



Annual Report 2023

Resilience through changes

About the Report

The Annual Report of Public Joint-Stock Company Magnit for 2023 (hereinafter also referred to as PJSC Magnit or the Company) (the Annual Report or the Report) was prepared based on the information available to PJSC Magnit and its subsidiaries (hereinafter together referred to as the Group or Magnit Group) as at 31 December 2023, unless otherwise implied by the meaning or content of the information provided.

This Annual Report was drafted in accordance with applicable laws, is addressed to a wide range of stakeholders and reflects the key performance results of Magnit for 2023 in such matters as strategic and corporate governance as well as financial and operating results. The Report meets the following requirements and guidelines:

- regulations of the Central Bank of the Russian Federation (the Bank of Russia) No. 714-P On Disclosing Information by Issuers of Issue-Grade Securities dated 27 March 2020;
- letter of the Bank of Russia No. 06-52/2463 On the Corporate Governance Code dated 10 April 2014;
- letter of the Bank of Russia No. IN-06-28/102 On Disclosing the Corporate Governance Code Compliance Report in a Public Joint-Stock Company's Annual Report dated 27 December 2021;
- Moscow Exchange listing rules;
- letter of the Bank of Russia No. IN-06-28/49 On Recommendations for Public Joint-Stock Companies to Disclose Non-Financial Information Regarding their Operations dated 12 July 2021;
- Federal Law No. 261-FZ On Energy Saving and Improving Energy Efficiency and Amendments to Certain Legislative Acts of the Russian Federation dated 23 November 2009.

Financial indicators referred to in this Annual Report are disclosed based on Magnit's consolidated financial statements under the International Financial Reporting Standards (IFRS) for 2023 as audited by Centre for Audit Technologies and Solutions.

The Annual Report should be read as a whole taking into account the content of all sections as well as the notes and the explanations herein.

In addition to official information on the activities of Magnit, this Annual Report contains information obtained from third parties and from sources which Magnit finds to be reliable. However, the Company does not guarantee the accuracy of this information, as it may be abridged or incomplete.

Disclaimer

Forward-looking statements contained in this Annual Report, including all statements concerning the Company's intentions, opinions, or current expectations regarding its performance, financial position, liquidity, growth prospects, strategy and the industry in which Magnit operates, are not based on actual circumstances. Such terms as "assume," "believe," "expect," "predict," "intend," "plan," "project," "consider" and "could" along with other similar expressions as well as those used in the negative usually indicate the predictive nature of the statement. Forward-looking statements are characterised by risks and uncertainties since they relate to events and depend on circumstances that may not occur in the future.

Magnit offers no guarantees that the actual results, scope, or indicators of its performance or the industry in which the Company operates will correspond to the results, scope, or performance indicators clearly expressed or implied in any forward-looking statements contained in this Annual Report or elsewhere. The recipients of the information presented in the Annual Report should not base their assumptions solely on it. Magnit is not liable for any losses that any person may incur due to the fact that the above person relied on forward-looking statements.

Except as expressly envisaged by applicable law, the Company assumes no obligation to distribute or publish any updates or changes to forward-looking statements reflecting any changes in expectations or new information as well as subsequent events, conditions, or circumstances.



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Resilience through changes

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29,165 stores
in Russia and the Republic
of Uzbekistan

↗
p. 11

↗
p. 24

>5 thous. suppliers
cooperate with Magnit

↗
p. 10

>360 thous. employees
work at Magnit Group

МАГНИТ



Magnit in focus

Magnit is one of Russia's leading food retail chains founded in 1994 in Krasnodar. Today, we are the country's largest retail operator by the number of stores and geographical coverage.

29,165
stores

in 67 regions of Russia and in the Republic of Uzbekistan

>360
thous. employees

as at 31 December 2023

10,053
thous. sq. m

selling space

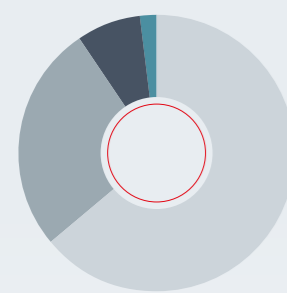
~17 mln
customers daily

76.4 mln
loyalty card holders

300
thous. tonnes

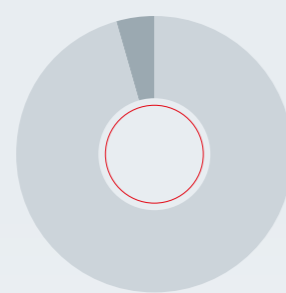
of in-house produce in 2023¹

Core formats



- 18,701 ● Magnit convenience stores²
- 7,740 ● Drogerie stores³
- 2,235 ● DIXY convenience stores
- 489 ● Supermarkets

New formats



- 1,176 ● My Price stores
- 53 ● First Choice discounters⁴

Magnit is one of Russia's largest retailers with a total selling space of 10,053 thous. sq. m and 29,165 stores of various formats operating in 67 regions of Russia and in the Republic of Uzbekistan.

Our multiformat model includes convenience and drogerie stores, supermarkets and pharmacies under the Magnit and DIXY brands. In 2023, Magnit launched the V1 chain of hard discounters, which focuses on a limited range of quality products at appealing prices to meet all of the key consumer needs. Customers can also shop across the Company's formats online, choosing between regular or express delivery options.

Magnit boasts one of the largest logistics network in Russia. The Company is continuously developing its own logistics infrastructure while also testing new logistics formats. Today, Magnit operates 45 distribution centres, warehousing facilities with a total area of 1.9 mln sq. m, and fleet of over 5,700 trucks, making it one of Russia's largest own fleets.

Magnit is the only retailer in Russia with its own food production capacities. It operates 20 production facilities, including six agricultural and 14 dry food and confectionery complexes.

Magnit is actively developing private labels to offer unique products with excellent value for money. Magnit's private label portfolio includes over 50 brands and around 5,500 SKUs. The portfolio boasts over 45 unique brands from various product groups and price segments. Available only in Magnit stores, private label items are made predominantly by Russian businesses and by Magnit's in-house facilities.

The Magnit Group includes, inter alia, PJSC Magnit and its subsidiaries JSC Tander, JSC DIXY Ug, Selta LLC, and Retail Import LLC.

For the list of the key Group companies, see our [consolidated financial statements](#).

Our mission, culture and values

At Magnit, we are committed to continuous operational improvement and professionalism in all areas of activity, while aiming to deliver exceptional quality and customer service.

Magnit's sustainability strategy to 2025, "Retail with Purpose", sets ambitious goals, promotes a sustainable corporate culture and focuses on embedding sustainability principles into all aspects and facets of our business.

We highly value the principles of teamwork and respect for each other and our customers, and encourage open and constructive dialogue and effective cross-functional cooperation.

We implement best practices and innovative technologies in our operations and seek to build a better future for all.

Our values

Customers at the heart of everything we do

Caring for our customers

We build long-lasting connections with our customers. Our team members are regular shoppers at Magnit stores and can easily relate to customers.



Stronger together

We achieve success through teamwork, incorporating the views of our employees.



Focusing on results

We strive to accomplish our goals in the most efficient manner.



Taking responsibility

We scrupulously follow the Company's principles and we take responsibility for our decisions.

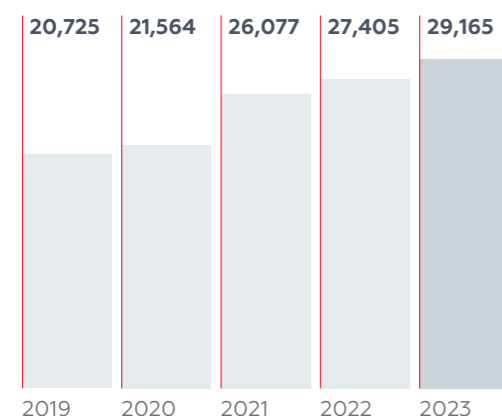


¹ Net of contract manufacturing.
² Including convenience stores, Magnit City stores, My Price soft discounters and First Choice hard discounters.
³ The names drogerie, drogerie stores, cosmetics stores and Magnit Cosmetic are interchangeable.
⁴ The names First Choice and V1 are interchangeable.

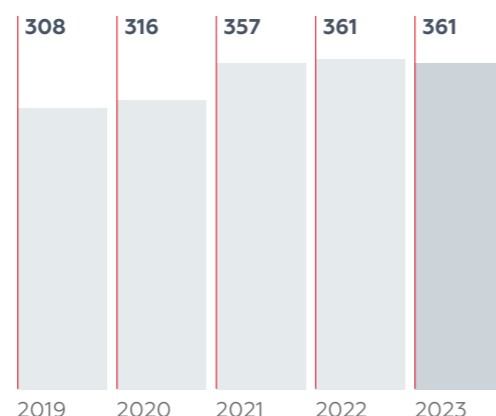
Key highlights

Operational and financial highlights

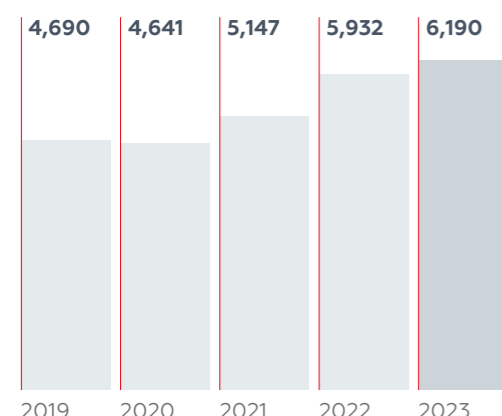
Number of stores



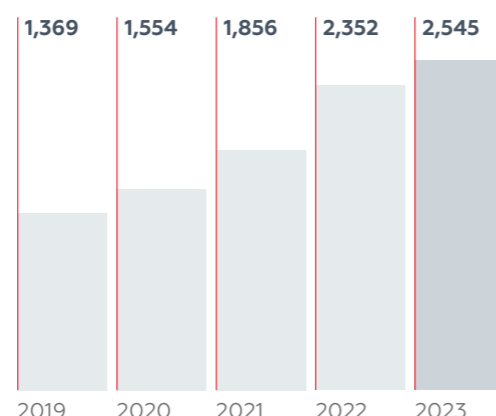
Headcount, thous.



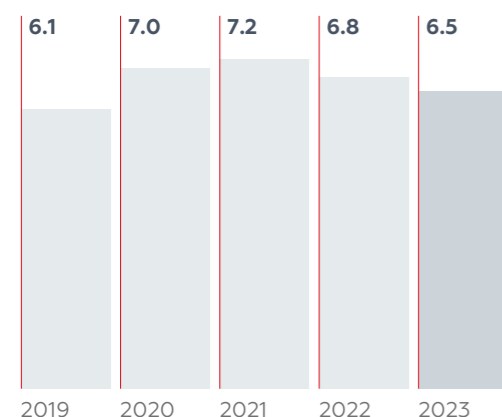
Number of tickets, mln



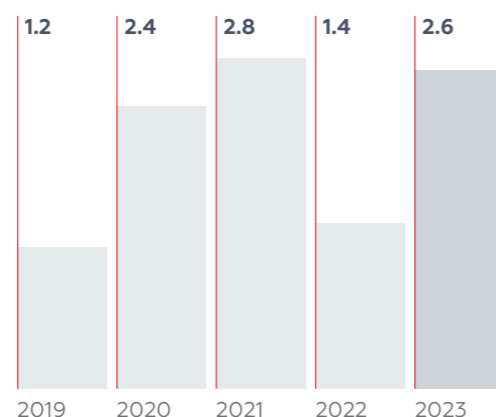
Revenue, RUB bln



EBITDA margin, %



Net income margin, %



Note: financial metrics are provided in accordance with IAS 17.



ESG metrics

31%
reduction in specific greenhouse gas emissions vs the 2019 base year
26.7% in 2022

81%
employee satisfaction rate
79.8% in 2022

59%
reduction in specific food waste generation vs the 2019 base year
52.5% in 2022

408,934
direct beneficiaries received support from Magnit

86%
employee engagement rate
84.9% in 2022

Geographical coverage

	Convenience stores ¹	Supermarkets ²	Drogeries ³	Convenience stores	Distribution centres	Agricultural facilities	Production sites
North Caucasian Federal District	603	19	272		1		
Southern Federal District	2,904	123	1,363		8	4	8
Central Federal District	4,921	83	1,988	1,770	15	2	2
Volga Federal District	4,885	123	1,928		10		4
Northwestern Federal District	2,170	35	749	465	4		
Urals Federal District	1,958	82	873		4		
Siberian Federal District	1,260	24	497		3		
Total	18,701	489	7,740	2,235	45	6	14
		Magnit		DIXY			

29,165 stores
4,287 cities and townships
7 federal districts

¹ Magnit convenience stores also include Magnit City, My Price and First Choice stores.
² Magnit supermarkets include Magnit Family supermarkets and superstores.
³ 70 drogerie stores operate in Uzbekistan.

Business model

Focus on caring for our customers

Our stakeholders

Customers ~17 mln customers daily	Employees >360 thous. people employed by the Company ¹	Suppliers >5 thous. suppliers	Shareholders ~300 thous. shareholders ³	Government and regulators Magnit liaises with executive and legislative government agencies nationally and regionally in strict compliance with applicable laws, acting as the industry's number one expert.	Local communities Magnit aims to integrate sustainability principles into all aspects of its operations.
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Our Sustainability Strategic Framework sets an ambitious goal for embedding sustainability in every aspect of the business and its processes across five key areas.

The number one employer in the industry 	Leadership in environmental impact reduction 	Creation of a 100% responsible supply chain 	Positive impact on the quality of life of all Russians 	Improvement in the quality of life for consumers and local communities
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Our strengths

Multiformat and omni-channel

>29 thous.

stores, including convenience stores, supermarkets, drogeries, discounters, and pharmacies

76.4 mln

participants of the cross-format loyalty programme

42%

customers shopping across more than two formats

>12 mln

monthly active users (MAU) of Magnit's mobile app

Recognised supreme quality and breadth of range

~5.5 thous.

private label SKUs

20%

share of private labels in sales

175

quality control laboratories

3,590

laboratory tests per year



Own production capabilities and private labels

6

agricultural complexes

51

private labels

One of the largest supply chain networks in Russia

1.9 mln sq. m

of warehouse space

5.7 thous.

trucks

14

production facilities

45

distribution centres

in 7

federal districts

Value for our stakeholders

Everywhere for our customers <ul style="list-style-type: none"> Adapting existing and creating new formats tailored to specific customer needs in different localities Implementing CVM² tools Developing online shopping and delivery services Improving availability of goods by leveraging new technology and communications development <p>~RUB 7 bln of discounts offered to pensioners in 2023</p> <p>1,078 stores redesigned in 2023</p>	Rewarding our employees <ul style="list-style-type: none"> Stable wages Employee benefits and perks Professional and career growth opportunities for employees at all levels <p>38 hours of training in Magnit's Corporate Academy per employee per year</p> <p>81% employee satisfaction rate</p>	Cooperating with our suppliers <ul style="list-style-type: none"> Engaging local suppliers Inviting supplier representatives to work at Magnit's offices Special cooperation conditions with farming enterprises <p>86 business events held for suppliers</p> <p>>2.5 thous. local suppliers >170 farming partners</p>	Delivering returns to our shareholders <ul style="list-style-type: none"> Strong capital discipline with a focus on returns in all investment decisions <p>42% ROI of new store openings⁴</p> <p>RUB 42 bln amount of dividends announced in 2023 and paid after the reporting period</p>	Economic contribution <ul style="list-style-type: none"> Supporting social and economic development in the regions of operation Hosting regional procurement sessions Making timely tax payments <p>RUB 172 bln of taxes paid in 2023</p>	Supporting local communities <ul style="list-style-type: none"> New jobs Social and charitable programmes in the regions where we operate Reducing environmental impact <p>~RUB 600 mln committed for charitable efforts</p> <p>1,530 tonnes of products distributed under charitable projects</p> <p>31% reduction in specific CO₂ emissions⁵</p>
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¹ As at December 2023.

² CVM – customer value management.

³ As at December 2023.

⁴ ROI = OCF for the year with the ramp-up phase / CAPEX.

⁵ Vs the 2019 base year.



Investment case

Market potential

For investors, we offer exposure to a sizeable market with potential for organic expansion and further consolidation.

- Sizeable market with increasing penetration of modern food retail and opportunities for organic expansion.
- Fragmented market with high potential for further consolidation.
- Growing market share of major players.
- New niches and growth opportunities coming along in the consistently growing e-grocery segment.

Leading player

Magnit is one of the largest food retailers in Russia, with a well-developed infrastructure, a strong customer base, a recognisable brand, and a growing market share.

- Multifformat offering with four core formats covering a range of shopping missions in grocery, drogerie and pharma segments.
- Wide coverage: 29,165 stores in 4 287 cities and townships across seven federal districts.
- 12.8%¹ market share in food retail sales.
- Serving customers in all highly populated Russian regions (67 regions, 76.4 mln loyalty cards).
- Established distribution chain, with 45 distribution centres and one of the largest own truck fleets in Russia.
- The only vertically integrated retailer in Russia: 20 own production facilities and agricultural complexes.

Growth ambitions

On track to speed up profitable return-driven growth leading to further market share gains.

- Acceleration of value-accretive organic growth.
- Smart expansion implying high profitability targets for new openings.
- Selective small to mid-size value-accretive M&As to strengthen market positions.
- Adherence to sustaining high return requirements for new projects.
- Store redesign programme to improve sales density.
- Building a leading e-grocery platform to account for over 5% of total turnover.
- Proactive forays into adjacent value-accretive niches.

Efficiency gains

We are consistently working to unlock the Company's huge potential to grow the business.

- Further CVP improvement. In 2023, the Company unveiled three new CVP concepts for DIXY, Magnit Convenience, and Magnit Pharmacy stores.
- CVP initiatives to enhance consumers' perception and experience with a focus on expanding the range of private labels, farm and healthy products and on revamping store interiors.
- Increase in sales density partly through redesign acceleration and process improvements.
- Extension of consumer offering complimentary to the core business: in 2023, the Company piloted the Magnit Ultra-Convenience and V1 hard discounter formats.

Dividends

Strong capital discipline with a focus on returns in all investment decisions with a view to generating substantial dividend payments.

- Focus on the quality of new store openings as a way to maximise ROI.
- Keeping Net Debt / EBITDA at a comfortable level.
- Clear plan to improve working capital with a focus on stock days optimisation.
- Value accretion for shareholders to deliver consistently solid dividends.

¹ Source: Magnit analysis.

Key developments of 2023

January



Magnit launches technology to check shelf life of labelled goods at checkout

Magnit launches a specialised Internet store Magnit Cosmetic Online



Magnit once again tops consumer sector ESG ranking by the National Rating Agency (NRA)



February



Magnit places exchange-traded bonds worth RUB 30 bln on the Moscow Stock Exchange

Analytical Credit Rating Agency (ACRA) assigns credit rating to exchange-traded bonds of PJSC Magnit



Magnit launches its own hard discounter store format under the V1 or First Choice brand

Magnit introduces technology to check shelf life of labelled goods in all stores



Magnit becomes the first retailer in Russia with certified organic production

Magnit provides 20 tonnes of products to people in need under food sharing programme

March



Magnit launches leaf vegetable growing center

Magnit deploys joint on-shelf availability management system

Magnit expands its test scope for the new Magnit Convenience Plus format

April



Magnit brands win four prizes at Private Label Awards



Magnit named finalist in E+ Awards, a major accolade recognising effectiveness in marketing communications, with Skrepyski-NEW campaign



May



Magnit wins Data Award for excellence in training data management experts



Magnit opens its first V1 (First Choice) hard discounter in Moscow

Magnit and Aggregion launch new de-identified data processing service



First students graduate from Magnit's own Business Analysis School

June



Magnit to roll out AI-assisted cosmetics selection technology

Magnit scales extended barcode technology to control shelf life of goods



Magnit and partners create a standard of green packaging for e-commerce



Magnit announces a Tender Offer to shareholders by its subsidiary for Magnit's ordinary shares

July



Magnit wins two categories of Loyalty Awards Russia



Magnit integrates Magnit Delivery service into its core mobile app

Magnit self-checkouts to run on the Company's own software

Magnit opens third new superstore in Moscow



DIXY launches a project to collect unwanted clothes in its stores

- Business
- Finance and corporate events
- Achievements
- ESG
- External source link



August



DIXY introduces reverse franchising programme



Magnit launches a project in Karelia for producing fertilisers from food waste

September



Magnit completes purchase of Shares under the Tender Offer



Magnit wins the first Retail Tech project contest



Magnit introduces new loyalty promotion – Gold of the Magnit Sea



Magnit to develop inclusive volunteering programme together with the Enjoyable Ageing charitable foundation

October



Magnit becomes the winner of Quality of Service and Consumer Rights awards



Magnit migrates its Loyalty Programme to the Russian Software

V1 hard discounter chain launches its first distribution center

Magnit signs an agreement to acquire a stake in Samberi, the largest retailer in the Far East



Magnit announces an additional Tender Offer to shareholders by its subsidiary for Magnit's ordinary shares



Magnit together with largest product suppliers develops eco-friendly advertising package standard

November



Magnit wins forty-seven prizes at Quality Assurance Awards 2023



DIXY develops a new store concept and launched store remodeling programme

Magnit finalises the deal to acquire KazanExpress marketplace

Magnit opens a brewery in Moscow superstore

December



Expert RA assigns ruAAA credit rating to PJSC Magnit



Magnit announces results of the Annual General Shareholders Meeting



V1 hard discounters chain start testing loyalty programme

Magnit starts piloting the Magnit Ultra-Convenience format

Magnit develops a new convenience store concept

Magnit opens a new superstore in Krasnodar



Magnit becomes a strategic partner of the Hermitage Museum

Events after the reporting period



Magnit fully completes the process of acquisition of shares in the tender offers

ACRA upgrades the credit rating of PJSC Magnit to AAA(RU) level, stable outlook, and its bonds – to AAA(RU) level



Magnit pays dividends announced in 2023 in the amount of RUB 42 bln or RUB 412.13 per share

Magnit announces the appointment of Evgeny Sluchevsky as its Chief Executive Officer as of 17 May 2024. Mr. Sluchevsky previously served as the Company's Director of Agricultural and Production Complex



Magnit develops a new pharmacy concept and opened the first revamped Magnit Pharmacy location in Moscow

- Business
- Finance and corporate events
- Achievements
- ESG
- External source link

Our business

Robust foundation is the cornerstone of successful transformation. In its development, Magnit combines organic growth and M&As while also testing out new formats.

Never resting on our laurels

29,165

our total number of stores reached by the end of 2023



Testing new formats

- The Company is experimenting with the ultra-convenience format: these are compact stores located as close as possible to customers and offering the most popular staples at competitive prices and a fast shopping experience. Since September, we have opened three Magnit Ultra-Convenience stores in Moscow and the Moscow region.
- In early 2023, Magnit launched its own hard discounter format under the V1 brand, which stands for "First Choice" in Russian, with an assortment of more than 1,000 SKUs. The format's key features are low prices and high quality of goods, which has been made possible by end-to-end optimisation of in-store operational processes and logistics.

1.3-1.6 thous.
SKUs

assortment of Magnit Ultra-Convenience stores

53

hard discounter stores under the V1 ("First Choice") brand in Moscow and Moscow region

Keeping up with the trends

The Company always remains on the lookout for new ideas in the retail sector. As part of its e-commerce development, Magnit completed the acquisition of the KazanExpress marketplace. The integration process is now underway to lay the foundation for the launch of Magnit Market, our own marketplace.

Technological capabilities, in-house logistics, dozens of distribution centres, and the country's largest store network, combined with IT solutions, infrastructure capacities, and the expertise of the KazanExpress team, is set to propel Magnit Market to a leadership position in the e-commerce domain.

KazanExpress

Expanding into new markets

Magnit penetrated the market of the Russian Far East, acquiring the region's largest retail chain Samberi.

291 stores¹

including 31 hypermarkets, operate in the Samberi group of companies

Discovering untapped markets

Magnit continues developing the M Cosmetic format in Uzbekistan as it ramps up operations in the country. The stores have an assortment of more than 5,000 SKUs, including 1,200 private label items.

70

the total number of M Cosmetic stores in Uzbekistan in 2023

¹ As at 27 October 2023, Samberi Group had 291 stores, including 31 Samberi hypermarkets, 42 supermarkets under the Samberi and Samberi-Express brands, as well as 82 Raz Dva minimarkets and 136 Blizky discounters.

Our customers

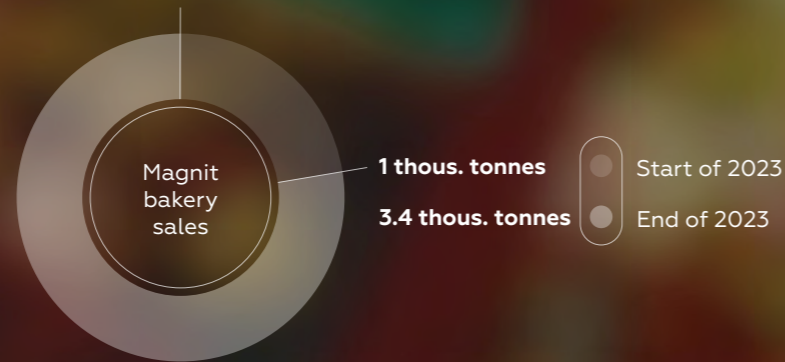
Striving to excel for customers is what we do. Magnit tests new CVPs¹ to help the customer feel our care and enjoy their shopping experience. We develop a multiformat business model, aiming to get closer to customers by adopting a tailored approach to assortment management.

Freshly baked delights for setting the right mood

2,500

bakeries are scheduled to launch in 2024

In 2023, we opened about 2,000 bakeries in convenience stores across all 67 regions where we operate, offering customers freshly baked treats to elevate their daily shopping experience.



¹ CVP – customer value proposition.

Everything you need, close at hand – that’s the essence of our convenience stores' updated CVP

- In 2023, we started updating the DIXY convenience store concept, with the selling space rearranged and the exterior redesigned. DIXY's new CVP focuses more on ready-to-eat, ready-to-cook and on-the-go options, healthy, gluten-free, and lactose-free foods. The format will also strengthen its offering of local and farm products, along with private labels.
- We developed a new concept for Magnit convenience stores, our key format. It entails a greater focus on fresh and ultra-fresh products, fresh vegetables and fruit, ready-to-eat meals, locally sourced goods, an expanded range of private labels, as well as additional services such as cafes and delivery areas. The updates will also extend to store interiors, layouts, and exterior design.

Delicious, quick, and healthy

We have expanded the sales geography of our ready-to-eat meals, with the M Kitchen private label items now available at 4,000 convenience stores all across Russia. We carefully select suppliers from among local manufacturers and rely on unique recipes and cooking techniques.

Our stores offer an average of

45 SKUs

under the M Kitchen brand

>289

DIXY stores

were updated in line with the new concept in 2023



Our suppliers

We work with the best to become the best. Magnit values its suppliers and makes sure to select them meticulously.

Helping farmers grow

~RUB **300** mln

Volume of procurement via the aggregator since early 2023

In 2023, Magnit expanded the reach of its farm products aggregator, initially piloted in the Tula region, to encompass farmers from the neighbouring Kaluga, Ryazan, Oryol, Voronezh, Lipetsk, and Moscow regions. The aggregator model enables us to centralise procurement and supply of farm products, while also providing farmers with storage and processing infrastructure, as well as guidance on matters related to production, sales, documentation, labelling, analytics, and more.

Growing together with suppliers

Magnit continues to enhance services to promote the products of its suppliers, with new options now available. Our advertising ecosystem brings together various promotion tools and channels, along with analytical platforms that help suppliers harness the breadth of data on consumer demand and preferences to boost sales.

Magnit has

>5 thous.

Russia-based suppliers

All of them can benefit from our robust promotion and sales enhancement tools and tap into our audience of millions of customers.

Greater efficiency, speed, and proximity to customers

Magnit expanded the pool of suppliers engaged in enhancing the joint supply chain as part of the end-to-end procurement process.

232

suppliers

migrated to the simplified delivery procedure in 2023

After optimising its supply chain, the Company achieved a more than 2x reduction in the average duration of delivery from 8–10 to just 2–4 days.



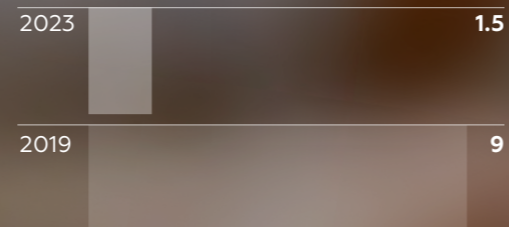
Our people

Magnit is evolving, yet our employees remain the cornerstone of our success.

We are all about time efficiency

Magnit develops hiring technologies and relies on process automation and robotisation. We make sure our new hires start working in just 1.5 days after our first contact.

Reduction in time to start after the first contact with potential hires, days



We provide employment for those who need it

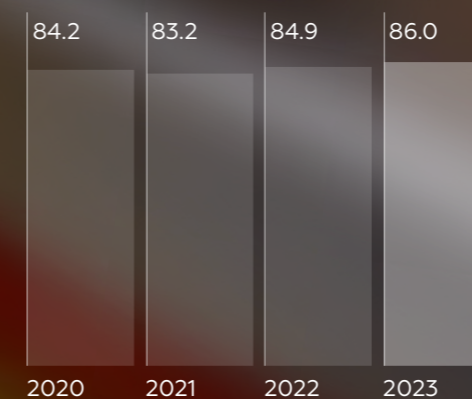
Magnit is committed to hiring people from various age groups, including young people aged above 16, as well as people with special needs, and those who rely on flexible working arrangements.

We have an internal software solution for shift swapping, enabling our employees and external staff to take on additional shifts as they see fit.

People passionate about what they do are the pillar of our growth

Creating a positive employee experience is one of Magnit's priorities. We want to make sure our people feel good about their entire employee journey right from the first contact. We are also committed to helping our staff improve their income levels.

Employee engagement, %



We want to keep our people excited about what they do

To achieve that, we strive to reduce the number of mundane tasks that involve people. We increasingly rely on technology-driven solutions to help run our stores, warehouses, and back office, from self-checkouts to electronic document management and decreased use of price tags.



Shareholders and investors

We value those who support and believe in us. In our relations with investors and shareholders, we are guided by principles of transparency and mutual respect.

Tender Offer

In June-December 2023 following the two tender offers announced to shareholders of the Company who wish to exit their investment in Magnit, as well as the bilateral transaction in October 2023,

LLC Magnit Alyans (a wholly owned subsidiary of Magnit), acquired 30,245,828.8 shares of PJSC Magnit representing approximately 29.7% of all issued and outstanding shares of PJSC Magnit. The purchase price was set at RUB 2,215 per share in line with an approval of the Government commission for control over foreign investment in the Russian Federation.

¹ Including the settlement on 22,948 shares made in January 2024



The deals involved

>300 investors
from **25** countries
globally

including

- long-term active management funds
- passive index funds/ETFs²
- hedge funds
- pension and sovereign wealth funds
- family offices
- retail investors

² ETF – exchange-traded fund.



Transformation for sustainable growth

Strategy report

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Our strategic ambition is to uphold leadership by maintaining competitiveness



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RUB 47.4 trln of retail sales in Russia in 2023



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Central to Magnit's innovations is the incorporation of new digital solutions throughout our operational framework and business processes

Management statement

Dear clients, shareholders and partners,

The past year marked another successful chapter in Magnit's history as the Company continued to grow and effectively respond to evolving market conditions. We were able to build a robust multiformat structure and kept up our active efforts to enhance the value proposition, update store designs, test new formats, develop our own production, and integrate modern technologies into business processes.

At the core of Magnit's mission is our commitment to cater to every customer's needs and deliver the best products at affordable prices. Our dedicated efforts have borne fruit, as we witnessed an increase in sales volumes and expanded into new markets in 2023.

Operational performance and financial results

The reporting year was successful in terms of operational and financial results. The Company's sustained organic growth and ability to effectively and quickly adapt to changes in the economic environment enabled us to achieve an 8.2% YoY increase in total revenue, which reached RUB 2,545 bln. Magnit's net retail revenue saw a 9.1% YoY increase, driven by a 6.1% growth in retail space and a 5.5% increase in LFL sales due to positive trends in average ticket and traffic. By the end of last year, the selling space of our stores exceeded 10 mln sq. m.

Net retail revenue increased ahead of selling space growth thanks to higher sales density. By the end of the year, 91% of our selling space reached a mature level of sales, with LFL sales growth primarily attributable to the strong performance of mature stores.

Moreover, 2023 was a period of further expansion for the Group, with selling space increasing by 6.1% YoY due to organic growth of the retail network. We opened 1,982 stores (gross) or 1,760 stores (net) during this period.

The concerted efforts of management and all units resulted in a 94% YoY increase in net income, reaching RUB 66.1 bln, and a 115 bps YoY year increase in net income margin, reaching 2.6%.¹

Our loyalty programme also had a successful year, with the number of loyalty card holders surpassing 76.4 million. By the end of the year, purchases using these cards accounted for 50% of tickets and 66% of sales. The loyalty programme continues to yield positive cross-format results, with 42% of Magnit customers visiting two or more of the Company's store formats and an average ticket of an active loyalty card holder 1.9x higher than in purchases without a loyalty card.

Achievement of strategic goals

Magnit's strategy aims at balanced growth of the Company's share in the retail market, which will solidify our position as a leading industry player.

An important priority in 2023 was the active development of new areas of growth. Discounter stores remain one of the fastest-growing market segments with consistently strong potential for further development. Magnit aims to establish an industry benchmark for high-quality hard discounters, a format that the Russian market is currently lacking. In 2023, we launched the new First Choice (V1) format, catering to modern consumers who are budget-savvy but accept no compromises in quality. This format combines a wide range of products (around 1,000 SKUs), advanced technologies such as self-checkouts, and low prices due to deep optimisation of operational processes and logistics.

To occupy another niche and become closer to consumers, Magnit began testing the ultra-convenience format in 2023. These compact stores are located as close as possible to customers and offer the most popular staples at competitive prices and a fast shopping experience. Since September, we have opened several Magnit Ultra-Convenience stores in Moscow and the Moscow region.

We continue to develop our stores and expand our presence in target segments through organic growth and high-quality format development.

A notable example is the update of store concepts and value propositions for Magnit Convenience, DIXY, and Magnit Pharmacy launched in 2023 in line with current retail and technology trends and changes in consumer behaviour and preferences.

In 2023, we strengthened our position as the only retailer in Russia with its own food production facilities, increasing output to 300,000 tonnes.²

To maintain this growth going forward, we implemented several initiatives, such as expanding cultivated land area, launching vegetable-growing projects, and opening own production facilities in our convenience stores and large-format stores.

An essential factor in Magnit's success is a carefully devised and balanced partner engagement strategy.

We prioritise supporting domestic manufacturers and working with Russian companies, cooperating with over 2,500 local suppliers. To attract new partners, we hold regular regional procurement sessions. For small-sized Russian manufacturers and farmers, we have a number of initiatives in place to help them promote their products and offer special terms of supply to Magnit. In 2023, we welcomed 849 Russian suppliers as new partners of Magnit.

In 2023, we continued to develop our logistics network, which is now one of the largest in Russia.

We successfully launched the Ugolnaya Gavan 3PL³ centre and the first distribution centre for the V1 hard discounter chain in the Dmitrovsky district of the Moscow region. Opening our own distribution centre for the hard discounter format is an effective tool for reducing costs, enabling us to proceed to the V1 scaling stage.

An important focus of our development has been the continuous improvement of the private label range in all formats to meet the needs of increasingly price-sensitive consumers.

Private labels offer customers products of guaranteed quality at attractive prices. During the reporting year, sales of private label products increased by 11%, with the product range adding 700 new SKUs. We will continue to develop private labels in line with market trends, expanding our brand portfolio and assortment where necessary.

All products that make it to our store shelves undergo rigorous quality control, which is confirmed by the many awards won by Magnit.

In 2023, we received 47 awards at the 2023 Quality Assurance event. The accolades from the expert community are the result of the consistent efforts of our private label team, with nearly every fifth product in Magnit stores sold under one of our private labels. Especially important for us was winning the Joint Retailer-Producer Project category: it is through fostering partner relations and long-term contracts that we ensure the competitiveness of our private labels.

¹ Financial metrics are provided in accordance with IAS 17.

² Net of contract manufacturing.

³ 3PL, or third-party logistics, is a practice of outsourcing most of logistics operations, including storage, transportation, labelling, and packaging.

New horizons

The reporting year saw several significant events for the Company in the field of M&A. Magnit completed the acquisition of the KazanExpress marketplace and started its integration process for the subsequent launch of Magnit Market, our own marketplace. By acquiring KazanExpress, Magnit will be able to quickly enter the buoyant marketplace segment and capture its meaningful share without having to build its own platform from scratch. Our infrastructure, including several dozen distribution centres, a fleet of trucks, and the country's largest network of 29,000 stores ready to serve as pick-up points, will enable us to quickly step up our presence in this dynamic market segment.

Additionally, Magnit entered into an agreement to acquire a 33% stake in Samberi, the largest retailer in the Russian Far East, as part of our network expansion in Russian regions. We look forward to successful development in this promising part of the country.

To strengthen its positions and further expand in the CIS markets, Magnit continued to scale up its chain of drogerie stores in Uzbekistan in 2023, increasing the total number of M Cosmetic stores in the country to 70.

Keeping up with prevailing trends in technology, the Company introduced several innovative solutions in all areas of business in 2023. We began scaling self-checkouts and machine vision technology for recognising products on shelves and introduced an algorithm for selecting cosmetics using artificial intelligence, smart scales with product recognition technology, our own software for self-checkouts, unmanned product transportation, and more.

Notably, we migrated our loyalty programme to the domestic Manzana platform, operating on cloud technology. This transition enabled us to add new features to the loyalty programme and ensured its stable operation and reliable data protection for all customers. We intend to develop these areas going forward and are confident that they will considerably improve customer experience while automating and enhancing the efficiency of all the Company's business processes.

Corporate governance

In 2023, Magnit was assigned a ruAAA rating by the Expert RA rating agency, and in early 2024, an AAA(ru) rating by ACRA. These ratings reflect the Company's high quality of corporate governance, strong market and competitive positions, high margins, low leverage, and very strong liquidity.

Respect for the rights of all our shareholders remains an absolute priority for us. In June 2023, in response to requests from international investors, Magnit decided to provide shareholders with an opportunity to monetise their holdings in the Company within the existing regulatory and market constraints. Following the two tender offers announced on 16 June and 10 October 2023 by our subsidiary Magnit Alyans LLC, as well as the bilateral transaction of October 2023, we acquired a total of over 30 million Company shares, which make up around 29.7% of all issued and outstanding shares.

In December 2023, the Company's General Meeting of Shareholders resolved to elect a new Board of Directors and pay dividends on ordinary shares in the amount of RUB 42 bln, or RUB 412.13 per share.

Sustainable development

The Company continues to implement its sustainability strategy to 2025 across all areas. Magnit recognises its impact on stakeholders and is committed to implementing large-scale initiatives in the field of social responsibility and sustainable business development.

We strive to support socially vulnerable population groups and people in emergency situations. In 2023, we donated 1,530 tonnes of products as part of socioeconomic and charitable projects. I would like to highlight the food sharing programme launched in 2022 in collaboration with the Foodbank Rus charity foundation. Since its inception, we have donated 320 tonnes of food to those in need. Furthermore, in early 2024, we expanded the programme to encompass non-food products as well.

Our employees remain the backbone of our Company and a critical driver of its long-term sustainability. Making work at Magnit attractive and effectively supporting and motivating employees are our priorities in the field of human resources. To adapt to structural challenges in the labour market, we focused on retaining and developing our talent as a key asset, applying a flexible and proactive approach to recruitment, and increasing investment in employees to develop their key competencies and ensure continuity of our business. We achieved good results, with employee satisfaction reaching 81% in 2023.

In 2023, we also prioritised environmental issues, reducing specific greenhouse gas emissions by 31% vs the 2019 base year, and specific energy consumption by 18% vs the 2019 base year. We created Russia's first voluntary standard for recyclable eco-friendly pre-packs, which are branded cardboard racks and structures designed to attract customer attention within the store. The introduction of the standard developed by Magnit and its partners will help return cardboard to the circular economy and reduce waste.

With a steadfast commitment to responsible business practices and a clear focus on our strategic goals, we are confident in our ability to successfully achieve our objectives and make a meaningful contribution towards a sustainable future.

In conclusion, I would like to express my gratitude to the entire Magnit team, including our employees and partners, for their dedicated efforts, and commend the strong performance of our corporate governance bodies and all Company units, which enabled informed and timely decision-making across every aspect of our business.

Magnit's robust performance in 2023 reaffirmed the resilience of our governance and organisational structure in the face of challenges and external changes. It also showcased the strength of our business model, highlighting the importance of being present in customers' lives as a reliable supplier of quality products with a constant focus on consistency, exceptional service, and self-improvement. Looking ahead to 2024, we anticipate a wealth of possibilities and enticing opportunities, fuelling our confidence as we forge ahead with all our projects.

PJSC Magnit

Market overview

Macroeconomic environment

In 2023, Russia experienced a robust recovery of its economic activity, surpassing the growth projections made by the Bank of Russia (0.5–2.0%) and the Ministry of Economic Development (1.2%) in April. By the end of the year, the country's GDP grew by 3.6% compared to 2022 and by 2.4% compared to 2021, reaching RUB 139.0 trln (2021-year roubles) and fully offsetting the decline witnessed in 2022.¹

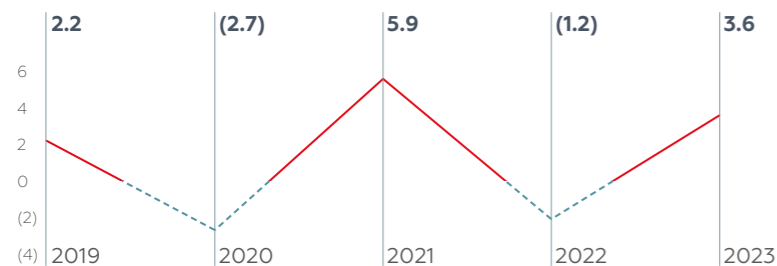
The rebound in economic activity was primarily attributed to a surge in investment portfolios, largely fuelled by generous budget spending, as well as to an upswing in industrial production, which from May 2023 remained near its highest levels in a decade. As a result, the industrial production index witnessed a growth of 3.5 p.p. compared to the previous year¹.

Furthermore, a substantial expansion in consumer lending played a favourable role in stimulating domestic consumption and bolstering the economy. However, this growth in consumer borrowing also contributed to an uptick in inflation and emerged as one of the key factors behind the rouble weakening. In response, the Bank of Russia implemented a series of five key rate hikes throughout 2023, more than doubling the rate from 7.5% to 16.0%.

Throughout 2023, the average annual unemployment rate in Russia remained at a historic low of 3.2%, reaching 3.0% by the end of the year. According to sociological research conducted by SberCIB³, there was a persistent labour shortage in the country at the year-end. 11% of the respondents indicated that their companies were hiring new employees, which represented a 3 p.p. increase compared to the previous year. Additionally, 20% of the respondents mentioned that their employers were facing challenges in filling existing vacancies. This marked a 5 p.p. increase compared to Q4 2021 when there

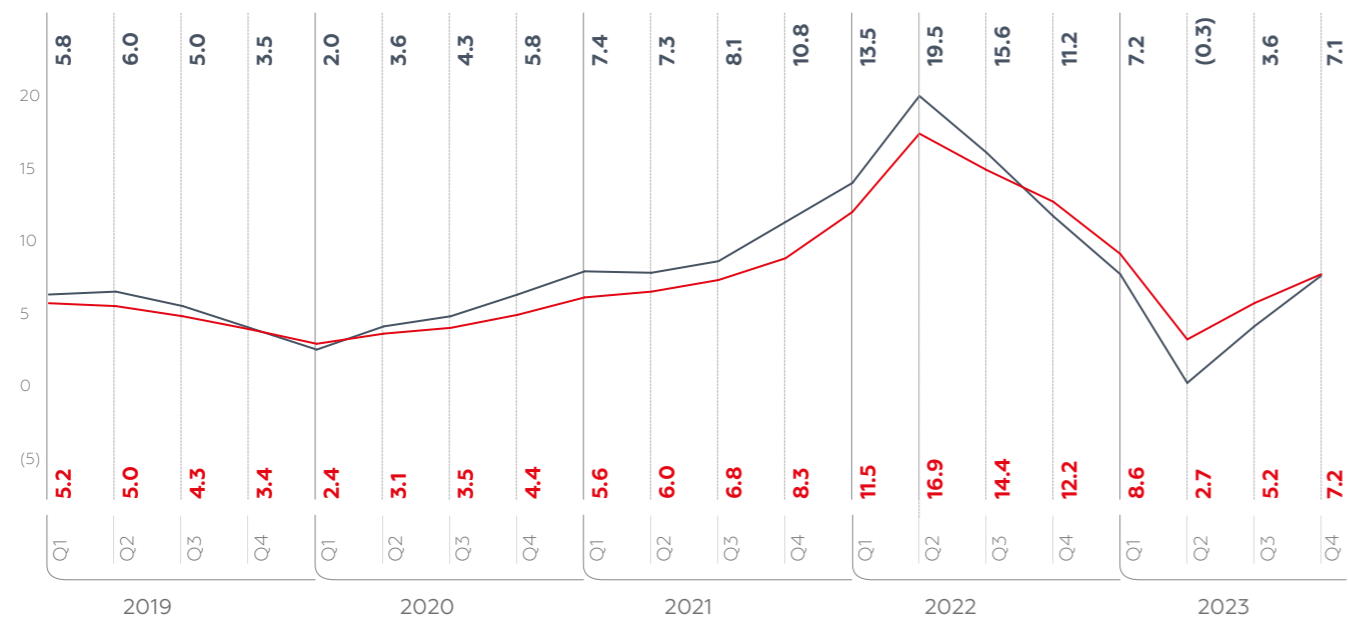
was no labour shortage in the market. These factors contributed to a rise in real wages by 7.8% and real disposable income by 5.4%. According to the National Research Institute for Labour, wage inequality decreased to its lowest level in the past two decades, with a ratio of 13.1x.

Real GDP change in Russia², %



The tightening of the monetary policy was primarily driven by the materialisation of proinflationary risks, as stated by the regulator. These risks included the domestic demand exceeding the economy's production capacity and the weakening of the rouble during the summer months. As a result, by the end of December, the accelerated inflation stabilised at 7.4%, while the food inflation rate was curbed to 8.2%.

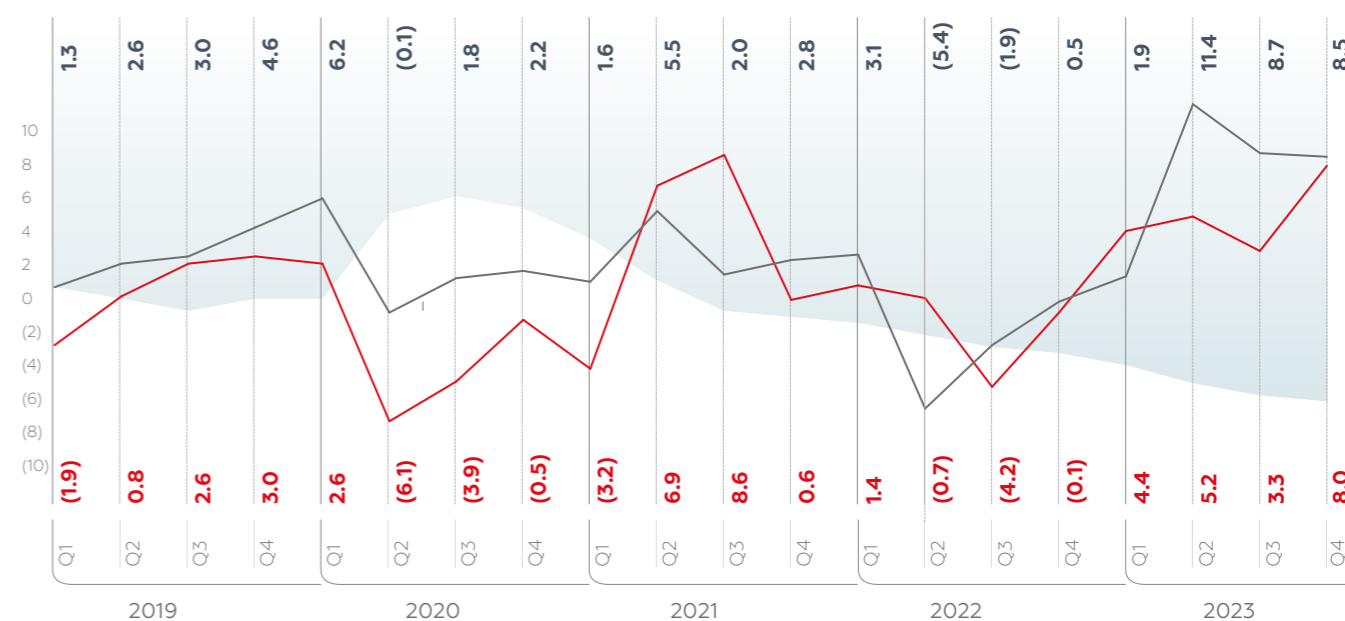
Quarterly CPI and food CPI in Russia, % YoY



— Food CPI, %
— CPI, %

¹ Sources: Bank of Russia, Federal State Statistics Service, Ministry of Economic Development, Magnit analysis.
² Sources: Federal State Statistics Service, Ministry of Economic Development, Magnit analysis.

Real wages, real disposable income and unemployment rate, %



— Real wages growth, % YoY
— Real disposable income growth, % YoY
● Unemployment, %

Russian retail market

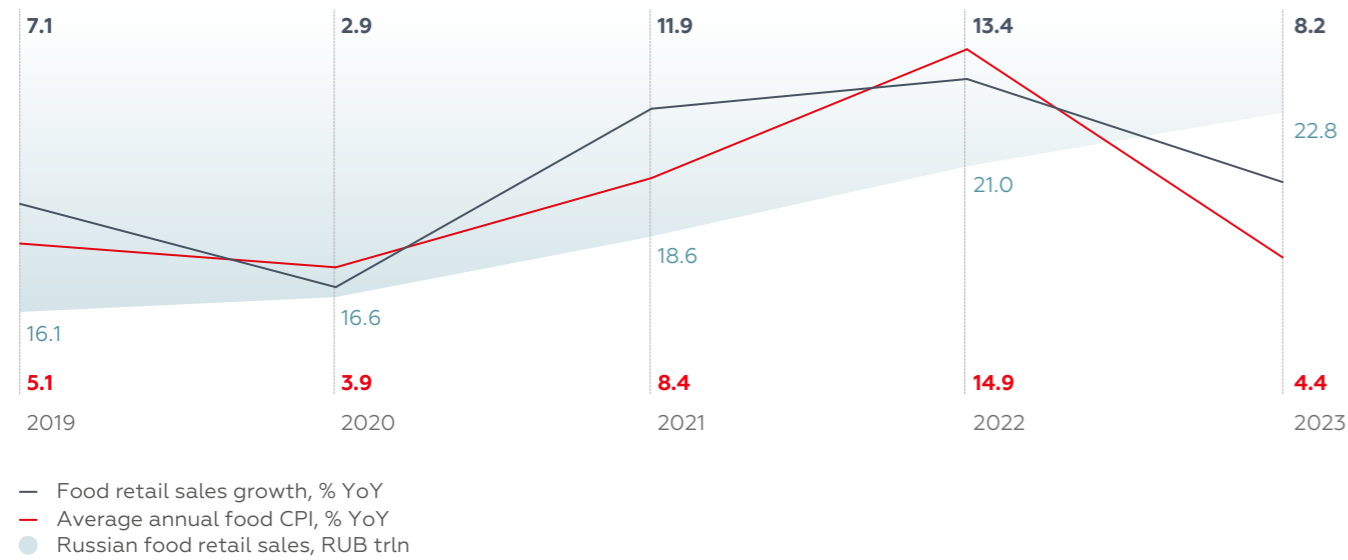
In 2023, retail sales in Russia increased by 11.3% YoY to RUB 47.4 trln, according to Rosstat. Despite the release of pent-up demand for various non-food products and services, food sales experienced a surge as well, registering an 8.2% increase to RUB 22.8 trln. Consequently, in 2023, the Russian food retail market remained the eighth largest in the world in terms of revenue.

RUB 22.8 trln

food retail sales in Russia in 2023

³ Source: SberCIB Ivanov Consumer Confidence Tracker.

Food retail sales in Russia in 2019–2023¹



Expenditures on food continued to be a significant component of Russian households' budgets. According to a research by SberCIB², food accounted for 39% of Russians' total expenditures in 2023.

Overall, the retail market environment in Russia in 2023 proved favourable for operators of modern retail formats, including Magnit. Retail chains successfully increased their combined market share to 75% through the opening of new stores.

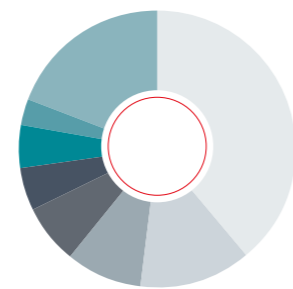
The cumulative growth in retail space amounted to approximately 2.6 mln sq. m, with a significant share continuing to be dominated by convenience stores.

Total selling space for modern retail in Russia, mln sq. m

Year	Hypermarkets, %	Supermarkets, %	Convenience stores, %	Total
2023	14	9	77	37.7
2022	16	10	74	35.1
2021	17	11	72	32.5
2020	19	11	70	29.7
2019	21	11	68	28.2
2018	23	12	65	25.6
2017	25	12	63	23.0
2016	27	13	60	20.3
2015	28	14	58	17.6

- Hypermarkets, %
- Supermarkets, %
- Convenience stores, %

Consumer spending in 2023², %



- 39 Food
- 13 Utilities
- 9 Clothing
- 7 Interest payments
- 5 Healthcare
- 5 Household goods
- 3 Leisure
- 19 Other

37.7 mln sq. m.

total selling space for modern retail in Russia in 2023

¹ Sources: Federal State Statistics Service, Ministry of Economic Development, Magnit analysis.
² Source: SberCIB Ivanov Consumer Confidence Tracker.

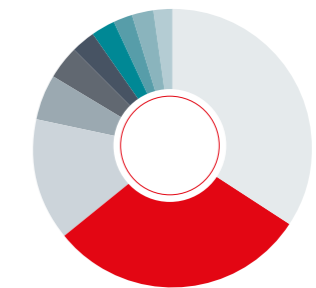
The modern retail market in Russia continues to hold significant growth potential. As at the end of 2023, the Top 5 players captured a market share of 38%, whereas in Western economies the figure typically stands at 60% or more.

In 2023, the market share of the Top 10 retail chains increased by 1.9 p.p. to 43%. The combined market share of Magnit was 12.8%.

The crisis of 2022 still presents additional growth opportunities for the Russian retail sector. Most leading players continue to invest in their own production, develop private labels, and ramp up product offering at affordable prices. According to INFOLine³, the share of private label sales in the food category increased by 2 p.p. in 2023, reaching 11% of total retail sales.

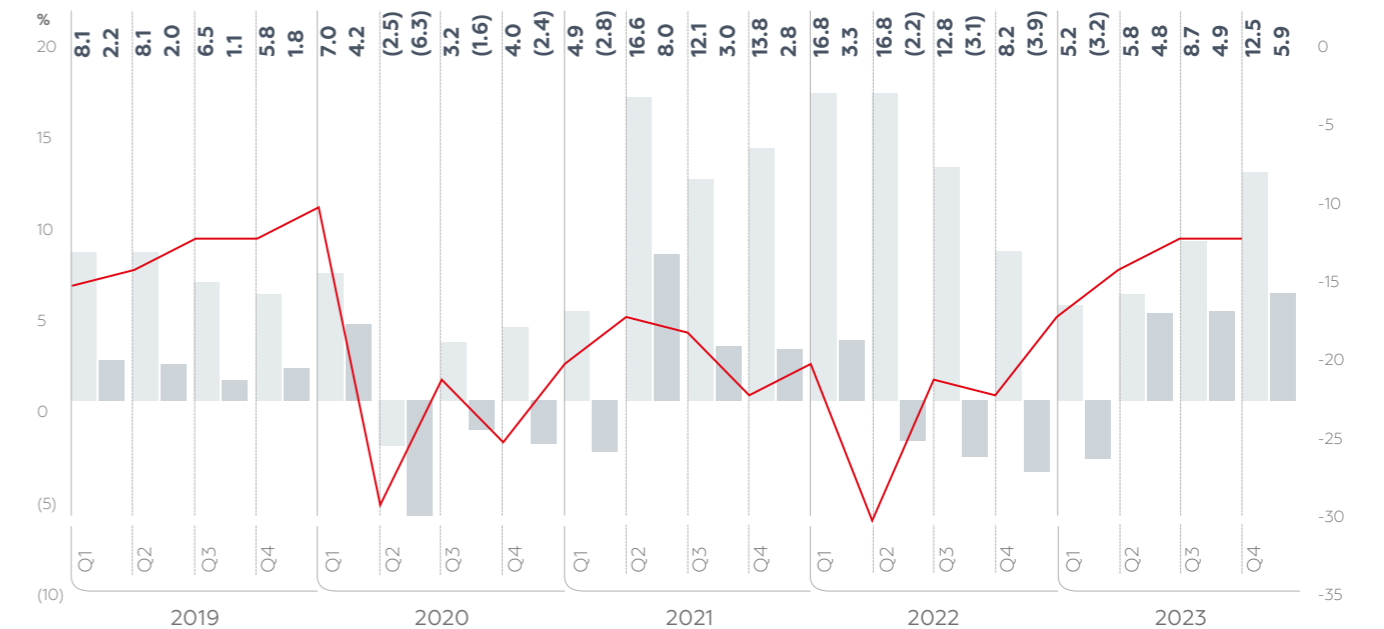
Alongside the expansion of conventional retail formats, online food retail experienced robust growth. In 2023, the e-grocery market in Russia grew by 47% YoY, reaching RUB 918 bln or 4.0% of total food retail sales (RUB 22.8 trln)³. However, in major cities such as Moscow and St Petersburg, the growth continued to slow down due to a weaker low-base effect.

Market share of the largest retail chains by revenue in Russia in 2023⁴, %



- 14.6 X5 Group
- 12.8 Magnit
- 6.1 Mercury Retail
- 2.3 Lenta
- 1.6 Svetofor
- 1.2 Vkusvill
- 1.2 Auchan
- 1.0 Monетка
- 1.0 METRO
- 0.9 O'KEY

CCI and food retail sales growth⁵, %



- Nominal food retail sales growth, YoY
- Real food retail sales growth, YoY
- Consumer confidence index

³ Sources: INFOLine, Company analysis.
⁴ Sources: INFOLine, Magnit analysis. Market share of Monетка is given prior to the acquisition by Lenta. Monетка is included in the market share of Lenta starting from 2 October 2023.
⁵ Sources: Federal State Statistics Service, Ministry of Economic Development, Magnit analysis.



Despite the economic recovery, the purchasing behaviour of Russian consumers remained under pressure from inflation. The share of Russians trying to save on food remained significant in 2023, averaging 64% throughout the year.¹ In response, Magnit actively continued to develop its private label portfolio and production capabilities. In 2023, the Company achieved a 20% share of private labels in total sales, expanded its private label offering to 5,500 SKUs, and produced 300,000 tonnes² of goods, including 109,000 tonnes of agricultural products, which grew by 17% compared to 2022.

Furthermore, the Company continued to test and develop new formats tailored to meet the latest consumer trends. In 2023, we opened three small-format Magnit Ultra-Convenience stores and 53 technologically advanced First Choice (V1) hard discounters.

In 2024, we will continue to implement our smart growth strategy, which includes exploring new promising store formats, while also enhancing our unique CVP and developing online sales and digital services.

We will also remain committed to nurturing our key competitive advantages, including a diverse private label offering and unique in-house production capabilities.

Key trends in consumer behaviour and preferences in 2023

Surge in rational consumption, staying away from impulse buying

Consumers are becoming more rational about their spending and more cautious with their budgets, placing value on key factors such as money, time, and assortment when making purchasing decisions.

Increase in the popularity of mid- and lower-price segments

The decline in real disposable incomes has led Russians to opt for more affordable alternatives instead of premium brand products. This shift presents new opportunities for the development of our own production capabilities and private label offerings.

Consumers becoming more digital

The demand for online shopping and delivery continues to rise, particularly in non-metropolitan regions. However, in major cities like Moscow and St Petersburg, where the pace of life is fast, there has been a slight slowdown in growth rates due to the diminishing low-base effect. E-commerce remains one of the most dynamic channels, largely thanks to the prevailing cost-saving trend, as consumers actively compare prices and seek out better online deals.

Growing interest in locally produced goods

In recent years, Russians have started purchasing more products from local manufacturers. This is primarily because local goods are often priced lower than Western alternatives or can replace items that are no longer available. Additionally, some consumers are changing their consumption habits to support domestic producers.

Interest in healthy products and responsible consumption

There is a rising consumer interest in eco-friendly products, healthy eating and healthy lifestyles, driving a willingness to spend more on high-quality and environmentally conscious products in certain categories.

Key trends in the Russian retail market

Growing share of Russian manufacturers

Many brands withdrawing from the market set stage for the growth of Russian manufacturers, including local suppliers and farms.

Active expansion of marketplaces

Consumers are increasingly shifting their product searches from search engines to marketplaces. It is expected that the influence of this channel will continue to grow across nearly all consumer markets in the medium term.

eGrocery sales growth

The share of eGrocery sales in food retail is expected to approach 7% by 2025. This will also lead to an increase in the number of dark stores that serve the online delivery market. Key market players are actively investing in the development of their online sales channels and revising their business models to integrate express delivery and pickup services, marketplaces, and dark stores.

Shifts in demand and supply

In recent years, Russian consumers have been favouring more affordable products, including local brands and private labels, as well as appealing promotional deals offered by retailers. Simultaneously, the Russian retail sector has continued to adapt to economic and geopolitical shifts by transforming sales channels, updating product offerings, and introducing alternatives to discontinued brands.

Omni-channel development

Consumers are increasingly selecting shopping destinations based on their specific circumstances (urgent, spontaneous or planned purchases, those requiring ample time for decision-making, etc.), pushing retailers to become more omni-channel and integrate seamlessly into their lives.

Increasing presence of hard discounters and mini-markets

Discounters and mini-markets are gaining popularity due to consumers' price sensitivity and, unlike other formats, are in demand, including in remote locations. Availability of smaller retail outlets is helping to drive expansion. This segment is expected to be the primary driver of traditional retail in the near future.

Emerging digital systems

Digital technologies continue to evolve, enabling personalised approaches and streamlining business processes.

Key changes in the regulatory environment in 2023

Change	Regulatory document	Effective date
Increase in the minimum retail prices for alcoholic beverages, including vodka, brandy and sparkling wines, since 7 January 2023	Orders of the Ministry of Finance of Russia Nos. 168n and 180n	1 January 2023
Increase in the minimum retail price for a pack of cigarettes to RUB 119	Federal Law No. 1-FZ dated 27 January 2023	1 March 2023
Indexation of the Platon heavy vehicle charge system tariff (an increase by 30 kopecks compared to the previous tariff)	Resolution of the Ministry of Transport of Russia	1 February 2023
Expiry of the weight control exemption for trucks that bring medicines, food, and essentials into the country	Regulation of the Government of Russia No. 1670	1 February 2023
Extension of the ban on freight haulage by truck in Russia for companies from unfriendly countries. The list of exempted goods categories has been reduced to 20	Regulation of the Government of Russia No. 1078	30 June 2023

¹ Source: SberCIB Ivanov Consumer Confidence Tracker.

² Net of contract manufacturing.

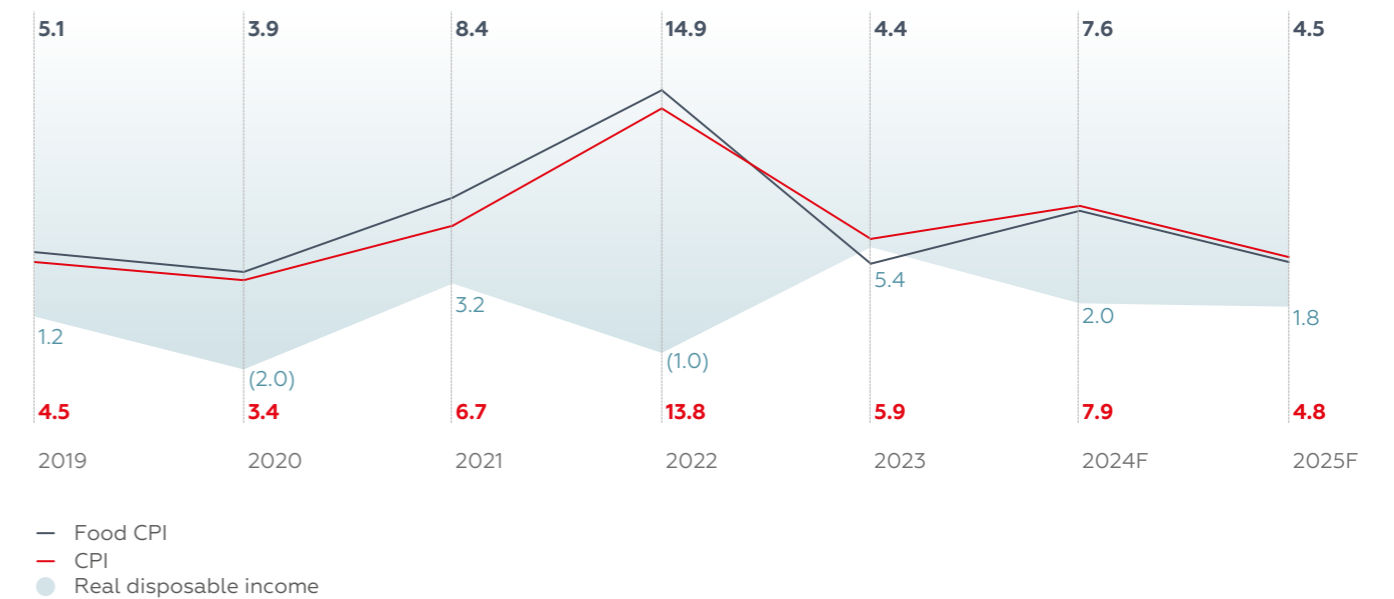
Change	Regulatory document	Effective date
Implementation of electronic special permits for heavy-duty vehicle travel on roads. Introduction of higher fines for exceeding weight or size limits for vehicles carrying heavy or oversized cargoes	Federal Law No. 172-FZ	28 April 2023
Introduction of an increased import duty of 35% on shampoos, tooth cleaning products, deodorants, cleaning solutions, as well as shaving-related products imported from unfriendly countries. Effective until 31 December 2023	Regulation of the Government of Russia No. 2240	9 December 2022
Increase in the import duty on a range of goods imported from unfriendly countries	Regulation of the Government of Russia No. 1173	20 July 2023
Extension of automatic renewal of licences and other types of permits until the end of 2023	Regulation of the Government of Russia No. 63	23 January 2023
Introduction of an excise duty on sugar-sweetened beverages (RUB 7 per litre)	Federal Law No. 443-FZ	1 July 2023
Indexation of excise duties on alcoholic beverages and tobacco products by 5% in 2024 and by 4% in 2025 and 2026	Federal Law No. 389-FZ	31 July 2023
Introduction of additional product labelling rules	Regulation of the Government of Russia No. 1861	1 March 2023
Introduction of an electronic registry of licences for the production and sale of tobacco and nicotine-containing products	Regulation of the Government of Russia No. 1138	1 September 2023
Introduction of mandatory labelling for children's mineral water; phased transition to mandatory labelling for specific types of medical products and antiseptics	Regulations of the Government of Russia Nos. 834, 894 and 870	1 September 2023
Approval of amendments to the list of goods permitted for parallel imports	Order of the Ministry of Industry and Trade of Russia No. 2701	21 July 2023
Implementation of an experimental system to prevent the sale of expired products as well as illegal tobacco and nicotine-containing products with a view to establishing an information exchange mechanism between retailers and the monitoring information system for mandatorily labelled goods	Regulation of the Government of Russia No. 74	1 February 2023
Conducting a three-year experiment to allow remote retail sales of prescription medicines in the city of Moscow, the Belgorod and Moscow regions	Federal Law No. 405-FZ	1 March 2023
Revision of the list of medical goods exempt from sale and import VAT	Regulation of the Government of Russia No. 2374	1 April 2023
Introduction of fines ranging from RUB 20,000 to RUB 200,000 for selling prescription medicines without a prescription	Federal Law No. 175-FZ	28 April 2023
Extension of the simplified procedure for registering medicines until the end of 2024	Regulation of the Government of Russia No. 824	27 May 2023
Simplifying the process of granting permits for online sales of non-prescription medicines	Regulation of the Government of Russia No. 272	18 February 2023
Implementation of new requirements for including the "product code" information in the receipts for the delivery of labelled goods.	Regulation of the Government of Russia No. 1090	1 March 2023
Modification of the rules regarding the inclusion of this information	Regulation of the Government of Russia No. 786	19 May 2023
Introduction of liability for the sale of counterfeit and unlabelled goods by marketplaces, along with their obligation to transmit information to the Chestny Znak labelling system	Regulation of the Government of Russia No. 1351	1 March 2023
Expansion of the list of children's goods produced domestically that are subject to a reduced VAT of 10%	Regulation of the Government of Russia No. 594	14 April 2023
Permitting regional authorities to enter into voluntary agreements with retail chains to stabilise prices for socially important food essentials. Effective until 6 May 2026	Regulation of the Government of Russia No. 662	6 May 2023
Establishment of administrative liability for failure to comply with online ads labelling requirements	Federal Law No. 274-FZ	1 September 2023
Transfer of responsibility for the disposal of packaging of Russian-made goods from producers of goods to producers of packaging. Establishment of importers' responsibility for the disposal of packaging	Amendments to Federal Law No. 89-FZ On Production and Consumption Waste dated 24 June 1998	4 August 2023

Food retail market outlook¹

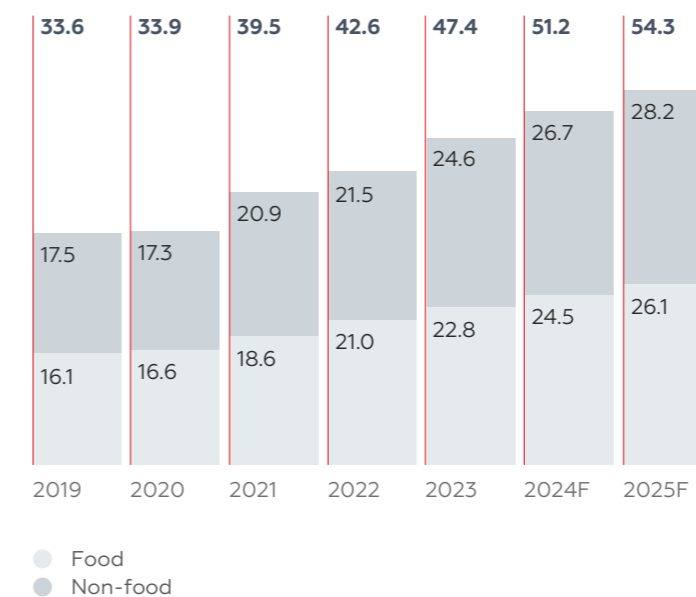
Real disposable incomes in Russia are projected to continue their growth trajectory (+2% YoY), driven primarily by a rise in wages (+10% YoY) amidst record-low unemployment.

The growth rates and margins of major Russian food retailers are projected to remain on par with the levels seen in 2023.

Average annual CPI and real disposable income growth¹, %



Russian retail turnover¹, RUB trln



RUB 47.4 trln
retail sales in 2023



¹ Sources: Alfa-Bank forecast, Federal State Statistics Service and Ministry of Economic Development data, Magnit analysis.

Strategy

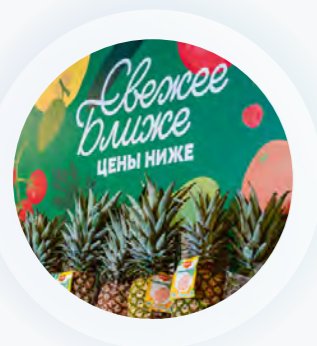
Our strategic ambition is to uphold leadership by maintaining competitiveness in an ever-evolving environment that requires adaptability to structural challenges.

We aim to preserve our market share and its balanced growth to solidify our current position as one of the leading retail players.

Magnit is focused on boosting efficiency in the prevailing market conditions.

To achieve this goal, we identified several priorities, both front-end (first group) and back-end (second group).

Our strategy relies on continuous improvement of Magnit’s key existing formats:



development of our flagship convenience store format



smart investments in the Magnit Cosmetic drogerie format



balance between sustaining and expanding the Magnit Family and Magnit Extra hypermarket formats

...as well as new areas of growth with the focus on expanding the product offering and enhancing customer experience:



development of the discounter format



piloting of the ultra-convenience format



E-com services: Magnit Delivery, a marketplace on the basis of the acquired KazanExpress and a Superapp¹

Key first group (front-end) priorities include:

- consumer-centric decision-making with enhanced loyalty and improved personalisation powered by Big Data (and later AI);
- improved brand positioning (including care, safety, sustainability, and value for money);
- improved loyalty programme;
- technological ecosystem to offer a fully-fledged omni-channel experience;
- broader private label offering;
- product assortment and store offerings tailored to local customer preferences through effective clustering strategies and assortment management.

Key second group (back-end) priorities include:

- all cross-functional end-to-end initiatives focused on improving the efficiency of key business processes;
- flexible organisational structure with clear responsibilities, combined with entrepreneurial culture and efficient cross-functional collaboration;
- investments in process automation and standardisation;
- flexible, reliable and scalable cloud-based IT solutions and data platform;
- new distribution centre openings;
- fleet renewal;
- monetisation of online and offline infrastructure.

To be able to respond to structural challenges, we place a special focus on:

- retaining and developing our employees as our key asset;
- taking a flexible and proactive approach to personnel attraction;
- intensifying investment in people to ensure best competences and business continuity;
- designing refined functional strategies;
- adjusting the offering of imported products.

¹ Developing a super application that integrates a loyalty programme, communication platform, delivery service, and marketplace.

Innovation and digital solutions

Magnit is constantly searching for innovations and piloting forward-thinking projects to gain additional competitive advantages and create a new shopping experience.

Our approach to innovation is designed:

- to enhance our production facilities;
- to streamline business processes;
- to reduce environmental footprint;
- to elevate customer service;
- to fortify our CVP.



Digital solutions and business innovations

Central to Magnit's innovations is the incorporation of new digital solutions throughout our operational framework and business processes. With a robust digital transformation programme in place, we are committed to refining our CVP with a focus on customers, accelerating new product launches, achieving cost efficiencies by minimising redundant operational roles, unlocking the potential of valuable customer data analytics, and fostering a culture of employee engagement.

The Company's digital transformation relies on:

- a flexible, modular business architecture that readily adapts to shifting market demands and customer needs;
- state-of-the-art tools and technologies that foster the creation of composable services to ensure flexibility and speed while minimising costs;
- a product-centric approach that helps find, test and scale creative solutions to emerging challenges.

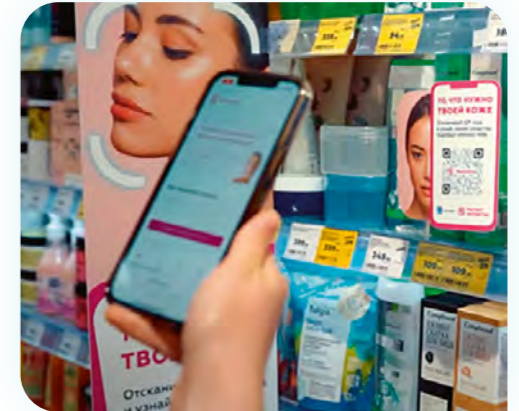


AI-powered technology for choosing cosmetics

In June 2023, Magnit announced the launch of BeautyScan, a customised cosmetics selection technology, in more than 200 Magnit Cosmetic stores in Moscow and St Petersburg, offering a highly personalised service, improved customer experience, and a focus on maintaining health and beauty.

Pilot tests have indicated a 5% uplift in sales and a conversion rate nearing 70%. In 2024, the Company plans to expand the technology to over 5,000 Magnit Cosmetic stores in the City and Metropolis clusters.

For more details, see the Format Overview section on [p. 60](#)



AI-based promotions

In 2023, Magnit continued its project to enhance the performance of individualised promotions by relying on in-house ML-based innovations.

As part of the project, target segments and optimal promotional mechanics are selected by AI, and promotions are personalised through a variety of tools such as express bonuses, individual discounts, and bonuses for purchases in a specific product category.

The main advantages of the technology are its high efficiency, targeting based on hundreds of parameters, including consumer-specific offers, as well as the ability to gauge the campaign's performance on a daily basis and swiftly respond to changes in consumer behaviour.

Machine vision

In 2023, Magnit focused on scaling up its machine vision technologies to the hypermarket chain, building on the initial tests conducted in 2021. One of the technologies is product recognition (Image Recognition). By the end of the reporting year, it was successfully implemented across all Magnit stores in the large Extra and Family formats, covering 20,000 SKUs.

To monitor product display on the shelf, the Company uses a Russian-developed technology based on a neural network that recognises product images from photographs and makes sure that products on shelves match the planned arrangement (planogram). The technology reviews the availability of products on the shelf and the remaining stock in the store, the sequence in which the products are placed on the shelves as well as the front shelf and other layout arrangements. Whenever any errors are detected, staff members are alerted via a mobile app, enabling swift corrections.

In 2024, the Company plans to refine this tool further for use in large store formats, with a new module for controlling price tags and non-displayed products and determining the share of domestic producers on the shelf.

x3 ROI vs conventional advertising campaigns.



The product recognition technology is available in all large format stores.



Clever Lever smart scales with product recognition

In 2023, the Company started to expand its Clever Lever project, introducing smart scales equipped with product recognition to large store formats. Initially piloted across 37 stores, the technology demonstrated significant efficiency, with losses of goods sold by weight decreasing to just 0.22% of store gross revenue. The innovation was deployed in more than 1,500 self-service scales.

In December of the reporting year, the technology was rolled out to 205 hypermarkets and is already available for customers. With a presence in 242 stores across the chain, Magnit plans to introduce this technology as standard in 2024, expanding it to the remaining geography of large formats and initiating pilots in convenience stores.

Electronic price tags and media shelves

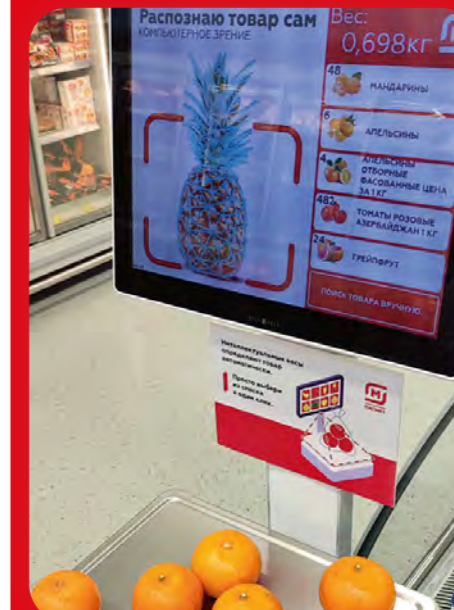
The year 2023 saw the launch of the Scissors Free pilot (Electronic Price Tags and Media Shelves).

The project concept is to provide convenience stores, Magnit Cosmetic stores and large store formats with electronic price tags for all active SKUs, as well as install media shelves on racks with target product categories. The project involves the collaboration of two technologies: digital price tags and flexible media content management with marketing tools.

The first convenience store with electronic price tags was launched in Moscow in December 2023. In Q1 2024, the rollout plans to continue to cover the entire pilot group of stores in Krasnodar, Moscow and St Petersburg.

As part of the project, the Company will test the system's functionality, swift price management, synchronisation of price updates without the use of manual labour, sales support with videos, and advertisement displays on targeted product racks.

Video recognition on self-service scales is a cutting-edge technology developed in Russia and based on neural networks. It can identify goods without a bag with an accuracy of 98%, and products in coloured or transparent bags with an accuracy of up to 95%. The system's neural network can be trained on popular products within four hours, extending to four days for less common items, without limitation on the number of unique SKUs.





Extended barcode technology

In the reporting year, the Company commenced the scale-up of extended barcodes (EBC). Unlike traditional barcodes, EBCs carry detailed product information such as expiry dates, production dates, weight or size, and batch numbers. The EBCs we use meet international standards and can be read by the most common modern scanners.

The solution will help improve on-shelf product availability, optimise efforts to control the shelf life in stores, and reduce losses and markdown costs. Leading Russian food producers, including Cherkizovo and EFKO, are among the first to join Magnit in rolling out the EBC technology.

Technology to check product expiry dates

In 2023, the Company launched a new technology to check expiry dates of Chestny Znak-labelled dairy products at the checkout. According to the Advanced Technologies Development Centre, the operator of the labelling system in Russia, Magnit was the first retailer to implement this kind of solution. It obtains information on the product's shelf life directly from the Chestny Znak system during the checkout process and prevents the transaction if the product has expired.


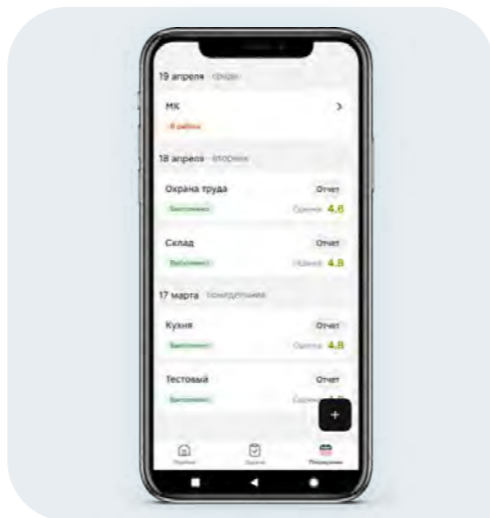
Looking ahead, Magnit, in partnership with the Advanced Technologies Development Centre, plans to expand the technology to include other labelled product categories such as packaged water, enhancing the ability to check expiry dates and prevent sales of expired items.

Mobile app for digital administration and operations management

MDrive is a key tool to manage and assist with day-to-day operations within store teams. In 2023, we focused on expanding the basic supervisor audit process across our core formats. The new UX digitalized all basic operational functions (check-list analysis, audit, instructions). Another promising pilot in Q4 was the communication of customer feedback after offline purchases: now store teams receive real-time feedback and ratings reflecting the in-store shopping experience, allowing for swift service improvements. In 2024, we will strengthen our focus on MDrive's supportive capabilities and offer improvements in the availability of operational analytics, quality and convenience of task completion, routine administrative task automation, and overall app stability.

129 suppliers or 1,550 SKUs in categories such as dairy, cheese, meat deli, poultry, baby food and others, joined the extended barcode project in 2023.

The technology for checking the expiry dates of labelled dairy products was scaled up to all Magnit stores.

Import substitution for technologies

Magnit develops proprietary self-checkout software

In the reporting year, Magnit started deploying proprietary software at self-checkouts in its stores, successfully installing the system in some 2,000 checkouts. Developed by our in-house IT team, the software will ensure independence from foreign suppliers, facilitate internal service maintenance, support quick enhancements of device capabilities, and reduce the cost of terminal operation and the need for additional equipment. Also, the software surpasses the performance of Western alternatives, enabling the use of current checkouts without expensive upgrades.

Magnit plans to improve the user interface and customer journey by integrating self-checkouts into a single ecosystem with Magnit's mobile app. This way customers will be offered a seamless and intuitive interaction with Magnit's various services.

In 2024, we anticipate all self-checkouts will operate on this proprietary software.

Transfer of loyalty programme to Russian-developed solutions

The transition of our loyalty programme to the Russian-developed Manzana platform in 2023 was a major milestone for Magnit. The new solution is powered by a cloud-based technology tailored to the Company's needs.

The transition unfolded over several months: the Company started to migrate users in March, gradually connecting more cardholders to the new system. Throughout this period, customers retained access to bonus accruals and spending,

card discounts and other features, including the ability to register new cards. We preserved all historical data on accumulated points and bonuses, as well as analytical data. Concurrently, the Company continued enhancing its loyalty programme, introducing new mechanics. For example, the number of product categories available for customers to choose from was expanded and segmentation was refined, resulting in a 30% increase in effective communications without compromising customer response.

>30 thous.

checkouts to be installed in 2024 in line with each format's demand

Magnit to become Russia's leading retailer in terms of fleet of devices



Unmanned trucking technology

The Company's strategy is aimed at improving the efficiency of its operations, with a special emphasis on cutting-edge robotisation solutions. Magnit is also exploring the prospects of using robotic solutions in warehouse logistics, which is especially relevant given the complexity of logistics and growing freight volumes. In the reporting year, Magnit launched unmanned cargo deliveries on the M11 Neva highway. In addition, Magnit takes part

in an initiative to test unmanned logistics corridors on the M11 Neva highway as part of a regulatory sandbox regime programme.

For more details on this project, see the Logistics and Transport section on [p. 108](#)

Looking ahead



• Voice assistant in transport logistics

As part of its strategy to enhance transport technologies, Magnit successfully adapted and piloted a voice assistant designed to monitor transport statuses. This innovative solution will help provide precise and timely information, enabling faster response to unforeseen logistics challenges.

• Platform for recruiting general staff

Magnit is testing a new service for filling temporary roles related to functions such as stocking shelves, assembling orders, or servicing pick-up points. The service is expected to be particularly effective during peak periods when the demand for temporary workers spikes.

• Leveraging AI technologies to save energy costs

The Company will continue to explore energy efficiency solutions in 2024.

• Business process robotisation

In 2023, Magnit successfully tested industrial robot cleaners in stores, assessing their effectiveness and suitability for wider use within the Company's premises.

ESG innovations

Green packaging

Magnit is actively involved in initiatives to reduce its plastic and paper footprint. We are fully aware that a significant proportion of retail waste comes from packaging materials. Consistent efforts to integrate eco-friendly practices into our business processes and improve the sustainability of our packaging are major components of our sustainability strategy.

Packaging is the key source of waste for a retail chain. This is mostly cardboard, polyethylene film, and plastic crates for fruit and vegetables.

We efficiently collect, process and recycle between 95% and 99% of all recyclable plastics, film and cardboard from our retail stores and distribution centres.

Voluntary standard for recyclable POSM¹ equipment

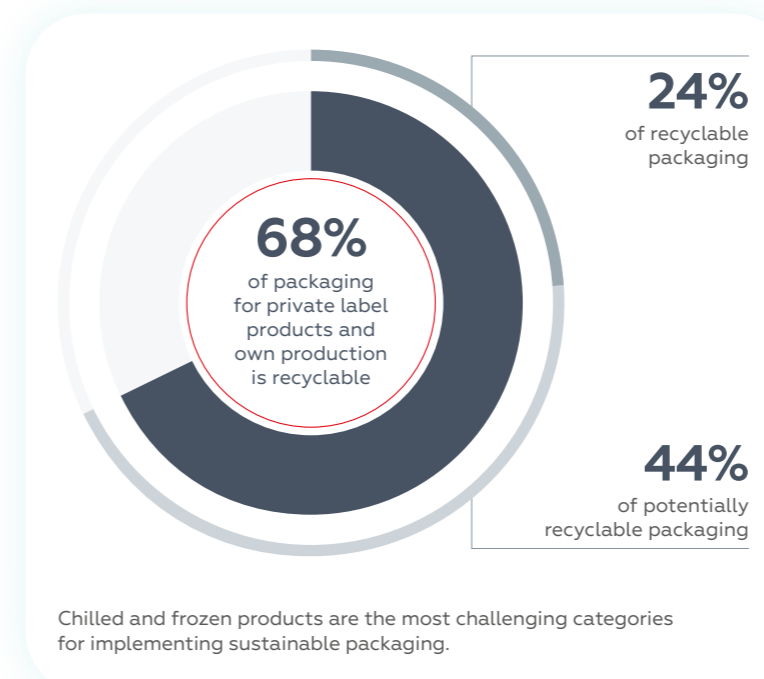
In 2023, Magnit and its partners developed Russia's first voluntary standard for recyclable pre-packs. Pre-packs are branded product displays that are delivered to stores with products already stacked. The display racks are mainly made up of cardboard, but the strong presence of additional materials such as metal, plastics and occasionally concrete hinders their recyclability. The new standard encourages suppliers to eliminate the use of metal and plastic elements and lamination in these displays. Pre-packs adhering to these guidelines are expected to be marked accordingly. The adoption of the standard is set to avert the production of 2.4 million kg of waste (400,000 pre-packs), reintegrate cardboard into a circular economy, and lessen the volume of solid municipal waste produced.



Advancing eco-friendly consumer packaging

We are committed to incorporating green solutions across all areas of our operations, including both offline and online sales channels. To achieve this, we actively participate in initiatives promoting eco-friendly packaging.

In 2023, Magnit and its suppliers continued to implement the Voluntary Sustainable Packaging Standard (ECR Russia), which is based on international and Russian best practices and tailored business recommendations, and takes into account all applicable requirements of Russian laws. The initiative is expected to considerably reduce the volume of non-recyclable retail waste.



¹ Point of sale materials are materials that help promote a brand at the point of sale.
² FMCG – fast moving consumer goods.

New green packaging standard for e-commerce

In 2023, Magnit, together with leading e-commerce players, FMCG² companies and ECR Russia, developed voluntary guidelines for sustainable transport packaging tailored to e-commerce services and online retailing. The guidelines will be an effective self-assessment and self-regulatory tool for online retailers, promoting the selection of functional packaging options that minimise environmental impact and waste production.

The guidelines categorise packaging into three traffic light groups based on environmental friendliness: "best solution" (green), "acceptable" (amber), and "recommended to avoid" (red). The classification covers all major categories of transport packaging (boxes, bags, film, wrapping, etc.) except for reusable packaging (couriers' backpacks).

When developing the standard, we took into account the possibility of producing packaging from renewable materials, the use of recycled materials in its production, easiness of sorting, and other parameters.

In its operations, Magnit relies only on packaging that complies with the new e-commerce standard.



Information security and personal data protection

Magnit's information security is based on a set of interrelated organisational and technical tools which comprise an integrated information security management and assurance system. Our comprehensive approach enables us to protect ourselves against modern information security threats, comply with Russian legal requirements, and prevent financial, reputational and other damage. The Company's information security system is designed and developed in line with global best practices.

Magnit has a formalised procedure for internal auditing, which falls within the remit of a dedicated department. We regularly assess information security risks and test our information systems on a quarterly basis.

Key focus areas of information security

Cyber security system

The Company has a set of systems and services to protect against cyberattacks, with solutions in place to identify and eliminate vulnerabilities in IT equipment, detect virus activity and zero-day attacks¹, as well as monitor and respond to security incidents. Magnit monitors the integrity of software architecture across all of its external IT services. The Company's IT team performs ongoing updates to network devices, servers and software, as well as routine scans of all external Company services for known vulnerabilities.

All of Magnit's web services are protected through tools designed to detect and block network attacks on web applications. We actively employ Anti-DDoS² solutions, and regularly scan open internet ports.

Due to the withdrawal of foreign vendors of security systems, in 2023, we tested and adopted domestic solutions for security orchestration, automation and response (SOAR). The Company also began replacement of its security information and event management (SIEM) and vulnerability management (VM) systems.

Anti-fraud

Magnit has established a transparent framework to monitor and respond to incidents related to loyalty programme bonus points. IT experts constantly analyse open-source intelligence (OSINT) to detect new attack vectors, implement and improve anti-fraud equipment for blocking illegitimate debits and bonus point accruals, build processes for analysing the Company's projects under development and implementation for minimising the risks of attacks, etc.

Development of IT security competencies

One of our information security priorities is to make employees more aware of cyber security rules. In 2023, the focus was set to develop practical skills for navigating the digital environment safely. Employees receive interactive training and are subjected to simulated phishing attacks to build practical skills. The use of gamification promotes employee engagement in the learning process.

Work from home

In 2023, we conducted a functional analysis of Russian remote access VPN systems and bench testing of products. A pilot project is planned for 2024 in several branches of the Company.

Secure development

To ensure security throughout software development lifecycle, an application security orchestration and correlation (ASOC) solution was implemented in 2023.

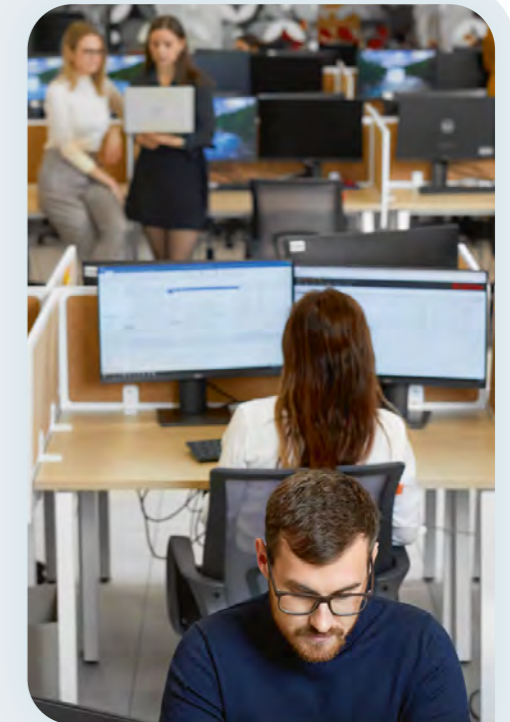
Protection of personal data

We have a systematic approach to protecting the personal data of all stakeholders and continuously monitor all existing and planned information systems. The Company makes consistent efforts to raise awareness of employees in information security and personal data protection, with training materials, videos and information security courses now developed and available. Magnit also approved corporate regulations and instructions on personal data processing and protection.

Employees of the IT Department working with user data are duly trained on a regular basis. The Company has automated the collection of consents to personal data processing.

We maintain a log of security incidents in information systems for processing personal data and inquiries regarding their processing and storage.

In addition, internal and external audits assess risks, analyse processed data, and develop and update a threat model for information systems and technical solutions to eliminate such threats.



Plans for 2024



In 2024, we will continue to develop our information security systems to prevent new threats, including further automating of processes, implementing import substitution of information

security tools, standardising processes and approaches in our development teams, and developing DevSecOps³ processes.

¹ Zero-day – an exposed software vulnerability or malware with no identified means of containment.

² Anti-DDoS is a tool of protection against DDoS attacks, which aim to disrupt the computer system through a constant stream of requests.

³ DevSecOps (development, security and operations) is a modern development practice that enables organisations to rapidly build and release secure applications.

Solid position for future growth


Business overview


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 **300,000 tonnes of goods** produced by Magnit's own facilities

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5.5% – LFL sales growth,
4.8% – LFL average ticket growth

 **p.58**

 **Net income increased by 94% YoY to RUB 66 bln**

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2023 performance

8.2%

total revenue growth

5.5%

LFL sales growth

6.1%

selling space growth, YoY

3.6%

sales density growth (LTM)¹, YoY

1,982

gross organic store openings

76.4 mln

loyalty card holders



Magnit's total revenue in 2023 increased by 8.2% YoY to RUB 2,544.7 bln. Net retail sales went up by 9.1% YoY on the back of selling space and LFL sales growth of 6.1% and 5.5% respectively.

In 2023, net retail sales growth continued to outpace selling space growth thanks to higher sales density. In the reporting year, revenue per sq. m rose by 3.6% YoY, with revenue per sq. m in convenience stores, the Company's key format, adding 4.2% YoY.

Selling space increased by 6.1% YoY due to the retailer's organic expansion. In 2023, the Company's gross and net store openings amounted to 1,982 and 1,760 respectively. Net selling space addition the same year was 581,000 sq. m. As at 31 December 2023, the total number of stores was 29,165.

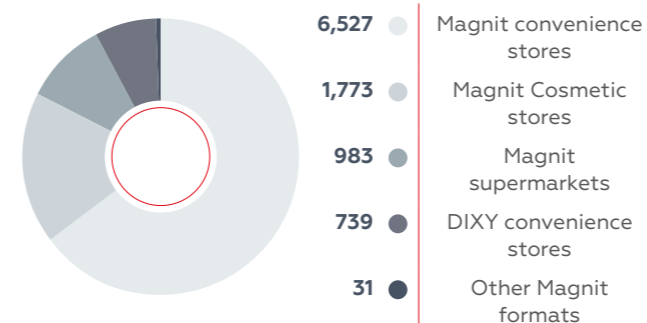
The 5.5% LFL sales growth in 2023 was due to a 4.8% increase in the average ticket and a 0.6% rise in traffic. The LFL base comprised 1,469 stores (net), including the opening of 1,574 Magnit stores and closure of 105 DIXY stores. As at the end of the reporting year, 9% of the Company's selling space was in the ramp-up phase, while the remaining 91% already reached sales maturity. Therefore, the key driver behind LFL sales growth was strong performance of mature stores rather than selling space expansion.

The 4.8% rise in the LFL average ticket in the reporting year was mainly due to higher YoY inflation, increased promo activity and a larger number of items in the basket. LFL traffic grew by 0.6% thanks to the pricing policy and increased promo activity

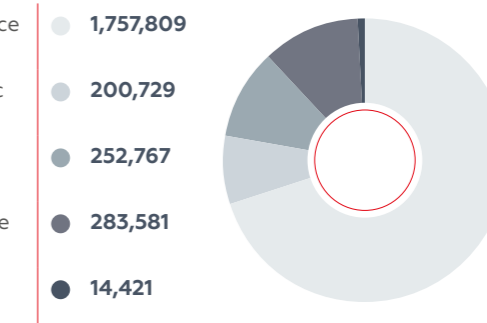
In 2023, the number of loyalty card holders exceeded 76.4 million. By the end of the year, the overall proportion of tickets using the loyalty card reached 50% with a sales penetration of 66%, peaking at 59% and 73% respectively. The loyalty programme continued to deliver positive cross-format gains, with the share of Magnit customer base visiting two or more formats reaching 42% by the end of the reporting period. The average ticket of an active loyalty card user is 1.9x higher compared to transactions without a loyalty card.

¹ Net retail revenue over the past four quarters divided by average selling space as at the end of the past five quarters.

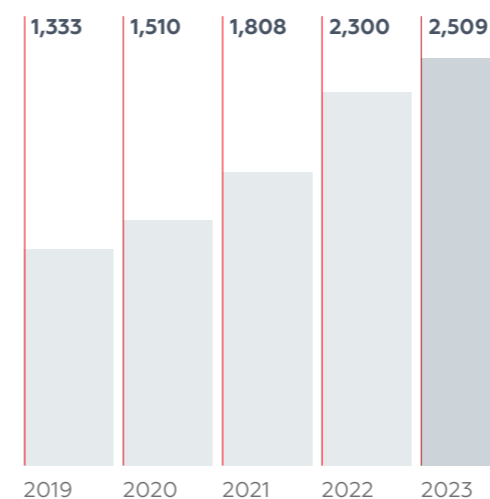
Selling space by format,
thous. sq. m



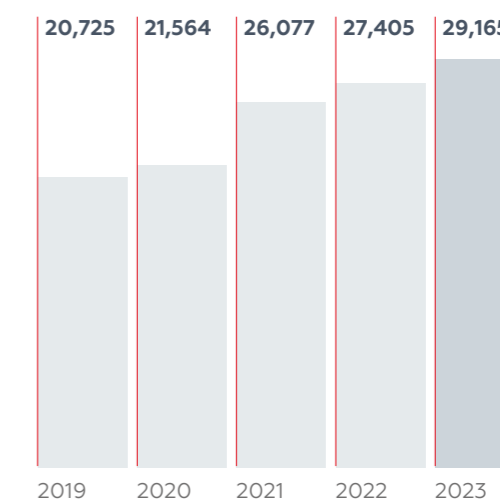
Net retail sales by format,
RUB mln



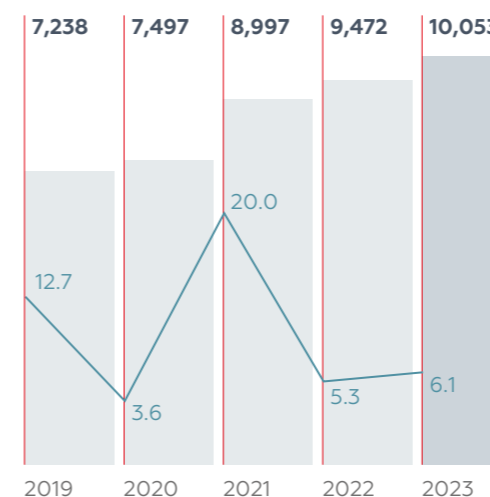
Net retail sales, RUB bln



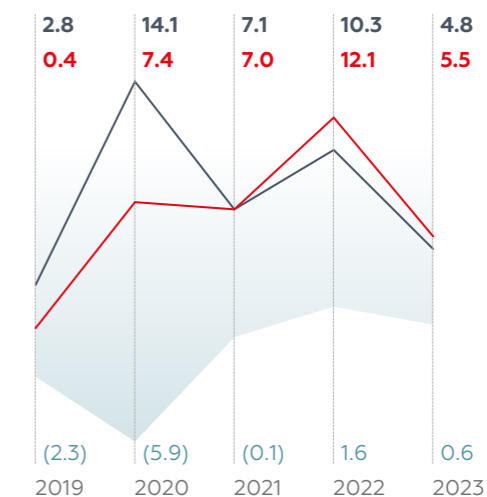
Total number of stores



Selling space, thous. sq. m



LFL results, %



— Selling space YoY growth, %

— LFL ticket growth
— LFL sales growth
● LFL traffic growth

Format overview

Magnit develops a multiformat business model, aiming to get closer to customers by adopting a tailored approach to assortment management. Our format portfolio seeks to cover a large number of consumer missions, thus turning Magnit facilities into stores of first choice for daily shopping.

In addition to traditional food formats, we:

- **develop cosmetics stores and pharmacies offering our customers beauty and health products;**
- **explore other niches and test new formats;**
- **develop our own production, offering customers high-quality products at an affordable price thanks to exerting control throughout the value chain.**

Magnit's loyalty programme covers all major retail formats, including convenience stores, supermarkets and superstores, drogeries, pharmacies and delivery services.

Magnit convenience stores

Magnit convenience stores are one of Russia's largest food retail chains operating in this format. Convenience stores' CVP focuses on a customer-friendly store for everyday shopping with a wide selection of the most essential food and non-food products at attractive prices. This is the most popular and sought-after format: here customers can purchase fresh dairy products, fruit and vegetables, bread, groceries, flour, confectionery, and household chemicals with minimum time inputs.



CVP: Magnit convenience stores



Positioning

Everything you need to make this day better.

A store with everything at hand for those who want to satisfy their everyday needs.

Missions

- Evening meals
- Everyday purchases
- Ready-to-eat dishes

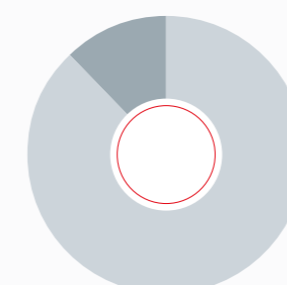
Location

Residential and business areas, shopping malls

Clustering

- **Metropolis:** higher share of leisure goods; follows the look & feel design with a focus on the ambiance, useful services, digital solutions without compromising on price attractiveness
- **City:** balanced offer and focus on the fresh category
- **Countryside:** higher share of household goods

Sales mix



Floor area

349 sq. m
average selling space

Product mix

5,290 SKUs

Store opening

- Payback period: **3–4 years**
- Costs per sq. m of selling space:
 - new store: **RUB 33,000**
 - redesign: **RUB 26,000**
- Reaching sales maturity: **12 months**

2023 performance

In 2023, Magnit convenience stores accounted for 70.1% of the Company's retail sales. In the reporting year, the Company had 1,418 gross convenience store openings and 133 closures as a result of its continued campaign to improve operational efficiencies. Thus, the net convenience store openings amounted to 1,285. 72% of the Group stores opened in the reporting year were Magnit convenience stores (including discounters). Net retail revenue went up 12.0% thanks to the LFL sales and selling space growth of 6.5% and 7.7% respectively. LFL sales growth was driven by a 4.8% increase in the LFL average ticket and a 1.6% rise in LFL traffic.

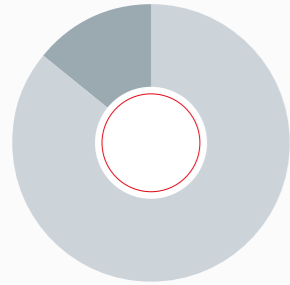
In 2023, we implemented a comprehensive set of initiatives to further improve service quality in our convenience stores:

- furnished stores with new promotional equipment for chilled products, vertical freezers, and self-checkouts;
- launched the Quality Circle project to promote employees' efficiency improvement ideas;
- implemented the MDrive application allowing for checklist-based inspections, on-site visit planning, and faster management of ongoing tasks.

7.7% growth YoY

6,527 thous. sq. m
selling space

465 thous. sq. m
net selling space addition



86% Leased
14% Owned

18,701
total number of stores

1,418
total number of stores

6.8% growth YoY

4,701 mln
number of tickets

4.9% growth YoY

RUB 374
average ticket (excl. VAT)

RUB 279,000 / sq. m per year
LTM sales density¹

6.5%
LFL revenue growth

4.8%
LFL average ticket growth

1.6%
LFL traffic growth

¹ Net retail revenue over the past four quarters divided by average selling space as at the end of the past five quarters.

Highlights of Magnit convenience stores

15,884

stores included fulfilment of online orders in the range of services they offer

1,800

stores installed dedicated bakery sections

930

underwent redesign and modernisation

457

stores switched to 24/7 working schedule

The Company seeks to follow the latest trends reflecting changes in consumer behaviour. For example, in recent years we have seen steadily growing demand for ready-to-eat and ready-to-go products, i.e. ready-made dishes for quick snacks.

Launch of fast food sales at Magnit convenience stores

In the reporting year, Magnit launched a pilot selling fast food at its convenience stores.

Fast food is available in more than 30 stores located in the high-traffic locations of Moscow and St Petersburg, with the product range encompassing approximately 15 items. The strong competitive advantages that enable Magnit to champion this highly popular format include availability of infrastructure in the form of strategically located stores, well-established logistics, expertise in the production of ready-to-eat meals, and the ability to offer attractive prices for its products.

All retail points are equipped with professional deep fryers and convection ovens. For the convenience of customers, the fast food area is located near the store entrance, next to coffee stations, drink displays, and ready-to-eat dishes.

The initial results of the pilot suggest strong demand for this service on the customer side. Introduction of new products for convenient on-the-go snacks contributed to an increase in the sales of ready-to-eat food category of 3–7%, while also boosting stores' overall turnover.



Opening of bakeries at Magnit convenience stores

In 2023, Magnit opened 2,000 bakeries at its convenience stores across the country. Bakeries appeared in both new and existing stores from large metropolitan areas (Moscow, St Petersburg) and smaller cities (Voronezh, Cheboksary, etc.) across all 67 regions of the retailer's operation. The bakery assortment includes 33 items such as fresh bread, croissants, small pies, puff pastries, hot dogs, ethnic bakery products, etc. The offering is updated and depends on the store's location and consumer preferences in a specific region.

All bakeries are furnished with cutting-edge equipment. Professional industrial engineers are in charge of the fresh bread and bakery production processes. Quality assurance relies on telemetric tools: all equipment is connected to a system that enables remote monitoring of production processes in the real-time mode.

In 2023, bakeries at Magnit's convenience stores sold on average over 3,500 tonnes of baked goods each month. As the bakery chain expanded, this figure significantly increased and approached 10,000 tonnes by the end of the year.

The opening of bakeries contributes to the growth of customer traffic. In stores with bakeries, baked products feature in one out of three tickets, while the share of baked goods in the sales mix exceeds the target.



Expanding geography of ready-to-eat food sales at Magnit convenience stores

In 2023, Magnit expanded the sales geography of packaged ready-to-eat meals under the M Kitchen private label. M Kitchen's assortment includes around 65 items from different categories, which are available in 4,000 stores of relevant format.

M Kitchen foods are produced by regional suppliers who passed a rigorous selection process to confirm their compliance with the retailer's requirements for the quality and safety of ingredients and finished dishes. The distinctive feature of the M Kitchen brand is its unique recipes and cooking technologies developed by the Company's industrial engineers and fine-tuned to meet specific consumer preferences in different regions. According to the results of a pilot launched in 2021, convenience stores selling M Kitchen products managed to increase the share of ready-to-eat foods in total turnover by several times.



Magnit supermarkets

Magnit develops large-format stores such as Magnit Family supermarkets and Magnit Extra superstores.



CVP: Magnit Family supermarkets



Magnit Family supermarkets are conveniently located within a walking distance from residential and business areas, as well as in shopping malls. They offer a wide selection of products with a focus on the fresh category, ready-to-eat foods, and dedicated sections with healthy lifestyle products. Supermarkets provide an extended product range, enhanced shopping experience, reasonable prices, and place a special emphasis on gastronomic impressions.

Positioning

Shopping experience makes a difference in a full-service supermarket offering an extended product range, enhanced service quality, and reasonable prices

Missions

- Evening meals
- Everyday purchases
- Ready-to-eat dishes
- Small purchases

Location

Residential and business areas, shopping malls

Product mix

14,350 SKUs



CVP: Magnit Extra superstores



The point of differentiation for Magnit Extra superstores is their vibrant design, thematic zones developed in partnership with leading FMCG companies, extended promotions, and high-quality technologies. Locations are selected considering a combination of pedestrian and automotive accessibility. This is a modern and technologically advanced large-format store for the entire family that offers an extended product range covering all missions and focusing on the price-quality ratio. The assortment of non-food and seasonal products is tailored to key customer missions, transitioning from the principle of “a little bit of everything” to a comprehensive offering.

Positioning

Shopping as a valuable experience for the entire family in a store that offers an extended product range covering all missions and focusing on the price-quality ratio

Missions

- Evening meals
- Everyday purchases
- Ready-to-eat dishes
- Seasonal purchases
- Stock-up shopping

Location

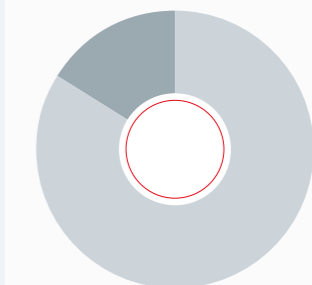
Residential areas, highways

Product mix

23,905 SKUs

Large-format stores

Sales mix



84% Food
16% Non-food

Floor area

850–2,200 sq. m

Magnit Family supermarkets

2,300–5,000 sq. m

Magnit Extra superstores

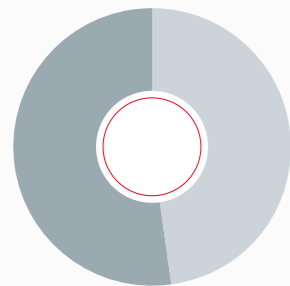
2023 performance

In 2023, Magnit supermarkets generated 10.1% of the Magnit chain's retail sales. In the reporting period, the Company opened two supermarkets and closed six stores, focusing on increasing the sales density of the existing chain. As a result, the format's revenue per sq. m went up 5.2% YoY, recording the highest growth among all of the Company's formats. The format's selling space came in at 983,000 sq. m. LFL sales of large-format stores grew by 5.7% driven by 5.2% and 0.5% increases in LFL average ticket and LFL traffic respectively. As a result, net retail sales at supermarkets grew by 8.2% in 2023.

Supermarket/superstore opening

- Payback period: **6–7 years**
- Costs per sq. m of selling space:
 - new store: **RUB 41,000**
 - redesign: **RUB 28,000**
- Reaching sales maturity: **14 months**

983 thous. sq. m
selling space



48% ● Leased
52% ● Owned

2
gross store openings

2.6% growth YoY

342 mln
number of tickets

5.4% growth YoY

RUB 740
average ticket (excl. VAT)

RUB 257,000 / sq. m per year
LTM sales density¹

5.7%
LFL revenue growth

5.2%
LFL average ticket growth

0.5%
LFL traffic growth

¹ Net retail revenue over the past four quarters divided by average selling space as at the end of the past five quarters.

Rolling out smart scale technology

In the reporting year, Magnit rolled out its smart scale technology to 205 supermarkets and superstores. Smart scales can automatically identify products thanks to a built-in camera which takes pictures of the articles being weighed. This helps accelerate the shopping process and improve the quality of service.

The system can identify the entire assortment of goods sold by weight, which includes over 800 SKUs in categories such as fresh and frozen fruit and vegetables, sweets, ready-to-cook products, seafood, snacks, etc. The technology is used for products in transparent packaging (plastic or mesh bags). It boasts 98% recognition accuracy and is capable of self-learning by remembering the choices made by customers during weighing.

During the year, the technology helped achieve a 0.3% improvement in profitability for categories sold by weight by reducing the number of instances when the products were misidentified.

Opening of a new superstore in Krasnodar

In the reporting year, Magnit opened a new Magnit Extra superstore in Krasnodar with a total area of 4,700 sq. m. The store's assortment includes more than 25,500 SKUs, with the share of the fresh and ultrafresh categories reaching 19%.

The store offers a wide selection of ready-to-eat foods, fish and meat products, and products for healthy eating. In addition, it has in-store production facilities which help ensure utmost product freshness. The superstore also boasts a bakery and a tandoor area offering customers a variety of freshly baked goods.



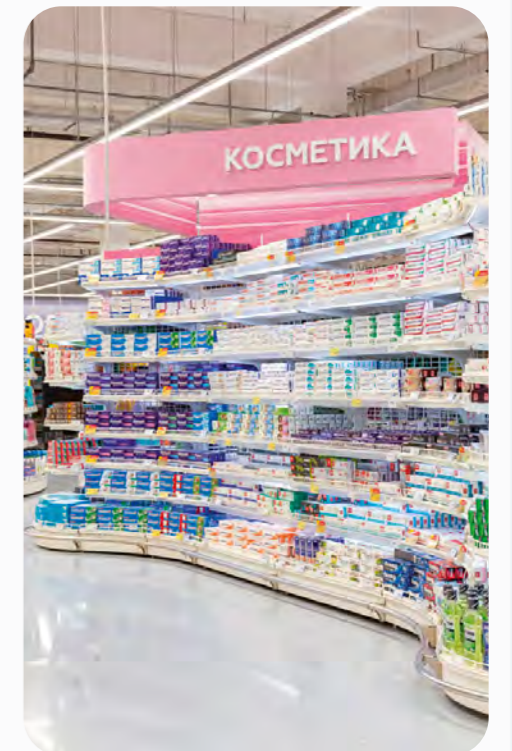
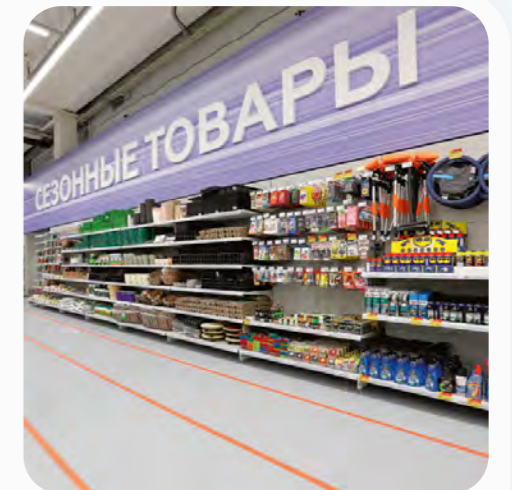
Opening of a new superstore in Moscow

In 2023, Magnit opened a new Magnit Extra superstore at 12 Bartenevskaya Street, Moscow. This is the retail chain's third superstore in the Russian capital. It spans an area of 6,700 sq. m, including a selling space of 4,200 sq. m.

The superstore's assortment counts more than 24,000 items, with the share of the fresh and ultrafresh categories reaching 17%. Going forward, the assortment is set to be extended to 27,000 SKUs. The store offers a wide selection of products for healthy eating and ready-to-eat foods. Additionally, the store has in-store bakery and confectionery areas where customers can choose from a diverse range of high-quality pastries and sweets, including custom-made cakes. Furthermore, the superstore is equipped with a tandoor and a beer section producing two varieties of beer under the Svoya Varka brand.

A distinctive feature of the non-food assortment is a wide selection of seasonal goods. Depending on the time of the year and customers' changing needs, the store will provide products for picnics, gardening, school seasons, New Year celebrations, and more.

The layout of the sales floor is designed to enhance the customer's convenience and cater to different consumer missions. As soon as you enter the superstore, you will find seasonal promotions and popular non-food items, as well as a quick-purchase area offering a variety of options for a convenient and quick meal. As you continue through the store, you will pass through different zones assigned to specific product categories and grouped based on specific customer missions. Cooking ingredients are displayed in a dedicated zone, while near the checkout area there is an emotional shopping section where customers can find alcoholic beverages, party supplies, confectioneries, as well as self-care beauty products and household chemicals. There is a separate entrance for customers who only need to quickly purchase essential items like fresh products for everyday use. Apart from regular checkouts, the new superstore also features self-checkouts.



Opening of a brewery in a Moscow superstore

In the reporting year, we launched a minibrewery at the Magnit Extra superstore, which opened in Moscow in the summer of 2023. The Company sells its products in the superstore under the new Svoya Varka private label. Initially, customers will have an option to choose from two types of private label beer – “Classic” and “Amber”. These beers will have a short shelf life and will be available in bottles of various sizes (1 and 1.5 litres).

With an area of 55 sq. m, the brewery has the capacity to produce up to 6,000 litres of beer per month.

The full-cycle production consists of various stages and includes the preparation of raw materials, followed by malt wort preparation, filtration, boiling with the addition of hops, fermentation, cooling, and finally bottling. The brewing process relies on a selection of domestic malt and hops varieties. The brewery shop is designed with glass walls, so that the customers can witness the brewing process first hand.



Opening of tandoor sections in 22 supermarkets and superstores

In 2023, the Company opened tandoor sections in 22 supermarkets and superstores, bringing the total number of Magnit stores equipped with tandoors to 44. Customers can watch the entire cooking process, from dough kneading to baking flatbreads. Bread is made pursuant to traditional recipes. The average monthly turnover is 170,000 flatbreads, or RUB 8.4 mln in value terms.



Staff versatility project

In 2023, more than 1,200 employees of 183 Magnit Family supermarkets and Magnit Extra superstores learned new professions and thus gained opportunities for additional earnings and career growth in new domains as part of a staff versatility pilot. The pilot delivered impressive results, and the Company decided to roll it out across the entire retail chain.

In their free time, employees received training at Magnum, the Company's educational centre, took tests, and then began on-site internships with assigned mentors. They studied process flowcharts, ingredient management, preparation of ready-to-cook and ready-to-eat meals, on-shelf presentation, etc.

The programme aims to ensure the interchangeability of line staff employed by large-format stores so that they could easily shift between units and positions. In the long run, it guarantees uninterrupted operation across all units without compromising on the Company's quality standards and requirements.

Drogerie stores

Magnit Cosmetic is a non-food retail format for women catering to their personal care, family wellbeing, and household needs. These stores offer everyday non-food items, including make-up and skincare products, perfumes, household chemicals, personal hygiene items, home goods, and products for children and pets. With over 7,000 stores, Magnit Cosmetic is the largest drogerie chain in Russia. The stores are adorned in vibrant pink tones, both on the exterior and interior, and feature accent lighting in the sales area, creating a pleasant ambiance that entices customers to make purchases.



CVP: Magnit Cosmetic



Positioning

Caring means loving. A store for women with a balanced offering of products for self-care, household needs, and family well-being

Mission

Purchasing products for personal care and home care

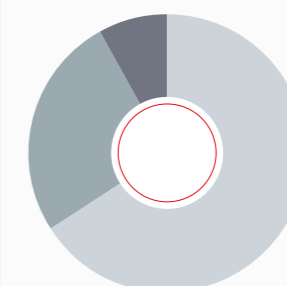
Location

Residential areas, shopping malls, and high-traffic streets

Clusterisation

- **Metropolis:** a wider range of products for her (cosmetics, perfumes, skincare items)
- **City:** a balanced offering
- **Countryside:** more products for home and family care (hygiene items, products for children and products for home)

Sales mix



- 66% For her
- 26% For home
- 8% For family

Floor area

229 sq. m
average selling space

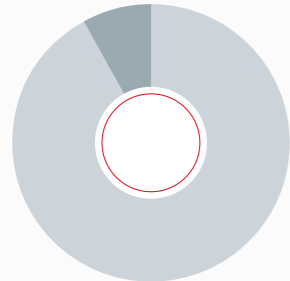
Product mix

8,200 SKUs

5.6% growth YoY

1,773 thous. sq. m
selling space

95 thous. sq. m
net selling space addition



92% Leased
8% Owned

7,740
total number of stores

483
gross store openings

441 mln
number of tickets

5.1% growth YoY

RUB 455
average ticket (excl. VAT)

RUB 116,000 / sq. m per year
LTM sales density¹

0.4%
LFL revenue growth

4.9% LFL average ticket growth
-4.3% LFL traffic drop

¹ Net retail revenue over the past four quarters divided by average selling space as at the end of the past five quarters.

- **Store opening**
- Payback period: **3–4 years**
- Costs per sq. m of selling space:
 - new store: **RUB 30,000**
 - redesign: **RUB 26,000**
- Reaching sales maturity: **12 months**

2023 performance

Magnit Cosmetics drogeries accounted for 8.0% of the Company's retail sales. In 2023, the format saw 483 gross store openings and 31 closures. As a result, as at 31 December 2023, Magnit operated a total of 7,740 drogerie stores. Selling space growth amounted to 95,000 sq. m, or 5.6% YoY. This result coupled with a 0.4% rise in LFL sales led to a 4.2% increase in net retail sales. LFL sales growth was driven by a 4.9% increase in the LFL average ticket despite a 4.3% drop in LFL traffic.

In 2023, we successfully launched the Magnit Cosmetic online format. Just like its brick-and-mortar sibling, the new online platform offers its customers make-up, personal care, and hygiene products, perfumes, home goods, and household chemicals. In the reporting year, a total of 2,262 Magnit Cosmetic stores were covered by online delivery, processing some three million orders with an average order assembly time of eight minutes.

For more details, see the E-Commerce section on [p. 81](#)

Furthermore, in 2023, Magnit Cosmetic implemented a range of initiatives to enhance customer experience:

- a corporate reporting system was put in place, enabling routine document generation by employees and managers;
- significant efforts were made to boost the efficiency of personnel management, including the renovation and improvement of staff rooms in 385 Magnit Cosmetic stores, refinement of employee appearance standards, adjustment of scripts for cashiers, and the launch of a Telegram channel and chat for employees;
- 244 self-service checkouts were installed in 213 stores;
- a new MDrive app was launched for managing checklists and tasks, as well as inventory reconciliation records.

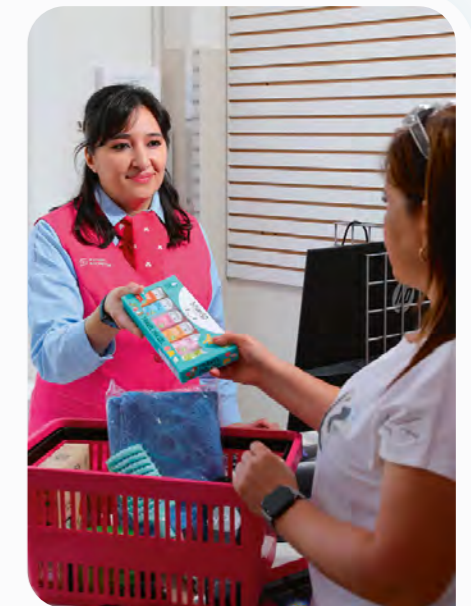
Expanding Magnit's assortment of halal cosmetics in Uzbekistan stores fivefold

Magnit launched its M Cosmetic format in Uzbekistan in 2022, with a current total of 70 stores across the country, including in Tashkent, Fergana, Andijan, and Chirchik. The store concept in Uzbekistan is built upon the best practices of the Magnit Cosmetic format.

In 2023, the Company increased the variety of halal make-up and skincare products available in its M Cosmetic drogerie stores to 375 SKUs compared to only 70 SKUs as at the end of 2022, when it first added these products to its offering. Prior to this expansion, the halal assortment was limited only to skincare and hygiene products.

The halal product category now accounts for 5% of the overall product range offered in the M Cosmetic format. Over 70% of these products are make-up cosmetics, including mascara, foundations, face powder, lipstick, eye and lip pencils, and others, with remaining 30% being halal skincare and hygiene products such as soap, creams, and shampoos. All products have the required certificates of compliance and are manufactured without alcohol or animal ingredients. Importantly, the prices of many halal items are comparable to those of conventional cosmetics in their respective categories.

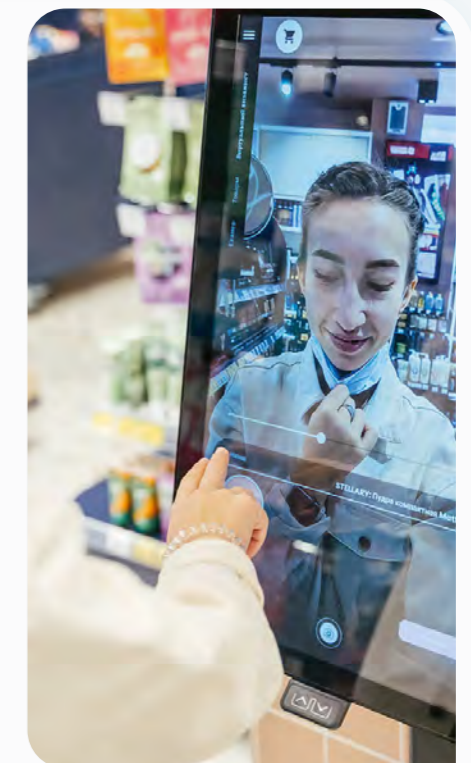
In late 2023, M Cosmetic launched its first-ever private label, Sportour. This brand offers a diverse range of 50 cotton socks in various colours and styles produced by the Mirus Textile Group factory in Kokand. Sportour is the debut private label of M Cosmetic, further enhancing its diverse product offering.



Scaling AI-powered cosmetics selection technology

In 2023, Magnit expanded the reach of its BeautyScan facial skincare selection technology and rolled it out across more than 200 Magnit Cosmetics stores (120 in Moscow and 107 in St Petersburg). The Company began piloting an AI-powered service for choosing cosmetics in the summer of 2022 across 14 Magnit Cosmetic stores in Moscow, St Petersburg, Krasnodar, Yekaterinburg, Saratov and Volgograd. This solution yielded a 5% surge in sales of recommended products, compared to pre-launch figures. The pilot initiative also revealed a remarkable level of customer engagement with the innovative service, as the conversion rate (the share of individuals who made a purchase after using the service) reached almost 70%.

For skin analysis, customers are prompted to point their smartphone camera at the store's QR code, upload a photo of their face, and provide answers to a few inquiries. The artificial intelligence technology then processes the image and tailors skincare selection based on the cosmetics ingredients. With a selection of 550 products, including Magnit's private labels (KuMiHo, Stellar Skin Studio, etc.), the system generates skincare programmes across various price categories, so that every customer can buy what they need.



DIXY convenience stores

DIXY convenience stores are one of Russia's largest food retail chains operating in the convenience format. The key advantage of this format lies in its extensive selection of essential products offered at attractive prices, making these stores a go-to option for daily shopping needs. As at the end of 2023, the DIXY network comprised over 2,200 convenience stores. In July 2021, DIXY was acquired by Magnit. In 2022, it embarked on a redesign journey, testing various hypotheses across pilot stores to enhance its CVP. This led to the successful revamp of 82 existing stores in 2022 and an impressive 289 stores in the reporting year. Furthermore, in 2023, DIXY saw 79 gross store openings.



CVP: DIXY convenience stores



Positioning

Convenient and affordable stores for everyday shopping

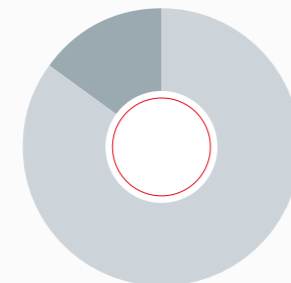
Missions

- Products for dinner
- Everyday purchases
- Ready-to-eat dishes

Location

Residential and business areas, shopping malls

Sales mix



85% ● Food
15% ● Non-food

Floor area

331 sq. m
average selling space

Product mix

6,121 SKUs



2023 performance

The share of DIXY stores in the Company's retail sales reached 11.3%. In 2023, the Company opened 79 DIXY stores and closed 52 stores. As a result, as at 31 December 2023, the DIXY network comprised 2,235 stores with 739,000 sq. m of selling space. The growth of LFL sales was 2.3%, driven by a 5.4% increase in the LFL average ticket despite a 2.9% drop in LFL traffic.

In 2023, DIXY introduced a reverse franchising programme. This collaboration scheme offers comprehensive support from the Company to sole proprietors and legal entities who acquire the franchise (franchisees), covering all aspects of launching and operating their stores. Reverse franchising enables businesses to open stores under the DIXY brand, fully adhering to the retail network's standards. This opportunity extends to various high-traffic locations across the regions where the Company operates, helping franchisees minimise risks and rely on well-established business processes.

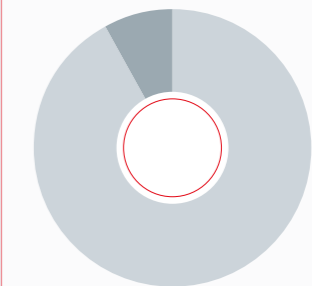
Entrepreneurs benefit from a ready-made store launch model based on the retailer's experience and expertise. As part of the collaboration, the Company provides expert assessments of the store's potential, assists in selecting suitable locations, and evaluates optimal lease conditions. It also curates the product assortment, handles logistics, provides IT support for store operations, offers legal advice, and supports all store processes. Furthermore, DIXY stores operating under the reverse franchise model also offer familiar customer loyalty programmes and promotional campaigns. As at the end of 2023, three stores were operating under this model.

A significant development for DIXY in 2023 was the introduction of electronic price tags. These digital tags feature e-ink colour displays and additional functionality, such as colour LEDs, temperature resistance, etc. The battery life of these tags requires replacement as seldom as once every five years, enhancing their economic efficiency.

2.7% growth YoY

739 thous. sq. m
selling space

19 thous. sq. m
net selling space addition



92% ● Leased
8% ● Owned

2,235
total number of stores

79
gross store openings

674 mln
number of tickets

5.5% growth YoY

RUB 421
average ticket (excl. VAT)

2.3%
LFL revenue growth

5.4%
LFL average ticket growth

-2.9%
LFL traffic drop

DIXY's new store concept and network upgrade

In 2023, DIXY introduced its new store concept aligned with the format's updated CVP. The first upgraded store opened its doors in Moscow's Central District.

As part of the new store concept, DIXY will revamp the store layout and exterior design. Alongside the recognisable orange colour scheme, a touch of purple will signify the brand's modernity and distinctiveness. The revamped logo will feature a refreshed font that conveys openness and accessibility. The store layout will be reimagined to accommodate different customer paths. The first path, right from the entrance, encompasses sections dedicated to ready-to-eat food, bakery products, a coffee corner, fruit, and vegetables. The second path includes essential fresh categories, such as meat, dairy products, and cheeses. The third path features shelves with dry food, alcoholic beverages, and more.

DIXY's product policy centres around quality, affordability, and convenience. Besides offering essential items, the format will cater to additional customer needs. DIXY's new CVP will focus more on ready-to-eat, ready-to-cook, and on-the-go options, catering to the fast-paced lifestyle of customers in major urban centres such as Moscow and St. Petersburg, where the brand boasts an extensive footprint.

Keeping up with prevailing consumer trends, the updated assortment will also feature healthier options and personalised nutrition choices (such as low-calorie products, gluten-free alternatives, and lactose-free items). The rejuvenated CVP will also have a better offering of locallysourced products and farm produce along with a stronger share of DIXY's private labels.

Furthermore, DIXY will introduce a selection of signature products, i.e. popular or unique items offered at the best prices that will become synonymous with the brand. For instance, one of these signature items will be apples, with their image incorporated into DIXY's distinct visual identity. They will also be introduced in other significant categories such as meat, dairy products, ready-to-eat and frozen foods.

The primary shopping missions that the format will cater to include weekly grocery shopping and daily top-up purchases. The new DIXY concept is designed to target both its existing audience (older consumers who value comfort and tradition, modern budgetconscious women) and younger shoppers.



My Price stores

In 2023, Magnit continued to develop the soft discounter format in response to the changing economic environment. The soft discounter concept is aimed at price-sensitive consumers who frequently make minor purchases of traditional goods or stock up on products.

The My Price soft discounters are stores with a fairly limited range of products, primarily comprising quality private label items and affordably packaged best price goods, all offered at consistently low prices. These stores meet customers' essential everyday needs and feature simple zoning of the sales floor and a basic set of equipment, while maintaining a high level of customer service.

Discounters open in both major cities and, more importantly, smaller locations, helping increase the availability of goods and ensure food security, with approximately 65% of stores placed in towns with populations of less than 100,000 people.



Prices offered by My Price soft discounters are approximately 20% lower than those in the Company's convenience stores, with some categories having a price difference of up to 40%. The share of fresh and ultra-fresh categories (dairy products, poultry, meat and meat products, fish, bread, bakery items, etc.) as well as fruit and vegetables, is around one third of the assortment. Private labels account for 24% of the product mix.

The soft discounters network is present in small towns and major cities, including those with population of over one million people. Currently, the largest concentration of stores is in the Sverdlovsk region, Tatarstan, Krasnodar territory, and Chelyabinsk and Saratov regions.

CVP: My Price soft discounters



Positioning

A no-frills, low-price store with a pleasant atmosphere and a small yet high-quality assortment, catering to customers' essential needs

Missions

- Shopping close to home
- Everyday purchases
- Small purchases

Target audience

Price-conscious, budget-minded consumers, retirees, and low-income families

Location

Residential areas, areas with low-income populations, and sparsely populated areas with lower rental costs

Floor area

150–300 sq. m
average selling space

Streamlined operational model, with two to three employees per shift

Product mix

2,185 SKUs

2023 performance

As at 31 December 2023, the network expanded to 1,176 discounter stores across 64 regions of Russia compared to the previous year's 727 stores. During the reporting period, the Company made 331 gross discounter openings and reformatted 121 existing stores.

The reporting year saw the visual elements of My Price discounters enhanced, including innovative facade lighting solutions designed to draw attention and drive increased traffic.

First Choice hard discounters

First Choice hard discounters are technologically advanced and innovative stores with a focus on a limited yet high-quality assortment at attractive prices, catering to basic customer needs. It focuses on midpriced products, with a small share of 'first price' items and an increasing offering of private labels, projected to reach 50% in the future.



CVP: First Choice hard discounters

B1

Positioning

A discounter store for all budget-minded shoppers.

Own positioning and brand name, a loyalty programme centred around customer advantages, and a customer feedback system.

Missions

- Not just cheap, but offering high quality at affordable prices
- Everyday purchases
- Small purchases

Location

Various locations are being tested, including residential areas, marketplaces, and small-town marketplaces

Target audience

Budget-minded shoppers

Floor area

330–400 sq. m
average selling space

Product mix

1,040 SKUs

Competitive advantages

Streamlined operational model, with two to three employees per shift, flexible schedule management, multitasking within the store functions.

Assortment to differentiate from other hard discounters:

- fruit and vegetables
- freshly baked bread and other bakery products
- goods sold by weight
- a selection of non-food products
- treasure hunts

High product quality based on the Every Day Low Price (EDLP) concept.

Highly targeted private label share – up to 50%.

High inventory turnover and separate logistics infrastructure with technologies tailored for a discount store: pallet and case assembly, unloading by drivers, launch of an own distribution centre, etc.

As at 31 December 2023, a total of 53 First Choice stores were opened.

Other small formats and pilots



Magnit City

MJ

Small-size stores with a cosy interior and a café area where customers can charge their phones, connect to a Wi-Fi hotspot, have a snack, grab ready-to-eat food, and make small purchases. This format is ideal for city dwellers who frequently move around the city. The assortment includes freshly baked goods made right in the store, ready-to-eat options, coffee and tea to go, snacks, fruit, dairy products, ice cream, and beverages. These stores are located in high-traffic areas near business and office centres, universities, and on central city streets.

Location

High-traffic areas: near office buildings, universities, and various businesses

Floor area

100–250 sq. m

Product mix

3,400 SKUs

Distinctive features

- In-store bakery offering
- Ready-to-eat food
- Washed and ready-to-eat fruit
- Dairy products
- Ice cream

2023 developments

In 2023, the Company unveiled its inaugural Magnit City store in Moscow's Lomonosov cluster, the flagship facility of Moscow State University's Vorobyovy Gory Innovative Scientific and Technological Centre.

The store features the M Lab that will focus of testing new equipment and software, and designing and implementing R&D projects to boost the store's operational efficiency.



Magnit Go



Kiosks catering to impulse purchases and located in high-traffic areas such as offices, transport hubs, pedestrian streets, parks, sports facilities, educational institutions, etc. The focus is on ready-to-eat and on-the-go food, beverages, snacks, ice cream, and confectionery products. The Company is piloting three kiosk sub-formats: Kiosk Mini, Kiosk, and vending machines.

Location

High-traffic areas such as office buildings, transport hubs, pedestrian streets, parks, sports facilities, educational institutions

Floor area

15–50 sq. m

Product mix

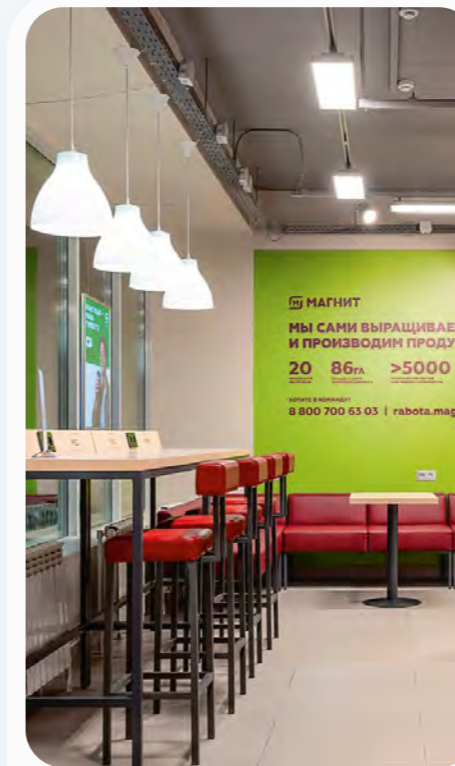
400 SKUs

Distinctive features

- Ready-to-eat food
- Snacks
- Beverages
- Ice cream
- Confectionery

2023 developments

In 2023, Magnit expanded its network of Magnit Go kiosks by opening the first kiosk at the railway station in Yekaterinburg, the first kiosk in the Urals region at Perm Airport, new kiosks at Novosibirsk Airport and Domodedovo Airport, 15 kiosks in Ivanovo.



Magnit Convenience Plus



Stores with an expanded assortment and more shopping space compared to regular Magnit Convenience stores.

Location

Areas with active pedestrian and car traffic

Floor area

650–1,000 sq. m

Product mix

10,700 SKUs

Distinctive features

- Café area
- Broader selection of ready-to-eat options
- Deli counter selling items by weight
- Cheese and sausage slicing service

2023 developments

In 2023, Magnit expanded its piloting efforts for the Magnit Convenience Plus format and launched 15 new stores of this format. By the end of 2023, the network comprised a total of 29 stores in Moscow, St Petersburg, Kazan, Gelendzhik, Murmansk, Perm, Krasnodar, and other cities.

In response to customer demand, Magnit Convenience Plus stores expanded its offering of chilled products, including fresh meat, dairy products, cheeses, as well as strong alcoholic beverages, low-alcohol, and non-alcoholic drinks. It also places a special focus on ready-to-eat food and bakery products, along with in-store bakeries and café areas featuring coffee stations. Customers can choose from approximately 100 ready-to-eat food items, also available for takeaway. The assortment of nonfood items is enhanced with popular products from the Magnit Cosmetics network.

The Magnit Convenience Plus stores are equipped with selfservice checkouts, price checkers, and multimedia screens and rely on both in-house and partner delivery services.



Magnit Pharmacy



Conveniently located small stores offering medicines and healthcare products at affordable prices.

Location

Near drogeries and/or grocery stores

Floor area

20–70 sq. m

Product mix

4,600 SKUs



Distinctive features

- Traffic-generating synergies between pharmacies, drogeries, and grocery stores, multiplying the economic effect
- Synergies in the supply chain and operating costs

2023 developments

In the reporting year, 114 Magnit Pharmacy stores were opened. The leaders in new store growth were the Volga, Siberian, and Ural federal districts.

Currently, the network operates in 391 cities and towns across 59 regions nationwide, with over 2,000 employees serving 2 million customers monthly.

In 2023, Magnit integrated the Magnit Pharmacy format into its Magnit Delivery app.

Now the app provides access to the entire range of offline pharmacies (over 5,000 different products such as over-the-counter and prescription medicines, vitamins and dietary supplements, personal hygiene products, medical supplies, cosmeceuticals, and more). In future, app users will also be able to order items from an expanded assortment directly from the warehouse. The app also provides information on the composition of medicines and instructions for use. To collect ordered prescription medicines, customers are required to present their prescription upon receiving the order.

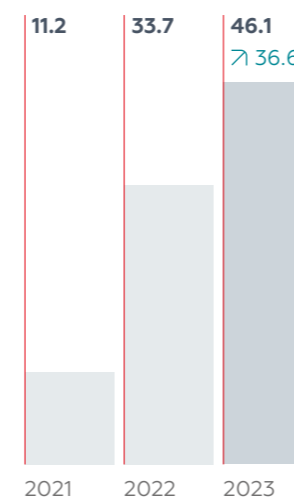
In 2023, the Magnit Pharmacy stores expanded their product range and implemented a category management system. Furthermore, the visual aesthetics of the stores have undergone substantial transformations, with the navigation updated, new checkout areas added, and the planogram system improved.

Major developments in staff and incentive management included the introduction of a new incentive system and a Code of Conduct and Friendliness.

E-commerce

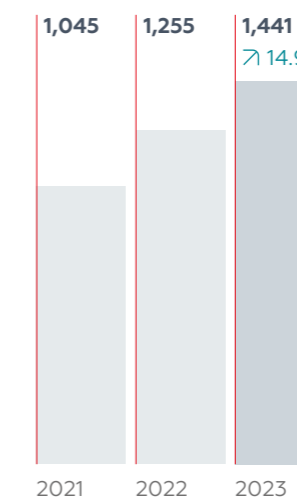
Magnit has been developing e-commerce services since 2020. Today, the Company runs a number of both own and partner online delivery projects: express delivery, regular delivery, online pharmacy, cosmetics and partnerships.

GMV¹, RUB bln



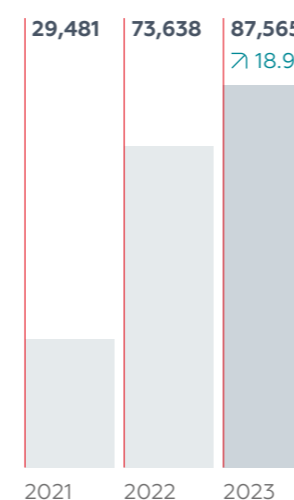
↗ 2023/2022, %

Average ticket, RUB incl. VAT



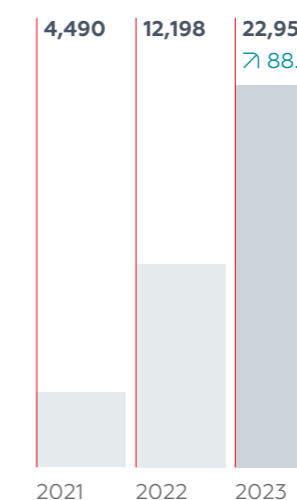
↗ 2023/2022, %

Average number of orders per day



↗ 2023/2022, %

Number of covered stores as at the end of period



↗ 2023/2022, %

An important part of our communication with customers and potentially an additional future source of traffic for our e-commerce services and online stores is the Gastronom.ru website. Combined with their social media accounts of the same name and channels in live messengers, Gastronom.ru had a total unique audience of more than 17 million people per month as at the end of 2023.

In 2023, online GMV (including VAT) amounted to RUB 46.1 bln, with the average number of orders per day reaching 87,565 (up 18.9% YoY from 73,638 orders per day in 2022). The average ticket for all online services was RUB 1,441 including VAT, up 14.9% vs 2022 (RUB 1,255 including VAT).

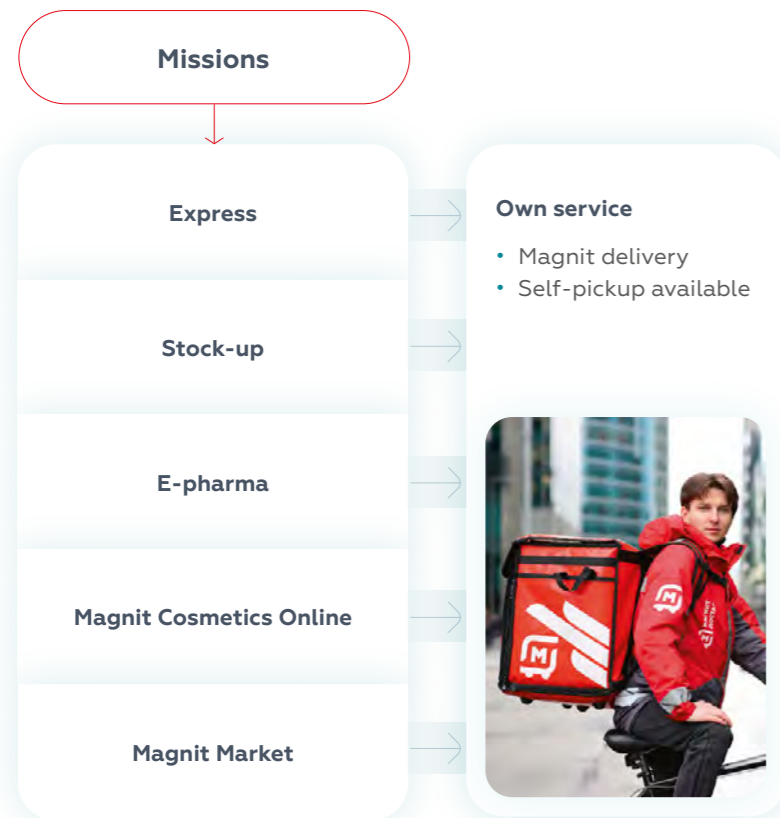
At present, Magnit's e-commerce services cover around 23,000 offline stores. 80% of current revenue is generated outside of Moscow, the Moscow region and St Petersburg. The largest and fastest-growing segment is express delivery.

Our online services are all available in the Magnit: Promos and Delivery app, which features the following sections.

- Special offers (loyalty card)
- Delivery from stores
- Up-to-date product catalogue
- Thematic clubs
- Price checker
- Store locator
- Magnit magazine with a focus on tasty and healthy eating

¹ GMV – gross merchandise value; is the total sales value at the final cost for customers for merchandise sold through e-commerce websites before promocodes and taxes (VAT) including own and commission merchandise, delivery cost, gift certificates net of discounts, returns and cancellations. GMV does not include services of merchandise suppliers and sellers (photoprint, merchandise preparation center, advertising, etc.).

Launching e-commerce in all missions



22,954 stores connected **~80%** coverage

93,884 SKUs available across Magnit Delivery services

2,299 cities and townships **in 67** regions

80% of e-commerce revenue is generated outside of Moscow, the Moscow region and St Petersburg

Developing Magnit's own marketplace

In a landmark move of 2023, the Company acquired 100% of the KazanExpress marketplace in November. E-commerce remains one of the most rapidly growing segments of the retail industry, with the online channel already substantial in non-food categories. Magnit has decided to use the new asset to launch its own marketplace, Magnit Market. By acquiring KazanExpress, Magnit will be able to quickly penetrate the buoyant segment of marketplaces without having to set up infrastructure from scratch.

The integration of Magnit and KazanExpress will focus on unlocking synergies in commercial terms and category management. The Company is also undertaking several initial projects and steps, aiming for a broad reach of Magnit Market across the country.

Integrating Magnit Delivery into our core mobile app

In 2023, Magnit made further efforts to enhance its customer experience and expand the user base for its own e-commerce service: we integrated the Magnit Delivery option into our core mobile app, combining all aspects of online shopping experience in one place. The new app, now called "Magnit: Promos and Delivery", helps shoppers make online orders, in addition to the standard functions of managing loyalty programme options. Users will have access to the same services as in the Magnit Delivery app, such as orders from convenience stores, drogeries, supermarkets and pharmacies, express delivery, and scheduled delivery options.

The merger of the two apps resulted in a **14x** increase in the Company's monthly active users (MAU) for 2023

2023 performance

Orders and delivery are handled through our own service (Magnit app) and partners (delivery aggregators).

In 2023, Magnit focused on developing its own service, improving the app and enhancing in-house courier delivery. These efforts helped the service's revenue to post a 2.5x growth for December 2023 as compared to January 2023. Magnit Cosmetics proved the most active format, with own service delivery expanding its revenue more than 10x from January to December 2023. This makes Magnit is the fastest-growing player in the own delivery market in Russia for 2023¹.

As at the end of 2023, we had almost 23,000 stores connected to Magnit's own delivery service, contributing to its availability to more customers. More than 16,000 stores are connected to the self-pickup service, which we launched for the convenience store, Magnit Cosmetic, and hypermarket formats in 2023.

Magnit's own service

Orders are made via the Magnit app, with delivery and self-pickup available for convenience stores and large formats (Magnit Family and Magnit Extra), as well as Magnit Cosmetics and Magnit Pharmacy. Orders are made via the SberMarket, Yandex. Eda, and Delivery aggregators.

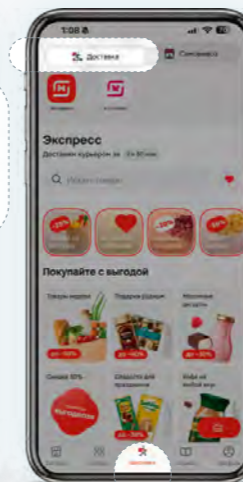
Partners

Orders are made via the SberMarket, Yandex. Eda, and Delivery aggregators.

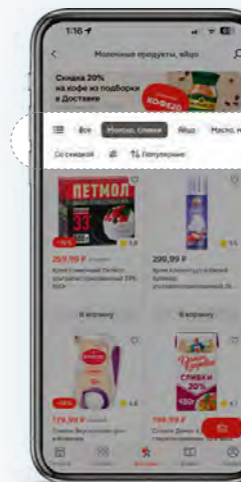
We have migrated to the OMNI app, making vital changes to our product so that we can keep growing and evolving



The core Magnit app now has the Delivery section



We have implemented quick and simple navigation with scrollable feed and tabs



Self-pickup is now available

¹ Source: Data Insight.



Customer experience and marketing communications

Customer experience

At Magnit, our strategy is centred around catering to our customers' needs. We pride ourselves on providing superior-quality products at competitive prices, complemented by unparalleled service. Our aim is to remain a reliable cornerstone in the lives of millions of customers, ensuring they have access to an extensive selection of food and non-food items under any circumstances.

Our approach to ensuring excellent customer experience at every store

Transparency and communication with consumers at all levels



We develop our social media pages, offer delivery services, improve day-to-day operations, provide honest information on customer reviews and complaints and efficiently handle feedback.

Focus on working conditions



Experience begins with working conditions, personnel training and engagement. To ensure the comfort of our customers, we create a positive work environment for our employees.

Manager competencies in customer experience



We expect managers at all levels to be customer experience ambassadors, continuously enhancing relevant expertise and creating a safe and open environment for sharing their knowledge and insights with employees. Regional managers for customer experience supervise customer service improvement.

One of the top priorities for Magnit is becoming simpler, faster, more accessible and loyal to its customers and employees. All our internal and external transformations are strategically aimed at achieving market leadership in service quality.

In 2023, we put a lot of effort into making purchases at Magnit even more convenient for our customers. The Company made significant investments across multiple areas to enhance its service and product quality. These included independent supplier audits, product lab testing, maintaining required temperature conditions in stores and distribution centres, obtaining certification for our own products, and other related initiatives.

Recognised as a market leader, Magnit is celebrated for its high-quality products and commitment to customer experience

As part of the annual Service Quality and Consumer Rights award ceremony held in late October 2023, Magnit was distinguished in the Retail Chain of the Year and Consumer Choice categories, standing out among over 300 contenders.

These outstanding results reaffirm our staff's professionalism and shared collective dedication to elevating customer satisfaction through product and service quality as well as creating a welcoming store atmosphere that customers will love.

Evaluating customer experience

At Magnit stores, we conduct regular reviews to evaluate customer service performance across various parameters, including causes of queues, cash register issues, customer complaints, and mystery shopper scores. This helps us identify shortcomings and weaknesses in how our stores and technologies perform. Based on the data so received, we developed a service quality rating as a comprehensive assessment of customer experience across all formats. The mechanism helped deliver considerable improvements in our service quality compared to 2022. Furthermore, the Company has introduced the Best in Customer Service 2023 competition in the Magnit Extra, Magnit Family, and Magnit Cosmetic formats, using the rating as a benchmark.

In 2023, we engaged mystery shoppers to evaluate customer experience at Magnit stores. The final score was 96.3%, surpassing our target of 95%. In 2023, the Company received more than 8 million customer inquiries, up 62% compared to 2022. The number of positive reviews went up by 284%. This change was driven by new feedback channels, increased traffic, and opening of new stores. The average response time to customer feedback was reduced by 1.3%.

Reduction in customer complaints in 2023

Metric	YoY change, %
Mobile app performance	-42
Inaccurate/lacking advertising and information materials	-38
Marketing and promo	-23
Checkout performance	-22
Unfriendly service	-12
Quality of goods	-3

In 2023, the Company embarked on developing a single tool for handling feedback. It will aggregate customer inquiries collected from various channels to have them redirected to relevant units for processing. The tool will also help us look into the root causes of feedback to make sure we take the right action. As part of our retail integration efforts, we plan to enable inquiry processing through the MDrive mobile app, ensuring faster responses to inquiries and effective follow-up actions.

In 2023, the Company also launched customer inquiry dashboards for detailed complaint analytics across key metrics by format, region, branch, and group. In 2024, we will continue to refine these solutions to meet evolving business requirements.

Assessing service quality

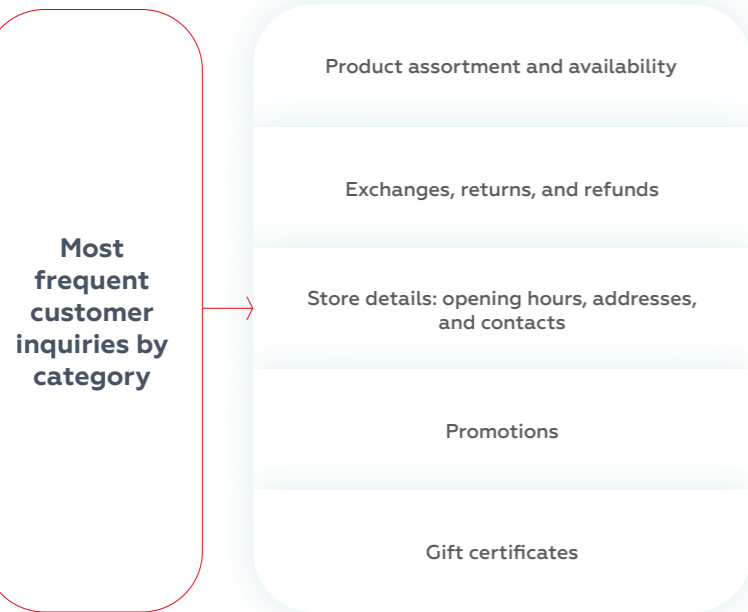
The service quality rating is based on the following assessments:

- assessment of customer complaint handling, unresolved customer inquiries;
- mystery shopper assessment (quality of customer assistance, efficiency of cashier service, etc.);
- checkout performance assessment (speed of service, queue management, etc.);
- review of store ratings in map applications;
- loyalty programme assessment (share of loyal customers).

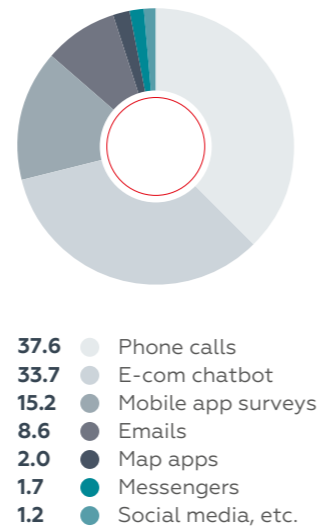
11%

improvement in the customer service level in 2023 compared to 2022





Customer feedback by channel, %



We actively gather feedback from our customers through diverse channels to continuously gauge their perception of our stores. Customers can reach us through all channels, including contact centres handling phone calls and emails alike. Customer inquiries can also be registered through Magnit’s official website and messenger platforms, which utilise bots to provide prompt assistance with frequently asked questions. Our mobile application is another popular communication channel, with a growing number of daily reviews and ratings. We collect feedback through our official social media accounts and employ sophisticated information technology tools to track and analyse it across a diverse range of online platforms.

For the second year running, Magnit progressed with its Geoservices project. It is designed to ensure collection and consolidation, via in-house contact centre operators, of all customer feedback received through various map applications (Google, Yandex, 2GIS, and Flamp). Feedback is then handled by relevant employees. In 2023, the Geoservices project not only continued but was also recognised as one of the main channels of customer interaction.

In 2023, the number of Magnit store reviews increased by 43% YoY, with positive reviews adding a total of 51%. The project shows that customers are willing to share their customer experience, and more positive reviews mean we have chosen the right focus in customer service improvement.

While digital channels are evolving, customers can always rely on traditional ways of reaching out to Magnit – customer feedback book or mail. Magnit is committed to handling 100% of all customer inquiries.

Additionally, we actively seek out customer opinions through initiatives such as Store Manager’s Direct Line, Cherished Customer, and Best Employee. We also use QR code surveys at checkout counters and throughout our stores, gathering customer feedback and leveraging it to enhance our employee training.

In 2023, we also fully migrated our loyalty programme to the domestically-designed Manzana platform.

For more details on this project, see the Innovation and Digital Services section on [p. 46](#)

Service excellence marathons

In the spring of 2023, the Company’s customer service team joined forces with Magnit Cosmetic and the Corporate Academy to launch the Great Service Starts with You marathon. One of our most significant endeavours of the year, it engaged the entire workforce of Magnit Cosmetic, encompassing 40,000 employees across 7,400 stores, ranging from sales staff to regional operations directors. The marathon was designed with several key objectives: to instil a culture of service excellence, develop new service practices and behavioural models, foster a positive work environment, and empower employees to deliver exceptional service autonomously, without rigid instructions.

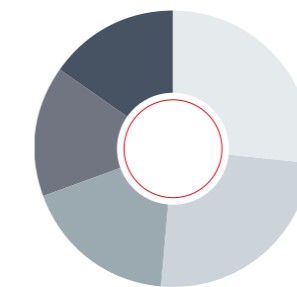
Service excellence marathon outcomes

37% reduction in employee complaints¹

7.3% reduction in customer complaints¹

0.8% mystery shopper score improvement²

Marathon participant survey responses, %



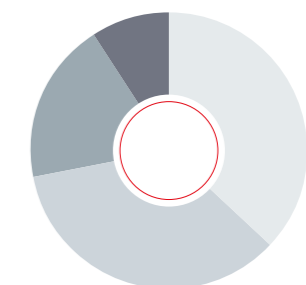
Efforts to enhance service quality

The Company places great emphasis on standardising customer interaction practices, including those for specific employee categories. In 2022, Magnit collaborated with Labour Evolution (WorldSkills Russia) to develop a cashier competencies matrix based on industry best practices. The matrix outlines benchmark skills and knowledge expected from a cashier and provides detailed guidelines for organising excellence championships in line with international WorldSkills standards.

Throughout the marathon, participants undertook various tasks and were encouraged to participate in group chats, fostering a shared understanding of the Company’s values among employees. Additionally, Magnit benefited from an external audit, gaining valuable insights into its service operations.

Our further plans include scaling customercentric approaches and similar marathons to the convenience store, Magnit Family and Magnit Extra formats.

Manager survey responses, %



In 2023, the Company’s employees successfully presented a gold standard for cashiers as part of Magnit’s service excellence competition. The competition’s qualifying stages relied on the cashier rating system, which was tested back in 2022 and scaled up across the entire store network in 2023.

¹ Complaints potentially influenced by the marathon.

² Note: maintained within the target (>95%) despite more stringent mystery shopper survey criteria.



The rating system offers a comprehensive evaluation of cashier performance across our convenience stores and larger formats. In 2023, the performance of cashiers in the comprehensive assessment added an average of 6.7% across all Magnit stores compared to 2022.

In the reporting year, concise customer communication guides were rolled out across all our stores. They consolidate customer interaction standards, values of customer-centric service, and guidelines for handling customer inquiries.

Magnit maintains stringent service quality standards in all its regions of operation. In 2023, our regional customer service managers provided over 400 training sessions and webinars for more than 5,000 employees across all store formats and an additional 1,700 people covered by the Fresh leadership workshops and schools.

Faster Payment System (SBP)

In 2022, all Magnit and DIXY store formats enabled payments using Faster Payment System (SBP) at checkout, which customers can use by scanning a QR code on their receipts.

As a result, customers can choose their preferred payment method at both regular cash registers and self-checkouts. They can opt for NFC tag payments (by tapping their mobile device to the NFC tag or scanning the QR code), or use the Magnit and DIXY Friends Club mobile applications. The Magnit mobile app streamlines the payment process by allowing customers to link their bank accounts for swift

Self-checkouts

Since 2022, we have been actively expanding the range of payment options available at Magnit stores. By the end of 2023, we had installed around 10,000 self-checkout terminals across our network. Stores involved in the pilot project saw improved efficiency during peak hours, reducing the need for staff at cash registers. Currently, self-checkout counters are used by 30% of customers at Magnit convenience stores and 23% at Magnit Cosmetic drogeries. In larger store formats, an average of 50% of customers prefer the ease of self-service checkout. We expect these numbers to grow considerably as we continue to deploy more self-checkout terminals and enhance their functionality.

Following the departure of major suppliers, the Russian market for cash registers has been going through significant changes, with a rising number of companies engaged in assembling cash registers locally or directly importing equipment of major Asian producers. In response, Magnit has successfully identified alternative suppliers and initiated collaboration with several of them, evaluating various solutions to select the best ones. With a strong emphasis on service quality, we seek new cash registers that match



To drive service excellence, Magnit incorporates and scales cutting-edge technologies such as the Faster Payment System (SBP), self-checkouts, and other innovative solutions.

SBP transactions. All they need to do is scan their loyalty card at the checkout and confirm the transaction in the app.

This contactless payment method is rapidly gaining popularity, contributing to Magnit's reduced transaction costs associated with purchases.

the capabilities of our previous systems. For example, in all stores featuring cash registers with immediate payment functionality, customers can verify the shelf life of dairy products using the Chestny Znak labelling and traceability system. The new cash registers offer a considerable cost advantage while maintaining functionality. Additionally, they feature optimised user scenarios with minimal shop assistant involvement, aligning with the primary benefit of self-checkouts for quick purchases.

Previously, Magnit developed proprietary self-checkout software, which is currently installed on approximately 30% of our new self-service terminals.

Self-checkout implementation outcomes

In 2023, the number of self-checkouts across all our store formats increased to a total of 10,000 units. Approximately 7,500 of them are located in major cities and areas with high seasonal tourist influx. These are primarily situated in Magnit convenience stores and My Price soft discounters. Additionally, around 2,000 self-checkout units were installed in our supermarkets, hypermarkets, and small-format stores with in-house bakeries. Over 200 self-checkouts were implemented in Magnit Cosmetic drogeries.

In May 2022, we introduced a payment option via SBP using a QR code. In DIXY stores, customers can pay via SBP using the DIXY Friends Club mobile app. All they need to do is scan their loyalty card at the checkout and confirm the transaction in the app.



Marketing communications

To improve customer engagement, loyalty, satisfaction, and drive sales while maintaining a strong brand image, Magnit implements a comprehensive marketing communications programme using diverse channels and tools.

A notable highlight of 2023 was the integration of the ESG agenda into the Company's marketing communications. For the first time, charitable programmes were incorporated into cross-format campaigns in collaboration with four major non-profits: Enjoyable Ageing Foundation, Arithmetic of Goodness Foundation, Louis Quarter, and VK Goodness. As part of the campaign, over RUB 4 mln was raised. We also hosted a delightful picnic event, complete with prizes and gifts, for large multi-child families. Furthermore, the ESG agenda was woven into the Magnit of Habits communication platform, engaging 225,000 participants.

Cross-format campaigns

In 2023, the Company successfully executed seven cross-format campaigns, involving brands and products from various categories. These initiatives yielded substantial increases in customer engagement and retail sales.

185
suppliers

partnered in cross-format campaigns

>65 mln
discount coupons

for featured products offered in 2023 giveaways

1,476 SKUs

featured in 2023 giveaways

RUB 440 mln

distributed among customers as prize coupons

Among the most impactful were:

- Happy New Home with Magnit, a vibrant seasonal campaign featuring a large prize pool and a RUB 10 mln grand prize towards purchasing a home;
- Magnit's Birthday Bonanza, a monthly campaign where all loyalty cardholders received scratch-off cards offering guaranteed surprises;
- Prize Territory, a collaborative campaign between Magnit and DIXY.



BTL¹ campaigns and partner integrations

159

exclusive partner programmes run at Magnit in 2023

10 mln

loyal customers participated in partner programmes

47 giveaways

run in Magnit's mobile app

RUB 430 mln

distributed in programmes' prize pools

In 2023, Magnit saw a notable increase in the number of partner advertising campaigns, including exclusive partner programmes run in Magnit's mobile app.

With appealing prize pools, user-friendly mechanics, and active promotion across multiple communication channels, they helped strongly enhance our customer engagement levels.

In 2023, Magnit joined a nationwide campaign to encourage the adoption of the Faster Payment System (SBP), in collaboration with partners of Russia's National Card Payment System. Titled "Earn 5% Back with SBP Payments", the campaign engaged over 2.9 mln customers, who embraced this advanced payment technology and earned rewards on their Magnit loyalty cards.

Participation in fairs and festivals

In 2023, Magnit once again proudly joined and sponsored the Flavours of Russia festival held at Manezhnaya Square in Moscow from 7 July to 16 July. The festival celebrates local regional recipes, offering visitors to explore Russia's diverse traditional cuisine. At the Magnit pavilion, guests enjoyed unique photo zones, purchased goods made by local producers from across Russia, received branded souvenirs, and engaged in exciting workshops.

Furthermore, Magnit actively engaged in Christmas fairs held at prominent squares in major cities across the North Caucasian, Northwestern and Volga federal districts as well as the Moscow region, offering a selection of our own products and holiday-themed goods in our branded market stalls.

Digital marketing

In 2023, Magnit achieved significant milestones in digital marketing.

The Magnit community on Vkontakte (VK) ranked among the Top 50 in audience engagement.

The Magnit Cosmetics community secured a Top 3 position in the Brand of the Year category at the VK Clips awards. During the year, it published over 100 music videos, garnering a total of over 10 million views.

In addition, Magnit won a bronze medal in the Social Media – Social Media Activations category at the MIX Russia 2023 interactive advertising competition, for its Stickers loyalty campaign. On top of that, we were honoured with a silver medal in the AdTech & MarTech category for a cross-format game-based campaign called "Play and Extend Summer", run in our mobile app.

Regional marketing

In 2023, Magnit actively developed its regional marketing programme to drive store traffic, enhance customer satisfaction, and strengthen the Magnit brand's positioning as a retailer with a significant share of locally sourced products. Key highlights from the reporting year include:

- more than 3,100 festive store openings, including redesigns;
- four stages of nationwide local product fairs featuring over 2,000 locally sourced SKUs across Magnit's convenience stores, supermarkets and superstores;
- free guided tours of local suppliers' major production facilities in Kazan, Samara, Pyatigorsk, and Vladikavkaz, offering insights into dairy, cheese, deli meat, and beverage production.

Loyalty programme

Our unique cross-format loyalty programme covers 76.4 million loyalty card holders and spans all our retail stores. Customers who have a plastic loyalty card or a virtual card in their mobile app get bonuses on each purchase to use as payment later. Magnit's loyalty programme also provides more exciting offers and benefits to its participants. As one example, each Magnit store has over 100 products that loyalty card holders can buy at hefty discounts.

For the Company, the loyalty programme is above all a tool to explore the preferences and shopping habits of its customers to offer products that suit them best.

During the year, the number of loyalty card holders was up by 12%. The share of tickets using the loyalty card reached 50% with sales penetration of 66%. The loyalty programme continues to deliver positive cross-format gains, as the share of Magnit customers visiting two and more store formats reached 42%. For an active loyalty card holder, the average ticket at convenience stores is 1.9x higher compared to transactions without loyalty cards; for large formats, the difference is 2x.

In 2023, Magnit was named a finalist in the E+ Awards (previously Effie Awards Russia), a major accolade recognising effectiveness in marketing communications. Magnit's project called Skrepyshi-NEW won two awards in the categories of Loyalty Programmes and Children's Marketing.

The campaign extended to all brick-and-mortar stores across 67 regions of the Company's footprint, as well as Magnit's own and partner-facilitated online delivery services. The Skrepyshi-NEW collection features 27 unique characters. Customers received the toys at the store's checkout by presenting their loyalty card after making a qualifying purchase or buying sponsored products. Online customers had Skrepyshi toys delivered to them by courier alongside their orders. To boost communication of the campaign, Magnit collaborated with over 30 popular bloggers.

100%

of stores across ALL formats connected to the loyalty programme

76 mln

loyalty programme customers

66%

purchases made by loyalty card holders as a share of sales

¹ BTL (below-the-line) promotion refers to non-media advertising and sales strategies.

Magnit is the winner in two categories of Loyalty Awards Russia

In 2023, Magnit's efforts to develop its loyalty programme won praise from the professional community as the Company took two nominations of Loyalty Awards Russia, a national award recognising best performers in loyalty marketing, CRM and customer experience management.

With its successful Stickers campaign, Magnit won the Best Loyalty Programme in FMCG Retailing category. Stickers, featuring famous meme characters and phrases, were given to loyalty card holders making purchases above a specific threshold, customers who purchased sponsored products, and everyone taking part in a dedicated game in Magnit's mobile app. The campaign ran in spring 2023.

Also, Magnit won the Best Mobile Loyalty Programme category for its project to improve the value of virtual loyalty cards for customers via its mobile app. The updated app version provides customers with additional privileges, such as choosing three favourite product categories to get an increased cashback, as well as exchange of bonuses for higher cashback.

Transfer of loyalty programme to Russian-developed solutions

The transition of our loyalty programme to the Russian-developed Manzana platform in 2023 was a major milestone for Magnit. The new solution is powered by a cloud-based technology tailored to the Company's needs.

The transition unfolded over several months: the Company started to migrate users in March, gradually connecting more cardholders to the new system. Throughout this period, customers retained access to bonus accruals and spending, card discounts and other features, including the ability to register new cards. We preserved all historical data on accumulated points and bonuses, as well as analytical data. Concurrently, the Company continued enhancing its loyalty programme, introducing new mechanics. For example, the number of product categories available for customers to choose from was expanded and segmentation was refined, resulting in a 30% increase in effective communications without compromising customer response.



In the reporting year, we launched a new campaign: titled Gold of the Magnit Sea, it has a gaming component and is available for all loyalty card holders. As part of campaign, customers had an opportunity to collect 22 unique "magnets", or gaming tokens showing symbols of ancient civilisations, sponsors, and Magnit. The tokens were issued depending on the ticket size and store format. Campaign terms and conditions were the same for offline and online customers.

During the year, Magnit also held other successful campaigns as part of its loyalty programme, such as Magnitopolis-2, a savings campaign offering construction toys and targeting families with children, as well as rational loyalty programmes covering some of the popular products.

In 2023, Magnit continued developing and scaling up its subscription service. It has subscription plans for different product categories and store formats, which enable users to accumulate more bonuses, use personal discounts and individual promos. Subscriptions are bought using the option to pay with bonuses. The service covers around 500,000 active users per year.

Additionally, customer can facilitate bonus collection by paying with cobranding cards or making purchases at our partners. Today, 22 partners offer additional bonuses to our customers.

Private labels and own production

Private labels

Magnit strives to continuously develop its private labels to offer unique products with excellent value for money. Having in-house production contributes to business stability and gives an opportunity to fully control the process of creating the final product. The development of a diverse range of private labels is central to our customer value proposition. Magnit's private labels offer an excellent price-quality ratio, which makes them more attractive to customers than similar goods of well-known brands. Thanks to our in-house production, we can offer products in a wide price range to suit different consumer preferences. The trend in demand for these products confirms their popularity: the number of customers choosing Magnit's private labels is steadily growing, including those who prefer products of medium and high price category.

Magnit's private label portfolio includes 51 brands and around 5,500 SKUs. The Company's key private labels are the mid-price umbrella brand Magnit, which offers customers an opportunity to save money while maintaining the same quality as well-known brands, and its subbrands M Freshness, M Kitchen, M Health and M Lifestyle, as well as the umbrella brand My Price, which covers basic needs in the lower price segment while maintaining a stable level of quality.

The portfolio boasts over 45 exclusive brands from various product groups and price segments. The goods offered exclusively by Magnit stores are produced predominantly by Russian companies, as well as at the retailer's own 20 food production facilities. For example, M Freshness sells vegetables, mushrooms and herbs grown at the retailer's own greenhouse facility in Krasnodar, while the brand's chilled ready-to-cook meat products and brined cheeses are made by local producers.

It is not an easy task to attract the attention of customers and encourage them to try new brands, but we do a lot of preparatory work and offer products that are really demanded by customers and are of high quality.

The efficiency of Magnit's private labels is largely driven by a thorough approach to the way they are developed and launched, including:

- preliminary analysis of the market and competition;
- search for market niches that are still available;
- deep dive into best international practices and the offering of manufacturers, including as part of own production;
- engagement of cutting-edge in-house R&D labs and test studios to develop products and upgrade their quality.



51 brands

in Magnit's private label portfolio

20

in-house food production facilities



Results

11%

YoY growth in revenue from private label sales

35%

share of Magnit umbrella brand in our private label sales mix

5,454

SKUs in the private label portfolio

710

new private label SKUs in 2023

2,443

food SKUs in the private label portfolio

from 34 to 45

increase in the number of exclusive brands included in Magnit's private label portfolio

20%

share of private labels in sales

78 awards

of the 2023 International Quality Assurance event brought home by private labels of Magnit and DIXY



We continue to expand our private label portfolio and assortment in line with changing consumer demand, developing our own production and building long-term partnerships with external suppliers. Our private label portfolio features approximately 5,500 SKUs. 2023 saw the launch of more than 700 private label SKUs. These include milk and dairy products, fish and meat delis, ready-to-eat dishes, fruit and vegetables,

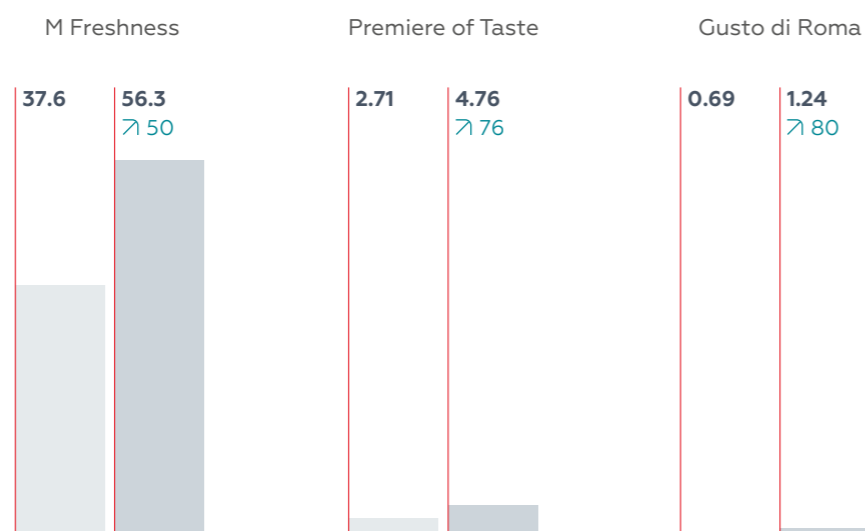
cheese, bread, dry food, confectionery, soft and hot drinks, snacks, canned and frozen food, cosmetics, household chemicals, paper and hygiene products, household goods, and other non-food items.



The sales of Magnit, our largest brand in terms of sales, reached RUB 149.5 bln (an increase of +32% vs 2022). The fastest growing brands were:



Sales of Magnit's fastest growing brands, RUB bln



● 2022
● 2023
↗ 2023/2022, %

In order to increase recognition and sales of its private label products, the Company is actively promoting their sales outside the chain. For example, in 2023, Magnit joined forces with Tatspirtprom to introduce its exclusive Sombrero tequila brand supplied to Russia as part of its own imports to non-retail and HoReCa segments. The brand is performing well above the market, with Sombrero sales up 2.3% in value terms in 2023 amid declining sales for the category in the overall market. According to preliminary estimates, the partnership with Tatspirtprom may enable the retailer to double its tequila sales on the Russian market in the future.

In the reporting year, Stellary and Beauty Bomb, Magnit's exclusive brands in the make-up category, expanded outside our stores. Currently, the products of these brands can be found

on the shelves of a Russian beauty chain, with plans to expand distribution to other sales channels in 2024.

Ready-to-eat dishes are another promising area for the development of Magnit's assortment. We have them produced for our convenience stores by local manufacturers under the M Kitchen brand according to relevant recipes and under the strict control of the hypermarkets' own production staff.



Our achievements

The quality of our private labels is evidenced not only by stronger demand we see for them but by expert opinion as well. Magnit is a regular participant and winner of the Private Label Awards, an important appreciation of the retail chains' private labels. In the reporting year, the Company won four Private Label Awards. Beauty Bomb, Magnit's private label, was recognised as the best private label of a perfume and beauty chain and drogeries. NaNi, a brand under which diapers and baby hygiene products are produced for Magnit stores, became the winner in the Joint Retailer–Producer Project nomination. The jury also highly praised Premiere of Taste, another Magnit brand offering premium products such as canned food, frozen berries and mixes, and other products from around the world. This brand won a prize in the Best Private Label in the Premium Segment category. In addition, the Gusto di Roma brand, under which Magnit stores offer top-grade pasta made of durum wheat, as well as coffee and pasta sauces, was recognised in the Best Private Label of Food Products category.

In November 2023, at the Quality Assurance contest, goods under Magnit's exclusive private labels and ready-to-eat dishes of the Company's own production received 47 awards: 19 gold and 13 silver medals, and 15 quality certificates. The jury took a special notice of products under the Magnit and M Freshness private labels for bakery, meat products, cheese and dairy products, fish deli, and others. The awards also went to products under the retailer's exclusive brands – Eat Meat, Gusto di Roma, Lucky Days, Premiere of Taste, ready-to-eat and ready-to-cook dishes sold in Magnit supermarkets and superstores in Magnit supermarkets and superstores under the M Kitchen brand (confectionery, salads, meat products, etc.).



To study and improve the quality and consumer properties of our private labels, we collect and analyse customer feedback. At our own test studios in Krasnodar and Izhevsk, customers participate in blind tests of our products and provide advice on how to improve them. With this feedback under our belt, we can considerably improve our sales, sometimes by as much as 70%. In the reporting period, Magnit's test studios held over 1,000 tests of private label products. Improvement of our private label consumer properties allows us to consider them as full-fledged competitors to well-known brands and to plan their promotion.

In addition to evaluating private label products in test studios, we launched customer feedback analysis in the mobile app. If a product has a low NPS, we conduct additional testing in a test studio and, if necessary, improve the consumer properties of such product. In the future, we plan to give feedback to customers on their reviews in the app.

The Company also uses a creative approach to designing its private labels: in 2023, Magnit held a championship among Russian university students where the contestants had to develop a line of private label products. More than 1,200 applications were submitted for participation in the championship. The Company built a talent pool of gifted students who are employed by Magnit as jobs become available.



Looking ahead



In the future, we plan to apply a fundamentally different approach to private label creation: in developing our brands, we will rely on FMCG experience with in-depth market analysis, while in designing products we will apply an R&D approach involving process engineers.

We expect this segment to continue strong growth on the back of consumers' desire to save money and their growing trust in retailers' brands, including by filling the private label portfolio with new products and brands.

Own production

When creating a new product, we benchmark our own production capabilities with those of external partners and compare economic efficiency metrics. All opportunities and costs being equal, we opt for our own capacities, as this plays a major role in expanding Magnit's private label range and enables us to quickly respond to changes in consumer preferences.

Today, Magnit operates 14 industrial production and 6 agricultural complexes which produce a vast range of goods, including vegetables, spices, and cereals. The total headcount at our own production facilities is around 5,200 people.

All production facilities possess modern equipment with a high degree of automation. With 175 in-house laboratories, we ensure quality control throughout the entire production process, from feedstock procurement to the manufacture of finished products. All the facilities are constantly monitored online. Our processes comply with GOST R ISO 22000-2007 and the international FSSC v.5¹ requirements.

14 industrial assets

6 agricultural assets

5,200 people

total headcount at the Company's own production facilities

300 thous. tonnes² of products, including

109 thous. tonnes of agricultural products

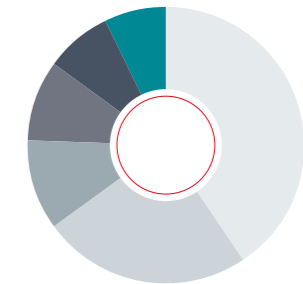
In 2023, Magnit manufactured 300,000 tonnes² of products, including 109,000 tonnes of agricultural products, up 17% YoY. Concepts for a total of seven new projects were approved, including two ready meal factories to be located at the Krasnodar Industrial Park and the Solnechnogorsk hypermarket. These plans are aligned with the corporate strategy to offer ready-to-eat products.

Import substitution

In 2023, we did our utmost to minimise reliance on imports (raw materials, ingredients and packaging) at all of our own production sites. As a result, we delivered a 20% reduction in imported components.

The share of packaging materials made in Russia saw a 1.27x growth vs 2022. Today, more than 0.3% of all packaging materials used by the Company come from Russia, compared to just 0.2% in 2022.

Share of in-house production across some of the fresh product categories³, %



- 73 ● Cherry tomatoes
- 44 ● White mushrooms
- 19 ● Cucumbers
- 17 ● Lettuce
- 14 ● Round tomatoes
- 13 ● Plum tomatoes

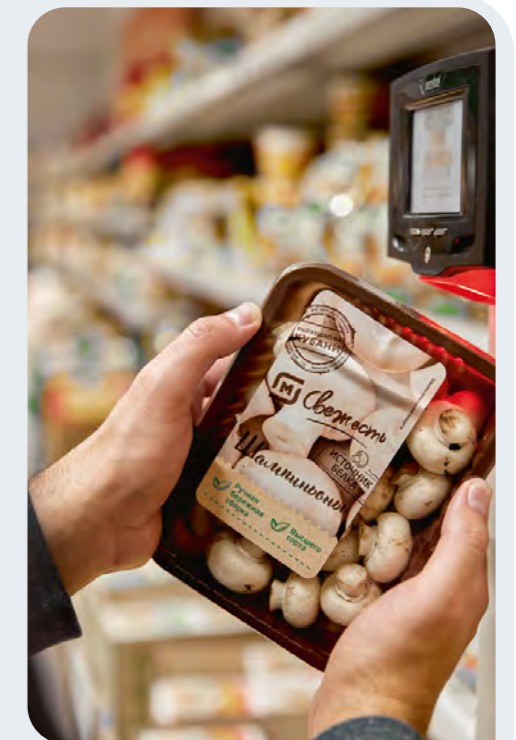
Magnit's own facilities

Federal district	Region	Facility	Products	
Southern Federal District	Krasnodar territory	• Kuban Factory of Bakery Products LLC	• Confectionery, pasta, pastry, fresh vegetables, herbs and mushrooms • Packaging of cheese and fruit	
		• Kuban Confectioner LLC		
		• Plastunovskaya separate division		
		• Tikhoretsk separate division		
		• Novotitarovskaya separate division		
		• Cheese Slicing Facility Krasnodar JSC Tander		
		• Cheese Slicing Facility Novorossiysk JSC Tander (two workshops)		
Central Federal District	Tver region	• Zelenaya Liniya LLC – Tikhoretsk separate division	• Tea, snacks, coffee	
		• Zelenaya Liniya LLC – Plastunovskaya separate division		
		• Zelenaya Liniya LLC – Mushroom complex		
		• Zelenaya Liniya LLC – Exotic and oyster mushroom complex		
Volga Federal District	Moscow region	• Tver separate division	• Cheese slicing and packaging	
		• Cheese Slicing Facility Dmitrov JSC Tander		
		• Lipetsk region		• Vegetables
		• Belgorod region		• Fresh vegetables
Volga Federal District	Saratov region	• Greenhouse LLC	• Dry food, snacks	
		• Saratov separate division		
		• Penza region		• Cheese slicing and packaging
		• Samara region		• Togliatti separate division
Volga Federal District	Orenburg region	• Frozen products	• Cheese slicing and packaging	
		• Cheese Slicing Facility Orenburg JSC Tander		

Own organic production

The modern customer is keen to purchase natural products, with the demand for them steadily growing year after year. In 2023, Magnit received its first certificate of compliance with organic production requirements. Now the packages of My Price and M Freshness white mushrooms grown in Magnit's mushroom complex will bear the national organic product label as a testament to our high production standards. The graphic sign will be accompanied by a barcode to provide information about the manufacturer and the types of its products. In addition, the term "Organic Product" will appear on the packaging.

The certificate confirms that Magnit grows white mushrooms in full compliance with organic production requirements (e.g. without the use of genetically modified organisms, raw materials, crop protection agents, or soil amendments). The certification involved the verification of all aspects of production, storage and transportation of the products: acceptance control of feedstock, processes in the compost preparation shop, mushroom cultivation shop, packaging department, warehouse, product packaging patterns, etc., right down to the detergents used by the employees.



¹ FSSC – Food Safety System Certification.
² Net of contract manufacturing.

Agricultural facilities

³ Share in the category's total sales in kg.

Leaf vegetable growing centre

In 2023, Magnit announced a new project – the launch of a leaf vegetable growing centre scheduled for early 2024. The new production site is expected to cover a third of the retail chain's demand for these products.

The new facility, Zelen Yuga (Southern Greens), will be located in the Krasnodar Industrial Park and produce ten types of leaf vegetables, both commonly used by consumers and those more rare on dining tables in Russia: parsley, dill, scallion, sorrel, spinach, basil, mint, rosemary, rocket, and thyme. Leaf crops will be cultivated on an area of 12 hectares with a planned production volume of more than 1,700 tonnes per year. The facility will be the largest in its segment in southern Russia.

The new asset will procure domestic seeds, with the share of imported seeds not exceeding 30% at the start. For each crop, Magnit experts selected several varieties of seeds, which will enable the Company to minimise the procurement of imported seeds and to expand sowing areas. The facility will use hi-tech solutions, while irrigation and climate control systems will be automated.



Opening a brewery in a Moscow superstore

In the reporting year, we launched a minibrewery at the Magnit Extra superstore which opened in Moscow in the summer of 2023. The Company sells its products in the superstore under the new Svoya Varka private label.

For more details, see the Format Overview section on [p. 68](#)



Lean production

For three years now, Magnit's own production facilities have been adhering to lean production principles, which aim to increase employee engagement, create a culture of responsibility, and instil high standards of work. In 2023, 75% of personnel at our own production sites underwent training in lean production basics.

Also, a rationalisation system is strongly in place across Magnit's sites. As a result, in 2021–2023, our employees submitted 4,500 proposals on how to improve the Company's operations. 64% of the proposals were accepted, and of that number, over 3,000 proposals were implemented as at December 2023.

Expanding in-house production of outdoor vegetables

In 2023, Magnit expanded the area of cultivated land at the Moskva Na Donu farm in the Lipetsk region by 180 hectares. Due to the rotation of fallow lands, the total cultivation area increased to about 3,700 hectares. In addition to potatoes, carrots and beetroot, Magnit grows wheat, soybeans and sunflowers in its fields to maintain a balanced crop rotation.

In 2023, the harvest of potatoes, beetroot and carrots in 2023 increased by almost 50% to 28,700 tonnes, including 20,500 tonnes of potatoes. In addition, in 2023, Magnit expanded the range of cultivated crops through niche products for which demand is growing, in particular, the indigo potato variety. Magnit is also considering sowing garlic, white cabbage and sugar beet in the next seasons.

It should also be noted that the Company uses mainly Russian-grown seeds. For example, only Russian seeds are used to grow potatoes, wheat, and soybeans.

Testing domestic tomato and potato varieties

In 2023, in its greenhouse facility in the Krasnodar territory, Magnit sowed seeds of 20 tomato hybrids bred by a Russian company. In the current season, Magnit also tested ten domestic potato varieties at its farm in the Lipetsk region.



Plans for 2024

- Achieve a 10x increase in the area occupied by potatoes of domestic varieties to about 200 hectares.
- Ramp up greenhouse vegetable production with a focus on Russian breeders.
- Increase mushroom production to meet the growing demand for mushrooms.



Suppliers

Magnit is committed to being a reliable and trusted partner to its suppliers. We differentiate our product offering through tailored procurement initiatives, including strategic partnerships with suppliers. We foster long-term partnerships with suppliers by upholding the principles of transparency and fair play and by continuously fine-tuning our procurement procedures and logistics processes. Furthermore, the key pillars of our supplier management approach include supporting local manufacturers, promoting collaboration with agricultural producers and farmers, and ensuring quality control of the supplied products.

The Company's procurement operations rely on the **SRM 2.0 system**, which boasts over 12,000 registered active and potential partners. A supplier's personal account has been rolled out as a single entry point for submitting commercial proposals and participating in the chain's tender procedures. The Company prompted the review time for commercial proposals by 60% by leveraging targeted communication with the responsible category manager and internal notification system. In addition to the core procurement processes, the system incorporates additional useful partner services such as access to electronic document management, factoring options, and RS.Magnit (an analytical portal for suppliers).

Currently, Magnit is integrating SRM 2.0 with SME Corporation's portal as a way to simplify the submission of Magnit commercial proposals for small and medium-sized businesses and provide the relevant range of decision-making parameters. In 2024, we plan to integrate the procurement function for fruit and vegetables and launch processes for coordinating supply schedules, promotions, price notifications, and payment statements.

The analytical RS.Magnit portal is a crucial element of our supplier relation policies. More than 100 partners accounting for over 30% of the chain's turnover are now connected to the portal. RS.Magnit enables our partners to track key business metrics online across commercial, logistics, and marketing domains. In 2024, we intend to add new functions to the portal, in particular, by increasing the range of available indicators and analytical panels.

In 2023, the Company joined forces with suppliers to roll out a product availability management system which leverages on-shelf availability (OSA) calculation algorithms. OSA can be calculated by both retailers and manufacturers as a way to boost sales of their products and help merchandisers. The innovation introduced by Magnit consists in the exchange of information between the retailer and suppliers to enable joint analysis of the product's in-store presence, improve its OSA, and boost sales.

>5 thous.
suppliers

>2.5 thous.
local suppliers

49%
share of local suppliers

11%
increase in Magnit's turnover with Russian suppliers

849
Russian suppliers became new partners of Magnit in 2023



In the reporting year, Magnit expanded the pool of suppliers involved in the efforts to streamline the joint supply chain as part of the E2E¹ approach.

For more details on this project, see the Logistics section on [p. 108](#)

¹ End-to-end supply chain.

Agricultural contracts

As a way to ensure sales efficiency and increase on-shelf availability, Magnit extensively uses long-term agricultural contracts with agricultural producers to secure the supply of fixed future harvest volumes and leverage advance payment arrangements.

Benefits of agricultural contracts for local producers

Guaranteed sales volumes at an agreed price

Possibility of long-term planning

Advance payments for future harvest

Product acceptance at the supplier's warehouse to avoid product returns

Agricultural support from Magnit's experts

Pickup of products from the supplier's warehouse by Magnit

In the reporting year, Magnit partnered with 134 agricultural producers across Russian regions ranging from Dagestan in the south to the Pskov region in the north-west and the Krasnoyarsk territory in the east. The Company cooperates with a wide variety of suppliers, with the smallest partner managing 20 hectares of land and the largest one – 86,000 hectares. Magnit harnesses synergies between partner production and logistics capabilities, enabling collaboration with suppliers without requiring them to produce an extensive array of products.

Our goal is to gradually increase the share of agricultural contracts in the chain's total procurement needs to 80%. Magnit also seeks to provide suppliers with an opportunity to sell goods within their home regions and to offer customers unique or niche product categories.

+22% YoY

411 thous. tonnes

of products supplied under agricultural contracts

63%

of the chain's needs covered across the key categories by supplies under agricultural contracts

134

agricultural partners

in 39

regions

134

SKUs supplied under agricultural contracts, including

33

added to the product range for the first time



¹ End-to-end supply chain.



Our success stories

Starostina Farm

Over the years of partnership with Magnit under the relevant contract, the farm's shipments have more than doubled, with the supply range expanding each new season thanks to joint experiments with new crops and varieties. For example, in addition to the key items, the farm began supplying yellow carrots, which are popular with consumers looking to cook pilaf.

Soyuz-Volgograd LLC

At the start of our partnership five years ago, the farm had 30 hectares of land and cultivated only bulb onions. Currently, the farm manages 800 hectares, including 350 hectares of irrigated land. Soyuz-Volgograd supplies over 30 SKUs, some of them exclusively to Magnit. An open dialogue, clear goal-setting, and joint events helped the farm grow into a large-scale producer, while also expanding its technical capabilities and land assets.



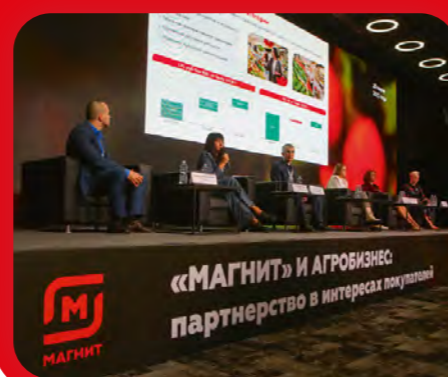
Magnit is developing a loyalty programme for regular suppliers and an electronic platform for centralised procurement.

To obtain all necessary information on agricultural contracts, find out more about support and legal advice options or submit a contract request, interested agricultural businesses are invited to visit the [Magnit's Agricultural Contracts](#) section of Magnit's website. The Company plans to transform the website into a farmers' portal offering detailed information on farmer grants and joint procurement initiatives, and providing tools that might be useful for the market players. Apart from that, in 2023, we began developing new offers made available to partners on an optional basis. For example, we started providing consulting services on various aspects of partnerships with agricultural producers, including assistance in infrastructure construction projects.

2024 plans in the relevant area:

- foster new formats of partnership with suppliers, such as consulting services and support across the partnership life cycle, including construction of additional infrastructure facilities, provision of supplementary packaging equipment, assistance in purchasing seeds, fertilisers, etc.;
- continue developing [Magnit's Agricultural Contracts](#) project;
- increase the volume and assortment of products supplied under agricultural contracts, including unique SKUs;
- expand the partner network;
- increase the volume of seasonal soilgrown vegetable supplies.

In 2023, Magnit held its first forum for agricultural producers titled "Magnit and Agricultural Business: Partnership for the Benefit of Customers". The event primarily focused on pricing in the fruit and vegetable category and initiatives to increase the availability of Russian agricultural products.



Partnership with farmers

We actively cooperate with farmers producing unique, high-quality products. In 2021, we developed a simplified supply contract for smaller agricultural producers, already available to farmers all over Russia.

Magnit promotes the concept of affordably priced farm products for mass consumers, especially with respect to traffic generating SKUs.

Farm products aggregator in the Tula region

We support farmers throughout the supply chain from field to shelf. In 2022, we joined forces with the Tula regional government to test a new model of cooperation with farms. It is based on an aggregator for purchasing and supplying farm produce with a wide range of additional services for smaller farms. The aggregator enables farmers to supply their products not only to Magnit stores but also to other retail chains, as well as HoReCa and manufacturing companies.

In 2023, a total of 25 farmers started cooperation with Magnit under this pilot project, including 21 farmers from Tula and four from the neighbouring Kaluga, Smolensk and Voronezh regions, with 14 of them supplying fresh and ultra-fresh products.

In addition to centralising Magnit's procurement and supplies, the aggregator offers farmers advice on production and sales, support programmes and eligible subsidies. It also provides analytical data, co-finances purchases of raw materials (seeds, fertilisers, feed) and equipment, trains farm staff, provides support in product labelling etc.

Currently, farm products are supplied to 190 Magnit stores across eight product categories: frozen and dairy products, meat deli, poultry, fresh fruit and vegetables, cheese, and egg products. In 2023, purchases amounted to about RUB 300 mln. Next year we plan to increase them by 10%.

In some Russian regions, Magnit signed agreements of intent to cooperate with third-party aggregators, such as Esh Derevenskoe which supplies products from the Tver, Yaroslavl, Lipetsk and Moscow regions, as well as Food Miles in the Leningrad region. The Company is also working to build partnerships with regional aggregators in the Volgograd region, Republic of Chuvashia, and Republic of Udmurtia for a comprehensive package offering of farm products. In 2024, Magnit plans to promote aggregation of farm products in regions, share experience with other aggregators, and scale up the aggregator model through collaboration with local partners.

>170
partner farms

+35%
turnover of farm products in the retail chain

1.9 thous.
farm product SKUs in Magnit's offering

45%
share of farm produce in supplies under agricultural contracts



Partnership with Russian winemakers

In 2023, Magnit expanded its collaboration with 12 Russian winemakers into new segments, while also significantly enhancing the assortment of Russian products in the medium and high price segments by adding new SKUs primarily offered by HoReCa and specialised retailers. The sales geography covers over 100 hypermarkets and the supply volume comes in at 75,000 bottles. Going forward, Magnit plans to complement the assortment with exclusive product lines specifically designed by winemakers for the Company. To support the project, special layouts for wine displays are being rolled out across the entire chain.

The Company offers its partners simplified delivery arrangements, which are of particular relevance for medium-sized and small wineries as they help streamline the winemakers' logistics. Additionally, Magnit is considering an option for joint long-term planning of wine production

volumes aligned with its procurement needs. Collaboration with the Company will help winemakers expand their distribution channels (as those are often limited for small producers to the HoReCa industry), and provide them with a reliable partner in terms of stable payment flows and guaranteed sales.

The preliminary results strongly suggest that we have managed to offer Magnit's customers a highly popular product in the promising category of wines priced above RUB 900.

Local producers can choose one of the two formats: Farmer's Basket, where the store displays locally sourced farm products on its shelves, or Farmer's Shop, where Magnit leases space in its stores for businessmen to sell their products independently.

Key focus areas in the domain of farmer partnerships in 2023 also included:

- expanding the range of products purchased from farmers: currently, the sourced product mix includes fruit and vegetables, dairy products, meat, poultry, sausages, etc.;
- organising special events for farmers to showcase their products;
- providing consultation support: in 2023, we were in touch with over 20 farmers to address safe production issues, assisted in setting up quality management document flow, offered support in declaring product compliance, and clarified ways to meet sanitary and hygienic requirements;
- hosting regional procurement sessions: in 2023, we hosted a total of 86 sessions, conferences, and workshops for suppliers and farmers, a 39% increase from the previous year;
- developing a chatbot to streamline communication with farmers.

In 2023, Magnit partnered with the competition for the best domestic brands organised by the Agency for Strategic Initiatives and the Roscongress Foundation, and established its own Farm Products category. The winners were selected from various product categories, including dairy, desserts, bakery, and berries. As a prize, winning producers were granted an opportunity to sell their products in Magnit stores and receive marketing support.



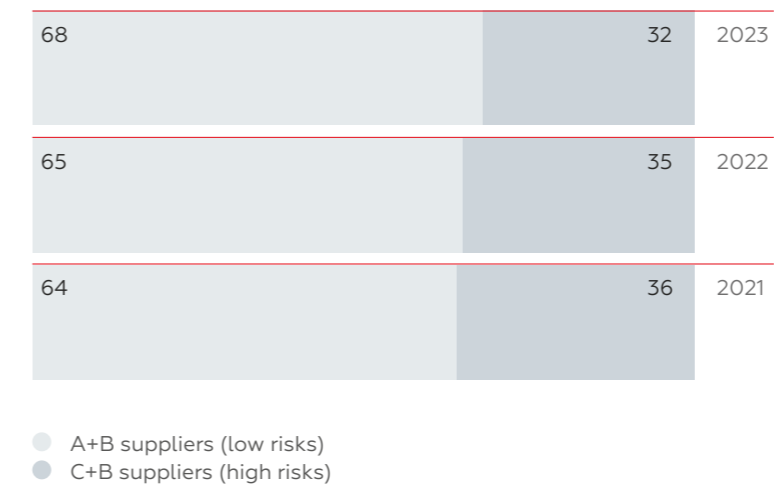
Quality assurance of supplied products

The Company has a set of initiatives designed to assure the quality of products, services and customer experience. These initiatives include regular independent audits of suppliers, lab product tests, maintenance of the cold chain throughout the product life cycle in stores and distribution centres, compliance with sanitation and hygiene standards in stores and distribution centres, efforts to obtain permits for the supermarket and hypermarket chains' own products, etc.

We seek to partner with suppliers of certified products and trace product origins. Audits are an important element of the quality and safety assurance system. Magnit conducts audits across the supply chain – from the supplier's production sites to stores. Before the supplier's products are admitted to store shelves, we test them and relevant production processes for compliance with the quality standards of Russia and the EAEU Customs Union. Thanks to these additional checks, the share of partner products found to be in breach with the applicable requirements is gradually going down.

Our quality assurance experts regularly conduct on-site audits to inspect the suppliers' production conditions. In 2023, Magnit completed 633 audits of suppliers' production facilities and around 18,000 remote and on-site audits of its stores. In 2024, we will continue improving our audit procedures with a focus on suppliers' production processes.

Supplier quality assessment, % of total Magnit suppliers



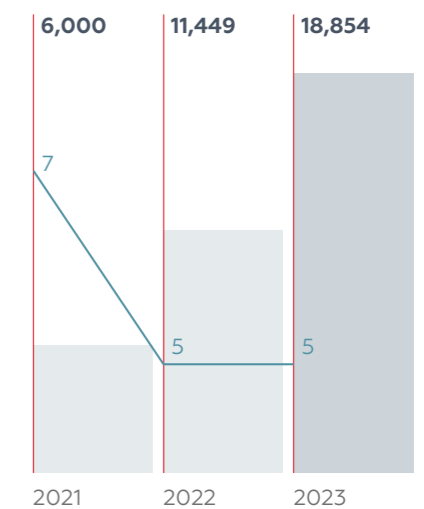
- A+B suppliers (low risks)
- C+B suppliers (high risks)

Quality assurance stages



We regularly test product samples in collaboration with 175 laboratories, including state-run facilities, research institutes and federal scientific centres. In 2023, we carried out over 4,000 sample tests of products made by Magnit's integrated facilities.

Number of lab tests performed with respect to supplied products



— Share of supplied products found to be in breach of applicable standards during lab tests, %

Note: DIXY's performance is consolidated starting from 2023.

Logistics and transport

Logistics

Magnit boasts one of the largest logistics network in Russia, ensuring a constant supply of fresh products through its state-of-the-art supply chain management system.

Rising to challenges and responding to market trends

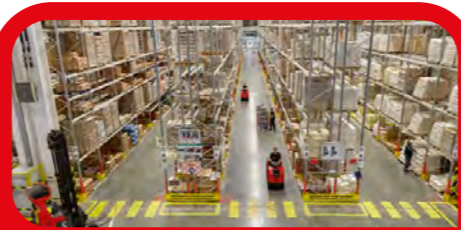
The key logistics challenges that we encountered in 2023 were personnel shortages, the rapid pace of import substitution, and the increasingly prominent focus on warehouse automation.

Against this backdrop, we implemented a programme to improve employee satisfaction rates across our distribution centres and transport units. Also, in 2023, the Company forged ahead with Magnit Students initiatives to promote career paths in logistics, and ran the Supply Chain Academy, a project to engage the Company's experts in developing training modules.

During the reporting year, Magnit also placed a strong emphasis on fostering employee development and strengthening its HR brand. The recognition of these efforts by BEMA¹ came as another testament to the success of our team.

In line with the import substitution trend of 2023, we focused on identifying alternative suppliers of logistics packaging and vehicles as supply chains underwent transformations. That said, Magnit prioritised strategic planning to keep its logistics chains flexible and effective in a volatile market.

We also invested in identifying and implementing state-of-the-art solutions in warehouse robotisation in line with best standards globally.



- Centralised logistics, with 91.6% of deliveries in 2023 handled by DCs, 8.4% managed by suppliers.
- Nationwide coverage, encompassing federal, regional and import shipments.
- A combination of in-house transport units and outsourced fleet, ensuring superior service quality and rigorous control.
- Efficient ownership structure as a guarantee of reliability and cost control.

Principles underpinning our logistics framework

- focus on an end-to-end supply chain;
- digitalisation and automation;
- rapid transformations;
- right balance between service quality and cost efficiency;
- cross-functional cooperation;
- flexibility and willingness to embrace change.

Magnit's supply chain design reflects distinctive CVPs of its different formats

Magnit

- Freshness and availability of goods
- Rapid response to changes
- Focus on costs

Magnit Cosmetics

- Unique assortment
- Fast introduction of new SKUs at minimum costs

DIXY

- Focus on maintaining varied and unique assortment
- Differentiation of price segments

¹ BEMA (Best Experience Marketing Awards) is an annual industry award that acknowledges excellence in event marketing and integrated communications.

Magnit operates

45 distribution centres

7 federal districts

1.9 mln sq. m of warehouse space

Number of DCs		Warehouse area, thous. sq. m
1	North Caucasian	40
8	Southern	315
15	Central	661
10	Volga	470
4	Northwestern	152
4	Urals	173
3	Siberian	110

In 2023, Magnit added two new facilities to its logistics infrastructure. Ahead of the high season, we launched the Ugolnaya Gavan 3PL centre in St Petersburg, which later on will be replaced by a facility in the RUSICH-Shushary industrial park. In addition, the first DC of our V1 hard discounter format started operating in Moscow.

These milestones mark our strategic progress in strengthening the corporate logistics chain, enabling us to deliver improved service and expand our market presence.

Inaugural DC for V1 hard discounter chain

In 2023, Magnit launched the first DC for its V1 hard discounter format. Located in the Dmitrovsky district of the Moscow region, the facility spans an area of 19,200 sq. m and supports different temperature conditions. It features several storage zones, including an ambient warehouse for dry foods along with dedicated areas for alcohol, fruit and vegetables, and fresh and ultra-fresh products. Hard discounter DCs demonstrate increased inventory turnover rates. To accommodate those, our facility has more space for floor storage, cross-docking and pick-by-line operations², enabling incoming and outgoing flows to be handled fast while also optimising storage space utilisation.

The facility is designed to serve up to 200 stores in Moscow, the Moscow region, and neighbouring cities, with deliveries made by Magnit's own fleet. The average shipment distance is up to 150 km, helping optimise transport costs, speed up the delivery process, and keep fresh products available on the store shelves.

The DC works directly with more than 350 suppliers. Some of the SKUs (such as fruit not grown in Russia) come from Magnit's other DCs. This enables us to offer more competitive prices driven by the scale of procurement and direct imports.

200 stores

in Moscow and the Moscow region can be served by the new DC

>350 suppliers

working with the new DC

² Pick-by-line is a method of order picking in logistics and warehouse management to effectively handle products by minimising the time and effort needed to prepare and ship orders.



The first DC for the V1 hard discounter format is a 3PL facility, with an external partner responsible for all the warehouse operations. A 3PL model means readily available infrastructure and technology, expertise of a seasoned industry vendor, and quick launch potential.

Upcoming DC in St Petersburg

Magnit plans to launch a 32,000 sq. m logistics centre in St Petersburg using a state-of-the-art leased facility in the RUSICH-Shushary industrial park. The new multi-temperature DC is scheduled to open in Q2 2024.

Immediately after its launch, the DC will be serving more than 450 stores of various formats in St Petersburg and the Leningrad region, with potential to ramp up volumes and coverage as needed. The expansion of Magnit's logistics infrastructure in the Northwestern Federal District, a key region for the Company's development, will help enhance corporate logistics, improve service levels, and keep the chain growing. The project will also boost cooperation with local suppliers.

The DC will be an anchor tenant in the RUSICH-Shushary industrial park and will feature refrigerated rooms, a shipping area, office premises, and other areas. The infrastructure and amenities

Upcoming specialised nationwide DC in Podolsk

Construction is underway for a new federal DC in Podolsk, Moscow region, scheduled for commissioning in late 2024. The DC will focus on handling slow moving SKUs for supermarkets, superstores, and Magnit Cosmetic drogeries. Among other things, the DC will rely on parcel logistics. The new facility will make use of some of the most advanced solutions such as cutting-edge conveyors, put-to-light² batch picking carts to complete single picks,

Later on, V1 plans to start opening its own DCs to pilot various options for managing logistics.

of the park are aligned with our needs, providing dedicated storage areas for goods with specific temperature requirements. This is a class A+ warehouse with an environmentally friendly CO₂ processing technology delivering up to 40% power savings as compared to a conventional facility. To ensure the quality of storage, order picking, and delivery, the DC will be highly automated through the use of automated orders, time slot management, voice picking¹, and other solutions. Storage and delivery operations will rely on cutting-edge warehouse machinery and equipment. The new facility will have a headcount of around 900 people.

and state-of-the-art voice picking solution. The DC in Podolsk will also have a WMS³ that is easily linked with mobile devices. In addition, the new centre will serve as a platform to test robotic technologies as part of an innovative logistics process.

Magnit operates

>5 thous. trucks

Currently, Magnit's fleet includes around 5,000 vehicles, mostly under the MAN (84%) and Mercedes (15%) brands. Later on, we are planning to acquire Sitrak and other trucks. Magnit already has the status of an internal dealer of MAN and Mercedes, and negotiations are ongoing with Sitrak. All vehicles have satellite navigation system and the necessary equipment to monitor the temperature of cargo, opening of doors, and fuel level.



Unmanned trucking on M11 Neva highway

In the reporting year, Magnit launched unmanned cargo deliveries on the M11 Neva highway. Cargo is moved from conventional trucks to unmanned vehicles at approved locations upon entering and exiting the highway. While on the highway, vehicles operate in an autopilot mode supervised by the driver and operator.

At the first stage, autopiloted trucks will have two runs every day: from Moscow to St Petersburg and back. Magnit's 22-tonne semitrailers utilised in the project maintain the necessary temperature mode and enable deliveries of a wide range of foods with no limitations whatsoever, as well as non-food items. Previously, Magnit joined an initiative to test unmanned logistics corridors on the M11 Neva highway as part of a regulatory sandbox regime (RSR) programme. The RSR will help test digital innovations in truck transportation, including designing, building and operating

In 2024, Magnit plans to expand its unmanned fleet to 12 vehicles.

highly automated trucks and infrastructure for them, as well as developing unmanned transport and logistics services. Under the RSR programme, Magnit acts as a customer that provides cargoes for transportation in Magnit-owned semi-trailers. The Company also shares relevant expertise and experience with project participants.

Innovations in logistics

In 2023, Magnit completed a project to transition its vehicles to gas-diesel, achieving fuel savings of up to 60%. Currently, 12% of the Company's couplers run on gas-diesel, with plans to increase this share to 30% by 2024, among other things by testing electric vehicles.

In the reporting year, the Company piloted a project to introduce contactless product acceptance during the night. This helps optimise transportation costs and boost retail sales by having goods displayed on the shelves before the store opens. During 2023, the pilot project covered 120 stores in Moscow, with plans to scale up the solution across Magnit in 2024.

To achieve greater flexibility in sourcing external vehicles, a pilot project was launched jointly with Trucker: the company provided an IT module to keep abreast of the latest trends in cargo deliveries in order to increase the flexibility and speed of how Magnit responds to changes in market supply. In 2024, there are plans to launch a routing module to optimise direct deliveries, which is expected to bring automation level to 70% and cut down on transportation costs.

¹ Pick-by-voice, or voice picking, is an efficient warehouse management system with order preparation based on verbal instructions.
² Put-to-light is a method of product sorting to achieve seamless and error-free order picking. The system relies on light displays installed in storage locations.
³ Warehouse management system is software that helps companies manage daily warehouse operations, from the moment goods and materials enter a distribution or fulfilment centre until the moment they leave.

Collaboration with suppliers

More partners simplify their logistics together with Magnit

In 2023, Magnit expanded the pool of suppliers engaged in enhancing the joint supply chain as part of the end-to-end procurement process. Under the project, Magnit takes over some of the suppliers' logistics tasks: they can have their products delivered to Magnit's nearest warehouse hub and let the Company handle all the processes of distribution to its logistics facilities and then to stores.

First introduced by Magnit in 2022, the simplified delivery model covered more than 360 suppliers as at the end of 2023. Mostly these are businesses that supply cosmetics, household chemicals, canned foods, confectionery, and dry food.

After optimising its supply chain, the Company achieved a more than 2x reduction in the average duration of delivery from 8–10 to just 2–4 days. In turn, suppliers enjoy considerably

lower logistics costs as they only need to deliver to the nearest warehouse hub and not several DCs. Most of the partners that use the simplified model have all achieved an average cost reduction of more than 5.5% for certain product categories. Logistics savings open up new opportunities for suppliers to reduce their prices, making products more affordable and attractive to customers.

>360 partners

use a simplified supply chain to work with Magnit

Magnit and partners introduce uniform standard of supplies to DCs

In 2023, Magnit teamed up with suppliers to improve the process and quality of incoming flows at its DCs. After updating its operational requirements for supplies and optimising orders, Magnit reduced the number of mixed pallets entering its DCs by 35%. This helped speed up product acceptance,

boost warehouse throughput, and reduce waiting time for unloading. The simplified acceptance process also resulted in fewer issues and complaints about product quantity.

We hear what our partners have to say

In the reporting year, the Company held a series of successful logistics conferences: titled Simply Put, the events brought together suppliers to discuss bottlenecks with the Company and consider improvements. In 2024, we plan to enhance our cooperation, including by launching CPFR pilot project¹.

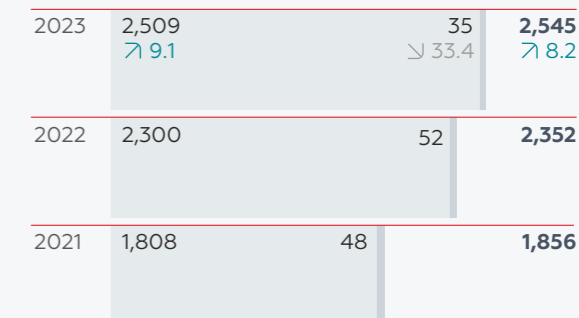
¹ CPFR stands for Collaborative Planning, Forecasting and Replenishment and is a set of collaborative actions by manufacturers, logistics services providers and retailers to plan supplies, quickly respond to changes in demand, and achieve cost savings across the supply chain.

Financial review

Consolidated financial statements of PJSC Magnit and its subsidiaries and independent auditor's report for 2023 are available on the Company's official website in the Reports and Results section at

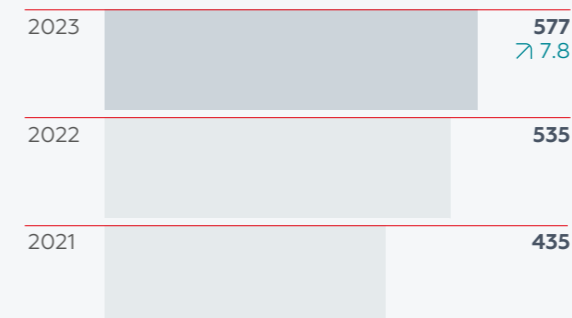
<https://www.magnit.com/en/shareholders-and-investors/results-and-reports/#tabs-reports-type-2>

Total revenue, RUB bln



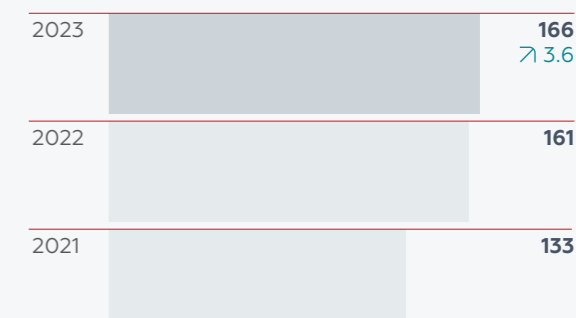
● Retail
● Wholesale
↗ 2023/2022, %
↘

Gross profit, RUB bln



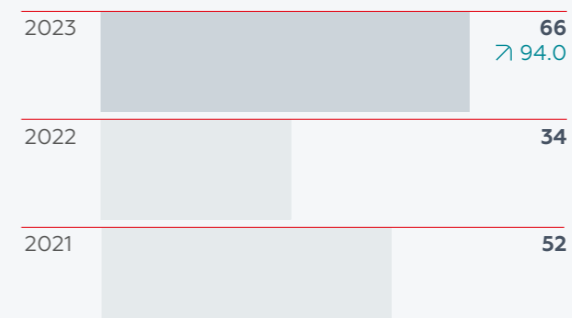
↗ 2023/2022, %

EBITDA, RUB bln



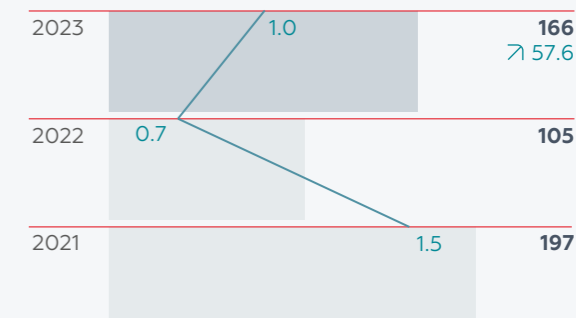
↗ 2023/2022, %

Net income, RUB bln



↗ 2023/2022, %

Net debt, RUB bln



— Net debt / EBITDA
↗ 2023/2022, %

Note: financial metrics are provided in accordance with IAS 17.

FY 2023 key financial results

RUB mln	IAS 17			IFRS 16		
	2023	2022	Change, %	2023	2022	Change, %
Total revenue	2,544,689	2,351,996	8.2	2,544,689	2,351,996	8.2
Retail	2,509,308	2,299,712	9.1	2,509,308	2,299,712	9.1
Wholesale	34,800	52,284	(33.4)	34,800	52,284	(33.4)
Other revenue ¹	581	–	–	581	–	–
Gross profit	577,261	535,488	7.8	579,187	537,003	7.9
Gross margin, %	22.7	22.8	(8 bps)	22.8	22.8	(7 bps)
SG&A, % of sales	(20.1)	(21.0)	88 bps	(18.8)	(19.7)	98 bps
Other income and expense, % of sales ²	1.3	1.0	29 bps	1.3	1.1	25 bps
EBITDA pre-LTI ³	166,918	161,409	3.4	270,276	258,254	4.7
EBITDA margin pre-LTI, %	6.6	6.9	(30 bps)	10.6	11.0	(36 bps)
EBITDA	166,256	160,509	3.6	269,614	257,354	4.8
EBITDA margin, %	6.5	6.8	(29 bps)	10.6	10.9	(35 bps)
EBIT	97,643	64,776	50.7	135,517	98,017	38.3
EBIT margin, %	3.8	2.8	108 bps	5.3	4.2	116 bps
Net finance costs	(13,817)	(13,947)	(0.9)	(61,030)	(54,819)	11.3
FX gain/(loss)	8,229	(267)	–	8,249	(333)	–
Profit before tax	92,055	50,561	82.1	82,736	42,865	93.0
Net income	66,137	34,086	94.0	58,678	27,933	110.1
Net income margin, %	2.6	1.4	115 bps	2.3	1.2	112 bps

Total revenue in FY 2023 increased by 8.2% YoY to RUB 2,544.7 bln. Net retail sales rose by 9.1% YoY on the back of selling space and LFL sales growth by 6.1% and 5.5% respectively. Net retail sales of Magnit branded stores increased by 10.9% thanks to growth in LFL sales in mature stores and expansion of the selling space. The growth in total revenue was offset by a 33.4% decrease in wholesale sales. Wholesale operations accounted for 1.4% of total sales.

Gross profit was up by 7.8% YoY to RUB 577.3 bln. Gross margin was down by 8 bps YoY to 22.7% as a result of intensified promotional activity and higher shrinkage, partially offset by a favourable format mix. The latter positively impacted gross margin, with the share of wholesale operations decreasing to 1.4% from 2.2% a year ago.

Shrinkage as a percentage of sales increased YoY, mainly due to higher losses of fruit and vegetables resulting from their higher share in sales.

Implications of IFRS 16

IFRS 16 balances the presentation of leased assets with owned assets. With this, rent expenses are replaced with depreciation and interest payments. The lease capitalised is reduced on straight line basis but interest is charged on outstanding lease liabilities, thus interest is higher in the earlier years and decreases over time. As a result, the impact on net income is highly dependent on average lease maturity – the higher the maturity, the lower the interest charges.

Selling, General and Administrative Expenses (SG&A)⁴

RUB mln	IAS 17			IFRS 16		
	2023	2022	Change 2023/2022, %	2023	2022	Change 2023/2022, %
Staff costs	224,302	199,620	12.4	224,302	199,620	12.4
• as a % of sales	8.8	8.5	33 bps	8.8	8.5	33 bps
Rent	107,784	99,209	8.6	7,114	5,468	30.1
• as a % of sales	4.2	4.2	2 bps	0.3	0.2	5 bps
Depreciation, amortisation & impairment	68,613	95,732	(28.3)	134,098	159,337	(15.8)
• as a % of sales	2.7	4.1	(137 bps)	5.3	6.8	(150 bps)
Utilities & communication services	53,395	42,174	26.6	53,377	42,174	26.6
• as a % of sales	2.1	1.8	31 bps	2.1	1.8	30 bps
Advertising	14,600	11,819	23.5	14,600	11,819	23.5
• as a % of sales	0.6	0.5	7 bps	0.6	0.5	7 bps
Other expenses	12,343	16,143	(23.5)	12,344	16,143	(23.5)
• as a % of sales	0.5	0.7	(20 bps)	0.5	0.7	(20 bps)
Bank services	13,868	12,126	14.4	13,868	12,126	14.4
• as a % of sales	0.5	0.5	3 bps	0.5	0.5	3 bps
Repair & maintenance	10,763	9,603	12.1	10,728	9,549	12.3
• as a % of sales	0.4	0.4	1 bps	0.4	0.4	2 bps
Taxes, other than income tax	3,465	3,167	9.4	3,465	3,167	9.4
• as a % of sales	0.1	0.1	0 bps	0.1	0.1	0 bps
Materials	3,350	4,739	(29.3)	3,350	4,739	(29.3)
• as a % of sales	0.1	0.2	(7 bps)	0.1	0.2	(7 bps)
Total SG&A	512,481	494,332	3.7	477,245	464,142	2.8
• as a % of sales	20.1	21.0	(88 bps)	18.8	19.7	(98 bps)
Total SG&A (excl. D&A)	443,868	398,599	11.4	343,147	304,805	12.6
• as a % of sales	17.4	16.9	50 bps	13.5	13.0	53 bps

SG&A expenses decreased by 88 bps YoY and accounted for 20.1% of sales due to a reduction in D&A expenses YoY.

Excluding D&A expenses, SG&A expenses as a percentage of sales increased by 50 bps YoY to 17.4%, driven by higher staff, utilities, and advertising expenses partially offset by a decrease in other expenses.

Staff costs as a percentage of sales increased by 33 bps YoY, mainly due to selective indexation of store personnel wages and higher outstaffing tariffs.

Utilities expenses as a percentage of sales increased by 31 bps YoY, driven by an increase in electricity tariffs and cleaning charges.

Despite the increase in the share of leased space to 82.8% as at the end of 2023 compared to 81.8% as at the end of 2022, rental costs as a percentage of sales remained almost unchanged YoY thanks to the growth in sales density.

¹ Other revenue mostly comes from marketplace commissions.

² Including lease and sublease income.

³ Long-Term Incentive Programme.

⁴ Minor variations in calculation of totals, subtotals, and/or percentage change are due to rounding of decimals.

Advertising expenses as a percentage of sales increased by 7 bps YoY due to an increase in marketing activities, including digital marketing and loyalty programmes.

Other expenses as a percentage of sales dropped by 20 bps YoY on the back of lower expenses on provisions for accounts receivable and a decrease in IT service expenses.

Repair and maintenance, materials, bank and tax expenses remained broadly flat as a percentage of sales YoY.

Other income and expenses as a percentage of sales increased by 29 bps YoY due to a higher share of advertising income and provisions made in 2022 for write-off of intangible assets related to software not in use.

As a result, EBITDA increased by 3.6% to RUB 166.3 bln. EBITDA margin was down by 29 bps YoY to 6.5%, reflecting changes in gross margin and SG&A expenses, partially offset by an increase in other income and expense.

D&A expenses as a percentage of sales decreased by 137 bps YoY due to the high base effect of the previous year related to provisioning for impairment of a number of assets.

As a result, operating profit in 2023 stood at RUB 97.6 bln with a 3.8% EBIT margin.

Balance Sheet and Cash Flows

Financial Position Highlights (IFRS 16)

RUB mln	31 December 2023	31 December 2022
Inventories	233,693	219,436
Trade and other receivables	12,844	20,197
Cash and cash equivalents	221,286	314,912
Long-term loans and borrowings	280,940	273,271
Trade and other payables	300,292	273,972
Short-term loans and borrowings	121,195	147,022

Inventories as at 31 December 2023 were up by RUB 14.3 bln (+6.5%) YoY and reached RUB 233.7 bln on the back of total sales expanding by 8.2%. Inventory turnover dropped to 42 days due to a reduction in low-turnover goods and assortment harmonisation.

Despite the increase in the Company's cost of debt, net finance costs remained flat YoY at RUB 13.8 bln due to a decrease in total borrowings and income from bank deposits partially offsetting interest expenses.

Weighted-average cost of debt grew by 89 bps YoY to 9.1%, but still remains significantly below the current key rate of the Bank of Russia. 98.6% of the Company's debt profile is represented by long-term borrowings and bonds with an average maturity of 14 months.

In 2023, the Company recorded an FX gain of RUB 8.2 bln, driven by exchange rate fluctuations related to direct import operations.

As a result, net income in 2023 increased by 94.0% YoY to RUB 66.1 bln. Net income margin was up by 115 bps YoY to 2.6%.

Trade and other payables as at 31 December 2023 increased by RUB 26.3 bln YoY to RUB 300.3 bln, driven by higher sales. Accounts receivables as at 31 December 2023 decreased by RUB 7.4 bln YoY and amounted to RUB 12.8 bln.

Negative working capital was achieved for both the standalone Magnit and DIXY businesses.

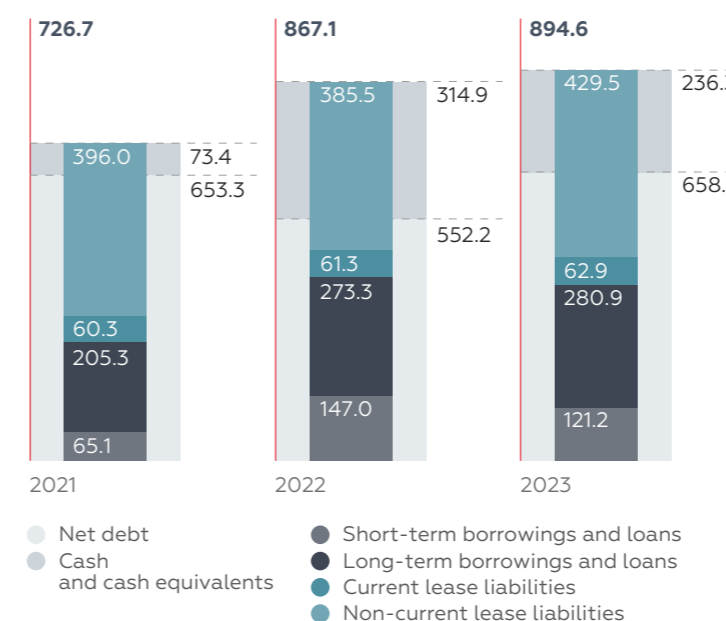
Debt Composition and Leverage¹

RUB bln	31 December 2023 ²	30 June 2023	31 December 2022
IAS 17			
Total debt	402.4	416.3	420.3
• Long-term debt	281.0	282.2	273.3
• Short-term debt	121.4	134.1	147.0
Net debt	166.1	116.8	105.4
Net debt / EBITDA	1.0x	0.7x	0.7x
IFRS 16			
Net debt	658.3	575.7	552.2
Net debt / EBITDA	2.4x	2.2x	2.1x

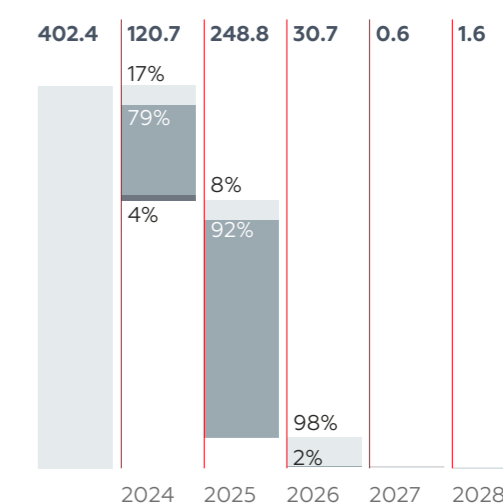
Total debt as at 31 December 2023 decreased by RUB 17.9 bln or 4.3% YoY and amounted to RUB 402.4 bln. Cash balance² as at 31 December 2023 decreased to RUB 236.3 bln compared to RUB 314.9 bln as at 31 December 2022. As a result, net debt grew by 57.6% YoY and totalled RUB 166.1 bln as at 31 December 2023.

The Company's debt is fully RUB denominated, matching its revenue structure. Net Debt / EBITDA slightly increased during the reporting year and stood at 1.0x as at 31 December 2023.

Debt³, RUB bln



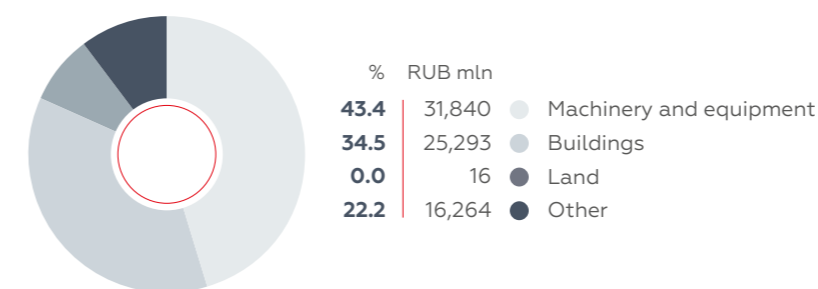
Maturity, RUB bln



¹ Minor variations in calculation of totals, subtotals, and/or percentage change are due to rounding of decimals.

² Calculation included deposits recognised as financial assets. Money in these deposits is highly liquid and can be withdrawn at any point in time with no loss in value (no withdrawal penalty).

Capital expenditure split



Capital expenditures⁴ for the full year 2023 increased by 50.5% to RUB 73.4 bln. The increase was driven by acceleration of expansion and redesign programmes (1,982 stores opened (gross) and 1,078 stores redesigned in 2023 compared to 1,736 and 525 stores in 2022 respectively) as well as truck fleet renewal.

³ IFRS 16.

⁴ Excluding business acquisitions.

Focus on sustainability

Sustainable development

- 120 Our sustainability approach
- 122 Stakeholder engagement
- 124 2023 performance

~RUB 600 mln
committed for charitable
efforts



18%
reduction in specific
energy consumption
vs the 2019 base year

81%
employee
satisfaction rate





Our earnest priority is to provide customers with accessible and quality foods and essential goods.

Magnit supports local suppliers helping them enter new markets, cares about its employees, contributes to the social and economic development wherever it operates, and seeks to minimise its environmental footprint.



Sustainability management

Over the years, we have made significant progress in embedding sustainable business principles into all aspects of our operations thanks to an effective sustainability management structure and clearly defined strategic areas and goals.

High-level management of sustainability issues is the responsibility of the Board of Directors, which defines strategic areas and approves the Company's key sustainable development goals.

In 2023, Magnit's sustainability activities were coordinated by the Management Board. Key goals and areas were set by the Board of Directors in 2020 as part of the Sustainability Strategy approval and cascaded down to the operational level. In 2023, the Management Board was focused on implementing all planned activities and achieving the goals.

The central element of the sustainability management structure is the Sustainability Steering Committee, which reports to the Board of Directors,

is chaired by the Company's CEO and has all heads of key business departments represented on it. This Committee leads working groups supporting a sustainable business model in all areas of our operations – retail, own production, supply chain, logistics, and personnel management. The Committee coordinates interaction with stakeholders and makes recommendations on improving long-term business sustainability in response to the social, environmental, resource and energy challenges. In addition, the Sustainability Steering Committee reports on the progress and the status of projects and initiatives under the Sustainability Strategy 2025.

Our sustainability approach

Magnit is a signatory of the UN Global Compact and the Social Charter of the Russian Business. Our sustainability approach is based on the 10 principles of the UN Global Compact and the 17 UN Sustainable Development Goals (SDGs), which we make a strong contribution to thanks to the scale of our operations. Magnit chose eight priority SDGs to focus on.



Currently, no other Russian retailer has more stores across as many locations as Magnit. As industry leaders, we are committed to not only improving our financial and operational results but enhancing the sustainability of both our business and the industry at large.

As Russia's largest retail chain, a significant portion of the country's population comes through Magnit's doors. We sell society's most vital goods, such as food and FMCG. The Company operates in different formats and price segments. Thus, our absolute priority and important social function is to provide customers with accessible, high-quality food and non-food staples.

Magnit continues to make every effort to be a socially and environmentally responsible business, which we believe is an essential component of our growth and development. Our core governing document is the Sustainability Strategy and 2025 Goals developed and approved by the Board of Directors. The document defines the Company's priority areas and sets out

quantitative and qualitative indicators linked to SDGs. The Company has adopted a number of policies regulating its sustainable development and formalising its commitments in priority areas.



Stakeholder engagement

Magnit is constantly finessing its sustainability management and reporting. We listen to and speak openly with all stakeholder groups, identifying the most relevant topics to enhance our communication. Our stakeholder engagement is underpinned by open dialogue, partnership and respect for human rights.

Stakeholder	Purpose of engagement	Sustainability expectations	Communication channels
<p>Communities</p>	<p>Meeting expectations of local communities and supporting residents in the regions of our operations</p>	<ul style="list-style-type: none"> Ensuring food security Promoting healthy lifestyles Ensuring decent working conditions and fair wages Supporting development in the regions of operation Positive impact on the environment and society in the regions of operation. 	<ul style="list-style-type: none"> Interviews and surveys Mobile app Social and environmental initiatives, charity Hotline Public financial and non-financial reporting The Company's official websites Social media and messengers Mass media.
<p>Employees</p>	<p>Creating efficient and safe work environment, improving employee engagement</p>	<ul style="list-style-type: none"> Fair remuneration Safe working environment Opportunities for professional growth and career development Diversity and inclusion. 	<ul style="list-style-type: none"> Personal meetings Corporate events Corporate portal Mobile app for employees Newsletters Information boards Interviews and surveys Hotline The Company's official websites.
<p>Suppliers and contractors</p>	<p>Building responsible and reliable supply chains. Implementing joint projects to reduce the environmental impact and promote sustainable development principles</p>	<ul style="list-style-type: none"> Prospects for collaboration Clear payment procedures Transparent supplier selection Fair terms of engagement. 	<ul style="list-style-type: none"> Procurement sessions Technical audits and inspections Events for suppliers Industry events Personal meetings RS.Magnit Analytical Supplier Portal Supplier relationship management (SRM) portal Hotline Public financial and non-financial reporting The Company's official websites Social media and messengers Mass media.
<p>Customers</p>	<p>Improving loyalty and retaining customers</p>	<ul style="list-style-type: none"> Offering a wide range of quality products High service standards Affordability of goods Promotion of healthy lifestyles. 	<ul style="list-style-type: none"> Interviews and surveys Marketing activities Mobile app Information screens and other in-store communications Hotline Public financial and non-financial reporting The Company's official websites Social media and messengers Mass media.

Stakeholder	Purpose of engagement	Sustainability expectations	Communication channels
<p>Shareholders and investors</p>	<p>Creating value for shareholders and maintaining the Company's investment profile</p>	<ul style="list-style-type: none"> Business sustainability and profitability Dividend payments Strategy execution and achievement of targets Business development and transformation Good corporate governance Transparent disclosures. 	<ul style="list-style-type: none"> General meetings of shareholders Conferences, forums, and other events for shareholders and investors Personal meetings Roadshows Hotline Public financial and non-financial reporting The Company's official websites Social media and messengers Mass media.
<p>Non-profit organisations</p>	<p>Achieving common goals to support local communities and improve living standards in the regions of operation</p>	<ul style="list-style-type: none"> Prospects for collaboration Provision of resources for increasing the social value created Supporting development in regions of operation. 	<ul style="list-style-type: none"> Conferences, forums and other events Personal meetings Hotline Public financial and non-financial reporting The Company's official websites Social media and messengers Mass media.
<p>Government authorities</p>	<p>Ensuring compliance and the Company's sustainability in the long term</p>	<ul style="list-style-type: none"> Compliance Social and environmental activities Contributing to national projects Ensuring food security. 	<ul style="list-style-type: none"> Governmental reporting Socioeconomic partnership agreements Social programmes and charity Conferences, forums and other events Interaction within expert and public councils Hotline Public financial and non-financial reporting The Company's official websites Social media and messengers Mass media.
<p>Professional associations and industry organisations</p>	<p>Maintaining partnerships and developing expertise</p>	<ul style="list-style-type: none"> Prospects for collaboration Industry development. 	<ul style="list-style-type: none"> Conferences, forums and other events Joint programmes Personal meetings Hotline Public financial and non-financial reporting The Company's official websites Social media and messengers Mass media.

2023 performance

Magnit was able to quickly adjust to the new market environment without compromising the resilience of its supplies. We transformed part of our international logistics chains, started focusing on multimodal shipments, improved the efficiency of in-house distribution, excelled in import substitution for goods that were no longer imported into Russia, and maximised the utilisation of in-house manufacturing capacity. Together these efforts saw us continue to provide our customers with quality and affordable products seamlessly every day.

Magnit's Sustainability Strategy 2025 identifies the following five focus areas: environment, sustainable sourcing, employees,

local communities, health and well-being. It responds to people's most pressing needs in terms of transformation of the food retail industry and its sustainability. We aim to become the industry leader in terms of environmental impact reduction, create a 100% responsible supply chain, continue delivering positive changes to every citizen's quality of life, and become the retail industry's number one employer.

Achievements and awards

Sustainable sourcing

- Magnit expanded the pool of suppliers involved in the efforts to streamline the joint supply chain as part of the E2E¹ approach.
- Magnit held its first forum for agricultural producers titled "Magnit and Agricultural Business: Partnership for the Benefit of Customers".
- In 2023, **25 farmers** began cooperating with Magnit in a pilot project to launch a farm products aggregator in the Tula region.
- In 2023, Magnit's own facilities made 300,000² tonnes of products, including **109,000 tonnes** of agricultural products, a **17% increase vs 2022**.
- Magnit and partners established a green packaging standard for e-commerce.
- The Company made great progress in its own production, obtained the first certificate of compliance with organic production requirements, launched a project to create Zelen Yuga, a leaf vegetable growing centre in the Krasnodar Industrial Park, expanded the cultivated land area on the Moskva Na Donu farm in the Lipetsk region, etc.

>2,500
local suppliers

49%
share of local suppliers

9%
increase in Magnit's turnover with local suppliers

411 thous. tonnes
of products supplied under agricultural contracts

300 thous. tonnes²
of products made by Magnit's own production facilities



Responsible business

- In 2023, Magnit started working in such areas as quality assurance of its Magnit Pharmacy private label products, the private label items of the First Choice discounters, and assistance in quality control for farmers.
- In 2023, Magnit implemented a procedure to recognise the results of the Russian Quality System's audit of production conditions.
- Magnit carried out a number of initiatives to promote healthy lifestyle: conducted the Consumer 2050 study jointly with a leading centre for the research in food systems and compiled a future customer profile, continued the implementation of Health Islands, Pro.Healthy Habits, Magnit of Habits, and Raising Responsible Consumers Together programmes.

18,854
lab tests

633
supplier audits

648
schools take part in the Good Nutrition Talk educational programme

in 60
Russian regions

+25%
increase in the number of pro.healthy habits club members in the loyalty programme



Environmental stewardship

- Magnit and its partners developed Russia's first voluntary standard for recyclable eco-friendly pre-packs. The project was highly appreciated by the public: the Company won the first place in the Visionaries award.
- Magnit was the runner-up in the Russian national contest It's All about People: Companies Investing in the Future with its project Reducing Climate Risks through the Prism of Food Waste.
- In Karelia, Magnit launched a project to turn food waste into fertilisers, with **95 tonnes** of food waste recycled this way in 2023.
- Magnit won the first place among retailers in BoomBattle, a Russian project to collect wastepaper, with **50,000 tonnes** of paper and cardboard collected.
- Magnit successfully passed certification for compliance with the Green Office requirements according to GOST R 54954-2012, GOST R ISO 14004-2017, and EcoGreenOffice voluntary certification system.
- Energy efficiency improvement projects were successfully implemented: **115 sites** replaced lamp lighting systems with LED ones at the parking lots and around stores, more than 5,000 sites installed a power supply control system for store equipment, while the Company continued to introduce a dispatching system for engineering equipment.

31%
reduction in specific GHG emissions (Scopes 1 and 2) vs the 2019 base year

18%
reduction in specific energy consumption vs the 2019 base year

100%
of plastic waste recycled

58%
reduction in specific water consumption vs the 2019 base year



¹ End-to-end supply chain.
² Net of contract manufacturing.

Engaging with local communities

- The Company has successfully rolled out a number of projects to support socially disadvantaged groups, provide assistance in emergency situations, develop an inclusive environment and contribute to building an inclusive society, promote culture and preserve cultural heritage sites, as well as implementing social marketing.
- As a pioneer of food sharing in Russia, Magnit continued its projects in this area. In 2023, the Company shared **300 tonnes** of food.
- Magnit made it to the final of #WEARETOGETHER international award and took the second place in the Leader of Social Change nomination with its Inclusion Is Here project.
- Magnit became a 3rd degree winner at the ESG Excellence Award 2022 in the Best Project/Programme for Involvement of Youth in Positive Change nomination with Magnit Life, a project of training in social skills and work experience for children from orphanages, including those with disabilities.
- In 2022, Magnit received the Stork's Wings award from the city of Moscow.
- DIXY launched a project to collect clothes in its stores.

~RUB 600 mln

committed for charitable efforts

>400 thous.

direct beneficiaries received support from Magnit

>1.5 thous. tonnes

of food donated by Magnit as part of charitable projects

300 tonnes

of food donated to those in need as part of a food sharing programme

~RUB 7 bln

in discounts offered to pensioners in 2023



Personnel

- Magnit's work with personnel was highly appreciated by the public, including awards and prizes in specialised competitions such as HR IMPACT, Bema!, Inter Comm, Recruitment Awards, Crystal Pyramid, Smart Pyramid and the Moscow Mayor's Grant Competition.
- The Company updated its competence model with a strong contribution from the top management and heads of key business functions. New assessment tools were developed and implemented: a 360 degree competence survey for the top management, competence assessment via an internal IT platform for the Company's employees, and a mobile application for Group managers to assess and build a talent pool.
- Magnit improved the recruitment process: automated the onboarding procedure for store managers and part-time workers, launched the ProfProdenka project and conducted two internship programmes, successfully continued the implementation of the Work for Young People over 60 Years Old project.
- Magnit improved the recruitment process: automated the onboarding procedure for store managers and part-time workers, launched the ProfProdenka project and conducted two internship programmes, successfully continued the implementation of the Work for Young People over 60 Years Old project.
- In the area of staff incentives, Magnit launched a process to revise the grading system, held professional skills contests for new categories of employees, such as cashiers, cooks, etc., as well as a number of projects for employees with children.
- Magnit conducted **1.9 million** training hours, **175** professional conferences and more than **190** professional workshops attended by **24,600** and **6,000** employees respectively.
- As for personnel training, the Company completed automation of the mentoring management programme and continued the implementation of a number of programmes, including the Power of Leadership and more.
- In 2023, there were over **30 thous.** volunteering events uniting **21 thous.** Magnit's unique volunteers.

>360 thous.¹

employees work for the Company

81%

employee satisfaction rate

86%

employee engagement rate

0.3 p.p.

increase in the employer brand loyalty index in the media

21 thous.

unique volunteers in Magnit

0.41²

LTIFR (0.5 in 2022)



¹ As at December 2023.





² Starting from 2022 Magnit Group operates LTIFR indicators – lost time injury frequency rate.



Magnit's contribution to UN SDGs in 2023

The UN SDGs provide a common reference point for governments, civil society and businesses to address pressing global challenges. We have prioritised eight SDGs to which Magnit can make the greatest contribution due to its vast geography and the nature of its operations.

The SDGs and related sustainability targets are aligned with the focuses of our Sustainability Strategy and are integral to our Company-wide planning.

UN SDGs	Targets	Action taken by Magnit	Our contribution to the UN SDGs in 2023
 <p>SDG 2: Zero Hunger</p>	<p>Target 2.1. By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.</p> <p>Target 2.4. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.</p> <p>Target 2.5(c). Adopt measures to ensure the proper functioning of food commodity markets and their derivatives and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.</p>	<ul style="list-style-type: none"> Offering our customers affordable and quality foods. Using our own production facilities, including in agriculture. Developing initiatives to increase the affordability of our own and third-party products for all Russians. Taking all possible steps to curb excessive food price volatility, particularly for socially important product categories. Implementing agricultural practices that increase yields while preserving ecosystems. 	<ul style="list-style-type: none"> 300 tonnes of food donated to those in need as part of a food sharing programme. More than 42 thous. food kits transferred by Magnit in 15 Russian regions to lonely elderly people ahead of the New Year, Day of Older Persons, and Victory Day. 300 thous. tonnes¹ of products made by Magnit's own production facilities. >1.5 thous. tonnes of food donated by Magnit as part of charitable projects.
 <p>SDG 3: Good Health and Well-being</p>	<p>Target 3.9(d). Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks.</p>	<ul style="list-style-type: none"> Promoting healthy eating to the nation by raising awareness of healthy lifestyles and supplying healthy foods. 	<ul style="list-style-type: none"> Over 200 employees approaching retirement age provided with resort treatment. 45 thous. children received online training on healthy eating principles as part of Magnit's Raising Responsible Consumers Together programme. 693 Health Islands of Magnit offer alternatives to food staples on the shelves.
 <p>SDG 6: Clean Water and Sanitation</p>	<p>Target 6.5. By 2030, implement integrated water resources management at all levels, including through transboundary cooperation as appropriate.</p>	<ul style="list-style-type: none"> Implementing initiatives to cut water consumption and apply higher treatment standards. 	<ul style="list-style-type: none"> 58% reduction in specific water consumption vs the 2019 base year.
 <p>SDG 7: Affordable and Clean Energy</p>	<p>Target 7.3. By 2030, double the global rate of improvement in energy efficiency.</p>	<ul style="list-style-type: none"> Saving energy. Developing energy efficiency projects. 	<ul style="list-style-type: none"> 18% reduction in specific electricity consumption vs the 2019 base year.

¹ Net of contract manufacturing.





UN SDGs



Targets

Target 8.2. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

Target 8.3. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Target 8.8. Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

Action taken by Magnit

- Creating new jobs.
- Providing decent and safe working conditions.
- Offering our employees opportunities for training and professional development.

Our contribution to the UN SDGs in 2023

- **Less than 1%** of the total number of workplaces are workplaces with harmful labour conditions (class 3.1).
- **0** cases of health impairment in performing hazardous work.
- **81%** employee satisfaction rate.



Target 12.2. By 2030, achieve the sustainable management and efficient use of natural resources.

Target 12.3. By 2030, halve per capita global food waste at the retail and consumer levels and reduce food losses along production and supply chains, including post-harvest losses.

Target 12.5. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

Target 12.6. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

Target 12.8. By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature.

- Reducing waste generation.
- Building a sustainable supply chain by introducing supplier assessment tools and embracing best practices for our business processes.

- Magnit developed Russia's first voluntary standard for recyclable pre-packs.
- **68%** of Magnit's private label and own production packaging is sent to recycling or potentially recyclable.
- **59%** less food waste compared to the basic 2019.



Target 13.2. Integrate climate change measures into national policies, strategies and planning.

Target 13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

- Reducing GHG emissions.
- Reducing water and energy consumption.
- Reducing food waste.

- **31%** reduction in specific GHG emissions vs the 2019 base year.



Target 17.10. Promote a universal, rules-based, open, non-discriminatory and equitable multilateral trading system under the World Trade Organisation, including through the conclusion of negotiations under its Doha Development Agenda.

Target 17.16. Enhance the global partnership for sustainable development, complemented by multistakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

- Taking a responsible approach to selecting our suppliers.
- Developing local communities in the regions where we operate.

- **134 agricultural partners** in **39 regions**.
- **411 thous. tonnes** of products supplied under agricultural contracts.
- Magnit cooperates with regional authorities and industry organisations to develop the retail sector and legislation.
- Magnit takes part in the Open to All, an inclusive initiative for the development of partnership projects and exchange of best practices in corporate inclusivity programmes.



2024 targets



Sustainable sourcing

- **Promote cooperation with our suppliers** and propose new collaboration formats.
- **Improve IT systems** for suppliers.
- **Make procurement process more competitive.**
- **Expand the assortment of products supplied under agricultural contracts** and develop the format of farm aggregators.
- **Increase sustainable packaging use** in the production of our own products.
- **Cooperate with suppliers** on matters related to the use of more environmentally friendly packaging.



Employees

- **Automate processes and workflow** to centralise occupational health and safety procedures, improve data handling.
- **Update** the Regulations on Special Assessment of Working Conditions.
- **Promote health and safety information** among the Company's personnel.
- **Promote programmes** to improve working conditions and increase staff loyalty.
- **Promote** financial incentives.
- **Strengthen the focus** on talent development programmes, introduce new training formats and foster a mentoring system.



Ecology

Environment

- **Expand food waste recycling practices** for fertiliser production.
- **Implement recommendations** for the procurement of sustainable promotional materials.
- **Promote the retail food sharing project.**
- **Organise environmental awareness events.**
- **Reproduce bioresources**, including planting green spaces and releasing juvenile fish.
- **Explore opportunities** for industry and cross-industry environmental partnerships.

Climate

- **Review and update climate change targets.**
- **Update documents** for effective climate change management and energy efficiency.
- **Continue implementation of energy efficiency projects.**



Communities

- **Establish a platform** to transparently present Magnit's social initiatives and collect feedback.
- **Develop a training course** on inclusivity and communication with disabled people for customers.
- **Roll guidelines for the Relay for Success** social programme.



Health and well-being

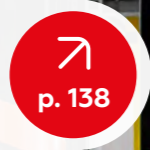
- **Continue supporting sports events** to promote active lifestyles.
- **Continue supporting football and other sports projects** to promote active community lifestyles.

Commitment to high standards

Corporate governance

- 136 Corporate governance framework
- 138 General Meeting of Shareholders
- 138 Board of Directors
- 140 Management Board
- 141 Corporate Secretary
- 141 Internal control and risk management system
- 148 Business ethics and anticorruption
- 152 Shareholder and investor engagement

RUB 42.0 bln dividends on ordinary registered shares of PJSC Magnit announced in 2023



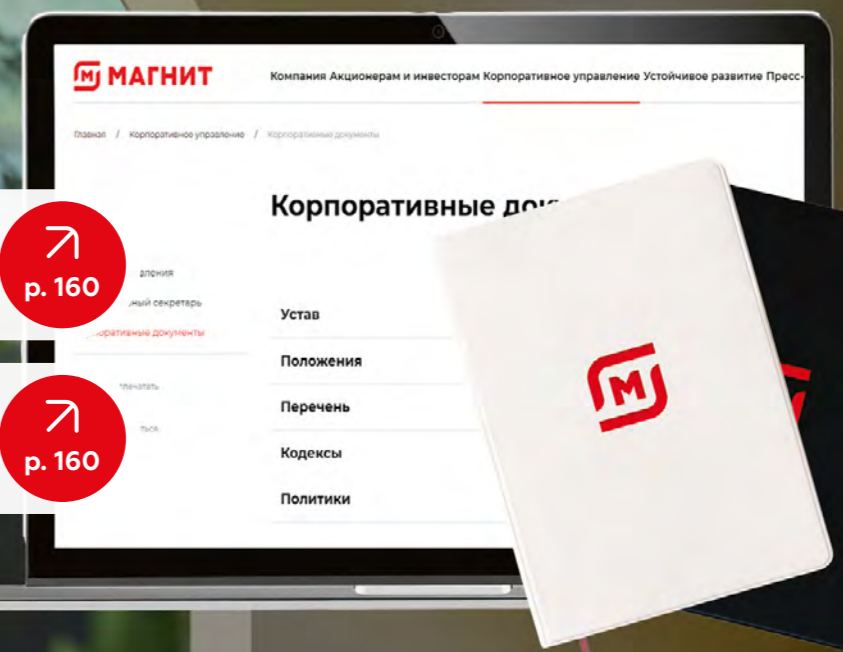
Tender Offer involved over 300 investors from 25 countries



ruAAA credit rating of PJSC Magnit assigned by Expert RA



AAA(RU) credit rating of PJSC Magnit assigned by ACRA



BT reflex

BT reflex

ОБСЛУЖИВАНИЕ ТЕХНИКИ

Corporate governance framework

Magnit has in place an effective corporate governance framework that complies with the requirements of Russian laws. The Company is committed to advancing its corporate governance practices, taking into account the interests of shareholders and other stakeholders.

Governance, management and control responsibilities at the Company are vested in shareholders via the General Meeting of Shareholders, the Board of Directors, the collective executive body (Management Board) and the sole executive bodies (President and Chief Executive Officer) pursuant to applicable Russian corporate laws, Magnit's Articles of Association and internal policies.



Corporate governance bodies

Magnit relies on a robust and effective corporate governance and internal control framework.

The Company's highest decision-making body is the General Meeting of Shareholders.

The Board of Directors is elected by shareholders and is accountable to them. It provides strategic oversight and monitors the activities of Magnit's executive bodies – the CEO (Chairman of the Management Board), President and Management Board.

The executive bodies are responsible for day-to-day management of the Company and perform tasks set by the shareholders and the Board of Directors.

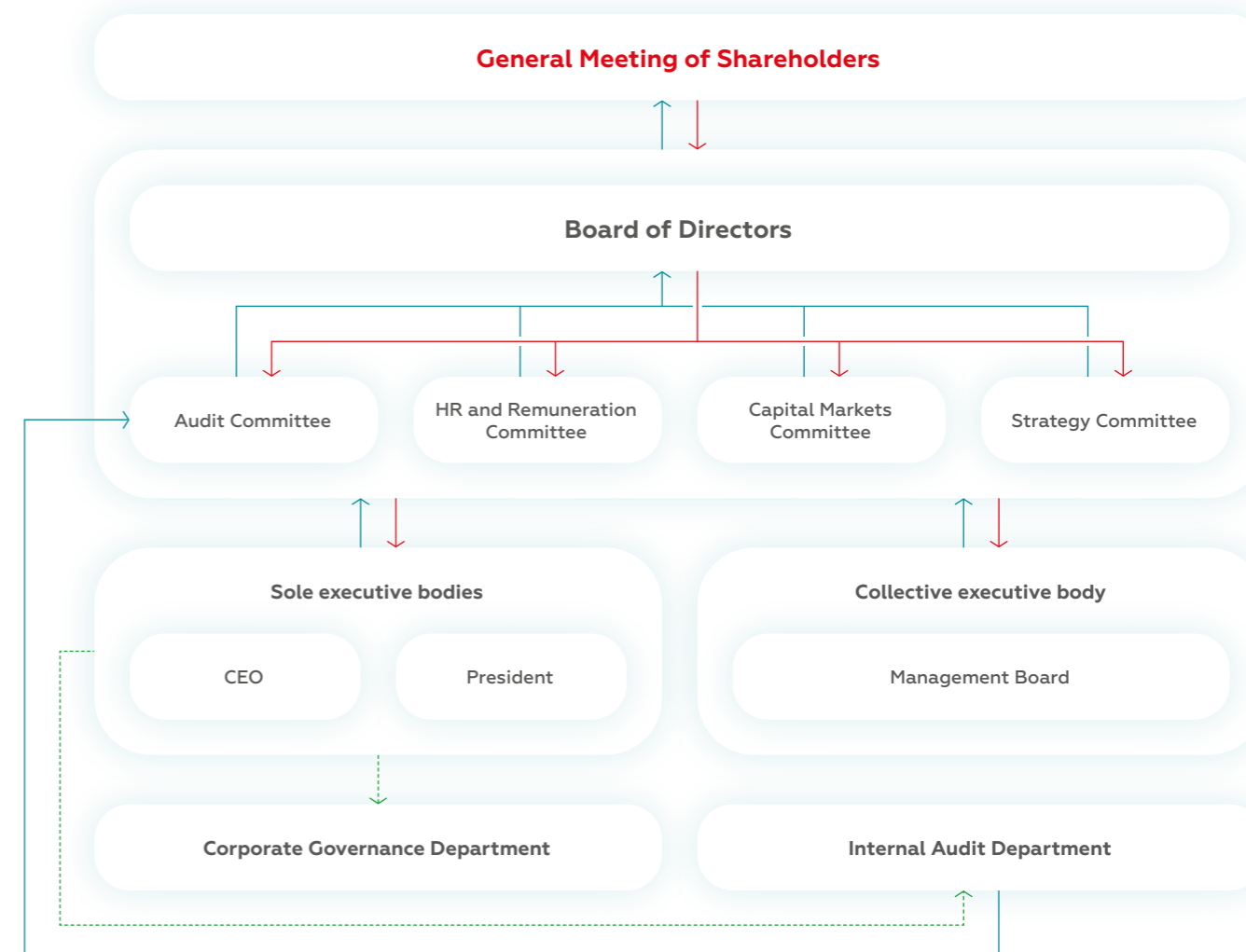
In accordance with the Company's internal regulations, there are four committees under the Board of Directors:

- Audit Committee;
- HR and Remuneration Committee;
- Strategy Committee;
- Capital Markets Committee.

The Internal Audit Department analyses and evaluates the risk management and internal control system, as well as corporate governance.

The Corporate Governance Department carries out the duties of the Corporate Secretary, ensuring efficient shareholder engagement, coordination of the Company's actions aimed at protection of shareholders' rights and interests, as well as support of the Board of Directors.

Management and control structure



- Election, establishment
- Accountability
- > Administrative subordination. Department Director is appointed by the Board of Directors

Regulations

In its corporate governance practices, Magnit adheres to the following regulations:

- Russian laws;
- Moscow Exchange listing rules;
- Corporate Governance Code recommended by the Bank of Russia¹.

The Company's activities are governed by its Articles of Association² and internal regulations, which remained unaltered in 2023, with no new by-laws introduced.

The full list of Magnit's public internal documents is available on the Company's website at: <https://www.magnit.com/en/corporate-governance/corporate-documents>

¹ For the full Report on Compliance with the Principles and Recommendations of the Corporate Governance Code prepared according to the recommendation letter of the Bank of Russia dated 27 December 2021 No. IN-06-28/102, see Appendix 1.
² Approved by the annual General Meeting of Shareholders of PJSC Magnit on 10 June 2021.




General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of the Company. Shareholders of PJSC Magnit can significantly impact the Company's business by participating in the General Meeting of Shareholders.

The key responsibilities of the General Meeting of Shareholders include:

- approval of the Company's annual report;
- approval of the Company's annual accounting (financial) statements;
- election of the Company's Board of Directors;
- distribution of profits, including dividend payments;
- approval of major and related-party transactions;
- approval of the Company's auditor.

The procedure for the General Meeting of Shareholders aims to ensure the respect of shareholder rights and meets all the applicable laws and regulations of the Russian Federation.

 Detailed information regarding the resolutions of the General Meeting of Shareholders is available on the Company's website at <https://www.magnit.com/en/shareholders-and-investors/shareholders-meeting/>

In 2023, the General Meeting of Shareholders of PJSC Magnit was held on 28 December through absentee voting, with the following resolutions passed:

- approval of the Company's Annual Report and annual accounting (financial) statements for 2021 and 2022;
- approval of the profit distribution for 2021 and 2022, including the payment of dividends on ordinary registered shares of PJSC Magnit in the amount of RUB 42.0 bln (RUB 412.13 per share);
- election of the Board of Directors;
- approval of the auditors for the Company's accounting (financial) statements prepared according to the Russian Accounting Standards (RAS)¹ and International Financial Reporting Standards (IFRS)².

RUB 42.0 bln

dividends on ordinary registered shares of PJSC Magnit announced in 2023

Induction and training of directors

Newly elected members of Magnit's Board of Directors complete an induction programme, which includes:

- meetings with members of the Management Board and the Company's senior executives;
- introduction to the Company's history, strategy, corporate governance system, risk management and internal control system, the distribution of responsibilities among the Company's executive bodies, and the procedures of the Board of Directors;
- familiarisation with the Company's documents, including the latest annual reports, the minutes of annual and extraordinary General Meetings of Shareholders, the minutes of meetings of the Board of Directors, and other relevant information about the Company's activities.



Board of Directors

The Company's Board of Directors and its numerical composition is elected and determined by the General Meeting of Shareholders according to the Articles of Association of PJSC Magnit.

The members of the collective executive body (Management Board) may not account for more than one-fourth of the members of the Company's Board of Directors. The sole executive bodies (President and Chief Executive Officer) may not simultaneously act as the Chairman of the Board of Directors.

The Board of Directors of PJSC Magnit steers the Company's operations, defines strategic goals and implements effective management practices, while also electing the Management Board, CEO and President. The main objective of the Board of Directors is to increase the value of the business. When making decisions, the Board of Directors takes into account the interests of all shareholders and other stakeholders.

The work of the Board of Directors goes beyond formal meetings. The Board regularly interacts with the management team to streamline cooperation between the executive bodies of the Company and the Board of Directors.

The make-up of the Board is governed by Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995 and also by the Articles of Association, Regulations on General Shareholders Meeting, Regulations on the Board of Directors, and Regulations on the Committees of the Board of Directors.

Committees of the Board of Directors

In accordance with PJSC Magnit's internal regulations, there are four committees under the Board of Directors:

- Audit Committee;
- HR and Remuneration Committee;
- Strategy Committee;
- Capital Markets Committee.

The committees are made up from members of the Board of Directors who are elected based on their relevant professional experience and knowledge. When electing members of the committees (including the chairs of the committees), the following aspects must be taken into consideration: the education and professional training of the candidates, their work experience in the Committee's focus area, their document handling skills, as well as other necessary proficiencies and experience.

The Regulations on the Committees of the Board of Directors of PJSC Magnit govern the make-up and activities of the committees.

The work of the committees goes beyond formal meetings. The committees constantly interact with the management team in order to streamline cooperation between the executive bodies of the Company and the Board of Directors.

¹ Russian Accounting Standards (RAS) are a set of accounting rules stipulated by federal laws of the Russian Federation and Accounting Regulations issued by the Ministry of Finance of the Russian Federation.

² International Financial Reporting Standards (IFRS) are a set of documents (standards and interpretations) for the preparation of financial statements enabling external users to make informed financial decisions.



Audit Committee



Key responsibilities:

- monitoring and verifying the integrity of financial statements;
- verifying the internal control and risk management system;
- monitoring the effectiveness of internal audits;
- monitoring relations with the external auditor.

HR and Remuneration Committee



Key responsibilities:

- developing and monitoring the Remuneration Policy (including long and short-term incentives);
- endorsing and monitoring senior management appointments (CEO-1/CEO-2 levels);
- developing the talent management strategy;
- assessing the performance of the Board of Directors and management team on an annual basis.

Strategy Committee



Key responsibilities:

- strategic and investment planning;
- identifying priority focus areas;
- endorsing and verifying the business plan and budget.

Capital Markets Committee



Key responsibilities:

- developing and improving corporate governance systems;
- preparing, developing and implementing IR strategies;
- assessing the Dividend Policy and drafting relevant recommendations for the Board of Directors.

Management Board

The Management Board is the collective executive body responsible for the day-to-day management of the Company within its remit as defined by the Articles of Association.

The Management Board shall be guided and bound by resolutions of the Company's General Meeting of Shareholders and Board of Directors. The Management Board shall report to the Board of Directors and the General Meeting of Shareholders.

The Chief Executive Officer and the President of the Company shall be members of the Management Board by virtue of their office.

The Chief Executive Officer shall act as the Chairman of the Management Board by virtue of office.

Should the powers of the Chief Executive Officer be terminated, up to the moment when the Board of Directors elects a new Chief Executive Officer, the President shall act as the Chairman of the Company's Management Board by virtue of office.

Corporate Secretary

The Corporate Governance Department of PJSC Magnit discharges the responsibilities of the Corporate Secretary.

The main objective of the Department is to maintain effective communication with the shareholders, coordinate the Company's actions to protect the rights and interests of the shareholders and ensure effective operation of the Board of Directors.

The main responsibilities of the Corporate Governance Department are as follows:

- to participate in improving the Company's corporate governance system and practices;
- to participate in preparing for and holding of General Meetings of Shareholders;
- to support the work of the Board of Directors and its committees;
- to participate in implementing the Company's disclosure policy and ensure safekeeping of the Company's documents;
- to ensure interaction between the Company and its shareholders and to participate in preventing corporate conflicts;
- to ensure interaction between the Company and regulatory authorities, organisers of trading activity, the registrar and other professional participants of the securities market within the remit of the Corporate Governance Department;

- to immediately inform the Board of Directors of any breaches of laws and the Company's by-laws, where ensuring compliance with such laws and by-laws is the responsibility of the Corporate Governance Department;
- to ensure that the procedures established by laws and the Company's by-laws to protect the shareholders' rights and legitimate interests are put into practice and to oversee their implementation.

The Corporate Governance Department reports to the President and CEO and is accountable to the Board of Directors.

Internal control and risk management system

The internal control and risk management system:

- provides reasonable assurance that Magnit achieves its mission and values, as well as business targets;
- gives accurate and clear representation of the Company's current affairs and prospects;
- ensures the integrity and transparency of Magnit's accounts and reports;
- ensures reasonable and acceptable levels of risks assumed by the Company.

The Company's Board of Directors and Management Board ensure the effective operation and development of the internal control and risk management system. This helps control the Company's strategic and operational goal achievement, the reliability of information disclosure, and compliance with external and internal requirements.

Goals of the internal control and risk management system:

- strategic goals ensuring the accomplishment of the Company's mission and efficient management of its operations;
- operational goals related to the efficient and effective use of the Company's resources;
- goals ensuring the accuracy of the Company's accounts and reports;
- goals related to compliance with applicable laws and the Company's by-laws.

Objectives of the internal control and risk management system:

- reduce the number of unexpected events in the Company's operations;
- define and manage Company risks to provide reasonable assurance that the Company will achieve its goals;
- ensure the right balance between risk appetite and development strategy;
- improve managerial decision-making, including risk response decisions;
- develop a risk-oriented corporate culture with the corporate bodies and management disseminating knowledge and skills across the Company and engaging employees along the way.

The control and risk management system is governed by the following internal regulations

- Internal Control and Risk Management Policy of Magnit¹;
- Regulations on Risk Management at Magnit Group Companies;
- Risk Register.

For more details on Magnit's policy, see our website: www.magnit.com/en/disclosure/internal-regulations/#accordion-policy2

Core principles

Comprehensiveness and continuous operation

Risk management and internal control are undertaken on a constant and cyclical basis and cover all areas of the Company's operations across the governance hierarchy

Integration with governance

Risk management is an integral part of the decision-making process. It supports sound management decisions and factors in the probability and consequences of risks

Distinction of decision-making levels

Risk management decisions shall be made at various governance levels subject to the significance of the risk and area of the Company's activities

Responsibility

All subjects of internal control are responsible for compliance with risk management and internal control standards and approaches within their respective remit

Distribution of responsibilities and powers

The responsibilities and powers of the internal control and risk management bodies are distributed to reduce the risk of error and/or fraud

Balance

Costs associated with control procedures shall be commensurate with the risk

Risk-focused approach

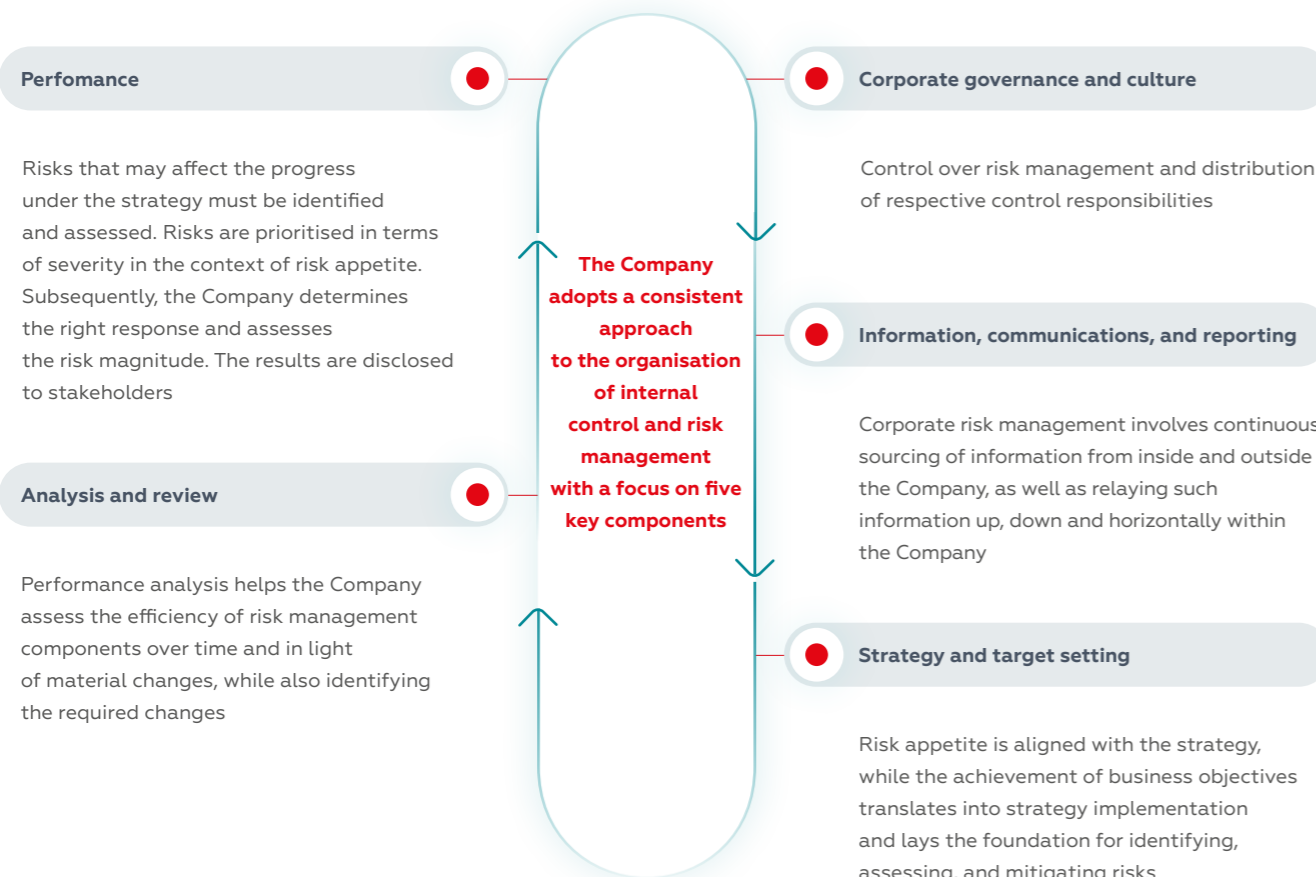
Control procedures shall be established for business lines based on their significance in terms of the Company's operational efficiency

Reasonable assurance

The implementation of risk management measures shall be deemed effective if it reduces the risk to an acceptable level

Ongoing improvement

The Company monitors its risk management system and engages in its constant development and improvement



¹ Approved by the Board of Directors on 12 December 2019 (Minutes w/o No. dated 13 December 2019).

The Company applies a three lines of defence model¹ to coordinate risk management and internal control processes by clearly defining and delimiting respective functions and responsibilities.

Three lines model



In the first line of defence, risks are managed by business process and business unit owners. They are responsible for embedding risk controls into decision-making processes and key business operations. Business units are responsible for identifying, mitigating, managing, analysing and reporting on key risks. Heads of business units draft, implement, and ensure the operation of controls in business processes.

The second line of defence consists of the Risk Management Office, Economic Security Department, Department for Compliance and Antitrust Practices, Financial Control and Operational Controlling Office, etc. They draft and implement risk management and internal control methodologies, set

standards and coordinate the Company's activities related to risk management and internal control, ensure monitoring of the development and functioning of controls related to the first line of defence, and provide advice on risk management.

The third line of defence is operated by the Internal Audit Department, which provides independent performance assessment of internal controls and risk management and gives recommendations for their improvement.

Internal control and risk management system improvement

In improving our internal control and risk management system throughout 2023, we aimed to reflect the scale of our business, retail focus, diversified lines of operations, and regulatory environment in which we operate.

In 2024, we plan to integrate risk management into our new subsidiaries, business areas and acquisitions, and will focus on further enhancing employee competences in internal control and risk management.

The Company's key risks

The Company identifies the most significant risks, assesses them, and develops procedures to mitigate any negative impact. We then monitor the effectiveness of our risk impact procedures.

Highlights in 2023

- Risk quantification rolled out to cover all of the Group's business processes.
- Risk registers of the Company and its subsidiaries updated.
- Internal control projects successfully implemented.
- Risks of key projects quantified.
- Risk management workshops held for senior executives and project managers.
- Risk management training course for the Corporate Academy developed and implemented.

Risk description and management

No.	Risk description	Risk management	
1	Risk of changes in consumer preferences and demand	• Product mix adjustments	 Risk level
2	Higher prices of imported equipment and materials	• Search for alternative suppliers	
3	Understaffing as a result of reduced labour market capacity and increased payroll costs	• Expanded range of social benefits for rank-and-file employees • Introduction of flexible working hours where possible • Employee development, inclusion of employees in the talent pool, promotions in line with the career track • Employer brand development • Labour market monitoring and employee engagement surveys	
4	Risk of regulatory changes	• Monitoring of legislative changes	 Risk level
5	Higher competition risks	• Ongoing monitoring of the competitive landscape	
6	Disruptions in supplies of equipment, spare parts and materials	• Engagement of third-party transportation companies • Search for alternative channels to secure deliveries of spare parts for vehicles • Search for alternative suppliers • Reliance on internal resources if counterparties fail to provide support under existing contracts • Development of corporate procedures to procure spare parts and consumables	

¹ A control model developed and recommended by the Institute of Internal Auditors (IIA).



No.	Risk description	Risk management
7	Restrictions on settlements with counterparties	<ul style="list-style-type: none"> Switching to alternative payment tools and/or using alternative settlement methods
8	Information security risks	<ul style="list-style-type: none"> Functioning of access control procedures and mechanisms, approved access matrices Establishment of a software and infrastructure change management system Data backup, duplication of key information systems Functioning of a centralised monitoring system for information security events Additional investments in the development of information technologies
9	Risks related to availability of seed lots and supplements for the Company's Mushroom Complex, lack of fungal mycelium, availability of crop protection agents for greenhouses	<ul style="list-style-type: none"> Development of alternative supply channels Signing contracts with domestic producers of mycelium projects to produce and select mycelium Development of crop protection agents and supplements together with producers
10	Climate-related risks (physical and transitional)	<ul style="list-style-type: none"> Establishment of a working group Analysis and amendment (if necessary) of the Company's regulations with regard to climate-related risk management Regular assessment of greenhouse gas emissions and other climate impacts Elaboration of a plan of measures for the implementation and development of a system for identification, assessment, management and monitoring of climate-related risks Analysis of the potential application of the results of the climate-related risk assessment and business opportunities Development of an action plan to neutralise climate-related risks



External audit

To verify and confirm the reliability of its annual financial statements, each year the Company hires a professional audit organisation that has no connection to the Company or its shareholders through ownership interests (the "auditor").

IFRS auditor

Centre for Audit Technologies and Solutions Limited Liability Company (previously Ernst & Young LLC) (TIN 7709383532, location: 77 Sadovnicheskaya Embankment, Bld. 1, Moscow, Russia) is the auditor of PJSC Magnit's consolidated financial statements prepared in accordance with the IFRS.

Centre for Audit Technologies and Solutions LLC is a member of the Self-Regulatory Organisation of Auditors Association "Sodruzhestvo" (SRO AAS) No. 430 dated 31 January 2020 with the main registration number entry (ORNZ) 12006020327.

The Company's auditor is approved by the General Meeting of Shareholders based on a proposal from the Board of Directors. The Audit Committee conducts a preliminary assessment of potential auditors.

Centre for Audit Technologies and Solutions LLC has been auditing the IFRS consolidated statements of PJSC Magnit and its subsidiaries since 2010. The partner of Centre for Audit Technologies and Solutions LLC is Ilya Ananyev.

Following the reporting year, the auditor inspected the IFRS consolidated financial statements of PJSC Magnit and its subsidiaries for 2023. Based on the results of the audit, the auditor expressed an opinion on the accuracy of the IFRS consolidated financial statements for 2023.

The auditor's total remuneration under the agreement on statutory audit of the consolidated financial statements for 2023 and review of the interim financial information for the six-month 2023 amounted to RUB 79.8 mln excluding VAT (RUB 60.6 mln and RUB 19.2 mln correspondingly).

Total remuneration paid for non-audit services provided to the Magnit Group in 2023 by the auditor and the companies constituting one group with the auditor amounted to RUB 150,000 excluding VAT.



RAS auditor

The audit firm Faber Lex Limited Liability Company (TIN 2308052975, location: 144 Krasnykh Partizan Street, Bld. 2, Krasnodar, Russia) was approved as the auditor of PJSC Magnit's accounting (financial) statements prepared in accordance with the Russian Accounting Standards (RAS).

AF Faber Lex LLC is a member of the Self-Regulatory Organisation of Auditors Association "Sodruzhestvo" (SRO AAS) No. 441 dated 20 March 2020 with the main registration number entry (ORNZ) 12006114232.

Following the reporting year, the auditor inspected the RAS accounting (financial) statements of PJSC Magnit for 2023. Based on the results of the audit of PJSC Magnit, the auditor expressed an opinion on the true and fair reflection of the Company's financial position in the RAS accounting (financial) statements in all its material aspects.

The total remuneration paid by the Group's companies to AF Faber Lex LLC in 2023 amounted to RUB 7.8 mln (excluding VAT), including RUB 452,500 paid for the audit of the PJSC Magnit accounting (financial) statements for 2022.

The auditor did not provide any audit-related services ("non-audit services") to the Group in 2023.





Business ethics and anti-corruption

Material topics

- Business ethics and anti-corruption

Contribution to UN SDGs



UN Global Compact principles

No. 10

Governance structure

Cross-functional model for combating corruption



→ Cooperation and coordination as part of anti-corruption activities, advisory support, training, risk assessment, and controls

Key documents

Magnit's policies and documents

- Business Ethics Code of PJSC Magnit
- Anti-Corruption Policy of PJSC Magnit
- Regulations on the Anti-Corruption Hotline of the Anti-Corruption Policy of PJSC Magnit
- Anti-corruption clause of the Anti-Corruption Policy of PJSC Magnit
- Contractual Policy of PJSC Magnit
- Internal Control and Risk Management Policy of PJSC Magnit
- Regulations on Trade Secret of PJSC Magnit
- Regulations on Internal Checks of PJSC Magnit
- Internal Workplace Regulations of PJSC Magnit
- Regulations on Not-for-Resale-Procurement of PJSC Magnit and its subsidiaries
- Regulations on Counterparty Due Diligence of PJSC Magnit
- Conflict of Interest Management Policy of PJSC Magnit
- Charity, Sponsorship and Volunteer Policy of PJSC Magnit

For more details on Magnit's internal regulations, see the Company's official website magnit.com/en/disclosure/internal-regulations/#accordion-regulations_disclosure

External documents

- Criminal Code of the Russian Federation No. 63-FZ dated 13 June 1996
- Administrative Offence Code of the Russian Federation No. 195-FZ dated 30 December 2001
- Federal Law No. 273-FZ On Combating Corruption dated 25 December 2008
- Guidelines for the Development and Adoption of Measures by Organisations to Prevent and Combat Corruption (Decree of the President of the Russian Federation No. 309 On Measures Supporting the Implementation of Selected Provisions of the Federal Law On Combating Corruption dated 2 April 2013)
- Federal Law No. 152-FZ On Personal Data dated 27 July 2006
- Federal Law No. 149-FZ On Information, Information Technologies and Information Protection dated 27 July 2006

Our approach to management

Magnit maintains high legal, ethical and moral standards as part of our business activities and cooperation with business partners. The fundamental framework is set out in our Anti-Corruption Policy and Business Ethics Code.

The actions and decisions of our employees build and strengthen the Company's overall reputation. We seek to ensure that our hires make honest and appropriate decisions based on the principles set out in the Business Ethics Code.

Our zero-tolerance approach to corruption in all its forms provides the basis for the Anti-Corruption Policy, which underpins our corruption risk management system and our corruption

prevention tools. Magnit's managers and employees are required to avoid being affected by any influences, interests, or relations that may have an adverse impact on the Company's business or facilitate any corrupt practices.

All new employees undergo mandatory onboarding to familiarise themselves with Magnit's business ethics, information security, and Anti-Corruption Policy requirements. Each employee has to refresh training every three years.

Underlying principles of the Anti-Corruption Policy

No.	Principle	Our responsibility
1	Zero tolerance towards corruption	Our Company is committed to zero tolerance of corruption in all its forms, both on the corporate level and in stakeholder relations
2	Liability for corrupt practices	We make every effort to promptly and indelibly prevent any corrupt practices
3	Senior management leadership by example	Members of the Board of Directors, the Chief Executive Officer and other senior officers of the Company take a zero tolerance approach to corruption, establish and observe high ethical standards of business conduct and set an example for all Magnit employees
4	Corruption risk identification and assessment	We identify and regularly assess corruption risks, taking into account the Company's strategic and investment plans
5	Control procedures	We have implemented control procedures to minimise corruption risks, including checks of counterparties, monitoring of procurement processes, incorporation of an anti-corruption clause into our contracts, and other measures. We regularly assess the effectiveness of our anti-corruption control procedures and take steps to improve them
6	Counterparty checks	We conduct thorough counterparty checks. We analyse information from open sources about the extent to which the counterparty adheres to ethical business principles and any anti-corruption practices it has in place, along with its willingness to comply with our principles, and include anti-corruption provisions in agreements, as well as promote ethical business conduct and minimise corruption risks
7	Communication and training	Our Anti-Corruption Policy is publicly available on the Company's website. We communicate anti-corruption principles and requirements to our employees, contractors, suppliers and other stakeholders. All our new hires go through mandatory anti-corruption training
8	Monitoring and control	We regularly assess compliance with anti-corruption procedures and communicate the results to the senior management and shareholders

All new Company employees receive anti-corruption training after joining Magnit and are subject to control tests to check their acquired knowledge. In 2023, some 4,300 employees completed an anti-corruption training programme, with 2,800 more trained as part of a course on business ethics.

Magnit vets its counterparties in line with the Regulations on Counterparty Due Diligence based on the following criteria:

- due diligence;
- legitimacy of the counterparty's operations;
- no conflict of interest between the counterparty and the Company's employees; efforts in place to prevent bribery and corruption;
- no anticompetitive practices;
- adherence to the Company's business process requirements;
- no competition restrictions as part of tender processes.

In 2023, we reinforced our compliance framework by drafting and implementing two internal by-laws that set out the Company's key approaches to managing its conflicts of interest and to procedures of business gifts and signs of business entertainment exchange.

The primary focus last year was on enhancing compliance-related business processes through their digital transformation, streamlining, and automation.



In 2023, we automated various compliance workflows and reporting procedures, while also introducing tools for archiving resolved conflict of interest cases involving our employees and job applicants. We also automated the management of core data in our information database along with reporting form configurations for the Security Department and Internal Audit Department. Our digital platform now sends notifications about expert opinion deadlines, control markers, and report generation and distribution to relevant units.

The digitalisation of compliance is a strategic initiative aimed at ensuring process continuity, traceability, increased efficiency, and reduction of human error. In 2023, we automated the submission of employee compliance statements and conflict of interest declarations using the SBIS¹ electronic document management system. Now employees can complete the declaration process in less than five minutes.

In addition to automating the conflict of interest declaration process and ensuring transparency in the connections of employees whose roles are associated with corruption risks, the Company is committed to building a digital environment for trustworthy communications with all compliance system participants. To achieve this, we have established a dedicated compliance section on the corporate portal, where employees can review all necessary compliance by-laws, submit declarations, complete interactive training courses, ask questions to the Ethical Values Officer, and report any issues through the Anti-Corruption Hotline.

¹ SBIS EDMS is a system for business communications and electronic document exchange between companies, government agencies, and individuals.

In 2023, the Company achieved greater efficiency in managing conflicts of interest by digitalising the conflict identification process for job applicants. The implementation of Skillaz, a digital HR platform, facilitated automated interaction between

Anti-Corruption Hotline

The Ethical Values Officer, assigned to the Department for Compliance and Antitrust Practices, is responsible for overseeing the management of internal and external reports related to corrupt practices and ethical issues and for administering the verification of reported facts and circumstances.

The Anti-Corruption Hotline experts process all incoming reports, including anonymous ones, and forward them to the Company's relevant functions and units for review and appropriate management decisions.

All reports submitted through the channels described above are handled in line with confidentiality (anonymity) requirements. We guarantee whistleblowers acting in good faith confidentiality of their personal data and protection against retribution. The Anti-Corruption Hotline is supervised by the Department for Compliance and Antitrust Practices and the Internal Audit Department within their remit.

The Department for Compliance and Antitrust Practices also determines the procedure for evaluating the Anti-Corruption Hotline performance, sets the frequency of updating its standards of operation, and defines the methods for identifying compliance risks.

We guarantee no retaliation against any individuals who report suspected incidents of corruption involving the Company's employees. These guarantees apply to all whistleblowers who reach out to the Anti-Corruption Hotline, regardless of the circumstances.

In 2023, the Anti-Corruption Hotline received a total of 12,075 reports, including 500 corruption-related ones. The reported corruption-related issues primarily include corrupt activities, bribery, offers of mediation in bribery, commercial bribery, theft, falsification of accounting data, violations of waste management protocols for personal gain, abuse of authority, conflicts of interest, and others.

the Company's compliance, personnel security, and HR teams, leading to shorter review and approval times for conflict of interest cases.

The Company maintains a 24/7 Anti-Corruption Hotline for handling reports of actual and potential violations of business ethics standards, conflicts of interest, abuse of office, abuse of authority, prejudiced behaviour, and damage to the Company.

Communication channels:

- 24/7 answering service: 8 (800) 6000-477;
- Ethical Values Officer's email: ethics@magnit.ru;
- Website feedback form: <https://www.magnit.com/en/anti-corruption/>.

All reports concerning suspected corruption are promptly forwarded to the Security Department, with a formal corporate investigation launched into them if they are found credible and sufficient. Once the suspected allegations are proved accurate, the case is forwarded to the Ethical Values Officer to provide an expert opinion.

Next year, the hotline will see a major automation upgrade to enhance its performance.

Shareholder and investor engagement

Authorised and issued share capital

As at 31 December 2023, the authorised capital of PJSC Magnit amounted to RUB 1,019,113.55 and comprised 101,911,355 ordinary registered uncertified shares¹ with a par value of RUB 0.01 each (the "Shares").

In addition to its outstanding shares, the Company had the right to issue 98,938,645 ordinary registered shares with a par value of RUB 0.01 each (authorised shares).

As at 31 December 2023, PJSC Magnit did not hold any treasury shares. From June to December 2023, Magnit Alyans LLC (an indirect wholly-owned subsidiary of the Company) acquired 30,245,828.8 shares of PJSC Magnit², or 29.7% of its total shares, as part of tender offers to shareholders willing to divest their holdings in Magnit, and a bilateral transaction made in October 2023.

As at 31 December 2023, no other organisations controlled by the Company owned voting shares in PJSC Magnit.

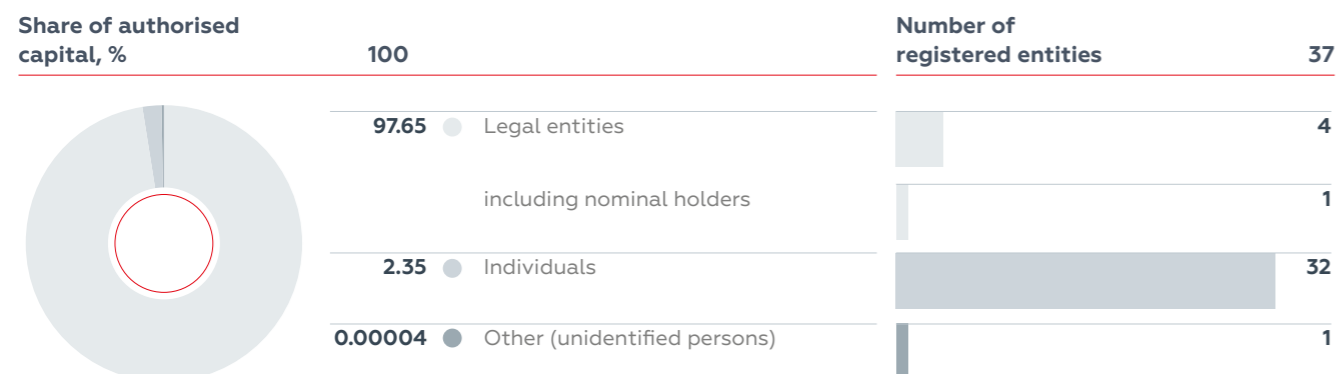
As at 31 December 2023, there were 37 persons in the Company's share register, including 32 individuals, one nominal holder and three other legal entities.

The Company's ordinary shares are listed on the Moscow Exchange. As at the end of 2023, Magnit's market capitalisation on the Moscow Exchange was RUB 712.4 bln³.

RUB 712.4 bln

Magnit's market capitalisation on the Moscow Exchange as at the end of 2023

Structure of share capital as at the end of 2023⁴



Significant changes in the share capital structure in 2023

Date of change	Change
June–December 2023	Magnit Alyans LLC, an indirect wholly-owned subsidiary of PJSC Magnit, acquired 30,245,828.82 shares ² of the Company, representing approximately 29.7% of all its issued and outstanding shares.

Listing of shares on the Moscow Exchange

Magnit's shares have been traded on the Moscow Exchange since 24 April 2006 (ticker: MGNT). Until 25 May 2023, they were included in its Level 1 quotation list. As of 25 May 2023, the Moscow Exchange moved the Company's shares to its Level 3 list.

Magnit's shares are included in the following 14 indices on the Moscow Exchange

- Stock Subindex
- Blue Chip Index
- Broad Market Index
- Consumer Sector Index
- MOEX Russia Index
- MOEX Active Management Index
- MOEX 15 Index
- MOEX 10 Index
- RTS Consumer Sector Index
- RTS Index
- Broad Market RTS Index
- MOEX-RSPP Responsibility and Transparency Index
- MOEX-RSPP Sustainability Vector Index
- MOEX-RSPP Sustainability Russian Companies Vector Index



Share price and trading volume on the Moscow Exchange in Q1–Q4 2023⁵

Period	Share price, RUB			ADTV, RUB mln			Market capitalisation at end of period, RUB bln
	Min.	Max.	As at the end of period	Period total	Daily average	Daily median	
Q1	4,308.0	4,796.0	4,582.5	51,051	823	654	467.0
Q2	3,965.0	5,216.0	5,166.0	170,608	2,752	1,352	526.5
Q3	5,152.5	6,144.5	5,520.0	214,996	3,308	2,923	562.6
Q4	5,365.0	7,018.5	6,990.0	150,561	2,316	1,928	712.4

¹ State registration number: 1-01-60525-P of 4 March 2004.

² Including 22,948 shares the settlements for which were completed in January 2024.

³ Capitalisation in RUB is calculated using the following formula: number of outstanding shares × share price as at the end of 2023.

⁴ In accordance with the Register of PJSC Magnit as of 31 December 2023.

⁵ Source: Company estimates based on Moscow Exchange quotes.



Authorised and issued share capital history

● 24 April 2006

The Company completed the process of an initial public offering in the Russian Trading System (RTS) and on the Moscow Interbank Currency Exchange (MICEX).

● 13 February 2008

Magnit announced a secondary share placement: 11,300,000 shares were offered for additional issuance, including shares placed with pre-emptive rights for existing shareholders, as well as previously placed shares owned by the selling shareholder.

● 22 April 2008

Conditional trading in GDRs certifying the rights to Magnit's shares commenced on the LSE. Later in April, Magnit's GDRs were included in the official list of the UK Listing Authority.

● 2 September 2009

Magnit announced another public offering of 11,154,918 ordinary shares. The offering price was USD 65 per ordinary share and USD 13 per GDR.

● 6 October 2011

The Board of Directors of Magnit decided to increase the authorised capital by issuing 10,813,516 additional shares. The public offering was completed on 15 December 2011.

● 15 November 2017

The Board of Directors of Magnit decided to increase the authorised capital by issuing 7,350,000 additional shares. The public offering was completed on 15 January 2018.

● 21 August 2018

The Board of Directors of Magnit approved the total amount of funds allocated for share buybacks as follows (taking into account the changes approved by the Board of Directors on 4 October 2018):

- up to RUB 16.5 bln – for the LTI programme;
- up to RUB 5.7 bln – as payment for transactions related to the acquisition of SIA Group.

The programme was launched on 5 September 2018 and completed on 1 March 2019.

● 30 August 2022

The UK Financial Conduct Authority (FCA) deleted Magnit's GDRs from the Official List and the London Stock Exchange cancelled their admission to trading on the Main Market.

● June – December 2023

Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired 30,245,828.8¹ shares of PJSC Magnit, or approximately 29.7% of all its issued and outstanding shares, as part of tender offers announced on 16 June and 10 October 2023, and a bilateral transaction made in October 2023.

Magnit's tender offer to buy back shares

In June 2023, in response to requests from international investors, Magnit decided to provide non-resident shareholders with an opportunity to monetise their holdings in the Company within the existing regulatory and market constraints.

On 16 June 2023, Magnit Alyans LLC (the "Purchaser"), an indirect wholly-owned subsidiary of Magnit, announced a tender offer to buy back Magnit's ordinary shares (ISIN code RU000A0JKQU8) (the "Shares") for cash. It aimed to acquire up to 10,191,135 Shares or up to 10% of all issued and outstanding Shares (the "Tender Offer dated 16 June 2023").

The Tender Offer dated 16 June 2023 was made to the holders of the Shares, as well as to JPMorgan Chase Bank, N.A. with respect to the Shares held in the bank's depository receipt programme custody account (the "Shareholders").

The purchase price was set in line with the approval of the Government Commission on Monitoring Foreign Investments in Russia (the "Government Commission") and amounted to RUB 2,215 per Share.

Due to investors' positive response to the Tender Offer dated 16 June 2023 and strong interest from the Shareholders, the Company decided to increase the size of the Tender Offer dated 16 June 2023 to 30,370,000 shares of Magnit or to 29.8% of all its issued and outstanding Shares.

On 11 July 2023, the Tender Offer dated 16 June 2023 was extended to the Shareholders holding the Shares through Euroclear Bank SA/NV ("Euroclear"). This decision was made following the resumption of Euroclear's settlements for the Company's Shares, as well as in view of the Purchaser receiving inquiries from Shareholders holding the Shares through Euroclear.

On 14 September 2023, the Tender Offer dated 16 June 2023 in relation to the Shares was completed.

As part of the Tender Offer dated 16 June 2023, the Purchaser bought back 21,903,163.8 Company shares, representing around 21.5% of all its issued and outstanding shares.

Approximately 200 orders were fulfilled, including those from investors from the USA, UK, Germany, Italy, Switzerland,

Scandinavian countries, Singapore, Japan, Canada, Australia, and other jurisdictions.

Magnit's GDR programme depository bank, JPMorgan Chase Bank, N.A., took part in the Tender Offer dated 16 June 2023 as well as international investors, including long-term active management funds, passive index funds / ETFs, hedge funds, pension and sovereign wealth funds, family offices, and individual investors.

Also, on 9 October 2023, the Purchaser entered into a bilateral transaction whereby it additionally acquired 443,096 Shares (or approximately 0.4% of all of the Company's issued and outstanding Shares). The purchase price and terms of the bilateral transaction were consistent with the Tender Offer dated 16 June 2023.

Following these buybacks, the Company still saw more Shareholders willing to monetise their holdings in Magnit. As a result, on 10 October 2023, the Company announced a new tender offer (the "Tender Offer dated 10 October 2023") made to a wide range of foreign investors with the price and terms consistent with the Tender Offer dated 16 June 2023.

On 24 November 2023, the buyback of the Shares as part of the Tender Offer dated 10 October 2023 was completed, with foreign Shareholders selling 7,899,569 Shares² (approximately 7.8% of all issued Shares). The Purchaser acquired all of the validly tendered Shares.

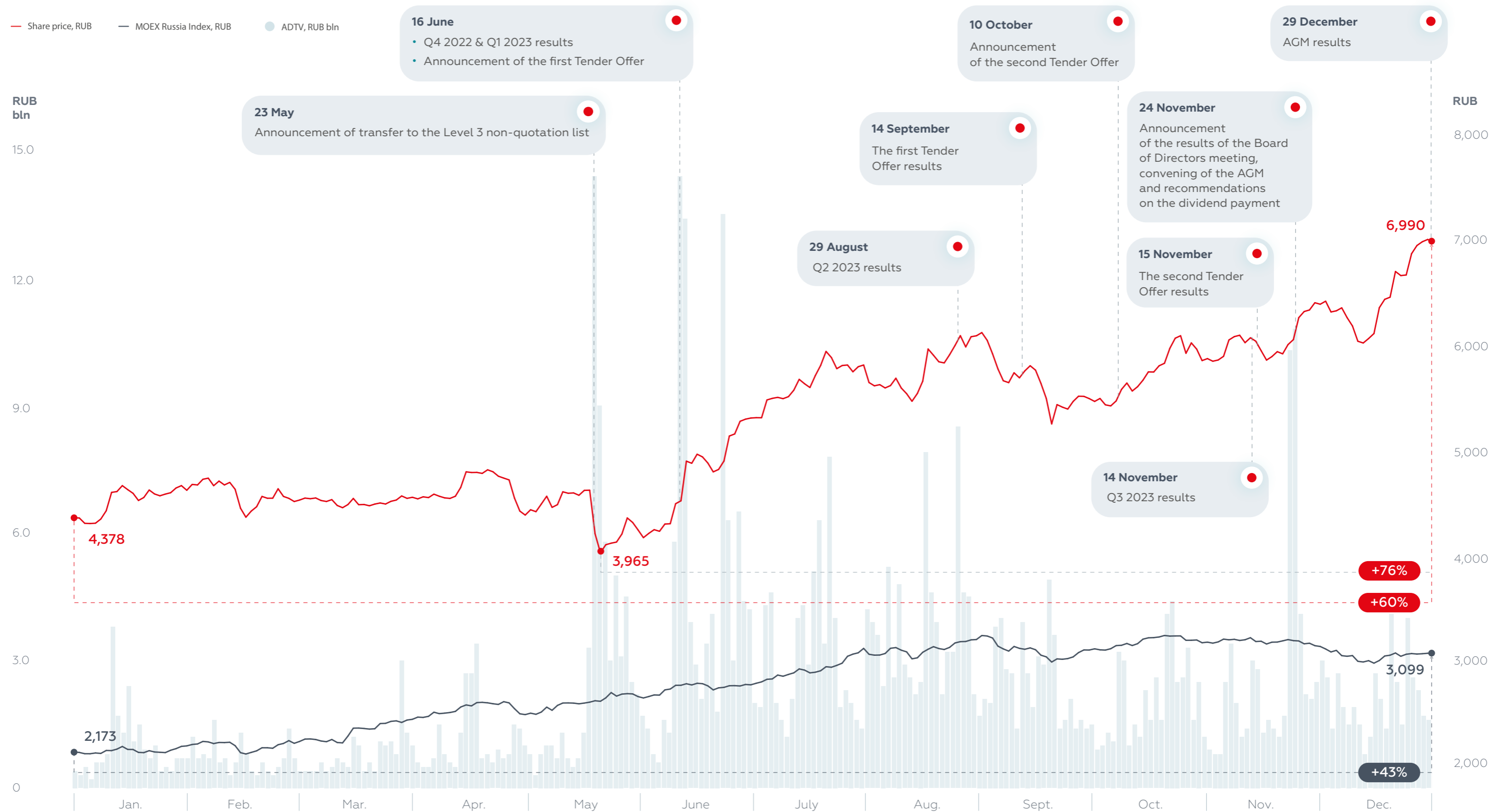
The tender offers terms based on the Government Commission's approval included the option to receive proceeds in various currencies to accounts both in Russia and abroad, boosting substantial interest from a wide range of non-resident shareholders.

Following the Tender Offers dated 16 June 2023 and 10 October 2023, as well as the bilateral transaction made in October 2023, the Purchaser bought back, at a single purchase price, a total of 30,245,828.8 Shares, representing approximately 29.7% of all issued and outstanding Shares. The deals involved over 300 investors from 25 countries globally, including long-term active management funds, passive index funds / ETFs, hedge funds, pension and sovereign wealth funds, family offices, and retail investors.

¹ Including 22,948 shares the settlements for which were completed in January 2024.

² Including 48,513 Shares the settlements for which were completed at a later date.

Share trading on the Moscow Exchange in 2023¹



¹ Source: Moscow Exchange, public data.



GDR programme termination

The Company's global depositary receipts (GDRs) traded on the main market of the London Stock Exchange (MGNT) since 22 April 2008, with one share representing five depositary receipts.

Further to the enactment of Russian Federal Law No. 114-FZ dated 16 April 2022 requiring that Russian issuers terminate depositary agreements for the listing of their depositary receipts, on 20 May 2022, Magnit notified JPMorgan Chase Bank, N.A. of the Depositary Agreement termination. On 26 August 2022, the termination of the Depositary Agreement became effective. On 30 August 2022, the UK Financial Conduct Authority (FCA) cancelled Magnit's GDR listing and the London Stock Exchange cancelled their admission to trading on the Main Market.

Bonds

The Company uses bonds, primarily exchange-traded ones, to raise debt financing for its business. Throughout 2023, Magnit had seven outstanding issues of exchange-traded bonds (BO-002P-01, BO-002P-02, BO-002P-03, BO-002P-04, BO-001P-05, BO-004P-01, BO-004P-03) with a total par value of RUB 110 bln, of which RUB 70 bln remained outstanding as at the end of the year.

Three bond issues were redeemed in 2023: BO-002P-01 (matured on 2 March 2023), BO-002P-02 (matured on 26 April 2023) and BO-002P-03 (matured on 19 May 2023).

On 9 February 2023, the Company issued 30 mln BO-004P-03 series exchange-traded bonds with a par value of RUB 1,000 each.

In line with the terms of the depositary agreement and the depositary bank's obligation to sell the ordinary shares certified by depositary receipts ("Underlying Shares") remaining after the termination of the GDR programme, JPMorgan Chase Bank, N.A. participated in the tender offer announced by Magnit Alyans LLC in June 2023. All the Underlying Shares tendered were acquired by Magnit Alyans LLC at a price of RUB 2,215 per share.

Exchange-traded bonds with a total par value of

RUB 110 bln

outstanding in 2023



Parameters of Magnit's BO-002P-01, BO-002P-02 and BO-002P-03 series bonds

Issue registration number and assignment date	4B02-01-60525-P-002P of 4 March 2020	4B02-02-60525-P-002P of 27 April 2020	4B02-03-60525-P-002P of 19 May 2020
Issue value, RUB	15 bln	10 bln	15 bln
Number of bonds	15 mln	10 mln	15 mln
Par value of each bond, RUB	1,000	1,000	1,000
Offering price	100% of the par value	100% of the par value	100% of the par value
Offering date	5 March 2020	29 April 2020	22 May 2020
Offering type	Public offering	Public offering	Public offering
Maturity date	1,092nd day from the offering date	1,092nd day from the offering date	1,092nd day from the offering date
Number of coupons	6	6	6
ISIN code	RU000A101HJ8	RU000A101MC3	RU000A101PJ1
Coupon rate, %	6.20	6.70	5.90

Parameters of Magnit's BO-002P-04, BO-001P-05, BO-004P-01 and BO-004P-03 series bonds

Issue registration number and assignment date	4B02-04-60525-P-002P of 2 June 2021	4B02-05-60525-P-001P of 2 June 2021	4B02-01-60525-P-004P of 6 December 2022	4B02-02-60525-P-004P of 20 December 2022
Issue value, RUB	10 bln	10 bln	20 bln	30 bln
Number of bonds	10 mln	10 mln	20 mln	30 mln
Par value of each bond, RUB	1,000	1,000	1,000	1,000
Offering price	100% of the par value	100% of the par value	100% of the par value	100% of the par value
Offering date	2 June 2021	2 June 2021	6 December 2022	9 February 2023
Offering type	Public offering	Public offering	Public offering	Public offering
Maturity date	1,092nd day from the offering date	1,092nd day from the offering date	1,092nd day from the offering date	1,092nd day from the offering date
Number of coupons	6	6	6	20
ISIN code	RU000A1036H9	RU000A1036M9	RU000A105KQ8	RU000A105TP1
Coupon rate, %	7.05	7.05	9.15	9.20

Credit ratings

In May 2023, ACRA affirmed its credit rating of Magnit at AA+(RU), with a stable outlook, and of Magnit’s bonds at AA+(RU).

In December 2023, Expert RA assigned PJSC Magnit a non-financial company credit rating of ruAAA, with a stable outlook.

In January 2024, ACRA upgraded the credit rating of Magnit to AAA(RU), with a stable outlook, and of its bonds to AAA(RU), the highest rating assigned by the agency.

ruAAA

credit rating of PJSC Magnit assigned by Expert RA

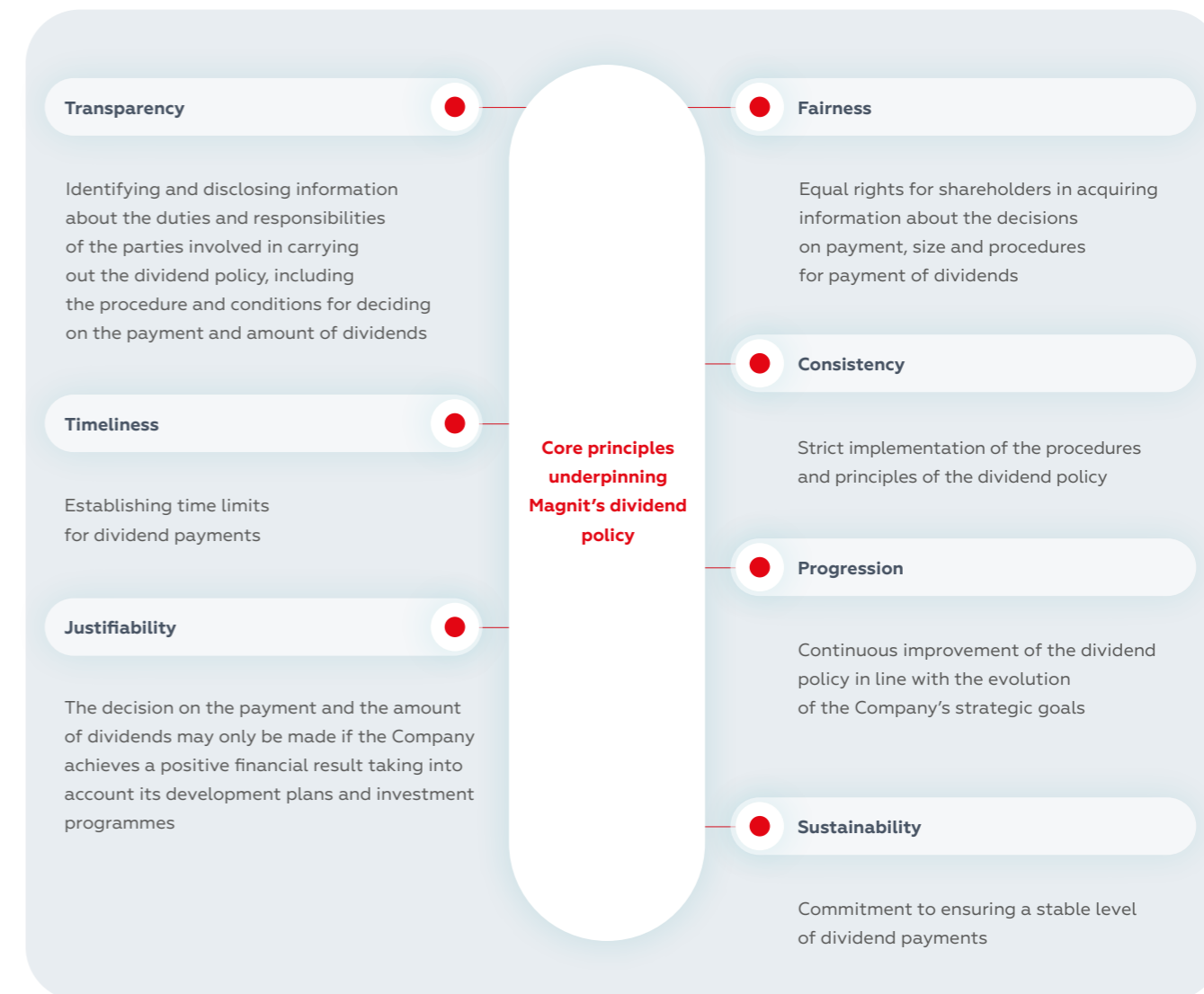
AAA(RU)

credit rating of PJSC Magnit assigned by ACRA

Rating agency	Entity or instrument rated	Rating	Outlook	Date of rating ¹
ACRA	PJSC Magnit	AA+(RU)	Stable	26 May 2023
	BO-series bonds: BO-002P-04, BO-001P-05, BO-004P-01, BO-004P-03	AA+(RU)	–	26 May 2023
	PJSC Magnit	AAA(RU)	Stable	18 January 2024
	BO-series bonds: BO-002P-04, BO-001P-05, BO-004P-01, BO-004P-03	AAA(RU)	–	18 January 2024
Expert	PJSC Magnit	ruAAA	Stable	28 December 2023

Dividends

Magnit’s dividend policy is focused on increasing shareholder returns, driving the Company’s continued capitalisation growth, and striking an optimal balance between retained earnings and shareholder distributions.²



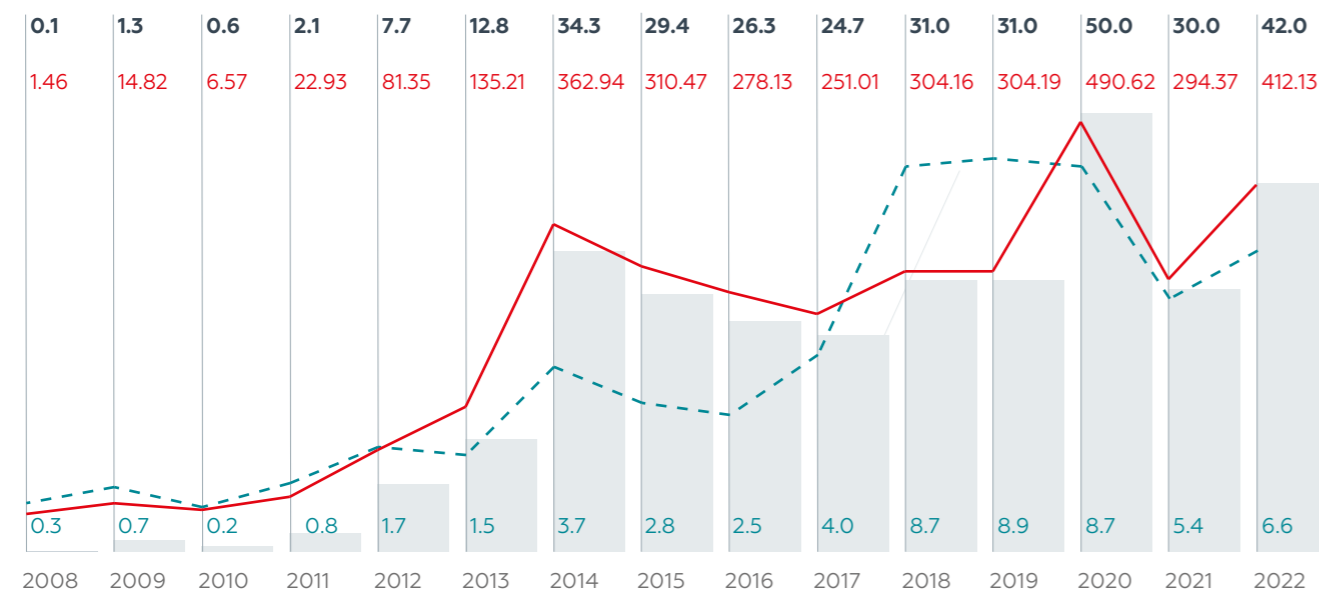
¹ Date of issue/reaffirmation.

² Regulations on the Dividend Policy of PJSC Magnit dated 27 May 2016 are available at: <https://www.magnit.com/en/shareholders-and-investors/dividends/>.

Report on announced and paid dividends in 2008–2022

Year	Total dividends announced, RUB bln	Total dividends paid, RUB bln	Dividend per share, RUB
2022	42.0	42.0	412.13
2021	30.0	30.0	294.37
2020	50.0	50.0	490.62
2019	31.0	31.0	304.19
2018	31.0	31.0	304.16
2017	24.7	24.7	251.01
2016	26.3	26.3	278.13
2015	29.4	29.4	310.47
2014	34.3	34.3	362.94
2013	12.8	12.8	135.21
2012	7.7	7.7	81.35
2011	2.1	2.1	22.93
2010	0.6	0.6	6.57
2009	1.3	1.3	14.82
2008	0.1	0.1	1.46

Dividend yield of PJSC Magnit in 2008–2022



● Total dividends paid, RUB bln
 — Dividend per share, RUB
 - - Dividend yield, %

Shareholder and investor engagement

Magnit strives to attract new and retain existing investors and is dedicated to increasing the openness and transparency of its activities. We maintain an ongoing dialogue with the investment community, ensuring equal attention to all categories of investors.



Key areas of interest for investors and analysts in 2023

- Consumer environment and trends in consumer behaviour
- E-grocery platform development and plans to launch Magnit's own marketplace
- Working capital improvements
- Macroeconomic environment, inflation, and promotional activity
- Development of the discounter format
- Leverage ratio and targets
- Labour shortage
- M&As
- Dividend payments
- Competitive landscape, Magnit's strengths versus competitors
- Expansion plans and opportunities in the Russian market
- Tender offer to buy back the Company's shares
- Business sustainability and profitability
- IT infrastructure upgrade and digital transformation
- Corporate governance



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
1.1.6	The procedure for holding a general meeting set by the company provides equal opportunities for all persons attending the meeting to voice their opinions and ask questions.	<p>1. During general meetings of shareholders held in the reporting period in the form of a meeting (joint presence of shareholders), sufficient time was allocated for reports on, and discussion of, the agenda items. Shareholders had an opportunity to express their opinions and to ask questions on the agenda.</p> <p>2. The company invited candidates to the company's governing and control bodies and took all necessary measures to ensure their participation in the general meeting of shareholders at which their nominations were put to vote. The candidates to the company's governing and control bodies who were present at the general meeting of shareholders were available to answer questions of shareholders.</p> <p>3. The sole executive body, the person responsible for the accounting, the chairman or the other members of the board of directors' audit committee were available to answer shareholders' questions at the general meetings of shareholders held in the reporting period.</p> <p>4. In the reporting period the company used telecommunication means to ensure the remote participation of shareholders at general meetings, or the board of directors made a reasonable decision on the fact there was no need (opportunity) to use such means in the reporting period.</p>	Partially complied with	<p>Criteria 2 and 3 are only partially not complied with. Criterion 4 is not complied with.</p> <p>Company's internal documents set out the possibility for candidates to the management and supervision bodies of the Company, as well as for the sole executive body, a person responsible for the accounting, and other bodies of the Company to participate at the meeting in person. However, in the reporting year, in line with Article 3 of Federal Law No. 25-FZ On Amending the Federal Law "On Joint-Stock Companies" and On Suspension of Certain Provisions of Legislative Acts of the Russian Federation dated 25 February 2022, the Company's General Meeting of Shareholders was held in the form of absentee voting.</p> <p>However, these persons are always available to answer questions – shareholders are able to address their questions regarding the Company's operation through the Investor Relations department or the Corporate Governance department. If the General Meeting of Shareholders is held in the form of joint presence, the Company will consider inviting candidates to the management and supervision bodies of the Company to participate in the General Meeting of Shareholders at which they will be considered.</p> <p>The Board of Directors did not consider the issue of providing shareholders with remote access to take part in general meetings during the reporting period because the majority of the Company's shareholders (over 97%) are clients of nominal holders and participate in the meetings by sending electronic documents to the registrar containing their expression of will on the agenda items of the General Meeting of Shareholders.</p> <p>The possibility and necessity of implementing such a practice is planned to be considered before the annual General Meeting of Shareholders for 2024.</p>
1.2	Shareholders are given equal and fair opportunities to share profits of the company in the form of dividends.			
1.2.1	The company has developed and put in place a transparent and clear mechanism to determine the dividend amount and payout procedure.	<p>1. The company's regulations on the dividend policy have been approved by the board of directors and disclosed on the company's website on the Internet.</p> <p>2. If the company's dividend policy that prepares the consolidated financial statements uses reporting figures to determine the dividend amount, then relevant provisions of the dividend policy take into account the consolidated financial statements.</p> <p>3. The explanation of the proposed net profit distribution, including payment of dividends and the company's own needs, and the assessment of its compliance with the dividend policy adopted by the company, with clarifications and economic explanation of the requirement to direct a certain part of net profit to the company's needs in the reporting period, were included in the materials for the general meeting of shareholders, the agenda of which contains an item on profit distribution (including the payment (declaration) of dividends).</p>	Complied with	–
1.2.2	The company does not resolve to pay out dividends if such payout, while formally compliant with law, is economically unjustified and may lead to a false representation of the company's performance.	1. In addition to the restrictions established by law, the company's regulations on the dividend policy identify financial/economic circumstances under which the company shall not make decisions on the dividend payment.	Complied with	–
1.2.3	The company does not allow for dividend rights of its existing shareholders to be impaired.	1. In the reporting period the company did not take any actions that would lead to the impairment of the dividend rights of its existing shareholders.	Complied with	–
1.2.4	The company makes every effort to prevent its shareholders profiting from the company through any means other than dividends and liquidation value.	1. In the reporting period the means of profiting from the company by the controlling persons, other than dividends (for example, through the transfer pricing, unjustified provision of services to the company by the controlling person at inflated prices, through internal loans replacing dividends to the controlling persons and (or) its controlled persons) were not used.	Complied with	–



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1.3	The corporate governance system and practices ensure equal conditions for all shareholders owning the same type (class) of shares, including minority and non-resident shareholders, and their equal treatment by the company.			
1.3.1	The company has created conditions for fair treatment of each shareholder by the company's governing and control bodies, including conditions that rule out abuse by major shareholders against minority shareholders.	1. In the reporting period the company's controlling persons did not abuse their rights with respect to the company's shareholders, there were no conflicts between the company's controlling persons and shareholders, and if such conflicts occurred, the board of directors paid due attention to them.	Complied with	–
1.3.2	The company does not take any actions that lead or may lead to artificial redistribution of corporate control.	1. No quasi-treasury shares were issued or used to vote in the reporting period.	Not complied with	Following the Tender Offers, dated 16 June 2023 and 10 October 2023, as well as the bilateral transaction made in October 2023 (the "Tender Offer"), Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The Company's shareholders, including shareholders controlled by the Company, are not restricted in exercising their rights secured by shares in accordance with the requirements of Russian laws.
1.4	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.			
1.4	Shareholders are provided with reliable and efficient means of recording their rights to shares and are able to freely dispose of their shares without any hindrance.	1. The technologies and terms of provided services used by the company's registrar meet the needs of the company and its shareholders and ensure the account of rights for shares and realization of shareholders' rights in the most efficient way.	Complied with	–
2.1	The board of directors provides strategic management of the company, determines key principles of, and approaches to, setting up a corporate risk management and internal control system, oversees the activities of the company's executive bodies, and performs other key functions.			
2.1.1	The board of directors is responsible for appointing and dismissing executive bodies, including due to improper performance of their duties. The board of directors also ensures that the company's executive bodies act in accordance with the company's approved development strategy and core lines of business.	1. The board of directors has the authority stipulated in the articles of association to appoint and remove members of executive bodies and to set out the terms and conditions of their contracts. 2. In the reporting period the nomination (appointments and HR) committee reviewed the compliance of the professional expertise, skills and experience of the members of the executive bodies with the company's current and expected needs determined by the company's approved strategy. 3. In the reporting period the board of directors reviewed the report(s) by the sole executive body or the collective executive body (if available) on the implementation of the company's strategy.	Partially complied with	Criteria 2 and 3 are not complied with. As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the above principle criteria is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.



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2.1.2	The board of directors sets key long- term targets for the company, assesses and approves its key performance indicators and key business goals, as well as the strategy and business plans for the company's core lines of business.	1. At its meetings in the reporting period, the board of directors reviewed strategy implementation and updates, approval of the company's financial and business plan (budget), as well as criteria and performance (including interim) of the company's strategy and business plans.	Not complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the above principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.
2.1.3	The board of directors defines the company's principles of, and approaches to, setting up a risk management and internal control system.	1. The company's principles of, and approaches to, setting up a risk management and internal control system were defined by the board of directors and specified in the company's internal documents determining the risk management and internal control system policy. 2. In the reporting period the board of directors approved (revised) the appropriate amount of risks (risk appetite) of the company, or the audit committee and (or) risk management committee (if available) considered if it was reasonable to submit the issue of revising the company's risk appetite for consideration by the board of directors.	Partially complied with	Criterion 2 is not complied with. As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.1.7	The board of directors controls the company's corporate governance practices and plays a key role in material corporate events of the company.	1. In the reporting period the board of directors reviewed the results of self-assessment and (or) external assessment of the company's corporate governance practices.	Not complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.
2.2	The board of directors is accountable to the company's shareholders.			
2.2.1	Performance of the board of directors is disclosed and made available to the shareholders.	1. The company's annual report for the reporting period includes the information on attendance of the board of directors and committee meetings by each member of the board of directors. 2. The annual report discloses key performance assessment (self-assessment) results of the board of directors in the reporting period.	Not complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.
2.2.2	The chairman of the board of directors is available to communicate with the company's shareholders.	1. The company has a transparent procedure in place enabling its shareholders to forward inquiries to the chairman of the board of directors (and, if applicable, to the senior independent director) and receive feedback on them.	Complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure.



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.3	The board of directors manages the company in an efficient and professional manner and is capable of making fair and independent judgements and adopting resolutions in the best interests of the company and its shareholders.			
2.3.1	Only persons of impeccable business and personal reputation who have the knowledge, expertise, and experience required to make decisions within the authority of the board of directors and essential to perform its functions in an efficient way are elected to the board of directors.	1. In the reporting period the board of directors (or its nomination committee) assessed nominees to the board of directors for required experience, expertise, business reputation, absence of conflicts of interest, etc.	Complied with	–
2.3.2	The company's directors are elected via a transparent procedure that enables shareholders to obtain information on nominees sufficient to judge on their personal and professional qualities.	1. Whenever the agenda of the general meeting of shareholders included election of the board of directors, the company provided to shareholders the biographical details of all nominees to the board of directors, the results of assessment of the compliance of the professional expertise, skills and experience of the nominees with the company's current and expected needs, carried out by the board of directors (or its nomination committee), and the information on whether the nominee meets the independence criteria set forth in Recommendations 102–107 of the Code , as well as information on availability of the nominees' written consent to be elected to the board of directors.	Partially complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. The Company assessed compliance of the professional expertise, skills and experience of the nominees to the new Board of Directors with the Company's current and expected needs, but due to the lack of necessary powers of the Board of Directors, the assessment was not formalised and could not be documented in the minutes. Partial compliance with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.
2.3.3	The board of directors has a balanced membership, including in terms of directors' qualifications, experience, expertise, and business skills, and it has the trust of shareholders.	1. In the reporting period the board of directors reviewed its requirements to professional expertise, experience and skills and defined expertise essential to the board of directors in the short and long term.	Complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure.



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2.3.4	The company has a sufficient number of directors to organise the board of directors' activities in the most efficient way, including the ability to set up committees of the board of directors and enable the company's substantial minority shareholders to elect a nominee to the board of directors for whom they vote.	1. In the reporting period the board of directors considered whether the number of directors met the company's needs and shareholders' interests.	Complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure.
2.4	The board of directors includes a sufficient number of independent directors.			
2.4.1	An independent director is a person who is sufficiently professional, experienced, and independent to develop their own position, and capable of making unbiased judgements in good faith, free of influence by the company's executive bodies, individual groups of shareholders, or other stakeholders. It should be noted that a nominee (elected director) who is related to the company, its substantial shareholder, substantial counterparty, or competitor of the company, or is related to the government, may not be considered as independent under normal circumstances.	1. In the reporting period all independent directors met all independence criteria set out in Recommendations 102–107 of the Code , or were deemed independent by resolution of the board of directors.	Complied with	–
2.4.2	The company assesses compliance of nominees to the board of directors and reviews compliance of independent directors with independence criteria on a regular basis. In such assessment, substance prevails over form.	1. In the reporting period the board of directors (or its nomination committee) made a judgement on the independence of each nominee to the board of directors and provided its opinion to shareholders. 2. In the reporting period the board of directors (or its nomination committee) reviewed, at least once, the issue on independence of incumbent directors (after their election). 3. The company has in place procedures defining the actions to be taken by directors if they cease to be independent, including the obligation to timely notify the board of directors thereof.	Partially complied with	Criterion 2 is not complied with. As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.



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2.4.3	Independent directors make up at least one third of elected directors.	1. Independent directors make up at least one third of elected directors.	Partially complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. The current Board of Directors manages the Company in an efficient and professional manner and its members are capable of making fair and independent judgements and adopting resolutions in the best interests of the Company and its shareholders. Partial compliance with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.
2.4.4	Independent directors play a key role in preventing internal conflicts in the company and in ensuring that the company performs material corporate actions.	1. Independent directors (with no conflicts of interest) run a preliminary assessment of material corporate actions implying a potential conflict of interest in the reporting period and submitted the results to the board of directors.	Complied with	–
2.5	The chairman of the board of directors ensures that the board of directors discharges its duties in the most efficient way.			
2.5.1	The board of directors is chaired by an independent director, or a senior independent director supervising the activities of other independent directors and interacting with the chairman of the board of directors is chosen from among the elected independent directors.	1. The board of directors is chaired by an independent director, or a senior independent director is appointed from among the independent directors. 2. The role, rights, and duties of the chairman of the board of directors (and, if applicable, of the senior independent director) are duly set out in the company's internal documents.	Partially complied with	Criterion 1 is only partially not complied with. As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. Until 28 December 2023 the Chairman of the Board of Directors had the status of an independent director. The Chairman of the newly elected Board of Directors is a professional capable of making fair and independent judgements and adopting resolutions in the best interests of the Company and its shareholders, despite the fact that he does not meet the formal criteria of independence. Partial non-compliance with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.6.3	Directors have sufficient time to perform their duties.	<p>1. Individual attendance at board and committee meetings, as well as the sufficiency of time for work on the board of directors, including its committees, was analysed as part of the procedure of assessment (self-assessment) of the board of directors' performance in the reporting period.</p> <p>2. Under the company's internal documents, directors notify the board of directors of their intentions to be elected to governing bodies of other entities (apart from the entities controlled by the company), and of their election to such bodies.</p>	Partially complied with	<p>Criterion 1 is not complied with.</p> <p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors.</p> <p>Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>
2.6.4	All directors have equal access to the company's documents and information. Newly elected directors are furnished with sufficient information about the company and performance of the board of directors as soon as possible.	<p>1. Under the company's internal documents, directors are entitled to receive information and documents necessary for the board of directors' members to perform their duties and related to the company and its controlled entities, while executive bodies of the company should ensure the provision of the relevant information and documents.</p> <p>2. The company carries out a formalised induction programme for newly elected members of the board of directors.</p>	Complied with	–
2.7	Meetings of the board of directors, preparation for such meetings, and participation of directors ensure efficient performance by the board of directors.			
2.7.1	Meetings of the board of directors are held as needed, taking into account the scale of operations and goals of the company at a particular time.	1. The board of directors held at least six meetings in the reporting year.	Not complied with	<p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors.</p> <p>Failure to comply with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.7.2	The company's internal regulations formalise a procedure for arranging and holding meetings of the board of directors, enabling members of the board of directors to properly prepare for such meetings.	<ol style="list-style-type: none"> The company has an approved internal document that describes the procedure for arranging and holding meetings of the board of directors and stipulates, in particular, that the notice of the meeting is to be given, as a rule, at least five days prior to such meeting. In the reporting period members of the board of directors who were not able to attend the meeting of the board of directors were provided with an opportunity to participate in the discussion of agenda items and voting remotely – by means of conference and video conference communication. 	Complied with	–
2.7.3	The format of the meeting of the board of directors is determined taking into account the importance of its agenda items. The most important matters are dealt with at meetings of the board of directors held in person.	<ol style="list-style-type: none"> The company's Articles of Association or internal document provides for the most important matters (including those listed in Recommendation 168 of the ES Code) to be passed at meetings of the board of directors held in person. 	Not complied with	<p>In the opinion of the Company, the development of modern telecommunications technologies practically eliminates the differences in the effectiveness of in person and absentee formats of meetings of the Board of Directors. The most important issues included in the agenda of meetings of the Board of Directors are preliminarily considered by the relevant committees of the Board of Directors and are comprehensively discussed by members of the Board of Directors before voting, including absentee form of voting.</p> <p>The Company believes that transferring a large number of meetings of the Board of Directors to in person format is not economically feasible.</p> <p>Taking into account geopolitical tensions and the epidemiological situation that developed over the past few years in the world and the related limitations, in person meetings for the Company were not possible. In the future, the Company plans to maintain this approach to holding meetings and to develop the use of modern telecommunication technologies when planning meetings and making decisions.</p>
2.7.4	Resolutions on the most important matters related to the company's operations are adopted at meetings of the board of directors by a qualified majority vote or by a majority vote of all elected directors.	<ol style="list-style-type: none"> The company's Articles of Association provides for resolutions on the most important matters, including those set out in Recommendation 170 of the ES Code to be passed at a meeting of the board of directors by a qualified majority of at least three quarters or by a majority of all elected directors. 	Complied with	–
2.8	The board of directors sets up committees to preview key matters related to the company's operations.			
2.8.1	An audit committee comprised of independent directors is set up to preview matters related to controlling the company's financial and business activities.	<ol style="list-style-type: none"> The board of directors set up an audit committee comprised solely of independent directors. The company's internal documents set out the tasks of the audit committee, including those listed in Recommendation 172 of the ES Code. At least one member of the audit committee represented by an independent director has experience and knowledge of preparing, analysing, assessing, and auditing accounting (financial) statements. In the reporting period meetings of the audit committee were held at least once during the reporting period. 	Partially complied with	<p>Criteria 1, 3 and 4 are not complied with.</p> <p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors.</p> <p>The Audit Committee members are professionals capable of making fair and independent judgements and adopting resolutions in the best interests of the Company and its shareholders, despite the fact that they do not meet the formal criteria of independence.</p> <p>Failure to comply with the above principle criteria is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.2	To preview matters related to adopting an efficient and transparent remuneration scheme, a remuneration committee was set up, comprised of independent directors and headed by an independent director who is not the chairman of the board of directors.	<ol style="list-style-type: none"> The board of directors set up a remuneration committee comprised solely of independent directors. The remuneration committee is headed by an independent director who is not the chairman of the board of directors. The company's internal documents set out the tasks of the remuneration committee, including those listed in Recommendation 180 of the Code, and conditions (events), upon the occurrence of which the remuneration committee considers the revision of the company's remuneration policy for members of the board of directors, executive bodies and other key executives. 	Partially complied with	<p>Criterion 1 is not complied with. Criterion 2 is only partially not complied with.</p> <p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, including the HR and Remuneration Committee, the chairman of which is not the Chairman of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. The chairman of the HR and Remuneration Committee is a professional capable of making fair and independent judgements and adopting resolutions in the best interests of the Company and its shareholders, despite the fact that he does not meet the formal criteria of independence.</p> <p>Failure to comply with the above principle criteria is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024. Criterion 3 is only partially not complied with.</p> <p>The Company's internal documents do not specify the specific conditions, upon the occurrence of which the remuneration committee considers the issue of revising the Company's remuneration policy for the members of the Board of Directors, executive bodies and other key executives.</p> <p>The criterion for compliance with this paragraph of the Report has not yet been reflected in the Company's corporate governance practice.</p> <p>The possibility and necessity of introducing the relevant amendments to the Company's internal documents is planned to be considered before the annual General Meeting of Shareholders, which will be held for 2024.</p>
2.8.3	To preview matters related to talent management (succession planning), professional composition, and efficiency of the board of directors, a nomination (appointments and HR) committee was set up, predominantly comprised of independent directors.	<ol style="list-style-type: none"> The board of directors has set up a nomination committee (or its tasks listed in Recommendation 186 of the Code are fulfilled by another committee) predominantly comprised of independent directors. The company's internal documents set out the tasks of the nomination committee (or the tasks of the committee with combined functions), including those listed in Recommendation 186 of the Code. For the purpose of forming the board of directors that meets the company's goals and objectives most fully, in the reporting period the nomination committee, on its own or jointly with other board of directors' committees or the company's authorised shareholder relations unit, organised the engagement with shareholders, not limited to the largest shareholders, in the context of choosing nominees to the company's board of directors. 	Partially complied with	<p>Criterion 1 is not complied with.</p> <p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. The HR and Remuneration Committee members are professionals capable of making fair and independent judgements and adopting resolutions in the best interests of the Company and its shareholders, despite the fact that they do not meet the formal criteria of independence.</p> <p>Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.8.4	Taking into account the company's scope of business and level of risks, the company's board of directors made sure that the composition of its committees is in line with the company's business goals. Additional committees were either set up or not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	1. In the reporting period the company's board of directors considered whether the structure of the board of directors was in line with the scale and scope, business goals and requirements, and the risk profile of the company. Additional committees were either set up or not deemed necessary.	Complied with	–
2.8.5	Committees are composed so as to enable comprehensive discussions of matters under preview, taking into account the diversity of opinions.	1. The audit committee, remuneration committee, nomination committee (or the relevant committee with a combined function) were headed by independent directors in the reporting period. 2. The company's internal documents (policies) include provisions stipulating that persons who are not members of the audit committee, the nomination committee (or the relevant committee with a combined function) or the remuneration committee may attend committee meetings only by invitation of the chairman of the respective committee.	Partially complied with	<p>Criterion 1 is not complied with.</p> <p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. The Committees of the Board of Directors are headed by professional directors, capable of making fair and independent judgements and adopting resolutions in the best interests of the Company and its shareholders, despite the fact that they do not meet the formal criteria of independence.</p> <p>Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>
2.8.6	Committee chairmen inform the board of directors and its chairman on the performance of their committees on a regular basis.	1. In the reporting period committee chairmen reported to the board of directors on the performance of committees on a regular basis.	Not complied with	<p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors.</p> <p>Failure to comply with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
2.9	The board of directors ensures performance assessment of the board of directors, its committees, and members of the board of directors.			
2.9.1	The board of directors' performance assessment is aimed at determining the efficiency of the board of directors, its committees and members, consistency of their work with the company's growth requirements, as well as at bolstering the work of the board of directors and identifying areas for improvement.	<ol style="list-style-type: none"> The procedures of conducting the assessment (self-assessment) of the board of directors' performance are determined in the company's internal documents. Assessment (self-assessment) of the board of directors' performance carried out in the reporting period included performance assessment of committees, individual assessment of directors, and the board of directors in general. Results of assessment (self-assessment) of the board of directors' performance carried out in the reporting period were reviewed at the meeting of the board of directors held in person. 	Not complied with	<p>The procedures of conducting the assessment (self-assessment) of the Board of Directors' performance are not formalised in the internal documents.</p> <p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors.</p> <p>Failure to comply with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>
2.9.2	Performance of the board of directors, its committees and members is assessed regularly at least once a year. An external advisor is engaged at least once in three years to conduct an independent assessment of the board of directors' performance.	<ol style="list-style-type: none"> The company engaged an external advisor to conduct an independent assessment of the board of directors' performance at least once over the last three reporting periods. 	Complied with	–
3.1	The company's corporate secretary ensures an efficient ongoing interaction with shareholders, coordinates the company's efforts to protect shareholder rights and interests, and supports efficient performance of the board of directors.			
3.1.1	The corporate secretary has the expertise, experience, and qualifications sufficient to perform his/her duties, as well as an impeccable reputation and the trust of shareholders.	<ol style="list-style-type: none"> The biographical data of the corporate secretary are published on the corporate website and in the company's annual report (including information on age, education, expertise, experience), and information on positions in the governing bodies of other legal entities held by the corporate secretary at least for the last five years. 	Partially complied with	<p>Information on the Company's corporate secretary is available on the Company's official website (https://www.magnit.com/ru/corporate-governance/corporate-secretary/).</p> <p>In the Company's annual report, the disclosure of biographical data of individuals is minimised due to geopolitical tensions.</p> <p>Partial compliance with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>
3.1.2	The corporate secretary is sufficiently independent of the company's executive bodies and has the powers and resources required to perform his/her tasks.	<ol style="list-style-type: none"> The company has adopted and published an internal document – regulations on the corporate secretary. The board of directors approves the nominee to the position of the corporate secretary, terminates his/her powers, and considers the corporate secretary's additional remuneration. The company's internal documents stipulate the right of the corporate secretary to request, receive documents and information from the company's governing bodies, structural units and officials. 	Complied with	–



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.2	Remuneration system for directors ensures alignment of financial interests of directors with long-term financial interests of shareholders.			
4.2.1	The company pays fixed annual remuneration to its directors. The company does not pay remuneration for attending particular meetings of the board of directors or its committees. The company does not apply any form of short-term motivation or additional financial incentive for its directors.	1. In the reporting period the company paid remuneration to the board of directors in accordance with the remuneration policy adopted by the company. 2. In the reporting period the company did not apply any forms of short-term motivation or additional financial motivation, the payment of which depends on the results (indicators) of the company's performance, in relation to the board of directors' members. Payments of remuneration for the participation in meetings of the board of directors or committees of the board of directors were not made.	Complied with	–
4.2.2	Long-term ownership of the company's shares ensures the best alignment of directors' financial interests with the long-term interests of shareholders. At the same time, the company does not link the right to dispose of shares to performance targets, and directors do not participate in stock option plans.	1. If the company's internal document(s) – the remuneration policy (policies) stipulates (stipulate) provision of the company's shares to members of the board of directors, clear rules for share ownership by board members shall be defined and disclosed, aimed at stimulating long-term ownership of such shares.	Complied with	–
4.2.3	The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	1. The company does not provide for any extra payments or compensations in the event of early termination of directors' tenure resulting from the change of control or any other reasons.	Complied with	–
4.3	The company considers its performance and the personal contribution of each executive to the achievement of such performance when determining the amount of a fee payable to members of executive bodies and other key executives of the company.			
4.3.1	Remuneration due to members of executive bodies and other key executives of the company is determined in a manner providing for reasonable and justified ratio of the fixed and variable parts of remuneration, depending on the company's results and the employee's personal contribution.	1. In the reporting period annual performance results approved by the board of directors were used to determine the amount of the variable part of remuneration due to members of executive bodies and other key executives of the company. 2. During the latest assessment of the remuneration system for members of executive bodies and other key executives of the company, the board of directors (remuneration committee) made sure that the company applies an efficient ratio of the fixed and variable parts of remuneration. 3. When determining the amount of remuneration to be paid to the members of the executive bodies and other key executives of the company, the risks borne by the company are taken into account in order to avoid incentives to take excessively risky management decisions.	Partially complied with	Criterion 1 is not complied with. As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
4.3.2	The company has in place a long-term incentive programme for members of executive bodies and other key executives of the company with the use of the company's shares (options and other derivative instruments where the company's shares are the underlying asset).	1. If the company has in place a long-term incentive programme for members of executive bodies and other key executives of the company with the use of the company's shares (financial instruments based on the company's shares), the programme implies that the right to dispose of shares and other financial instruments takes effect no sooner than three years after such shares or other financial instruments are granted. The right to dispose of such shares or other financial instruments is linked to the company's certain performance targets.	Partially complied with	The Board of Directors approved the Long-Term Incentive Programme. The Programme is designed to motivate management to increase the market capitalisation of the Company supported by EBITDA growth. The Programme includes remuneration in the form of shares and options in annual tranches. Remuneration will depend on the share price. The Programme is designed for five years. There are no restrictions on the disposal of shares received under the Programme. Instead of a restriction of the disposal of shares (and the dependence of the right of disposal on the achievement of indicators), it provides for a dependence of the granting of shares on the achievement of certain indicators and the deferred provision of shares in each of the annual tranches in parts over 3 years, and the loss of participants' right to receive tranches (parts of tranches) in case of resignation from the Company. The Company finds this approach to the provision of shares as part of the long-term incentive most reasonable and plans to follow it in the future.
4.3.3	The compensation ("golden parachute") payable by the company in case of early termination of powers of members of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, shall not exceed the double amount of the fixed part of their annual remuneration.	1. In the reporting period the compensation ("golden parachute") payable by the company in case of early termination of the powers of executive bodies or key executives at the company's initiative, provided that there have been no actions in bad faith on their part, did not exceed the double amount of the fixed part of their annual remuneration.	Complied with	–
5.1	The company has in place an effective risk management and internal control system providing reasonable assurance in the achievement of the company's goals.			
5.1.1	The company's board of directors determined the principles of, and approaches to, setting up a risk management and internal control system at the company.	1. Functions of different management bodies and business units of the company in the risk management and internal control system are clearly defined in the company's internal documents / relevant policy approved by the board of directors.	Complied with	–
5.1.2	The company's executive bodies ensure establishment and continuous operation of an efficient risk management and internal control system at the company.	1. The company's executive bodies ensured the distribution of duties, powers, responsibilities related to risk management and internal control between the heads (managers) of business units and departments accountable to them.	Complied with	–
5.1.3	The company's risk management and internal control system ensures an objective, fair, and clear view of the current state and future prospects of the company, the integrity and transparency of the company's reporting, as well as reasonable and acceptable risk exposure.	1. The company has in place an approved anti-corruption policy. 2. The company established a safe, confidential and accessible method of notifying the board of directors or the board's audit committee of breaches or any violations of the law, the company's internal procedures and code of ethics.	Complied with	–
5.1.4	The company's board of directors takes necessary measures to make sure that the company's risk management and internal control system is consistent with the principles of, and approaches to, its setup and efficient functioning determined by the board of directors.	1. In the reporting period the board of directors (the audit committee and (or) the risk management committee (if available) organized the assessment of the reliability and efficiency of the risk management and internal control system. 2. In the reporting period the board of directors reviewed the results of assessment of the reliability and efficiency of the company's risk management and internal control system. Information on the results consideration is included in the company's annual report.	Not complied with	As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the principle is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
5.2	The company performs internal audits for regular independent assessment of the reliability and efficiency of its risk management and internal control system, as well as corporate governance practice.			
5.2.1	The company has set up a separate business unit or engaged an independent external organisation to carry out internal audits. Functional and administrative reporting lines of the internal audit unit are delineated. The internal audit unit functionally reports to the board of directors.	1. To perform internal audits, the company has set up a separate business unit – internal audit division, functionally reporting to the board of directors, or engaged an independent external organisation with the same line of reporting.	Complied with	–
5.2.2	The internal audit division assesses the reliability and efficiency of the risk management and internal control system, as well as the corporate governance system, applies generally accepted standards of internal audit.	1. In the reporting period, the reliability and efficiency of the risk management and internal control system were assessed as part of the internal audit procedure. 2. In the reporting period, the corporate governance practice (certain practices) was (were) assessed as part of the internal audit procedure, including the procedures of the information interaction (including internal control and risk management issues) at all levels of the company's management, as well as stakeholders engagement.	Complied with	–
6.1	The company and its operations are transparent for its shareholders, investors, and other stakeholders.			
6.1.1	The company has developed and implemented an information policy ensuring efficient exchange of information by the company, its shareholders, investors, and other stakeholders.	1. The company's board of directors approved an information policy developed in accordance with the Code's recommendations. 2. In the reporting period the board of directors (or one of its committees) considered the issue on the efficiency of information engagement of the company, shareholders, investors and other stakeholders, and considered if it was reasonable (necessary) to revise the company's information policy.	Partially complied with	Criterion 2 is not complied with. As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible. The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995. In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors. Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.
6.1.2	The company discloses information on its corporate governance system and practice, including detailed information on compliance with the principles and recommendations of the Code .	1. The company discloses information on its corporate governance system and general principles of corporate governance, including disclosure on its website. 2. The company discloses information on the membership of its executive bodies and board of directors, independence of directors and their membership in the board of directors' committees (as defined by the Code). 3. If the company has a controlling person, the company publishes a memorandum of the controlling person setting out this person's plans for the company's corporate governance.	Partially complied with	Criterion 2 is only partially not complied with. The Company discloses information in accordance with Resolution of the Government of the Russian Federation No. 1102 dated 4 July 2023 On the Specifics of Disclosing and (or) Providing Information Subject to Disclosure and Provision under the Federal Laws On Joint-Stock Companies and On the Securities Market. Partial non-compliance with the above principle criterion is temporary, as the Company expects the circumstances that gave rise to the non-compliance to have ceased before the General Meeting of Shareholders to be held for 2024.



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.2	The company makes timely disclosures of complete, updated, and reliable information to allow shareholders and investors to make informed decisions.			
6.2.1	The company discloses information based on the principles of regularity, consistency, and promptness, as well as availability, reliability, completeness, and comparability of disclosed data.	<ol style="list-style-type: none"> The company has a procedure ensuring coordination of work of all structural units and employees of the company who are related to information disclosure or whose operation may result in the requirement to disclose information. If the company's securities are traded in foreign organised markets, the company makes disclosures of material information in the Russian Federation and in the said markets in the reporting year on a concurrent and equal basis. If foreign shareholders hold a substantial number of shares in the company, the relevant information was disclosed in the reporting period both in the Russian language and in one of the most widely used foreign languages. 	Complied with	–
6.2.2	The company avoids a formalistic approach to information disclosure and discloses material information on its operations, even if disclosure of such information is not required by law.	<ol style="list-style-type: none"> The company's information policy outlines the approaches to the disclosure of information on other events (actions) that have a significant impact on the value or price of its securities in cases where the disclosure is not required by law. The company discloses information on its shareholding structure in its annual report and on its website as required by recommendation 290 of Code. The company discloses information on the controlled entities that are of significant importance to the company, including the key areas of operation, tools ensuring accountability of the controlled entities, the powers of the company's board of directors to determine the strategy and assess the performance of the controlled organisation. The company publishes a non-financial report – a sustainability report, an environmental report, a corporate social responsibility report or any other report containing non-financial information, including that on factors related to the environment (including environmental and climate change factors), society (social factors) and corporate governance, except for a report of the issuer of issue-grade securities and a report of the joint-stock company. 	Partially complied with	<p>Criterion 2 is only partially not complied with.</p> <p>The Company has been required to disclose information, including in the form of the issuer's reports (quarterly issuer's reports), since 2006. As part of compliance with the disclosure legislation, the Company discloses the number of its shareholders, the number of voting shares broken down by share category (type) and the number of shares held by the Company and its controlled entities, the persons who directly or indirectly own shares and (or) can use the votes attaching to the shares that represent at least 5% of the authorised capital or ordinary shares in the Company and any other information required by applicable law, in the form of statements of material facts and as part of annual, quarterly reports (issuer's reports) and lists of affiliates, which are disclosed on the website.</p> <p>That said, the Company has no procedure for disclosing additional information about the Company's shareholding structure as specified by recommendation 290 of the Code, specifically a procedure requiring the Company's executive bodies to make a statement that the Company is unaware of any shareholdings exceeding 5% other than those already disclosed by the Company. The Company plans to consider whether the relevant provisions can and need to be included in the Company's internal documents and its corporate governance practice before the annual General Meeting of Shareholders for 2024.</p> <p>Even though the Company does not disclose its unawareness in the form of a statement of its executive bodies, this does not result in any information on the Company's shareholding structure being concealed in violation of recommendation 290 of the Code. The Company avoids a formalistic approach to the disclosure of material information about its activities.</p>
6.2.3	The company's annual report, being one of the key tools for keeping its shareholders and other stakeholders informed, includes data that can be used to assess the company's performance in the reporting year.	<ol style="list-style-type: none"> The company's annual report contains the results of the assessment by the audit committee of the effectiveness of external and internal audit. The company's annual report outlines the company's environmental protection and safety policies, as well as the social policy of the company. 	Partially complied with	<p>Criterion 1 is not complied with.</p> <p>As amid geopolitical tensions a number of countries introduced and tightened sanctions against Russia and businesses operating in Russia, Magnit, just like many other companies, faced uncertainty, in which getting many corporate procedures implemented turned out to be impossible.</p> <p>The annual General Meeting of Shareholders of PJSC Magnit held on 30 June 2022 was declared inquorate. As a result, all powers of the Board of Directors except for the powers to prepare for, convene and hold an annual General Meeting of Shareholders ended under Article 66 of Federal Law No. 208-FZ On Joint-Stock Companies dated 26 December 1995.</p> <p>In 2023, following the Tender Offer, Magnit Alyans LLC, an indirect wholly-owned subsidiary of the Company, acquired approximately 29.7% of all issued and outstanding shares of the Company from non-resident shareholders. The buyback of shares was aimed at changing the Company's capital structure to mitigate the risks of non-resident shareholders dominating in the authorised capital of PJSC Magnit. The purchase of shares was carried out in line with the received approvals (including the approval of the Government Commission on Monitoring Foreign Investments in Russia). The new members of the Board of Directors were elected at the annual General Meeting of Shareholders held on 28 December 2023, following the completion of the procedures for changing the Company's capital structure. On 29 December 2023 the newly elected Board of Directors made up the committees of the Board of Directors, elected the sole and collective executive bodies of the Company; other issues were not considered by the Board of Directors.</p> <p>Failure to comply with the above principle criterion is temporary, as the Company expects to resume the planned implementation of the corporate procedures before the General Meeting of Shareholders to be held for 2024.</p>



#	Corporate governance principles	Compliance criteria	Compliance status	Reasons for non-compliance
6.3	The company provides shareholders with equal and unhindered access to information and documents as per their request.			
6.3.1	No unreasonable difficulties prevent the shareholders from exercising their right to access the Company's documents and information.	<p>1. The company's information policy (internal documents determining the information policy) establishes (establish) the procedure for providing shareholders with unhindered access to information and documents of the company at the request of shareholders.</p> <p>2. The company's information policy (internal documents determining the information policy) contains (contain) provisions stipulating that if a shareholder requests information on the company's controlled entities, the company shall make the necessary efforts to obtain such information from the relevant controlled entities of the company.</p>	Partially complied with	<p>Criterion 2 is not complied with. This recommendation of the Corporate Governance Code is not directly reflected in the Company's information policy.</p> <p>The Company adopted the Regulations on the Information Policy, which, inter alia, takes into account recommendations of the Corporate Governance Code.</p> <p>As for the practical implementation, the Company provides information about its operations at the request of shareholders, makes the necessary efforts to obtain information from the relevant controlled entities, and, in addition to the information required to be disclosed by applicable law, the Company discloses on its own initiative a large amount of data on the controlled entities that are of significant importance to the Company. In practical terms, access to the information on the Company's performance is not hindered.</p> <p>The Company finds this approach most reasonable and plans to follow it in the future.</p>
6.3.2	When providing information to shareholders, the company maintains a reasonable balance between the interests of individual shareholders and those of the company, as it is in the company's best interests to keep confidential any sensitive commercial information that may have a material effect on its competitive position.	<p>1. In the reporting period, the company did not refuse to provide shareholders with requested information, or such refusals were justified.</p> <p>2. In cases specified by the information policy, shareholders are informed of the confidential nature of the information provided and undertake to keep it confidential.</p>	Complied with	–
7.1	Actions that have or may have a material effect on the company's shareholding structure and financial position and, consequently, on the shareholders' position (material corporate actions) are taken on fair terms ensuring that rights and interests of the shareholders and other stakeholders are respected.			
7.1.1	The board of directors plays a key role in making decisions or recommendations with regard to material corporate actions and relies on the opinion of the company's independent directors.	1. The company's Articles of Association include a list (criteria) of transactions or other actions classified as material corporate actions. In accordance with the company's Articles of Association, decision-making with regard to material corporate actions is reserved to the board of directors. If and when the law expressly reserves such corporate actions to the general meeting of shareholders, the board of directors provides shareholders with relevant recommendations.	Complied with	–
7.1.2	The board of directors plays a key role in making decisions or recommendations with regard to material corporate actions and relies on the opinion of the company's independent directors.	1. The company has in place a procedure for independent directors to express their opinions on material corporate actions prior to their approval.	Complied with	–

