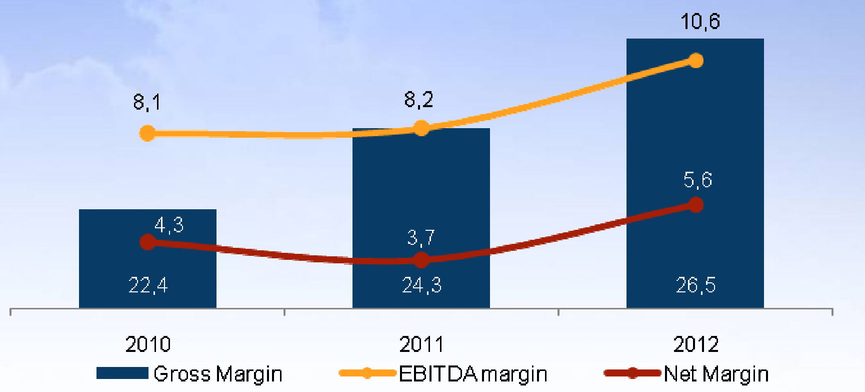


Revenue and Costs

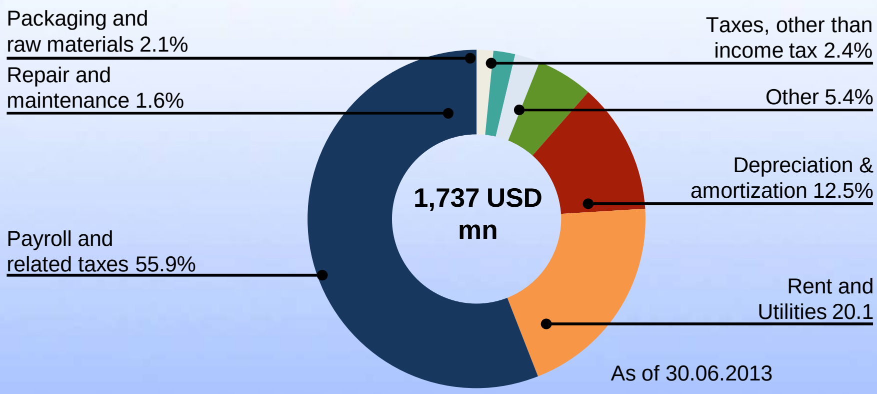
Revenue Dynamics, USD mn



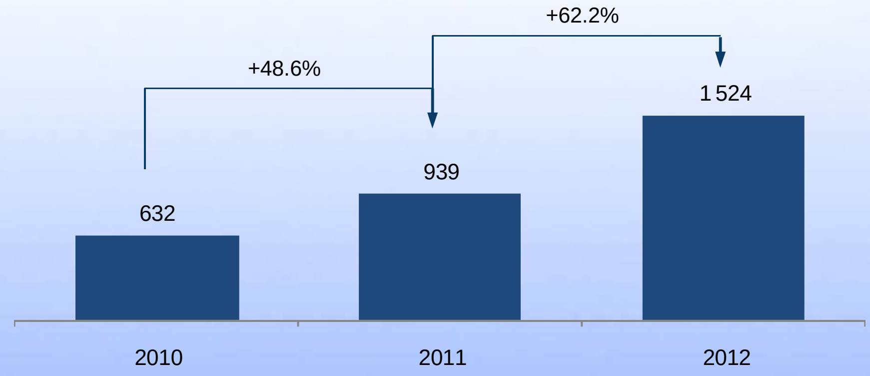
Margin Dynamics, %



SG&A Expense Structure

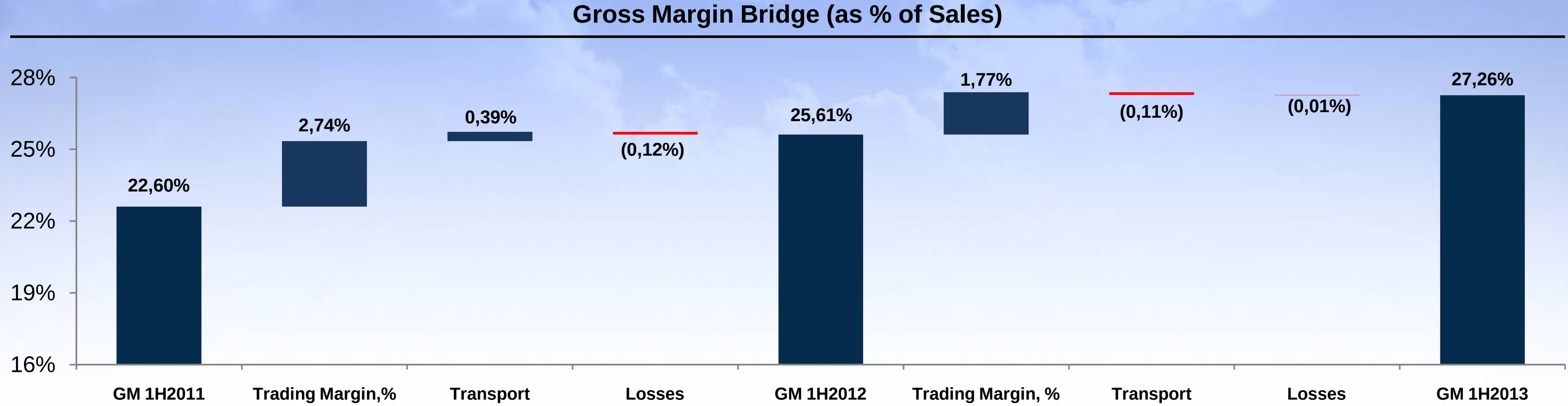


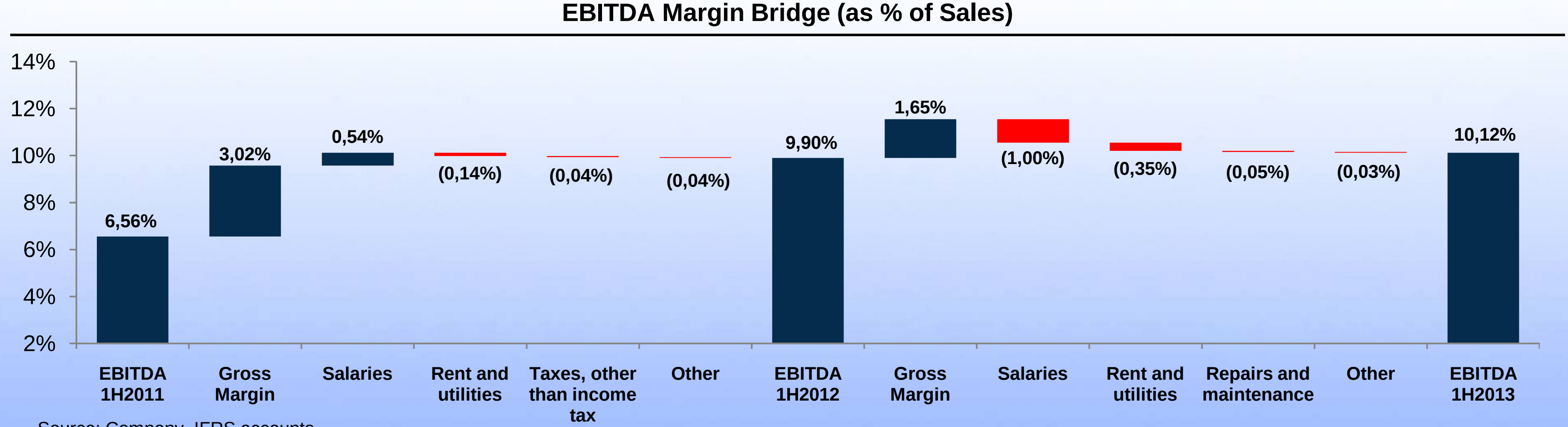
EBITDA Dynamics, USD mn



Source: IFRS accounts for FY2010 - 1H2013

Gross Margin / EBITDA Margin Bridges

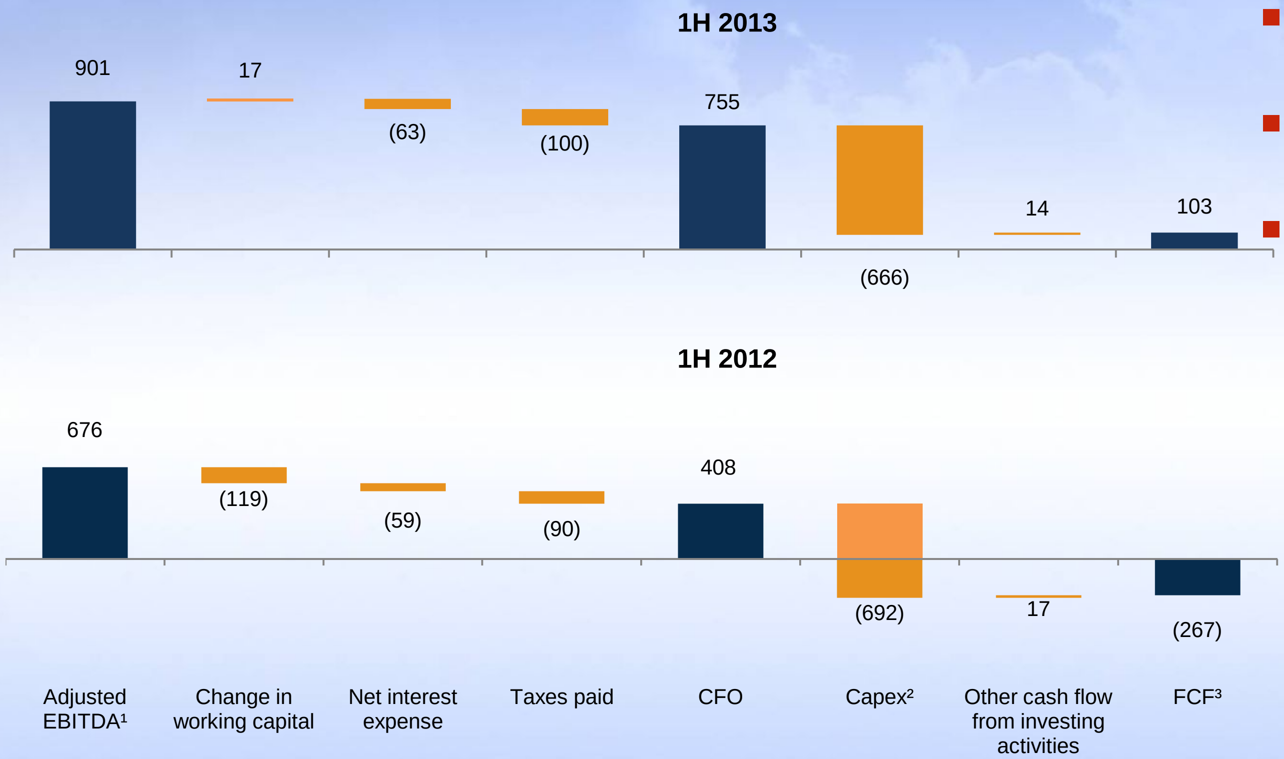




Source: Company, IFRS accounts

Free Cash Flow

Free Cash Flow Bridge, USD mn



Working Capital Analysis

- Negative cash conversion cycle[4] (from **-2 to 0 days** in 1H2012 - 1H2013)
- The average days payable to suppliers is **37 days**
- Working capital – additional liquidity source: **- 276 mn US$** as of 30.06.2013

Source: IFRS accounts for FY2012 -1H2013

[1] Adjusted for loss from disposal of PPE, provision for doubtful receivables, foreign exchange gain, finance costs, gain on disposal of subsidiary and investment income

[2] Calculated as additions + transfers of PP&E during the respective period [3] Does not include cash flow from financing activities

[4] Calculated as average days receivable outstanding + average days in inventory outstanding – average days payable outstanding

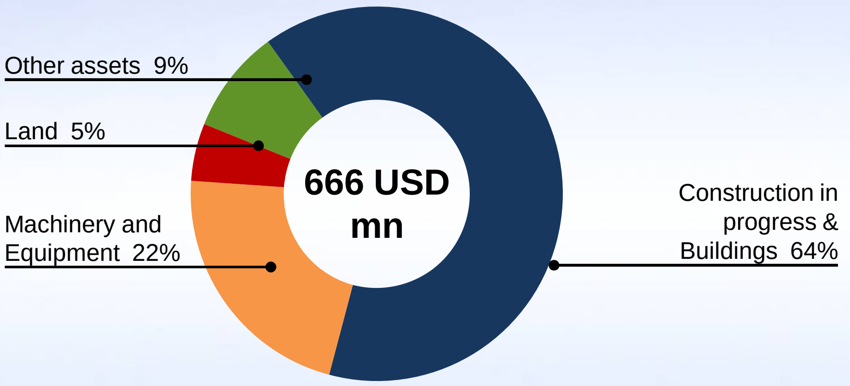
Balance Sheet

US$ MM	2011	2012	1H2013
ASSETS			
Property plant and equipment	3,816.4	5,226.8	5,270.8
Other non-current assets	100.4	130.0	129.8
Cash and cash equivalents	534.4	410.0	266.1
Inventories	905.2	1,350.7	1,276.4
Trade and other receivables	16.5	19.2	16.0
Advances paid	55.9	88.1	47.6
Taxes receivable	1.2	1.0	1.9
Short-term financial assets	5.4	28.9	15.1
Prepaid expenses	11.8	6.0	5.7
TOTAL ASSETS	**5,447.3**	**7,260.7**	**7029.4**
EQUITY AND LIABILITIES			
Equity	2,444.3	3,267.3	3,330.0
Long-term debt	1,424.5	1,259.2	915.8
Other long-term liabilities	129.1	202.8	210.8
Trade and other payables	1,042.6	1,413.1	1,215.9
Short-term debt	192.2	827.1	949.4
Dividends payable	–	-	-
Other current liabilities	214.8	291.2	407.4
TOTAL EQUITY AND LIABILITIES	**5,447.3**	**7,260.7**	**7,029.4**

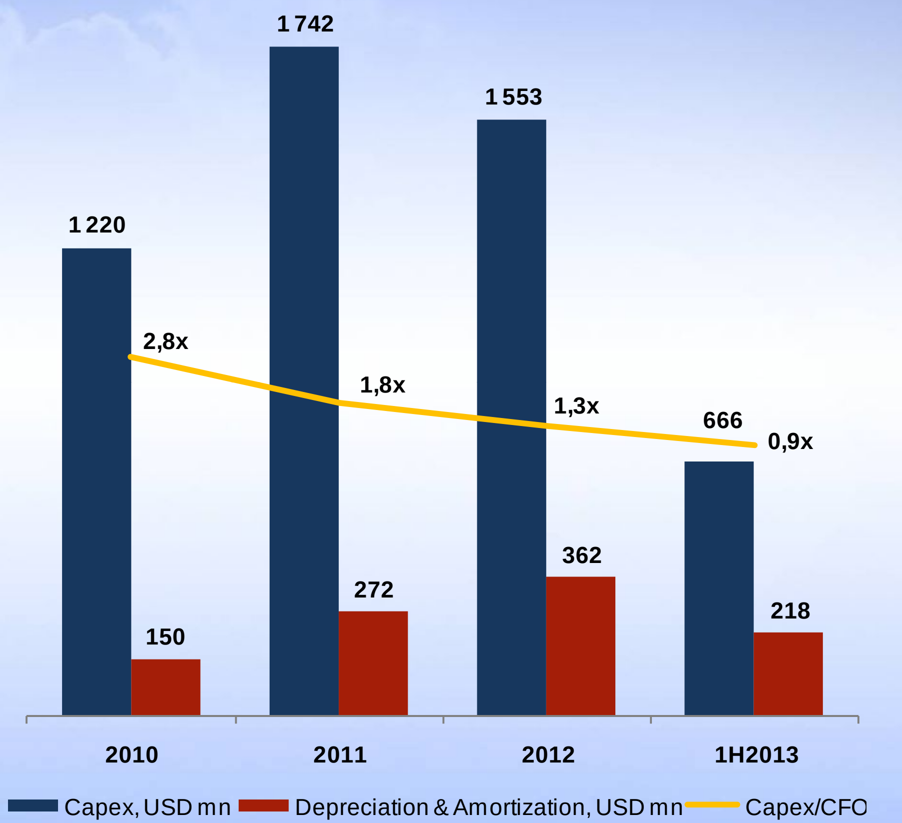
Source: IFRS accounts

Capex Analysis

Capex Breakdown, 1H2013



Capex Dynamics



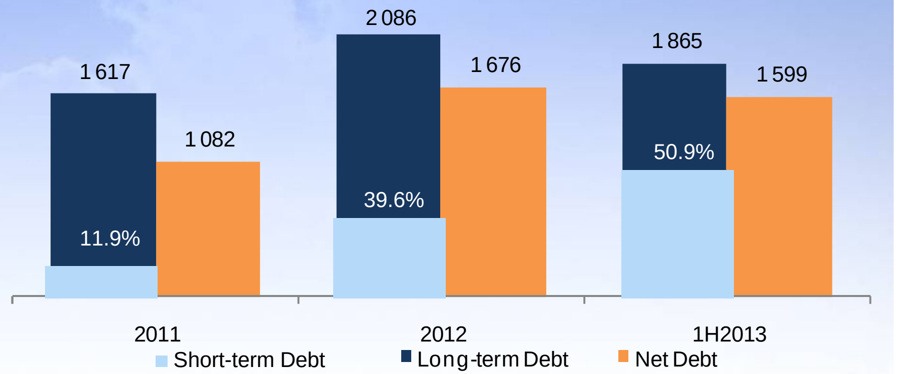
Source: IFRS accounts for FY2010 – 1H2013
Note: Capex calculated as additions + transfers of PP&E during the respective period

Debt Burden

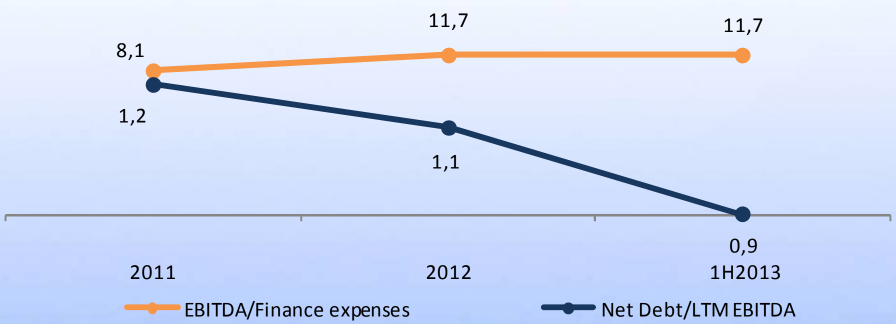
Credit Profile

- The company has an impeccable credit history
- Low debt burden: Net Debt/EBITDA ratio of **0.9x**
- No currency risk: 100% of debt is RUB denominated matching revenue structure
- No interest rate risk: interest payments are made at fixed rates
- Collaboration with the largest banks
- 49% of debt is long-term
- Approximately 54% of LT debt is RUB bonds

Debt Level Dynamics, USD mn



Credit Metrics



Source: Company, IFRS accounts for FY2011 - 1H2013
Note: Debt = long-term / short-term borrowings + finance lease obligations. Net Debt = Debt – cash & cash equivalents
Finance expenses = interest expenses on borrowings + interest expenses on bonds + interest expenses on finance lease obligations

5. Summary Conclusions

Summary Conclusions

- **Leading Russian retailer:** broadest geographic coverage with more than 7,600 stores (as of 30 September 2013) in about 1,800 cities in seven out of the eight federal districts in Russia
- **First-mover advantage in many cities and towns of Russia with low competition** from other chains outside of Russia's major cities
- **Further organic growth of store operations:** continued roll-out of established business model in existing markets and selective expansion into new geographic areas
- **Expanding hypermarket operations:** leveraging strong existing platform (operations, logistics, brand, scale) to develop a leading hypermarket chain in the European part of Russia
- **Additional opportunities to improve profitability:** enhancing product mix, shifting to direct import contracts, increasing private label and increasing distribution through own logistics system to achieve margin improvements and cost savings
- **Stable financing of expansion:** Company's mid-term strategy will be executed through a mix of operating cashflow (80-85% of Capex) and debt (bank loans and bonds)