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

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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

1998 - 2000

Entrance into food retail

1998
- Decision to expand into grocery retail market

7 Nov 1998
- First grocery store opened in Krasnodar

1998-1999
- Experiments with format

End of 1999
- Stores merged into Magnit discounter retail chain

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

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

To 1H2007 Magnit* is:

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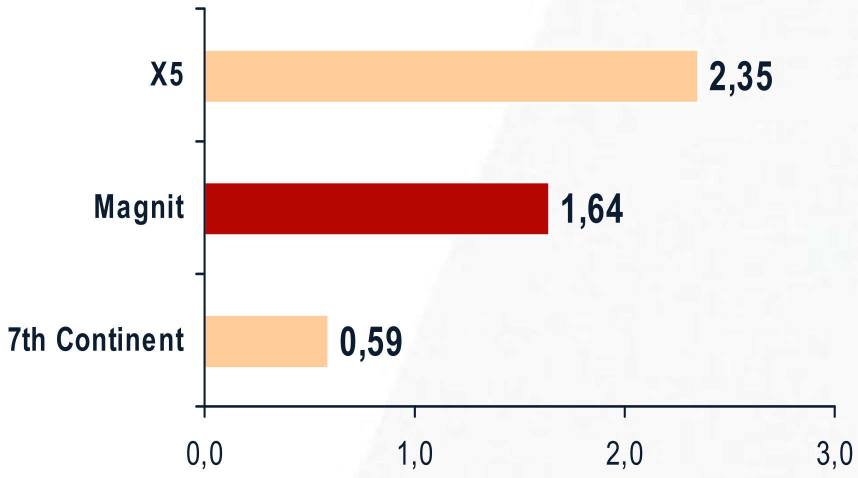
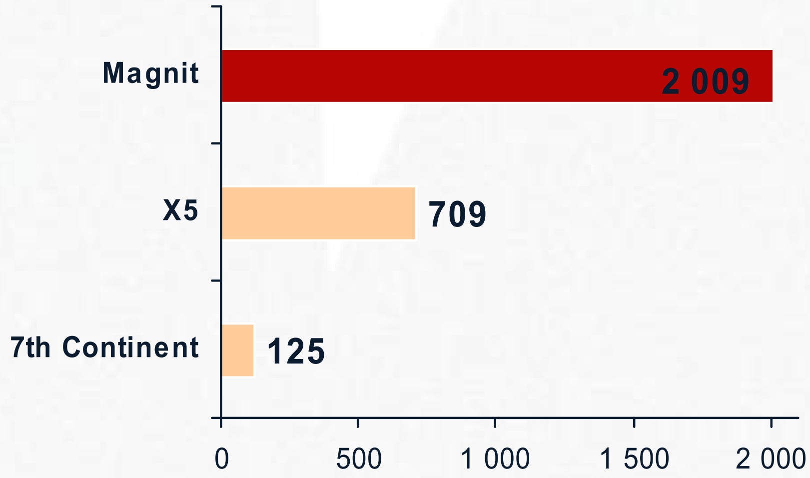
Net sales, 1H2007, USD bn



Source: Companies;

Number of stores*, 1H2007



** Excluding franchised stores*
Source: Companies

	2004	2005	2006**	1H 2007*	CAGR 2004-2006
Net sales, mln USD	849	1 578	2 505	1 638	*72%*
Number of stores, eop	1 014	1 500	1 893	2 009	*37%*
Selling space, '000 sq m	255	383	523	571	*43%*
Number of customers, mln	273	469	640	370	*53%*

*Note: * Reviewed IFRS results ** Audited IFRS results*

Strong regional coverage 1H2007

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Demographical breakdown of store locations

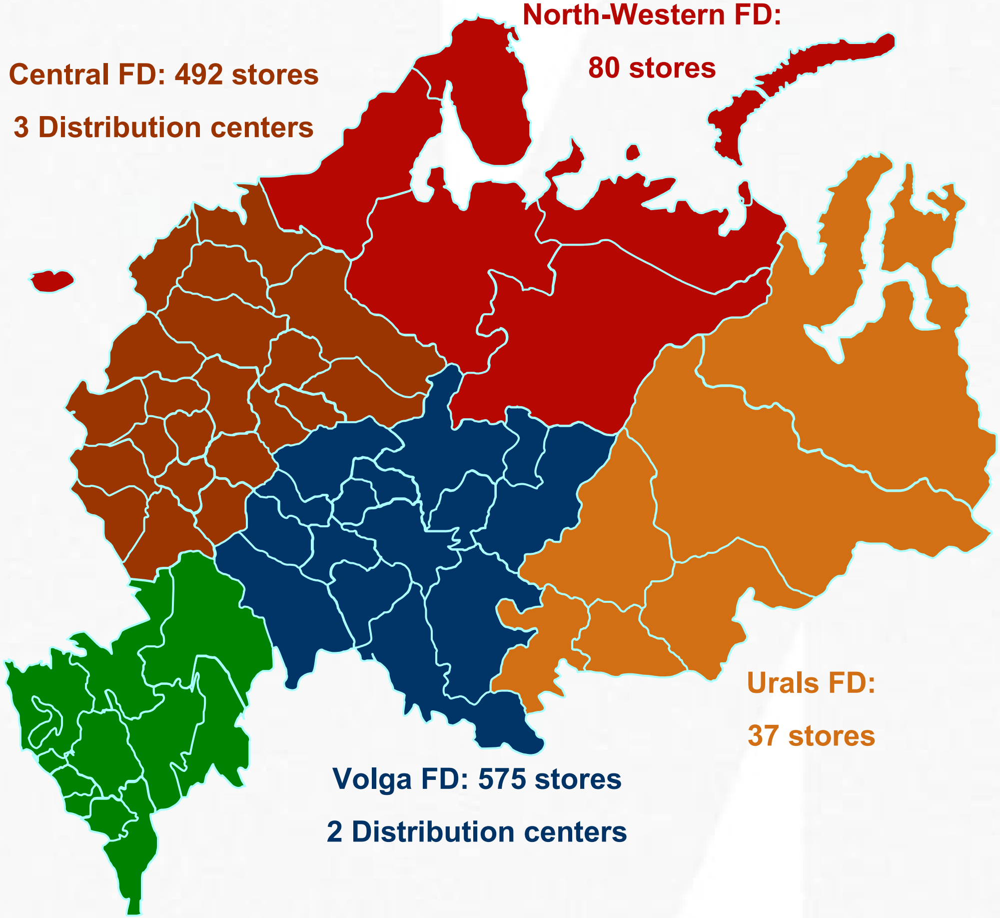
Number of residents	1H2007
Up to 100 thousand	44,2%
100-500 thousand	27,1%
500-1000 thousand	20,2%
Over 1 million	8,5%

Source: Company data

Store portfolio by Federal district

Federal district	1H2007
Southern	41,1%
Volga	28,6%
Central	24,5%
North-Western	4,0%
Urals	1,8%

Source: Company data



Source: Company data

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 Private label 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

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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.

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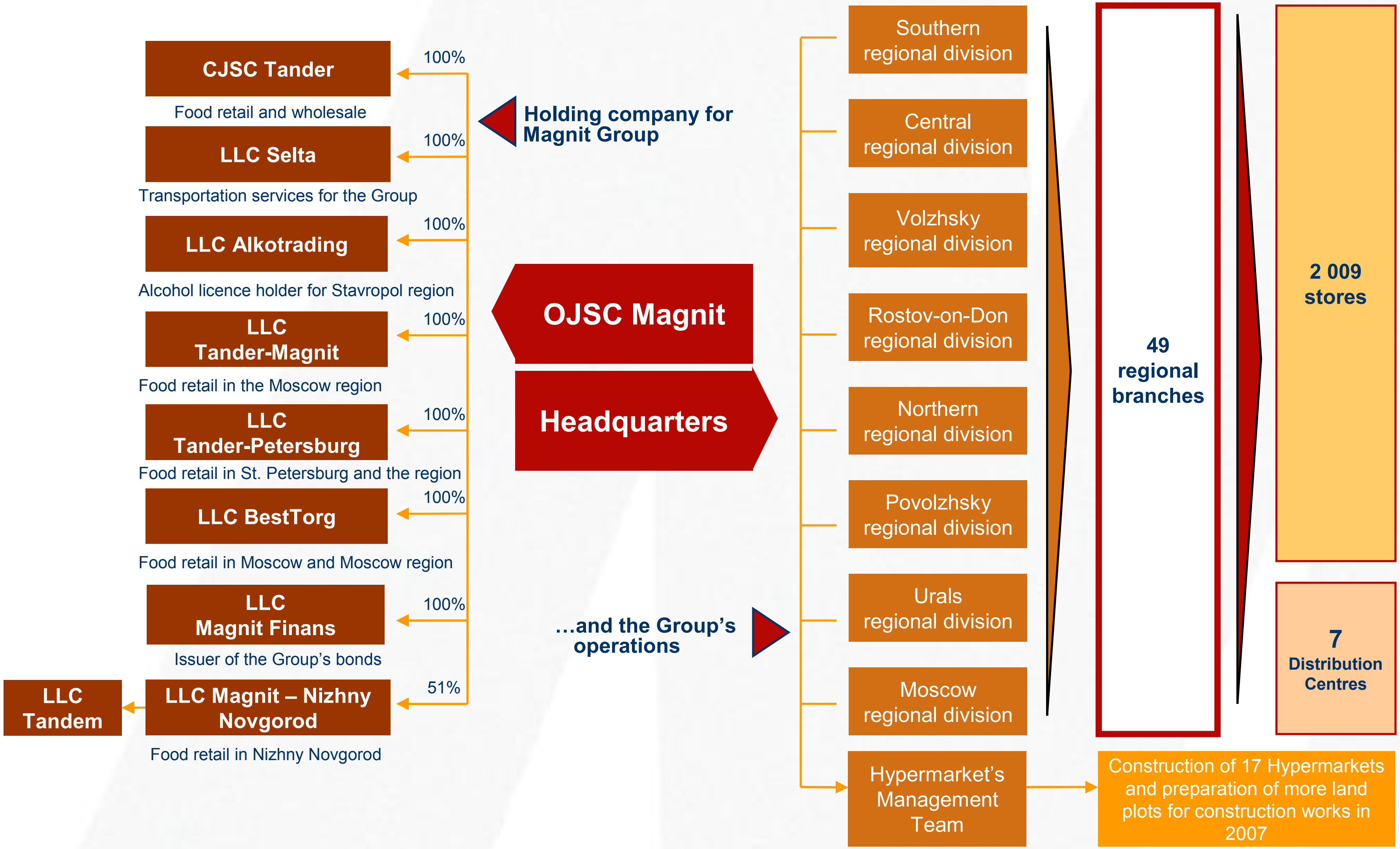
Business Overview

Corporate & organizational structure

Group's corporate structure (1H2007)

Group's operating structure



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	■ **431 sq. m** total space as of 1H2007 ■ **284 sq. m.** trading space as of 1H2007
Carefully selected assortment	■ SKU selection adjusted for local purchasing power and traditions ■ **3 520 SKUs** on average to capture larger audience ■ Food is about **88%** of retail sales ■ Daily perishables are **30-40%** of retail sales ■ Private Label
Modern functional interior	■ Functional design makes shopping quick and convenient ■ Visual interior and easy navigation ■ Quality service ■ Hygienic atmosphere and modern decor
Visible exterior	■ Standardized design of facade ■ Clearly visible ■ Easy access by car

Typical Magnit stores

Hypermarket Model features

Model Highlights

Short-term expansion plans	■ **17 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	■ **3 400 m² - 18 000 m²** of total space ■ **3 000 m² - 8 500 m²** of selling space
Carefully selected assortment	■ SKU selection adjusted for local purchasing power and traditions ■ The assortment will consist of up to **18 000 SKUs** ■ Non-food will be **30%** ■ Private Label
Modern functional interior	■ Functional design Visual interior and easy navigation ■ Quality service ■ Hygienic atmosphere and modern decor
Visible exterior & Brand recognition	■ Standardized design of facade: the hypermarkets will operate under already well-known “Magnit” brand ■ Clearly visible

Projected Magnit Hypermarkets

Addressing the needs of our target customers

Families (30-60 years old)

Priorities:

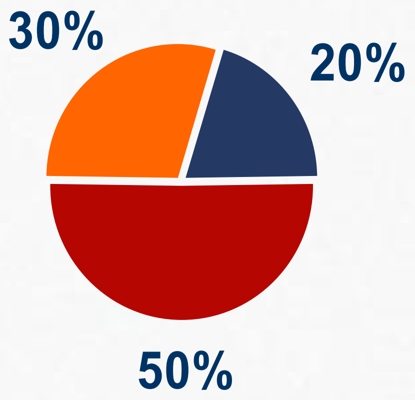
1. Location
2. Assortment
3. Price
4. Comfort

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



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

Youth (up to 30 years old)

Priorities:

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

Key features:

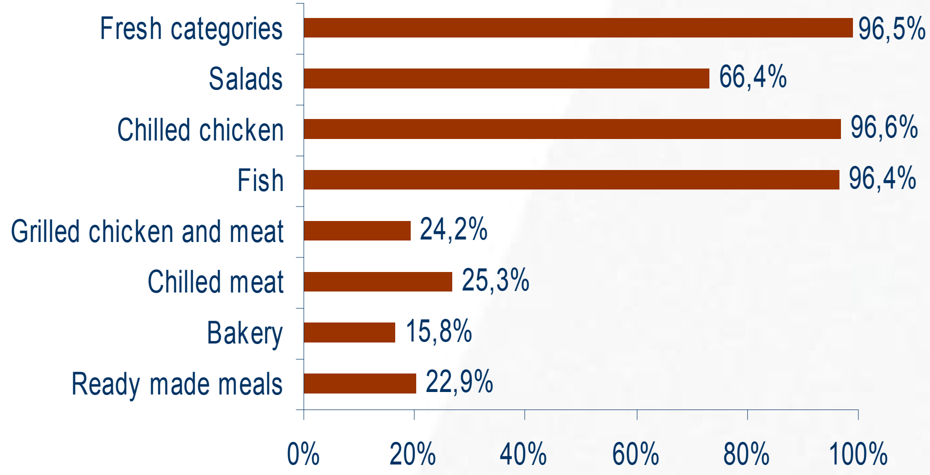
- More open to western lifestyles and oriented towards modern retail formats

Key focus areas:

- Offering product categories appealing to young audience

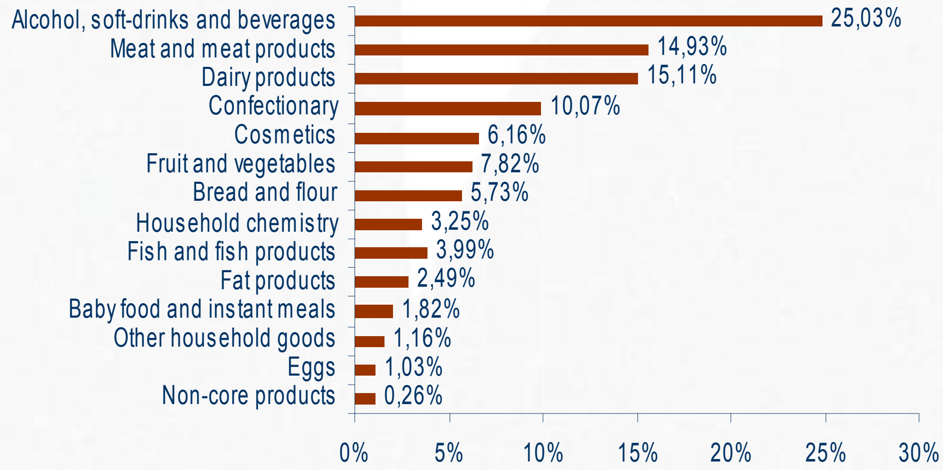
Assortment selection

Share of stores offering fresh and value-added products, 1H2007



Source: Company data

Assortment structure, 1H2007



Source: Company data

Assortment correlates with customers' purchasing power

Monthly household spending on food and beverages				
5000+ rub	**Dry and frozen products, vegetables,fruit**	**Shorter life products, salads,grill,bakery**	**Semi-finished products, cakes**	**Semi-finished products, cakes**
4500 - 5000 rub	**Dry and frozen products, vegetables,fruit**	**Shorter life products, salads,grill,bakery**	**Semi-finished products, cakes**	
4000 - 4500 rub	**Dry and frozen products, vegetables,fruit**	**Shorter life products, salads,grill,bakery**		
up to 4000 rub	**Dry and frozen products, vegetables,fruit**			

Source: Company data

Highly flexible and differentiated pricing model

Mark-up criteria

- Overall necessity of a product
- Target audience for a product
- Purchasing frequency of a product
- Share in consumer basket

Mark-up for a given product

Mark-up adjustments

- Target weighted average mark-up for the Group
- Competition in the area of 500 m from the store
- Geographical location (urban/rural matrix)
- Seasonality

■ Each product category is assigned to a certain mark-up

■ Revised every 4 months

Centralised matrix-based pricing system

■ 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 & Private Label

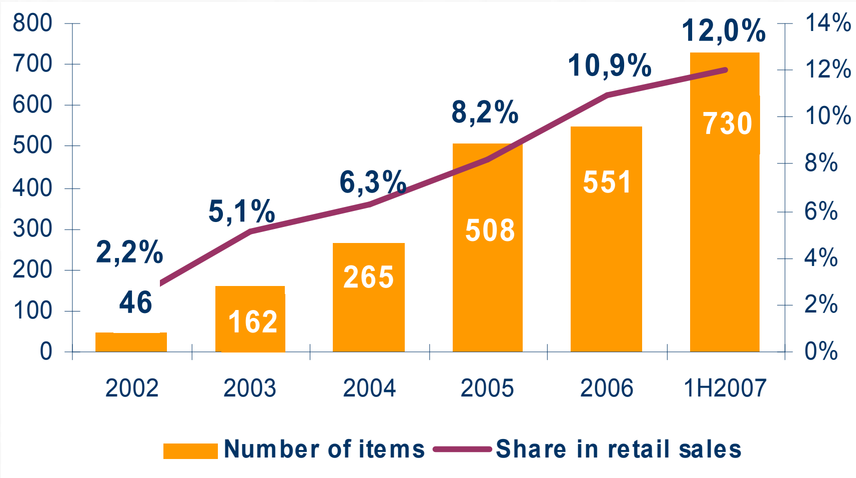
Magnit is the largest buyer for many domestic and international FMCG producers.

- Weekly Assortment Committee approves the assortment and suppliers.
- Direct purchasing and delivery contracts
- 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 2006 was 35 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:

- **730 Own Label SKUs** (1H2007)
- Own Label products accounted for **12%** share of retail revenue in 2006 and **20,7%** of total SKUs
- Management aims to reach **20-21%** the share of Own Label sales in retail revenue by 2015
- Approximately **85%** 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

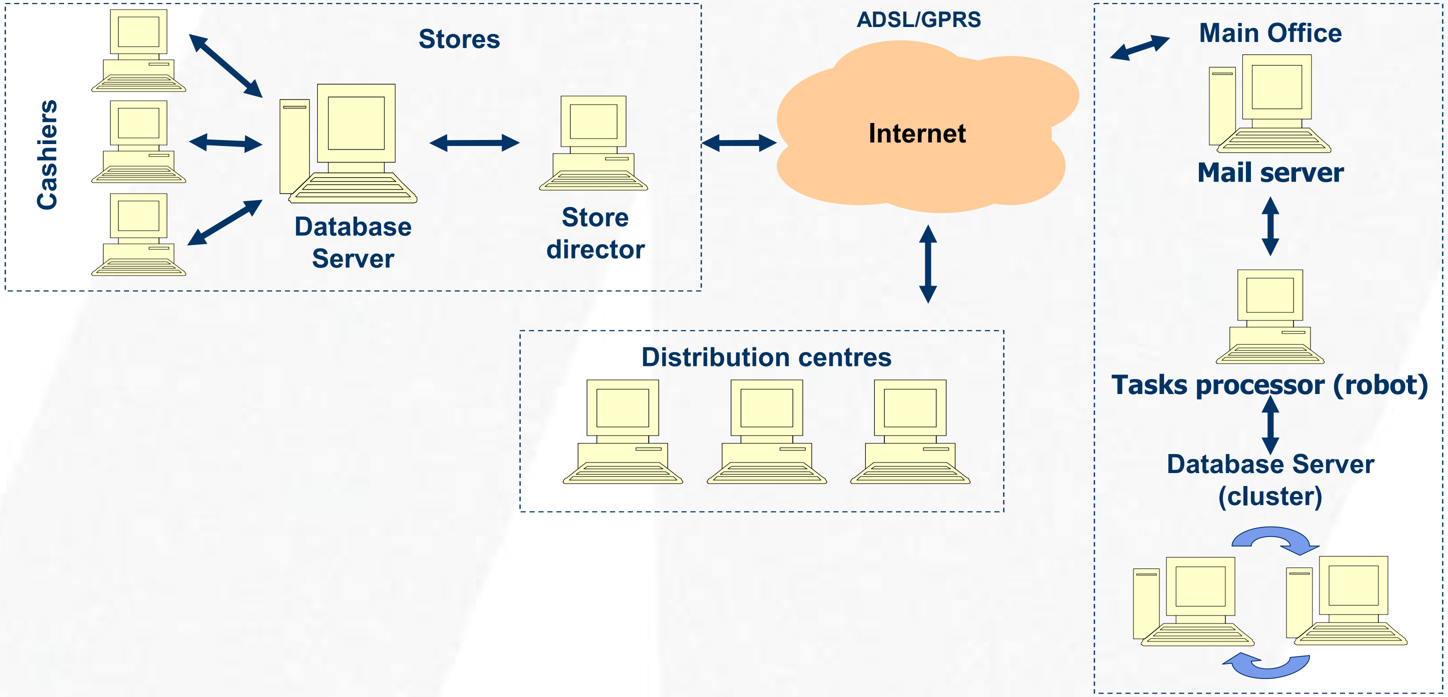


Source: Company data

Management Information System (MIS) and automated stock replenishment system

- Clear visibility of remote markets and store performance:
  - Monthly consolidated P&L reports
  - Daily detailed management reports on Key Performance Indicators (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



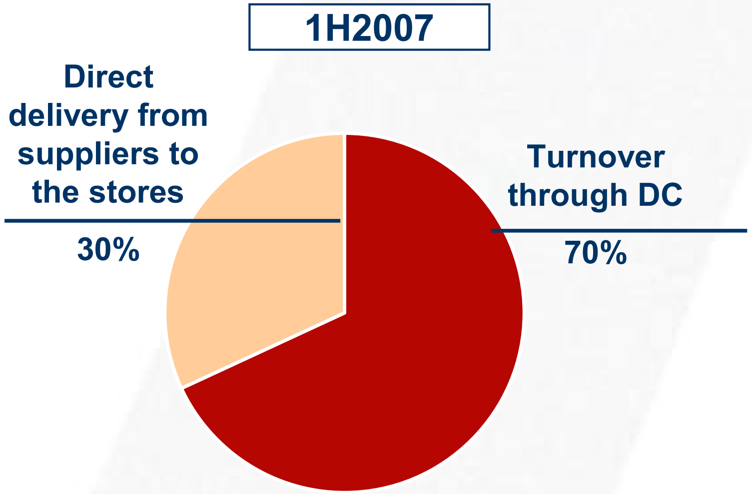
Logistics system

As of 1H2007 up to 70% 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%

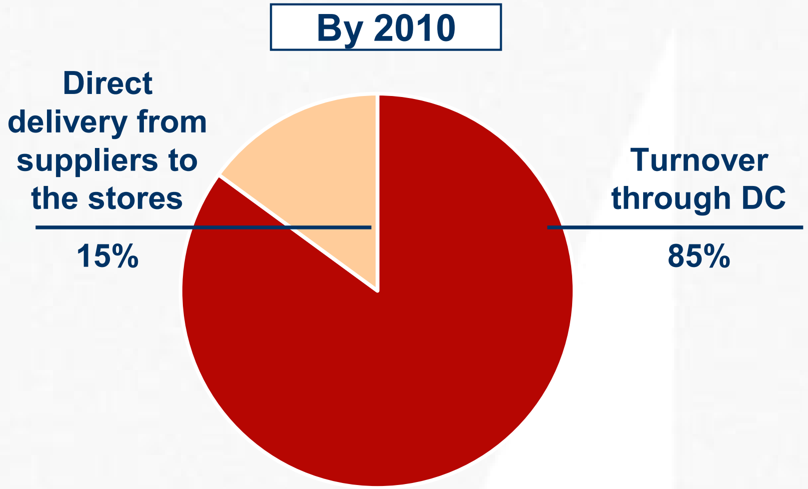
- Automated stock replenishment system
- 7 distribution centers with over 110 thousand sq. m capacity
- Fleet of over 730 vehicles

City	Federal district	Space, sq.m.	Share in total DC turnover, %	Number of serviced stores	Leased/ Owned
Bataysk	Southern	16 576	6,2%	216	*Owned*
Kropotkin	Southern	30 048	35,2%	453	*Owned*
Engels	Volga	19 495	21,2%	402	*Owned*
Togliatti	Volga	8 379	7,5%	255	*Leased*
Tver	Central	10 714	9,6%	152	*Owned*
Oryol	Central	12 472	11,3%	291	*Owned*
Ivanovo	Central	15 669	9,0%	240	*Owned*
Total		**113 353**	**100%**	**2 009**	

The company's breakdown of shares in turnover



Source: Company data

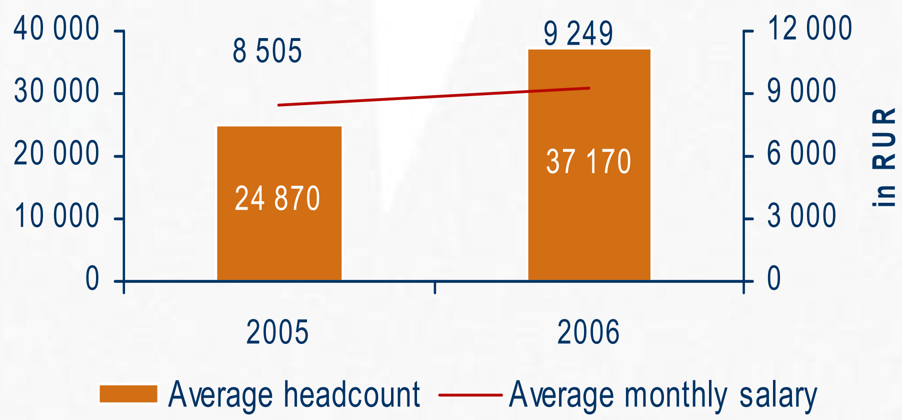


Source: Company data Note: as % of turnover

Well trained dedicated personnel

- The **total number of employees** in the Group exceeded **49 000** as of 30 June 2007:
  - **36 656 in-store personnel,**
  - **7 387 people engaged in distribution,**
  - **3 777 people in regional branches and**
  - **1 252 people employed by head office**
- The average age of our employees is approximately 25 years
- The gross **average monthly salary** in 2006 was **RUR 9 249**, 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
- Training system provides:
- Career development programmes for all levels to ensure
  - Lower staff turnover
  - Increased motivation
  - Higher productivity
- Personnel training
  - 92 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

Average number of employees vs. average salary, 2005-2006



Source: audited IFRS Financial Statements, Management estimates

Store opening process varies from 1 to 3 months

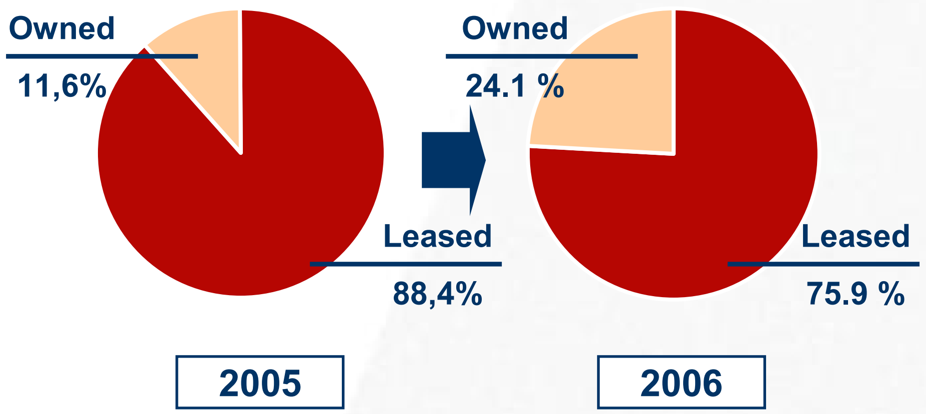
- Considerable experience of store openings
- Preference given to leased store due to quick roll out in new markets
- Acquisitions and construction are preferred in existing markets with already high penetration
- Key store opening criterion is payback period of not more than 3 years if leased; 6-7 years 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

	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												●

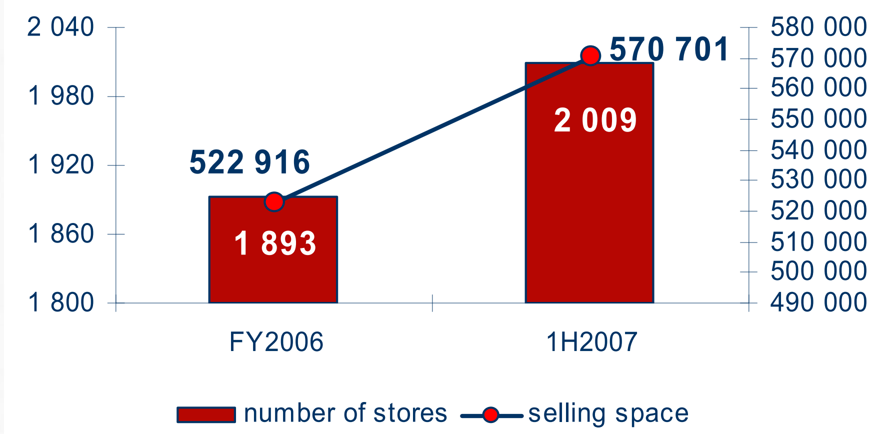
Summary Magnit store statistics

Store portfolio, 30 June 2007

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	1H2007
Southern	1	18	27	133	270	387	550	684	783	825
Central					40	100	224	379	461	492
Volga		2	1	19	53	114	214	368	536	575
North-Western				1	5	9	26	61	84	80
Urals								8	29	37
Total	**1**	**20**	**28**	**153**	**368**	**610**	**1 014**	**1 500**	**1893**	**2009**
New openings		19	10	127	222	259	438	550	513	179
Closings		0	2	2	7	17	34	64	120	63
Net openings		**19**	**8**	**125**	**215**	**242**	**404**	**486**	**393**	**116**

Source: Company data

Operating and financial results

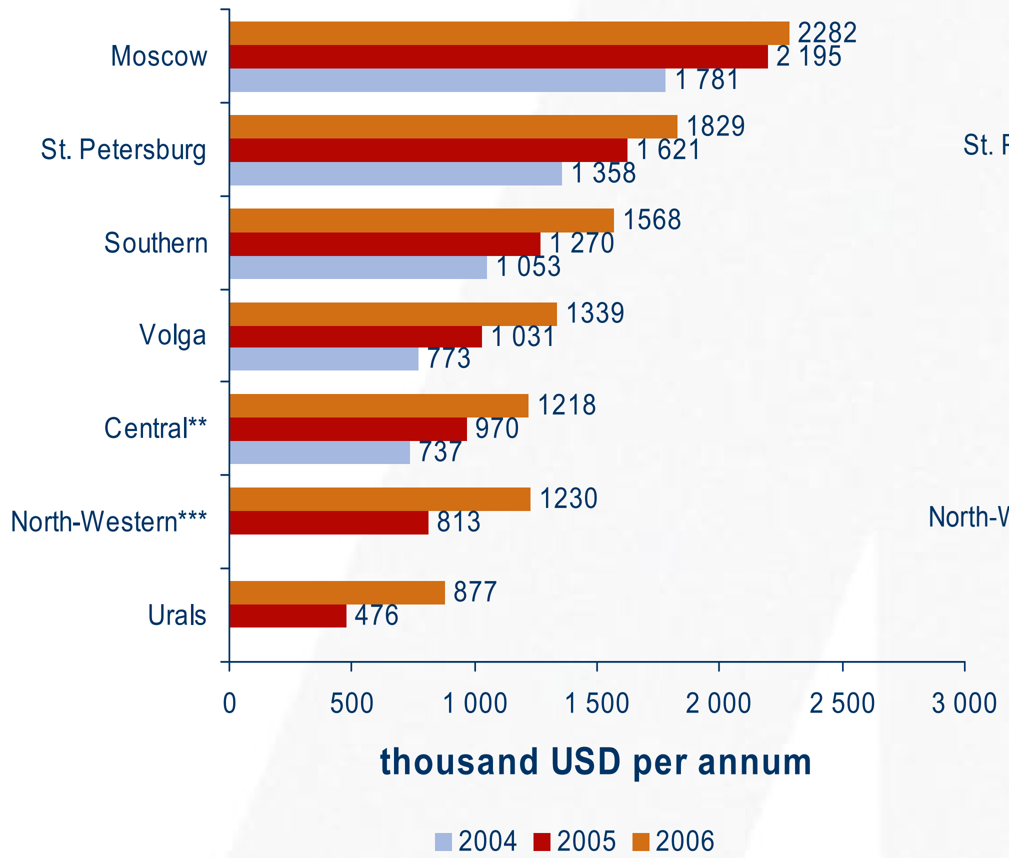
Magnit today*:

- **The leading Russian food retailer by number of stores and customers**
  - **2 009 convenience stores** as of 1H2007
  - **370 million customers** in 1H2007
  - The only retail chain with **presence in 648 cities** and towns in European Russia as of 1H2007
- **Net Sales in 1H2007 amounted to USD 1 638 million (RUR 42 730 million)**
- **Over 49 000 employees as of 1H2007**
- **In-house logistics based on 7 distribution centres with total warehousing space of 113 353 m² and a fleet of over 730 company-owned vehicles**
- **The average ticket in 1H2007 was USD 4.4 (excl. VAT) (RUR 114)**
- **Prepares to enter the Hypermarket sector in 2007**
  - Developed own Hypermarket business model
  - 17 hypermarkets are already under construction.

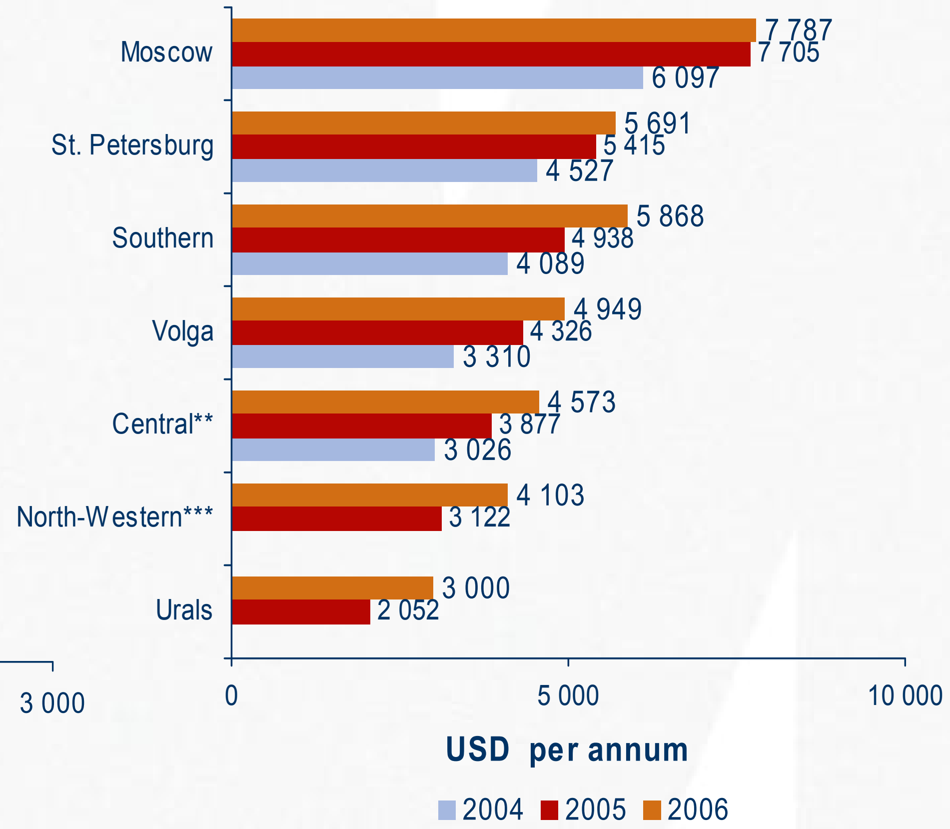
*Note: * audited IFRS results*

Regional store performance

Sales per store*, 2004-2006



Sales per sq. m*, 2004-2006



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 1H2007 to 1H2006*, RUR

Number of tickets, LFL growth	Average ticket, LFL growth	LFL revenue growth
1.83%	13.70%	15.79%

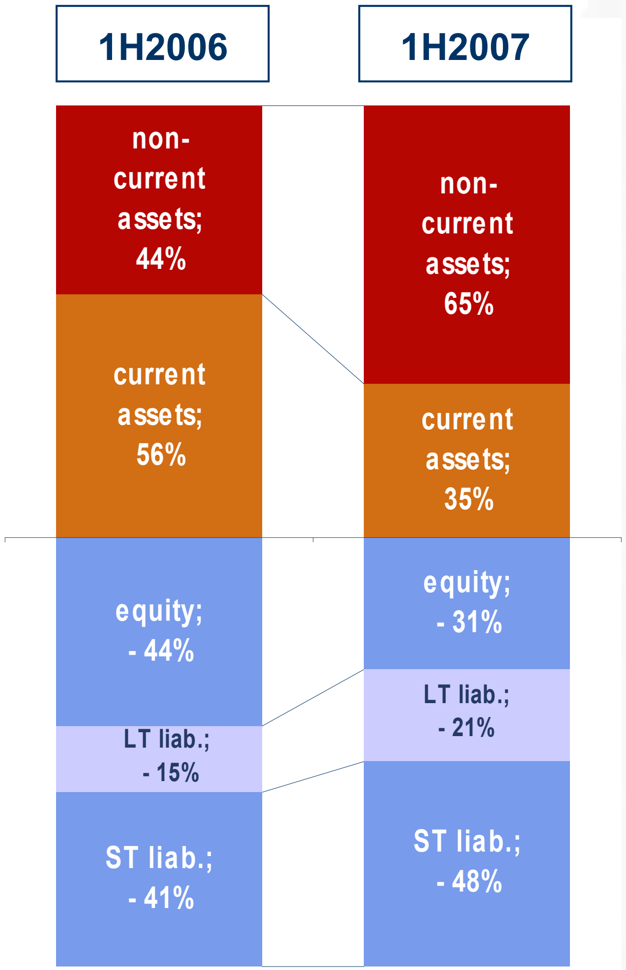
LFL growth FY2006 to FY2005**	
Average ticket, RUR	10.11%
Average ticket, USD	14.32%
Number of tickets	2.80%
Revenue, RUR	13.19%
Revenue, USD	17.53%

* Applicable to 1 072 stores opened by July 2005

** Applicable to 641 stores opened by July 2004

Source: Company data

Improved operating efficiency and capital structure



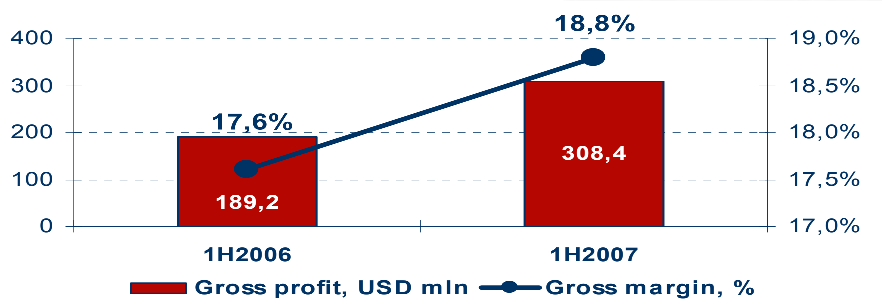
In US$ mn	FY2005*	FY2006*	YoY,%	1H2006**	1H2007**	YoY,%
Net sales	1 577.7	2 505.0	58.8%	1 074.0	1 638.2	52.5%
Cost of goods sold	(1312.9)	(2 046.1)	55.9%	(884.8)	(1 329.8)	50.3%
Gross profit	**264.8**	**458.9**	**73.3%**	**189.2**	**308.41**	**63.0%**
Gross margin, %	*16.8%*	*18.3%*		*17.6%*	*18.8%*	
SG&A	(201.0)	(365.4)	80.9%	(152.64)	(249.29)	96.6%
Other income/(expense)	(0.9)	(1.0)		(1.2)	(0.1)	
EBITDA	**78.9**	**122.4**	**55.4%**	**48.4**	**82.9**	**71.5%**
EBITDA margin,%	*5.0%*	*4.9%*		*4.5%*	*5.1%*	
Depriciation	(15.1)	(28.9)		(11.8)	(23.8)	
EBIT	**63.8**	**93.5**	**46.5%**	**36.6**	**59.1**	**61.7%**
Net finance costs	(12.9)	(13.0)		(6.4)	(11.2)	76.1%
Profit before tax	50.0	81.5	62.8%	29.0	48.0	65.4%
Taxes	(13.2)	(24.6)		(8.1)	(10.0)	
Effective tax rate	26.4%	30.1%		27.9%	20,9%	
Net income	**36.8**	**56.9**	**54.6%**	**20.9**	**37.9**	**81.1%**
Net margin, %	*2.3%*	*2.3%*		*1.9%*	*2.3%*	

*Source: *audited IFRS Financial Statements*

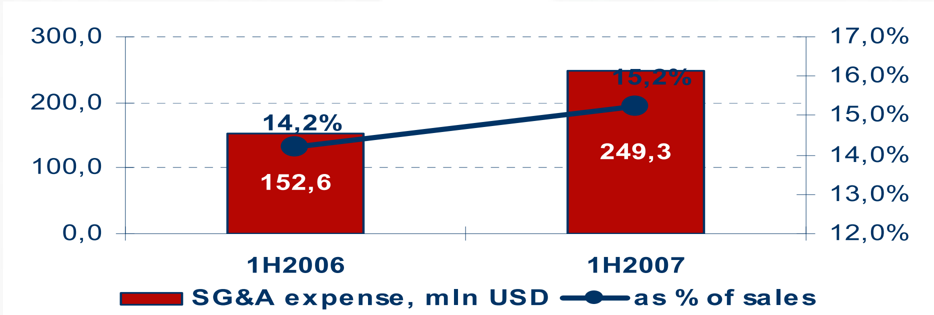
*** reviewed IFRS Financial Statements*

Profitability analysis

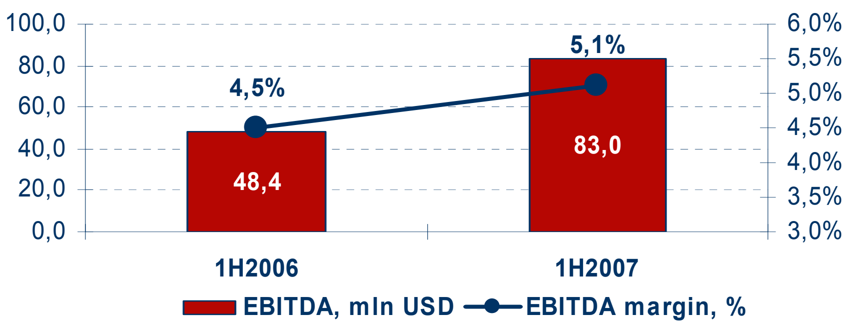
GM dynamics, 1H2006-1H2007



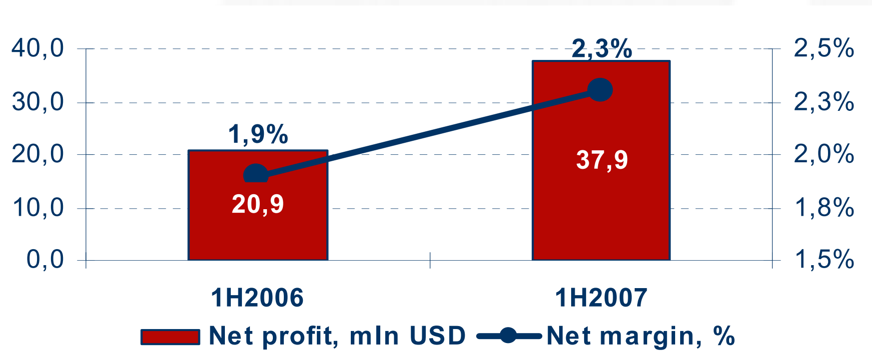
SG&A expense dynamics, 1H2006-1H2007



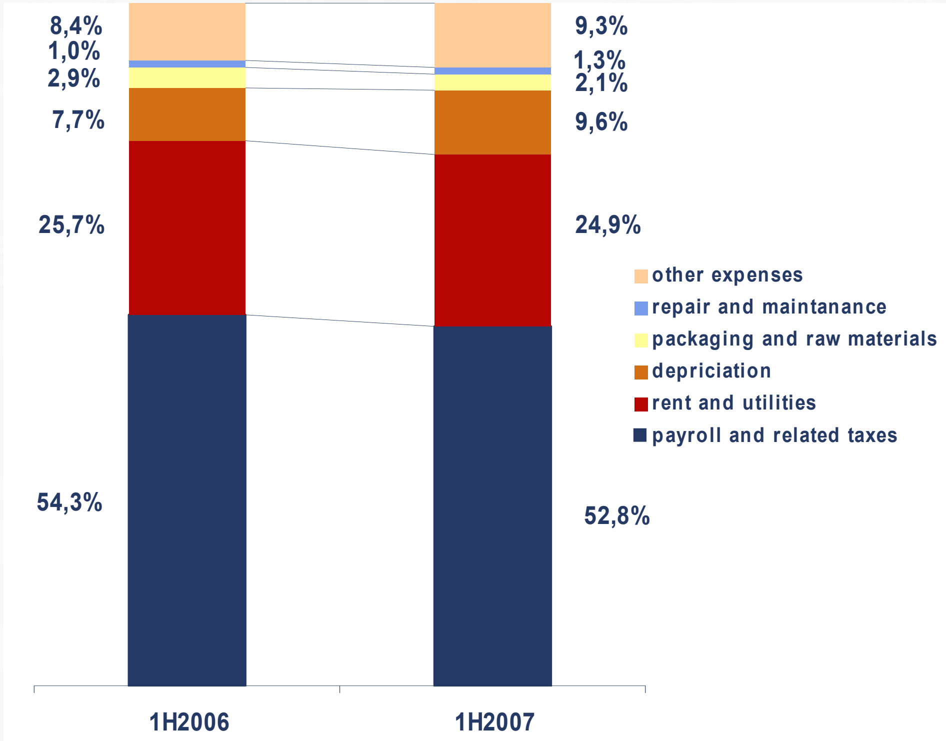
EBITDA dynamics, 1H2006-1H2007



Net profit dynamics, 1H2006-1H2007



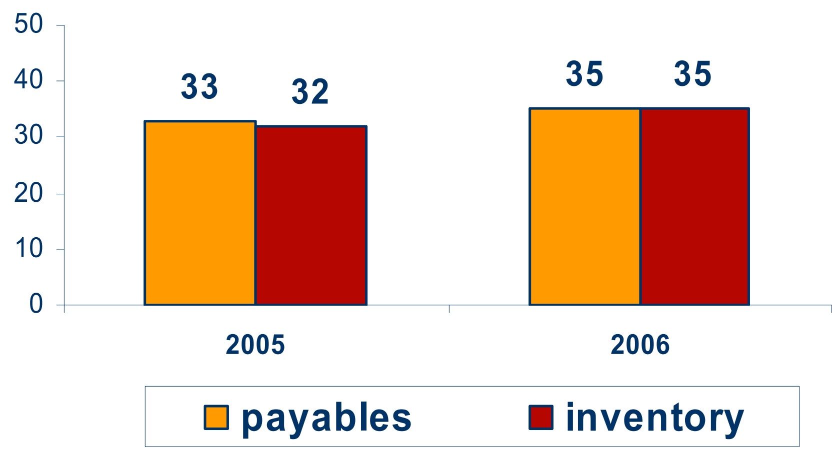
Changes in SG&A expense structure



Source: Reviewed IFRS Financial Statements

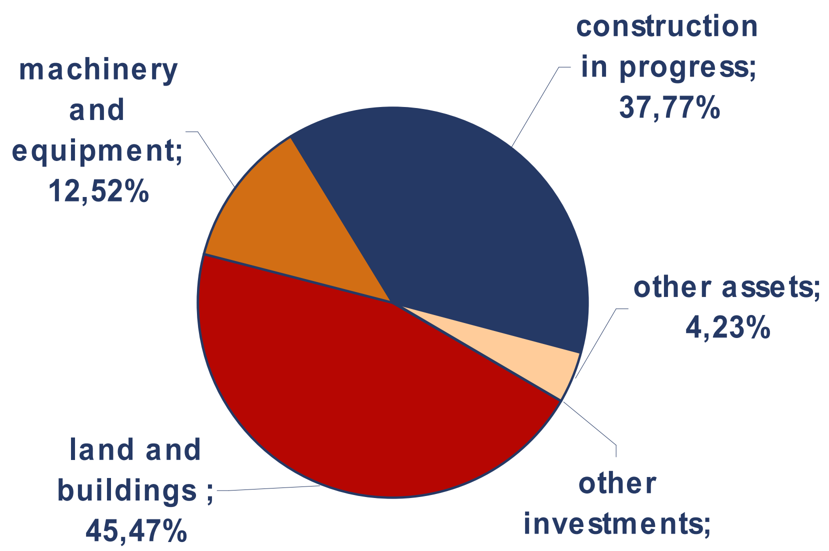
Working capital and capital expenditure

Inventory days, 2005-2006



- Working capital as of December, 31 2006 amounted to **US$ 14.6m** vs. working capital as of December 31, 2005 of US$14,1m
- Inventory turnover has increased marginally from 32 days in 2005 to **35** days in 2006
- Trade payables turnover has increased from 33 days in 2005 to **35** days in 2006

Capital expenditure structure, 1H2007



- **2006** Capex budget was **301 million USD**
- **2007** Capex budget:
  - Current format
  - Real estate
  - Logistics
  - Hypermarkets

Source: IFRS Financial Statements

Consolidated balance sheet, 1H2007

In thousands of US Dollars	June 30, 2007*	December 31, 2006**
ASSETS		
NON-CURRENT ASSETS:		
Property, plant and equipment	725,971	468,401
Intangible assets	1,036	927
Goodwill	38	238
Long-term investments	454	322
	727,498	469,888
CURRENT ASSETS:		
Inventories	261,512	247,466
Trade accounts receivable	23,493	13,945
Value added tax and other taxes receivable	9,010	11,387
Advances paid	49,510	58,070
Other receivables and prepayments	10,313	5,659
Short-term investments	1,408	2,169
Cash and cash equivalents	36,959	89,789
	392,205	428,485
TOTAL ASSETS	1,119,703	898,373

** Reviewed IFRS Financial Statements*

*** Audited IFRS Financial Statements*

Consolidated balance sheet, 1H2007

EQUITY AND LIABILITIES		
Share capital	28	27
Share premium	194,550	190,745
Retained earnings	152,538	112,366
EQUITY ATTRIBUTABLE TO HOLDERS OF THE PARENT:	347,116	303,138
MINORITY INTEREST	635	545
TOTAL EQUITY	347,751	303,683
NON-CURRENT LIABILITIES:		
Long-term loans and bonds	207,405	82,246
Long-term obligations under finance leases	16,155	6,424
Deferred tax liabilities	15,047	16,270
	238,607	104,940
CURRENT LIABILITIES:		
Trade accounts payable	286,090	269,116
Other payables and accrued expenses	45,755	38,872
Taxes payable	14,267	13,951
Short-term obligations under finance leases	9,837	6,716
Short-term loans	177,396	161,095
	533,345	489,750
TOTAL EQUITY AND LIABILITIES	1,119,703	898,373

Consolidated cashflow statement, 1H2007

In thousands of US Dollars	6 months 2007*	6 months 2006*
OPERATING ACTIVITIES:		
Profit before income tax	47,989	29,014
Adjustments for:		
Deprication	23,831	11,809
Amortization		152
Loss on disposal of property, plant and equipment	151	411
Change in provision for doubtful receivables	778	973,000
Other adjustments	(1,039)	902
Finance costs, net	11,200	6,362
Operating cash flow before movements in working capital	82,910	49,471
Increase in receivables and prepayments	(2,253)	(22,897)
Increase in inventory	(9,018)	(33,775)
Increase in trade accounts payable	11,487	35,035
Increase in other payables and accrued expenses	7,475	1,104
Cash generated by operations	90,601	28,938
Income tax paid	(15,149)	(14,698)
Interest paid	(10,830)	(6,906)
Interest received	1,879	482
Net cash generated by operating activities	66,501	7,816

** Reviewed IFRS Financial Statements*

Consolidated cash flow statement, 1H2007

МАГНИТ

INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(254,913)	(87,136)
Proceeds from disposal of property, plant and equipment	5,474	578
Purchase of investments	(14,323)	(100,212)
Proceeds from sale of investments	15,021	59,142
Net cash used in investing activities	(248,741)	(127,628)
FINANCIAL ACTIVITIES		
Proceeds from short-term borrowings	485,990	176,465
Repayment of short-term borrowings	(474,629)	(246,873)
Proceeds from long-term borrowings	146,940	5,166
Repayment of long-term borrowings	(25,364)	(21,428)
Repayment of obligations under finance leases	(4,707)	(5,404)
Proceeds from issue of shares	-	181,732
Bonuses paid to management	(52)	-
Net cash generated by financing activities	128,178	89,658
EFFECT OF FOREIGN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	1,232	2,279
NET DECREASE IN CASH AND CASH EQUIVALENTS	(54,062)	(30,154)
CASH AND CASH EQUIVALENTS, beginning of the period	89,789	45,771
CASH AND CASH EQUIVALENTS, end of the period	36,959	17,896