

Ratified
by the resolution of the Board
of OJSC "Magnit" of April 4, 2014,
minutes №w/n of April 4, 2014

Ratified by the resolution
of the annual shareholders meeting
of OJSC "Magnit" of May 29, 2014,
minutes №w/n of May 30, 2014.

2013 ANNUAL REPORT

OPEN JOINT-STOCK COMPANY "MAGNIT"

15/5 Solnechnaya street, Krasnodar, Russian Federation

Chief Executive Officer

S. Galitskiy

Chief Accountant

A. Bublik

seal

KRASNODAR 2014

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ANNEX № 1: Consolidated financial statements of OJSC "Magnit" for the year ended on December 31, 2013.

ANNEX № 2: Consolidated financial statements of OJSC "Magnit" for the year 2013 prepared in accordance with the Federal law N 208-FZ "On consolidated financial statements".

ANNEX № 3: Accounting report of JSC "Tander" for the year 2013 prepared in accordance with RAS.

ANNEX № 4: Accounting report of OJSC "Magnit" for the year 2013 prepared in accordance with RAS.

1. PERFORMANCE HIGHLIGHTS

2013 Key Operational Results¹:

<i>Number of opened stores, NET</i>	1,209
<i>convenience stores</i>	1,154
<i>hypermarkets</i>	35
<i>Magnit Family</i>	26
<i>cosmetics stores</i>	-6
<i>Total number of stores,</i>	8,093
<i>convenience stores</i>	7,200
<i>hypermarkets</i>	161
<i>Magnit Family</i>	46
<i>cosmetics stores</i>	686
<i>Selling space, thousand sq. m.</i>	3,011.38
<i>convenience stores</i>	2,312.20
<i>hypermarkets</i>	482.88
<i>Magnit Family</i>	53.26
<i>cosmetics stores</i>	163.04
<i>Number of customers, million</i>	2,465.05
<i>convenience stores</i>	2,193.87
<i>hypermarkets</i>	193.06
<i>Magnit Family</i>	29.60
<i>cosmetics stores</i>	48.52

¹ "Magnit" group of companies

LFL Results:

Formats	FY 2013 - FY 2012²		
	Average ticket	Traffic	Sales
Convenience Stores	5.35%	(1.57)%	3.70%
Hypermarkets	2.04%	2.52%	4.61%
Magnit Family	5.01%	7.41%	12.80%
Cosmetics Stores	3.72%	10.54%	14.65%
Total	5.22%	(1.28)%	3.88%

² Based on 3,487 convenience stores and 18 cosmetics stores which were opened by July 1, 2011, and 60 hypermarkets and 1 Magnit Family which were opened by May 1, 2011, i.e. based on the result of the convenience stores that had been operating for not less than six months and hypermarkets that had been operating for not less than eight months and have achieved a mature level of sales.

2013 Key Financial Results³:

<i>Net sales, mn RUR</i>	579 694,88
<i>convenience stores⁴</i>	450 801,48
<i>hypermarkets³</i>	106 175,58
<i>Magnit Family³</i>	10 678,07
<i>cosmetics stores³</i>	11 873,35
<i>wholesale³</i>	166,40
<i>Net sales, mn US\$⁵</i>	18 201,92
<i>convenience stores³</i>	14 154,78
<i>hypermarkets³</i>	3 333,82
<i>Magnit Family³</i>	335,28
<i>cosmetics stores³</i>	372,81
<i>wholesale³</i>	5,22
<i>Gross profit, mn RUR</i>	165 262,99
<i>Gross profit, mn US\$</i>	5 189,12
<i>Gross margin, %</i>	28,51%
<i>EBITDAR³, mn RUR.</i>	79 678,33
<i>EBITDAR³, mn US\$</i>	2 501,83
<i>EBITDAR³ margin, %</i>	13,74%
<i>EBITDA, mn RUR</i>	64 721,23
<i>EBITDA, mn US\$</i>	2 032,19
<i>EBITDA margin, %</i>	11,16%
<i>EBIT, mn RUR</i>	50 536,88
<i>EBIT, mn US\$</i>	1 586,81
<i>EBIT margin, %</i>	8,72%
<i>Net profit, mn RUR</i>	35 620,38
<i>Net profit, mn US\$²</i>	1 118,45
<i>Net profit margin, %</i>	6,14%
<i>Market capitalization, mn RUR⁶</i>	868,999.94
<i>Market capitalization, mn USD⁷</i>	26,633.40

³ Audited financial statements prepared in accordance with IFRS

⁴ Management accounts

⁵ Based on the average exchange rate for 2013 of 31,8480 RUR per USD 1

⁶ CJSC «MICEX Stock Exchange» as of December 30, 2013

⁷ Based on the exchange rate for December 30, 2013 of 32,6282 RUR per USD 1

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



The year 2013 marked an important milestone in Magnit's history, as it became the market leader in Russian food retail as measured by sales. 2013 was one of the most successful years in Magnit's history. On average, Magnit opened 3 new stores EACH DAY throughout the year. Sales grew more than 29% and our EBITDA expanded to 11% with earnings growth for the year surpassing 41%.

While the numbers certainly speak for themselves, the accomplishment I am most proud of, as we marked our 20th anniversary on March 5th, 2014, is the culture that we, together, have built here at Magnit over the past two decades. Our corporate culture is predicated on hard work, trust, transparency, and optimism. While it may be impossible to quantify Magnit's corporate culture, I am certain that it is the foundation of our competitive strength.

Although much has changed in the Russian food retail marketplace over the past 20 years, Magnit remains a young, dynamic, and hungry competitor and thus, our optimism on what we can accomplish in the next 20 years has never been stronger than it is today.

As Magnit's CEO and Founder, I would like to take a moment to thank all of you, our shareholders, for your continued support and confidence in us over the course of 2013.

Chief Executive Officer of OJSC "Magnit"
Sergey Galitskiy

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

On April 13, 2006 Sergey Galitskiy was elected as a Chief Executive Officer by the resolution of the Board of directors of April 12, 2006. On April 12, 2012 the Board of directors (minutes of 12.04.2012) decided to reappoint the chief executive officer .

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

1) Period: **01.04.2004 – present day**

Organization: **OJSC “Magnit”**

Position: **member of the Board of Directors;**

2) Period: **13.04.2006 – present day**

Organization: **OJSC “Magnit”**

Position: **CEO;**

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

Organization: **OJSC “Magnit”**

Position: **Chairman of the Management board.**

Stockholding of CEO in the Company's share capital: **38.6659% (as of 31.12.2013).**

Ordinary shares, owned by CEO: **38.6659% (as of 31.12.2013).**

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

Within the reporting period no transactions of acquisition/disposal of the Company's shares were made.

CRITERIA AND AMOUNT OF REMUNERATION (REFUND OF CHARGES) OF THE CEO PAID WITHIN THE REPORTING 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” paid in 2013 amounted to 192,732,163.39 rubles.

5. INFORMATION ON THE COLLEGIAL EXECUTIVE BODY MEMBERS (MANAGEMENT BOARD) as of December 31, 2013

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

1) Period: **01.04.2004 – present day**

Organization: *OJSC "Magnit"*

Position: *member of the Board of Directors;*

2) Period: **13.04.2006 – present day**

Organization: *OJSC "Magnit"*

Position: *CEO;*

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

Organization: *OJSC "Magnit"*

Position: *Chairman of the Management board.*

Stockholding of the person in the Company's share capital: **38.6659% (as of 31.12.2013).**

Ordinary shares, owned by the person: **38.6659% (as of 31.12.2013).**

Information on transactions of acquisition/disposal of the Company's shares, made by the person in the position of Chairman of the management board within the reporting period: *Within the reporting period no transactions of acquisition/disposal of the Company's shares were made.*

Alexander Barsukov

Date of birth: **08.07.1977**

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

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

1) Period: **02.10.2006 – 15.07.2008**

Organization: *JSC "Tander"*

Position: *Naberezhnye Chelny Branch Manager;*

2) Period: **16.07.2008 – 16.12.2012**

Organization: *JSC "Tander"*

Position: *Hypermarkets sales director;*

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

Organization: *OJSC "Magnit"*

Position: *Member of the Management Board;*

4) Period: **17.12.2012 - present day**

Organization: *JSC "Tander"*

Position: *Director of hypermarkets sales department;*

Stockholding of the person in the Company's share capital: **0.0033% (as of 31.12.2013).**

Ordinary shares owned by the person: **0.0033%** (as of 31.12.2013).

Information on transactions of acquisition/disposal of the Company's shares, made by the person in the position of the management board member within the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	27.12.2013	Acquisition of securities	700	Ordinary registered shares

Marina Ivanova

Date of birth: **02.01.1964**

Education: *higher - in 1990 graduated from Lenin Tadjik State University, chemistry and biology teacher.*

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

1) *Period: 01.09.2007 – 11.08.2008*

Organization: JSC "Tander"

Position: Corporate Purchasing Director (Head Office);

2) *Period: 12.08.2008– present day*

Organization: JSC "Tander"

Position: Business Director;

3) *Period: 12.10.2012 – present day*

Organization: OJSC "Magnit"

Position: Member of the Management Board;

Stockholding of the person in the Company's share capital: **0.0083%** (as of 31.12.2013).

Ordinary shares, owned by the person: **0.0083%** (as of 31.12.2013).

Information on transactions of acquisition/disposal of the Company's shares, made by the person in the position of the management board member within the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	09.01.2013	Acquisition of securities	200	Ordinary registered shares
2	15.01.2013	Acquisition of securities	198	Ordinary registered shares
3	21.01.2013	Acquisition of securities	35	Ordinary registered shares
4	26.02.2013	Acquisition of securities	88	Ordinary registered shares
5	18.03.2013	Acquisition of securities	85	Ordinary registered shares
6	27.03.2013	Acquisition of securities	36	Ordinary registered shares
7	26.04.2013	Acquisition of securities	32	Ordinary registered shares

8	23.05.2013	Acquisition of securities	28	Ordinary registered shares
9	25.06.2013	Acquisition of securities	28	Ordinary registered shares
10	19.07.2013	Acquisition of securities	27	Ordinary registered shares
11	23.10.2013	Acquisition of securities	73	Ordinary registered shares
12	27.12.2013	Acquisition of securities	1300	Ordinary registered shares

Ilya Sattarov

Date of birth: **13.07.1976**

Education: *higher - in 1998 graduated from Kuban State University with a degree in Economics.*

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

1) *Period: 02.07.2007 – 07.12.2010*

Organization: Commercial joint-stock bank "Societe Generale Vostok Bank", joint-stock company

Position: CEO (JSC "BSGV" Krasnodar Branch);

2) *Period: 08.12.2010 – 31.01.2011*

Organization: JSC "Tander"

Position: Director for Assets Acquisition and Management (Head Office);

3) *Period: 01.02.2011 – 31.07.2011*

Organization: JSC "Tander"

Position: Director for Transport (Transport Department);

4) *Period: 01.08.2011 – present day*

Organization: JSC "Tander"

Position: Deputy CEO for Logistics (Head Office);

5) *Period: 12.10.2012 – present day*

Organization: OJSC "Magnit"

Position: Member of the Management Board.

Stockholding of the person in the Company's share capital: **0.0018% (as of 31.12.2013).**

Ordinary shares, owned by the person: **0.0018% (as of 31.12.2013).**

Information on transactions of acquisition/disposal of the Company's shares, made by the person in the position of the management board member within the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	15.01.2013	Disposal of securities	1 580	Ordinary registered shares
2	27.12.2013	Acquisition of securities	1 250	Ordinary registered shares

CRITERIA AND AMOUNT OF REMUNERATION (REFUND OF CHARGES) OF THE COMPANY'S MANAGEMENT BOARD MEMBERS PAID WITHIN THE REPORTING YEAR

According to the Regulations on collegial executive body (Management Board) of OJSC "Magnit" remuneration of a Management Board member consists of remuneration under a labor contract or an additional agreement to it. Management Board members can be remunerated every year from the amount of net profit according to the year accounting report. Payment terms and order shall be determined by the Board of directors. Salary for the work within the Management Board according to a labor contract constitutes 50 000 rubles. Remuneration to the Management Board members of OJSC "Magnit" paid in 2013 amounted to 2,508,388.20 rubles (the amount does not include the remuneration received by S. Galitskiy as a chief executive officer).

6. INFORMATION ON THE BOARD MEMBERS as of December 31, 2013

Khachatour Pombukhchan – the Chairman of the Board

Date of birth: 16.03.1974.

Education: higher - graduated from Kuban State University with a degree in applied mathematics in 1996; from Russian Distance-Learning finance & economics institute with a degree in Economics in 2000.

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

1) Period: 02.03.2006 – 03.05.2008

Organization: JSC "Tander"

Position: *Marketing director;*

2) Period: 29.11.2006 – 26.05.2009

Organization: JSC "Digital Gallery"

Position: *member of the Board;*

3) Period: 09.01.2008 – 03.05.2008

Organization: JSC "Tander"

Position: *first Deputy CFO (joint appointment);*

4) Period: 04.05.2008 – 30.06.2008

Organization: JSC "Tander"

Position: *first Deputy CFO;*

5) Period: 04.05.2008 – 30.06.2008

Organization: OJSC "Magnit"

Position: *Deputy CFO;*

6) Period: 19.06.2008 – 17.05.2012

Organization: LLC "Magnit Finance"

Position: *CEO;*

7) Period: 25.06.2008 – 23.06.2010

Organization: OJSC "Magnit"

Position: *member of the BOD;*

8) Period: 01.07.2008 – present day

Organization: JSC "Tander"

Position: *CFO;*

9) Period: 01.07.2008 – present day

Organization: OJSC "Magnit"

Position: *CFO;*

10) Period: 15.12.2008 – 01.04.2009

Organization: LLC "Magnit – Nizhniy Novgorod"

Position: *member of the Board;*

11) Period: 13.12.2008 – 24.02.2009

Organization: LLC "Tandem"

Position: *member of the Board.*

12) Period: 24.06.2010 – present day

Organization: OJSC "Magnit"

Position: *Chairman of the BOD.*

Stockholding of the person in the Company's share capital: 0.0028% (as of 31.12.2013).

Ordinary shares, owned by the person: 0.0028% (as of 31.12.2013).

Information on transactions of acquisition/disposal of the Company's shares, made by the Chairman of the BOD within the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	24.01.2013	Acquisition of securities	50	Ordinary registered shares
2	19.02.2013	Acquisition of securities	50	Ordinary registered shares
3	19.03.2013	Acquisition of securities	50	Ordinary registered shares
4	19.04.2013	Acquisition of securities	50	Ordinary registered shares
5	20.05.2013	Acquisition of securities	40	Ordinary registered shares
6	18.06.2013	Acquisition of securities	45	Ordinary registered shares
7	18.07.2013	Acquisition of securities	40	Ordinary registered shares
8	20.08.2013	Acquisition of securities	35	Ordinary registered shares
9	03.10.2013	Acquisition of securities	25	Ordinary registered shares
10	04.10.2013	Acquisition of securities	13	Ordinary registered shares
11	22.10.2013	Acquisition of securities	35	Ordinary registered shares
12	31.10.2013	Acquisition of securities	30	Ordinary registered shares
13	20.11.2013	Disposal of securities	1 626	Ordinary registered shares
14	27.12.2013	Acquisition of securities	1 730	Ordinary registered shares

Andrey Arutyunyan

Date of birth: **12.01.1969**.

Period: higher – in 1993 graduated from Kuban State University with a degree in Economics.

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

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

Organization: **OJSC "Magnit"**.

Position: **first Deputy CEO**;

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

Organization: **OJSC "Magnit"**.

Position: **Chairman of the Board**;

3) Period: **01.10.2004 – 30.06.2009**

Organization: **JSC "Tander"**.

Position: **Director of Development department**;

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

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

Position: *Chairman of the Board*;
 5) Period: *25.06.2008 – present day*.
 Organization: *OJSC “Magnit”*.
 Position: *member of the Board*;
 6) Period: *13.12.2008 – 24.02.2009*.
 Organization: *LLC “Tandem”*.
 Position: *member of the Board*.
 7) 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: *0.2068% (as of 31.12.2013)*.
 Ordinary shares owned by the person: *0.2068% (as of 31.12.2013)*.

Information on transactions of acquisition/disposal of the Company’s shares, made by the BOD member during the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	09.01.2013	Acquisition of securities	1 500	Ordinary registered shares
2	27.12.2013	Acquisition of securities	1 300	Ordinary registered shares

Valeriy Butenko

Date of birth: *25.11.1965*
 Education: *higher – in 1988 graduated from Novorossiysk higher engineering sea school - navigator engineer*.
 Positions held in the issuer and other companies in the last five years including plural offices:
 Period: *01.03.2004- 31.07.2009*
 Organization: *JSC «Tander»*
 Position: *Director in charge of reviser and analytical job*;
 Period: *29.05.2005- 31.03.2009*
 Organization: *JSC «Tander»*
 Position: *Member of the Revision Committee*;
 Period: *01.04.2004- 24.06.2009*
 Organization: *OJSC “Magnit”*
 Position: *Chairman of the Revision Committee*;
 Period: *25.06.2009 – present day*
 Organization: *OJSC “Magnit”*
 Position: *Member of the Board of directors*;
 5) Period: *01.08.2009- present day*
 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: *0.0827% (as of 31.12.2013)*.
 Ordinary shares owned by the person: *0.0827% (as of 31.12.2013)*.

Information on transactions of acquisition/disposal of the Company's shares made by the BOD member within the reporting period:

<i>No</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	09.01.2013	Acquisition of securities	1 500	Ordinary registered shares
2	27.12.2013	Acquisition of securities	1 300	Ordinary registered shares

Sergey Galitskiy

Date of birth: **14.08.1967**

Education: *higher – in 1992 graduated from Kuban State University with a degree in Economics*

1) Period: **01.04.2004 – present day**

Organization: *OJSC "Magnit"*

Position: *member of the Board;*

2) Period: **13.04.2006 – present day**

Organization: *OJSC "Magnit"*

Position: *CEO;*

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

Organization: *OJSC "Magnit"*

Position: *Chairman of the Management board.*

Stockholding of the person in the Company's share capital: **38.6659% (as of 31.12.2013).**

Ordinary shares, owned by the person: **38.6659% (as of 31.12.2013).**

Information on transactions of acquisition/disposal of the Company's shares, made by the BOD member within the reporting period:

Within the reporting period no transactions of acquisition/disposal of the Company's shares were made.

Alexander Zayonts

Date of birth: **10.01.1967**

Education: *higher - Moscow Institute of Chemical Engineering n.a. D.I.Mendeleev – chemical process engineer.*

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

1) Period: **01.2008 – present day**

Organization: *LLC "Domashniy Interier"*

Position: *General Director;*

2) Period: **01.12.2009 – present day**

Organization: *LLC "Obiedinennye resursy"*

Position: *BOD member;*

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

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/disposal of the Company's shares made by the BOD member within the reporting period:

Within the reporting period no transactions of acquisition/disposal 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 held in the Company and other companies in the last five years including plural offices:

1) Period: 09.2007– 12.2008

Organization: LLC "Morgan Stanley Bank"

Position: *vice president, investment banking department;*

2) Period: 12.2008 – 05.2009

Organization: LLC "Morgan Stanley Bank"

Position: *executive director, investment banking department;*

3) Period: 05.2009– present day

Organization: CJSC "VTB Capital"

Position: *managing director, head of consumer sector and retail direction, investment banking on global markets department;*

4) Period: 25.06.2009 – present day

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/disposal of the Company's shares made by the BOD member within the reporting period:

Within the reporting period no transactions of acquisition/disposal of the Company's shares were made.

Aslan Skhachemukov

Date of birth: 22.08.1962

Education: *higher – in 1987 graduated from Krasnodar Polytechnic Institute of the Order of Labour Glory - industrial engineer.*

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

1) Period: 01.10.2007 – 10.03.2012

Organization: JSC "Tander"

Position: *Deputy General Director;*

2) Period: 23.06.2011 – present day

Organization: OJSC "Magnit"

Position: *member of the BOD;*

3) Period: 11.03.2012 – 10.03.2012

Organization: JSC "Tander"

Position: Deputy CEO for economic security and organizational issues.

Shareholding of the person in the issuer's charter capital: **0.0028% (as of 31.12.2013).**

Ordinary shares owned by the person: **0.0028% (as of 31.12.2013).**

Information on transactions of acquisition/disposal of the Company's shares made by the BOD member within the reporting period:

<i>No</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	27.12.2013	Acquisition of securities	450	Ordinary registered shares

CRITERIA AND AMOUNT OF REMUNERATION (REIMBURSEMENT OF EXPENSES) OF EVERY MEMBER OF THE COMPANY'S BOARD OF DIRECTORS PAID WITHIN THE REPORTING YEAR

According to the Regulations "On the Board of Directors of OJSC "Magnit"", 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 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 May 24, 2013 the General shareholders' meeting made a decision not to pay year-end bonus, based on the operation results (minutes of 24.05.2013)

In 2013 upon the resolution of shareholders' meeting of 24.05.2013 (minutes of meeting of 24.05.2013) the Board members were paid remuneration for participation in the board operation in 2012 in the amount of 10,847,352.60 rubles.

7. REPORT OF THE BOARD OF DIRECTORS ON 2013 OPERATIONS

The structure of the Board of directors (elected by annual general shareholders' meeting on May 28, 2012, minutes of May 28, 2012):

<i>№</i>	<i>Full name of a member of the board of directors</i>	<i>Date of birth</i>
	Andrey Arutyunyan	12.01.1969
	Valeriy Butenko	25.11.1965
	Sergey Galitskiy	14.08.1967
	Alexander Zayonts	10.01.1967
	Alexey Makhnev	24.05.1976
	Khachatur Pombukhchan	16.03.1974
	Aslan Shkhachemukov	22.08.1962

The structure of the Board of directors (elected by the annual general shareholders' meeting on May 24, 2013, minutes of May 24, 2013) was not changed.

The current Board of directors includes four independent directors; they are Valeriy Butenko, Alexander Zayonts, Alexey Makhnev and Aslan Shkhachemukov.

Khachatur Pombukhchan was elected a Chairman of the Board of directors by the unanimous resolution at the first Board meeting of 25.06.2013, 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", 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 the following committees of the Board were formed 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	Alexander Zayonts	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>
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1	Alexander Zayonts	chairman of the committee
2	Alexey Makhnev	member of the committee
3	Aslan Shkhachemukov	member of the committee

Within 2013 the Board of directors held 10 meetings and examined 68 issues. All meetings of the Board of directors were held in the form of joint presence.

Main issues considered by the Board of directors in 2013:

<i>Date of meeting</i>	<i>Considered issues</i>
04.02.2013	Suggestions on the issues to be placed on the agenda of the annual shareholders' meeting were considered.
04.02.2013	The nominees for election into the Board of directors were considered and put in the list at the annual shareholders' meeting.
04.02.2013	The nominees for the auditor position were considered and put in the list at the annual shareholders' meeting.
11.03.2013	The decisions on approval of the related party transactions were adopted.
25.03.2013	The decision on calling of the annual shareholders' meeting was adopted.
25.03.2013	The decisions on approval of the related party transactions were adopted.
25.03.2013	The decision on determination of the price of the transaction the approval of which as major related-party transaction is included to the agenda of the general shareholders' meeting of OJSC "Magnit" was adopted.
25.03.2013	The decision on determination of the price of the transactions the approval of which as related-party transactions is included to the agenda of the general shareholders' meeting of OJSC "Magnit" was adopted.
25.03.2013	The decisions on approval of the related party transactions were adopted.
25.03.2013	The annual report over 2012 financial year was preliminarily approved and submitted for consideration of the general shareholders' meeting.
25.03.2013	The recommendations to the general shareholders' meeting on the profit distribution, including the dividend amount on OJSC "Magnit" shares and procedure of its payment, and losses following the results of 2012 financial year were approved.
25.03.2013	The payment amount for the auditor's services was determined.
23.04.2013	The decision on determination of the main business priorities of OJSC "Magnit" was adopted.
25.06.2013	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.
25.06.2013	The members of the Audit Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected.
25.06.2013	The members of the HR and Remuneration Committee of the Board of directors of OJSC "Magnit" and its Chairman were elected.
25.06.2013	The members of the Management Board were elected.

25.06.2013	The decision on determination of the main business priorities of OJSC "Magnit" was adopted.
25.06.2013	The decisions on securities issue (exchange-traded bonds to the bearer of BO-10, BO-11 series) were made.
25.06.2013	The Decisions on securities issue (exchange-traded bonds to the bearer of BO-10, BO-11 series) and the Prospectus were ratified.
25.06.2013	The decision on approval of the major transaction (several associated transactions) on placement of the exchange-traded bonds to the bearer of BO-10, BO-11 series by open subscription was made.
31.07.2013	The recommendations to the general shareholders' meeting on the dividend amount on OJSC "Magnit" shares and procedure of its payment following the results of the 6 months of 2013 financial year were approved.
31.07.2013	The decision on calling of the extraordinary shareholders' meeting was adopted.
31.07.2013	The nominee to the position of the head of Internal Audit Service was approved.
31.07.2013	The decision on approval of the related party transaction was adopted.
29.10.2013	The decision on determination of the main business priorities of OJSC "Magnit" was adopted.
29.10.2013	The decision on approval of the related party transaction was adopted.
29.10.2013	The payment amount for the auditor's services was determined.
29.10.2013	The decision to give consent for CEO (Chairman of the Management Board) to hold concurrently position in the regulatory body of other organization was made.
12.12.2013	The decision on payment of bonus to the person in the position of CEO of OJSC "Magnit" following 2013 results was adopted.
12.12.2013	The decisions to amend the Decision on securities issue and Prospectus securities (with respect to non-convertible interest-bearing certified bonds to the bearer with obligatory centralized custody of 02, 03 series) were made.

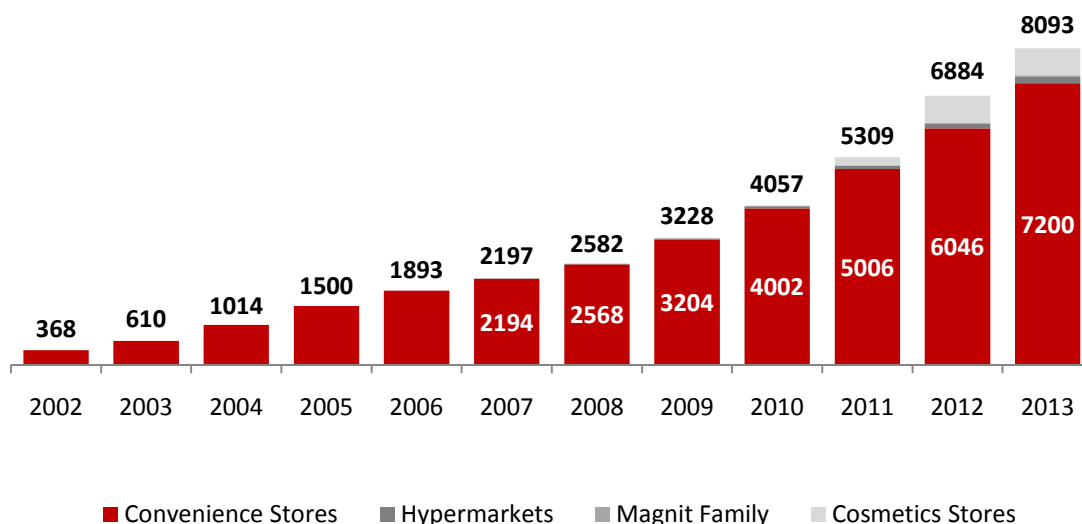
Besides, within the reporting period the issues related to determination of the position of OJSC "Magnit" representative on realization of the voting rights on the Company's stocks and shares in other organizations (companies) were examined by the Board of directors of OJSC "Magnit" in accordance with the Clause 14.2 of the Charter. Thus, the meetings on the issues concerning determination of the position of OJSC "Magnit" representative on realization of the voting rights on the Company's shares of CJSC "Tander", shares in LLC "Retail import", LLC "Tandem", LLC "Alcotrading" and "AgroTorg" were held in March, June, July, November, and December 2013.

The management of the Company achieved the following results in 2013:

1. Revenue of the Company increased by 29.21% from 448,661.13 million rubles in 2012 to 579,694.88 million rubles in 2013. Top line growth was due to an increase in selling space as well as to a 3.88% increase of like-for-like sales (excl. VAT). Revenue growth in dollar terms amounted to 26.14%: from US\$ 14,429.65 million to US\$ 18,201.92 million⁸.

At the end of the first quarter 2013 OJSC "Magnit" became the largest Russian food retailer in terms of revenue. Thus, the Company became the absolute leader in the Russian food retail sector in terms of sales, total number of stores, selling space, growth rates, profitability margins and capitalization.

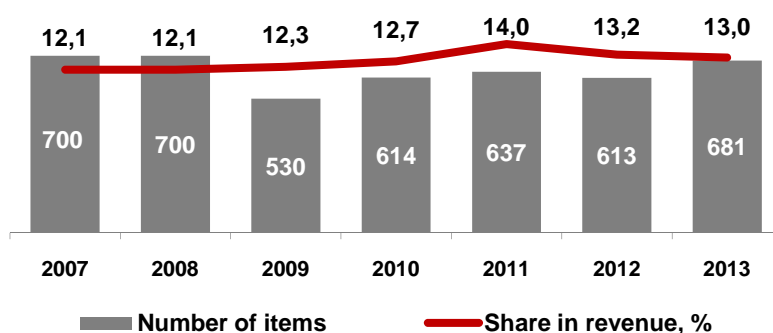
2. During 2013 the Company added 1,209 stores (1,154 convenience stores, 35 hypermarkets and 26 "Magnit Family" stores). The total store base as of December 31, 2013 reached 8,093 stores (7,200 convenience stores, 161 hypermarkets, 46 "Magnit Family" stores and 686 cosmetics stores). Total selling space of the stores increased by 18.13% from 2,549.26 thousand sq. m. to 3,011.38 thousand sq. m.



3. Number of customers increased by 21.23% from 2,033.43 million in 2012 to 2,465.05 million in 2013.

4. Sales of private label products as a % of sales in 2013 amounted to 13%, the number of private label SKUs in 2013 amounted to 681. The Company will continue to increase the sales of private label products primarily through expansion of their offer in hypermarkets specifically in non-food.

⁸ Based on the average exchange rate for 2013 of 31.8480 RUR per 1 US\$, 2012 – 31.0930 RUR per 1 US\$.



5. In 2013 the Company opened four distribution centers: Zelenodolsk (Republic of Tatarstan), Yaroslavl, Shakhty (Rostov region) and Ekaterinburg. Launch of the new distribution centers improved the quality of service in the Volga, Central, Southern and Urals regions. Total space of 22 distribution centers as of December 31, 2013 amounted to 634,997 thousand sq. m.

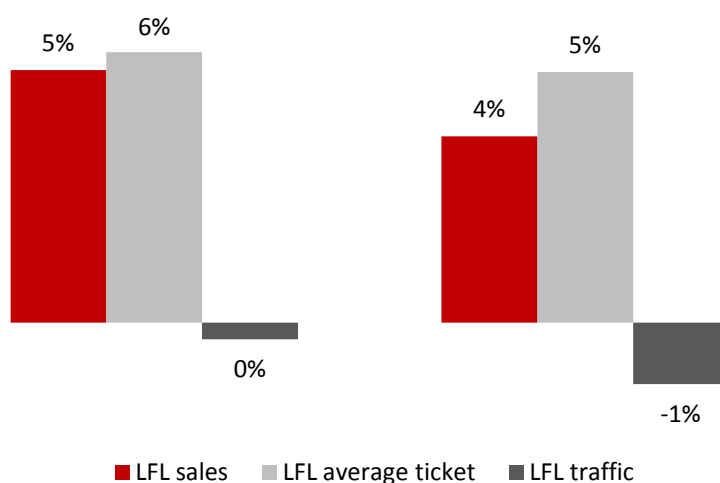
6. During the reporting year the fleet of the Company's vehicles increased by 1,176 trucks, total number of vehicles amounted to 5,577 which resulted in the considerable reduction of transportation costs.

7. In 2013 the Company increased the share of products processed via its distribution centers from 83% in 2012 to 85% which is also one of the gross margin drivers.

8. The Company was actively working with its employees increasing their loyalty and developing corporate culture. In 2013 the average weighted number of the Company's employees amounted to 175,720 out of which 121,228 are in-store personnel; 36,497 people are engaged in distribution; 11,636 people - in regional branches and 6,359 are employees of the head office. Average monthly salary in the Company in 2013 amounted to 25 899 rubles.

As of December 31, 2013 total number of employees of "Magnit" group of companies amounted to 217,258 people. Based on the publicly available information the management of the Company assumes that OJSC "Magnit" is the largest private employer in Russia.

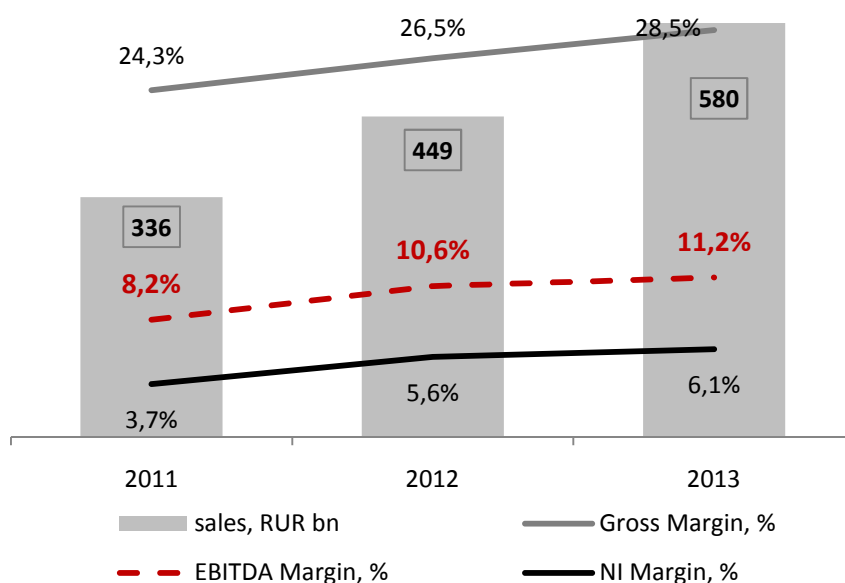
9. LFL revenue growth in 2013 vs. 2012 in ruble terms amounted to 3.88%, LFL average ticket increased by 5.22% and LFL traffic decreased by 1.28%.



10. Gross margin increased from 26.53% in 2012 to 28.51% in 2013 primarily due to continued improvement of purchasing terms. Gross profit in rubles increased by 38.82% from 119,051.79 million RUR (US\$ 3,828.89 million) to 165,262.99 million RUR (US\$ 5,189.12 million).

11. EBITDA increased by 36.60% from 47,380.48 million RUR (US\$ 1,523.83 million) in 2012 to 64,721.23 million RUR (US\$ 2,032.19 million) in 2013. EBITDA margin in 2013 amounted to 11.16%. Net debt/EBITDA ratio (in ruble terms) at the end of 2013 amounted to 1.05.

12. Net income in 2013 increased by 41.82% and amounted to 35,620.38 million RUR (US\$ 1,118.45 million) vs. 25,117.28 million RUR (US\$ 807.81 million) in 2012. Net income margin in 2013 amounted to 6.14%.



In general, the Board of Directors of the Company considers the achieved financial and economic results positive and in line with 2013 targets.

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 2013 and to ratify 2013 annual report submitted for the meeting agenda.

8. MAIN 2013 CORPORATE EVENTS

February	Within one day OJSC "Magnit" placed bonds of 01 series for a total amount of 5 billion rubles.
	Bonds of 01 series were admitted to trading in the process of circulation within listing procedure by inclusion into the quotation list "A" level 1 of CJSC "MICEX Stock Exchange".
April	Within one day OJSC "Magnit" placed exchange-traded bonds of BO-08, BO-09 series for a total amount of 10 billion rubles.
	Exchange-traded bonds of BO-08, BO-09 series were included into the quotation list "A" level 1 of CJSC "MICEX Stock Exchange".
	Standards & Poors Rating Agency upgraded the individual credit rating of OJSC "Magnit" from BB-, to BB level, Outlook Stable.
	The National Rating Agency upgraded the individual credit rating of OJSC "Magnit" from "AA" - very high reliability level 2 to "AA+ - very high reliability level 1".
	Magnit Group of companies became an absolute leader in Russian Food Retail Sector by revenue.
May	The new membership of the OJSC "Magnit" Board of directors including four independent directors was formed by the annual general shareholders' meeting.
	The decision to pay dividends following the results of 2012 financial year was adopted by the annual general shareholders' meeting.
	The decisions on approval of major related party transaction was adopted by the annual shareholders' meeting.
June	The membership of the OJSC "Magnit" Management Board was formed by the Board of directors.
	The Board of directors formed the committees of the BOD, appointed the chairman, deputy chairman and secretary of the BOD.
	The Board of directors made a decision to issue securities – exchange-traded bonds of BO-10, BO-11.
	OJSC "Magnit" shares were included into Blue Chip Index Constituents of MICEX.
August	The total headcount of OJSC "Magnit" group of companies exceeded 200 thousand.
September	The decision to pay dividends following the results of the 6 months of 2013 financial year was adopted by the extraordinary general shareholders' meeting.
November	"Magnit" group of companies acquired 100% shares in the charter capital of limited liability company "TD-holding".

December

JSC "Tander, the subsidiary company of OJSC "Magnit", acquired 99,9% shares in the charter capital of limited liability company "MagnitEnergo".

Magnit CEO Sergey Galitskiy has been named Businessman of the Year by Forbes Russia.

9. POSITION OF THE COMPANY IN INDUSTRY

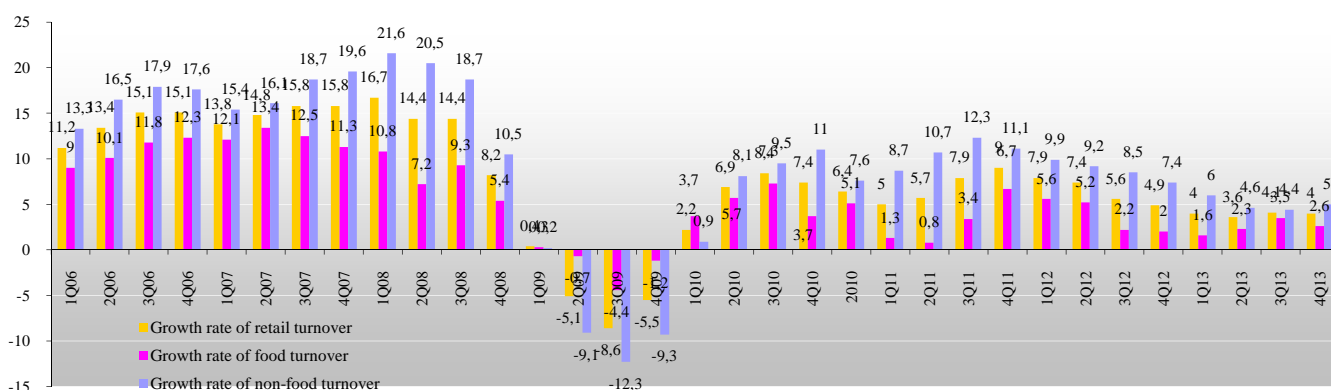
RUSSIAN MARKET

This section was prepared with the use of the following materials: IA Infoline, public sources of companies.

Retail turnover amounted to 23 668.4 billion RUR in 2013 which is 103.9% to the level of 2012 in terms of mass of commodities. In December 2013 turnover increased by 104% compared to December 2012 and amounted to 2 519.4 billion RUR.

In 2013 food retail turnover amounted to 102.5% compared to 2012, non-food - 105% compared to 2012. In December 2013 food retail turnover amounted to 101.8% compared to December 2012 and 119.2 % compared to November 2013. Non-food retail turnover In December 2013 amounted to 105.5% compared to December 2012 and 119.5% compared to November 2013.

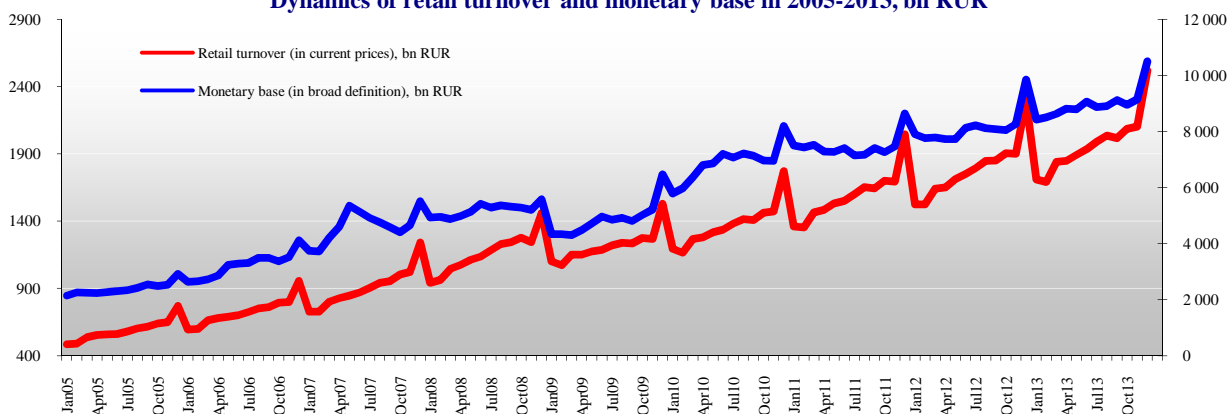
Dynamics of the key figures of the consumer market in 2005-2013, % Y-o-Y



Source: IA Infoline

Monthly dynamics of the retail turnover in Russia in 2005-2013 is provided in the diagram. The monetary base (broad definition) characterizing money supply by the monetary regulation agencies increased for December 2013 by 1366.3 bn RUR compared to November 2013 (growth for December 2012 amounted to 1595.8 bn RUR). The monetary base (broad definition) for 2013 increased by 651.1 bn RUR (growth for 2012 amounted to 1208.7 bn RUR).

Dynamics of retail turnover and monetary base in 2005-2013, bn RUR



Source: IA Infoline

Dynamics of retail turnover in Russia in 2006-2013

Period	Turnover, bn RUR	As a % ⁹ to the corresponding period of the preceding year
FY 2006	8693,4	113,9
FY 2007	10757,8	115,2
FY 2008	13853,2	113,0
FY 2009	14599,2	94,9
FY 2010	16499	106,4
FY 2011	19082,6	107,0
1Q 2012	4689,7	107,9
2Q 2012	5112,2	107,4
1H 2012	9801,9	107,7
3Q 2012	5492,4	105,6
4Q 2012	6100,2	104,9
FY 2012	21394,5	106,3
1Q 2013	5242,4	104,1
April 2013	1847,2	104,2
May 2013	1893,8	103,0
June 2013	1933,9	103,6
2Q 2013	5674,9	103,6
1H 2013	10917,3	103,8
July 2013	1990,4	104,6
August 2013	2036,7	104,2
September 2013	2016,6	103,3
3Q 2013	6043,7	104,1
October 2013	2085,6	103,6
November 2013	2102,6	104,5
December 2013	2519,2	103,8
4Q 2013	6707,4	104,0
FY 2013	23668,4	103,9

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

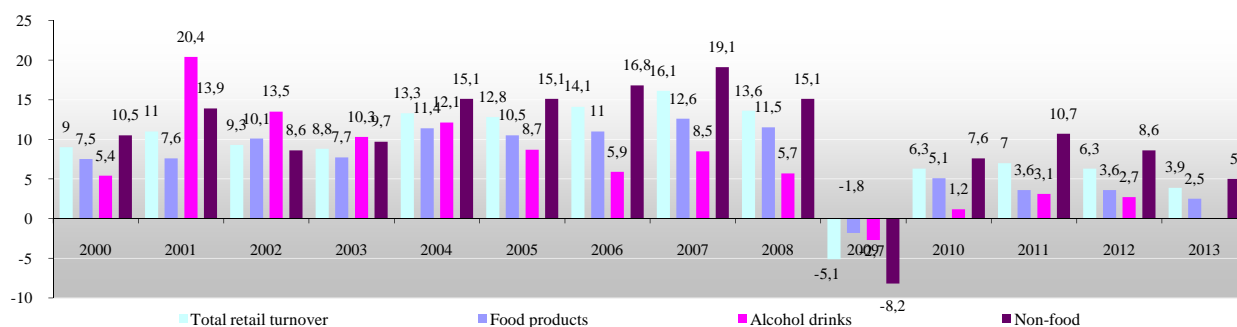
STRUCTURE OF RETAIL TURNOVER BY TYPES OF PRODUCTS

Retail turnover in 2013 increased by 3.9% compared to 2012 and amounted to 23 668.4 billion RUR, at that consumption of food products increased by 2.5%, non-food – by 5%.

Long-term dynamics and structure of retail turnover by types of products is presented in the diagram.

⁹ Dynamics of retail turnover in terms of mass of commodities

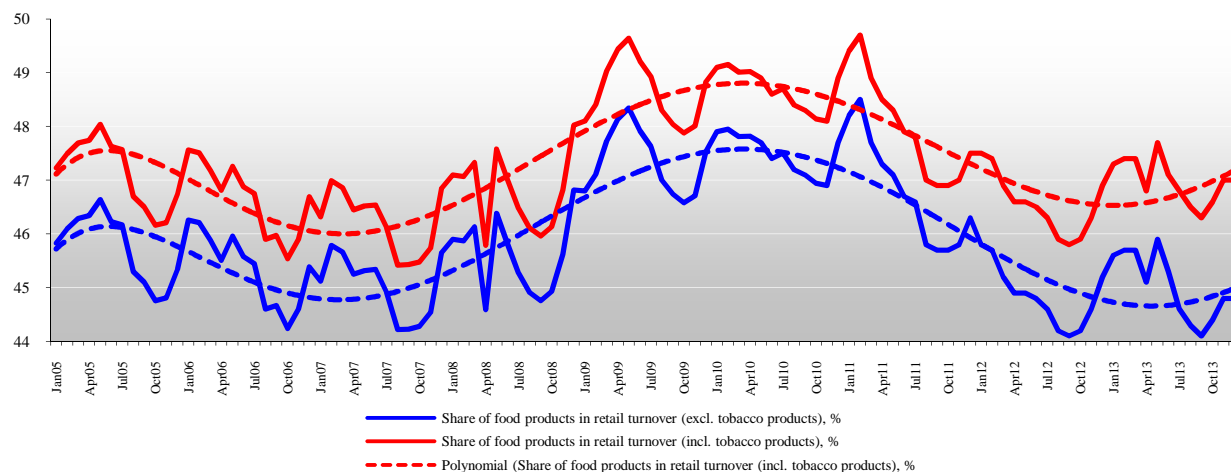
Dynamics of retail turnover by types of products in 2000-2013, %



Source: IA Infoline

Note that the data of the Federal State Statistics Service for 2009-2013 and for preceding years are not fully compatible as in 2002-2008 the data on food products including beverages were provided by the Federal State Statistics Service without tobacco products but starting from 2009 – with tobacco products. Therefore, the graph below provides the adjusted data on the share of food products (excluding tobacco products).

Dynamics of share of food products in retail turnover in 2005-2013, %



Source: IA Infoline

In 2013 the share of food products increased to 47% vs. 46.6% in 2012. In December 2013 the share of food products increased by 0.2 pp vs. December 2012.

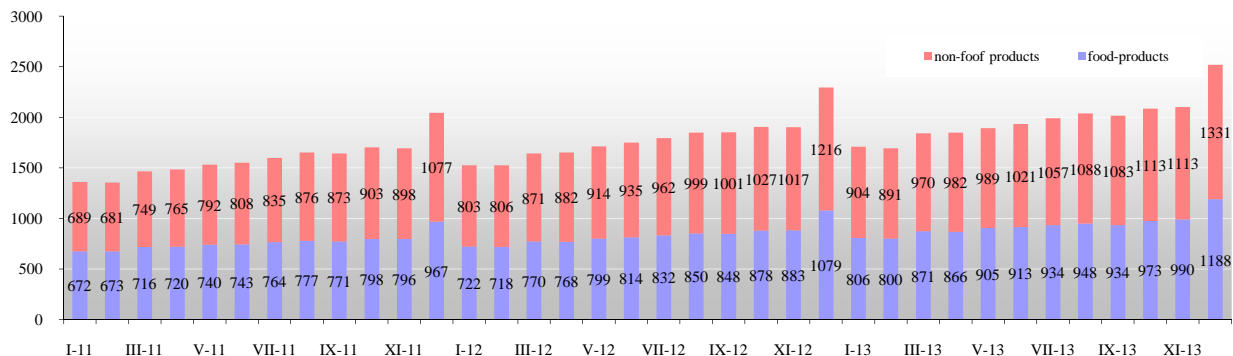
Structure of retail turnover by groups of products in 2002-2013¹⁰

Figures	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Dec2012	Dec2013
Retail turnover	3765	4530	5642	7042	8712	10869	13915	14599	16499	19083	21394,5	23668,4	2295,4	2519,2
food products	1822	2164	2671	3316	4061	5022	6510	7095	8035	9122	9961,4	11127,2	1079,3	1188,1
non-food products	1944	2365	2972	3725	4651	5847	7405	7504	8464	9961	11433,1	12541,2	1216,1	1331,1
share of food products, %	48,4	47,8	47,3	47,1	46,6	46,2	46,8	48,6	48,7	47,8	46,6	47,0	47,0	47,2
share of non-food products, %	51,6	52,2	52,7	52,9	53,4	53,8	53,2	51,4	51,3	52,2	53,4	53,0	52,8	52,8

Source: data of the Federal State Statistics Service

¹⁰ For comparison with 2009-2011 data on the turnover and the share of food products in 2002-2008 are adjusted for tobacco products

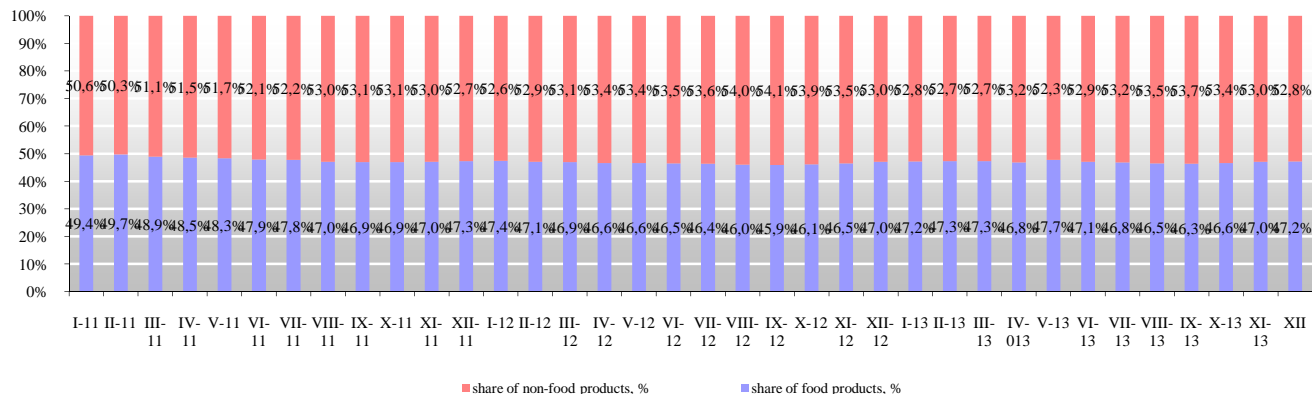
Structure of retail turnover by groups of products in 2011-2013 (monthly), bn RUR



Source: IA Infoline

In December 2013 the share of food products amounted to 47.2%, while the share of non-food products in the retail turnover in Russia amounted to 52.8% (in December 2012 – 47% and 53% correspondingly).

Structure of retail turnover by groups of products in 2011-2013 (monthly), %

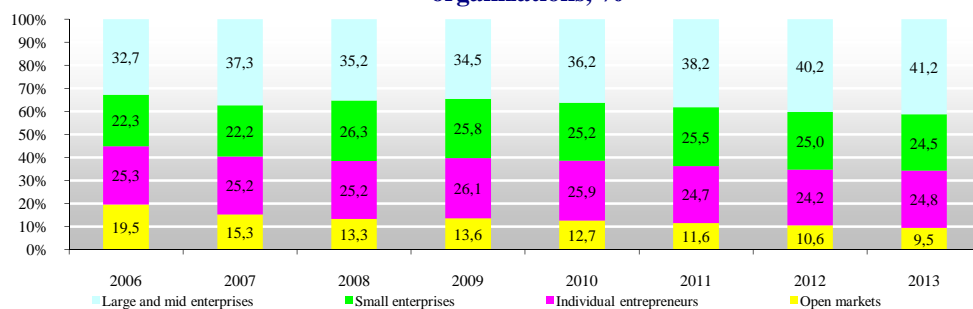


Source: IA Infoline

STRUCTURE OF RETAIL TURNOVER BY TYPES OF ORGANIZATIONS

At the end of 2013 in terms of structure of retail turnover by types of organizations the trend of decrease of the share of marketplaces (by 1.1 pp compared to 2012 and 2.1 pp compared to 2011) continued. The share of small enterprises also decreased by 0.5 pp at the end of 2013 compared to 2012. The share of large and mid organizations (mostly these are retail networks) increased by 1 pp compared to 2012 and decreased by 0.4 pp compared to the first half of 2013. The share of individual entrepreneurs increased by 0.6 pp in 2013 exceeding the figure of 2011. In 2013 90.5% of the retail turnover was formed by trading organizations and individual entrepreneurs operating outside of the marketplace and the share of retail marketplaces and fairs amounted to 9.5% (in 2012 – 89.4% and 10.6% correspondingly). Dynamics of the structure of retail turnover in Russia by types of organizations is presented in the diagram.

Structure of formation of retail turnover in 2006-2013 by types of organizations, %



Source: IA Infoline

In December 2013 90.9% of retail turnover was formed by trading organizations and individual entrepreneurs operating outside of the marketplaces, the share of retail marketplaces and fairs amounted to 9.1% (in December 2012 – 89.7% and 10.3% correspondingly).

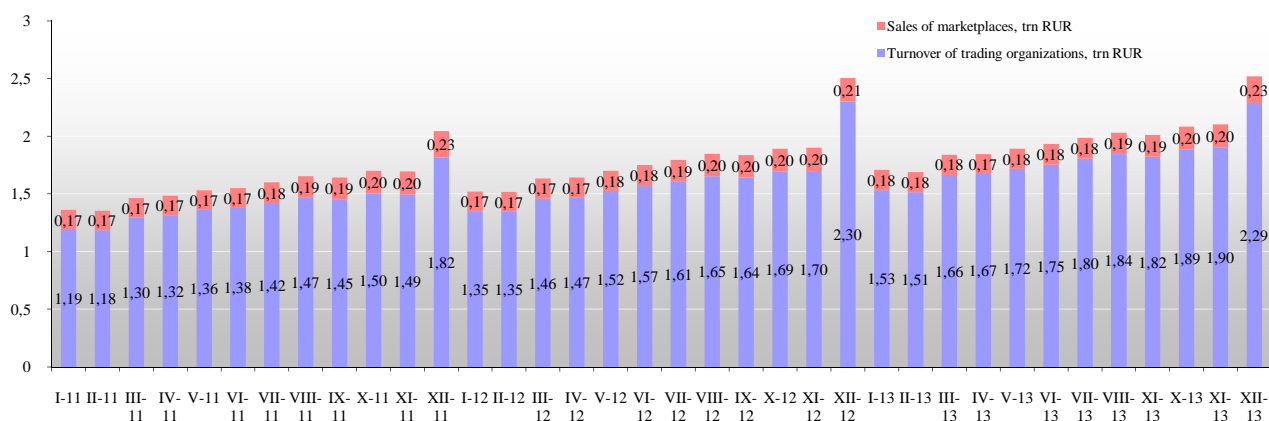
Turnover of trading organizations and marketplaces in 2002-2013, bn RUR

Figure	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Dec2012	Dec2013
Retail turnover	3765	4529	5642	7038	8690	10866	21385,3	21459,9	21649,9	19082,6	21394,5	23668,4	2295,4	2519,2
turnover of trading organizations	2838,8	3451,1	4420,5	5558,2	6987,9	9214,5	12015,9	12613,7	14403,6	16697,3	19126,7	21430,1	2059,0	2289,4
sales of open markets	926,2	1077,9	1254,1	1479,8	1703,1	1651,7	1837,3	1985,5	2095,4	2385,3	2267,8	2238,3	236,4	229,8
share of trading organizations, %	75,4	76,2	77,9	79,0	80,4	84,8	86,7	86,4	87,3	88,5	89,4	90,5	89,7	90,9
share of open markets, %	24,6	23,8	22,1	21,0	19,6	15,2	13,3	13,6	12,7	11,5	10,6	9,5	10,3	9,1

Source: data of the Federal State Statistics Service

Compared to December 2012 the turnover of trading organizations increased by 5.2% and sales of the marketplaces decreased by 7.6%.

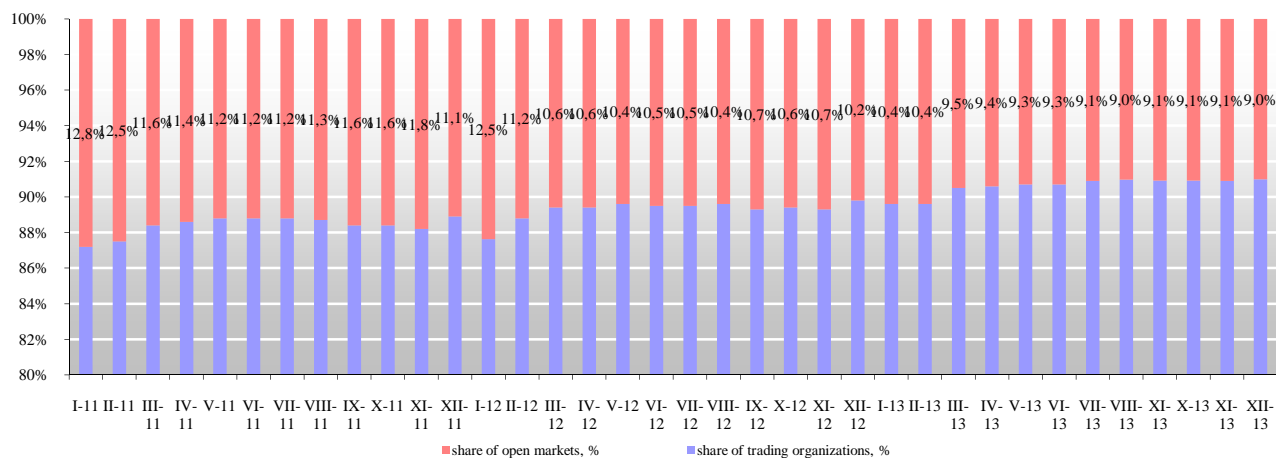
Dynamics of turnover of trading organizations and markets in 2011-2013 (monthly), trn RUR



Source: IA Infoline

In December 2013 compared to November 2013 the turnover of trading organizations increased by 19.9% while the sales of the marketplaces grew by 13.8%.

Structure of retail turnover in 2011-2013 (monthly), %



Source: IA Infoline

Due to the ban effective from January 1, 2013 on the use of temporary facilities for organization of market trade (except for agricultural markets and agricultural cooperative markets), the process of reorganization of retail markets and their conversion to shopping centers (roofed

shopping rows) was intensified in many subjects of the Russian Federation. 126 markets were closed and converted to fairs, shopping centers, nonpermanent trading objects compared to October 1, 2013 and 573 markets compared to October 1, 2012. The breakdown of the retail markets by types has changed in the fourth quarter of 2013 towards the increase of the share of agricultural markets (from 22.1% to 24.1%), agricultural cooperative markets (from 1.2% to 1.4%), specialized food markets (from 4.3% to 4.6%) and specialized merchandize markets (from 7.3 to 7.4%), on the back of the decrease of share of multipurpose markets (from 60.3% to 57.9%) and other specialized markets (from 3% to 2.8%). The shares of specialized radio and electrical household appliances markets and construction markets remained unchanged in the fourth quarter of 2013 and amounted to 0.1% and 0.7% correspondingly. In 2013 the breakdown of the retail markets by types has changed towards the increase of the share of agricultural markets – by 10.2 pp, agricultural cooperative markets – by 0.3 pp and specialized food markets – by 0.9 pp. At that the decrease of share was demonstrated by multipurpose markets – by 9.4 pp, specialized merchandize and other markets – by 0.8 pp, specialized construction markets – by 0.4 pp. The share of specialized radio and electrical household appliances markets has not changed in 2013 and amounted to 0.1 pp.

As of January 1, 2014 there were 1 589 retail markets functioning on the territory of the Russian Federation. The number of market slots on the marketplaces as of January 1, 2014 amounted to 423.8 thousand, their number reduced by 33.1 thousand or 7.2% compared to October 1, 2013 and by 201.2 (32.2%) compared to January 2013. The level of actual use of the market slots as of January 1, 2014 increased by 3.3 pp on average through the Russian Federation compared to October 1, 2013, by 0.3 pp vs. January 2013. Individual entrepreneurs still remain the principal economic entities, while the share of their market slots is gradually decreasing – by 0.6 pp vs. October 1, 2013 and by 6.4% vs. January 2013. At that the increase of share of market slots by 0.7 pp was shown by individuals, by 0.3 pp – by legal entities and subsidiary individual holdings, by 0.2 pp – by peasant (farm) enterprises. As of January 1, 2014 194.7 thousand individual entrepreneurs operated at retail markets that is almost one and a half times less y-o-y.

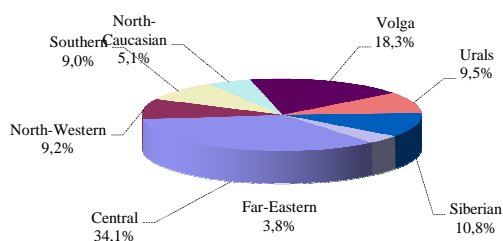


Source: IA Infoline

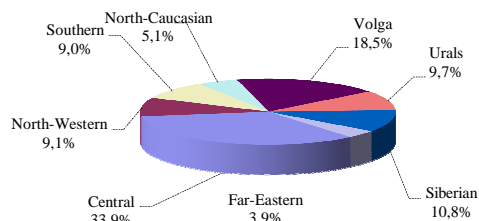
REGIONAL STRUCTURE OF RETAIL TURNOVER

Regional structure of retail turnover in Russia is uneven: 11 constituent territories generated 51.12% of retail turnover in 2013 (Moscow, Moscow region, Saint-Petersburg, Sverdlovsk region, Krasnodar region, Samara region, Republics of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk and Rostov regions), which is 0.05 pp lower than in 2012.

Structure of retail turnover by federal districts of the Russian Federation in 2012, %



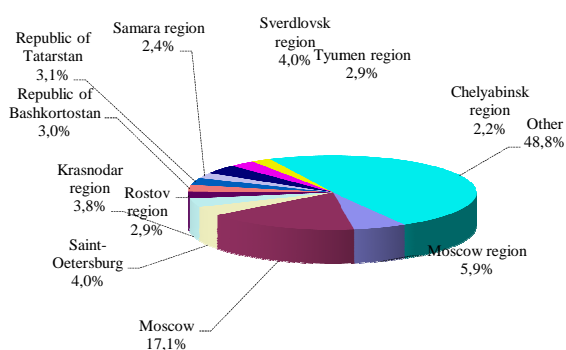
Structure of retail turnover by federal districts of the Russian Federation in 2013, %



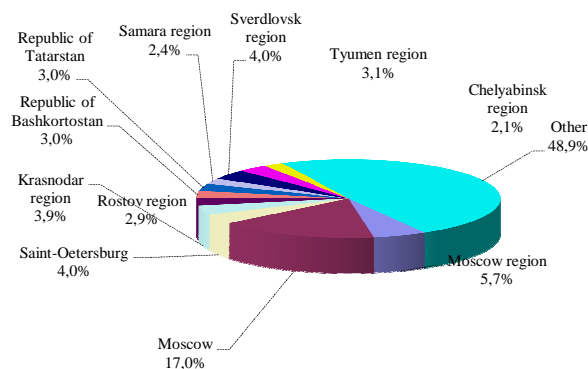
Source: IA Infoline

In 2013 the shares of Volga and Urals federal districts increased; the shares of Far-Eastern, North-Caucasian, North-Western and Southern federal districts have not changed; the share of Central federal district decreased by 0.3 pp, Siberian – by 0.1 pp.

Structure of retail turnover by subjects of the Russian Federation in 2012, %



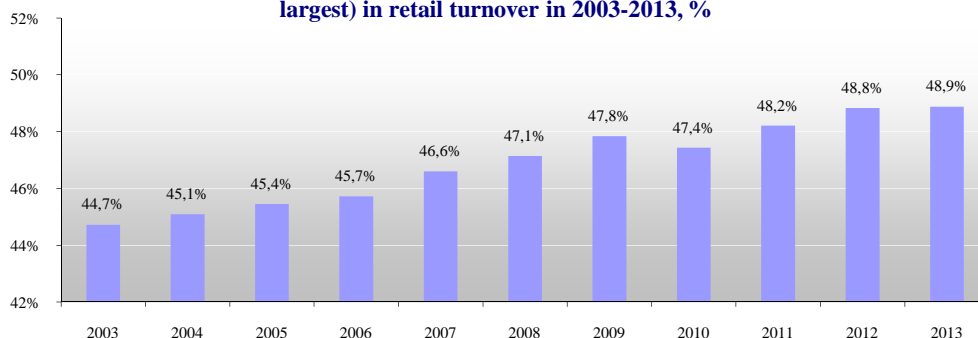
Structure of retail turnover by subjects of the Russian Federation in 2013, %



Source: IA Infoline

In 2013 the share of Tyumen region increased by 0.2 pp, Republic of Bashkortostan – by 0.1 pp; in the retail turnover by regions in the Russian Federation, the shares of Saint-Petersburg, Krasnodar region, Samara region, Sverdlovsk region, Rostov region, Chelyabinsk region and Republic of Tatarstan remained unchanged vs. 2012; the share of Moscow region decreased by 0.2 pp, Moscow – by 0.1 pp, while the share of other regions remained unchanged.

Dynamics of share of 69 regions of the Russian Federation (apart from 11 largest) in retail turnover in 2003-2013, %



Source: IA Infoline

In 2013 the most dynamic growth of share in the total retail turnover vs. 2012 was demonstrated by the Urals federal district – by 0.174 pp, Volga federal district – by 0.136 pp, Southern federal district – by 0.005 pp and Far-Eastern federal district – by 0.031 pp, while the decline in retail turnover in 2013 was demonstrated by the Central federal district (by 0.251 pp), in particular Moscow region (by 0.239 pp), Moscow (by 0.1 pp), Siberian federal district – by 0.052 pp, North-Caucasian – 0.009 pp. The share of the North-Western federal district decreased by 0.033 pp in 2013, and the share of Saint-Petersburg increased by 0.042 pp.

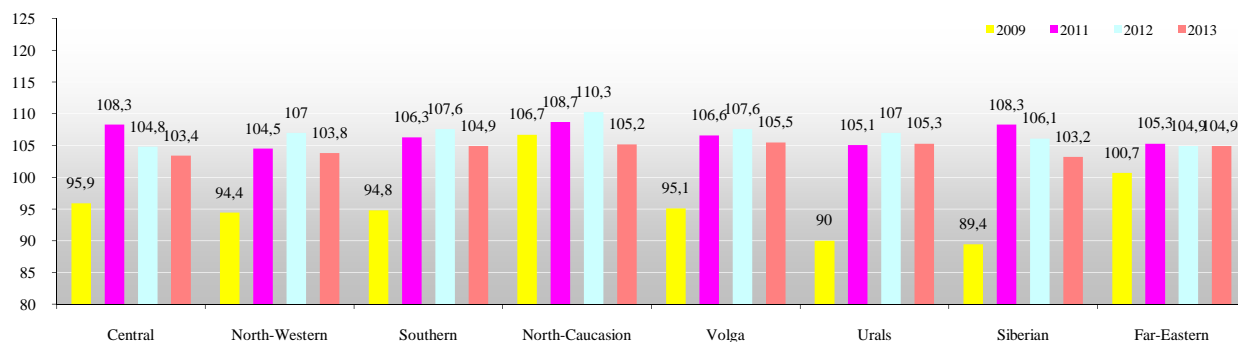
Regional structure of retail turnover of the Russian Federation in 2003-2013, %

Region	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Central federal district	39,2	38,4	36,9	35,8	34,4	33,4	33,83	34,21	34,57	34,15	33,89
Moscow region	4,3	5,1	5,3	5,7	6,1	6,4	6,12	6,16	6,33	5,90	5,66
Moscow	26,0	24,3	22,5	20,9	18,8	17,0	17,31	17,47	17,41	17,07	16,97
North-Western federal district	9,1	9,3	9,5	9,4	9,4	9,3	9,35	9,36	9,14	9,17	9,13
Saint-Petersburg	3,6	3,8	4,0	4,1	4,1	4,2	4,15	4,15	3,89	3,96	4,00
Southern federal district	7,7	7,8	7,9	8,0	8,5	8,8	8,73	8,99	8,92	9,01	9,02
North-Caucasian federal district	3,0	3,4	3,7	3,6	3,8	4,0	4,66	4,85	4,97	5,14	5,13
Volga federal district	16,7	16,7	16,9	17,5	17,9	18,4	18,27	18,20	18,18	18,33	18,46
Urals federal district	8,4	8,7	9,3	10,0	10,4	10,8	10,14	9,69	9,52	9,54	9,71
Siberian federal district	11,7	11,6	11,7	11,7	11,7	11,6	10,95	10,72	10,82	10,83	10,78
Far-Eastern federal district	4,2	4,1	4,1	4,1	3,9	3,8	4,07	3,98	3,89	3,84	3,87

Source: data of the Federal State Statistics Service

In 2013 there were no regions to demonstrate the decrease of retail turnover vs. 2012 among largest regions (which share in retail turnover of the Russian Federation is above 1%). The highest growth (more than 7.5%) was demonstrated by Primorskiy region (8.3%), Republic of Bashkortostan (8.1%) and Tyumen region (7.8%).

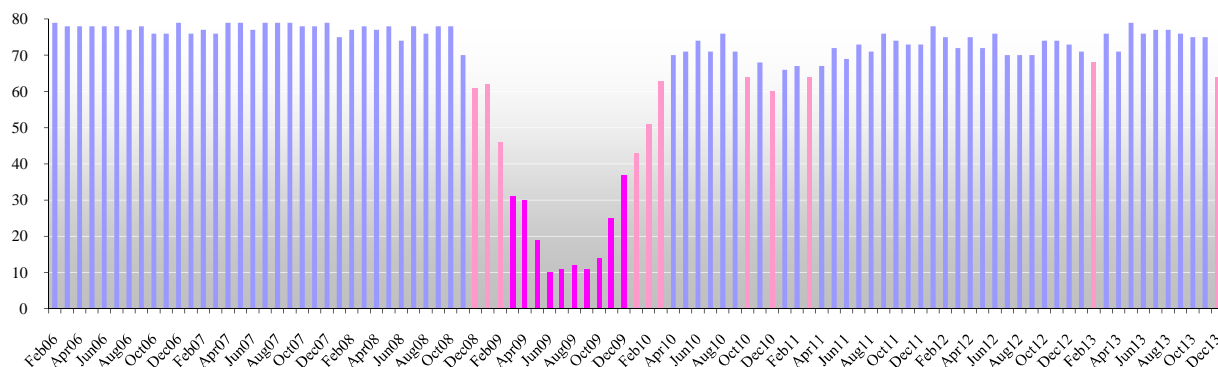
Growth of retail turnover by districts in 2007 - 2013, % Y-o-Y, in comparable prices



Source: IA Infoline

In general, in 2011 there was a y-o-y decline in turnover in 7 regions¹¹, in 8 regions in 2012 and in 4 regions in 2013. At that by the end of the year negative trends at the consumer market intensified dramatically: thus, in December 2013 16 regions demonstrated the decline in retail turnover compared to December 2012.

Number of regions with positive dynamics of retail turnover in physical terms, Y-o-Y



Source: IA Infoline

GOVERNMENT REGULATION OF RETAIL

According to the Federal Law № 381 – FZ “On fundamental principles of government regulation of trade activity in the Russian Federation” which came into effect on February 1, 2010, food retail chains (which threshold of dominance on retail market within the boundaries of one region, municipality or urban district exceeds 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 regulating the cooperation of retail chains and suppliers. The law № 381 – FZ introduced special legal regulation with regard to food supplies and set forth the list of terms which cannot be imposed by food suppliers and their buyers (trading networks) 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

¹¹ 80 subjects of the Russian Federation were included in the analysis (excluding Khanty-Mansiisk Autonomous District, Yamal-Nenets and Nenets Autonomous Area), which existed as of June 1, 2011 (data for 2006-2009 are adjusted for consolidation).

the determination of the trade mark-up; payment for the change in the product mix; responsibility for failure to perform obligations on goods supply on more favorable terms than for other economic entities; fee paid by suppliers for access to trade objects within one trading network. 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. Payment due date for some food products was set forth. 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 COMPETITORS¹²

The concentration level of the Russian food retail market is quite low – the share of 3 largest players is little over 10% of the market, which is considerably inferior 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 the record rates of business growth.

X5 Retail Group

X5 Retail Group N.V. is a leading Russian food retailer. The Company operates several retail formats: the soft discounter chain under the Pyaterochka brand, the supermarket chain under the Perekrestok brand, the hypermarket chain under the Karusel brand, the online retail channel under the E5.RU brand and Express convenience stores under various brands. As of 31 December 2013, X5 operates 4,544 stores. It has the leading market position in both Moscow and St. Petersburg and a significant presence in the European part of Russia. Its store base includes 3,882 Pyaterochka soft discounter stores, 390 Perekrestok supermarkets, 83 Karusel hypermarkets and 189 convenience stores. The Company operates 32 DCs and 1,848 Company-owned trucks across the Russian Federation. As of 31 December 2013, the number of X5 employees amounted to 102 thousand.

In 2013 net sales stood at USD 16,784.7 mln, EBITDA reached USD 1,204.2 mln, and net profit amounted to USD 344.9 mln.

METRO Cash & Carry

Metro Cash and Carry is the largest operating company of cash & carry international business format (individual wholesale) of Metro Group. The holding is presented in 32 countries of the world by 2,200 outlets.

As of December 31, 2013 "Metro Cash & Carry" LLC operates 72 trading centers in 45 regions of Russia. Total selling space of the company as of December 31, 2013 amounted to 563.56 thousand sq. m.

¹² Source: IA Infoline, public sources of companies.

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 as well. Four trading centers were opened in Russia in 2009 (Bryansk, Zheleznodorozhny, Kirov, Novosibirsk). In 2011 the company opened 7 Metro C&C hypermarkets in Kemerovo region, Chelyabinsk region, Altai region, Republic of Udmurtia, Tatarstan, Chuvash Republic and in Smolensk region. In 2013 the company opened 4 Metro C&C hypermarkets. The first store of the new format of the chain – "Metro Punct" supermarket – was opened in May 2012. As of December 31, 2013 the company operated 1 "Metro Punct" supermarket with the total selling space of about 1.6 thousand sq. m. Moreover, in June 2012 the first two franchised "Fasol" stores were opened in St. Petersburg. As of December 31, 2013 there were 15 franchised "Fasol" stores: 10 in Saint-Petersburg and 5 in Rostov region. Sales of METRO Cash & Carry, Russia for 2013 amounted to 183,224 million rubles (which represents 11.3% growth vs. 2012).

Auchan

Auchan is a large hypermarket chain operating on the Russian market since 2002. As of December 31, 2013 "Auchan" in Russia operates 79 trading outlets (including 1 under reconstruction): 53 "Auchan" hypermarkets were opened in 24 regions (17 - in Moscow and Moscow region, 6 – in Saint-Petersburg and Leningrad region, 3 – in Samara, Nizhny Novgorod and Rostov region, 2 – in Volgograd region and Republic of Tatarstan, 1 in Novosibirsk, Lipetsk, Yaroslavl, Krasnodar, Republic of Adygea, Tambov, Yekaterinburg, Ulyanovsk, Omsk, Voronezh, Ufa, Ryazan, Chelyabinsk, Tyumen, Saratov, Ivanovo and Izhevsk). Besides, Auchan operates 21 "Auchan-city" mini-hypermarkets in Moscow (9 stores), Yekaterinburg (1), Moscow region (2), Novosibirsk (2), Nizhniy Novgorod (1), Saint-Petersburg (3), Saratov (1), Togliatti (1), Rostov-on-Don (1) as well as 5 "Nasha Raduga" hypermarkets in Penza region (Kuznetsk and Penza), Yaroslavl, Kaluga, Kostroma.

In 2013 the company opened 22 new trading outlets. Total selling space as of December 31, 2013 amounted to 739.9 thousand sq. m.

The company plans to increase the number of hypermarkets to 100 by 2015, to 150 by 2017, and the number of employees to 50 thousand people.

Dixy

"Dixy" Group of Companies is one of Russia's leading retailers of food and everyday products. The company specializes in developing neighbourhood store supermarkets in Moscow, St. Petersburg and three federal districts of Russia: Central, Northwestern and Urals and also in Kaliningrad region, which together account for more than half of the retail market for foods and everyday products in the Russian Federation. As of December 31, 2013 the company operated 1,779 stores, including: 1,681 "Dixy" neighbourhood stores, 86 "Victoria" stores, 1 "CASH" store and 31 "MEGAMART" and "MINIMART" compact hypermarkets.

The company is the third largest in terms of the amount of sales, selling space and the number of stores among the national retailers operating in the food segment. The total number of employees of the company exceeds 40 thousand.

Net selling space of the Group as of December 31, 2013 amounted to 617,168 sq. m. In 2013 total sales of "Dixy" Group of Companies increased by 22.7% in ruble terms compared to the same period last year and stood at 180.5 billion rubles.

Lenta

"Lenta", the company which operates the hypermarket chain under the same brand, was founded in 1993. As of December 31, 2013 "Lenta" operates 77 hypermarkets located in 45 cities across Russia and 10 supermarkets in Moscow region.

Total selling space of the chain as of December 31, 2013 amounted to 508 thousand sq. m.

The number of the company's employees amounted to about 27,800 employees. 4.1 million people throughout Russia are the active loyalty cards holders of the chain.

In 2013 net sales of "Lenta" retail chain increased by 31.3% compared to 2012 and amounted to 144.3 billion rubles.

O'KEY

"O'KEY" is one of the largest retail chains in Russia. Its primary retail format is the modern Western European hypermarket under the "O'KEY" brand, complemented by "O'KEY - Express" supermarkets.

As of December 31, 2013 "O'KEY" operated 94 stores across Russia: 19 hypermarkets and 18 supermarkets in Saint-Petersburg and Leningrad region, 3 hypermarkets and 4 supermarkets in Moscow, 4 hypermarkets and 2 supermarkets in Moscow region, 2 hypermarkets in Murmansk, 4 hypermarkets and 1 supermarket in Krasnodar, 2 hypermarkets in Rostov-on-Don and 1 supermarket in Rostov region, 2 hypermarkets and 1 supermarket in Astrakhan, 3 hypermarkets and 1 supermarket in Krasnoyarsk, 1 hypermarket and 1 supermarket in Omsk, 1 hypermarket and 1 supermarket in Togliatti, 1 hypermarket and 3 supermarkets in Volgograd, 2 hypermarkets in Voronezh, 1 hypermarket and 1 supermarket in Saratov, 3 hypermarkets in Ufa, 2 hypermarkets in Yekaterinburg, Surgut and Novosibirsk, 1 hypermarket in Nizhniy Novgorod, Ivanovo, Stavropol, Lipetsk, Tyumen, Sochi.

As of December 31, 2013 total selling space of the Company amounted to about 489 thousand sq. m.

In 2013 "O'KEY" retail chain opened 8 hypermarkets in Moscow and Moscow region, Ivanovo, Krasnoyarsk, Saint-Petersburg, Ufa and Novosibirsk and 3 supermarkets in Togliatti, Omsk and Saratov.

In 2013 "O'KEY" audited net sales amounted to 139.460 billion rubles, increasing by 18.9% compared to 117.333 billion rubles in 2012. In 2013 like-for-like revenue growth rate amounted to 8.0% compared to 7.0% in 2012. Average ticket amounted to 7.5% compared to 4.3% in 2012. Traffic for 2013 decreased to 0.5% compared to 2.5% for 2012. Number of stores of the largest FMCG retailers in 2007-2013, eop.

Legal name	Brand	Main formats ¹	2007	2008	2009	2010	2011	2012	2013
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¹ Key: D - Discounter, H - Hypermarket, S - Supermarket, CS - Convenience Store, MK - Cosmetics Store, MF - Magnit Family

Legal name	Brand	Main formats ¹	2007	2008	2009	2010	2011	2012	2013
X5 Retail Group N.V.	Pyaterochka	D	674	848	1039	1392	1918	3220	3882
	Perekrestok	S	194	207	275	301	321	370	390
	Karusel, Perekrestok Hyper	H	22	46	58	71	77	78	83
	Perekrestok Express, Kopeyka	CS	0	0	0	45	70	134	189
	All formats	all formats	890	1101	1372	1809	2386	3802	4544
"Magnit", OJSC	Magnit	CS	2194	2568	3204	4004	5006	6046	7200
	Magnit Hypermarket	H	3	14	24	51	93	126	161
	Magnit Kosmetik	MK	-	-	-	2	210	692	686
	Magnit Family	MF	-	-	-	-	-	20	46
	All formats	all formats	2197	2582	3228	4055	5309	6884	8093
"Auchan", LLC	Auchan, Auchan-City, Nasha Raduga	H	18	33	38	44	49	57	79
"METRO Cash and Carry", LLC	Metro C&C, Metro Punct	S, H	39	48	52	57	62	68	72
"O'key", LLC	O'Кей, O'Кей-экспресс	S, H	24	37	46	57	71	83	94
"Lenta", LLC	Lenta	H, S	26	34	36	39	42	56	87
"Dixy Group", OJSC	Megamart, Minimart, Dixy	D, S, H	388	481	537	646	894	1422	1712
	Victoria, Cash, Deshevo, Kvartal, Semeynaya Kopilka	CS, S, H	194	215	208	257	225	77	87
	All formats	all formats	388	493	537	646	1119	1499	1799

Total selling space of FMCG retailers in Russia in 2007-2013, eop, thousand sq. m.

Legal name	Brand	Main formats	2007	2008	2009	2010	2011	2012	2013
X5 Retail Group N.V.	Pyaterochka	D	357,5	419,2	493,0	586,3	735,2	1191,4	1414,1
	Perekrestok	S	251,7	222,4	284,4	313,0	333,9	383,5	397,8
	Karusel, Perekrestok Hyper	H	126,0	232,5	285,6	351,8	371,3	368,2	375,8
	Perekrestok Express, Kopeyka	CS	-	-	-	9,2	12,7	26,7	35,2
	All formats	all formats	735,2	874,1	1063	1260,3	1453,1	1969,7	2222,9
"Magnit", OJSC	Magnit	CS	640,1	767,1	978,5	1256,8	1637,8	1977,5	2312,2
	Magnit Hypermarket	H	11,6	56,4	81,4	165,081	282,2	387,6	482,9
	Magnit Kosmetik	MK	-	-	-	0,4	50,1	159,8	163,0
	Magnit Family	MF	-	-	-	-	-	24,4	53,3
	All formats	all formats	651,7	823,5	1059,9	1422,3	1970,2	2549,3	3011,4
"Auchan", LLC	Auchan, Auchan-City, Nasha Raduga	H	250,6	340,1	386,6	452,3	498,1	565,9	739,9
"METRO Cash and Carry", LLC	Metro C&C, Metro Punct	S, H	326,3	394,5	427,4	464,5	499,5	538,1	563,6
"O'key", LLC	O'Кей, O'Кей-экспресс	S, H	149,2	191,7	232,7	287,4	346,0	428,0	489,0
"Lenta", LLC	Lenta	H, S	186,7	244,7	260,9	281,7	306,0	413,1	508,0
"Dixy Group", OJSC	Megamart, Minimart, Dixy	D, S, H	149,1	189,8	206,0	227,9	286,7	447,3	541,3
	Victoria, Cash, Deshevo, Kvartal, Semeynaya Kopilka	CS, S, H	99,7	109,6	104,6	123,5	118,4	67,6	75,9
	All formats	all formats	149,1	191,0	206,0	227,9	405,1	514,9	617,2

Dynamics of net sales (excluding VAT) of the largest FMCG retailers in 2007-2013, billion RUR

Legal name	Brand	Main formats	Data	2007	2008	2009	2010	2011	2012	2013
X5 Retail Group N.V.	Pyaterochka, Perekrestok, Karusel, E5.RU	CS, D, S, H	IFRS	136,10	207,20	275,08	342,58	452,48	490,09	532,69
"Magnit", OJSC	Magnit	CS, H, MK, MF	IFRS	94,04	132,4	169,86	236,19	335,70	448,66	579,69
"Auchan", LLC	Auchan, Auchan-City, Nasha Raduga	H	RAS	90,6	128,1	158,36	178,1	205,1	232,3	-
"METRO Cash and Carry", LLC	Metro C&C, Metro Punct	S, H	IFRS	89,2	111,2	114,30	117,99	139,96	164,6	183,2
"O'key", LLC	O'key, O'key-express	S, H	IFRS	30,53	51,14	67,88	82,67	92,21	115,92	139,46
"Lenta", LLC	Lenta	H, S	IFRS	32,9	50,8	55,6	70,6	89,8	109,9	144,3
"Dixy Group", OJSC	All formats	CS, D, S, H	MCΦO, 2013 – trading update	36,65	48,3	54,26	64,80	102,23	147,05	180,48

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 the different level of income as potential customers as well as to achieve high results of turnover per store and of the average ticket and fast rates of business growth. Moreover, pricing policy of the Group allows it to compete with open-air markets targeting customers with the level of income below the average.

Strong regional coverage

"Magnit" group of companies has considerable experience of operation in regions: in 2002 – 2013 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, which creates favorable conditions for medium-term dynamics of the Group business.

Russia's largest retailer

“Magnit” is the largest food retail chain 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 reflected 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 purchasing prices and less pressure on the store at goods acceptance which ultimately contributes to more efficient business organization.

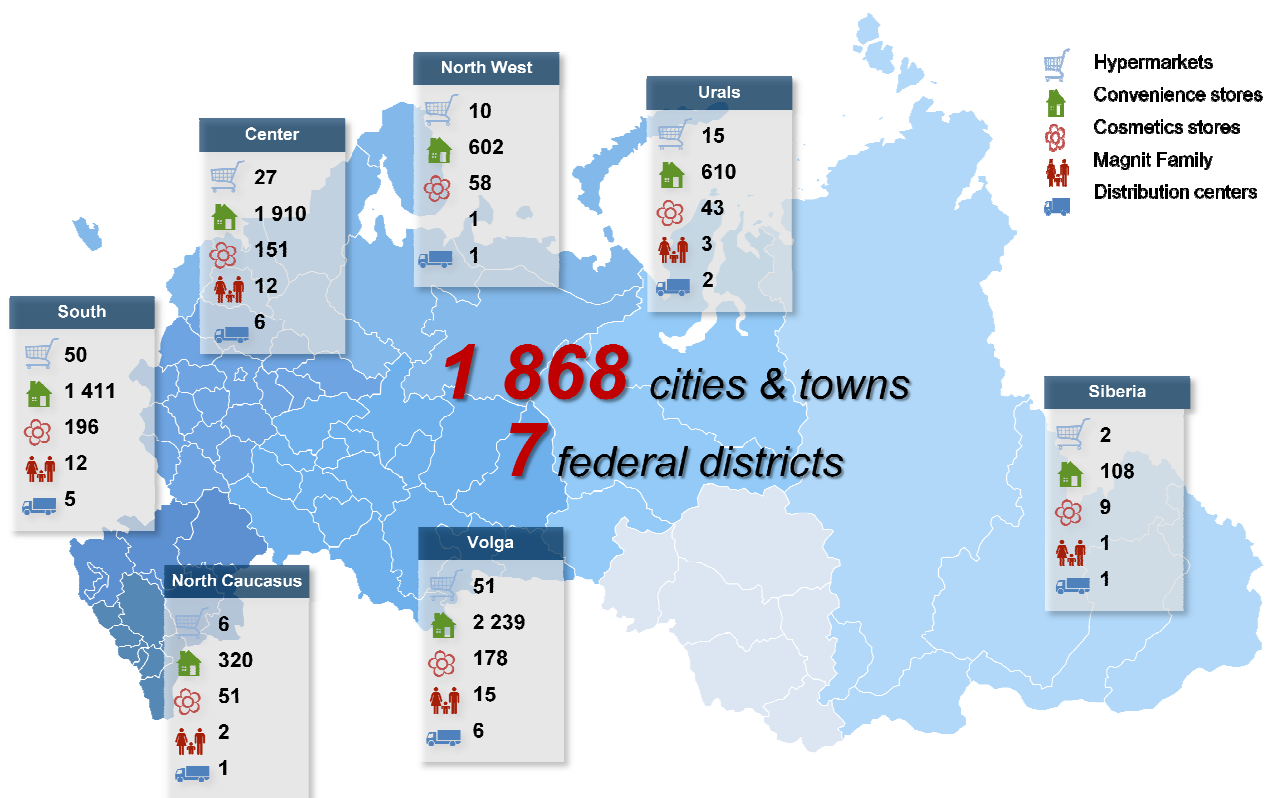
The Group employs highly efficient automated stock replenishment system, which gives opportunity to achieve high turnover level as well as to reduce costs.

10. PRIORITY AREAS OF THE COMPANY'S OPERATIONS

Headquartered in the southern Russia city of Krasnodar, open joint-stock company "Magnit" is the holding company for a group of entities that operate in the retail trade under the "Magnit" brand. The chain of "Magnit" stores is the largest food retail network in Russia. As of December 31, 2013 the chain consisted of 8,093 stores: 7,200 convenience stores, 161 hypermarkets, 46 "Magnit Family" stores and 686 cosmetics stores (drogerie) in 1,868 cities and towns throughout the Russian Federation.

Approximately two-thirds of the Magnit's stores are located in cities with a population of less than 500,000 inhabitants. Most of its stores are located in the Southern, North-Caucasian, Central and Volga regions. The Company also operates stores in the North-Western, Urals and Siberian regions.

At the end of 2013 stores located in the Southern Federal district accounted for 1,669, in the Volga region – 2,483, North-Caucasian – 379, Central – 2,100, North-Western – 671, the number of stores in the Urals and Siberian regions amounted to 671 and 120 correspondingly.



As of December 31, 2013 the Company operates an in-house logistics system consisting of 22 modern distribution centers (DCs): five of them are located in the Southern Federal district (Bataysk, Kropotkin, Slavyansk-On-Kuban, Erzovka and Shakhty), six are in the Volga Federal district (Engels, Togliatti, Dzerzhinsk, Izhevsk, Sterlitamak and Zelenodolsk), another six DCs are based in the Central Federal district (Ivanovo, Oryol, Tambov, Tver, Tula and Yaroslavl), two in the Urals Federal district (Chelyabinsk and Yekaterinburg), one in the North-Western Federal district (Veliky Novgorod), one in the North-Caucasian Federal district (Lermontov) and one in the Siberian Federal district (Omsk).

City	Federal District	Warehousing space, sq. m.	Number of serviced stores	% of total DC turnover
Bataysk	Southern	17,407	276	5,27%
Kropotkin	Southern	30,048	407	4,90%
Slavyansk-on-Kuban	Southern	20,496	343	6,85%
Erzovka (Volgograd)	Southern	26,074	492	7,62%
Shakhty	Southern	17,807	206	0,15%
Engels	Volga	19,495	348	4,12%
Togliatti	Volga	19,157	466	5,74%
Dzerzhinsk	Volga	30,523	338	5,74%
Izhevsk	Volga	34,141	500	5,78%
Sterlitamak	Volga	22,043	526	5,46%
Zelenodolsk	Volga	22,524	403	1,50%
Ivanovo	Central	52,929	328	7,73%
Oryol	Central	14,326	421	5,75%
Tambov	Central	26,733	517	5,59%
Tver	Central	15,726	195	3,27%
Tula	Central	51,205	559	7,03%
Yaroslavl	Central	58,904	314	0,35%
Veliky Novgorod	North-Western	21,060	428	5,05%
Chelyabinsk	Urals	17,623	295	5,56%
Yekaterinburg	Urals	75,159	227	0,14%
Lermontov	North-Caucasian	34,503	345	4,13%
Omsk	Siberian	7,114	159	2,27%
Total		634,997	6,884	8 093

The Company operates automated stock replenishment system and a fleet of 5,577 vehicles.

11. PRIORITY DIRECTIONS OF THE COMPANY'S DEVELOPMENT

The Company marks out the following mid-term development trends:

- Further expansion of the chain by increasing the density of coverage of the key markets as well as organic expansion in the least developed regions of Russia;
- Development of the multi-format business-model through continuing aggressive opening of convenience stores, hypermarkets, Magnit Family and cosmetics stores;
- Building of the high level loyalty of the key audience to the brand
- Implementation of additional measures to minimize costs and improve profitability;

Chain expansion

In the nearest 2-3 years the Company plans to keep high pace of business growth with the annual number of openings of not less than 500 convenience stores and not less than 250 cosmetics stores in the cities with the population from 5,000 people and about 50 hypermarkets (including "Magnit Family" stores) in the cities with the population from 25,000 people.

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

Development of the multi-format model

Currently the Company is actively expanding into four formats: "convenience store", hypermarket, "Magnit Family" and "cosmetics store" (drogerie).

The format of a convenience store is a neighbourhood store oriented all customers living within 500 meters radius. The assortment of the convenience store consists of little more than 3,000 food and non-food essential items offered at reasonable prices. Average total space of a store is 458 sq. m., average selling space is 321 sq. m.

As of December 31, 2013 "Magnit" retail chain operates 7,200 convenience stores, out of which 1,154 were opened in 2013.

Starting from 2007 the Company has been opening hypermarkets. As of December 31, 2013 "Magnit" retail chain operates 161 stores of this format, out of which 35 were opened in 2013.

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 in the city (within the city boundaries) and targets people living within the radius of 7 km.

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 – 6,000 sq. m. (excluding rental space);

“large” with the selling space of over 6,000 sq. m.; (excluding rental space).

Strategic development of the hypermarket format enables to conduct deeper segmentation of the existing markets and consider population with different income as potential customers on the back of high turnover per store and average ticket as well as fast pace of business growth.

In 2010 the Group started to study a new segment of the retail market and launched 2 trial stores of a new format – “drogerie”. Unlike convenience stores, stores under “Magnit Kosmetik” brand offer a mix of non-food group of products: personal care products, household cleaning products, cosmetics and perfumery goods. As of December 31, 2013 the chain of cosmetics stores consists of 686.

In May 2012 the new format – “Magnit Family” was launched. One of the reasons to expand into this format is to meet the needs of customers in wider assortment and aggressive pricing in premises which are not suitable for a standard hypermarket due to space limitations.

Key features of the new format are:

- Selling space of up to 1,500 sq. m.;
- Assortment of about than 7,000 SKUs;
- Expanded fresh zone;
- Limited non-food assortment;
- Own production facilities (ready meals);
- Main technologies of the hypermarket format;
- Pricing of the hypermarket format;
- Location primarily in the leased premises of the shopping and entertainment malls.

The number of the new format stores is growing through opening of new objects as well as reformatting certain convenience stores with excessive selling space for this format (about 1,000 sq.m.) and upside sales potential.

In 2013 the Group opened 26 “Magnit Family” stores. As of December 31, 2013 “Magnit” retail chain operates 46 “Magnit Family” stores.

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

Brand recognition and customer loyalty

The Company management takes measures to adjust its formats to changing customers’ preferences. In the regions with the highest purchasing power the work is carried out with the traditional assortment of the convenience store 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 is carried out to study the customers’ preferences to adjust marketing program 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 its stores through corresponding work with its employees.

Minimization of expenses

The main drivers of successful development in the above direction are further improvement of the logistics processes and investments in the IT system which provides the Company with maximum effective stock and transport flow management systems, and contributes to its leadership in terms of cost control.

Active introduction of private label products to the assortment is in place to increase Company’s profitability.

The status of Russia’s absolute leader in terms of sales, number of stores and customers supports the Company’s efficient cooperation with suppliers and achievement of most favorable purchasing terms.

Development of direct import, first of all direct import of fresh fruits and vegetables, also contributes to minimization of logistics costs.

12. INFORMATION ON THE PAID DIVIDENDS

The annual general shareholders' meeting held on May 24, 2013 (minutes of 24.05.2013) decided to distribute dividends on ordinary registered shares of OJSC "Magnit" following the results of 2012 financial year.

The extraordinary general shareholders' meeting held on September 26, 2013 (minutes of 26.09.2013) decided to distribute dividends on ordinary registered shares of OJSC "Magnit" following the results of the 6 months of 2013 financial year.

Information on the paid dividends:

Dividend period: 2012.

The amount of declared (accrued) dividends on shares of this category (type) per share, RUB:

-the amount of dividend accrued per one ordinary registered uncertified share following the results of 2012 financial year - 55.02 rubles.

The total amount of the declared (accrued) dividends on all shares of this category (type), RUB:

-the total amount of dividends accrued on the ordinary registered uncertified shares following the results of 2012 financial year – 5,202,765,752.10 rubles.

The total amount of dividends paid on all shares of the issuer of one category (type), RUB: 5,202,758,929.62.

Dividend period: 6 months of 2013 financial year.

The amount of declared (accrued) dividends on shares of this category (type) per share, RUB:

-the amount of dividend accrued per one ordinary registered uncertified share following the results of 6 months of 2013 financial year - 46.06 rubles.

The total amount of the declared (accrued) dividends on all shares of this category (type), RUB:

-the total amount of dividends accrued on the ordinary registered uncertified shares following 6 months of 2013 financial year – 4,355,496,011.30 rubles.

The total amount of dividends paid on all shares of the issuer of one category (type), RUB: 4,355,488,181.10.

13. SECURITIES

AUTHORIZED CAPITAL STOCK

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

As of December 31, 2013 authorized capital stock of the open joint-stock company "Magnit" amounts to 945,613.55 rubles. It consists of 94,561,355 ordinary registered uncertified shares with a nominal value per share of 0.01 ruble.

The Company is entitled to offer additional ordinary registered shares in the amount of 106,288,645 with the nominal value per share of 0.01 ruble (authorized shares).

Information on the listed shares of OJSC "Magnit" as of 31.12.2013:

<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 registered uncertified shares	1-01-60525-P	04.03.2004	0.01	94,561,355
Total:				94,561,355

Structure of OJSC "Magnit" share capital as of 31.12.2013:

<i>Name</i>	<i>Number of registered entities</i>	<i>Share in the charter capital, %</i>
Legal entities	3	57,91
including nominal holders	2	57,90
Individuals	17	42,09
Total:	20	100

Information on OJSC "Magnit" outstanding shares listed outside the Russian Federation in accordance with the foreign law of securities of foreign issuers certifying rights in respect of the above shares of the Company:

Category (type) of shares outstanding outside the Russian Federation: ordinary registered shares;

Percentage of shares outstanding outside the Russian Federation as a % of the total number of shares of the corresponding category (type): 29.94%;

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

short description of the program (type of the program) of the securities issue of the foreign issuer certifying the rights in respect of 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 in respect of the ordinary registered shares of OJSC "Magnit";

information on obtaining a permit of the federal executive body for the securities market to list the issuer's shares of the corresponding category (type) outside the Russian Federation:

- in accordance with the order of FFMS of Russia of March 27, 2008 № 08-661/pz-i placement and listing outside the Russian Federation of the ordinary registered 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 registered 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 the Russian Federation of ordinary registered 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 registered uncertified shares is permitted;

name of the foreign trade organizer (trade organizers) through which securities of the foreign issuer certifying the rights in respect of the issuers' shares are listed: London Stock Exchange.

BONDS

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

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

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

Placement of the certified interest-bearing non-convertible bonds payable to bearer of 01 series with the obligatory centralized custody 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 bonds which constitutes 100% of the total number of securities subject to placement. The entire 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 of limited liability company "Magnit Finance", subsidiary of OJSC "Magnit".

Issue comprised 5 million securities with the nominal value of 1 thousand rubles guaranteed by OJSC "Magnit" and JSC "Tander". Maturity of the bond issue was 5 years. Similar to the first issue, the second bond issue was conditioned by the necessity of refinancing short-term liabilities of the group.

Placement of the certified interest-bearing non-convertible bonds payable to bearer of 02 series with the obligatory centralized custody 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 bonds which constitutes 100% of the total number of securities subject to placement. The entire 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>Placement 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 th 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 first coupon amounted to 204.45 million rubles, the amount of yield of the first 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 fifth 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 sixth coupon amounted to 204.45 million rubles, the amount of yield of the sixth 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 seventh coupon amounted to 204.45 million rubles, the amount of yield of the seventh coupon paid per one bond amounted to 40.89 rubles.

The eighth coupon yield of 02 series bond issue was paid on March 25, 2011. The total amount of yield paid on the eighth coupon amounted to 204.45 million rubles, the amount of yield of the eighth coupon paid per one bond amounted to 40.89 rubles.

The ninth coupon yield of 02 series bond issue was paid on September 23, 2011. The total amount of yield paid on the ninth coupon amounted to 204.45 million rubles, the amount of yield of the ninth coupon paid per one bond amounted to 40.89 rubles.

The tenth coupon yield of 02 series bond issue was paid on March 23, 2012. The total amount of yield paid on the tenth coupon amounted to 204.45 million rubles, the amount of yield of the tenth coupon paid per one bond amounted to 40.89 rubles.

On March 23, 2012 LLC "Magnit Finance" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of 02 series.

Based on trading for the period from 03.01.2012 to 23.03.2012 the weighted average price of transactions with bonds of 02 series varied from min 96.73 % (24.02.12) to max 100.14 % (03.01.12) of the nominal value. Acknowledgeable quote within this period fluctuated from min 96.73% (24.02.12) to max 100.1% (03.01.12, 04.01.12, 06.01.12).

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

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

The issue comprised 1 million securities with the nominal value of 1 thousand rubles. The maturity of the issue was 3 years. The purpose of the issue of the exchange-traded bonds of BO-01 series was to attract funds to finance operating activity and expansion of "Magnit" group of companies, to reduce the cost of credit portfolio as well as to build public credit history.

Placement of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-01 series with the obligatory centralized custody of OJSC "Magnit" on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 1 million bonds which constitutes 100% of the total number of securities subject to placement. The entire 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>Placement 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 nd 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 first coupon amounted to 41.14 million rubles, the amount of yield of the first coupon paid per one bond amounted to 41.14 rubles.

The second coupon yield of BO-01 series Exchange-traded bond issue was paid on September 12, 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.

The third coupon yield of BO-01 series Exchange-traded bond issue was paid on March 12, 2012. The total amount of yield paid on the third coupon amounted to 41.14 million rubles, the amount of yield of the third coupon paid per one bond amounted to 41.14 rubles.

The fourth coupon yield of BO-01 series Exchange-traded bond issue was paid on September 10, 2012. The total amount of yield paid on the fourth coupon amounted to 41.14 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 41.14 rubles.

The fifth coupon yield of BO-01 series Exchange-traded bond issue was paid on March 11, 2013. The total amount of yield paid on the fifth coupon amounted to 41.14 million rubles, the amount of yield of the fifth coupon paid per one bond amounted to 41.14 rubles.

The sixth coupon yield of BO-01 series Exchange-traded bond issue was paid on September 9, 2013. The total amount of yield paid on the sixth coupon amounted to 41.14 million rubles, the amount of yield of the sixth coupon paid per one bond amounted to 41.14 rubles.

On September 9, 2013 OJSC "Magnit" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-01 series.

Based on trading for the period from 08.01.2013 to 09.09.2013 the weighted average price of transactions with the Exchange-traded bonds of BO-01 series varied from min 95.56% (17.01.2013) to max 100.5 % (22.03.2013) of the nominal value. Acknowledgeable quote within this period fluctuated from min 99.85% (21.01.2013) to max 100.3% (04.06.13, 05.06.13, 06.06.13, 07.06.13, 10.06.13, 14.06.13, 17.06.13, 18.06.13).

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

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

The issue comprised 1 million securities with the nominal value of 1 thousand rubles. Maturity of the issue was 3 years. The purpose of the issue of the exchange-traded bonds of BO-02 series was to attract funds to finance operating activity and expansion of "Magnit" group of companies, to reduce the cost of credit portfolio as well as to build public credit history.

Placement of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-02 series with the obligatory centralized custody of OJSC "Magnit" on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 1 million bonds which constitutes 100% of the total number of securities subject to placement. The entire 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>Placement 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 nd 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 first coupon amounted to 41.14 million rubles, the amount of yield of the first coupon paid per one bond amounted to 41.14 rubles.

The second coupon yield of BO-02 series Exchange-traded bond issue was paid on September 12, 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.

The third coupon yield of BO-02 series Exchange-traded bond issue was paid on March 12, 2012. The total amount of yield paid on the third coupon amounted to 41.14 million rubles, the amount of yield of the third coupon paid per one bond amounted to 41.14 rubles.

The fourth coupon yield of BO-02 series Exchange-traded bond issue was paid on September 10, 2012. The total amount of yield paid on the fourth coupon amounted to 41.14 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 41.14 rubles.

The fifth coupon yield of BO-02 series Exchange-traded bond issue was paid on March 11, 2013. The total amount of yield paid on the fifth coupon amounted to 41.14 million rubles, the amount of yield of the fifth coupon paid per one bond amounted to 41.14 rubles.

The sixth coupon yield of BO-02 series Exchange-traded bond issue was paid on September 9, 2013. The total amount of yield paid on the sixth coupon amounted to 41.14 million rubles, the amount of yield of the sixth coupon paid per one bond amounted to 41.14 rubles.

On September 9, 2013 OJSC "Magnit" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-02 series.

Based on trading for the period from 08.01.2013 to 09.09.2013 the weighted average price of transactions with the Exchange-traded bonds of BO-02 series varied from min 99.38% (04.03.2013) to max 100.4% (08.04.2013) of the nominal value. There was no acknowledgeable quote within this period.

Bond issue of OJSC "Magnit" of BO-03 series:

In 2010 the Company offered its investors the third Exchange-traded bond issue. Issue comprised 1.5 million securities with the nominal value of 1 thousand rubles. The maturity of the issue was 3 years. The purpose of the issue of the exchange-traded bonds of BO-03 series was to attract funds to finance operating activity and expansion of "Magnit" group of companies, to reduce the cost 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 custody of OJSC “Magnit” on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 1.5 million bonds 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>Placement 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 nd 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 first coupon amounted to 61.71 million rubles, the amount of yield of the first coupon paid per one bond amounted to 41.14 rubles.

The second coupon yield of BO-03 series Exchange-traded bond issue was paid on September 12, 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.

The third coupon yield of BO-03 series Exchange-traded bond issue was paid on March 12, 2012. The total amount of yield paid on the third coupon amounted to 61.71 million rubles, the amount of yield of the third coupon paid per one bond amounted to 41.14 rubles.

The fourth coupon yield of BO-03 series Exchange-traded bond issue was paid on September 10, 2012. The total amount of yield paid on the fourth coupon amounted to 61.71 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 41.14 rubles.

The fifth coupon yield of BO-03 series Exchange-traded bond issue was paid on March 11, 2013. The total amount of yield paid on the fifth coupon amounted to 61.71 million rubles, the amount of yield of the fifth coupon paid per one bond amounted to 41.14 rubles.

The sixth coupon yield of BO-03 series Exchange-traded bond issue was paid on September 9, 2013. The total amount of yield paid on the sixth coupon amounted to 67.71 million rubles, the amount of yield of the sixth coupon paid per one bond amounted to 41.14 rubles.

On September 9, 2013 OJSC “Magnit” fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-03 series.

Based on trading for the period from 08.01.2013 to 09.09.2013 the weighted average price of transactions with the Exchange-traded bonds of BO-03 series varied from min 100.0% (20.08.2013) to max 100.5% (17.06.2013) of the nominal value. Acknowledgeable quote within this period took a value only equal to 100.14%.

Bond issue of OJSC "Magnit" of BO-04 series:

In 2010 the Company offered its investors the fourth Exchange-traded bond issue. Issue comprised 2 million securities with the nominal value of 1 thousand rubles. Maturity of the issue was 3 years. The purpose of the issue of the exchange-traded bonds of BO-04 series was to attract funds to finance operating activity and expansion of "Magnit" group of companies, to reduce the cost of credit portfolio as well as to build public credit history. Placement of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-04 series with the obligatory centralized custody of OJSC "Magnit" on the MICEX stock exchange commenced on September 13, 2010. The number of the placed securities amounted to 2 million bonds 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>Placement 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 nd 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 first coupon amounted to 82.28 million rubles, the amount of yield of the first coupon paid per one bond amounted to 41.14 rubles.

The second coupon yield of BO-04 series Exchange-traded bond issue was paid on September 12, 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.

The third coupon yield of BO-04 series Exchange-traded bond issue was paid on March 12, 2012. The total amount of yield paid on the third coupon amounted to 82.28 million rubles, the amount of yield of the third coupon paid per one bond amounted to 41.14 rubles.

The fourth coupon yield of BO-04 series Exchange-traded bond issue was paid on September 10, 2012. The total amount of yield paid on the fourth coupon amounted to 82.28 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 41.14 rubles.

The fifth coupon yield of BO-04 series Exchange-traded bond issue was paid on March 11, 2013. The total amount of yield paid on the fifth coupon amounted to 82.28 million rubles, the amount of yield of the fifth coupon paid per one bond amounted to 41.14 rubles.

The sixth coupon yield of BO-04 series Exchange-traded bond issue was paid on September 9, 2013. The total amount of yield paid on the sixth coupon amounted to 82.28 million rubles, the amount of yield of the sixth coupon paid per one bond amounted to 41.14 rubles.

On September 9, 2013 OJSC "Magnit" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-04 series.

Based on trading for the period from 08.01.2013 to 09.09.2013 the weighted average price of transactions with Exchange-traded bonds of BO-04 series varied from min 96.1% (12.04.2013) to max 100.4 % (08.04.2013) of the nominal value. Acknowledgeable quote within this period fluctuated from min 100.0% (08.01.2013 and 09.01.2013) to max 100.29% (15.05.13, 16.05.13, 17.05.13, 20.05.13, 21.05.13, 22.05.13, 23.05.13, 24.05.13, 27.05.13).

Bond issue of OJSC "Magnit" of BO-05 series:

In 2011 the Company offered its investors the fifth Exchange-traded bond issue. Issue comprised 5 million securities with the nominal value of 1 thousand rubles. Maturity of the issue is 3 years. The purpose of the issue of the exchange-traded bonds of BO-05 series was to attract funds to finance operating activity and expansion of "Magnit" group of companies, to reduce the cost of credit portfolio as well as to build public credit history.

Placement of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-05 series with the obligatory centralized custody of OJSC "Magnit" on the MICEX stock exchange commenced on March 4, 2011. The number of the placed securities amounted to 5 million bonds 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-05 series:

<i>Date and the number of state registration</i>	№ 4B02-05-60525-P of February 16, 2011
<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>Placement price</i>	100% of nominal value
<i>Date of placement</i>	04.03.2011
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 nd day from the date of placement (28.02.2014)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JR9N3
<i>ISIN code</i>	RU000A0JR9N3
<i>Interest rate on the basis of the auction results</i>	8.00 %
<i>1 coupon interest rate</i>	8.00 %

<i>2 coupon interest rate</i>	8.00 %
<i>3 coupon interest rate</i>	8.00 %
<i>4 coupon interest rate</i>	8.00 %
<i>5 coupon interest rate</i>	8.00 %
<i>6 coupon interest rate</i>	8.00 %

The first coupon yield of BO-05 series Exchange-traded bond issue was paid on September 2, 2011. The total amount of yield paid on the first coupon amounted to 199.45 million rubles, the amount of yield of the first coupon paid per one bond amounted to 39.89 rubles.

The second coupon yield of BO-05 series Exchange-traded bond issue was paid on March 2, 2012. The total amount of yield paid on the second coupon amounted to 199.45 million rubles, the amount of yield of the second coupon paid per one bond amounted to 39.89 rubles.

The third coupon yield of BO-05 series Exchange-traded bond issue was paid on August 30, 2012. The total amount of yield paid on the third coupon amounted to 199.45 million rubles, the amount of yield of the third coupon paid per one bond amounted to 39.89 rubles.

The fourth coupon yield of BO-05 series Exchange-traded bond issue was paid on March 1, 2013. The total amount of yield paid on the fourth coupon amounted to 199.45 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 39.89 rubles.

The fifth coupon yield of BO-05 series Exchange-traded bond issue was paid on August 30, 2013. The total amount of yield paid on the fifth coupon amounted to 199.45 million rubles, the amount of yield of the fifth coupon paid per one bond amounted to 39.89 rubles.

Based on trading for the period from 08.01.2013 to 30.12.2013 the weighted average price of transactions with Exchange-traded bonds of BO-05 series varied from min 99.66% (10.01.2013) to max 100.5 % (16.08.13, 30.09.13, 04.10.13, 07.10.13, 09.10.13) of the nominal value.

Acknowledgeable quote within this period fluctuated from min 99.59% (11.01.13) to max 100.37% (04.09.2013).

Bond issue of OJSC "Magnit" of BO-06 series:

In 2011 the Company offered its investors the sixth Exchange-traded bond issue.

Issue comprised 5 million securities with the nominal value of 1 thousand rubles. Maturity of the issue is 3 years. The purpose of the issue of the exchange-traded bonds of BO-06 series was to attract funds to finance operating activity and expansion of "Magnit" group of companies, to reduce the cost of credit portfolio as well as to build public credit history.

Placement of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-06 series with the obligatory centralized custody of OJSC "Magnit" on the MICEX stock exchange commenced on April 26, 2011. The number of the placed securities amounted to 5 million bonds 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-06 series:

<i>Date and the number of state registration</i>	№ 4B02-06-60525-P of February 16, 2011
<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>Placement price</i>	100% of nominal value
<i>Date of placement</i>	26.04.2011
<i>Method of placement</i>	open subscription

<i>Redemption date</i>	1,092 nd day from the date of placement (22.04.2014)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JRFQ4
<i>ISIN code</i>	RU000A0JRFQ4
<i>Interest rate on the basis of the auction results</i>	7.75 %
<i>1 coupon interest rate</i>	7.75 %
<i>2 coupon interest rate</i>	7.75 %
<i>3 coupon interest rate</i>	7.75 %
<i>4 coupon interest rate</i>	7.75 %
<i>5 coupon interest rate</i>	7.75 %
<i>6 coupon interest rate</i>	7.75 %

The first coupon yield of BO-06 series Exchange-traded bond issue was paid on October 25, 2011. The total amount of yield paid on the first coupon amounted to 193.2 million rubles, the amount of yield of the first coupon paid per one bond amounted to 38.64 rubles.

The second coupon yield of BO-06 series Exchange-traded bond issue was paid on April 24, 2012. The total amount of yield paid on the second coupon amounted to 193.2 million rubles, the amount of yield of the second coupon paid per one bond amounted to 38.64 rubles.

The third coupon yield of BO-06 series Exchange-traded bond issue was paid on October 23, 2012. The total amount of yield paid on the third coupon amounted to 193.2 million rubles, the amount of yield of the third coupon paid per one bond amounted to 38.64 rubles.

The fourth coupon yield of BO-06 series Exchange-traded bond issue was paid on April 23, 2013. The total amount of yield paid on the fourth coupon amounted to 193.2 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 38.64 rubles.

The fifth coupon yield of BO-06 series Exchange-traded bond issue was paid on October 22, 2013. The total amount of yield paid on the fifth coupon amounted to 193.2 million rubles, the amount of yield of the fifth coupon paid per one bond amounted to 38.64 rubles.

Based on trading for the period from 08.01.2013 to 30.12.2013 the weighted average price of transactions with Exchange-traded bonds of BO-06 series varied from min 98.68% (17.09.2013) to max 100.4 % (30.12.2013) of the nominal value. Acknowledgeable quote within this period fluctuated from min 98.68% (17.09.2013, 18.09.2013, 19.09.2013) to max 100.3% (25.09.2013, 26.09.2013).

Bond issue of OJSC "Magnit" of BO-07 series:

In 2012 the Company offered its investors the seventh Exchange-traded bond issue.

Issue comprised 5 million securities with the nominal value of 1 thousand rubles. Maturity of the issue is 3 years. The purpose of the issue of the exchange-traded bonds of BO-07 series was to attract funds to finance operating activity and expansion of "Magnit" group of companies, to reduce the cost of credit portfolio as well as to build public credit history.

Placement of the certified interest-bearing non-convertible Exchange-traded bonds payable to bearer of BO-07 series with the obligatory centralized custody of OJSC "Magnit" on the MICEX stock exchange commenced on September 24, 2012. The number of the placed securities amounted to 5 million bonds 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-07 series:

<i>Date and the number of state registration</i>	№ 4B02-07-60525-P of August 10, 2011
<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>Placement price</i>	100% of nominal value
<i>Date of placement</i>	24.09.2012
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 nd day from the date of placement (21.09.2015)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JT171
<i>ISIN code</i>	RU000A0JT171
<i>Interest rate on the basis of the auction results</i>	8.90 %
<i>1 coupon interest rate</i>	8.90 %
<i>2 coupon interest rate</i>	8.90 %
<i>3 coupon interest rate</i>	8.90 %
<i>4 coupon interest rate</i>	8.90 %
<i>5 coupon interest rate</i>	8.90 %
<i>6 coupon interest rate</i>	8.90 %

The first coupon yield of BO-07 series Exchange-traded bond issue was paid on March 25, 2013. The total amount of yield paid on the first coupon amounted to 221.9 million rubles, the amount of yield of the first coupon paid per one bond amounted to 44.38 rubles.

The second coupon yield of BO-07 series Exchange-traded bond issue was paid on September 23, 2013. The total amount of yield paid on the second coupon amounted to 221.9 million rubles, the amount of yield of the second coupon paid per one bond amounted to 44.38 rubles.

Based on trading for the period from 08.01.2013 to 30.12.2013 the weighted average price of transactions with Exchange-traded bonds of BO-07 series varied from min 99.75% (11.11.2013) to max 108.4% (16.04.2013) of the nominal value. Acknowledgeable quote within this period fluctuated from min 100.5% (19.02.2013) to max 102.5% (21.05.2013 and 23.05.2013).

Parameters of the bond issue of OJSC "Magnit" of 01 series:

<i>Date and the number of state registration</i>	№ 4-01-60525-P of December 27, 2012
<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>Placement price</i>	100% of nominal value
<i>Date of placement</i>	26.02.2013
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 nd day from the date of placement (23.02.2016)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JTP09
<i>ISIN code</i>	RU000A0JTP09
<i>Interest rate on the basis of the auction results</i>	8.50 %
<i>1 coupon interest rate</i>	8.50 %

<i>2 coupon interest rate</i>	8.50 %
<i>3 coupon interest rate</i>	8.50 %
<i>4 coupon interest rate</i>	8.50 %
<i>5 coupon interest rate</i>	8.50 %
<i>6 coupon interest rate</i>	8.50 %

The first coupon yield of 01 series bond issue was paid on August 27, 2013. The total amount of yield paid on the first coupon amounted to 221.9 million rubles, the amount of yield of the first coupon paid per one bond amounted to 42.38 rubles.

Based on trading for the period from 04.03.2013 to 30.12.2013 the weighted average price of transactions with bonds of 01 series varied from min 100% (20.03.2013 and 27.03.2013) to max 101.5% (22.05.2013) of the nominal value. Acknowledgeable quote within this period fluctuated from min 100.06% (04.03.2013) to max 101.27% (15.11.2013).

Parameters of the bond issue of OJSC "Magnit" of BO-08 series:

<i>Date and the number of state registration</i>	№ 4B02-08-60525-P of August 10, 2011
<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>Placement price</i>	100% of nominal value
<i>Date of placement</i>	02.04.2013
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 nd day from the date of placement (29.03.2016)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JTT21
<i>ISIN code</i>	RU000A0JTT21
<i>Interest rate on the basis of the auction results</i>	8.40 %
<i>1 coupon interest rate</i>	8.40 %
<i>2 coupon interest rate</i>	8.40 %
<i>3 coupon interest rate</i>	8.40 %
<i>4 coupon interest rate</i>	8.40 %
<i>5 coupon interest rate</i>	8.40 %
<i>6 coupon interest rate</i>	8.40 %

The first coupon yield of BO-08 series Exchange-traded bond issue was paid on October 1, 2013. The total amount of yield paid on the first coupon amounted to 209.4 million rubles, the amount of yield of the first coupon paid per one bond amounted to 41.88 rubles.

Based on trading for the period from 03.04.2013 to 30.12.2013 the weighted average price of transactions with Exchange-traded bonds of BO-08 series varied from min 100.00% (19.07.2013 and 23.07.2013) to max 101.55% (30.10.2013 and 29.11.2013) of the nominal value.

Acknowledgeable quote within this period fluctuated from min 100.7% (17.05.13, 20.05.13, 21.05.13, 22.05.13, 23.05.13, 24.05.13, 27.05.13, 28.05.13, 29.05.13, 30.05.13) to max 101.5% (21.11.13, 22.11.13, 25.11.13, 26.11.13, 27.11.13, 28.11.13, 29.11.13, 02.12.13, 03.12.13, 04.12.13).

Parameters of the bond issue of OJSC "Magnit" of BO-09 series:

<i>Date and the number of state registration</i>	№ 4B02-09-60525-P of August 10, 2011
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<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>Placement price</i>	100% of nominal value
<i>Date of placement</i>	02.04.2013
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	1,092 nd day from the date of placement (29.03.2016)
<i>Number of coupons</i>	6
<i>Trading code</i>	RU000A0JTT39
<i>ISIN code</i>	RU000A0JTT39
<i>Interest rate on the basis of the auction results</i>	8.40 %
<i>1 coupon interest rate</i>	8.40 %
<i>2 coupon interest rate</i>	8.40 %
<i>3 coupon interest rate</i>	8.40 %
<i>4 coupon interest rate</i>	8.40 %
<i>5 coupon interest rate</i>	8.40 %
<i>6 coupon interest rate</i>	8.40 %

The first coupon yield of BO-09 series Exchange-traded bond issue was paid on October 1, 2013. The total amount of yield paid on the first coupon amounted to 209.4 million rubles, the amount of yield of the first coupon paid per one bond amounted to 41.88 rubles.

Based on trading for the period from 03.04.2013 to 30.12.2013 the weighted average price of transactions with Exchange-traded bonds of BO-09 series varied from min 100.25% (08.08.2013 and 09.08.2013) to max 101.55% (30.10.2013) of the nominal value. Acknowledgeable quote within this period fluctuated from min 100.7% (17.05.13, 20.05.13, 21.05.13, 22.05.13, 23.05.13, 24.05.13, 27.05.13, 28.05.13, 29.05.13, 30.05.13) to max 101.5% (21.11.13, 22.11.2013, 25.11.13, 26.11.13, 27.11.13, 28.11.13, 29.11.13, 02.12.13, 03.12.13, 04.12.13).

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 were 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".

According to the Instruction of CJSC "MICEX Stock Exchange" № 1387-p of 29.12.2010 OJSC "Magnit" shares are included in (transferred to) the quotation list "A" of the first level of CJSC "MICEX Stock Exchange".

On November 30, 2011 OJSC "Magnit" announced its intention to offer newly issued ordinary shares via an accelerated bookbuild placing to Russian and international institutional investors. In connection with the placement the Company has registered with the Russian Federal Financial Market Service 10,813,516 new shares to be placed through an open subscription.

The offer price in the Placement has been set at US\$ 85 per new share. Payments for shares in rubles were made at an exchange rate of US\$1 = RUB 30.8486.

The Company placed 5,586,282 ordinary shares out of which 4,117,648 shares were allocated to investors resulting in a free float of 53.83% of the Company's issued share capital as of December 31, 2011.

Gross proceeds to the Company from the placement of additional shares amounted to approximately US\$ 475 mn and used to finance its capital expenditure program aimed at further expansion of its chain of hypermarkets as well as the expansion of its convenience store operations and the further development of its logistics capabilities.

On December 19, 2011 ordinary shares of OJSC "Magnit" were excluded from the Quotation list "A" of the first level of OJSC "RTS Stock Exchange" as a result of its reorganization through merger with CJSC MICEX.

Since June 18, 2013 the shares of OJSC "Magnit" have been included into the Blue Chip Index Constituents of MICEX. Moscow Exchange Blue Chip Index is an indicator of the market of the most liquid stocks of the Russian companies. The index is calculated on the basis of the most liquid stocks of the Russian stock market. The index is based on the share prices denominated in rubles.

According to trading held from 01.01.2013 to 31.12.2013 on MICEX Stock Exchange the average weighted price of transactions with shares varied from min 4,924.5 rubles (09.01.2013) to max 9,234.1 (19.12.2013).

The growth of OJSC "Magnit" shares in 2012 amounted to 83%.



According to trading held from 01.01.2013 to 31.12.2013 on the London Stock Exchange the price of transactions with the global depository receipts as of closing varied from min \$40.48 (09.01.2013) to max \$66.50 (28.11.2013).

The growth of OJSC "Magnit" global depository receipts in 2013 amounted to 57%.



Market capitalization of OJSC "Magnit" as of December 30, 2013 amounted to 868,999.94 million rubles according to OJSC "MICEX SE".

14. TRANSACTIONS EXECUTED WITHIN THE YEAR 2013 CONSIDERED MAJOR TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT-STOCK COMPANIES"

Within the year 2013 the Company did not execute any transactions considered major transactions according to the Federal Law "On joint-stock companies".

15. TRANSACTIONS EXECUTED WITHIN THE YEAR 2013 CONSIDERED RELATED-PARTY TRANSACTIONS ACCORDING TO THE FEDERAL LAW ON "JOINT-STOCK COMPANIES"

1	
Date of transaction	22.01.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 11.55% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	24,200
Transaction amount in per cent of the issuer's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	0.0354
Term for fulfillment of obligations under transaction	19.01.2016
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 28, 2012, minutes № w/n of May 28, 2012.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

2	
Date of transaction	14.02.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 11.91% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	18,000

Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	0.0263
Term for fulfillment of obligations under transaction	11.02.2016
Information on fulfillment of mentioned obligations	<i>The Lender's and the Borrower's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 28, 2012, minutes No w/n of May 28, 2012.</i>
Other information on transaction indicated at the issuer's discretion	none

3	
Date of transaction	22.02.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 11.67% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	20,900
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	0.0305
Term for fulfillment of obligations under transaction	19.02.2016
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 28, 2012, minutes No w/n of May 28, 2012.</i>
Other information on transaction indicated at the issuer's discretion	none

4	
Date of transaction	27.02.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.60% per annum by the Company.</i>
Parties of transaction	<i>The Lender: OJSC "Magnit"</i>

	<i>The Borrower: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles. Transaction amount in money terms, thousand rubles.	<i>5,000,000</i>
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	<i>7.3075</i>
Term for fulfillment of obligations under transaction	<i>26.02.2016</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 28, 2012, minutes № w/n of May 28, 2012.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

5	
Date of transaction	<i>03.04.2013</i>
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 8.80% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	<i>1,200,000</i>
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	<i>1.5870</i>
Term for fulfillment of obligations under transaction	<i>02.04.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>

Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 11, 2013, minutes № w/n of March 11, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

6	
Date of transaction	03.04.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.00% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	1,000,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	1.3225
Term for fulfillment of obligations under transaction	02.10.2014
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 11, 2013, minutes № w/n of March 11, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

7	
Date of transaction	03.04.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.20% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>

Transaction amount in money terms, thousand rubles.	900,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	1.1902
Term for fulfillment of obligations under transaction	02.04.2015
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 11, 2013, minutes № w/n of March 11, 2013.</i>
Other information on transaction indicated at the issuer's discretion	None

8	
Date of transaction	03.04.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.60% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	900,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	1.1902
Term for fulfillment of obligations under transaction	02.04.2016
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 11, 2013, minutes № w/n of March 11, 2013.</i>
Other information on transaction indicated at the issuer's discretion	None

9	
Date of transaction	03.04.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the</i>

	<i>rate of 8.80% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	<i>1,000,000</i>
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	<i>1.3225</i>
Term for fulfillment of obligations under transaction	<i>02.04.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 25, 2013, minutes № w/n of March 25, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

10	
Date of transaction	<i>03.04.2013</i>
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.00% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	<i>1,000,000</i>
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	<i>1.3225</i>
Term for fulfillment of obligations under transaction	<i>02.10.2014</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>

obligations	
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 25, 2013, minutes № w/n of March 25, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

11	
Date of transaction	03.04.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.10% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	1,100,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	1,4547
Term for fulfillment of obligations under transaction	31.12.2014
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 25, 2013, minutes № w/n of March 25, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

12	
Date of transaction	03.04.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.20% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset</i>

	<i>Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	1,200,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	1.5870
Term for fulfillment of obligations under transaction	02.04.2015
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 25, 2013, minutes № w/n of March 25, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

13	
Date of transaction	03.04.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.40% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	1,000,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	1,3225
Term for fulfillment of obligations under transaction	02.10.2015
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 25, 2013, minutes № w/n of March 25, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

14	
Date of transaction	03.04.2013

Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.60% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	<i>700,000</i>
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	<i>0,9257</i>
Term for fulfillment of obligations under transaction	<i>02.04.2016</i>
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the Board of Directors on March 25, 2013, minutes № w/n of March 25, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

15	
Date of transaction	<i>21.05.2013</i>
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.60% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	<i>2,000,000</i>
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	<i>2,6450</i>
Term for fulfillment of obligations under transaction	<i>18.05.2016</i>

Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 28, 2012, minutes № w/n of May 28, 2012.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

16	
Date of transaction	<i>07.08.2013</i>
Subject and essentials of transaction	<i>Provision of guarantee to the contract on the revolving credit facility № 130628/0249018 of June 28, 2013.</i>
Parties of transaction	<i>The Lender: commercial joint-stock bank "Rosbank" (open joint-stock company), The Guarantor: OJSC "Magnit", The Beneficiary: JSC "Tander".</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	<i>2,480,000</i>
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	<i>2.9847</i>
Term for fulfillment of obligations under transaction	<i>The guarantee shall be terminated with duly performance of the Borrower's obligations under the revolving credit facility . Term for credit amount repayment and payment of interest is 26.06.2015</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Lender. 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 the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 24, 2013, minutes № w/n of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

Date of transaction	07.10.2013
Subject and essentials of transaction	<i>Provision of the guarantee to the LOC agreement № 29-15/1/356 of 07.10.2013.</i>
Parties of transaction	<i>The Creditor: OJSC "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 considered related-party for the transaction by the legislation of the Russian Federation	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	2,500,000
Transaction amount in percent of the issuer's balance sheet assets as of the end date of the last complete reporting period preceding the date of transaction, %	3.2102
Term for fulfillment of obligations under transaction	<i>The guarantee shall be terminated subject to duly performance of the borrower's obligations under the credit agreement. Credit and interest payment period is 06.10.2016</i>
Information on fulfillment of the underlying obligations	<i>JSC "Tander" is duly performing its obligations to the Creditor. Any claims to the Guarantor from the Creditor to fulfill the unfulfilled by JSC "Tander" obligations have not been asserted.</i>
Issuer's authority which made a decision to approve the transaction, date of decision (date and number of minutes)	<i>The transaction was approved by the annual general shareholders' meeting on May 24, 2013, minutes № w/n of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

18	
Date of transaction	05.11.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 8.35% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>

Transaction amount in money terms, thousand rubles.	3,800,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	4.8796
Term for fulfillment of obligations under transaction	02.11.2016
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 24, 2013, minutes № w/n of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

19	
Date of transaction	19.11.2013
Subject and essentials of transaction	<i>Provision of guarantee to the credit contract № 133-BK1/KPД-13 of October 23, 2013.</i>
Parties of transaction	<i>The Lender: commercial joint-stock bank "Absolut-Bank" (open joint-stock company), The Guarantor: OJSC "Magnit", The Beneficiary: JSC "Tander".</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	1,250,000
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	1.6051
Term for fulfillment of obligations under transaction	<i>The guarantee shall be terminated with duly performance of the Borrower's obligations under the revolving credit facility . Term for credit amount repayment and payment of interest is 07.10.2015</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing its obligations before the Lender. 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	<i>The transaction was approved by the Board of</i>

approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>Directors on October 29, 2013, minutes № w/n of October 29, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

20	
Date of transaction	11.12.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.60% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	435,300
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	0.5590
Term for fulfillment of obligations under transaction	09.12.2016
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 24, 2013, minutes № w/n of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

21	
Date of transaction	23.12.2013
Subject and essentials of transaction	<i>Provision of the interest-bearing loan at the rate of 9.60% per annum by the Company.</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 considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand	14,700,000

rubles.	
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	18.8762
Term for fulfillment of obligations under transaction	21.12.2016
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fulfilled on time.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 24, 2013, minutes № w/n of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

22	
Date of transaction	26.12.2013
Subject and essentials of transaction	<i>Provision of guarantee to the revolving credit facility № 29-15/1/399 of December 26, 2013.</i>
Parties of transaction	<i>The Lender: open joint-stock company "Sberbank of Russia", The Guarantor: OJSC "Magnit", The Beneficiary: JSC "Tander".</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	3,398,356
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	4.3638
Term for fulfillment of obligations under transaction	<i>The guarantee is effective till December 23, 2019. Before the guarantee matures it shall be terminated with duly performance of the Borrower's obligations under the revolving credit facility .</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Lender. 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 the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 24, 2013,</i>

and number of minutes of proceedings)	<i>minutes № w/n of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

23	
Date of transaction	26.12.2013
Subject and essentials of transaction	<i>Provision of guarantee to the revolving credit facility № 29-15/1/399 of December 26, 2013.</i>
Parties of transaction	<i>The Lender: open joint-stock company "Sberbank of Russia", The Guarantor: OJSC "Magnit", The Beneficiary: JSC "Tander".</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Gumoski Enterprises Limited; Tomiana Investments Limited; Limited Liability Company "Asset Management Company "Premier-Liga".</i>
Transaction amount in money terms, thousand rubles.	3,398,356
Transaction amount in percent of the issuer's balance sheet assets as of termination date of the last accounting period preceding the date of transaction, %	4.3638
Term for fulfillment of obligations under transaction	<i>The guarantee is effective till December 23, 2019. Before the guarantee matures it shall be terminated with duly performance of the Borrower's obligations under the revolving credit facility .</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is duly performing it's obligations before the Lender. 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 the transaction, date of decision (date and number of minutes of proceedings)	<i>The transaction was approved by the annual general shareholders' meeting on May 24, 2013, minutes № w/n of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

16. MAIN RISK FACTORS INHERENT IN THE COMPANY OPERATION

Since OJSC “Magnit” and its subsidiaries operate within one group of companies - OJSC “Magnit” (hereafter - “the Group”, “Magnit” retail chain”, “the Company” or “the Issuer”), the description of risks to the greater extent is provided for the entire Group.

The description of risk factors provided herein is not complete, it only reflects the view of the Company and its individual assessment. Apart from the risks specified in this report, other risks which are not included in this report may negatively affect the cost of investments in the shares of OJSC “Magnit”. Other risks, including those which the Company is not aware of or which it considers immaterial at the present time, may lead to the decrease of earnings, increase of expenses or other events and (or) consequences, in the result of which the price of the Company’s securities may fall.

In case one or several risks hereof occur, OJSC “Magnit” will take all possible measures to minimize the effect of negative changes. Today it is impossible to determine specific acts of the Company if any out of the provided risks occur because the elaboration of measures adequate to the corresponding events is complicated due to uncertainty of the situation in future.

Parameters of the taken measures will depend on the specific situation on a case-by-case basis. OJSC “Magnit” cannot guarantee that the measures taken to overcome negative changes will remedy the situation, as the majority of the described risks are beyond the Company’s control.

Risk Management Policy of the Company

The Company and the Group apply systematic approach to risk management. The key elements of the risk management policy in each area are:

Risk identification

Assessment methodology

Elaboration and implementation of risk management framework

Ongoing monitoring of risks

Risk management is carried out in respect of the entire Group.

In respect of the industry risks the mid and long-term assessment of the industry is made based on the macroeconomic forecasts of the Ministry of Economic Development and Trade and investment analysts. The assessment covers the future demand based on the forecasts of the population incomes and the level of consumption. The assessments includes industry trends in respect of various channels, segmentation of demand by channels and competitive environment.

Based on the analysis the strategy of development is worked out to strengthen the competitive position and increase the market share of the Company.

In respect of the country and regional risks, the Company monitors political and economic situation and estimates the level of risk of acts of elements, possible disruption of transportation in the regions of “Magnit” stores’ presence. Territorial diversification of operation of “Magnit” group of companies contributes to additional reduction of these risks.

In respect of the financial risks, the level of interest rate, currency, credit and liquidity risks is estimated.

Interest risk is managed by means of choosing the most optimal financing methods and matching of timing of mobilization of resources with the timing of the projects which are

financed by them. To optimize the resources the Company develops its credit history, expands the data base of potential creditors and diversifies instruments to receive the funds.

The reduction of cost of the received resources is achieved due to the policy aiming at improvement of the information transparency. One of the tools of interest risk management is the forecasting the changes of interest rates and assessment of the appropriate leverage level of the Company adjusted for this possible change of interest rates.

In respect of the currency risk, the Company estimates forecasts of the analysts on the possible change of the exchange rates and makes decisions on the acceptable amount of assets and liabilities in the foreign currency.

In respect of the liquidity risks, the Company and the Group in general maintain well-balanced ratio of assets and liabilities in terms of timing.

In respect of credit risks, the Company analyzes financial position of counteragents and applies the system of limits.

Legal risks management is based on the strict compliance with the applicable Russian legislation. Legal department monitors all changes in legislation concerning the Company's activity, and conducts legal examination of all contracts and agreements.

INDUSTRY RISKS

Risks related to the consumer demand and competition

Negative changes of macroeconomic conditions and decrease of consumer demand in Russia may negatively affect sales and income of the Group

The Group operates in the FMCG retail sector.

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

In case of economic instability the decrease of the real disposable income of population may lead to weaker dynamics of growth and profitability of the industry. It should be noted that the state of the Russian economy is conditioned a lot by the oil price and other energy and mineral resources on the world market. The reduction of prices on the mineral resources will negatively influence the economy of the Russian Federation overall due to prevailing share of the raw material component in the GDP. Deterioration of the economic situation will also result in the decline of the effective demand in the country.

Consumer demand on the markets where the Group operates depends on the number of factors which are beyond the Group's control, including demographic factors, consumer preferences and their purchasing power. The decline of the consumer demand or the change of the consumer preferences may significantly reduce sales and income of the Group and negatively influence the business activity, financial condition and the results of the Group and the Company. Besides, seasonality of the consumer demand may lead to considerable fluctuations of the Group's results in different periods of time.

High level of competition may lead to the decline of the Group's market share and the reduction of its revenue.

As of December 31, 2013 the Group operates in 7 federal districts in more than 1,868 cities and towns of the Russian Federation with the highest concentration in the Southern, North-Caucasian, Central and Volga regions. Magnit stores also operate in the North-West, Urals and Siberian regions. Retail market of the Southern Federal district is competitive enough and is

represented by most of the large Russian players as well as by the number of foreign companies.

Russian retail is characterized by a high level of competition. The Group competes with a significant number of Russian and international companies. In recent years the growth of consumer demand in Russia has attracted new market participants and resulted in the increase of competition. Retail chains compete with each other primarily on the ground of the store locations, product quality, service and price, product mix and store conditions. Entrance of additional players to the Russian market may further intensify competition and reduce the efficiency of the Group. Main competitors of the Group in "the convenience store" format are "Pyaterochka" and "Dixy", while in "the 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 large international companies and have better opportunities to mobilize the resources than the Group. Moreover, many other international players including those with better financial and other opportunities vs. the Group will enter the Russian market in the nearest years through acquisition of local players or building up their own greenfield networks.

If the above process is intensive, competition may substantially increase, which may negatively influence 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 open 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 or new competitors in future.

At the current stage of competitive activity considerable risks for the Group are also linked to the fact that the main competitors of the Group use more aggressive methods, such as winning the additional target markets through expansion of franchising schemes. Such approach enables the competitors to expand their presence rapidly in many regions of Russia as well as to considerably reduce the costs of the new store openings. Non-use of the franchising schemes by the Group 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, 2013 the stores operating under "Magnit" brand are located in the Southern Federal district (1,699), Central Federal district (2,100), Volga Federal district (2,483), North-Caucasian Federal district (379), North-Western Federal district (671), Urals Federal district (671) and Siberian Federal district (120).

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.

Historically volume of the Group's operations has been growing fast. The growth is expected to continue in the projected future which may lead to the significant lack 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.: changes in the competitive environment; 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; 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. Decrease of profitability may negatively affect the ability of the Company's relevant authority to decide on the payment of yield on the securities and the market value of the Company's securities as well as affect the fulfillment of obligations on the placed bonds in full.

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:

if possible, to further expand its operation in order to reduce the prime cost of goods and diversify some risks;

to carry out the diversification between the most and the least perspective stores and to cut the most unattractive stores;

to extend the territory of its operation by choosing the most profitable regions of Russian Federation in terms of growth prospects;

to carry out adequate changes in pricing policy for maintaining the demand for goods on the necessary level;

to optimize the expenses;

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, 2013 the Group operates in 7 federal districts in 1,868 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 average income and income below 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 Dmitry Medvedev the political and economic situation in Russia has generally become more stable and favorable for

investors. After the election of Vladimir Putin to the presidency in March 2012 the situation remained stable. 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 the recent decade. 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.

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 are possible effects of crisis situations in the global and European economy. 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 their economies. Condition of roads 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. 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. 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. For example, 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.

FINANCIAL RISKS

Risks related to the changes of the interest rates:

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

The Company is exposed to risks related to the changes of interest rates. The Group's companies raise borrowed funds to finance business development of the Group and to expand its resource base. Changes of the interest rates may have substantial negative effect on the operation results of the companies of the Group.

The Group does not export its production, and all its main obligations are ruble denominated. Import products comprise a certain share of revenue, which makes the Company dependent on the possible fluctuations of exchange rates.

The Company does not hedge its risks.

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

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

The Group does not export its production, and all its main obligations are ruble denominated. Import products comprise a certain share of revenue, which makes the Company dependent on the possible foreign exchange fluctuations. In case of such fluctuations, the Group is able to modify the structure of goods sales in favor of Russian counterparts, which may potentially reduce the sales growth rate. Thus, the rise of such risk may have an adverse negative effect on the Group's revenue and profitability.

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

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

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

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

Inflation influence on the payment on securities. Inflation indices which the Company considers to be critical, and potential actions which may be taken by the Company to reduce risks specified herein.

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

If the exchange rate of ruble to US dollar increases simultaneously with inflation, the Group may face expenses increase in dollar terms on certain cost items. Some expense items of the Group, such as payroll, expenses on construction, rent and utilities are sensitive to the overall growth of the price level in Russia. Within competitive pressure or legal restrictions the Group may not be able to properly increase its prices in order to retain our profit rate. Consequently, high inflation growth rate may increase the Group's expenses, and there's no guarantee that the Group will be able to maintain or increase its profit rate.

Inflation growth in the Russian Federation may also entail the overall growth of the interest rates.

Inflation indices critical for the Company:

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

Risks arising from bank operations:

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

Russian bank and other financial systems are not properly developed and regulated, and Russian legislation related to banks and bank accounts may be interpreted ambiguously and applied inconsistently. Financial crisis of 1998 led to the bankruptcy and liquidation of many Russian banks and almost completely destroyed the developing market of crediting of commercial banks.

Within the period from April to July 2004 Russian bank sector experienced one more serious disruption. As a result of rumors spread over the market as well as certain problems with legislative regulation and liquidity, several banks faced difficulties with liquidity and were not able to attract capital on the inter-bank market or with clients. Simultaneously, many individuals and corporations withdrew their deposits from these banks. Some of these private Russian banks turned bankrupt, were liquidated or substantially reduced their scope of activity. Generally, this situation did not have an adverse effect on foreign banks and Russian banks owned by or under the management of the government

Additionally, many Russian banks do not meet international banking standards, and the transparency of the Russian bank sector to a certain extent falls behind the international level. Supervision of bank activity is also often insufficient, whereby many Russian banks do not observe the actual instructions of the Central Bank of the Russian Federation regarding loan criteria, credit quality, loan loss provision, risks'

diversification and other requirements. Application of more severe regulations or interpretations may result into undercapitalization or insolvency of some banks. Before global financial crises Russian banks were increasing credit financing rapidly, which, as considered by many, was accompanied by deterioration of level of refund guarantee from the borrowers. Moreover, stability of the local corporate security market led to the accumulation of ruble bonds issued by the Russian companies in the investment portfolio of Russian banks, which even more aggravated the level of risks attributable to the Russian banks' assets.

The global financial crisis led to collapse and buyout of some Russian banks and serious liquidity decline of others. Return level of the majority of Russian banks was also seriously affected. Indeed, due to financial crisis and on the background of reports on difficulties faced by Russian bank and financial organizations, the government had to make substantial investments into the bank system. As a rule the Group supports relations and keeps its accounts only with a limited number of reliable creditworthy Russian banks, including open joint-stock company "Sberbank of Russia" (OJSC "Sberbank of Russia"), OPEN JOINT-STOCK COMPANY "ALFA-BANK" (OJSC "ALFA-BANK"), VTB Bank (open joint-stock company (OJSC "VTB Bank"), "Gazprombank" (open joint-stock company), (GPB (OJSC), OJSC "Joint-stock commercial bank "Rosbank" (OJSC AKB "ROSBANK"). Bankruptcy or insolvency of one or several specified banks may negatively affect our business. Continuing or aggravation of bank crisis, bankruptcy or insolvency of banks with which we keep our funds may lead to inaccessibility to the cash assets for several days and influence our opportunity to complete bank operations in Russia or to the loss of all our deposits, which may have substantial negative effect on our business activity, operation results, financial position and prospects.

Risks related to the transfer pricing:

On January 1, 2012 the Federal law of 18.07.2011 N 227-FZ "On amendments to certain legislative acts of the Russian Federation in connection with the improvement of the principles of pricing for tax purposes" (hereinafter - Federal law N 227-FZ), which introduced new transfer pricing regulations in the Russian Federation, came into force. The list of related party transactions includes transactions executed between affiliated persons, as well as certain types of cross-border transactions.

Complexity and ambiguity of the new transfer pricing regulations are confirmed by a large number of clarifications of the Ministry of Finance of Russia. Introduction of the new transfer pricing regulations also increases significantly the load upon a tax payer due to the necessity of identification and ring-fenced accounting of related party transactions, "testing of prices" for the correspondence to the market level, documents preparation, as well as provision of notifications on related party transactions.

The law stipulates the right of taxation authorities of Russia to apply amendments of the tax base and to levy additional income taxes on all related party transactions, if the price applied in a transaction differs from the range of market prices.

Due to ambiguous law enforcement and judicial practice taxation authorities and arbitration courts are free to interpret the applicable regulations. Therefore pricing

regulations taxation authorities may dispute the prices of transactions of the Company and its subsidiaries and adjust the accrued taxes.

The law stipulates large amounts of penalties for non-payment or underpayment of taxes in the amount of 20% of unpaid tax until 2016, 40% but not less than 30 thousand rubles from 2017, due to application in a party related transaction of the price not corresponding to financial terms of transactions between unaffiliated persons.

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

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

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

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

revision of the financing structure;

optimization of the cost-based items of the operation;

revision of the programs of capital investments and loans;

increase the receivables turnover.

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

Liquidity risks:

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

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

Risks	Probability	Nature of changes in the report
Interest rates growth	high	Interest rates growth will increase the cost of borrowings for the Group, thus it may have negative effect on the Group's financial position, particularly, will increase the operational expenditures of the Group and reduce its profit.
Inflation rates growth	high	Inflation rates growth will lead to the increase of the prime cost expenses (raw commodities costs, payroll expenses, etc.). At the same time the acceleration of the inflation rate growth will result in the growth of the consumer prices for the Group products and correspondingly increase the sales of the Group, so that the part of the Group expenses will be compensated by the increase of the product prices. Such inflation will also lead to devaluation of the real price on the

		ruble obligation.
Change of the exchange rate of US dollar to ruble	high	It does not produce strong effect, as the main profits and losses of the Company are ruble denominated.
Risk of due obligation fulfillment	medium	Failure of the Group to fulfill its obligations in due time may entail penalties, fines, etc., which will result in unscheduled expenses and reduce the Group's profit. In connection herewith, the Group carries out the policy of the cash flows' planning.

LEGAL RISKS

The Company and the Group operate only on the Russian domestic market. The Company and the Group do not operate and do not plan to operate on the international market. The description of the risks refers to the domestic market.

If one or several of the below risks occur the Company and the Group will undertake all possible measures to minimize the negative consequences. The Company does not guarantee that the measures taken to overcome the negative changes would improve the situation as the described factors are beyond control of the Company and the Group.

The Company is exposed to the following legal risks:

Common risks inherent to legal entities according to the legislation of the Russian Federation:

Certain transactions with participation of the Group's companies may be acknowledged related party transactions. These transactions may include, inter alia, sales and purchase agreements of manufactured goods, purchase of shares, service contracts. If such transactions or their actual approvals are successfully contested, or if the approval of transactions of the Group's companies which require special approval according to the legislation of the Russian Federation is prevented in future, it may limit the flexibility of the Group's companies in the operational issues and may have negative effect on its operating activity. In practice, standards of corporate governance remain underdeveloped in many Russian companies, minority shareholders of these companies may experience difficulties with the exercise of their legal rights and may bear losses. Although the Federal Law "On Joint-Stock Companies" entitles the shareholder who holds not less than 1% of the company's outstanding shares to file a claim against the management who caused damages to the company, Russian courts do not have enough experience of handling with such claims. Therefore, the feasibility of investors to get the compensation from the Company is limited. As a result, protection of interests of minority shareholders is limited.

The Civil Code and the Federal Law "On Joint-Stock Companies" provide that the shareholders of the joint-stock company are not liable for its obligations and are only exposed to the risk of loss of the investments. However, if the bankruptcy of the legal entity is caused by the founders (participants), the owner of the property of the legal entity or other persons who are entitled to give instructions, which are mandative for this legal entity, or otherwise determine its actions, may rest subsidiary liability for the obligations of the legal entity on them in case of deficiency of the property of the legal entity. Thus, being the parent company with regard to the subsidiaries in which OJSC "Magnit" directly or indirectly owns more than 50% of the charter capital, the Company may bear responsibility for the obligations in the above cases. Responsibility for obligations of subsidiaries may have significant negative effect on the Company. Ensuring the rights of shareholders according the Russian legislation may lead to additional expenses, which may lead to the deterioration of the Company's performance. According to the Russian legislation, shareholders who voted against or

abstained from voting on certain issues have appraisal rights according to the Russian legislation. Shareholders have the appraisal rights if they vote against or abstain from voting on the following issues:

reorganization;

major transaction which is subject to approval by the general shareholders' meeting;

amendments restricting the shareholders' rights to the charter of the Company or ratification of the Charter in a new edition;

decision to make the statement on delisting of the Company's shares and (or) issued securities of the company convertible into its shares.

Obligation of the Company to buy the shares back may have significant negative effect on the cash flows of the Company and its ability to manage the debt of the Group.

Legal risks inherent in the Russian Federation:

Weakness of the Russian legal system and imperfection of the Russian legislation provide vague environment for investments and business activity.

Efficient legal system essential for the function of the market economy in Russia is still in the formation process. It is only in recent times that many crucial laws have come into effect. Sometimes insufficient consensus on the scope, contents and time of economic and political reforms, rapid development of the Russian legal system which is not always in phase with the directions for the development of the market relations is expressed in uncertainty, inconformity and inconsistency of the provisions of the law and subordinate acts.

Additionally, the Russian legislation often refers to the statutory acts which are to be adopted, leaving considerable loopholes in the mechanism of the legal regulation. Sometimes new laws and regulatory acts are adopted without being comprehensively discussed by the interested participants of the civil and legal society and do not contain any adequate transitional provisions, which creates serious complexities in their application. Defaults of the Russian legal system may negatively influence the ability of the Group to exercise its rights in accordance with contracts as well as the ability to defend against the claims of the third parties. Besides, the Group cannot guarantee that the governmental and judicial agencies as well as the third parties would not litigate the Group's meeting of the requirements of the laws and subordinate acts.

Risks inherent in the currency regulation:

There are risks of the regulation of a number of the currency operations. Significant changes in the currency regulation and currency control may complicate fulfillment of obligations under the agreements with the counterparties. In the opinion of the Company's management these risks influence the Group as is the case with the other market entities.

The Company conducts continuous monitoring of the regulatory environment of the currency regulation and control and conforms to the established rules. During the reporting period there were no amendments introduced to the Russian legislation on the currency regulation and the currency control which may influence the operations of the Company and the Group.

Risks inherent in the protection of investors:

Russian investor protection legislation may be less favorable than the legislation of the other countries with the developed market economy. Besides, there is a risk of changes of the

applicable legislation in future which may be unfavourable for investors. Income of the foreign investors from the investments into the Company's shares may be taxed in accordance with the Russian legislation. Deterioration of the general economic and political situation in the country may result in tightening of the currency regulation and control and in limitation of the performance of transactions with the Company's shares.

Risks inherent in the tax legislation:

Tax legislation of the Russian Federation is exposed to frequent changes. In the Company's opinion these risks influence it as is the case with the other market participants. Amendments in the Russian tax system may negatively influence the operations of the Group's.

The following factors may negatively influence the operations of the Group:

Amendments of the acts of the tax and revenue legislation related to the increase of the tax rates;

Introduction of new taxes.

These significant and other amendments of the tax legislation may result in the increase of tax payments and consequently in the reduction of the net profit of the Company. Amendments of the Russian tax legislation may negatively influence the attractiveness of investments in the Company's shares.

Russian companies make considerable tax payments of the great number of taxes. These taxes, inter alia, include:

Income tax;

Value added tax;

Excise taxes;

Land tax;

Property tax.

Legislative and subordinate acts which regulate the above taxes lack sufficient history of application compared to the other countries. Therefore, the law enforcement practice is often ambiguous or is not yet established. Currently there are very few generally accepted clarifications and interpretations of the tax legislation. Sometimes different ministries and authorities have different interpretations of tax legislation, which creates uncertainty and grounds for the conflict.

Tax system in Russia changes frequently, and the tax legislation is inconsistently applied on the federal, regional and local levels. Due to vague legislation the Group is exposed to the risk of material penalty fees despite the Group's efforts to comply with the legislation, which may lead to the increase of tax burden. The Company complies with the applicable tax legislation in full, which, nevertheless, does not eliminate the potential risk of division of opinions with the relevant regulatory bodies on controversial issues. At present, tax administration is relatively inefficient, and the government may have to introduce new taxes to increase its income. Thus, the Company may have to pay considerably higher taxes, which may negatively influence the business of the Company. In the course of operations the Company conducts operational monitoring of the tax legislation and enforcement of the applicable legal provisions. The Company estimates and forecasts the extent of potential negative influence of amendments of the tax legislation aiming efforts at minimization of such changes.

Generally, the tax risks inherent in the Company's activity characterize most of the businesses operating on the territory of the Russian Federation and may be regarded as national.

Over the last years within the tax reform the tax system of the Russian Federation underwent significant changes. At that some of initiatives may enhance the situation of the tax payers, others, on the contrary, may make it worse as, in particular, Federal Law No. 227-FZ of

18.07.2011 "On introduction of amendments to certain legislative acts of the Russian Federation due to the update of the principles of the price determination for the taxation" effective from January 1, 2012 (with the exception of particular provisions) which introduced new pricing control provisions for transactions between the related persons, which in practice may both positively and negatively influence the Company's operations.

According to the Federal Law of 16.11.2011 No. 321-FZ "On amendments to part one and two of the Tax Code of the Russian Federation due to the establishment of the consolidated group of taxpayers" from January 1, 2012 section II of the Tax Code of the Russian Federation (part one) was supplemented with chapter 3.1. - "Consolidated group of taxpayers". This law sets forth certain criteria of such a group - ones are applicable to the association as a whole, another are applicable to each enterprise of the group, as well as certain requirements to the accounting and financial results of the group's operations. Obligations arising from income tax assessment, declaration and payment shall be fulfilled by the liable partner on the behalf of the group.

Today, despite the legislative possibility to establish the consolidated group of taxpayers, the implementation is nearly impossible since the criteria of the consolidated group as well as the requirements to the accounting and financial results of such group's operations are unreasonable and unenforceable for most of the taxpayers. Therefore, financial statements of the majority of the Russian organizations not meeting the stipulated criteria are nonconsolidated for the tax purposes, which makes every legal entity pay taxes separately and makes it impossible to profit from losses of the other companies of the same group in order to decrease the tax burden.

Risk inherent in the impossibility of foreign investors to export the return on shares of the Company

Today, the Russian legislation on dividend payment set forth that dividends on shares in rubles may be paid to the shareholders without limitations. Possibility of the foreign investors to convert rubles into any freely convertible currency (FCC) depends on the availability of such currency on the Russian exchange markets. Although there is the market for conversion of rubles into FCC, including Moscow Interbank Currency Exchange as well as over-the-counter markets and currency futures markets, further development of this market remains vague.

Risks inherent in the customs control and duties

Changes of customs control and duties may entail the increase of the purchasing prices on the imported goods, which may result in the decrease of the Group's income.

The Company and the Group are exposed to certain risks inherent in the Customs legislation regulating the setting of the procedure of movement of goods across the customs border of the Russian Federation, setting and application of the customs regimes and introduction and levying of customs payments.

The Company complies with the requirements of the customs control, processes all documentation necessary for import transactions in time and has sufficient financial and personnel resources to follow the regulations of the Customs legislation.

Risks inherent in the requirements of licensing of the primary activity of the company or licensing of the right of use of objects which are limited in the turnover (including natural resources).

The primary activity of the Company - coordination of operations of the companies of the Group, lease of property and retail - are not subject to licensing. The companies of the Group have the license for the retail sale of alcohol consumed not in the point of sale. If the licensing requirements change, the Company will operate under the new requirements including re-issuance and obtaining of the new licenses. The Company does not use the objects with the limited presence in the turnover (including natural resources). The Company assesses risks inherent in the licensing requirements minimal.

RISKS RELATED TO THE COMPANY'S OPERATION

Risks peculiar for the Company

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 is subject to licensing for all Group's enterprises engaged in such activity.

The Group has licenses for retail sale of alcohol consumed not at the point of sale. 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.

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

The Issuer provided the mandate in the form of the guarantee for the purpose of obtaining of credit by JSC "Tander" (the main operating company of the Group which controls trading division and is the center of profit consolidation of the Group). The Issuer shall be liable to creditors for the fulfillment by JSC "Tander" of its obligations in full, including repayment of credit amounts, payment of interest in credit, fees and penalties. The total amount of liabilities of the Issuer within the provided guarantee accounts for 21 636 283.70 thousand rubles as of December 31, 2013.

At the moment the Issuer considers that JSC "Tander" is able to fulfill its obligations properly. However, as the majority of the risks are out of the Issuer's control, the Issuer cannot entirely exclude their possibility in future, which may negatively affect the ability of JSC "Tander" to fulfill its obligations properly, which may cause material adverse effects to the operation of the Group.

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 entire Group.

Other risks related to the Company's operation

As the Company exercise functions of the holding company of the Group the Company significantly depends on the operations of its subsidiaries.

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, in accordance with the Federal Law № 381 – FL "On the principles of state regulation of trade activity in the Russian Federation" effective from February 1, 2010 food chains (which threshold of dominance on the retail market within the boundaries of the region, municipal area or urban district exceeds 25%) are prohibited from purchasing and renting additional selling space within the boundaries of the relevant administrative-territorial entity. Agricultural consumer cooperatives and organizations of consumer cooperation are not subject to this prohibition.

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, 2013 this figure amounted to 12.97%. However it should be noted that together with the increasing number of hypermarkets, the sales share of “private label” represented by 681 items in both formats may reduce as the total assortment of a hypermarket amounts

to more than 12,800 SKUs on average, while the product mix of a convenience store amounts to more than 3,000.

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 CORPORATE CODE OF CONDUCT OF FFMS OF THE RUSSIAN FEDERATION ¹³

№	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
General Shareholders' Meeting			
1.	Notification of shareholders on holding the general shareholders' meeting not later than 30 days prior to the date of a meeting irrespective of the questions of the agenda, if otherwise is not provided by the legislation.	Complied	Paragraph 13.10 of the OJSC "Magnit" Charter. Article 24 of the Regulation on the OJSC "Magnit" general shareholders' meeting. Paragraph 4.16 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 the voting ballots.	Complied	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.	Complied	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.	Partially complied	Article 5 and paragraph 2, article 13 of the Regulation on the OJSC "Magnit" general shareholders' meeting.

¹³ 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 corporate code of conduct</i>	<i>Complied / not complied</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.	Complied 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 complied	-
7.	Availability in the internal documents of the joint-stock company of the registration procedure of the general shareholders meeting participants.	Complied	Article 42 of the Regulation on the OJSC "Magnit" general shareholders' meeting.
Board of directors			
8.	Availability in the Charter of the joint-stock company of the right of the board members to annually ratify the financial and economic plan of the joint-stock company.	Complied	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 complied	Paragraphs 6.6 and 6.7 of the 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 corporate code of conduct</i>	<i>Complied / not complied</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.	Complied	<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.	Complied	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 complied	-

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</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.	Complied	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) Aslan Shakhachemukov.
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.	Complied	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.	Complied	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.	Complied	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.	Complied	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	Complied	Article 7 of the Regulation on the OJSC "Magnit" board of directors. Article 7, paragraph 11.6 article

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</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.		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 complied	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 complied	Within 2013 the OJSC "Magnit" board meetings were held not less than once a month, except for January, May, August and September when board meetings were not held.
22.	Availability in the internal documents of the joint-stock company of the board meetings procedure.	Complied	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 complied	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	Complied	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	Not complied	The possibility of establishing the committee is considered.

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
	audit committee and HR and remuneration 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.	Complied	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.	Complied	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 (independent director); 3) Aslan Shkhachemukov (independent director).
28.	Management of the audit committee is executed by the independent director.	Complied	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.	Complied	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.	Complied	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 corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
31.	Management of the HR and Remuneration Committee is executed by the independent director.	Complied	According to the article 7.3 of the Regulation on the board committees of OJSC "Magnit" Management of the HR and Remuneration Committee is executed by the independent director. 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	Complied	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) Alexander Zayonts.
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 complied	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 complied	The committee establishment is under consideration.
35.	Absence in the committee of the corporate conflict management of the joint-stock company officials.	Not complied	See clause 34
36.	Management of the corporate conflict management committee is executed by the independent director.	Not complied	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.	Complied	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 complied	-
Executive bodies			

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
39.	Presence of the collegial executive body (managing body) of the joint-stock company.	Complied	Article 12 of OJSC "Magnit Charter
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.	Complied	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.	Complied	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.	Complied	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.	Complied	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	Not complied	No management organization (manager).

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
	property relations with the joint-stock company, except for providing services to the management organization (the manager).		
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.	Complied	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 complied	See clause 44
47.	Reporting by the executive bodies on their activity to the board on a monthly basis.	Not complied	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.	Complied	-
The secretary of the company			
49.	Presence in the joint-stock company of the special official (the secretary of the company), whose duty is to provide the compliance of the bodies and officials of the joint-stock company with the procedural requirements which ensure the exercise of rights and legal interests of the joint-stock company.	Not complied	-
50.	Availability in the charter or internal documents of the joint-stock company of the procedure of appointment (election) of the	Not complied	-

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
	company's secretary and assignment duties to the secretary of the company.		
51.	Availability in the charter of the joint-stock company of the requirements to the candidates for the secretary position of the company.	Not complied	-
Substantial corporate actions			
52.	Presence in the charter or internal documents of the joint-stock company of the requirement on major transactions approval before its settlement.	Not complied	-
53.	The obligatory involvement of the independent appraiser for the assessment of the subject of the major transaction.	Not complied	-
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

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
			publicly traded securities, prior to the information disclosure on the delivery of the corresponding offer to the open company; - approval of the related party transactions; - 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 complied	-
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.	Complied	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 complied	-
Information disclosure			
58.	Availability of the internal document ratified by the board of directors, stipulating the rules and approaches of the joint-stock company to information disclosure (Regulations on information policy).	Complied	The Regulation on the information policy of OJSC "Magnit" is ratified by the resolution of the board of directors of OJSC "Magnit" on September 6, 2012, minutes of meeting w/o N of September 6, 2012.
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	Not complied	Information disclosure is carried out in accordance with the requirements of the actual legislation of Russian Federation.

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
	the offered shares, including the major share stake, and on whether the senior officials of the joint-stock company will take part in acquisition of the shares offered by the company.		
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.	Complied	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.	Complied	The Company's website on the Internet: http://www.magnit-info.ru . Beginning September 1, 2012 the Company uses for information disclosure the following internet page rendered by the information disclosure provider: http://www.e-disclosure.ru/portal/company.aspx?id=7671 .
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 complied	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	Complied	Information disclosure is carried out in accordance with the requirements of the actual legislation of Russian Federation Point 3.3 of the article 3, point 4.8 of the article 4 of the Regulations on the information policy of OJSC "Magnit".

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
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.	Complied	The Regulation on the information policy of OJSC "Magnit" (is ratified by the resolution of the board of directors of OJSC "Magnit" on September 6, 2012, minutes of meeting w/o N of September 6, 2012.
Control over financial and economic activity			
65.	Availability of procedures of the internal control over the financial and economic activity of the joint-stock company, ratified by the board of directors.	Complied	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)	Complied	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	Complied	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	Complied	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.	Complied	-

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
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 complied	-
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.	Complied	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 complied	-
73.	Availability in the joint-stock company internal documents of the approval procedure for irregular operation with the board.	Not complied	-
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.	Complied	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.	Complied	Paragraph 6.7. article 6 of the Regulation on the committees of the board of OJSC “Magnit”.
Dividends			
76.	Availability of the internal document ratified by the board of directors, which regulates the board in adoption of recommendations on the amount of dividends (Regulations on dividend policy).	Complied	Regulation on the dividend policy of OJSC “Magnit” is ratified by the resolution of the board of OJSC “Magnit” on September 6, 2012, minutes w/o

<i>№</i>	<i>Clause of the corporate code of conduct</i>	<i>Complied / not complied</i>	<i>Note</i>
			N as of September 6, 2012.
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.	Complied	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 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.	Complied	The Regulation on dividend policy of OJSC "Magnit" is posted on the OJSC "Magnit" website (http://www.magnit-info.ru), and on the internet page rendered by the information disclosure provider (http://www.e-disclosure.ru/portal/company.aspx?id=7671).

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

Under the resolution of the annual general shareholders' meeting of May 24, 2013 (minutes of 24.05.2013) the auditing firm LLC AF "Faber Lex" was appointed as the Company **auditor** for RAS for the year 2013.

Among the factors which were taken into account to choose the auditing firm are duration, the cost of auditing services, the number of employees and their qualification.

Information on the auditor of the Company which conducted the audit on the statements of the Company for the year 2013 in accordance with the Russian Accounting Standards:

The auditor of the Company in 2013 was Limited Liability Company Auditing firm "Faber Lex" (LLC AF "Faber Lex"), address: 144/2 Krasnykh Partizan street, Krasnodar, Russian Federation.

LLC AF "Faber Lex" is the member of the Moscow Chamber of Auditors according and was included in the register of auditors and audit firms of self-regulatory organization of auditors on December 23, 2009 under the principal registration 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 auditor of the Company which conducted the audit on the statements of the Company for the year 2013 in accordance with the IFRS:

2013 statements in accordance with the International Financial Reporting Standards were audited by "Ernst&Young" Limited liability Company (Ernst&Young LLC); address: building 1, 77, Sadovnicheskaya naberezhnaya, Moscow, 115035, Russian Federation.

Ernst&Young LLC is the member of the Russian Chamber of Auditors in accordance with the the Decision of the Board of the Noncommercial partnership of the Russian Chamber of Auditors as of December 28, 2009, certificate number 3028 of December 21, 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 according to</i>	www.fscorp.ru

<i>the requirements of the Regulation on the information disclosure by the issuer of securities, approved by FFMS</i>	
<i>The number of license of the professional on the 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>Period of validity</i>	Without restriction on the period of validity
<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 for the part, verified by the auditor and/or appraiser;
- Expertise of the documents filed to the registration authority for the prospectus registration;
- Signing of documentation, which might be required from the Company for organization of stock trading with the trade organizers;
- Advice services on securities issue, including information disclosure on the securities market according to the requirements of the legislation.

19. INFORMATION ON VOLUMES OF THE UTILIZED ENERGY RESOURCES WITHIN 2013

Type of energy resources	Utilization capacity in volume terms	Utilization capacity in money terms, thousand rubles
Electrical energy	1,500,012.8 kW	8,312.18
Thermal energy	The quantitative accounting is not kept	809.57
Gas	The quantitative accounting is not kept	202.82

ANNEXES TO FY 2013 ANNUAL REPORT OF OJSC "MAGNIT"

ANNEX № 1: Consolidated financial statements of OJSC "Magnit" for the year ended on December 31, 2013.

ANNEX № 2: Consolidated financial statements of OJSC "Magnit" for the year 2013 prepared in accordance with the Federal law N 208-FZ "On consolidated financial statements".

ANNEX № 3: Accounting report of JSC "Tander" for the year 2013 prepared in accordance with RAS:

Auditor's report of "Faber Leks" Audit Limited Liability Company of the annual accounting report of JSC "Tander" for the financial year 2013

Accounting reports of JSC "Tander" for the year 2013

Explanations to the accounting reports of JSC "Tander" for the year 2013

ANNEX № 4: Accounting report of OJSC "Magnit" for the year 2013 prepared in accordance with RAS:

Auditor's report of "Faber Leks" Audit Limited Liability Company of the annual accounting report of OJSC "Magnit" for the financial year 2013

Accounting reports of CJSC "Magnit" for the year 2013

Explanations to the balance sheet and income statement of OJSC "Magnit" for the year 2013