

Ratified by the resolution
of the Board of Directors
of PJSC "Magnit" of April 6, 2015,
minutes w/o № of April 6, 2015

Ratified by the resolution
of the annual shareholders meeting
of PJSC "Magnit" of June 4, 2015,
minutes w/o № of June 5, 2015

2014 ANNUAL REPORT

PUBLIC JOINT-STOCK COMPANY "MAGNIT"

15/5 Solnechnaya street, Krasnodar, Russian Federation

Chief Executive Officer

S. Galitskiy

seal

KRASNODAR 2015

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ANNEXES TO FY 2014 ANNUAL REPORT OF PJSC "MAGNIT"

ANNEX № 1: Consolidated financial statements of PJSC "Magnit" for the year ended on December 31, 2014

ANNEX № 2: Consolidated financial statements of PJSC "Magnit" for the year 2014 prepared in accordance with the Federal law N 208-FZ "On consolidated financial statements"

ANNEX № 3: Accounting report of JSC "Tander" for the year 2014 prepared in accordance with RAS

ANNEX № 4: Accounting report of PJSC "Magnit" for the year 2014 prepared in accordance with RAS

1. PERFORMANCE HIGHLIGHTS

2014 Key Operational Results¹:

<i>Number of opened stores, NET</i>	1,618
<i>Convenience stores</i>	1,144
<i>Hypermarkets</i>	29
<i>Magnit Family</i>	51
<i>Drogerie stores</i>	394
<i>Total number of stores,</i>	9,711
<i>Convenience stores</i>	8,344
<i>Hypermarkets</i>	190
<i>Magnit Family</i>	97
<i>Drogerie stores</i>	1,080
<i>Selling space, thousand sq. m.</i>	3,590.64
<i>Convenience Stores</i>	2,673.31
<i>Hypermarkets</i>	559.09
<i>Magnit Family</i>	109.07
<i>Drogerie stores</i>	249.17
<i>Number of customers, million</i>	2,944.12
<i>Convenience stores</i>	2,567.15
<i>Hypermarkets</i>	237.59
<i>Magnit Family</i>	60.93
<i>Drogerie stores</i>	78.45

¹ "Magnit" group of companies

LFL Results:

Formats	FY 2014 - FY 2013²			
	# of Stores	Average ticket	Traffic	Sales
Convenience Stores	6,014	9.81%	3.68%	13.85%
Hypermarkets	152	7.98%	5.63%	14.05%
Magnit Family	33	9.28%	8.87%	18.97%
Drogerie Stores	500	3.76%	35.69%	40.79%
Total	6,699	9.58%	4.47%	14.47%

² LFL calculation base includes stores (months prior to the last month of the reporting period. i.e. by December 1, 2013

2014 Key Financial Results³:

Net sales, mn RUR	763,527.25
	<i>Convenience stores⁴</i>
	577,775.77
	<i>Hypermarkets⁴</i>
	139,655.12
	<i>Magnit Family⁴</i>
	25,533.74
	<i>Drogerie stores⁴</i>
	19,756.68
	<i>Wholesale⁴</i>
	805.94
Net sales, mn US\$⁵	19,872.29
	<i>Convenience stores⁴</i>
	15,037.75
	<i>Hypermarkets⁴</i>
	3,634.80
	<i>Magnit Family⁴</i>
	664.57
	<i>Drogerie stores⁴</i>
	514.21
	<i>Wholesale⁴</i>
	20.98
Gross profit, mn RUR	220,520.56
Gross profit, mn US\$	5,739.49
Gross margin, %	28.88%
EBITDAR³, mn RUR	106,483.50
EBITDAR³, mn US\$	2,771.45
EBITDAR³ margin, %	13.95%
EBITDA, mn RUR	85,909.67
EBITDA, mn US\$	2,235.97
EBITDA margin, %	13.95%
EBIT, mn RUR	68,300.00
EBIT, mn US\$	1,777.64
EBIT margin, %	8.95%
Net profit, mn RUR	47,685.84
Net profit, mn US\$²	1 241.12
Net profit margin, %	6.25%
Market capitalization, mn RUR⁶	931,807.59
Market capitalization, mn USD⁷	16,439.77

³ Audited financial statements prepared in accordance with IFRS

⁴ Management accounts

⁵ Based on the average exchange rate for 2014 of 38.4217 RUR per USD 1

⁶ CJSC «MICEX Stock Exchange» as of December 30, 2014

⁷ Based on the exchange rate for December 30, 2014 of 56.6801 RUR per USD

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. 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 of PJSC "Magnit" (hereinafter – "the Company" or "the Issuer") by the resolution of the Board of Directors of April 12, 2006. On April 12, 2012 the Board of Directors (Minutes w/o № of 12.04.2012) decided to reappoint the Chief Executive Officer.

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

Name: **Sergey Galitskiy**

Date of birth: **14.08.1967**

Education: *higher - in 1992 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: **01.04.2004 – present day**

Organization: *PJSC "Magnit"*

Position: *member of the Board of Directors;*

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

Organization: *PJSC "Magnit"*

Position: *CEO;*

3) Period: **05.08.2009-03.10.2014**

Organization: *NP "FC "Krasnodar"*

Position: *President (secondary employment);*

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

Organization: *PJSC "Magnit"*

Position: *Chairman of the Management Board;*

5) Period: **09.10.2014 - present day**

Organization: *LLC "Football Club "Krasnodar"*

Position: *President (secondary employment).*

Stockholding of CEO in the Company's share capital: **37.5820% (as of 31.12.2014).**

Ordinary shares, owned by CEO: **37.5820% (as of 31.12.2014).**

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:

№	Date of transaction	Type of transaction	Quantity of securities	Description of securities
1	11.09.2014	Disposal of securities	500 000	Ordinary registered shares
2	18.12.2014	Disposal of securities	524 979	Ordinary registered shares

**MAIN PROVISIONS OF THE COMPANY'S POLICY OF REMUNERATION AND
(OR) REIMBURSEMENT OF EXPENSES OF THE SOLE EXECUTIVE BODY OF THE
COMPANY**

Under Clause 6 of Regulations "On the Chief Executive Officer of PJSC "Magnit", ratified by the resolution of the annual General Shareholders Meeting of 24.06.2010 (minutes 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.

4. INFORMATION ON THE COLLEGIAL EXECUTIVE BODY MEMBERS (MANAGEMENT BOARD) as of December 31, 2014

Sergey Galitskiy, Chairman of the Management Board

Date of birth: **14.08.1967**

Education: *higher - in 1992 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: **01.04.2004 – present day**

Organization: *PJSC "Magnit"*

Position: *member of the Board of Directors;*

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

Organization: *PJSC "Magnit"*

Position: *CEO;*

3) Period: **05.08.2009 – 03.10.2014**

Organization: *NP "FC "Krasnodar"*

Position: *President (secondary employment);*

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

Organization: *PJSC "Magnit"*

Position: *Chairman of the Management board;*

5) Period: **09.10.2014 - present day**

Organization: *LLC "Football Club "Krasnodar"*

Position: *President (secondary employment).*

Stockholding of the person in the Company's share capital: **37.5820 % (as of 31.12.2014).**

Ordinary shares, owned by the person: **37.5820 % (as of 31.12.2014).**

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:

No	Date of transaction	Type of transaction	Quantity of securities	Description of securities
1	11.09.2014	Disposal of securities	500 000	Ordinary registered shares
2	18.12.2014	Disposal of securities	524 979	Ordinary registered shares

Alexander Barsukov

Date of birth: **08.07.1977**

Education: *higher - in 1998 graduated from Rostov Law Institute of Ministry of Internal Affairs of the 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: **16.07.2008 – 16.12.2012**

Organization: *JSC "Tander"*

Position: *Hypermarkets Sales Director;*

- 2) Period: *15.07.2010 – present day*
 Organization: *PJSC "Magnit"*
 Position: *Member of the Management Board;*
- 3) 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: *0.006754% (as of 31.12.2014).*
 Ordinary shares owned by the person: *0.006754% (as of 31.12.2014).*

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>No</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	03.07.2014	Acquisition of securities	785	Ordinary registered shares
2	21.11.2014	Acquisition of securities	1680	Ordinary registered shares
3	16.12.2014	Acquisition of securities	1000	Ordinary registered shares
4	18.12.2014	Disposal of securities	252	Ordinary registered shares

Marina Ivanova

Date of birth: *02.01.1964*

Education: *higher - in 1990 graduated from Tajik State University n.a. Lenin with a degree in Chemistry and Biology Teaching.*

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

- 1) Period: *12.08.2008– present day*
 Organization: *JSC "Tander"*
 Position: *Business Director (Head Office);*
- 2) Period: *12.10.2012 – present day*
 Organization: *PJSC "Magnit"*
 Position: *Member of the Management Board;*

Stockholding of the person in the Company's share capital: *0.004748% (as of 31.12.2014).*
 Ordinary shares, owned by the person: *0.004748% (as of 31.12.2014).*

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>No</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	13.01.2014	Acquisition of securities	43	Ordinary registered shares

2	22.01.2014	Acquisition of securities	23	Ordinary registered shares
3	17.02.2014	Disposal of securities	2350	Ordinary registered shares
4	28.03.2014	Disposal of securities	1250	Ordinary registered shares
5	18.04.2014	Acquisition of securities	25	Ordinary registered shares
6	23.04.2014	Acquisition of securities	25	Ordinary registered shares
7	30.05.2014	Disposal of securities	837	Ordinary registered shares
8	16.06.2014	Disposal of securities	632	Ordinary registered shares
9	03.07.2014	Acquisition of securities	785	Ordinary registered shares
10	22.07.2014	Acquisition of securities	21	Ordinary registered shares
11	13.08.2014	Disposal of securities	600	Ordinary registered shares
12	02.09.2014	Acquisition of securities	21	Ordinary registered shares
13	06.10.2014	Acquisition of securities	21	Ordinary registered shares
14	20.11.2014	Acquisition of securities	34	Ordinary registered shares
15	26.11.2014	Acquisition of securities	1680	Ordinary registered shares
16	16.12.2014	Acquisition of securities	1300	Ordinary registered shares
17	16.12.2014	Disposal of securities	524	Ordinary registered shares
18	18.12.2014	Disposal of securities	500	Ordinary registered shares
19	22.12.2014	Disposal of securities	700	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 "SGVB" 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: **PJSC "Magnit"**
 Position: **Member of the Management Board.**

Stockholding of the person in the Company's share capital: **0.0034% (as of 31.12.2014).**
 Ordinary shares, owned by the person: **0.0034% (as of 31.12.2014).**

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>No</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	15.05.2014	Disposal of securities	1 730	Ordinary registered shares
2	03.07.2014	Acquisition of securities	785	Ordinary registered shares
3	17.09.2014	Disposal of securities	1	Ordinary registered shares
4	19.09.2014	Disposal of securities	550	Ordinary registered shares
5	19.09.2014	Acquisition of securities	1	Ordinary registered shares
6	21.09.2014	Acquisition of securities	1 680	Ordinary registered shares
7	16.12.2014	Acquisition of securities	1 300	Ordinary registered shares

MAIN PROVISIONS OF THE COMPANY'S POLICY OF REMUNERATION AND (OR) REIMBURSEMENT OF EXPENSES OF THE COMPANY'S COLLEGIAL EXECUTIVE BODY MEMBERS AND THE AMOUNT OF REMUNERATION (REIMBURSEMENT OF EXPENSES) PAID WITHIN THE REPORTING YEAR

According to the Regulations on collegial executive body (Management Board) of PJSC "Magnit" remuneration of a Management Board member consists of remuneration under a labor contract or an additional agreement to it. Management Board members yearly can be remunerated from the amount of net profit according to the year accounting report. The terms and order of payment 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 PJSC "Magnit" paid in 2014 amounted to 2,517,244.88 rubles (the amount does not include the remuneration received by S. Galitskiy as a Chief Executive Officer).

The Company's policy of remuneration and reimbursement of expenses does not stipulate the reimbursement of expenses of the Company's Management Board members related to the performance of their functions.

In 2014 the expenses of the Management Board members related to the performance of their functions were not reimbursed.

5. INFORMATION ON THE BOARD OF DIRECTORS MEMBERS as of December 31, 2014

Khachatur Pombukhchan, the Chairman of the Board of Directors

Date of birth: 16.03.1974.

Education: *higher - in 1996 graduated from Kuban State University with a degree in Applied Mathematics; in 2000 from All-Russian Distance Institute of Finance and Economics with a degree in Economics.*

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

- 1) Period: 19.06.2008 – 17.05.2012
Organization: LLC "Magnit Finance"
Position: CEO;
- 2) Period: 25.06.2008 – 23.06.2010
Organization: PJSC "Magnit"
Position: Member of the BOD;
- 3) Period: 01.07.2008 – present day
Organization: JSC "Tander"
Position: Chief Financial Officer;
- 4) Period: 01.07.2008 – present day
Organization: PJSC "Magnit"
Position: Chief Financial Officer;
- 5) Period: 24.06.2010 – present day
Organization: PJSC "Magnit"
Position: Chairman of the BOD.

Stockholding of the person in the Company's share capital: 0.004241% (as of 31.12.2014).

Ordinary shares, owned by the person: 0.004241% (as of 31.12.2014).

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	21.01.2014	Acquisition of securities	31	Ordinary registered shares
2	20.02.2014	Acquisition of securities	35	Ordinary registered shares
3	24.03.2014	Acquisition of securities	40	Ordinary registered shares
4	08.04.2014	Disposal of securities	460	Ordinary registered shares
5	22.04.2014	Acquisition of securities	35	Ordinary registered shares
6	07.05.2014	Disposal of securities	1100	Ordinary registered shares
7	22.05.2014	Acquisition of	35	Ordinary registered shares

		securities		
8	29.05.2014	Disposal of securities	600	Ordinary registered shares
9	03.07.2014	Acquisition of securities	785	Ordinary registered shares
10	07.07.2014	Disposal of securities	500	Ordinary registered shares
11	22.07.2014	Acquisition of securities	30	Ordinary registered shares
12	30.07.2014	Disposal of securities	450	Ordinary registered shares
13	26.08.2014	Disposal of securities	200	Ordinary registered shares
14	21.10.2014	Acquisition of securities	25	Ordinary registered shares
15	13.11.2014	Acquisition of securities	25	Ordinary registered shares
16	21.11.2014	Acquisition of securities	1680	Ordinary registered shares
17	24.11.2014	Acquisition of securities	30	Ordinary registered shares
18	16.12.2014	Acquisition of securities	1850	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: **PJSC "Magnit"**.

Position: **First Deputy CEO**;

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

Organization: **PJSC "Magnit"**.

Position: **Member of the Board**;

3) 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: **0.210758% (as of 31.12.2014)**.

Ordinary shares owned by the person: **0.210758% (as of 31.12.2014)**.

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	03.07.2014	Acquisition of securities	785	Ordinary registered shares
2	26.11.2014	Acquisition of securities	1680	Ordinary registered shares
3	16.12.2014	Acquisition of securities	1300	Ordinary registered shares

Alexey Pshenichniy

Date of birth: 23.02.1967

Education: *higher – in 1990 graduated from Krasnodar State Institute of Physical Culture with a degree in Teaching and Organization of culture and health activity and tourism; additional (to higher) education – in 2004 graduated from Academy of National Economy under the Government of the Russian Federation, Master of Business Administration (MBA) degree.*

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

1) Period: 01.02.2010 - present day

Organization: *Limited Liability Company "Bazis"*

Position: *Director (secondary employment);*

2) Period: 01.02.2010 – present day

Organization: *Limited Liability Company "Yunior"* Position: *Director (plural offices);*

3) Period: 01.01.2004 - present day

Organization: *Limited Liability Company "Sports goods chain "Visshaya LIGA"*

Position: *Director (primary employment);*

4) Period: 13.12.2012 – present day

Organization: *Limited Liability Company "Sport Plyus"*

Position: *Director (secondary employment);*

5) Period: 29.05.2014- present day

Organization: *PJSC "Magnit"*

Position: *Member of the Board of Directors.*

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.*

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: *PJSC "Magnit"*

Position: *member of the Board of Directors;*

- 2) Period: **13.04.2006 – present day**
 Organization: **PJSC "Magnit"**
 Position: **CEO;**
- 3) Period: **05.08.2009 – 03.10.2014**
 Organization: **NP "FC "Krasnodar"**
 Position: **President (secondary employment);**
- 4) Period: **15.07.2010 – present day**
 Organization: **PJSC "Magnit"**
 Position: **Chairman of the Management board;**
- 5) Period: **09.10.2014 - present day**
 Organization: **LLC "Football Club "Krasnodar"**
 Position: **President (secondary employment).**

Stockholding of the person in the Company's share capital: **37.5820% (as of 31.12.2014).**
 Ordinary shares, owned by the person: **37.5820% (as of 31.12.2014).**

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

No	Date of transaction	Type of transaction	Quantity of securities	Description of securities
1	11.09.2014	Disposal of securities	500 000	Ordinary registered shares
2	18.12.2014	Disposal of securities	524 979	Ordinary registered shares

Alexander Zayonts

Date of birth: **10.01.1967**

Education: **higher – graduated from Moscow Institute of Chemical Engineering n.a. D.I. Mendeleev with a degree in Chemical process engineering.**

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 – 09.2013**
 Organization: **LLC "Obiedinennye resursy"**
 Position: **Member of the Board of Directors;**
- 3) Period: **24.06.2010 – present day**
 Organization: **PJSC "Magnit"**
 Position: **Member of the Board of Directors;**
- 4) Period: **13.04.2012 – present day**
 Organization: **LLC "EDELWEISS"**
 Position: **General Director.**

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: 05.2009– 24.01.2013

Organization: CJSC "VTB Capital"

Position: *Managing Director, Head of the Consumer Sector and Retail, Investment Banking on Global Markets Department;*

2) Period: 25.06.2009 – present day

Organization: PJSC "Magnit"

Position: *Member of the Board of Director;*

3) Period: 25.01.2013 – present day

Organization: CJSC "VTB Capital"

Position: *Head of the Consumer Sector, Retail and Real Estate, Corporate and Investment Department;*

4) Period: 25.01.2013 – present day

Organization: OJSC "Bank VTB".

Position: *Head of the Trade, Consumer Goods, Agro and Pharmaceutical Industries Business Unit of Market Sector Clients Service Department – Senior Vice-President;*

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 Schkhachemukov

Date of birth: 22.08.1962

Education: *higher – in 1987 graduated from Krasnodar Polytechnic Institute of the Order of the Red Banner of Labor with a degree in Industrial Engineering.*

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: PJSC "Magnit"

Position: *Member of the Board of Directors;*

3) Period: 11.03.2012 – present day

Organization: JSC "Tander"

Position: *Deputy CEO for Economic Security and Organizational Issues.*

Shareholding of the person in the issuer's charter capital: **0.006845% (as of 31.12.2014)**.
 Ordinary shares owned by the person: **0.006845% (as of 31.12.2014)**.

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	03.07.2014	Acquisition of securities	785	Ordinary registered shares
2	26.11.2014	Acquisition of securities	1680	Ordinary registered shares
3	16.12.2014	Acquisition of securities	1300	Ordinary registered shares

MAIN PROVISIONS OF THE COMPANY'S POLICY OF REMUNERATION AND (OR) REIMBURSEMENT OF EXPENSES OF THE COMPANY'S BOARD OF DIRECTORS AND THE AMOUNT OF REMUNERATION (REIMBURSEMENT OF EXPENSES) PAID WITHIN THE REPORTING YEAR

According to the Regulations "On the Board of Directors of PJSC "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 of Directors operation amounts to 30,000 (thirty thousand) US dollars 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 of Directors,

- 500 (five hundred) US dollars for participation by directing the written opinion for each meeting in the form of joint presence of the Board of Directors, 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 of Directors in addition to remuneration. Fixed amount of year-end bonus is paid to the members of the Board of Directors after approval of appropriate annual financial report by the General Shareholders Meeting of the Company.

In case if the Company does not gain net profit (allocated profit), remuneration shall not be paid to the members of the Board of Directors (remuneration for the participation in work of the Board of Directors, remuneration following the results of the year).

The members of the Board of Directors shall not be entitled to receive remuneration and (or) reimbursement of expenses for the fulfillment of their obligations in any manner and form, for making decisions by the Board of Directors or other bodies of the Company, as well as for the exercise of their rights and performance of their obligations as members of the Board of

Directors, except for the remuneration and (or) reimbursement of expenses received upon the decision of the General Shareholders Meeting.

On May 29, 2014 the General Shareholders Meeting made a decision not to pay year-end bonus based on the operation results (minutes of 30.05.2014)

In 2014 upon the resolution of the annual General Shareholders Meeting of 29.05.2014 (minutes w/o № of 30.05.2014) the members of the Board of Directors were paid remuneration for participation in the Board of Directors operation in 2013 in the amount of 10,144,269.90 rubles and wages to the members of the Board of Directors, who are employed in the Company, as well as work at secondary employment, in the amount of 94,933.30 rubles (the amount does not include the remuneration of Sergey Galitskiy as a Chief Executive Officer and the Chairman of the Management Board).

In accordance with the Regulations on the Board of Directors of PJSC "Magnit" approved by the decision of the annual General Shareholders Meeting of June 24, 2010 (minutes of June 28, 2010) the expenses of the Board of Directors members related to the fulfillment of their obligations are subject to compensation by the Company. These expenses are the following:

- expenses on travel to the venue of the Board of Directors meetings;
- expenses on accommodation in the period of the Board of Directors meetings;
- hospitality expenses;
- expenses on the professional consulting on the issues considered at the Board of Directors meetings and on the translation of the documents/ materials presented to the Board of Directors for examination.

The amount of these expenses shall be preliminarily approved by the Chairman of the Board of Directors, the Chairman of the Revision Commission. Reimbursement of expenses shall be executed over the counter of the Company on the basis of the Board of Directors member's application on the expenses reimbursement. Original documents confirming the actual incurred expenses (tickets, invoices, receipts, etc.) must be attached to the application. At the meeting the Board of Directors may make a decision by the majority of votes of the elected members not to reimburse the expenses incurred by a member of the Board of Directors, if it is established that actions of this Board of Directors member conflict with the Company's interests.

In 2014 the expenses of the Board of Directors members related to the fulfillment of their obligations were not reimbursed.

6. REPORT OF THE BOARD OF DIRECTORS ON 2014 OPERATIONS

The structure of the Board of Directors (elected by the annual General Shareholders Meeting on May 24, 2013 (minutes of 24.05.2013):

<i>No</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 29, 2014 (minutes of 30.05.2014):

<i>No</i>	<i>Full name of a member of the Board of Directors</i>	<i>Date of birth</i>
	Andrey Arutyunyan	12.01.1969
	Alexey Pshenichniy	23.02.1967
	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 current Board of Directors includes three independent directors; they are Alexey Pshenichniy, Alexander Zayonts, Alexey Makhnev.

Khachatur Pombukhchan was elected as a Chairman of the Board of Directors by the unanimous resolution at the first Board of Directors meeting of 03.06.2014, Aslan Shkhachemukov as a Deputy Chairman and Andrey Arutyunyan as a Secretary of the Board of Directors.

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 PJSC "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 of Directors 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>No</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	Alexey Pshenichniy	member of the committee
3	Alexander Zayonts	member of the committee

Audit Committee of the Board of Directors:

<i>No</i>	<i>Full name of a member of the board of directors</i>	<i>Position in the committee</i>
1	Alexander Zayonts	chairman of the committee
2	Alexey Makhnev	member of the committee
3	Alexey Pshenichniy	member of the committee

Within 2014 the Board of Directors held 15 meetings and examined 90 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 2014:

<i>Date of meeting</i>	<i>Considered issues</i>
04.02.2014	The nominees to the Board of Directors were considered and enrolled on a voter list for election at the annual General Shareholders Meeting.
04.02.2014	The nominees for the office of auditor were considered and enrolled on a voter list for election at the annual General Shareholders Meeting.
04.02.2014	The business priorities of PJSC "Magnit" for the year 2014 and the first quarter of 2014 were determined.
25.02.2014	The Anti-Corruption Policy of PJSC "Magnit" was approved.
20.03.2014	The business priorities of PJSC "Magnit" for the II quarter of 2014 were determined.
04.04.2014	The decision on calling of the annual General Shareholders Meeting was adopted.
04.04.2014	The recommendations to the General Shareholders Meeting on the profit distribution, including the dividend amount on PJSC "Magnit" shares and procedure of its payment, and losses following the results of 2013 financial year were approved.
04.04.2014	The annual report of PJSC "Magnit" for 2013 financial year was preliminarily approved and submitted for consideration of the General Shareholders Meeting.
04.04.2014	The payment amount for the auditor's services was determined.
04.04.2014	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 PJSC "Magnit" was adopted.
04.04.2014	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 PJSC "Magnit" was adopted.
03.06.2014	The Chairman of the Board of Directors, the Deputy Chairman and the Secretary of the Board of Directors of PJSC "Magnit" were elected.
03.06.2014	The members of the Audit Committee of the Board of Directors of PJSC "Magnit" and its Chairman were elected.
03.06.2014	The members of the HR and Remuneration Committee of the Board of directors of PJSC "Magnit" and its Chairman were elected.
03.06.2014	The members of the Management Board of PJSC "Magnit" were elected.
09.07.2014	The business priorities of PJSC "Magnit" for the year 2014 and the III quarter of 2014 were determined.
31.07.2014	The recommendations to the General Shareholders Meeting on the dividend amount on PJSC "Magnit" shares and procedure of its payment following the results of the 6 months of 2014 financial year were approved.
31.07.2014	The decision on calling of the extraordinary General Shareholders Meeting of PJSC "Magnit" was adopted.
31.07.2014	The decision on determination of the price of the transactions the approval of which as major related-party transactions is included in the agenda of the General Shareholders Meeting of PJSC "Magnit" was adopted.
31.07.2014	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 PJSC "Magnit" was adopted.
07.10.2014	The main business priorities of PJSC "Magnit" for the IV quarter of 2014 were determined.
07.10.2014	The payment amount for the auditor's services was determined.
29.10.2014	The recommendations to the General Shareholders Meeting on the dividend amount on PJSC "Magnit" shares and procedure of its payment following the results of the 9 months of 2014 financial year were approved.
29.10.2014	The decision on calling of the extraordinary General Shareholders Meeting of PJSC "Magnit" was adopted.
29.10.2014	The decision on determination of the price of the transactions the approval of which as major related-party transactions is included to the agenda of the General Shareholders Meeting of PJSC "Magnit" was adopted.
29.10.2014	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 PJSC "Magnit" was adopted.
17.11.2014	The decision on determination of the price of the transactions the approval of which as major related-party transactions is included to the agenda of the General Shareholders Meeting of PJSC "Magnit" was adopted.
15.12.2014	The decision on payment of bonus to the person in the position of CEO of PJSC "Magnit" following 2014 results was adopted.
15.12.2014	The decisions to amend the Decision on securities issue and Prospectus for securities (with respect to non-convertible interest-bearing certified bonds to the bearer with obligatory centralized custody of 02, 03 series) were made.

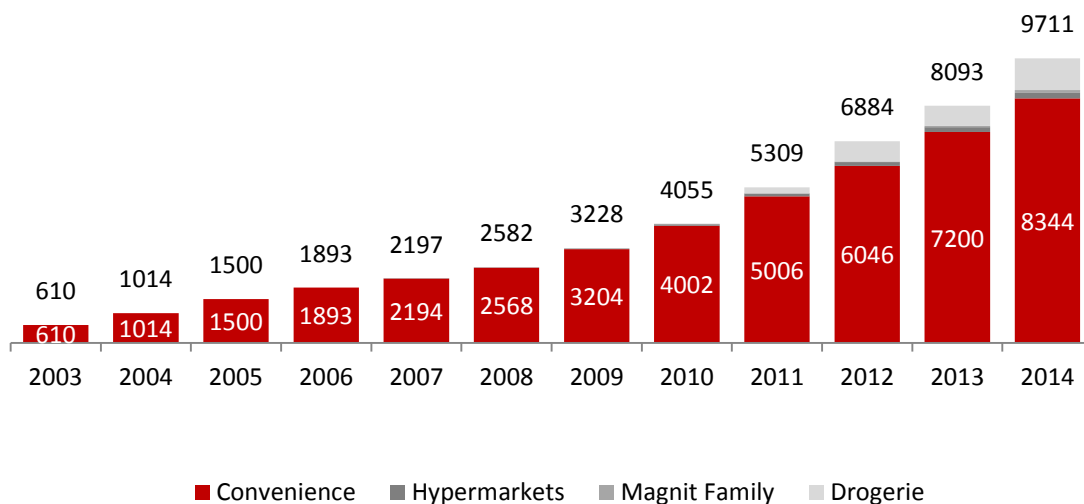
Besides, within the reporting period the issues related to determination of the position of PJSC “Magnit” representative on realization of the voting rights on the Company’s stocks and shares in other organizations (companies) were examined by the Board of Directors of PJSC “Magnit” in accordance with the Clause 14.2 of the Charter. Thus, the meetings on the issues concerning determination of the position of PJSC “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” were held in February, March, April, June, August, September, October, November and December of 2014.

The management of the Company achieved the following results in 2014:

1. Revenue of the Company⁸ (also referred to hereinafter as “Magnit” Group of companies or “Magnit” Group or the Group) increased by 31.71% from 579,694.88 million rubles in 2013 to 763,527.25 million rubles in 2014. Top line growth was due to an increase in selling space as well as to a 14.47% increase of like-for-like sales (including VAT).

In 2014 “Magnit” remained the leader of the Russian food retail in terms of revenue as well as number of stores, selling space, growth rates, profitability margins and capitalization.

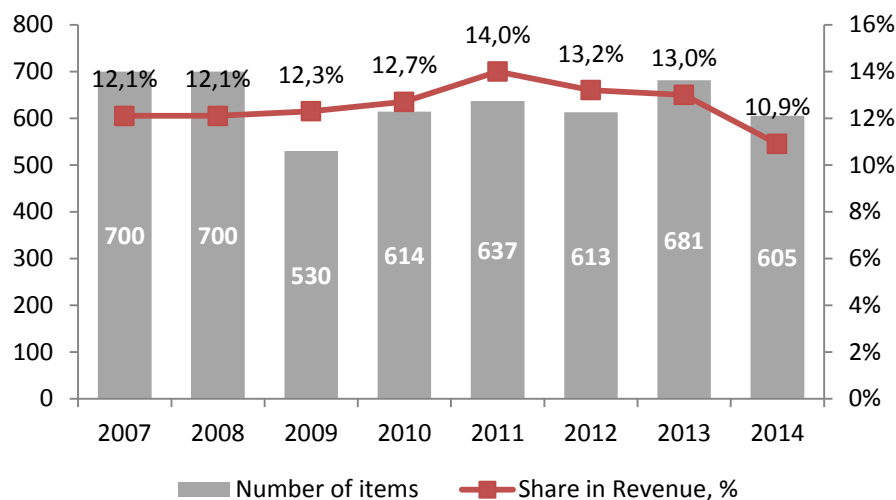
2. During 2014 the Company added 1,618 stores (1,144 convenience stores, 29 hypermarkets, 51 “Magnit Family” stores and 394 drogerie stores). The total store base as of December 31, 2014 reached 9,711 stores (8,344 convenience stores, 190 hypermarkets, 97 “Magnit Family” stores and 1,080 drogerie stores). Total selling space of the stores increased by 19.24% from 3,011.38 thousand sq. m. to 3,590.64 thousand sq. m.



3. Number of customers increased by 19.43% from 2,465.05 million in 2013 to 2,944.12 million in 2014.

4. Sales of private label products as a % of sales in 2014 amounted to 10.9%, the number of private label SKUs in 2014 amounted to 605. The Company will continue to increase the sales of private label products primarily through their expansion in hypermarkets.

⁸ PJSC “Magnit” and its subsidiaries



5. In 2014 the Company opened five distribution centers: Voronezh, Novosibirsk, Kolpino (Saint-Petersburg), Novorossiysk and Kolomna (Moscow region). Launch of the new distribution centers improved the quality of service in the Central, Southern, North-Western and Siberian regions. Total space of 27 distribution centers as of December 31, 2014 exceeded 900 thousand sq. m.

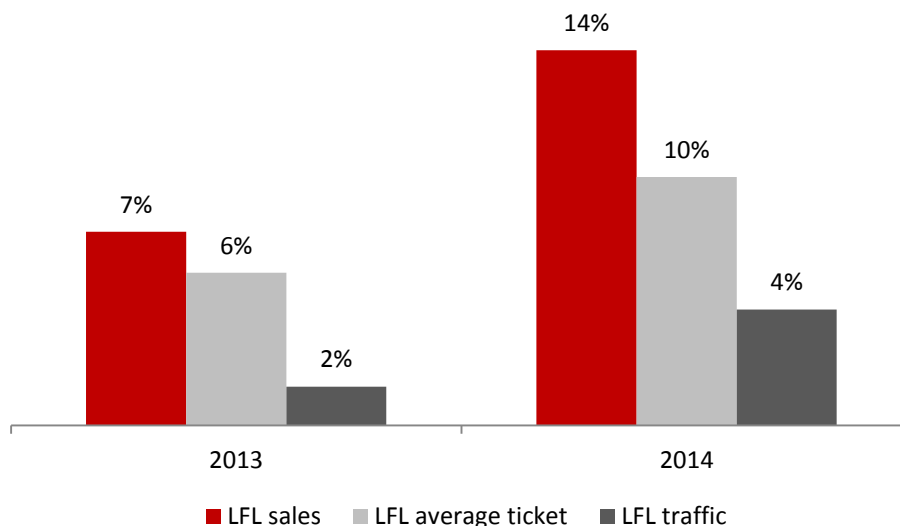
6. During the reporting year the fleet of the Company's vehicles increased by 361 trucks, total number of vehicles amounted to 5,938. This enabled to optimize the transportation costs.

7. In 2014 the Company increased the share of products processed via its distribution centers from 85% in 2013 to 86% 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 2014 the total number of the Company's employees exceeded 250 thousand, out of which 184,680 are in-store personnel; 45,081 people are engaged in distribution; 18,229 people - in regional branches and 9,561 are employees of the head office. Average monthly salary in the Company in 2014 amounted to 28 143 rubles.

As of December 31, 2014 the average number of employees of "Magnit" group of companies amounted to 207,853 people. Based on the publicly available information the management of the Company assumes that PJSC "Magnit" is the largest private employer in Russia.

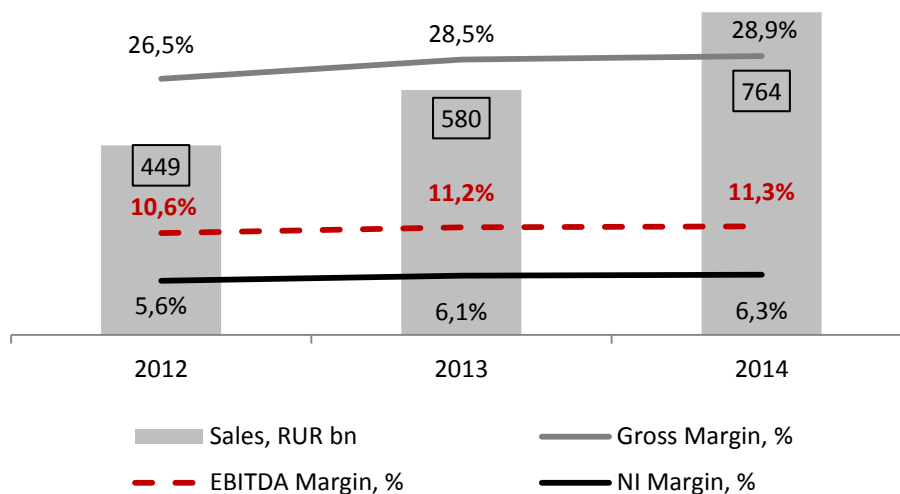
9. LFL revenue growth in 2014 vs. 2013 in ruble terms amounted to 14.47%, LFL average ticket increased by 9.58% and LFL traffic increased by 4.47%.



10. Gross margin increased from 28.51% in 2013 to 28.88% in 2014 primarily due to continued improvement of purchasing terms. Gross profit in rubles increased by 33.44% from 165,262.99 million RUR (US\$ 5,189.12 million) to 220,520.56 million RUR (US\$ 5,739.49 million).

11. EBITDA increased by 32.74% from 64,721.23 million RUR (US\$ 2,032.19 million) in 2013 to 85,909.67 million RUR (US\$ 2,235.97 million) in 2014. EBITDA margin in 2014 amounted to 11.25%. Net debt/EBITDA ratio (in ruble terms) at the end of 2014 amounted to 0.91.

12. Net income in 2014 increased by 33.87% and amounted to 47,685.84 million RUR (US\$ 1,241.12 million) vs. 35,620.38 million RUR (US\$ 1,118.45 million) in 2013. Net income margin in 2014 amounted to 6.25%.



13. The Company paid 65% of its net income in dividends for the 9 months 2014. Dividend per share amounted to 230.37 rubles (accumulatively, including 78.3 rubles for the first half of 2014 and 152.07 rubles for the third quarter 2014).

Overall, the Board of Directors of the Company considers the achieved financial and economic results positive and in line with 2014 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 2014 and to ratify 2014 annual report submitted for the meeting agenda.

7. MAIN 2014 CORPORATE EVENTS

February	PJSC “Magnit” Anti-Corruption Policy was approved.
May	Credit Rating Service Standard & Poor’s revised the outlook of PJSC “Magnit” from “Stable” to “Positive” and confirmed “BB” Company long-time credit rating.
	National Rating Agency confirmed PJSC “Magnit” individual credit rating at the level “AA+” – very high reliability, first level.
	The new Board of Directors membership was formed at the annual General Shareholders Meeting.
	The decision to pay dividends following the results of 2013 financial year was adopted by the annual General Shareholders Meeting.
June	The decision on approval of major related party transaction was adopted by the annual General Shareholders Meeting.
	Shares of PJSC “Magnit” were admitted to trading at OJSC “Saint Petersburg Exchange”.
	The membership of the PJSC “Magnit” Management Board was formed by the Board of Directors.
July	The Board of Directors formed the committees of the BOD, appointed the chairman, deputy chairman and secretary of the BOD.
	“Magnit” topped the Boston Consulting Group’s (BCG) 2014 List of Value Creators Ranking of the “Retail Top Ten”.
August	“Magnit” topped the Boston Consulting Group’s (BCG) 2014 List of Value Creators Ranking of the “Retail Top Ten”.
September	The number of employees of “Magnit” group of companies exceeded 200 thousand people.
	PJSC “Magnit” CEO Sergey Galitskiy has been named Businessman of the Year 2014.
	Top-managers of PJSC “Magnit” joined the list of business leaders and became the best in the sector.
October	The decision to pay dividends following the results of the 6 months of 2014 financial year was adopted by the extraordinary General Shareholders Meeting.
	Capitalization of PJSC “Magnit” exceeded 1 trillion rubles.
November	The number of employees of “Magnit” Group of Companies exceeded 250 thousand people.
December	PJSC “Magnit” CEO Sergey Galitskiy has been named “The CEO of the Year” by The Moscow Times.
	The decision to pay dividends following the results of the 9 months of 2014 financial year was adopted by the extraordinary General Shareholders Meeting.

8. POSITION OF THE COMPANY IN INDUSTRY

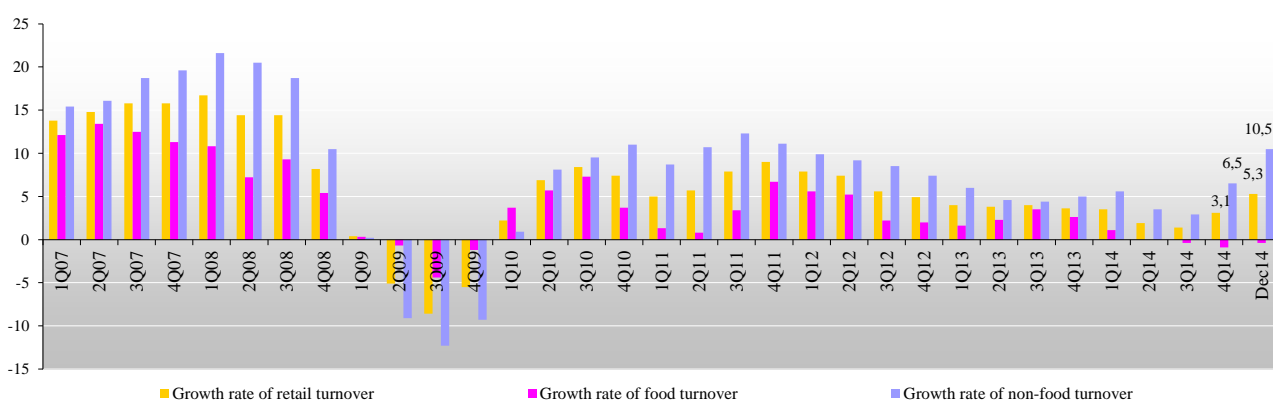
RUSSIAN MARKET

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

Retail turnover amounted to 26 118.9 billion RUR in 2014 and increased by 2.5% in terms of mass of commodities which is lower than the level of 2013 (3.9%). In December 2014 turnover increased by 5.3% in terms of mass of commodities compared to December 2013 and amounted to 2 941.8 billion RUR.

In 2014 food retail turnover decreased by 0.1% (in 2013 grew by 2.6%), non-food retail turnover increased by 4.7% (in 2013 grew by 4.9%). In December 2014 food retail turnover decreased by 0.4% compared to December 2013 and increased by 21.1% compared to November 2014. Non-food retail turnover In December 2014 increased by 10.5% compared to December 2013 and by 25.8% compared to November 2014.

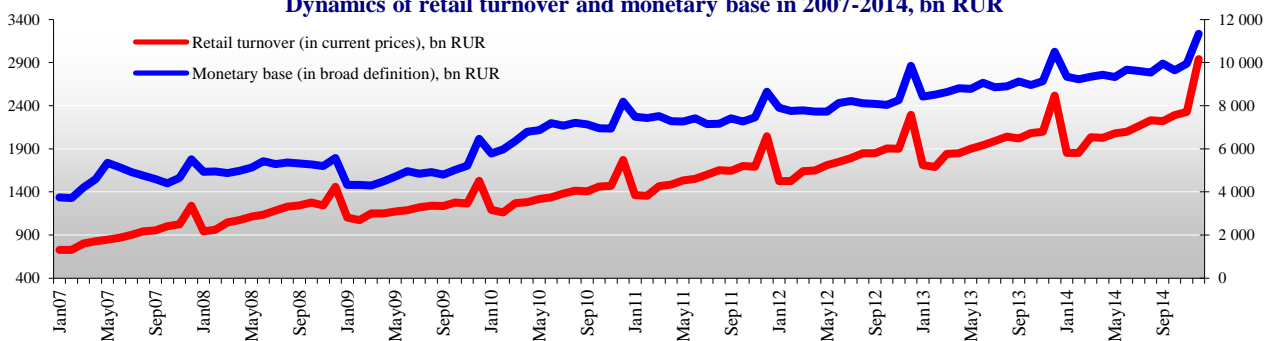
Dynamics of the key figures of the consumer market in 2007-2014, % Y-o-Y



Source: IA Infoline

Monthly dynamics of the retail turnover in Russia in 2007-2014 is provided in the diagram. The monetary base (broad definition) characterizing money supply by the monetary regulation agencies increased for December 2014 by 1381.1 bn RUR compared to November 2014 (growth for December 2013 amounted to 1366.3 bn RUR). The monetary base (broad definition) for 2014 increased by 828.1 bn RUR (growth for 2013 amounted to 651.1 bn RUR).

Dynamics of retail turnover and monetary base in 2007-2014, bn RUR



Source: IA Infoline

Dynamics of retail turnover in Russia in 2006-2014

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
FY 2012	21394,5	106,3
1Q 2013	5241,3	104,0
2Q 2013	5692,8	103,8
1H 2013	10934,1	103,9
3Q 2013	6052,0	104,0
4Q 2013	6699,8	103,6
FY 2013	23685,9	103,9
January 2014	1851,8	102,7
February 2014	1853,3	104,0
March 2014	2033,7	104,1
1Q 2014	5738,8	103,6
April 2014	2027,3	102,8
May 2014	2077,7	102,2
June 2014	2097,1	100,8
2Q 2014	6202,1	101,9
1H 2014	11940,9	102,7
July 2014	2166,3	101,3
August 2014	2231,7	101,4
September 2014	2222	101,7
3Q 2014	6620	101,4
October 2014	2289,7	101,6
November 2014	2326,5	101,8
December 2014	2941,8	105,3
4Q 2014	7558,0	103,1
FY 2014	26118,9	102,5

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

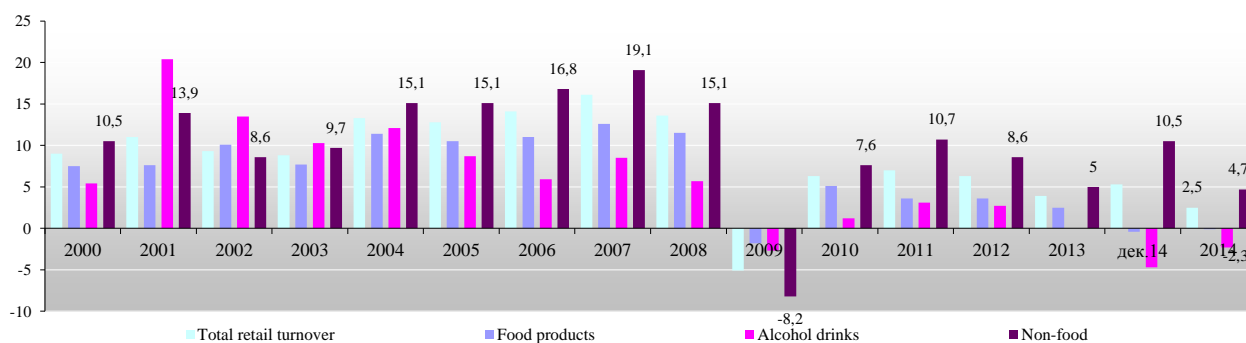
STRUCTURE OF RETAIL TURNOVER BY TYPES OF PRODUCTS

Retail turnover in 2014 increased by 2.5% in terms of mass of commodities compared to 2013 and amounted to 26 118.9 billion RUR, at that consumption of food products decreased by 0.1%, non-food – increased by 4.7%. In 2014 consumption of alcohol products decreased by 2.3% compared to 2013 and amounted to 119.3 mln dL. Consumption of beer (excluding beer cocktails and malt beverages) in 2014 increased by 1.7%, champagne and sparkling wine – by 3.1%.

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

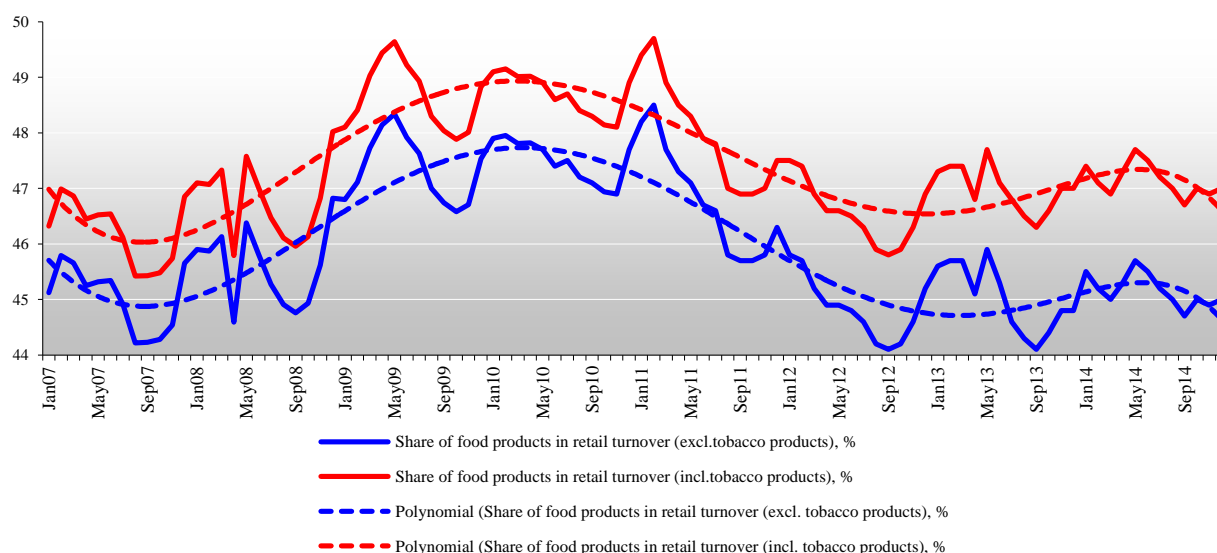
Dynamics of retail turnover by types of products in 2000-2014, %



Source: IA Infoline

Note that the data of the Federal State Statistics Service for 2009-2014 and for preceding years are not fully compatible as until 2009 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 2007-2014, %



Source: IA Infoline

In 2014 the share of food products remained unchanged vs. 2013. In December 2014 the share of food products dropped off by 1.1 pp vs. December 2013.

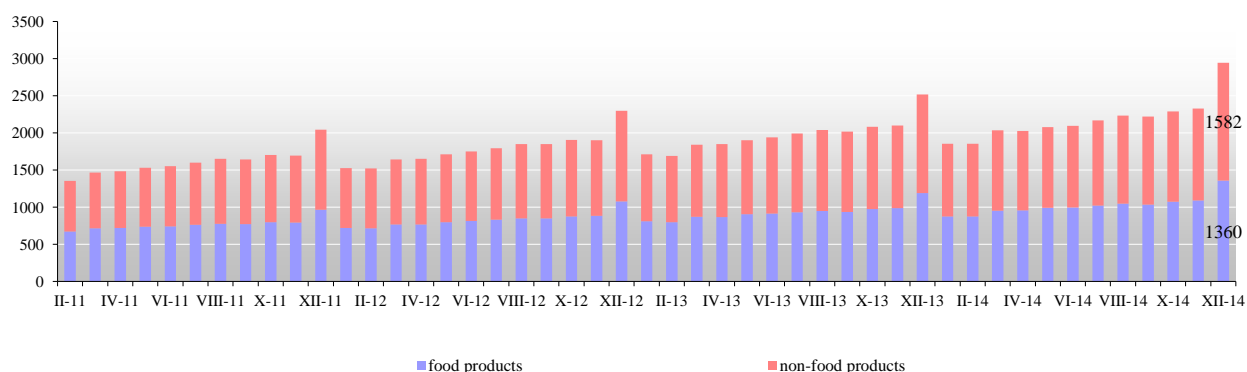
Structure of retail turnover by groups of products in 2006-2014¹⁰

Figures	2006	2007	2008	2009	2010	2011	2012	2013	2014	Dec2013	Dec2014
Retail turnover	8712	10869	13915	14599	16499	19083	21394,5	23685,9	26118,9	2517,2	2941,8
food products	4061	5022	6510	7095	8035	9122	9961,4	11143,0	12286,5	1189,7	1360,0
non-food products	4651	5847	7405	7504	8464	9961	11433,1	12542,9	13832,4	1327,5	1581,8
share of food products, %	46,6	46,2	46,8	48,6	48,7	47,8	46,6	47,0	47,0	47,3	46,2
share of non-food products, %	53,4	53,8	53,2	51,4	51,3	52,2	53,4	53,0	53,0	52,7	53,8

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 2006-2008 are adjusted for tobacco products

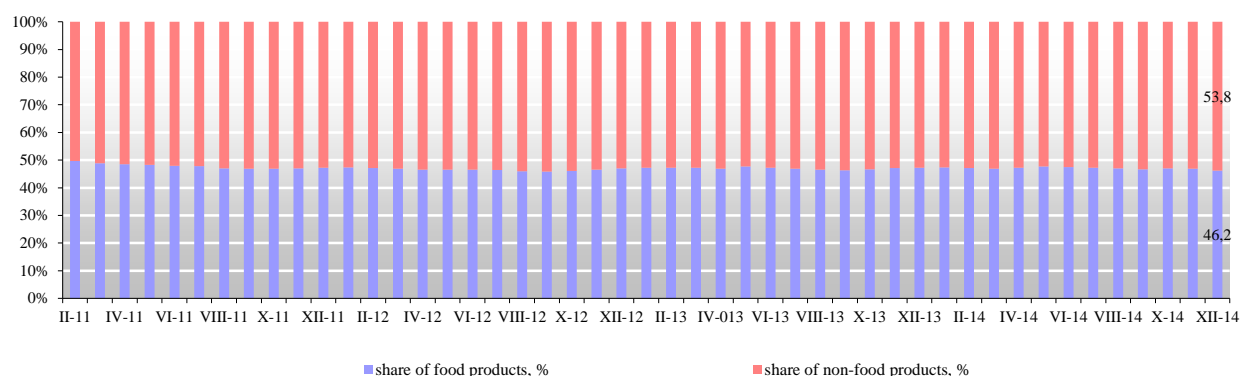
Structure of retail turnover by groups of products in 2011-2014 (monthly), bn RUR



Source: IA Infoline

In December 2014 the share of food products amounted to 46.2%, while the share of non-food products in the retail turnover in Russia amounted to 53.8% (in December 2013 – 47.3% and 53.8% correspondingly).

Structure of retail turnover by groups of products in 2011-2014 (monthly), %



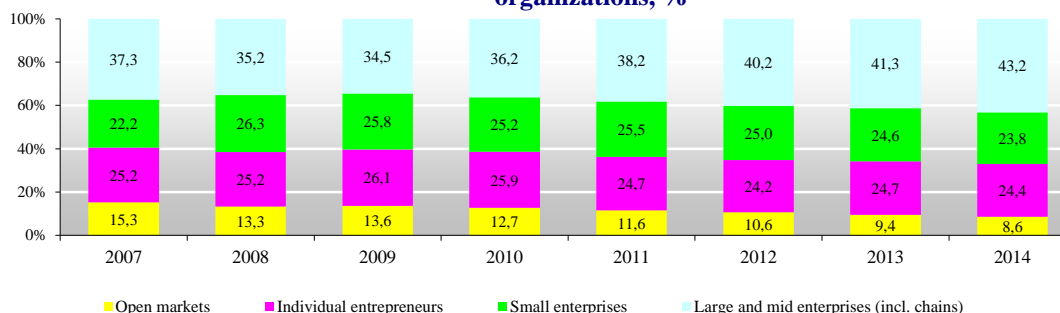
Source: IA Infoline

STRUCTURE OF RETAIL TURNOVER BY TYPES OF ORGANIZATIONS

At the end of 2014 in terms of structure of retail turnover by types of organizations the trend of decrease of the share of marketplaces (by 0.8 pp compared to 2013) continued. The share of small enterprises also decreased by 0.8 pp and the share of mid organizations – by 0.3 pp at the end of 2014 compared to 2013. The share of large organizations (mostly these are retail networks) increased by 2.2 pp compared to 2013. The share of individual entrepreneurs increased slightly in 2014 and amounted to 24.7%.

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 2007-2014 by types of organizations, %



Source: IA Infoline

In December 2014 91.4% 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 8.6% (in December 2013 – 90.9% and 9.1% correspondingly).

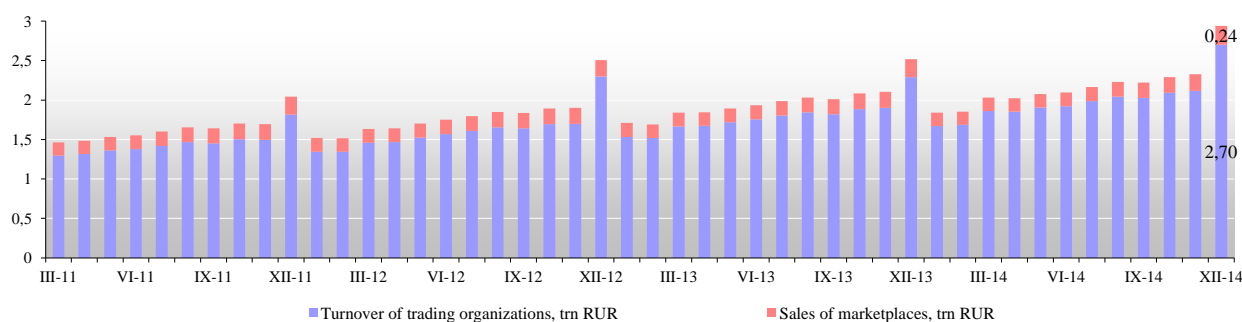
Turnover of trading organizations and marketplaces in 2006-2014, bn RUR

Figure	2006	2007	2008	2009	2010	2011	2012	2013	2014	Dec2013	Dec2014
Retail turnover	8690	10866,2	13853,2	14599,2	16499	19082,6	21394,5	21459,4	23880,4	2288,1	2699
turnover of trading organizations	6987	9214,5	12015,9	12613,7	14403,6	16697,3	19126,7	2226,5	2238,5	229,1	242,8
sales of open markets	1703	1651,7	1837,3	1985,5	2095,4	2385,3	2267,8	90,6	91,4	90,9	91,7
share of trading organizations, %	80,4	84,8	86,7	86,4	87,3	88,5	89,4	9,4	8,6	9,1	8,3
share of open markets, %	19,6	15,2	13,3	13,6	12,7	11,5	10,6	21459,4	23880,4	2288,1	2699

Source: data of the Federal State Statistics Service

Compared to December 2013 the turnover of trading organizations increased by 6.3% and sales of the marketplaces decreased by 4.5%. In 2014 the turnover of trading organizations grew by 3.5% compared to 2013, sales of the marketplaces dropped by 6.8%.

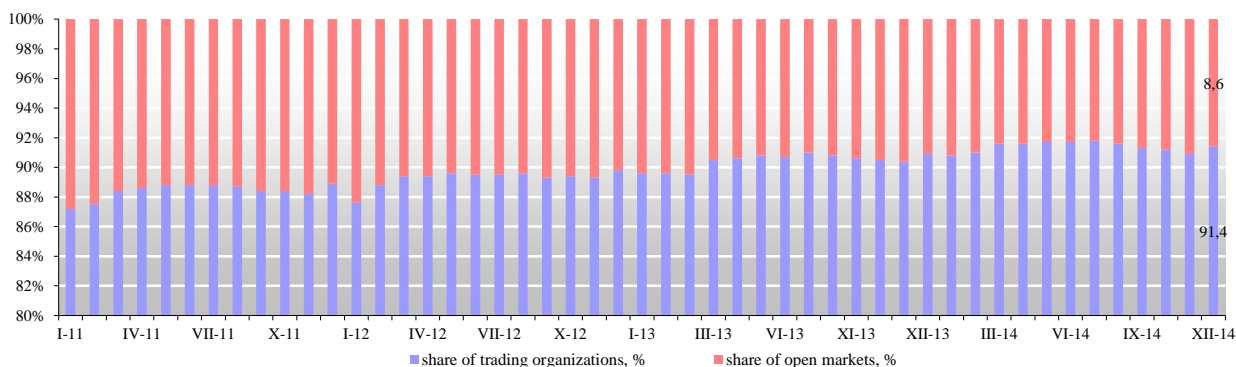
Dynamics of turnover of trading organizations and markets in 2011-2014 (monthly), trn RUR



Source: IA Infoline

In December 2014 compared to November 2014 the turnover of trading organizations increased by 24.7% while the sales of the marketplaces grew by 12.3%.

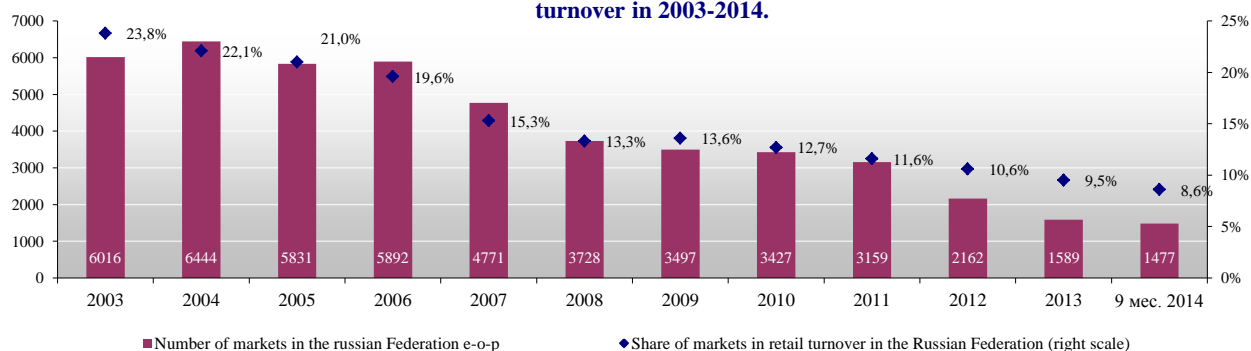
Structure of retail turnover in 2011-2014 (monthly), %



Source: IA Infoline

As of January 1, 2015 there were 1 447 retail markets functioning on the territory of the Russian Federation. 30 markets were closed and converted to fairs, shopping centers, nonpermanent trading objects compared to October 1, 2014 and 142 markets compared to January 1, 2014. The breakdown of the retail markets by types has changed in the fourth quarter of 2014 towards the increase of the share of multipurpose markets, specialized merchandize markets, specialized construction markets and other specialized markets on the back of the decrease of share of specialized food markets, agricultural markets and agricultural cooperative markets. The level of actual use of the market slots as of January 1, 2015 amounted to 69.8% on average through the Russian Federation, which is lower compared to October 1, 2014 and to January 1, 2014. Individual entrepreneurs still remain the principal economic entities on the marketplaces. As of January 1, 2015 174.9 thousand individual entrepreneurs operated at retail markets (as of October 1, 2014 – 174.7 thousand). The increase of share of market slots by 0.5 pp compared to October 1, 2014 was shown by individuals. The decrease of share of market slots in the fourth quarter of 2014 was demonstrated by peasant (farm) enterprises, individual entrepreneurs and legal entities – by 0.1 pp, subsidiary individual holdings – by 0.2 pp.

Dynamics of the number of open markets in the Russian Federation and their share in the retail turnover in 2003-2014.

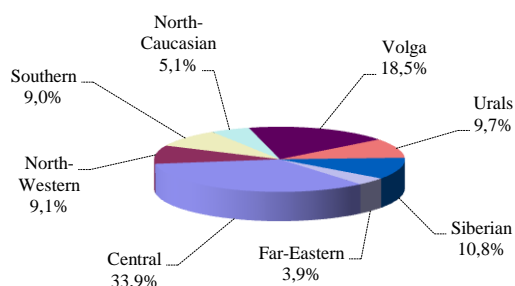


Source: IA Infoline

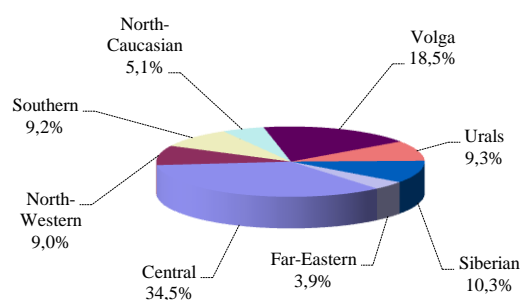
REGIONAL STRUCTURE OF RETAIL TURNOVER

Regional structure of retail turnover in Russia is uneven: 11 constituent territories generated 51.1% of retail turnover in 2014 (Moscow, Moscow region, Saint-Petersburg, Sverdlovsk region, Krasnodar region, Samara region, Republics of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk and Rostov regions).

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



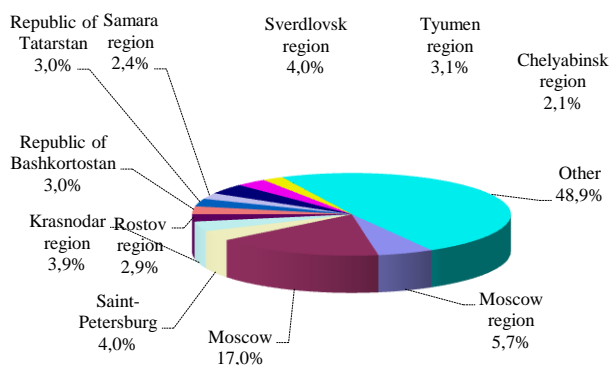
Structure of retail turnover by federal districts of the Russian Federation in 2014, %



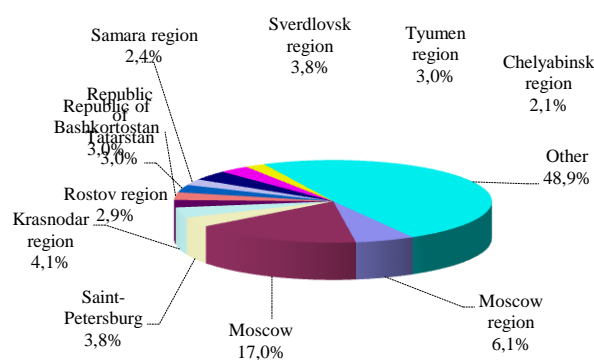
Source: IA Infoline

In 2014 the share of the Southern federal district increased by 0.2 pp, Central – by 0.6 pp, Volga – by 0.1 pp, Far-Eastern – by 0.1 pp; the share of the North-Caucasian federal district remained unchanged; the share of the North-Western federal district decreased by 0.1 pp, Urals and Siberian – by 0.4 pp.

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



Structure of retail turnover by subjects of the Russian Federation in 2014, %



Source: IA Infoline

In 2014 the share of Krasnodar region increased by 0.2 pp, Moscow region – by 0.4 pp in the retail turnover by regions in the Russian Federation, the shares of Rostov region, Samara region, Republic of Tatarstan, Moscow and other regions remained unchanged; the shares of Saint-Petersburg, Sverdlovsk region, Chelyabinsk region, Tyumen region and Republic of Bashkortostan decreased.

Dynamics of share of 69 regions of the Russian Federation (apart from 11 largest) in retail turnover in 2003-2014, %



Source: IA Infoline

In 2014 the most dynamic growth of share in the total retail turnover vs. 2013 was demonstrated by the Central federal district – by 0.62 pp (including Moscow region 0.44 pp), Volga federal district – by 0.2 pp, Southern federal district – by 0.19 pp and Far-Eastern federal district – by 0.04 pp, while the decline in retail turnover in 2014 was demonstrated by the North-Western federal district (by 0.12 pp), in particular Saint-Petersburg (by 0.18 pp), Siberian federal district (by 0.44 pp), Urals federal district (by 0.36 pp), North-Caucasian federal district (by 0.12pp) and Moscow (by 0.1 pp).

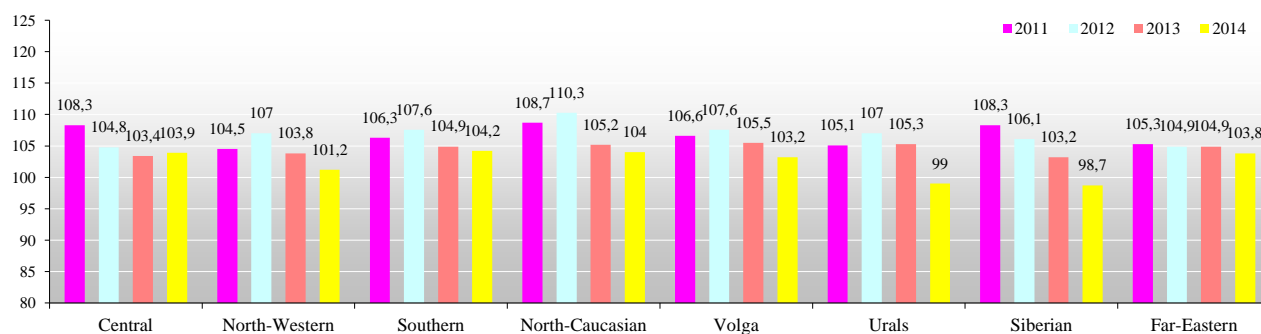
Regional structure of retail turnover of the Russian Federation in 2006-2014, %

Region	2006	2007	2008	2009	2010	2011	2012	2013	2014
Central federal district	35,8	34,4	33,4	33,83	34,21	34,57	34,15	33,89	34,51
Moscow region	5,7	6,1	6,4	6,12	6,16	6,33	5,90	5,66	6,10
Moscow	20,9	18,8	17,0	17,31	17,47	17,41	17,07	16,97	16,88
North-Western federal district	9,4	9,4	9,3	9,35	9,36	9,14	9,17	9,13	9,01
Saint-Petersburg	4,1	4,1	4,2	4,15	4,15	3,89	3,96	4,00	3,82
Southern federal district	8,0	8,5	8,8	8,73	8,99	8,92	9,01	9,02	9,21
North-Caucasian federal district	3,6	3,8	4,0	4,66	4,85	4,97	5,14	5,13	5,01
Volga federal district	17,5	17,9	18,4	18,27	18,20	18,18	18,33	18,46	18,66
Urals federal district	10,0	10,4	10,8	10,14	9,69	9,52	9,54	9,71	9,35
Siberian federal district	11,7	11,7	11,6	10,95	10,72	10,82	10,83	10,78	10,34
Far-Eastern federal district	4,1	3,9	3,8	4,07	3,98	3,89	3,84	3,87	3,91

Source: data of the Federal State Statistics Service

In 2014 the largest decrease (more than 5%) of retail turnover vs. 2013 among largest subjects of the Russian Federation (share in retail turnover of the Russian Federation is above 1%) was demonstrated by Kemerovo region (-8.7%). There was a decline within 5% in Sverdlovsk region (-2.9%), Chelyabinsk region (-0.5%), Krasnodar region (-0.3%), Altai region (-0.1%). The highest growth (more than 5%) was demonstrated by Moscow region (7.9%), Voronezh region (7.2%), Republic of Dagestan (7%), Krasnodar region (6.6%) and Nizhniy Novgorod region (5.9%).

Growth of retail turnover by districts in 2010 - 2014, % Y-o-Y, in comparable prices

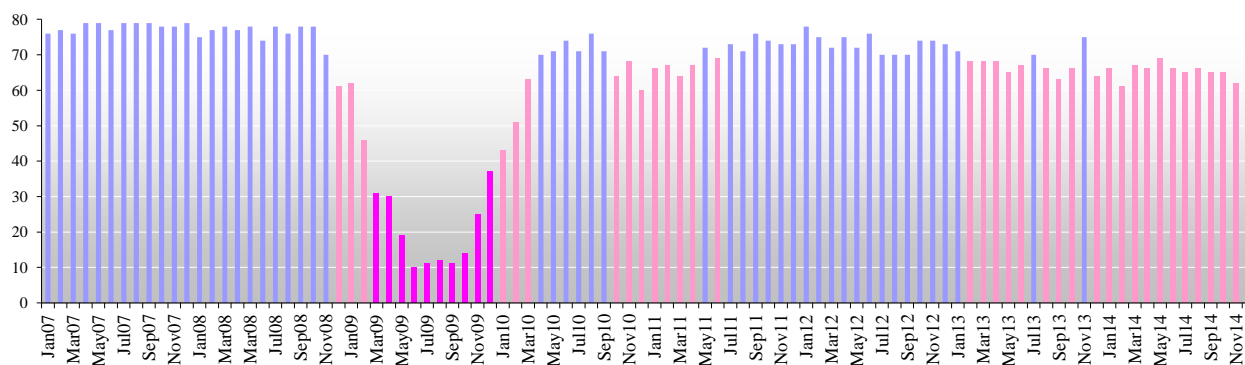


Source: IA Infoline

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. In December 2014 15 regions demonstrated the decline in retail turnover compared to December 2013, in January-December 2014 14 regions demonstrated the decline in retail turnover compared to January-December 2013.

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).

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 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

¹² Source: IA Infoline, public sources of companies.

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 and Express convenience stores under various brands.

As of December 31, 2014, X5 operates 5,483 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 4,789 Pyaterochka soft discounter stores, 403 Perekrestok supermarkets, 82 Karusel hypermarkets and 209 Express stores. As of December 31, 2014 the total selling space of the company amounted to 2,572.2 thousand sq. m.

The Company operates 34 DCs and 1,438 Company-owned trucks across the Russian Federation.

In 2014 net sales stood at 633,873 mln RUR, EBITDA reached RUR 45,860 mln, and net profit amounted to RUR 12,691 mln.

METRO Cash & Carry

Metro Cash and Carry is the largest operating company of cash & carry international business format (individual wholesale) of Metro Group.

As of December 31, 2014 "Metro Cash & Carry" LLC operates 78 trading centers in 44 regions of Russia (excluding the Republic of Crimea). The company also operates "Metro Punct" supermarket with the total selling space of 1.587 thousand sq. m. which was opened in May 2012, and a real-estate, with the total space of 8.39 thousand sq. m. managed by "Metro Cash & Carry" as a result of the transaction with "Real-Hypermarket" LLC (Metro Group). Moreover, in June 2012 the first two franchised "Fasol" stores were opened in St. Petersburg, and in September 2012 – 5 "Fasol" stores in Rostov-on-Don. As of December 31, 2014 there were more than 15 franchised "Fasol" stores in Moscow, 6 in Saint-Petersburg, 4 in Rostov-on-Don, 1 in Kaluga, 1 in Kazan.

In 2014 METRO Cash & Carry opened 7 trading centers: 2 – in Moscow region (Lagovskoye village and Akseno-Butyrskoye village), Voronezh region (Semiluki), Moscow, Krasnodar region (Novorossiysk), Novosibirsk, Vladimir. Total selling space of the company as of December 31, 2014 amounted to 619.2 thousand sq. m.

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, 2014 "Auchan" in Russia operates 85 trading outlets (including one Auchan-city store in Moscow under reconstruction): 55 "Auchan" hypermarkets were opened in 25 regions (18 - in Moscow and Moscow region, 6 – in Saint-Petersburg and Leningrad region, 5 – in Samara, 3 – in 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, Izhevsk and Republic of Crimea). Besides, Auchan operates 23 "Auchan-city" mini-hypermarkets in Moscow (9 stores), Yekaterinburg (1), Moscow region (3), Novosibirsk (2),

Nizhniy Novgorod (1), Saint-Petersburg (3), Saratov (1), Togliatti (1), Rostov-on-Don (1), Ufa (1), as well as 6 "Nasha Raduga" hypermarkets in Penza region (Kuznetsk and Penza), Nizhniy Novgorod region (Arzamas), Yaroslavl, Kaluga, Kostroma.

In 2014 the company opened 6 new trading outlets. Total selling space as of December 31, 2014 amounted to 788.5 thousand sq. m.

The company plans to open from 7 to 12 hypermarkets in 2015.

Dixy

"Dixy" Group of Companies is one of Russia's leading retailers of food and everyday products. The Company operates in Central, Northwestern, Volga and Urals federal districts of Russia, and in Kaliningrad and Kaliningrad region.

As of December 31, 2014 the company operated 2,195 stores, including: 2,065 "Dixy" neighbourhood stores, 94 "Victoria" stores, 1 "CASH" store and 35 "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 50 thousand.

Net selling space of the Group as of December 31, 2014 amounted to 746,5 sq. m.

In 2014 total sales of "Dixy" Group of Companies increased by 26.9% in ruble terms compared to the same period last year and stood at 229.0 billion rubles.

Lenta

"Lenta", the company which operates the hypermarket chain under the same brand, was founded in 1993. As of December 31, 2014 "Lenta" operates 108 hypermarkets located in 60 cities across Russia and 24 supermarkets in Moscow and Moscow region.

Total selling space of the chain as of December 31, 2014 amounted to 701 thousand sq. m.

As of January 1, 2015 the company's total headcount amounted to 35,100 employees. The average headcount of "Lenta" in 2014 amounted to 27,200 employees. 6.5 million people throughout Russia are the active loyalty cards holders of the chain.

In 2014 net sales of "Lenta" retail chain increased by 34.5% compared to 2013 and amounted to 194.0 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, 2014 "O'KEY" operated 108 stores across Russia: 69 hypermarkets and 39 supermarkets in 28 cities of Russia.

As of December 31, 2014 total selling space of the Company amounted to about 552 thousand sq. m.

In 2014 "O'KEY" retail chain opened 9 hypermarkets: in Syktyvkar, Moscow (3), Sterlitamak (Republic of Bashkortostan), Gatchina (Leningrad region) and Orenburg, Cherepovets (Vologda region) and Nizhniy Novgorod and 7 supermarkets: in Volzhskiy (Volgograd region)-2, Saint-Petersburg, Voronezh, Ivanovo, Tambov, Barnaul. One supermarket in Volzhskiy (Volgograd region) was closed.

In 2014 "O'KEY" audited net sales amounted to 151.98 billion rubles, increasing by 9.0% compared to 139.46 billion rubles in 2013.

Number of stores of the largest FMCG retailers in 2007-2014, eop.

Legal name	Brand	Main formats ¹	2007	2008	2009	2010	2011	2012	2013	2014
X5 Retail Group N.V.	Pyaterochka	D	674	848	1039	1392	1918	3220	3882	4789
	Perekrestok	S	194	207	275	301	321	370	390	403
	Karusel, Perekrestok Hyper	H	22	46	58	71	77	78	83	82
	Perekrestok Express, Kopeyka	CS	0	0	0	45	70	134	189	209
	All formats	all formats	890	1101	1372	1809	2386	3802	4544	5483
"Magnit", PJSC	Magnit	CS	2194	2568	3204	4004	5006	6046	7200	8344
	Magnit Hypermarket	H	3	14	24	51	93	126	161	190
	Magnit Kosmetik	MK	-	-	-	2	210	692	686	1080
	Magnit Family	MF	-	-	-	-	-	20	46	97
	All formats	all formats	2197	2582	3228	4055	5309	6884	8093	9711
"Auchan", LLC	Auchan, Auchan-City, Nasha Raduga	H	18	33	38	44	49	57	79	85
"METRO Cash and Carry", LLC	Metro C&C, Metro Punct, real,-	S, H	39	48	52	57	62	68	72	80
"O'key", LLC	O'Кей, O'Кей-экспресс	S, H	24	37	46	57	71	83	94	108
"Lenta", LLC	Lenta	H, S	26	34	36	39	42	56	87	132
"Dixy Group", OJSC	Megamart, Minimart, Dixy	D, S, H	388	481	537	646	894	1422	1712	2100
	Victoria, Cash, Deshevo, Kvartal, Semeynaya Kopilka	CS, S, H	194	215	208	257	225	77	87	95
	All formats	all formats	388	493	537	646	1119	1499	1799	2195

Total selling space of FMCG retailers in Russia in 2007-2014, eop, thousand sq. m.

Legal name	Brand	Main formats	2007	2008	2009	2010	2011	2012	2013	2014
X5 Retail Group N.V.	Pyaterochka	D	357,5	419,2	493,0	586,3	735,2	1191,4	1414,1	1754,3
	Perekrestok	S	251,7	222,4	284,4	313,0	333,9	383,5	397,8	415,8
	Karusel, Perekrestok Hyper	H	126,0	232,5	285,6	351,8	371,3	368,2	375,8	358,6
	Perekrestok Express, Kopeyka	CS	-	-	-	9,2	12,7	26,7	35,2	43,6
	All formats	all formats	735,2	874,1	1063	1260,3	1453,1	1969,7	2222,9	2572,2
"Magnit", PJSC	Magnit	CS	640,1	767,1	978,5	1256,8	1637,8	1977,5	2312,2	2673,3
	Magnit Hypermarket	H	11,6	56,4	81,4	165,1	282,2	387,6	482,9	559,1
	Magnit Kosmetik	MK	-	-	-	0,4	50,1	159,8	163,0	249,2
	Magnit Family	MF	-	-	-	-	-	24,4	53,3	109,1
	All formats	all formats	651,7	823,5	1059,9	1422,3	1970,2	2549,3	3011,4	3590,6
"Auchan", LLC	Auchan, Auchan-City, Nasha Raduga	H	250,6	340,1	386,6	452,3	498,1	565,9	739,9	788,5
"METRO Cash and Carry", LLC	Metro C&C, Metro Punct, real,-	S, H	326,3	394,5	427,4	464,5	499,5	538,1	566,5	619,2
"O'key", LLC	O'Кей, O'Кей-экспресс	S, H	149,2	191,7	232,7	287,4	346,0	428,0	489,0	552,0
"Lenta", LLC	Lenta	H, S	186,7	244,7	260,9	281,7	306,0	413,1	508,0	701,2
"Dixy Group", OJSC	Megamart, Minimart, Dixy	D, S, H	149,1	189,8	206,0	227,9	286,7	447,3	541,3	663,6
	Victoria, Cash, Deshevo, Kvartal, Semeynaya Kopilka	CS, S, H	99,7	109,6	104,6	123,5	118,4	67,6	75,9	82,9
	All formats	all formats	149,1	191,0	206,0	227,9	405,1	514,9	617,2	746,5

Dynamics of net sales (excluding VAT) of the largest FMCG retailers in 2007-2014, billion RUR

Legal name	Brand	Main formats	Data	2007	2008	2009	2010	2011	2012	2013	2014
X5 Retail Group N.V.	Pyaterochka, Perekrestok, Karusel, E5.RU	CS, D, S, H	IFRS	136,1	207,2	275,08	342,58	452,48	490,09	532,7	633,87
"Magnit", PJSC	Magnit	CS, H, MK, MF	IFRS	94,04	132,4	169,86	236,19	335,7	448,66	579,7	763,53
"Auchan", LLC	Auchan, Auchan-City, Nasha Raduga	H	RAS	90,6	128,1	158,36	178,1	205,1	232,6	287,4	-

¹ Key: D - Discounter, H - Hypermarket, S - Supermarket, CS - Convenience Store, MK - Drogerie Store, MF - Magnit Family

Legal name	Brand	Main formats	Data	2007	2008	2009	2010	2011	2012	2013	2014
"METRO Cash and Carry", LLC	Metro C&C, Metro Punct	S, H	IFRS	89,2	111,2	114,3	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	139,5	151,98
"Lenta", LLC	Lenta	H, S	IFRS	32,9	50,8	55,6	70,6	89,8	109,9	144,3	194,0
"Dixy Group", OJSC	All formats	CS, D, S, H	IFRS	36,65	48,3	54,26	64,8	102,23	147,05	180,5	229,0

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 – 2014 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.

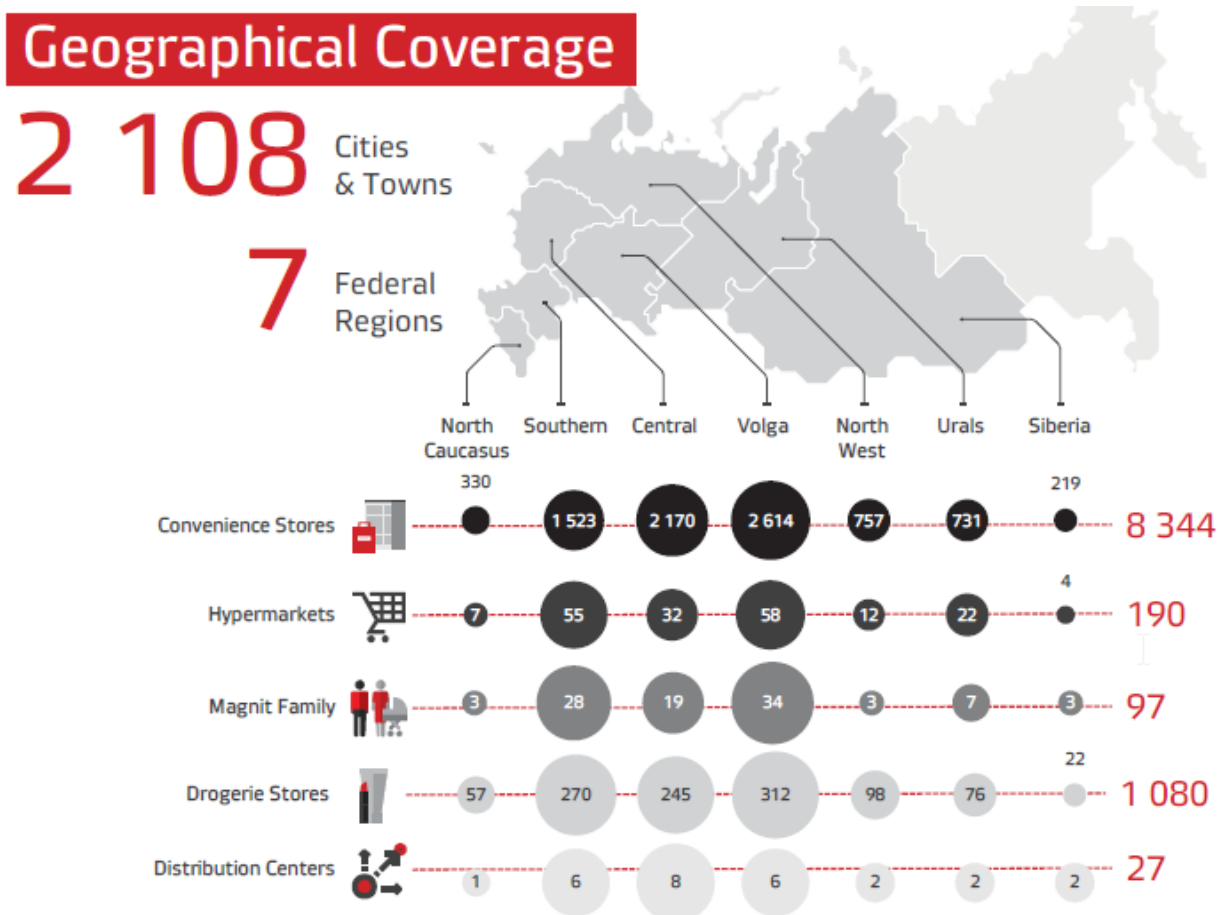
The Group employs highly efficient automated stock replenishment system, which gives opportunity to achieve high turnover level as well as to reduce costs.

9. PRIORITIES OF THE COMPANY'S OPERATIONS

Headquartered in the southern Russia city of Krasnodar, public 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, 2014 the chain consisted of 9,711 stores: 8,344 convenience stores, 190 hypermarkets, 97 "Magnit Family" stores and 1,080 drogerie stores in 2,108 cities and towns throughout the Russian Federation.

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

At the end of 2014 stores located in the Southern Federal region accounted for 1,876, in the Volga region – 3,018, North-Caucasian – 397, Central – 2,466, North-Western – 870, the number of stores in the Urals and Siberian regions amounted to 836 and 248 correspondingly.



As of December 31, 2014 the Company operates an in-house logistics system consisting of 27 modern distribution centers (DCs): six of them are located in the Southern Federal region (Bataysk, Kropotkin, Slavyansk-On-Kuban, Erzovka, Shakhty and Novorossiysk), six are in the Volga Federal region (Engels, Togliatti, Dzerzhinsk, Izhevsk, Sterlitamak and Zelenodolsk), another eight DCs are based in the Central Federal region (Ivanovo, Oryol, Tambov, Tver, Tula, Yaroslavl, Voronezh and Kolomna), two in the Urals Federal region (Chelyabinsk and Yekaterinburg), two in the North-Western Federal region (Veliky Novgorod and Kolpino), two

in the Siberian Federal region (Omsk and Novosibirsk) and one in the North-Caucasian Federal region (Lermontov).

	City	Federal District	Warehousing space, sq. m.	Number of serviced stores	% of total DC turnover
1	Bataysk	Southern	17,407	271	3,07%
2	Kropotkin	Southern	30,048	376	4,00%
3	Slavyansk-on-Kuban	Southern	20,496	338	5,43%
4	Erzovka (Volgograd)	Southern	26,074	459	5,68%
5	Shakhty	Southern	58,982	536	4,14%
6	Novorossiysk	Southern	25,321	-	3,00%
7	Engels	Volga	19,495	301	3,16%
8	Togliatti	Volga	19,157	351	4,16%
9	Dzerzhinsk	Volga	30,523	332	3,70%
10	Izhevsk	Volga	34,141	555	4,54%
11	Sterlitamak	Volga	22,043	572	5,20%
12	Zelenodolsk	Volga	22,524	587	5,09%
13	Ivanovo	Central	52,929	513	5,38%
14	Oryol	Central	14,326	299	4,13%
15	Tambov	Central	26,733	343	3,57%
16	Tver	Central	15,726	215	2,27%
17	Tula	Central	51,205	525	8,28%
18	Yaroslavl	Central	58,904	355	3,27%
19	Voronezh	Central	53,523	414	3,20%
20	Kolomna	Central	84,160	336	0,51%
21	Veliky Novgorod	North-Western	21,060	150	3,68%
22	Kolpino	North-Western	50,800	370	1,81%
23	Chelyabinsk	Urals	17,623	273	3,18%
24	Yekaterinburg	Urals	75,159	663	4,55%
25	Omsk	Siberian	7,114	149	1,34%
26	Novosibirsk	Siberian	18,950	85	0,20%
27	Lermontov	North-Caucasian	34,503	343	3,46%
	Total		908,926	9,711	100%

The Company operates automated stock replenishment system and a fleet of 5,938 vehicles.

10. PRIORITIES 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 drogerie 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 a purpose to open 1,200 convenience stores, 90 hypermarkets (including "Magnit Family" stores) and 800 drogerie stores in 2015. The Company's accumulated experience and technologies enable it to open profitable convenience and drogerie stores even in locations with the population of as little as 5,000 people and 25,000 people for hypermarkets and "Magnit Family" stores.

The Company's stores are present in 7 out of 8 federal regions: Southern, Central, Volga, North-Caucasian, North-Western, Urals and Siberian. The Company plans to increase the density of its outlets in these regions and continue to expand in the markets of Moscow, Saint-Petersburg and Western Siberia.

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 "drogerie store".

The format of a convenience store is a neighbourhood store oriented at all customers living within 500 meters radius. The assortment of a convenience store consists of about 3,500 food and non-food essential items offered at reasonable prices. Average total space of a store is 459 sq. m., average selling space is 320 sq. m.

As of December 31, 2014 "Magnit" retail chain operates 8,344 convenience stores, out of which 1,144 were opened in 2014.

Since 2007 the Company has been opening hypermarkets. As of December 31, 2014 "Magnit" retail chain operates 190 stores of this format, out of which 29 were opened in 2014.

The Company opens its hypermarkets mainly in the cities with population of 50,000 - 500,000 people; the outlets are located in the city (within the city boundaries) and target 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 examine a new segment of the retail market and launched 2 trial stores of a new format – “drogerie store”. Unlike convenience stores, stores under “Magnit Kosmetik” brand offer a mix of non-food group of products: personal care, household cleaning products, cosmetics and perfumery goods. As of December 31, 2014 the chain of drogerie stores comprises 1,080 outlets out of which 394 were opened in 2014.

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.;
- 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 the opening of the new outlets as well as the reformatting of the certain convenience stores with excessive selling space for this format (about 1,500 sq.m.) and upside sales potential.

In 2014 the Group opened 51 “Magnit Family” stores. As of December 31, 2014 “Magnit” retail chain operates 97 “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 undertaken 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 fruit and vegetables, also contributes to minimization of logistics costs.

11. INFORMATION ON THE PAID DIVIDENDS

The annual General Shareholders Meeting held on May 29, 2014 (minutes of 30.05.2014) decided to pay dividends on ordinary registered shares of PJSC "Magnit" following the results of 2013 financial year.

The extraordinary General Shareholders Meeting held on September 25, 2014 (minutes of 26.09.2014) decided to pay dividends on ordinary registered shares of PJSC "Magnit" following the results of the 6 months of 2014 financial year.

The extraordinary General Shareholders Meeting held on December 18, 2014 (minutes of 23.12.2014) decided to pay dividends on ordinary registered shares of PJSC "Magnit" following the results of the 9 months of 2014 financial year.

Information on the paid dividends:

Dividend period: 2013.

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 2013 financial year – 89.15 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 2013 financial year – 8,430,144,798.25 rubles.

The total amount of dividends paid on all shares of the issuer of one category (type), RUB: 8,430,135,348.35.

Dividend period: 6 months of 2014 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 2014 financial year – 78.30 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 2014 financial year – 7,404,154,096.50 rubles.

The total amount of dividends paid on all shares of the issuer of one category (type), RUB: 7,404,145,796.70.

Dividend period: 9 months of 2014 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 9 months of 2014 financial year – 152.70 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 9 months of 2014 financial year – 14,379,945,254.85 rubles.

The total amount of dividends paid on all shares of the issuer of one category (type), RUB: 14,379,929,135.43.

12. 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, 2014 authorized capital stock of the public 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 PJSC "Magnit" as of 31.12.2014:

<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 PJSC "Magnit" share capital as of 31.12.2014:

<i>Name</i>	<i>Number of registered entities</i>	<i>Share in the charter capital, %</i>
Legal entities	3	60.27
including nominal holders	2	60.27
Individuals	15	39.73
Total:	18	100

Information on PJSC "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 depositary receipts, "GDRs") certifying the rights in respect of the ordinary registered shares of PJSC "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 PJSC “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 PJSC “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 PJSC “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 PJSC “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 PJSC “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 PJSC "Magnit" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-01 series.

Bond issue of PJSC "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 PJSC "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 PJSC "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 PJSC "Magnit" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-02 series.

Bond issue of PJSC "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 PJSC “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 PJSC “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 PJSC “Magnit” fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-03 series.

Bond issue of PJSC “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 PJSC “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 PJSC “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 PJSC “Magnit” fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-04 series.

Bond issue of PJSC “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 PJSC “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 PJSC “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.

The sixth coupon yield of BO-05 series Exchange-traded bond issue was paid on February 28, 2014. The total amount of yield paid on the sixth coupon amounted to 199.45 million rubles, the amount of yield of the sixth coupon paid per one bond amounted to 39.89 rubles.

Based on trading for the period from 06.01.2014 to 28.02.2014 the weighted average price of transactions with Exchange-traded bonds of BO-05 series varied from min 100.00% (03.02.2014) to max 100.15% (10.01.2014) of the nominal value. Acknowledgeable quote within this period fluctuated from min 100.02% (29.01.2014, 30.01.2014, 03.02.2014) to max 100.11% (08.01.2014, 10.01.2014, 13.01.2014, 14.01.2014, 15.01.2014).

Bond issue of PJSC “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 the bearer of BO-06 series with the obligatory centralized custody of PJSC “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 PJSC "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.

The sixth coupon yield of BO-05 series Exchange-traded bond issue was paid on April 22, 2014. The total amount of yield paid on the sixth coupon amounted to 193.2 million rubles, the amount of yield of the sixth coupon paid per one bond amounted to 38.64 rubles.

On April 22, 2014 PJSC "Magnit" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of BO-06 series

Based on trading for the period from 06.01.2014 to 22.04.2014 the weighted average price of transactions with Exchange-traded bonds of BO-06 series varied from min 99.01% (06.01.2014) to max 100.11% (07.02.2014) of the nominal value. Acknowledgeable quote within this period fluctuated from min 99.2% (24.03.2014) to max 100.1% (13.02.2014).

Bond issue of PJSC “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 PJSC “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 PJSC “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.

The third coupon yield of BO-07 series Exchange-traded bond issue was paid on March 24, 2014. The total amount of yield paid on the third coupon amounted to 221.9 million rubles, the amount of yield of the third coupon paid per one bond amounted to 44.38 rubles.

The fourth coupon yield of BO-07 series Exchange-traded bond issue was paid on September 22, 2014. The total amount of yield paid on the fourth coupon amounted to 221.9 million rubles, the amount of yield of the fourth coupon paid per one bond amounted to 44.38 rubles.

Based on trading for the period from 06.01.2014 to 30.12.2014 the weighted average price of transactions with Exchange-traded bonds of BO-07 series varied from min 90.14% (16.12.2014) to max 101.78% (27.01.2014) of the nominal value. Acknowledgeable quote within this period fluctuated from min 90.14% (16.12.2014) to max 101.6% (16.01.2014, 17.01.2014, 27.01.2014).

Bond issue of PJSC “Magnit” of 01 series:

In 2013 the Company offered its investors the issue of non-convertible certified interest-bearing Exchange-traded bonds to the bearer with the obligatory centralized custody of 01 series.

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 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 the bearer of 01 series with the obligatory centralized custody of PJSC “Magnit” on the MICEX stock exchange commenced on February 26, 2013. 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 PJSC “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.

The second coupon yield of 01 series Exchange-traded bond issue was paid on February 27, 2014. The total amount of yield paid on the second coupon amounted to 211.9 million rubles, the amount of yield of the second coupon paid per one bond amounted to 42.38 rubles.

The third coupon yield of 01 series Exchange-traded bond issue was paid on August 26, 2014. The total amount of yield paid on the third coupon amounted to 211.9 million rubles, the amount of yield of the third coupon paid per one bond amounted to 42.38 rubles.

Based on trading for the period from 06.01.2014 to 30.12.2014 the weighted average price of transactions with bonds of 01 series varied from min 88.09% (23.12.2014) to max 101.5% (13.03.2014) of the nominal value. Acknowledgeable quote within this period fluctuated from min 88.09% (23.12.2014) to max 100.89% (14.02.2014, 17.02.2014, 18.02.2014).

Bond issue of PJSC “Magnit” of BO-08 series:

In 2013 the Company offered its investors the ninth 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-08 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-08 series with the obligatory centralized custody of PJSC “Magnit” on the MICEX stock exchange commenced on April 2, 2013. 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 PJSC “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 %

6 coupon interest rate	8.40 %
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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.

The second coupon yield of BO-08 series Exchange-traded bond issue was paid on April 1, 2014. The total amount of yield paid on the second coupon amounted to 209.4 million rubles, the amount of yield of the second coupon paid per one bond amounted to 41.88 rubles.

The third coupon yield of BO-08 series Exchange-traded bond issue was paid on September 30, 2014. The total amount of yield paid on the third coupon amounted to 209.4 million rubles, the amount of yield of the third coupon paid per one bond amounted to 41.88 rubles.

Based on trading for the period from 06.01.2014 to 30.12.2014 the weighted average price of transactions with Exchange-traded bonds of BO-08 series varied from min 101.00% (16.06.2014) to max 101.5% (30.01.2014) of the nominal value. Acknowledgeable quote within this period fluctuated from min 101.1% (29.08.2014, 01.09.2014, 02.09.2014, 03.09.2014, 04.09.2014, 05.09.2014, 08.09.2014, 09.09.2014, 10.09.2014, 11.09.2014) to max 101.25% (03.07.2014, 04.07.2014, 07.07.2014, 08.07.2014, 09.07.2014, 10.07.2014, 11.07.2014, 14.07.2014, 15.07.2014, 16.07.2014, 17.07.2014).

Bond issue of PJSC “Magnit” of BO-09 series:

In 2013 the Company offered its investors the ninth 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-09 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-09 series with the obligatory centralized custody of PJSC “Magnit” on the MICEX stock exchange commenced on April 4, 2013. 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 PJSC “Magnit” of BO-09 series:

Date and the number of state registration	№ 4B02-09-60525-P of August 10, 2011
Volume of the issue	5,000,000,000 rubles
Number of securities	5,000,000 bonds
Nominal value of each security	1,000 rubles
Placement price	100% of nominal value
Date of placement	02.04.2013
Method of placement	open subscription
Redemption date	1,092 nd day from the date of placement (29.03.2016)
Number of coupons	6
Trading code	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.

The second coupon yield of BO-09 series Exchange-traded bond issue was paid on April 1, 2014. The total amount of yield paid on the second coupon amounted to 209.4 million rubles, the amount of yield of the second coupon paid per one bond amounted to 41.88 rubles.

The third coupon yield of BO-09 series Exchange-traded bond issue was paid on September 30, 2014. The total amount of yield paid on the third coupon amounted to 209.4 million rubles, the amount of yield of the third coupon paid per one bond amounted to 41.88 rubles.

Based on trading for the period from 06.01.2014 to 30.12.2014 the weighted average price of transactions with Exchange-traded bonds of BO-09 series varied from min 101% (16.06.2014) to max 101.5% (30.01.2014) of the nominal value. Acknowledgeable quote within this period fluctuated from min 101.09% (29.08.2014, 01.09.2014, 02.09.2014, 03.09.2014, 04.09.2014, 05.09.2014, 08.09.2014, 09.09.2014, 10.09.2014, 11.09.2014) to max 101.25% (03.07.2014, 04.07.2014, 07.07.2014, 08.07.2014, 09.07.2014, 10.07.2014, 11.07.2014, 14.07.2014, 15.07.2014, 16.07.2014, 17.07.2014).

SHARES TRADING

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

On April 14, 2006 the shares of PJSC “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 PJSC “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 PJSC “Magnit” on the Russian Trading System (RTS) and the Moscow Interbank Currency Exchange (MICEX) was completed.

The price of one share of PJSC “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 PJSC “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 PJSC “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 depository receipts ("GDRs") representing its ordinary shares on the London Stock Exchange in connection with an offering by the Company of 11,300,000 newly issued ordinary shares in the form of GDRs and shares (including as part of the exercise of statutory pre-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 11,245,660 ordinary shares were offered including 9,719,638 shares allocated to international institutional investors. In connection with the offering the selling shareholder has granted the joint bookrunners an over-allotment option to purchase up to an additional 506,585 shares at the offer price 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.

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.

Since July 22, 2009 ordinary shares of the Company were included (transferred) into the Quotation list "A" of the second level at the "Russian Trading System" Stock Exchange".

On August 7, 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 admitted to trading in the corresponding list.

On September 2, 2009 PJSC "Magnit" announced its intention to offer additional 11,154,918 ordinary shares by public subscription.

The offer price amounted to 65 USD per ordinary share and 13 USD per GDR.

A total of 5,729,413 ordinary shares were offered. 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 million 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 PJSC "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 PJSC "Magnit" shares are included in (transferred to) the quotation list "A" of the first level of CJSC "MICEX Stock Exchange".

On November 30, 2011 PJSC "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 PJSC "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.

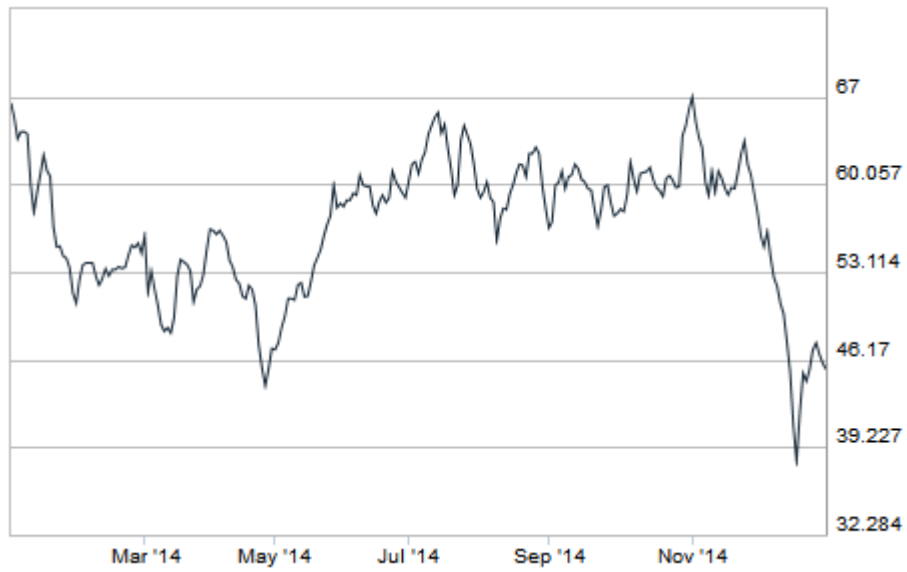
Since June 18, 2013 the shares of PJSC "Magnit" have been included into the Blue Chip Index Constituents of MICEX. Moscow Exchange Blue Chip Index is an indicator of the market of the most liquid stocks of the Russian companies. The index is calculated on the basis of the most liquid stocks of the Russian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

On June 6, 2014 the ordinary registered shares of PJSC "Magnit" were included in the list of securities admitted to trading on the OJSC "Saint-Petersburg Exchange".

According to trading held from 06.01.2014 to 30.12.2014 on MICEX Stock Exchange the average weighted price of transactions with shares varied from min 6,696.8 rubles (28.04.2014) to max 12,261 (03.12.2014).



According to trading held from 02.01.2014 to 31.12.2014 on the London Stock Exchange the price of transactions with the global depository receipts as of closing varied from min \$38.07 (16.12.2014) to max \$67 (31.10.2014).



Market capitalization of PJSC "Magnit" as of December 30, 2014 amounted to 931,807,592,170.00 rubles according to OJSC "MICEX SE".

13. TRANSACTIONS EXECUTED WITHIN THE YEAR 2014 CONSIDERED MAJOR TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT-STOCK COMPANIES"

1.	
Date of Transaction (Date of the Contract)	15.08.2014
Subject and other essentials of transaction	<i>Provision by the Company of the Guarantee under the agreement №29-15/1/496 on the opening of the revolving credit line as of August 15, 2014.</i>
Parties of transaction	<i>The Creditor: OJSC "Sberbank of Russia" The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Transaction amount in money terms, thousand rubles.	20,395,068.49
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, %	28.98
Deadline for the fulfillment of the obligations under the transaction	<i>Until August 13, 2020; prior to the specified term the guarantee is terminated upon fulfillment of all obligations under the Credit Agreement by the Borrower, or upon fulfillment of obligations under the Agreement by the Guarantor or to the extent otherwise permitted by the legislation of the Russian Federation.</i>
Information on performance of specified obligations	<i>JSC "Tander" timely and in full fulfils its obligation to Creditor. There are no cases when a Creditor makes demands on the Guarantor to fulfill of unperformed obligations of JSC "Tander".</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date and number of minutes)	<i>The transaction was approved by the General Shareholders Meeting of May 29, 2014 (Minutes w/o № of May 30, 2014).</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

14. TRANSACTIONS EXECUTED WITHIN THE YEAR 2014 CONSIDERED RELATED-PARTY TRANSACTIONS ACCORDING TO THE FEDERAL LAW ON "JOINT-STOCK COMPANIES"

1	
Date of transaction	12.02.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the additional agreement №8 of February 12, 2014 to the bank account agreement №0249018/RUB of October 25, 2007.</i>
Parties of transaction	<i>The Creditor: OJSC JSCB "Rosbank" The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); Limited Liability Company "Asset Management Company "Premier-Liga" (LLC "AMC "Premier-Liga"") LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	175,000
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, %	0.26
Term for fulfillment of obligations under transaction	18.03.2014
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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 Board of Directors on February 4, 2014, minutes w/o № of 04.02.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

2	
Date of transaction	04.03.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the agreement №29-15/1/415 on the opening of the revolving credit line as of March 4, 2014.</i>
Parties of transaction	<i>The Creditor: OJSC "Sberbank of Russia"</i>

	<i>The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); Limited Liability Company "Asset Management Company "Premier-Liga" (LLC "AMC ""Premier-Liga""") LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	<i>6,120,000</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>8.94</i>
Term for fulfillment of obligations under transaction	<i>Until March 3, 2020; prior to the specified term the guarantee is terminated upon fulfillment of all obligations under the credit agreement by the Borrower, or upon fulfillment of obligations under the agreement by the Guarantor, or to the extent otherwise permitted by the legislation of the Russian Federation.</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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/o № of 24.05.2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

3	
Date of transaction	<i>19.03.2014</i>
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the additional agreement №9 of 19.03.2014 to the bank account agreement № 0249018/RUB of 25.10.2007.</i>
Parties of transaction	<i>The Creditor: OJSC JSCB "Rosbank" The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); Limited Liability Company "Asset Management Company "Premier-Liga"</i>

	LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.
Transaction amount in money terms, thousand rubles.	175,000
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, %	0.26
Term for fulfillment of obligations under transaction	18.05.2014
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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 Board of Directors on February 4, 2014, minutes w/o № of 04.02.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

4	
Date of transaction	01.04.2014
Subject and essentials of transaction	<i>Provision by the Company to a Lessee a non-living premises, 31.1 sq. m. in area, located at 15/5 Solnechnaya Street, Krasnodar, Russia on fee basis for temporary possession and use.</i>
Parties of transaction	<i>The Lesser: PJSC "Magnit" The Lessee: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); Limited Liability Company "Asset Management Company "Premier-Liga" (LLC "AMC "Premier-Liga""); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles	217.17
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, %	0.0003
Term for fulfillment of obligations under transaction	<i>Rental period is 360 calendar days, expires before March 26, 2015. Unless one of the parties expresses its intention to terminate the agreement before the expiry term, the</i>

	<i>agreement shall be automatically extended without day.</i>
Information on fulfillment of mentioned obligations	<i>The obligations of Lesser are duly performed.</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 20, 2014, minutes w/o № of 20.03.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

5	
Date of transaction	01.04.2014
Subject and essentials of transaction	<i>Provision by the Company to a Lessee the following non-living premises on fee basis for temporary possession and use: - part of non-living office building, Litter B, B1, 7,983.7 sq. m. in area; - boiler house, Litter G12, 61.6 sq. m. in area; - garage, Litter G11, 337.5 sq. m. in area, located at 15/5 Solnechnaya Street, Krasnodar, Russia.</i>
Parties of transaction	<i>The Lesser: PJSC "Magnit" The Lessee: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); Limited Liability Company "Asset Management Company "Premier-Liga" (LLC "AMC "Premier-Liga""); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	53,575.52
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, %	0.07
Term for fulfillment of obligations under transaction	<i>Rental period is 11 months. Unless one of the parties expresses its intention to terminate the agreement before the expiry term, the agreement shall be automatically extended under the same term and conditions.</i>
Information on fulfillment of mentioned obligations	<i>The obligations of the Lesser are fully performed.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date	<i>The transaction was approved by the Board of Directors on March 20, 2014, minutes № w/n of</i>

and number of minutes of proceedings)	20.03.2014.
Other information on transaction indicated at the issuer's discretion	<i>None</i>

6	
Date of transaction	08.04.2014
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 9.6% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "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 in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); Limited Liability Company "Asset Management Company "Premier-Liga" (LLC "AMC "Premier-Liga""); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	132,000
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, %	0.16
Term for fulfillment of obligations under transaction	06.04.2017
Information on fulfillment of mentioned obligations	<i>The obligations of the Lender are fully performed.</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/o № of May 24, 2013.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

7	
Date of transaction	19.05.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the additional agreement №10 of 19.05.2014 to the bank account agreement №0249018/RUB of 25.10.2007.</i>
Parties of transaction	<i>The Creditor: OJSC JSCB "Rosbank" The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; Limited Liability Company "Asset</i>

	<i>Management Company "Premier-Liga" (LLC "AMC "Premier-Liga"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	175,000
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, %	0.23
Term for fulfillment of obligations under transaction	18.05.2015 – term of Borrower's fulfillment of obligations under the credit agreement.
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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 Board of Directors on April 4, 2014, minutes w/o № of 04.04.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

8	
Date of transaction	23.06.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the agreement №KRD/RK/003/14 on the opening of the revolving credit line of 23.06.2014.</i>
Parties of transaction	<i>The Creditor: OJSC JSCB "Rosbank" The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	3,400,000
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, %	4.16
Term for fulfillment of obligations under transaction	22.07.2015 – term of Borrower's refund of credit amount and interest.
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no</i>

	<i>situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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 29, 2014, minutes w/o № of 30.05.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

9	
Date of transaction	09.07.2014
Subject and essentials of transaction	<i>Provision by the Company to a Lessee non-living premises, 1,391.9 sq. m. in area, located at 18 K. Marksa Street, Rostov Region, Zernograd, Russia on fee basis for temporary possession and use. The deal was effected by conclusion of additional agreement №ГК/1599/12-1 to real estate rental agreement № ГК/1599/12 of 07.03.2012.</i>
Parties of transaction	<i>The Lesser: PJSC "Magnit" The Lessee: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	120,313.11
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, %	0.16
Term for fulfillment of obligations under transaction	27.04.2022
Information on fulfillment of mentioned obligations	<i>The obligations of the Lesser are fully performed.</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 July 9, 2014, minutes w/o № of 09.07.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

10	
Date of transaction	09.07.2014
Subject and essentials of transaction	<i>Provision by the Company to a Lessee non-living premises, 584.5 sq. m. in area, located at</i>

	<i>5 Tobolskaya Street, Krasnodar Krai, Novorossiysk, Russia on fee basis for temporary possession and use. The deal was effected by conclusion of additional agreement w/o № of 09.07.2014 to real estate rental agreement №НспФ/637/12 of 13.04.2012.</i>
Parties of transaction	<i>The Lesser: PJSC "Magnit" The Lessee: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	<i>34,339.89</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>0.04</i>
Term for fulfillment of obligations under transaction	<i>06.06.2022</i>
Information on fulfillment of mentioned obligations	<i>The obligations of the Company are fully performed.</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 July 9, 2014, minutes № w/o № of 09.07.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

11	
Date of transaction	<i>31.07.2014</i>
Subject and essentials of transaction	<i>Sale of facility – Diesel Generator / DGA-100 kW</i>
Parties of transaction	<i>The Supplier: PJSC "Magnit" The Buyer: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	<i>1,935.20</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>0.003</i>
Term for fulfillment of obligations under	<i>31.12.2014</i>

transaction	
Information on fulfillment of mentioned obligations	<i>The obligations of the Supplier are fully performed.</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 July 31, 2014, minutes w/o № № of 31.07.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

12	
Date of transaction	15.08.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the agreement №29-15/1/496 on the opening of the revolving credit line as of 15.08.2014.</i>
Parties of transaction	<i>The Creditor: OJSC "Sberbank of Russia" The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	20,395,068.49
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, %	28.98
Term for fulfillment of obligations under transaction	<i>Until 13.08.2020; prior to the specified term the guarantee is terminated upon fulfillment of all obligations under the credit agreement by the Borrower, or upon fulfillment of obligations under the agreement by the guarantor or to the extent otherwise permitted by the legislation of the Russian Federation.</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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 29, 2014, minutes w/o № of 30.05.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

13	
Date of transaction	28.08.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the credit agreement №133-БКЛ/КРД-13 as of 23.10.2013.</i>
Parties of transaction	<i>The Creditor: JSCB "Absolut Bank" (OJSC) The Borrower: JSC "Tander" The Guarantor: PJSC "Magnit"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED.</i>
Transaction amount in money terms, thousand rubles.	4,000,000
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, %	5.68
Term for fulfillment of obligations under transaction	<i>The guarantee is valid until the borrower fulfills obligations to the creditor under the credit agreement but no longer than 1 (One) year from the credit agreement end date, which is on 07.10.2014.</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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 29, 2014, minutes w/o № of 30.05.2014.</i>
Other information on transaction indicated at the issuer's discretion	None

14	
Date of transaction	12.09.2014
Subject and essentials of transaction	<i>Provision by the Company to a Lessee a one-story non-living building, 575.2 sq. m. in area, with production sites located at 52 Oktyabrskaya Street, st. Dolzhanskaya, Yeysk District, Krasnodar Krai, Russia on fee basis for temporary possession and use. The deal was effected by conclusion of additional agreement w/o № of 12.09.2014 to real estate rental agreement № ГК/3086/12 of 22.05.2012.</i>
Parties of transaction	<i>The Lesser: PJSC "Magnit"</i>

	<i>The Lessee: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit")</i>
Transaction amount in money terms, thousand rubles.	<i>30,212.53</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>0,04</i>
Term for fulfillment of obligations under transaction	<i>01.07.2022</i>
Information on fulfillment of mentioned obligations	<i>The obligations of the Company are fully performed.</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 September 12, 2014, minutes w/o № of 12.09.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

15	
Date of transaction	<i>24.09.2014</i>
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 11.45% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "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 in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITED; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").</i>
Transaction amount in money terms, thousand rubles.	<i>10,000,000</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>14.21</i>
Term for fulfillment of obligations under transaction	<i>22.09.2017</i>
Information on fulfillment of mentioned obligations	<i>The obligations of the Lender are fully</i>

obligations	<i>performed.</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 29, 2014, minutes w/o № of 30.05.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>None</i>

16	
Date of transaction	30.09.2014
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 11.45% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "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 in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").</i>
Transaction amount in money terms, thousand rubles.	145,000
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, %	0.21
Term for fulfillment of obligations under transaction	28.09.2017
Information on fulfillment of mentioned obligations	<i>The obligations of the Lender are fully performed.</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 extraordinary General Shareholders Meeting on September 25, 2014, minutes w/o № of 26.09.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

17	
Date of transaction	10.10.2014
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 11.45% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "Magnit" The Borrower: JSC "Tander"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a	<i>Joint-Stock Company "Tander" (JSC "Tander");</i>

person considered in accordance with the Russian Federation Law a related-party for the transaction	LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").
Transaction amount in money terms, thousand rubles.	18,200
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, %	0.03
Term for fulfillment of obligations under transaction	06.10.2017
Information on fulfillment of the underlying obligations	The obligations of the Lender are fully performed.
Issuer's authority which made a decision to approve the transaction, date of decision (date and number of minutes)	The transaction was approved by the extraordinary General Shareholders Meeting on September 25, 2014, minutes w/o № of 26.09.2014.
Other information on transaction indicated at the issuer's discretion	none

18	
Date of transaction	13.10.2014
Subject and essentials of transaction	Provision by the Company of the interest-bearing loan at the rate of 11.45% per annum.
Parties of transaction	The Lender: PJSC "Magnit" The Borrower: JSC "Tander"
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").
Transaction amount in money terms, thousand rubles.	2,760,000
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, %	3.92
Term for fulfillment of obligations under transaction	11.10.2017
Information on fulfillment of mentioned obligations	The obligations of the Lender are fully performed.
Issuer's authority which made a decision on	The transaction was approved by the

approval of the transaction, date of decision (date and number of minutes of proceedings)	<i>extraordinary</i> General Shareholders Meeting on September 25, 2014, minutes w/o № of 26.09.2014.
Other information on transaction indicated at the issuer's discretion	<i>none</i>

19	
Date of transaction	13.10.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the "Revolving credit line" credit agreement №Kpд-009/BKЛ-2014 of October 9, 2014.</i>
Parties of transaction	<i>The Creditor: CSJB "Absolut-Bank" (OJSC), The Borrower: JSC "Tander", The Guarantor: PJSC "Magnit."</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").</i>
Transaction amount in money terms, thousand rubles.	4,000,000
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, %	5.68
Term for fulfillment of obligations under transaction	<i>The guarantee is valid until the borrower fulfills obligations to the creditor under the credit agreement (07.10.2015), but no longer than 1 (one) year from the credit agreement end date. The guarantee terminates upon the expiration of the indicated period if within this period the creditor does not make a claim against the guarantor and in accordance with the legislation of the Russian Federation.</i>
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" could have been raised before the Guarantor.</i>
Issuer's authority which made a decision on approval of the transaction, date of decision (date	<i>The transaction was approved by the annual General Shareholders Meeting on May 29,</i>

and number of minutes of proceedings)	<i>2014, minutes w/o № of 30.05.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

20	
Date of transaction	<i>29.10.2014</i>
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 11% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "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 in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit")</i>
Transaction amount in money terms, thousand rubles.	<i>13,500</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>0.02</i>
Term for fulfillment of obligations under transaction	<i>26.10.2017</i>
Information on fulfillment of mentioned obligations	<i>The obligations of the Lender are fully performed.</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 extraordinary General Shareholders Meeting on September 25, 2014, minutes w/o № of 26.09.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

21	
Date of transaction	<i>31.10.2014</i>
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 11.45% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "Magnit" The Borrower: LLC "Selta"</i>
Full and short firm name (names) of the legal entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-</i>

	<i>Government Pension Fund "Magnit" (CJSC "NGPF "Magnit")</i>
Transaction amount in money terms, thousand rubles.	885,000
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, %	1.02
Term for fulfillment of obligations under transaction	27.10.2017
Information on fulfillment of mentioned obligations	<i>The obligations of the Lender are fully performed.</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 Boar of Directors on October 7, 2014, minutes w/o № of 08.10.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

22	
Date of transaction	21.11.2014
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 12% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "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 in accordance with the Russian Federation Law a related-party for the transaction	<i>Joint-Stock Company "Tander" (JSC "Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").</i>
Transaction amount in money terms, thousand rubles.	249,000
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, %	0.29
Term for fulfillment of obligations under transaction	19.11.2017
Information on fulfillment of mentioned obligations	<i>The obligations of the Lender are fully performed.</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 extraordinary General Shareholders Meeting on September 25, 2014, minutes w/o № of 26.09.2014.</i>
Other information on transaction indicated at the	<i>none</i>

issuer's discretion	
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23	
Date of transaction	03.12.2014
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 12% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "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 LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").</i>
Transaction amount in money terms, thousand rubles.	2,717,850
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, %	3.14
Term for fulfillment of obligations under transaction	01.12.2017
Information on fulfillment of mentioned obligations	<i>The Lender's obligations are fully performed.</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 extraordinary General Shareholders Meeting on September 25, 2014, minutes w/o № of 26.09.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

24	
Date of transaction	05.12.2014
Subject and essentials of transaction	<i>Provision by the Company of the guarantee under the additional agreement №10 of 19.05.2014 to the bank account agreement №0249018/RUB of October 25, 2007. The deal was effected by conclusion of additional agreement №1 of 05.12.2014 to bank account agreement № KRD/PR/039/14 of 19.05.2014.</i>
Parties of transaction	<i>The Creditor: OJSC OJSB "Rosbank" The Borrower: JSC "Tander"; The Guarantor: PJSC "Magnit",.</i>
Full and short firm name (names) of the legal	<i>Joint-Stock Company "Tander" (JSC</i>

entity or surname, name, patronymic name of a person considered in accordance with the Russian Federation Law a related-party for the transaction	<i>"Tander"); LAVRENO LIMITED; GUMOSKI ENTERPRISES LIMITED; TOMIANA INVESTMENTS LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").</i>
Transaction amount in money terms, thousand rubles.	350,000
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, %	0.40
Term for fulfillment of obligations under transaction	18.05.2015 - term of Borrower's refund of credit amount and interest
Information on fulfillment of mentioned obligations	<i>JSC "Tander" is timely and in full performing its obligations to the Creditor. There are no situations when the demand on fulfillment of outstanding obligations of JSC "Tander" 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 Board of Directors on July 9, 2014, minutes w/o № of 09.07.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

25	
Date of transaction	08.12.2014
Subject and essentials of transaction	<i>Provision by the Company of the interest-bearing loan at the rate of 12% per annum.</i>
Parties of transaction	<i>The Lender: PJSC "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 LIMITE; Closed Joint Stock Company "Non-Government Pension Fund "Magnit" (CJSC "NGPF "Magnit").</i>
Transaction amount in money terms, thousand rubles.	8,756,000
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, %	10.13
Term for fulfillment of obligations under transaction	06.12.2017

Information on fulfillment of mentioned obligations	<i>The obligations of the Lender are fully performed.</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 extraordinary General Shareholders Meeting on September 25, 2014, minutes w/o № of 26.09.2014.</i>
Other information on transaction indicated at the issuer's discretion	<i>none</i>

15. MAIN RISK FACTORS INHERENT IN THE COMPANY OPERATION

The Company's policy of the risk management

Since the Issuer and its subsidiaries operate within one group of companies, where PJSC "Magnit" serves as the holding company (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 PJSC "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, PJSC "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. PJSC "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.

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 Group 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 Issuer 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

Unfavorable 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. Oil prices decreased significantly in the second half of 2014 (from over \$110 per barrel of Brent oil as of June 30, 2014 to less than \$59 per barrel as of January 2, 2015), which affected adversely the growth rate of the Gross Domestic Product (GDP) in the Russian Federation in 2014 and which is expected to result in the fall in the GDP in 2015. Further decrease of oil prices and prices on the other mineral resources may have material negative impact on the economy of the Russian Federation due to the prevailing share of the commodities in the Gross Domestic Product. Besides, introduction and further tightening of economic sanctions against the Russian Federation by the United States of America, European Union and other countries due to the developments in Ukraine was and continues to be detrimental to the state of the economy. According to the estimates of the Ministry of Economic Development of the Russian Federation deterioration in the business environment in the Russian Federation in 2015 will result in material decrease of real wages and real disposable income of the Russian population and, consequently, in material decrease of effective demand in the state.

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 operational results of the Group and the Issuer. 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, 2014 the Group operates in 7 federal districts in 2,108 locations of the Russian Federation with the highest concentration in the Southern, North-Caucasian, Central and Volga regions. The Group plans to continue its expansion in the other regions of Russia: North-West, Urals and Siberia. Retail market of the Southern federal region, where the Issuer is registered and where its Head Office is located, as well as retail markets of the Central and Volga regions, where most of the Group's stores are located, are quite competitive regional markets in Russia and are represented by most of the large Russian players as well as by a number of foreign companies.

Russian retail is characterized by a high level of competition. The Group competes with a the 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 food 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 develop the existing stores and open new stores in good 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 delay its further growth

As of December 31, 2014 the stores operating under "Magnit" brand are located in the Southern federal region (1,876), Central federal region (2,466), Volga federal region (3,018), North-Caucasian federal region (379), North-Western federal region (870), Urals federal region (836) and Siberian federal region (248).

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 the 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 imply certain risks, including failure to carry out adequate due diligence of the acquirees' operations, their assets and/or financial position, and much higher financial risks and operational expenses than expected before acquisition. At the same time, there is a risk of impossibility of successful assimilation of operations and personnel of the acquiree, lack of introduction and integration of all necessary systems and control, 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 operational disruptions and loss of the Group's 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 operational results.

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 receive sufficient cash flows or raise sufficient capital to finance its planned expenditures, it may have to cut, slow down or cease expansion of its network.

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 management 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 meet the above challenges, it may negatively influence the operations and financial position of the Group and the Issuer.

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

Besides, there exist a risk of narrowing of the target audience in the course of time if the population income grows significantly, which may lead to the outflow of customers from "Magnit" stores. 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 disposable income will continue to grow, the Group may not be able to adjust the product mix in its stores according to the changed consumer needs, and thus may lose part of its target audience. As a result, the number of customers who shop at the Group's stores may reduce (or the growth rate of the number of customers may significantly reduce compared to the previous periods), or the size of the average ticket in "convenience" format may reduce (or its growth rate may reduce compared to the previous periods), which could detrimental to on the business of the Group, its operational results, financial position and prospects.

Risks related to real estate investments and lease of real estate

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

- a) changes in the competitive environment;
- b) changes of the attractiveness level of the real estate on the Russian market in general and on the regional markets where the real estate objects of the Company are located due to the changes of the country and regional risks;
- c) fluctuations of the demand for commercial real estate.

As a result of 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 real estate 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. If in the future due to any reason, including competition from the other companies, which are interested in the similar objects, the Group is not able to identify and lease and/or buy 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 be able to successfully identify, lease and/or purchase the appropriate real estate objects on acceptable terms.

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

It is impossible to guarantee that the Group will be able to prolong its lease contracts on acceptable terms, and even the possibility to prolong lease contracts itself upon their expiration. 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/or equip the new specially built 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. It is impossible to guarantee that the Group will be able to find sufficient number of qualified projectors which could enable the Group to construct and open new stores in due time. Failure of the Group to construct and equip new stores on the newly acquired land plots in due time may be detrimental to its ability to perform tasks, which are set in its plans of strategic development and to achieve planned operational 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 operations include obtaining of ownership rights on land plots and buildings for the purposes of the construction and/or equipping new stores. Besides, 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, the decisions made in compliance with these procedures can be contested or cancelled. 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.

According to the Russian legislation, 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, breaches in the past real estate transactions may lead to invalidation of such transactions with certain real estate objects, which may negatively influence the rights of the Group on this real estate.

It is also worth noting that, 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. Besides, 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 at any time may register or claim the existence of encumbrances (of which the Group had not been aware of) on the real estate owned or leased by the Group.

Risks related to the increase of costs

Unionization of the Group employees may have a material adverse effect on its financial position and operational 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, which in its turn may have a substantial negative impact on financial position and operational results of the Group.

Risks related to the possible fluctuations of the prices for raw materials, services used by the Issuer in its operations (separately on the internal and external markets), and their influence on the Issuer's operations 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 growth of the store opening costs or costs for the use of the premises for stores as well as the increase of the payback period for the Issuer and its subsidiaries. The growth of the purchasing prices, the growth of the store opening costs, growth of the price of the land plots (or any other real estate) and the amount of rent payment for their use, as well as the growth of employees' wages may lead to the substantial growth of the Group's expenses, and thus, seriously affect the profitability of the Issuer if the Group is not able to adequately increase the sale prices due to low purchasing power 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 Issuer (separately on the domestic and foreign markets), and their influence on the Company's activity and its fulfillment of obligations on the securities

The Issuer and the Group operate only on the Russian domestic market. The Issuer 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 product prices at "Magnit" stores may lead to the profitability decrease of the Group. Changes of the 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 on the products. The growth of the product prices may negatively affect the purchasing power of the population. Amidst inflation the growth of the product prices is more likely to happen, which causes the erosion of purchasing power of the population. Deterioration of the macroeconomic environment and the subsequent erosion of purchasing power 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 Issuer 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 is impossible to determine particular actions of the Issuer in case any of the events listed in the risk factors and described in this paragraph occur in future, because elaboration of the adequate is complicated due to uncertainties of the developments in future. 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 above risks are out of the Issuer’s control.

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

- To continue, if possible, to expanding its operations in order to reduce the cost of goods and diversify some risks through the ongoing growth of scale;
- To continue monitoring the least prospective stores and, if the measures to raise profitability of these stores are not rewarding, to close such stores expeditiously;
- 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 take additional measures to cut the costs;
- to continue attracting highly-skilled specialists as well as entering into agreements with reliable partners, counteragents and contractors, which enables further risk minimization, and
- To conduct the detailed analysis of the planned operations of the Issuer in order to reduce the cost of investments, reduce the expenses and receive higher profits.

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 region, Krasnodar. As of December 31, 2014 the Group operates in 7 federal regions in 2,108 cities and towns of the Russian Federation.

The Group does not have stores and other objects 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 decrease of demand for consumer goods.

Despite the fact that during the last few years there were positive changes in many public spheres in Russia - the economy was growing, certain political stability was achieved, Russia is still the state with the rapidly developing and changing political, economic and financial systems. Apart from economic risks, Russia is more exposed to the political and regulatory risks than the other countries with the developed market economy.

Political risks

Political instability in Russia may have a negative effect on the cost of investments in Russia as well as on share the price of the Issuer

Since 1991 Russia is undergoing the transformation from the single-party government with the centralized planned economy to the federal republic with democratic institutions and market-oriented economy. At that, Russian political system remains vulnerable to voices of complaint, including call for autonomy from certain regional and ethnical groups.

The progress of political and other reforms from 1991 was uneven. The composition of the Government of the Russian Federation, including the prime minister, was unstable on a periodic basis. For example, from March 1998 to May 2008 there were six prime-minister shifts. Vladimir Putin was elected the President of Russia in March 2000. Since that the composition of the Government in Russia has been highly stable. In March 2008 Dmitry Medvedev was elected the President of Russia, during his administration Vladimir Putin was the Prime Minister. In March 2012 Vladimir Putin was again elected the President and came to office on the 7th of May, 2012 for the six-year term. Currently Dmitry Medvedev is the Prime Minister. Although it ensured state stability, oppositional organizations were very active from the end of 2011 to the middle of 2013, mainly due to the results of the parliament and president elections. Increase of protest activity, discontent in the society and political instability are also possible. Besides, a new wave of protests may result in the growth of authoritarianism.

Future political instability may lead to deterioration of the macroeconomic situation, including flight of capital, decrease of investments and business activity. Future changes of the state policy and regulation in Russia may also lead to political instability and cessation or cancellation of political, economic and regulatory reforms, which may have significant negative impact on the cost of investments in Russia, including the share price of the Issuer, as well as economic activity of the Issuer, its financial position and development prospects.

Developing countries such as Russia pertain higher market volatility due to political conflicts. Cessation or backtracking on reforms, as well as return to political and government instability or serious acts of terrorism (which Russia is exposed to, taking into account current ethnical and religious conflicts) may lead to deterioration of the investment climate in Russia and to instability of commercial activity, which may have significant negative impact on the ability of the Issuer to raise equity or debt capital on the global markets, as well as on the economic activity, financial position, operating results and development prospects of the Issuer.

Changes in the composition of the Government of the Russian Federation, the State Duma or the change of the President shift, significant changes of the domestic policy or disagreements between the President, the Government of the Russian Federation, the Russian Parliament and influential economic groups may lead to political instability, which may have significant negative impact on the cost of investments in Russia in general and on the share price of the Issuer in particular.

Current armed conflict in the Eastern Ukraine and the reaction of the western countries on the accession of Crimea to Russia and escalation of the conflict in the Eastern Ukraine resulted in the significant deterioration of the geopolitical instability and negatively impacted the macroeconomic situation in Russia.

Significant growth of domestic instability in Ukraine starting from Autumn 2013 and the current armed conflict in the Eastern Ukraine negatively impacted the state of bilateral relations between the Russian Federation and Ukraine, as well as the relations of Russia with the western countries. On 16 March 2014 the referendum was held in Crimea, in the course of which the majority of the participating Crimean population voted for joining Russia as a federal subject.

On 17 March 2014 the parliament of Crimea declared the independence from Ukraine and formally requested that the Russian authorities admit the Crimea to the Russian Federation. The Treaty on Accession of the Republic of Crimea to Russia was signed between representatives of the Republic of Crimea, Sevastopol and the Russian Federation on 18 March 2014 to lay out terms for the immediate admission of the Republic of Crimea and Sevastopol as federal subjects of Russia and part of the Russian Federation. It was ratified by the Federal Assembly by 21 March.

Accession of Crimea to Russia caused strong negative reaction of the western countries. In particular, the United States of America and the European Union countries as well as Ukraine strongly reject to acknowledge the referendum held in Crimea and further accession of Crimea to the Russian Federation legitimate. Beginning from March 2014 the United States of America, the European Union countries and some other countries started to introduce various sanctions against a number of the Russian administrative officials, politicians, businessmen, companies and banks.

The beginning and further escalation of the Ukrainian conflict between the army and the other armed groups of Ukraine on one hand, and advocates of independency from Ukraine on the other hand, caused significant expansion and toughening of sanctions against Russia on the part of western countries starting from July 2014. In particular, the United States of America introduced the so-called sectoral sanctions against Russian state banks as well as a number of companies operating in the power generating and military sectors of economy. The most meaningful part of the sectoral sanctions for the Russian economy and financial system is the prohibition on purchase, sale, investment services and assistance in issuance or any other transactions with the securities and money market instruments with the circulation period of over 30 days if the issuer is (i) one of the five Russian state banks (Sberbank, VTB Bank, Gazprombank, Vnesheconombank or Russian Agricultural Bank), one of their subsidiaries or a person, acting on behalf of or on the instructions of these Russian state banks and their subsidiaries; (ii) one of a number of the Russian companies, which operations are primarily related to and is mainly about invention, production, sales and export of military equipment or services related to the military sector, or one of its subsidiaries or a person, acting on behalf of and on the instructions of these military companies or their subsidiaries; (iii) one of a number of the Russian companies controlled by the government or with the government stake of over 50% and the value of assets exceeding 1 trillion rubles and with the expected profit of over 50% coming from sale and transportation of crude oil and oil products (such as Gazprom Neft, Transneft and Rosneft), or one of their subsidiaries or a person, acting on behalf of and on the instructions of these companies or their subsidiaries. Similar sanctions blocking access to the western capital markets were also introduced by the European Union countries nearly against the same Russian state banks, power generating and military companies. Besides, there were sanctions introduced to prohibit export of products and technologies for military purposes, dual-use products and technologies (which may be used for both civil and military purposes), as well as products and technologies necessary for oilfield development in deep water areas, Arctic shelf and shale stratum, to Russia.

Significant escalation of geopolitical situation due to the development in the Eastern Ukraine and the introduction of the above sanctions not only restricted access to the western capital markets for banks and companies under sanctions, but also extremely complicated access to the international debt and equity capital markets for the other Russian companies and banks, which may now turn to be unable to refinance its current debt in the foreign currencies by new debt on the international capital markets. Very limited access to the international capital markets together with the significant ruble devaluation in the end of 2014 against the US dollar

and euro create a threat that at least some of those companies and banks with significant debt in the foreign currencies may be unable to settle their existing loans in the foreign currency in time, which may result in their bankruptcy and negatively impact the entire Russian economy. Besides, significant part of funds, earlier raised by the Russian banks on the international capital markets, was channeled for crediting of the Russian companies and population. The restriction of access to such relatively cheap source of financing may negatively cut volumes of crediting of the Russian companies and population by the Russian banks and significantly increase the credit rates, which may negatively impact the state of the Russian economy.

It is impossible to rule out further escalation of sanctions against Russian business and individuals in future, which may have even more negative impact on the Russian economy, financial and banking markets, and result in the increase of the capital outflow from Russia and significantly deteriorate the investment climate and business environment in Russia.

Reconsideration of reforms and the government policy with regard to certain individuals may negatively impact the business of the Group and the investment attractiveness of Russia.

In the past, including the recent past, the Russian law enforcement agencies opened criminal cases against a number of Russian companies, their officials and shareholders on a charge of tax evasion, other tax crimes and absolutely different illegal actions. On some of such investigations the accused people were sentenced to be confined and pay the understated taxes. According to the statements in the Russian press, such companies included Yukos, TNK and VimpelCom. In Autumn 2014 by the decision of the Moscow Court of Arbitration the controlling interest in Bashneft, earlier owned by AFK "Sistema", was transferred in state ownership in grounds of law violation in the course of privatization of Bashneft. AFK "Sistema" acquired Bashneft, privatized earlier, for US\$ 2 billion in 2009. In the course of judicial proceedings the chairman of the Board of Directors and the largest shareholder of AFK "Sistema" Vladimir Evtushenkov was accused of money laundering and he was temporarily placed under house arrest. Some analysts think that such actions of government agencies speak of the intention to reconsider political and economic reforms of the last two decades. However, other analysts are confident that these were one-off cases and do speak of any backtracking on major political and economic reforms.

Conflicts between federal and regional authorities and other domestic political conflicts may create unfavorable economic conditions which may negatively impact the operations 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 unclear and disputable. In this connection, 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 the Group's performance in particular, especially, taking into consideration the significant scale of the Group's operations in the Southern and North Caucasian Federal Region.

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 development in the social sphere may negatively impact the confidence in Russiaeconomy and its investment potential, and may also have negative impact on the operations of the Group and result in losses or impact the business of the Group, results of its operations, its financial position and prospects in a different way..

Economic risks

Economic instability in Russia may have negative impact on the consumer demand which may significant negative influence the business of the Issuer

In the past the Russian economy was and continues to be exposed to:

- Significant decrease of its Gross Domestic Product and the growth rates of the Gross Domestic Product;
- High inflation;
- High and rapidly growing interest rates;
- Unstable crediting conditions;
- Unstable ruble rate;
- Massive flight of capital;
- High level of government debt versus gross domestic product;
- Low diversification of economy which is relies heavily on global commodity prices;
- Sharp decline of oil prices, other energy materials and other commodities;
- Inability of the banking system to provide Russian companies with sufficient liquidity;
- Continuation of work of unprofitable enterprises due to lack of efficient bankruptcy procedures;
- High level of corruption and penetration of organized criminality in economics;
- Significant growth of unemployment and subemployment; Introduction and further escalation of various sanctions against a number of Russian companies, banks, officials, politicians and businessmen;
- Low incomes of the majority of the Russian population.

Over the past few years the Russian economy has been marked by instability of debt and equity capital markets (for example, the Russian equity market saw significant slowdown in the second half of 2008). As a result, the market regulators suspended trades on the Russian stock

exchanges, MICEX and RTS (merged in 2011 into the MOEX) many times. The Russian economy has been also marked by significant decline of foreign investments and sharp decrease of the gross domestic product in certain years. For example, in 2009 the Russian gross domestic product decreased by 7.8% in real terms.

As Russia produces and exports significant volumes of crude oil, natural gas, oil products and other mineral resources, the Russian economy is very vulnerable to the fluctuations of oil and gas prices and the other commodities, the prices on which significantly decreased in the course of the global financial crisis, started in the second half of 2008. Oil prices significantly decreased again in the second half of 2014 (from over US\$ 110 per barrel of Brent oil as of June 30, 2014 to less than US\$ 59 per barrel as of January 2, 2015), which has negative impact on the state of the Russian economy and the revenues of the Russian energy companies and the government. Further significant decrease of gas and oil prices may cause losses to the Russian economy and have significant negative impact on the activity of the Group.

Significant decrease of oil prices in the second half of 2014, introduction and further escalation of sanctions against a number of Russian companies, banks, officials, politicians and businessmen on the part of western countries and escalation of geopolitical tensions between Russia and Ukraine, as well as a number of western countries, were among key reasons which caused downgrades of long-term credit ratings of Russia by the leading international rating agencies.

On January 9, 2015 Fitch Ratings, international rating agency, downgraded long-term credit rating of Russia by one notch to “BBB-”, which is the lowest “investment” credit ratings of the agency. Sharp ruble devaluation and decline of oil prices, as well as the increase of the key rate of the Central Bank of Russia up to 17% were named the key reasons of the downgrade. Fitch has also noted that western sanctions continue to have negative impact on the Russian economy. According to the Fitch’s statement, the outlook of the Russian rating remains “negative”.

On January 26, 2015, mainly due to geopolitical tensions between Russia and Ukraine, Standard & Poor’s downgraded long-term sovereign foreign-currency rating of Russia from “BBB-” to “BB+”, i.e. from “investment” to “speculative” with negative outlook. The agency explained its decision by the weaker flexibility of the Russian monetary policy and economic growth prospects.

On February 20, 2015 Moody’s downgraded Russian sovereign credit rating by one step – from “Baa3” to “Ba1”, i.e. from “investment” to “speculative”, with negative outlook. Key reasons of the downgrade were the impact of the Ukrainian conflict and sharp fall in the oil price and ruble exchange rate. Moody’s forecasts that financial position of Russia will significantly deteriorate as a result of the budget pressure, further erosion of the country’s foreign exchange buffers and limited access to the international capital markets.

The downgrade of the Russian rating to “speculative” level may cause technical position squaring of a number of the international funds, which declarations are limited to investment in securities of not lower than “investment” category. The downgrade of the credit rating to “speculative” level may also negative impact the ruble exchange rate.

Russia being the country with the developing economy is highly exposed to further external shocks. Developments in economy and in the financial market of one of the large countries of the region, sometimes lead to the situation when the international investors lose their interest to the entire region or the class of investments – this is called “chain reaction”. In the past Russia already suffered from similar chain reaction, and it is possible that the Russian investment market, including the share price of the Issuer, will correspondingly suffer in future due to negative economic and financial developments in the other countries. Economic

instability or the future economic crisis may explode the confidence of investors in the Russian markets and in the ability of the Russian companies to attract capital on the global markets, which in its turn, may have significant negative impact on the Russian economy. Deterioration of the economic situation may, in its turn, result in the significant decrease of the consumer demand in the country, which may negatively impact the operating results, financial position and development prospects of the Group and the Issuer.

Russian physical infrastructure is in poor condition, which may cause damage to the regular operating activity, while the efforts of the Government of the Russian Federation on improvement of the national infrastructure may result in the additional costs for the Group.

Most of the Russian physical infrastructure was established in the soviet period and during many years it was not duly financed and maintained. In certain regions roads, manufacturing, electric power delivery, communication systems and stock of buildings are in the very poor condition.

Roads in Russia are of the poor quality, some of them do not meet the minimal requirements in usability and safety, which complicates the in-time delivery of products to the Group's stores, taken into account the distance of deliveries. Further deterioration of the Russian physical infrastructure may cause damage to the national economy, disrupt the product deliveries, increase business costs and disrupt the operations.

In an effort to improve national infrastructure the Government of the Russian Federation is reorganizing the national systems of power supply and telecommunications. Such reorganization may result in the increase of fees and penalties but not bring the desired improvements of infrastructure. Besides, the reorganization may be slowed down or suspended in case of long-term economic slump, which is likely to result in further deterioration of the Russian infrastructure.

Social risks:

Social instability may lead to the extension of support of recovery of statism and the growth of nationalism and violation

Social instability may lead to the extension of support of recovery of statism, to the growth of nationalism and violation, which may have significant negative impact on the ability of the Issuer to do 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. If any of these results of the growth of social instability materialize, the operations of the Issuer may be limited and the profitability of the Group may decrease.

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, organized crime and corruption remain significant problems for the companies operating in Russia. Besides, 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.

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 political, economic and social risks are out of the Issuer's control due to their global scale. The companies which are included in 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 in Russia or in the certain region, which will negatively impact the operations and the revenues of the Group, , the Issuer assumes that the Group will undertake a number of measures in order to mobilize business and minimize negative impact of the unfavorable political and economic situation in the country and/or region on the business of the main companies of the Group.

It is impossible to determine the specific measures of the Group in case some of the above events occur in future, as the elaboration of the adequate and relevant measures is complicated by the uncertainty of the future developments. The parameters of the applied measure will depend on the specific situation in each case. The Issuer cannot guarantee that the activities taken to overcome negative fluctuations will lead to considerable change in the situation as most of the above risks hereof are out of the Issuer's control.

However, in case of negative impact of the country and regional changes on the Group's operations, the Issuer plans to take the following measures to maintain the profitability of the Group's operations:

- if possible, to save fixed assets until the situation improves;
- to undertake measures aimed at sustainment of the Group's employees and on their productivity;
- to introduce adequate changes to the pricing policy to maintain the demand on the products on the proper level;
- to take additional measures on cost saving, including measures to reduce purchasing prices and to limit wage expense;
- to revise the capital expenditure program. .

In order to minimize the risks related to the force majeure circumstances (military conflicts, riots, natural disasters, state of emergency) the Issuer 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 expand its operations in different regions of Russia in order to diversify risks.

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

The Issuer is a registered taxpayer and conducts key activity in the Southern Federal Region. 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 companies may be destroyed and bear material losses in case of military conflict. Besides, there is a risk that such companies might be nationalized in case of a sharp change of policy course. 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 above the 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 general 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.

The 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.

According to the Ministry of Emerging Situations of Russia, terrorism is one of the most real threats to the stable social and economic development of the country as well as to an improvement of the living standards of population and strengthening of the national security of the Russian Federation. The danger of the acts of terror still exists on the entire territory of the Group's operations, especially in the North Caucasus and the Southern Federal Regions, as well as in the larger cities of Russia.

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.

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 or any other location

Ecological risks:

Accidents at the environmentally hazardous industrial facilities of the Russian Federation and environmental pollution may negatively impact the Group's operations

In respect of all 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

Risks related to the changes of the interest rates, foreign currency exchange rates associated with the Company's operation or hedging carried out by the Company to reduce adverse impact 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 operational results of the companies of the Group.

The Group does not export its products, 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, operational results, etc. to the foreign exchange movements (currency risks)

Over the last twenty years Russia faced considerable fluctuations of the exchange rate of the 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 ruble value at the moment of acquisition.

The Group does not export its products, 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 the Russian counterparts. Thus, the rise of such risk may have an adverse 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 ruble devaluation may have a substantial negative effect on the country's 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/or 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

The Company faces inflation risks which may have an adverse 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 negatively 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 other goods sold by the Company and its subsidiaries, and as a result negatively influence the competitiveness of the Group.

If the exchange rate of the 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. Due to competitive pressure or legal restrictions the Group may not be able to properly increase its prices in order to retain its profit rate and, moreover, to 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 and prospective measures of the Company to reduce the risk

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 related to the dependence on the Russian banks

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

The Russian bank and other financial systems are not properly developed and regulated, and the Russian legislation related to banks and bank accounts may be interpreted ambiguously and is applied inconsistently. Nowadays there are a limited number of creditworthy Russian banks (most part of which have their headquarters in Moscow) that are able to provide services to a company similar in size of the Issuer. 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.

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"), joint-stock company "ALFA-BANK" (JSC "ALFA-BANK"), open joint-stock company VTB Bank (OJSC "VTB Bank"), "Gazprombank" (joint-stock company) and joint-stock company "ROSBANK". Bankruptcy of one or several of the specified

banks may negatively affect the Group's business. Moreover, the lingering and severe bank crisis or bankruptcy of those banks with which the Group keeps its funds may lead to inaccessibility to the cash assets for several days or even to the loss of all Group's deposits in such banks, which may have substantial negative effect on the Group's business activity, operational 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", which introduced the 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 to 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 the Russian taxation authorities and arbitration courts are free to interpret the applicable regulations. Therefore, 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 due to application in a party related transaction of the price not corresponding to financial terms of transactions between unaffiliated persons. The amount of these penalties is 20% of the unpaid tax until 2016 and 40% of the unpaid tax but not less than 30 thousand rubles from 2017. The penalties have been applied since January 1, 2014.

Financial report statements of the Company mostly subject to changes under the foregoing financial risks (including risks, probability of their occurrence and nature of changes in reports)

The Group's expenses and profit are mostly exposed to the influence of the foregoing financial risks. In case of unfavorable change of the situation upon realization of one or several risks, the expenses will be the first to grow and will entail profit reduction correspondingly

In case of substantial inflation growth and/or significant ruble devaluation and therefore the expenses growth, the Group may increase the prices on the products for sale.

Moreover, in case of significant ruble devaluation and growth of inflation and/or interest rates the Group plans to take the following measures:

- revision of the financing structure;
- additional measures to reduce costs;
- revision of the programs of capital investments and loans; and

- increase the receivables turnover.
At the moment hedging of the foregoing risks is not carried out.

The Group is also exposed to 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. Realization of such risk 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 Group's 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. Thus, the part of increase of the Group's expenses will be compensated by the increase of the product prices. Such inflation will also lead to devaluation of the real cost of 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.
Liquidity risk (risk of undue 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 reduce their negative impact on their operation. 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 and the Group are 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 and 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, and 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" and the Civil Code of the Russian Federation (in the wording of the Federal law №315-FZ of October 22, 2014) entitle the shareholder (shareholders) to file a claim against (i) an individual authorized to act on behalf of the joint-stock company under the law, other legal act or constituent document of this joint-stock company, (ii) members of collective bodies of the joint-stock company and (iii) individuals who are actually able to determine actions of the joint-stock company, who caused damage to the joint-stock company by their activity (or inactivity) and who acted unscrupulously and irrationally during the performance of their duties, 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 of the Russian Federation 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 shareholders, the owner of the property of the legal entity or other persons who are entitled to give instructions, which are mandatory for this legal entity, or otherwise determine its actions, subsidiary liability for the obligations of the legal entity may rest 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 PJSC "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 the subsidiaries may have significant negative effect on the financial position of 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 (exclusion

of securities from the list of securities admitted to trading at the stock exchange) 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 functioning 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, content and period of economic and political reforms, rapid development of the Russian legal system, which is not always consistent with the directions for the development of the market relations, are 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 with the interested participants, whose activity is related to the legal system and/or with the law enforcement practice, or in the society in general and do not contain any adequate transitional provisions, which creates serious complexities in their application. Defects 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. The following 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 levy legislation related to the increase of the tax rates; and
- Introduction of new taxes.

These amendments, if they are significant, as well as other significant 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; and
- 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. Different ministries and authorities often have different interpretations of the 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 is aimed at complying 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, operational results and financial position of the Company and the Group. 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 risks related to 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.

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

Today, the Russian legislation on dividend payment sets 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 in Russia 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 prospects of this market remain 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 amendments to 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 is aimed at complying with the requirements of the customs control, processing of 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 rights of use of objects which are limited in the turnover (including natural resources)

The primary activity of the Company is coordination of operations of the companies of the Group, lease of property and retail which is 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

Company-specific risks

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 drinks is subject to licensing which relates to 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 parties' debts including the subsidiaries of PJSC "Magnit"

The Issuer provided the security in the form of the guarantee for the purpose of obtaining of credits by JSC "Tander" (the main operating company of the Group which controls the trading division and is the center of profit consolidation of the Group). The Issuer is 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 41,951,790,460.27 thousand rubles as of December 31, 2014.

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 occurrence in future, which may negatively affect the ability of JSC "Tander" to fulfill its obligations properly, which in turn 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 PJSC "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 exercises 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

The 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 operational 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.

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 in regions with the maximum concentration of existing stores (in the Southern, North-Caucasian, Central and Volga regions) and 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 the chain 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 operational 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 expansion in new regions 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 appropriate for each region and establish the effective 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 managed to achieve in the past. Due to the increase of the competition in retail sector, the effectiveness of the Group's marketing campaign may considerably decrease in the future which will reduce the amount of its customers and consequently reduce the sales turnover. Moreover, 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 plans to carry out the independent construction/acquisition of premises and purchase the equipment for the stores more actively than before, 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 retail chain expansion rates against the scheduled strategy and result in the loss of the Group's market share in favor of competitors;

-Competition level in some regions at the moment of the store openings by the Group may prove to be extremely high for Group to enter the markets of these regions, which will not allow to achieve the expected profitability level; and

- Within the economic slowdown on the regional markets, the retail chain expansion on new territories 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 and 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, effectiveness of operational performance of the Group as well as its ability to collect, process and provide in time adequate data to adopt accurate management decisions depend on the efficient 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 in the future there will be no serious systemic failures resulting in interruption of functioning of the network or significantly slowing its functioning. The blackout in computer network or system failures resulting in interruption of functioning of the network or significantly slowing its functioning may lead to the sudden interruptions of customers service, failures in the stock registration system, degradation of the customer service quality and damage to the goodwill of the Company and the Group, 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 successfully protect its rights for the intellectual property or successfully prove that it shall not be liable for it or forfeit any rights for the intellectual property due to claims from the third parties for the intellectual property, supposedly caused 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, trademarks 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 problems of using 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 Company’s plans to increase the sales of the products under “Magnit” brand and the development of new brands

The expansion strategy of the Group presupposes the growth of sales of the products under “Magnit” brand (“for “Magnit” stores”). As of December 31, 2014 the sales share of the products under “Magnit” brand amounted to 10.9%. However it should be noted that together with the increasing number of hypermarkets, the sales share of “private label” represented by 605 items in all formats may reduce as the total assortment of a hypermarket amounts to more than 15,000 SKUs on average, while the product mix of a convenience store amounts to about than 3,500.

Moreover, 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 forced interruption of activity, damages to the Group’s property or responsibility to the third parties

The Group does not apply insurance for the forced 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 centers, 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, in case of occurrence of any of such uninsured risks they 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 operational results, financial position and prospects.

16. REPORT ON THE COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

Owing to the highly effective and constantly evolving corporate governance system, PJSC “Magnit” is able to keep the rational balance of interests of the Company as both an enterprise entity and a joint stock company and liaise between the shareholders and the company management team basing on trust, standards of business relations and ethical norms, which clearly demonstrates the high level of the Company’s existing business reputation.

Although the Company did not formally approve the Corporate Governance Code or another similar document, PJSC “Magnit” strives to form its own corporate governance model complying with the best practices and standards.

PJSC “Magnit” fully meets the requirements of securities laws, company laws and statutory enactments of the Bank of Russia.

Hereby PJSC “Magnit” informs its shareholders that on March 21, 2014 the Board of Directors of the Bank of Russia approved a new Corporate Governance Code which is recommended for the public joint stock companies.

PJSC “Magnit” plans to extensively apply the provisions of the new Corporate Governance Code to enhance the attractiveness of the Company for existing and potential investors.

Board of Directors of PJSC “Magnit”

PJSC “MAGNIT” CORPORATE GOVERNANCE AND CONTROL STRUCTURE

The General Shareholders Meeting is the supreme management body of the Company. The Board of Directors, elected by the shareholders and accountable to them, provides strategic management and oversight of the work of the executive bodies, namely the Chief Executive Officer, the Chairman of the Management Board and the Management Board.

The executive bodies effect the current management of the Company and carry out the tasks entrusted to them by the shareholders and the Board of Directors.

The Company has built an effective system of the corporate governance and internal control over financial and economic activity to protect the shareholders’ rights and legitimate interests.

The Board of Directors oversees the Audit Committee which, in conjunction with the Internal Audit Department, helps the management bodies ensure the Company’s effective operation. The Revision Commission monitors the Company’s compliance with the regulations and the legality of its operations.

To inspect and verify the Company’s financial statements PJSC “Magnit” outsources the external auditor with no property interest related to the Company or its shareholders.

The HR and Remuneration Committee, which is a part of the Board of Directors, provides the recommendations on the key appointments and incentives of the members of the Board of Directors, executive and controlling bodies.

The Company timely and in full discloses reliable information, including details of its financial position, economic performance and ownership structure, thereby giving shareholders and investors the opportunity to make valid decisions.

The information is disclosed in compliance with the Russian legislation and the requirements of the UK financial regulator, the Federal Conduct Authority (FCA). The Company also has its own Regulations on the access to insider information, the PJSC “Magnit” Rules of protection of confidential and insider information and control over compliance with the legislative requirements against the misuse of insider information and market abuse.

PJSC “MAGNIT” GENERAL SHAREHOLDERS MEETING

The Company’s shareholders participate in the management of the Company by making decisions at the General Shareholders Meeting. Shareholders may considerably influence the business by means of voting, specifically, the powers of the General Shareholders Meeting include approval of the annual report and accounting statements, profit allocation, including the dividend payment, election of the Company’s core management and control bodies, approval of major and related-party transactions, and some other important issues.

The procedure of holding of the General Shareholders Meeting is aimed at observance of the shareholders’ rights and meets all requirements of the Russian legislation, as well as the UK financial regulator, the Federal Conduct Authority (FCA).

PJSC “MAGNIT” BOARD OF DIRECTORS

The Company’s Board of Directors is a core element of the PJSC “Magnit” corporate governance system.

The Board of Directors represents the shareholders' interests and is responsible for the increase of the business value by organizing the efficient management.

The Board of Directors of the Company carries out overall management of the Company's activities in compliance with the provisions of the Company's Charter, Regulations on the Board of Directors of PJSC "Magnit" and the requirements of the legislation of the Russian Federation.

The main goals of the Board of Directors are the following:

- to achieve the maximum profit amount and increase the Company's assets;
- to protect the rights and legitimate interests of the Company's shareholders;
- to monitor the executive bodies' activity;
- to ensure that the Company's public information is complete, accurate and objective.

Members of the Company's Board of Directors are elected by the General Shareholders Meeting for a term lasting until the next annual General Shareholders Meeting. The members of the Board of Directors are elected by the cumulative voting.

Decisions of the Company's Board of Directors are approved by the majority of the Board of Directors members participating in the meeting, unless otherwise is stipulated by the Charter or the Company's internal documents and the legislation.

Every member of the Board of Directors has one vote while making the decisions at the Board of Directors meeting.

Meetings of the Board of Directors are held on a regular basis.

The Chairman of the Board of Directors calls a meeting on his own initiative or at the request of the Board of Directors' member, the Revision Commission or the Auditor of the Company, the Chief Executive Officer of the Company and at the request of other persons specified by the Federal Law "On Joint Stock Companies" and the Company's Charter.

The Chairman of the Company's Board of Directors organizes and manages the Board of Directors work.

In accordance with the best corporate governance practices the Board of Directors comprises 3 (Three) independent directors. The Company uses recommendations of the Corporate Governance Code and other acknowledged native and foreign criteria for specification of the Board of Directors' member independence criteria.

The Board of Directors has two specialized committees:

- Audit Committee;
- HR and Remuneration Committee.

The committees work in compliance with the Regulations on Committees of the Board of Directors of PJSC "Magnit".

The members of PJSC "Magnit" Board of Directors, information on the meetings of PJSC "Magnit" Board of Directors in 2014, report of the PJSC "Magnit" Board of Directors and other information are represented in the previous sections of the present PJSC "Magnit" Annual report.

PJSC "MAGNIT" MANAGEMENT BOARD

The Management Board is the collective executive body of PJSC "Magnit" which together with the Chief Executive Officer (Chairman of the Management Board) manage current operations. The Management Board reports to the General Shareholders Meeting and the Board of Directors.

The Management Board acts in compliance with the Russian legislation, the Charter and the Regulations on the Management Board, which has been approved by the General Shareholders Meeting.

The Board of Directors determines the personal composition of the Management Board, elects and early terminates the powers of its members every year at the first BOD meeting held after the annual General Shareholders Meeting.

The Chief Executive Officer forms a part of the Management Board and presides as the Chairman of the Management Board. The powers of the Chairman of the Management Board terminate with the powers of a Chief Executive Officer of the Company.

The Management Board is responsible for the Company's current operations except for the issues referred to the competence of the General Shareholders Meeting and the Board of Directors, and implements the decisions adopted by these bodies. More detailed information on the powers of the Management Board is provided in the Charter of the Company and in the Regulations on the Management Board of PJSC "Magnit".

THE CHIEF EXECUTIVE OFFICER – THE CHAIRMAN OF THE MANAGEMENT BOARD OF PJSC "MAGNIT"

In accordance with the PJSC "Magnit" Charter, the Chief Executive Officer of the Company has the full authority to manage the Company's current operations and resolve the relevant issues not referred to the competence of the General Shareholders Meeting, Board of Directors and Management Board of the Company.

The Chief Executive Officer of the Company manages the Company's operations in accordance with the provisions of the Company's Charter, the requirements of the legislation of the Russian Federation and with the internal documents of the Company.

BODIES SUPERVISING FINANCIAL AND ECONOMIC ACTIVITY OF PJSC "MAGNIT"

Internal control and audit of the Group is an essential part of the corporate governance and one of the most important factors of effective work of the Company. The internal control and audit bodies ensure the sustainability of PJSC "Magnit" development and protect the shareholders and investors' interests, thus increasing the investment attractiveness of the Company.

Internal control and audit comply with the best world practices and meet the requirements of the Russian legislation.

The bodies supervising financial and economic activity of PJSC "Magnit" have the following structure:

- Revision Commission of PJSC "Magnit";
- Audit Committee of the PJSC "Magnit" Board of Directors;
- Internal Audit Department;
- External Auditor.

REVISION COMMISSION OF PJSC "MAGNIT"

The Revision Commission of the Company verifies the Company's compliance with the applicable legislation and other statutory acts that regulate its activity and the legality of the Company's operations. The Revision Commission is elected at the annual General Shareholders

Meeting of PJSC “Magnit” and consists of 3 (Three) members. The General Shareholders Meeting determines its personal composition for the period until the next annual General Shareholders Meeting.

On May 29, 2014 at the annual General Shareholders Meeting the following candidates were elected to the Revision Commission:

1. Roman Efimenko;
2. Anzhela Udovichenko;
3. Denis Fedotov.

AUDIT COMMITTEE OF PJSC “MAGNIT” BOARD OF DIRECTORS

The Audit Committee was established in accordance with the Regulations on the committees of PJSC “Magnit” Board of Directors.

The committee is established by the decision of the Board of Directors which determines its quantitative and personal composition and elects the Chairman of the Committee.

The Committee consists of 3 (Three) members.

The Committee members are elected for the term until the termination of the BOD’s powers.

The exclusive powers of the audit committee are as follows:

- to examine the consolidated financial statements and accounting (financial) statements of the Company, the procedure of its preparation by the Company’s executive bodies and the conduct of the audit;
- to evaluate candidates to the auditor of the Company and its subsidiaries and affiliates, prepare recommendations to the Board of Directors regarding the choice of the Company’s auditor and its subsidiaries and affiliates;
- to elaborate the draft contracts to be concluded with the auditors of the Company, as well as to prepare recommendations to the Board of Directors regarding the maximum payment amount for the services of the auditor;
- to discuss a plan and quantity of work on the audit of financial statements of the Company with the external auditor;
- to supervise the quantity and the results of the audit procedures (including preparation of the audit report evaluation) and their financial effectiveness, as well as evaluation of the auditor’s objectivity level;
- to examine any material disagreements between the auditors, revision commission and the management of the Company, concerning its financial statements;
- to examine jointly with the external auditor the results of annual and interim audits of the Company and its subsidiaries and affiliates (including management response following the results of these audits) before submission of the specified issues for consideration to the Board of Directors;
- to examine financial statements of the Company and any other published financial information before its submission for consideration to the Board of Directors and before its publication;
- to analyze the Company’s annual report before its submission for consideration to the Board of Directors for preliminary approval;
- to prepare recommendations on the probable preliminary approval of the annual report by the Board of Directors;

- to prepare the evaluation of the report of the Company's auditor for its further submission to the shareholders as the material for the annual General Shareholders Meeting;
- to evaluate the effectiveness of the system, the procedure of internal control over financial and operational activity and risk management system of the Company and prepare recommendations on their improvement;
- to analyze the results of the audit of the Company, its subsidiaries and affiliates;
- to analyze the essential changes in the legislation that affect the financial statements of the Company, as well as the results of the Company's inspection by any supervisory authorities;
- to cooperate with the Revision Commission and the auditors of the Company;
- to analyze the management system of the risks arising in the process of financial and operational activity of the Company and prepare recommendations on the system's improvement;
- to approve the procedures of the "hot line" which can be used by the Company's employees to confidentially and anonymously report the information on the alleged violations and abuses in accounting statements, audit, financial reports, as well as to approve the procedure of processing and reaction on the specified reports;
- to prepare recommendations to the major and related party transactions which the Company plans to execute in future;
- to prepare the recommendations on approval of financial and economic activity exceeding the limits of the Company's annual budget;
- to evaluate the effectiveness of the procedures on the Company's compliance with the legislation of the Russian Federation.

On June 25, 2013 the meeting of the Board of Directors made the decision to elect the following 3 (Three) candidates to the audit committee of the PJSC "Magnit" Board of Directors: Alexander Zayonts, Alexey Makhnev and Aslan Shkhachemukov.

On June 3, 2014 the meeting of the Board of Directors made the decision to elect the following 3 (Three) candidates to the audit committee of the PJSC "Magnit" Board of Directors: Alexander Zayonts, Alexey Makhnev and Alexey Pshenichniy.

INTERNAL AUDIT DEPARTMENT OF PJSC "MAGNIT"

In accordance with the Regulations on the internal audit of financial and operational activities of PJSC "Magnit" the Internal Audit Department was established in the Company.

The department was established to perform the following functions:

- evaluation and improvement of risk management, control and corporate governance processes;
- control over the key areas of the financial and operational activity of the Company and analysis of the results;
- control over observing of financial discipline in the Company and over implementation of decisions made by the management bodies and officials of the Company;
- provision of reasonable assurance in the fair presentation of the financial statements of the Company and in compliance with procedures of its preparation

as well as compliance with the requirements of accounting record-keeping in the Company;

- control over the execution of the Company's budget and its business units;
- control over the compliance of the agreements between the Company and third parties with the financial and operational interests of the Company;
- control over the compliance of the internal documents and draft decisions of the Company's management bodies with the financial and operational interests of the Company;
- evaluation of the reliability of information and efficiency of resources use;
- evaluation of compliance with law;
- control over the compliance with the procedures of internal control over the financial and operational activity of the Company.

INDEPENDENT AUDITOR

Ernst & Young LLC (Taxpayer Id. Number 7709383532), registered in the Russian Federation at 77 Sadovnicheskaya embankment, building 1, Moscow, was approved as the auditor of the consolidated financial statements of the Company prepared in accordance with the International Financial Reporting Standards by the annual General Shareholders Meeting on May 29, 2014. Ernst & Young LLC is a member of the self-regulated organization Non-commercial partnership "Audit Chamber of Russia" (Certificate № 3028 as of December 28, 2009, the Decision of the Council of self-regulated organization Non-commercial partnership "Audit Chamber of Russia" as of December 21, 2009, Principal Number of Registration Entry 10201017420) and is one of the global leaders in the audit services.

Ernst & Young LLC is part of Ernst & Young Global Limited.

Ernst & Young Global Limited received worldwide recognition and was awarded many times for the high quality of services and unique corporate culture.

In the reporting year the auditor conducted the audit of the consolidated financial statements of PJSC "Magnit" and its subsidiaries in accordance with the IFRS for the year ended December 31, 2014.

Following the results of the conducted audit, the auditor of PJSC "Magnit" expressed an opinion on the fair presentation of the consolidated financial statements prepared in accordance with the IFRS.

Audit Firm Faber Leks LLC, located at 144/2 Krasnykh Partisan street, Krasnodar, was approved as the auditor of the accounting (financial) statement of the Company for 2014 prepared in accordance with the Russian Accounting Standards by the annual General Shareholders Meetings on May 29, 2014.

Faber Leks LLC is a member of the Moscow Chamber of Audit and was included in the register of auditors and audit organizations of the self-regulated organization of auditors on November 26, 2009 with the main registration number (Principal Number of Registration Entry) of 10203002910.

Following the results of the conducted audit, the auditor of PJSC "Magnit" expressed an opinion on the fair presentation of the financial position of the Company in all respects in the accounting (financial) statements.

**INFORMATION ON THE COMPLIANCE WITH THE PRINCIPLES AND
RECOMMENDATIONS OF CORPORATE GOVERNANCE CODE**

<i>Principles of corporate governance (criteria of evaluation of the compliance with principles of corporate governance)</i>		<i>Complied / not complied</i>	
1.1. The company shall ensure equitable and fair treatment of all its shareholders at the exercise of their rights to participate in the management of the company.		Complied	
Criteria	1.1.1. It is recommended to the company to provide its shareholders with most favorable opportunities to participate in the general meeting and conditions to develop legitimate position on its agenda issues, to coordinate their actions, as well as the opportunity to express their opinions on the discussed issues.	2	
	1.1.2. Procedures for notification of the general meeting and provision of materials for it shall enable the shareholders to properly prepare for participation therein.	2	
	1.1.3. During the preparation for and holding of the general meeting, the shareholders shall be able to receive information about the meeting and its materials without hindrance and delay, to put questions to the company's executive bodies and members of the Board of Directors, to communicate with each other.	1	During the preparation for and holding of the general shareholders meetings the Company fully complies with the requirements of the legislation and acts of the Bank of Russia. Recommendations on provision of shareholders with the additional materials recommended by the Corporate Governance Code is partially complied with by the Company. The issue of providing of other documents is being considered.
	1.1.4. Realization of shareholders' rights to demand the holding of the general meeting, to nominate candidates to the company's governing bodies and to make proposals on its agenda shall not be associated with unjustified complexities.	1	Possible extension of the term of making proposals on the agenda items of annual General Shareholders Meeting is not excluded.

	1.1.5. Every shareholder shall be able to exercise their right to vote in a free, simplest and most convenient way.	2	Currently there is no technical ability to fill voting ballots on-line.
	1.1.6. Procedure of holding a general meeting established by the company shall provide an equal opportunity to all shareholders present at the general meeting to express their opinions and ask questions interesting for them.	2	Currently there is no technical ability to provide shareholders with a remote access to the General Shareholders Meeting.
1.2. Shareholders shall have equal and fair opportunity to participate in the profits of the company by means of receiving dividends.		Complied	
Criteria	1.2.1. The Company shall develop and introduce a transparent and clear mechanism to determine the amount of dividends and their payment.	2	The Company does not establish the procedure of determination of minimum share of consolidated profit allocated for dividends.
	1.2.2. It is not recommended to the Company to make a decision on the payment of dividends, if such decision, without formally breaking restrictions established by legislation, is economically unjustified and might lead to the formation of false assumptions about the company's activity.	2	
	1.2.3. The Company shall not allow deterioration of dividend rights of its existing shareholders.	2	
	1.2.4. The Company shall be determined to exclude the shareholders' use of other ways of obtaining the profit or gain at the company's expense other than dividends and liquidation value.	2	
1.3. The system and practice of corporate governance shall ensure equal terms and conditions for all shareholders owning shares of the same category (type), including minority and foreign shareholders as well as their equal treatment by the Company.		Complied	
Criteria	1.3.1. The Company shall create conditions which would enable management bodies and controlling bodies of the Company to treat every shareholder fairly, in particular, which would exclude the possibility of any abuse of minority shareholders by major shareholders.	2	

	1.3.2. The Company shall not perform any acts which will or might result in artificial reallocation of corporate control therein.	2	
	1.4. The shareholders shall be provided with reliable and efficient means of recording their rights for shares as well as with the opportunity of free and non-onerous disposal of owned shares.	Complied	
	2.1. The Board of Directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the Company, control the activity of the Company's executive bodies, and perform other key functions.	Complied	
Criteria	2.1.1. The Board of Directors shall be responsible for making decisions related to appointment and removal of executive bodies, including due to their failure to properly perform their duties. The Board of Directors shall also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	2	
	2.1.2. The Board of Directors shall establish basic long-term targets of the Company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal types of activities.	2	
	2.1.3. The Board of Directors shall determine principles of and approaches to creation of the risk management and internal control system in the Company,	1	The Company is considering the issue of approval of risk management policy.
	2.1.4. The Board of Directors shall determine the Company's policy on remuneration and (or) reimbursement of expenses incurred by members of the Company's Board of Directors, executive bodies and other key managers.	2	
	2.1.5. The Board of Directors shall play a key role in prevention, detection and resolution of internal conflicts between the Company's bodies, shareholders and employees.	2	

	2.1.6. The Board of Directors shall play a key role in procuring that the Company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	2	
	2.1.7. The Board of Directors shall control the Company's corporate governance practices and play a key role in its material corporate events.	2	
2.2. The Board of Directors shall be accountable to the Company's shareholders.		Complied	
Criteria	2.2.1. Information on the Board of Directors' work shall be disclosed and provided to the shareholders.	1	The Company doesn't disclose information on the BOD committees' meetings and results of evaluation of work of the management bodies
	2.2.2. The Chairman of the Board of Directors shall be available to communicate with the Company's shareholders.	2	
2.3. The Board of Directors shall be an efficient and professional governing body of the Company which is able to make objective and independent judgments and make decisions in the best interests of the Company and its shareholders.		Complied	
Criteria	2.3.1. It is recommended to the members of the Board of Directors to elect a person with impeccable business and personal reputation, as well as knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the Board of Directors and to perform its functions efficiently.	2	
	2.3.2. The Board of Directors members shall be elected pursuant to a transparent procedure enabling the shareholders to obtain information about candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	2	
	2.3.3. The composition of the Board of Directors shall be balanced, in particular, in terms of qualifications, expertise and business skills of its members. The Board of Directors shall have credibility of the shareholders.	2	

	2.3.4. The membership of the Board of Directors of the Company shall enable the board to organize its activities in a most efficient way, in particular, to create committees of the Board of Directors, as well as enable substantial minority shareholders of the Company to elect a candidate to the Board of Directors for whom they would vote.	2	
2.4. The Board of Directors shall include a sufficient number of independent directors.		Complied	
Criteria	2.4.1. It is recommended that an independent director shall be a person who has enough competence, experience and is sufficiently able to have his/her own position and make objective and conscientious judgments, which are not subject to the influence of the Company's executive bodies, individual groups of shareholders or other interested parties. It should be noted that normally a candidate (an elected member of the Board of Directors) may not be deemed to be independent, if he/she is associated with the Company, its substantial shareholder, essential partner or competitor, or the government.	2	
	2.4.2. It is recommended to evaluate the compliance of the candidates nominated to the Board of Directors with the independence criteria as well as to conduct a regular analysis of the compliance of independent Board of Directors members with the independence criteria. In the process of evaluation, the substance should prevail over the form.	2	
	2.4.3. It is recommended that independent directors shall amount to at least one-third of all members elected to the Board of Directors.	2	
	2.4.4. Independent directors shall play a key role in prevention of internal conflicts in the Company and in performance of essential corporate actions.	2	
2.5. The chairman of the Board of Directors shall contribute to the most efficient performance of the functions imposed on the		Complied	

Board of Directors.				
Criteria	2.5.1. It is recommended to elect an independent director to the position of the Chairman of the Board of Directors or identify the senior independent director among the Company's independent directors who coordinates work of the independent directors and cooperates with the Chairman of the Board of Directors.	1	All the directors (including independent) have equal free and easy access to the Chairman of the Board of Directors for exercise of their rights and duties and achievement of goals set before them.	
	2.5.2. The Chairman of the Board of Directors shall provide the constructive atmosphere of the meetings, free discussion of the agenda items and control over fulfillment of decisions made by the Board of Directors.	2		
	2.5.3. The Chairman of the Board of Directors shall use reasonable efforts for the timely provision of information to the Board of Directors members required to make decisions on agenda items.	2		
2.6. Board of Directors members shall act reasonably and in good faith in the best interests of the Company and its shareholders, being sufficiently informed, with due care and diligence.		Complied		
Criteria	2.6.1. Acting reasonably and in good faith means that the Board of Directors members shall make decisions considering all available information, in the absence of a conflict of interest, in consideration of equal treatment of the Company's shareholders, and assuming normal business risks.	2		
	2.6.2. Rights and duties of the Board of Directors members shall be clearly stated and stipulated in the Company's internal documents.	2		
	2.6.3. Board of Directors members shall have sufficient time to perform their duties.	2		

	2.6.4. All Board of Directors members shall have an equal opportunity to access the Company's documents and information. Newly elected Board of Directors members shall be provided with sufficient information about the Company and work of its Board of Directors as soon as possible.	2	
2.7. Meetings of the Board of Directors, preparation for them, and participation of the Board of Directors members therein shall ensure efficient work of the Board of Directors.		Complied	
Criteria	2.7.1. It is recommended to hold meetings of the Board of Directors as needed, taking into account the range of activities and its current goals.	2	
	2.7.2. It is recommended to develop a procedure for preparing for and holding meetings of the Board of Directors and set it out in the Company's internal documents. The above procedure shall enable the shareholders to prepare properly for such meetings.	2	
	2.7.3. The form of a meeting of the Board of Directors shall be determined in accordance with the importance of the agenda items. Most important items shall be decided at the meetings held by personal attendance.	2	
	2.7.4. Decisions on most important issues relating to the Company's business shall be made at a meeting of the Board of Directors by a qualified majority or by majority votes of all elected Board of Directors members.	0	In respect of provisions of the Charter of the Company and the legislation on Joint Stock Companies the decisions at the BOD's meetings are made by a majority vote of the BOD members taking part in the meeting, except as permitted by applicable law.
2.8. The Board of Directors shall form committees for preliminary consideration of most important issues of the Company's business.		Complied	
Criteria	2.8.1. For the purpose of preliminary examination of the issues of control over the Company's financial and business activities, it is recommended to form an	2	

	Audit Committee comprised of independent directors.		
	2.8.2. For the purpose of preliminary examination of the issues of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who shall not concurrently hold the position of the Board of Directors Chairman.	2	
	2.8.3. For the purpose of preliminary examination of the issues relating to human resources planning (making plans regarding succession of directors), professional composition and efficiency of the Board of Directors, it is recommended to form a nominating committee (a committee on appointments and human resources), which majority members shall be independent directors.	2	
	2.8.4. Due to the scope of activities and levels of related risks, it is recommended that the Company shall form other committees of its Board of Directors, (in particular, a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.).	0	Due to the scope of activities and levels of related risks, the current number of members of the Board of Directors committees is sufficient for the efficient performance of the Board of Directors functions.
	2.8.5. It is recommended to determine the composition of the committees in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with respect to differing opinions.	2	
	2.8.6 The chairmen of the committees shall regularly inform the Board of Directors and its Chairman about the work of the committee.	2	
	2.9. The Board of Directors shall procure evaluation of quality of its work and the work of its committees and the Board of Directors members.	Partially complied	
Crit eria	2.9.1. Evaluation of quality of the Board of Directors work shall be aimed at	1	The results of the Board of Directors work evaluation

	determining the level of efficiency of work of the Board of Directors, its committees and Board of Directors members and the compliance of their work with the Company's needs, as well as at making their work more intensive and identifying areas of improvement.		are not considered at a physical meeting of the Board of Directors. Introduction of such practice is not planned.
	2.9.2 Quality of work of the Board of Directors, its committees and Board of Directors members shall be evaluated on a regular basis, at least once a year. To conduct an independent evaluation of the quality of the Board of Directors' work, it is recommended to retain an external entity (consultant) on a regular basis, at least once every three years.	0	The Company does not involve an external consultant for the evaluation of efficiency of the Board of Directors' work. The Company conducts an independent evaluation of the work efficiency.
3.1. The Company's corporate secretary shall be responsible for efficient interaction with its shareholders, coordination of the Company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of Directors.		Not complied	
Criteria	3.1.1. The corporate secretary shall have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and shall have shareholders' credibility.	0	At the annual General Shareholders Meeting held following the 2014 results, the Company plans to specify the provisions on the position of the corporate secretary (corporate secretary body).
	3.1.2. The corporate secretary shall be sufficiently independent of the Company's executive bodies and be vested with powers and resources required to perform his/her tasks.	0	A possibility to create the position is planned.
4.1. The level of remuneration paid by the Company shall be sufficient to enable it to attract, motivate, and retain personnel having required skills and qualifications. Remuneration to the Board of Directors members, the executive bodies and other key managers of the Company shall be paid in accordance with a remuneration policy approved by the Company.		Complied	
Criteria ^a	4.1.1. It is recommended that the level of remuneration paid by the Company to its Board of Directors members, executive	2	

<p>bodies and other key managers shall be sufficient to motivate them to work efficiently and enable the Company to attract and retain knowledgeable, skilled and duly qualified personnel. The Company shall avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above individuals and that of the Company's employees.</p>		
<p>4.1.2. The Company's remuneration policy shall be developed by its remuneration committee and approved by the Board of Directors. With the help of its remuneration committee, the Board of Directors shall control implementation of and compliance with the remuneration policy by the Company and if it is necessary, review and amend it.</p>	2	
<p>4.1.3. The Company's remuneration policy shall provide for transparent mechanisms of determination of the amount of remuneration of members of the Board of Directors, the executive bodies and other key managers of the Company, as well as to regulate all types of payments, benefits and privileges provided to any of the above individuals.</p>	2	
<p>4.1.4. It is recommended to the Company to develop a policy of reimbursement of expenses (compensations) which would contain a list of reimbursable expenses and specify service levels provided to the members of the Board of Directors, the executive bodies and other key managers of the Company. Such policy can form an integral part of the Company's policy of compensations.</p>	2	
<p>4.2. The system of remuneration of the Board of Directors members shall ensure harmonization of financial interests of the directors with long-term financial interests of the shareholders.</p>	Complied	

	4.2.1. A fixed annual fee shall be a preferred form of monetary remuneration of the Board of Directors members. It is not advisable to pay a fee for participation in individual meetings of the Board of Directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of the Board of Directors members.	2	
	4.2.2. Long-term ownership of shares in the Company contributes to contingency of financial interests of the Board of Directors members with long-term interests of the Company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the Company of certain performance results; nor shall the Board of Directors members take part in the Company's option plans.	0	A number of the Board of Directors members are the Company's shareholders, however, the Company does not practice the remuneration of the BOD's members with the Company's shares.
	4.2.3. It is not recommended to provide for any additional payments or compensation in case of early dismissal of the Board of Directors members in connection with a change of control over the Company or other circumstances.	2	
	4.3. The system of remuneration of the executive bodies and other key managers of the Company shall provide that their remuneration is dependent on the Company's performance results and their personal contributions to the achievement thereof.	Complied	
Criteria	4.3.1. Remuneration of the executive bodies and other key managers of the Company shall be determined in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that is dependent on the Company's performance results and employees' personal (individual) contributions to the achievement thereof.	2	
	4.3.2. Companies whose shares are admitted to trading at organized markets are recommended to put in place a long-term incentive program for the Company's executive bodies and other key managers involving the Company's shares (or options	0	Members of the executive bodies and some key managers of the Company are the Company's shareholders, however, the Company does not practice

	or other derivative financial instruments the underlying assets for which are the Company's shares).		the remuneration of these individuals with the Company's shares.
	4.3.3. The amount of compensation (so-called "golden parachute") paid by the Company in the case of early dismissal of an executive body or other key manager at the initiative of the Company, provided that there have been no bad faith actions on the part of such person, shall not exceed two times the fixed portion of his/her annual remuneration.	2	
	5.1. The company shall have an efficient risk management and internal control system designed to provide reasonable confidence in the achievement of the Company's goals.	Complied	
Criteria	5.1.1. The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the Company.	1	It is planned to formalize in the Company's internal documents the roles and priorities of the Company's management bodies as well as the procedure of their collaboration and to organize the system of the risk management and the internal control
	5.1.2. The Company's executive bodies shall ensure the establishment and operation of the efficient risk management and internal control system in the Company.	2	
	5.1.3. The Company's risk management and internal control system shall provide an objective, fair and clear view of the current condition and prospects of the Company, integrity and transparency of its accounts and reports, rationality and acceptability of the Company's risks	2	
	5.1.4. The board of directors is recommended to take required and sufficient measures to ensure that the existing risk management and internal control system of the Company complies with the principles of and approaches to its creation determined by the board of directors and operates efficiently.	0	In the Company's internal documents frequency of consideration of the issues related to the establishment, operation and efficiency of the risk management and internal control system recommended by the

			Corporate Governance Code is not specified
5.2 To independently evaluate, on a regular basis, reliability and efficiency of the risk management and internal control system and corporate governance practices, the Company shall conduct the internal audits.		Complied	
Criteria	5.2.1. It is recommended that internal audits shall be conducted by a separate structural division (internal audit department) or involving an independent external entity. To ensure the independence of the internal audit department, its functional and administrative subordination shall be separated. Functionally, the internal audit department shall report to the board of directors, while from the administrative standpoint it shall report directly to the Company's chief executive office.	2	
	5.2.2. Conducting the internal audit, it is recommended to evaluate the efficiency of the internal control and the risk management system, as well as to evaluate corporate governance and apply generally accepted standards of internal audit.	1	
6.1. The Company and its activity shall be transparent to its shareholders, investors and other interested parties.		Complied	
Criteria	6.1.1. The Company shall develop and implement the information policy enabling the company to efficiently exchange information with its shareholders, investors and other interested parties.	2	
	6.1.2. The Company shall disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	1	The Company has no information on availability of the bodies controlling the Company.
6.2. The Company shall timely disclose full, updated and reliable information to provide its shareholders and investors with the opportunity to make justified decisions.		Complied	
Criteria	6.2.1. The Company shall disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility,	2	

	reliability, completeness and comparability of the disclosed data.		
	6.2.2. The Company is recommended to avoid the formalized approach in information disclosure and disclose material information on its operations, even if disclosure of such information is not required by law.	2	
	6.2.3 The Company's annual report, as one of the most important tools of its information exchange with its shareholders and other interested parties, shall contain the information allowing to evaluate the Company's results for the year.	2	
	6.3. The Company shall provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.	Complied	
Criteria	6.3.1. Shareholders' exercise of their right to access the company's documents and information shall not be unreasonably burdensome.	2	
	6.3.2. Providing the information to the shareholders, the Company shall maintain the reasonable balance between the interests of the specific shareholders and its own interests in keeping confidential sensitive business information that might have a significant impact on its competitiveness.	0	The Company fully meets the legislative and Bank of Russia requirements on the information disclosure. The Company plans to establish the procedure of delivery of information considered commercial or official secret (including notification of the information confidentiality and non-disclosure behavior) to the shareholders and to specify in the Company's internal documents the right of the executive bodies and the Board of Directors of the Company to object to fulfillment of the shareholder's requirements.
	7.1. Any actions which will or may materially	Complied	

	affect the company’s share capital structure and its financial position and, consequently, the position of its shareholders (“material corporate actions”) shall be taken on fair terms and conditions which guarantee the observance of the rights and interests of the shareholders and other interested parties.		
Criteria	7.1.1. Material corporate actions are the following: reorganization of the company, acquisition of 30 or more percent of its voting shares (takeover), execution of the material transactions, increasing or decreasing of the charter capital, listing and delisting of its shares, as well as other actions which might result in significant changes in rights of its shareholders or violation of their interests. The Company’s Charter recommends to create a list of (criteria) transactions or other actions, which are the material corporate actions, and provide therein that the Board of Directors shall be responsible for their consideration.	1	In compliance with the internal documents the Board of Directors shall not consider the issues of delisting of shares or acquisition of 30 or more percent of the Company’s voting shares (takeover). Introduction of these issues to the Board of Directors’ competence is under consideration.
	7.1.2. The Board of Directors shall play a key role in passing resolutions or making recommendations relating to material corporate actions; for that purpose, it shall rely on opinions of the Company’s independent directors.	2	
	7.1.3. When taking any material corporate actions which would affect rights or legitimate interests of the Company’s shareholders, it is recommended to ensure equal terms and conditions for all shareholders of the Company; if statutory mechanisms designed to protect the shareholders rights prove to be insufficient for that purpose, additional measures shall be taken with a view to protecting the rights and legitimate interests of the Company’s shareholders. In such instances, the Company shall not only seek to comply with the formal requirements of the legislation but shall also be guided by the principles of corporate governance set out in the Corporate Governance Code.	2	
	7.2. The company should have in place such a procedure for taking any material corporate	Complied	

	actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that the shareholder rights are observed and duly protected in the course of taking such actions.		
Criteria	7.2.1. When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.	1	The Company does not disclose consequences of material corporate actions.
	7.2.2. It is recommended to specify rules and procedures related to material corporate actions taken by the Company in its internal documents.	2	

* - in order to evaluate the compliance with principles and recommendations of the Corporate Governance Code the following system was used:

I. Evaluation method of criteria of compliance with the principles of the Corporate Governance Code:

1. Each criterion corresponds to points from 0-2 depending on the level of compliance of the model and practice of the corporate governance of PJSC "Magnit" with the recommendations of the Corporate Governance Code:

Criterion Evaluation	Evaluation Definition
0	Recommendations of the Corporate Governance Code on the corresponding criterion are not applied by the Company in its corporate governance practice.
1	Recommendations of the Corporate Governance Code on the corresponding criterion are partially applied by the Company.
2	Corporate governance practice of the Company for the most part complies with the recommendations of the Corporate Governance Code on the corresponding criterion.

2. It is determined that for the evaluation purposes all criteria have equal weight.

3. The maximum allowable number of points is 2.

II. Evaluation method of compliance with the principles of the Corporate Governance Code:

1. The conclusion on compliance/partial compliance/non-compliance with each principle of the Corporate Governance Code is based on the number of points for all criteria of the corresponding principle.

2. For the evaluation purposes of principle compliance the following correlation of points with the maximum allowable number of points for these criteria has been determined:

Percentage orrelation of pointes assigned to all criteria of each principle and the maximum allowable number of points for these criteria, %	Evaluation Definition
50-100	The corporate governance practice of the Company complies with the principle of the Corporate Governance Code. The principle is complied with.
0-50	The corporate governance practice of the Company partially complies with the principle of the Corporate Governance Code. The principle is

	partially complied with.
0	The corporate governance practice of the Company does not comply with the principle of the Corporate Governance Code. The principle is not complied with.

IMPROVEMENT OF MODEL AND PRACTICE OF CORPORATE GOVERNANCE

The governance of PJSC “Magnit” is performed in accordance with the current legislation of the Russian Federation and the Charter of the Company in compliance with the rules and traditions of the corporate governance, which correspond to the best Russian and international standards and contribute to the creation of a positive image of the Company in the eyes of investors, clients and employees. PJSC “Magnit” constantly masters new methods and approaches and rejects from the practice, which doesn’t meet current requirements.

Among the measures, which are planned to be taken in order to improve the quality of corporate governance, the following can be emphasized as the most important and essential:

- introduction of the position of the Corporate Secretary (a separate structural division headed by the Corporate Secretary), which is recommended by the Corporate Governance Code, to effectively collaborate with the shareholders, coordinate the Company’s operations to protect the shareholders’ rights and interests and to ensure the efficient work of the Board of Directors;
- formalization of the evaluation system of effectiveness of corporate governance, internal control, risk management, etc. in the Company’s internal documents to maintain the efficiently functioning system of risk management and internal control aimed at provision of reasonable confidence in achievement of the goals established before the Company.

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

Under the resolution of the annual General Shareholders Meeting of May 29, 2014 (minutes of 30.05.2014) the auditing firm LLC AF "Faber Lex" was appointed as the Company's auditor in accordance with RAS for the year 2014.

Among the factors which were taken into account to choose the auditing firm are: duration of auditing company, 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 2014 in accordance with the Russian Accounting Standards:

The auditor of the Company in 2014 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 a member of the Moscow Chamber of Auditors and was included in the register of auditors and audit firms of self-regulatory organization of auditors on November 26, 2009 under the Principle Number of Registration Entry 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 2014 in accordance with the International Financial Reporting Standards:

2014 year statements in accordance with the International Financial Reporting Standards were audited by Limited Liability Company "Ernst&Young" , address: 77 Sadovnicheskaya naberezhnaya, bldg. 1, Moscow, 115035, Russian Federation.

LLC "Ernst&Young" is the member of Noncommercial Partnership "Russian Chamber of Auditors" in accordance with the Decision of the Board of NP RCA of December 21, 2009, certificate №3028 of December 28, 2009, Principle Number of Registration Entry 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, Russian Federation
<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 the requirements of the Regulation on the information disclosure by the issuer of securities, approved by FFMS</i>	www.fscorp.ru
<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 Commission for Securities Market

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.

18. INFORMATION ON THE VOLUMES OF THE UTILIZED ENERGY RESOURCES WITHIN 2014

Type of energy resources	Utilization capacity in volume terms	Utilization capacity in money terms, thousand rubles
Electrical energy	1,387,564 kWh	5,686.33
Thermal energy	The quantitative accounting is not kept	863.79
Gas	The quantitative accounting is not kept	168.66

19. MANAGEMENT RESPONSIBILITY STATEMENT

I confirm that:

- the financial statements prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its consolidated subsidiaries taken as a whole; and
- the management report includes a fair review of the development and performance of the business and the position of the Company and its consolidated subsidiaries taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Management Board,

Sergey Galitskiy

CEO, Chairman of the Management Board

ANNEXES TO FY 2014 ANNUAL REPORT OF PJSC "MAGNIT"

ANNEX № 1: Consolidated financial statements of PJSC "Magnit" for the year ended on December 31, 2014.

ANNEX № 2: Consolidated financial statements of PJSC "Magnit" for the year 2014 prepared in accordance with the Federal law N 208-FZ "On consolidated financial statements".

ANNEX № 3: Accounting report of JSC "Tander" for the year 2014 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 2014

Accounting reports of JSC "Tander" for the year 2014

Explanations to the accounting reports of JSC "Tander" for the year 2014

ANNEX № 4: Accounting report of PJSC "Magnit" for the year 2014 prepared in accordance with RAS:

Auditor's report of "Faber Leks" Audit Limited Liability Company of the annual accounting report of PJSC "Magnit" for the financial year 2014

Accounting reports of PJSC "Magnit" for the year 2014

Explanations to the balance sheet and income statement of PJSC "Magnit" for the year 2014