

Ratified
by the resolution of the Board
of OJSC "Magnit" of April 27, 2009,
minutes of 28.04.2009

2008 ANNUAL REPORT
OF THE OPEN JOINT-STOCK COMPANY
«MAGNIT»

18 Kolkhoznaya street, Krasnodar, 350072, Russian Federation

Chief Executive Officer _____ **S. Galitskiy**

**Person in charge of the chief accountant,
Chief Executive Officer of OJSC "Magnit",
Acting on the basis of
Order № 4 of 13.04.2006** _____ **S. Galitskiy**

seal.

KRASNODAR 2009

TABLE OF CONTENTS

1. KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS	4
2. MISSION	5
3. CHIEF EXECUTIVE OFFICER'S STATEMENT	6
4. INFORMATION ON THE PERSON IN THE POSITION OF A SOLE EXECUTIVE BODY.....	7
5. INFORMATION ON THE BOARD MEMBERS	9
6. REPORT OF THE BOARD ON 2008 OPERATIONS	17
7. MAIN 2008 CORPORATE EVENTS	23
8. POSITION OF THE COMPANY IN THE SECTOR.....	25
<i>RUSSIAN MARKET</i>	<i>25</i>
<i>INFLATION ON THE FOOD MARKET</i>	<i>27</i>
<i>STRUCTURE OF RETAIL TURNOVER BY PRODUCT TYPES.....</i>	<i>28</i>
<i>STRUCTURE OF RETAIL TURNOVER BY TYPES OF TRADING ORGANIZATIONS.....</i>	<i>29</i>
<i>REGIONAL STRUCTURE OF RETAIL TURNOVER</i>	<i>31</i>
<i>MAIN COMPETITORS.....</i>	<i>33</i>
<i>COMPETITIVE ADVANTAGES OF "MAGNIT" CHAIN.....</i>	<i>36</i>
9. PRIORITY DIRECTIONS OF THE COMPANY'S OPERATION.....	38
10. PRIORITY DIRECTIONS OF THE COMPANY'S DEVELOPMENT	40
11. INFORMATION ON THE PAID DIVIDENDS	43
12. SECURITIES.....	44
13. TRANSACTIONS, CONSIDERED MAJOR TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT-STOCK COMPANIES", MADE WITHIN THE YEAR 2008.	51

14. LIST OF 2008 TRANSACTIONS DECLARED AS RELATED-PARTY IN ACCORDANCE WITH THE FEDERAL LAW “JOINT-STOCK COMPANIES”	53
15. DESCRIPTION OF THE MAIN RISK FACTORS RELATED TO THE OPERATION OF THE COMPANY.....	64
<i>INDUSTRY RISKS</i>	<i>65</i>
<i>COUNTRY AND REGIONAL RISKS.....</i>	<i>72</i>
<i>FINANCIAL RISKS.....</i>	<i>79</i>
<i>LEGAL RISKS.....</i>	<i>83</i>
<i>RISKS RELATED TO THE COMPANY’S OPERATION</i>	<i>86</i>
16. INFORMATION ON THE COMPLIANCE WITH THE FFMS CODE OF CORPORATE CONDUCT OF RUSSIAN FEDERATION	92
ANNEX TO 2008 ANNUAL REPORT OF OJSC “MAGNIT”	110
<i>ANNEX № 1. Open Joint-Stock Company “Magnit” and its subsidiaries. Independent Auditors’ Report. Year ended December 31, 2008.</i>	<i>110</i>
<i>ANNEX № 2. RAS Accounting report of CJSC “Tander” for the year 2008</i>	<i>110</i>
<i>ANNEX № 3. RAS Accounting report of OJSC “Magnit” for the year 2008</i>	<i>110</i>

1. KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS¹

<i>Number of opened stores, NET</i>	385
<i>Total number of stores</i>	2 582
<i>Selling space, sq. m.</i>	823,507
<i>Number of customers</i>	860.34
<i>Net sales, million RUR</i>	132,921.22
<i>Net sales, million USD</i>	5,347.81
<i>Gross profit, million RUR</i>	28,820.57
<i>Gross profit, million USD</i>	1,159.54
<i>Gross margin, %</i>	21.7%
<i>EBITDAR², million RUR</i>	13,393.34
<i>EBITDAR², million USD</i>	538.85
<i>EBITDAR² margin, %</i>	10.1 %
<i>EBITDA, million RUR</i>	9,983.50
<i>EBITDA, million USD</i>	401.67
<i>EBITDA margin, %</i>	7.5%
<i>EBIT, million RUR</i>	7,776.45
<i>EBIT, million USD</i>	312.87
<i>EBIT margin, %</i>	5.9%
<i>Net profit, million RUR</i>	4,670.68
<i>Net profit, million USD</i>	187.92
<i>Net profit margin, %</i>	3.5%
<i>Capitalization as of 31.12.2008, million RUR</i>	96,461.94
<i>Capitalization as of 31.12.2008, million USD</i>	3,283.21

¹ According to audited financial statements prepared in compliance with IFRS

² Management accounts' data

2. MISSION

“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.**

3. CHIEF EXECUTIVE OFFICER'S STATEMENT

Last year was of high importance for our Company.

On the background of global financial crisis we managed not only to avoid any noticeable losses in our operational business, but to set more aggressive expansion plans.

Financial and operational results of the past year proved the right development strategy, and we hope they assured our shareholders of the fact that the Company realizes its plans.

Organic development

"Magnit" retail chain is Russia's leading retailer in terms of number of stores and customers according to 2008 results.

In the medium-term outlook we are going to keep fast expansion rates: we plan to open not less than 430 "convenience" stores this year and up to 300 annually in the next 2-3 years.

Within the crisis environment we plan to open more "convenience" stores in the leased premises, which allows to reduce the payback period of investments. At the same time we intend to make significant capital investments into "hypermarket" format development and hope to open 6-9 new objects during 2009.

Business efficiency improvement

Reduction of logistics costs, improvement of buying conditions and steady work over the in-house business efficiency improvement are strategic directions of the Company's profitability growth.

Construction and launch of the new distribution center as well as the increase of the fleet to 1,350 owned vehicles will enable us in the nearest term to achieve the target share of products delivered to the stores and processed via the in-house logistics system.

By opening new stores and strengthening our position on the operational territory we plan to significantly improve purchasing conditions both through the local and federal suppliers.

Retail is a complex and adaptable business consisting of a numerous processes which simple and insignificant at a first glance. We see great potential for further efficiency improvement.

4. INFORMATION ON THE PERSON IN THE POSITION OF A SOLE EXECUTIVE BODY

As of April 13, 2006 Sergey Galitskiy is elected a Chief Executive Officer by the resolution of the Board of directors of April 12, 2006.

Biographical information of the person in the position of a sole executive body:

Name: *Sergey Galitskiy*

Date of birth: *14.08.1967*

Education: *Mr. Galitskiy graduated from Kuban State University with a degree in Economics in 1992*

Positions occupied in the Company and other companies in the last five years including plural offices:

1) Period: *25.04.1996 – 27.06.2006.*

Organization: *CJSC "Tander".*

Position: *CEO;*

2) Period: *28.06.2002 – 18.04.2006.*

Organization: *CJSC "Tander".*

Position: *member of the Board;*

3) Period: *01.04.2004 – present day.*

Organization: *OJSC "Magnit".*

Position: *member of the Board;*

4) Period: *13.04.2006 – present day.*

Organization: *OJSC "Magnit".*

Position: *CEO*

Stockholding of CEO in the Company's share capital: *43.9218%.*

Ordinary shares, owned by CEO: *43.9218%;*

Information on transactions of acquisition/alienation of the Company's shares, made by the person in the position of a sole executive body during the reporting period:

<i>№</i>	<i>Date of operation</i>	<i>Operation</i>	<i>Number of shares</i>	<i>Type of shares</i>
1	06.05.2008	Acquisition of securities	4,350,474	Ordinary nominal uncertified shares
2	16.05.2008	Alienation of securities (conversion into GDR)	4,337,554	Ordinary nominal uncertified shares
3	16.05.2008	Acquisition of securities	21,687,770	Global depositary receipts issued for

				nominal shares of OJSC "Magnit"
4	27.05.2008	Alienation of securities	21,687,770	Global depositary receipts issued for nominal shares of OJSC "Magnit"
5	27.05.2008	Alienation of securities	12,920	Ordinary nominal uncertified shares
6	28.05.2008	Alienation of securities (purchase and sale)	41,000	Ordinary nominal uncertified shares
7	19.08.2008	Alienation of securities (purchase and sale)	116,000	Ordinary nominal uncertified shares

CEO REMUNIRATION CRITERIA AND AMOUNT OF CEO REMUNERATION (REFUND OF CHARGES) PAID ACCORDING TO THE RESULTS ACHIEVED IN THE FINANCIAL YEAR

Under Clause 7 of Regulations "On the chief executive officer of OJSC "Magnit", ratified by the resolution of the annual general shareholders' meeting of 28.01.2008 (minutes of meeting of 04.02.2008 and previous editions), the wage rate and other payments set upon CEO are determined by the labor contract agreed with CEO.

Remuneration of CEO of OJSC "Magnit" in 2008 amounted to 14,476,000.00 rubles.

5. INFORMATION ON THE BOARD MEMBERS

Dmitriy Chenikov – the Chairman of the Board.

Date of birth: 1965.

Education: *a graduate of Krasnodar Polytechnic Institute, engineer/constructor/technologist, candidate of technical sciences.*

Positions occupied in the Company and other companies in the last five years including plural offices:

1) Period: 22.01.2001 – 31.08.2007.

Organization: CJSC "Tander".

Position: *Director, Discounter format development;*

2) Period: 12.04.2006 – 25.06.2008.

Organization: OJSC "Magnit".

Position: *member of the Board;*

3) Period: 01.09.2007 – 08.01.2008.

Organization: CJSC "Tander".

Position: *Regional Director;*

4) Period: 09.01.2008 – *present day.*

Organization: CJSC "Tander".

Position: *Director, Nonfood products acquisition;*

5) Period: 18.09.2007 – 04.02.2009.

Organization: LLC "Tandem".

Position: *member of the Board;*

6) Period: 25.06.2008 – *present day.*

Organization: OJSC "Magnit".

Position: *Chairman of the Board;*

7) Period: 10.12.2008 – 01.04.2009.

Organization: LLC "Magnit – Nizhniy Novgorod".

Position: *member of the Board.*

Shareholding of the person in the issuer's charter capital: **0.2643 %**.

Ordinary shares owned by the person: **0.2643 %**.

Information on transactions of acquisition/alienation of the Company's shares made by the person occupying the position of the sole executive body (CEO):

<i>No</i>	<i>Date of operation</i>	<i>Operation</i>	<i>Number of shares</i>	<i>Type of shares</i>
1	15.02.2008	Alienation of securities (purchase and sale)	30,000	Ordinary nominal uncertified shares

Vladimir Gordeychuk – Deputy Chairman of the Board.

Date of birth: **15.08.1961**.

Education: *a graduate of Novorossisk Engineering Marine School, 1998, navigator.*

Positions occupied in the Company and other companies in the last five years including plural offices:

1) Period: **01.04.1999 – 27.06.2006**.

Organization: *CJSC "Tander"*.

Position: *Director*;

2) Period: **28.06.2002 – 18.04.2006**.

Organization: *CJSC "Tander"*.

Position: *member of the Board*;

3) Period: **10.11.2003 – 12.04.2006**.

Organization: *OJSC "Magnit"*.

Position: *CEO*;

4) Period: **01.04.2004 – present day**.

Organization: *OJSC "Magnit"*.

Position: *member of the Board*;

5) Period: **30.01.2006 – present day**.

Organization: *LLC "Magnit – Nizhniy Novgorod"*.

Position: *CEO*;

6) Period: **13.04.2006 – present day**.

Organization: *OJSC "Magnit"*.

Position: *second Deputy CEO*;

7) Period: **28.06.2006 – present day**.

Organization: *CJSC "Tander"*.

Position: *CEO*;

8) Period: **20.12.2006 – 04.02.2009**.

Organization: *LLC "Tandem"*.

Position: *Chairman of the Board*;

9) Period: **10.12.2008 – 01.04.2009**.

Organization: *LLC "Magnit – Nizhniy Novgorod"*.

Position: *member of the Board*.

Shareholding of the person in the Company's charter capital: **3.6027 %**.

Ordinary shares owned by the person: **3.6027 %**.

Information on transactions of acquisition/alienation of the Company's shares made by the Board member during the reporting period:

During the reporting period no transactions of acquisition/alienation of the Company's shares were made.

Andrey Arutyunyan

Date of birth: 1969.

Period: *a graduate of Kuban State University with a degree in Economics, 1991.*

Positions occupied in the issuer and other companies in the last five years including plural offices:

1) Period: *01.03.2002 – 30.09.2004.*

Organization: *LLC "Health Centre "Biryuza".*

Position: *Deputy Director for commercial issues;*

2) Period: *28.06.2002 – 18.04.2006.*

Organization: *CJSC "Tander".*

Position: *member of the Board;*

3) Period: *01.12.2003 – present day.*

Organization: *OJSC "Magnit".*

Position: *first Deputy CEO;*

4) Period: *01.04.2004 – 25.06.2008.*

Organization: *OJSC "Magnit".*

Position: *Chairman of the Board;*

5) Period: *01.10.2004 – present day.*

Organization: *CJSC "Tander".*

Position: *Director of Development department;*

6) Period: *30.01.2006 – 01.04.2009.*

Organization: *LLC "Magnit – Nizhniy Novgorod".*

Position: *Chairman of the Board;*

7) Period: *25.06.2008 – present day.*

Organization: *OJSC "Magnit".*

Position: *member of the Board;*

8) Period: *12.12.2008 – 04.02.2009.*

Organization: *LLC "Tandem".*

Position: *member of the Board.*

Shareholding of the person in the issuer's charter capital: **0.2243 %.**

Ordinary shares owned by the person: **0.2243 %.**

Information on transactions of acquisition/alienation of the Company's shares made by the Board member during the reporting period:

During the reporting period no transactions of acquisition/alienation of the Company's shares were made.

Pierre Bruno Charles Bouchut

Date of birth: 1955.

Education: *a graduate of the High School of Commerce (HEC), 1977, candidate of economic sciences of the university of Paris (Dauphine).*

Positions occupied in the issuer and other companies in the last five years including plural offices:

1) Period: *1992 – 2005.*

Organization: *Smart & Final (USA).*

Position: *member of the Board;*

2) Period: *1998 – 2003.*

Organization: *Casino.*

Position: *Managing director, member of the Board;*

3) Period: *1998 – 2005.*

Organization: *Big C (Thailand).*

Position: *member of the Board;*

4) Period: *2000 – 2005.*

Organization: *CBD (Brazil).*

Position: *member of the Board;*

5) Period: *2000 – 2005.*

Organization: *Exito (Columbia).*

Position: *member of the Board;*

6) Period: *2002 – 2005.*

Organization: *Laurus (the Netherlands).*

Position: *member of the Board;*

7) Period: *2003 – 2005.*

Organization: *Casino.*

Position: *Managing director, member of the Board;*

8) Period: *2003 – 2005.*

Organization: *Casino Guichard Perrachon (France).*

Position: *member of the Board;*

9) Period: *2005 – present day.*

Organization: *Schneider Electric.*

Position: *Chief financial officer for Development, Finance Consolidation, Treasury, Tax control, Auditing, Legal Support, Financial Communications and Reorganization of Business Units of the Company;*

10) Period: *2005 – 2006.*

Organization: *Havas (France).*

Position: *member of the Board;*

11) Period: *2007 – present day.*

Organization: *DPAM (France).*

Position: *member of the Board*;

12) Period: *25.06.2008 – present day*.

Organization: *OJSC “Magnit”*.

Position: *member of the Board*.

Shareholding of the person in the issuer’s charter capital: *no share*.

Ordinary shares owned by the person: *no share*.

Information on transactions of acquisition/alienation of the Company’s shares made by the Board member during the reporting period:

During the reporting period no transactions of acquisition/alienation of the Company’s shares were made.

Westman Johan Mattias

Date of birth: *05.02.1966*.

Education: *Stockholm School of Economics, 1992, master’s degree in Business Administration; Linguistic School of Sweden Armed Forces, 1997.*

Positions occupied in the Company and other companies in the last five years including plural offices:

1) Period: *1996 - present day*.

Organization: *Prosperity Capital Management*.

Position: *CEO*;

2) Period: *2004 - present day*.

Organization: *Prosperity Capital Management (UK) Ltd.*

Position: *CEO*;

3) Period: *23.05.2002 – 15.05.2003*.

Organization: *OJSC “Lenenergo”*.

Position: *member of the Board*;

4) Period: *12.04.2006 – present day*.

Organization: *OJSC “Magnit”*.

Position: *member of the Board*.

Shareholding of the person in the Company’s charter capital: *no share*.

Ordinary shares owned by the person: *no share*.

Information on transactions of acquisition/alienation of the Company’s shares made by the Board member during the reporting period:

During the reporting period no transactions of acquisition/alienation of the Company’s shares were made.

Sergey Galitskiy

Date of birth: *14.08.1967* .

Education: *a graduate of Kuban State University with a degree in Economics in 1992.*

Positions occupied in the Company and other companies in the last five years including plural offices:

1) Period: **25.04.1996 – 27.06.2006.**

Organization: **CJSC "Tander".**

Position: **CEO;**

2) Period: **28.06.2002 – 18.04.2006.**

Organization: **CJSC "Tander".**

Position: **member of the Board;**

3) Period: **01.04.2004 – present day.**

Organization: **OJSC "Magnit".**

Position: **member of the Board;**

4) Period: **13.04.2006 – present day.**

Organization: **OJSC "Magnit".**

Position: **CEO.**

Shareholding of the person in the Company's charter capital: **43.9218%.**

Ordinary shares owned by the person: **43.9218%;**

Information on transactions of acquisition/alienation of the Company's shares made by the person occupying the position of the sole executive body:

*

<i>No</i>	<i>Date of operation</i>	<i>Operation</i>	<i>Number of shares</i>	<i>Type of shares</i>
1	06.05.2008	Acquisition of securities	4,350,474	Ordinary nominal uncertified shares
2	16.05.2008	Alienation of securities (conversion into GDR)	4,337,554	Ordinary nominal uncertified shares
3	16.05.2008	Acquisition of securities	21,687,770	Global depositary receipts issued for nominal shares of OJSC "Magnit"
4	27.05.2008	Alienation of securities	21,687,770	Global depositary receipts issued for nominal shares of OJSC "Magnit"
5	27.05.2008	Alienation of securities	12,920	Ordinary nominal uncertified shares
6	28.05.2008	Alienation of securities (purchase and sale)	41,000	Ordinary nominal uncertified shares
7	19.08.2008	Alienation of securities (purchase and sale)	116,000	Ordinary nominal uncertified shares

Khachatur Pombukhchan

Date of birth: 1974.

Education: *a graduate of Kuban State University, applied mathematics, 1995; Russian Corresponding finance and economics institute with a degree in Economics, 1998*

Positions occupied in the issuer and other companies in the last five years including plural offices

1) Period: *01.10.2002 – 19.07.2004.*

Organization: *OJSC "UTK-Kubanelectrosvyaz".*

Position: *Director, marketing department;*

2) Period: *26.07.2004 – 01.03.2006.*

Organization: *OJSC "Mobile TeleSystems".*

Position: *Director, Office sales and service department;*

3) Period: *05.12.2005 – 01.03.2006.*

Organization: *CJSC "Tander".*

Position: *Marketing director (part-time);*

4) Period: *02.03.2006 – 03.05.2008.*

Organization: *CJSC "Tander".*

Position: *Marketing director;*

5) Period: *29.11.2006 – present day.*

Organization: *CJSC "Digital Gallery".*

Position: *member of the Board;*

6) Period: *04.05.2008 – 30.06.2008.*

Organization: *CJSC "Tander".*

Position: *first Deputy CFO;*

7) Period: *19.06.2008 – present day.*

Organization: *LLC "Magnit Finance".*

Position: *CEO;*

8) Period: *25.06.2008 – present day.*

Organization: *OJSC "Magnit".*

Position: *member of the Board;*

9) Period: *30.06.2008 – present day.*

Organization: *CJSC "Tander".*

Position: *CFO;*

10) Period: *01.07.2008 – present day.*

Organization: *OJSC "Magnit".*

Position: *CFO;*

11) Period: *10.12.2008 – 01.04.2009.*

Organization: *LLC "Magnit – Nizhniy Novgorod".*

Position: *member of the Board*;

12) Period: *12.12.2008 – 04.02.2009*.

Organization: *LLC "Tandem"*.

Position: *member of the Board*.

Shareholding of the person in the issuer's charter capital: *no share*.

Ordinary shares owned by the person: *no share*.

Information on transactions of acquisition/alienation of the Company's shares made by the Board member during the reporting period:

During the reporting period no transactions of acquisition/alienation of the Company's shares were made.

REMUNERATION CRITERIA AND AMOUNT OF REMUNERATION (REFUND OF CHARGES) OF EVERY MEMBER OF COMPANY'S BOARD OF DIRECTORS PAID ACCORDING TO THE RESULTS ACHIEVED IN THE REPORTING YEAR

In 2008 upon the resolution of shareholders' meeting of 25.06.2008 (minutes of meeting of 09.07.2008) the Board members were paid remuneration for participation in the board operation in 2007 in the amount of 9,497,837 (nine million four hundred ninety seven thousand eight hundred thirty seven) rubles 60 kopecks.

According to Regulations "On OJSC "Magnit" Board of Directors", ratified by the resolution of the annual General Shareholders' meeting of 08.04.2006 (minutes of meeting of 12.04.2006), remuneration of the Board members is paid upon the resolution of general shareholders' meeting in the form of remuneration for participation in the board operation and remuneration for the achieved results.

Remuneration for participation in the board operation amounts to 120,000 (one hundred twenty thousand) rubles per month.

Remuneration to the independent director for participation in the board operation amounts to 30,000 (thirty thousand) USD per year, additionally

- 2,000 (two thousand) US dollars for participation by personal presence in each meeting in the form of joint presence of the board,

- 500 (hundred) US dollars for participation by directing the written opinion for each meeting in the form of joint presence of the board, or for participation in each meeting in absentee form.

Year-end bonus, based on the operation results, is also paid to the members of the board in addition to the remuneration. Fixed amount of year-end bonus is paid to the members of the board after approval of appropriate annual financial report by the general shareholders' meeting of the Company.

6. REPORT OF THE BOARD ON 2008 OPERATIONS

The structure of the Board of directors (elected at the annual general shareholders' meeting of 25.06.2008, minutes of 09.07.2008):

<i>№</i>	<i>Name of the Board member</i>	<i>Date of birth</i>
1	Dmitriy Chenikov	08.09.1965
2	Andrey Arutyunyan	12.01.1969
3	Pierre Bruno Charles Bouchut	22.08.1955
4	Westman Johan Mattias	05.02.1966
5	Sergey Galitskiy	14.08.1967
6	Vladimir Gordeychuk	15.08.1961
7	Khachatur Pombukhchan	16.03.1974

Westman Johan Mattias (chief executive officer of «Prosperity Capital Management (UK) Ltd.») and Pierre Bruno Charles Bouchut (Chief financial officer for Development, Finance Consolidation, Treasury, Tax control, Auditing, Legal Support, Financial Communications and Reorganization of business units of the Schneider Electric company) are the independent members of the Board of directors.

By the unanimous resolution at the first meeting of 18.09.2008 Dmitriy Chenikov was elected a Chairman of the Board of directors, Vladimir Gordeychuk was appointed a Deputy Chairman and Khachatur Pombukhchan was elected a Secretary of the Board.

The Board of directors of the Company operated in accordance with Law regulations "Of joint-stock companies" and the Charter of the Company.

According to the provisions of the corporate documents, during the reporting period the following committees of the Board operated to provide its efficiency and prepare the most important issues attributed to the competence of the Board of directors:

HR and Remuneration Committee of the Board of directors:

<i>№</i>	<i>Name of the Board member</i>	<i>Position occupied in the committee</i>
1	Pierre Bruno Charles Bouchut	chairman of the committee
2	Vladimir Gordeychuk	member of the committee
3	Dmitriy Chenikov	member of the committee

Audit Committee of the Board of directors:

<i>№</i>	<i>Name of the Board of directors member</i>	<i>Position occupied in the committee</i>
1	Westman Johan Mattias	chairman of the committee
2	Khachatur Pombukhchan	member of the committee

3	Andrey Arutyunyan	member of the committee
---	-------------------	-------------------------

During 2008 the Board of directors held 10 meetings and examined 62 issues. All the meetings of the Board of directors were held in the form of joint presence.

Main issues considered by the Board of directors in 2008:

<i>Date of meeting</i>	<i>Considered issues</i>
04.02.2008	Suggestions on the issues to be placed on the agenda of the annual shareholders' meeting were viewed
04.02.2008	The nominees for election into the Board of directors were considered and put in the list at the annual shareholders' meeting
04.02.2008	The nominees for the auditor position were considered and put in the list at the annual shareholders' meeting
12.02.2008	The decision to increase charter capital of OJSC "Magnit" by issuing additional shares was adopted
12.02.2008	The decision on additional issue of securities and the prospectus to be represented in FFMS of Russia were ratified
25.03.2008	The interested party transaction (number of interested party transactions) related to providing guarantee for CJSC "Tander" was approved
25.03.2008	The report on purchase of shares of OJSC "Magnit" was approved
16.04.2008	The offering price of ordinary nominal uncertified shares of OJSC "Magnit" of additional issue was determined
08.05.2008	The report of the Chief Executive Officer on the results of exercise of pre-emption right to acquire ordinary nominal uncertified shares of OJSC "Magnit" of additional issue was approved
08.05.2008	The annual report of OJSC "Magnit" 2007 was preliminary approved, submitted for approval by the General Shareholders Meeting
08.05.2008	Recommendations to the General Shareholders' Meeting regarding profit allocation, including allocation according to the amount of dividend of the OJSC "Magnit" shares and payment procedure, and losses of the Company based on the results of financial year were approved
08.05.2008	The decision to hold annual general shareholders' meeting was adopted
08.05.2008	The supplementary agreement to the contract with the person in the position of sole executive body of the Company is ratified
23.06.2008	Interested party transaction on alienation of 0,1 % of share in the charter capital of LLC "Magnit - Ninzhniy Novgorod" in favor of CJSC "Tander" was approved
23.06.2008	The major transaction on acquisition of 49% of share in charter capital of LLC "Magnit - Ninzhniy Novgorod" was approved
18.09.2008	The Chairman of the Board of directors, the Deputy Chairman of the Board of directors and the Secretary of the Board of OJSC "Magnit" were elected
18.09.2008	The members of the Audit Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected
18.09.2008	The members of the HR and Remuneration Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected

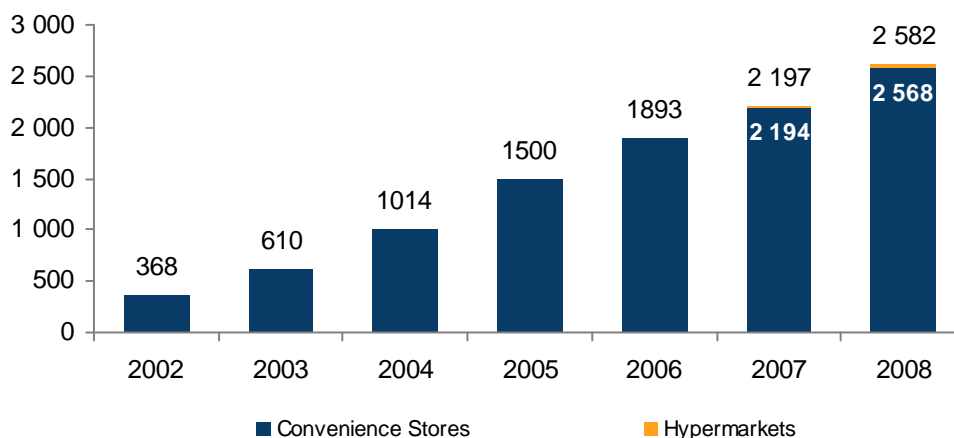
18.109.2008	The decision to hold the Extraordinary General Shareholders' Meeting was adopted
18.09.2008	The recommended transaction price (guarantee for CJSC "Tander" under loan agreements) or the Extraordinary General Shareholders' Meeting of OJSC "Magnit" to make a resolution on approval of the major interested party transaction was determined
18.09.2008	The interested party transactions related to providing guarantee for CJSC "Tander" including guarantee under loan and lease agreements
23.11.2008	The decision to hold the Extraordinary General Shareholders' Meeting was adopted
23.11.2008	The recommended transaction price (guarantee for CJSC "Tander" under loan agreements) for the Extraordinary General Shareholders' Meeting of OJSC "Magnit" to make a resolution on approval of the major interested party transaction was determined
23.11.2008	The interested party transactions related to providing guarantee for CJSC "Tander" under loan agreements were approved
23.11.2008	The recommended transaction price (guarantee for CJSC "Tander" under loan agreements) for the Extraordinary General Shareholders' Meeting of OJSC "Magnit" to make a resolution on approval of the major interested party transaction was determined

Besides, the questions in the reporting period concerning the definition of the OJSC "Magnit" representative position under the realization of votes on the Company's stocks and shares owned in the other organizations (economic companies) were examined by the Board of directors of OJSC "Magnit" in accordance with the Clause 14.2 of the Charter. Thus, the meetings with the examined issues concerning the definition of the OJSC "Magnit" representative position under the realization of votes on the Company's owned shares of CJSC "Tander", equity stakes in LLC "Magnit Finance" and LLC "Magnit - Ninzhniy Novgorod", were held in January, March, May, June, September and November of the year 2008.

The results achieved by 2008 operations of the Company management are as follows:

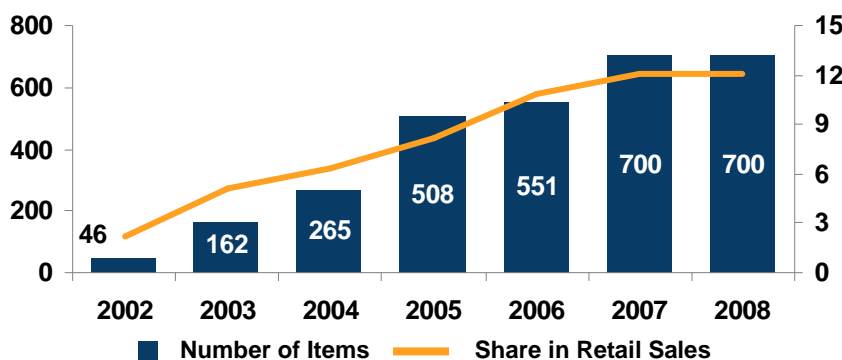
1. Net sales of the Company increased from 3,676.56 million USD (94,035.35 million rubles) to 5,347.81 million USD (132,921.22 million rubles) by 45.46% in dollar terms (41.35% in ruble terms).

2. Number of the Company's stores increased from 2,194 "convenience stores" and 3 hypermarkets in 2007 to 2,568 and 14 correspondingly in 2008, total selling space of the stores increased from 651.57 thousand sq. m. to 823.51 thousand sq. m.



3. Number of customers increased from 765.16 million in 2007 to 860.34 million in 2008.

4. Share of sales of private label products in 2008 remained at the level of 2007 - 12% - despite the increased number of hypermarkets from 3 at the end of 2007 to 14 at the end of 2008. Share of sales of these products in hypermarkets amounts to only 5.12% vs 12.4% in convenience stores, because having completely different number of SKUs in their assortment (3,600 SKUs in convenience stores and from 11,000 to 15,000 SKUs in hypermarkets) both formats offer the same number of private label products – 700 SKUs. Currently the Company is working to expand the offer of these products in “Magnit” hypermarkets, first of all in the non-food segment. However, one should not expect that there will be considerable increase of average share of sales of these products in the total sales of the Company as the number of hypermarkets will grow and therefore will dilute this figure.



5. In 2008 the Company opened a distribution center in Slavyansk-on-Kuban. Total space of 9 distribution centers as of December 31, 2008 amounted to 175,872 thousand sq. m.

6. During the reporting year the fleet of the Company increased by more than 360 trucks, total number of vehicles amounted to 1,165 which resulted in the considerable reduction of transportation costs.

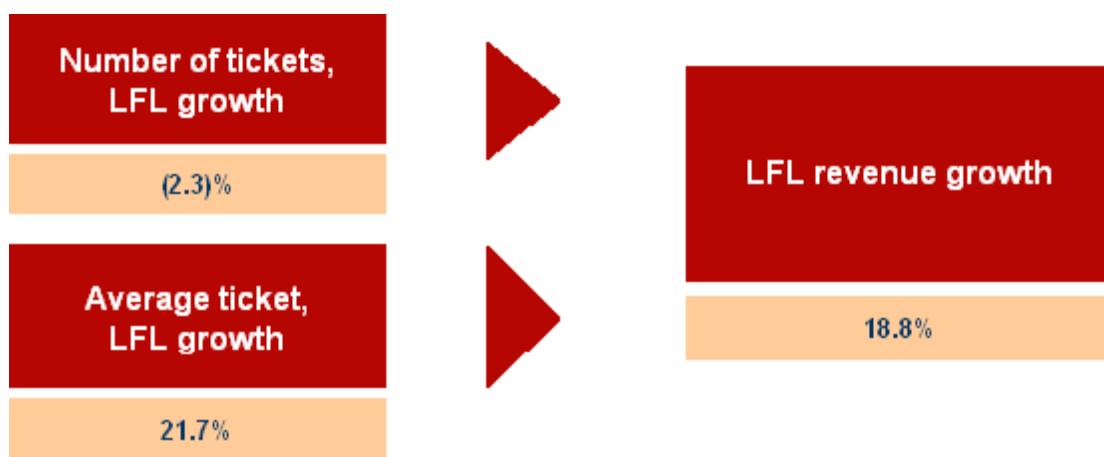
7. In 2008 the Company increased the share of products processed via its distribution centers to 72% which is also one of the gross margin drivers.

8. The Company was actively working with its personnel increasing their loyalty and developing corporate culture. In 2008 average weighted number of the Company’s employees amounted to 59,135 out of which 44,986 are in-store personnel; 8,635 people engaged in

distribution; 4,096 people in regional branches and 1,418 employees of Head Office. Average salary in the Company increased from 10,679 rubles in 2007 to 13,100 rubles in 2008 which is 22.67% y-o-y growth vs. 17% of general wage inflation average in the sector.

9. Effective work with our customers and development of our marketing program enabled us to achieve the following results:

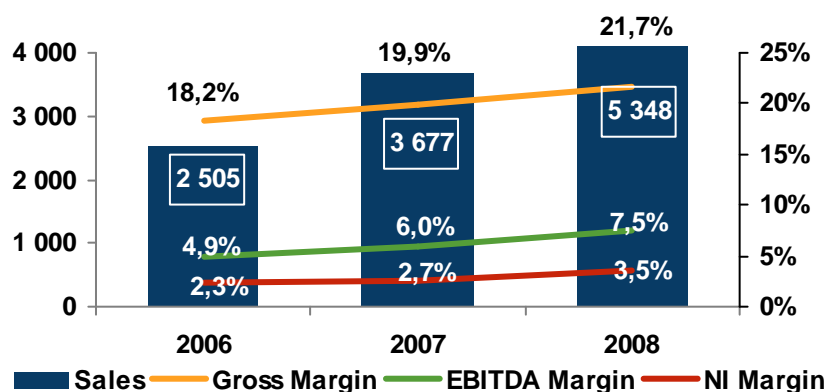
18.8% LFL revenue growth of 2008 vs. 2007 in ruble terms was driven principally by 21.7% average ticket growth.



Gross margin of the Company increased from 19.9% in 2007 to 21.7% in 2008, gross profit increased from 730.04 million USD (18,672 million rubles) to 1,159.54 million USD (28,820.57 million rubles.) correspondingly due to the better purchasing terms and in-house logistics system improvement.

EBITDA increased by 83.21% in dollar terms (78.04% in ruble terms) from 219.24 million USD (5,607.58 million rubles) in 2007 to 401.67 million USD (9,983.50 million rubles) in 2008.

Net profit of the Company increased by 92.95% in dollar terms (87.51% in ruble terms) and amounted to 187.92 million USD (4,670.68 million rubles) in 2008 vs. 97.39 million USD (2,490.94 million rubles) in 2007.



million USD

On the whole, the Board of Directors of the Company considers the achieved financial and economic results positive and complying with 2008 target plans.

Following the results of the work carried out the Board of the Company recommends the annual general shareholders' meeting to approve the activity of the Company's management bodies during 2008 and to ratify 2008 annual report submitted for the meeting agenda.

7. MAIN 2008 CORPORATE EVENTS

January	Extraordinary general shareholders' meeting made a decision to approve the conclusion by the Company of the following inter-related transactions as both major and related party transaction: 1) Underwriting agreement; 2) Depositary agreement; 3) other transactions, agreements and documents provided in the Underwriting agreement and Depositary agreement or other related to the offering of Shares and GDRs to Russian and foreign investors.
	The charter of OJSC "Magnit" in the new edition is ratified.
	Provision on the sole executive body (chief executive officer) of OJSC "Magnit" in the new edition is ratified.
	CJSC "Tander" regional branch is established in Prokhladny, Kabardino-Balkarian Republic.
February	A decision is made to increase the charter capital of OJSC "Magnit" by means of offering of additional ordinary nominal uncertified shares in the amount of 11,300,000 (eleven million three hundred thousand) shares.
	A decision on the additional issue of securities and prospectus of securities for submitting to Russian FFMS is approved.
	Depositary agreement is entered into with JPMorgan Chase Bank, N. A.
March	The 4 th additional issue of securities and prospectus of securities of OJSC "Magnit" are registered by Russian FFMS.
	The CJSC "Tander" representative office is established in Beijing, Chinese People's Republic.
April	The offering and floatation outside Russian Federation of OJSC "Magnit" ordinary nominal uncertified shares in the amount of 11,522,000 (eleven million five hundred and twenty two thousand) shares are permitted by Russian FFMS.
	Road-show with OJSC "Magnit" top management is held.
	Underwriting agreement is concluded.
	The price of offering of OJSC "Magnit" ordinary nominal uncertified shares of additional issue is determined.
	Under the foreign law the securities (global depository receipts, "GDRs") certifying the rights to the OJSC "Magnit" ordinary nominal shares are issued by JPMorgan Chase Bank, N. A.
	Global depository receipts of OJSC "Magnit" are admitted for trading on London stock exchange.
May	The CEO report on the results of the exercise of pre-emptive rights on purchase of OJSC "Magnit" ordinary nominal uncertified shares of additional issue is ratified.
	The CJSC "Tander" representative office is established in Kurgan, Kurgan area.
June	Notification on the results of additional issue of the OJSC "Magnit" ordinary nominal uncertified shares in the amount of 11,245,660 (eleven million two hundred forty five thousand six hundred and sixty) shares is filed to Russian FSFM.
	The new membership of the OJSC "Magnit" Board of directors including two independent directors is formed by the annual general shareholders' meeting.
	CJSC "Tander" branch is established in Volgodonsk, Rostov area.
	Under the resolution of the Board of Directors to increase the charter capital of OJSC "Magnit" by means of offering of additional shares and notification on the

	results of additional shares' issue the OJSC "Magnit" Charter in the new edition is registered.
September	The Board of directors forms the committees of the Board, appoints the chairman, deputy chairman and secretary of the Board of Directors.
	Russian FFMS cancels the individual number (code) of additional issue of OJSC "Magnit" securities: 004D.
November	OJSC "Magnit" Charter in the new edition is ratified.
December	49% of "Magnit-Nizhniy Novgorod" LLC charter capital is acquired, thus, the Company becomes 100% owner of the charter capital of the indicated company.
	98% of "AgroTorg" LLC charter capital is acquired.
	CJSC "Tander" regional branch is established in Nizhniy Novgorod, Nizhegorodskaya area.
	CJSC "Tander" regional branch is established in Ekaterinburg, Sverdlovskaya area.

8. POSITION OF THE COMPANY IN THE SECTOR

RUSSIAN MARKET

In the context of economic crisis which caused decline of income and savings of Russian citizens consumer preferences underwent major changes. The most important are as follows:

Change of basket of the most frequently bought goods particularly due to the reduction of this list, exclusion of impulse products and retargeting to the products with a better quality-price ratio (willingness to overpay for the brand reduced);

Reduction of expenses on durable goods (after Christmas sales and speculative demand ahead of growing prices on imported products due to ruble devaluation), touristic services and catering since February 2009.

According to Nielsen, as of December 2008 majority of Russians had to correct their current consumption structure, at that more than 70% of consumers became more economical when shopping for food and basic goods. As a result of decline of disposable income in 2009 this trend will increase, at that preferences of Russian consumers have already changed significantly in Q4 2008.

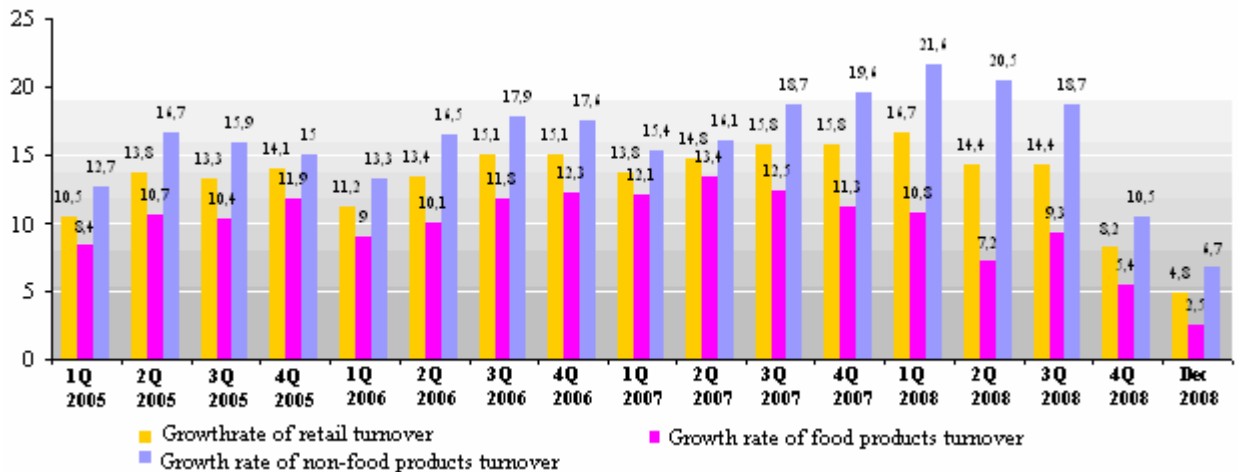
The most important change in consumer pattern in terms of choosing a place to shop in for food is retargeting from supermarkets to traditional stores, pavilions, discounters as well as food markets. At that key factors of choosing a place to shop for food are price and comfort (closeness to home or work). Thus in the context of economic crisis Russian consumers gradually reorient to the cheaper goods, and that price factor matters more and more which builds opportunities for discounters, non-chain stores and food markets offering lower prices to strengthen their positions.

Fast growth pace of consumer demand in Russia on the background of diminution of industry demand condition lower pace of import reduction rather than export and correspondingly the reduction of export surplus. According to estimates of the Ministry of Economic Development decrease of the share of domestic production in the structure of source of satisfaction of domestic demand amounted to over 4% at the end of 2008.

Retail turnover in 2008 amounted to 13,853.2 billion rubles which is 13% higher than 2007 level in terms of mass of commodities.

In December 2008 compared to December 2007 growth pace of retail turnover amounted to 4.8% only! Such a major decline of growth pace was due to dramatic decline of disposable income and conversion of population funds into the foreign currency.

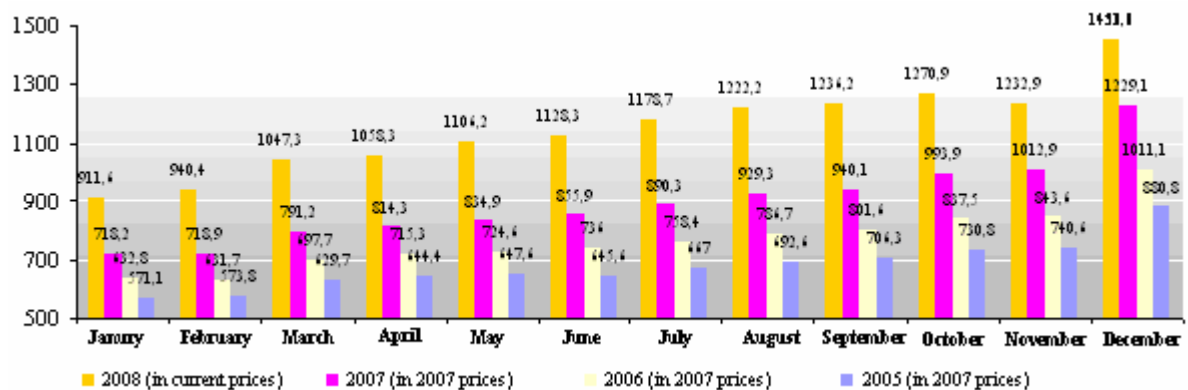
Dynamics of the key market figures in 2005-2008 as a % to the corresponding period of the preceding year



Source: IA Infoline

Thus reduction of staff and wages in Russian companies which decreased consumer confidence was only partially compensated by activation of marketing activity of retailers and withdrawal of ruble funds by population. Besides, in November retail turnover compared to the previous month decreased for the first time over the past few years (excluding December-January).

Dynamics of the retail turnover in 2005-2008, bn RUR



Source: IA Infoline

At the same time growth pace of retail turnover in Russia continue to remain positive due to:

Withdrawal of considerable amounts of ruble funds out of the banking system by natural persons and their spending on durable goods expecting price growth on imported goods due to ruble devaluation and as a result of activation of advertising and marketing activities of retailers (sales and discounts, etc.);

Redistribution of consumer expenses which means increase of the budget share spent on food.

Dynamics of retail turnover in 2006-2008

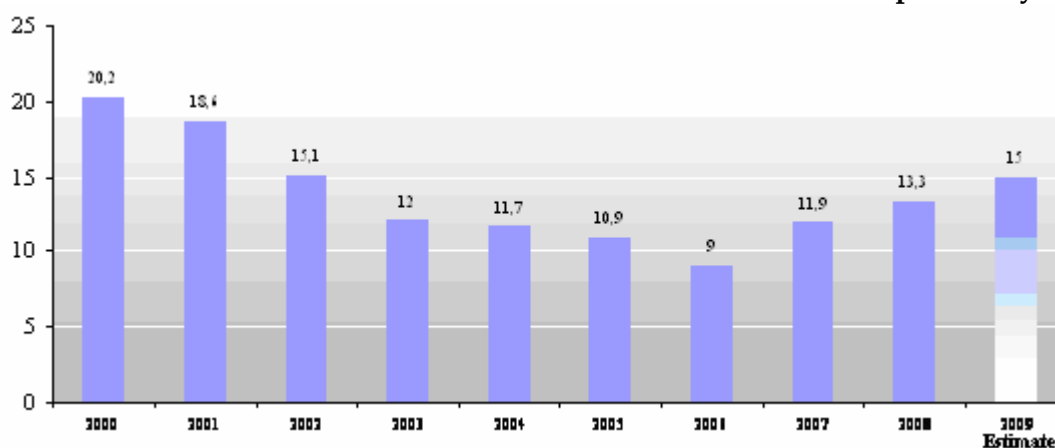
Period	Turnover, billion RUR	% to the corresponding period of the pervious year
2006	8693.4	113.9
2007	10757.8	115.2
2008	13853.2	113

Source: Federal State Statistics Service

INFLATION ON THE FOOD MARKET

Inflation rates in 2008 were higher for the period since 2002, at that in 2009 growth rates may exceed the level of 2002.

Consumer Price Index in 2000-2008 and 2009 estimate as a % to the previous year



Source: IA Infoline

Highest growth rates featured food: thus in 2008 food prices grew by 16.5% while non-food – by 8.0%. In January 2009 – by 1.4% and 0.7% correspondingly. Main contributors to the growth of consumer prices in January were fee schedules of natural monopolies which grew by 6.3% (housing and public utilities grew by 14.4%). Food prices grew by 1.4% and non-food prices grew by 0.7% only due to cheaper by 4.2% petrol.

Inflation processes in Russian economy in 2008 feature the following dynamics:

- ⊙ first stage (Q1-Q3 2008) – high inflation rate due to the growth of global food prices, increase of consumer demand as a result of population income growth and activation of consumer lending, stagnation of production of the series of types as well as costs inflation in agriculture and food production (growth of POL, electricity and gas prices);
- ⊙ second stage (Q4 2008) – decline of inflation rate in the context of economic crisis and limited impact of ruble devaluation (most active devaluation was in December-January). Key factors that featured the decline of price growth rates in the end of 2008 were diminution in demand as a result of decreased population income and deterioration of consumer spirit as well as retailers' sales of goods in stock and pre-Christmas discounts.

STRUCTURE OF RETAIL TURNOVER BY PRODUCT TYPES

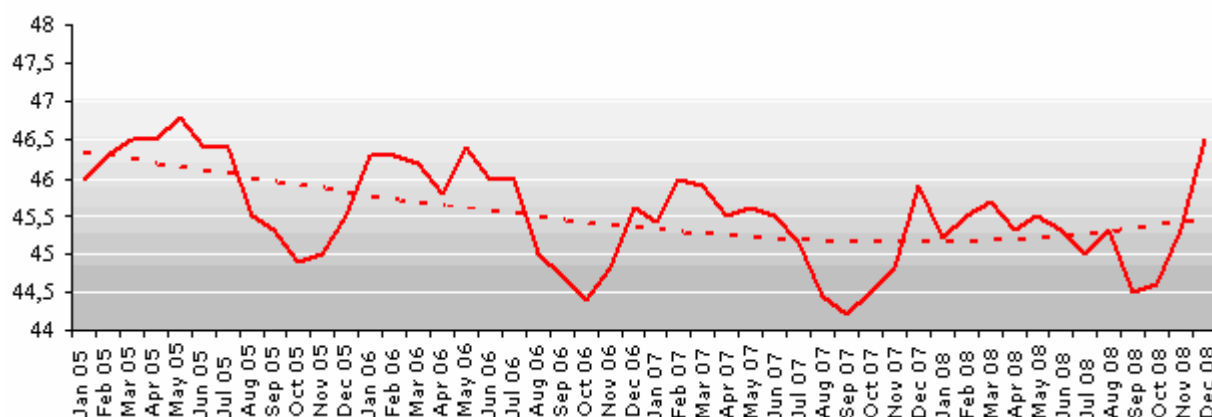
In 2008 the share of foods products in retail turnover in Russia grew due to advanced growth of food prices in the context of economic crisis. At that in December 2008 the share of food products amounted to 46.5% which is nearly by 1 percentage point above December 2007.

Structure of retail turnover in 2002-2008, billion RUR							
Index	2002	2003	2004	2005	2006	2007	2008
Retail turnover	3765	4529	5642	7038	8690	10866,2	13853,2
Food	1754	2092	2578	3216	3945	4884,9	6270,8
Non-food	2011	2437	3064	3822	4745	5981,3	7582,4
Share of food, %	46,6	46,2	45,7	45,7	45,4	45,0	45,26%
Share of non-food, %	53,4	53,8	54,3	54,3	54,6	55,0	54,73%

Source: Federal State Statistics Service

Growth rates of non-food products in December 2008 exceeded the level of food products 2.7 times which is well above the average level of Q2 and Q3 2008 (1.8-2). Thus the decline of food expense within the structure of consumer spending ceased in December 2008 due to pre-Christmas sales growth of durable goods.

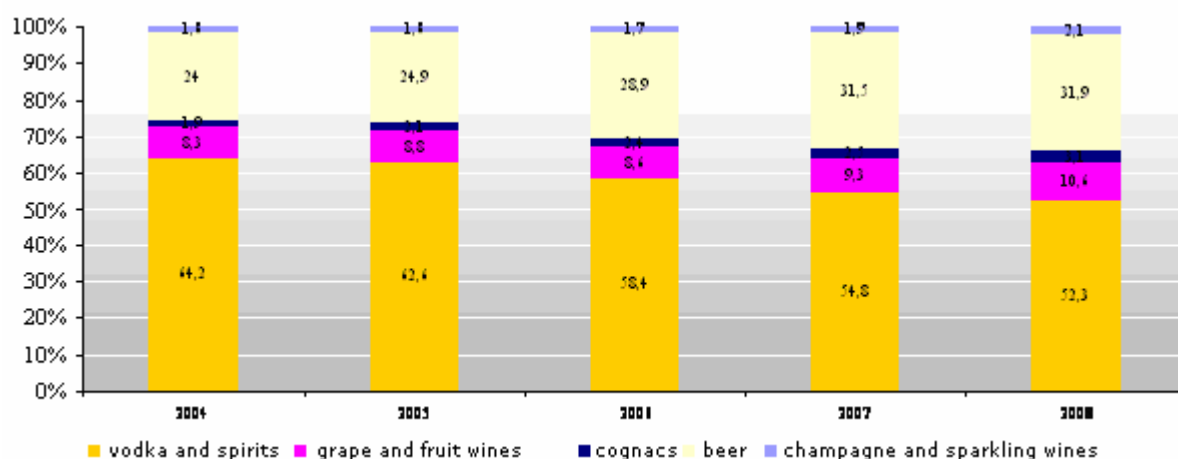
Dynamics of food products share in retail turnover in 2005-2008, %



Source: IA Infoline

In 2008 alcohol sales stabilized on 2007 level. At that there was a growth in the segment of grape wines – by 7.5% to 101.9 million dcl, cognac – by 19% to 10.6 million dcl and champagne and sparkling wines – by 8.8% to 26.3 million dcl. At the same time consumption of vodka and spirits reduced by 1.8% and beer – by 1.5%.

Structure of retail sales of alcoholic beverages and beer in 2004-2008 as a % on an alcohol basis



Source: IA Infoline

STRUCTURE OF RETAIL TURNOVER BY TYPES OF TRADING ORGANIZATIONS

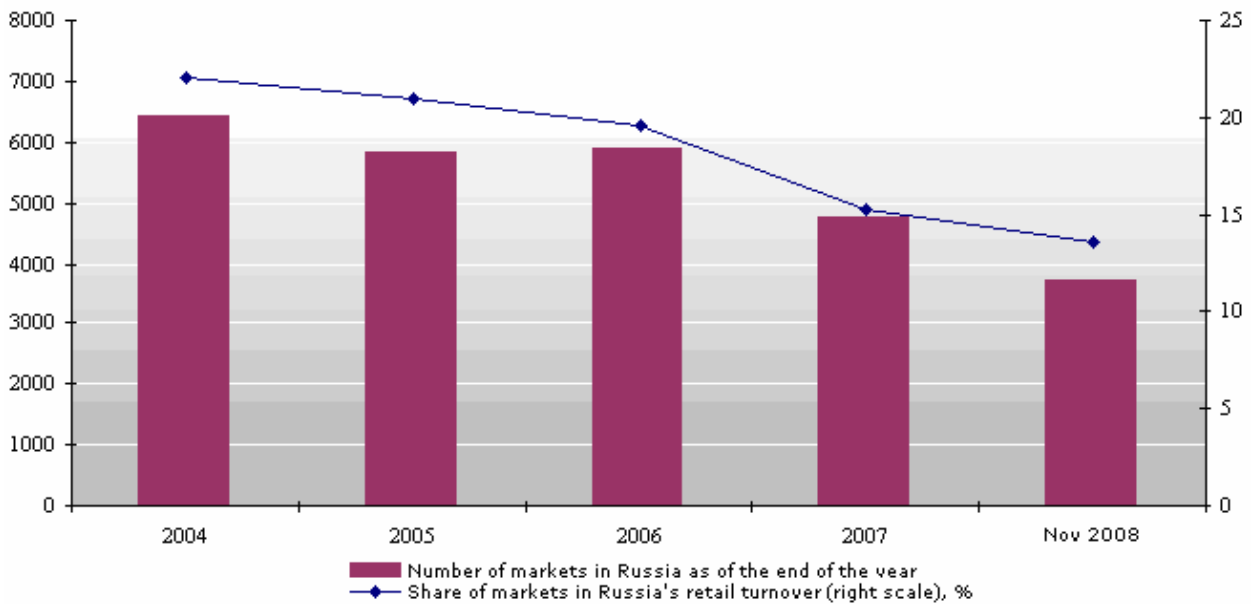
Trend of sales growth of trading organizations continued to increase in 2008, at that their share in the structure of retail turnover grew to 86.7% and the share of retail markets reduced to 13.3%. Growth of turnover of trading organizations amounted to 5.8% in December 2008 compared to December 2007 and sales of the markets reduced by 1.1%.

Turnover of trading organizations and markets in 2002-2008 billion RUR						
Index	2002	2003	2004	2005	2006	2007
Retail turnover	3765	4529	5642	7038	8690	10866.2
Turnover of trading organizations	2838.8	3451.1	4420.5	5558.2	6987	9214.5
Sales of goods on clothes, mixed and food markets	926.2	1077.9	1254.1	1479.8	1703	1651.7
Share of trading organizations, %	75.4	76.2	77.9	79.0	80.4	84.8
Share of markets, %	24.6	23.8	22.1	21.0	19.6	15.2

Source: Federal State Statistics Service

In 2008 sales growth of trading organizations amounted to 15.6% while sales of the markets reduced by 1.4%. At that in 2008 more than 10% of food and 16% of non-food products were bought on retail markets and fairs. In Q4 2008 markets demonstrated higher level of stability to negative environment conditions than trading organizations. Crisis of Russian economy, reduction of disposable income and nearly total cessation of banks' crediting regional retail chains significantly worsened their positions and as a result a series of retailers had to close some of their stores while standalone stores and retail markets suffered less due to lack of liabilities to bank structures.

Dynamics of the number of markets in Russia and their share in the retail turnover in 2004-2008



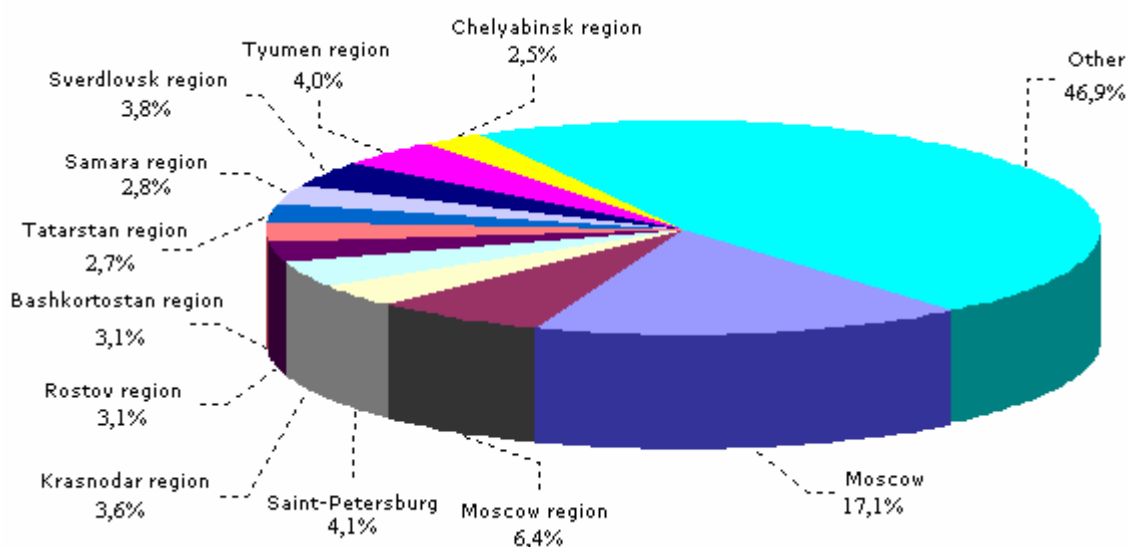
Source: IA Infoline

Reduction of the share of markets in retail turnover was accompanied by the reduction of their number (the most active reduction occurred in 2007 and Q1 2008, after that the situation stabilized) due to liquidation or conversion into shopping malls: as of January 1, 2005 there were 6.44 thousand markets in Russia, as of January 1, 2008 – about 4.7 thousand, as of April 1, 2008 – 3.8 thousand and as of November 1, 2008 – 3.74 thousand. Reduction of the number of markets in H1 2008 was due to stiffening of rules of state regulation. Besides, in 2007-2008 there was a trend of markets enlargement: as of January 1, 2007 average market consisted of 204 trading posts, as of July 1, – 228 posts, as of January 1, 2008 – 245 posts and as of November 1 – 275 posts.

REGIONAL STRUCTURE OF RETAIL TURNOVER

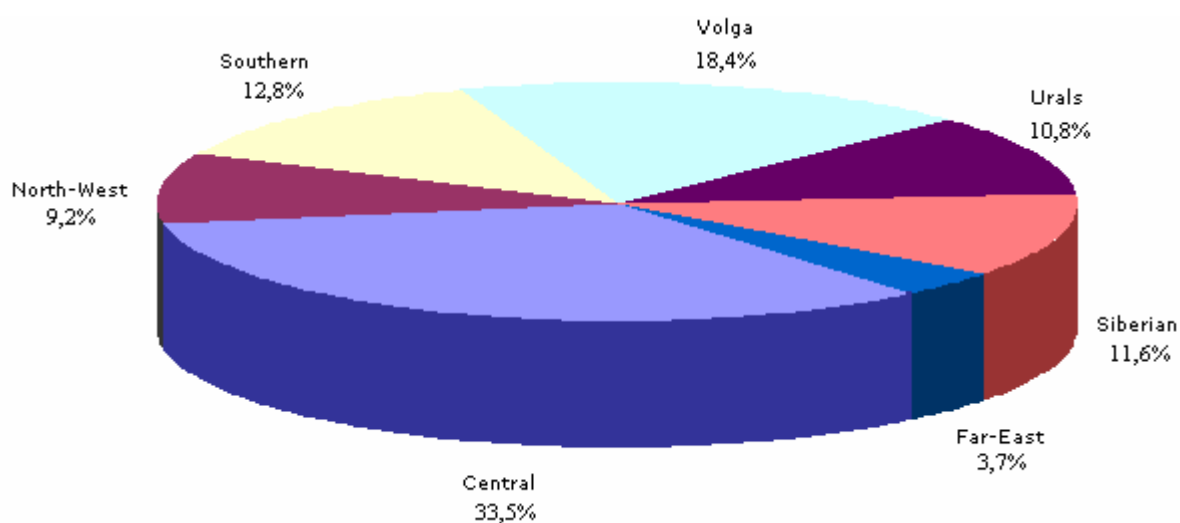
Regional structure of Russian retail turnover differs in significant heterogeneity: 49% of retail turnover is made by 10 subjects of Russian Federation (Moscow, Moscow region, Saint-Petersburg, Ekaterinburg region, Krasnodar region, Samara region, Republic of Tatarstan, Tumen region, Chelyabinsk and Rostov region). At that the share of the largest subjects of Russian Federation decreases (by 1.5-2% per year) featuring lower growth rates of retail turnover in Moscow and Saint-Petersburg than in the other regions.

Structure of retail turnover by subjects of Russian Federation in 2008, %



Source: IA Infoline

Structure of retail turnover by federal districts of Russian Federation in 2008, %



Source: IA Infoline

In 2008 retail turnover increased in all federal districts and subjects of Russian Federation, however, in December 2008 there was a completely different situation: thus, in 18 regions turnover reduced. At that the most dramatic decline occurred in Ulyanovsk and Tomsk regions; Moscow was marked with the largest retail turnover among regions with the decline of 4.1%.

Regional structure of retail turnover of Russian Federation in 2002-2008, %

Region	2002	2003	2004	2005	2006	2007	2008
Central Federal District	40.2	39.2	38.9	37.4	35.9	34.7	33.45
Moscow	27.3	26.1	24.6	22.9	21.1	19.0	17.08
Moscow region	4.0	4.3	5.2	5.3	5.7	6.1	6.41
North-West Federal District	9.3	9.2	9.0	8.9	9.3	9.4	9.21
Saint-Petersburg	3.7	3.9	3.6	3.5	4.0	4.1	4.08
Southern Federal District	10.6	10.5	10.7	11.5	11.7	12.3	12.80
Volga Federal District	16.6	16.6	16.7	17.1	17.4	17.9	18.37
Urals Federal District	7.9	8.4	8.8	9.3	10.0	10.4	10.83
Siberian Federal District	11.5	11.6	11.7	11.7	11.6	11.5	11.59
Far-East Federal District	4.2	4.2	4.2	4.1	4.0	3.9	3.75

Source: Federal State Statistics Service

MAIN COMPETITORS³

Concentration of the Russian food retail market is quite low – the share of 3 largest players is about 6% of the market which considerably yields to analogous figures in Eastern and Western European countries.

Such a low capital concentration creates the preconditions for competition intensification among retail chains in the nearest future. Currently competition development is expressed in capture of the extra markets due to the growth of the chain itself including the use of franchising schemes as well as M&A deals. As a result, chains operating in the Russian market actively increase their presence in Moscow and regions which leads to the record indices of the business growth.

X5 Retail Group

X5 Retail Group N.V. (LSE: FIVE, Moody's - "B1", S&P - "BB-") is Russia's largest food retailer in terms of sales. It operates under two brands of "Pyaterochka" and "Perekrestok".

The merger of "Pyaterochka" and "Perekrestok" companies took place on May 18, 2006 with the aim of creation of the largest company in the food retail market in Russia.

As of December 31, 2008 X5 Retail Group consisted of 1,101 stores: 848 "Pyaterochka" stores in the format of a soft discounter, 207 "Perekrestok" supermarkets and 46 hypermarkets. The number of franchised stores on the territory of Russia amounted to 607. In 2008 X5 Retail Group increased the number of stores by 233 (total selling space increased by 265 thousand sq. m.), including 24 "Karusel" hypermarkets with the selling space of 138 thousand sq. m.

In 2008 net sales of X5 Retail Group increased by 57% compared to the year 2007 and amounted to 8.3 billion USD (192.4 billion RUR). Pro-forma net sales of X5 Retail Group increased by 45% and amounted to 8.8 billion USD (219.8 billion RUR). Like-for-like sales increased by 22%.

METRO Cash & Carry

In 2008 METRO Cash & Carry continued its successful development notwithstanding the complicated economic situation. Total sales of the Group increased by 4.6% and amounted to 33.1 billion EUR, EBIT increased by 6.8 % to 1.3 billion EUR.

Key figures of 2008: EBIT growth by 6.8 % to 1.3 billion EUR; increase of the number of shopping centers to 655 small-scale wholesale centers; sales growth of METRO Cash & Carry, Russia to 3.05 billion EUR.

Except for METRO Cash & Carry, METRO Group manages the following trading companies: Real, Media Markt/Saturn and Galeria Kaufhof.

Auchan

Auchan operates in Russia since 2002. As of January 1, 2009 Auchan managed 21 "Auchan" hypermarkets in 10 regions, in 2008 the company opened 4 stores in Moscow, Rostov region, Novosibirsk region and Krasnodar region. Moreover, Auchan manages 11 "Auchan-city" mini-hypermarkets (opened in the result of rebranding of "Ramstor" hypermarkets) in Moscow, Ekaterinburg, Moscow region and St. Petersburg. Total selling space of Auchan in 2008 increased by 91.5 thousand sq. m. to 356 thousand sq. m. Sales amounted to 18.7 billion EUR (the first half of the year 2008), EBITDA – 822 million EUR, net profit – 174 million EUR.

³ Source: Infoline, Company's

Dixy

As of December 29, 2008 "Dixy group" managed 493 stores, including 460 "Dixy" discounters, 13 "Megamart" compact hypermarkets, 8 "Mimimart" economy supermarkets and 12 VMart convenience stores in three federal districts of Russia: Central, North-West and Urals. In 2008 the Group opened 106 stores and closed 6 stores for the period from 1.01.2008 to 29.12.2008 because of the changed market conditions and competitive environment. Total selling space of stores increased by 40 thousand sq. m. to 191 thousand sq. m. in 2008.

In 2008 total sales of OJSC "Dixy Group" in ruble terms amounted to 48.2 billion RUR which is by 32% higher than in 2007 (36.6 billion RUR). In dollar terms total sales amounted to 1.94 billion USD which is by 36% higher than in 2007 (1.4 billion USD). Retail sales of "DIXY" stores amounted to 40.6 billion RUR (1.6 billion USD) which is by 28% in ruble terms higher than in 2007 (32% in dollar terms).

The Seventh Continent

In 2008 OJSC "The Seventh Continent" opened 14 stores including 3 hypermarkets. Due to optimization of the Company structure in Kaliningrad, 1 "The Seventh Continent Convenience store" with the selling space of 230 sq. m. was closed. As of the end of December, 2008 OJSC "The Seventh Continent" managed 140 stores including 131 supermarkets and 9 hypermarkets, in Moscow and Moscow region (119 supermarkets and 3 hypermarkets), Kaliningrad and Kaliningrad region (10 supermarkets), St. Petersburg (1 hypermarket), Ryazan (1 hypermarket), Chelyabinsk (1 hypermarket), Minsk, the Republic of Belarus (1 hypermarket), Perm (1 supermarket and 1 hypermarket), and in Yaroslavl (1 supermarket and 1 hypermarket).

Net profit of OJSC "The Seventh Continent" in accordance with RAS over 9 months 2008 reduced by 22% to 1.15 billion RUR compared with the same period of 2007. Sales in January-September increased by 21% and amounted to 23.5 billion RUR vs 19.4 billion RUR a year earlier.

OJSC "The Seventh Continent" 2008 trade sales in ruble terms increased by 22.5% to 43.9 billion RUR compared to the year 2007. Trade sales growth in ruble terms in the hypermarket format amounted to 51%. December 2008 trade sales in ruble terms increased by 10% and amounted to 4.85 billion RUR. December 2008 trade sales growth in ruble terms in the hypermarket format amounted to 43% compared with the same period of 2007. December 2008 growth in regional sales in ruble terms amounted to 36%. In 2008 the selling space increased by 17% (24.9 thousand sq. m. Including 16.6 thousand sq. m. of hypermarkets) and amounted to 171.8 thousand sq. m.

Lenta

The "Lenta" Company owing 34 hypermarkets located in 16 cities of Russia is the 5th largest food retailer in the country. Currently in different regions of Russia there are 34 «LENTA» hypermarkets including 14 in St. Petersburg, 4 in Novosibirsk, 2 in Nizhny Novgorod, 2 in Krasnodar, 1 shopping center in each of the following cities: Astrakhan, Barnaul, Velikiy Novgorod, Volgograd, Petrozavodsk, Omsk, Togliatti, Tyumen, Ryazan, Naberezhnye Chelny, Saratov and Penza. «LENTA» hypermarkets have more than 2.5 million regular customers and this figure increases every day.

"Lenta" sales in 2008 increased by 54.4% compared to the year 2007. Sales amounted to 50.8 billion RUR (2.04 billion USD) vs 32.9 billion RUR (1.34 billion USD) in 2007. Like-for-like sales growth in December 2008 amounted to 10%.

O'KEY

"O'KEY" Group is a multiformat retail chain consisting of "O'KEY" hypermarkets and "O'KEY - Express" supermarkets. Currently "O'KEY" Group has 31 shopping complexes on the territory of Russia: 13 hypermarkets, 10 supermarkets and 1 retail entertainment center in St. Petersburg, 1 hypermarket in Murmansk, 2 hypermarkets in Krasnodar, 2 hypermarkets in Rostov-on-Don, 1 hypermarket in Togliatti, 1 hypermarkets in Krasnoyarsk.

According to 2007 results the Group showed rapid growth: sales amounted to 1,178 billion USD which is twice as high as sales in 2006, the selling space amounted to 147,200 sq. m. Currently the Group has 8,200 employees.

Dynamics of stores of retailers in 2005-2008

Legal name	Brand	Main formats	Number of stores				Growth rates, %		
			2005	2006	2007	2008	2006	2007	2008
X5 Retail Group N.V.	Pyaterochka, Perekrestok	Supermarket, convenience store, hypermarket	446	619	868	1077	38.8	40.2	24.1
X5 Retail Group N.V.	Karusel	Hypermarket	6	19	22	24	216.7	15.8	9.1
"Magnit", OJSC	Magnit	Convenience store, hypermarket	1501	1893	2197	2579	26.1	16.1	17.4
"METRO Cash and Carry", company limited	Metro C&C	Hypermarket	22	31	39	47	40.9	25.8	20.5
"Auchan", company limited	Auchan, Auchan-City	Hypermarket	7	14	18	32	100.0	28.6	77.8
"Dixy-group", OJSC	Megamart, Minimart, Dixy, V-mart	Discounter, supermarket, hypermarket	211	315	388	488	49.3	23.2	25.8
"The Seventh Continent", OJSC	The Seventh Continent, Our hypermarket	Supermarket, hypermarket	111	123	127	140	10.8	3.3	10.2
"Lenta", company limited	Lenta	Hypermarket	10	14	26	34	40.0	85.7	30.8
"O'key", company limited	O'key, O'key-express	Hypermarket, supermarket	6	12	26	36	100.0	116.7	38.5

Source: Infoline

Dynamics of selling space of Russia's retailers in 2005-2008

Legal name	Brand	Main formats	Total selling space, thousand sq. m.				Growth rates, %		
			2005	2006	2007	2008	2006	2007	2008
X5 Retail Group N.V.	Pyaterochka, Perekrestok	Supermarket, convenience store, hypermarket	337	466.1	609.2	736.1	38.3	30.7	20.8
X5 Retail Group N.V.	Karusel	Hypermarket	34.4	109	126	137.95	216.9	15.6	9.5
"Magnit", OJSC	Magnit	Convenience store, hypermarket	381	522.9	651.7	823.5	37.2	24.6	26.4
"METRO Cash and Carry", company limited	Metro C&C	Hypermarket	199.4	263.8	358.2	429.4	32.3	35.8	19.9
"Auchan", company limited	Auchan, Auchan-City	Hypermarket	111.6	214.6	264.4	356	92.3	23.2	34.6
"Dixy-group", OJSC	Megamart, Minimart, Dixy, V-mart	Convenience store, hypermarket	75.4	128.14	151.0	191.0	69.9	17.8	26.5
"The Seventh Continent", OJSC	The Seventh Continent, Our	Supermarket, hypermarket	110	137	147	171.9	24.5	7.3	16.9

			Total selling space, thousand sq. m.				Growth rates, %		
	hypermarket								
"Lenta", company limited	Lenta	Hypermarket	66.7	105.4	197.5	261.4	58.0	87.4	32.4
"O'key", company limited	O'key, O'key-express	Hypermarket, supermarket	53.6	92.9	147.6	191.3	73.3	58.9	29.6

Source: Infoline

Dynamics of net sales (excluding VAT) of the largest FMCG retailers in 2005-2008, billion RUR

Legal name	Brand	Main formats	Net sales (excluding VAT), billion RUR				Growth rates, %		
			2005	2006	2007	2008	2006	2007	2008
X5 Retail Group N.V.	Pyaterochka, Perekrestok	Supermarket, convenience store, hypermarket	67.23	93.81	135.16	192.4	39.5	44.1	42.3
X5 Retail Group N.V.	Karusel	Hypermarket	2.39	9.80	21.1	27.4	310.0	115.3	29.9
"Magnit", OJSC	Magnit	Convenience store, hypermarket	44.53	68.10	94.04	132.4	52.9	38.1	40.8
"METRO Cash and Carry", company limited	Metro C&C	Hypermarket	51.00	78.63	86.97	-	54.2	10.6	-
"Auchan", company limited	Auchan, Auchan-City	Hypermarket	42.37	54.36	81.86	-	28.3	50.6	-
"Dixy-group", OJSC (DISCOUNTcenter, CJSC)	Megamart, Minimart, Dixy, V-mart	Convenience store, supermarket, hypermarket	20.07	27.12	36.65	48.3	35.1	35.1	31.8
"The Seventh Continent", OJSC	The Seventh Continent, Our hypermarket	Supermarket, hypermarket	20.16	26.03	32.56	43.9	29.1	25.1	34.8
"Lenta", company limited	Lenta	Hypermarket	16.00	23.89	32.91	50.8	49.3	37.8	54.4
"O'key", company limited	O'key, O'key-express	Hypermarket, supermarket	10.90	16.63	25.98	-	52.6	56.2	-

Source: Infoline

COMPETITIVE ADVANTAGES OF "MAGNIT" CHAIN

Formation of the multi-format business

Realization of the strategic decision to develop the additional format of a hypermarket will provide the Group with the deeper segmentation of the current markets and potential customers with different income simultaneously achieving high efficiency of turnover per store and of the average ticket as well as rapid paces of business growth. Moreover, the pricing policy of "Magnit" allows it to compete with open-air markets taking into consideration the potential customers with income below average.

Strong regional coverage

The group of "Magnit" companies has considerable experience of operation in the regions: 2002 - 2007 impressive growth of the Group turnover was a result of expansion in the cities with a population of less than 500 thousand people. In the nearest future it is the regions where the Company will experience the biggest growth of the consumer demand which creates the favorable conditions for medium-term dynamics of the Group's business.

The largest chain in RF in terms of number of stores

In terms of number of stores “Magnit” chain occupies the first place in Russia which favorably effects the cooperation with the largest producers of food and beverages promoting their products on the regional markets. First of all it reflects in purchasing on the advantageous conditions and corresponding increase of the business profitability.

Recognized brand

According to independent expert research, IGD in particular, Russian customers pay considerable attention to the brand when shopping for food. Moreover, loyalty of Russian customer to one or another brand is higher in comparison with European citizens, which makes Russian customers less sensitive to the growth of product prices. Therefore, wide chain of stores united under “Magnit” brand allows the Group to strengthen its positions in the occupied market niche.

Effective logistics system

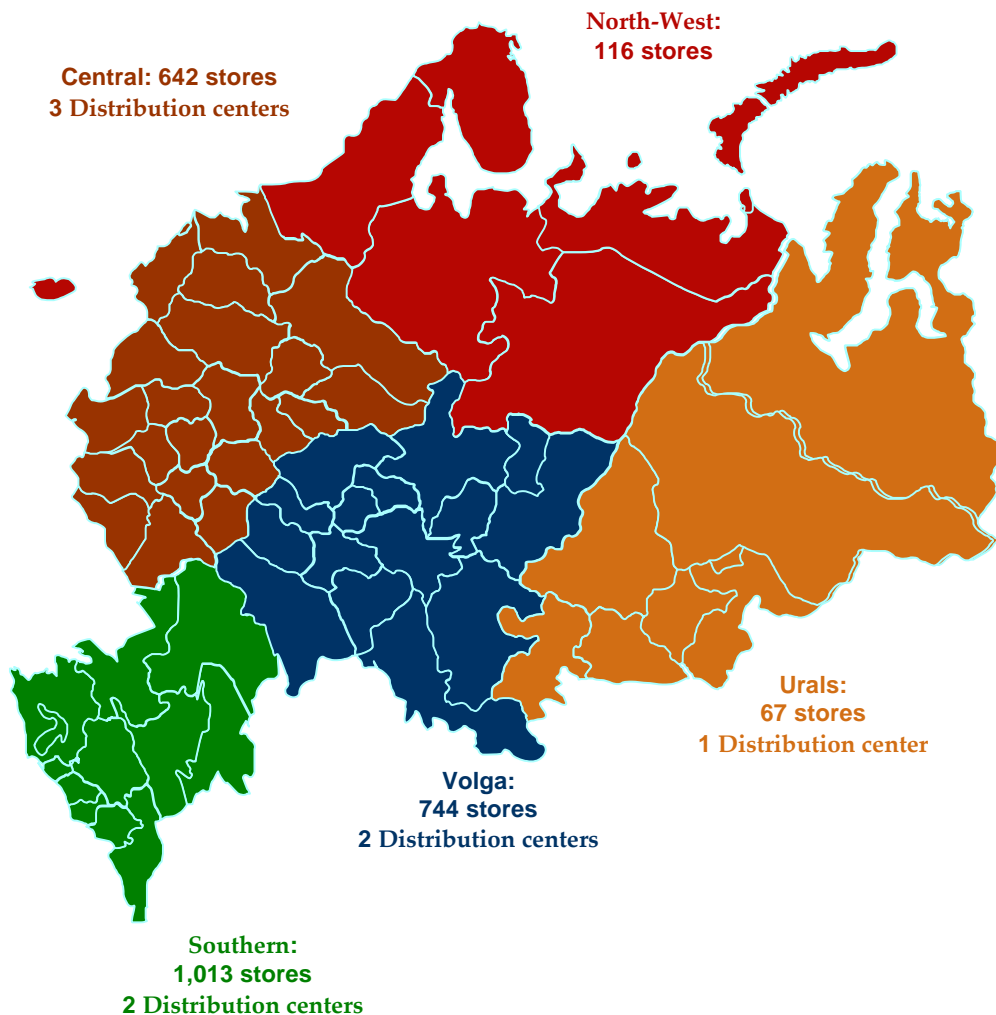
Developed logistics system, distribution centers and own fleet of vehicles allows the Group to carry out strict control over overhead charges. The use of distribution centers favors to reduce the purchasing prices as well as the load of the store when accepting the goods and, at the end, contributes to more efficient business organization.

The Group employs highly efficient automated stock replenishment system which furthers to achieve high turnover as well as to reduce the costs.

9. PRIORITY DIRECTIONS OF THE COMPANY'S OPERATION

Based in Krasnodar, in the Southern region of Russia, open joint-stock company "Magnit" is a holding company for a group of entities that operate in the retail industry under the "Magnit" name. The chain of "Magnit" stores is one of the leading operators in the Russian food retail market. As of December 31, 2008 the chain consisted of 2,568 convenience stores and 14 hypermarkets in more than 856 locations in the Russian Federation.

About two-thirds of the Company's stores are located in cities with a population of less than 500 thousand. The Company operates in 5 out of 7 federal districts. Most of its stores are located within the Southern, Central and Volga regions. The Company also operates stores in the North-Western and Urals regions. By the end of 2008 stores located in the Southern Federal district accounted for 1,013, in Volga region - 744, Central Region - 642, in the North-West and Ural regions the number of stores amounted to 116 and 67 correspondingly.



The Company operates the in-house logistics system consisting of 9 modern distribution centers: three of them are located in Kropotkin, Bataysk and Slavyansk-On-Kuban, Southern Federal district, two are in Engels and Togliatti, Volga Federal district, another three distribution centers are based in Tver, Oryol and Ivanovo, Central Federal district and one in Chelyabinsk, Urals.

City	Federal District	Warehousing space, sq. m.	Number of serviced stores	Leased/Owned
Bataysk	Southern	16,138	307	<i>Owned</i>
Kropotkin	Southern	30,048	518	<i>Owned</i>
Slavyansk-On-Kuban	Southern	20,448	42	<i>Owned</i>
Engels	Volga	19,495	367	<i>Owned</i>
Togliatti	Volga	8,379	276	<i>Leased</i>
Tver	Central	10,714	206	<i>Owned</i>
Oryol	Central	12,472	389	<i>Owned</i>
Ivanovo	Central	42,026	321	<i>Owned</i>
Chelyabinsk	Urals	16,152	156	<i>Owned</i>
Total		175,872	2,582	

The Company operates automated stock replenishment system and a fleet of 1,165 vehicles.

10. PRIORITY DIRECTIONS OF THE COMPANY'S DEVELOPMENT

Within the medium-term development outlook the Company marks out the following directions:

- Further expansion of the chain due to the growing coverage of the key markets as well as organic expansion in the least developed regions
- Development of the multi-format business-model through active implementation of the hypermarket format
- Forming the high level of the key audience loyalty to the brand
- Achievement and retention of the leading position in the industry in terms of expenses level

Chain development

In the nearest 2-3 years the Company plans to keep high rates of business growth, opening not less than 300 convenience stores per year in the cities with the population up to 500,000 people.

The key territories for the Company are Southern, Volga and Central regions, it is planned to increase the number of stores in Urals. In the long-term outlook the management of the chain does not exclude the opportunity of entering the markets of Siberia and the Far East.

Development of the multi-format model

Currently the Company is actively constructing the hypermarket format on the developed territories.

Hypermarkets will be mainly opened in the cities with population from 50,000 to 500,000 citizens, at that the retail outlet will be located inside the city (within the city boundaries).

As of 01.01.2009 the Company had 14 operating hypermarkets:

«Magnit» Hypermarkets					
Location		Population	Total Space, sq. m.	Magnit Selling Space, sq. m.	Sub-leased Space, sq. m.
Opened in 2007:					
1	Krasnodar	800,000	11,283	4,200	3,000
2	Kingisepp	52,000	6,264	2,790	445
3	Solnechnogorsk	57,600	11,655	4,600	2,650
Opened in 2008:					
4	Kamyshin	131,000	11,200	4,200	2,800
5	Bataysk	107,000	11,200	4,200	2,800
6	Anapa	63,000	8,270	4,550	90
7	Volgodonsk	178,900	10,200	4,200	2,662
8	Volgograd	987,000	4,787	2,400	-
9	Bryansk	420,000	11,200	4,200	2,800
10	Tambov	293,658	11,200	4,200	2,800
11	Saratov	900,000	11,200	4,200	2,800
12	Krasnodar	800,000	21,000	6,900	5,690
13	Novomoskovsk	138,100	11,088	3,225	2,350
14	Gelendzhik	89,700	4,745	2,500	-

Based on location (size of the location or of the area in a large city) there are 3 sub-formats of the hypermarket:

«small» with the total space of 3,200 – 4,700 sq. m., selling space of 2,000 – 2,500 sq. m.;

«average» with the total space of 11,100 - 11700 sq. m., hypermarket selling space of 6,000 – 8,100 sq. m. (including lease space);

«large» with the total space of 21,000 sq. m., hypermarket selling space of up to 12,500 sq. m.; (including lease space).

Strategic development of the new format for the Company – a format of a hypermarket - will enable to carry out more profound segmentation of the existing markets and consider population with different income as potential customers, which results in high turnover per store and average ticket as well as fast business growth rate.

Pricing policy of the Company allows it to compete with the open markets considering customers with income below average as the target audience.

Brand recognition and customer loyalty

The Company management takes measures to adjust the traditional format to changing customers' preferences. In the regions with the highest purchasing power the work is carried out with the traditional discounter assortment towards its expansion in favor of more expensive products (for example, ready-made cookery and semi-prepared meat).

Within the complex measures taken to increase the loyalty to the “Magnit” brand the analysis will be carried out to study the customers’ preferences and to set out the marketing program according to the peculiarities of different formats.

As an additional factor of the brand popularity the management of the Company plans to improve the service in the chain stores through appropriate work with its employees.

Minimization of expenses

The main means of successful development in the above direction lies in further improvement of the logistics processes and investments in the IT system which will provide the Company with maximum effective stock management and transport flows, and will be conducive to its transformation into the leader in terms of expenses control.

Among the plans of the Company is active development of private label products which enables the Company to increase its profitability.

The status of Russia’s leading chain in terms of number of stores and customers makes the Company effectively co-operate with suppliers achieving maximum favorable purchasing conditions.

11. INFORMATION ON THE PAID DIVIDENDS

It was resolved by the annual general shareholders' meeting of June 25, 2008 (minutes of meeting of 09.07.2008) not to pay any dividends on ordinary nominal shares of OJSC "Magnit".

12. SECURITIES

AUTHORIZED CAPITAL STOCK

The authorized capital stock of the Company determines the minimum amount of assets that guarantee its creditors' interests.

As of December 31, 2008 authorized capital stock of the open joint-stock company "Magnit" amounted to 832,456.60 rubles. It consists of 83,245,660 ordinary nominal uncertified shares with par value of 0.01 rubles.

In 2008 upon the decision of the Board of directors of 12.02.2008 (minutes of meeting w/o No. of 14.02.2008) authorized capital stock of OJSC "Magnit" was increased.

20.03.2008 FFMS of Russia registered additional issue of the ordinary nominal uncertified shares with par value of 0.01 rubles in the amount of 11,300,000 shares. State number 1-01-60525-P-004D was assigned to this additional issue of shares.

Notification of the results of the additional issue of ordinary nominal uncertified shares with par value of 0.01 rubles in the amount of 11,245,660 shares was sent to FFMS of Russia on 04.06.2008.

Main parameters of the placed securities:

Type of securities: shares;

Category (type) of securities: ordinary (nominal);

Number of placed securities: 11,245,660 shares;

Nominal value of each security: 0.01 rubles;

Method of placement: public offering;

Date of actual start of placement of securities: 18.04.2008;

Date of actual finish of placement of securities: 12.05.2008;

Offering price of securities or procedure for its determining: 42.50 US dollars per one share. In case of payment for shares in the currency of Russian Federation offering price is calculated at the rate of 23.4450 rubles per one US dollar.

Information on OJSC "Magnit" shares listed outside Russian Federation by means of circulation in accordance with the foreign law of securities of foreign issuers certifying rights referring to the specified shares of the Company:

Category (type) of shares, listed outside Russian Federation: ordinary nominal shares;

Number of shares, listed outside Russian Federation as a % of the total number of shares of the corresponding category (type): 13.841 %;

name, address of the foreign issuer, which securities certify the rights referring to the shares of the Company of the corresponding category (type): JPMorgan Chase Bank, N. A., 4 New York Plaza, 13th Floor, New York, 10004 New York United States of America);

short description of program (type of program) of the issue of securities of the foreign issuer certifying the rights referring to the shares of the corresponding category (type): in accordance with foreign law JPMorgan Chase Bank, N. A. issued securities (global depository receipts, "GDRs") certifying the rights referring to the ordinary nominal shares of OJSC "Magnit";

information on obtaining a permit of the federal executive body for the securities market of listing of the issuer's shares of the corresponding category (type) outside Russian Federation (if applicable): In accordance with the order of FFMS of Russia of March 27, 2008 № 08-661/pz-i offering and listing outside Russian Federation of ordinary nominal uncertified shares of OJSC

“Magnit”, state registration number of the securities issue 1-01-60525-P of 04.03.2004, state registration number of the additional securities issue 1-01-60525-P-004D of 20.03.2008 in the amount of 11,522,000 (eleven million five hundred and twenty two thousand) ordinary nominal uncertified shares is permitted;

name of the foreign trade organizer (trade organizers) through which securities of the foreign issuer certifying the rights referring to the issuers’ shares are listed (if there is such a listing):London Stock Exchange;

The Company has a right to offer in addition to the offered shares 117,604,340 ordinary nominal shares with par value of 0.01 rubles (authorized shares).

Information on the listed shares of OJSC “Magnit” as of 31.12.2008:

<i>Description of security</i>	<i>Number of state registration</i>	<i>Date of state registration</i>	<i>Nominal, RUR.</i>	<i>Total number of securities</i>
Ordinary nominal uncertified shares	1-01-60525-P	04.03.2004	0.01	83,245,660
Total:				83,245,660

Structure of OJSC “Magnit” share capital as of 31.12.2008:

<i>Name</i>	<i>Number of registered persons</i>	<i>Share in the charter capital, %</i>
Legal persons	14	50.9347
including nominal holders	12	50.9346
Natural persons	12	49.0656
Total:	38	100

BONDS

Bond issue of LLC “Magnit Finance” of 01 series:

In 2005 The Company entered the stock market offering their investors the bond issue issued by Limited Liability Company “Magnit – Finance”, the subsidiary of OJSC “Magnit”. The bond issue allowed the Company to optimize its debt portfolio and work out the technologies of cooperation with investors in order to move out further on the stock market with the Company’s shares.

Bond included 2 million securities with nominal value of 1 thousand rubles guaranteed by CJSC “Magnit” and CJSC “Tander”. Bonds were outstanding for three years. The primary intent of the bond issue was the refinancing of short-term liabilities of the Group. For this purposes the management invested not less than 75% of the raised funds, the rest was spent on further development of “Magnit” chain.

The offering of the certified interest-bearing non-convertible bonds payable to bearer of 01 series with the obligatory centralized deposit of LLC “Magnit Finance” on the MICEX Federal stock exchange started on November 23, 2005. The number of the virtually offered securities amounted to 2,000 thousand securities which constitutes 100% of the total number of

securities liable to the offering. The bond issue was fully realized in the course of auction in the first day of offering.

Parameters of the bond issue of LLC “Magnit Finance” of 01 series:

<i>Date and the number of state registration</i>	№ 4-01-36102-R of October 27, 2005
<i>Issue volume</i>	2,000,000,000 rubles
<i>Number of securities</i>	2,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Offering price</i>	100% of par value
<i>Offering date</i>	23.11.2005
<i>Offering method</i>	Public offering
<i>Due date</i>	1092 days from the offering date (19.11.2008)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0GJ0L9
<i>ISIN code</i>	RU000A0GJ0L9
<i>Coupon interest rate as of auctions' results</i>	9.34%
<i>First coupon interest rate</i>	9.34%
<i>Second coupon interest rate</i>	9.34%
<i>Third coupon interest rate</i>	9.34%
<i>Fourth coupon interest rate</i>	9.34%
<i>Fifth coupon interest rate</i>	9.34%
<i>Sixth coupon interest rate</i>	9.34%

The first coupon profit of 01 series bond issue was paid out on May 24, 2006. The total amount of profit paid out of the first coupon amounted to 93.14 million rubles, the amount of profit on the first coupon paid out per one bond amounted to 46.57 rubles.

The second coupon profit of 01 series bond issue was paid out on November 22, 2006. The total amount of profit paid out on the second coupon amounted to 93.14 million rubles, the amount of profit of the second coupon paid out per one bond amounted to 46.57 rubles.

The third coupon profit of 01 series bond issue was paid out on May 23, 2007. The total amount of profit paid out on the third coupon amounted to 93.14 million rubles, the amount of profit of the third coupon paid out per one bond amounted to 46.57 rubles.

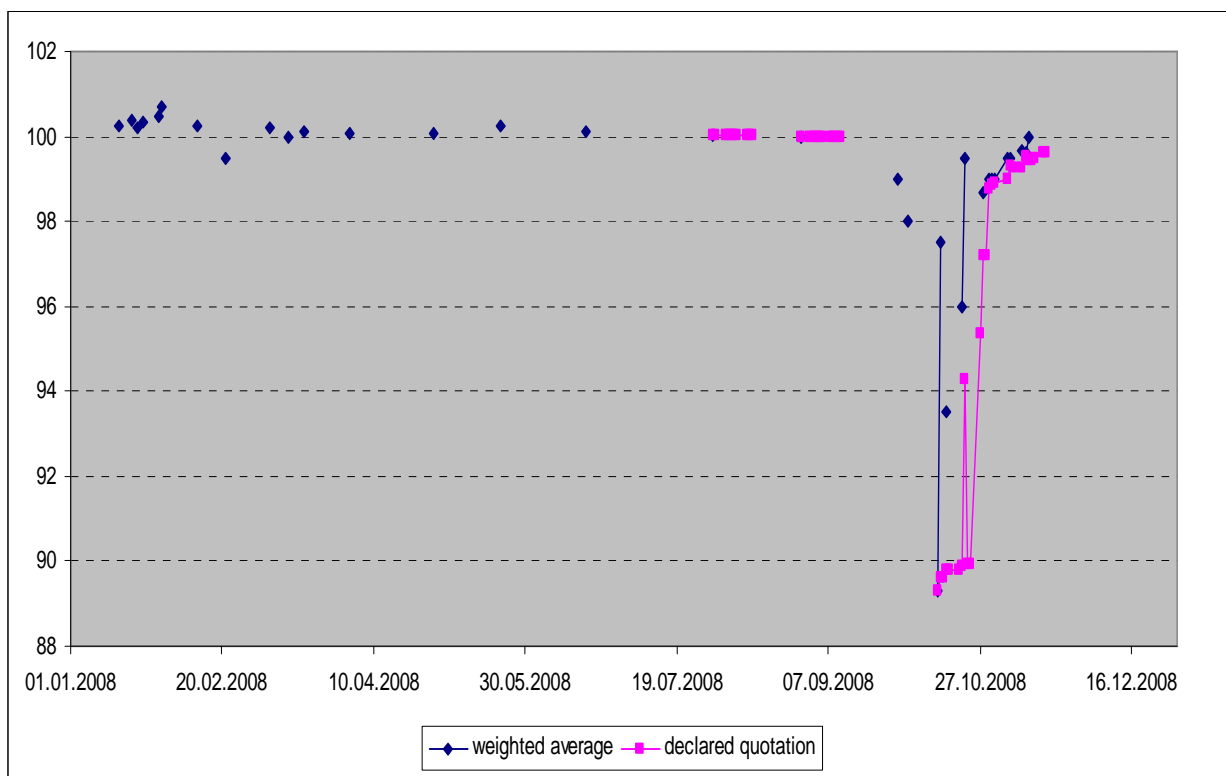
The fourth coupon profit of 01 series bond issue was paid out on November 21, 2007. The total amount of profit paid out on the fourth coupon amounted to 93.14 million rubles, the amount of profit of the fourth coupon paid out per one bond amounted to 46.57 rubles.

The fifth coupon profit of 01 series bond issue was paid out on May 21, 2008. The total amount of profit paid out on the fifth coupon amounted to 93.14 million rubles, the amount of profit of the fifth coupon paid out per one bond amounted to 46.57 rubles.

The sixth coupon profit of 01 series bond issue was paid out on November 19, 2008. The total amount of profit paid out on the sixth coupon amounted to 93.14 million rubles, the amount of profit of the sixth coupon paid out per one bond amounted to 46.57 rubles.

Redemption of the nominal value of bonds of the issue № 4-01-36102-R of October 27, 2005 was made on November 19, 2008. Total amount of the paid out profit amounted to 2,000,000,000 (two billion) rubles, the amount of profit paid out per one bond amounted to 1,000 (one thousand) rubles.

According to the trading sessions held from 01.01.2008 to 19.11.2008 (the date of redemption of the nominal value) the weighted average price of dealings in bonds of 01 series fluctuated from min 89.31% (13.10.2008) to max 100.7% (31.01.2008) of par value. Declared quotation during this period fluctuated from min 89.31% (13.10.2008) to max 100.01 % (31.07.2008).



Bond issue of LLC "Magnit Finance" of 02 series:

In 2007 the Company offered its investors the second bond issue also issued by limited liability company "Magnit Finance", subsidiary of OJSC "Magnit".

Issue included 5 million securities with the nominal of 1 thousand rubles guaranteed by OJSC "Magnit" and CJSC "Tander". Issue will be outstanding for 5 years. As it is of the first issue, the second was conditioned by the necessity of refinancing short-term liabilities of the group.

The offering of the certified interest-bearing non-convertible bonds payable to bearer of 02 series with the obligatory centralized deposit of LLC "Magnit-Finance" on the MICEX Federal stock exchange started on March 30, 2007. The number of the virtually offered securities amounted to 5,000 thousand securities which constitutes 100% of the total number of securities liable to the offering. The bond issue was fully realized in the course of auction in the first day of offering.

Parameters of the bond issue of LLC "Magnit Finance" of 02 series:

<i>Date and the number of state registration</i>	№ 4-02-36102-R of March 6, 2007
<i>Issue volume</i>	5,000,000,000 rubles
<i>Number of securities</i>	5 000 000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Offering price</i>	100% of par value
<i>Offering date</i>	30.03.2007

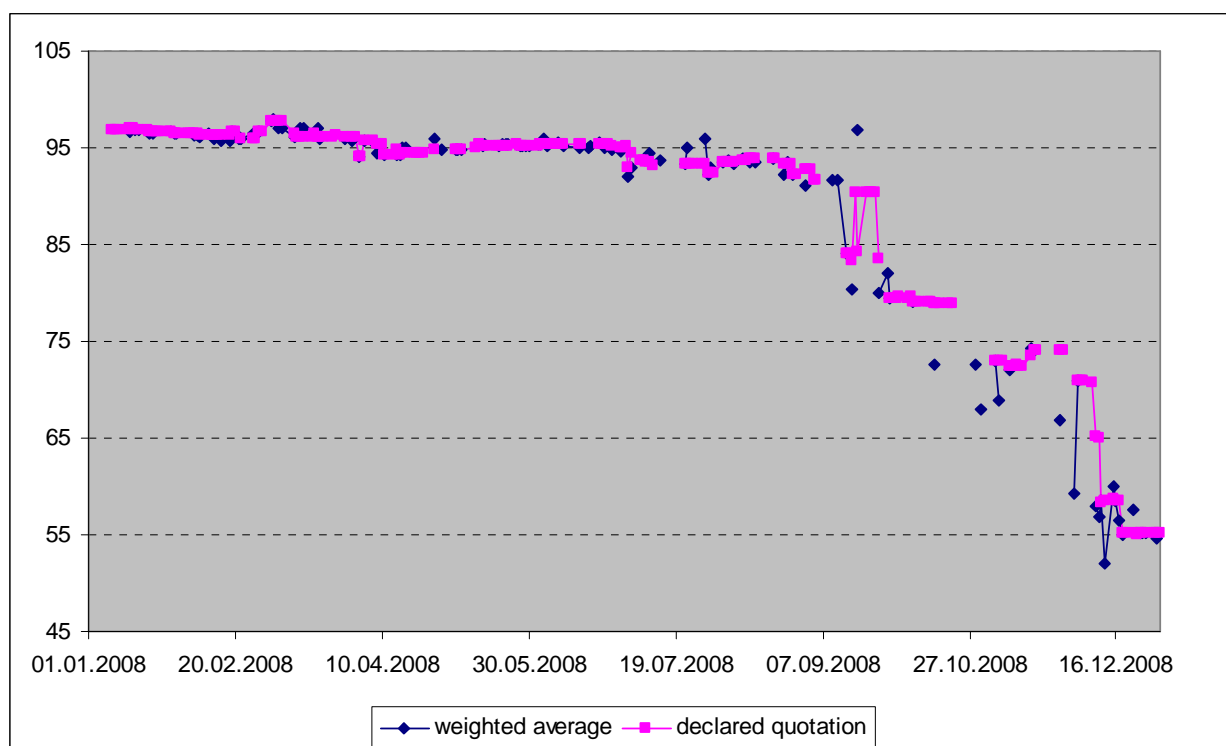
<i>Offering method</i>	Public offering
<i>Due date</i>	1,820 days from the offering date (23.03.2012)
<i>Number of coupons</i>	10
<i>Trading code</i>	RU000A0JP4W7
<i>ISIN code</i>	RU000A0JP4W7
<i>Interest rate of the auction results</i>	8.20 %
<i>1 coupon interest rate</i>	8.20 %
<i>2 coupon interest rate</i>	8.20 %
<i>3 coupon interest rate</i>	8.20 %

The first coupon profit of 02 series bond issue was paid out on September 28, 2007. The total amount of profit paid out on the first coupon amounted to 204.45 million rubles, the amount of profit of the first coupon paid out per one bond amounted to 40.89 rubles.

The second coupon profit of 02 series bond issue was paid out on March 28, 2007. The total amount of profit paid out on the second coupon amounted to 204.45 million rubles, the amount of profit of the second coupon paid out per one bond amounted to 40.89 rubles.

The third coupon profit of 02 series bond issue was paid out on September 26, 2008. The total amount of profit paid out on the third coupon amounted to 204.45 million rubles, the amount of profit of the third coupon paid out per one bond amounted to 40.89 rubles.

According to the trading sessions held from 01.01.2008 to 31.12.2008 weighted average price of dealings in bonds of 02 series fluctuated from min 52.01 % (12.12.08) to max 98.05 % (04.03.08) of par value. Declared quotation during this period fluctuated from min 55.07% (23.12.08) to max 97.85 % (04.03.08).



SHARES TRADING SESSIONS

The shares of OJSC "Magnit" entered the Russian stock markets in April 2006.

On April 14, 2006 the shares of OJSC "Magnit" were admitted to tradings in the section of the List "Listed securities but not included into the quotation lists" of Non-profit partnership "Russian Trading System" Stock Exchange".

On April 24, 2006 tradings of the shares of OJSC "Magnit" in the List of non-listed securities of Close joint-stock company "MICEX Stock Exchange" commenced.

On April 28, 2006 the IPO of OJSC "Magnit" on the Russian Trading System (RTS) and the Moscow Interbank Currency Exchange (MICEX) was completed.

The price of one share of OJSC "Magnit" in the course of offering on RTS and MICEX was fixed on the level of 27 USD. Proceeds from the stock comprising 18.94% of the capital stock amounted to 368.355 million USD. Deutsche UFG functioned as an IPO coordinator; foreign investors were able to take part in the offering by purchasing the securities of "Magnit" in accordance with the rule "S".

Since December 11, 2007 the shares of OJSC "Magnit" have been included into the Quotation list "B" of OJSC "Russian Trading System" stock exchange", OJSC "Magnit" shares have been admitted to tradings in the corresponding list on December 13, 2007.

On December 21, 2007 OJSC "Magnit" shares have been included in the quotation list "B" of OJSC "MICEX SE" and admitted to tradings in the corresponding list.

On March 26, 2008 OJSC "Magnit" announced its intention to list global depository receipts ("GDRs") representing its ordinary shares on the London Stock Exchange in connection with an offering by the Company of 11,300,000 newly issued ordinary shares in the form of GDRs and shares (including as part of the exercise of statutory pre-emption rights by the existing shareholders of the Company and by a *Company's shareholder* of ordinary shares in the form of shares and GDRs.

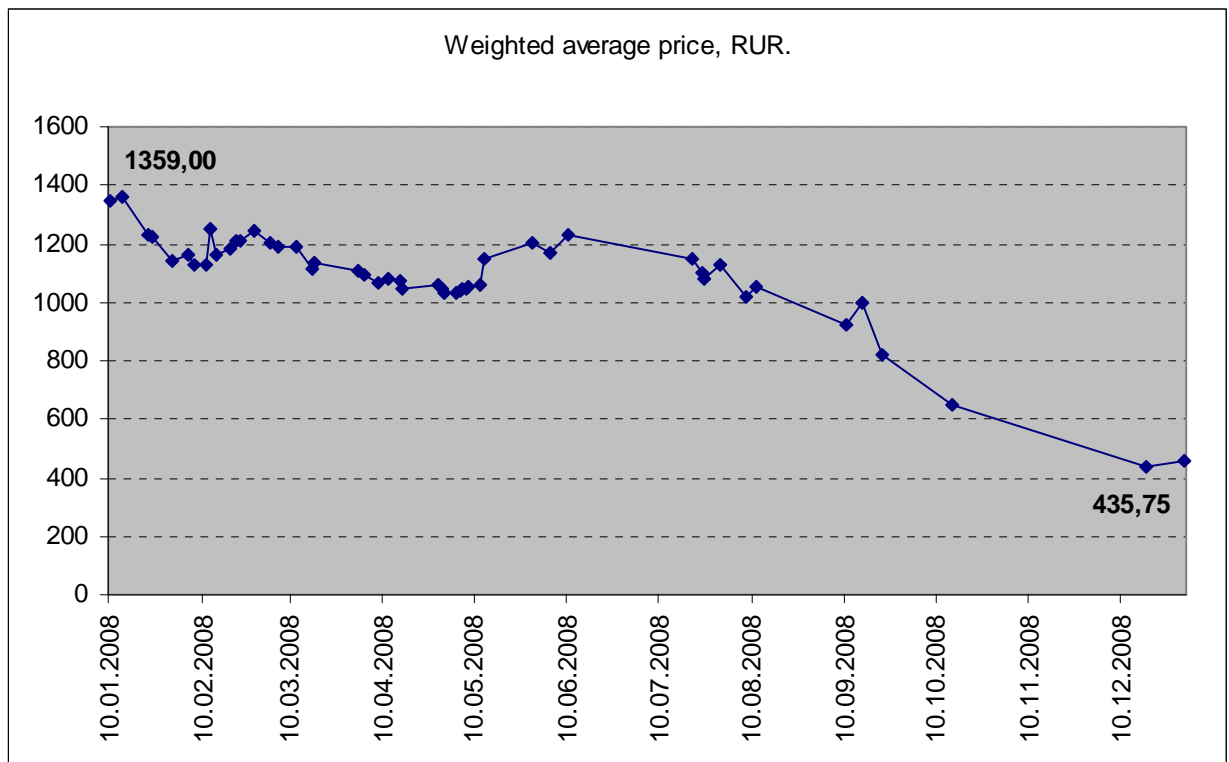
The offer price was set at US\$ 42.50 per share. The offer price in ruble terms was set based on the rate of 23.4450 rubles per dollar.

A total of 9,719,638 shares including the shares in the form of GDRs were allocated to international institutional investors. In connection with the offering the selling shareholder has granted the joint bookrunners an over-allotment option to purchase up to an additional 506,586 shares in the form of GDRs at the offer price per GDR which was exercised in full.

Conditional dealings in the GDRs commenced on the London Stock Exchange on April 16, 2008 (5 GDRs representing an interest in one share). Admission of the GDRs to the Official List of the UK Listing Authority occurred on April 22, 2008.

Total free float of OJSC "Magnit" after the secondary offering amounted to 31.8% (35.48% по отчетности за 1П08). Proceeds from the offering amounted to (approximately) US\$ 480.25 million and were used to finance further expansion of the Company's chain of hypermarkets as well as to continue the expansion of its convenience store operations and further development of its logistics capabilities. Deutsche Bank AG и Morgan Stanley & Co. International plc acted as joint global coordinators, joint bookrunners and joint lead managers.

According to trading sessions held from 01.01.2008 to 31.12.2008 on OJSC "RTS SE" weighted average price of the shares trading sessions fluctuated from min 435.75 rubles (18.12.2008) to max 1,359 rubles (14.01.2008).



Market capitalization of OJSC "Magnit" as of the last date of 2008 amounted to 96,461,938,273.81 rubles according to OJSC "RTS SE".

13. TRANSACTIONS, CONSIDERED MAJOR TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT-STOCK COMPANIES", MADE WITHIN THE YEAR 2008.

1.	
Date of transaction (date of the contract)	21.04.2008
Type, subject, essentials of the transaction, including civil rights and obligations to be determined, changed or terminated by the transaction	<i>Loan Agreement at the interest 3.5% per year</i>
parties and beneficiaries under transaction	<i>The Lender: OJSC «Magnit», The Borrower: CJSC «Tander».</i>
term of obligations fulfillment under transaction	22.04.2013z
amount of transaction in money terms and per cent of the balance sheet assets of the issuer	<i>3,000,000,000.00 rubles which is 48.44 % of the balance sheet assets of the Company as of 01.04.2008.</i>
issuer's assets value as of the date of termination of accounting period (quarter, year), preceding the date of transaction (date of the contract) and for which the account is made according to the legislation of Russian Federation	<i>Company's assets value as of 01.04.2008 amounts to 6 193 205 thousand rubles.</i>
information on the approval of transaction is such transaction is acknowledged as a major or a related-party transaction	<i>The transaction is approved</i>
type of transaction (major transaction; related-party transaction; major related-party transaction)	<i>Major related-party transaction.</i>
issuer's authority which made a decision on approval of transaction	<i>General shareholders' meeting.</i>
date of decision on approval of transaction	25.06.2008
date and number of the minutes of meeting of issuer's authority when the decision on approval of the transaction was made	<i>Minutes of proceedings of 09.07.2008 w/o No.</i>
2.	
Date of transaction (date of the contract)	29.04.2008
Type, subject, essentials of the transaction, including civil rights and obligations to be determined, changed or terminated by the transaction	<i>Loan Agreement at the interest 3.4% per year</i>
parties and beneficiaries under transaction	<i>The Lender: OJSC «Magnit», The Borrower: CJSC «Tander».</i>
term of obligations fulfillment under transaction	29.03.2013 z
amount of transaction in money terms and per cent of the balance sheet assets of the issuer	<i>3,000,000,000.00 rubles which is 48.44 % of the balance sheet assets of the Company as of 01.04.2008.</i>
issuer's assets value as of the date of termination of accounting period (quarter, year), preceding the date of transaction (date of the contract) and for	<i>Company's assets value as of 01.04.2008 amounts to 6,193,205 thousand rubles.</i>

which the account is made according to the legislation of Russian Federation	
information on the approval of transaction is such transaction is acknowledged as a major or a related-party transaction	<i>The transaction is approved</i>
type of transaction (major transaction; related-party transaction; major related-party transaction)	<i>Major related-party transaction.</i>
issuer's authority which made a decision on approval of transaction	<i>General shareholders' meeting.</i>
date of decision on approval of transaction	25.06.2008
date and number of the minutes of meeting of issuer's authority when the decision on approval of transaction was made	<i>Minutes of proceedings of 09.07.2008 w/o No.</i>
3.	
Date of transaction (date of the contract)	04.05.2008
Type, subject, essentials of the transaction, including civil rights and obligations to be determined, changed or terminated by the transaction	<i>Loan Agreement at the interest 3,6% per year</i>
parties and beneficiaries under transaction	<i>The Lender: OJSC «Magnit», The Borrower: CJSC «Tander».</i>
term of obligations fulfillment under transaction	03.05.2014z
amount of transaction in money terms and per cent of the balance sheet assets of the issuer	<i>2,000,000,000.00 rubles that is 32.29 % of the balance sheet assets of the Company as of 01.04.2008.</i>
issuer's assets value as of the date of termination of accounting period (quarter, year), preceding the date of transaction (date of the contract) and for which the account is made according to the legislation of Russian Federation	<i>Company's assets value as of 01.04.2008 amounts to 6,193,205 thousand rubles.</i>
information on the approval of transaction is such transaction is acknowledged as a major or a related-party transaction	<i>The transaction is approved</i>
type of transaction (major transaction; related-party transaction; major related-party transaction)	<i>Major related-party transaction.</i>
issuer's authority which made a decision on approval of transaction	<i>General shareholders' meeting.</i>
date of decision on approval of transaction	25.06.2008
date and number of the minutes of meeting of issuer's authority when the decision on approval of transaction was made	<i>Minutes of meeting of 09.07.2008 w/o No.</i>

14. LIST OF 2008 TRANSACTIONS DECLARED AS RELATED-PARTY IN ACCORDANCE WITH THE FEDERAL LAW "JOINT-STOCK COMPANIES"

1.	
Date of transaction	<i>18.04.2008</i>
Subject and essentials of transaction	<i>Granting the guarantee by the Company for CJSC "Tander" under the Leasing Agreement №63/2007 of 22.02.2008</i>
Parties of transaction	<i>The Lessor: LLC «Cargobull Finance» The Lessee: CJSC «Tander» The Guarantor: OJSC «Magnit»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles.	<i>111,280 (the amount of obligations is valued as of the date of the Leasing Agreement)</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>1.8 %</i>
Term for fulfillment of obligations under transaction	<i>The contract is concluded for the period of 52 months</i>
Information on fulfillment of mentioned obligations	<i>The obligations are outstanding</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the Board of directors on March 25, 2008, minutes of proceedings as of 25.03.2008.</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
2.	
Date of transaction	<i>21.04.2008</i>
Subject and essentials of transaction	<i>Presenting by the Company the money loan at interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit» The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>

Transaction amount in money terms, thousand rubles.	3,000,000
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	48.44 %
Term for fulfillment of obligations under transaction	22.04.2013
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time.</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	None
3.	
Date of transaction	29.04.2008
Subject and essentials of transaction	<i>Presenting by the Company the money loan at interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit» The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	Vladimir Gordeychuk
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles.	3,000,000
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	48.44 %
Term for fulfillment of obligations under transaction	29.03.2013
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time.</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	None
4.	
Date of transaction	04.05.2008
Subject and essentials of transaction	<i>Presenting by the Company the money loan at interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit»</i>

	<i>The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC «Magnit» and CEO of CJSC «Tander»</i>
Transaction amount in money terms, thousand rubles.	<i>2,000,000</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>32.29 %</i>
Term for fulfillment of obligations under transaction	<i>03.05.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time.</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
5.	
Date of transaction	<i>11.07.2008</i>
Subject and essentials of transaction	<i>Granting the guarantee by the Company for CJSC «Tander» under the Leasing Agreement №LA83/2008 of 11.07.2008</i>
Parties of transaction	<i>The Lessor: LLC «Cargobull Finance» The Lessee: CJSC «Tander» The Guarantor: OJSC «Magnit»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC «Magnit» and CEO of CJSC «Tander»</i>
Transaction amount in money terms, thousand rubles.	<i>645,548 (the amount of obligations is valued as of the date of the Leasing Agreement)</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>10.42 %</i>
Term for fulfillment of obligations under transaction	<i>The contract is concluded for the period of 52 months</i>
Information on fulfillment of mentioned obligations	<i>The obligations are outstanding</i>

Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the Board of directors on March 25, 2008, minutes of proceedings as of 25.03.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
6.	
Date of transaction	18.07.2008
Subject and essentials of transaction	<i>Granting the guarantee by the Company</i>
Parties of transaction	<i>The Lender: Commercial joint-stock bank "Bank Societte Generale Vostok"(closed joint-stock company) The Borrower: CJSC «Tander» The Guarantor: OJSC «Magnit»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles	1,000,000
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	6.22%
Term for fulfillment of obligations under transaction	18.03.2009
Information on fulfillment of mentioned obligations	<i>The obligations are outstanding</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
7.	
Date of transaction	30.07.2008
Subject and essentials of transaction	<i>Granting the guarantee by the Company for CJSC "Tander" under The Leasing Agreement № 63-2/2007-3 of 22.02.2008</i>
Parties of transaction	<i>The Lessor: LLC «Cargobull Finance» The Lessee: CJSC «Tander» The Borrower: OJSC «Magnit»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered	<i>V. Gordeychuk is a member of the Board of</i>

related-party for transaction	<i>Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles	<i>396 407 (the amount of obligations is valued as of the date of the Leasing Agreement)</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>6.4 %</i>
Term for fulfillment of obligations under transaction	<i>The contract is concluded for the period of 52 months</i>
Information on fulfillment of mentioned obligations	<i>The obligations are outstanding</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
8.	
Date of transaction	<i>30.07.2008</i>
Subject and essentials of transaction	<i>Presenting by the Company the money loan at interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit» The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles	<i>118,300</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>0.74 %</i>
Term for fulfillment of obligations under transaction	<i>30.07.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time.</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
9.	
Date of transaction	<i>12.08.2008</i>
Subject and essentials of transaction	<i>Presenting by the Company the money loan at</i>

	<i>interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit» The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles	<i>180,000</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>1.12 %</i>
Term for fulfillment of obligations under transaction	<i>30.07.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
10.	
Date of transaction	<i>19.08.2008</i>
Subject and essentials of transaction	<i>Presenting by the Company the money loan at interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit» The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles	<i>100,000</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>0.62 %</i>
Term for fulfillment of obligations under transaction	<i>30.07.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time</i>

Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
11.	
Date of transaction	21.08.2008
Subject and essentials of transaction	<i>Presenting by the Company the money loan at interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit» The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles	300,000
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	1.86 %
Term for fulfillment of obligations under transaction	30.07.2014
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
12.	
Date of transaction	01.10.2008
Subject and essentials of transaction	<i>Granting the guarantee by the Company for CJSC "Tander" under The Leasing Agreement № 854-of 11.09.2008</i>
Parties of transaction	<i>The Lessor: LLC «BSGV Leasing» The Lessee: CJSC «Tander» The Guarantor: OJSC «Magnit»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"; CJSC "Tander" is a shareholder of</i>

	<i>OJSC "Magnit" that jointly with its affiliated persons owe more than 20% of voting shares of the Company and beneficiary under the transaction</i>
Transaction amount in money terms, thousand rubles	<i>13,986 (the amount of obligations is valued as of the date of the Leasing Agreement)</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>0.09 %</i>
Term for fulfillment of obligations under transaction	<i>The guarantee is valid for the validity period of leasing</i>
Information on fulfillment of mentioned obligations	<i>The obligations are outstanding</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of directors on September 18, 2008, minutes of proceedings as of 18.09.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
13.	
Date of transaction	<i>10.10.2008</i>
Subject and essentials of transaction	<i>Presenting by the Company the money loan at interest</i>
Parties of transaction	<i>The Lender: OJSC «Magnit» The Borrower: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"</i>
Transaction amount in money terms, thousand rubles	<i>300,000</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>1.85 %</i>
Term for fulfillment of obligations under transaction	<i>30.07.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction is approved by the annual general shareholders' meeting on June 25, 2008, minutes of proceedings as of 09.07.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
14.	

Date of transaction	13.10.2008
Subject and essentials of transaction	<i>Granting the guarantee by the Company for CJSC "Tander" under The Leasing Agreement № 918-of 13.10.2008</i>
Parties of transaction	<i>The Lessor: LLC «BSGV Leasing» The Lessee: CJSC «Tander» The Guarantor: OJSC «Magnit»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"; CJSC "Tander" is a shareholder of OJSC "Magnit" that jointly with it's affiliated persons owe more than 20% of voting shares of the Company and beneficiary under the transaction</i>
Transaction amount in money terms, thousand rubles	<i>1 456 (the amount of obligations is valued as of the date of the Leasing Agreement)</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>0.01%</i>
Term for fulfillment of obligations under transaction	<i>The guarantee is valid for the validity period of leasing</i>
Information on fulfillment of mentioned obligations	<i>The obligations are outstanding</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of directors on September 18, 2008, minutes of proceedings as of 18.09.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
15.	
Date of transaction	03.12.2008
Subject and essentials of transaction	<i>Security granting according to which the Guarantor shall be fully responsible before the Lender for nonfulfillment of the Borrower's obligations taken under the Credit Contract № KC-714000/2008/00250 of 05.11.2008.</i>
Parties of transaction	<i>The Lender – Bank VTB (open joint-stock company) The Guarantor – OJSC «Magnit» The Beneficiary (the Borrower) – CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the	<i>Vladimir Gordeychuk; «Tander»</i>

transaction	
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"; CJSC "Tander" is a shareholder of OJSC "Magnit" that jointly with it's affiliated persons owe more than 20% of voting shares of the Company and beneficiary under the transaction</i>
Transaction amount in money terms, thousand rubles	200,000
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	1.24 %
Term for fulfillment of obligations under transaction	30.07.2014
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled in time</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of directors on November 23, 2008, minutes of proceedings as of 23.11.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>
16.	
Date of transaction	23.12.2008
Subject and essentials of transaction	<i>Purchase and sale of the property located at the address 11/4 Mashinostroitelnaya street, Kropotkin, Krasnodar region, Russian Federation: - nonresidential facility of the pavilion № 3, building F, with total square of 7 130,6 square meters; - land lot, land category - земельный участок, категория земель – lands of localities with cadastral number 23:44:08 01 001:055, square 13 458 square meters</i>
Parties of transaction	<i>The Seller: OJSC «Magnit»; The Buyer: CJSC «Tander»</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person that is considered related-party for the transaction	<i>Vladimir Gordeychuk</i>
Basis on which such entity is considered related-party for transaction	<i>V. Gordeychuk is a member of the Board of Director of OJSC "Magnit" and CEO of CJSC "Tander"; CJSC "Tander" is a shareholder of OJSC "Magnit" that jointly with it's affiliated persons owe more than 20% of</i>

	<i>voting shares of the Company and beneficiary under the transaction</i>
Transaction amount in money terms, thousand rubles	<i>Balance sheet value of property: 21 764,3 Price: 79 005,8 rubles</i>
Transaction amount in per cent of issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>0.13 %</i>
Term for fulfillment of obligations under transaction	<i>26.01.2009 г.</i>
Information on fulfillment of mentioned obligations	<i>The obligations are fulfilled in time</i>
Issuer's authority which made a decision on approval of transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of directors on November 23, 2008, minutes of proceedings as of 23.11.2008</i>
Other information on transaction indicated by the issuer's discretion	<i>None</i>

15. DESCRIPTION OF THE MAIN RISK FACTORS RELATED TO THE OPERATION OF THE COMPANY

Due to the fact that OJSC “Magnit” and its subsidiaries operate within one group of companies of OJSC “Magnit” (hereinafter - “the Group”, retail chain “Magnit” or “The Company”), the risks are described for the entire Group in general.

The description of risks provided herein is not full-scale or extensive, but expresses Company’s viewpoint and its own assessment. Along with the risks specified, there exist other risks not included in the report which may affect the amount of investments into OJSC “Magnit” shares. Other risks, including those the Company is not aware of or which deem insignificant at the present time, may lead to reduction of revenue, excess of expenses or other events and (or) consequences, as a result of which the price of Company’s securities will decline.

In case if one or several risks described below arise, OJSC “Magnit” will take all the possible measures and apply best efforts to minimize the effect of negative changes. Today it is impossible to define particular actions of the Company in any risk conditions, as the elaboration of the adequate measures is impeded by the indeterminate character of the further situation development. The character of undertaken measures will depend on the conditions of each specific case. OJSC “Magnit” cannot guarantee that the measures taken to meet the negative fluctuations will considerably change the situation, because the majority of the described risks are beyond the control of the Company.

Risk Management Policy of the Company.

Generally the Company and the Group apply system approach of risk management. The key constituent elements of the risk management policy in each focus area are:

Risk identification

Risk assessment methods

Elaboration and implementation of comprehensive risk management framework

Ongoing monitoring of risk status

Risk management is fulfilled and applied to the entire Group.

In regard to the industry risks, industry environment in the market for the intermediate-term and long-term periods is estimated according to the macroeconomic forecasts of MED and investment analysts. The prospective demand estimation is based on the forecasts on the population income sector and consumption level. The industry trends are estimated and defined in respect of diverse trade formats, breakdown of demand by formats and competitive environment.

The conducted analysis underlies the development strategy aimed at consolidation of competitive positions and increase of market share of the Company.

Regarding country and regional risks, we monitor political and economic situation, as well as estimate the risk level of natural disasters, cease of transport communication in the regions where “Magnit” chain stores are located. Territorial diversification of ‘Magnit’ company groups’ operation adds up to risk reduction.

Regarding financial risks, the level of interest rate, currency exchange, credit and liquidity risks is estimated.

Interest risks management is carried out through the most optimal ways of financing and coordination of resource attraction terms with the terms of implementation of the projects which are to be financed. To provide the opportunity for optimization of attracted resources, the Group works out its credit profile, expands the data base of potential creditors and

diversifies means of their attraction. The reduction of resources' costs is achieved through the policy of information transparency. One of the tools of interest risk management is the forecasting of the interest rate changes and the assessment of appropriate debt liability level of the Company with consideration of such overall interest rate changes.

Regarding the currency risks, the analysts' forecasts on the possible fluctuations of the exchange rate are assessed, and the decisions on the amount and direction of currency position are taken. Since "Magnit" receives all revenues in Russian rubles and does not possess assets denominated in foreign currency, the Company does not take liabilities in foreign currency in order to minimize currency risks.

Regarding liquidity risks, the Company and the Group in general maintain balanced terms' ratio of assets and liabilities.

Regarding credit risks, the Company applies analysis of financial state of counteragents and the limit system.

Legal risk management is based on the strict observance of the present Russian legislation. Legal department regulates all legislation fluctuations which refer to the company activity and conducts legal inspection of all the contracts and agreements.

INDUSTRY RISKS

Risks related to customer demand and competition

Negative changes of macroeconomic conditions and the decrease of customer demand in Russia may adversely affect sales of the Group and its profit

The Group operates in the retail sector of food and goods of primary necessity.

The development of the retail sector, where the Group operates, in many aspects depends on macroeconomic factors because the demand for the consumer goods is determined by the amount of disposable income of population.

Due to the change of economic climate in Russia within the global financial crisis the Russian GDP growth and consequently the population income may decrease or even show negative dynamics in the nearest year. In case of economic instability the reduction of the actual disposable income of population may lead to deterioration of the growth dynamics and sector profitability. It should be noted that the state of Russian economy is mainly determined by the price for oil, other energy and mineral resources on the world market. Price decline for mineral resources will negatively affect the economy of Russian Federation on the whole due to the dominant share of raw materials in GDP. Deterioration of the economic situation will also result in the reduction of the purchasing power in the country.

Consumer demand on the markets where the Group operates depends on a number of factors which are beyond Group's control, including demographic factors, consumer preferences and their spending capacity. The reduction of the consumer demand or fluctuations of consumer preferences may dramatically reduce the sales and the profit of the Group and substantially affect business activity, financial state and results of the Group and the Company. Moreover, the seasonality of the consumer demand may lead to considerable fluctuations of the Group operation results in different periods of time.

High level of competition may lead to decline of the market share of the Group and its profit.

The Group operates in 5 federal districts and in more than 856 locations of Russian Federation with the highest concentration in the South, Central and Volga regions. In the

nearest future the retail store chain plans to expand in other regions of the country including the Central and the Urals regions which are a priority. The retail market of the South Federal District (hereinafter “SFD”) is quite a competitive regional market in Russia and is represented by the majority of the big Russian players and a number of foreign peers.

Russian retail sector is characterized by a high level of competition. The Group competes with a significant amount of Russian and international companies. In recent years consumer demand growth in Russia attracted new market participants and led to the intensification of competition. Retail chains compete with each other mainly for store locations, product quality, service and price, variety of goods and store conditions. Appearance of the additional players on the Russian market may intensify competition even more and reduce the operating efficiency of the Group.

Some of the Group’s competitors which are on the market today, and also those planning to enter the Russian market, are big international companies and apparently have more opportunities to attract resources than the Group. Moreover, many other international players, including those surpassing the Group in financial and other opportunities, will enter the Russian market in the nearest years through acquisition of local players and setting up of their own chains from the ground up.

If the above process is intensive, the competition may substantially grow, what will negatively affect the market share of the Group and its competitive position. The ability of “Magnit” retail chain to retain its competitive position depends on its opportunities to maintain and remodel the existing stores and open new stores in advantageous locations, as well as to offer competitive prices and services. There is no guarantee that the Group will be able to successfully compete with the existing and new competitors in the future.

On the present stage of competitive activity the considerable risks for the Group are also connected with the fact that the main competitors to the Group use more aggressive approach such as gaining a foothold in the additional markets through the growth based on franchising schemes. Such approach allows competitors to expand their presence in many regions of Russia as well as considerably reduce the costs of new stores installations. The fact that the Group does not use the franchising schemes may lead to serious reduction of mobility in fluctuation of geographical coverage, and as a result to the loss of a considerable market share.

These factors as well as economic conditions and strategy of the discount pricing may lead to further competition intensification and negatively affect business, financial position and operational results of the Group and the Company.

Risks related to the intensive growth.

Failure of the Group’s strategy to intensively expand may hinder its further growth.

Today the stores operating under “Magnit” trade mark are located in Moscow (5), Saint-Petersburg (7), Krasnodar region and 49 other constituent entities of Russian Federation. Within its strategy the Group plans to considerably increase the number of its stores in the above regions maintaining the same development rates as well as to further expand its chain in a number of constituent entities of Russian Federation. The development plans of the Group make it dependent on economic conditions and some other factors.

The successful roll-out of the Group development strategy depends on its ability to identify and acquire suitable premises on commercially reasonable terms, to open new stores in time, to employ, train and keep extra store and management personnel and to integrate new stores into the Group’s existing operation on a profitable basis. It is impossible to guarantee that the Group will achieve the target growth and that the new stores will profit.

There is a risk of target audience reduction in the course of time. Gradual increase/decrease of population income may lead to the attrition of “Magnit” chain customers, and as a result to the material adverse effect on the Group. The Russian food retail market is subject to changing customer trends, demands and preferences. The Group’s target customers are mainly the consumers with medium or low income. If the level of disposable consumer income continues to increase nationwide (either generally or in certain federal districts, especially in the Southern Federal District where a larger portion of total revenue is derived), the Group may not be able to adjust the assortment of products in the stores quickly enough to reflect changes in the preferences of the consumers, and thus will lose a part of the target audience. As a result of such changes, the number of customers shopping in “Magnit” stores may decrease (or increase more slowly than in the past), or average ticket at convenience stores may decrease (or increase more slowly than in the past), which could have a material adverse effect on business, results of operation, financial position and prospects of the Group.

Failure to successfully launch and operate Group’s hypermarket chain may result in material losses.

Expansion into the hypermarket business presents a particularly difficult challenge for the Group. While it has a long track record of successful installations of large number of new convenience stores, expanding the scope of activity, the Group has started its hypermarket expansion only recently. The first hypermarket was opened in October 2007, therefore many elements of the strategy applied to hypermarket operation have not yet found its practical use or been applied.

In addition, the senior management has relatively limited experience in managing hypermarkets, and there is no guarantee that specialists recently involved in the operation of the hypermarkets will be able to control and to manage risks and duly exercise their authority. Moreover, hypermarket construction requires large financial investments and takes a significantly longer time. Based on the practice in hypermarket construction, on the average it takes the Group from 2 up to 8,7 months from the date of decision to purchase a land plot to receiving rights on it, additional 6 months go for obtaining of a construction license and 9 months for construction and obtaining of the rest necessary permissions and licenses. Since the Group have made large capital investments in already opened hypermarkets and hypermarkets under construction and in the nearest future intends to make additional large capital expenditures on hypermarket chain expansion, the consequences of Group’s inability to effectively manage and achieve target levels of profitability would be highly negative to its business, results of operation, financial position and prospects.

Expansion of the Group through acquisition of other companies or their assets may be connected with different risks which may have serious adverse affect on the economic activity of the Group and its financial position.

The Group plans to expand its operation through acquisition. Acquisition opportunities presuppose certain risks, including failure to single out the objectives appropriate for acquisition, and/or to carry out adequate complex examination of their operations and/or financial position, financial risks and operation expenses which are considerably higher than the assumed ones. Moreover, there is a risk of incapability to assimilate the operation and personnel of the acquired companies, absence of the arrangement and integration of all the required systems and control, the risk of customer loss, as well as the risk of entering the markets, where the Group does not have any experience or has minor experience and/or markets where the access to the necessary logistics provision and distribution chain is limited, as well as the risk of business interruption and diffusion of the Group management resources. If

the Group is not able to integrate its acquisitions, such failures may have a material adverse effect on its financial position and results of operation.

Failure to raise enough funds may prevent the Group from realization of its plans on operation expansion.

Implementation of the Group's growth strategy may require large capital expenditures. There's no guarantee that the operational cash flow of the Group and/or borrowings from financial institutions or financial assets attracted from the stock market would be enough for financing its scheduled expenses in the nearest future. If the Group fails to raise enough funds to cover its scheduled expenses, there is risk of reduction or cease of expansion.

Expansive growth of the Group may lead to lack of administrative, industrial and financial resources.

Group's output is growing very fast. The growth is expected to continue in the projected future. Such expansive growth as well as extra growth may lead to the serious lack of administrative, operational and financial resources. As a result, "Magnit" retail chain will have particularly to continue improvement of its operational and financial systems, administrative management and techniques. The Group will also have to achieve strict coordination of transportation, technical, account, legal, financial, marketing, warehouse and store personnel operation. If the Group fails to manage the above tasks, its operation and financial position may be adversely affected.

Moreover, due to the ongoing growth, the Group may experience difficulties in application, expansion and improvement of its management information system. If the Group fails to maintain its management information system, financial accounting and in-house audit systems at a proper level, its economic operations and financial position may materially suffer.

Risks related to the investments in real estate.

Lack of reliable information about the real estate market in Russian Federation makes it difficult to estimate the value of the real estate owned by the Group.

The amount of reliable public information and research concerning the real estate market in Russia is limited. The volume of the available data is not that comprehensive and complete as similar data on the real estate market in other industrially developed countries. The lack of information makes it difficult to assess the market value and rent price of the real estate in Russia. Therefore, there is no confidence that the price set to the real estate of the Group reflects its market value.

The value of Group's investments into real estate may decline.

The Group in whole and the Company in particular make substantial investments in real estate used for the store premises. The market of any goods including commercial property is subject to fluctuations. Market value of the real estate may decline or grow as a result of different factors, i.e.:

- a) changes in the competitive environment;
- b) changes of the attractiveness level of the real estate on the market of Russian Federation as a whole, as well as on the regional markets with the property objects of the Company due to the changes of the country and regional risks;
- c) fluctuations of the demand for commercial real estate.

As a result of any negative changes on the real estate market, the value of the real estate acquired by the Company or its subsidiaries may decline and negatively affect the assets value

of the Group. Thus, in case of realization of such property the Group won't be able to compensate its acquisition costs, which may negatively affect the financial position of the Group and the Company.

Inability to obtain rights on the suitable real estate object on commercially acceptable terms, to protect the real estate rights of the Group or to build new stores on newly acquired land plots may have a material adverse effect on economic operations of the Group and its financial position.

Ability of the Group to open new stores is largely dependent on identifying and leasing and/or acquisition of the premises suitable for its needs on commercially reasonable terms. The market for property in metropolitan areas of Russia is highly competitive and, in conditions of favorable economic environment the competition for and therefore the cost of high quality land plots may increase. However, there's no guarantee that the Group will manage to exercise it in the future. If due to any reason, including competition from third parties seeking similar land plots and premises, the Group is not able to identify and obtain the new objects in due time, Group's anticipated growth will be adversely affected. Even after the Group procures the rights on the suitable land plots and premises, it may experience difficulties or delays when obtaining permissions from various regional authorities, required for the exercise of the Group rights to use, renovate or reequip the stores. Therefore, there's no guarantee that the Group will successfully identify, lease and/or purchase the suitable property objects on acceptable terms or upon the necessity.

Failure to renew the lease contracts for the stores or prolong them on reasonable terms may have materially adverse effect on economic activity of the Group and its financial position.

There can be no guarantee that the Group will be able to extend the lease contracts on reasonable terms, and even that there will be the opportunity itself to prolong the lease contracts the share of which is plenty large enough as they expire. If the Group is not able to prolong the lease contracts for its stores as they expire or lease another suitable objects on acceptable terms, or if the actual lease contracts of the Group are terminated for any reason (including those due to the loss of right on such objects by the lessor), or if their terms are revised to the detriment of the Group, it may have material adverse effect on its financial position and operation results.

Lack of professional building contractors may adversely affect the development strategy of the Group.

The ability of the Group to construct and develop specially constructed new stores is exclusively important for its strategy and commercial success. There is a shortage of highly-skilled contractors able to build new stores in time and in compliance with standardized requirements of the Group. There's no guarantee that in future the Group will be able to find the suitable skilled and qualified team of designers to enable the Group to build and launch new stores in time. Inability of the Group to construct and develop new stores on the newly acquired land plots may have material adverse effect on its potential to follow its strategy and to achieve the required financial position and operation results.

Contestation of the Group's rights for the real estate or cessation of the Group's projects for new stores construction may have materially adverse effect on economic activity of the Group and its financial position.

The operation of the Group includes the obtaining of ownership and lease rights for the land plots and premises for the purpose of its further use for the new stores. In addition, the Group owns objects and premises where its offices are located. Russian land and property legislation is complex and often ambiguous, and may contain contradictory provisions at the federal and regional levels. In particular, it is not always clear which state bodies or agencies are authorized to enter into land leases with respect to particular land plots, the procedures of construction approval are complex and prone to challenge or complete abolition. Construction and environmental regulations often contain the requirements which in practice are impossible to meet in full. As a result, the ownership and lease rights of the Group for land plots and buildings may be challenged by the governmental authorities and third parties, and thus, its construction projects may be delayed or cancelled.

Under Russian law, property transactions may be challenged on many grounds, including ineligibility of the property seller or right holder to dispose this property, breach of internal corporate requirements by the counterparty and failure to register the transfer of rights in the unified state register. As a result, defect in the real estate transactions may lead to invalidation of such transactions with individual property objects, and thus, may affect the rights of the Group to this property.

Moreover, Russian law does not require certain encumbrances over real estate (including leases for less than one year period and uncompensated use agreements) to be registered with the unified state register to legally validate the charge. In addition, the time limits within which the charge liable to registration in the unified state register should be entered into this register, are not stipulated in the law. Therefore, there is always a risk that the third parties may register at any moment or claim the existence of encumbrances (of which the Group had no prior knowledge) over real estate of the Group whether owned or leased.

Unionization of the Group employees may have material adverse effect on its financial position and operation results.

At the present time the majority of Group employees do not league any labor unions. If the considerable part of Group employees league labor unions, it may materially affect the payroll costs of the Group and/or settlement of labor conflicts, and as a result may have a material adverse effect on financial position and operation results of the Group.

The increase of the Group's expenses may have material adverse effect on its profitability.

The operating efficiency of the Company and its subsidiaries largely depend on the prices on the products purchased for retail sale, as well as on the prices on services used by them in their operation and on the amount of rent payment for the used movable and real property and construction costs, acquisition and opening of the new stores. Fluctuations of the agreement and rights' obtaining procedures to the land plots (including lease right), fluctuations of the norms and regulations applicable to the Group activity, town-planning, tax and environmental legislations in particular, may entail the increase of new stores opening costs or costs for the use of the premises, as well as the increase of the payback period of the stores.

The growth of the purchase prices, the installation costs, the price for land plots (other real estate) and amount of rent, as well as the growth of the employees' wages may lead to the substantial growth of the Group's expenses, and thus, seriously affect the Company profitability in case if the Group is not able to adequately increase the sale prices due to low purchasing capacity of the population in particular. Since "Magnit" retail chain while working with one of the most economical formats mainly targets at customers with the income below the average, the Group is substantially subject to the above risk. Profitability rundown may affect

the ability of the Company's relevant authority to decide on the payment of dividends on securities, and the market value of the Company securities.

The decline of prices for "Magnit" stores' products may lead to the profitability rundown of the Group.

Changes of the prices for the products in "Magnit" stores are largely determined by the changes of the purchase prices of the Group. The Group is doing their best not to increase the mark up for the products. Product price changes may affect the rate of the purchasing capacity of the population. The price growth is mainly forecasted under the inflation conditions, which as well affects the decrease of the purchasing capacity of the population. The deterioration of macroeconomic environment and fall of the purchasing capacity of the population may also lead to the decline of selling prices. If the purchase prices are less reduced than the selling prices, it will lead to the decline of Group profitability.

The sudden deterioration of macroeconomic situation and intensification of competition may force "Magnit" chain to cut the prices for products in order to maintain the target turnover growth and market share, which may also lead to the profitability decline.

The assumed actions of the Company in case of industrial fluctuations:

In case one or several risks arise the Company will undertake all the possible measures to reduce the effect of the existing fluctuations. It deems impossible to determine the specific measures of the Group regarding any risk hereof, as it is hard to work out adequate measures due to uncertainty of further situation development. The character of the applied actions will depend on the specific situation of every case. The Company cannot guarantee that the activities taken to overcome negative fluctuations will lead to considerable change in the situation, as most of the risks hereof are out of the Company's control.

In case of situation deterioration in the industry sector the Company plans:

- a) if possible, to further expand its operation in order to reduce the prime cost of goods and diversify some risks;
- b) to carry out the diversification between the most and the least perspective stores and to cut the stores with no prospects;
- c) to extend the territory of its operation by choosing the most profitable regions of Russian Federation in terms of growth prospects;
- d) to carry out adequate changes in pricing policy for maintaining the demand for goods on the necessary level;
- e) to optimize the expenses;
- f) to continue engaging of highly-skilled specialists as well as to enter into agreements with reliable specialists only, counteragents, contractors, which makes it possible to minimize risks and carry out the detailed analysis of the scheduled Company operation in order to reduce the prime cost of the investments, minimize the expenses structure and get more profit.

COUNTRY AND REGIONAL RISKS

The Company and CJSC “Tander” are registered as a tax-payer in the Southern Federal district, Krasnodar. The Group operates in 5 federal districts in more than 856 locations of Russian Federation. The Group does not operate outside Russian Federation.

As the Group operates in Russian Federation, the main country and regional risks affecting the operation of the Group and the Company are the risks within Russian Federation. However, due to the growth of globalization of the world economy, considerable deterioration of the economic situation in the world may lead to the serious economic recession in Russia and as a result to the reduction of the demand for consumer goods.

In spite of the fact that during the last few years all public spheres in Russia saw positive changes, i.e. the economy grew, some positive political stability was achieved, Russia is still the state with the rapidly developing and changing political, economic and financial system. The risks of the industrial production decline, the increase of the national debt, negative dynamics of the currency exchanges, increase of unemployment, etc., significantly increased under global financial and economic crisis. All this may lead to the drop of the living standards in the country and negatively affect the operation of the Group, as the main target consumers of the “Magnit” chain are people with income below the average. Apart from risks of economic character, Russia is subject to the political and regulatory risks to a greater extent than other countries with the developed market economy.

Political risks:

Political instability in Russia may affect the investment value in the country as well as the price for the Company’s shares.

Since 1991 Russia is moving from single-party state with the centralized planned economy to democracy with the market economy. As a result of the large-scale reforms and failures of some of these reforms, Russian political system remains vulnerable to the public discontent and disorders among individual social and ethnic communities. Significant political instability may have considerable negative effect on the value of foreign investments into Russia including the price for the Company’s shares.

Changes in the government, major political changes and lack of consensus between different branches of government and economic groups may also lead to disruption or converse turn of economic, political and judicial reforms. Any significant contradiction on the course of the future reforms, breakdown or resignation of reform policy, political instability and rise of conflicts between powerful economic groups may negatively affect the operation of the Group, its financial results and development prospects as well as the value of investments into Russia and the price for the Company’s shares.

Reconsideration of reforms or state policy in respect of some individuals, may have an adverse negative impact on Company business and on investment potential of Russia.

During the presidential term of Vladimir Putin the political and economic situation in Russia has generally become more stable and favorable for investments. However any significant struggle over the course of future reforms or countermand of the existing reforms by Dmitriy Medvedev may lead to deterioration in Russian investment climate that might constrain the ability of Group to receive financing on the international financial markets, cut

Company's sales in Russia or otherwise negatively affect Group's business, operation results, financial position and potential.

In the recent past our law-enforcement authorities have prosecuted some Russian companies, their officials and shareholders for tax evasion and related tax offences. In some cases the result of such prosecutions was the imposition of prison sentences and repayment of understated taxes. Reportedly, such companies were Yukos, TNK-BP and Vimpelcom. Some analysts consider that such prosecutions demonstrate a willingness to reverse key political and economic reforms of the 1990s. Other analysts, however, believe that these prosecutions are isolated cases and do not signal any deviation from greater political or economic reforms.

Conflicts between federal and regional authorities and other conflicts may set an unfavorable economic environment which may have an adverse effect on the operation and financial position of the Group.

The distribution of powers between federal and regional authorities, as well as between different authorities on the federal level in some cases remains obscure. Therefore, Russian political system is subject to certain internal contradictions and conflicts between federal and regional authorities regarding different issues, particularly, tax collection, property right for land, powers to regulate individual industries and regional autonomy. Conflicts between different authorities may have serious adverse effect on the price of the Company's shares.

Besides, ethnical, religious and other segregations periodically arouse public tension and sometimes result into conflicts including the armed ones. Thus, the continuous conflict in Chechnya led to the cessation of normal economic activity in Chechnya as well as negatively affected economic and political situation in the neighboring regions and in Russia on the whole. Terrorist activity and counter measures aimed at the elimination of violence, particularly by imposing emergency rule in certain territorial subjects of Russian Federation may have an adverse negative effect on the potential of Russian business on the whole and Group performance in particular, especially, taking into consideration the significant scale of the Group's operation in the Southern federal district.

Social instability may lead to popular frustration; induce the call for powers' change, nationalism or violence.

Failure of the Russian government to adequately address social problems has led in the past and may lead in the future to popular frustration. Such frustration might have social, economic and political consequences, e.g. call for the change of powers, growth of nationalism enhanced by the call for property nationalization, expropriation and constraints on overseas property in Russia, as well as the increase of violence. Any of the above may have an adverse negative effect on confidence in Russia's social environment and investment potential, restrict our operations and lead to losses or may otherwise affect Group's business, operation results, financial position and prospects.

Economic risks:

Deterioration of the economic situation in the Southern Federal district may arise from the considerable changes in the economic situation in Russia, including dramatic fluctuations of the national currency exchange, which may result in the reduction of the number of the roundabout industrial enterprises and agriculture of all forms of ownership, unemployment growth, decrease of the purchasing power of population. Such a scenario may lead to the interruption of the investment program of the Group, slowdown of Group development on the

territory of Southern Federal district and other regions of Russian Federation, as well as the slowdown of the revenue base growth.

Economic instability in Russia may affect the consumer demand which may have a serious adverse negative impact on the Company's business.

Any of the risks provided herein, previously experienced by the Russian economy, may seriously change the investment climate in Russia and the activity of the Company. In the past Russian economy faced the following negative developments:

Significant declines in GDP;

Hyperinflation;

Currency instability;

High ratio level of state debt/GDP;

Weak banking system which provides Russian enterprises with the limited liquidity;

Large amount of unprofitable enterprises which continue to operate due to deficiency of effective bankruptcy procedure;

Wide use of barter and non-liquid bills in settlements for commercial transactions;

Prevalent practice of tax evasion;

Growth of black economy;

Continuous capital outflow;

High level of corruption and penetration of the organized crime into the economy;

Serious growth of unemployment and underemployment level;

Low living standards of the substantial part of the Russian population

Russian economy has faced abrupt downturns. In particular, the period of rapidly deteriorating economic situation after August 17, 1998 when government defaulted on its ruble-denominated securities, the CBR stopped to support the ruble, and temporary restrictions were imposed on certain foreign currency payments. These actions resulted in immediate and severe ruble devaluation and sharp increase of inflation rate, dramatic decline of Russian share quotes and bonds as well as failure of the Russian issuers to raise funds on the international capital markets.

The problems were aggravated by almost a complete collapse of Russian banking sector after the events of August 17, 1998, which is proved by revocation of banking licenses of a number of Russian high profile banks. This even more reduced the opportunity of banking sector to provide stable liquidity to Russian companies and resulted in the widespread loss of bank deposits.

The ongoing global financial crisis will affect the Russian economy. The eventual crisis repercussions are: crisis of bank liquidity and consequently the presumable appreciation of the borrowed resources which will result in economy growth slowdown, rise of unemployment and the significant increase of inflation rate. Moreover, fluctuations of the world prices for oil and gas, ruble weakening versus US dollar in real terms, as well as consequences of monetary policy regression or other factors may in future adversely affect Russian economy and Group's business, especially its expansion plans.

Physical infrastructure of Russia is in extremely poor condition which may lead to interruptions in the effective financial and economic activity.

Physical infrastructure of Russia was mainly set up in the soviet times and has not been adequately funded and maintained in the recent years. The rail and road networks, power generation and transmission, communication system and building stock were particularly affected. Electricity and heat deficiency in some regions of Russia dramatically disrupted the local economies. For instance, power-substation failures of May 2005 resulted in power cut in

Moscow and neighboring regions, and thus in heavy damage of economy of Moscow and corresponding regions.

Road conditions throughout Russia are also poor, and in some areas roads do not meet minimum requirements of safety standards.

The deterioration of Russian physical infrastructure damages the national economy, disrupts goods and cargo transportation, adds costs to business activity in Russia and may lead to interruptions in financial and economic activity thus negatively affecting the business of the Group.

The fluctuations in global economy may negatively affect the economy of Russia, limiting the access of the Company to the capital and negatively influencing the purchasing power of the final consumers of the products sold by “Magnit” chain stores.

Russian economy is vulnerable to market downturns and economic slowdowns in the world. According to former practice, financial problems or exacerbated perception of investment risks in countries with developing economy might reduce the volume of foreign investments in Russia, thus affecting Russian economy. As Russia produces and exports large quantities of natural gas, oil and other energy and mineral resources, Russian economy is especially vulnerable to commodity prices, and decline in such prices may slowdown or shake economic development of Russia. These events may severely limit Group’s access to the capital and have an adverse negative effect on the purchasing power of consumers to buy goods sold by the Group.

Social risks:

Social instability may lead to the increased support of resumption of the statism, nationalism and violation, having serious negative effect on the opportunities of the Group to effectively operate its business.

Social instability may lead to the increased support of resumption of the statism, nationalism and violation, having serious negative effect on the opportunities of the Group to effectively operate its business. Inability of the government and many private companies to pay out the salaries in time, and altogether arrears of salary and benefits, which were a result of rapidly growing living costs, led in the past and may lead in the future to riot risk. For example, in 2005 groups of Russian pensioners and some public organizations held protest actions all over Russia against benefits monetization and temporarily blocked the roads. Similar actions, labor and social disorders may have negative political, social and economic consequences including the nationalism growth, imposing limitations on the foreign share in Russian economy and the violence growth. All of the events above may lead to the restrictions on activity of the Group and loss of its profits.

Crime and corruption may have an adverse negative effect on the operation and financial position of the Group.

According to the reports of the local and international press, the level of the organized criminal activity has considerably grown, particularly in large metropolitan centers. The amount of property-related crime increased in large cities as well. Russian business often involves high level of corruption among officials. Additionally, diverse publications indicate that some members of the Russian media regularly publish biased articles for remuneration. The Group activities may be affected by the illegal actions, corruption and accusation of the Group of illegal operation and therefore have negative impact on the Group operation and price of Company’s shares.

Legal risks related to the Russian Federation:

Infirmity of the Russian legal system and imperfection of the Russian legislation offer doubtful environment for investments and business activity.

Effective legal system required to support market economy functioning in Russia is still developing. Many key laws have only recently become effective. Insufficient consensus on the amount, contents and time limits of economic and political reforms, rapid development of the Russian legal system which did not always coincide with the trend of the market relations development, in a number of cases resulted in ambiguity, noncompliance and inconsistency of the law regulatory and by-laws. Moreover, Russian legislation very often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regular infrastructure. In some cases the new laws and regulations are ratified without all-around consideration by the interested parties of the civil law circle and do not contain any adequate transitional regulations, which lead to serious difficulties upon application.

Drawbacks of the Russian legal system may affect the ability of the Group to exercise its legal rights under the agreements or to defend against claims from the third parties. There is no guarantee that the state and judicial authorities as well as third parties will not challenge against Group's meeting the requirements of laws and by-laws.

Risks related to the fiscal policy of the Government of Russian Federation:

The Company pays taxes to the federal, regional and local budgets. Within the economy transformation there is a risk of changes of the enterprise activity tax treatment. Tax legislation and peculiarities of tax registration in Russia often change and bear ambiguous interpretation. The process of tax legislation reforming has not been completed yet. In case of stiffening of the tax legislation and increase of tax burden, the financial position of the Group may deteriorate.

Risks related to the possible military conflicts, state of emergency and strikes in the country and regions where the Company is registered as a tax payer and/or operates:

The Company is a registered taxpayer and operates mainly in the Southern Federal District. Political and social risks are of primary concern for the Southern Federal District due to the hot spots on the frontiers of territories of the Northern Caucasian republics and proximity to the Chechen republic. Major risks are connected with the fact that private capitals (investments) may be nationalized in case of a sudden change of policy line or destroyed in case of the armed conflict.

However the major area of the Southern Federal District is occupied by the subjects of Russian Federation with favorable business development conditions and with the regional risk level of not below the average throughout the country. It's worth noting that the Company does not operate on the territory of Chechen republic and Ingushetiya, social and political instability of which substantially aggravate the integral index of the Southern Federal District risks.

Practically all Northern Caucasian Republics face substantial social-ethnic instability, thus, economic and political risks remain high. Along with that, the South of Russia is characterized by the rapid growth of industrial production, accommodation provision in high gear, increase of the disposal income of population, and the financial market of the regions playing a significant part in the picture.

Russian Federation is a multinational country consisting of the regions with different social and economic development levels; thus, it is impossible to completely eliminate the

possibility of internal tension in Russia including the armed conflicts. The Company as well cannot absolutely exclude the risks related to the emergency state.

Risks related to the geographical peculiarities of the country (countries) and the region where the Company is registered as a tax payer and/or perform the main activity, including increased danger of natural disasters, possible stop of transport connection due to remoteness and/or inaccessibility, etc.

According to EMERCOM of Russia, factors of industrial, natural or terrorist character represent one of the most real threats to the stable social-economic development of the country, increase of the living standards of population, fortification of the national security of Russian Federation.

The terrorism level recently escalated leads to the continuous threat of terrorism acts on the whole territory of the Group's operation.

The regions with the Group presence may face the drastic consequences of conflagrations on the economic objects and in the public sector, accidents and failures of utility systems and transport, natural fire, dangerous hydro-meteorological phenomena (strong winds, frosts, heavy snowfalls and heavy rains), earthquakes, land subsidence and sinkhole collapse, contagion outbreaks among people and animals. Exposure to natural and climatic risks, including natural disasters (hurricane, floods, earthquakes, etc) is distinctive geographical feature of the Southern Federal District.

The risk of possible stop of transport connection due to remoteness and/or inaccessibility, etc, should not be eliminated regarding the geographical peculiarities of the region.

Ecological risks:

Accidents at environmentally hazardous industrial facilities of Russian Federation and environmental pollution may have an adverse negative effect on the Group activity.

In respect of all four components of the environment (air, water sources, soil and land resources, wildlife) large industrial cities face the unfavorable ecological situation for population. According to some reports, up to 15% of the Russian territory is zones of ecological disaster. The above factors negatively affect the health of the nation. Moreover, nuclear and other dangerous objects are located on the territory of Russia, while the system of control over ecologically dangerous objects is not sufficiently effective. The rise of emergency state on these objects and an unfavorable ecological situation in large Russian industrial cities may have an adverse negative effect on the Group activity.

Prospective measures of the Company in case if changes of the situation in the country and region will have an adverse negative effect on the Group operation:

The majority of the above risks of economic, political and legal character are out of the Company's control due to the global scale of the threat they present.

The Companies of the Group have reached the certain level of financial stability which helps to overcome the short-term negative economic fluctuations in the country. In case if significant political and economic instability which will negatively affect the operation and the profit of the Group arises in Russia, the Company plans to undertake comprehensive measures of Contingency Plan Administration aiming at mobilization of the business and maximum

reduction of the negative effect of political and economic situation in the country and region on the business of the main companies of the Group.

It deems impossible to determine the specific measures of the Group regarding any risk hereof, as it is hard to work out adequate measures due to uncertainty of further situation development. The character of the applied actions will depend on the specific situation of every case. Company cannot guarantee that the activities taken to overcome negative fluctuations will lead to considerable change in the situation as most of the risks hereof are out of the Company's control.

However, in case of negative effect on the Group operation of the country and regional fluctuations, the Company plans to carry out the following common arrangements to maintain the Group's profitability:

- if possible, to save main assets until the situation improves;
- to undertake measures focused on the life support of the Group employees and on its productivity;
- to carry out adequate pricing policy adjustments to keep up the demand on the products on the proper level;
- to optimize the expenses, including measures on purchasing prices reduction and wages expenses limitation;
- to revise the program of capital investment.

To minimize the risks related to the force majeure circumstances (military conflicts, riots, natural disasters, state of emergency) the Company reflects the possibility of such events within its contract activity.

The Company acts under paragraph 401 of the Civil Code of Russian Federation which states that the person who does not exercise the obligations due to force majeure circumstances provided herein does not bear responsibility to the counterparty.

To reduce the above risks the Group plans to further operate in different regions of Russia to diversify the risks.

FINANCIAL RISKS

Exposure to risks of the changes of the interest rates, foreign currency exchange rates related to the Company's operation or hedging carried out by the Company to reduce unfavorable consequences of the risks indicated above:

The Company is exposed to risks related to the changes of the interest rates. Loan funds have become the main funding sources for the development of the Group companies and expansion of its resource base. Changes of the interest rates may have substantial negative effect on the operation results of LLC "Magnit Finance", other companies of the Group and the Company due to the loan of funds and provision of the debt financing on the repayable basis.

Group does not export its production; all its primary obligations are denominated in rubles. Import products amount to about 10% of proceeds, which makes the Company dependent on the possible foreign exchange movements.

Exposure of the financial position of the Company, its liquidity, funding sources, operation results, etc., to the foreign exchange movements (currency risks).

Over the last fifteen years Russia has faced considerable fluctuations of the exchange rate of Russian ruble to the foreign currencies. Substantial ruble devaluation may result in the reduction of the relative cost of ruble-denominated sales and assets of the Group, such as bank deposits and accounts receivable. Additionally, drop in the exchange rate of ruble may lead to the decline of the dollar cost tax deductions arising from the realization of capital investments, since the balance sheet assets will reflect their mark-up in ruble terms at the moment of acquisition.

Group does not export its production; all its primary obligations are denominated in rubles. Import products amount to about 10% of proceeds, which makes the Company dependent on the possible foreign exchange movements. In case of such fluctuations, the Group is able to modify the structure of goods sales in favor of Russian counterparts, which may potentially reduce the sales growth rate. Thus, the incurrence of such risk may have an adverse negative effect on the Group's revenue and profitability.

The Group purchases and plans to continue purchasing the import equipment and vehicles for foreign currency, thus, considerable decline of the ruble exchange rate may lead to the increase of the Group expenses in ruble terms and negatively affect the results of its operation.

Dramatic changes of the exchange rate may have an adverse negative effect on the country economy on the whole and lead to the decline of the purchasing power.

Prospective measures of the Company in case if currency fluctuations and interest rates have an adverse negative effect on the Group operation.

In case if movements of exchange rates and interest rates are negative for the Company, it is expected to carry out tough policy of cost saving. However, it should be taken into consideration, that the risk cannot be completely neutralized, since the indicated risks mainly lie beyond Company's control but depend on the general economic situation in the country.

Inflation effect on the payment on securities. Inflation indices which the Company considers to be crucial, and potential measures which may be undertaken by the Company to reduce risks specified herein.

The Company faces inflation risks which may have an adverse negative effect on its business activity. The purchasing prices on the products depend on the overall price level in Russia. The acceleration of inflation growth rates may affect the financial performance of the Group. The growth of the purchasing prices may lead to the further increase of retail prices on the products and goods sold by the OJSC "Magnit" and its subsidiaries, and as a result exacerbate the competitive environment of the Group.

If the exchange rate of ruble to the US dollar increases simultaneously with inflation, the Group may face costs increase in dollar terms on certain budget items, for instance, payroll expenses which is vulnerable to the growth of the overall price level in Russia. In such a situation in light of competitive pressure the Company may not be able to raise prices on its products reasonably in order to retain the operation margin. Accordingly, high inflation rate in Russia may result in the increase of the Group expenses and decline of the operation margin. Inflation growth in Russian Federation will entail the overall growth of the interest rates including rates on the ruble bonds of LLC "Magnit Finance" which may oblige the Group to adequately increase the coupon rates.

Inflation indices crucial for the Company:

The 30-35% level of inflation is considered critical by the Company. The serious acceleration of the price increase rate may lead to the growth of Company's expenses, loan funds costs, and result in the profitability downturn. Therefore, in case of dramatic excess of actual inflation indices over the forecasts of the Russian Federation Government, the Company plans to take all required measures to limit the other expenses growth (not related to the purchase of the products for disposal), to reduce the accounts receivable and its average term.

Risks arising from bank operations:

Russian bank system is underdeveloped, a new bank crisis may have an adverse effect on the operation of the Group and its financial position

Russian bank and other financial systems are not properly developed and regulated, and Russian legislation related to banks and bank accounts is interpreted ambiguously and applied not homogenously. Financial crisis of August 1998 led to the bankruptcy and liquidation of many Russian banks and almost destroyed the developing market of the commercial bank credits functioning at that time. Moreover, many Russian banks do not meet the international banking standards, and the transparency of the Russian bank sector to a certain extent falls behind the generally accepted international standards of bank transactions. Due to the lack of close supervision from the regulatory authorities individual banks do not follow the requirements and regulations set by the Central Bank, concerning the governing criteria for credit accommodation, credit quality, reserve balances in case of losses on loans or diversification of the borrowers' structure. As a rule, bank deposits made by legal bodies are not insured in Russia. Introduction of tougher regulations or stricter interpretation of the actual rules may result in capital risk and insolvency of individual banks.

Recently we've faced a rapid growth of the aggregate credit facilities provided by the Russian banks, which is considered by many to be accompanied by the deterioration of the borrower's credit quality. Moreover, the stable growth of the internal market of corporate debts leads to the accumulation of increasingly more ruble bonds issued by the Russian companies in

the investment portfolio of Russian banks, which even more aggravates the risk characteristics of Russian banks' assets.

Grave faults of the Russian bank sector together with the deterioration of the credit portfolio quality of the Russian banks may lead to the exposition of the bank sector to the negative influence of the market trends recession, economy growth retardation, including defaults of Russian companies, which may arise from such any market trends recession or economy growth retardation. Furthermore, in 2004 the Central bank revoked licenses of a number of Russian banks, which aroused rumors on the market about closing of another number of banks. As a result many depositors rushed to withdraw their savings. In case of bank crisis Russian companies will face severe deficit of liquid funds due to the limited savings inflow to the domestic banks and loss of opportunity to use foreign financing sources which might occur in the time of a such-like crisis.

At the moment the majority out of a limited number of reliable creditworthy Russian banks are located in Moscow. To reduce risks the Group receives and keeps its ruble cash assets with several Russian banks, including Sberbank (Krasnodar branch 8619), VTB Bank (open joint-stock company), CJSC UniCredit Bank Krasnodar, and with subsidiaries of foreign banks, including CJSC BSGV, however insolvency of at least one of the banks may have a substantial adverse effect on the business activity of the Group. In case of a bank crisis or if the banks holding Group's funds become insolvent or declare bankrupt, it may entail inaccessibility to the cash assets or inability to exercise bank transactions in Russia, which in turn may have a material adverse effect on the business activity, financial position and operational results of the Group.

Risks related to the transfer pricing:

Ambiguity of law on transfer pricing regulations alongside with deficiency of accurate and authentic information about the market prices may have an adverse effect on the financial performance of the Group business.

Russian law on transfer pricing regulations which came into effect in 1999 stipulates that taxation authorities and administration have the right to make allowance for transfer pricing and to levy additional taxes in case of divergence between the final price and market price for more than 20%. Since Russian law on transfer pricing regulations is not precise enough, taxation authorities and arbitration courts have freedom in interpretation of applicable regulations. Due to the ambiguity of transfer pricing regulations taxation authorities may challenge the prices of transactions of the Company and its subsidiaries and adjust the assigned taxes.

Financial report statements of the Company mostly subject to changes under the foregoing financial risks. Risks, possibility and nature of changes in reporting.

Expenses and profit are mostly exposed to the influence of the foregoing financial risks. In case of adverse change of the situation, the expenses will be the first to grow and will entail profit reduction correspondingly.

In case of inflation growth and/or currency rate growth and therefore the expenses growth, the Group may increase the prices on the products for sale.

In case of negative effect of fluctuations of the exchange rate, inflation and interest rates on the operation of the Group, the following measures are assumed:

- revision of the financing structure;

- optimization of the cost-based items of the operation;
- revision of the programs of capital investments and loans;
- increase the receivables turnover.

At the moment hedging of the foregoing risks is not carried out.

Liquidity risks:

The risks provided herein create the liquidity risk, i.e. the risk of losses due to lack of funds within the established terms and as a result, risk of inability of the Group to fulfill its obligations. Such risk event may entail penalties, fines, injury to the goodwill of the Group, etc.

The Group manages liquidity risk through analysis of the scheduled cash flows.

Exposure of the financial report statements to the foregoing financial risks:

Risks	Probability	Nature of changes in the report
Interest rates growth	high	Interest rates growth will increase the cost of borrowings for the Group, thus it may have an adverse effect on the Group's financial position, particularly, will increase the operating expenditures of the Group and reduce its profit.
Inflation rates growth	high	Inflation rates growth will lead to the increase of the prime cost expenses (raw commodities costs, payroll expenses, etc.). At the same time the acceleration of the inflation rate growth will result in the growth of the consumer prices for the Group products and correspondingly increase the sales of the Group, so that the part of the Group expenses will be compensated by the increase of the product prices. Such inflation will also lead to devaluation of the real price on the ruble obligation.
Movements of the exchange rate of US dollar to ruble	high	It does not produce strong effect, as the main profits and losses of the Company are ruble denominated.
Liquidity risk	medium	Failure of the Group to fulfill its obligations in due time may entail penalties, fines, etc., which will result in unscheduled expenses and reduce the Group's profit. In connection herewith, the Group carries out the policy of the cash flows planning.

LEGAL RISKS

Risks related to the applicable standards of corporate governance:

Certain transactions with participation of Group companies may be declared related party transactions. Similar transactions may, in particular, include final products sales and purchase agreements, purchase of shares, service provision. If challenging of such transactions and actual ratifications to such transactions are approved in favor of the claimant, or otherwise the Group companies will be prevented in the future from getting the approval to the transactions which require special approval under legislation of Russian Federation, it may limit the flexibility of Group companies in operating and have an adverse effect on the Group's operational results.

In practice, corporate governance standards remain underdeveloped in many Russian companies, the minority shareholders of which may have difficulties in exercising their legal rights and bear losses. Though the Federal Law "On Joint-Stock Companies" enables the shareholder owning not less than 1% of the company's offered shares has the right to file a claim against the management which caused damages/losses to the company, Russian courts have poor experience in dealing with such claims. Thus, the real opportunities of the investor to get the compensation from the issuer are limited. As a result the protection of minority shareholders rights is limited.

Civil code and Federal Law "On Joint-Stock Companies" provide that the joint-stock company's shareholders do not bear responsibility for its obligations and are only exposed to risks of investment loss. However, in case if the legal entity becomes bankrupt due to the actions of the shareholders (participants), the owner of the legal entity property or other bodies which are entitled to duly instruct or otherwise rule the legal entity, these bodies may be subject to holding subsidiary liability for obligations of the legal entity in case of insufficiency of legal entity property. Consequently, the Company being a parent company to its subsidiaries with more than 50% of the charter capital directly or indirectly owned by the Company, it may be entitled to the responsibility for the obligations in the foregoing cases. Responsibility for subsidiaries' obligations may have a material adverse effect on the Company.

Securing shareholders rights under the Russian legislation may entail additional expenses and may result in the downturn of the Company financial statements. According to the Russian legislation, shareholders voted against or not participated in voting on certain issues have the right to demand from the Company the redemption of their shares at the market price under the Russian legislation. Such right is provided to the shareholders voted against or not participated in voting on the following issues:

- reorganization;
- major transaction which is to be approved by the general shareholders meeting;
- incorporation of amendments restricting the shareholders rights in the Charter or ratification of Charter as amended;

Company liabilities on redemption of shares may have an adverse material effect on the cash flows of the Company and its ability to maintain Group's debts.

Risks related to the currency regulation and control:

Russian legislation related to the investors' rights protection is less favorable and developed than the legislation of other countries with developed market economy. Moreover,

the investors may face in future the risk of adverse changes in legislation. The returns of the foreign investors received from investments into the Company's shares may be taxed in accordance with the Russian legislation. Degradation of the whole economic and political situation in the country may lead to the toughening of the currency regulation and control norms and limitations on the transactions with the Company's shares.

Risks related to the changes in currency regulation:

Foreign Exchange legislation of Russia is exposed to quite frequent changes. In connection herewith risks of regulation procedure changes in execution of a number of exchange operations may occur. Considerable fluctuations in currency regulation and currency control legislation may impede Company's performance of obligations under the agreements with counterparties. The risks herein are considered by the Company management to have the same effect on the Group as on all other parties of the market.

Risks related to the changes in tax legislation:

Tax legislation of the Russian Federation is subject to the relatively frequent changes. The risks herein are considered by the Company management to have the same effect on the Group as on all other subjects of the market

The following changes may have an adverse effect on the Group's operation:

- Incorporations of amendments on the tax rates increase in law acts on taxes and charges;
- Imposing of new types of taxes.

The foregoing substantial and other changes in tax legislation may result in the increase of the tax payments and consequently in the reduction of the Company net profit. Changes in the Russian tax legislation may have an adverse material effect on the investment attractiveness of the Company's shares.

Russian companies are making substantial payments on a great amount of taxes. These taxes include, in particular:

- Income tax
- Value added tax;
- Excise taxes;
- Consolidated social tax;
- Land tax;
- Property tax.

Legislation regulations and by-laws governing the foregoing taxes do not have a vast application practice compared to the other countries; thus, the law enforcement practice is often ambiguous or has not been formed yet. At the moment we have only a limited number of commonly accepted interpretations and explanations of tax legislation. Different ministries and authorities often have different opinions on the interpretation of the tax legislation, thus creating ambiguity and grounds for the conflict. According to legislation, tax declarations and some other legal papers, e.g. customs documents, may be checked and examined by different inspectors who are entitled to charge penalties, fines and interests for the arrears of payments.

Generally the completeness and accuracy of the tax payment may be verified within three years upon the tax year expiration. The fact of tax verification for any year leaves open the possibility of verification of the same declaration again within a three year period. These factors create the Russian tax risks which are considerably higher than the usual risks in the countries with a more developed taxation system.

The tax system in Russia changes on a frequent basis, and the tax legislation is inconsistently applied on the federal, regional and local levels. In some cases new tax rules cause the retroactive effect. In addition to the material tax burden these circumstances complicate the tax planning and making the correspondent decisions. In spite of the ambition of the Group to comply with the legislation, inaccuracy of the legislation puts the Group at the risk of payment of considerable penalties and fines and may lead to the tax burden increase. Today the tax collection system is relatively ineffective, and the government may have to introduce new taxes to increase its profits. Thus, the Company may have to pay considerably higher taxes which may negatively affect the business activity of the Company. In recent years the taxation system of Russian Federation met significant fluctuations under the tax reform. New laws reduced the number of taxes and the general business tax burden, as well as simplified tax legislation. However, new tax legislation still gives freedom to the local tax authorities and creates a number of undecided questions, which complicates the tax planning and making the correspondent decisions.

Financial statements of the Russian companies for the purpose of tax accounting are not consolidated. Thus, every Russian legal entity pays Russian taxes separately and cannot use the losses of other companies within one group to reduce the tax burden.

Risk related to the inability of foreign investors to take out return on shares

Today Russian legislation on dividends payment provides that dividends on shares in ruble terms may be distributed among the shareholders without limitations. The ability of foreign investors to convert rubles into any freely convertible currency (FCC) depends on the availability of such currency on the Russian exchange markets. Though the market for conversion of rubles in FCC exists in Russia, including interbank currency exchange, after-markets and currency futures markets, the future development of this market remains obscure. At the present time there exists no market for conversion of rubles into the foreign currencies outside Russia or any viable market outside Russia for hedging investments in rubles and investments denominated in rubles.

Risks related to the changes of the rules of customs clearance and duties

Changes of the rules of customs clearance and duties may entail the increase of the purchasing prices on the import goods and as a result the reduction of the Group's profit

Risks related to the changes of licensing requirements to the primary activity of the Company or to the licensing of the use rights for objects the turnover of which is limited (including natural resources).

The core activity of the Company – the coordination of Group companies' operation, the lease of property and retail business - is not subject to licenses. The companies of the Group have licenses for retail of alcohol beverages consumed not on the spot of purchase and pharmaceuticals without manufacturing rights. In case of changes of license requirements, the Company will operate under the new requirements including the license conversion and new licenses' receipt.

In the last three years no breaches and violations of requirements on licensing by the Company, which could result in refusal to extend the license term, were fixed.

Risks related to the changes of judicial practice on the issues of the Company activity (including licensing issues), which may have an adverse effect on the results of the Company operation as well as on the results of the current legal proceedings to which the Company is a party.

OJSC "Magnit" and other companies of the Group do not participate in legal proceedings which could have a substantial material effect on the financial and economic activity of the Group. However, the changes of the judicial practice on the issues of licensing, consumer protection, property rights protection, taxation and other issues of vital importance for the Group operation may adversely affect the results of its operation if the corresponding judicial disputes arise.

RISKS RELATED TO THE COMPANY'S OPERATION

Risks attributable only to the Company

Risks related to the current legal proceedings to which the company is a party.

Within recent years the Group has not participated in legal proceedings which could have an adverse material effect on the Group's financial and economic activity.

Risks related to the inability to extend the Company's license for performance of a particular type of activity or for the use of objects the turnover of which is limited (including natural resources).

The core business of the Company – the coordination of Group companies' operation, the lease of property and retail business - is not subject to licenses. The Group sells a large product assortment, and today the retail of alcohol beverages and pharmaceuticals are subject to licensing for all the Group enterprises engaged in such activity. The Group has licenses for retail of alcohol beverages consumed not on the spot of purchase and pharmaceuticals without manufacturing rights. In case of changes of requirements for license, the Company will operate under the new requirements including the license conversion and new licenses' receipt.

In the last three years no breaches and violations of requirements on licensing by the Company, which could result in refusal to extend the license term, were fixed.

Risks related to the possible liability of the Company for the third party's debts including the subsidiaries of the OJSC "Magnit".

The Company together with CJSC "Tander" (the main operating company of the Group regulating the trade block and the centre for Group profit consolidation) perform as a guarantor on the bond loans of LLC "Magnit Finance" in the amount of 5 billion rubles, the issue aim of which is refinancing of short-term debt of the Group and implementation of the Group's investment program on "hypermarket" format expansion. The guarantee represents the amount of the total nominal value of the bonds and aggregate coupon profit on bonds. If LLC "Magnit Finance" is not able to perform the obligations on the bond loans in full, this will have negative unfavorable consequences for the Group operation.

Risks related to the possible customer loss the turnover of which amounts to not less than 10 percent of the total sales of products (works, services) of the Company:

The users of the OJSC "Magnit" services are its subsidiaries. Therefore, the operation of the Company and the risk of loss of its main consumers are determined by the financial condition and the position of the Group.

Other risks related to the Company's operation

Risks related to the possible restriction of competition.

Russian legislation limits the activity of the bodies which occupy the dominating position on the market. If any of the Group companies is declared the body occupying the dominating position, its activity (including pricing policy) may be restricted. Such situation may have an adverse effect on the economic activity of the Group and its regional expansion strategy.

Risks related to the implementation of the long-term strategy of the Group.

One of the main components of the long-term strategy of the Group is the expansion of existing store chain. The expansion of the chain will have the following directions: within the existing formats and the introduction of the new formats to the market. From the geographical position the chain will expand within the traditional framework of the Southern region as well as in the other regions of Russia.

The strategy success will depend on a number of factors within and out of Company's control. The factors include:

- Ability to raise enough funds for the capital investments. If the Group fails to raise enough funds for trading chain expansion at the scheduled scale, the Group may have to considerably limit the scale of expansion and stay in disadvantageous position against the competitors who will develop their business activity faster, which may lead to the loss of the market share and deterioration of the operation results;

- Ability of the operating professional team to carry out the projects of business expansion and subsequently to manage it. The abilities of the operating management team may turn out to be insufficient for maintenance of the operation productivity in conditions of dynamic expansion. Business expansion makes it more complicated to manage the Group in terms of operation and increases the workload upon employees. Therefore, the improvement of operational and financial systems together with control measures and procedures will be required. Furthermore, the purchasing system, logistics, information technologies, accounting, financing, marketing and sales will need to be revised. If the Group fails to update the management system in time, it may adversely affect the business activity, operating results and financial position;

- Success of the Group regional expansion will largely depend on its ability to identify attractive opportunities on the markets with the expected growth, on the ability to successfully implement product mix matrix for each region and establish the purchase system as well as on ability to manage the operation on the new local markets. Thus, the Group may not achieve the expected profit and/or lose the part of the funds invested in the new projects;

- Carrying out of the effective marketing strategy which will provide the same effectiveness of sales or insignificant decline of sales than the Group faced in the past. Due to the increase of the competition in retail sector, the effectiveness of the Group marketing measures may considerably decrease which will reduce the amount of its customers and consequently reduce the sales turnover. The chain expansion on the territory of one urban area may result in the internal competition which will lead to the reduction of the sales turnover in the average among the stores of the Group;

- The Group growth strategy provides the changes in the business activity model concerning the ownership rights on the sales areas. With the development of the operating formats the Group will carry out the independent construction/acquisition of premises and purchase the equipment for the stores, which will mainly affect the structure of its assets and operating results and, therefore, the performance indicators;

-Availability of the necessary areas and land plots for the new stores. The market may not have the sufficient number of areas suitable for store constructions, which may slowdown the expansion strategy against the expected tempo and result in the loss of the Group market share in favor of competitors;

-Competition level at the moment of the Group store openings in the corresponding regions may appear to be too high for Group to penetrate, which will not allow to achieve the required profitability level;

-Geographical expansion may turn out to be not as successful as expected, which may have an adverse effect on the Company business and profitability.

The risk related to management members' loss and failure to engage qualified employees in the future.

The future success of the Group will largely depend on the ongoing cooperation with the top management of the Group, particularly with the following directors: Vladimir Gordeychuk, Andrey Arutyunyan, Khachatur Pombukhchan, Eduard Smetanin, Valeriy Butenko. Under the labor contracts between the Group companies and the bodies indicated above, they have the right to resign office by filing the notification 1 month prior to the dismissal. The Group is not insured from the harm which can be caused to the Group with the loss (discharge) of its leading specialists and top managers.

The Company strives to hire the most qualified and experienced personnel, and adjust its compensation policy to the changing standards of the Russian labor market.

The loss of one or more managers or failure to attract and motivate extra highly skilled employees required for effective management of a large-scale business may have material adverse effect on the business activity, the operating results and financial position of the Group

Risks related to the accounting and control system.

The system of Group financial and management reporting currently operating is based on the volume of operations carried out by the Group within the certain period of time. In case of substantial business expansion of the Group, the technical level of the accounting and control system may fail to meet the requirements of the information processing efficiency and lead to the delays in receiving the adequate data for making tactic and strategic management decisions and, thus damage the effective operation of the Group.

The risks related to the computer network failure.

The management and processing of operational and financial information in the Group is carried out with the use of electronic devices of information transmission and processing including the network of the personal computers, access to Internet and the system of financial accounting and automated system of stock management. As a result operational effectiveness of the Group as well as its ability to render adequate data for the right management decisions depend on the correct and stable work of computer and information networks.

The systems and their functioning may fail to operate, which may be caused by the human factor, natural disasters, blackouts, computer viruses, willful acts of vandalism and similar factors. There is no guarantee from serious breakdowns and delays in the future. Any blackout in computer network or system breakdowns and delays may lead to the sudden service interruptions, failures in the stock registration system, degradation of the customer service quality and damage to the goodwill of the Company, mistakes in the management decisions which may result in loss of customers, the growth of operating expenses and financial losses.

Risks related to the operations with the big cash flows.

The specific character of the Company business activity and the present level of the bank sector development in Russia suggest that the substantial part of the group operations is executed with the cash funds. Thus, the risk of short payments caused by the unintentional actions of the Group personnel as well as by deliberate larcenies and robberies increases.

Risks related to the electronic payments.

Today operations with credit and debit cards of individuals are not widely spread in Russian Federation.

Risks related to the sale of private label products.

As a way of attracting customers and strengthening the consumer loyalty for private label, the Group plans to continue the sale of private label products. Therefore, probability of potential customer claims to the quality of the Group private label products arises. High product quality is of the utmost importance for the private label, and the chain operators will be exposed to serious risks while promoting poor quality products under private label. Claims to the quality or other characteristics of such products may dramatically damage the image of the Company on the whole, the brand attractiveness for the Company customers and lead to considerable financial losses.

Risks related to the quality of the products:

There is a risk related to the Group responsibility for the quality of products sold in the Group's stores as well as the risk of filing a claim due to the harm to life and health. According to the agreements with the majority of the suppliers, the producer takes the material liability for the quality of sold products, providing that the Group follows the necessary storage conditions. Such claims may also be addressed to the seller of the products at the choice of complainant. Any similar situation may damage the Company's image and reputation, reduce the market share of the Group and negatively affect its financial position. Moreover, there is a risk related to the careless attitude of the Group personnel to the storage conditions of the products, which may lead to material liability of the Group under such claims

Risks related to the protection of intellectual property:

If the Group fails to protect its rights for the intellectual property or withstand the claims of the third parties for the intellectual property connected with the violation of their rights, the Group may lose its rights or bear serious responsibility for damages

For execution and protection of its rights for intellectual property, the Group firstly relies on the author's rights, trade marks rights, legislation on the commercial secret information protection, on its users policy, on the license agreements and the restrictions on the information disclosure. Despite the above precautionary measures, the third parties may illegally copy or otherwise receive or use the intellectual property of the group. On the whole Russia does not provide enough protection of the rights for the intellectual property compared to many other countries with the developed economy. Failure of the Group to protect the rights for the intellectual property from violation and misappropriation may adversely affect its financial position and the ability of the Group to develop its business activity. Moreover, the Group may be involved in the legal proceedings on protection of its rights for intellectual property or on establishing the validity and the scope of rights of other parties. Any lawsuit may lead to substantial expenses, distraction of the management and of the Group resources, which may negatively affect the operation and financial position of the Group.

Carrying out of the premature policy on securing of interests in the intellectual property of the Group may seriously complicate future business activity

The Group is on the stage of intensive development and expansion of all its business spheres. Measures of securing the rights of the Group for certain objects of intellectual property have to be taken on the basis of the existing plans of commercial development and be in advance of any commercial activity. Insufficient experience of the Russian companies in elaborating the policy related to the objects of intellectual property produces the whole group of risks with unfavorable effect, including the inability of the Group to use the promoted trade marks for individual products (services) in a number of countries, conflicts with employees, specialists and organizations invited regarding determination of rights for jointly manufactured products and separation of the use rights on these products by the Group and other persons.

The “Magnit” trade mark is used by other participants of the sales turnover as a component of the company name, which may have an adverse effect on the operation of the Group

The Group invested considerable funds in the promotion of its “Magnit” brand on the Russian market, which is also the part of the company name for the private label products of the Group. Due to “Magnit” brand the Group achieved great success in its operation.

Meanwhile, the trademark “Magnet” in Latin letters in the certain classes is registered in the name of the third party. Today, the scope of legal protection to trademarks rights for trading organizations, provided by the Russian law, is not clarified. A certain risk of interests conflict between the owners of the trademark “Magnit” (or “Magnet”) definitely exists, the Group might be forced to re-brand its stores. The expenses for such re-branding may adversely affect the operation results of the Group.

Moreover, due to the fact that Russian legislation provides the limited protection for the company names on the market, there exist a number of other organizations using “Magnit” in their names. Business activity of some of them has the partially similar features to the operation of the Group. The Group cannot stop these organizations from using such names, and this may lead to the negative affect of these companies’ activity on the business activity and reputation of the Group.

Risks related to the development of a new brand:

The expansion strategy of the Group presupposes the growth of the sales share of the products under “Magnit” brand (“for “Magnit” stores”). At the end of the year 2007 this figure amounted to 12.1% of the turnover. The scheduled growth may turn out to be unachievable if the commercial expenses for popularization of such brand will considerably exceed relevant budget of the Group. Alongside, the creation of the new brands may shake the existing brands and require additional investments for maintaining their market position.

Risks related to the insufficiency of insurance coverage for damages arising from the interruption of activity, damages to the Group’s property or responsibility to the third parties:

Insurance may turn out to be ineffective

The Group does not exercise insurance for interruption of its business activity, bringing to responsibility for products quality, fire (except for stocks and supplies) or changes of key management, and does not enter into insurance agreements on real estate property, wholesale depot, stores or stocks at the warehouses (with rare exception). Moreover, the Group does not form special reserve or other funds to cover the possible losses or settle claims with the third

parties. Thus, such events may drastically disrupt the Group's operation, cause considerable damage and/or require expenses which will not be compensated. All the foregoing circumstances may have an adverse effect on the business activity of the Group, its financial position and prospects.

A severe accident may result in substantial property losses and incapability to restore it

If in case of severe accident one or more objects of the Group (e.g. the headquarters in Krasnodar, wholesale depot or hypermarket) are seriously damaged, the Company may not be able to resume its activity within the established time period. The Group does not exercise the insurance or form special funds to cover such accidents. Any such accident may have an adverse effect on the Group business activity, its operation results, financial position and prospects.

16. INFORMATION ON THE COMPLIANCE WITH THE FFMS CODE OF CORPORATE CONDUCT OF RUSSIAN FEDERATION ⁴

№	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
General Shareholders' Meeting			
1.	Notification of shareholders on holding the general shareholders' meeting not later than 30 days prior to the date of a meeting irrespective the questions of the agenda, if otherwise is not provided by the legislation.	Observed	Paragraph 13.10 of the OJSC "Magnit" Charter. Article 24 of the Regulation on the OJSC "Magnit" general shareholders' meeting. Paragraph 4.14 article 4 of the Regulation on OJSC "Magnit" information policy.
2.	Shareholders' ability to study the list of persons entitled to participate in the general shareholders' meeting, starting from the date of notification on holding of the general meeting up to the closing of the general meeting in the form of joint presence, and in case if the general meeting is held in absentee form – up to the closing date of acceptance of voting ballots.	Observed	Article 22 of the Regulation on the OJSC "Magnit" general shareholders' meeting. Paragraph 5.2 article 5 of the Regulation on the OJSC "Magnit" information policy.
3.	Shareholders' ability to study the information (materials) which is to be submitted within the preparation for the general shareholders' meeting via electronic communication facilities, including Internet.	Observed	Paragraph 13.10 of the OJSC "Magnit" Charter. Paragraph 4.4 article 4 of the Regulation on OJSC "Magnit" information policy.
4.	Shareholder's ability to introduce a question to the general meeting agenda or to call the general meeting without submitting the shareholders' register extract, if the registration of his/her share rights is recorded in the system of shareholders' register, and in case if his/her rights are registered in the custody account - sufficiency of the custody account extract to exercise the above rights.	Observed	Paragraph 4 article 5 and paragraph 2 article 11 of the Regulation on the OJSC "Magnit" general shareholders' meeting.
5.	Availability in the company Charter or internal documents of the requirement on the obligatory attendance of the general shareholders' meeting by CEO, management board members, members of	Observed upon the fact	According to paragraph 2 article 29 of the Regulation on the OJSC "Magnit" general shareholders' meeting, the Company makes all arrangements to provide the

⁴ The information is disclosed according to the "Methodical recommendations on the content and form of information disclosure in compliance with the corporate code of conduct in the annual reports of joint-stock companies", ratified by the FFMS of 30.04.2003 № 03-849/p.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
	the board of directors, members of the auditing committee and the auditor of the joint - stock company.		attendance of the general shareholders' meeting by the members of the board of directors, sole executive body, members of the auditing committee and other bodies of the company. They are liable for providing qualified answers to the questions of the meeting participants.
6.	The obligatory attendance by the candidates of the general shareholders meetings with agenda items on the election of the members of the board, CEO, management bodies, members of the auditing committee, and items on the appointment of the auditor of the joint-stock company.	Not observed	-
7.	Availability in the internal documents of the joint-stock company of the registration procedure of the general shareholders meeting participants.	Observed	Article 42 of the Regulation on the OJSC "Magnit" general shareholders' meeting.
Board of directors			
8.	Availability in the Charter of the joint-stock company of the right of the board members to annually ratify the financial and economic plan of the joint-stock company.	Observed	Paragraph 14.2. of the OJSC "Magnit" Charter Article 5 of the Regulation on the OJSC "Magnit" board of directors.
9.	Availability of the risk management structure in the joint-stock company, ratified by the board of directors.	Not observed	Paragraphs 6.11. and 6.15. article 6 of the Regulation on the Committees of the board of OJSC "Magnit", according to which the analysis of the management system of risks related to the financial and economic activity of the Company and arrangement of recommendations on the improvement of such system refer to the competence of the Audit Committee. Paragraph 3.1. and 6 article 1, paragraph 2.4. article 2 of the Regulation on the internal control of financial and economic activity of OJSC "Magnit".

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
10.	Availability in the joint-stock company charter of the right of the board to decide on suspension of authority of CEO, appointed by the general shareholders' meeting.	Not applicable	Under paragraph 14.2. of the OJSC "Magnit" Charter, the election of the sole executive body of the company refers to the competence of the Company's board of directors.
11.	Availability in the joint-stock company charter of the right of the board to set the requirements for the qualification and the amount of remuneration of CEO, management board members, directors of the main structural departments of the joint-stock company.	Observed	Under paragraph 14.2. of the OJSC "Magnit" Charter, the ratification of the agreement with the person exercising the rights of the company's sole executive body refers to the competence of the OJSC "Magnit" board of directors. According to article 7 of the Regulation on the committees of the OJSC "Magnit" board of directors, elaboration of the eligibility criteria of candidates for the positions of CEO (managing company), directors of the main structural departments of the Company, and work-out of the remuneration procedure for CEO (managing company) and highly qualified employees of the Company, refer to the competence of the HR and Remuneration Committee.
12.	Availability in the joint-stock company charter of the right of the board to ratify the conditions of the agreements with CEO and management board members.	Observed	According to paragraph 14.2. of the OJSC "Magnit" Charter, ratification of the agreement with the person exercising the right of the sole executive body of the company refers to the competence of the OJSC "Magnit" board of directors.
13.	Availability in the joint-stock company charter or internal documents of the requirement that the votes of the board members, if CEO and management members, are not counted in ratifying the agreement conditions with CEO (managing company, manager) and management board members.	Not observed	-
14.	Presence in the board of directors of the joint-stock company of not less than 3 independent directors eligible for the Code of corporate conduct.	Not Observed	According to paragraph 2 article 33 of the Regulation on the OJSC "Magnit" board of directors, the board must include not less than one independent member.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
			1) Westman Mattias Johan; 2) Bouchout Pierre Bruno Charles were elected as independent directors to the Company's board of directors.
15.	Absence in the joint-stock company board of directors of members who were found guilty of committing economic crimes and crimes against the government, interests of public service and local authorities, or members which were enforced administrative penalty for entrepreneurial or financial crimes, crimes related to taxes and fees, securities market.	Observed	The company does not hold information about any members of the OJSC "Magnit" board of directors found guilty of committing economic crimes and crimes against the government, interests of public service and local authorities, or members who were enforced administrative penalty for entrepreneurial or financial crimes, crimes related to taxes and fees, securities market.
16.	Absence in the joint-stock company board of directors of members who are the member, CEO (manager), management board member or the employee of the legal entity which is a competitor to the joint-stock company.	Observed	The company does not hold information about any OJSC "Magnit" board of directors members being the members, CEO (manager), management board member or the employee of the legal entity which is a competitor to OJSC "Magnit".
17.	Availability in the joint-stock company Charter of the requirement on the election to the board of directors by cumulative voting.	Observed	Paragraph 14.7. of the OJSC "Magnit" Charter.
18.	Availability in the internal documents of the joint-stock company of the duty of the board members to avoid any actions that will lead or potentially may lead to the conflict between their interests and interests of the joint-stock company, and in case such a conflict arises - the duty to disclose the information about this conflict to the board of directors.	Observed	Article 7 and 32 of the Regulation on the OJSC "Magnit" board of directors. Paragraphs 16.1. - 16.2. of the OJSC "Magnit" Charter. Paragraph 3.10. article 7 of the Regulation on the committees of the OJSC "Magnit" board of directors.
19.	Availability in the internal documents of the joint-stock company of the duty of the board members to notify the board in writing on the intention to make a transaction with securities of the joint-stock company, being the member of this company or of its subsidiary (dependant) companies, and to disclose the information on the transactions with such securities as well.	Observed	Article 7 of the Regulation on the OJSC "Magnit" board of directors. Article 7, paragraphs 11.6-11.7 article 10 of the Regulation on the OJSC "Magnit" information policy.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
20.	Availability in the internal documents of the joint-stock company of the requirement to hold the meetings of the board not less than once in six weeks.	Not observed	According to paragraph 1 article 22 of the Regulation on the OJSC "Magnit" board of directors, board meetings are held upon necessity but not less than once in three months.
21.	Holding of the joint-stock company board meeting within the reported year periodically but not less than once in six weeks.	Not observed	During 2008 the OJSC "Magnit" board meetings were held not less than once in two months, except for July and August when board meetings were not held.
22.	Availability in the internal documents of the joint-stock company of the board meetings procedure.	Not observed	-
23.	Availability in the internal documents of the joint-stock company of the Regulation on the obligatory approval by the board of directors of the joint-stock company transactions at the amount of 10 and more percent of the assets value of the company excluding transactions entered into on a regular economic activity basis.	Not observed	According to paragraph 14.2. of the OJSC "Magnit" Charter, the approval of transactions (including several interrelated transactions) on acquisition, alienation, directly or indirectly, by the company and possibility of alienation of the assets, amounting to 5 or more percent of the balance sheet assets of the company and its subsidiaries ("the Group"), defined on the basis of the last consolidated report of the Group, prepared in accordance with the IFRS, excluding transactions on the offering of the common shares of the company and transactions in the usual economic activity, refers to the competence of the board of directors.
24.	Availability in the internal documents of the joint-stock company of the right of the board of directors to get from the joint-stock company executive bodies and directors of the main structural departments the information which is essential for them to exercise functions, and the responsibility for failure to submit such information	Observed	Article 6 and 9 of the Regulation on the OJSC "Magnit" board of directors. Article 6 of the Regulation on the OJSC "Magnit" information policy.
25.	Presence of the board committee of strategic planning or assignment of the functions hereof to the other committee (except for the audit committee and HR and remuneration committee)	Not observed	The possibility of establishing the committee is considered.
26.	Presence of the board committee (audit committee) which advises on the joint-stock	Observed	The Audit Committee of the OJSC "Magnit" board is

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
	company auditor to the board, and cooperates with the board and revision committee of the joint-stock company.		established in the Company. The document assigning the functions to the audit committee is the Regulation on the board committees of OJSC "Magnit".
27.	Presence in the audit committee of independent and non-executive directors only.	Observed	According to the article 6 of the Regulation on the board committees of OJSC "Magnit", the audit committee must have an independent director. The members of the Audit Committee of OJSC "Magnit" are: 1) Westman Johan Mattias (independent director); 2) Andrey Arutyunyan (non-executive director); 3) Khachatur Pombikhchan (non-executive director).
28.	Management of the audit committee is executed by the independent director.	Observed	According to the article 6 of the Regulation on the board committees of OJSC "Magnit", the independent director only can be in charge of the Audit Committee. The Chairman of the board Audit Committee of OJSC "Magnit" is Westman Johan Mattias, the independent director.
29.	Availability in the internal documents of the joint-stock company of the right of all the audit committee members to access any documents and information of the joint-stock company, provided that the do not disclose the confidential information.	Observed	Paragraph 2 article 36 of the Regulation on the OJSC "Magnit" board. Paragraph 10 article 4 of the Regulation on the board committees of OJSC "Magnit". Paragraph 11.5, 11.8, 11.12 article 11 of the Regulation on the OJSC "Magnit" information policy.
30.	Establishment of the board committee (HR and Remuneration committee), which function is to set the candidates criteria for the board members and work out the remuneration policy of the joint-stock company.	Observed	HR and Remuneration Committee of the board of OJSC "Magnit" is established in the Company. The document assigning the functions to the HR and Remuneration committee is the Regulation on the board committees of OJSC "Magnit".

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
31.	Management of the HR and Remuneration Committee is executed by the independent director.	Not observed	Pierre Bouchut Bruno Charles (independent director) is the Chairman of the HR and Remuneration Committee of the OJSC "Magnit" board.
32.	Absence in the HR and Remuneration Committee of the officials of the joint-stock company	Observed	Members of the HR and Remuneration Committee are: 1) Vladimir Gordeychuk; 2) Pierre Bouchut Bruno Charles; 3) Dmitriy Chenikov.
33.	Establishment of the risks committee of the board or assignment of the functions hereof to the other committee (except for the audit committee and the HR and Remuneration committee).	Not observed	The committee establishment is under consideration.
34.	Establishment of the board committee of corporate conflict management or assignment of the functions hereof to the other committee (except for the audit committee and the HR and Remuneration committee).	Not observed	The committee establishment is under consideration.
35.	Absence in the committee of the corporate conflict management of the joint-stock company officials.	Not observed	See clause 34
36.	Management of the corporate conflict management committee is executed by the independent director.	Not observed	See clause 34
37.	Availability of the internal documents of the joint-stock company ratified by the board, which provide the procedure of establishment and operation of the board committees.	Observed	The Regulation on the board committees of OJSC "Magnit" is ratified by the board of OJSC "Magnit".
38.	Availability in the charter of the joint-stock company of the procedure of the board quorum determination, which provides the obligatory participation of the independent directors in the board meetings.	Not observed	-
Executive bodies			
39.	Presence of the collegial executive body (managing body) of the joint-stock company.	Not observed	According to the Charter of OJSC "Magnit", CEO is the executive body of the Company. There is no collegial executive body (managing body) in the Company.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
40.	Presence in the charter or internal documents of the joint-stock company of the regulation on the obligatory managing body approval of the transactions with real estate, receipt of credit by the joint-stock company, if the transactions herein do not refer to the major transactions and do not relate to the regular economic activity of the joint-stock company.	Not observed	See clause 39
41.	Availability in the internal documents of the joint-stock company of the coordination procedure of operations which are outside the framework of financial and economic activity of the joint-stock company.	Observed	The procedure of the board resolutions of the Company within its competence is provided by the internal documents of OJSC "Magnit" – the Charter of the Company, the Regulation on the board of OJSC "Magnit".
42.	Absence in the joint-stock company executive bodies of members who are the member, CEO (manager), management board member or the employee of the legal entity which is a competitor to the joint-stock company.	Observed	The OJSC "Magnit" executive bodies do not have among its members a person who is a member, CEO (manager), management board member or the employee of the legal entity which is a competitor to the joint-stock company.
43.	Absence in the joint-stock company executive bodies of members who were found guilty of committing economic crimes and crimes against the government, interests of public service and local authorities, or members which were enforced administrative penalty for entrepreneurial or financial crimes, crimes related to taxes and fees, securities market. If the functions of the sole executive body are exercised by the management organization or the manager – compliance of CEO and management members of the management organization or the manager with the requirements set to CEO and management members of the joint-stock company.	Observed	The company does not hold information about any members of the OJSC "Magnit" executive bodies found guilty of committing economic crimes and crimes against the government, interests of public service and local authorities, or members were enforced administrative penalty for entrepreneurial or financial crimes, crimes related to taxes and fees, securities market.
44.	Presence in the charter or internal documents of the joint-stock company of the prohibition for the management organization (the manager) to exercise similar functions in the competing company, and to be involved in any other property relations with the joint-stock company, except for providing services to the management organization (the manager).	Not observed	No management organization (manager).

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
45.	Availability in the internal documents of the joint-stock company of the duty of the executive bodies to avoid any actions that will lead or potentially may lead to the conflict between their interests and interests of the joint-stock company, and in case such a conflict arises - the duty to disclose the information about this conflict to the board of directors.	Observed	Paragraphs 16.1. – 16.2. of the Charter of OJSC “Magnit”. Article 6 of the Regulation on the sole executive body of OJSC “Magnit”.
46.	Presence in the charter or internal documents of the joint-stock company of the selection criteria for the management organization (manager).	Not observed	See clause 44
47.	Reporting by the executive bodies on their activity to the board on a monthly basis.	Not observed	According to the article 69 of the Federal Law “On the joint-stock companies”, the executive bodies of the joint-stock company are accountable to the board of directors, therefore the right of the management board members to get the information about the operation and activity of the executive bodies is essential and does not require any special prescription.
48.	Determination in contracts and agreements entered into by the joint-stock company with CEO (management organization, manager) and management board members of the responsibility for breach and violation of regulations on confidentiality and insider information.	Observed	-
The secretary of the company			
49.	Presence in the joint-stock company of the special official (the secretary of the company), whose duty is to provide the compliance of the bodies and officials of the joint-stock company with the procedural requirements which ensure the exercise of rights and legal interests of the joint-stock company.	Not observed	-
50.	Availability in the charter or internal documents of the joint-stock company of the procedure of appointment (election) of the company’s secretary and assignment duties to the secretary of the company.	Not observed	-
51.	Availability in the charter of the joint-stock company of the requirements to the candidates for the secretary position of the company.	Not Observed	-

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
Substantial corporate actions			
52.	Presence in the charter or internal documents of the joint-stock company of the requirement on major transactions approval.	Not observed	-
53.	The obligatory involvement of the independent appraiser for the assessment of the subject of the major transaction.	Not observed	-
54.	Presence in the charter of the joint-stock company of the prohibition on any actions within the acquisitions (mergers) of the major share stake of the joint-stock company, aimed at the interests protection of the executive bodies (members of such bodies) and members of the joint-stock company board of directors, and deteriorating the position of the shareholders as compared to the present (particularly, prohibition on the decision of the board to issue additional shares, securities convertible into shares or securities providing the right for acquisition of company's shares, before the end of the presumptive date of shares acquisition, even if the right to make such a decision is provided by the Charter).	Since 01.07.2006 the prohibition on realization of any of such actions by the company management authorities is determined by the article 84.6 of the Federal Law "On joint-stock companies", which makes the inclusion of such regulations in the Charter unreasonable.	According to the article 84.6 of the Federal Law "On joint-stock companies", after receipt by the open company of optional or obligatory offer, the decisions on the following issues are taken only by the general shareholders' meeting of the open company: - increase of the charter capital of the open company through the offering of the additional shares within the limits of number and categories (types) of the announced shares; - the offering by the open company of the securities, convertible into shares, including the options of the open company; - approval of the transaction or several interrelated transactions on acquisition, alienation or possibility of alienation by the open company of assets, directly or indirectly, with the value of 10 or more percents of the balance sheet value of the open company, determined on the basis of its accounting report for the last reporting date, if only such transactions are not made in the process of the ordinary economic activity of the open company or were not made before the open company receives optional or obligatory offer, and if the open company receives the optional or obligatory offer to acquire the publicly traded securities, prior to the information disclosure on the delivery of the corresponding offer to the open company; - approval of the related party transactions;

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
			- acquisition by the open company of the allocated shares in cases provided by the present Federal Law; - increase of the remuneration to the persons occupying the positions in the management bodies of the open company, determination of conditions of cessation of their authorities, including determination of increase of the compensations paid out to these persons in case of cessation of their authorities.
55.	Availability in the charter of the joint-stock company of the requirement on obligatory involvement of the independent appraiser for the assessment of the current market price of the shares and possible changes of their market price in the result of a merger.	Not observed	-
56.	Absence in the joint-stock company charter of the acquirer's release from the obligation to offer the shareholders selling the ordinary shares of the company, owned by them, (securities convertible into ordinary shares) within a merger.	Observed	Paragraph 8.7 of the Charter of OJSC "Magnit".
57.	Presence in the joint-stock company charter or internal documents of the requirement on obligatory involvement of the independent appraiser for the assessment of shares' conversion ratio within reorganization.	Not observed	-
Information disclosure			
58.	Availability of the internal document ratified by the board of directors, stipulating the rules and approaches of the joint-stock company to information disclosure (Regulations on information policy).	Observed	The Regulation on the information policy of OJSC "Magnit" is ratified by the resolution of the board of directors of OJSC "Magnit" on March 31, 2009, minutes of meeting w/o N of March 31, 2009.
59.	Availability in the internal documents of the joint-stock company of the requirement to disclose the information on the shares offering, on persons who intend to acquire the offered shares, including the major share stake, and on whether the senior officials of the joint-stock company will take part in acquisition of the shares offered by the company.	Not observed	Information disclosure is carried out in accordance with the requirements of the actual legislation of Russian Federation.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
60.	Availability in the joint-stock company internal documents of the list of information, documents and materials which should be provided to the shareholders for consideration of the questions submitted to the general shareholders' meeting.	Observed	Paragraph 13.11 of the Charter of OJSC "Magnit". Articles 26-27 of the Regulation on the general shareholders' meeting of OJSC "Magnit". Paragraphs 5.6-5.12 article 5 of Regulation on the OJSC "Magnit" information policy.
61.	Availability of the website of the joint-stock company and regular disclosure of the information about the joint-stock company on its website.	Observed	http://www.magnit-info.ru
62.	Availability in the internal documents of the joint-stock company of the requirement to disclose information about the transactions of the joint-stock company with persons referred to the top officials of the joint-stock company by the charter , and about transactions of joint-stock company with organizations in which 20 or more percents of the charter capital of the joint-stock company directly or indirectly are owned by the top officials of the joint-stock company, or organizations, which can be otherwise considerably influenced by the persons hereof.	Not observed	Information disclosure is carried out in accordance with the requirements of the actual legislation of Russian Federation.
63.	Availability in the internal documents of the joint-stock company of the requirement to disclose the information about all the transactions which may affect the market value of the shares of the joint-stock company	Observed	Information disclosure is carried out in accordance with the requirements of the actual legislation of Russian Federation Paragraphs 3.3 article 3, paragraphs 4.8-4.9 article 4 of the Regulation on the OJSC "Magnit" information policy.
64.	Availability of the internal document ratified by the board of directors on the use of material information on the activity of the joint-stock company, shares and other securities of the company and transactions with them, which is not public and the disclosure of which can considerably affect the market value of shares and other securities of the joint-stock company.	Observed	The Regulation on the information policy of OJSC "Magnit" (is ratified by the resolution of the board of directors of OJSC "Magnit" on March 31, 2009, minutes of meeting w/o N of March 31, 2009).

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
Control over financial and economic activity			
65.	Availability of procedures of the internal control over the financial and economic activity of the joint-stock company, ratified by the board of directors.	Observed	Regulation on the internal control over financial and economic activity of OJSC "Magnit" as amended is ratified by the resolution of the OJSC "Magnit" board of directors on December 24, 2007, minutes w/o N as of December 24, 2007.
66.	Presence of a special department of the joint-stock company regulating the compliance with the procedures of the internal control (supervision and auditing department)	Observed	Internal audit department is established in the Company. The document assigning the functions to the service – Regulation on the internal control over financial and any economic activity of OJSC "Magnit".
67.	Availability in the internal documents of the joint-stock company of the requirement for the board to determine the structure and members of supervision and auditing department of the joint-stock company	Observed	Paragraph 3 article 3 of the Regulation on the internal control over financial and economic activity of OJSC "Magnit".
68.	Absence in the revision and auditing department of members who were found guilty of committing economic crimes and crimes against the government, interests of public service and local authorities, or members which were enforced administrative penalty for entrepreneurial or financial crimes, crimes related to taxes and fees, securities market	Observed	The company does not hold information about any members of the OJSC "Magnit" revision and auditing department found guilty of committing economic crimes and crimes against the government, interests of public service and local authorities, or members were enforced administrative penalty for entrepreneurial or financial crimes, crimes related to taxes and fees, securities market.
69.	Absence in the revision and auditing department of members who are the member of the executive body of the joint-stock company or who are the members, CEO (manager), management member or the employee of the legal entity which is a competitor to the joint-stock company.	Observed	-
70.	Availability in the internal documents of the joint-stock company of the date of submitting the documents and materials for assessment of the realized financial and economic activity to the revision and auditing department, and responsibility of the officials and employees of the joint-stock company for not submitting them in time.	Not observed	-

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
71.	Availability in the joint-stock company internal documents of the obligation of the revision and auditing department to inform the audit committee of the detected breaches, and in case of absence of the audit committee – to inform the board of directors of the joint-stock company.	Observed	Paragraph 3 article 2 of the Regulation on the internal control over financial and economic activity of OJSC “Magnit”.
72.	Presence in the internal documents of the joint-stock company of the requirement on preliminary assessment by the revision and auditing department of operations not provided by the economic and financial plan of the joint-stock company (irregular operations).	Not observed	-
73.	Availability in the joint-stock company internal documents of the approval procedure for irregular operation with the board.	Not observed	-
74.	Availability of the internal document ratified by the board, which determines the procedure of the revision commission’s inspection of the financial and economic activity of the joint-stock company.	Observed	Regulation on the revision commission of OJSC “Magnit” is ratified by the annual general shareholders’ meeting of OJSC “Magnit” on April 8, 2006, minutes of meeting w/o N of 12 April, 2006.
75.	The assessment by the audit committee of the auditors’ conclusion before its submission to the shareholders at the general shareholders’ meeting.	Observed	Paragraph 6.7. article 6 of the Regulation on the committees of the board of OJSC “Magnit”.
Dividends			
76.	Availability of the internal document ratified by the board of directors, which regulates the board in adoption of recommendations on the amount of dividends (Regulations on dividend policy).	Observed	Regulation on the dividend policy of OJSC “Magnit” is ratified by the resolution of the board of OJSC “Magnit” on April 12, 2006, minutes w/o N as of April 12, 2006.
77.	Availability in the Regulation on dividend policy of the procedure of determination of the minimum share of net profit of the joint-stock company for dividend payment, and conditions under which the dividends on privileged shares are not paid out or paid out partially, the dividend amount on which is set in the charter of the joint-stock company.	Observed	Paragraphs 4-5 article 2 of the Regulation on dividend policy of OJSC “Magnit”. There are no privileged shares in the Company.
78.	Release of the information on dividend policy of the joint-stock company and amendments to it in the periodical, provided by the charter of the joint-stock	Observed	The Regulation on dividend policy of OJSC “Magnit” is posted on the OJSC “Magnit” website.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
	company for release of the announcements on holding of the general shareholders' meeting and placing of the above information on the joint-stock company website.		

17. INFORMATION ON THE AUDITOR AND THE CONSULTANT OF THE COMPANY

Under the resolution of the annual general shareholders' meeting of June 25, 2008 (minutes of 09.07.2008) the auditing firm LLC AF "Faber Lex" was appointed as the Company auditor for RAS for the year 2008.

Choosing the auditing firm the following factors were considered: operation period of the firm, the price of services provided, staff and their qualification.

Information on the Company's Auditor which conducted audit of the Company for the year 2008 according to the Russian Accounting standards:

<i>Full name of the audit organization</i>	Limited Liability Company Auditing firm "Faber Lex"
<i>Short name of the audit organization</i>	LLC AF "Faber Lex"
<i>Address</i>	121/1 Dzerzhinskogo str., Krasnodar, Russia
<i>Phone number (including city code)</i>	7(861) 220-03-20, 221-41-42, 226-41-41, 226-45-22, 226-38-15, 226-44-54
<i>Fax number (including city code)</i>	7(861) 220-03-20
<i>E-mail</i>	faberlex@mail.ru
<i>License number certifying auditing activity</i>	E 003080
<i>Date of issue</i>	27.12.2002
<i>Validation period</i>	until 27.12.2012
<i>Issuing authority</i>	Ministry of Finance of Russian Federation

Information on the Company's Auditor which conducted the audit of the Company report over the year 2008 according to IFRS:

<i>Full name of the audit organization</i>	Close Joint-Stock Company «Deloitte and Touche CIS»
<i>Short name of the audit organization</i>	CJSC «Deloitte and Touche CIS»
<i>Address</i>	building 2, 4/7 Vozdvizhenka str., Moscow, Russia
<i>Phone number (including city code)</i>	+ 7 (495) 787-06-00
<i>Fax number (including city code)</i>	+ 7 (495) 787-06-01
<i>Website</i>	www.deloitte.ru
<i>License number certifying auditing</i>	E 002417

<i>activity</i>	
<i>Date of issue</i>	06.11.2002
<i>Validation period</i>	until 06.11.2012
<i>Issuing authority</i>	Ministry of Finance of Russian Federation

Information on the financial consultant of the Company on the securities market, which signed the securities prospectus registered on 06.03.2006:

<i>Full name of organization</i>	Open Joint-Stock Company «Federal Fund Corporation»
<i>Short name of organization</i>	OJSC «FFC»
<i>Address</i>	25 Ostozhenka str., Moscow, Russia
<i>Phone number (including city code)</i>	+7 (495) 737-86-30
<i>Fax number (including city code)</i>	+7 (495) 737-86-32
<i>Website of the financial consultant to disclose the information about the Issuer under the requirements of the Regulation on information disclosure by the issuer of securities, ratified by FFMS</i>	www.fscorp.ru
<i>License for exercising the activity on securities market</i>	License of the professional participant of the securities market for brokerage activity № 077-06174-100000, License of the professional participant of the securities market for dealer activity № 077-06178-010000
<i>Date of issue</i>	August 29, 2003
<i>Validation period</i>	Non-expiry (for an indefinite term)
<i>Issuing authority</i>	Federal Financial Markets Service

Services provided by the financial consultant:

- Preparation of the draft prospectus according to the information provided by the Company;
- Signing of the prospectus approved by the Company, after adequate verification based on all the documents provided by the Company, according to the written inquiries of the Financial consultant and receipt of the proper written certifications of the Company on reliability, adequacy and completeness of the information contained in the above indicated

document and to be included in the prospectus, except the part, verified by the auditor and/or appraiser;

- Expertise of the documents filed to the registration authority for prospectus registration;
- Signing of documentation, which might be required from the Company for organization of securities floatation with the trade institutors;
- Advice services on securities issue, including information disclosure on the securities market under the regulations of legislation.

ANNEX TO 2008 ANNUAL REPORT OF OJSC "MAGNIT"

ANNEX № 1. Open Joint-Stock Company "Magnit" and its subsidiaries. Independent Auditors' Report. Year ended December 31, 2008.

ANNEX № 2. RAS Accounting report of CJSC "Tander" for the year 2008

CJSC "Tander". Consolidated balance sheet of January 1, 2009

CJSC "Tander". Consolidated profit and loss statement for the year 2008

CJSC "Tander". Consolidated statement of changes in equity for the year 2008

CJSC "Tander". Consolidated cash flow statement

CJSC "Tander". Appendix to the consolidated balance sheet for the year 2008

ANNEX № 3. RAS Accounting report of OJSC "Magnit" for the year 2008

OJSC "Magnit". Consolidated balance sheet of January 1, 2009

OJSC "Magnit". Consolidated profit and loss statement for the year 2008

OJSC "Magnit". Consolidated statement of changes in equity for the year 2008

OJSC "Magnit". Consolidated cash flow statement

OJSC "Magnit". Appendix to the consolidated balance sheet for the year 2008