

Solid position for future growth

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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

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



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.

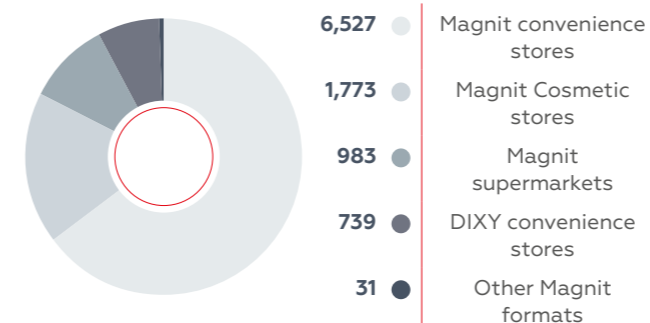
The 5.5% LFL sales growth in 2023 was due to a 4.8% increase in the average ticket and a 0.6% rise in traffic. The LFL base comprised 1,469 stores (net), including the opening of 1,574 Magnit stores and closure of 105 DIXY stores. As at the end of the reporting year, 9% of the Company's selling space 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

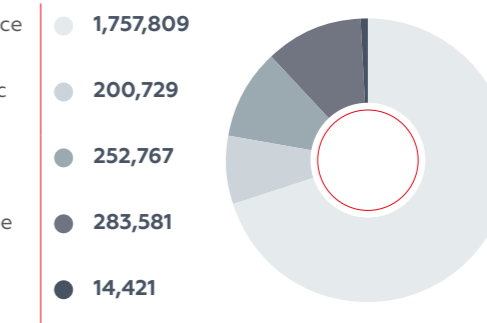
In 2023, the number of loyalty card holders exceeded 76.4 million. By the end of the year, the overall proportion of tickets using the loyalty card reached 50% with a sales penetration of 66%, peaking at 59% and 73% respectively. The loyalty programme continued to deliver positive cross-format gains, 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.

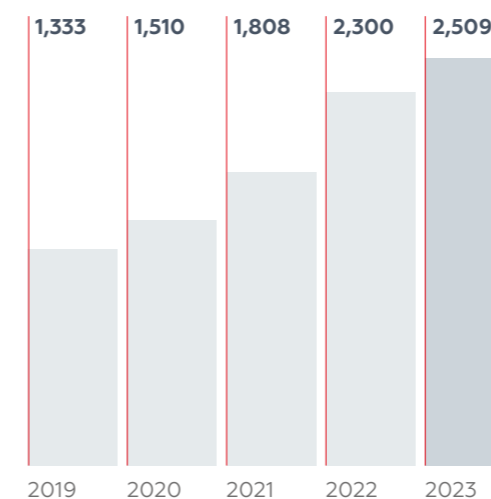
Selling space by format,
thous. sq. m



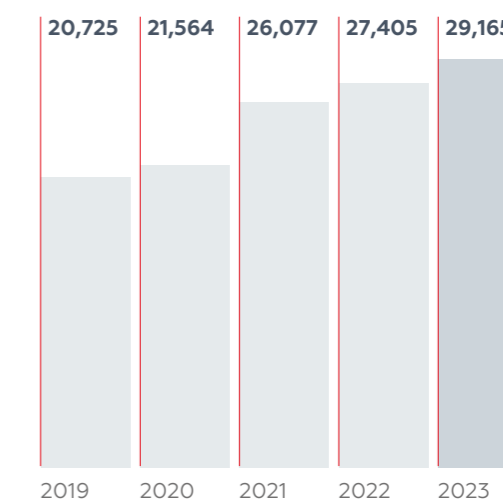
Net retail sales by format,
RUB mln



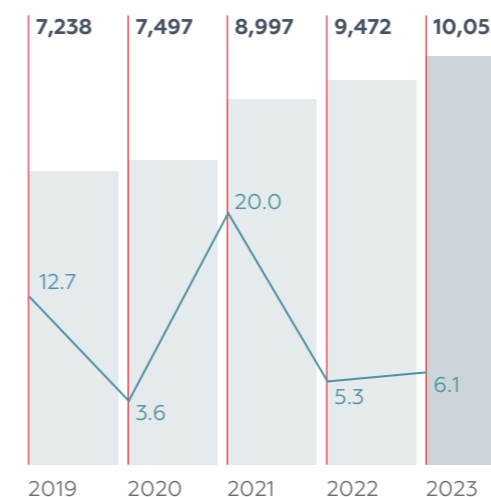
Net retail sales, RUB bln



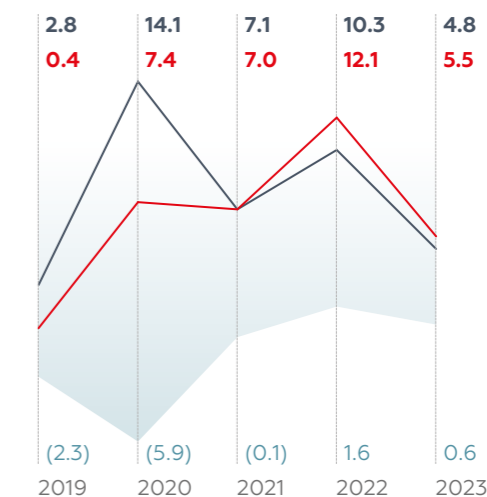
Total number of stores



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

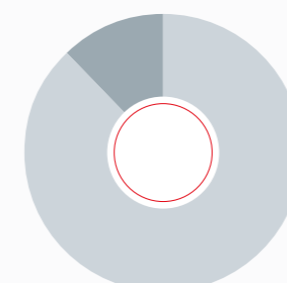
Location

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.

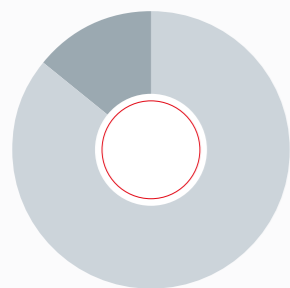
In 2023, we implemented a comprehensive set of initiatives to further improve service quality in our convenience stores:

- 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

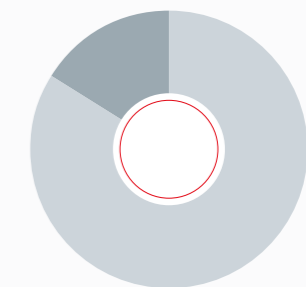
Residential areas, highways

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

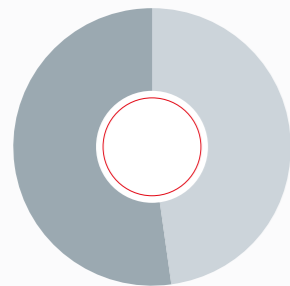
2023 performance

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.



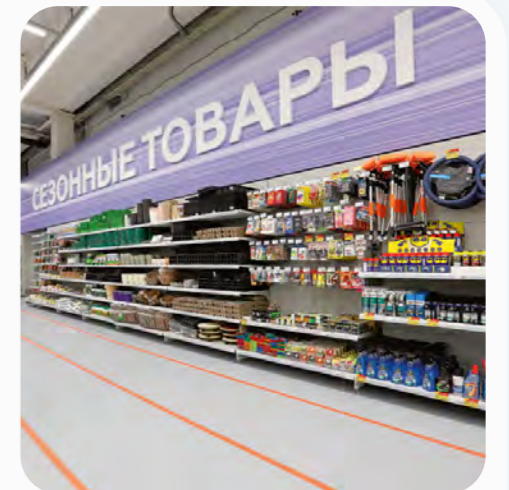
Opening of a new superstore in Moscow

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

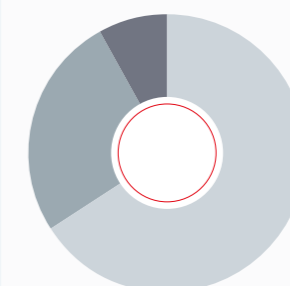
Location

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

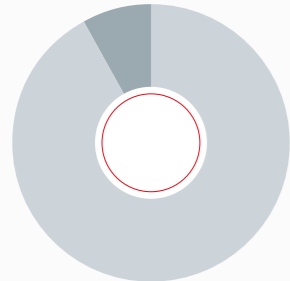
Product mix

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.

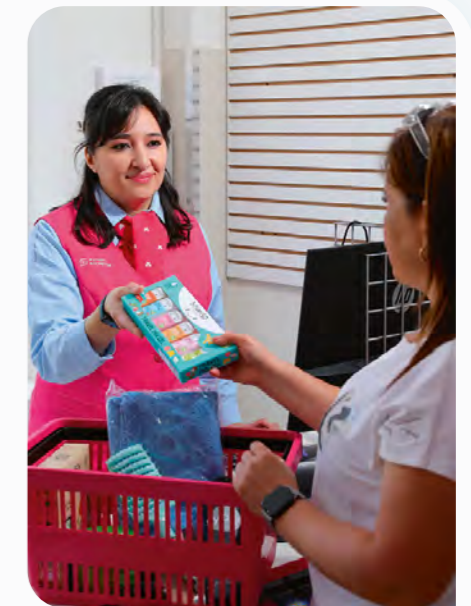
Expanding Magnit's assortment of halal cosmetics in Uzbekistan stores fivefold

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.

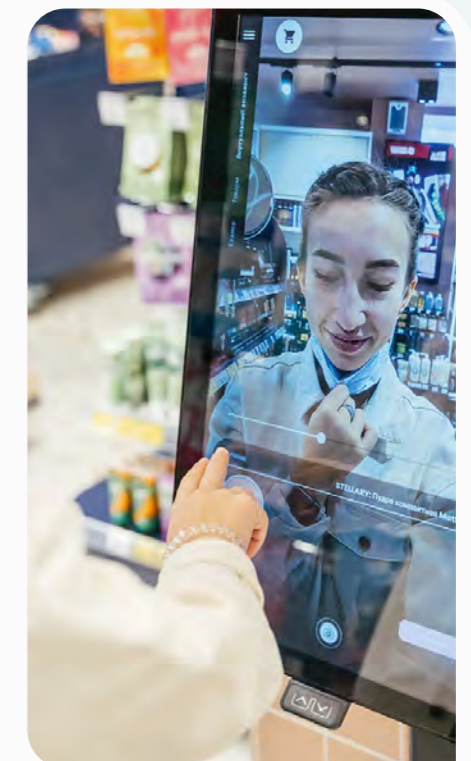
In late 2023, M Cosmetic launched its first-ever private label, Sportour. This brand offers a diverse range of 50 cotton socks in various colours and styles produced by the Mirus Textile Group factory in Kokand. Sportour is the debut private label of M Cosmetic, further enhancing its diverse product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

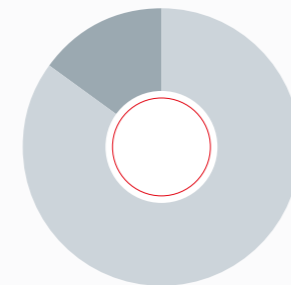
Missions

- 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.

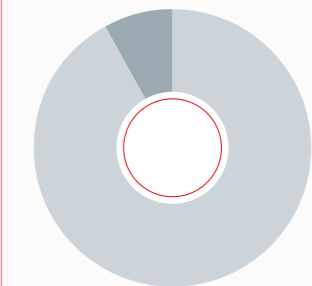
Entrepreneurs benefit from a ready-made store launch model based on the retailer's experience and expertise. As part of the collaboration, the Company provides expert assessments of the store's potential, assists in selecting suitable locations, and evaluates optimal lease conditions. It also curates 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.

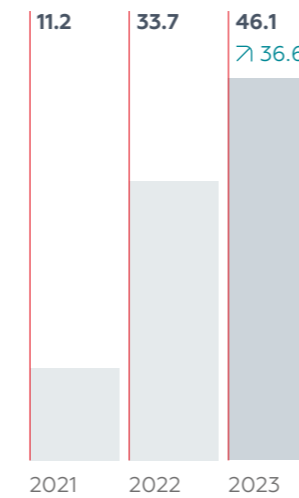
In 2023, the Magnit Pharmacy stores expanded their product range and implemented a category management system. Furthermore, the visual aesthetics of the stores have undergone substantial transformations, with the navigation updated, new checkout areas added, and the planogram system improved.

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

E-commerce

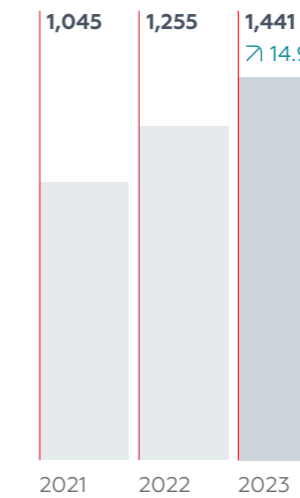
Magnit has been developing e-commerce services since 2020. Today, the Company runs a number of both own and partner online delivery projects: express delivery, regular delivery, online pharmacy, cosmetics and partnerships.

GMV¹, RUB bln



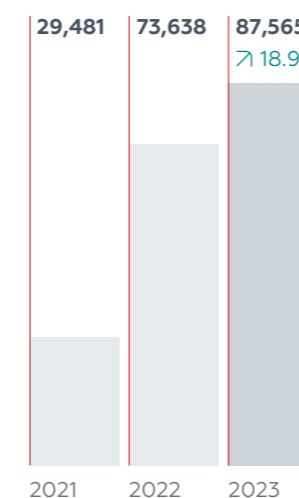
↗ 2023/2022, %

Average ticket, RUB incl. VAT



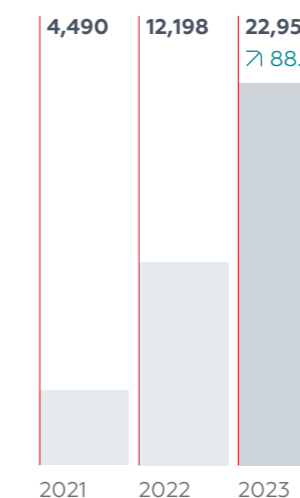
↗ 2023/2022, %

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).

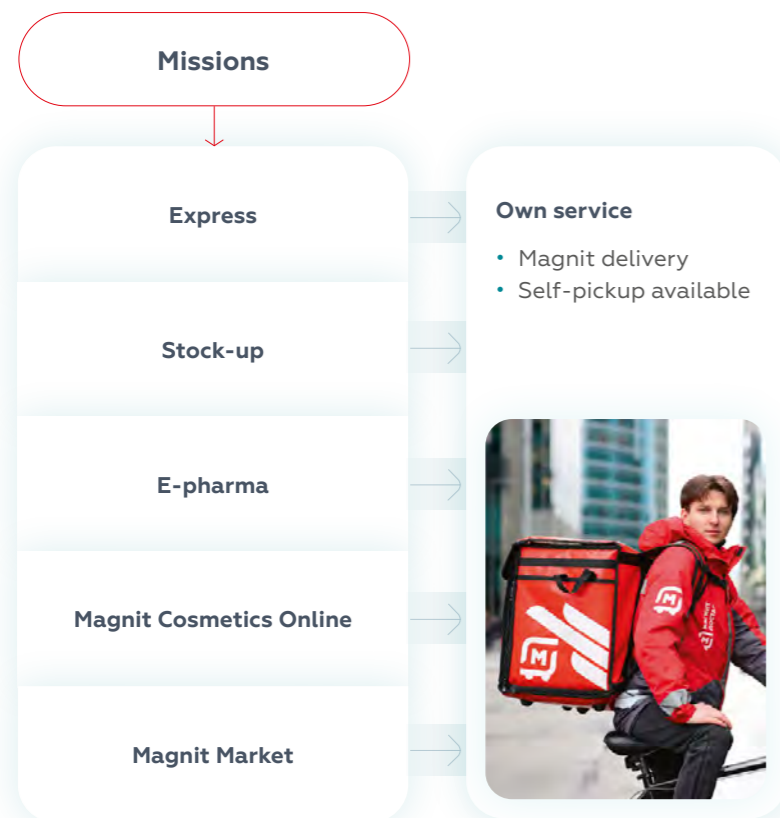
At present, Magnit's e-commerce services cover around 23,000 offline stores. 80% of current revenue is generated outside of Moscow, the Moscow region and St Petersburg. The largest and fastest-growing segment is express delivery.

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.

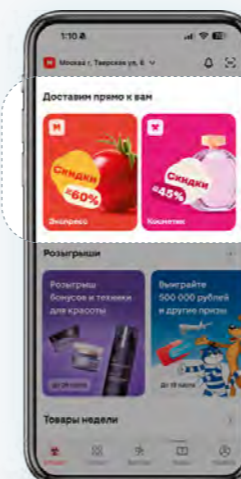
Magnit's own service

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.

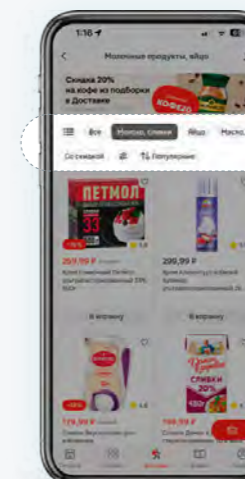
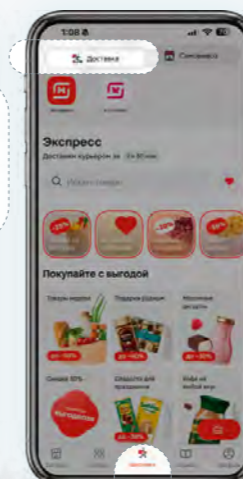
Partners

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

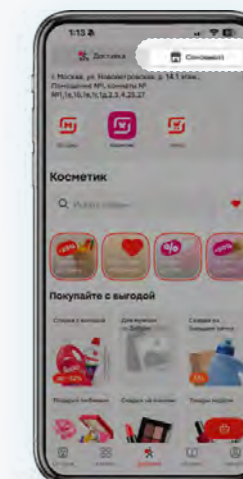
We have migrated to the OMNI app, making vital changes to our product so that we can keep growing and evolving



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

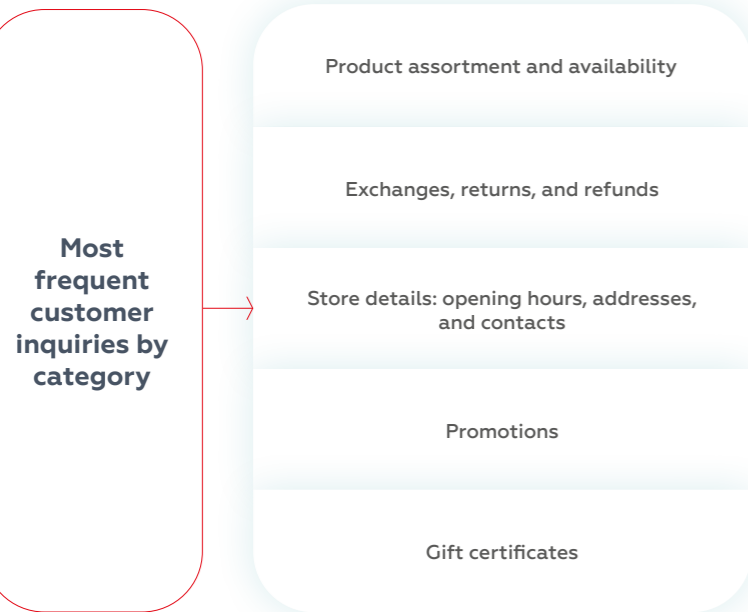
The service quality rating is based on the following assessments:

- 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).

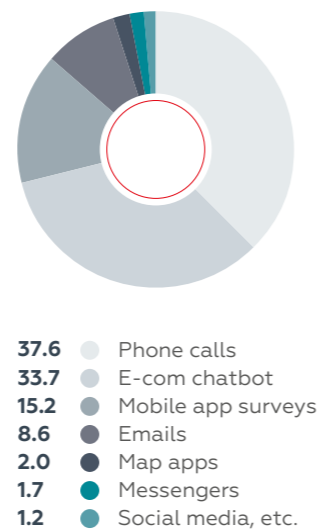
11%

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.

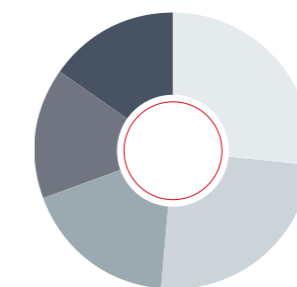
Service excellence marathon outcomes

37% reduction in employee complaints¹

7.3% reduction in customer complaints¹

0.8% mystery shopper score improvement²

Marathon participant survey responses, %



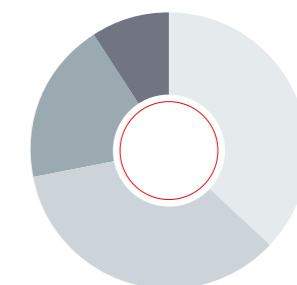
Efforts to enhance service quality

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,

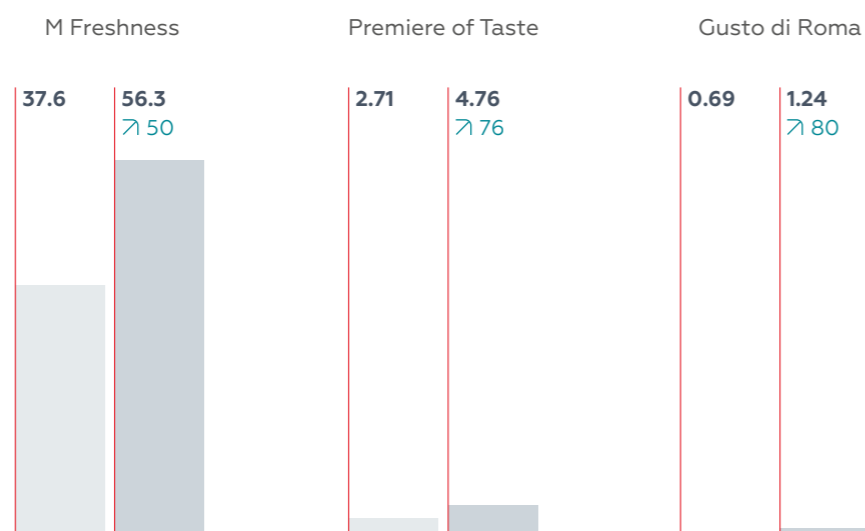
cheese, bread, dry food, confectionery, soft and hot drinks, snacks, canned and frozen food, cosmetics, household chemicals, paper and hygiene products, household goods, and other non-food items.



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

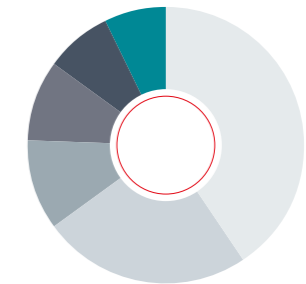
In 2023, Magnit manufactured 300,000 tonnes² of products, including 109,000 tonnes of agricultural products, up 17% YoY. Concepts for a total of seven new projects were approved, including two ready meal factories to be located at the Krasnodar Industrial Park and the Solnechnogorsk hypermarket. These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

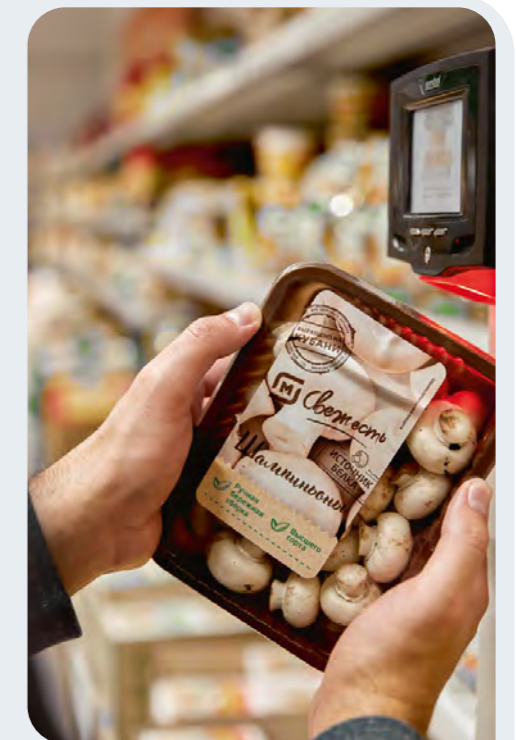
Magnit's own facilities

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





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.



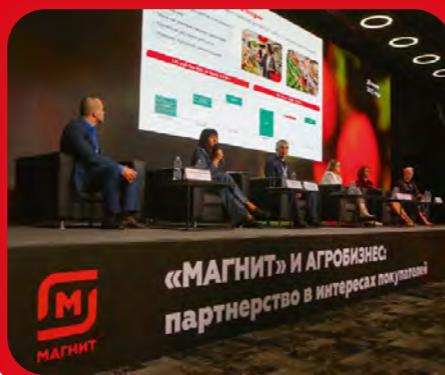
Magnit is developing a loyalty programme for regular suppliers and an electronic platform for centralised procurement.

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.



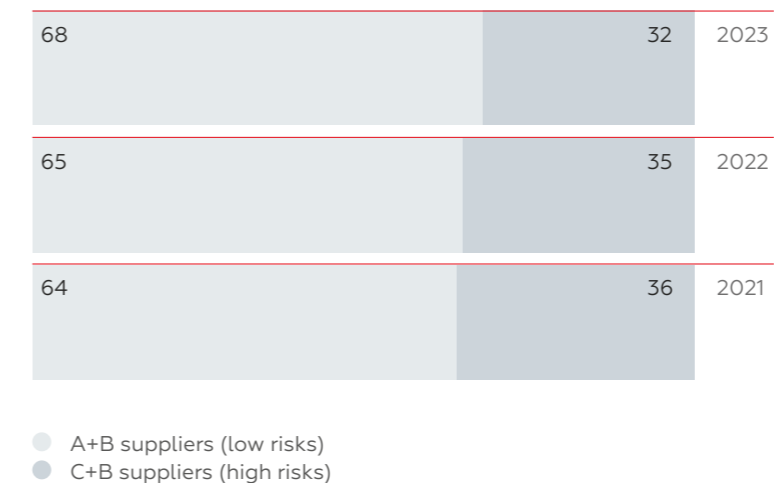
Quality assurance of supplied products

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



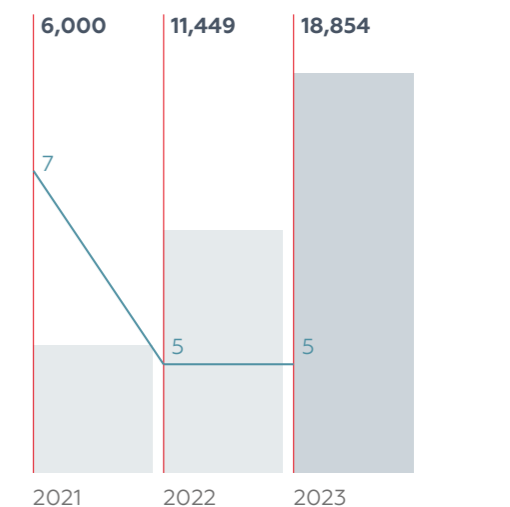
- A+B suppliers (low risks)
- C+B suppliers (high risks)

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.

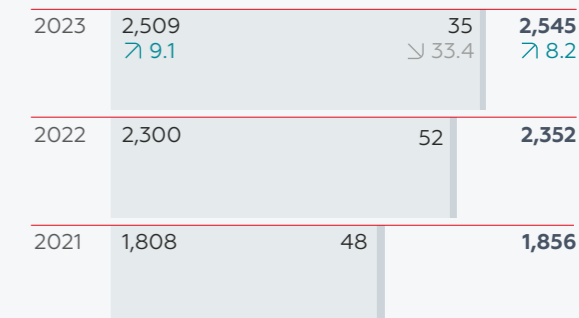
¹ CPFR stands for Collaborative Planning, Forecasting and Replenishment and is a set of collaborative actions by manufacturers, logistics services providers and retailers to plan supplies, quickly respond to changes in demand, and achieve cost savings across the supply chain.

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

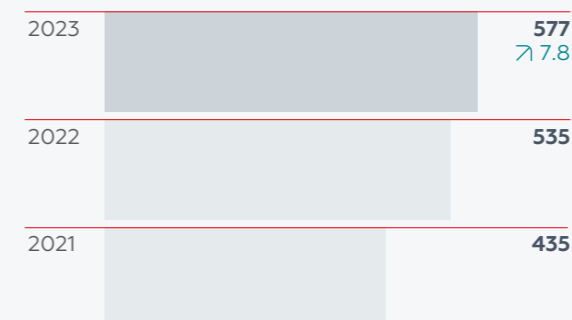
<https://www.magnit.com/en/shareholders-and-investors/results-and-reports/#tabs-reports-type-2>

Total revenue, RUB bln



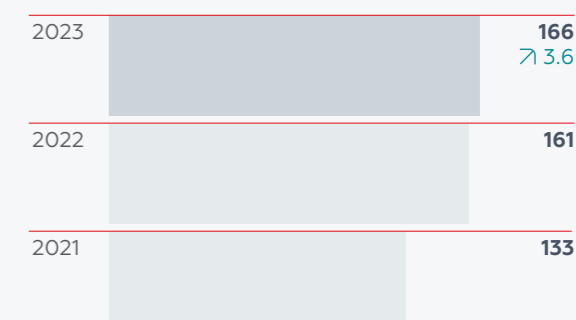
● Retail
● Wholesale
↗ 2023/2022, %
↘

Gross profit, RUB bln



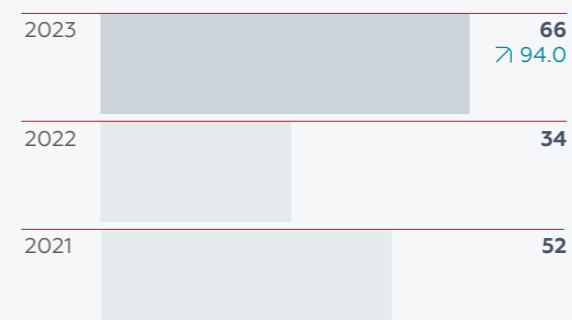
↗ 2023/2022, %

EBITDA, RUB bln



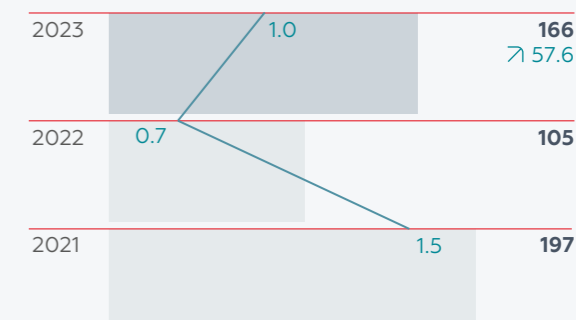
↗ 2023/2022, %

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.

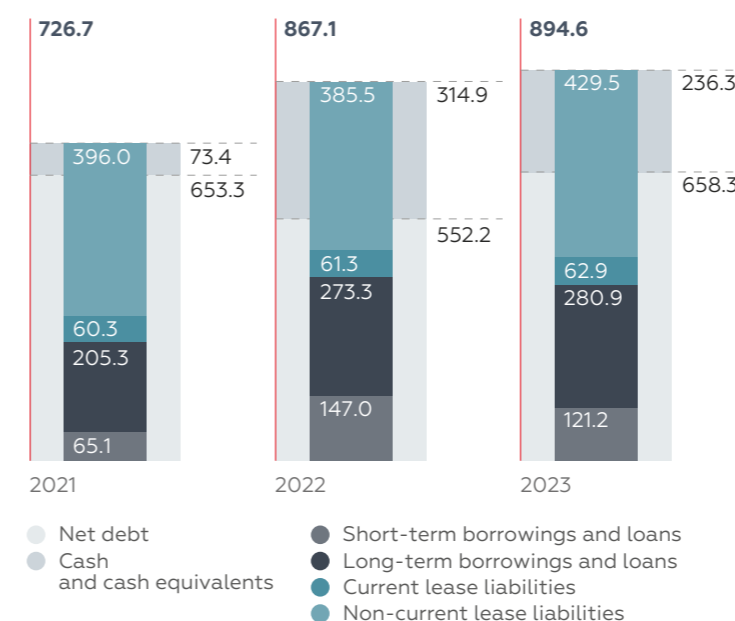
Debt Composition and Leverage¹

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

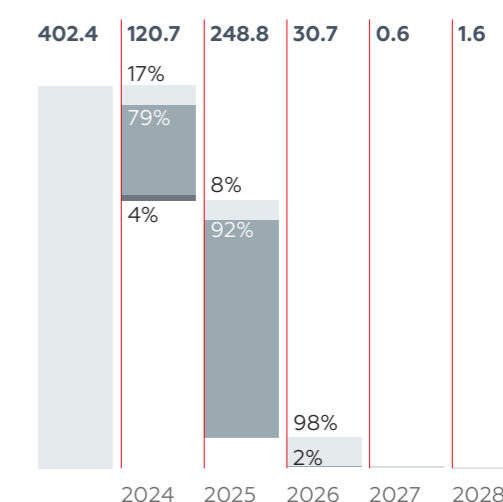
Total debt as at 31 December 2023 decreased by RUB 17.9 bln or 4.3% YoY and amounted to RUB 402.4 bln. Cash balance² as at 31 December 2023 decreased to RUB 236.3 bln compared to RUB 314.9 bln as at 31 December 2022. As a result, net debt grew by 57.6% YoY and totalled RUB 166.1 bln as at 31 December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

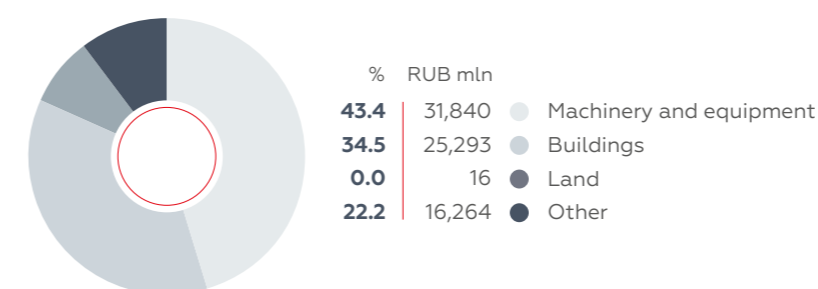
Debt³, RUB bln



Maturity, RUB bln



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.

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).

³ IFRS 16.

⁴ Excluding business acquisitions.