



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	District	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.

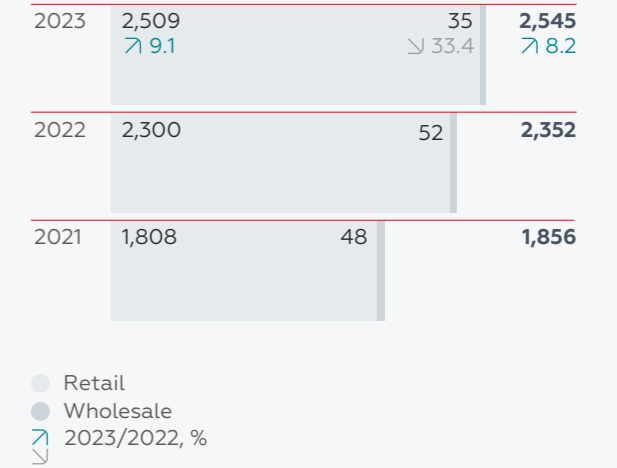
¹ CPFR stands for Collaborative Planning, Forecasting and Replenishment and is a set of collaborative actions by manufacturers, logistics services providers and retailers to plan supplies, quickly respond to changes in demand, and achieve cost savings across the supply chain.

Financial review

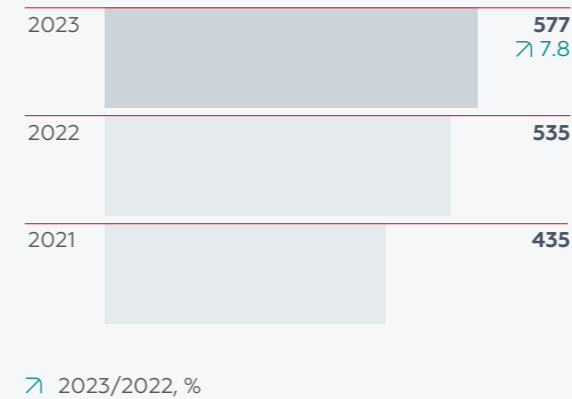
Consolidated financial statements of PJSC Magnit and its subsidiaries and independent auditor's report for 2023 are available on the Company's official website in the Reports and Results section at

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

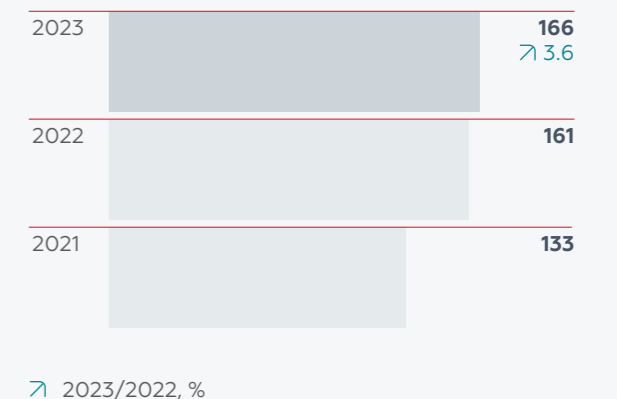
Total revenue, RUB bln



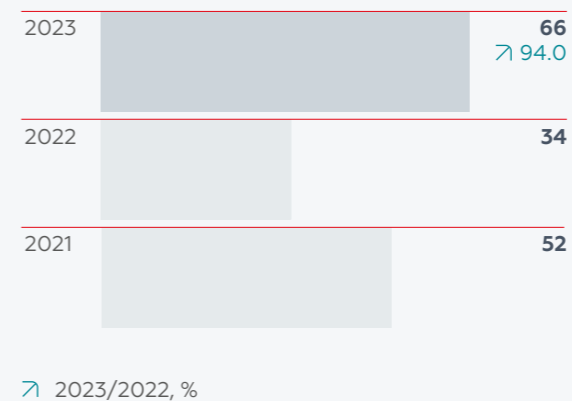
Gross profit, RUB bln



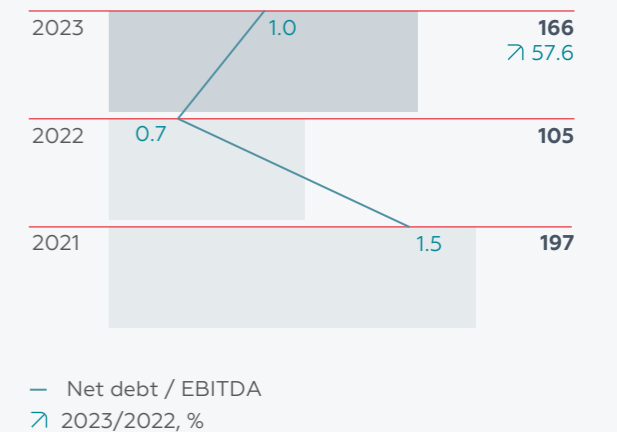
EBITDA, RUB bln



Net income, RUB bln



Net debt, RUB bln



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