

Ratified
by the resolution of the Board
of OJSC "Magnit" of April 26, 2010,
minutes of 27.04.2010

2009 ANNUAL REPORT

OPEN JOINT-STOCK COMPANY «MAGNIT»

18 Kolkhoznaya street, Krasnodar, 350072, Russian Federation

Chief Executive Officer

S. Galitskiy

Chief Accountant

I. Sivakova

seal

KRASNODAR 2010

TABLE OF CONTENTS

1. KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS	4
2. MISSION	5
3. CHIEF EXECUTIVE OFFICER'S STATEMENT	6
5. INFORMATION ON THE BOARD MEMBERS	9
6. REPORT OF THE BOARD ON 2009 OPERATIONS	16
7. MAIN 2009 CORPORATE EVENTS	23
8. POSITION OF THE COMPANY IN THE SECTOR	25
9. PRIORITY DIRECTIONS OF THE COMPANY'S OPERATION.....	39
10. PRIORITY DIRECTIONS OF THE COMPANY'S DEVELOPMENT	41
11. INFORMATION ON THE PAID DIVIDENDS	44
12. SECURITIES.....	45
13. TRANSACTIONS, CONSIDERED MAJOR TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT-STOCK COMPANIES", MADE WITHIN THE YEAR 2009.....	51
14. LIST OF 2009 TRANSACTIONS DECLARED AS RELATED-PARTY IN ACCORDANCE WITH THE FEDERAL LAW ON "JOINT-STOCK COMPANIES"	54
15. MAIN RISK FACTORS RELATED TO THE COMPANY OPERATION.....	102
16. INFORMATION ON THE COMPLIANCE WITH THE FFMS CODE OF CORPORATE CONDUCT OF RUSSIAN FEDERATION	131
17. INFORMATION ON THE AUDITOR AND THE CONSULTANT OF THE COMPANY.....	146
ANNEX TO 2009 ANNUAL REPORT OF OJSC "MAGNIT"	148

<i>ANNEX № 1. OJSC "Magnit" and it's subsidiaries financial report prepared according to the International Financial Reporting Standards for the year ended December 31, 2009.</i>	<i>148</i>
<i>ANNEX № 2. RAS Accounting report of CJSC "Tander" for the year 2009</i>	<i>148</i>
<i>ANNEX № 3. RAS Accounting report of OJSC "Magnit" for the year 2009</i>	<i>148</i>

1. KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS¹

<i>Number of opened stores, NET</i>	646
<i>Total number of stores</i>	3,228
<i>Selling space, sq. m.</i>	1,059,867
<i>Number of customers</i>	1,013.44
<i>Net sales, million RUR</i>	169,860.97
<i>Net sales, million USD²</i>	5,354.49
<i>Gross profit, million RUR</i>	39,884.61
<i>Gross profit, million USD</i>	1,257.27
<i>Gross margin, %</i>	23.5%
<i>EBITDAR³, million RUR</i>	20,017.98
<i>EBITDAR, million USD</i>	631.02
<i>EBITDAR margin, %</i>	11.8 %
<i>EBITDA, million RUR</i>	16,162.55
<i>EBITDA, million USD</i>	509.49
<i>EBITDA margin, %</i>	9.5%
<i>EBIT, million RUR</i>	12,892.41
<i>EBIT, million USD</i>	406.40
<i>EBIT margin, %</i>	7.6%
<i>Net profit, million RUR</i>	8,728.77
<i>Net profit, million USD</i>	275.15
<i>Net profit margin, %</i>	5.1%
<i>Capitalization as of 31.12.2009, million RUR⁴</i>	159,945.14
<i>Capitalization as of 31.12.2009, million USD</i>	5,041.91

¹ Audited financial statements prepared in compliance with IFRS

² Figures in dollar terms are based on the average exchange rate for 2009 of 31.7231 RUR per 1 US\$

³ Management accounts

⁴ RTS (88,975,073 ordinary shares, admitted to trading, × 1797.63991 rubles market value as of 31.12.2009)

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



«Results of the Company's operations in 2009 may be estimated as positive. We achieved good EBITDA margin and net profit results. Record number of openings of convenience stores supported the course of the Company at active expansion. Autumn offering of shares on the London Stock Exchange enabled to end the year with extremely low net debt to EBITDA ratio.

But life is going forward. We will once again have to prove that our achievements are not coincidental. We are reviewing the results but all our thoughts are of the future.

2010 expansion plan will demand investments within 1 billion dollars from the Company. Quality investing of such an amount anticipates serious efforts for our part. We plan to significantly increase the rate of hypermarket openings significantly and estimate to end the current year with 55-60 operating outlets of such format. We pay great significance to accumulation of the land plots for future hypermarkets which will enable us not only not to reduce but to significantly increase the number of openings in the nearest few years.

Focus on the hypermarket format expansion is not the sign of detraction to convenience stores. We plan to spend substantial funds not only to open not less than 500 such outlets but to buy a lot of land plots, construct new stores and buy out leased premises.

Investments in traffic on competitive markets will become one of the Company's main focuses in 2010.

Reduction of logistics costs, improvement of purchasing conditions and everyday work to enhance the internal business processes are strategic directions of the Company's operations.

Construction and launching of new distribution centers and increase of the number of owned vehicles to more than two thousand this year will allow us to intensify deliveries to stores through in-house logistics system in the nearest time.»

Chief executive officer of OJSC "Magnit"
S. Galitsky

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. On March 31, 2009 the Board of directors (minutes of 31.03.2009) has adopted a decision on prolongation of the chief executive officer's authorities for the new period.

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: **40.5442%** (as of 31.12.2009).

Ordinary shares, owned by CEO: **40.5442%** (as of 31.12.2009).

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	02.09.2009	Alienation of securities	1 747 379	Ordinary nominal uncertified shares
2	21.10.2009	Alienation of securities	4 000 000	Ordinary nominal uncertified shares
3	18.12.2009	Acquisition of securities	4 611 525	Ordinary nominal uncertified shares

4	29.12.2009	Acquisition of securities	647 083	Ordinary nominal uncertified shares
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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 2009 amounted to 15,224,830.60 rubles.

5. INFORMATION ON THE BOARD MEMBERS

Dmitriy Chenikov – the Chairman of the Board.

Date of birth: 08.09.1965

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 – 24.06.2008.

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 – 24.02.2009.

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: 15.12.2008 – 01.04.2009

Organization: LLC "Magnit – Nizhniy Novgorod".

Position: *member of the Board.*

Shareholding of the person in the issuer's charter capital: **0.1574%** (as of 31.12.2009).

Ordinary shares owned by the person: **0.1574%** (as of 31.12.2009).

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

No	Date of operation	Operation	Number of shares	Type of shares
1	23.07.2009	Alienation of securities	80,000	Ordinary nominal uncertified shares

Andrey Arutyunyan

Date of birth: **12.01.1969**.

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: **28.06.2002 – 18.04.2006**.

Organization: *CJSC "Tander"*.

Position: *member of the Board*;

2) Period: **01.12.2003 – present day**.

Organization: *OJSC "Magnit"*.

Position: *first Deputy CEO*;

3) Period: **01.04.2004 – 24.06.2008**.

Organization: *OJSC "Magnit"*.

Position: *Chairman of the Board*;

4) Period: **01.10.2004 – 31.06.2009**

Organization: *CJSC "Tander"*.

Position: *Director of Development department*;

5) Period: **30.01.2006 – 01.04.2009**.

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

Position: *Chairman of the Board*;

6) Period: **25.06.2008 – present day**.

Organization: *OJSC "Magnit"*.

Position: *member of the Board*;

7) Period: **13.12.2008 – 24.02.2009**.

Organization: *LLC "Tandem"*.

Position: *member of the Board*.

8) Period: **01.07.2009 – present day**

Organization: *CJSC "Tander"*.

Position: *Deputy chief executive officer in charge of development*.

Shareholding of the person in the issuer's charter capital: **0.2099%** (as of 31.12.2009).

Ordinary shares owned by the person: **0.2099%** (as of 31.12.2009).

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.

Butenko Valeriy Vladimirovich

Date of birth: **25.11.1965**

Education:

higher - in 1988 graduated from Novorossiysk higher engineering sea school - navigator engineer.

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

1) Period: **01.03.2004- 31.07.2009.**

Organization: *CJSC "Tander".*

Position: *Director in charge of .reviser and analytica job.*

2) Period: **09.05.2004- 28.05.2005.**

Organization: *CJSC "Tander".*

Position: *Member of the Board of directors.*

3) Period: **29.05.2005- 31.03.2009.**

Organization: *CJSC "Tander".*

Position: *Member of the Revisory Committee.*

4) Period: **01.04.2004- 24.06.2009.**

Organization: *OJSC "Magnit".*

Position: *Chairman of the Revisory Committee.*

5) Period: **25.06.2009 – present days**

Organization: *OJSC "Magnit".*

Position: *Member of the Board of directors.*

6) Period: **01.08.2009- present days**

Organization: *CJSC "Tander".*

Position: *Deputy chief executive officer in charge of .reviser and analytica job.*

Shareholding of the person in the issuer's charter capital: **0.0809%** (as of 31.12.2009).

Ordinary shares owned by the person: **0.0809%** (as of 31.12.2009).

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 (UK) Ltd.*

Position: *CEO;*

2) Period: **08.04.2006 – 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: **40.5442%** (as of 31.12.2009).

Ordinary shares owned by the person: **40.5442%** (as of 31.12.2009).

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

№	Date of operation	Operation	Number of shares	Type of shares
1	02.09.2009	Alienation of securities	1 747 379	Ordinary nominal uncertified shares
2	21.10.2009	Alienation of securities	4 000 000	Ordinary nominal uncertified shares
3	18.12.2009	Acquisition of securities	4 611 525	Ordinary nominal uncertified shares

4	29.12.2009	Acquisition of securities	647 083	Ordinary nominal uncertified shares
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Alexey Makhnev

Date of birth: 24.05.1976

Education: *higher - in 1998 graduated from Saint Petersburg University of economics and finance - Ph.D. in Economics*

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

1) Period: **07.2004– 11.2006**

Organization: *CJSC "United financial group".*

Position: *vice president, corporate finance department;*

2) Period: **12.2006 – 08.2007**

Organization: *LLC "Deutsche Bank".*

Position: *director, corporate finance governance.*

3) Period: **09.2007– 12.2008;**

Organization: *LLC "Morgan Stanley Bank".*

Position: *vice president, investment banking Department.*

4) Period: **12.2008 – 05.2009;**

Organization: *LLC "Morgan Stanley Bank".*

Position: *executive director, investment banking Department.*

5) Period: **05.2009– present days;**

Organization: *CJSC "VTB Capital".*

Position: *managing director, Head of Consumer sector and Retail direction, investment banking on global markets Department.*

6) Period: **25.06.2009 – present days;**

Organization: *OJSC "Magnit";*

Position: *member of the board of directors.*

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.

Khachatur Pombukhchan

Date of birth: 16.03.1974.

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: **26.07.2004 – 01.03.2006**.
Organization: *OJSC "Mobile TeleSystems"*.
Position: *Director, Office sales and service department*;

2) Period: **05.12.2005 – 01.03.2006**.
Organization: *CJSC "Tander"*.
Position: *Marketing director (part-time)*;

3) Period: **02.03.2006 – 03.05.2008**.
Organization: *CJSC "Tander"*.
Position: *Marketing director*;

4) Period: **29.11.2006 – 26.05.2009**
Organization: *CJSC "Digital Gallery"*.
Position: *member of the Board*;

5) Period: **04.05.2008 – 30.06.2008**
Organization: *CJSC "Tander"*.
Position: *first Deputy CFO*;

6) Period: **19.06.2008 – present day**.
Organization: *LLC "Magnit Finance"*.
Position: *CEO*;

7) Period: **25.06.2008 – present day**.
Organization: *OJSC "Magnit"*.
Position: *member of the Board*;

8) Period: : **01.07.2008 – present day**.
Organization: *CJSC "Tander"*.
Position: *CFO*;

9) Period: **01.07.2008 – present day**.
Organization: *OJSC "Magnit"*.
Position: *CFO*;

10) Period: **15.12.2008 – 01.04.2009**
Organization: *LLC "Magnit – Nizhniy Novgorod"*.
Position: *member of the Board*;

11) Period: **13.12.2008 – 24.02.2009**.
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 2009 upon the resolution of shareholders' meeting of 25.06.2009 (minutes of meeting of 25.06.2009) the Board members were paid remuneration for participation in the board operation in 2008 in the amount of 9,533,132.02 (nine million five hundred thirty three thousand one hundred thirty two) rubles 02 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 2009 OPERATIONS

Within 2009 the Board of directors of OJSC “Magnit” operated in two structures.

The structure of the Board of directors (elected by annual general shareholders’ meeting on June, 25 2008, minutes of July 09,2008):

<i>№</i>	<i>Full name of a member of the board of directors</i>	<i>Date of birth</i>
1	Andrey Aroutunyan	12.01.1969
2	Pierre Bruno Charles Boushut	22.08.1955
3	Westmann Mattias Johan	05.02.1966
4	Sergey Galitsky	14.08.1967
5	Vladimir Gordeychuk	15.08.1961
6	Khachatur Pombukhchan	16.03.1974
7	Dmitry Chenikov	08.09.1965

The structure of the Board of directors (elected by annual general shareholders’ meeting on June, 25 2009, minutes of June, 25 2009):

<i>№</i>	<i>Full name of a member of the board of directors</i>	<i>Date of birth</i>
1.	Andrey Aroutunyan	12.01.1969
2.	Valeriy Butenko	25.11.1965
3.	Westmann Mattias Johan	05.02.1966
4.	Sergey Galitsky	14.08.1967
5.	Alexey Makhnev	24.05.1976
6.	Khachatur Pombukhchan	16.03.1974
7.	Dmitry Chenikov	08.09.1965

The current Board of directors includes four independent directors, they are Valeriy Butenko, Westmann Mattias Johan, Alexey Makhnev, and_ Dmitry Chenikov.

Dmitriy Chenikov was elected a Chairman of the Board of directors by the unanimous resolution at the first Board meeting of 11.08.2009, Valeriy Butenko was appointed a Deputy Chairman and Khachatur Pombukhchan was elected a Secretary of the Board.

The Board of directors of the Company operated under the Law “On joint-stock companies” and the Charter of the Company, Regulations of the Board of directors of OJSC “Magnit”, and Regulations of the Committees of the Board of directors.

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>Full name of a member of the board of directors</i>	<i>Position in the committee</i>
1	Alexey Makhnev	chairman of the committee
2	Andrey Aroutunyan	member of the committee
3	Dmitry Chenikov	member of the committee

Audit Committee of the Board of Directors:

<i>№</i>	<i>Full name of a member of the board of directors</i>	<i>Position in the committee</i>
1	Westmann Mattias Johan	chairman of the committee
2	Valeriy Butenko	member of the committee
3	Khachatur Pombukhchan	member of the committee

During 2009 the Board of directors held 13 meetings and examined 98 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 2009:

<i>Date of meeting</i>	<i>Considered issues</i>
04.02.2009	Suggestions on the issues to be placed on the agenda of the annual shareholders' meeting were viewed
04.02.2009	The nominees for election into the Board of directors were considered and put in the list at the annual shareholders' meeting
04.02.2009	The nominees for the auditor position were considered and put in the list at the annual shareholders' meeting
04.02.2009	The decision to hold an extraordinary general shareholders' meeting was adopted
04.02.2009	The decisions on approval of interested party transactions were adopted.
31.03.2009	The regulations on the information policy of open joint-stock company "Magnit" in new edition was ratified.
31.03.2009	The decision on prolongation of CEO's authorities for the new period was adopted
31.03.2009	The decisions on approval of interested party transactions were adopted.
31.03.2009	The decision on the determination of the price of the transaction the approval of which is included to the agenda of the general shareholders' meeting was adopted.
09.04.2009	The decision on approval of interested party transaction was adopted.
27.04.2009	The decision on convocation of the annual shareholders' meeting was adopted.

27.04.2009	The annual report over 2008 financial year was preliminarily approved and was submitted for consideration of the general shareholders' meeting.
27.04.2009	The recommendations to the general shareholders' meeting on the profit distribution, including the dividend amount on OJSC "Magnit" shares and procedure of it's payment, and losses following the results of 2008 financial year and the 1 st quarter 2009 were approved.
27.04.2009	The decision on the determination of the price of the transaction the approval of which is included to the agenda of the general shareholders' meeting was adopted.
27.04.2009	The regulations on the dividend policy of open joint-stock company "Magnit" was ratified in new edition.
27.04.2009	The amount of the auditor's services payment was determined.
21.05.2009	The nominees for election into the Board of directors were considered and put in the list at the annual shareholders' meeting.
21.05.2009	The decision on approval of interested party transaction was adopted.
22.06.2009	The decisions on approval of interested party transactions were adopted
11.08.2009	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
11.08.2009	The members of the Audit Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected
11.08.2009	The members of the HR and Remuneration Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected
11.08.2009	The head of the internal audit was appointed, the regulations on the financing and operating activities internal control of OJSC "Magnit" was ratified.
11.08.2009	The regulations on information policy of OJSC "Magnit" in new edition was ratified.
11.08.2009	The decisions on approval of interested party transactions were adopted.
11.08.2009	The decision on convocation of the extraordinary shareholders' meeting was adopted.
11.08.2009	The decision on the determination of the price of the transaction the approval of which is included to the agenda of the general shareholders' meeting was adopted.
02.09.2009	The decision to increase charter capital of OJSC "Magnit" by issuing additional shares was adopted
02.09.2009	The decision on additional issue of securities and the prospectus to be represented in FFMS of Russia were ratified
02.09.2009	The decisions on approval of interested party transactions were adopted.
02.09.2009	The decision on the determination of the price of the transaction the approval of which is included to the agenda of the general shareholders' meeting was adopted.
19.10.2009	The decision on the determination of the price of the transaction it's approval related to the additional securities issue were adopted.

29.10.2009	The offering price of ordinary nominal uncertified shares of OJSC "Magnit" of additional issue was determined
29.10.2009	The decisions on the determination of the price of the transaction and approval of a major transaction related to the additional securities issue (the Underwriting Agreement) were adopted.
03.11.2009	The decisions on the determination of the price of the transaction and approval of a major transaction related to the providing of loan to CJSC "Tander" were adopted.
24.11.2009	The decision on approval of interested party transaction was adopted.
23.12.2009	The Regulations on the Bonus Programme and the HR and Remuneration Committee under the CEO of CJSC "Tander" was ratified.
23.12.2009	The decision on issue of securities (exchange bonds of BO-01, BO-02, BO-03, BO-04 series) was adopted.
23.12.2009	The Decisions on issue of securities and Prospectus of securities (exchange bonds of BO-01, BO-02, BO-03, BO-04 series) were ratified.
23.12.2009	The decision on approval of major transaction (several associated transactions) on issue by public offering of exchange bonds of BO-01, BO-02, BO-03, BO-04 series.
23.12.2009	The additional agreement to the labour contract with the person in the position of sole executive body of OJSC "Magnit" was ratified.

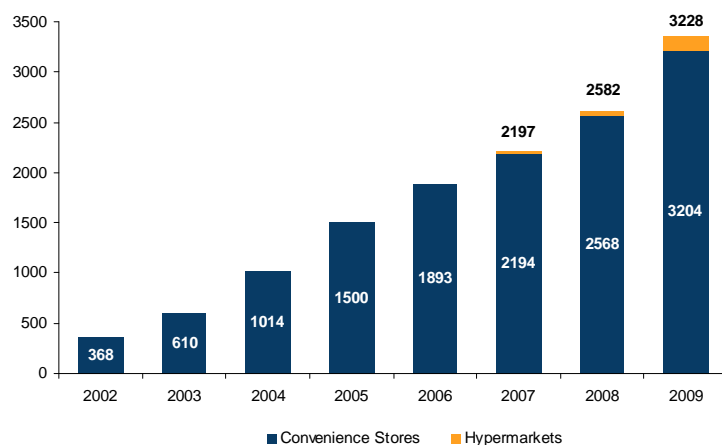
Besides, within the reporting period the issues relating to the determination position of the OJSC "Magnit" on the realization of the voting rights on the Company's stocks and shares of the other organizations (economic companies) were examined by the Board of directors of OJSC "Magnit" in accordance 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 the voting rights on the Company's owned shares of CJSC "Tander", share in LLC "Magnit Finance", LLC "Magnit - Nizhny Novgorod", and "AgroTorg" were held in February, March, April, May, June, August, November, and December of the year 2009.

The Company's management achieved the following results in 2009:

1. Net sales of the Company increased by 27.79% from 132,921.22 million rubles in 2008 to 169,860.97 million rubles in 2009. Revenue growth in dollar terms amounted to 0.12%: from US\$ 5,347.81 million to US\$ 5,354.49 million due to significant change of US\$ exchange rate⁵.

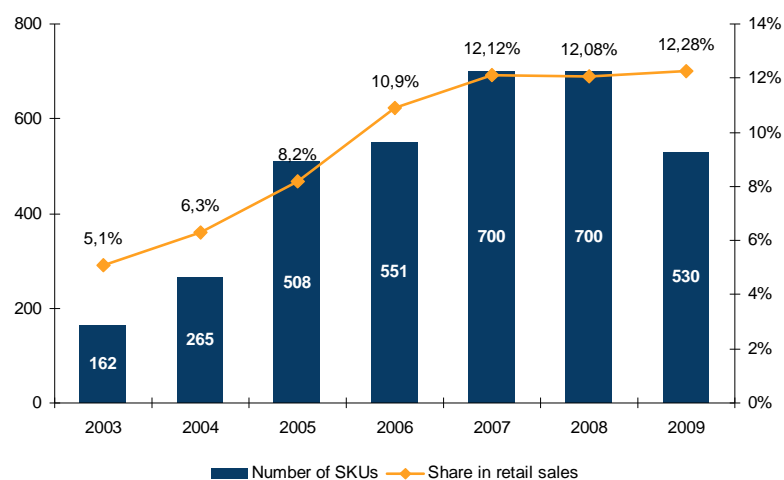
2. Number of the Company's stores increased from 2,568 "convenience stores" and 14 hypermarkets in 2008 to 3,204 and 24 correspondingly in 2009, total selling space of the stores increased from 823.51 thousand sq. m. to 1,059.87 thousand sq. m.

⁵ Based on the average exchange rate for 2009 of 31.7231 RUR per 1 US\$, 2008 – 24.8553 RUR per 1 US\$.



3. Number of customers increased by 17.80% from 860.34 million in 2008 to 1,013.44 million in 2009.

4. Share of sales of private label products in 2009 increased insignificantly to 12.28% while the number of private label SKUs reduced from 700 in 2008 to 530 in 2009. The Company plans to further increase the share of sales of the private label products firstly by expanding the offer of these products in “Magnit” hypermarkets mainly in the non-food segment.



5. In 2009 the Company opened a distribution center in Togliatti (previously there operated a leased distribution center). Launch of the new distribution center improved the quality of service in the Volga region. Total space of 9 distribution centers as of December 31, 2009 amounted to 185,537 thousand sq. m.

6. During the reporting year the fleet of the Company’s vehicles increased by 288 trucks, total number of vehicles amounted to 1,453 which resulted in the considerable reduction of transportation costs.

7. In 2009 the Company increased the share of products processed via its distribution centers to 78% which is also one of the gross margin drivers.

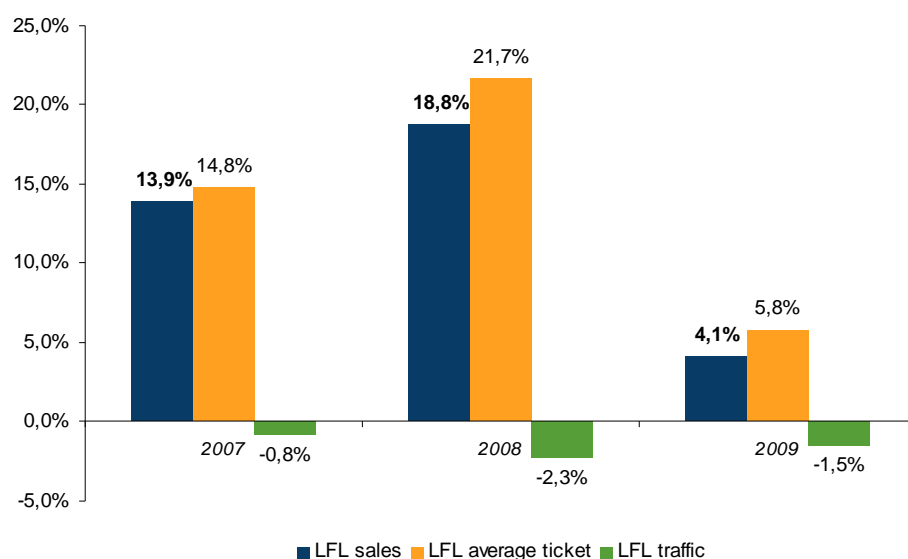
8. The Company was actively working with its personnel increasing their loyalty and developing corporate culture. In 2009 average weighted number of the Company’s employees

amounted to 75,745 out of which 58,606 are in-store personnel; 10,638 people are engaged in distribution; 4,419 people - in regional branches and 2,082 are employees of the head office. Average salary in the Company in 2009 amounted to 123,714 rubles.

The regulations on the Bonus programme and the HR Committee under the chief executive officer of CJSC "Tander" ratified by the Board of directors on December 23, 2009 is aimed to additional motivation of its key personnel providing high growth rates of the Company. Maximum value of the program for 2009 can amount to 147,357 shares of the Company (number of securities with the total value as of the date of the decision of not more than 7% of the net profit of the Company for 2008 in accordance with IFRS. Realization of the current stage of the program will be completed in 2011. Participants of this program can include employees who have been working for the Company for not less than 8 years including at least 2 years in executive positions starting from the head of department as well as key employees who deliver high growth rates of the Company.

9. In 2009 the Company continued to work with its customers and to develop its marketing program. However the reduction of the disposable income affected LFL sales, average ticket and traffic results.

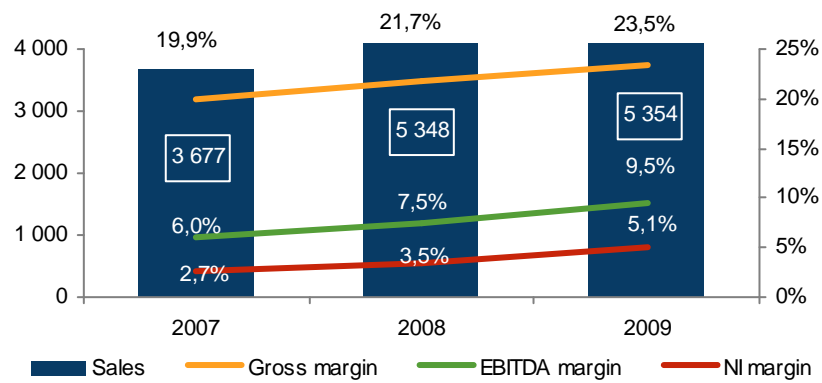
4.1% LFL revenue growth of 2009 vs. 2008 in ruble terms was driven principally by 5.8% average ticket growth, while traffic remained negative and amounted to minus 1.5%.



Gross margin improved from 21.7% in 2008 to 23.5% in 2009. Gross profit in rubles increased by 38.39% from 28,820.57 million RUR (US\$ 1,159.54 million) to 39,884.61 million RUR (US\$ 1,257.27 million).

EBITDA increased by 61.89% from 9,983.50 million RUR (US\$ 401.67 million) in 2008 to 16,162.55 million RUR (US\$ 509.49 million) in 2009. Net debt/EBITDA ratio for 2009 amounted to 0.09.

2009 net income increased by 86.88% and amounted to 8,728.77 million RUR (US\$ 275.15 million) vs. 4,670.69 million RUR (US\$ 187.92 million) in 2008.



US\$ million

On the whole, the Board of Directors of the Company considers the achieved financial and economic results positive and complying with 2009 target plans.

Following the results of the conducted work the Board of the Company's directors recommends the annual general shareholders' meeting to approve the activity of the Company's management bodies during 2009 and to ratify 2009 annual report submitted for the meeting agenda.

7. MAIN 2009 CORPORATE EVENTS

January	The decisions on approval of related party transactions are adopted by the extraordinary shareholders' meeting.
March	The Regulations on the information policy of OJSC "Magnit" is ratified.
	CJSC "Tander" regional branch is established in Perm of the Perm region.
	The Board of directors made a a decision on prolongation of the authorities of Chief executive officer of OJSC "Magnit".
April	The Regulations on the dividend policy of OJSC "Magnit" is ratified in the new edition.
	The decisions on approval of related party transactions are adopted by the extraordinary shareholders' meeting.
June	The new membership of the OJSC "Magnit" Board of directors including four independent directors is formed by the annual general shareholders' meeting.
	The decision to pay dividends following the results of 2008 financial year and the 1Q 2009 is adopted by the annual general shareholders' meeting.
	The decision on prolongation of CJSC "Tander" CEO's authorities is adopted.
July	Shares of OJSC "Magnit" are transferred to the quotation list "A" level 2 of OJSC "RTS".
August	The Board of directors forms the committees of the Board appoints the chairman, deputy chairman and secretary of the Board of Directors.
	Shares of OJSC "Magnit" are transferred to the quotation list "A" level 2 of CJSC "MICEX Stock Exchange".
	CJSC "Tander" regional branch is established in Kirov of Kirovsk region.
September	Board of directors made a decision to increase the charter capital of OJSC "Magnit" by means of offering of additional ordinary nominal uncertified shares.
October	The offering and floatation outside Russian Federation of OJSC "Magnit" ordinary nominal uncertified shares in the amount of 16,762,946 (sixteen million seven hundred sixty two thousand nine hundred forty six) shares are permitted by Russian FFMS.
	Road-show with OJSC "Magnit" top management is held.
	The Board of directors approves the Underwriting agreement as a major transaction.
	The price of offering of OJSC "Magnit" ordinary nominal uncertified shares of additional issue is determined.
	The decisions on approval of related party transactions are adopted by the extraordinary shareholders' meeting.
November	Notification on the results of additional issue of the OJSC "Magnit" ordinary nominal uncertified shares in the amount of 5 729 413 (five million seven hundred twenty nine thousand four hundred and thirteen) shares is filed to Russian FSFM.

	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.
December	The decision on issue of securities (exchange bonds of БО-01, БО-2, БО-3, БО-4 series) was adopted.
	The charter of OJSC "Magnit" in the new edition is registered on the basis of the decision on increase of the charter capital.
	CJSC "Tander" regional branch is established in Nizhniy Tagil of the Sverdlovsk region.

8. POSITION OF THE COMPANY IN THE SECTOR

RUSSIAN MARKET

The section was prepared with the use of materials of IA Infoline and public sources of Companies.

The retail business was one of the most dynamically growing sectors in Russian economy, which is proved by the growth rates of the turnover of the mass of commodities maintained at twice higher growth rate level than GDP within the years of 2003 - 2008. In 2009 the sector demonstrates the slowdown rates lower than of GDP and industrial production. According to the estimates of Ministry of Economic Development, shortfall of the working capital of trading organizations and tendency to increase inventory turnover inevitably leads to assortment reduction.

In 2009 the retail turnover amounted to 14,516.9 billion rubles which is 94.5% to the level of 2008 in terms of mass of commodities. At that in December 2009 the turnover amounted to 1,518.4 billion rubles or 96.4% growth y-o-y. December traditionally faced the growth of food and non-food consumption as compared to November due to the increase of New Year sales. As a result the retail turnover of food products grew by 22%, while the turnover of non-food products - by 18.5%. However, the turnover growth remained negative relative to December 2008. The food market showed 0.1% decrease in December 2009 vs. December 2008 (in November 2009 the figure was 2.4%). The demand increase in non-food segment was insignificant, and the decrease of retail turnover amounted to 6.9% relative to December 2008 (in November 2009 the figure was 10%). Thus, after the downturn peak the retail turnover faced gradual improvement during the IV quarter in September 2009 due to positive dynamics of real income of the population which increased by 1.9% in 2009, besides it grew by 7.6% in December 2009 as compared to December 2008.

From January to November 2009 decline of the population real income and deterioration in consumer confidence during the economic crisis caused not only the reduction of food and non-food consumption but change of consumption patterns in Russia on the whole (even savings volume increased in bank accounts). The major factors of this change were as follows:

§ growth of food products share in retail turnover and significant reduction in purchases of durable goods (cars, household appliances etc);

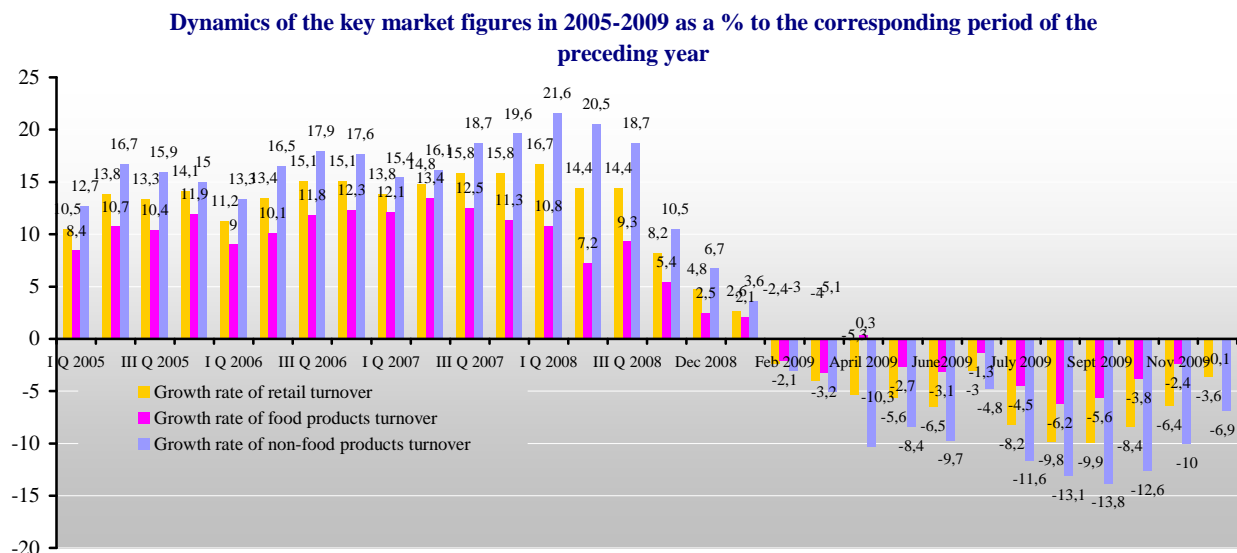
§ decrease of consumer demand due to the rising trend to save and decrease of real income of the population. The reduction of consumer credit, particularly due to the high interest rates, stimulates demand reduction especially for durable goods (cars, furniture, household appliances). At the same time unemployment in the III-IV quarters of 2009 ceased to increase and there was seen a growth of employment;

§ consumers' disappointment in store chains (primarily in small regional retailers) who were unable to provide low prices and their reorientation towards purchasing food products in the markets. Thus, one of the most important trends in retail business development is recognition of price factor and consumer flow from supermarkets to hypermarkets and from hypermarkets to discounters, as well as from stores to markets, as the key motivation for choosing a place for shopping.

Major retail chains switched their store format to discounter by reducing costs, and thus tried to maintain traffic ("Pyaterochka", "Holiday", "Novye togovye sistemi" etc).

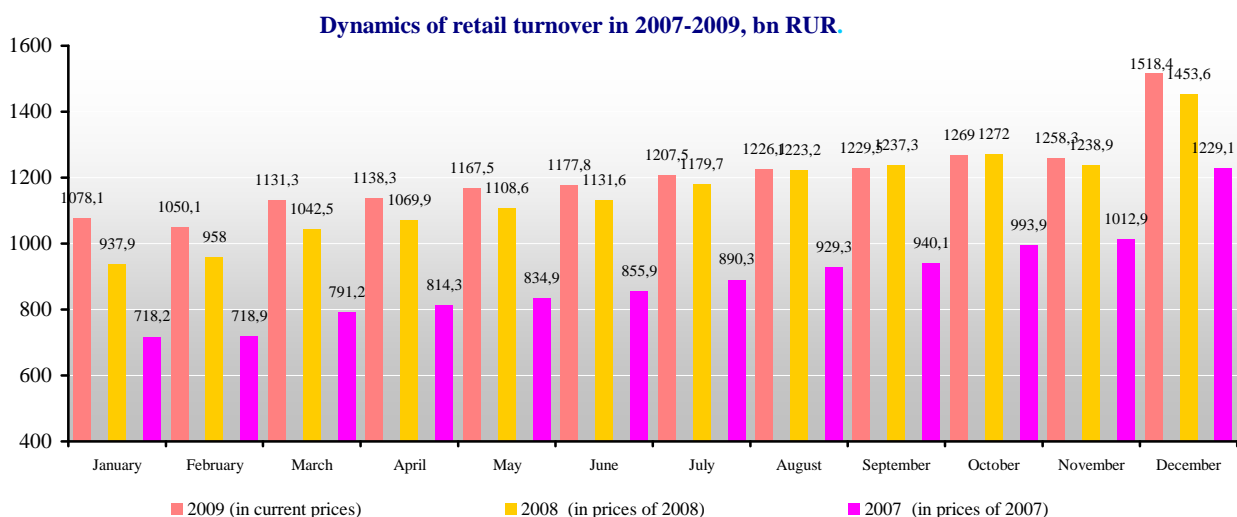
The year of 2009 was marked by strengthening of retailers' competition for decreasing consumer spending, and also by network trading with retail markets within the conditions of

the reduction of consumer spending. It should be noted that while in August 2009 the retail turnover in money terms exceeded the rates of August 2008, in September the turnover decreased by 0.6%. In October the retail turnover in money terms was still lower as compared to 2008, however, the gap was almost completely reduced, and figures of 2009 appeared to be higher starting November.



Source: IA Infoline

At that December faced the increase of non-food consumption, and the retail turnover in absolute terms was higher than in December 2008. Dynamics of the retail turnover in 2007-2009 is represented in the graphical chart.



Source: IA Infoline

Dynamics of retail turnover in 2006-2009

Year	Turnover, billion RUR	As % (1) to the corresponding period of the pervious year
2006	8693.4	113.9
2007	10757.8	115.2

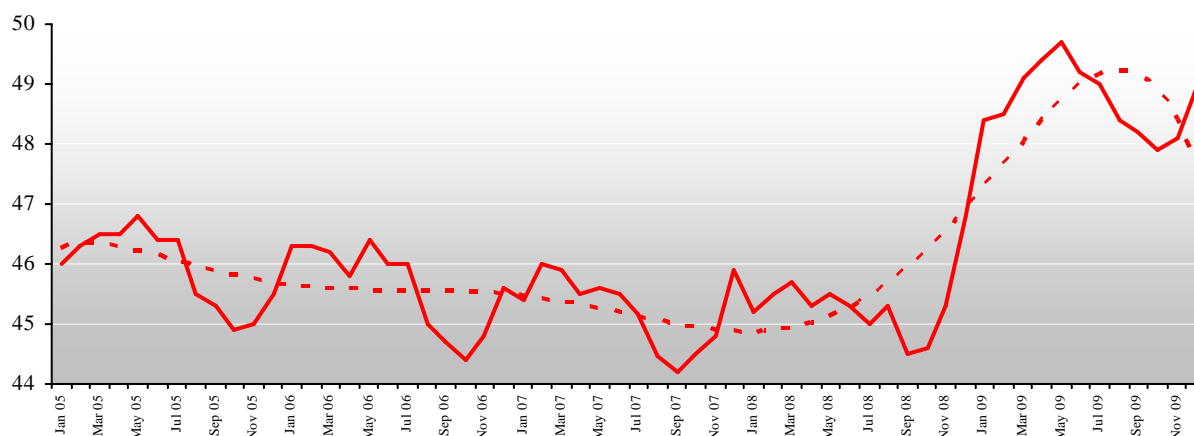
Year	Turnover, billion RUR	As % (1) to the corresponding period of the pervious year
2008	13853.2	113
2009	14516.9	94.5

Source: Federal State Statistics Service

STRUCTURE OF RETAIL TURNOVER BY PRODUCT TYPES

In December 2009 the share of food products in retail turnover in Russia amounted to 48.9% (in December 2008 the figure was 48.0%). Reduction of share of non-food products ceased in the II half of 2009, while the share of food products was decreasing from 49.7% in May till October 2009. However, there was seen a trend brake in November-December, and the share of food products increased again.

Dynamics of food products share in retail turnover in 2005-2009, %



It should be noted that data for 2009 and previous years are not fully comparable, as in 2002-2008 the data on food, including beverages, was provided by Federal State Statistics Service excluding tobacco goods, while in 2009 tobacco goods were included. At the same time, the growth trend of the share of food products was observed in 2009, despite the misrepresentation introduced by statistics service.

Index	Structure of retail turnover in 2002-2009, billion RUR							
	2002	2003	2004	2005	2006	2007	2008	2009
Retail turnover	3765	4529	5642	7038	8690	10866,2	13853,2	12988,5
Food	1754	2092	2578	3216	3945	4884,9	6270,8	7062,4
Non-food	2011	2437	3064	3822	4745	5981,3	7582,4	7454,5
Share of food, %	46,6	46,2	45,7	45,7	45,4	45,0	45,26	48,6
Share of non-food, %	53,4	53,8	54,3	54,3	54,6	55,0	54,73	51,1

Source: Federal State Statistics Service

There were significant changes in the structure of sales of basic goods in 2009. Most important of them were a significant reduction of the cars' share and the increase of the share of petrol, vegetables and potatoes.

¹ Dynamics of retail turnover in the mass of commodities

STRUCTURE OF RETAIL TURNOVER BY TYPES OF TRADING ORGANIZATIONS

In December 2009 the retail turnover was by 86.4% formed by trading organizations and individual entrepreneurs operating outside the market, while the share of retail markets and fairs amounted to 13.6% (vs. 86.8% and 13.2% in December 2008 correspondingly). At that in December 2009 the turnover of trading organizations declined by 3.7%, while the sales in the markets - by 3.6% vs. December 2008. Thus, by the end of the year there was no trend of consumer flow from stores to retail markets due to the intensification of price competition. Generally, the decrease of turnover of trading organizations amounted to 6% and to 2% for markets.

Turnover of trading organizations and markets in 2002-2009, billion RUR

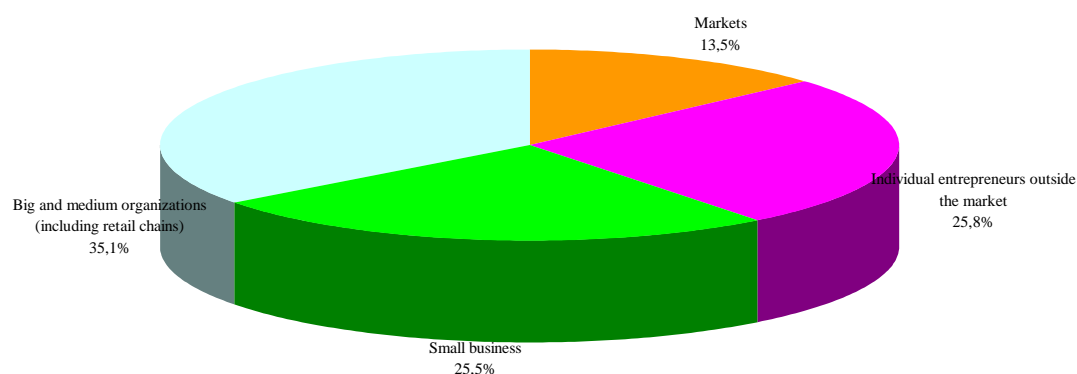
Index	2002	2003	2004	2005	2006	2007	2008	2009
Retail turnover	3765	4529	5642	7038	8690	10866.2	13853.2	14516.9
Turnover of trading organizations	2838.8	3451.1	4420.5	5558.2	6987	9214.5	12015.9	12536.4
Sales of goods on clothes, mixed and food markets	926.2	1077.9	1254.1	1479.8	1703	1651.7	1837.3	1980.5
Share of trading organizations, %	75.4	76.2	77.9	79.0	80.4	84.8	86.7	86.4
Share of markets, %	24.6	23.8	22.1	21.0	19.6	15.2	13.3	13.6

Source: Federal State Statistics Service

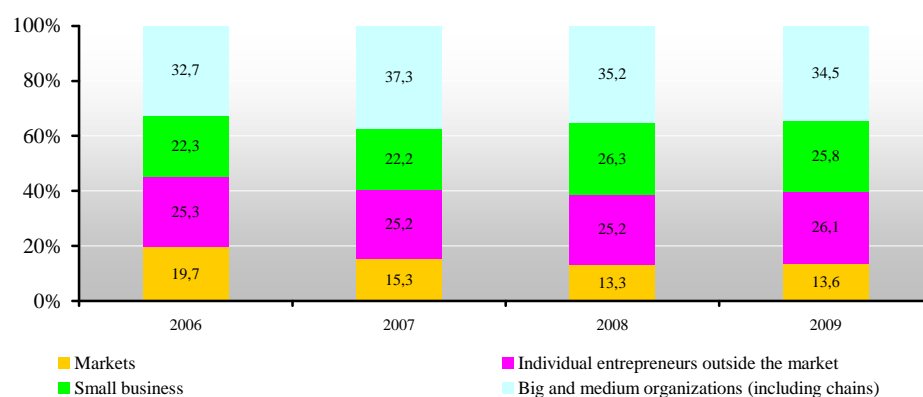
In 2009 the population was purchasing 12.5% of food and 17% of non-food products in the retail markets and fairs.

The share of markets and individual entrepreneurs increased by 0.4 pps and 0.9 pps correspondingly in the structure of the retail turnover by types of organizations. At the same time the share of small business reduced by 0.5 pps, and the share of big and medium organizations reduced by 0.7 pps. Thus traditional retail and small business were hit in a most significant way during the economic crisis. Dynamics of the structure of retail turnover in Russia by types of organizations is represented in the graphical chart.

Structure of retail turnover for 9M 2009, %

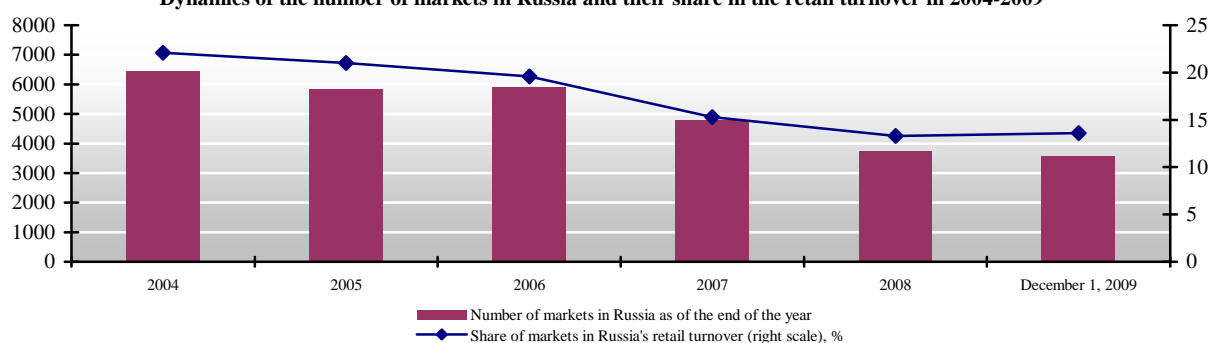


Structure of retail turnover by types of organizations in 2006-2009, %



In 2004–2009 the reduction of markets' share in the retail turnover was accompanied by the reduction of their number (the most intensive reduction had appeared in 2007 and 1Q 2008, after that the situation stabilized) due to their liquidation or conversion into shopping complexes: 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, as of November 1, 2008 – 3.74 thousand, as of January 1, 2009 – 3.73 thousand and as of December 1, 2009 – 3.57 thousand. Compared to December 1, 2008 their number decreased by 155 units generally due to closing or reorganization of universal type markets (their number decreased by 127 units). At the same time the number of agricultural markets increased from 178 to 200 units (within the period of December 2008 - 2009).

Dynamics of the number of markets in Russia and their share in the retail turnover in 2004-2009

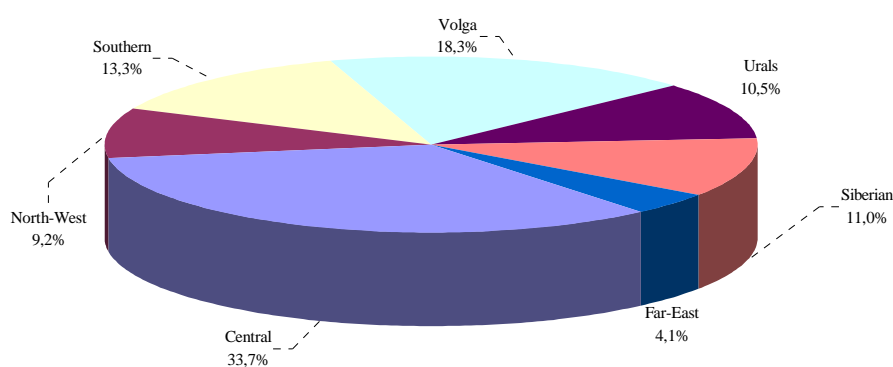


As of December 1, 2009 the number of trading posts amounted to 983.3 thousand, which shows a decrease by 51.1 thousand (by 5%) vs. December 1, 2008. At that as of January 1, 2007 the average market consisted of 204 trading posts, as of January 1, 2008 – 245 posts, as of January 1, 2009 – 277 posts, as of December 1, 2009 – 275.1 posts.

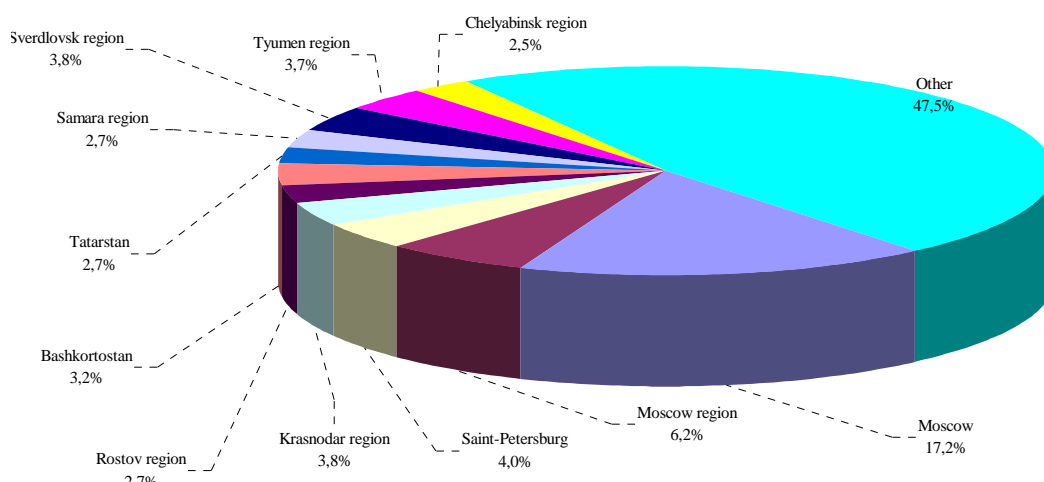
REGIONAL STRUCTURE OF RETAIL TURNOVER

Regional structure of Russian retail turnover is distinct by heterogeneity: 52.5% of retail turnover is constituted by 11 subjects of Russian Federation (Moscow, Moscow region, Saint-Petersburg, Ekaterinburg region, Krasnodar region, Samara region, the Republic of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk and Rostov regions). In 2009 the share of 11 largest regions decreased vs. 53.1% in 2008.

Structure of retail turnover by federal districts of Russian Federation in 2009, %



Structure of retail turnover by subjects of Russian Federation in 2009, %



In 2008 the retail turnover increased in all federal districts and subjects of Russian Federation, however, in 2009 it increased only in 20 out of 83 regions. At the same time the retail turnover declined in 43 regions in December 2009 vs. December 2008, however it was significantly better than in November (in 64 regions), October (in 69 regions) and September (in 71 regions).

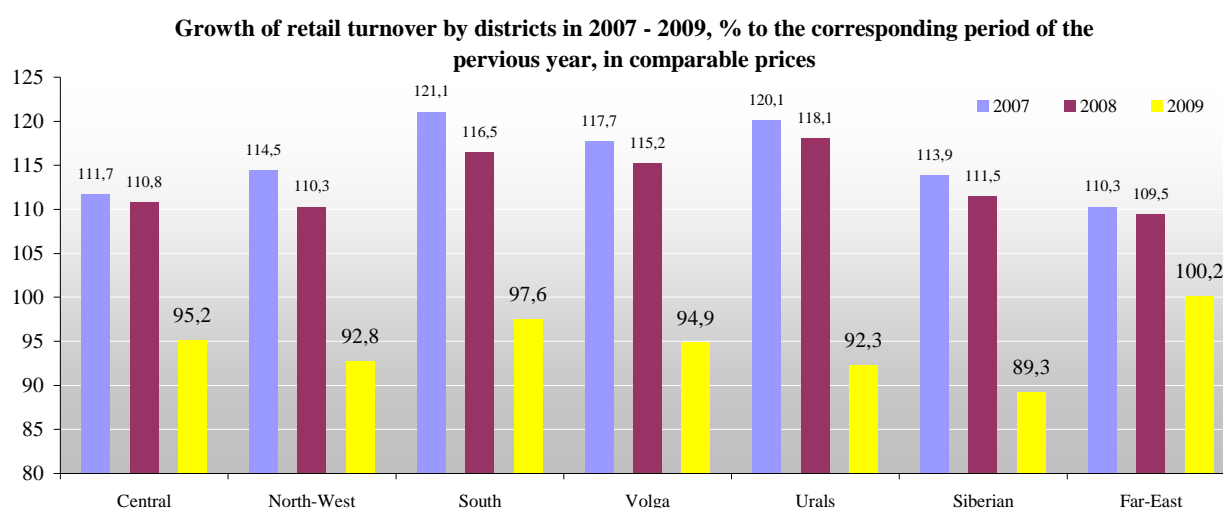
Regional structure of retail turnover of Russian Federation in 2002-2009, %

Region	2002	2003	2004	2005	2006	2007	2008	2009
Central Federal District	40.2	39.2	38.9	37.4	35.9	34.7	33.45	33.67
Moscow	27.3	26.1	24.6	22.9	21.1	19.0	17.08	6.18
Moscow region	4.0	4.3	5.2	5.3	5.7	6.1	6.41	17.24

Region	2002	2003	2004	2005	2006	2007	2008	2009
North-West Federal District	9.3	9.2	9.0	8.9	9.3	9.4	9.21	9.21
Saint-Petersburg	3.7	3.9	3.6	3.5	4.0	4.1	4.08	4.03
Southern Federal District	10.6	10.5	10.7	11.5	11.7	12.3	12.80	13.26
Volga Federal District	16.6	16.6	16.7	17.1	17.4	17.9	18.37	18.33
Urals Federal District	7.9	8.4	8.8	9.3	10.0	10.4	10.83	10.50
Siberian Federal District	11.5	11.6	11.7	11.7	11.6	11.5	11.59	10.96
Far-East Federal District	4.2	4.2	4.2	4.1	4.0	3.9	3.75	4.06

Source: Federal State Statistics Service

At the end of 2009 the most dramatic decline (more than 5%) of the retail turnover among the largest regions (the share in the turnover of Russian Federation more than 1%) was seen in Kemerovo region – by 21.2%, Altai region – by 19.4%, Rostov region – by 15.3%, Tyumen region – by 13.2%, Nizhniy Novgorod region – by 10.0%, Saint-Petersburg – by 9.4%, Omsk region – 9.1%, Samara region – by 9.0%, Irkutsk region – 8.2%, Novosibirsk region – by 7.8%, Moscow region – by 7.7%, Perm region – by 6.2%, Krasnoyarsk region – by 6.3%, Saratov region – by 5.2% and Chelyabinsk region – by 5.1%. The growth among the big regions was shown only in Krasnodar region (by 0.5%), Stavropol region (1%) and the Republic of Dagestan (by 10.6%).



STATE REGULATION OF RETAIL BUSINESS

According to the Federal Law № 381 – FL “On the principles of state regulation of trade activity in the Russian Federation” which came into effect on December 28, 2009, it is strictly prohibited for the food retail chains (with the threshold of dominance on retail market within the boundaries of one region, municipal area or urban district exceeding 25%) to acquire and rent additional selling space within the boundaries of the corresponding political territory. The Law does not apply to agricultural consumer cooperative and organizations of consumer cooperation.

The Law “On the principles of state regulation of trade activity in the Russian Federation” is also designated to regulate cooperation of retail chains and suppliers. The Law № 381 – FL introduced special legal control and assigned a list of terms which cannot be imposed by food suppliers and their buyers (retail chains) upon each other. Specifically, these

terms include: price reduction by suppliers till such level which with the determination of the trade mark-up will not exceed the bottom price for this product sold by economic entities performing corresponding activity; payment for the change in the product assortment; responsibility for a failure to observe obligation on goods supply on more favorable terms than for other economic entities; suppliers fee for the access to the trade objects within one retail chain. Wholesale trade under commission agreement is also prohibited by the Law. Establishment of prohibition on substitution of persons under the product supply agreement through assignment of a claim and liability for noncompliance with this regulation is not allowed. Due payment period for some food products was set. For example, the products with the 10-days expiry period should be paid for within 10 working days from the date of acceptance of goods, for the products with the 30-days expiry period the payment due period is up to 30 calendar days, and for all the rest food products including alcohol drinks – up to 45 calendar days. The Law № 381 – FL came into force on February 1, 2010. The terms of food supply agreements which had been entered into prior to the stated date should be brought into compliance with the law requirements within 180 days starting from the Law effective date.

At the moment there are no sanctions for violation of the Retail Law, and they will be set upon the amendments to the Code of the Russian Federation on Administrative Violations (the amendments are in the process of approval as of March 2010).

MAIN COMPETITORS⁶

The concentration level of the Russian food retail market is quite low – the share of 3 largest players makes up about 8% of the market, which considerably yields to comparable figures in Eastern and Western European countries.

Such a low capital concentration creates conditions for competition intensification among retail chains in the nearest future. Currently competition development is expressed in capturing the extra markets due to the growth of the chain itself including the franchising schemes as well as M&A deals. As a result, the 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 aiming at creation of the largest company in the food retail market in Russia.

As of January 1, 2009 X5 Retail Group was represented in 45 cities of European part of Russia and Ural, also in Ukraine, and operated 1,372 stores with the selling space of 1,063 thousand sq. m. The chain consists of 1,039 "Pyaterochka" stores in the format of a soft discounter, 275 "Perekrestok" supermarkets and 58 "Karusel" hypermarkets. During 2009 the selling space of X5 Retail Group increased by 189 thousand sq. m., including purchase of "Paterson", the number of stores increased by 271 which includes 191 "Pyaterochka" discounters, 68 "Perekrestok" supermarkets, 12 "Karusel" hypermarkets. Within the crisis environment X5 Retail Group introduced the practice of closing inefficient stores: in 2009 5 supermarkets were re-branded in discount stores and 19 stores were closed (3 supermarkets and 16 discounters). As of January 1, 2010 the number of franchise stores amounted to 620 in Russia, including 549 "Pyaterochka" discounters, 52 "Perekrestok-Express" mini-markets and 19 "Paterson" supermarkets.

In general, for the year 2009 consolidated net retail sales (including sales of acquired "Karusel" and "Paterson" chains on the basis of consolidation as of June 30, 2008 and December 1, 2009 correspondingly) amounted to 275,183 million RUR or 8,675 million USD, which shows an increase by 33% in ruble or 4% in dollar terms vs. 2008. Pro-forma net retail sales increased by 25% in ruble terms (including pro-forma sales of acquired "Karusel" chain from January 1, 2008). Results of acquired stores of "Paterson" chain were included only in results of December 2009. Pro-forma net retail sales decreased by 2% in dollar terms due to the negative effect of ruble devaluation. Like-for-like sales increased by 10%, while traffic grew by 5%.

As of January 1, 2010 X5 Retail Group operated 23 distribution centers (in 11 cities) with the total warehousing space of 309 thousand sq. m., and are located in Moscow and Perm regions, Saint-Petersburg, Voronezh, Rostov-on-Don and Kazan.

METRO Cash & Carry

As of February 1, 2010 METRO Cash & Carry operated 52 shopping centers in 35 regions. During January 2010 the number of trading objects in the chain remained unchanged. Four shopping centers were opened in 2009 (Bryansk, Zheleznodorozhnyi, Kirov, Novosibirsk), thus the opening plan was fully implemented. As of January 1, 2010 total selling spaces of the

⁶ Source: IA Infoline, open sources of the Company

Company amounted to 461.3 thousand sq. m., which shows the increase by 31.9 thousand sq. m. from the beginning of 2009.

In 2009 worldwide sales decreased by 3.6% and amounted to 65.5 billion euro.

Auchan

As of February 1, 2010 Auchan operated 38 objects. 24 "Auchan" hypermarkets were opened in 11 regions (12 – in Moscow and Moscow region, 3 – in Saint-Petersburg, 2 – in Rostov-on-Don, 1 in Adygeya, Samara, Krasnodar, Ekaterinburg, Nizhniy Novgorod, Novosibirsk, Omsk). In 2009 3 "Auchan" stores were opened in Moscow, Saint-Petersburg, Omsk, and also one hypermarket's space was increased (Auchan-Marfino in Moscow). Besides, Auchan operates 12 "Auchan-city" mini-hypermarkets (opened after re-branding of "Ramstor" hypermarkets) in Moscow (7 stores), Ekaterinburg (1 stores), Moscow region (2) and St. Petersburg (1). 2 stores of new "Raduga" format were added to the chain in Kaluga and Penza that were opened in December 2009. The total selling space of stores amounted to 386.6 thousand sq. m. Also 2 "Auchan Sad" hypermarkets were opened in 2009. For January 2010 the number of chain objects remained unchanged.

During 2009 5 trading objects were opened, while the selling space almost increased by 47 thousand sq. m.

Dixy

As of February 1, 2010 the total store base of OJSC "Dixy Group" reached 533 (510 "Dixy" discounters, 15 "Megamart" compact hypermarkets, 8 "Minimart" economy supermarkets) and the selling space increased by 188.6 thousand sq. m. In January 2010 retail chain "Dixy" closed 4 stores (2 stores in Moscow, in Saint-Petersburg and Chelyabinsk). Chain stores of OJSC "Dixy Group" operate in 3 federal districts of Russia: Central, North-West and the Urals.

In 2009 sales of "Dixy Group" increased by 12% vs. 2008 and amounted to 54,208 billion RUR. Total sales in dollar terms amounted to 1,708.8 billion USD which is by 12% less than in 2008. Retail sales of "DIXY" stores amounted to 45,121 billion RUR (1,422.3 million USD) which is by 11% in ruble terms higher than in 2008 but 13% less in dollar terms. Retail sales of "Megamart" amounted to 6,324 billion RUR (199.4 million USD), which is by 23.1% higher than in 2008, but 3.5% less in dollar terms. Retail sales of "Minimart" amounted to 2,001 million RUR (63.1 million USD), which is by 12.9% higher than in 2008, but 11.6% less in dollar terms. Retail sales of "VMart" convenience stores amounted to 68 million RUR (2.1 million USD). Within March-April 2009 all 12 "VMart" convenience stores were closed. Revenue from other operations, including marketing, sublease and wholesale amounted to 694 million RUR (21.9 million USD).

Lenta

As of February 1, 2010 "Lenta" operated 36 hypermarkets located in Saint-Petersburg, Nizhniy Novgorod, Novosibirsk, Tyumen, Krasnodar, Volgograd, Velikiy Novgorod, Petrozavodsk, Astrakhan, Togliatti, Naberezhnye Chelny, Barnaul, Penza and Saratov, Omsk and Novorossiysk. The total selling space of the chain amounted to 274.4 thousand sq. m. In April, 2009 2 "Lenta" hypermarkets were opened in Omsk and Novorossiysk.

O'KEY

"O'KEY" Group is a multi-format retail chain consisting of "O'KEY" hypermarkets and "O'KEY - Express" supermarkets.

As of February 1, 2010 "O'KEY" chain operated 46 shopping complexes in the territory of Russia: 14 hypermarkets and 13 supermarkets are located in Saint-Petersburg and Leningrad region, 1 hypermarket is in Moscow, 1 hypermarket and 1 supermarket are in Moscow region, 2 hypermarkets are in Murmansk, 2 hypermarkets are in Krasnodar, 2 hypermarkets are in Rostov-on-Don, 1 hypermarket and 3 supermarkets are in Volgograd, 1 hypermarket is in Togliatti, Stavropol, Nizhniy Novgorod, 2 hypermarkets and 1 supermarket are located in Krasnoyarsk. As of February 1, 2010 the total selling space of "O'KEY" chain approximately amounted to 233 thousand sq. m. Besides, "O'KEY" Group owns shopping and entertainment center "Podsolnukh" in Saint-Petersburg. Generally, the Company opened 5 "O'KEY" hypermarkets (in Saint-Petersburg, Stavropol, Noginsk, Krasnoyarsk and Moscow) and 4 "O'KEY - Express" supermarkets (Lobnya town, Moscow region, Saint-Petersburg, Krasnoyarsk, Volzhsk) in 2009. During the year the total selling space increased by 40 thousand sq. m.

Number of stores of the largest FMCG retailers in 2005-2009, eop.

Legal name	Brand	Main formats	2005	2006	2007	2008	2009
X5 Retail Group N.V.	Pyaterochka	Convenience store	326	451	674	848	1039
	Perekrestok	Supermarket	120	168	194	207	275
	Karusel	Hypermarket	6	19	22	46	58
"Magnit", OJSC	Magnit	Convenience store	1501	1892	2194	2565	3204
	Magnit Hypermarket	Hypermarket	0	0	3	14	24
"Auchan", company limited	Auchan, Auchan-City	Hypermarket	7	14	18	33	38
"METRO Cash and Carry", company limited	Metro Cash&Carry	Hypermarket	22	31	39	48	52
"Lenta", company limited	Lenta	Hypermarket	9	14	26	34	36
"O'key", company limited	O'key, O'key-express	Hypermarket, supermarket	6	13	24	37	46
"Dixy-group", OJSC (DISCOUNTcenter, CJSC)	Megamart, Minimart, Dixy	Discounter, supermarket, hypermarket	211	326	388	493	537

Total selling space of FMCG retailers in Russia in 2005-2009, eop, thousand sq. m.

Legal name	Brand	Main formats	2005	2006	2007	2008	2009
X5 Retail Group N.V. ⁽²⁾	Pyaterochka	Convenience store	196.3	257.4	357.5	419.2	493.0
	Perekrestok	Supermarket	140.7	208.7	251.7	222.4	284.4
	Karusel	Hypermarket	34.4	109.0	126.0	232.5	285.6
"Magnit", OJSC	Magnit	Convenience store	381.0	522.9	640.1	767.1	977.2
"Magnit", OJSC	Magnit Hypermarket	Hypermarket	0.0	0.0	11.6	56.4	82.7
"Auchan", company limited	Auchan, Auchan-City	Hypermarket	108.7	198.1	250.6	340.1	386.6
"METRO Cash and Carry", company limited	Metro Cash&Carry	Hypermarket	199.4	263.8	358.2	429.4	465.3
"Lenta", company limited	Lenta	Hypermarket	77.0	119.7	177.0	232.7	247.4
"O'key", company limited	O'key, O'key-express	Hypermarket, supermarket	50.3	90.8	149.2	191.7	232.7
"Dixy-group", OJSC (DISCOUNTcenter, CJSC)	Megamart, Minimart, Dixy	Discounter, supermarket, hypermarket	75.4	129.9	151.0	190.9	206.0

Dynamics of net sales (excluding VAT) of the largest FMCG retailers in 2005-2009, billion RUR

Legal name	Brand	Main formats	Data	2005	2006	2007	2008	2009
X5 Retail Group N.V.	Pyaterochka	Convenience store	IFRS	38.32	53.63	75.38	110.95	148.35
	Perekrestok	Supermarket	IFRS	28.72	40.66	49.75	67.15	73.19
	Karusel	Hypermarket	IFRS	2.39	9.8	31.16	41.71	53.55
"Magnit", OJSC	Magnit	Discounter, hypermarket	IFRS	44.53	68.1	94.04	132.4	169.6
"Auchan", company limited	Auchan, Auchan-City	Hypermarket	RAS	42.37	54.36	90.6	128.1	-
"METRO Cash and Carry", company limited	Metro Cash&Carry	Hypermarket	IFRS	51	78.63	86.97	111.2	-
"O'key", company limited	O'key, O'key-express	Hypermarket, supermarket	IFRS	10.9	16.63	30.533	51.14	-

Legal name	Brand	Main formats	Data	2005	2006	2007	2008	2009
<i>"Lenta", company limited</i>	Lenta	Hypermarket	IFRS	16	24.06	32.9	50.8	-
<i>"Dixy-group", OJSC (DISCOUNTcenter, CJSC)</i>	Dixy	Discounter	IFRS	20.07	27.12	32.25	40.654	45.121
	Megamart	hypermarket	IFRS	-	-	3.2	5	6.324
	Minimart	supermarket,	IFRS	-	-	1.2	2	2.001
	V-mart	Convenience store	IFRS	-	-	0	0.241	0.068

(2) In 2005-2007 data for the chain "Perekrestok" reflects figures of supermarkets and hypermarkets. Following the results of 2008 the hypermarkets of "Perekrestok" and "Karusel" are united in the line "hypermarket"

COMPETITIVE ADVANTAGES OF "MAGNIT" CHAIN

Multi-format business

Implementation of the strategic decision to develop the additional format of hypermarket allows the Group to conduct more profound segmentation of the existing markets and to consider the population with different income level as the potential customers while simultaneously achieving high efficiency of turnover per store and the average ticket as well as fast rates of business growth. Moreover, the pricing policy of the Group allows it to compete with open-air markets with the focus on customers with income below the average.

Strong regional coverage

The group of "Magnit" companies has considerable experience of operation in the regions: in 2002 – 2009 the impressive growth of the Group turnover was a result of its expansion into the cities with a population of less than 500 thousand people. In the nearest future the regions are expected to face the growth of consumer demand, what creates the favorable conditions for medium-term operation dynamics of the Group.

The largest chain in the Russian Federation in terms of stores number

In terms of stores number "Magnit" chain takes the first place in Russia which positively effects cooperation with the largest food and beverages producers promoting their products on the regional markets. First of all it is seen in favorable purchasing terms and corresponding profitability improvement.

Recognized brand

According to the independent expert research, IGD in particular, Russian customers pay significant attention to the brand when purchasing non-food and food items. Moreover, loyalty of Russian customer to one or another brand is higher vs. European citizens, which makes Russian customers less sensitive to the increase of product prices. Therefore, large store chain under "Magnit" brand allows the Group to strengthen its positions in the market of presence.

Effective logistics system

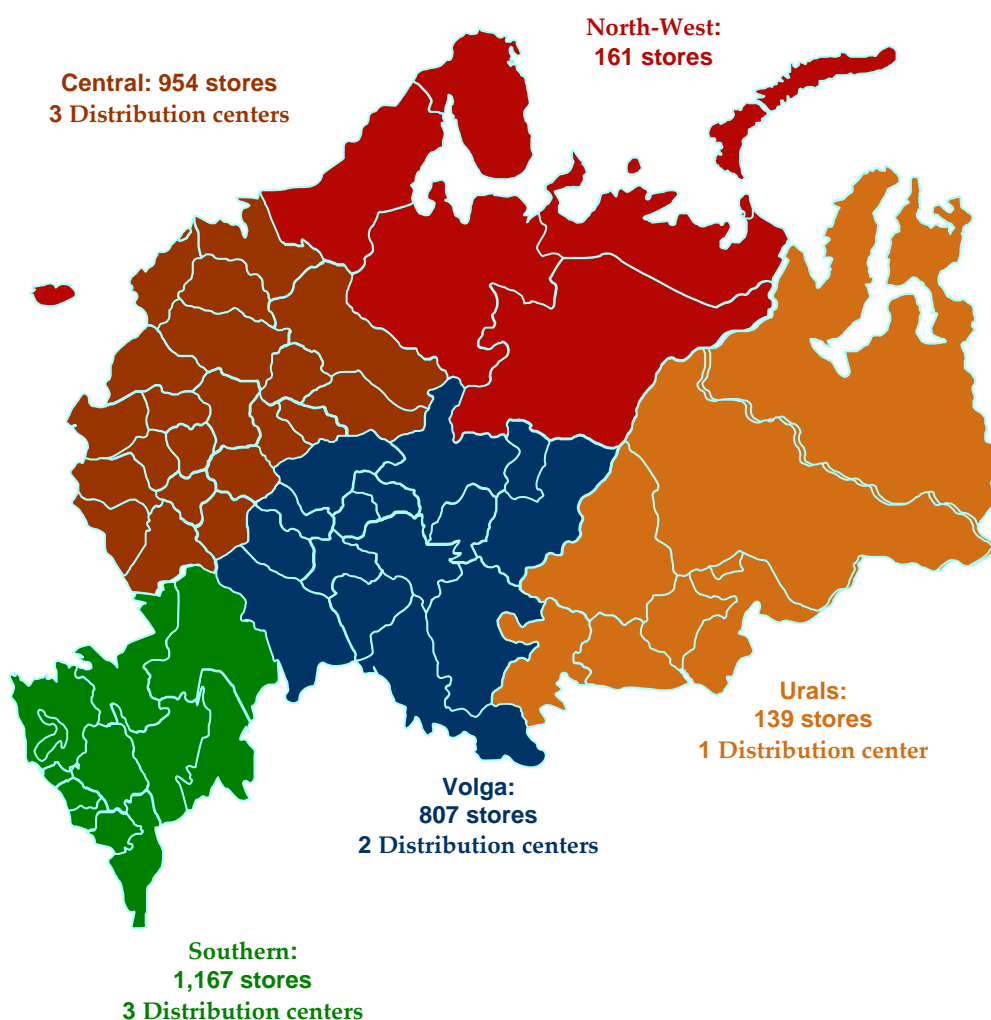
Developed logistics system, distribution centers and own fleet of vehicles, allow the Group to strictly monitor its delivery costs. Due to distribution centers operation the company manages to reduce the purchasing prices and the store load upon goods acceptance, which together contributes to more efficient business organization.

The Group applies highly efficient automated stock replenishment system, which gives opportunity to achieve high turnover level as well as to reduce costs.

9. PRIORITY DIRECTIONS OF THE COMPANY'S OPERATION

Based in Krasnodar, in the Southern region of Russia, open joint-stock company "Magnit" (the "Company") 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, 2009 the chain consisted of 3,204 convenience stores and 24 hypermarkets in 1,048 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. 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 2009 stores located in the Southern Federal district accounted for 1,167, in Volga region - 807, Central Region - 954, in the North-West and Ural regions the number of stores amounted to 161 and 139 correspondingly.



As of December 31, 2009 the Company operates the in-house logistics system consisting of 9 modern distribution centers: three of them are located in Southern Federal district (Kropotkin, Bataysk and Slavyansk-On-Kuban), two are in Volga Federal district (Engels and

Togliatti), another three distribution centers are based in Central Federal district (Tver, Oryol and Ivanovo), and one in Urals Federal district (Chelyabinsk).

City	Federal District	Warehousing space, sq. m.	Number of serviced stores
Bataysk	Southern	15,504	273
Kropotkin	Southern	30,048	470
Slavyansk-On-Kuban	Southern	20,496	256
Engels	Volga	19,495	429
Togliatti	Volga	17,566	397
Tver	Central	10,714	263
Oryol	Central	12,197	485
Ivanovo	Central	43,365	352
Chelyabinsk	Ural	16,152	303
Total		185,537	3 228

The Company operates automated stock replenishment system and a fleet of 1,453 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 250 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 expanding into two formats: traditional format – “convenience store” – and a new one – “hypermarket” – on the developed territories.

The Company opens its hypermarkets mainly in the cities with population from 50,000 to 500,000 citizens, at that the retail outlet is located inside the city (within the city boundaries).

As of 31.12.2009 the Company has 24 operating hypermarkets: