



Company overview and 1H2006 management accounts

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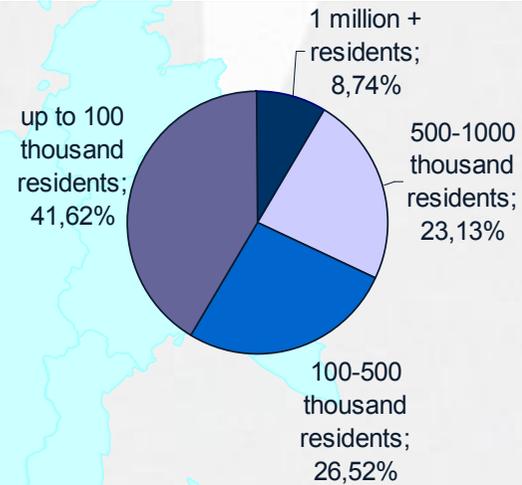
Today Magnit is:

- The leading Russian food retailer by number of stores and customers
- 1,682 stores in discounter format as of June 30, 2006
- More than 531 cities and towns in European Russia as of June 30, 2006
- Over 447,5 thousand sq. m of selling space as of June 30, 2006
- In-house logistics including 6 distribution centres with total warehousing space of 66 thousand sq. m and over 500 vehicles
- Approximately 36 thousand employees as at June 30, 2006
- Strong centralised management
- 294.6 mn customers in 1H2006
- Net sales, 1H2006 - 1074,3 mln. USD

*Note: * management accounts*

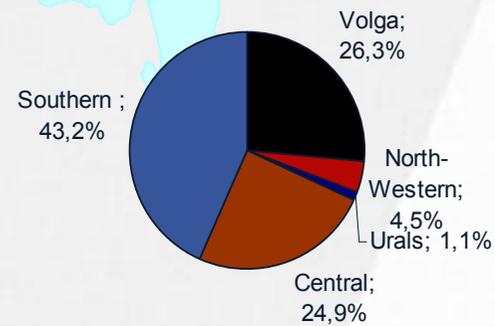
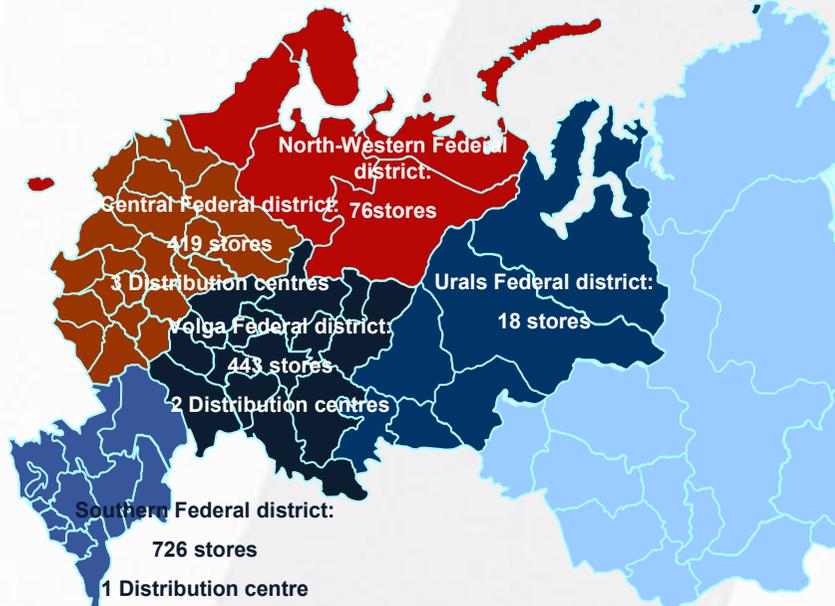
Strong regional coverage 1H2006

Demographical breakdown of store locations



Source: Company data

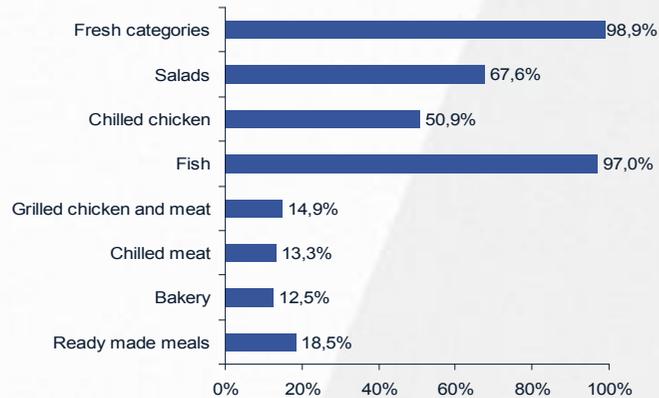
Store portfolio by Federal district



Source: Company data

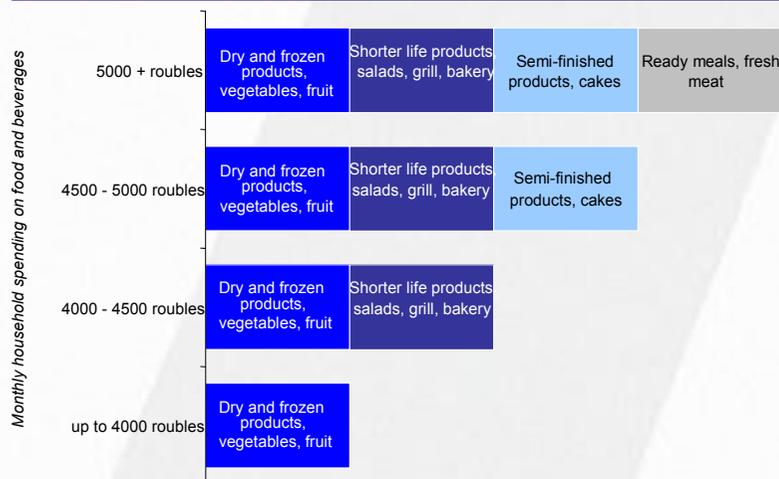
Assortment selection

Share of stores offering fresh and value-added products



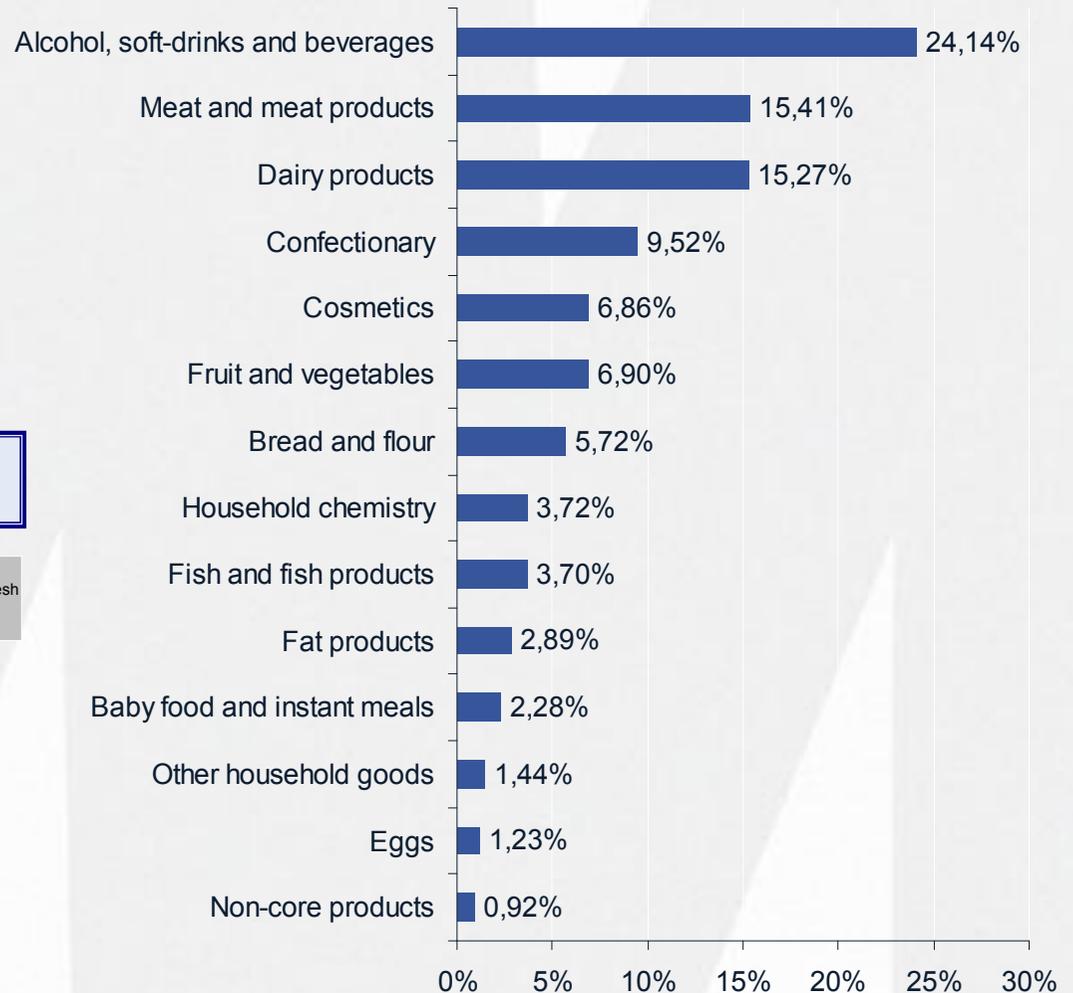
Source: Company data

Assortment correlates with customers' purchasing power



Source: Company data

Assortment structure, 1H2006



Source: Company data

Suppliers, purchasing and Private Label products

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

- Weekly Assortment Committee consisting of senior management, purchasing director and category managers approves changes to assortment and suppliers
- Direct purchasing and delivery contracts
- Large national suppliers account for approximately 64% of cost of goods sold
- Leveraging scale and wide geographical presence to obtain the best prices and favourable contract term
 - Volume discounts
 - Compensation of external and internal logistics costs
 - Average credit term in 2005 – 34 days and can be as high as 60 days
 - for national suppliers
 - Contract term is typically 1 year
 - Often can be unilaterally terminated by Magnit with no penalties
- Supplier bonuses
 - For meeting sales targets
 - For store promotions
 - For loyalty

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

- 520 Private Label SKUs as of 30 June 2006
- Private Label products accounted for an 10.47% share of retail revenue in 1H2006 and 14.57% of total SKUs
- Management's target is to double the share of Private Label sales in retail revenue by 2015
- Approximately 88.9% of Private Label products are food stuffs
- The gross margin of Private Label products is 8 and more percentage points higher than for similar product categories

Share of Private Label products in revenue

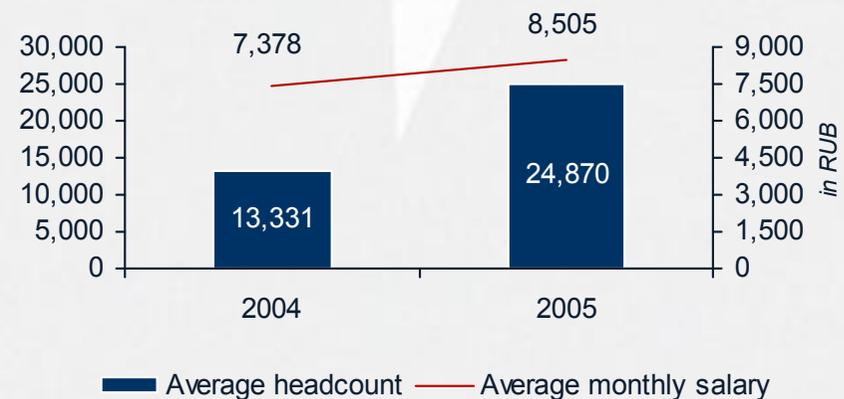


Source: Company data

Well trained dedicated personnel

- As of June 30, 2006, the Group employed approximately 36,000 staff, including:
 - 27,972 in-store personnel,
 - 4,502 people engaged in distribution,
 - 2,774 people in regional branches and
 - 752 people employed by head office
- The average age of Magnit employees is approximately 28 years
- The gross average monthly salary in 2005 was 8,505 roubles, of which approximately 75% was basic salary
- All levels of employees are highly motivated by performance-linked bonuses and incentives
- Key members of the management team own stock
- Performance evaluation on a regular basis
- Training system provides:
- Career development programmes for all levels to ensure
 - Lower staff turnover
 - Increased motivation
 - Higher productivity
- Personnel training
 - 60 classrooms for entry level staff training
 - Managerial training for middle management
 - Regular meetings and seminars between mid-level managers to exchange best practices
 - Coaching for top-management
- Strong corporate culture aimed at increasing loyalty of employees
 - The Company publishes a corporate newspaper every two months
 - Team building events to ensure integrity of the team

Average personnel headcount vs average salary, 2004-2005



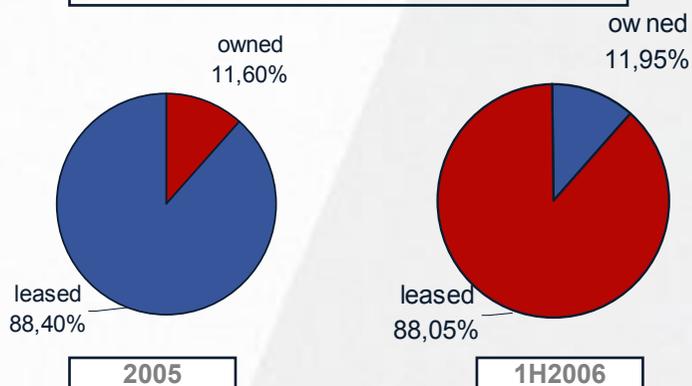
Source: audited IFRS Financial Statements, Management estimates



Summary Magnit store statistics

Store portfolio as at June 30 2006

Owned and leased stores breakdown



Number of stores and Selling space, sq. m



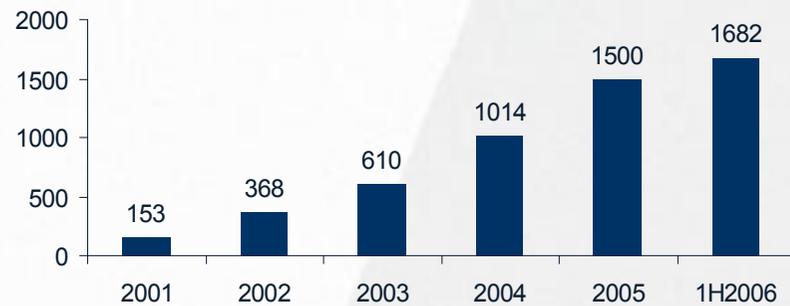
Store openings

	1998	1999	2000	2001	2002	2003	2004	2005	30 June 06
Southern	1	18	27	133	270	387	550	684	755
Central					40	100	224	379	438
Volga		2	1	19	53	114	214	368	454
North-Western				1	5	9	26	61	77
Urals								8	18
Total	1	20	28	153	368	610	1,014	1,500	1,682
New openings		19	10	127	222	259	438	550	242
Closings		0	2	2	7	17	34	64	60
Net openings		19	8	125	215	242	404	486	182

Source: Company data

Store information

Total number of stores, 2001-1H2006



Source: Company data

Average total space per store, 2001-1H2006



Source: Company data

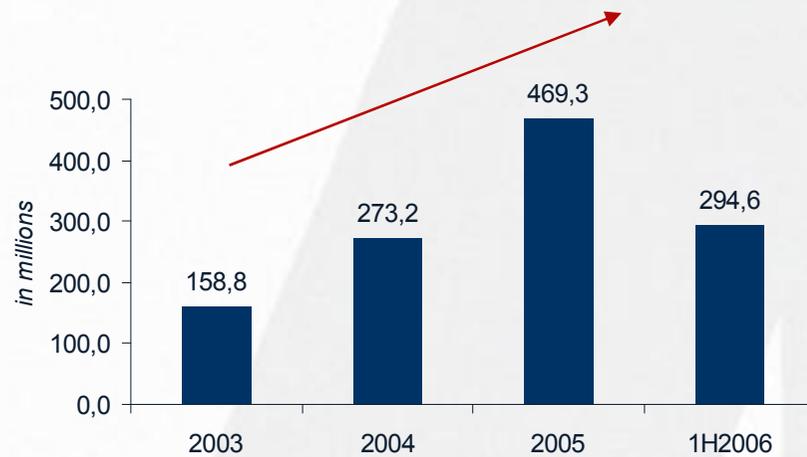
Average selling space per store, 2001-1H2006



Source: Company data

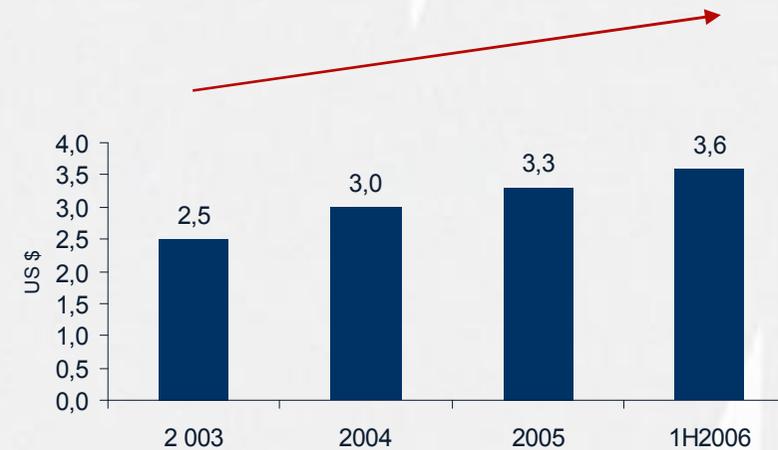
Operating KPIs

Number of tickets, 2003-1H2006



Source: Company data

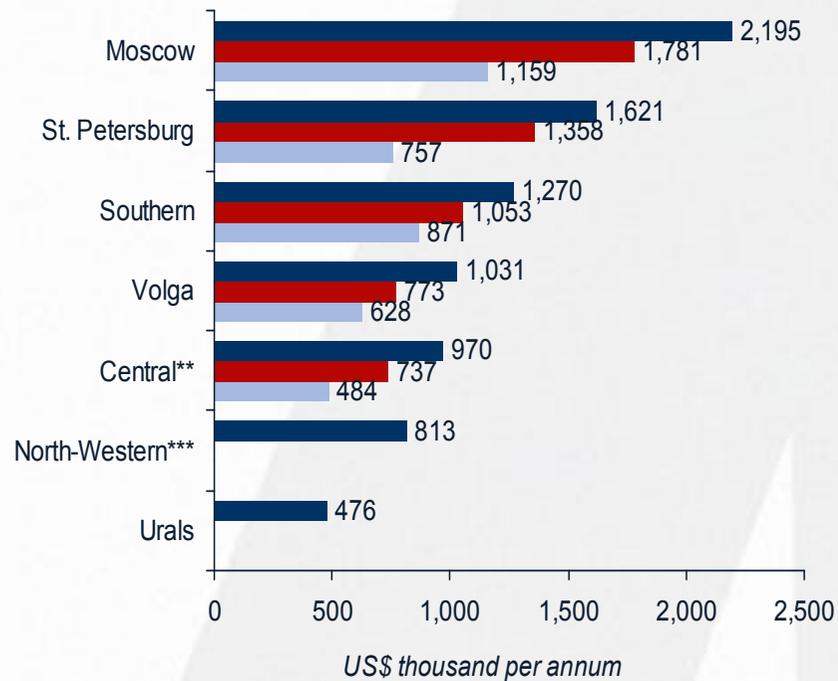
Average ticket, 2003-1H2006



Source: Company data

Regional store performance

Sales per store*, 2003-2005



■ 2003 ■ 2004 ■ 2005

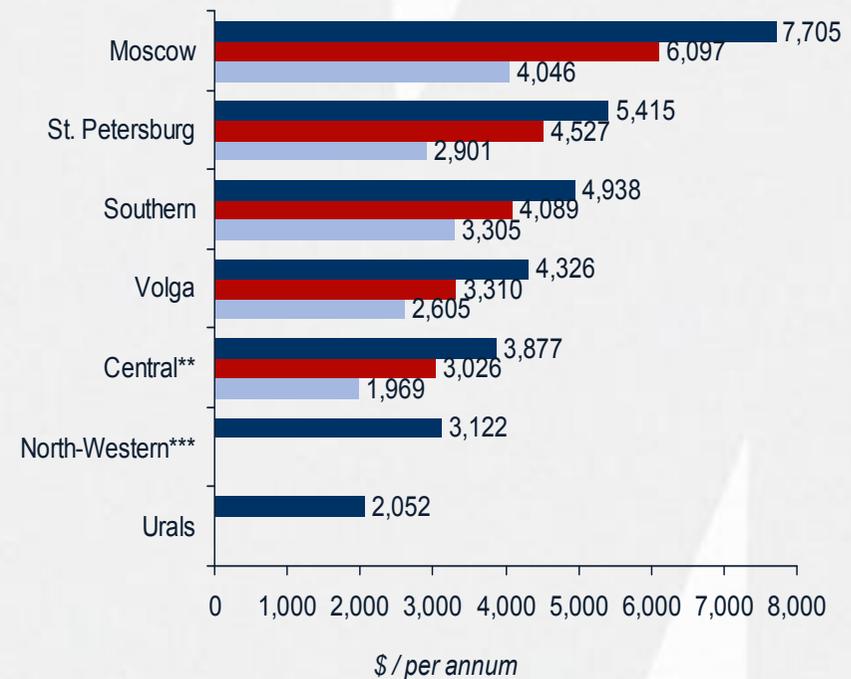
Note: * calculated as retail revenue in a year divided by weighted average number of stores and selling space in the same year

** excluding Moscow and Moscow region

*** excluding St. Petersburg and Leningrad region

Source: Company data

Sales per sq. m*, 2003-2005



■ 2003 ■ 2004 ■ 2005

Source: Company data

Improved operating efficiency

1. Increase in number of stores

2. Sales per square metre growth thanks to:

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

3. Cost efficiencies

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

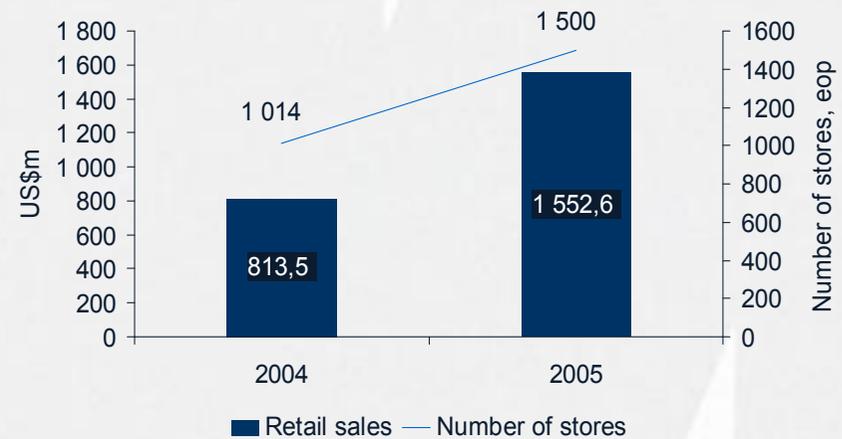
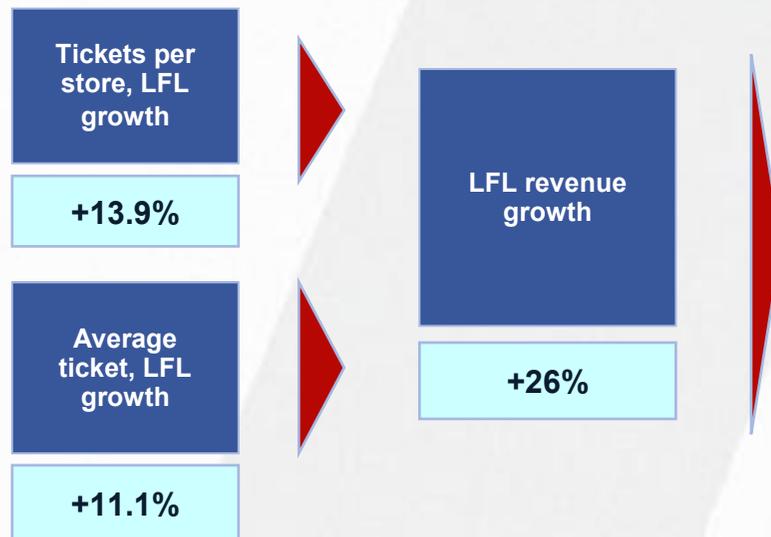
In US\$m	FY 2004	FY 2005	YoY, %
Net sales	848.5	1,577.7	86%
Cost of goods sold	(739.8)	(1,312.9)	77%
Gross profit	108.7	264.8	144%
<i>Gross margin, %</i>	12.8%	16.8%	
SG&A	(92.9)	(185.5)	100%
Other income/(expense)	(3.1)	(1.3)	
EBITDA	12.7	78.0	513%
<i>EBITDA margin, %</i>	1.5%	4.9%	
Depreciation	(6.1)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

Source: audited IFRS Financial Statements

LFL sales analysis

LFL 2004 to 2005, roubles

Sales dynamics, 2004-2005



Source: Management estimates

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

Source: Companies' data

LFL sales analysis

LFL 1Q2006 to 1Q2005, roubles

LFL 2Q2006 to 2Q2005, roubles

Tickets per store,
LFL growth

+3.91%

Average ticket,
LFL growth

+11.11%



LFL revenue growth

+15.45%

Tickets per store,
LFL growth

+1.99%

Average ticket,
LFL growth

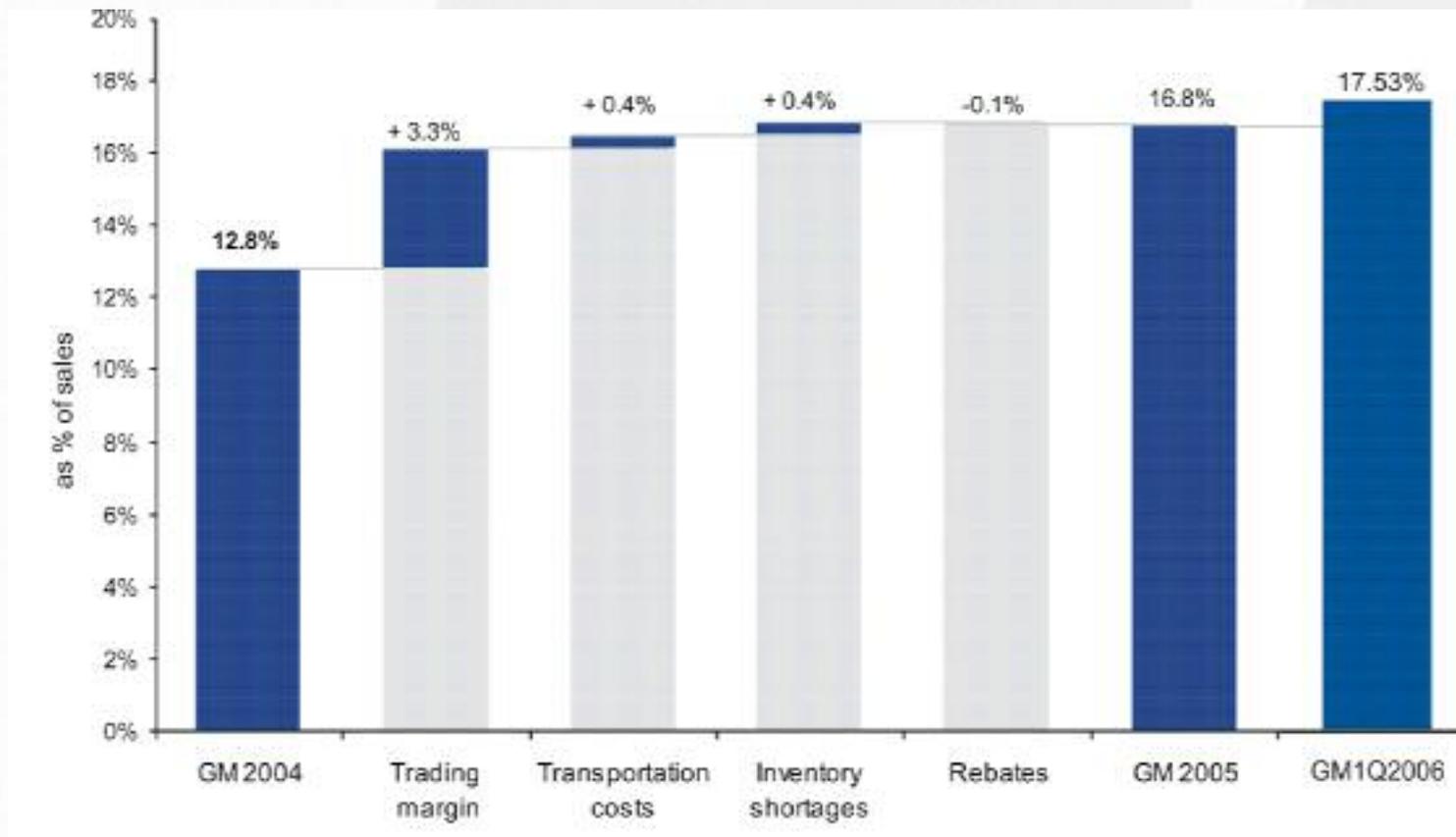
+6.98%



LFL revenue growth

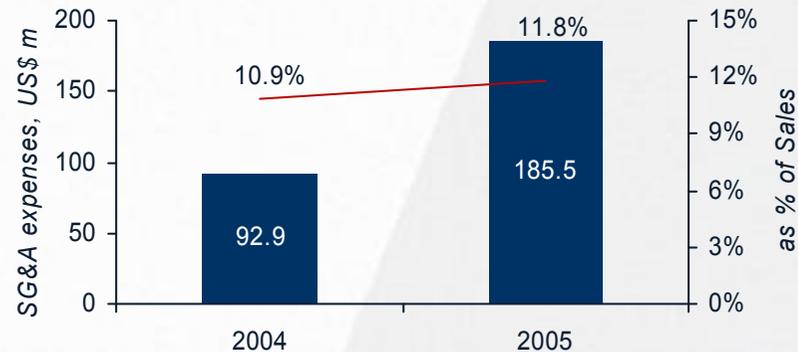
+9.10%

Gross margin improvement factors



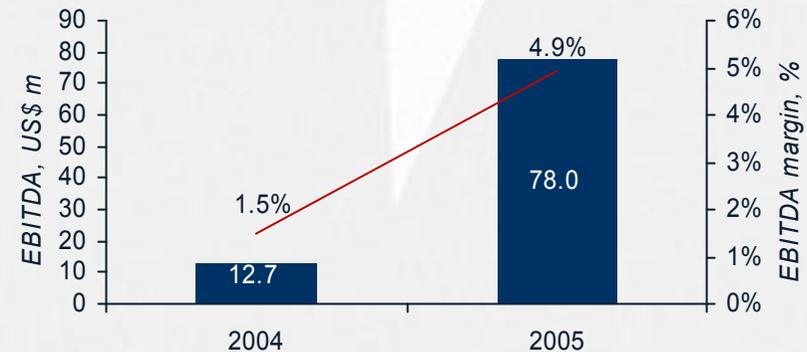
Profitability analysis

SG&A expense dynamics, 2004-2005



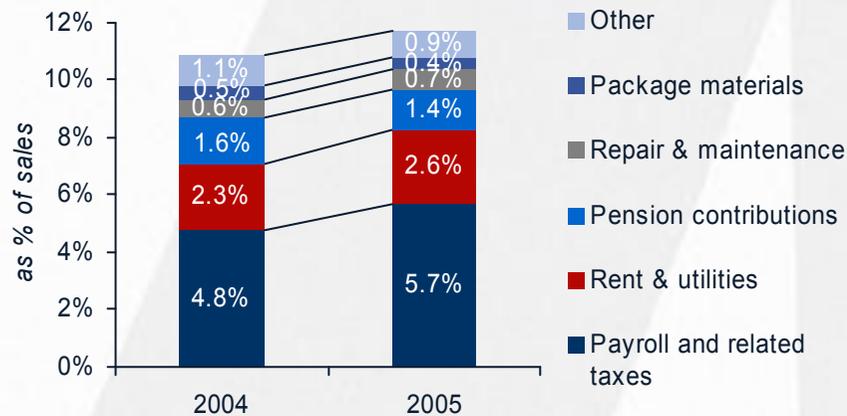
Source: audited IFRS Financial Statements

EBITDA dynamics, 2004-2005



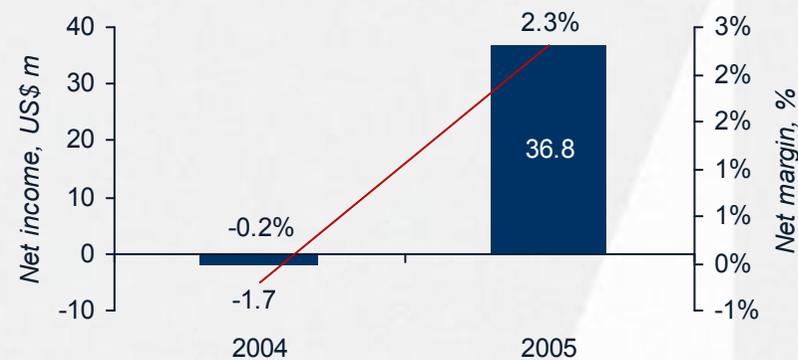
Source: audited IFRS Financial Statements

Changes in SG&A expense structure



Source: audited IFRS Financial Statements

Net profit dynamics, 2004-2005



Source: audited IFRS Financial Statements

Summary consolidated balance sheet, 2004-2005

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

Source: audited IFRS Financial Statements

Summary consolidated cash flow statement, 2004-2005

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

Source: audited IFRS Financial Statements