

Ratified  
by the resolution of the Board  
of OJSC "Magnit" of April 25, 2011,  
minutes of April 25, 2011

# 2010 ANNUAL REPORT

## OPEN JOINT-STOCK COMPANY "MAGNIT"

*18 Kolkhoznaya street, Krasnodar, 350042, Russian Federation*

**Chief Executive Officer**

\_\_\_\_\_

**S. Galitskiy**

**Chief Accountant**

\_\_\_\_\_

**I. Sivakova**

*seal*

**KRASNODAR 2011**



## TABLE OF CONTENTS

TABLE OF CONTENTS.....	3
1. KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS.....	5
2. MISSION.....	7
3. CHIEF EXECUTIVE OFFICER'S STATEMENT.....	8
4. INFORMATION ON THE PERSON IN THE POSITION OF A SOLE EXECUTIVE BODY.....	9
5. INFORMATION ON THE COLLEGIAL EXECUTIVE BODY MEMBERS.....	11
6. INFORMATION ON THE BOARD MEMBERS.....	15
7. REPORT OF THE BOARD ON 2010 OPERATIONS.....	22
8. MAIN 2010 CORPORATE EVENTS.....	29
9. POSITION OF THE COMPANY IN INDUSTRY.....	31
10. PRIORITY DIRECTIONS OF THE COMPANY'S OPERATION.....	42
11. PRIORITY DIRECTIONS OF THE COMPANY'S DEVELOPMENT.....	44
12. INFORMATION ON THE PAID DIVIDENDS.....	46
13. SECURITIES.....	47
14. TRANSACTIONS, CONSIDERED MAJOR TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT-STOCK COMPANIES", MADE WITHIN THE YEAR 2010.....	56
15. LIST OF 2010 TRANSACTIONS DECLARED AS RELATED-PARTY IN ACCORDANCE WITH THE FEDERAL LAW ON "JOINT-STOCK COMPANIES".....	57
16. MAIN RISK FACTORS RELATED TO THE COMPANY OPERATION.....	70
17. INFORMATION ON THE COMPLIANCE WITH THE FFMS CODE OF CORPORATE CONDUCT OF RUSSIAN FEDERATION.....	90
18. INFORMATION ON THE AUDITOR AND THE CONSULTANT OF THE COMPANY.....	105
19. INFORMATION ON VOLUMES OF ENERGY RESOURCES UTILIZATION WITHIN THE YEAR 2010.....	107
ANNEX TO 2010 ANNUAL REPORT OF OJSC "MAGNIT".....	108
ANNEX № 1: Consolidated financial statements of OJSC "Magnit" for the year ended December 31, 2010.....	108
ANNEX № 2: RAS Accounting report of JSC "Tander" for the year 2010:.....	108
ANNEX № 3: RAS Accounting report of OJSC "Magnit" for the year 2010:.....	108



## 1. KEY OPERATIONAL AND FINANCIAL HIGHLIGHTS

<i>Number of opened stores, NET</i>	827
<i>convenience stores*</i>	800
<i>hypermarkets</i>	27

<i>Total number of stores</i>	4 055
<i>convenience stores*</i>	4 004
<i>hypermarkets</i>	51

<i>Selling space, sq. m.</i>	1 422,38
<i>convenience stores*</i>	1 257,30
<i>hypermarkets</i>	165,08

<i>Number of customers, million</i>	1 301,90
<i>convenience stores*</i>	1 256,67
<i>hypermarkets</i>	45,24

<i>Net sales, million RUR</i>	236 193,55
<i>convenience stores*</i>	212 313,02
<i>hypermarkets</i>	23 824,88
<i>wholesale</i>	55,65

<i>Net sales, million USD<sup>1</sup></i>	7 777,40 <sup>2</sup>
<i>convenience stores*</i>	6 991,06
<i>hypermarkets</i>	784,51
<i>wholesale</i>	1,83

<sup>1</sup> Based on the average exchange rate for 2010 of 30.3692 RUR per 1 US\$

\* including cosmetics stores (drogerie)

<sup>2</sup> Audited financial statements prepared in accordance with IFRS

<i>Gross profit, million RUR</i>	<b>52 858,39</b>
<i>Gross profit, million USD<sup>3</sup></i>	<b>1 740,53<sup>4</sup></b>
<i>Gross margin, %</i>	<b>22,38%</b>
<i>EBITDAR<sup>5</sup>, million RUR</i>	<b>23 891,34</b>
<i>EBITDAR, million USD</i>	<b>786,70</b>
<i>EBITDAR margin, %</i>	<b>10,12%</b>
<i>EBITDA, million RUR</i>	<b>19 179,96</b>
<i>EBITDA, million USD</i>	<b>631,56</b>
<i>EBITDA margin, %</i>	<b>8,12%</b>
<i>EBIT, million RUR</i>	<b>14 613,67</b>
<i>EBIT, million USD</i>	<b>481,20</b>
<i>EBIT margin, %</i>	<b>6,19%</b>
<i>Net profit, million RUR</i>	<b>10 134,11</b>
<i>Net profit, million USD<sup>3</sup></i>	<b>333,70<sup>4</sup></b>
<i>Net profit margin, %</i>	<b>4,29%</b>
<i>Capitalization as of 30.12.2010<sup>6, 7</sup>, million RUR<sup>7</sup></i>	<b>360 052,76</b>
<i>Capitalization as of 30.12.2010, million USD<sup>8</sup></i>	<b>11 859,76</b>

<sup>3</sup> Based on the average exchange rate for 2010 of 30.3692 RUR per 1 US\$

<sup>4</sup> Audited financial statements prepared in accordance with IFRS

<sup>5</sup> Management accounts

<sup>6</sup> Based on the price as of 30.12.2010 since there was no trading on 31.12.2010

<sup>7</sup> MICEX (88,975,073 ordinary shares, admitted to trading, × 4,046.67 rubles market price as of 30.12.2010)

<sup>8</sup> Based on the average exchange rate as of 30.12.2010 of 30.3592 RUR per 1 US\$

## **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



*"We consider 2010 results positive.*

*One of the key directions of our work last year was improvement of stores attraction. We managed to form quite efficient model of aggressive pricing. The result of this work was strengthening of our competitive advantages, which was reflected in significant LFL growth.*

*In 2011 we will continue to actively invest in expansion. We will still focus on organic growth. We will invest the amount of about 1.8 billion dollars in the development of transport-logistics part of the business as well as in increase of the number of convenience stores, at that the emphasis will be on the hypermarket format, the number of which should exceed 100 at the year end. Insignificant part of investments will be directed at the development of the new format – "Magnit Kosmetik".*

*Despite material changes in the cost structure of 2011 caused by outstripping growth rates of fuel prices as well as significant increase of tax burden we are optimistic from the point of view of operating efficiency. At that we expect more rapid rates of sales growth compared to the previous year.*

*This year together with active work on development of the Company's logistics system and improvement of purchase terms we will particularly focus on increase of labor productivity through elaboration and implementation of new technologies, we will realize active renovations of operating stores to improve the quality of service provided to our customers. These measures should help us to strengthen our market position and increase our share in national retail turnover".*

Chief Executive Officer of OJSC "Magnit"  
Sergey Galitskiy



#### 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: *JSC "Tander"*

Position: *CEO;*

2) Period: **28.06.2002 – 18.04.2006**

Organization: *JSC "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;*

5) Period: **15.07.2010 – present day**

Organization: *OJSC "Magnit"*

Position: *Chairman of the Management board.*

Stockholding of CEO in the Company's share capital: **41.0935% (as of 31.12.2010).**

Ordinary shares, owned by CEO: **41.0935% (as of 31.12.2010).**

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	10.02.2010	Acquisition of securities	488,771	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 6 of Regulations "On the chief executive officer of OJSC "Magnit", ratified by the resolution of the annual general shareholders' meeting of 24.06.2010 (minutes of meeting of 28.06.2010 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 2010 amounted to 56,767,702.00 rubles.

## 5. INFORMATION ON THE COLLEGIAL EXECUTIVE BODY MEMBERS

Name: **Sergey Galitskiy - Chairman of the Management board**

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: JSC "Tander"

Position: CEO;

2) Period: 28.06.2002 – 18.04.2006

Organization: JSC "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;

5) Period: 15.07.2010 – present day

Organization: OJSC "Magnit"

Position: *Chairman of the Management board.*

Stockholding of CEO in the Company's share capital: 41.0935% (as of 31.12.2010).

Ordinary shares, owned by CEO: 41.0935% (as of 31.12.2010).

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	10.02.2010	Acquisition of securities	488,771	Ordinary nominal uncertified shares

Name: **Alexander Barsukov**

Date of birth: 08.07.1977

Education: *higher - graduated from Rostov Law Institute of Ministry of interior of Russian Federation with a degree in law in 1998.*

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

1) Period: **06.11.2004 – 30.06.2006**

Organization: *JSC "Tander"*

Position: *supervisor;*

2) Period: **01.07.2006 – 29.09.2006**

Organization: *JSC "Tander"*

Position: *head of department, sales department;*

3) Period: **02.10.2006 – 15.07.2008**

Organization: *JSC "Tander"*

Position: *Naberezhnye Chelny Branch Manager;*

4) Period: **16.07.2008 – present days**

Organization: *JSC "Tander"*

Position: *Hipermarkets sales director;*

5) Period: **15.07.2010 – present days**

Organization: *OJSC "Magnit"*

Position: *Management board member.*

Stockholding of the person in the Company's share capital: **0.0005% (as of 31.12.2010).**

Ordinary shares, owned by the person: **0.0005% (as of 31.12.2010).**

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	27.12.2010	Acquisition of securities	424	Ordinary nominal uncertified shares

Name: **Ekaterina Kister**

Date of birth: **18.04.1978**

Education: *higher - graduated from Kuban State University with a degree in Law in 2000.*

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

1) Period: **01.10.2002 – 16.09.2005**

Organization: *State Unitary Enterprise of Krasnodar territory "Kuban Commodity Fund"*

Position: *Chief specialist of claims work department;*

2) Period: **19.12.2005 – 31.07.2007**

Organization: *JSC "Tander"*

Position: *Corporate lawyer;*

3) Period: **29.11.2006 – 26.05.2009**

Organization: *CJSC "Digital Gallery"*

Position: *member of the Board;*

4) Period: **01.08.2007 – 31.10.2007**

Organization: *JSC "Tander"*

Position: *Principal lawyer;*

5) Period: **01.11.2007 – 03.05.2008**

Organization: *JSC "Tander"*

Position: *Head of corporate law department;*

6) Period: **04.05.2008 – 31.09.2010**

Organization: *JSC "Tander"*

Position: *deputy chief of legal department;*

7) Period: **01.10.2010 – present day**

Organization: *JSC "Tander"*

Position: *Deputy legal work director;*

8) Period: **15.07.2010 – present day**

Organization: *OJSC "Magnit"*

Position: *Management board member.*

Stockholding of the person in the Company's share capital: **0.0001% (as of 31.12.2010).**

Ordinary shares, owned by the person: **0.0001% (as of 31.12.2010).**

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	27.12.2010	Acquisition of securities	85	Ordinary nominal uncertified shares

Name: **Alexander Pisarenko**

Date of birth: **11.04.196**

Education: *higher - graduated from Krasnodar Polytechnic Institute in 1986, mechanic engineer of refrigeration and compressor equipment.*

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

1) Period: **25.02.2004 – 19.05.2006**

Organization: *JSC "Tander"*  
Position: *Stavropol Branch Manager;*

2) Period: *22.05.2006 – 05.08.2007*  
Organization: *JSC "Tander"*  
Position: *Povolzhsky area manager;*

3) Period: *06.08.2007 – 30.11.2007*  
Organization: *JSC "Tander"*  
Position: *Area Manager, Area Directorate;*

4) Period: *01.12.2007 – 20.04.2008*  
Organization: *JSC "Tander"*  
Position: *Area Manager, Staff;*

5) Period: *21.04.2008 – present day*  
Organization: *JSC "Tander"*  
Position: *"Magnit" stores Sales Director;*

6) Period: *15.07.2010 – present days*  
Organization: *OJSC "Magnit"*  
Position: *Management board member.*

Stockholding of the person in the Company's share capital: *0.0019% (as of 31.12.2010).*  
Ordinary shares, owned by the person: *0.0019% (as of 31.12.2010).*

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	27.12.2010	Acquisition of securities	1 696	Ordinary nominal uncertified shares

#### **REMUNERATION CRITERIA AND AMOUNT OF REMUNERATION (REFUND OF CHARGES) OF MEMBERS OF COMPANY'S MANAGEMENT BOARD PAID FOLLOWING THE RESULTS OF THE REPORTING YEAR**

According to Regulations on collegial executive body (Management Board) of OJSC "Magnit" the remuneration of a Management Board member consists of remuneration under labor contract or additional agreement to it. The Management Board members can be remunerated every year from the amount of net profit according year accounting report. Payment terms and order shall be determined by the Board of directors. The salary for the work within Management Board according to labor contract constitutes 50 000 rubles.

The remuneration to Management Board members of OJSC "Magnit" paid in 2010 amounted to 1,109,090.88 rubles (the amount does not include the remuneration received by S. Galitskiy as chief executive officer).

## 6. INFORMATION ON THE BOARD MEMBERS

### Khachatur Pombukhchan – the Chairman of the Board

Date of birth: 16.03.1974.

Education: *a graduate of Kuban State University, applied mathematics, 1996; Russian Corresponding finance and economics institute with a degree in Economics, 2000.*

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: JSC "Tander"

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

3) Period: 02.03.2006 – 03.05.2008

Organization: JSC "Tander"

Position: *Marketing director;*

4) Period: 29.11.2006 – 26.05.2009

Organization: JSC "Digital Gallery"

Position: *member of the Board;*

5) Period: 04.05.2008 – 30.06.2008

Organization: JSC "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: JSC "Tander"

Position: *CFO;*

9) Period: 01.07.2008 – *present day*

Organization: OJSC "Magnit"

Position: *CEO;*

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.**

Stockholding of the person in the Company's share capital: **0.0024% (as of 31.12.2010).**

Ordinary shares, owned by the person: **0.0024% (as of 31.12.2010).**

Information on transactions of acquisition/alienation of the Company's shares, made by the person in the position of Chairman of the Board during the reporting period:

<i>No</i>	<i>Date of operation</i>	<i>Operation</i>	<i>Number of shares</i>	<i>Type of shares</i>
1	27.12.2010	Acquisition of securities	2 120	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: **JSC «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 – 30.06.2009**

Organization: **JSC «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: **JSC «Tander»**.  
Position: **Deputy chief executive officer in charge of development.**

Shareholding of the person in the issuer's charter capital: **0.2151% (as of 31.12.2010)**.  
Ordinary shares owned by the person: **0.2151% (as of 31.12.2010)**.

Information on transactions of acquisition/alienation of the Company's shares, made by the person in the position of Board member 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	29.12.2010	Acquisition of securities	4 665	Ordinary nominal uncertified shares

### **Valeriy Butenko**

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: **JSC «Tander»**  
Position: **Director in charge of reviser and analytical job;**

2) Period: **09.05.2004- 28.05.2005**  
Organization: **JSC «Tander»**  
Position: **Member of the Board of directors;**

3) Period: **29.05.2005- 31.03.2009**  
Organization: **JSC «Tander»**  
Position: **Member of the Revision Committee;**

4) Period: **01.04.2004- 24.06.2009**  
Organization: **OJSC «Magnit»**  
Position: **Chairman of the Revision 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: **JSC «Tander»**  
Position: **Deputy chief executive officer in charge of reviser and analytical job.**

Shareholding of the person in the issuer's charter capital: **0.0833%** (as of 31.12.2010).

Ordinary shares owned by the person: **0.0833%** (as of 31.12.2010).

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

<i>No</i>	<i>Date of operation</i>	<i>Operation</i>	<i>Number of shares</i>	<i>Type of shares</i>
1	29.12.2010	Acquisition of securities	2 120	Ordinary nominal uncertified shares

**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: *JSC «Tander»*

Position: *CEO;*

2) Period: **28.06.2002 – 18.04.2006**

Organization: *JSC «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;*

5) Period: **15.07.2010 – present day**

Organization: *OJSC «Magnit»*

Position: *Chairman of the Management board.*

Stockholding of CEO in the Company's share capital: **41.0935%** (as of 31.12.2010).

Ordinary shares, owned by CEO: **41.0935%** (as of 31.12.2010).

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

<i>No</i>	<i>Date of operation</i>	<i>Operation</i>	<i>Number of shares</i>	<i>Type of shares</i>
1	10.02.2010	Acquisition of securities	488,771	Ordinary nominal uncertified shares

**Alexander Zayonts**

Date of birth: **10.01.1976**

Education: *higher, Moscow D. Mendeleev Institute of Chemical Technology – chemical-process engineer.*

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

1) Period: **04.2003 - 12.2007**

Organization: *OJSC "M.Video Company"*

Position: *vice-president, BOB Member;*

2) Period: **01.2008 – present days**

Organization: *LLC "Domashniy Interier"*

Position: *General Director;*

3) Period: **01.12.2009 – present days**

Organization: *LLC "Obiedinennye resursy"*

Position: *BOD member;*

4) Period: **24.06.2010 – present days**

Organization: *OJSC "Magnit"*

Position: *BOD member.*

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.*

**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.*

### **Dmitriy Chenikov**

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: *JSC «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 – 08.01.200.*  
Organization: *JSC "Tander"*  
Position: *Regional Director;*

4) Period: *09.01.2008 – 02.11.2010*  
Organization: *JSC "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 – 23.06.2010**

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*;

8) Period: **24.06.2010 – present day**

Organization: *OJSC “Magnit”*

Position: *member of the Board*.

Shareholding of the person in the issuer’s charter capital: **0.0899% (as of 31.12.2010)**.

Ordinary shares owned by the person: **0.0899% (as of 31.12.2010)**.

Information on transactions of acquisition/alienation of the Company’s shares made by the person occupying the position of a Board member:

<i>№</i>	<i>Date of operation</i>	<i>Operation</i>	<i>Number of shares</i>	<i>Type of shares</i>
1	31.05.2010	Alienation of securities	60,000	Ordinary nominal uncertified shares

#### **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**

According to Regulations “On OJSC “Magnit” Board of Directors”, ratified by the resolution of the annual General Shareholders’ meeting of 24.06.2010 (minutes of meeting of 28.06.2010), 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.

On June 26, 2010 the General shareholders’ meeting made a decision not to pay year-end bonus, based on the operation results (minutes of 28.06.2010)

In 2010 upon the resolution of shareholders' meeting of 24.06.2010 (minutes of meeting of 28.06.2010) the Board members were paid remuneration for participation in the board operation in 2009 in the amount of 9,776,203.45 (nine million seven hundred seventy six thousand two hundred three) rubles 45 kopecks.

## **7. REPORT OF THE BOARD ON 2010 OPERATIONS**

Within 2010 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, 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 Arutyunyan	12.01.1969
2.	Valeriy Butenko	25.11.1965
3.	Westmann Mattias Johan	05.02.1966
4.	Sergey Galitskiy	14.08.1967
5.	Alexey Makhnev	24.05.1976
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 24, 2010, minutes of June 28, 2010):

<i>№</i>	<i>Full name of a member of the board of directors</i>	<i>Date of birth</i>
1.	Andrey Arutyunyan	12.01.1969
2.	Valeriy Butenko	25.11.1965
3.	Sergey Galitskiy	14.08.1967
4.	Alexander Zayonts	10.01.1976
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, Alexander Zayonts, Alexey Makhnev, and Dmitry Chenikov.

Khachatur Pombukhchan was elected a Chairman of the Board of directors by the unanimous resolution at the first Board meeting of 15.07.2010, Valeriy Butenko was appointed a Deputy Chairman and Andrey Arutyunyan 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	Valeriy Butenko	member of the committee
3	Khachatur Pombukhchan	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	Alexander Zayonts	chairman of the committee
2	Alexey Makhnev	member of the committee
3	Dmitry Chenikov	member of the committee

During 2010 the Board of directors held 10 meetings and examined 60 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 2010:**

<i>Date of meeting</i>	<i>Considered issues</i>
04.02.2010	Suggestions on the issues to be placed on the agenda of the annual shareholders' meeting were viewed
04.02.2010	The nominees for election into the Board of directors were considered and put in the list at the annual shareholders' meeting
04.02.2010	The nominees for the auditor position were considered and put in the list at the annual shareholders' meeting
31.03.2010	The additional agreement to the contract with person in the position of sole executive body of OJSC "Magnit" was ratified.
31.03.2010	The decision on approval of the interested party transaction was adopted.
26.04.2010	The decision on convocation of the annual shareholders' meeting was adopted.
26.04.2010	The annual report over 2009 financial year was preliminarily approved and was submitted for consideration of the general shareholders' meeting.
26.04.2010	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 2009 financial year were approved.
26.04.2010	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.
26.04.2010	The decisions on approval of the interested party transactions were adopted.
26.04.2010	The amount of the auditor's services payment was determined.



26.04.2010	The nominees for election into the Revision Committee were considered and put in the list at the annual shareholders' meeting.
15.07.2010	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
15.07.2010	The members of the Audit Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected
15.07.2010	The members of the HR and Remuneration Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected
15.07.2010	The members of Management Board were elected.
15.07.2010	The Regulations on information policy of OJSC "Magnit" in new edition were ratified in new edition.
15.07.2010	The Regulations on Committees of BOD of OJSC "Magnit" were ratified in new edition.
15.07.2010	The Regulations on Dividend policy of BOD of OJSC "Magnit" were ratified in new edition.
15.07.2010	The Regulations on Internal control of operation activities of OJSC "Magnit" were ratified in new edition.
30.09.2010	The decision on approval of interested party transaction was adopted.
08.11.2010	The Regulations on bonus payment programme and the HR committee attached to CEO of JSC "Tander" were ratified.
29.11.2010	The decision on convocation of the extraordinary shareholders' meeting was adopted.
29.11.2010	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.
29.11.2010	The decisions on approval of interested party transactions were adopted.
24.12.2010	The decision on payment of bonus to the person in the position of CEO of OJSC "Magnit" following 2010 results was adopted.

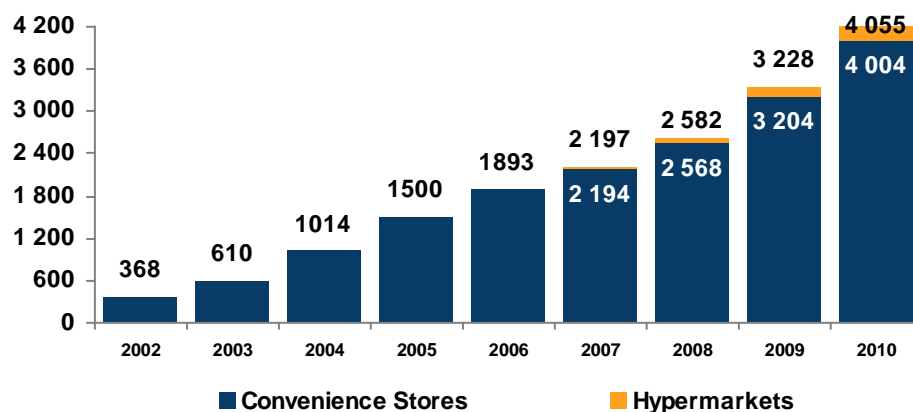
Besides, within the reporting period the issues relating to the determination position of the OJSC "Magnit" on the realization of the voting rights on the Company's stocks and shares of the other organizations (economic companies) were examined by the Board of directors of OJSC "Magnit" in accordance 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 - Nizhniy Novgorod", and "AgroTorg" were held in February, March, April, June, July, August, September, November, and December of the year 2010.

**The Company's management achieved the following results in 2010:**

1. Revenue of the Company increased by 39.05% from 169,860.97 million rubles in 2009 to 236,193.55 million rubles in 2010. The top line growth was due to an increase in selling space

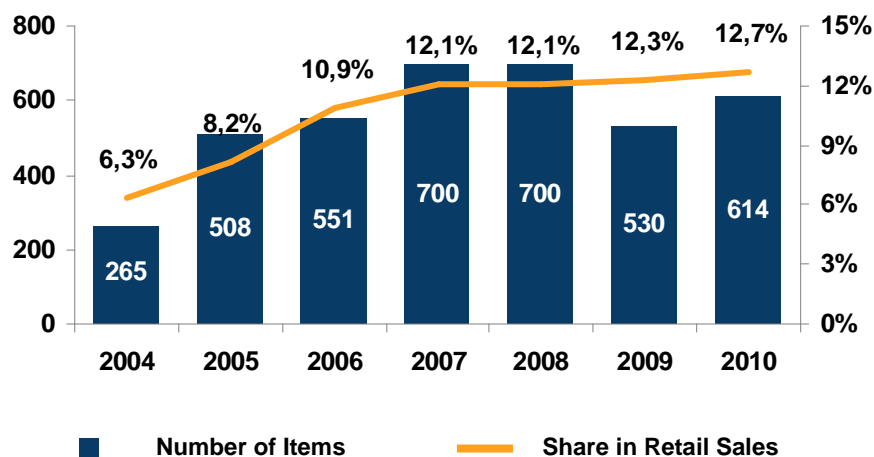
as well as to a 9.19% increase of like-for-like sales (excl. VAT). Revenue growth in dollar terms amounted to 45.25%: from US\$ 5,354.49 million to US\$ 7,777.40 million<sup>9</sup>.

2. Number of the Company's stores increased from 3,204 "convenience stores" and 24 hypermarkets in 2009 to 4,004 (including 2 cosmetics stores (drogerie)) and 51 correspondingly in 2010, total selling space of the stores increased by 34.20% from 1,059.87 thousand sq. m. to 1,422.38 thousand sq. m.



3. Number of customers increased by 28.46% from 1,013.44 million in 2009 to 1,301.90 million in 2010.

4. Share of sales of private label products in 2010 increased insignificantly to 12.7% while the number of private label SKUs increased from 530 in 2009 to 614 in 2010. 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 2010 the Company opened owned distribution centers in Veliky Novgorod and Tambov. Launch of the new distribution centers improved the quality of service in the North-Western and Central regions. Total space of 11 distribution centers as of December 31, 2010 amounted to 233,432 thousand sq. m.

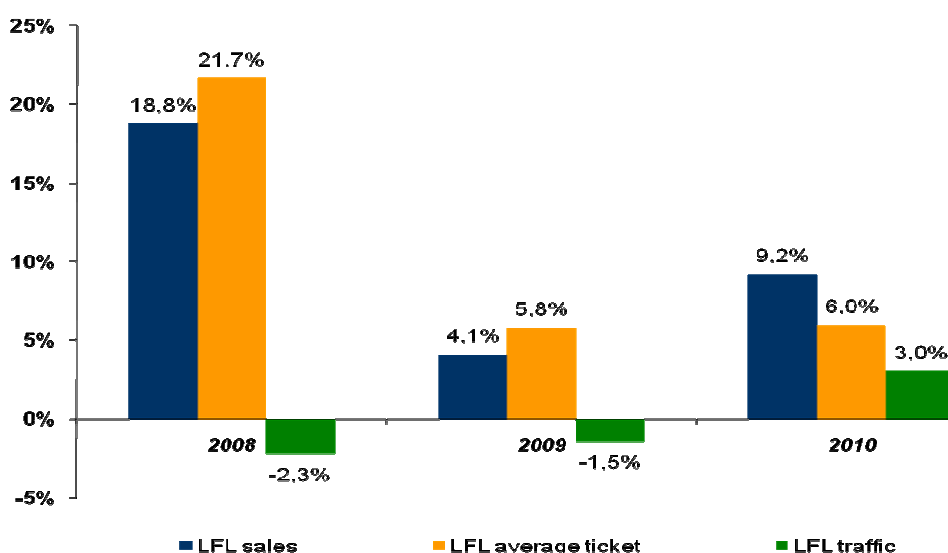
<sup>9</sup> Based on the average exchange rate for 2010 of 30.3692 RUR per 1 US\$, 2009 – 31.7231 RUR per 1 US\$.

6. During the reporting year the fleet of the Company's vehicles increased by 1,189 trucks, total number of vehicles amounted to 2,642 which resulted in the considerable reduction of transportation costs.

7. In 2010 the Company increased the share of products processed via its distribution centers from 78% in 2009 to 79% 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 2010 average weighted number of the Company's employees amounted to 90,998 out of which 66,315 are in-store personnel; 16,447 people are engaged in distribution; 5,744 people - in regional branches and 2,492 are employees of the head office. Average salary in the Company in 2010 amounted to 16,503 rubles.

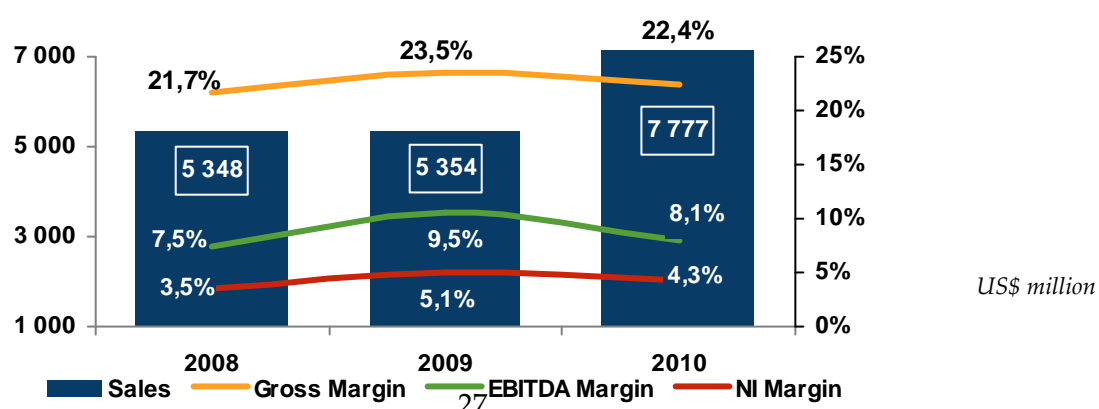
9. 9.2% LFL revenue growth of 2010 vs. 2009 in ruble terms was driven principally by 6.0% average ticket growth and traffic amounted to 3.0%.



Gross margin reduced from 23.48% in 2009 to 22.38% in 2010 due to continued large-scale price investments. Gross profit in rubles increased by 32.53% from 39,884.61 million RUR (US\$ 1,257.27 million) to 52,858.39 million RUR (US\$ 1,740.53 million).

EBITDA increased by 18.67% from 16,162.55 million RUR (US\$ 509.49 million) in 2009 to 19,179.96 million RUR (US\$ 631.56 million) in 2010. Net debt/EBITDA ratio (in ruble terms) for 2010 amounted to 1.39.

2010 net income increased by 16.10% and amounted to 10,134.11 million RUR (US\$ 333.70 million) vs. 8,728.77 million RUR (US\$ 275.15 million) in 2009.



On the whole, the Board of Directors of the Company considers the achieved financial and economic results positive and complying with 2010 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 2010 and to ratify 2010 annual report submitted for the meeting agenda.**

## 8. MAIN 2010 CORPORATE EVENTS

<b>April</b>	Magnit CEO Sergey Galitskiy has been recognized by Institutional Investor 1st Place CEO – Buyside in the Consumer – Retailing/Food&Drug category in Europe.
<b>May</b>	JSC “Tander” regional branch is established in Archangelsk of the Archangelsk region.
<b>June</b>	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 2009 financial year is adopted by the annual general shareholders’ meeting.
	The decision on ratification of the Charter of OJSC “Magnit” in new edition was adopted by annual shareholder’s meeting.
	The decision on ratification of the Regulations on collegial executive body (Management Board) of OJSC “Magnit” was adopted by the annual shareholder’s meeting.
	The decision on ratification of the Regulations on Board of directors of OJSC “Magnit” in new edition was adopted by the annual shareholder’s meeting.
	The decision on ratification of the Regulations on sole executive body (chief executive officer) of OJSC “Magnit” was adopted by the annual shareholder’s meeting.
	The decision on ratification of the Regulations on Revision Committee of OJSC “Magnit” in new edition was adopted by the annual shareholder’s meeting.
	The decision on ratification of the Regulations on Shareholders’ meeting of OJSC “Magnit” in new edition was adopted by the annual shareholder’s meeting.
<b>July</b>	The membership of the OJSC “Magnit” Management Board was formed by the Board of directors.
	The Board of directors forms the committees of the Board appoints the chairman, deputy chairman and secretary of the Board of Directors.
<b>August</b>	JSC “Tander” regional branch is established in Surgut of Khanty-Mansiisk autonomous district.
	JSC “Tander” regional branch is established in Omsk of the Omsk region.
<b>September</b>	JSC “Tander” regional branch is established in Syktyvkar of Komi Republic.
	OJSC “Magnit” has placed within one day exchange-traded bonds of BO-01, BO-02, BO-03, BO-04 series in full in the total amount of 5.5 billion rubles. The contract of inclusion and maintenance of exchange-traded bonds of OJSC “Magnit” in the quotation list of close joint-stock company “MICEX Stock Exchange” was entered into. Exchange-traded bonds of BO-01, BO-02, BO -03, BO-04 series were admitted to trading in the quotation list “A” level 1 of CJSC “MICEX Stock Exchange”.
<b>October</b>	JSC “Tander” regional branch is established in Berezniki of the Perm region.
<b>November</b>	OJSC “Magnit” ordinary shares were transferred (included) into the quotation list “A” level 1 of OJSC “RTS”.

<b>December</b>	OJSC "Magnit" ordinary shares were transferred (included) into the quotation list "A" level 1 of CJSC "MICEX Stock Exchange".
-----------------	---

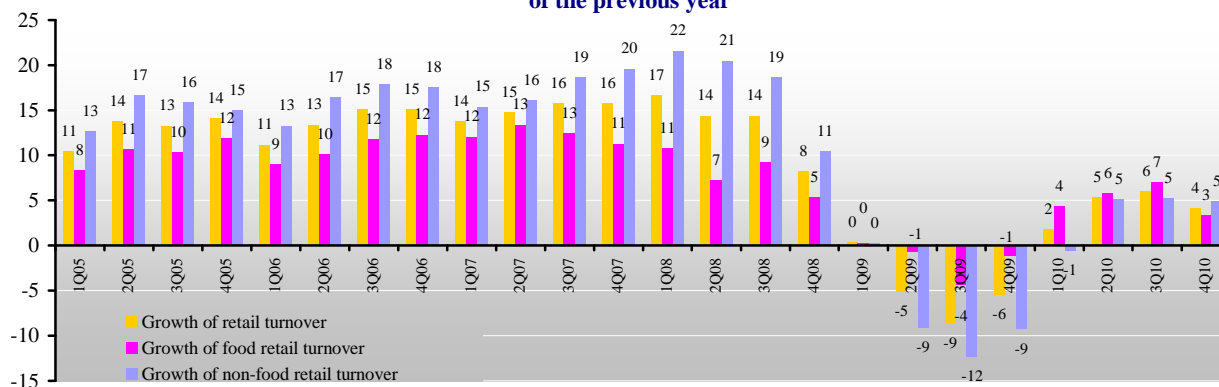
## 9. POSITION OF THE COMPANY IN INDUSTRY

### RUSSIAN MARKET

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

Retail turnover in 2010 amounted to 16,435.8 billion rubles which is 104.4% to the level of 2009 in terms of mass of commodities. In December 2010 turnover amounted to 1,764.4 billion rubles and increased by 3.4% to December of 2009. Consumption of food as well as non-food products grew in December compared to November 2010 – turnover increased by 20.1% to the November level (in 2009 turnover of December increased by 22.1% compared to November). At that food retail turnover in 2010 amounted to 105.1% (8,004.8 billion rubles) compared to 2009, non-food retail turnover – 103.8% (8,431.0 billion rubles). It should be noted that in 4Q retail turnover growth rates decelerated compared to 2Q and 3Q of 2010. This trend is driven by deceleration of personal income growth rates as well as sustainable propensity to save.

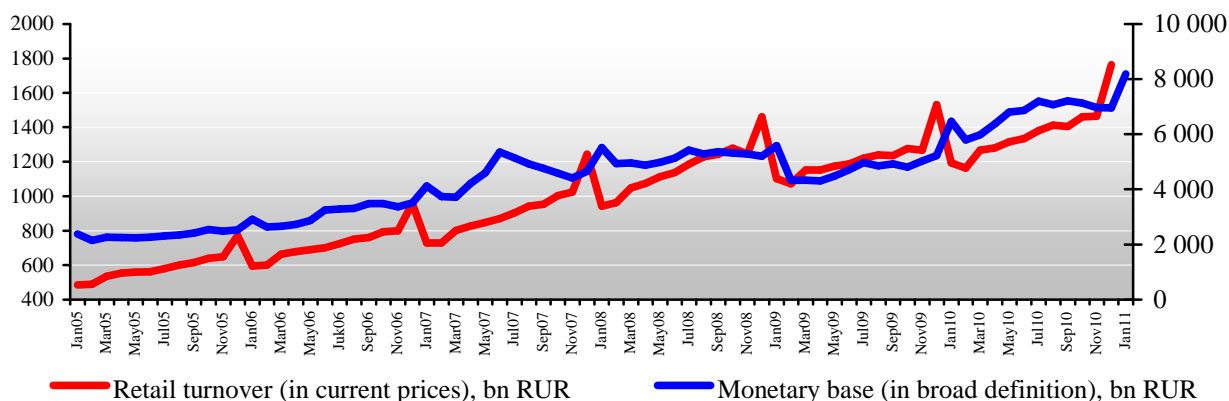
**Dynamics of key figures of consumer market in 2005-2010 as a % to the corresponding period of the previous year**



Source: IA Infoline

According to estimates of the Ministry of Economic Development and Trade of Russia published in December 2010 growth rate of retail turnover will arrive at 6% in 2013 (4.8% in 2011 and 5.6% in 2012). Monthly dynamics of retail turnover in Russia in 2005-2010 is presented in the diagram.

**Dynamics of retail turnover and money supply in 2005-2011, bn RUR**



Source: IA Infoline

### Dynamics of retail turnover in Russia in 2006-2010

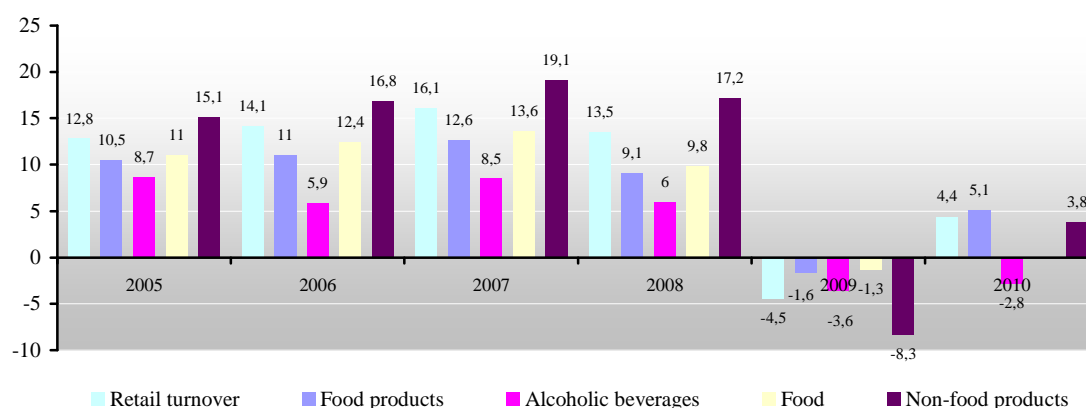
Period	Turnover, bn RUR <sup>10</sup>	As a % <sup>11</sup> to the corresponding period of the previous year
2006	8693.4	113.9
2007	10757.8	115.2
2008	13853.2	113.0
2009	14602.5	95.1
I quarter	3624.5	101.8
II quarter	3928.8	105.4
I half	7553.3	103.6
III quarter of 2010	4194.9	106.0
October 2010	1459.8	104.5
November 2010	1463.4	104.6
December 2010	1764.4	103.4
IV quarter of 2010	4687.6	104.1

Source: data of Federal State Statistics Service and the Ministry of Economic Development and Trade

### STRUCTURE OF RETAIL TURNOVER BY TYPE OF MERCHANDISE

In structure of retail turnover non-food demonstrated the highest annual average growth rates in 2005-2011. Long-term dynamics and structure of retail turnover by type of merchandise is presented in the diagram.

Dynamics of retail turnover by type of merchandise in 2005-2010, %



Source: IA Infoline

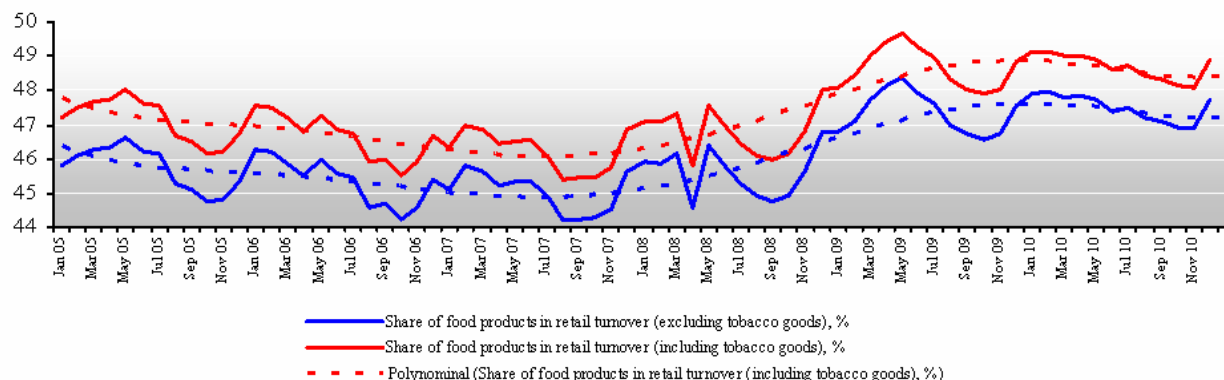
In 2010 there was positive dynamics of consumption, retail turnover in 2010 increased by 4.4%, food consumption – by 5.1%, non-food – by 3.8%. Consumption of alcoholic beverages still has negative dynamics “-2.8%” at the end of 2010. In conditions of economic crisis in Russia consumer demand for non-food goods shrank more significantly and at the end of 2009 the share of non-food goods in retail turnover in Russia amounted to 48.3%. It is important to note that data of Federal State Statistics Service for 2009-2010 and of the previous years is not fully comparable because in 2002-2008 data on food products including beverages were provided by Federal State Statistics Service without tobacco products and starting from 2009 with tobacco products. Therefore the graph provides adjusted data on the share of food products (excluding tobacco products).

<sup>10</sup> Data has been updated based on the results of Federal State Statistics Service research of small enterprises as of January 2011

<sup>11</sup> Dynamics of retail turnover in terms of mass of commodities



**Dynamics of share of food products in retail turnover in 2005-2010, %**



Source: IA Infoline

After sharp decline in 2008 and in the beginning of 2009 the reduction of the share of non-food products discontinued in the second half of 2009 and the share of food products reduced from May to October 2009. In November-December 2009 this trend has been broken and the share of food products started to grow again achieving the highest level in February 2010. In March – August 2010 the share of food products settled on the level of 49% which corresponds to the level of 2000 and indicates that a number of trends in the consumption structure formed during the economic crises remained unchanged. A decline was noted from September – in September 2010 the share of food products reduced to 48.3%, in October 2010 to 48.14%, in November 2010 to 48.1% and by the year end – in December – the share of food products started to grow again – 48.7%.

## STRUCTURE OF RETAIL TURNOVER BY TYPE OF ORGANIZATIONS

In December 2010 87.6% of retail turnover was formed by trading organizations and private entrepreneurs trading outside the market, the share of retail markets and trade fairs amounted to 12.4% (in December 2009 - 87.0% and 13.0% correspondingly). Totally for 2010 87.3% of retail turnover was formed by trading organizations and private entrepreneurs trading outside the market, the share of retail markets and trade fairs amounted to 12.7% (in 2009 - 86.5% and 13.5% correspondingly). In December 2010 compared to December 2009 turnover of trading organizations increased by 4.1%, sales on the markets decreased by 1.2%. Compared to November 2010 trading organizations demonstrated growth of turnover (by 20%) and sales on the markets increased by 12.4%. Totally for 2010 turnover of trading organizations increased by 5.4%, sales of goods on the markets reduced by 1.9%. By the end of 2010 the trend of customers flow from stores to retail markets continued due to tightening of price competition. Since January 2010 the share of trading organizations has been growing gradually, in July 2010 it achieved a peak level of 87.7%, after that it declined to 87.0% in September 2010. In October 2010 turnover started to grow gradually again to 87.1%, but in November 2010 the share of trading organizations decreased to 86.8% and in December it started to increase again nearly achieving a peak level (of July 2010) of 87.6%.

Turnover of trading organizations and markets in 2002-2010, billion RUR

Index	2002	2003	2004	2005	2006	2007	2008	2009	2010
Retail turnover	3765	4529	5642	7038	8690	10866.2	13853.2	14602.5	16453.8
turnover of trading organizations	2838.8	3451.1	4420.5	5558.2	6987	9214.5	12015.9	12610.3	14364.2
sales of markets	926.2	1077.9	1254.1	1479.8	1703	1651.7	1837.3	1992.2	2089.6
share of trading organizations, %	75.4	76.2	77.9	79.0	80.4	84.8	86.7	86.4	87.3

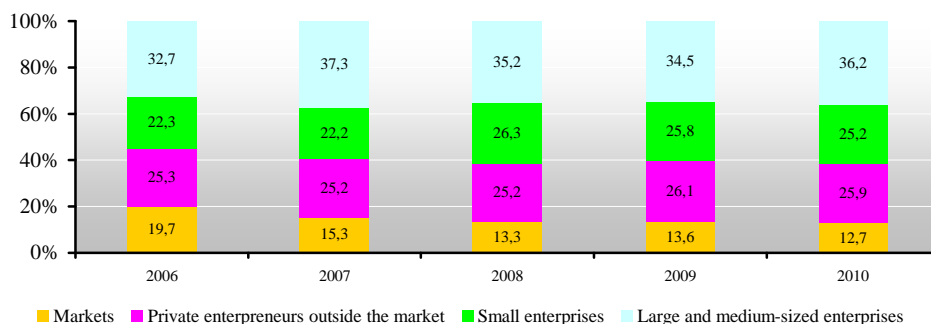
share of markets, %

24.6 23.8 22.1 21.0 19.6 15.2 13.3 13.6 12.7

Source: data of Federal State Statistics Service

In structure of retail turnover by type of organizations in 2010 the share of markets decreased by 0.9 percentage points, the share of small enterprises – by 0.6 percentage points and the share of private entrepreneurs – by 0.2 percentage points. At that the share of large and medium-sized enterprises (in fact of retail chains) increased by 1.7 percentage points. Dynamics of retail structure in Russia by type of organizations is presented in the diagram.

**Structure of retail turnover by type of organizations in 2006-2010, %**

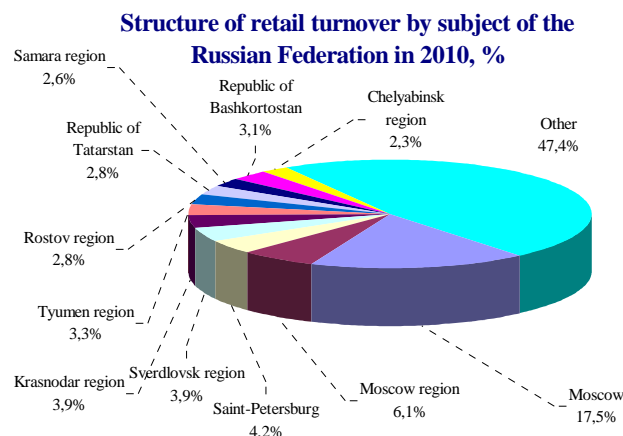
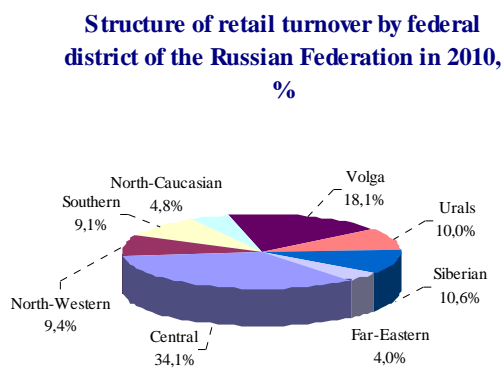


Source: IA Infoline

In 2004-2009 decline of share of markets in retail turnover was accompanied by the reduction of their number (the most active decline was in 2007 and in the 1<sup>st</sup> quarter of 2008, after that the situation stabilized) due to liquidation or conversion in shopping complexes: as of January 1, 2005 there were 6.44 thousand markets operating in Russia, as of January 1, 2008 – 4.7 thousand, as of January 1, 2009 – 3.73 thousand and as of January 1, 2010 – 3.5 thousand, as of April 1, 2010 – 3.506 thousand. As of July 1, 2010 there were 3.505 thousand markets functioning on the territory of the Russian Federation. As of October 2010 there were 3.483 thousand retail markets functioning in Russia (including 227 agricultural markets and 159 specialized food markets). During 3<sup>rd</sup> quarter of 2010 (compared to July 1, 2010) their number reduced by 22 markets, including the number of multipurpose markets – by 16 markets, specialized food and merchandise markets – by 3 markets, DIY – by 2 markets.

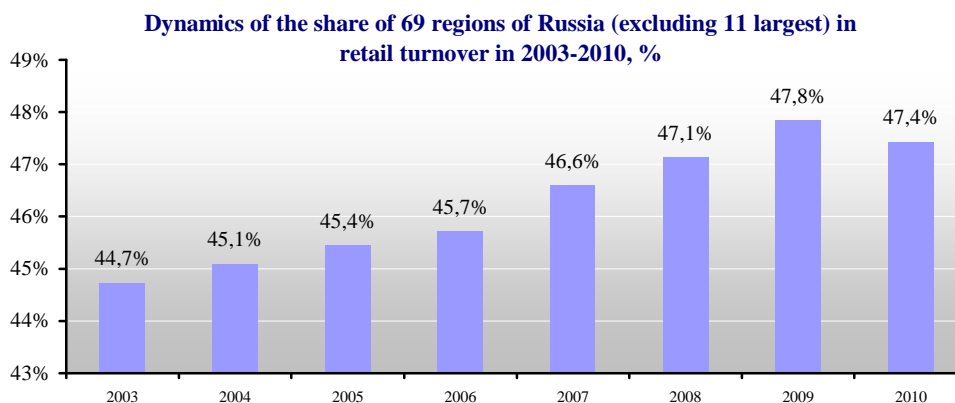
## REGIONAL STRUCTURE OF RETAIL TURNOVER

Regional structure of retail turnover in Russia is peculiar for its lack of uniformity: 52.57% of retail turnover in December 2010 accounts for 11 subjects (Moscow, Moscow region, Saint-Petersburg, Sverdlovsk region, Krasnodar region, Samara region, Republics of Tatarstan, and Bashkortostan, Tyumen region, Chelyabinsk and Rostov region). Note that at the end of 2009 the share of 11 largest regions amounted to 52.5%.



Source: IA Infoline

The share of other regions (excluding 11 largest) in 2003-2009 continued to increase in 2010 and for the first time during last 10 years there was a decline due to more rapid than average for Russia recovery of consumer demand in Moscow, Sverdlovsk region and Republics of Bashkortostan and Tatarstan.



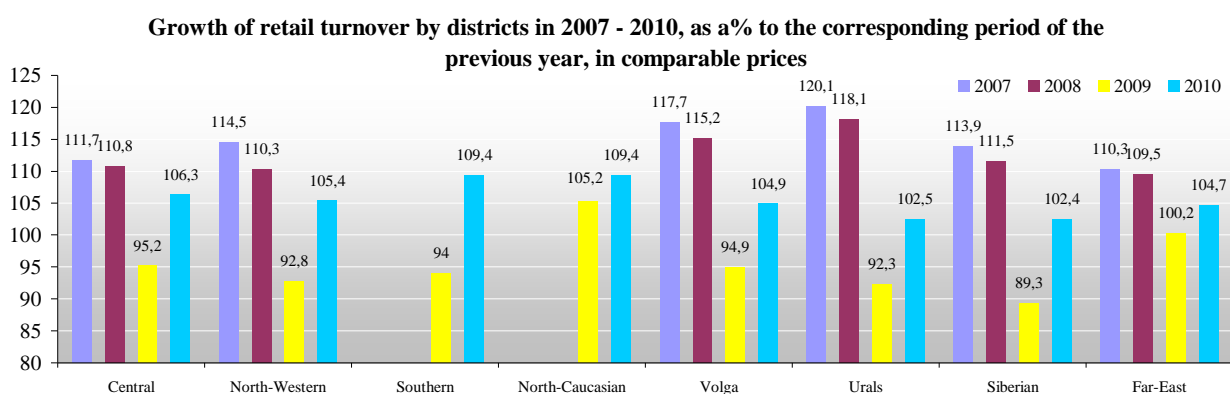
Source: IA Infoline

In 2010 the share of Central federal district (including Moscow and Moscow region), North-Western federal district (including Saint-Petersburg), Southern and North-Caucasian federal districts in total volume of retail turnover demonstrates the most dynamic growth rates while retail turnover in Urals, Siberian and Far-Eastern federal districts continues to decline which started in 2008.

**Regional structure of retail turnover of the Russian Federation in 2003-2010, %**

Region	2003	2004	2005	2006	2007	2008	2009	2010
Central federal district	39.2	38.4	36.9	35.8	34.7	33.5	33.7	34.10
Moscow region	4.3	5.1	5.3	5.7	6.1	6.4	6.1	6.15
Moscow	26.0	24.3	22.5	20.9	19.0	17.1	17.3	17.54
North-Western federal district	9.1	9.3	9.5	9.4	9.4	9.2	9.4	9.40
Saint-Petersburg	3.6	3.8	4.0	4.1	4.1	4.1	4.2	4.23
Southern federal district	7.7	7.8	7.9	8.0	8.5	8.8	8.7	9.07
North-Caucasian federal district	3.0	3.4	3.7	3.6	3.8	4.0	4.6	4.79
Volga federal district	16.7	16.7	16.9	17.5	17.9	18.4	18.3	18.11
Urals federal district	8.4	8.7	9.3	10.0	10.4	10.8	10.3	9.96
Siberian federal district	11.7	11.6	11.7	11.7	11.5	11.6	10.9	10.59
Far-Eastern federal district	4.2	4.1	4.1	4.1	3.9	3.7	4.1	3.99

The only subject that demonstrated maximum decline (above 5%) of retail turnover compared to 2009 among largest regions (with the share of retail turnover in Russia above 1%) in 2010 was Tyumen region – by 5.3%, the reduction within 5% was in Perm region – by 1.6% and Irkutsk region – by 2.6%. The highest growth for this period was demonstrated by Stavropol region (12.6%), Volgograd region (10.2%), Krasnodar region (10.2%) and Sverdlovsk region (by 10%).



Source: IA Infoline

In 2001-2008 dynamic growth of retail turnover expressed in physical terms was noted in the majority of regions, afterwards during 10 months (from March to December 2009) dynamics was negative. At that since November 2009 the number of regions with growing retail turnover started to grow again achieving its maximum (76) in August 2010. However in September there was a decline noted to 64 such regions in October 2010 (decreasing to the level of March 2010, i.e. the period of crisis phenomena in economy), in November the number insignificantly increased to 68 regions and at the end of December it sharply decreased to 60 regions. Thus a conclusion can be made that negative situation in Russian retail on the regional level continues despite overall positive dynamics in 2010 compared to 2009 in Russia.

## GOVERNMENT REGULATION OF RETAIL TRADE

According to the Federal Law № 381 – FL “On fundamental principles of government regulation of trade activity in the Russian Federation” which came into effect on February 1, 2010, food retail chains (with the threshold of dominance on retail market within the boundaries of one region, municipal area or urban district exceeding 25%) are prohibited from acquiring and renting additional selling space within the boundaries of the corresponding administrative-territorial entity. The law does not apply to agricultural consumer cooperatives and organizations of consumer cooperation.

The law “On fundamental principles of government regulation of trade activity in the Russian Federation” also aims to regulate cooperation of retail chains and suppliers. The law № 381 – FL introduced special legal regulation with regard to food supplies and formalized a list of terms which cannot be imposed by food suppliers and their buyers (retail chains) upon each other. In particular, these terms include: reduction of price by suppliers to the level which will not exceed the minimum selling price of this product by economic entities performing corresponding activity subject to the determination of the trade mark-up; payment for the change in the product mix; responsibility for a failure to observe obligation on goods supply on more favorable terms than for other economic entities; fee paid by suppliers for access to trade objects within one retail chain. Wholesale trade under commission agreement is prohibited. It is prohibited to set a ban on substitution of persons under the food supply agreement through assignment of a claim and liability for noncompliance with this regulation. Credit term for some food products was set. For example, products with up to 10-days expiry period should be paid for within 10 working days from the date of acceptance of goods, for products with up to 30-days expiry period the payment due period is up to 30 calendar days, and for the rest food products including alcoholics drinks – up to 45 calendar days.

## MAIN COMPETITORS<sup>12</sup>

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 development of competition is expressed in capturing extra markets due to growth of the chain itself including 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 record rates of 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.

As of January 1, 2010 X5 Retail Group was represented in 45 cities of European part of Russia and Urals, also in Ukraine, and operated 2,469 stores with the selling space of 1555.079 thousand sq. m. The chain consists of 1,392 “Pyaterochka” discounters, 45 “Perekrestok-express” convenience stores, 301 “Perekrestok” supermarkets, 69 “Karusel” hypermarkets, 2 “Pyaterochka-Maxi” hypermarkets and 660 “Kopeyka” stores. During 2010 selling space of X5 Retail Group increased by 492.122 thousand sq. m., the number of stores increased by 1,097

---

<sup>12</sup> Source: IA Infoline, public sources of companies.

which includes 353 "Pyaterochka" discounters, 45 "Perekrestok-express" convenience stores, 26 "Perekrestok" supermarkets, 11 "Karusel" hypermarkets, 2 "Pyaterochka-Maxi" hypermarkets and 660 "Kopeyka" stores. As of January 1, 2011 the number of franchise stores amounted to 665 in Russia, including 618 "Pyaterochka" discounters, 27 "Perekrestok-Express" mini-markets, 19 "Paterson" supermarkets and "Perekrestok" supermarket.

In 2010 net sales amounted to 341.596 billion RUR or 11.248 billion USD increasing by 24% in ruble terms and 30% in dollar terms vs. 2009.

Like-for-like sales for 2010 increased by 7%, traffic grew by 3%, ticket – by 4%.

### ***METRO Cash & Carry***

As of February 1, 2011 METRO Cash & Carry operated 57 shopping centers in 35 regions. Total selling space of the company as of February 1, 2011 amounted to 502 thousand sq. m. In 2006-2008 METRO Cash & Carry used to open 8-9 stores per year, however since 2009 "Metro group" reduced its expansion rates not only in Russia but in the other countries too. Four trading centers were opened in 2009 in Russia (Bryansk, Zheleznodorozhny, Kirov, Novosibirsk).

In 2010 the company opened 5 trading centers in Tomsk, Ekaterinburg, Moscow region, Stavropol region and Kaliningrad.

Sales of METRO Cash & Carry, Russia for 2010 amounted to 3.93 billion euro (which represents growth of 13% compared to 2009), the number of employees exceeded 14 000 people.

### ***Auchan***

As of February 1, 2011 Auchan in Russia operated 44 trading objects. 28 "Auchan" hypermarkets were opened in 11 regions (14 – in Moscow and Moscow region, 4 – in Saint-Petersburg, 2 – in Rostov-on-Don, 1 in Adygeya, Samara, Krasnodar, Ekaterinburg, Nizhniy Novgorod, Novosibirsk, Omsk and Voronezh). Also Auchan operates 12 "Auchan-city" mini-hypermarkets (that were opened as a result of rebranding of hypermarkets of "Ramstore" chain) in Moscow (8 stores), Ekaterinburg (1 store), Moscow region (2), Novosibirsk (1) and St. Petersburg (1). Also the chain consists of 2 stores of new "Raduga" format in Kaluga and Penza that were opened in December 2009. Total selling space of the stores as of February 1, 2011 amounted to 442.55 thousand sq. m. Also two "Auchan Sad" hypermarkets were opened in 2009. In April 2010 1 "Auchan" hypermarket was opened in Moscow. In July and August 2010 one "Auchan" hypermarket was opened in Moscow region and one – in Voronezh. In October 2010 2 "Auchan" hypermarkets were opened in Moscow and Novosibirsk. In November 2010 the number of chain objects remained unchanged.

### ***Dixy***

As of December 31, 2010 the total store base of OJSC "Dixy Group" reached 646 (623 "Dixy" discounters, 15 "Megamart" compact hypermarkets, 8 "Minimart" economy supermarkets) and selling space amounted to 227.866 thousand sq. m.

In 2010 sales of "Dixy" Group of Companies amounted to 64.73 billion rubles (2.131 billion USD) which represents growth of 19.4% in ruble terms (24.7% in dollar terms) from 54.208 billion rubles (1.709 billion USD).

LFL growth amounted to 7.37% due to traffic growth by 3.75% and average ticket by 3.49%.

### ***Lenta***

As of February 1, 2011 "Lenta" operated 39 hypermarkets located in Saint-Petersburg, Nizhny Novgorod, Novosibirsk, Tyumen, Krasnodar, Volgograd, Veliky Novgorod,

Petrozavodsk, Astrakhan, Togliatti, Naberezhnye Chelny, Barnaul, Penza and Saratov, Omsk, Novorossiysk and Rostov region. Total selling space of the chain as of February 1, 2011 amounted to 268.25 thousand sq. m. In 2010 "Lenta" retail chain opened 3 hypermarkets instead of planned 5.

Sales of "Lenta" retail chain at the end of 2010 amounted of 70.6 billion rubles increasing by 27% compared to 55.6 billion rubles for 2009. Therefore, sales guidance of 69 billion rubles (growth of 22-23%) was met. Like-for-like growth amounted to 24%.

### **O'KEY**

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

As of February 1, 2011 "O'KEY" chain operated 57 shopping objects in the territory of Russia: 15 hypermarkets and 15 supermarkets in Saint-Petersburg and Leningrad region, 1 hypermarket in Moscow, 1 hypermarket and 1 supermarket in Moscow region, 2 hypermarkets in Murmansk, 4 hypermarkets and 1 supermarket in Krasnodar, 2 hypermarkets in Rostov-on-Don, 1 hypermarket and 3 supermarkets in Volgograd, 1 hypermarket in Togliatti, Stavropol, Nizhniy Novgorod, Ufa, Lipetsk, Voronezh, Astrakhan, 2 hypermarkets and 1 supermarket in Krasnoyarsk as well as 1 supermarket in Novocherkassk. As of February 1, 2011 total selling space of "O'KEY" chain amounted to over 287 thousand sq. m. (according to investment memorandum 64% of space is owned). In 2010 the company opened 7 "O'KEY" hypermarkets and 4 "O'KEY - Express" supermarkets, total selling space increased by 23.6% to more than 287 thousand sq. m. for the year of 2010.

Unaudited sales of "O'KEY" in 2010 amounted to 81.688 billion rubles increasing by 21.9% compared to 67.031 billion rubles for 2009. Like-for-like sales for 2010 amounted to 7.7% due to 3.3% average ticket growth and 4.3% traffic growth.

Number of stores of the largest FMCG retailers in 2007-2010, eop.

Legal name	Brand	Main formats <sup>13</sup>	2007	2008	2009	2010
X5 Retail Group N.V.	Pyaterochka	D	674	848	1039	1392
	Perekrestok	S	194	207	275	301
	Karusel	H	22	46	58	71
	Perekrestok -Express, Pyaterochka -Express	CS	0	0	0	45
"Magnit", OJSC	Magnit	D	2194	2568	3204	4004
	Magnit Hypermarket	H	3	14	24	51
"Auchan", company limited	Auchan, Auchan-City, Raduga	H	18	33	38	44
"METPO Cash and Carry", company limited	Metro C&C	H	39	48	52	57
"O'key", company limited	O'key, O'key-express	S, H	24	37	46	57
"Torgovyi Dom Kopeyka", OJSC	Kopeyka, Kopeyka Super	D, S	438	517	587	657
"Lenta", company limited	Lenta	H	26	34	36	39
"Dixy-group", OJSC	Megamart, Minimart, Dixy	D, S, H	388	493	537	646
"The Seventh Continent", JSC	The Seventh Continent, NASH Hypermarket	CS, S, H	127	140	142	146

Total selling space of FMCG retailers in Russia in 2007-2010, eop, thousand sq. m.

Legal name	Brand	Main formats	2007	2008	2009	2010
X5 Retail Group N.V.	Pyaterochka	D	357.5	419.2	493	586.31
	Perekrestok	S	251.7	222.4	284.4	313.02
	Karusel	H	126	232.5	285.6	351.75
	Perekrestok -Express, Pyaterochka -Express	CS	-	-	-	9.22
	Kopeyka	CS, S	-	-	-	295.95
"Magnit", OJSC	Magnit	D	640.1	767.1	978.5	1256.8
	Magnit Hypermarket	H	11.6	56.4	81.4	165.081
"Auchan", company limited	Auchan, Auchan-City, Raduga	H	250.6	340.1	386.6	451.25
"METPO Cash and Carry", company limited	Metro C&C	H	351.5	430.4	466.3	502
"O'key", company limited	O'key, O'key-express	S, H	149.2	191.7	232.7	287.43
"Torgovyi Dom Kopeyka", OJSC	Kopeyka, Kopeyka Super	D, S	224	250	274.8	0
"Lenta", company limited	Lenta	H	177	232.7	247.4	268.25
"Dixy-group", OJSC	Megamart, Minimart, Dixy	D, S, H	148.8	191	206	227.87
"The Seventh Continent", JSC	The Seventh Continent, NASH Hypermarket	CS, S, H	147	171.9	184	192.25

Dynamics of net sales (excluding VAT) of the largest FMCG retailers in 2007-2010, billion RUR

Legal name	Brand	Main formats	Data	2007	2008	2009	2010
X5 Retail Group N.V.	Pyaterochka	D	IFRS	75.38	110.95	148.35	188.28
	Perekrestok	S	IFRS	49.75	67.15	73.19	83.13
	Karusel	H	IFRS	31.16	41.71	53.55	61.12
	Perekrestok -Express	CS	IFRS	-	-	-	1.86
	Kopeyka, Kopeyka Super	D, S	IFRS	34.940	51.60	56.15	61.21
"Magnit", OJSC	Magnit	D, H	IFRS	94.04	132.4	169.86	236.14
"Auchan", company limited	Auchan, Auchan-City, Raduga	H	RAS	90.6	128.1	158.36	-
"METPO Cash and Carry", company limited	Metro C&C	H	IFRS	89.2	111.2	114.30	-
"O'key", company limited	O'key, O'key-express	S, H	IFRS	30.533	51.143	67.03	81.69
"Lenta", company limited	Lenta	H	MA	32.9	50.8	55.60	70.60
"Dixy-group", OJSC	Megamart, Minimart, Dixy	CS, D, S, H	IFRS	36.65	48.3	54.26	64.73
	Dixy	D	IFRS	32.25	40.65	45.13	54.39
	Megamart	H	IFRS	3.2	5	6.32	7.26
	Minimart	S	IFRS	1.2	2	2.00	2.18
	V-mart marketing	CS	IFRS	0	0.24	0.07	0.00
"The Seventh Continent", JSC	The Seventh Continent, NASH Hypermarket	CS, S, H	IFRS	32.56	39.9	44.59	-

<sup>13</sup> Key: D - Discounter, H - Hypermarket, S - Supermarket, CS - Convenience Store



## COMPETITIVE ADVANTAGES OF “MAGNIT”

### *Multi-format business*

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

### *Strong regional coverage*

“Magnit” group of companies has considerable experience of operation in regions: in 2002 – 2010 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 highest growth of consumer demand, what creates favorable conditions for medium-term dynamics of the Group business.

### *Russia's largest chain in terms of number of stores*

In terms of number of stores “Magnit” chain takes the first place in Russia which has a positive impact on cooperation with the largest food and beverage producers promoting their products on the regional markets. First of all it is seen in favorable purchasing terms and corresponding efficiency 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 price-sensitive. Therefore, large store chain under “Magnit” brand allows the Group to strengthen its positions in the occupied market niche.

### *Efficient logistics system*

Developed logistics system, distribution centers and own fleet of vehicles enable the Group to strictly monitor its delivery costs. Operating distribution centers results in lower purchase prices and less pressure on the store at goods acceptance which ultimately contributes to more efficient business organization.

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

## 10. 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, 2010 the chain consisted of 4,055 stores: 4,022 convenience stores, 51 hypermarkets and 2 drogerie stores in 1,216 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, North-Caucasian, Central and Volga regions. The Company also operates stores in the North-Western, Urals and Siberian regions. By the end of 2010 stores located in the Southern Federal district accounted for 1,103, in the Volga region – 1,245, North-Caucasian – 263, Central – 961, North-Western – 217, the number of stores in the Urals and Siberian regions amounted to 245 and 21 correspondingly.



As of December 31, 2010 the Company operates in-house logistics system consisting of 11 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 four distribution centers are based in Tver, Oryol, Ivanovo and Tambov, Central Federal district, one in Chelyabinsk, Urals Federal district and one in Veliky Novgorod, North-Western Federal district.

City	Federal District	Warehousing space, sq. m.	Number of serviced stores
Bataysk	Southern	16,314	399
Kropotkin	Southern	30,048	467
Slavyansk-on-Kuban	Southern	20,496	290
Engels	Volga	19,495	409
Togliatti	Volga	18,724	599
Tver	Central	10,714	215
Oryol	Central	12,197	295
Tambov	Central	24,867	357
Ivanovo	Central	43,365	353
Veliky Novgorod	North-Western	21,060	248
Chelyabinsk	Urals	16,152	423
<b>Total</b>		<b>233,432</b>	<b>4 055</b>

The Company operates automated stock replenishment system and a fleet of 2,642 vehicles.

## **11. 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 500 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, North-Western and Siberia regions. In the long-term outlook the management of the chain does not exclude the opportunity of entering the markets of 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).

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 selling space of up to 3,000 sq. m. (excluding rental space);

“medium” with the selling space of 3,000 – 5,000 sq. m. (excluding rental space);

“large” with the selling space of over 5,000 sq. m.; (excluding rental 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.

The Group has also started to study a new segment of retail market and in the end of 2010 launched 2 trial stores of a new format – “drogerie”. Unlike “traditional” formats stores under “Magnit Kosmetik” brand offer a mix of non-food group of products: personal care products, household chemicals, cosmetics and perfumery goods.

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 convenience store 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.

Development of direct import firstly of fresh fruits and vegetables will also contribute to minimization of logistics costs.

## 12. INFORMATION ON THE PAID DIVIDENDS

It was resolved by the annual general shareholders' meeting of June 24, 2010 (minutes of 28.06.2010) to pay dividends on ordinary nominal shares of OJSC "Magnit" following the results of 2009 financial year.

Information on the paid dividends:

Dividend period

Year: **2009**.

Amount of announced (accrued) dividends on shares of the category (type) per share, RUB: **10.06**.

Total amount of announced (accrued) dividends on all shares of the category, RUB: **895,089,234.38**

Total amount of the dividends paid on all issuer's shares of the category, RUB: **895,088,157.96**.

The dividends payment was effected in money terms with the assistance of the Registrar of the Company, OJSC "United registration Company" (15A, Kalanchevskaya street, Moscow) as an entity providing services on dividends payment.

The announced dividends were not paid in full as the result of the mistakes in payment details indicated by shareholders.

## 13. 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, 2010 authorized capital stock of the open joint-stock company "Magnit" amounted to 889,750.73 rubles. It consists of 88,975,073 ordinary nominal uncertified shares with par value of 0.01 rubles.

The Company has a right to offer in addition to the offered shares 111,874,927 ordinary nominal shares with par value of 0.01 rubles (authorized shares).

#### Information on the listed shares of OJSC "Magnit" as of 31.12.2010:

<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	88,975,073
<b>Total:</b>				<b>88,975,073</b>

#### Structure of OJSC "Magnit" share capital as of 31.12.2010:

<i>Name</i>	<i>Number of registered persons</i>	<i>Share in the charter capital, %</i>
Legal entities	11	55.1009
including nominal holders	10	55.1008
Natural persons	13	44.8991
<b>Total:</b>	<b>24</b>	<b>100</b>

**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): 29.96 %;

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;

- in accordance with the order of FFMS of Russia of October 02, 2009 № 09-3132/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-005D of 02.10.2009 in the amount of 16 792 946 (sixteen million seven hundred ninety two four thousand nine hundred forty six) 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.

## **BONDS**

### **Bond issue of LLC "Magnit Finance" of 01 series:**

In 2005 the Company entered stock market offering its investors bond issue by limited liability company "Magnit Finance", subsidiary of OJSC "Magnit". The bond issue enabled the Company to optimize its debt portfolio and work out methods of cooperation with investors for the purpose of further introduction of the Company's shares to the market.

Issue included 2 million securities with the nominal value of 1 thousand rubles guaranteed by OJSC "Magnit" and JSC "Tander". Issue was outstanding for 3 years. The main objective of the bond issue was to refinance short-term debt of the group. Not less than 75% of raised funds were channeled for these purposes, and the remaining funds were spent on "Magnit" retail chain development.

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 stock exchange commenced on November 23, 2005. The number of the placed securities amounted to 2,000 thousand securities which constitutes 100% of the total number of securities subject to placement. The bond issue was realized in full in the course of auction in the first day of placement.

On November 19, 2008 LLC "Magnit Finance" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of 01 series.

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

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

Issue included 5 million securities with the nominal value of 1 thousand rubles guaranteed by OJSC "Magnit" and JSC "Tander". Issue will be outstanding for 5 years. The second bond issue 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 stock



exchange commenced on March 30, 2007. The number of the placed securities amounted to 5,000 thousand securities which constitutes 100% of the total number of securities subject to placement. The bond issue was realized in full in the course of auction in the first day of placement.

**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>Volume of the issue</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 nominal value
<i>Date of placement</i>	30.03.2007
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,820 day from the date of placement (23.03.2012)
<i>Number of coupons</i>	10
<i>Trading code</i>	RU000A0JP4W7
<i>ISIN code</i>	RU000A0JP4W7
<i>Interest rate on the basis 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 %
<i>4 coupon interest rate</i>	8.20 %
<i>5 coupon interest rate</i>	8.20 %
<i>6 coupon interest rate</i>	8.20 %
<i>7 coupon interest rate</i>	8.20 %
<i>8 coupon interest rate</i>	8.20 %
<i>9 coupon interest rate</i>	8.20 %
<i>10 coupon interest rate</i>	8.20 %

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

The second coupon yield of 02 series bond issue was paid on March 28, 2008. The total amount of yield paid on the second coupon amounted to 204.45 million rubles, the amount of yield of the second coupon paid per one bond amounted to 40.89 rubles.

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

The fourth coupon yield of 02 series bond issue was paid on March 27, 2009. The total amount of yield paid on the fourth coupon amounted to 204.45 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 40.89 rubles.

The fifth coupon yield of 02 series bond issue was paid on September 25, 2009. The total amount of yield paid on the fifth coupon amounted to 204.45 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 40.89 rubles.

The sixth coupon yield of 02 series bond issue was paid on March 26, 2010. The total amount of yield paid on the fifth coupon amounted to 204.45 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 40.89 rubles.

The seventh coupon yield of 02 series bond issue was paid on September 24, 2010. The total amount of yield paid on the fifth coupon amounted to 204.45 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 40.89 rubles.

Based on trading for the period from 01.01.2010 to 31.12.2010 the weighted average price of transactions with bonds of 02 series varied from min 94.71 % (14.01.10) to max 101.50 % (26.11.10) of the nominal value. Recognized quotation within this period fluctuated from min 94.71% (11.01.10, 14.01.10 and 15.01.10) to max 100.84% (19.08.10 and 20.08.10).

### **Bond issue of OJSC "Magnit" of BO-01 series:**

In 2010 the Company offered its investors the first Exchange-traded bond issue.

Issue included 1 million securities with the nominal value of 1 thousand rubles. Issue will be outstanding for 3 years. The issue of the exchange-traded bonds of BO-01 series aims to attract funds to finance operating activity and expansion of "Magnit" group of companies, to decrease value of credit portfolio as well as to build public credit history.

The offering of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-01 series with the obligatory centralized deposit of OJSC "Magnit" on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 1 million securities which constitutes 100% of the total number of securities subject to placement. The bond issue was realized in full in the course of auction in the first day of placement.

### **Parameters of the bond issue of OJSC "Magnit" of BO-01 series:**

<i>Date and the number of state registration</i>	№ 4B02-01-60525-P of February 02, 2010
<i>Volume of the issue</i>	1,000,000,000 rubles
<i>Number of securities</i>	1,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Offering price</i>	100% of nominal value
<i>Date of placement</i>	13.09.2010
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 day from the date of placement (09.09.2013)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JR118
<i>ISIN code</i>	RU000A0JR118
<i>Interest rate on the basis of the auction results</i>	8.25 %
<i>1 coupon interest rate</i>	8.25 %
<i>2 coupon interest rate</i>	8.25 %
<i>3 coupon interest rate</i>	8.25 %
<i>4 coupon interest rate</i>	8.25 %
<i>5 coupon interest rate</i>	8.25 %
<i>6 coupon interest rate</i>	8.25 %

The first coupon yield of BO-01 series Exchange-traded bond issue was paid on March 14, 2011. The total amount of yield paid on the second coupon amounted to 41.14 million rubles, the amount of yield of the second coupon paid per one bond amounted to 41.14 rubles.

Based on trading for the period from 14.09.2010 to 31.12.2010 the weighted average price of transactions with Exchange-traded bonds of BO-01 series varied from min 99.92 % (20.12.10) to max 107.58 % (30.09.10) of the nominal value. Recognized quotation within this period fluctuated from min 100.02% (01.10.10) to max 100.70% (22.10.10 and 25.10.10).

### **Bond issue of OJSC "Magnit" of BO-02 series:**

In 2010 the Company offered its investors the second Exchange-traded bond issue.

Issue included 1 million securities with the nominal value of 1 thousand rubles. Issue will be outstanding for 3 years. The issue of the exchange-traded bonds of BO-02 series aims to attract funds to finance operating activity and expansion of "Magnit" group of companies, to decrease value of credit portfolio as well as to build public credit history.

The offering of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-02 series with the obligatory centralized deposit of OJSC "Magnit" on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 1 million securities which constitutes 100% of the total number of securities subject to placement. The bond issue was realized in full in the course of auction in the first day of placement.

#### **Parameters of the bond issue of OJSC "Magnit" of BO-02 series:**

<i>Date and the number of state registration</i>	№ 4B02-02-60525-P of February 02, 2010
<i>Volume of the issue</i>	1,000,000,000 rubles
<i>Number of securities</i>	1,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Offering price</i>	100% of nominal value
<i>Date of placement</i>	13.09.2010
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 day from the date of placement (09.09.2013)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JR126
<i>ISIN code</i>	RU000A0JR126
<i>Interest rate on the basis of the auction results</i>	8.25 %
<i>1 coupon interest rate</i>	8.25 %
<i>2 coupon interest rate</i>	8.25 %
<i>3 coupon interest rate</i>	8.25 %
<i>4 coupon interest rate</i>	8.25 %
<i>5 coupon interest rate</i>	8.25 %
<i>6 coupon interest rate</i>	8.25 %

The first coupon yield of BO-02 series Exchange-traded bond issue was paid on March 14, 2011. The total amount of yield paid on the second coupon amounted to 41.14 million rubles, the amount of yield of the second coupon paid per one bond amounted to 41.14 rubles.

Based on trading for the period from 14.09.2010 to 31.12.2010 the weighted average price of transactions with Exchange-traded bonds of BO-02 series varied from min 100.00 % (17.09.10, 29.09.10, 01.10.10, 04.10.10) to max 107.58 % (30.09.10) of the nominal value. Recognized quotation within this period fluctuated from min 100.01% (05.10.10) to max 100.31% (16.11.10 - 18.11.10).

### **Bond issue of OJSC “Magnit” of BO-03 series:**

In 2010 the Company offered its investors the third Exchange-traded bond issue.

Issue included 1.5 million securities with the nominal value of 1 thousand rubles. Issue will be outstanding for 3 years. The issue of the exchange-traded bonds of BO-03 series aims to attract funds to finance operating activity and expansion of “Magnit” group of companies, to decrease value of credit portfolio as well as to build public credit history.

The offering of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-03 series with the obligatory centralized deposit of OJSC “Magnit” on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 1.5 million securities which constitutes 100% of the total number of securities subject to placement. The bond issue was realized in full in the course of auction in the first day of placement.

#### **Parameters of the bond issue of OJSC “Magnit” of BO-03 series:**

<i>Date and the number of state registration</i>	№ 4B02-03-60525-P of February 02, 2010
<i>Volume of the issue</i>	1,500,000,000 rubles
<i>Number of securities</i>	1,500,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Offering price</i>	100% of nominal value
<i>Date of placement</i>	13.09.2010
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 day from the date of placement (09.09.2013)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JR142
<i>ISIN code</i>	RU000A0JR142
<i>Interest rate on the basis of the auction results</i>	8.25 %
<i>1 coupon interest rate</i>	8.25 %
<i>2 coupon interest rate</i>	8.25 %
<i>3 coupon interest rate</i>	8.25 %
<i>4 coupon interest rate</i>	8.25 %
<i>5 coupon interest rate</i>	8.25 %
<i>6 coupon interest rate</i>	8.25 %

The first coupon yield of BO-03 series Exchange-traded bond issue was paid on March 14, 2011. The total amount of yield paid on the second coupon amounted to 61.71 million rubles, the amount of yield of the second coupon paid per one bond amounted to 41.14 rubles.

Based on trading for the period from 14.09.2010 to 31.12.2010 the weighted average price of transactions with Exchange-traded bonds of BO-03 series varied from min 99.50 % (30.11.10) to max 101.26 % (29.10.10) of the nominal value. Recognized quotation within this period fluctuated from min 99.99% (04.10.10 and 08.12.10) to max 100.35% (16.11.10 - 18.11.10).

## Bond issue of OJSC “Magnit” of BO-04 series:

In 2010 the Company offered its investors the fourth Exchange-traded bond issue.

Issue included 2 million securities with the nominal value of 1 thousand rubles. Issue will be outstanding for 3 years. The issue of the exchange-traded bonds of BO-04 series aims to attract funds to finance operating activity and expansion of “Magnit” group of companies, to decrease value of credit portfolio as well as to build public credit history.

The offering of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-04 series with the obligatory centralized deposit of OJSC “Magnit” on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 2 million securities which constitutes 100% of the total number of securities subject to placement. The bond issue was realized in full in the course of auction in the first day of placement.

### Parameters of the bond issue of OJSC “Magnit” of BO-04 series:

<i>Date and the number of state registration</i>	№ 4B02-04-60525-P of February 02, 2010
<i>Volume of the issue</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 nominal value
<i>Date of placement</i>	13.09.2010
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 day from the date of placement (09.09.2013)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JR159
<i>ISIN code</i>	RU000A0JR159
<i>Interest rate on the basis of the auction results</i>	8.25 %
<i>1 coupon interest rate</i>	8.25 %
<i>2 coupon interest rate</i>	8.25 %
<i>3 coupon interest rate</i>	8.25 %
<i>4 coupon interest rate</i>	8.25 %
<i>5 coupon interest rate</i>	8.25 %
<i>6 coupon interest rate</i>	8.25 %

The first coupon yield of BO-04 series Exchange-traded bond issue was paid on March 14, 2011. The total amount of yield paid on the second coupon amounted to 82.28 million rubles, the amount of yield of the second coupon paid per one bond amounted to 41.14 rubles.

Based on trading for the period from 14.09.2010 to 31.12.2010 the weighted average price of transactions with Exchange-traded bonds of BO-04 series varied from min 98.00 % (22.11.10 and 03.12.10) to max 105.20 % (29.10.10) of the nominal value. Recognized quotation within this period fluctuated from min 99.72% (26.11.10) to max 100.40% (09.11.10).

## SHARES TRADING

The shares of OJSC “Magnit” entered the Russian stock market in April 2006.

On April 14, 2006 the shares of OJSC "Magnit" were admitted to trading 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 trading of OJSC "Magnit" shares 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 determined on the level of 27 USD. Proceeds from the stock comprising 18.94% of the charter capital amounted to 368,355 million USD. Deutsche UFG functioned as an IPO coordinator; foreign investors could participate by purchasing the securities of "Magnit" according to 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 trading in the corresponding list on December 13, 2007.

On December 21, 2007 OJSC "Magnit" shares were included in the quotation list "B" of CJSC "MICEX SE" and admitted to trading in the corresponding list.

On February 13, 2008 OJSC "Magnit" announced its intention to list global depositary 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-emptive 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 42.50 USD 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 shareholders has granted the joint bookrunners an over-allotment option to purchase up to an additional 506,585 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.

Free float of OJSC "Magnit" as of 30.06.2008 amounted to 35.48%. Proceeds from the offering amounted to approximately 480.25 million USD 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.

In 2009 ordinary shares of the Company were included (transferred) into the Quotation list "A" of the second level at the Moscow Interbank Currency Exchange and "Russian Trading System" Stock Exchange".

On September 2, 2009 OJSC "Magnit" announced its intention to offer additional shares at 65 USD per ordinary share and 13 USD per GDR.

A total of 5,680,000 newly issued ordinary shares in the form of GDRs have been allocated to international institutional investors, resulting in a total free float of 46.51% of the Company's issued share capital as of December 31, 2009.

Gross proceeds to the Company from the follow-on offering amounted to approximately 369.2 USD and used to finance further expansion of its chain of hypermarkets as well as to

continue the expansion of its convenience stores operations and further development of its logistic capabilities.

Since November 14, 2010 shares of OJSC "Magnit" have been included (transferred) into the Quotation list "A" of the first level at the "Russian Trading System" Stock Exchange".

Shares of OJSC "Magnit" have been included (transferred) into the Quotation list "A" of the first level at the MICEX Stock Exchange according to the Order of MICEX Stock Exchange CJSC of 29.12.2010 № 1387-p.

According to trading held from 01.01.2010 to 31.12.2010 on MICEX Stock Exchange weighted average price of the shares trading fluctuated from min 1,918.71 rubles (27.02.2010) to max 4,125.29 rubles (13.12.2010).

Market capitalization of OJSC "Magnit" as of 30.12.2010<sup>14</sup> amounted to 360 052.76 million rubles according to OJSC "MICEX SE".

---

<sup>14</sup> Based on the price as of 30.12.2010 since there was no trading on 31.12.2010

**14. TRANSACTIONS, CONSIDERED MAJOR TRANSACTIONS  
ACCORDING TO THE FEDERAL LAW "ON JOINT-STOCK  
COMPANIES", MADE WITHIN THE YEAR 2010**

<b>1.</b>	
Date of transaction (date of the contract)	<b>04.08.10</b>
Type, subject, essentials of the transaction, including civil rights and obligations to be determined, changed or terminated by the transaction	<i>Provision of guarantee by OJSC "Magnit" under Agreement on crediting in Russian rubles.</i>
parties and beneficiaries under transaction	<i>The Lender: Open joint-stock company "ALFA-BANK"; The Borrower: JSC "Tander"; The Guarantor: OJSC "Magnit".</i>
term of obligations fulfillment under transaction	<i>The Borrower's obligations shall mature on 23.09.2014, the Guarantee shall mature on 23.09.2015</i>
amount of transaction in money terms and per cent of the balance sheet assets of the issuer	<i>Up to 7,403,835,616.44 rubles that constitutes up to 26.1799% of balance sheet assets determined on the basis of the accounting report on the latest reporting date.</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>28,280,597,000 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>The transaction is a major related party one.</i>
issuer's authority which made a decision on approval of transaction	<i>General shareholders' meeting</i>
date of decision on approval of transaction	<b>24.06.2010</b>
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 28.06.2010</i>



**15. LIST OF 2010 TRANSACTIONS DECLARED AS RELATED-PARTY IN ACCORDANCE WITH THE FEDERAL LAW ON "JOINT-STOCK COMPANIES"**

<b>1.</b>	
Date of transaction	<b>19.07.2010</b>
Subject and essentials of transaction	<i>Provision of guarantee by OJSC "Magnit" under the Revolving credit facility Agreement</i>
Parties of transaction	<i>The Lender: Commercial joint-stock bank of Russian Federation (open joint-stock company) The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<b>4 500 000</b>
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, %	<b>15.9798%</b>
Term for fulfillment of obligations under transaction	<i>The Borrower's obligations shall mature on 09.07.2015, the Guarantee shall mature on 09.07.2018</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>2</b>	
Date of transaction	<b>04.08.2010</b>
Subject and essentials of transaction	<i>Provision of guarantee by OJSC "Magnit" under Agreement on crediting in Russian rubles.</i>
Parties of transaction	<i>The Lender: Open joint-stock company "ALFA-BANK"; The Borrower: JSC "Tander";</i>

	<i>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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<i>7,403,835.62</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>26.1799%</i>
Term for fulfillment of obligations under transaction	<i>The Borrower's obligations shall mature on 23.09.2014, the Guarantee shall mature on 23.09.2015</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>3</b>	
Date of transaction	<i>05.08.2010</i>
Subject and essentials of transaction	<i>Provision of guarantee by OJSC "Magnit" under Additional Agreement № 1 to Credit Contract</i>
Parties of transaction	<i>The Lender: close joint-stock company "Credit Europe Bank"; The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>

Transaction amount in money terms, thousand rubles.	1 120 000
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, %	3.9603%
Term for fulfillment of obligations under transaction	20.05.2011
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	None

<b>4.</b>	
Date of transaction	16.08.2010
Subject and essentials of transaction	<i>Provision of guarantee by the Company under the revolving credit facility agreement.</i>
Parties of transaction	<i>The Lender: "Banque Societe Generale Vostok" CJSC; The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	2,480,657.53
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, %	8.7716%
Term for fulfillment of obligations under transaction	13.08.2012
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have</i>

	<i>been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>5</b>	
Date of transaction	<b>18.08.2010</b>
Subject and essentials of transaction	<i>Provision of interest-bearing loan by OJSC "Magnit"</i>
Parties of transaction	<i>The Lender: OJSC "Magnit", The Borrower: LLC "Selta".</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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<b>500,000</b>
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, %	<b>1.77%</b>
Term for fulfillment of obligations under transaction	<b>17.07.2015</b>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled, The Borrower's obligations have not been matured.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>6</b>	
Date of transaction	<b>03.09.2010</b>
Subject and essentials of transaction	<i>Provision of interest-bearing loan by OJSC "Magnit"</i>
Parties of transaction	<i>The Lender: OJSC "Magnit", The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>

Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<b>500,000</b>
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, %	<b>1.77%</b>
Term for fulfillment of obligations under transaction	<b>02.08.2015</b>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled, The Borrower's obligations have not been matured.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>7</b>	
Date of transaction	<b>13.09.2010</b>
Subject and essentials of transaction	<i>Provision of interest-bearing loan by OJSC "Magnit"</i>
Parties of transaction	<i>The Lender: OJSC "Magnit", The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<b>5,500,000</b>
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, %	<b>19.45%</b>
Term for fulfillment of obligations under transaction	<b>12.08.2015</b>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled, The Borrower's obligations have not been matured.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>8</b>	
Date of transaction	<i>15.10.2010</i>
Subject and essentials of transaction	<i>Provision of interest-bearing loan by OJSC "Magnit"</i>
Parties of transaction	<i>The Lender: OJSC "Magnit", The Borrower: LLC "Selta".</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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<i>450,000</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>1.36%</i>
Term for fulfillment of obligations under transaction	<i>14.09.2015</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled, The Borrower's obligations have not been matured.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>9</b>	
Date of transaction	<i>15.11.2010</i>
Subject and essentials of transaction	<i>Provision of guarantee by the Company to the credit agreement on "Revolving credit facility"</i>
Parties of transaction	<i>The Lender: "AbsolutBank" CJSC The Borrower: JSC "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	<i>"Magnit Finance" Limited liability company, "Magnit Finance" LLC</i>

transaction	
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	859,063.01
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, %	2.5917%
Term for fulfillment of obligations under transaction	<i>The Borrower's obligations shall mature on 01.06.2011, The guarantee shall be valid till 01.06.2012</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	None

<b>10</b>	
Date of transaction	23.11.2010
Subject and essentials of transaction	<i>Provision of guarantee by the Company to the credit agreement on opening of the Revolving credit facility</i>
Parties of transaction	<i>The Lender: open joint-stock company Commercial joint-stock bank Petrocommerce (open joint-stock company), The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	1,199,452.05
Transaction amount in per cent of issuer's balance	3.6186%

sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	
Term for fulfillment of obligations under transaction	<i>The Borrower's obligations shall mature on 15.08.2011, the guarantee shall be valid till 16.08.2014</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>11</b>	
Date of transaction	<b>30.11.2010</b>
Subject and essentials of transaction	<i>Novation agreement</i>
Parties of transaction	<i>The Contractor: LLC "Kuban EnergoKomplekt", The Customer – 1 : JSC "Tander", The Customer -2: 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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<b>21,329.8</b>
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, %	<b>0.06%</b>
Term for fulfillment of obligations under transaction	<b>14.01.2011</b>
Information on fulfillment of mentioned obligations	<i>The obligations have been fulfilled.</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 BOD meeting on November 29, 2010, minutes of meeting of 29.11.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>



12	
Date of transaction	30.11.2010
Subject and essentials of transaction	<i>Novation agreement</i>
Parties of transaction	<i>The Contractor: LLC "Kuban EnergoKomplekt", The Customer – 1 : CJSC "Tander", The Customer -2: 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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC.</i>
Reason for which such entity is considered related-party for transaction	<i>The entity is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	1,500
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, %	0.01%
Term for fulfillment of obligations under transaction	14.01.2011
Information on fulfillment of mentioned obligations	<i>The obligations have been fulfilled.</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 BOD meeting on November 29, 2010, minutes of meeting of 29.11.2010.</i>
Other information on transaction indicated at the issuer's discretion	None

13	
Date of transaction	16.12.2010
Subject and essentials of transaction	<i>Provision of guarantee by the Company to the credit agreement on "Revolving credit facility"</i>
Parties of transaction	<i>The Lender: Commercial joint-stock bank "AbsolutBank" CJSC, The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC (as of the moment of approval and entering into the transaction); Joint-Stock Company "Tander", JSC "Tander" (as of the moment of entering into the transaction)</i>
Reason for which such entity is considered related-party for transaction	<i>"Magnit Finance" LLC is a shareholder of OJSC "Magnit" jointly with it's affiliates owning more than 20% of voting shares of the company</i>

	<i>that is a party of the transaction. JSC «Tander» is a shareholder of OJSC «Magnit» jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction and the beneficiary under transaction.</i>
Transaction amount in money terms, thousand rubles.	340,323.29
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, %	1.0267%
Term for fulfillment of obligations under transaction	<i>The Borrower's obligations shall mature on – 27.07.2011, The guarantee shall be valid till – 27.07.2012</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations have been fulfilled; the Borrower's obligations have not been matured.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>14</b>	
Date of transaction	16.12.2010
Subject and essentials of transaction	<i>Provision of guarantee by the Company under the revolving credit facility agreement.</i>
Parties of transaction	<i>The Lender: "Banque Societe Generale Vostok" CJSC, The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC (as of the moment of approval and entering into the transaction); Joint-Stock Company "Tander", JSC "Tander" (as of the moment of entering into the transaction)</i>
Reason for which such entity is considered related-party for transaction	<i>"Magnit Finance" LLC is a shareholder of OJSC "Magnit" jointly with it's affiliates owning more than 20% of voting shares of the company that is a party of the transaction. JSC «Tander» is a shareholder of OJSC «Magnit» jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction and the beneficiary under transaction.</i>
Transaction amount in money terms, thousand rubles.	3,914,627.397 <i>The transaction amount has been determined on</i>

	<i>the basis of association of the above mentioned transaction with transactions entered into before, provision of guarantee for the purposes of getting the credit of 16.08.2010 and change of overdraft limit under additional agreement №5/1 to Bank Account Agreement № 0249018/RUB of 25.10.2077. The amount of transaction entered into on 16.12.2010 (without association with previous ones) is 1,240,000 thousand 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>11.8098 (in association with the previous transactions), 3.7409 (without association).</i>
Term for fulfillment of obligations under transaction	<i>14.12.2012</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>15</b>	
Date of transaction	<i>24.12.2010</i>
Subject and essentials of transaction	<i>Provision of interest-bearing loan by OJSC "Magnit"</i>
Parties of transaction	<i>The Lender: OJSC "Magnit", The Borrower: LLC "Selta".</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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC (as of the moment of approval and entering into the transaction); Joint-Stock Company "Tander", JSC "Tander" (as of the moment of entering into the transaction)</i>
Reason for which such entity is considered related-party for transaction	<i>"Magnit Finance" LLC is a shareholder of OJSC "Magnit" jointly with it's affiliates owning more than 20% of voting shares of the company that is a party of the transaction. JSC «Tander» is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction.</i>
Transaction amount in money terms, thousand	<i>50,000</i>

rubles.	
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, %	0.15%
Term for fulfillment of obligations under transaction	22.12.2015
Information on fulfillment of mentioned obligations	<i>The Lender's obligations have been partially fulfilled. The Borrower's obligations have not been matured.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	None

<b>16</b>	
Date of transaction	24.12.2010
Subject and essentials of transaction	<i>Provision of guarantee by the Company under the revolving credit facility agreement.</i>
Parties of transaction	<i>The Lender: open joint-stock company "Sberbank of Russia", The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC (as of the moment of approval and entering into the transaction); Joint-Stock Company "Tander", JSC "Tander" (as of the moment of entering into the transaction)</i>
Reason for which such entity is considered related-party for transaction	<i>"Magnit Finance" LLC is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction. JSC «Tander» is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction and the beneficiary under transaction.</i>
Transaction amount in money terms, thousand rubles.	4,500,000
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, %	13.5758%
Term for fulfillment of obligations under transaction	<i>The Borrower's obligations shall mature on — 23.12.2015, The guarantee shall be valid till 23.12.2018</i>

Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing its obligations before the Creditor. There was no situation when the demand on fulfillment of JSC "Tander"'s outstanding obligations could have been raised before the Guarantor.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

<b>17</b>	
Date of transaction	<b>29.12.2010</b>
Subject and essentials of transaction	<i>Provision of interest-bearing loan by OJSC "Magnit"</i>
Parties of transaction	<i>The Lender: OJSC "Magnit", The Borrower: JSC "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>"Magnit Finance" Limited liability company, "Magnit Finance" LLC (as of the moment of approval and entering into the transaction); Joint-Stock Company "Tander", JSC "Tander" (as of the moment of entering into the transaction)</i>
Reason for which such entity is considered related-party for transaction	<i>"Magnit Finance" LLC is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction. JSC «Tander» is a shareholder of OJSC "Magnit" jointly with its affiliates owning more than 20% of voting shares of the company that is a party of the transaction, and is a party of the transaction.</i>
Transaction amount in money terms, thousand rubles.	<b>500,000</b>
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, %	<b>1.51%</b>
Term for fulfillment of obligations under transaction	<b>27.12.2015</b>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations have been fulfilled. The Borrower's obligations have not been matured.</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 annual shareholders' meeting on June 24, 2010, minutes of meeting of 28.06.2010.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

## **16. MAIN RISK FACTORS RELATED TO THE COMPANY OPERATION**

Since OJSC “Magnit” and its subsidiaries operate within one group of companies of OJSC “Magnit” (hereafter - “the Group”, retail chain “Magnit” or “the Company”), the risks are mainly described for the entire Group in general.

The description of risks provided herein is not complete or limiting, but renders the Company’s own viewpoint and assessment. Along with the risks specified, other risks not included in the report may affect the investments into OJSC “Magnit” shares. Other risks, including those the Company is not aware of or which seem insignificant at the present time, may lead to reduction of earnings, increase of expenses or other events and (or) consequences, due to which the price of Company’s securities may decline.

In case one or several risks hereof arise, OJSC “Magnit” will take all the possible measures and apply the best efforts to minimize the effect from 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 situation in future. The character of measures to be taken will depend on the situation conditions in each specific case. OJSC “Magnit” cannot guarantee that the measures taken to overcome negative changes will considerably affect the situation, as the majority of the described risks are beyond the Company’s control.

### **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 methodology

Elaboration and implementation of comprehensive risk management framework

Ongoing monitoring of risk status

Risk management is applied to the entire Group.

As for the industry risks, the market environment is estimated in the medium-term and long-term perspective based on the macroeconomic forecasts of MEDT and sell-side analysts. The estimation of the prospective demand is based on the forecasts on the population income sector and consumption level. The industry trends in respect of diverse trade formats, breakdown of demand by formats and competitive environment are also estimated.

The development strategy aimed at the consolidation of competitive positions and the increase of market share of the Company is elaborated on the basis of the conducted analysis.

In terms of country and regional risks, the Company monitor political and economic situation, as well as estimate the risk level of natural disasters, possible cease of transport communication in the regions where “Magnit” stores are located. Territorial diversification of the group operation of “Magnit” companies contributes to risk reduction.

As for financial risks, the level of interest rate, currency exchange, credit and liquidity risks are estimated.

Interest risk management is carried out through seeking the most optimal ways of financing and through coordination of fundraising terms with the terms of implementation of the projects under financing. To provide for the optimization of the received funds the Group works out its credit history, expands the data base of potential creditors and diversifies instruments for their attraction.

The reduction of funding costs is achieved through the policy of information transparency improvement. One of the tools of interest risk management is forecasting the interest rate changes, and assessment of the appropriate leverage level of the Company with an allowance for such overall interest rate changes.

Regarding the currency risks, the Company estimates the analysts' forecasts on the possible fluctuations of the exchange rate and takes decisions on the acceptable level of the currency exposure and direction. Since "Magnit" receives all earnings in Russian rubles and do not possess assets denominated in foreign currency, the Company does not take liabilities in foreign currency in order to minimize currency risks.

In terms of 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 position of counterpartents and the limits' system.

Legal risks management is based on the strict observance of the actual Russian legislation. Legal department monitors all changes in legislation, which refer to the company's 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 and income of the Group**

The Group operates in the retail sector of food products 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 population disposable income.

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 and 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 sales and income 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 Group's market share and its revenue.**

The Group operates in 7 federal districts and in more than 1,200 locations of Russian Federation with the highest concentration in the Southern, Central and Volga regions. In the nearest future the retail store chain plans to expand into other regions of the country including the Central and the Urals regions which are a priority. Russian

retail market is quite competitive and is represented by the majority of 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 big number of Russian and international players. In recent years the consumer demand growth in Russia has attracted new participants and led to the intensification of competition. Retail chains compete with each other mainly for store locations, product quality, service and price, assortment range and store conditions. Entrance of additional players to the Russian market may intensify competition even more and reduce the operating efficiency of the Group. Main competitors to the Group in “convenience” format are “Pyaterochka”, “Dixy” and “Kopeika”, while in “hypermarket” format these are “Auchan”, “Perekrestok”, “Karusel”, “Lenta”, “O’key”. The Group also competes with regional and local retail chains, individual groceries and open markets.

Some of the Group’s competitors which are present 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 or establishing their own chains from the ground up.

If the above process is intensive, the competition level may substantially increase, and thus 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 adjust the existing stores and launch the new stores in favorable 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 competitors and the new ones in the future.

On the current stage of competitive activity the considerable risks for the Group are also connected with more aggressive approach applied by the main competitors to the Group, such as winning the additional target markets through the expansion based on franchising schemes. Such approach enables the competitors to expand their presence in many regions of Russia as well as to considerably reduce costs of the new stores opening. The Group does not apply franchising schemes which may lead to serious reduction of flexibility in geographical coverage, and as a result to the loss of a considerable market share.

These factors together with the economic environment 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 of intensive expansion may hamper its further growth.**

As of December 31, 2010 the stores operating under “Magnit” trade mark are located in Moscow (10), Saint-Petersburg (18), Krasnodar region and other 49 subjects of Russian Federation. “Magnit” stores are located in the Southern Federal district (1103), Central Federal district (961), Volga Federal district (1245), North-Caucasian Federal district (263), North-Western Federal district (217), Urals Federal district (245) and Siberian Federal district (21).

Following 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 subjects of Russian Federation. The development strategy of the Group makes it dependent on the economic conditions and some other factors.

The successful roll-out of the Group’s development strategy depends on its ability to



identify and acquire the suitable premises or land plots for store construction on commercially reasonable terms, to open new stores in due time in compliance with the Group standards, 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. Among other factors, the development strategy plans also depend on the general economic situation, availability of financing and no negative changes in legislation. There is no guarantee that operational, administrative, financial and human resources will be sufficient for successful implementation of the Group's development strategy. Moreover, there is no guarantee that the expansion plans, if carried out, will have no negative impact on the quality of service and sales profitability.

**Expansion of the Group through acquisition of other companies or their assets may be fraught with different risks which may have serious negative impact on the economic activity of the Group and its financial position.**

The Group does not rule out the possibility to expand its operation through acquisitions. Acquisition opportunities presuppose certain risks, including failure to identify the objectives for acquisition, and/or to carry out adequate complex inspection of their operation and/or financial position, financial risks and operation expenses which may be considerably higher than the estimated ones. Moreover, there is a risk of incapability to assimilate the operation and employees of the acquired companies, deficiency of installation 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 has no or minor experience, and/or markets with the limited access to the necessary logistic support and distribution network, as well as the risk of business interruption and diffusion of the Group management resources. If the Group is not able to successfully integrate its acquisitions, such failures may have a material negative effect on its financial position and results of operation.

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

Implementation of the Group's expansion 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 proceeds received from the stock market would be enough to finance its scheduled expenses in the nearest future. If the Group fails to raise enough funds to finance its capital expenditures, there is risk of reduction or cease of expansion.

**Rapid growth of the Group may lead to deficiency of administrative, industrial and financial resources.**

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

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

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 negative effect on the Group. The Russian food retail market is subject to changing customers’ preferences, needs and trends. The Group’s target audience is mainly the consumers with low or medium income level. If the level of disposable consumer income continues to grow nationwide (either generally or in certain federal districts, especially in the Southern Federal District where the Group collects a larger share of the total revenue), the Group may not be able to adjust quickly enough the product assortment in the stores to the changes in consumer trends, and thus will lose a part of its target audience. As a result of such changes, the number of customers shopping at “Magnit” stores may decline (or increase more slowly than previously), or the average ticket in “convenience” format may decline (or increase more slowly than previously), which would have a material adverse effect on business, results of operation, financial position and prospects of the Group.

### **Risks related to investments in and lease of 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 the 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 into the real estate for store premises. The market of any goods including commercial property is subject to fluctuations. Market value of the real estate may decline or grow due to different factors, i.e.:

- a) changes in the competitive environment;
- b) changes of the attractiveness level of the real estate on the Russian market in general and on the regional markets where the property objects of the Company are located 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 thus negatively affect the assets’ value of the Group. Thus, in case of disposal of such property the Group won’t be able to compensate its acquisition costs, what may negatively affect the financial position of the Group and the Company.

#### **Inability to obtain rights on the suitable real estate object on commercially reasonable terms, to protect rights of the Group for the real estate or to construct new stores on the acquired land plots may have a material adverse effect on the economic operation and financial position of the Group.**

Ability of the Group to open new stores largely depends on identification and lease and/or acquisition of the premises appropriate for its needs on commercially reasonable terms.

The property market in large cities 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 the third parties seeking similar land plots and premises, the Group is not able to identify and obtain the new objects in due time, the Group's anticipated growth will be negatively affected. Even after the Group procures 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 lease contracts for the stores or extend them on reasonable terms may have materially adverse effect on the economic activity and financial position of the Group.**

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 extend the lease contracts as they expire, the share of which is large enough. If the Group is not able to extend the lease contracts for its stores as they expire or lease another suitable objects on reasonable terms, or if the actual lease contracts of the Group are terminated for any reason (including loss of right on such objects by the lessor), or if the contract terms are revised in the prejudice of the Group, it may have a negative impact on its financial position and operation results.

**Deficiency of professional building contractors may negatively affect the development strategy of the Group.**

The ability of the Group to construct and update specially constructed new stores is extremely important for its strategy and commercial success. The Group operates in the markets which face the deficiency of highly-skilled contractors able to build new stores in due time and in compliance with standardized requirements of the Group. There's no guarantee that the Group will be able to find the properly trained and experienced team of designers for building and launching new stores in due time. Failure of the Group to construct and develop new stores on the newly acquired land plots may have a substantial negative impact on its potential to follow its strategy and to achieve the required financial position and operation results.

**Dispute 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 the economic activity and financial position of the Group.**

Group's activity includes obtaining ownership and lease rights for land plots and premises for the new stores. In addition, the Group owns buildings and facilities 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 authority is entitled to lend particular land plots, besides the procedures of construction approval are complex and subject to challenge or complete abolition. Construction and environmental regulations often contain the requirements which are in practice impossible to meet in full. As a result, ownership and lease rights of the Group for land plots and premises may be challenged by governmental authorities and third parties, and thus, its construction projects may be delayed or cancelled.

Under Russian law, real estate transactions may be disputed on many grounds, including ineligibility of the property seller or right holder to dispose such property, breach of internal corporate requirements of the counterparty and failure to register the transfer of rights

in the unified state register. As a result, violations in previous real estate transactions may lead to invalidation of such transactions with individual property objects, and thus, may affect the rights of the Group for this property.

Moreover, Russian law does not require certain encumbrances over real estate (including leases for less than one year 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 for 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 not been aware of) over the real estate of the Group whether owned or leased.

### **Risks related to the increase of costs**

**Unionization of the Group employees may have a 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 substantially affect the payroll costs of the Group and/or settlement of labor conflicts, and as a result may have a substantial negative impact on financial position and operation results of the Group.

**Risks related to the possible fluctuations of the prices for raw materials, services applied by the Group within its activity (separately on the internal and external markets), and their influence on the Group's activity and its fulfillment of obligations on the securities:**

The Company and the Group operate only on the Russian internal market. The Company and the Group do not operate on or plan to expand into the external market. The information about the risks described refers to the internal market.

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

The operating efficiency of the Company and its subsidiaries largely depend on the prices for the products purchased for the retail sale, as well as on the prices for the services used by them in their operation and on the amount of rent payment for movable and real property and construction, acquisition and opening costs. Changes in the agreement processes and procedures of obtaining rights for 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 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 Group's expenses may affect its profitability. The growth of the purchase prices, the installation costs, the price for land plots (other real estate) and amount of rent payment, as well as the growth of 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 the retail chain of the Group 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 reduction may affect the ability of the Company's relevant authority to decide on the payment of yield and the market value of the Company securities.

**Risks related to the possible fluctuations of the prices on products and/or services of**

**the Company (separately on the domestic and foreign markets), and their influence on the Company's activity and its fulfillment of obligations on the securities:**

The Company and the Group operate only on the Russian local market. The Company and the Group do not operate on or plan to expand into the foreign market. The information about the risks described refers to the internal market.

**The reduction of prices for products at "Magnit" stores may lead to the profitability decrease of the Group.**

Changes of product prices at "Magnit" stores are largely determined by changes of 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 level of purchasing capacity of the population. The price growth is mainly forecasted within the inflation, which as well affects the decrease of the purchasing capacity of the population. The deterioration of macroeconomic environment and decrease 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 dramatic 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 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 changes 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 most unattractive stores;
- 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 will allow to minimize risks and carry out the detailed analysis of the scheduled operation of the Company in order to reduce the prime cost of the investments, minimize the expenses' structure and receive more profit.

## COUNTRY AND REGIONAL RISKS

The Company and JSC “Tander” (the main operating company of the Group which controls trading assets and is the Group’s center of revenue consolidation) are registered as a tax-payer in the Southern Federal district, Krasnodar. As of December 31, 2010 the Group operates in 7 federal districts in 1,216 locations of the Russian Federation. The Group does not operate outside the Russian Federation.

As the Group operates in the Russian Federation, the main country and regional risks affecting the operation of the Group and the Company are the risks within the Russian Federation. However, due to the 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 demand for consumer goods.

Despite 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 systems. The risks of the industrial production decline, inflation, the increase of the national debt, negative dynamics of the currency exchange rates, increase of unemployment, etc., have significantly increased within the global financial and economic crisis. All this may lead to the drop in the living standards in the country and negatively affect the operation of the Group, as the main target customers of the “Magnit” chain are people with income below the average. Apart from the 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 have a negative effect on the investments in the country as well as on the price for the Company’s shares.**

Since 1991 Russia has moved from one party state with the centralized planned economy to democratic state with the market economy. Russian political system remains vulnerable to the public discontent and disorders among individual social and ethnic communities. Substantial political instability may have a 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 contradictions 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 effect on Company’s business and on the investment potential of Russia.**

During the presidential term of Vladimir Putin and after the election of Dmitriy Medvedev the political and economic situation in Russia has generally become more stable and favorable for investors. However any political discussions over the course of future reforms or reconsideration of the existing reforms may lead to deterioration of Russian investment climate that may limit the ability of the Group to receive financing on the international financial

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

In the recent past our law-enforcement authorities have opened cases against some Russian companies, their officials and shareholders for tax evasion and related tax violations. Some cases resulted in the imprisonment and repayment of understated taxes. Reportedly, such companies were Yukos, TNK-BP and Vimpelcom. Some analysts consider that such prosecutions demonstrate a willingness to reconsider key political and economic reforms of 1990s. Other analysts, however, believe that these prosecutions are isolated cases and do not signal any deviation from large-scale 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.**

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 industry sectors 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 provoke public tension and sometimes result into conflicts including the armed ones. For example, the continuous conflict in Chechnya negatively affected economic and political situation in Chechnya, the neighboring regions and 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 the 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 Group's operation in the Southern federal district.

**Social instability may lead to frustration among population, induce the call for powers' change, outbreaks of nationalism or violence.**

Failure of the Russian government to adequately address social problems led in the past and may lead in the future to frustration among population. Such frustration may 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 the losses or 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 substantial changes in the economic situation in Russia, including dramatic fluctuations of the national currency exchange rate, 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 rates

on the territory of the Southern Federal district and other regions of the 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 negative impact on the Company's business.

Any of the risks provided herein previously experienced by the Russian economy may seriously influence the investment climate in Russia and the Company's activity. Russian economy suffered from the following negative events in the past:

- 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 of 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 faced abrupt downturns. In particular, the period of rapidly deteriorating economic situation after August 17, 1998 when government defaulted on its ruble-denominated bonds, the Central Bank of Russia 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 and bonds quotes 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 the recall of banking licenses of a number of Russian top 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 global financial crisis has affected and may affect in the future the Russian economy. The possible effects of crisis are: crisis of bank liquidity and consequently possible substantial reduction of legally capable units of the credit and financial systems, substantial appreciation of the borrowed resources which will result in economy growth slowdown, rise of unemployment level and significant increase of the inflation rate. Moreover, fluctuations of the world prices for oil and gas, ruble weakening to US dollar and other currencies, as well as consequences of monetary policy regression or other factors may in future negatively 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, accidents on the electric substations in May 2005 resulted in power cut in Moscow and neighboring regions, and thus in heavy damage of economy of Moscow and corresponding regions. Roads' condition throughout Russia is also improper, and many of them do not meet the minimum requirements of safety standards.

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 and price of the Company's shares.

**The fluctuations of 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 other countries of the world. According to former practice, financial problems or exacerbated perception of investment risks in the countries with developing economy may reduce the volume of foreign investments in Russia, thus affecting Russian economy. As Russia produces and exports large volume 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 the economic development of Russia. These events may severely limit Group's access to the capital and have a negative effect on the purchasing power of the Group's consumers.

#### **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 Company to effectively operate its business. Inability of the government and many private companies to pay out the wages in time, and altogether deceleration of wages and benefits vs. rapidly growing living costs, led in the past and may lead in the future to labor and social disorders. For example, in 2005 groups of Russian pensioners and some public organizations arranged protest campaigns throughout Russia against benefits monetization and temporarily blocked some roads. Similar actions, labor and social disorders may have negative political, social and economic consequences including the nationalism growth, imposing limitations on the foreign involvement 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 the officials. Additionally, diverse publications indicate that some members of the Russian media regularly publish biased articles for remuneration. The Group activity may be affected by illegal actions, corruption and accusation of the Group of illegal operation and therefore have a negative impact on the Group's operation and price of Company's shares.

### **Risks related to the fiscal policy of the Government of the 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 accounting 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.

### **Prospective measures of the Company in case if changes of the situation in the country and region have negative effect on the Group's 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 crisis management aiming at mobilization of 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 of the country and regional fluctuations on the Group's operation, 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 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 the 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 risks.

### **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 its business:**

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 among the factors of the regional investment risk due to the potential 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 course or destroyed in case of the armed conflict. However the major area of the Southern Federal District is occupied by the subjects of the Russian Federation with favorable conditions for business development and with the regional risk level of not below average figures throughout the country. It's worth noting that the Company does not operate in the territory of the 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, increase of the real income of population, and the financial market of the region playing a significant part in the process.

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 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 performs the main activity, including high threat 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 and fortification of the national security of Russian Federation.

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

The regions with the Group's 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 (hurricanes, floods, earthquakes, etc) is distinctive geographical feature of the Southern Federal District.

The geographical peculiarities of the region do not eliminate the risk of possible stop of transport connection due to remoteness and/or inaccessibility of the city.

#### **Ecological risks:**

**Accidents at the environmentally hazardous industrial facilities of the Russian Federation and environmental pollution may have a negative effect on the Group's 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 in the territory of Russia, while the system of control over ecologically dangerous objects is not sufficiently effective. Accidents on these objects and an unfavorable ecological situation in large Russian industrial cities may have an adverse negative effect on the Group's activity.

## **RISKS RELATED TO THE COMPANY'S OPERATION**

### **Risks peculiar for the Company**

Risks related to the current legal proceedings in which the Company participates:

Within the last three years the Group's companies have not participated in legal proceedings which could have material negative effect on the Group's financial and economic activity.

### **Risks related to the inability to extend the Company's license for a particular type of activity or for the use of objects limited in the turnover (including natural resources):**

The core business of the Company is coordination of Group companies' operation, the lease of property and retail business which is not subject to licensing. The Group sells a wide range of product assortment, and today the retail sale of alcohol beverages and pharmaceuticals are subject to licensing for all Group's enterprises engaged in such activity.

The Group has licenses for retail sale of alcohol beverages consumed not on the spot of purchase and pharmaceuticals without manufacturing rights. In case of changes in the requirements for licensing, the Company will operate under the new requirements, including the license re-issuance and new licenses' obtaining.

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

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

The Company together with JSC "Tander" (the main operating company of the Group which controls trading assets and is the Group's center of revenue consolidation) stand 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 expansion of "hypermarket" format. The guarantee is represented in the amount of the total nominal value of the bonds and aggregate coupon profit on bonds. If LLC "Magnit Finance" is not able to fulfill the obligations on the bond loans in full, this will have substantial unfavorable consequences for the Group's 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 receivers 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 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 dominant position on the market. If any of the Group's companies is declared the body occupying the dominant position, its activity (including pricing policy) may be restricted. Such situation may have negative effect on the economic activity of the Group and its regional expansion strategy.

Some legislation initiatives aimed at competition protection and regulation of trade activity may have negative consequences for the Group's business. Specifically, 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, stipulates for the acquisition of additional selling space only upon the corresponding authorization by the anti-monopoly authority if the share of the entity (group of entities) performing the trading activity exceeds 25 percent of the total volume of sold or purchased food products in money terms for the preceding year within the boundaries of the urban district or municipal area. Realization of the Law may limit regional expansion through organic growth or M&A deals, and the number of operating stores (due to inability to extend the actual lease agreements) or new openings in other premises will decrease.

### **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 to the market of the new formats. Within 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. These factors include:

- Ability to raise enough funds for capital investments. If the Group fails to raise enough funds for chain expansion at the scheduled scale, the Group may have to considerably limit the scale of expansion and take disadvantageous position versus 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 on 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 efficiency within the 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 systems of purchasing, 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 negatively affect the business activity, operating results and financial position;

- Success of the Group's regional expansion will largely depend on its ability to identify attractive opportunities on the markets of the potential growth, on the ability to successfully implement assortment matrix for each region and establish the purchasing 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;

- Implementation of the effective marketing strategy which will provide not lower level of the effectiveness of sales or insignificant decline of sales than the Group experienced in the

past. Due to the increase of the competition in retail sector, the effectiveness of the Group's marketing campaign may considerably decrease which will reduce the amount of its customers and consequently reduce the sales turnover. The chain expansion in the territory of one urban area may result in the cannibalization which will lead to the reduction of the sales turnover in the average within the stores of the Group;

-The Group's growth strategy foresees changes in the business activity model concerning the ownership rights on the sales areas. Within 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 space 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 rates against the scheduled strategy and result in the loss of the Group's market share in favor of competitors;

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

- Within the economic slowdown on the regional markets, geographical expansion may turn out to be not as successful as expected by the Group, which may have negative effect on the Company's 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 managers: Vladimir Gordeychuk, Andrey Arutyunyan, Khachatur Pombukhchan, Eduard Smetanin, Valeriy Butenko. According to the labor contracts entered between the Group's 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 by 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 negative effect on the business activity, operating results and financial position of the Group

**Risks related to the accounting and control system:**

The system of the Group's financial and management reporting currently operating is based on the volume of operations exercised 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:**

Managing and processing of operational and financial information in the Group is carried out via electronic devices of information transmission and processing including the network of the personal computers, access to Internet and 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 to adopt accurate management decisions depend on the correct and stable work of computer and information networks.

The systems and their functioning are subject to operation failures, which may be caused by human factor, natural disasters, blackouts, computer viruses, willful acts of vandalism and similar factors. There is no guarantee that there will be no 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 the loss of customers, the growth of operating expenses and financial losses.

**Risks related to the operations with the large cash flows:**

The specific character of the Company's business activity and the current level of the bank sector development in Russia provide that the substantial part of the Group's operations is exercised with the cash funds. Thus, the risk of insufficient payments caused by unintentional actions of the Group's personnel as well as by deliberate thefts and robberies increases.

**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, there exists the probability of potential customer claims to the quality of the Group's private label products. High product quality is of the utmost importance for the private label, and chain operators are 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 products for sale:**

There is a risk related to the Group's responsibility for the quality of products sold at 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 entered into with the majority of suppliers, the producer takes the material liability for the quality of sold products, provided that the Group observes the necessary storage conditions.

Such claims may also be addressed to the seller of the products at the discretion of a 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 legal 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 claims for the intellectual property from the third parties, 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 copyright, trade marks rights, legislation on commercial secret protection, on its user policy, on the license agreements and the restrictions on the information disclosure. Despite the above precautionary measures, third parties may illegally copy or otherwise receive or use intellectual property of the Group. On the whole Russia does not provide enough protection of

the rights for the intellectual property as 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 negatively 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.

**Conduct of premature policy on securing interests in terms of intellectual property of the Group may seriously hinder its future business activity**

The Group is on the stage of intensive development and expansion of all its business spheres. Measures on 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 go ahead of any commercial activity. Insufficient experience of Russian companies in elaborating policy related to the objects of intellectual property produces the whole set of risks of 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, involved specialists and organizations regarding determination of rights for jointly manufactured products and split of the use rights on these products between the Group and other bodies.

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

The Group invested substantial funds in 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 for trademarks rights for trading organizations, provided by the Russian law, is not completely clear. 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 negatively affect the operation results of the Group.

Moreover, due to the fact that Russian legislation provides 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 partially similar features to the operation of the Group. The Group cannot prevent these organizations from using such names, and this may result in negative effect 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 sales share of the products under “Magnit” brand (“for “Magnit” stores”). As of December 31, 2010 this figure amounted to 12.66%. However it should be noted that together with the increasing number of hypermarkets, the sales share of “private label” represented by 614 items in both formats may reduce as the total assortment of a hypermarket amounts 13,504 SKUs on average, while the product mix of a convenience store amounts to 3,251.



The scheduled growth may prove to be unachievable if the commercial expenses for popularization of such brand will considerably exceed the Group's relevant budget. Alongside, the creation of the new brands may weaken the existing brands and require additional investments for maintaining their market position.

**Risks related to 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 apply insurance for interruption of its business activity, bringing to responsibility for products quality, fire (except for stocks and supplies) or changes in core management, and does not enter into insurance agreements on real estate property, distribution center, stores or stocks at the warehouses (with rare exception). Moreover, the Group does not form special reserve or other funds to cover 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 negative effect on the business activity of the Group, its financial position and prospects.

**A major accident may result in substantial property losses and incapability to restore it.**

If in case of a major accident one or more objects of the Group (e.g. the headquarters in Krasnodar, distribution center 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 negative effect on the Group's business activity, its operation results, financial position and prospects.

## 17. INFORMATION ON THE COMPLIANCE WITH THE FFMS CODE OF CORPORATE CONDUCT OF RUSSIAN FEDERATION <sup>15</sup>

№	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
<b>General Shareholders' Meeting</b>			
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 5.1.3, 5.1.4 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 13.11 of the OJSC "Magnit" Charter.  Article 28 of the Regulation on the OJSC "Magnit" general shareholders' meeting.  Paragraph 5.4 article 5 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	Article 5 and paragraph 2, article 13 of the Regulation on the OJSC "Magnit" general shareholders' meeting.

<sup>15</sup> 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>
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 the board of directors, members of the auditing committee and the auditor of the joint - stock company.	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 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.
<b>Board of directors</b>			
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 6.7, article 6 of the Regulation on the Committees of the board of OJSC "Magnit", according to which the assessment of efficiency and procedures of internal control 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

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
			of financial and economic activity of OJSC "Magnit".
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	<p>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 and members of collegial executive body refers to the competence of the OJSC "Magnit" board of directors.</p> <p>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, members of collegial executive body, directors of the main structural departments of the Company, and work-out of the remuneration procedure for CEO, Management board members and highly qualified employees of the Company, refer to the competence of the HR and Remuneration Committee.</p>
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 and members of collegial executive body (Management board) 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	Not observed	-

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
	members.		
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.	Observed	According to paragraph 1 article 33 of the Regulation on the OJSC "Magnit" board of directors, the board must include not less than one independent member. Four independent directors were elected to the Board of directors, they are: 1) Valery Butenko. 2) Alexander Zayonts; 3) Alexey Makhnev; 4) Dmitry Chenikov.
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.  Paragraph 7.4.10 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	Observed	Article 7 of the Regulation on the OJSC "Magnit" board of directors.  Article 7, paragraphs 11.6-11.7

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
	the member of this company or of its subsidiary (dependant) companies, and to disclose the information on the transactions with such securities as well.		article 11 of the Regulation on the information policy of OJSC "Magnit".
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 2010 the OJSC "Magnit" board meetings were held not less than once a month, except for January, May and October when board meetings were not held.
22.	Availability in the internal documents of the joint-stock company of the board meetings procedure.	Observed	The regulations on the Board of directors of OJSC "Magnit"
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	Not observed	The possibility of establishing the committee is considered.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
	committee)		
26.	Presence of the board committee (audit committee) which advises on the joint-stock company auditor to the board, and cooperates with the board and revision committee of the joint-stock company.	Observed	The Audit Committee of the OJSC "Magnit" board is 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 paragraph 6.4, 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 independent directors: 1) Alexander Zayonts (independent director); 2) Alexey Makhnev (non-executive director); 3) Dmitry Chenikov (non-executive director).
28.	Management of the audit committee is executed by the independent director.	Observed	According to the point 6.5 of 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 Alexander Zayonts, 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 they do not disclose the confidential information.	Observed	Paragraph 4.8 of the article 4 of the Regulation on the board committees of OJSC "Magnit".  Paragraphs 11.5, 11.8, 11.12 of the 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.	Observed	Alexey Makhnev (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	There are no officials of the company in the HR and Remuneration Committee (except members of the Board of directors). Members of the Committee are: 1) Alexey Makhnev, 2) Valeriy Butenko, 3) Khachatur Pombukhchan.
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	-
<b>Executive bodies</b>			
39.	Presence of the collegial executive body (managing body) of the joint-stock company.	Observed	-



<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.	Observed	Paragraph 16.2 of the article 6 of the Charter
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 18.1. – 18.2. of the Charter of OJSC “Magnit”.  Article 5 of the Regulation on the sole executive body of OJSC “Magnit”.  Article 9 of the Regulations on the collegial executive body (Management Board) 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	-
<b>The secretary of the company</b>			
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	-

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
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	-
<b>Substantial corporate actions</b>			
52.	Presence in the charter or internal documents of the joint-stock company of the requirement on major transactions approval before its settlement.	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

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
			the delivery of the corresponding offer to the open company; - approval of the related party transactions; - 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	-
<b>Information disclosure</b>			
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 July 15, 2010, minutes of meeting w/o N of July 15, 2010.
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	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>
	acquisition of the shares offered by the company.		
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 26-28 of the Regulation on the general shareholders' meeting of OJSC "Magnit".  Paragraphs 5.4 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	<a href="http://www.magnit-info.ru">http://www.magnit-info.ru</a>
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 July 15, 2010, minutes of meeting w/o N of July 15, 2010.

<i>№</i>	<i>Clause of the code of corporate conduct</i>	<i>Observed/ not observed</i>	<i>Note</i>
<b>Control over financial and economic activity</b>			
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 July 15, 2010, minutes w/o N as of July 15, 2010.
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 of the 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 4.9 article 3 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 June 24, 2010, minutes of meeting w/o N of June 28, 2010.
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”.
<b>Dividends</b>			
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 July 15, 2010, minutes w/o N as of July 15, 2010.
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 2.4 and 2.5 of the 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.		



## 18. INFORMATION ON THE AUDITOR AND THE CONSULTANT OF THE COMPANY

Under the resolution of the annual general shareholders' meeting of June 24, 2010 (minutes of 28.06.2010) the auditing firm LLC AF "Faber Lex" was appointed as the Company auditor for RAS for the year 2010.

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 2010 according to the Russian Accounting standards:

In 2010 Limited Liability Company Auditing firm "Faber Lex" (LLC AF "Faber Lex") was the auditor of the Company, address: 144/2 Krasnykh Partizan street, Krasnodar, Russian Federation.

LLC AF "Faber Lex" is a member of Moscow Audit chamber according to the Decision of Management of June 27, 2007, № 108. Number of certificate 1726 of July 09, 2007, Principal Register Applicant Number 10203002910.

Telephone number: +7 (861) 220-03-20, 221-41-42, 226-41-41, 226-45-22, 226-38-15, 226-44-54.

### Information on the Company's Auditor which conducted the audit of the Company report over the year 2010 according to IFRS:

The audit of the Company's report for the year 2010 according to International Financial Reporting Standards was conducted by Limited liability Company "Ernst&Young" (Ernst&Young LLC) address: building 1, 77, Sadovnicheskaya naberezhnaya, Moscow, 115035, Russian Federation.

Ernst&Young LLC is a member of Russian Audit Chamber according to the Decision of the Board of Noncommercial partnership of Russian Audit Chamber of May 20, 2009, certificate number 3028 of May 20, 2009, Principal Register Applicant Number 10201017420.

Telephone number: +7 (495) 755-97-00

### 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</i>	www.fscorp.ru

<i>disclosure by the issuer of securities, ratified by FFMS</i>	
<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.

**19. INFORMATION ON VOLUMES OF ENERGY RESOURCES  
UTILIZATION WITHIN THE YEAR 2010**

<b>Kind of energy resources</b>	<b>Utilization capacity in volume terms</b>	<b>Utilization capacity in money terms, thousand rubles</b>
Electrical energy	3 154 588 kW	10 921,70
Thermal energy	543,23 Gcal	524,39
Gas	11 020,65 thousand cub.m.	60,72

## **ANNEX TO 2010 ANNUAL REPORT OF OJSC "MAGNIT"**

**ANNEX № 1: Consolidated financial statements of OJSC "Magnit" for the year ended December 31, 2010.**

**ANNEX № 2: RAS Accounting report of JSC "Tander" for the year 2010:**

- \* JSC "Tander". Balance sheet of December 31, 2010.
- \* JSC "Tander". Profit and loss statement for the year 2010.
- \* JSC "Tander". Statement of changes in equity for the year 2010.
- \* JSC "Tander". Cash flow statement.
- \* JSC "Tander". Appendix to the balance sheet for the year 2010.

**ANNEX № 3: RAS Accounting report of OJSC "Magnit" for the year 2010:**

- \* OJSC "Magnit". Balance sheet of December 31, 2010.
- \* OJSC "Magnit". Profit and loss statement for the year 2010.
- \* OJSC "Magnit". Statement of changes in equity for the year 2010.
- \* OJSC "Magnit". Cash flow statement.
- \* OJSC "Magnit". Appendix to the balance sheet for the year 2010.