

**МАГНИТ**



## Audited FY 2011 IFRS Results

СЕМЕЙНЫЙ  
**МАГНИТ**  
ГИПЕРМАРКЕТ

# Disclaimer

This presentation (the "Presentation") is strictly confidential and is being provided to you solely for your information and may not be reproduced in any form, retransmitted, further distributed to any other person or published, in whole or in part, for any purpose.

The materials contained in this Presentation have been prepared solely for the use in this Presentation and have not been independently verified. No representation, warranty or undertaking, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or the opinions contained herein. None of OJSC "Magnit" ("the Company"), nor any shareholder of the Company, nor any of its or their affiliates, advisors or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Presentation or its contents or otherwise arising in connection with the Presentation.

No part of this Presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever.

This Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

This Presentation is not an offer for sale of securities in the United States and is only addressed to and is only directed at persons who are "qualified institutional buyers" (as defined in Rule 144A under the U.S. Securities Act of 1933, as amended) in the United States. The Company has not registered and does not intend to register any of its securities in the United States.

This Presentation is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons in (i), (ii) and (iii) above together being referred to as "relevant persons"). Any person who is not a relevant person should not act or rely on this Presentation or any of its contents.

This Presentation is only addressed to and is only directed at qualified investors in EU Member States within the meaning of the Directive 2003/71/EC.

Information contained in this Presentation does not constitute a public offer or an advertisement of any securities in Russia, is not an offer, or an invitation to make offers, to purchase any securities in Russia, and must not be passed on to third parties or otherwise made publicly available in Russia.

Matters discussed in this Presentation may constitute forward-looking statements. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance, and underlying assumptions and other statements, which are other than statements of historical facts. The words "believe," "expect," "anticipate," "intends," "estimate," "forecast," "project," "will," "may," "should" and similar expressions identify forward-looking statements. Forward-looking statements include statements regarding: strategies, outlook and growth prospects; future plans and potential for future growth; liquidity, capital resources and capital expenditures; growth in demand for products; economic outlook and industry trends; developments of markets; the impact of regulatory initiatives; and the strength of competitors.

The forward-looking statements in this Presentation are based upon various assumptions, many of which are based, in turn, upon further assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties. These assumptions are inherently subject to significant uncertainties and contingencies which are difficult or impossible to predict and are beyond the Company's control and the Company may not achieve or accomplish these expectations, beliefs or projections. In addition, important factors that, in the view of the Company, could cause actual results to differ materially from those discussed in the forward-looking statements include the achievement of the anticipated levels of profitability, growth, cost, recent acquisitions, the timely development of new projects, the impact of competitive pricing, the ability to obtain necessary regulatory approvals, and the impact of general business and global economic conditions. Past performance should not be taken as an indication or guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance.

Neither the Company, nor any of its affiliates, agents, employees, advisors or any other person intend or have any duty or obligation to supplement, amend, update or revise any of the forward-looking statements contained in this Presentation or to update or to keep current any other information contained in this Presentation. The information and opinions contained in this document are provided as at the date of this Presentation and are subject to change without notice.

By reviewing this Presentation and/or accepting a copy of this document, you acknowledge and agree to be bound by the foregoing.



# Table of Contents

**1. Magnit at a Glance**

**2. Strategy**

**3. Operational Overview by Format**

- Convenience Store
- Hypermarket

**4. Financial Overview**

**5. General Business Overview**

**6. Summary Conclusions**

**Appendix**

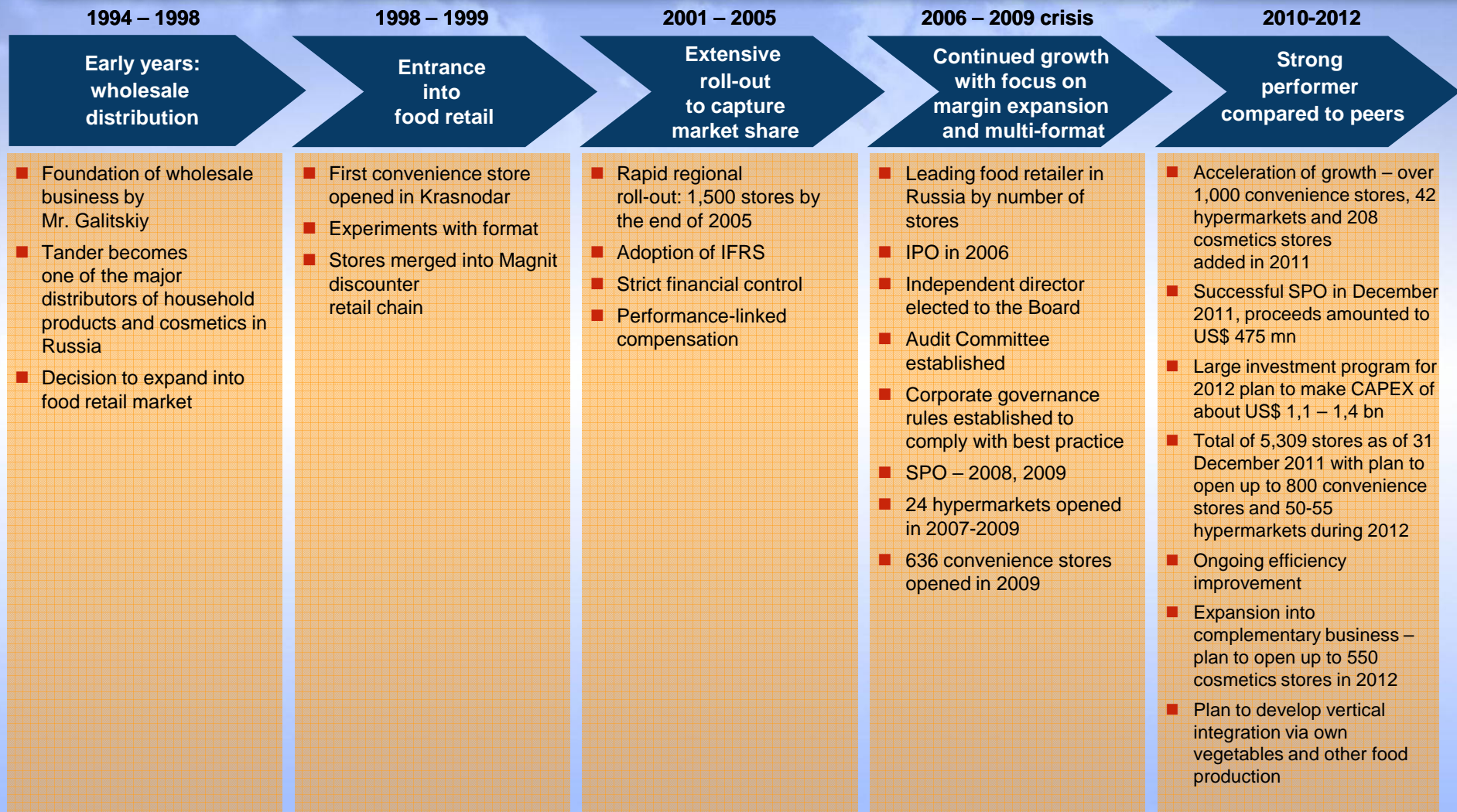


# 1. Magnit at a Glance



**МАГНИТ**

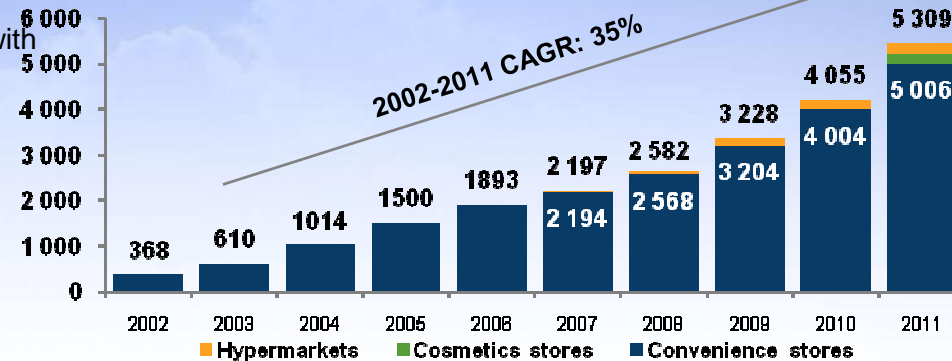
# Our History



# Magnit Today

- #1 Russian food retail chain in terms of number of stores
- Broad geographic coverage with 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

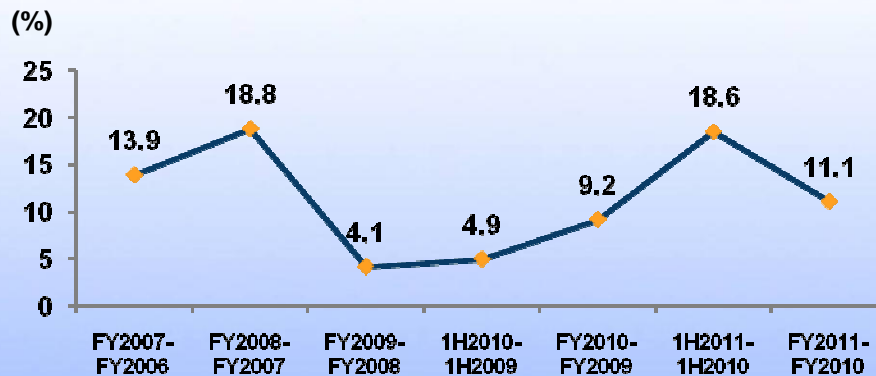
## Number of Stores, eop



Source: Company

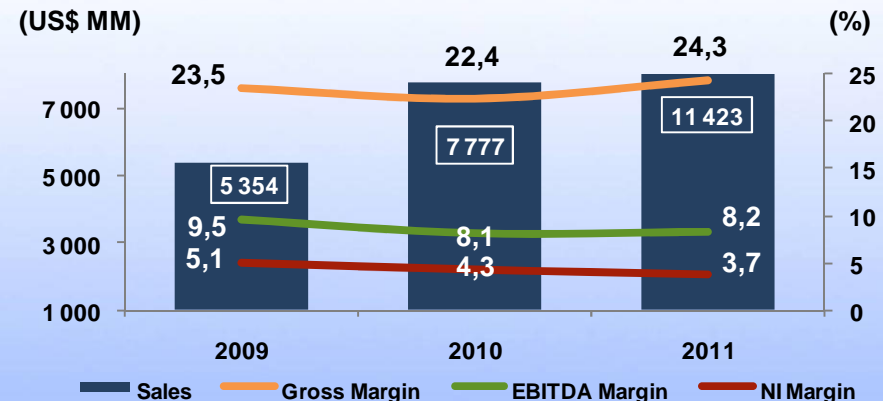
Note: Convenience stores in 2010 include 2 cosmetics stores

## Sales, LFL Growth (RUB terms)



Source: Company

## Financial Performance



Source: Company, IFRS accounts



## 2. Strategy



**МАГНИТ**

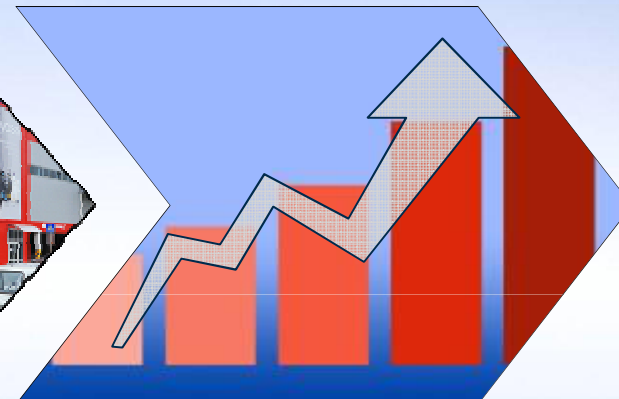
# Strategy at a Glance



Further expansion  
of convenience  
store operations



Hypermarket  
roll-out

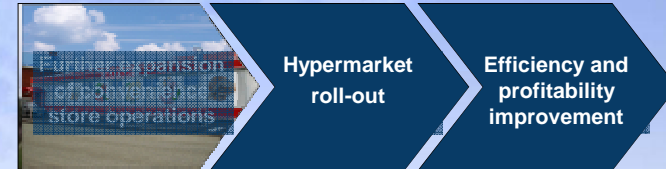


Efficiency and  
profitability  
improvement





# Further Expansion of Convenience Store Operations



## Further penetration in existing regions

- Areas with low modern format penetration
- Expansion into towns with population as low as 5,000 people
- Expansion into new locations within regions where Magnit is already present

## Adjusting format to customers' needs

- Flexible SKU matrix adjustable to consumers' disposable income
- 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 up to 800 convenience stores, up to 550 cosmetics stores and 50-55 hypermarkets in 2012
- Acquisition of land plots and premises to secure pipeline for future stores



# Hypermarkets Roll-Out

Further expansion  
of convenience  
store operations



Efficiency and  
profitability  
improvement

## 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 Magnit 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 <sup>(1)</sup> will vary from 2,000 to 12,500 sq. m. 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 50,000 to 500,000 people
- Benefiting from strong growth of disposable income and consumer spending 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
- Increasing number of owned stores

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



# Efficiency and Profitability Improvement



**Increase the share of products distributed through own logistics system**

- Efficient utilisation of in-house logistics system
  - Increase in the share of goods distributed through the company's distribution centres from c. 82% of cost of goods sold in 2011 up to 90-92% <sup>(1)</sup> in the long term
  - Reduction of third party logistics costs

**Improve the product mix**

- 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

**Achieve synergies**

- Synergies arising from operation of neighboring hypermarkets and convenience stores, allowing to increase the economies of scale

**Increase purchasing power**

- Increasing the penetration of convenience store operations in areas of presence with relatively low market share, which is expected to result in greater purchasing or negotiating power vis-à-vis local suppliers and landlords

**Optimise labor productivity**

- Investing in various technologies that have significant potential for productivity increases
- Measures to improve retention rates for employees and management, that will reduce costs associated with losing experienced employees and recruiting and training new ones

Note: (1) For convenience stores



### 3. Operational Overview by Format



**МАГНИТ**

# A Shift to Multi Format

**Convenience Store**



**Hypermarket**



**Cosmetics store**



<b>Number of stores</b>	<b><u>5,006</u></b>	<b><u>93</u></b>	<b><u>210</u></b>
<b>Average store size</b>	<ul style="list-style-type: none"> <li>Total space: 467 sq. m.</li> <li>Selling space: 327 sq. m.</li> </ul>	<ul style="list-style-type: none"> <li>Total space: 7,228 sq. m.</li> <li>Magnit selling space <sup>(1)</sup>: 3,035 sq. m.</li> </ul>	<ul style="list-style-type: none"> <li>Total space: 318 sq. m.</li> <li>Selling space: 239 sq. m.</li> </ul>
<b>Product range</b>	<ul style="list-style-type: none"> <li>3,145 SKUs on average</li> <li>Private label – 15% of retail sales</li> </ul>	<ul style="list-style-type: none"> <li>14,275 SKUs on average (may vary by format)</li> <li>Private label – 7.8% of retail sales</li> </ul>	<ul style="list-style-type: none"> <li>6,351 SKUs on average</li> <li>Private label – 3.3% of retail sales</li> </ul>
<b>Positioning (format)</b>	<ul style="list-style-type: none"> <li>Walking distance from home</li> <li>Ground floor stores or freestanding</li> <li>Open 12hrs/7 days</li> </ul>	<ul style="list-style-type: none"> <li>All hypermarkets are built in convenient locations</li> <li>All easily accessed by public transport</li> </ul>	<ul style="list-style-type: none"> <li>Walking distance from home</li> <li>Ground floor stores or above the convenience stores</li> </ul>
<b>Target group</b>	<ul style="list-style-type: none"> <li>People living within 500 meters from the store</li> </ul>	<ul style="list-style-type: none"> <li>People living within 15 minutes by car / 30 minutes by public transport from the store. Effective radius – 7 km</li> </ul>	<ul style="list-style-type: none"> <li>People living within 500 meters from the store</li> </ul>
<b>Ownership</b>	<ul style="list-style-type: none"> <li>32.16% owned / 67.84% leased</li> </ul>	<ul style="list-style-type: none"> <li>77.42% owned / 22.58% leased</li> </ul>	<ul style="list-style-type: none"> <li>34.29% owned / 65.71% leased</li> </ul>
<b>% in total revenue</b>	<b>85.7%</b>	<b>14.0%</b>	<b>0.3%</b>

Notes: As of December 31, 2011

(1) Excludes selling space designated for leases



# Geographical Coverage

**Central Region**  
16 hypermarkets  
1,204 convenience stores  
50 cosmetics stores  
4 distribution centers

**North-Western Region**  
5 hypermarkets  
320 convenience stores  
23 cosmetics stores  
1 distribution center

**Urals Region**  
2 hypermarkets  
359 convenience stores  
11 cosmetics stores  
1 distribution center

**Southern Region**  
38 hypermarkets  
1,198 convenience stores  
62 cosmetics stores  
3 distribution centers

**1,389 locations in  
7 federal districts**

**North-Caucasian Region**  
6 hypermarkets  
289 convenience stores  
7 cosmetics stores

**Volga Region**  
26 hypermarkets  
1,580 convenience stores  
56 cosmetics stores  
5 distribution centers

**Siberian Region**  
56 convenience stores  
1 cosmetics store

Source: Company, as of 31 December 2011



# Convenience Store



**МАГНИТ**

# 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



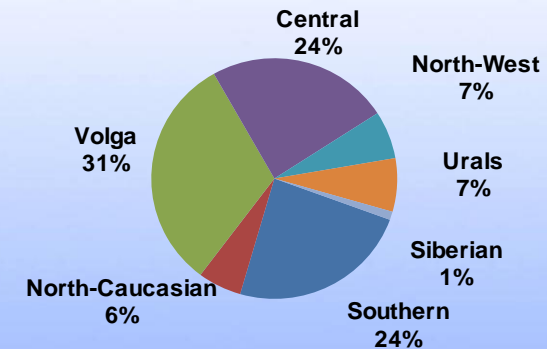
Source: Company

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



Source: Company

## Geographical Breakdown (% of total stores)



Source: Company





# Store Opening Dynamics



Hypermarket

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Southern	387	550	684	783	888	1,005	1,153	1,075	1,198
North-Caucasian								260	289
Central	100	224	379	461	545	638	802	951	1,204
Volga	114	214	368	536	628	743	950	1,235	1,580
North-West	9	26	61	84	88	115	160	215	320
Urals			8	29	45	67	139	245	359
Siberian								21	56
<b>Total</b>	<b>610</b>	<b>1,014</b>	<b>1,500</b>	<b>1,893</b>	<b>2,194</b>	<b>2,568</b>	<b>3,204</b>	<b>4,002</b>	<b>5,006</b>
New openings	259	438	550	513	409	452	702	863	1,085
Closings	17	34	64	120	108	78	66	65	81
Net openings	242	404	486	393	301	374	636	798	1,004

- 1,948 convenience stores launched in 2010-2011, up to 800 to be added in 2012
- 81 convenience stores were closed in 2011
  - 23 due to poor performance
  - 46 were relocated to better locations
  - 12 were shut due to disagreements with landlords

Source: Company

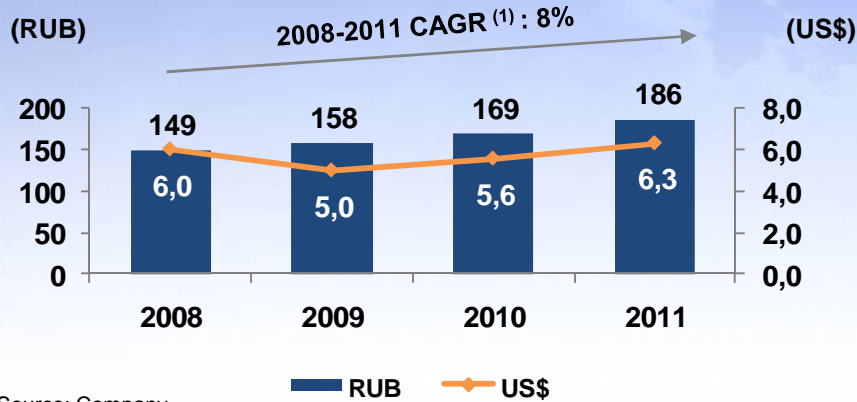


# Key Operating Statistics

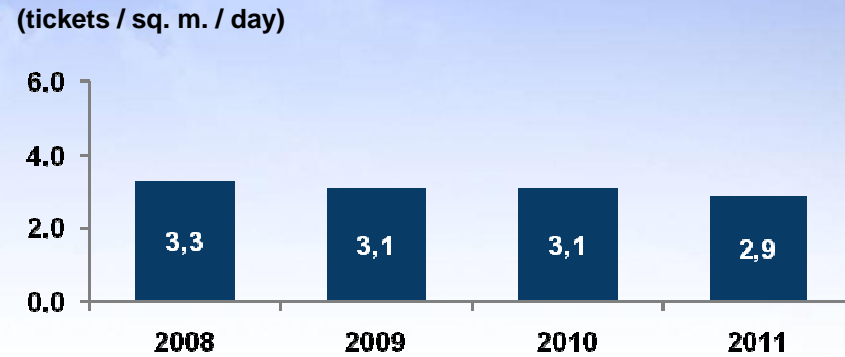


Hypermarket

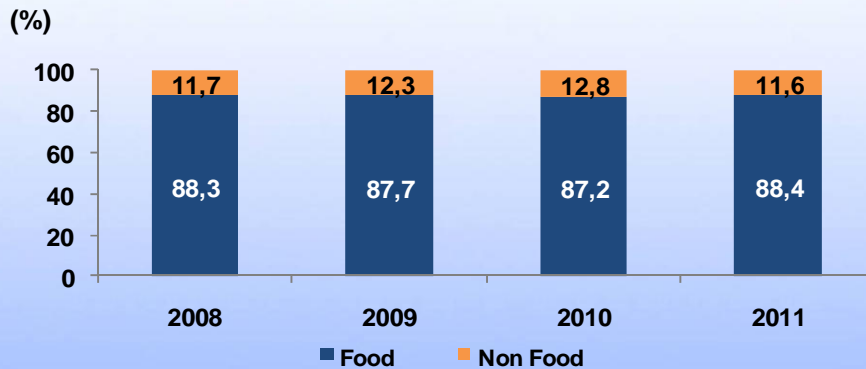
## Average Ticket



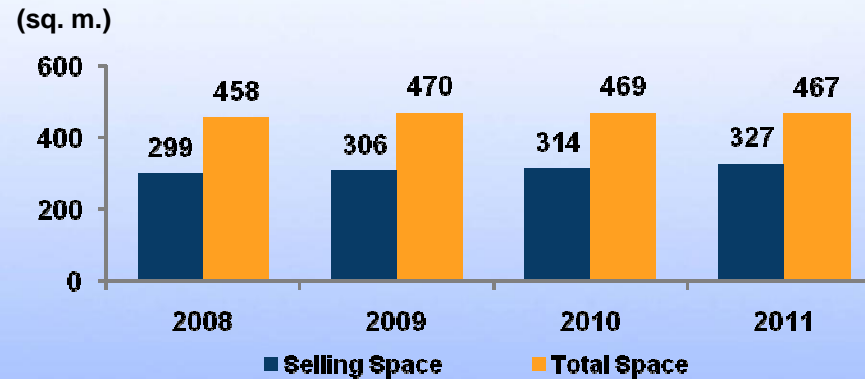
## Traffic



## Sales Mix



## Average Floor Size



Source: Company

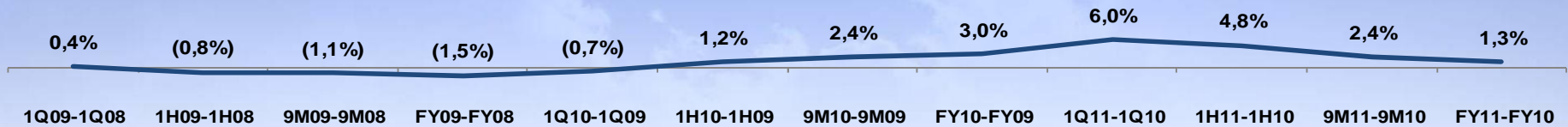
Note: (1) In RUR terms



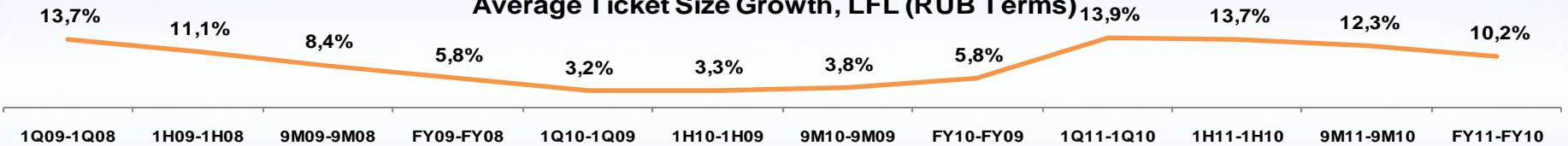
# LFL Sales Growth Analysis



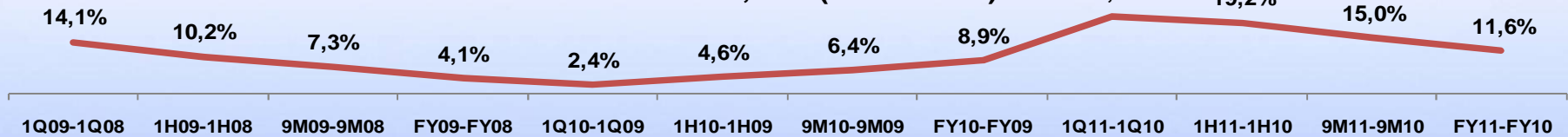
Traffic Growth, LFL



Average Ticket Size Growth, LFL (RUB Terms)



Sales Growth, LFL (RUB Terms)



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



# Hypermarket



**МАГНИТ**

# Format Description

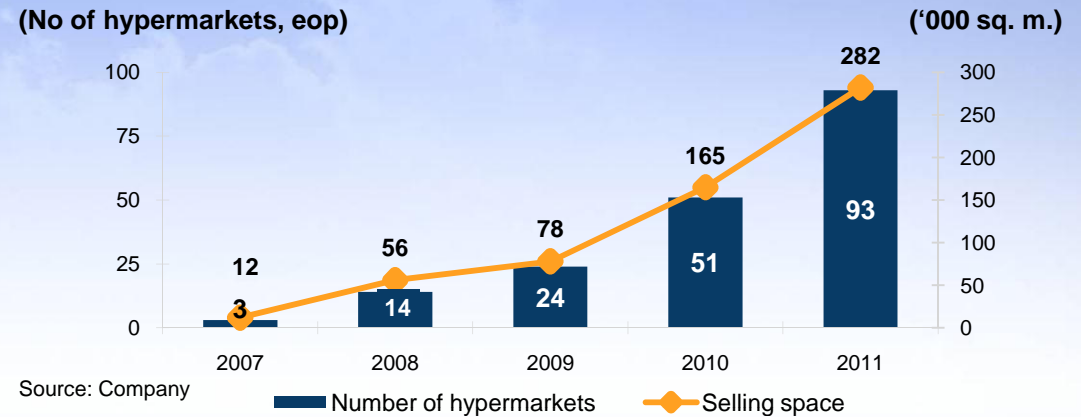
Convenience store



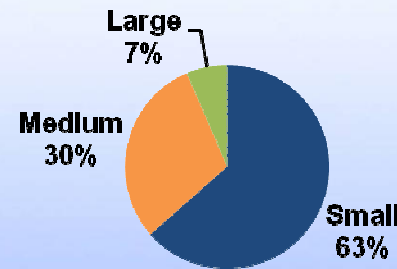
## Format Highlights

- 3 principal hypermarket sub-formats
  - **Small:** selling space <sup>(1)</sup> of up to 3,000 sq. m.
  - **Medium:** selling space <sup>(1)</sup> of 3,000 – 5,000 sq. m.
  - **Large:** selling space <sup>(1)</sup> of over 5,000 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

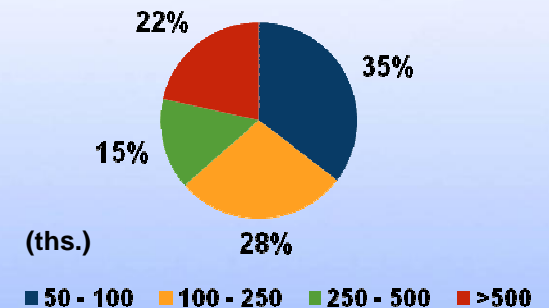
## Number of Hypermarkets and Selling Space



## Breakdown by Sub-format <sup>(2)</sup>



## Breakdown by Population



Source: Company

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

Source: Company

Source: Company

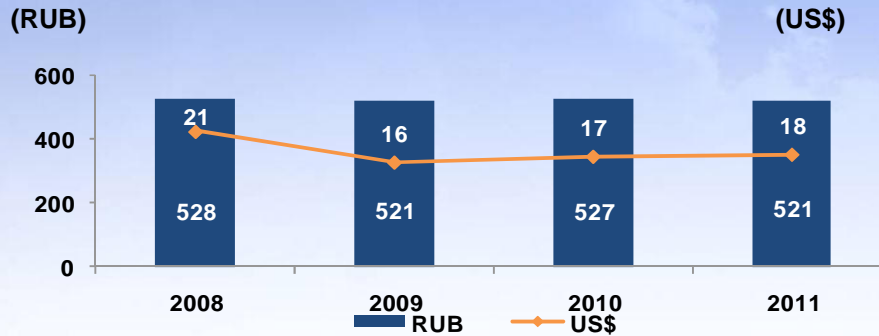


# Key Operating Statistics

Convenience store

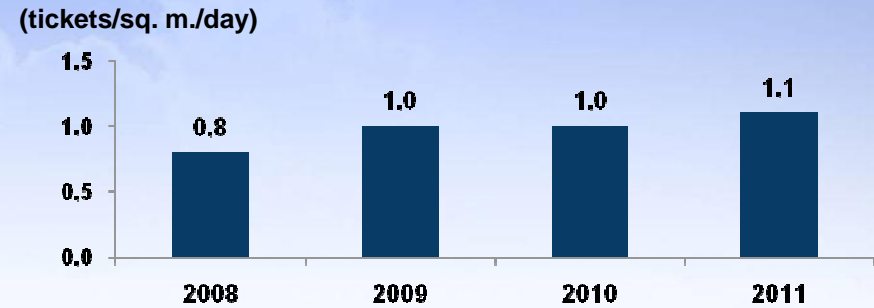


### Average Ticket



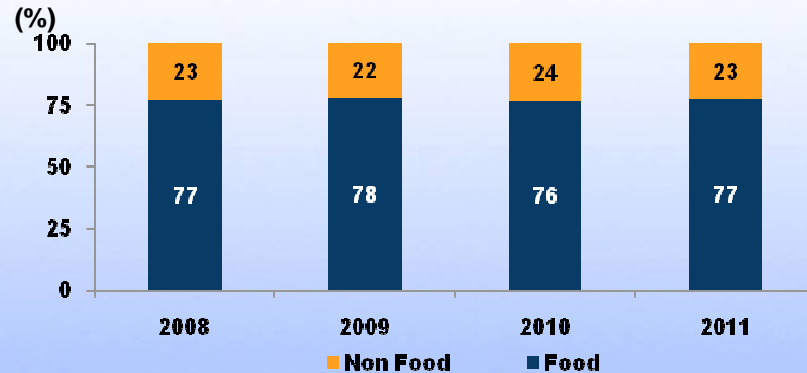
Source: Company

### Traffic



Source: Company

### Sales Mix



Source: Company

### LFL Analysis (RUB Terms) <sup>(1)</sup>



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



## 4. Financial Overview



**МАГНИТ**

# Summary P&L

US\$ MM	2010	2011	FY11 / FY10 Y-o-Y Growth
<b>Net sales</b>	<b>7,777.4</b>	<b>11,423.3</b>	46.9%
Cost of sales	(6,036.9)	(8,644.4)	43.2%
<b>Gross profit</b>	<b>1,740.5</b>	<b>2,778.9</b>	59.7%
<i>Gross margin, %</i>	22.4%	24.3%	
SG&A	(1,127.1)	(1,882.6)	67.0%
Other income/(expense)	18.2	43.1	
<b>EBITDA</b>	<b>631.6</b>	<b>939.3</b>	48.7%
<i>EBITDA margin, %</i>	8.1%	8.2%	
Depreciation & amortization	(150.4)	(271.5)	80.6%
<b>EBIT</b>	<b>481.2</b>	<b>667.8</b>	38.8%
Net finance costs	(32.6)	(106.6)	226.6%
Profit before tax	448.6	561.1	25.1%
Taxes	(114.9)	(142.5)	24.0%
<i>Effective tax rate</i>	25.6%	25.4%	
<b>Net income</b>	<b>333.7</b>	<b>418.7</b>	25.5%
<i>Net margin, %</i>	4.3%	3.7%	

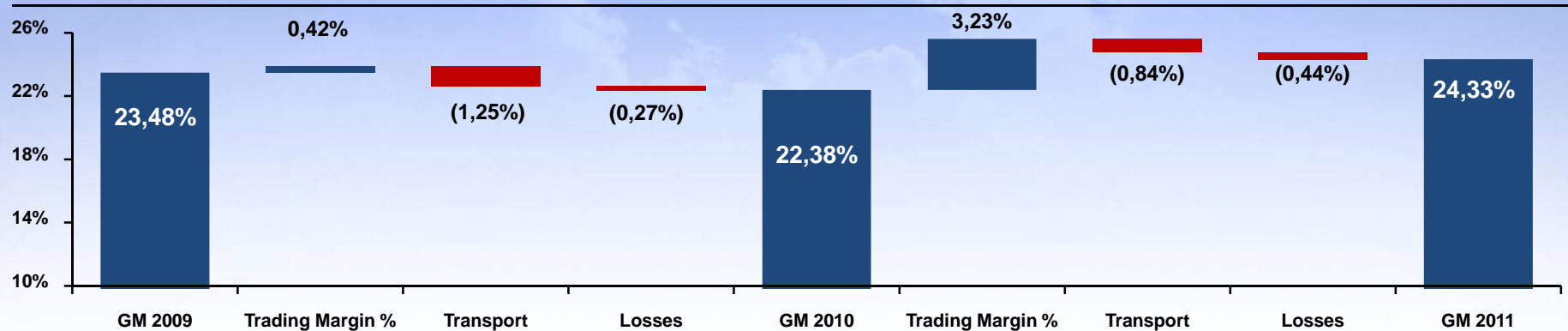
Source: IFRS accounts



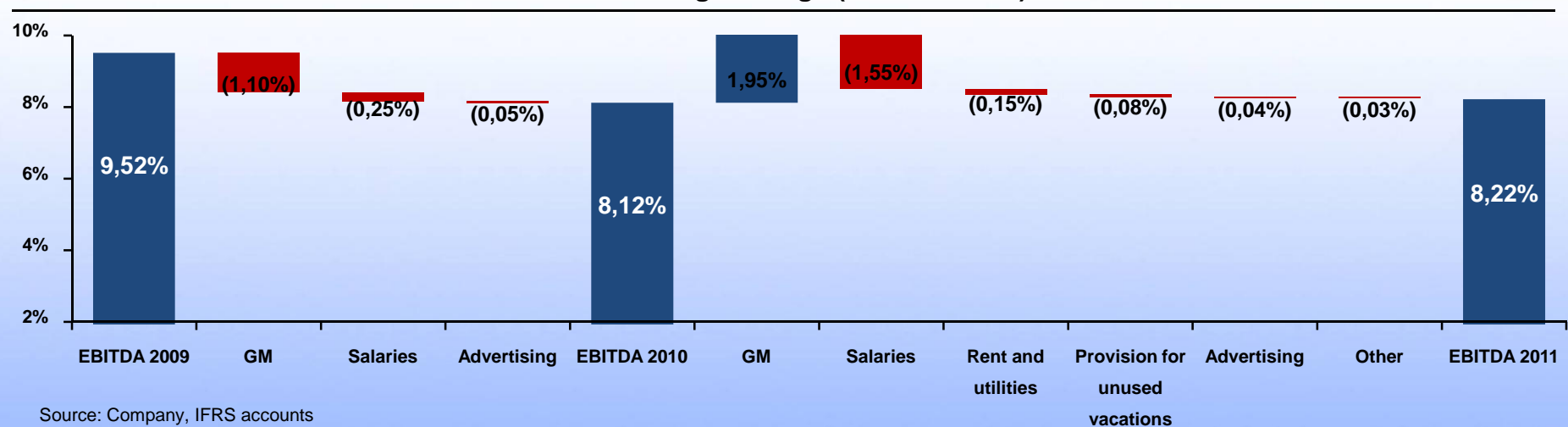


# Gross Margin / EBITDA Margin Bridges

## Gross Margin Bridge (as % of Sales)



## EBITDA Margin Bridge (as % of Sales)



Source: Company, IFRS accounts



# Balance Sheet

US\$ MM	2010	2011
<b>ASSETS</b>		
Property plant and equipment	2,651.1	3,816.4
Other non-current assets	61.0	100.4
Cash and cash equivalents	132.6	534.4
Inventories	659.8	905.2
Trade accounts receivable	20.6	16.5
Advances paid	69.2	55.9
Taxes receivable	54.7	1.2
Other current assets	40.0	17.1
<b>TOTAL ASSETS</b>	<b>3,689.0</b>	<b>5,447.3</b>
<b>EQUITY AND LIABILITIES</b>		
Equity	1,722.7	2,444.3
Long-term debt	810.3	1,424.5
Other long-term liabilities	66.4	129.1
Trade accounts payable	782.4	1,042.6
Short-term debt	196.8	192.2
Dividends payable	–	–
Other current liabilities	110.4	214.8
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,689.0</b>	<b>5,447.3</b>

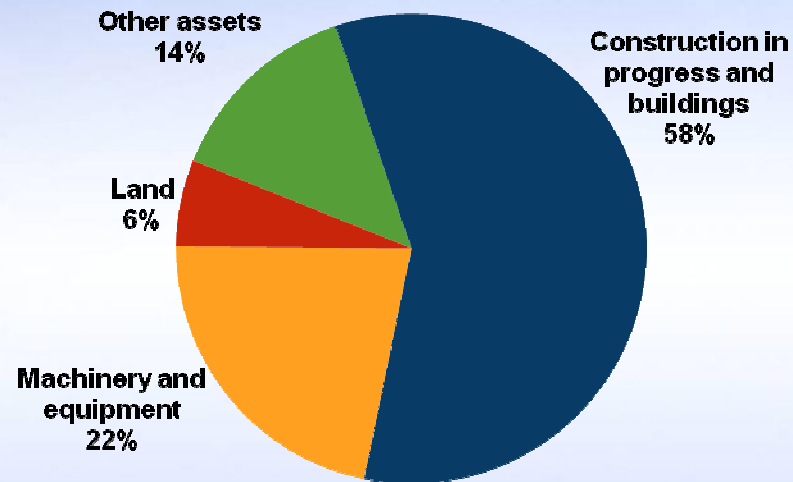
Source: IFRS accounts



# 2011 Capex <sup>(1)</sup> Analysis

## Capex Breakdown

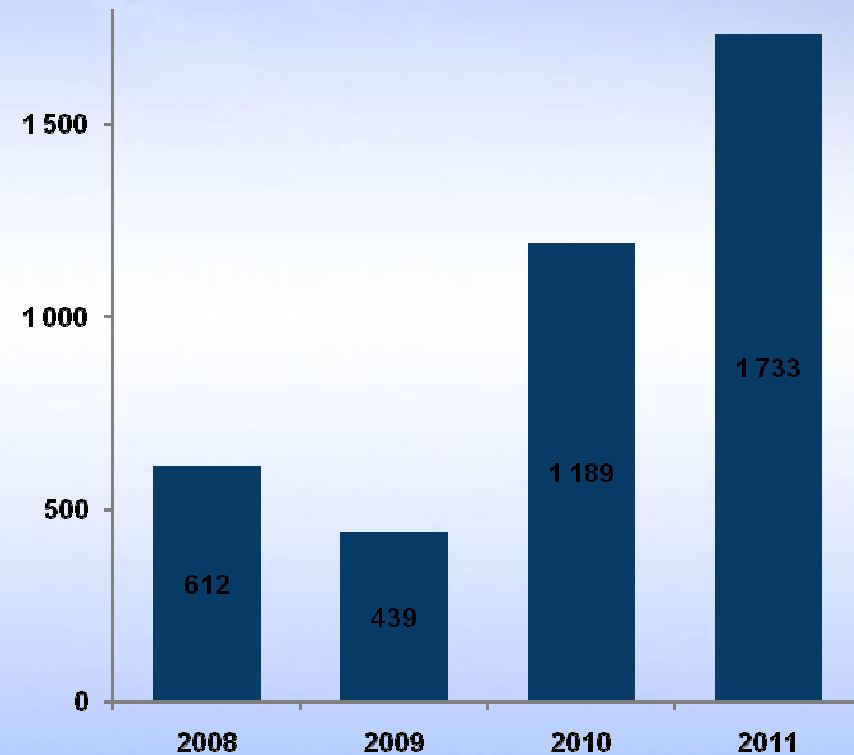
(US\$ MM)



Total: US\$ 1,733 MM

## Capex Dynamics

(US\$ MM)



Note (1) Capex calculated as additions + transfers of PP&E during the respective period  
Source: IFRS accounts



# Cash Flow Statement

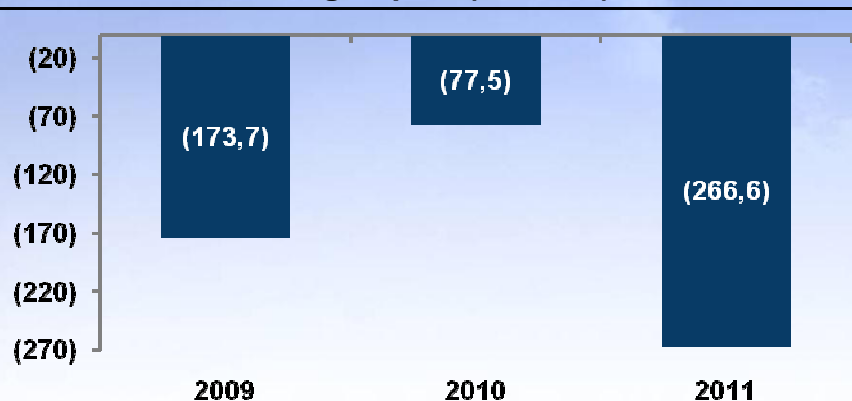
US\$ MM	2010	2011
<b>OPERATING ACTIVITIES:</b>		
Operating cash flows before movements in working capital	634.1	927.9
Net cash generated from operating activities	430.3	949.1
<b>INVESTING ACTIVITIES:</b>		
Net Cash used in investing activities	(1,231.5)	(1,713.9)
<b>FINANCING ACTIVITIES:</b>		
Net cash generated from financing activities	565.2	1,150.1
Effect of foreign exchange rates on cash and cash equivalents	(2.3)	16.4
Net increase/decrease in cash and cash equivalents	(238.4)	(401.8)
Cash and cash equivalents, end of the year	132.6	534.4

Source: IFRS accounts

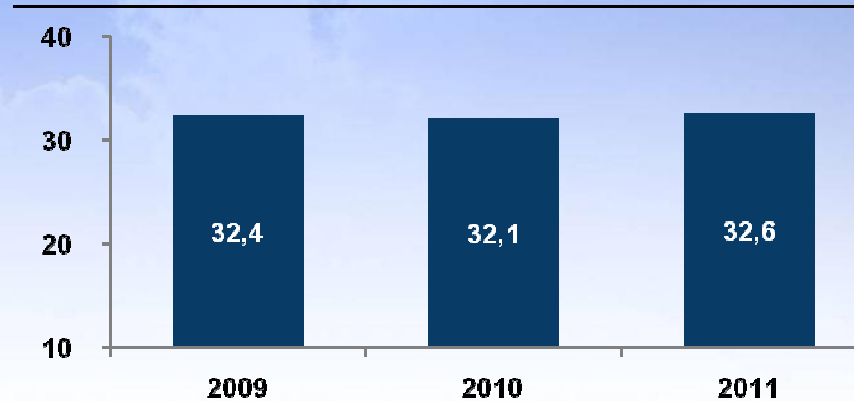


# Working Capital and Leverage Analysis

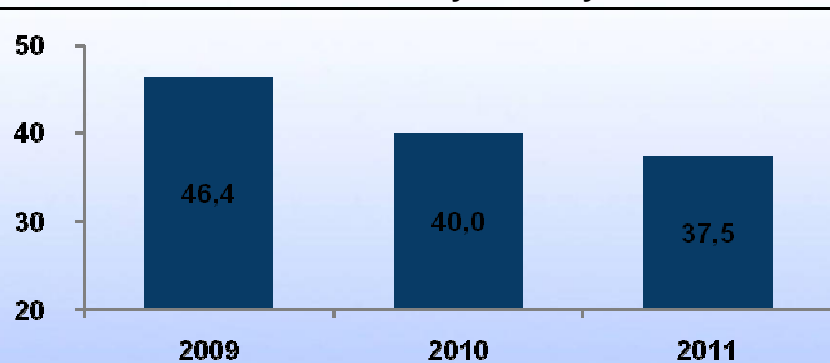
Working Capital (US\$ MM) <sup>(1)</sup>



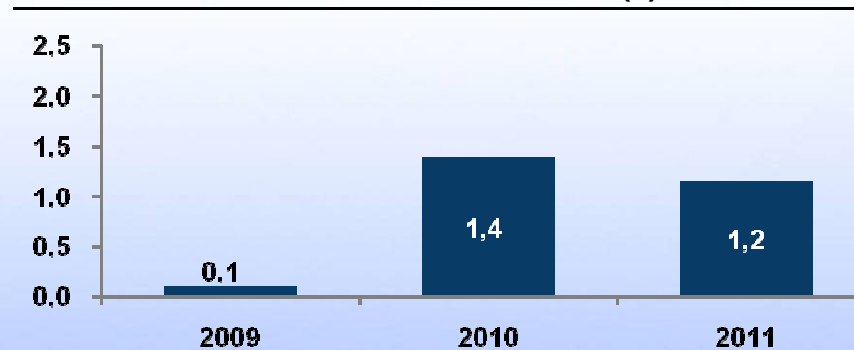
Inventory Management Days <sup>(2)</sup>



Trade Accounts Payable Days <sup>(3)</sup>



Net Debt <sup>(4)</sup> / LTM EBITDA (x)



- Notes: (1) Current assets (less C&CE and short-term investments) – current liabilities (less short-term debt)  
 (2)  $360 / (\text{Cost of sales/period average inventory})$   
 (3)  $360 / (\text{Cost of sales/period average trade accounts payable})$   
 (4) Net debt = long / short-term bonds and borrowings + finance lease liabilities – cash and cash equivalents

Source: Company, IFRS accounts



## 5. General Business Overview



**МАГНИТ**

# 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 2011 was 37 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 meter of shelf space**

- 637 private label SKUs
- Private label products accounted for 14% share of retail revenue in 2011
- Approximately 89% 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



# Logistics System

As of December 31, 2011 approximately **82%** 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. 63% today)

At the moment the Company's logistics system includes:

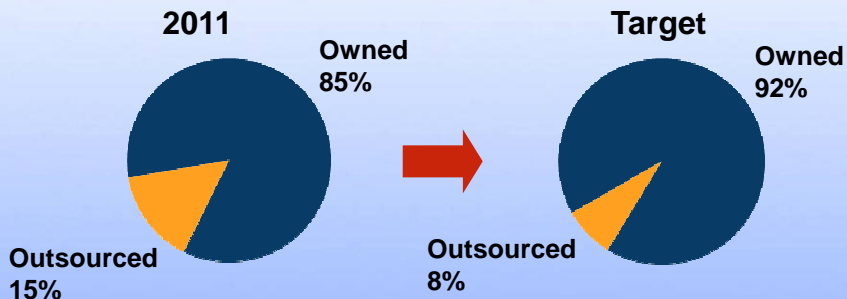
- Automated stock replenishment system
- 14 distribution centers with approximately 323 431 sq. m. capacity
- Fleet of 3,906 vehicles

	City	Federal District	Effective Space sq. m.	No. of Serviced Stores
1	Bataysk	Southern	17,407	432
2	Kropotkin	Southern	30,048	509
3	Slavyansk-on-Kuban	Southern	20,496	313
4	Engels	Volga	19,495	336
5	Togliatti	Volga	19,157	516
6	Erzovka (Volgograd)	Volga	26,074	307
7	Tver	Central	13,136	231
8	Oryol	Central	14,326	360
9	Tambov	Central	26,733	340
10	Ivanovo	Central	43,365	505
11	Veliky Novgorod	North-Western	21 060	219
12	Chelyabinsk	Urals	17,623	501
13	Dzerzhinsk	Volga	30,523	358
14	Izevsk	Volga	23,988	382
	<b>Total</b>		<b>323 431</b>	<b>5 309</b>

Source: Company

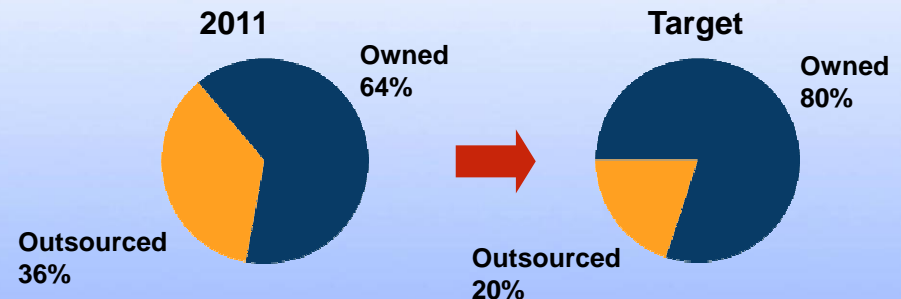
## DC Processed Goods

### Convenience stores



Source: Company

### Hypermarkets



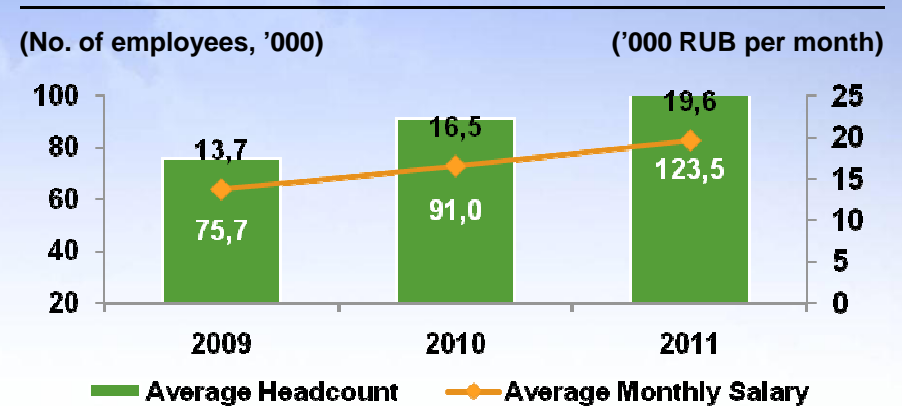


# Well-Trained Dedicated Personnel

- The **average number of employees** <sup>(1)</sup> in the Group amounted to **123,506** during 2011:
  - 87,088 in-store personnel,
  - 24,443 people engaged in distribution,
  - 8,217 people in regional branches,
  - 3,758 people employed by head office
- The average age of our employees is approximately 25 years
- The gross **average monthly salary** in 2011 was RUB **19,560** (c. US\$666<sup>(2)</sup>) 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 every two months
  - Team building events to ensure integrity of the team

Notes: (1) Total number of employees as of December 31, 2011 is 144,520  
 (2) Converted to US\$ using average exchange rate for 2011 of 29.3874 RUB/US\$ (CBR)

**Average Number of Employees vs. Average Salary, 2009-2011**



Source: IFRS accounts



## 6. Summary Conclusions



**МАГНИТ**

# Summary Conclusions



**Leading Russian retailer:** broadest geographic coverage with 5,309 stores (as of 31 December 2011) in more than 1,389 cities in seven out of eighth 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, shifting to direct import contracts, 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 operating cashflow and debt (bank loans and bonds)



# Appendix



**МАГНИТ**

# Typical Convenience Store Opening Process

- 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

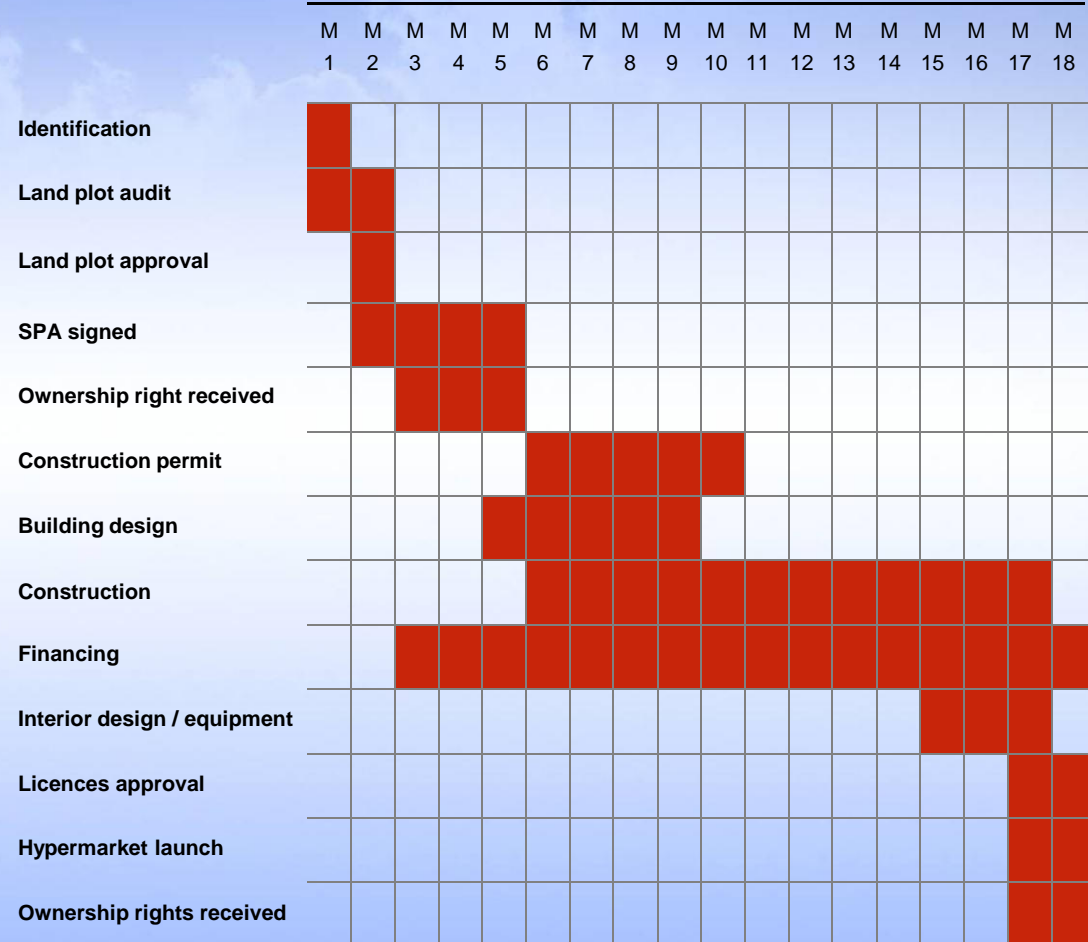
**Identification of a property or a land plot**  
**Feasibility report and opening budget prepared**  
**Approval by the regional director and branch director**  
**MOU signed with landlord**  
**Legal due diligence**  
**Technical due diligence**  
**Approval by Committee on Store Openings**  
**Lease 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	W	W	W	W	W	W	W	W	W	W	W
	1	2	3	4	1	2	3	4	1	2	3	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											■	



# Typical Hypermarket Store Opening Process

- 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

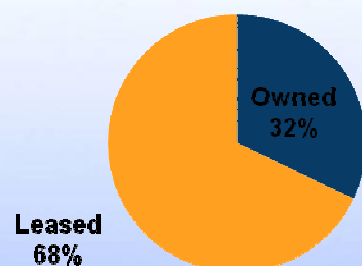


# Store Ownership Structure

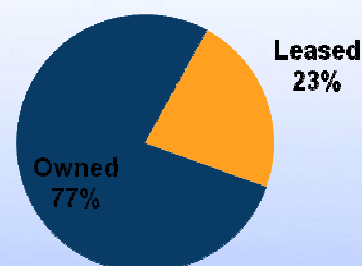
- As of 31 December 2011 the Company owned 1,610 convenience stores, 72 hypermarkets and 72 cosmetics stores and leased 3396, 21 and 138 correspondingly
- Store ownership is gained on the basis of the following documents:
  - Sale-purchase agreements
  - Lease agreements with redemption rights
  - Construction share holding agreements
  - Investment contracts

## Store Ownership Structure

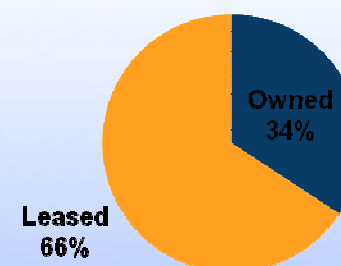
### Convenience stores



### Hypermarkets



### Cosmetics stores



Source: Company (as of 31 December 2011)



# 2006-2010 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

