

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

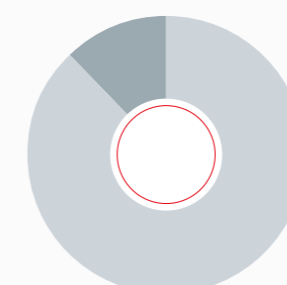
Location

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.

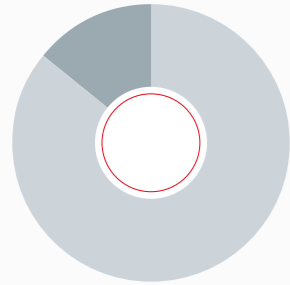
In 2023, we implemented a comprehensive set of initiatives to further improve service quality in our convenience stores:

- 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

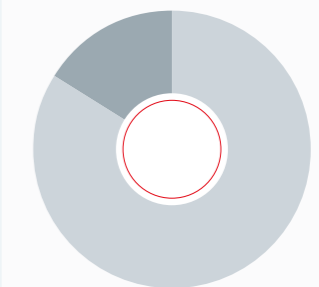
Residential areas, highways

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

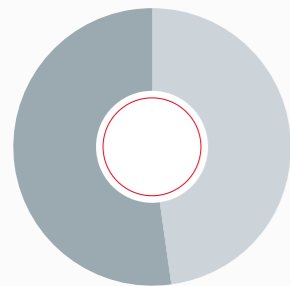
2023 performance

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.



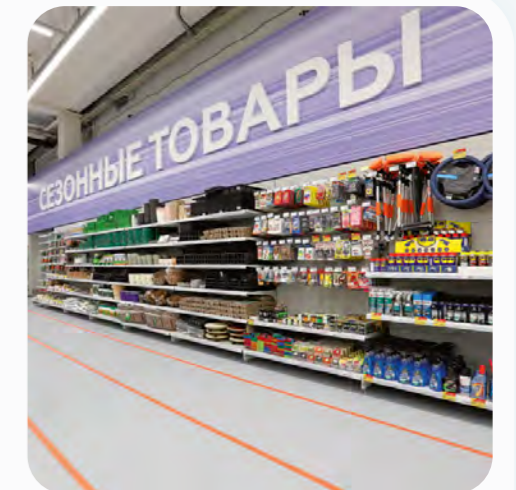
Opening of a new superstore in Moscow

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

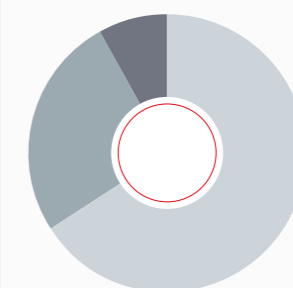
Location

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

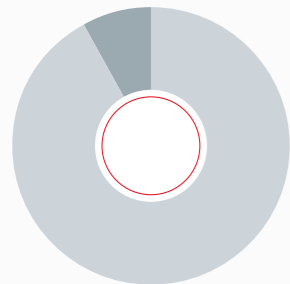
Product mix

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.

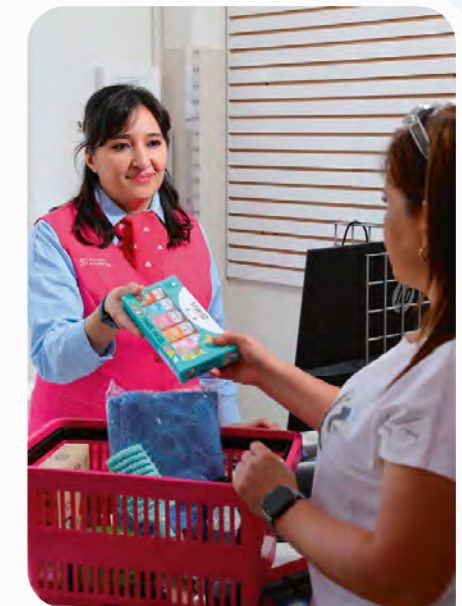
Expanding Magnit's assortment of halal cosmetics in Uzbekistan stores fivefold

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.

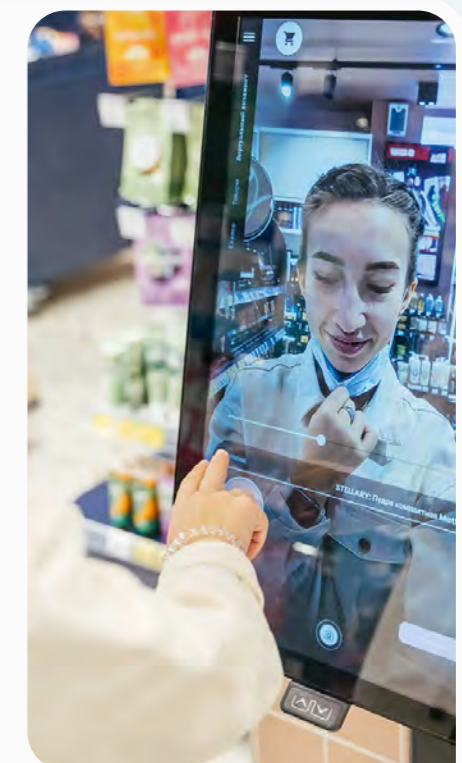
In late 2023, M Cosmetic launched its first-ever private label, Sportour. This brand offers a diverse range of 50 cotton socks in various colours and styles produced by the Mirus Textile Group factory in Kokand. Sportour is the debut private label of M Cosmetic, further enhancing its diverse product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

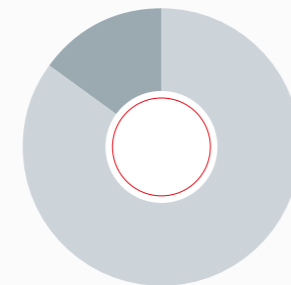
Missions

- 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.

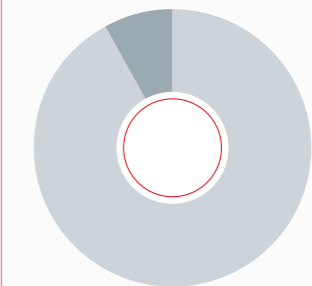
Entrepreneurs benefit from a ready-made store launch model based on the retailer's experience and expertise. As part of the collaboration, the Company provides expert assessments of the store's potential, assists in selecting suitable locations, and evaluates optimal lease conditions. It also curates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

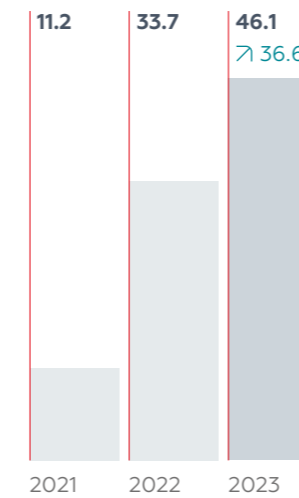
In 2023, the Magnit Pharmacy stores expanded their product range and implemented a category management system. Furthermore, the visual aesthetics of the stores have undergone substantial transformations, with the navigation updated, new checkout areas added, and the planogram system improved.

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

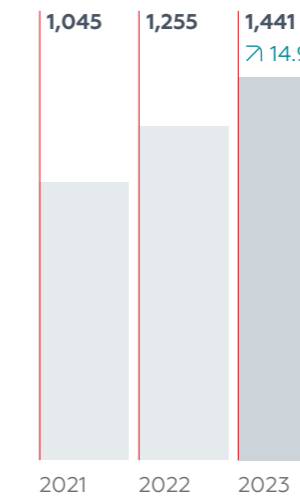
E-commerce

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.

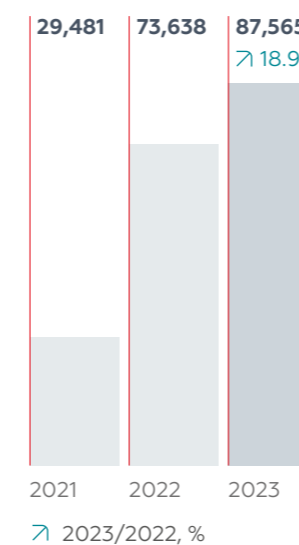
GMV¹, RUB bln



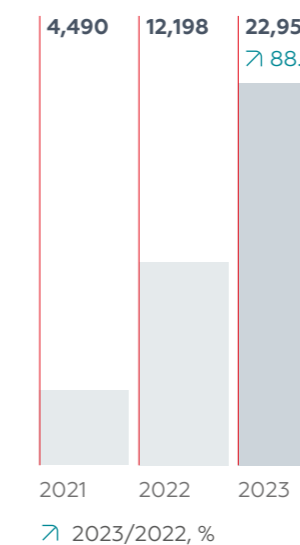
Average ticket, RUB incl. VAT



Average number of orders per day



Number of covered stores as at the end of period



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.).