

МАГНИТ



2007 Annual Results



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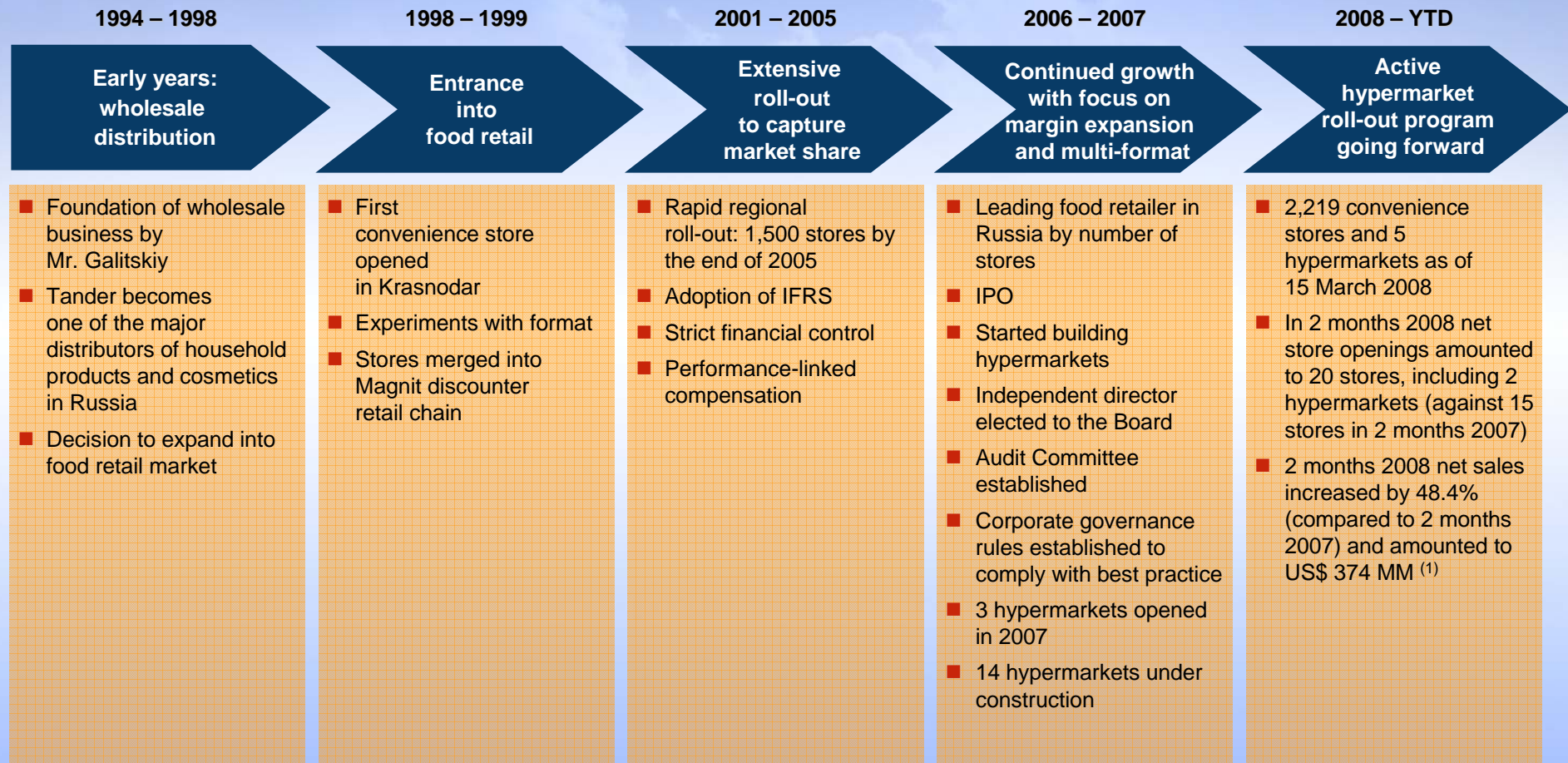
- Convenience Format
- Hypermarket Format
- General Overview

3. Financial Overview

4. Summary Conclusions



Our History



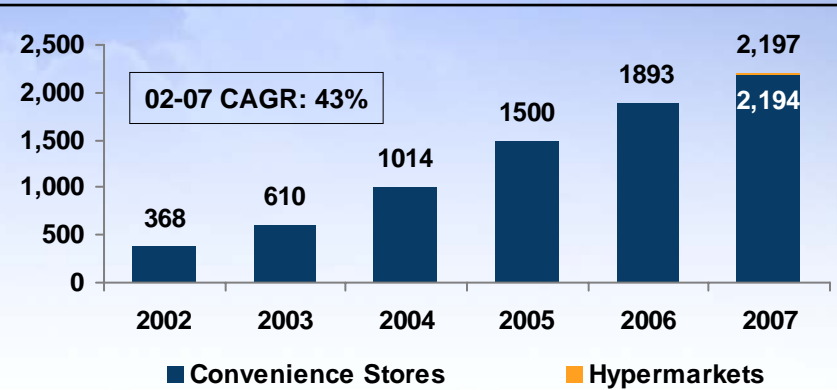
Note (1) 2M 2008 sales are provided from management accounts



Magnit Today

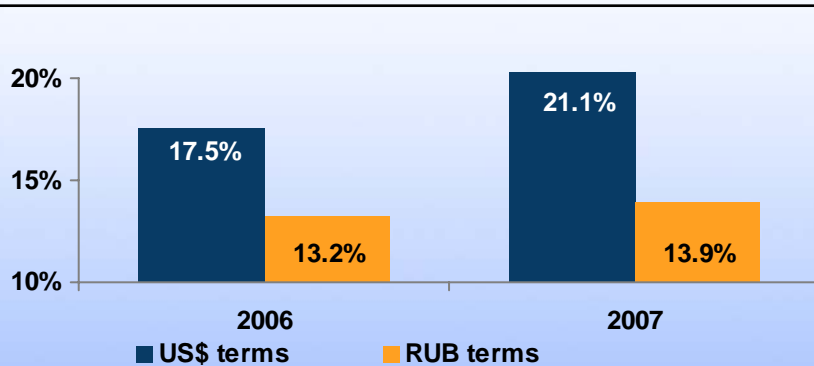
- Leading market position with broad geographic coverage
- Focus on cities and towns with population under 500,000 people
- Strong platform for rapid hypermarket operations expansion
- Efficient logistics system
- Sophisticated IT systems
- Experienced management team
- Strong financial performance

Number of Stores, eop



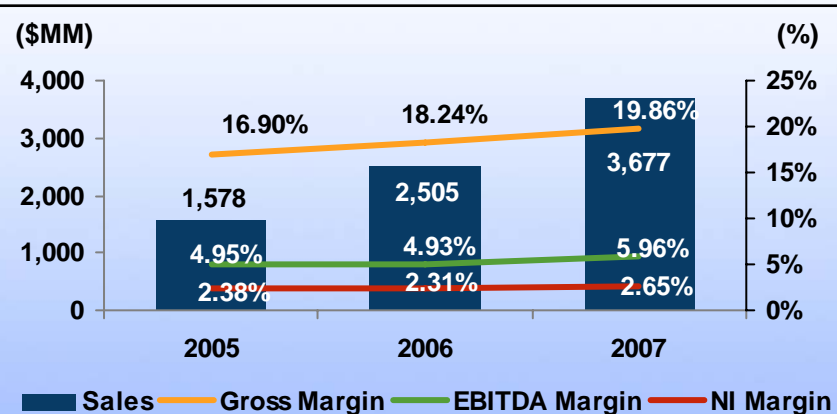
Source: Company

Sales, Lfl Growth



Source: Company

Financial Performance



Source: Company



Strategy



Further expansion
of convenience
store operations

Hypermarket
roll-out

Efficiency
improvements



Further Expansion of Convenience Store Operations



Further penetration in existing and expansion into new regions

- Areas with low modern format penetration
- Expansion into towns with population as low as 7,000 people
- Expansion into new locations within regions where Magnit is already present

Adjusting format to customers' needs

- Higher share of fresh food products and ready-made meals offering to stimulate frequency of shopping
- Gradual shift to larger convenience store size to improve store attractiveness
- Promotion of one-stop shopping concept for everyday needs

Store opening decision factors

- Proximity to existing distribution centres
- Ability to find suitable retail space
- Level of modern format penetration and consumer disposable income

Medium term plans

- High level growth of convenience store operations
- Plan to add 200 – 400 convenience stores annually
- Acquisition of land plots to secure pipeline for future stores



Hypermarkets Roll-Out



Roll-out plan

- Locations are chosen on the basis of competition from other hypermarkets in the area, the strongest growth of disposable income of the population and minimum negative impact on existing convenience stores
- In small towns hypermarkets will be located in central locations which will give advantage of targeting consumers who do not own cars
- Hypermarkets total selling space ⁽¹⁾ will vary from 2,000 to 12,500 sq. m.⁽²⁾ depending on availability of land plots

Target locations

- Low or limited competition from other hypermarkets or modern retail formats
- Relatively low prices of land plots for hypermarket construction in towns with population of 60,000 to 500,000 people
- Benefiting from strong growth of disposable income and consumer spendings in the Russian regions

Strong operational platform

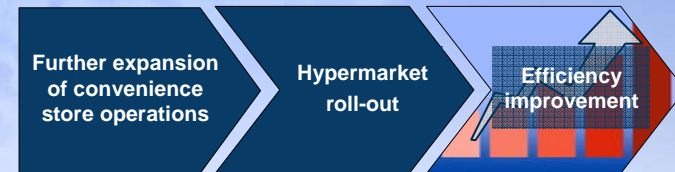
- Strong brand name recognition and customer awareness generated by a large regional network of convenience stores
- Economies of scale in purchasing and efficient logistics system capable of supporting both formats in existing and new locations
- Existing retail expertise strengthened by a team of hypermarket specialists brought in to manage execution risks

Note (1) Including selling space designated for leases to third parties

(2) For hypermarkets currently under construction



Efficiency Improvement



Plans to improve profitability

- Efficient utilization of in-house logistics system
 - Increase in the share of goods distributed through the company's distribution centres
 - Reduction of third party logistics costs
- Further improvement of purchasing terms from suppliers

Benefits from multi format structure

- Higher adaptability to any future changes in customer needs and demographic trends
- Substantial synergies from own production facilities at hypermarkets

Product mix development

- Further growth of the share of high margin products, including fresh food products, ready-made meals and private label
- Fresh food products and ready-made meals are expected to motivate customers to shop at our stores more frequently



Business Overview



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A Shift to Multi Format

Convenience Store



Hypermarket



Number of stores	2,219 as of 15 March 2008	5 as of 15 March 2008
Average store size	<ul style="list-style-type: none"> Total space – 443 sq. m. Selling space – 292 sq. m. 	<ul style="list-style-type: none"> Total space: 10,320 sq. m. Magnit selling space ⁽¹⁾: 4,000 sq. m.
Product range	<ul style="list-style-type: none"> 3,500 SKUs on average Private label – 12% of retail sales 	<ul style="list-style-type: none"> Up to 12,000 SKUs on average Private label – 5% of retail sales
Positioning (format)	<ul style="list-style-type: none"> Walking distance from home Ground floor stores or freestanding Open 12 hrs/7 days 	<ul style="list-style-type: none"> All hypermarkets are built in convenient locations All easily accessed by public transport
Target group	<ul style="list-style-type: none"> People living within 500 metres from the store 	<ul style="list-style-type: none"> People living within 15 minutes by car / 30 minutes by public transport from the store. Effective radius – 7 km
Ownership	<ul style="list-style-type: none"> 25.5% owned / 74.5% leased as of 15 March 2008 	<ul style="list-style-type: none"> 100% owned as of 15 March 2008

Note: (1) Excludes selling space designated for leases third parties



Convenience Format

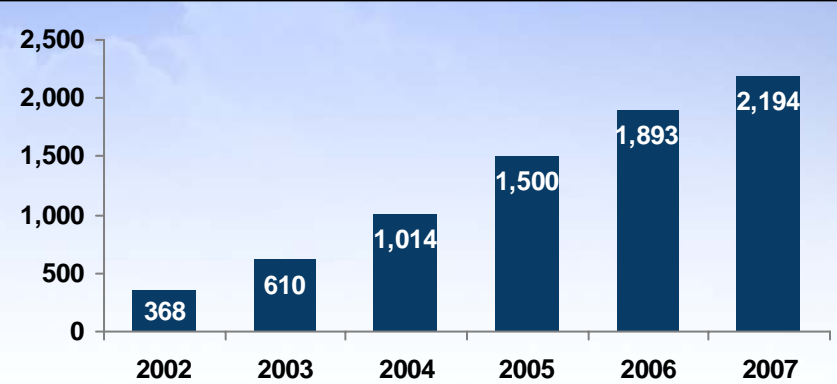


Format Description

Format Highlights

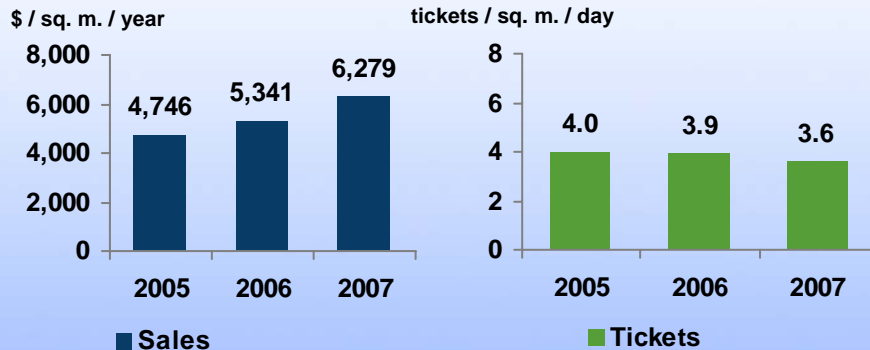
- Low prices
- Convenient locations
- Carefully selected product mix
- Standardised exterior and car parking
- Functional interior design
- Attention to customers
- Increasing customer convenience
- Main target group: mid-income consumers
- Target locations: towns with potential high growth of disposable income of population

Number of Stores, eop



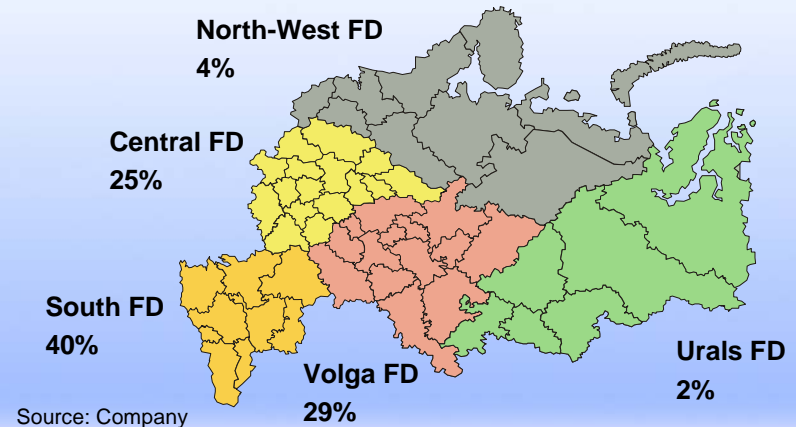
Source: Company

Operating Statistics



Source: Company

Geographical Breakdown (% of total stores)



Source: Company



Typical Store Opening Process

- 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 USD165,000 (excluding cost of inventory and real estate, but including US\$95,000 cost of equipment)
- Stores reach traffic comparable to their average levels within 6 months from opening
- Rationalisation of store portfolio

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

	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												■



Store Opening Dynamics

- 108 convenience stores were closed in 2007
 - 39 due to poor performance
 - 31 were relocated to better locations
 - 38 were shut due to disagreements with landlords

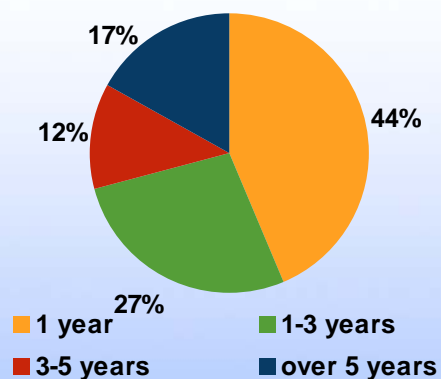
	2003	2004	2005	2006	2007
Southern	387	550	684	783	889
Central	100	224	379	461	546
Volga	114	214	368	536	628
North West	9	26	61	84	89
Urals			8	29	45
Total	610	1,014	1,500	1,893	2,197
New openings	259	438	550	513	412
Closings	17	34	64	120	108
Net openings	242	404	486	393	304



Store Ownership Structure

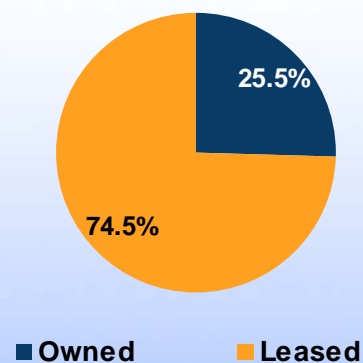
- As of 15 March 2008 the company owned 566 stores and leased 1,653
- Store ownership is gained on the basis of the following documents:
 - Sale-purchase agreements
 - Lease agreements with redemption rights
 - Construction share holding agreements
 - Investment contracts

Lease Maturity Profile



Source: Company

Store Ownership Structure

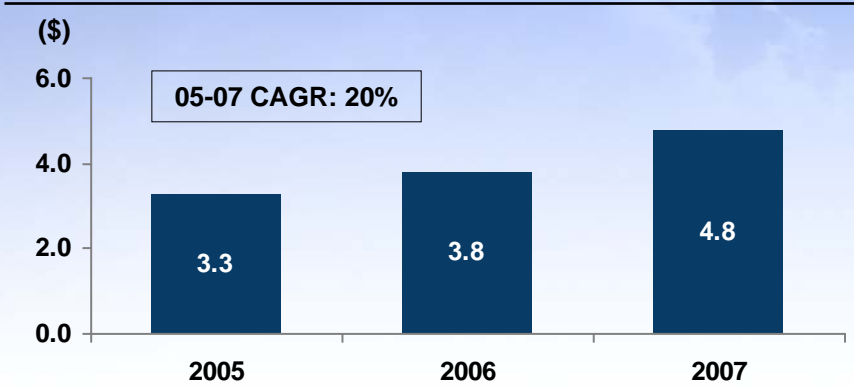


Source: Company as of 15 March 2008



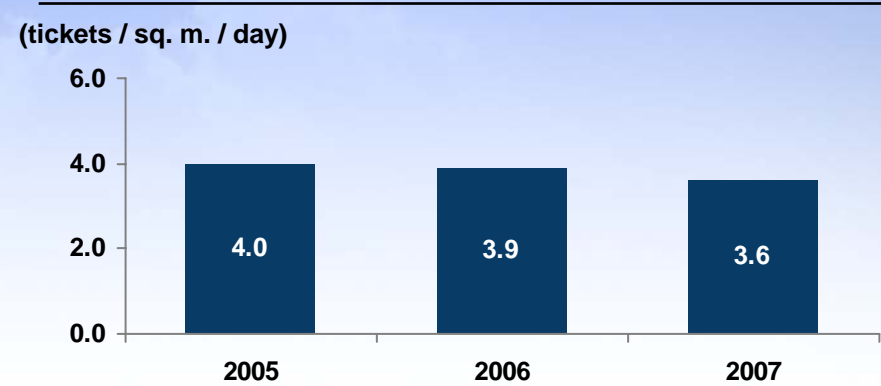
Key Operating Statistics

Average Ticket



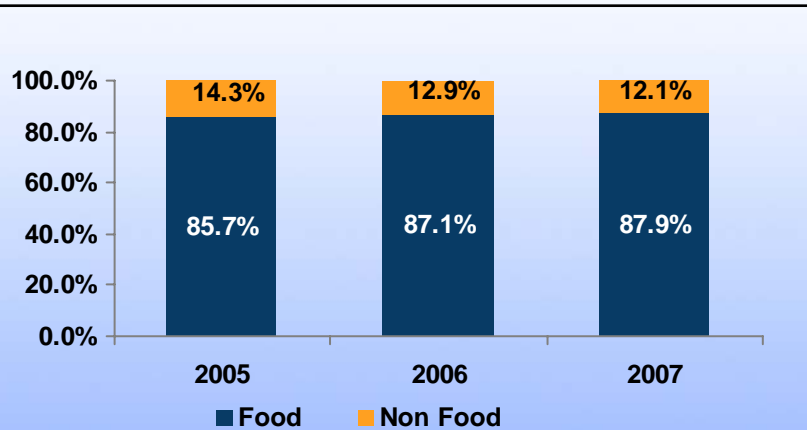
Source: Company

Traffic



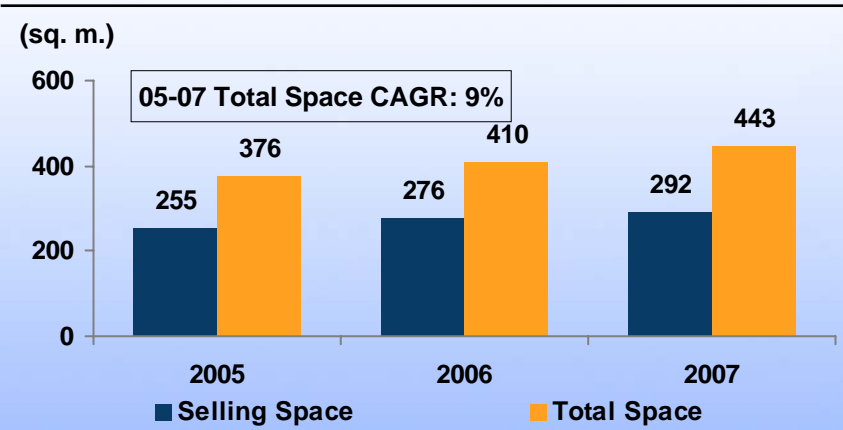
Source: Company

Sales Mix



Source: Company

Average Floor Size

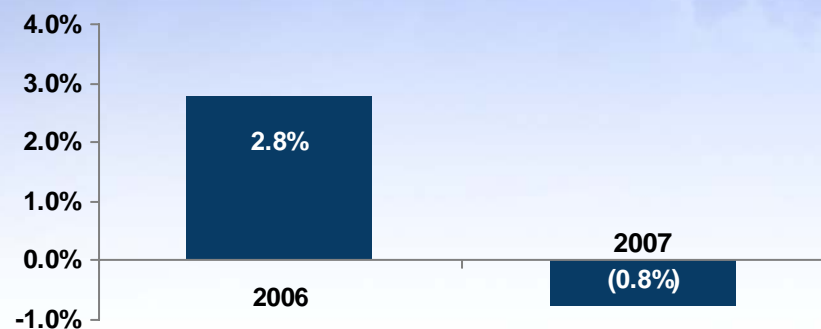


Source: Company



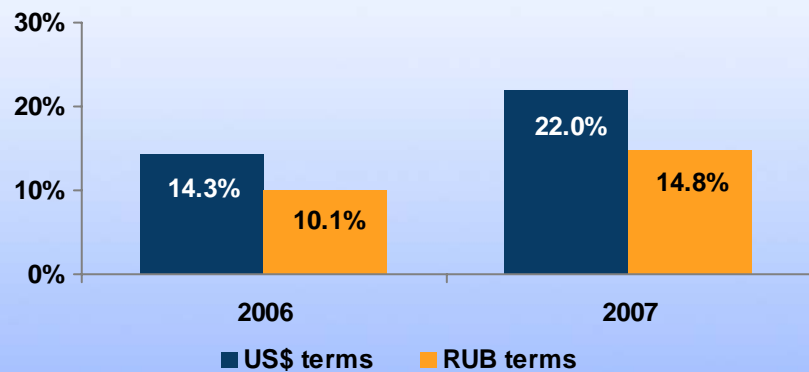
Lfl Sales Analysis

Traffic, Lfl



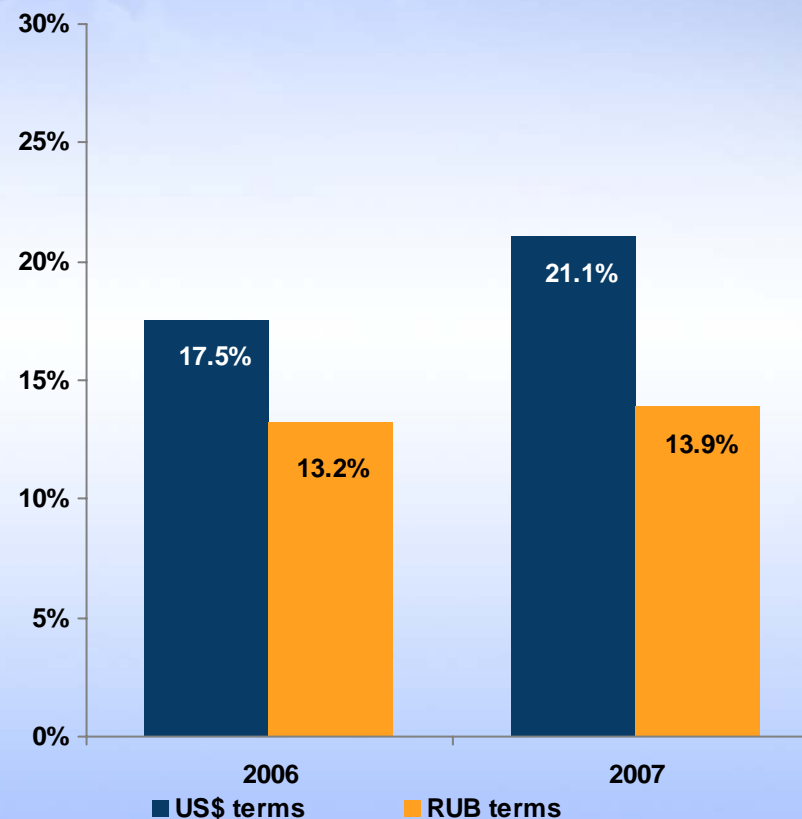
Source: Company

Average Ticket, Lfl



Source: Company

Sales, Lfl



Source: Company



Hypermarket Format



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Format Description

Format Highlights

- 3 principal hypermarket sub-formats
 - **Small:** total space of 3,200 - 4,700 sq. m., selling space ⁽²⁾ of 2,000 - 2,500 sq. m.
 - **Medium:** total space of 11,100 - 11,700 sq. m., selling space ⁽²⁾ of 6,000 – 8,100 sq. m.
 - **Large:** total space up to 21,000 sq. m., selling space ⁽²⁾ up to 12,500 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 budget, attributable to hypermarket
 - Population of the region
 - Competition

Existing hypermarkets				
Location	Population	Total Space, sq. m.	Magnit Selling Space, sq. m.	Sub-Leased Space ⁽¹⁾ , sq. m.
Krasnodar	646,175	11,283	4,200	3,000
Kingisepp	50,295	6,264	2,790	445
Solnechnogorsk	58,374	11,655	4,600	2,650
Kamyshin	127,891	11,200	4,200	2,800
Bataysk	107,438	11,200	4,200	2,800

Source: Company

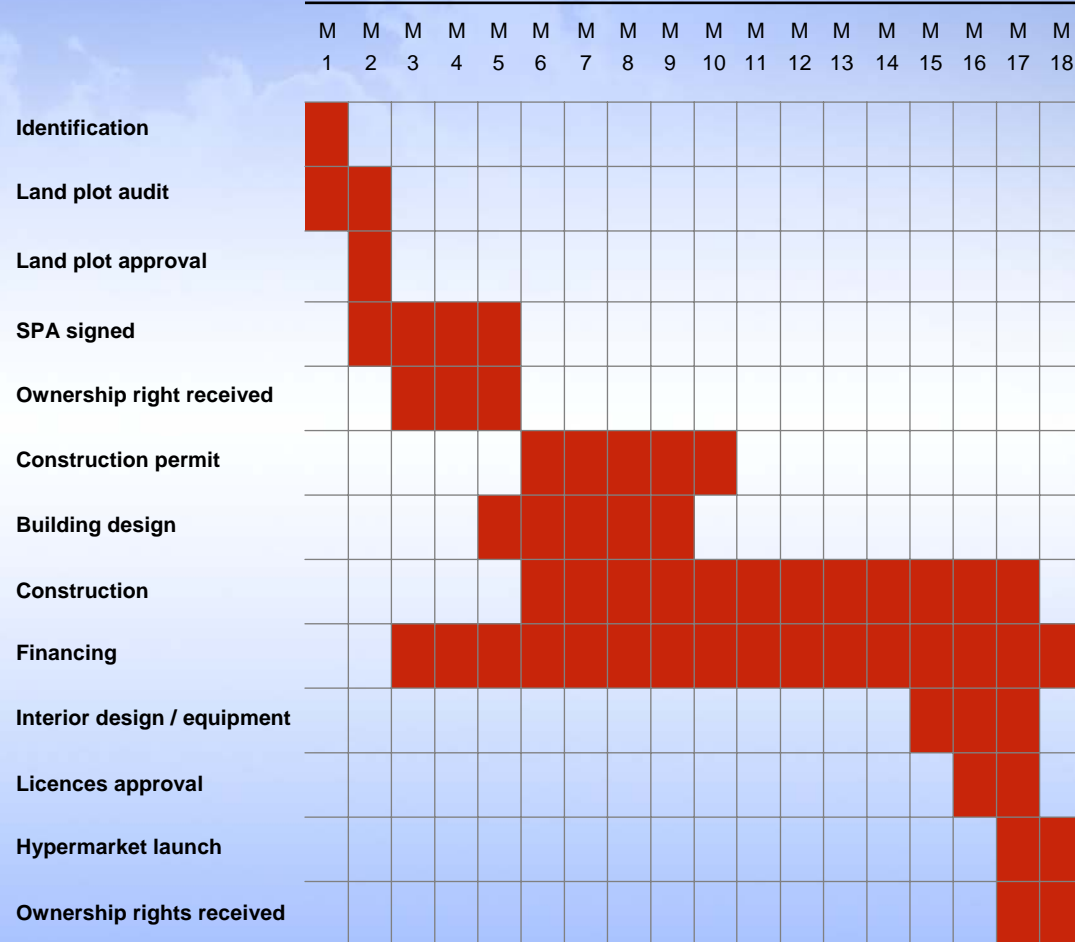


Notes (1) Selling space designated for leases to third parties
 (2) Including selling space designated for leases to third parties



Typical Store Opening Process

- Key store opening criterion is payback period of not more than 6-7 years
- Average total cost of a new outlet (based on hypermarkets launched in 2007) varies between US\$12.0 – 23.5 MM depending on format (excluding cost of inventory and real estate, but including US\$ 1.3 – 3.1 MM cost of equipment)
- Expected store maturity pattern: 9-12 months from opening
- Capex per sq. m. (incl. land) – US\$ 1,861 – 2,098 depending on format



General Overview



Target Audience

Families (30 – 60 Years Old)

Priorities

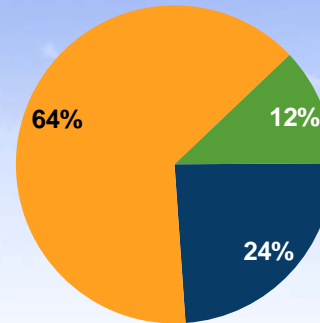
- Location
- Assortment
- Price
- Comfort

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 spaces at the stores



Youth (Up to 30 Years Old)

Priorities

- Assortment
- Location
- Comfort
- Price

Key Features

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

Key Focus Areas

- Offering product categories appealing to young audience

Shopping Motivation

Convenience Stores

- Daily fresh shopping
- First need products

Hypermarkets

- Weekly shopping

Pensioners (60+ Years Old)

Priorities

- Price
- Location
- Assortment
- 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



Pricing Model

Mark-Up Criteria

Overall necessity of a product

Target audience for a product

Purchasing frequency of a product

Share in consumer basket

- Price assessment for convenience stores is based on an every day product basket (bread, milk, etc...)
- Hypermarket pricing model focuses on SKUs needed on a weekly basis
- Each product category is assigned a certain mark-up
- Revised every 4 months

Mark-up for a given product

Centralised matrix-based pricing system

Mark-Up Adjustments

Target weighted average mark-up for the Group

Competition in the area

Geographical location (urban / rural matrix)

Seasonality

- Weighted average mark-up is established at the Group level based on the monitoring of competitors' prices for 200 key SKUs
- Mark-up monitored on a daily basis using the powerful MIS
- Revised on a bi-weekly basis
- Can be changed within several hours



Suppliers, Purchasing and Private Label

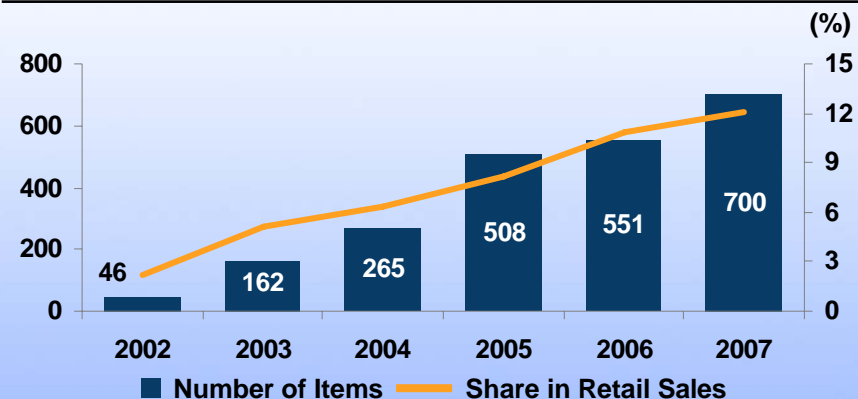
Magnit is the largest buyer for many domestic and international FMCG producers

- 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 2007 was 45 days and could be up to 60 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 maximise returns on each metre of shelving space

- 700 private label SKUs
- Private label products accounted for 12% share of retail revenue in 2007 and 20% of total SKUs
- Approximately 85% 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

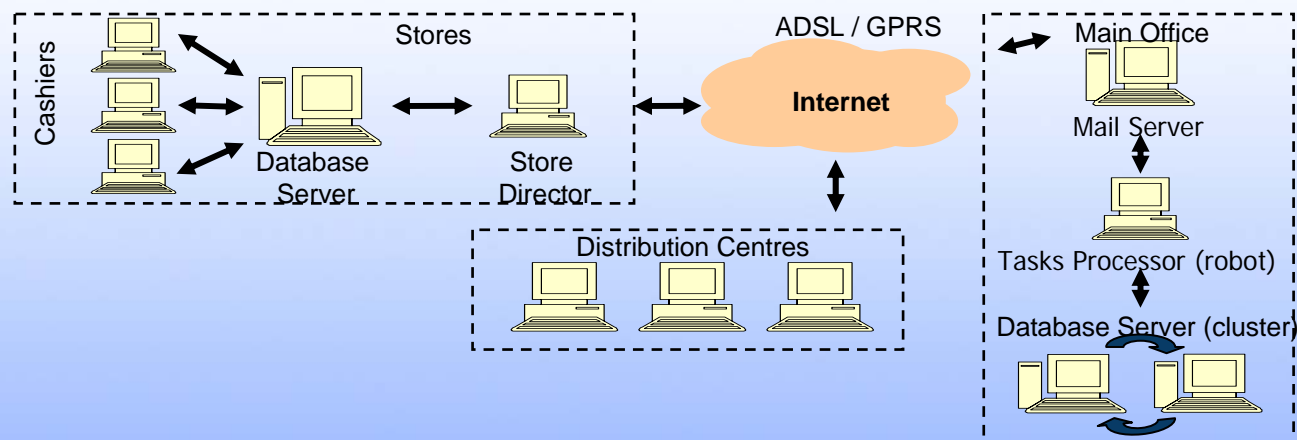


Source: Company



2006-2007 IT Systems Update

- Transport management system
 - Optimal route planning
 - All cars are equipped with GPS locating systems
- Warehouse management systems
 - Introduction of WiFi operated data collection terminals
 - Warehouses are customised to work with hypermarket product traffic
- Oracle IT platform introduced to convenience store format
- New price management system introduced to both formats
- Electronic document traffic system with suppliers
- Introduction of Corporate Information System based on 1C platform



Logistics System

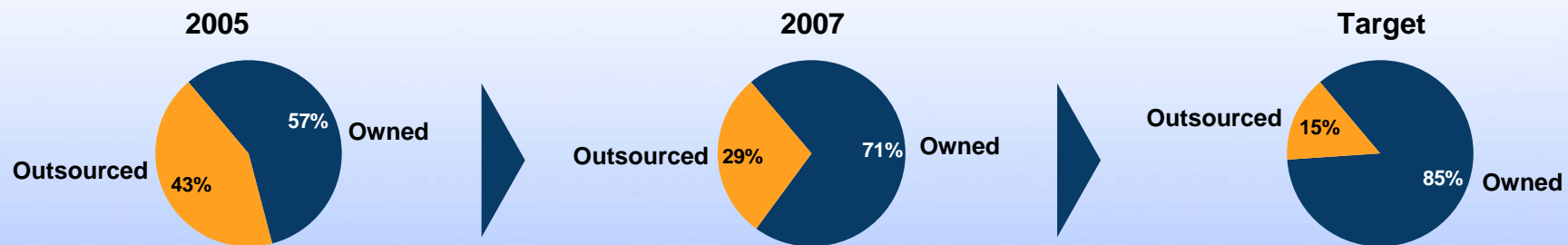
In 2007 approximately 71% of COGS were distributed through the company's distribution centers and the long-term target is to increase this share up to 85%. At the moment Company's logistics system includes:

- Automated stock replenishment system
- 8 distribution centers with approximately 138,380 sq. m. capacity
- Fleet of 802 vehicles

City	Federal District	Warehousing Space sq.m.	Number of Serviced Stores	Leased / Owned
Bataysk	Southern	16,576	267	Owned ⁽¹⁾
Kropotkin	Southern	30,048	492	Owned
Engels	Volga	19,495	322	Owned
Togliatti	Volga	8,379	254	Leased
Tver	Central	10,714	170	Owned
Oryol	Central	12,472	325	Owned
Ivanovo	Central	24,120	274	Owned
Chelyabinsk	Ural	16,576	93	Owned
Total		138,380	2,197	

Source: Company

DC Processed Goods



Note: (1) Ownership rights are being obtained



Financial Overview



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Summary P&L

In US\$ MM	2005	2006	2007	2006 / 2005 Y-o-Y Growth	2007 / 2006 Y-o-Y Growth
Net sales	1,577.7	2,505.0	3,676.6	58.78%	46.77%
Cost of sales	(1,311.1)	(2,048.0)	(2,946.5)	56.21%	43.87%
Gross profit	266.6	457.0	730.0	71.43%	59.74%
<i>Gross margin, %</i>	16.90%	18.24%	19.86%		
SG&A	(187.6)	(332.2)	(513.2)	77.07%	54.46%
Other income/(expense)	(1.0)	(1.2)	2.4		
EBITDA	78.0	123.6	219.2	58.41%	77.40%
<i>EBITDA margin, %</i>	4.95%	4.93%	5.96%		
Depreciation	(15.1)	(29.1)	(53.7)	92.43%	84.50%
EBIT	62.9	94.5	165.6	50.23%	75.22%
Net finance costs	(12.9)	(13.0)	(35.5)		
Profit before tax	50.0	81.5	130.1		
Taxes	(12.5)	(23.5)	(32.7)		
<i>Effective tax rate</i>	25.02%	28.85%	25.15%		
Net income	37.5	58.0	97.4	54.52%	68.02%
<i>Net margin, %</i>	2.38%	2.31%	2.65%		

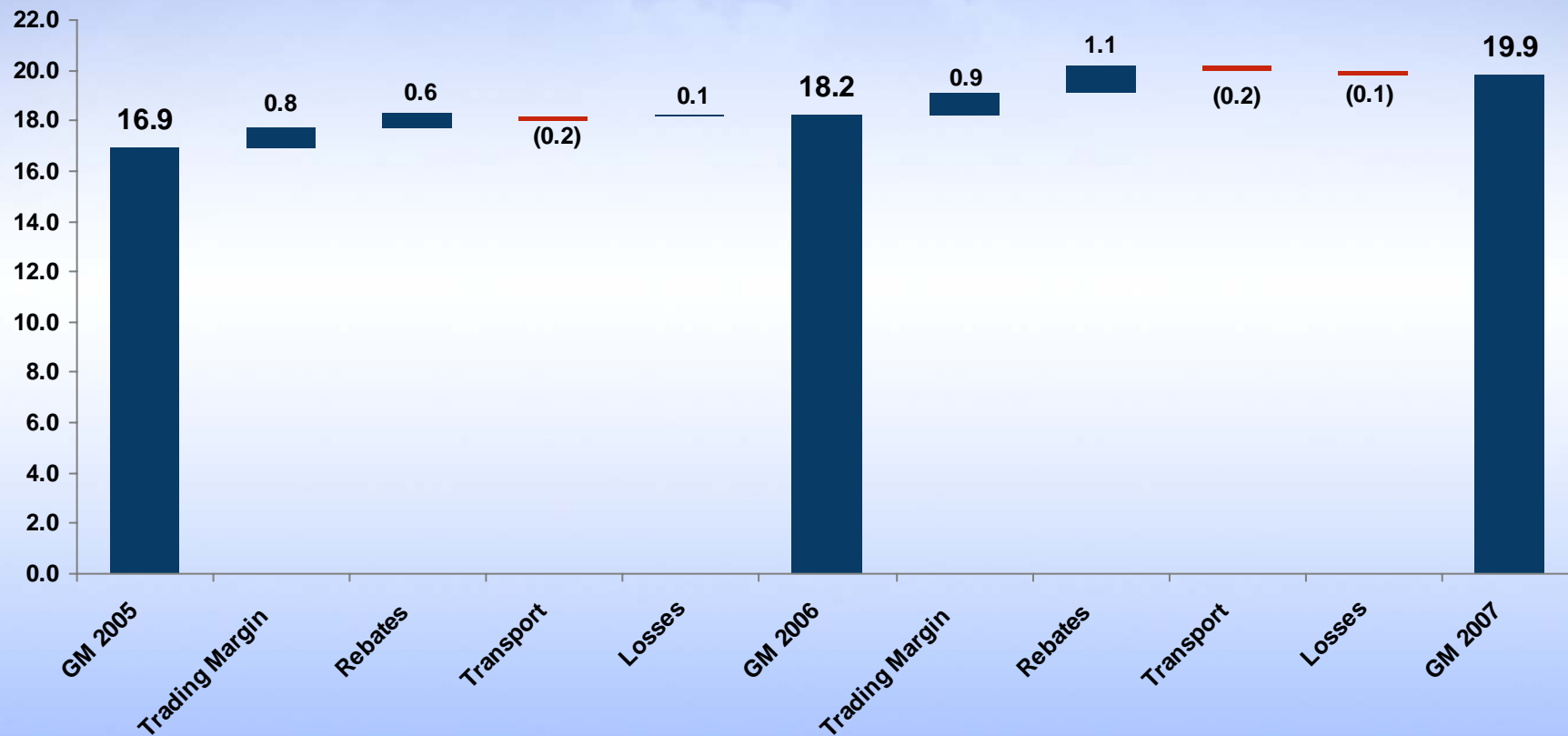


Source: IFRS accounts

Gross Margin Bridge

Gross Margin Bridge

As % of Sales



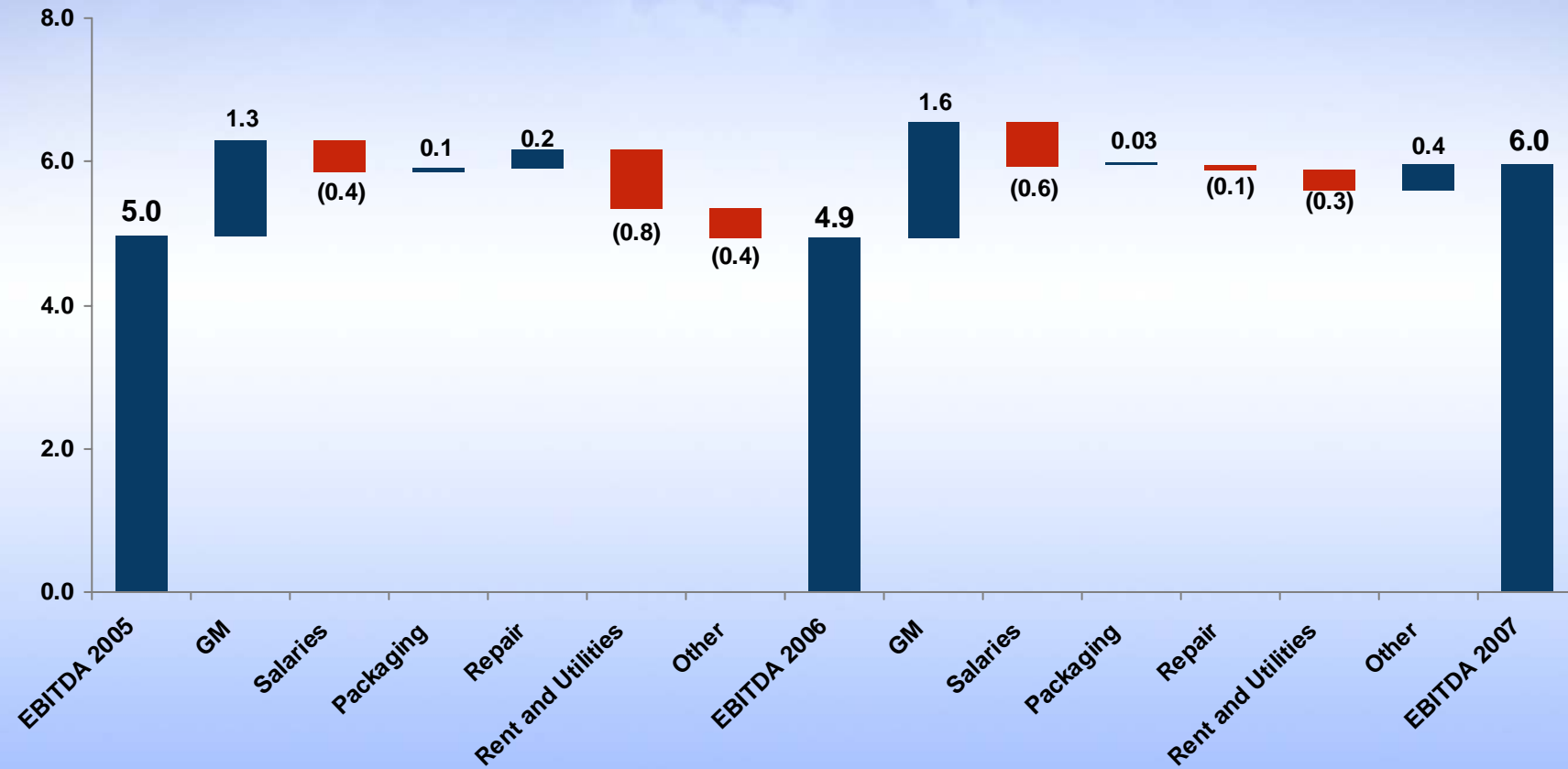
Source: Company, IFRS accounts



EBITDA Bridge

EBITDA Bridge

As % of Sales



Source: Company, IFRS accounts



Balance Sheet

'000 US\$	2005	2006	2007
ASSETS			
Property plant and equipment	160,108	468,401	1,074,248
Other non-current assets	350	1,487	1,330
Cash and cash equivalents	45,771	89,789	120,959
Trade accounts receivable	738	5,344	2,415
Merchandise	151,276	247,466	330,409
Other current assets	46,871	77,717	90,659
TOTAL ASSETS	405,114	890,204	1,620,020
EQUITY AND LIABILITIES			
Equity	50,198	305,239	428,347
Long-term debt	82,817	89,346	183,444
Other long-term liabilities	9,968	14,714	15,811
Trade accounts payable	154,224	281,401	437,643
Short-term debt	77,373	167,135	509,190
Other current liabilities	30,534	32,369	45,585
TOTAL EQUITY AND LIABILITIES	405,114	890,204	1,620,020

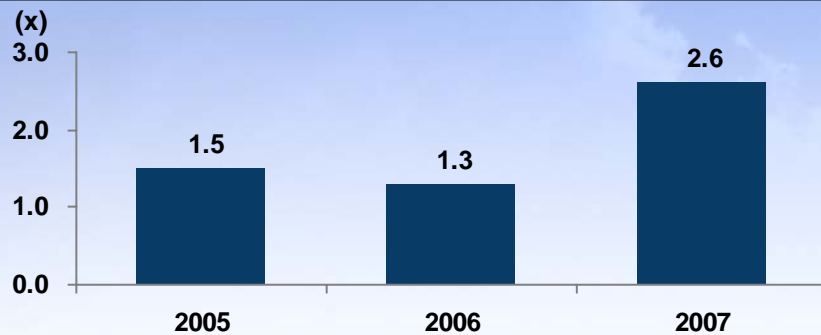


Source: IFRS accounts



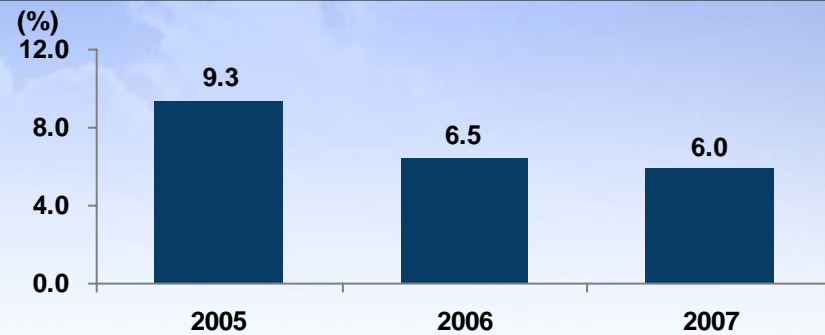
Balance Sheet Analysis

Net Debt (1)/ EBITDA



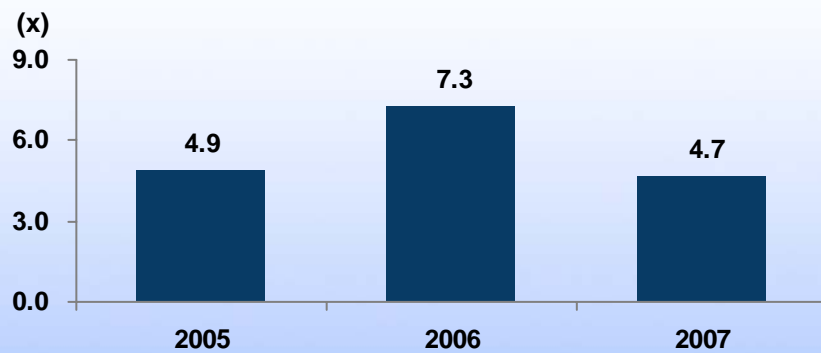
Source: Company, IFRS accounts

ROA (2)



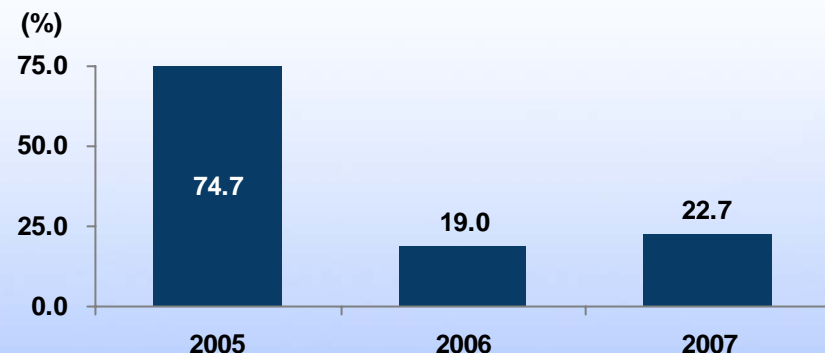
Source: Company, IFRS accounts

EBIT / Net Interest



Source: Company, IFRS accounts

ROE (3)



Source: Company, IFRS accounts

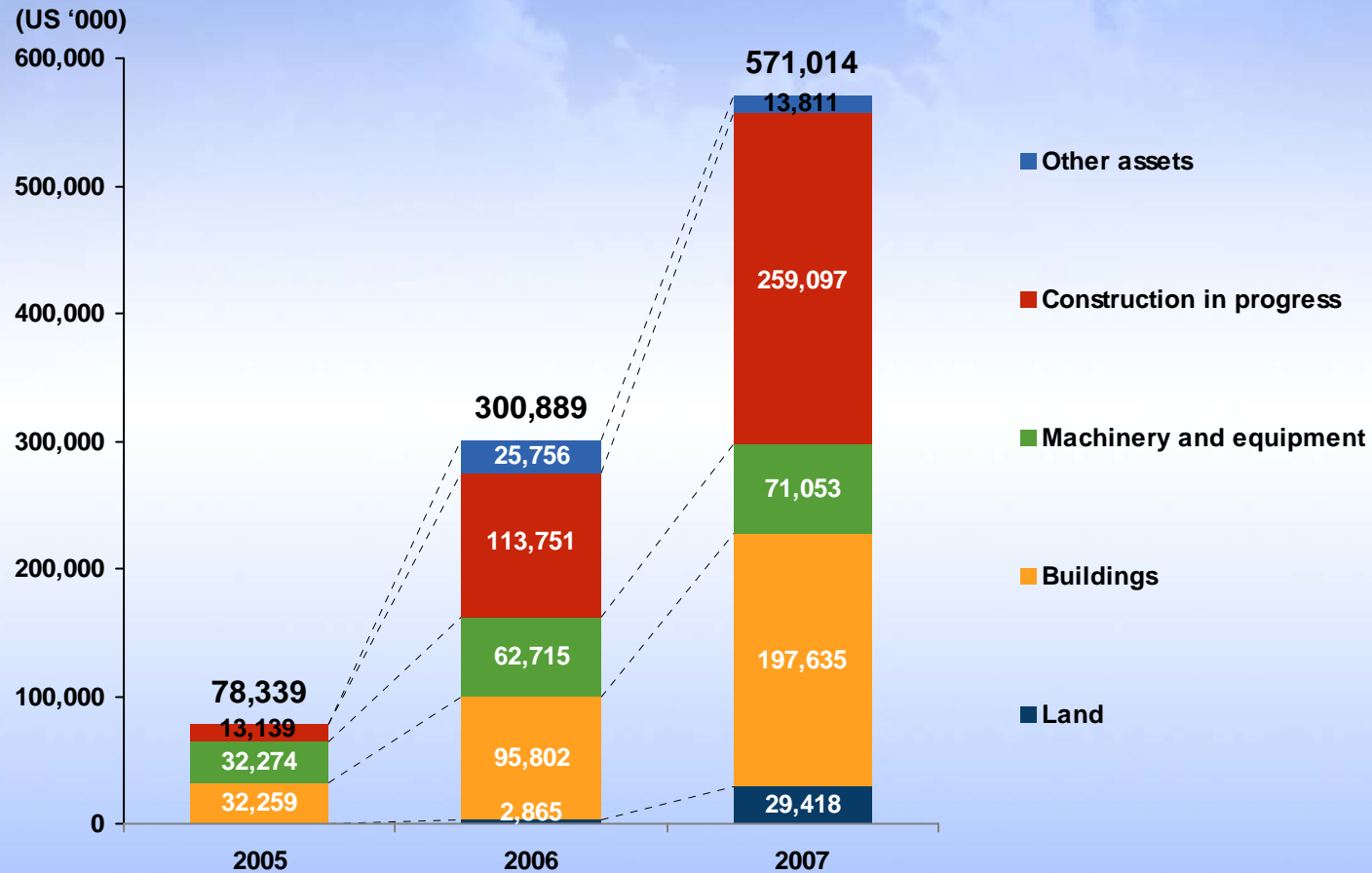
Notes (1) Net debt = long / short-term bonds and borrowings + finance lease liabilities – cash and cash equivalents

(2) Net income / end of period total assets

(3) Net income / end of period equity



Capex ⁽¹⁾ Analysis



Source: IFRS accounts

Note (1) Capex is calculated as net PP&E additions (excluding assets under finance lease) adjusted for intra-year transfers between PP&E categories



Cash Flow Statement

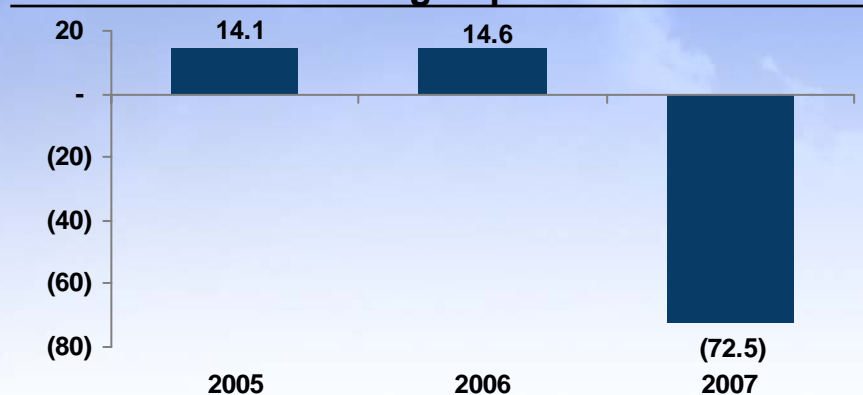
'000 US\$	2005	2006	2007
OPERATING ACTIVITIES:			
Operating profit before movements in working capital	78,456	124,785	219,054
Net cash generated from operating activities	33,624	85,983	242,355
INVESTING ACTIVITIES:			
Net Cash used in investing activities	(78,654)	(301,552)	(568,698)
FINANCING ACTIVITIES:			
Net cash generated from financing activities	72,373	258,712	354,832
Net increase in cash and cash equivalents	27,343	43,143	28,489
Cash and cash equivalents, end of year	45,771	89,789	120,959



Source: IFRS accounts

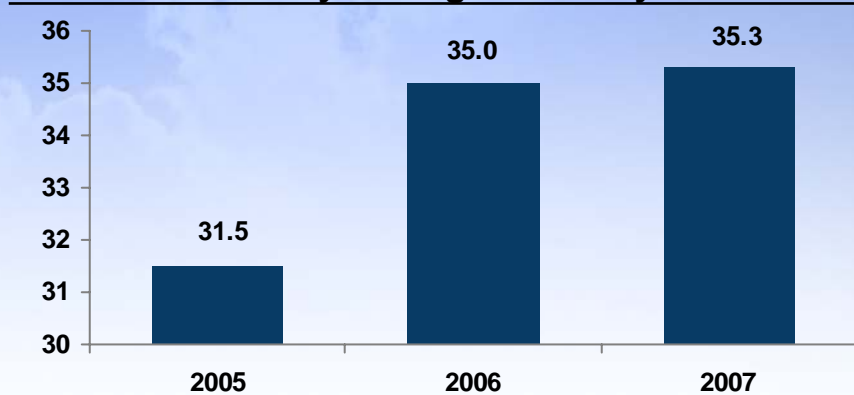
Working Capital Analysis

Working Capital (1)



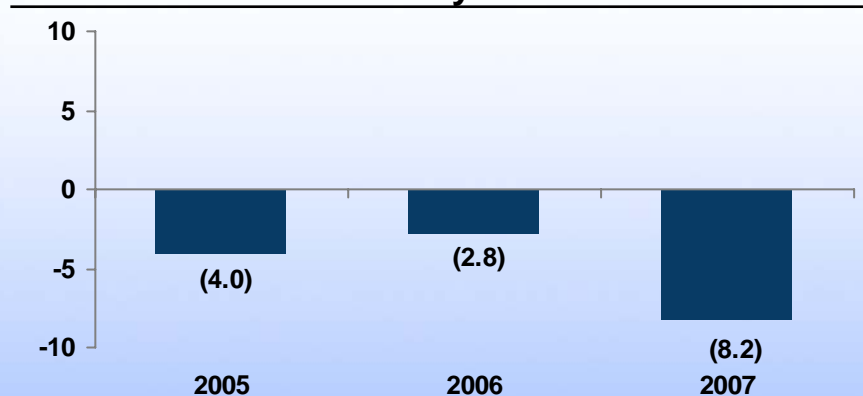
Source: Company

Inventory Management Days (2)



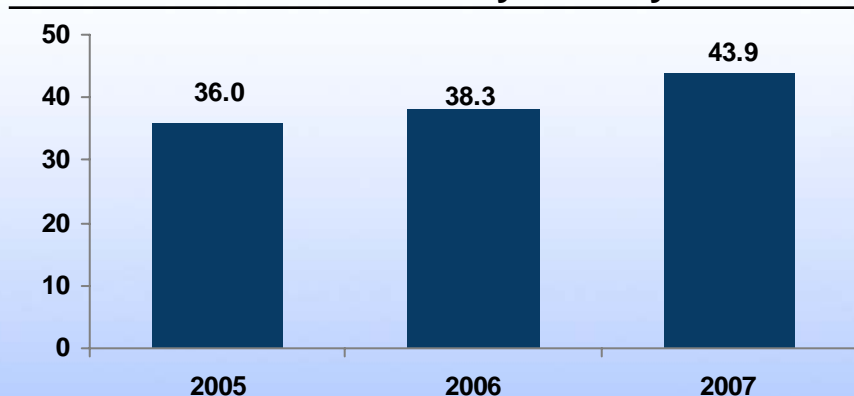
Source: Company

Cash Cycle (3)



Source: Company

Trade Accounts Payable Days (4)



Source: Company

Notes: (1) Current assets (less C&CE and short-term investments) – current liabilities (less short-term debt)

(2) $360 / (\text{Cost of sales/year average inventory})$

(3) Trade receivable days + inventory management days – trade accounts payable days

(4) $360 / (\text{Cost of sales/year average trade accounts payable})$



Summary Conclusions



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Leading Russian retailer: broadest geographic coverage with 2,219 stores (as of 15 March 2008) in more than 700 cities in five out of seven federal districts in Russia



Strong foothold in Russia's cities and towns with population under 500,000 people: first mover advantage (first retailer in many locations to establish a modern format); low competition from other chains outside of Russia's large 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 measures to improve profitability: enhancing product mix, increasing private label and increasing distribution through own logistics system to achieve margin improvements and cost savings



Financing of expansion program: implementation of the Company's mid-term strategy will be executed through a mix of debt and equity raisings

