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Company overview and 1Q2006 management accounts

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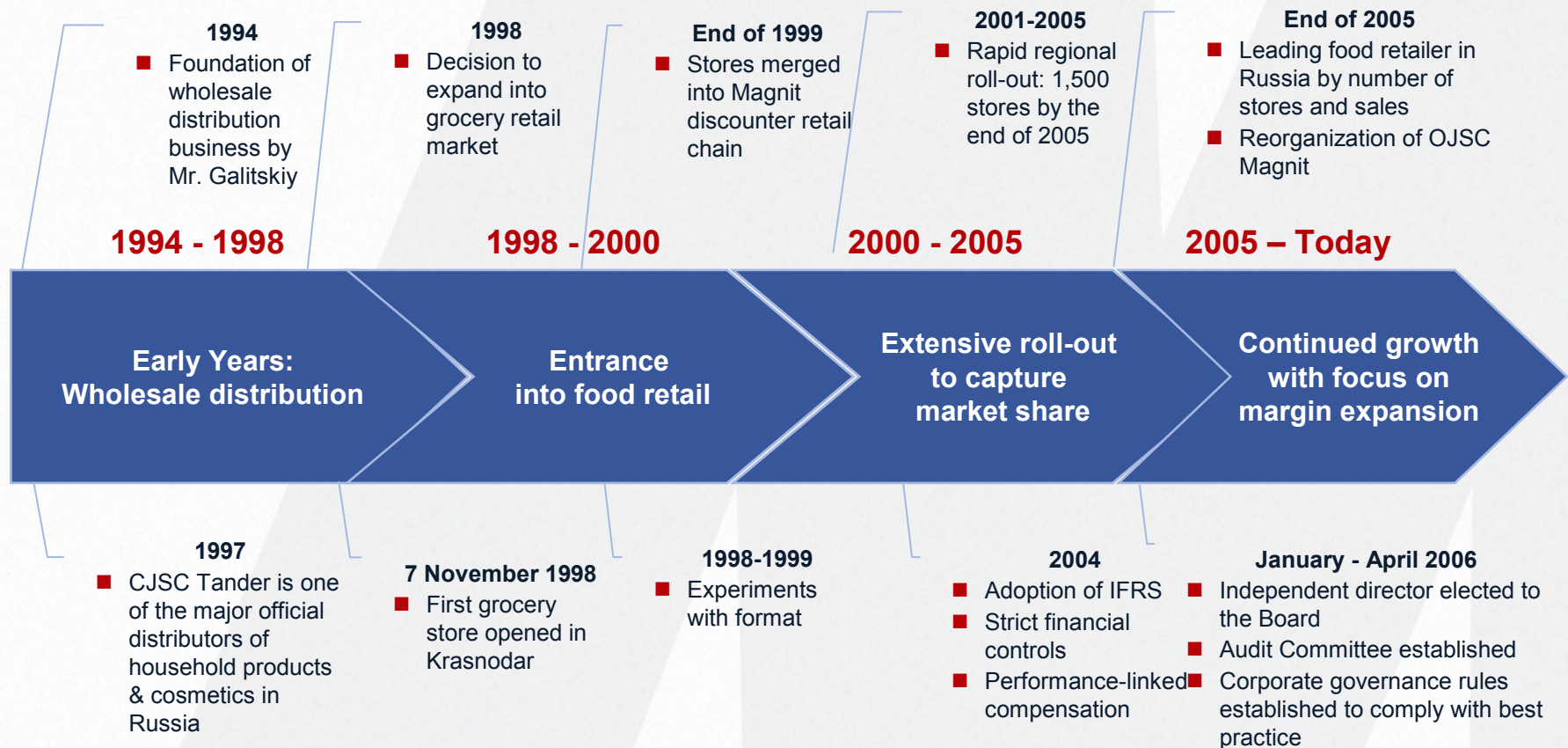


Company & Strategy

Section 1

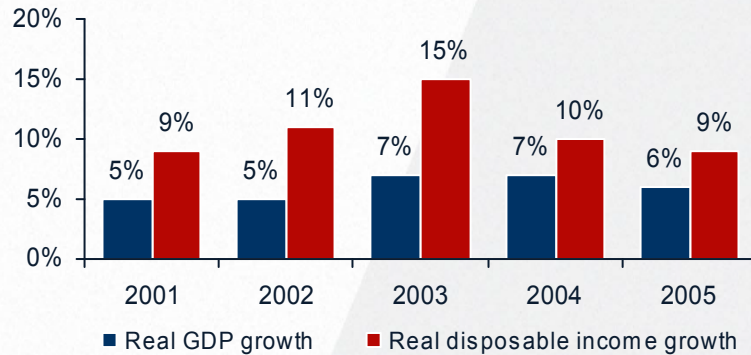
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Our history



Favourable environment for roll out of discounters

Growing economy and income...



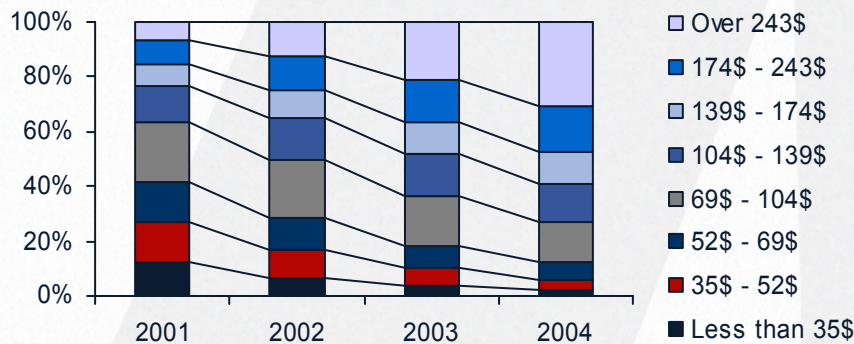
Source: Rosstat

...boost retail spend per capita...



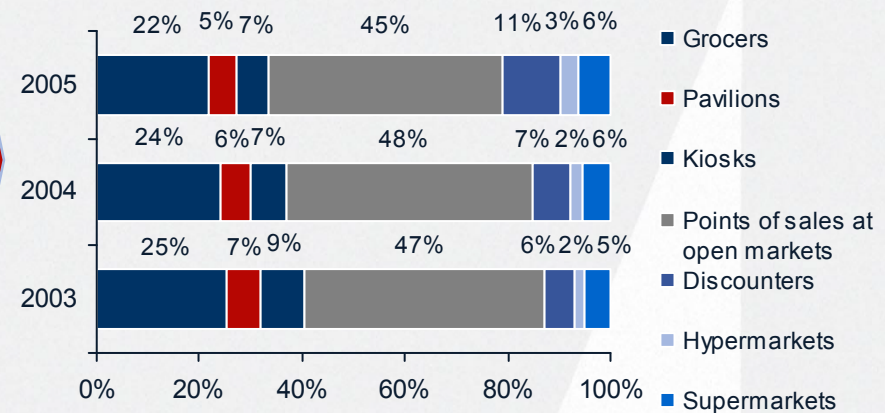
Source: Rosstat

...but still low purchasing power...



Source: Rosstat

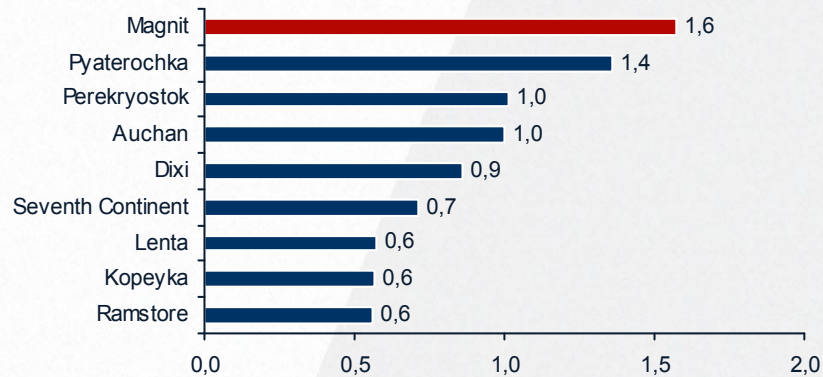
...benefiting discounters



Source: Business Analytica

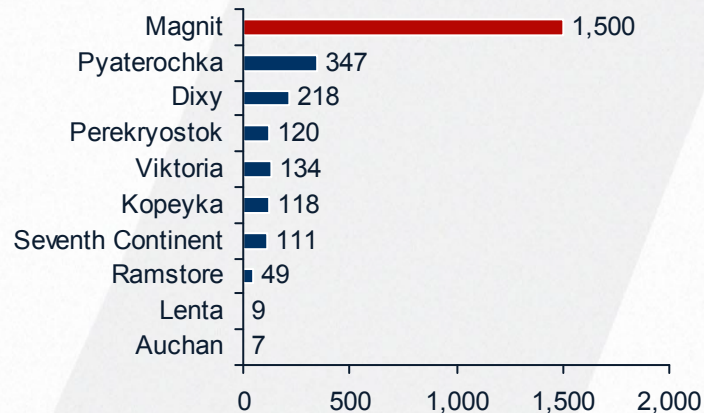
To 2006 Magnit is:

Net sales, 2005E, \$ bn



Source: Companies

Number of stores*, 2005



* Excluding franchised stores

Source: Companies

	2003*	2004	2005	CAGR
Net sales, US\$ m	440	849	1,578	85%
Number of stores, eop	610	1,014	1,500	57%
Selling space, '000 sq m	156.7	255.3	382.6	56%
Number of customers, mn	158.8	273.2	469.3	72%

Note: * management accounts

Today Magnit is:

- The leading Russian food retailer by sales and number of stores
- 1,574 stores in discounter format as of March 31, 2006
- More than 492 cities and towns in European Russia as of March 31, 2006
- Over 411 thousand sq. m of selling space as of March 31, 2006
- Significant share in discounters
- In-house logistics including 5 distribution centres with total warehousing space of 62 thousand sq. m and over 487 vehicles
- Approximately 34 thousand employees as at March 31, 2006
- Strong centralised management
- 469.3 mn customers in 2005
- 137.9 mn customers in 1Q2006
- Net sales, 1Q2006 - 493,8 mln. USD

*Note: * management accounts*

Our strengths

Leading food retailer in Russia

- Unique purchasing power:
 - Platinum client for many multinational and Russian FMCG producers
 - Direct purchasing contracts and centralised delivery help to negotiate favorable terms and offer competitive prices to customers

Leading geographic coverage in Russia

- Presence in 5 out of 7 federal districts gives additional leverage with national suppliers
 - Unique proposition to suppliers seeking to launch their products on national markets
- Loyal customer base in the regions thanks to first-mover advantage
- Beneficiary of expected future disposable income growth in the regions

Exceptional scalability

- Scalable business model:
 - Roll out from 20 stores in 1999 to 1,500 stores in 2005
- “Know how” to operate in low-income environment

Experienced and professional management team

- Professional and dedicated management team with stock ownership
- Core managers have been with the Company since inception

Strong brand recognition associated with “value for money”

- Magnit offers the lowest price for indicative SKUs in small regional cities
- Strong brand recognition and loyalty evidenced by growing customer traffic on relatively low advertising expenditure
 - High penetration of chain helps to prompt brand awareness
 - Strong value proposition helps to develop loyalty

Efficient in-house logistics system

- In-house logistics enable both efficient penetration of regional markets and successful operation over a wide geographic area

Unique capabilities of management information system

- Strong visibility of operations
 - Daily monitoring of KPIs
 - Real time monitoring of inventories
 - Monthly P&L for each store and the Group

Extensive Private Label programme

- Lower prices for essential items
- Increase customer loyalty
- Improve margins

Strategy

Organic growth in existing markets and selective geographic expansion

- Increase market penetration in existing markets
- Expansion into cities in selected new regions with less than 500,000 population and a favorable competitive situation

Focus on branding and development of customer loyalty

- Value-for-money product mix
- Development of Private Label products
- High-quality customer service

Further improvement in operating efficiency

- Leveraging scale
- Strict cost control
- Increase sales per square metre by optimising sales mix
- Development of Private Label products
- Active trade marketing and merchandising
- Improving the efficiency of logistics
- Productivity gains in logistics

Vision and Mission

Where do we want to be in 5 years from now?

- The largest food retail chain in Russia
- The leading logistics platform in Russia
- Sustain our efficient growth with a track record of profitability

Our Mission

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

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



Business Overview

Section 2

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Format features

Key features

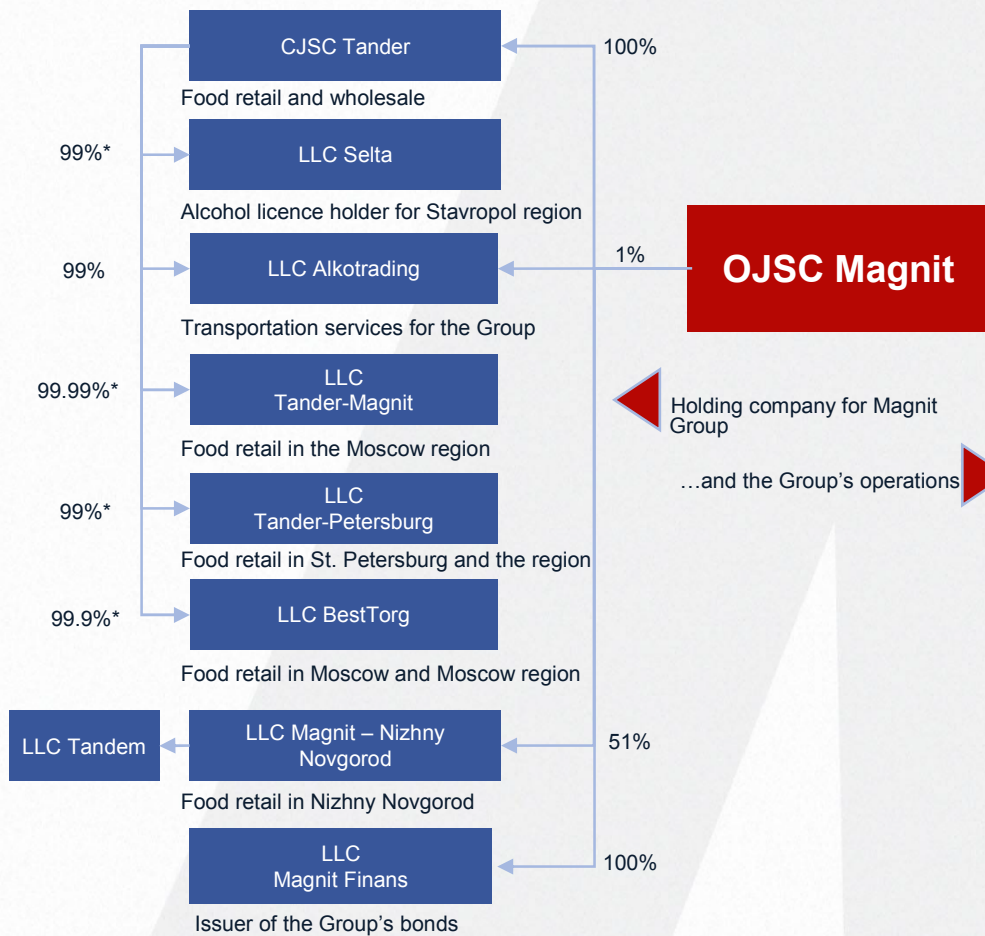
Outstanding value-for-money	<ul style="list-style-type: none"> Best prices for 200 indicative SKUs in the local market Active price communication by priority shelving of special offers
Convenient location	<ul style="list-style-type: none"> Convenient location close to customers' homes Freestanding or on the ground floor of apartment blocks Open 7 days a week from 9:00 am to 9:00 pm on average
Optimal size	<ul style="list-style-type: none"> 387 sq. m total space as at 31/03/06 261 sq. m. trading space as at 31/03/06
Carefully selected assortment	<ul style="list-style-type: none"> SKU selection adjusted for local purchasing power and traditions 3,570 SKUs on average to capture larger audience Food – 87.34% of retail sales Daily perishables – 30-40% of retail sales Private label products – 10.42% of retail sales
Modern functional interior	<ul style="list-style-type: none"> Functional design to allow quick and convenient shopping Visual interior and easy navigation Quality service Hygienic atmosphere and modern renovation
Visible exterior	<ul style="list-style-type: none"> Standardised design of facade Clearly visible Easy access by car

Typical Magnit stores

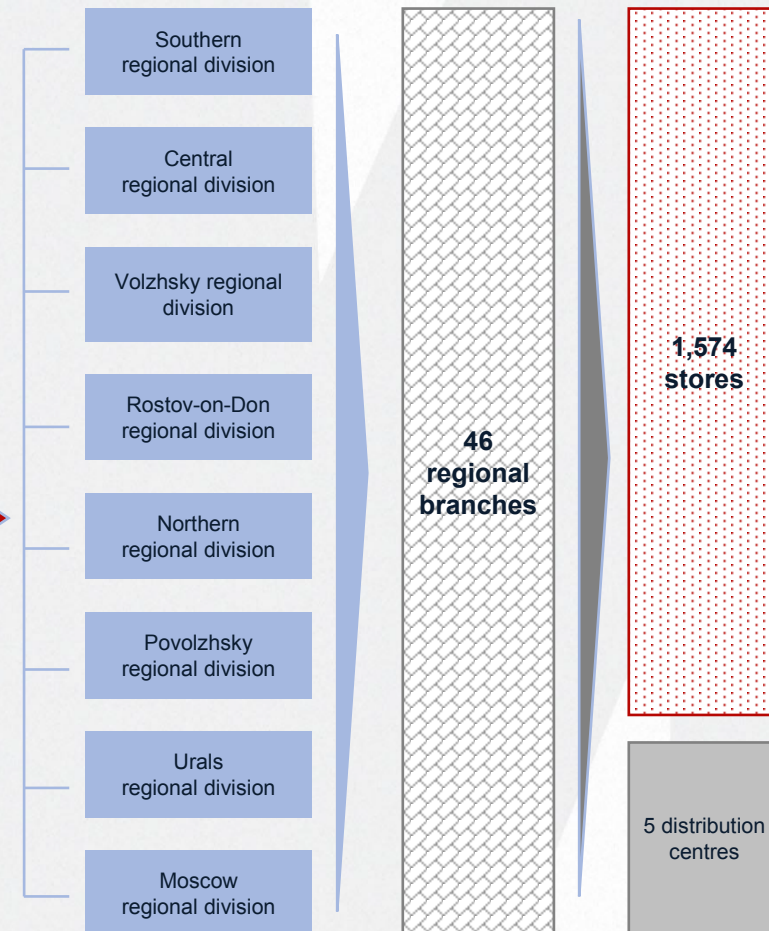


Corporate and organizational structure

Group's corporate structure (as at March 31, 2006)



Group's operating structure



Note: * the remaining participation interest in these entities is held by LLC Alkotrading

Top management

Alexander Prisyazhnyuk
Chief Financial Officer



- Since 1997
- Age – 33
- Education: Kuban State University, Degree in Physics

Nikolay Panuli,
Marketing director



- Since 1996
- Age – 41
- Education: Higher Marine School, Engineer

Sergey Romnayuk,
IT Director



- Joined in 2004
- Age – 35
- Education: Kiev Telecommunication College, Engineer

Sergey Galitskiy,
Chief Executive Officer



- Founder of the Group
- Age – 38
- Education: Kuban State University, Economist

Khachatur Pombukhchan,
Investor Relations



- Joined in 2006
- Age – 32
- Education: Kuban State University, Degree in Mathematics

Sergey Levozhinskiy,
HR Director



- Since 1998
- Age – 41
- Education: Kuban State University, History

Alexander Ermolenko,
Head of logistics



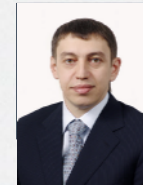
- Joined in 2000
- Age – 45
- Education: Higher Marine School, Engineer

Vladimir Gordeychuk
Chief Operating Officer



- Since 1996
- Age – 44
- Education: Higher Marine School, Engineer

Andrey Arutyunyan,
Development director



- Joined in 2003
- Age – 37
- Education: Kuban State University, Economist

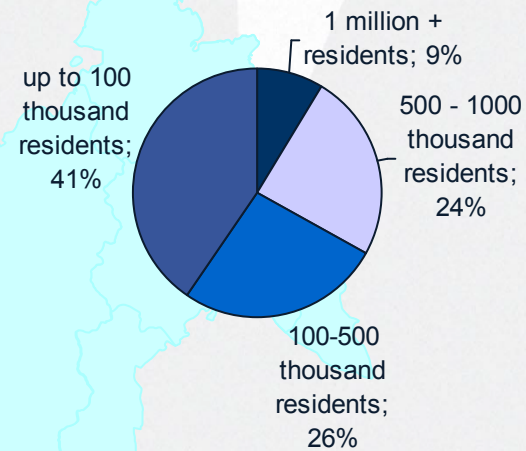
Marina Ivanova,
Purchasing director



- Since 1997
- Age – 42
- Education: Dushanbe State University, Chemistry

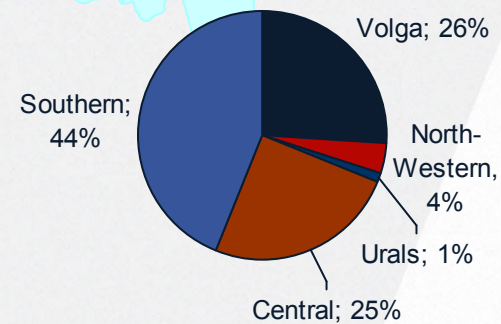
Strong regional coverage 1Q2006

Demographical breakdown of store locations

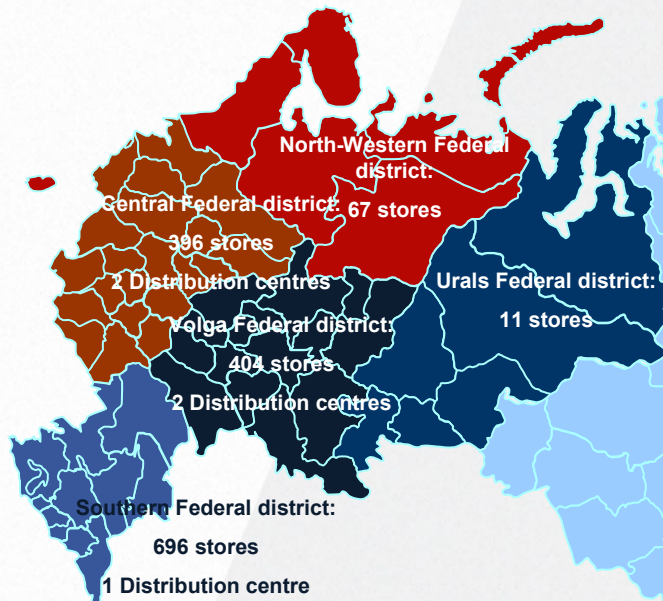


Source: Company data

Store portfolio by Federal district



Source: Company data



Addressing the needs of our target customers

Pensioners (60+ years old)

Priorities:

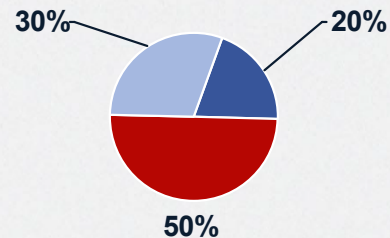
1. Price
2. Location
3. Assortment
4. Comfort

Key features:

- Shopping habits formed in Soviet time
- Conservative shoppers
- Most are low income

Key focus areas:

- Increased offering of Private Label products to reduce prices for essential goods



Families (30-60 years old)

Priorities:

1. Location
2. Assortment
3. Price
4. Comfort

Key features:

- Time is of greater value than for other groups
- Growing car ownership
- High level of responsibility for quality of purchased food and family budget

Key focus areas:

- Increased share of fresh dairy, semi-prepared products and ready meals
- Ensure quick shopping, avoid bottlenecks in rush hour
- One stop shopping: ATMs, pharmacies, payment of mobile phone bills, etc
- Building more parking slots at the stores

Youth (up to 30 years old)

Priorities:

1. Assortment
2. Location
3. Comfort
4. Price

Key features:

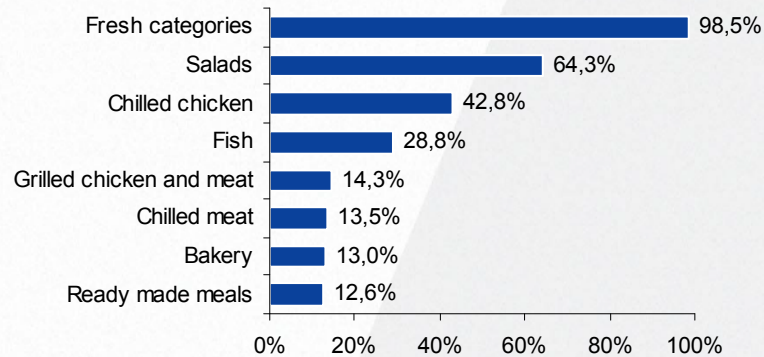
- More open to western lifestyles and oriented towards modern retail formats

Key focus areas:

- Offering product categories appealing to young audience

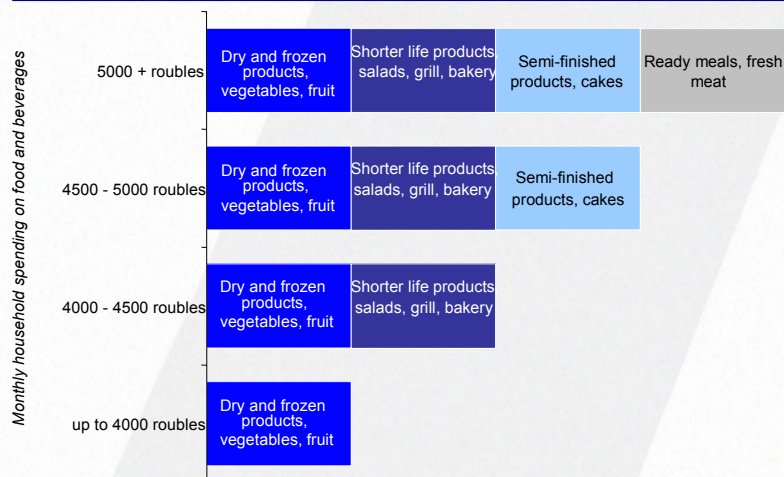
Assortment selection

Share of stores offering fresh and value-added products



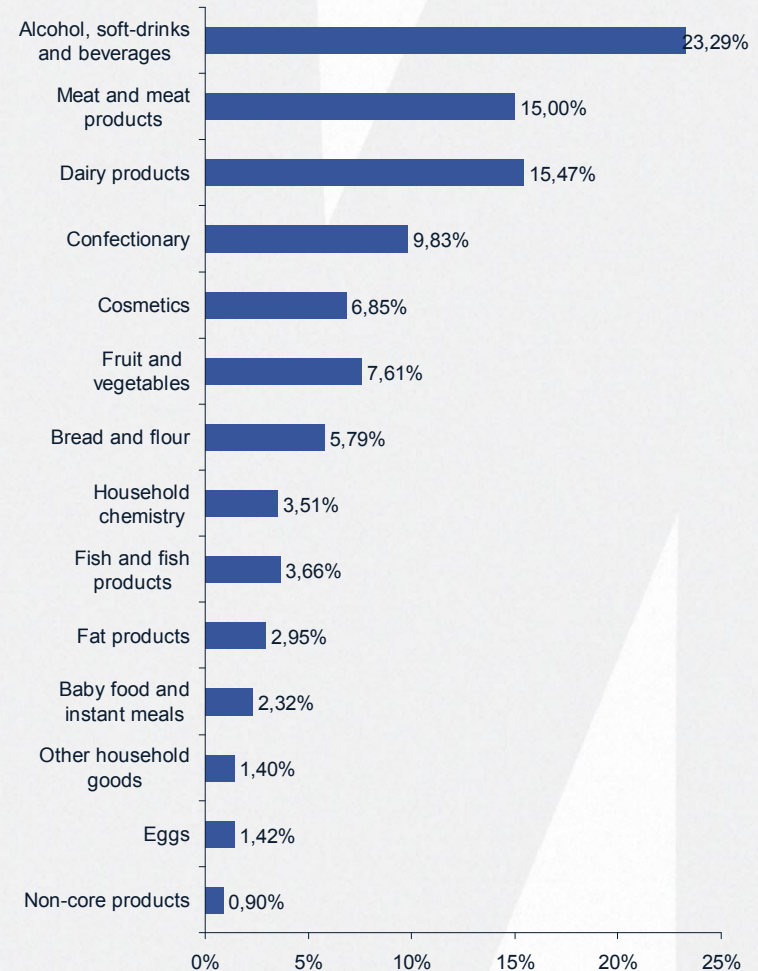
Source: Company data

Assortment correlates with customers' purchasing power



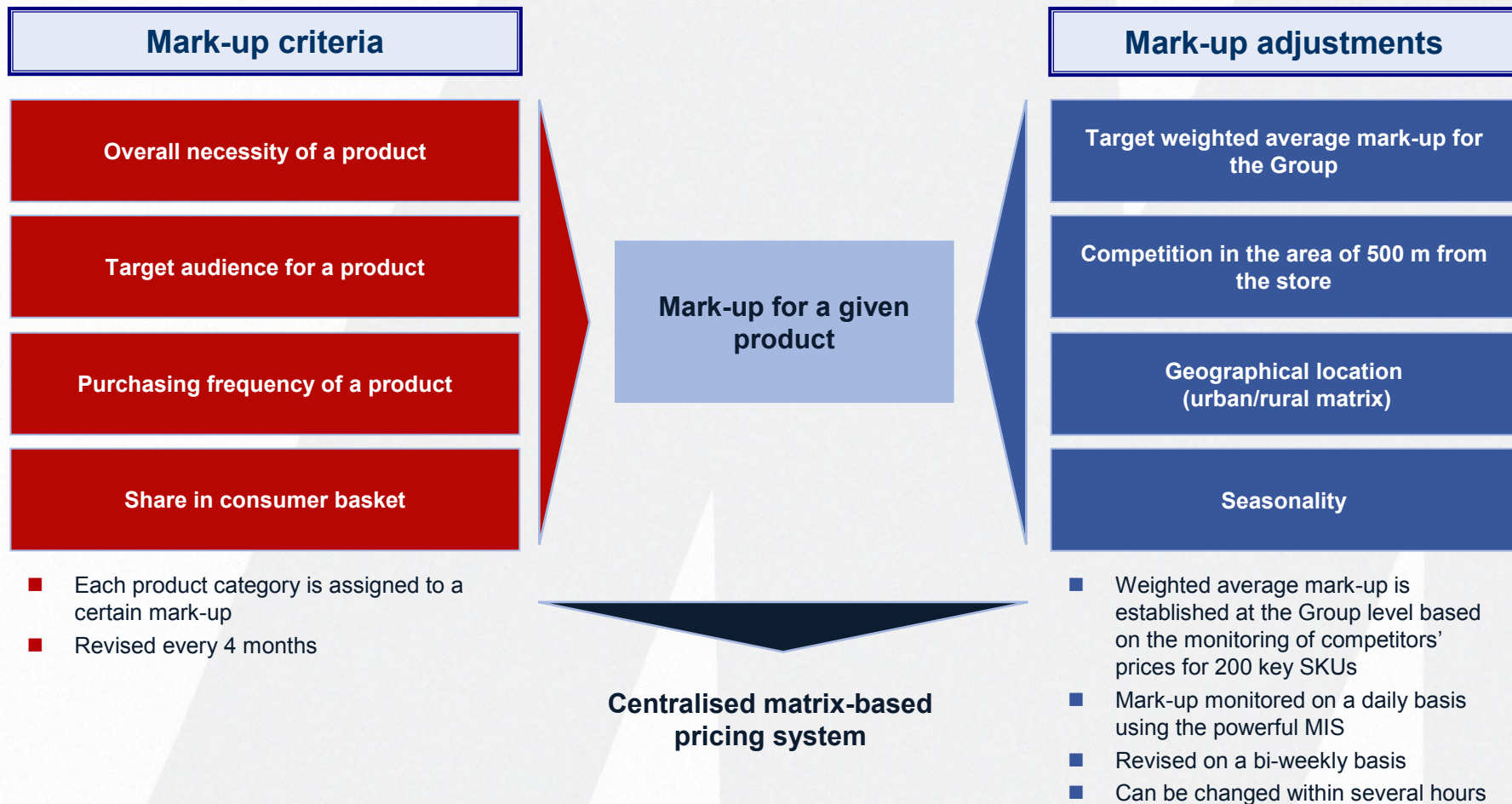
Source: Company data

Assortment structure, 1Q2006



Source: Company data

Highly flexible and differentiated pricing model



Suppliers, purchasing and Private Label products

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

- Over 2,000 suppliers with the 20 largest accounting for less than 20% of purchases
- Weekly Assortment Committee consisting of senior management, purchasing director and category managers approves changes to assortment and suppliers
- Direct purchasing and delivery contracts
- Large national suppliers account for approximately 60% of cost of goods sold
- Leveraging scale and wide geographical presence to obtain the best prices and favourable contract term
 - Volume discounts
 - Compensation of external and internal logistics costs
 - Average credit term in 2005 – 34 days and can be as high as 60 days for national suppliers
 - 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

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

- 519 Private Label SKUs as of 31 March 2006
- Private Label products accounted for an 10.42% share of retail revenue in 1Q2006 and 14.54% of total SKUs
- Management's target is to double the share of Private Label sales in retail revenue by 2015
- Approximately 88.9% of Private Label products are food stuffs
- The gross margin of Private Label products is 5-15 percentage points higher than for similar product categories

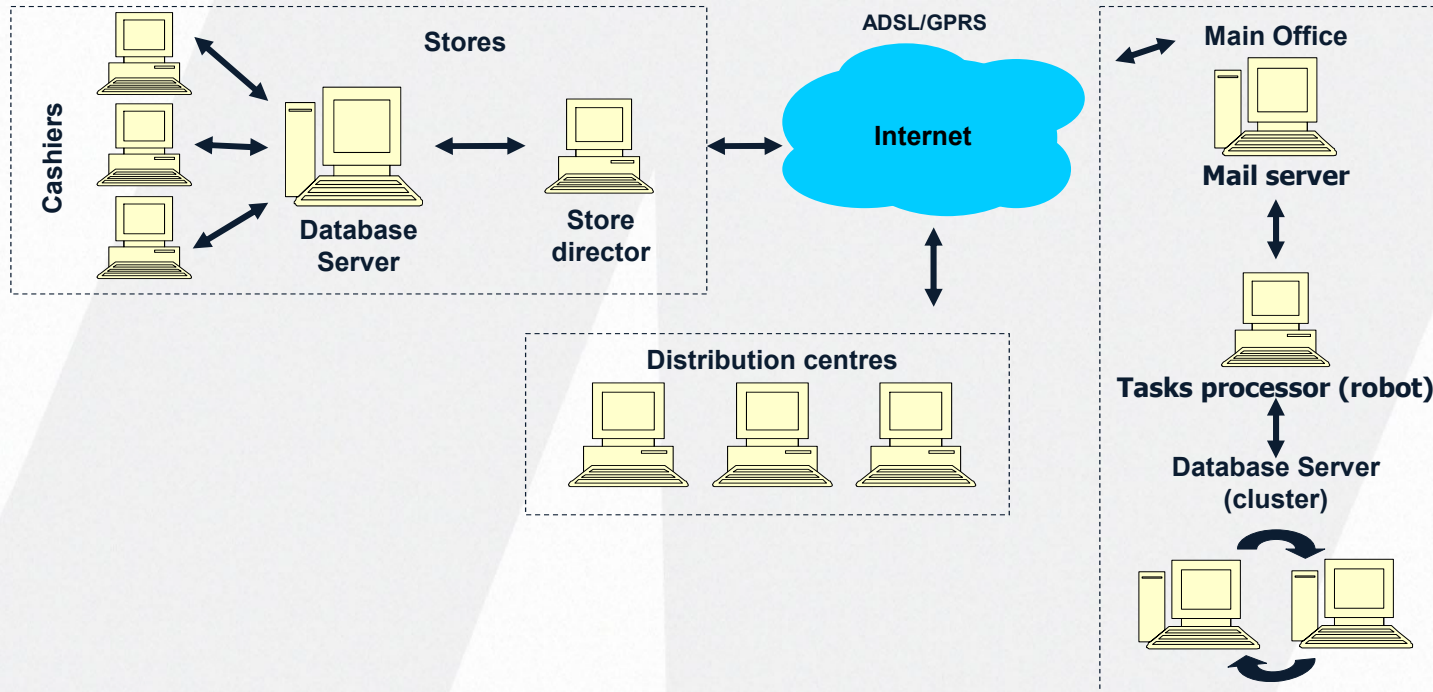
Share of Private Label products in revenue



Source: Company data

Management Information System (MIS) and automated stock replenishment system

- High degree of visibility of remote markets and store performance:
 - Monthly consolidated P&L reports
 - Daily detailed management reports on KPIs
 - Real time access to information on inventory
- Automated inventory management system
 - Monitor, manage and forecast changes in demand
 - Automated calculation of orders for each store for both national and local SKUs and preparation of data for settlements with suppliers at head office level
 - Automated preparation of price tags, invoicing, ordering and settlements at store level
 - Automated intake of goods, selection of goods and registration of inventory movement at Distribution Centres



Logistics system

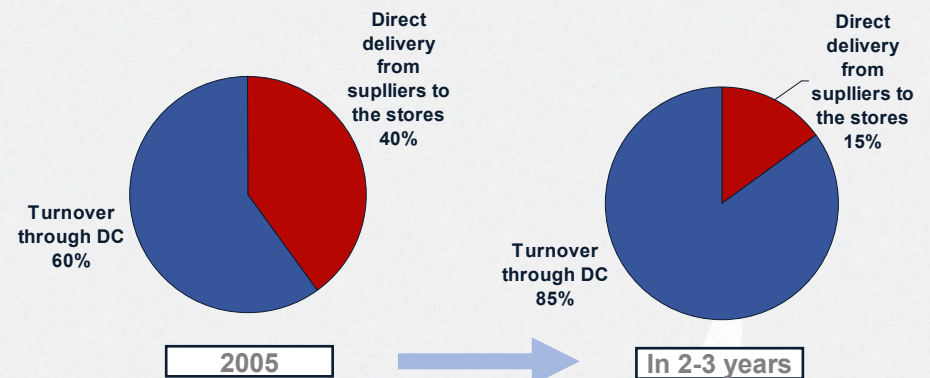
Up to 60% of cost of goods sold is processed through our in-house logistics systems and the long-term target is to increase this share to 85%

- Automated stock replenishment system
- 5 distribution centres with approximately 62 thousand sq. m capacity
- Fleet of over 487 vehicles

City	Federal district	Space, sq. m.	Share in total DC turnover, %	Number of serviced stores	Leased /Owned
Kropotkin	Southern	30 048	47%	557	Owned
Engels	Volga	12 242	23%	349	Owned
Togliatti	Volga	8 229	11%	247	Leased
Tver	Central	7 200	12%	243	Owned
Oryol	Central	4 232	7%	178	Leased
Total		61951	100%	1 574	

Source: Company data

The company's breakdown of shares in turnover

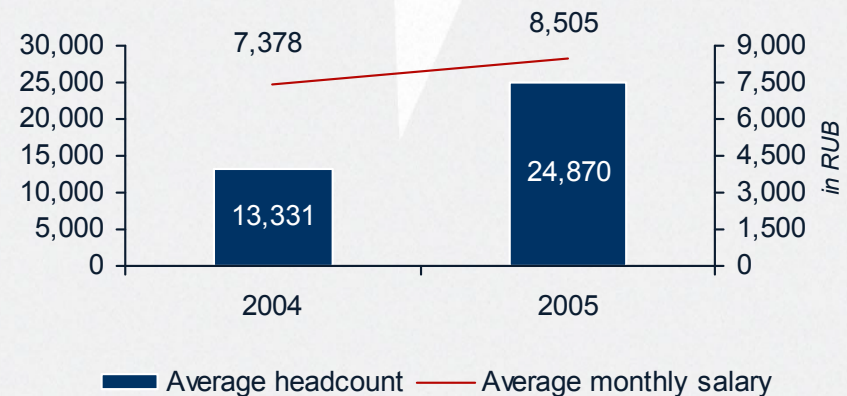


Note: as % of turnover

Well trained dedicated personnel

- As of March 31, 2005, the Group employed approximately 34,186 staff, including:
 - 26,541 in-store personnel,
 - 4,524 people engaged in distribution,
 - 2,589 people in regional branches and
 - 532 people employed by head office
- The average age of Magnit employees is approximately 28 years
- The gross average monthly salary in 2005 was 8,505 roubles, of which approximately 75% was basic salary
- All levels of employees are highly motivated by performance-linked bonuses and incentives
- Key members of the management team own stock
- Performance 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
 - 48 classrooms for entry level staff training
 - Managerial training for middle management
 - Regular meetings and seminars between mid-level managers to exchange best practices
 - Coaching for top-management
- Strong corporate culture aimed at increasing loyalty of employees
 - The Company publishes a corporate newspaper every two months
 - Team building events to ensure integrity of the team

Average personnel headcount vs average salary, 2004-2005



Source: audited IFRS Financial Statements, Management estimates



Store opening process varies from 1 to 3 months

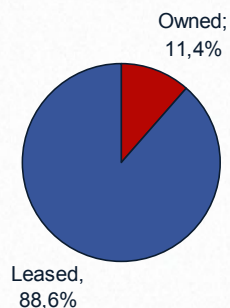
- Significant experience of store openings
- Leased stores are preferred for quick roll out in new markets
- In existing markets with already high penetration acquisitions and construction are the preferred options
- 12 greenfield stores with an average development cost of US\$500 per square metre and 6-7 months lead time to completion
- Key store opening criterion is payback period of not more than 3 years if leased; 6-7 years if owned
- Average establishment costs (excluding cost of inventory and real estate) - \$130,000, including \$70,000 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

	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												●

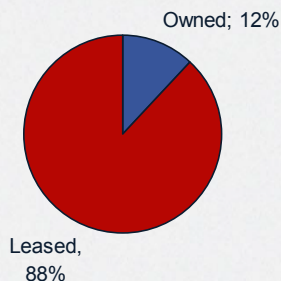
Summary Magnit store statistics

Store portfolio as at 31 March 2006

Owned and leased stores breakdown

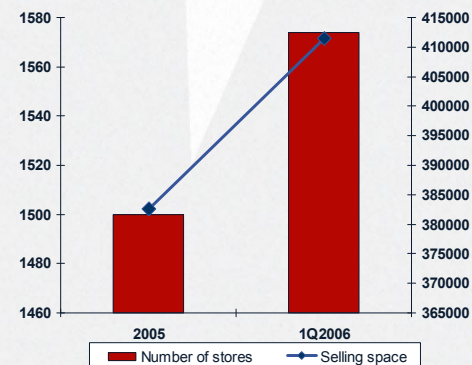


2005



1Q2006

Number of stores and Selling space, sq. m



Store openings

	1998	1999	2000	2001	2002	2003	2004	2005	31 Mar 06
Southern	1	18	27	133	270	387	550	684	696
Central					40	100	224	379	396
Volga		2	1	19	53	114	214	368	404
North-Western				1	5	9	26	61	67
Urals								8	11
Total	1	20	28	153	368	610	1,014	1,500	1,574
New openings		19	10	127	222	259	438	550	103
Closings		0	2	2	7	17	34	64	29
Net openings		19	8	125	215	242	404	486	74

Source: Company data



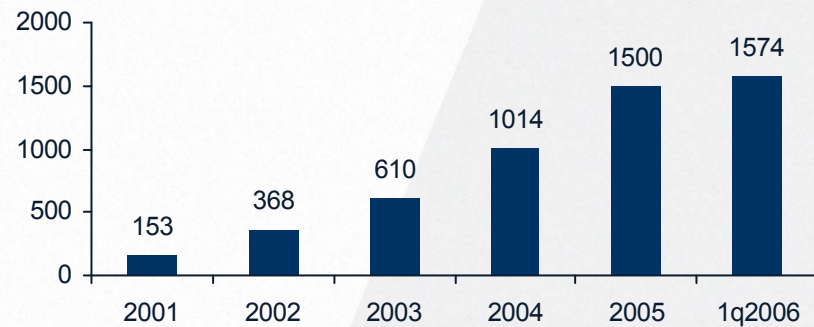
Operating and financial results

Section 3

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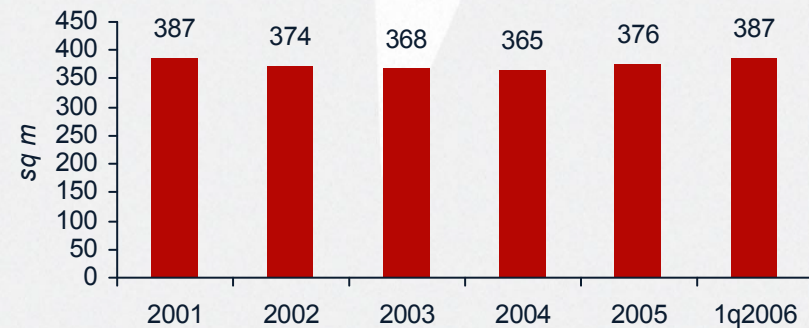
Store information

Total number of stores, 2001-1Q2006



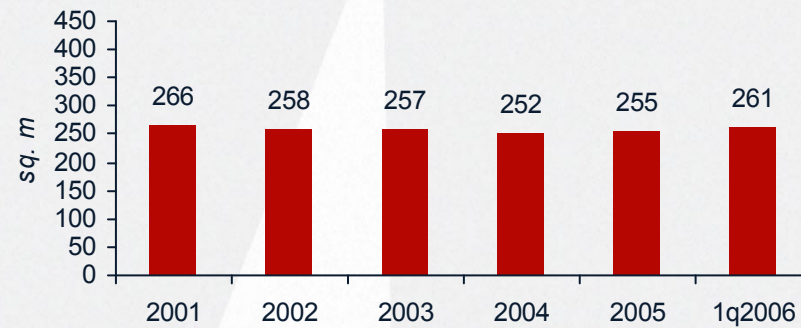
Source: Company data

Average total space per store, 2001-1Q2006



Source: Company data

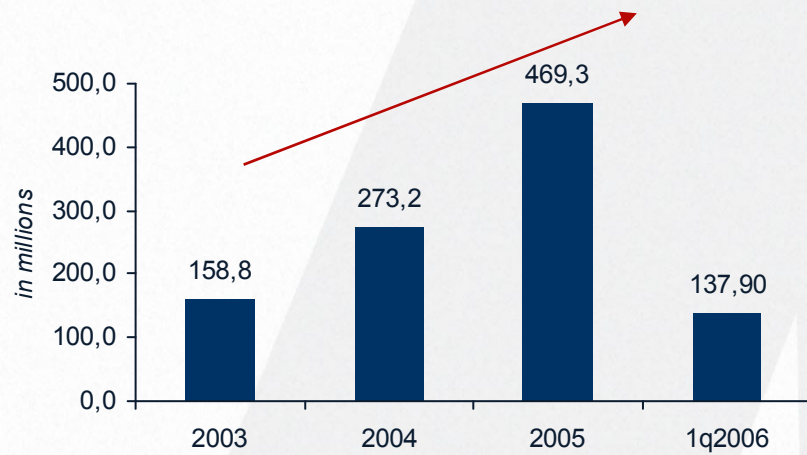
Average selling space per store, 2001-1Q2006



Source: Company data

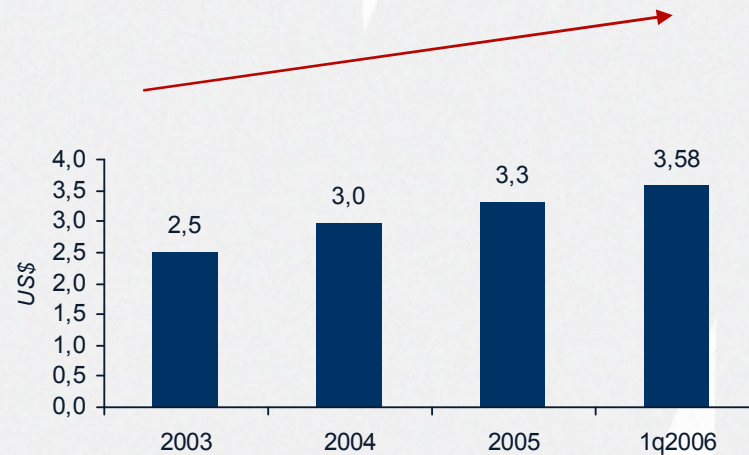
Operating KPIs

Number of tickets, 2003-1Q2006



Source: Company data

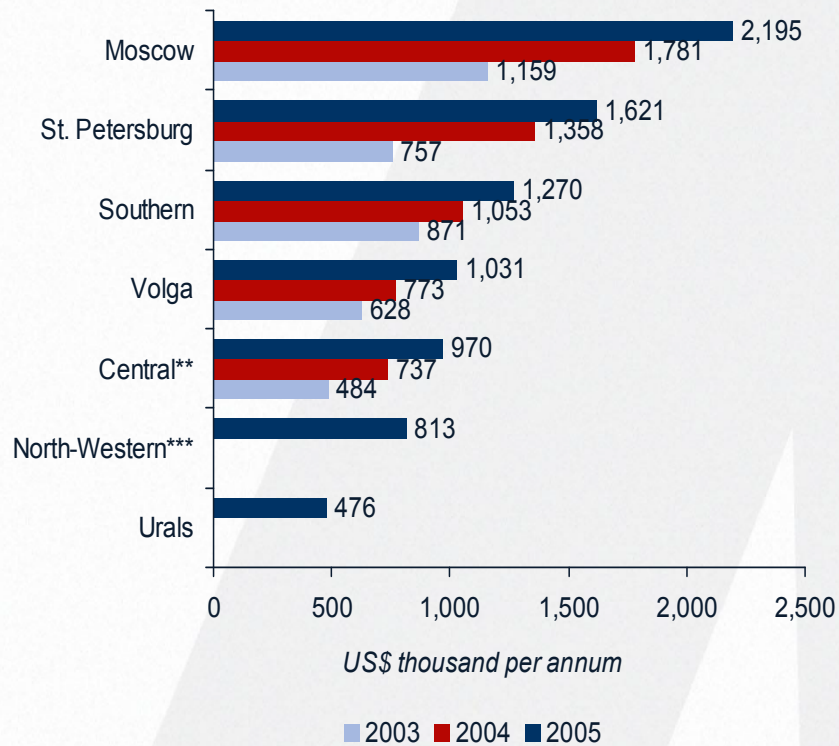
Average ticket, 2003-1Q2006



Source: Company data

Regional store performance

Sales per store*, 2003-2005



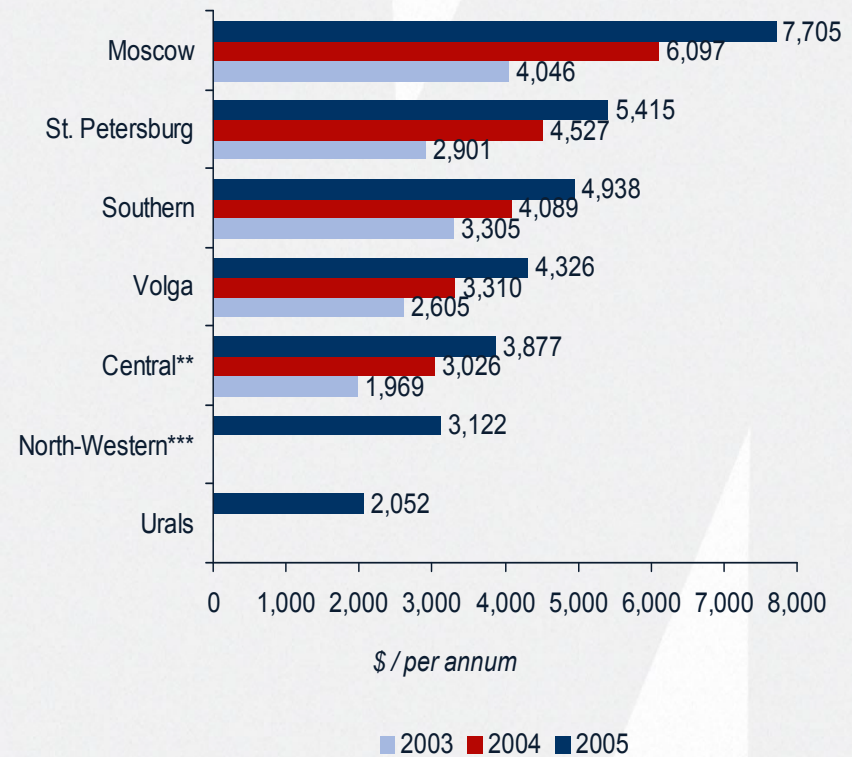
Note: * calculated as retail revenue in a year divided by weighted average number of stores and selling space in the same year

** excluding Moscow and Moscow region

*** excluding St. Petersburg and Leningrad region

Source: Company data

Sales per sq. m*, 2003-2005



Source: Company data

Improved operating efficiency

1. Increase in number of stores

2. Sales per square metre growth thanks to:

- Traffic growth:
 - Macroeconomic factors
 - Increased market share due to outflow of customers from open markets to discounters
 - More attractive assortment and pricing
 - Improved quality of service
 - Increased attractiveness of stores to consumers
- Ticket growth:
 - Macroeconomic factors: inflation in consumer basket staples
 - More expensive SKUs in the assortment

3. Cost efficiencies

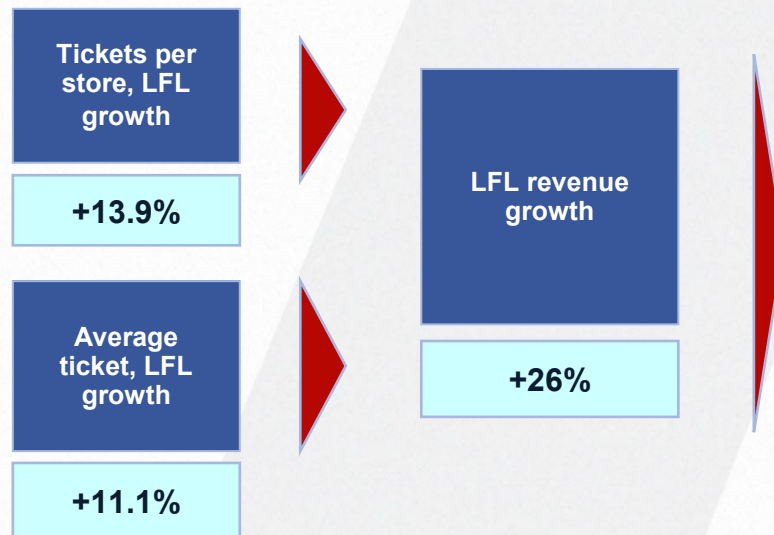
- Better terms from suppliers due to growing purchasing power
- Less costly expansion into existing markets with already high recognition
- Increased efficiency of in-house logistics
- Increased share of Private Label products
- Optimisation of assortment by replacing slow-moving SKUs
- Labour productivity growth
- Streamlined business processes

In US\$m	FY 2004	FY 2005	YoY, %
Net sales	848.5	1,577.7	86%
Cost of goods sold	(739.8)	(1,312.9)	77%
Gross profit	108.7	264.8	144%
<i>Gross margin, %</i>	12.8%	16.8%	
SG&A	(92.9)	(185.5)	100%
Other income/(expense)	(3.1)	(1.3)	
EBITDA	12.7	78.0	513%
<i>EBITDA margin, %</i>	1.5%	4.9%	
Depreciation	(6.1)	(15.1)	
EBIT	6.6	62.9	854%
Net finance costs	(5.3)	(12.9)	
Profit before tax	1.3	50.0	
Taxes	(3.0)	(13.2)	
<i>Effective tax rate</i>	232%	26%	
Net income	(1.7)	36.8	
<i>Net margin, %</i>	-0.2%	2.3%	

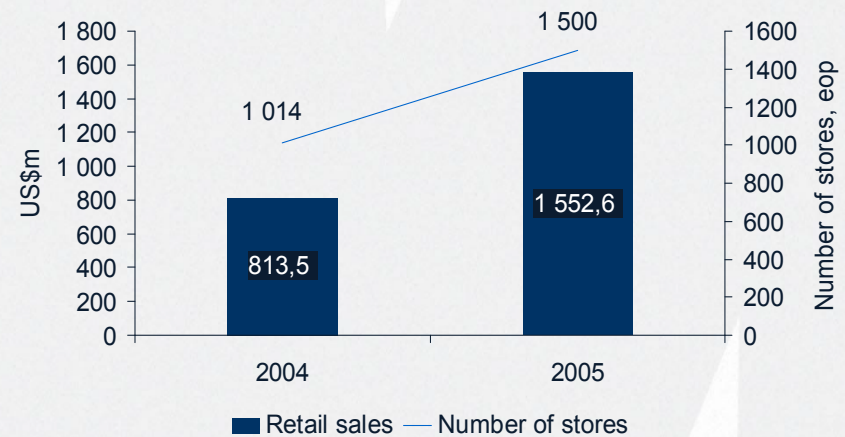
Source: audited IFRS Financial Statements

LFL sales analysis

LFL 2004 to 2005



Sales dynamics, 2004-2005



Source: Management estimates

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: Companies' data

LFL sales analysis

LFL 1Q2006 to 1Q2005

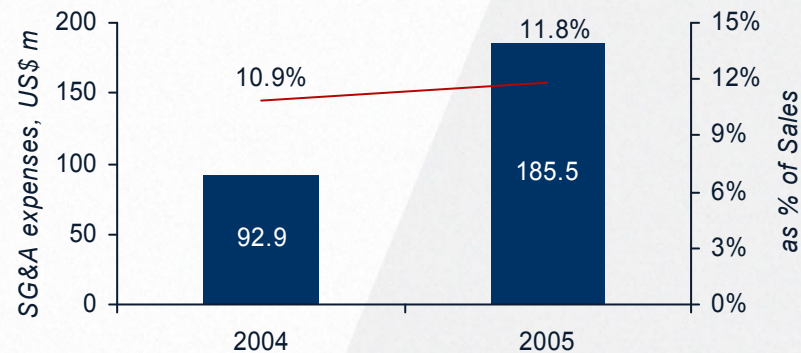


Note: for stores opened before July 2003 and not closed down permanently, expanded or downsized by the end of 2005, i.e. 399 stores

Source: Companies' data

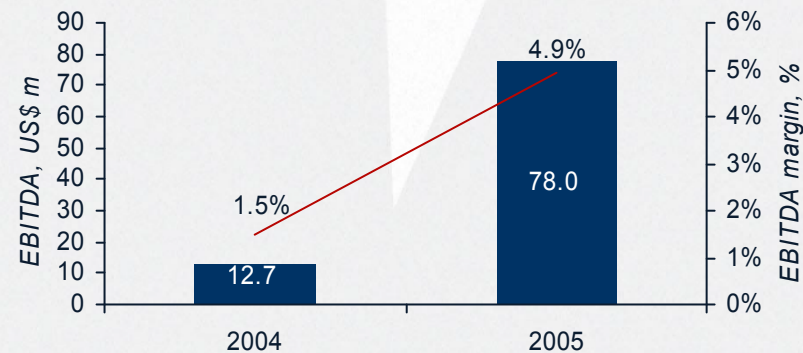
Profitability analysis

SG&A expense dynamics, 2004-2005



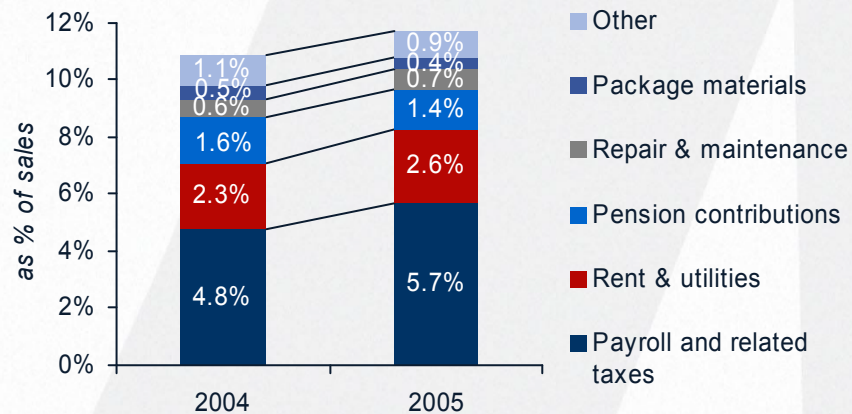
Source: audited IFRS Financial Statements

EBITDA dynamics, 2004-2005



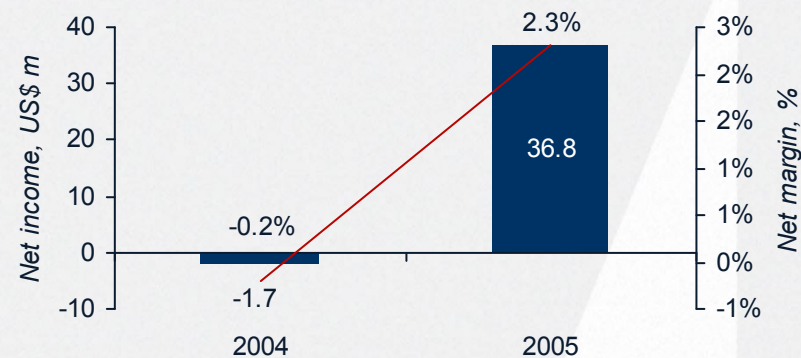
Source: audited IFRS Financial Statements

Changes in SG&A expense structure



Source: audited IFRS Financial Statements

Net profit dynamics, 2004-2005



Source: audited IFRS Financial Statements

Summary consolidated balance sheet, 2004-2005

In US\$m	31-Dec-04	31-Dec-05
P,P&E	93.9	160.1
Intangible assets	0.2	0.4
Other non-current assets	0.0	-
Total non-current assets	94.1	160.5
Merchandise	77.9	151.3
Trade accounts receivable	4.5	1.0
Taxes receivable	14.5	19.2
Advances paid	6.1	23.6
Other receivables	2.8	6.3
Short-term investments	0.3	-
Cash	19.7	45.8
Total current assets	125.8	247.1
Total assets	219.9	407.6
Charter capital	0.0	0.0
Reserves	1.7	0.1
Retained earnings	13.4	49.0
Shareholder's equity	15.1	49.2
Long-term loans and borrowings	3.2	79.4
Long-term capital leases	0.9	3.5
Other long-term liabilities	8.3	11.0
Total long-term liabilities	12.4	93.8
Trade accounts payable	108.3	132.2
Other accounts payable	10.6	52.5
Short-term capital leases	0.6	5.0
Short-term loans and borrowings	72.9	74.8
Total short-term liabilities	192.5	264.6
Total Equity and Liabilities	219.9	407.6

Source: audited IFRS Financial Statements

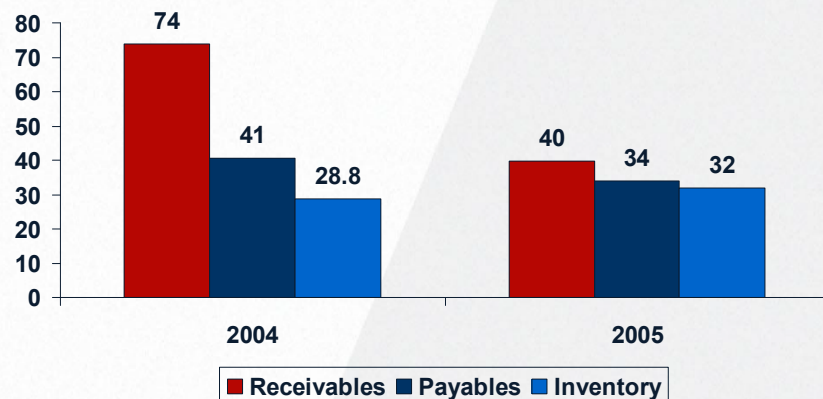
Summary consolidated cash flow statement, 2004-2005

in US\$m	2004	2005
OPERATING ACTIVITIES:		
Profit before income tax	1.3	50.0
Adjustments for:		
Depreciation	6.1	15.1
(Loss)/gain on disposal of property, plant and equipment	(0.0)	0.1
Change in provisions for doubtful receivables	0.5	0.5
Other adjustments	(0.7)	(0.4)
Finance costs, net	5.3	12.9
Operating cash flow before movements in working capital	12.4	78.3
(Increase)/decrease in working capital	10.3	(30.2)
Cash provided by operations	22.7	48.0
Income tax paid	(0.3)	(3.2)
Interest paid	(5.3)	(11.4)
Net cash provided by operating activities	17.0	33.4
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(59.0)	(78.3)
Purchase of intangible assets	(0.2)	(0.2)
Proceeds on disposal of property, plant and equipment	0.9	1.2
Purchase of investments	(25.0)	(5.6)
Proceeds from sale of investments	27.5	5.9
Cash cost of shares acquired during the Group reorganization	-	(1.5)
Net cash provided by investing activities	(55.8)	(78.5)
FINANCING ACTIVITIES:		
Proceeds from borrowings	384.0	679.3
Repayment of borrowings	(334.6)	(597.9)
Payment of bond issue costs	-	(0.5)
Repayment of obligations under financial lease	(1.0)	(8.6)
Net cash from financing activities	48.4	72.4
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	0.9	(1.2)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10.5	26.0
CASH AND CASH EQUIVALENTS, beginning of year	9.2	19.7
CASH AND CASH EQUIVALENTS, end of year	19.7	45.8

Source: audited IFRS Financial Statements

Working capital and capital expenditure

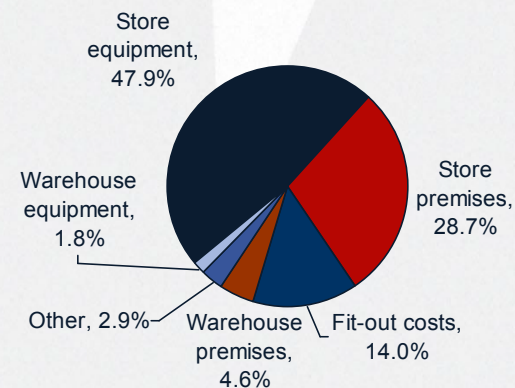
Inventory days, 2003-2005



Source: IFRS Financial Statements, Management estimates

- Working capital as of 31 December 2005 amounted to US\$ 16.6m, having increased by US\$ 29.7m
- The significant increase in working capital requirements was due to an increase in the scale of operations as well as changes in turnover days
- Inventory turnover has increased marginally from 29 days in 2004 to 32 days in 2005
- Trade payables turnover has decreased slightly from 41 days in 2004 to 34 days in 2005

Capital expenditure structure, 2005



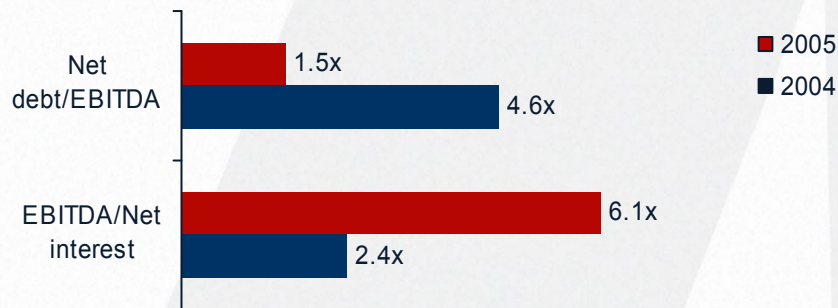
Source: Company data

- 2006 capex budget:
 - Up to 400 store openings
 - Store improvement programme (additional trading equipment, repair and maintenance)
 - Expanding warehousing capacity
 - Installation of cool storage in all Distribution Centres
 - Additional trucks

Capital structure

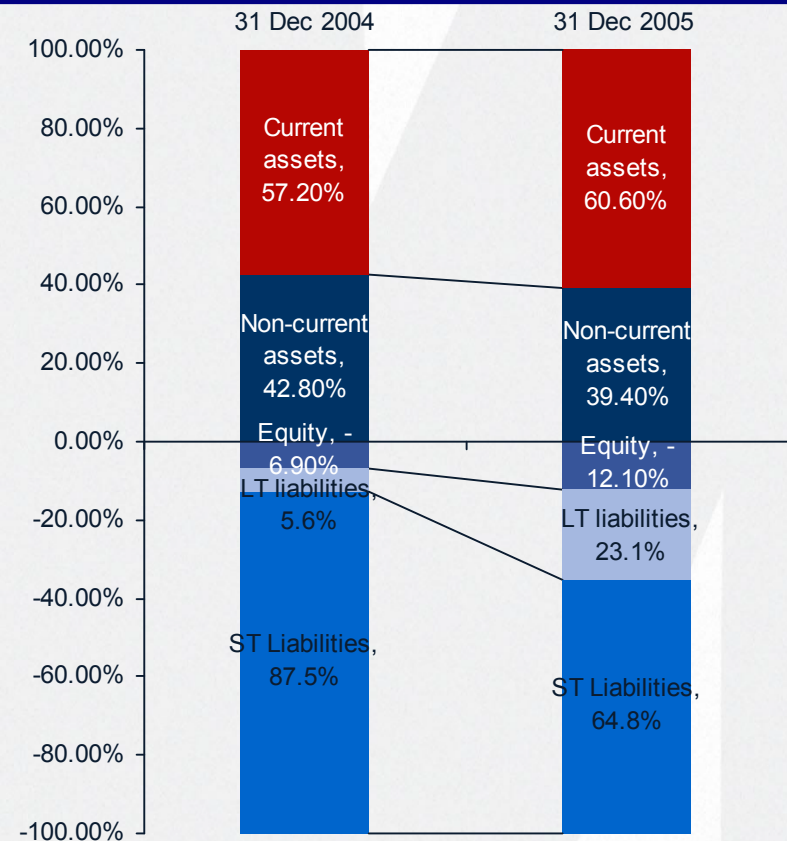
- Magnit significantly improved its financial standing in 2005:
 - The net debt/EBITDA ratio decreased from 4.6x in 2004 to 1.5x in 2005
 - EBITDA/Net Interest increased from 2.4x in 2004 to 6.1x in 2005
- A major improvement in capital structure in 2005: a reduction in short-term financing from 88% of total capital in 2004 to 65% in 2005, strengthening liquidity

Financial ratios, 2004-2005



Source: IFRS Financial Statements

Capital structure, 2004-2005



Source: IFRS Financial Statements