МАГНИТ

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

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

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Company & Strategy

Our history

1994 - 1998

Early Years: Wholesale distribution

1994
- Foundation of wholesale distribution business by Mr. Galitskiy

1997
- Tander becomes one of the major official distributors of household products & cosmetics in Russia

7 November 1998
- First grocery store opened in Krasnodar

1998 - 2000

Entrance into food retail

1998
- Decision to expand into grocery retail market

End of 1999
- Stores merged into Magnit discounter retail chain

1998-1999
- Experiments with format

2000 - 2005

Extensive roll-out to capture market share

2001-2005
- Rapid regional roll-out: 1 500 stores by the end of 2005

2004
- Adoption of IFRS
- Strict financial control
- Performance-linked compensation

2006

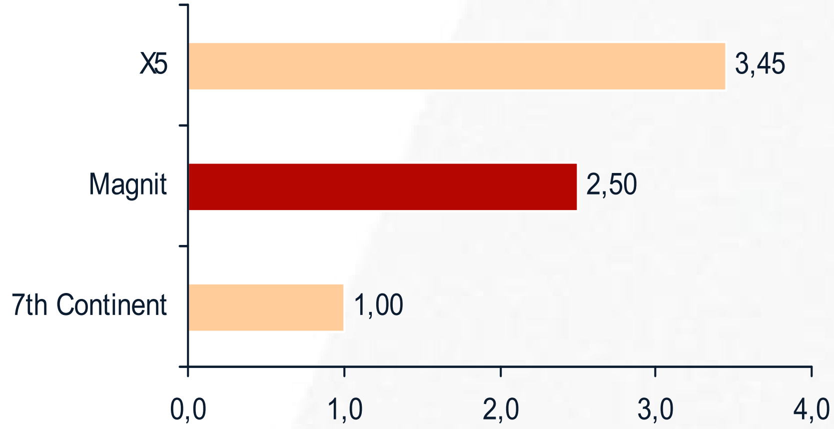
Continued growth with focus on margin expansion & multiformat

2006
- Leading food retailer in Russia by number of stores and customers
- IPO
- Started building Hypermarkets

January - April 2006
- Independent director elected to the Board
- Audit Committee established
- Corporate governance rules established to comply with best practice

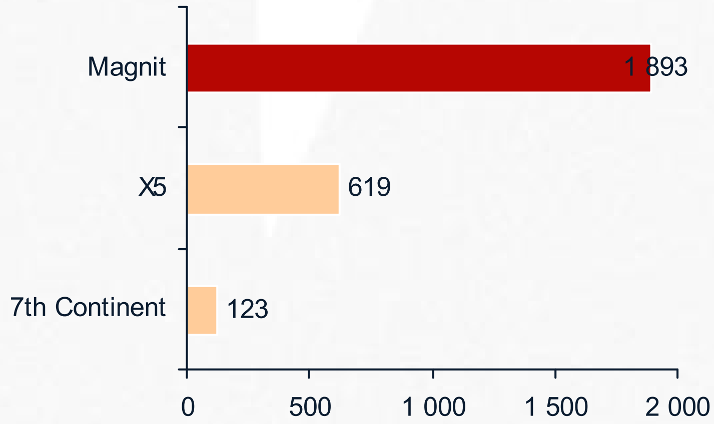
To 2006 Magnit is:

Net sales, 2006*, USD bn



Source: Companies;
7th Continent Sales are based on predictions by Renaissance Capital

Number of stores*, 2006



** Excluding franchised stores*
Source: Companies

	2003*	2004	2005	2006**	CAGR
Net sales, million USD	440	849	1 578	2 504	*79%*
Number of stores, eop	610	1 014	1 500	1 893	*47%*
Selling space, '000 sq m	156.7	255.3	382.6	522.9	*50%*
Number of customers, mn	158.8	273.2	469.3	640.1	*60%*

*Note: * management accounts* ***unaudited*

Opportunities

Current format and hypermarket sector	■ Our considerable experience in food retail, economies of scale, highly sophisticated in-house logistics system and other competitive advantages will help us to succeed in other food retail segments
Further expansion of the core business	■ Strengthen our position in the regional markets (mainly in the cities with population of less then 500 000 people) using the advantages of our in-house logistics system
Further product and process innovation	■ Continue Investment in IT and cost saving equipment ■ Own Label Products ■ Further development of in-house logistics system ■ Closer communication with our customers and immediate response to changes in their tastes, preferences and needs e.g. new or improved products
Total quality management	■ Apply quality to every aspect of our business

Strategy

Organic growth in existing markets and selective geographic expansion	■ Increase market penetration in existing markets ■ Focus on expansion into cities in selected new regions with population of less than 500 000 and a favorable competitive situation
Focus on brand development & creation of customer loyalty	■ Value-for-money product mix ■ High-quality customer service ■ Study our customers ■ Marketing promo events for our customers
Further improvements in operating efficiency	■ Obtain further economies of scale ■ Strict cost control ■ Continuous learning ■ Increase sales through optimization of the Sales Mix ■ Development of Own Label products ■ Improvement in efficiency of logistics ■ Productivity gains in logistics
Where do we want to be in 5 years from now	■ Remain the largest multiformat food retail chain in Russia ■ Have the leading logistics platform in Russia ■ Sustain efficient growth with a track record of profitability ■ Show similar (to the main format) growth performance in the hypermarket sector.

Business Overview

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Main Format features

Key features	
Outstanding value-for-money	■ Best prices for 200 indicative SKUs in the local market ■ Active price communication by priority shelving of special offers
Convenient location	■ Convenient location close to customers' homes ■ Freestanding or on the ground floor of apartment blocks ■ Open 7 days a week 12 hours a day at convenient times
Optimal size	■ 410 sq. m total space as of FY2006 ■ 276 sq. m. trading space as of FY2006
Carefully selected assortment	■ SKU selection adjusted for local purchasing power and traditions ■ 3 570 SKUs on average to capture larger audience ■ Food is about 87% of retail sales ■ Daily perishables are 30-40% of retail sales ■ Own Label products
Modern functional interior	■ Functional design makes shopping quick and convenient ■ Visual interior and easy navigation ■ Quality service ■ Hygienic atmosphere and modern decor
Visible exterior	■ Standardised design of facade ■ Clearly visible ■ Easy access by car

Typical Magnit stores

Hypermarket Model features

Model Highlights

Short-term expansion plans	■ 14 Hypermarkets are already under construction ■ We aim to open our hypermarkets in regional cities of European part of Russia with population of 80 000--500 000 people
Convenient location	■ All the Hypermarkets will be built in convenient locations: mainly in the city centre ■ Easy access by public transport or car; sufficient parking space; walkable distance
Optimal size	■ 5 500 m^2-12 000 m^2 of total space ■ 3 500 m^2 -7 000 m^2 of selling space
Carefully selected assortment	■ SKU selection adjusted for local purchasing power and traditions ■ The assortment will consist of up to 25 000 SKUs ■ Non-food will be 40% ■ Own Label products
Modern functional interior	■ Functional design Visual interior and easy navigation ■ Quality service ■ Hygienic atmosphere and modern decor
Visible exterior & Brand recognition	■ Standardised design of facade: the hypermarkets will operate under already well-known “Magnit” brand ■ Clearly visible

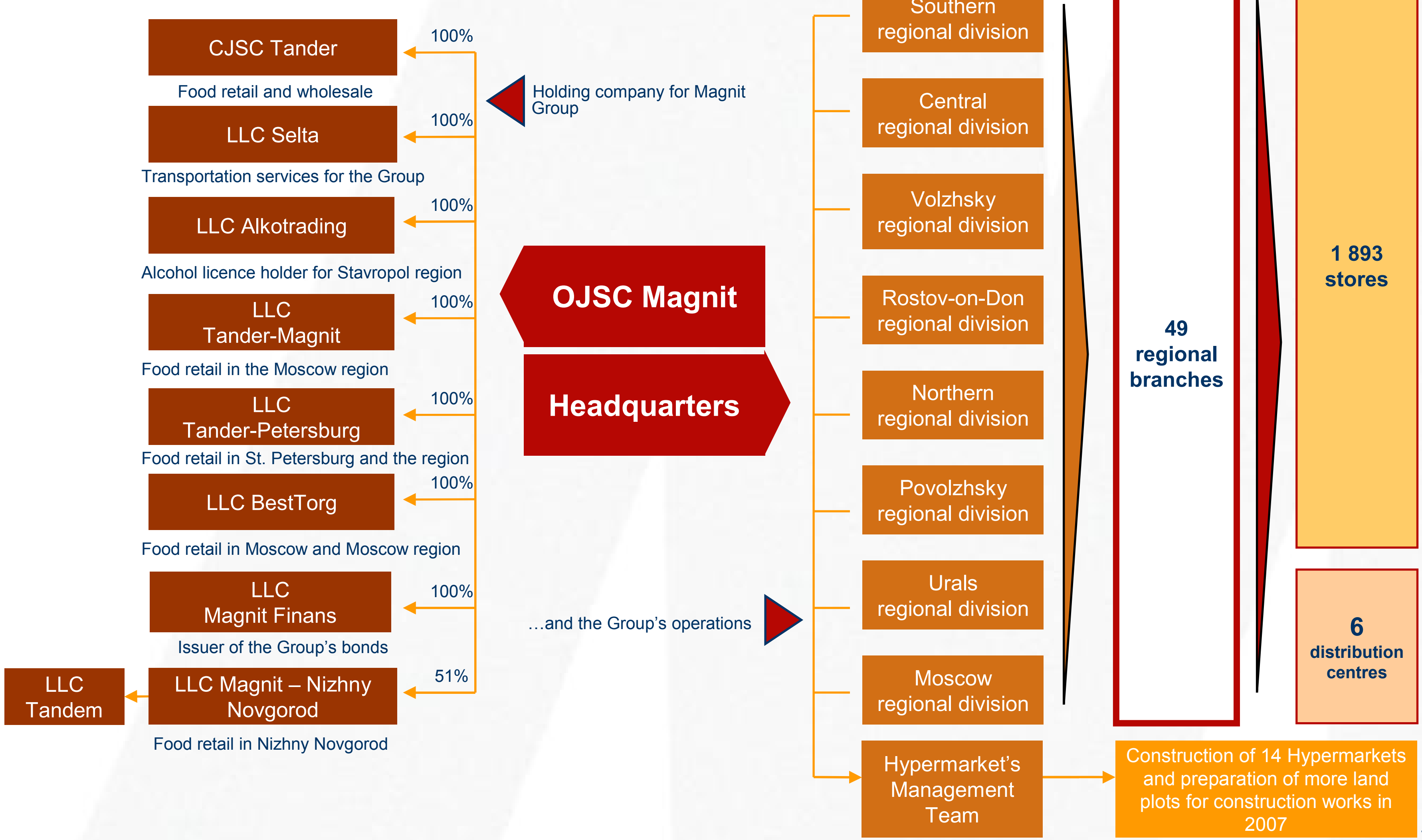
Projected Magnit Hypermarkets

Corporate and organizational structure

Group's corporate structure

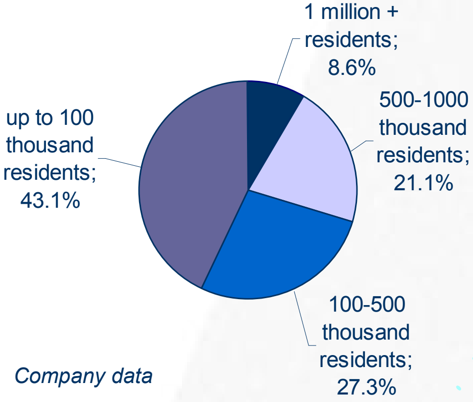
(December, 2006)

Group's operating structure



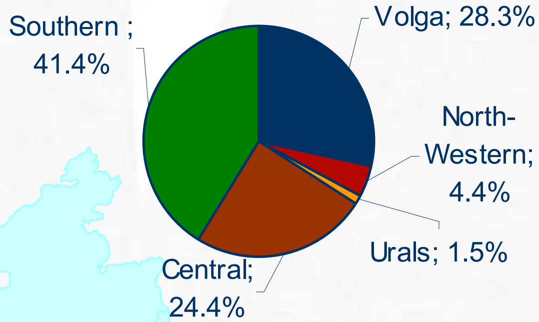
Strong regional coverage FY2006

Demographical breakdown of store locations

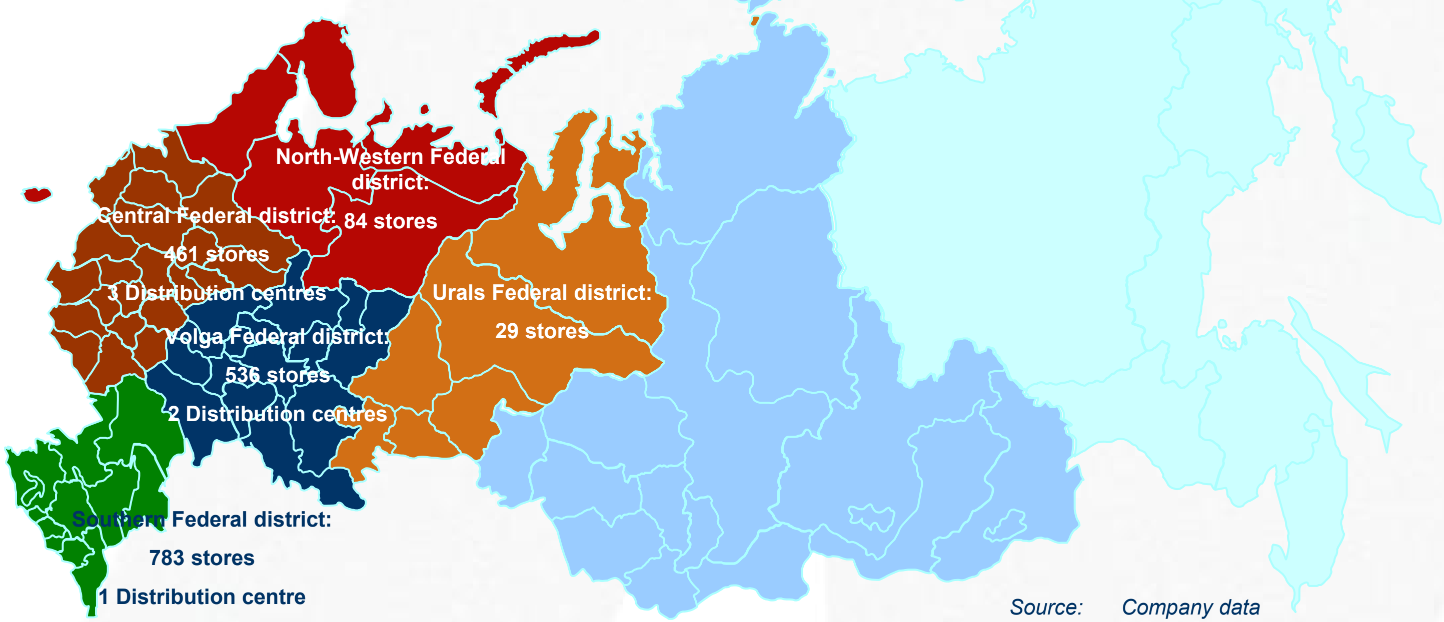


Source: Company data

Store portfolio by Federal district



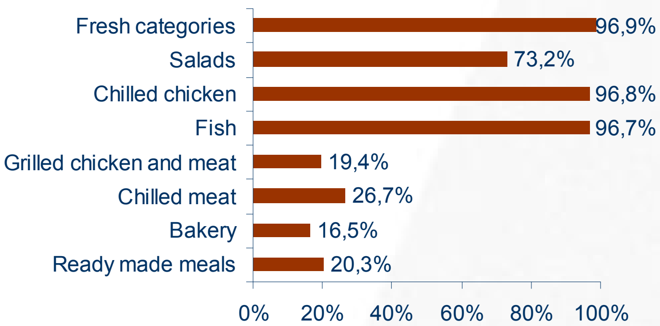
Source: Company data



Source: Company data

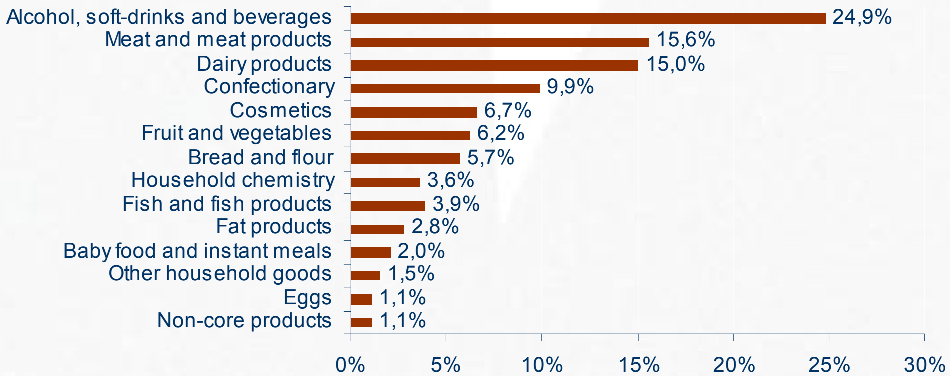
Assortment selection

Share of stores offering fresh and value-added products, FY2006



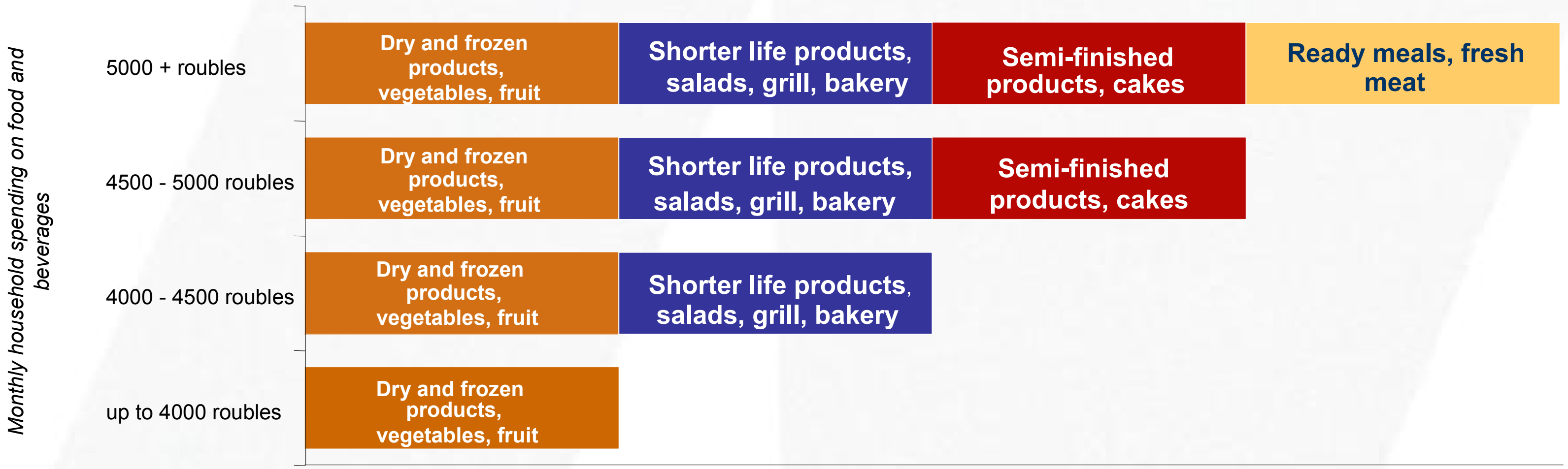
Source: Company data

Assortment structure, FY2006



Source: Company data

Assortment correlates with customers' purchasing power



Source: Company data

Suppliers, purchasing and Private Label products

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

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

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

- 551 Own Label SKUs (FY2006)
- Own Label products accounted for 10.9% share of retail revenue in 2006 and 15.43% of total SKUs
- Management aims to reach 20-21% share of Own Label sales in retail revenue by 2015
- Approximately 90% of Own Label products are food
- The Gross margin of Private Label products is 8% and more percentage points higher than for similar product categories

Share of Private Label products in revenue

Source: Company data

Logistics system

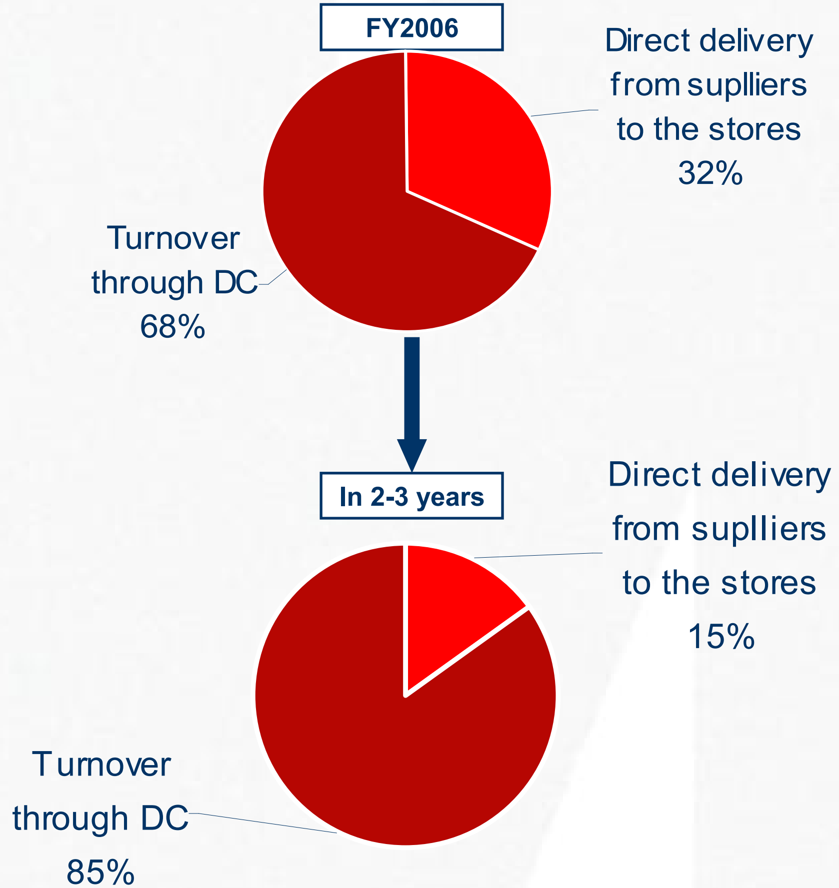
As of 12M2006 up to 68% of cost of goods sold is processed through our in-house logistics systems and the long-term target is to increase this share to 85%

- Automated stock replenishment system
- 6 distribution centres with approximately 92 thousand sq. m capacity
- Fleet of over 730 vehicles

City	Federal district	Space, sq. m.	Share in total DC turnover, %	Number of serviced stores	Leased/ Owned
Kropotkin	Southern	30 048	43%	628	Owned
Engels	Volga	19 495	26%	432	Owned
Togliatti	Volga	8 379	8%	322	Leased
Tver	Central	10 714	9%	172	Owned
Oryol	Central	7 900	5%	166	Owned
Ivanovo	Central	15 669	8%	173	Owned
Total		92 205	100%	1 893	

Source: Company data

The company's breakdown of shares in turnover FY2006



Note: as % of turnover

Source: Company data

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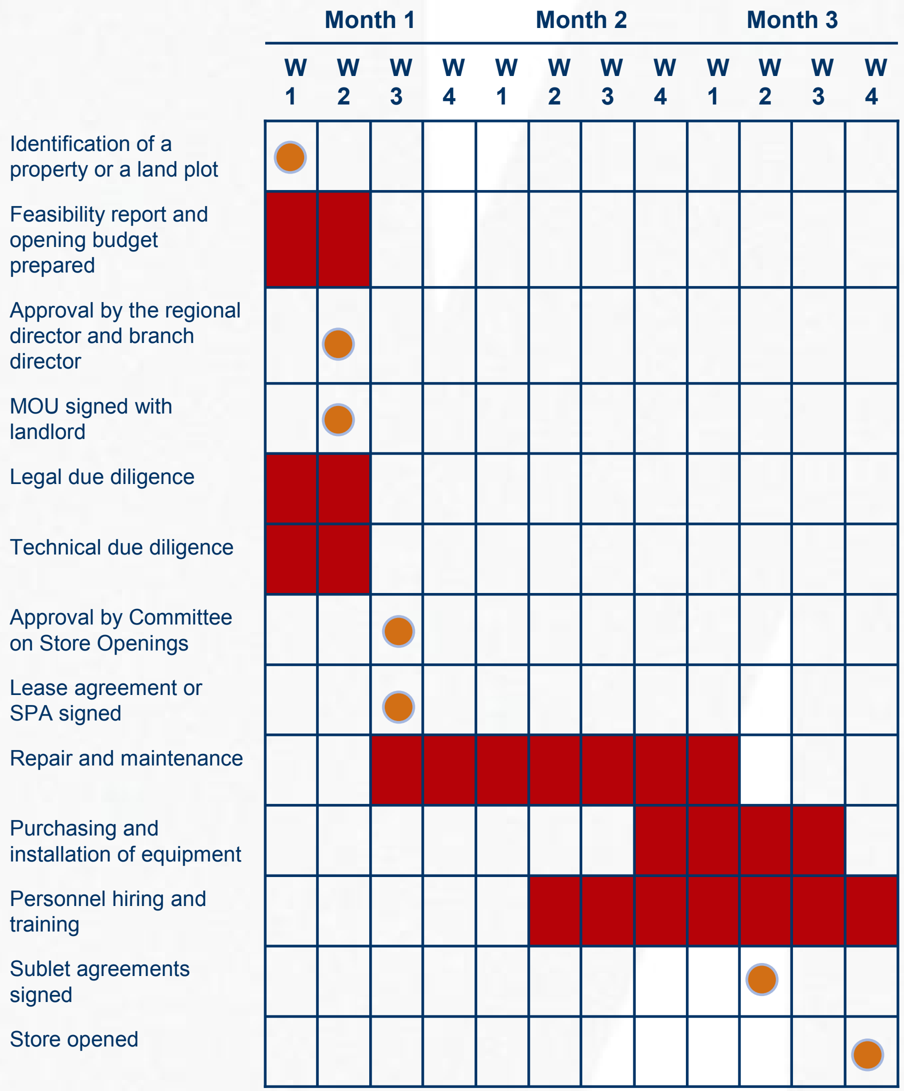
Store opening process varies from 1 to 3 months

- Considerable experience of store openings
- Preference given to leased store due to quick roll out in new markets
- Acquisitions and construction are preferred in existing markets with already high penetration
- Key store opening criterion is payback period of not more than 3 years if leased; 6-7 years if owned
- Average total cost of a new outlet is USD145 000 (excluding cost of inventory and real estate BUT including USD85 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



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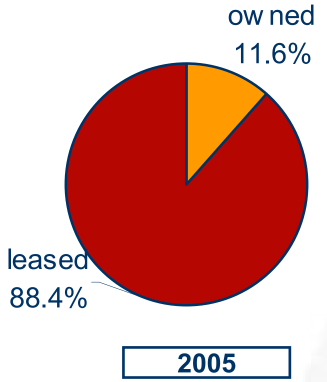
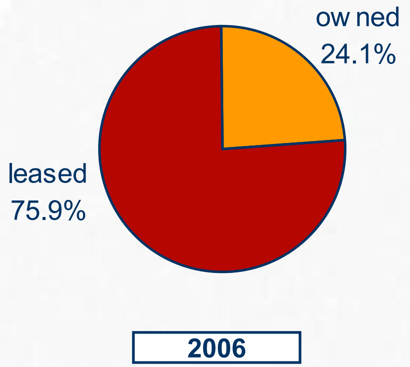
Summary Magnit store statistics

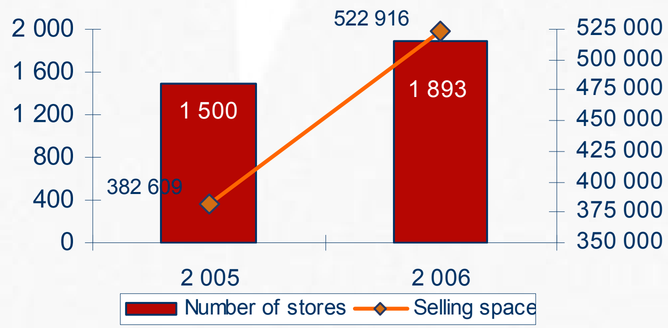
Store portfolio, 31 December 2006

Owned and leased stores breakdown, FY2006





Number of stores and Selling space, sq. m



Store openings

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Southern	1	18	27	133	270	387	550	684	783
Central					40	100	224	379	461
Volga		2	1	19	53	114	214	368	536
North-Western				1	5	9	26	61	84
Urals								8	29
Total	**1**	**20**	**28**	**153**	**368**	**610**	**1 014**	**1 500**	**1893**
New openings		19	10	127	222	259	438	550	513
Closings		0	2	2	7	17	34	64	120
Net openings		**19**	**8**	**125**	**215**	**242**	**404**	**486**	**393**

Source: Company data

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Operating and financial results

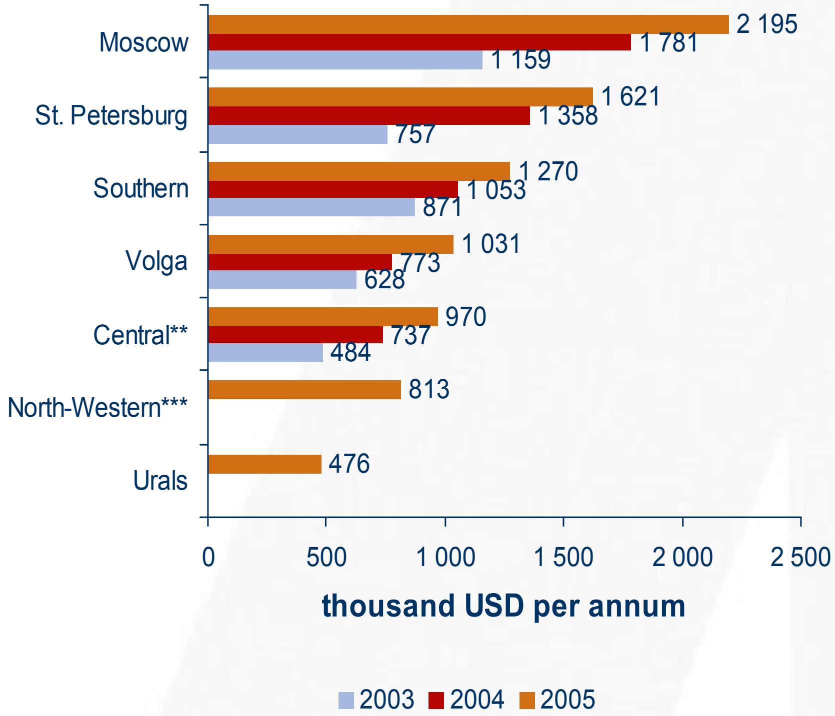
Magnit today*:

- **The leading Russian food retailer by number of stores and customers**
  - **1 893 stores** in discounter format as of FY 2006
  - **640.1 million customers** in 2006
  - The only retail chain with **presence in 608 cities** and towns in European Russia as of FY 2006
- **Net Sales in 2006 amounted to USD 2 504 million (RUR 68 092 million)**
- **Over 44 295 employees as of FY2006**
- **In-house logistics based on 6 distribution centres with total warehousing space of 92 200 m² and a fleet of over 730 company-owned vehicles**
- **The average ticket in 2006 was USD 3.8 (excl. VAT) (RUR 103.3)**
- **Prepares to enter the Hypermarket sector in 2007**
  - Developed own Hypermarket business model
  - 14 hypermarkets are already under construction.

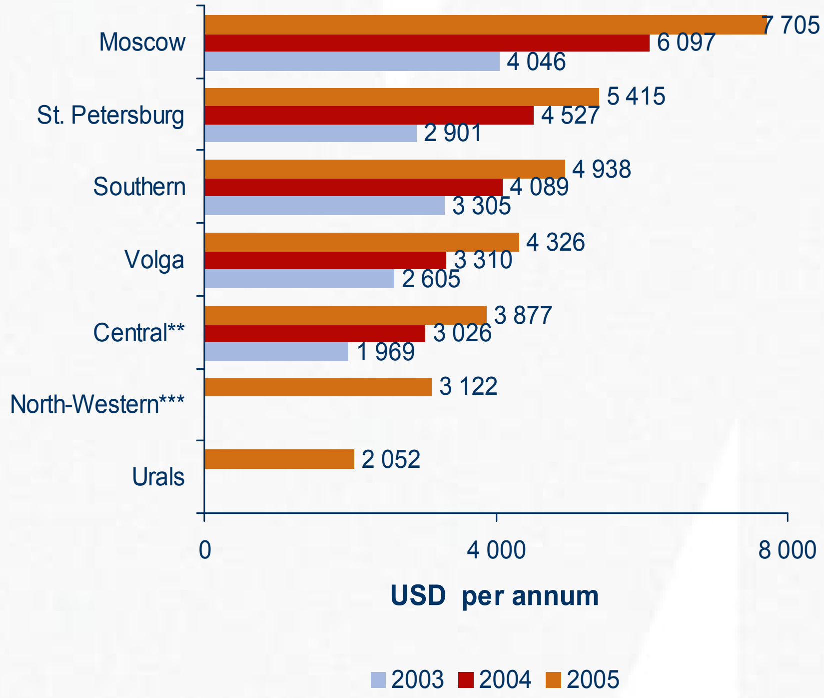
*Note: * management accounts*

Regional store performance

Sales per store*, 2003-2005



Sales per sq. m*, 2003-2005



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

** excluding Moscow and Moscow region

*** excluding St. Petersburg and Leningrad region

Source: Company data

Source: Company data

LFL sales analysis

LFL 2005 to 2006, RUR

Tickets per store, LFL growth
2.80%

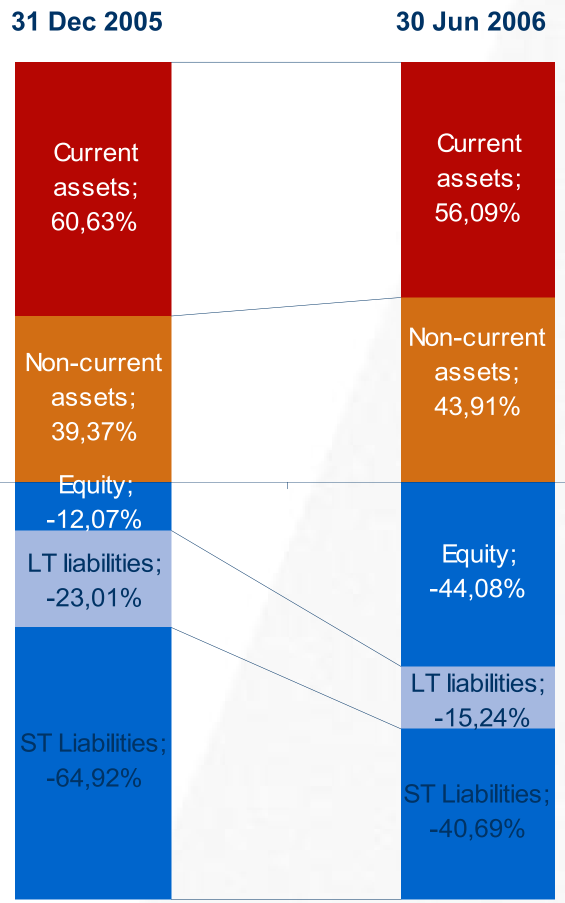
Average ticket, LFL growth
10.11%

LFL revenue growth
13.19%

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

Source: Company data

Improved operating efficiency and capital structure



Net debt, 30.06.2006 - 73 mln. USD

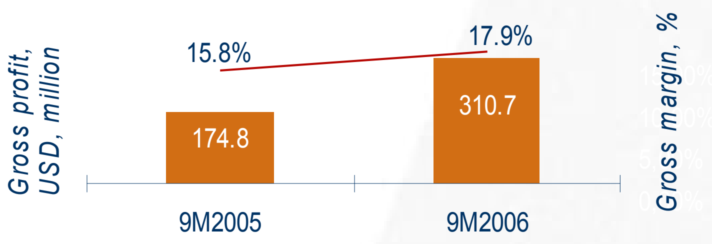
In US$m	FY* 2004	FY * 2005	YoY, %	1H** 2005	1H** 2006	YoY, %
Net sales	**848.5**	**1577.7**	**86%**	**693.7**	**1,074.0**	**54,8%**
Cost of goods sold	(739.8)	(1 312.9)	77%	(587.5)	(882.1)	50,1%
Gross profit	**108.7**	**264.8**	**144%**	**99. 1**	**189.2**	**90.9%**
Gross margin, %	12.8%	16.8%		14.3%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

**Source: audited IFRS Financial Statements*

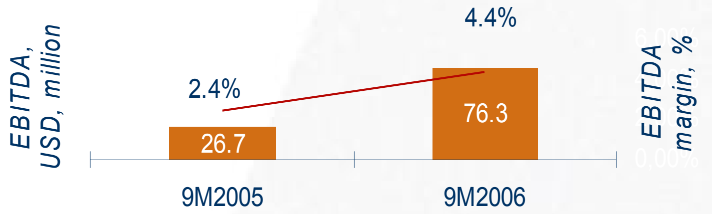
***Source: reviewed IFRS Financial Statements*

Profitability analysis

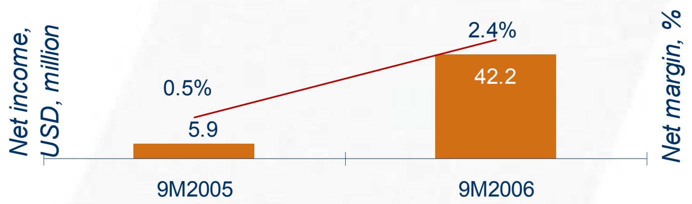
GM dynamics, 9M2005-9M2006



EBITDA dynamics, 9M2005-9M2006

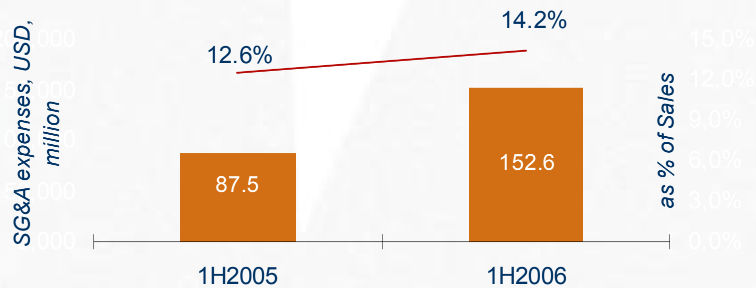


Net profit dynamics, 9M2005-9M2006

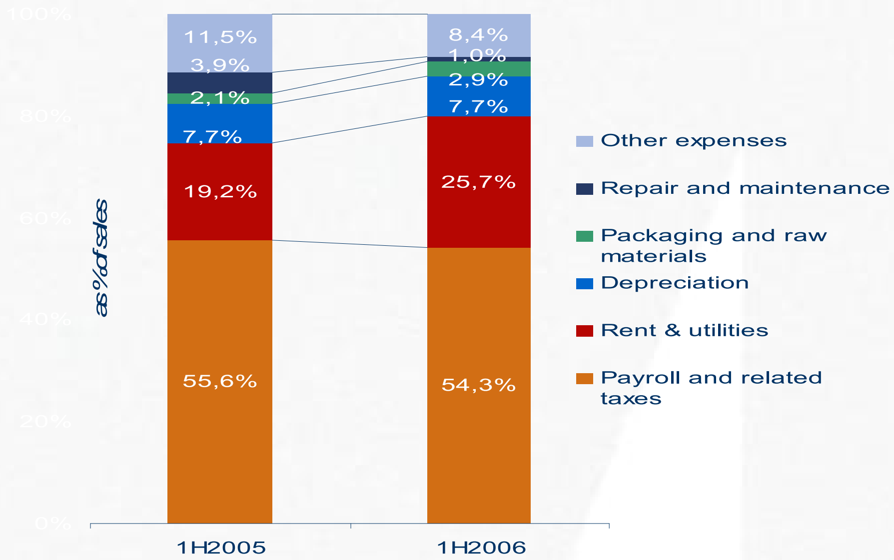


Source: Company Accounts

SG&A expense dynamics, 1H2005-1H2006



Changes in SG&A expense structure



Source: Reviewed IFRS Financial Statements

Consolidated balance sheet, 1H2006

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

Source: reviewed IFRS Financial Statements

Consolidated cash flow statement,1H2006

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

Source: reviewed IFRS Financial Statements