Our mission and values
Our values are a basis for our mission: to become the store of choice for every Russian family.

Our vision
A trusted value-for-money retailer, providing high-quality products at affordable prices and catering to key everyday needs of Russian families.

Magnit is:
— the leading food retailer in Russia by number of stores and geographical coverage
— the largest food importer in the Russian Federation
— a multi-format retail chain with a unique cross format loyalty programme
— the only vertically integrated retailer, which operates 17 agricultural and food production units across Russia
— a reliable and stable partner for national producers and foreign companies
— nationwide supply chain network and one of the largest fleet owners in Europe
— one of the largest private employers in Russia
— the store of choice for millions of customers.

Magnit operates a unique multi-format model, which includes convenience stores and supermarkets, drogeries and pharmacies. Both food and non-food segments of Magnit are present online.

It differentiates us as one of the leading retail chains in Russia. We pay particular attention to developing the format expertise that will enable us to implement a format specific CVP under a single family brand. Magnit still adheres to a decentralised approach where needed and is dictated by key business drivers whilst maintaining an optimal balance with the centralised approach.

In 2020 Magnit continued to cluster its formats, adjusting them for different areas and improving management expertise. The Company built a strong team of category managers, who will continue to further expand and improve Magnit’s commercial activities, with a broader set of functions and greater accountability.

Our History
1994
Company founded as a household cleaning products and cosmetics distributor.

1998
First grocery store opened in Krasnodar.

2001
Magnit holding company established.

2006
IPO on RTS and Moscow Exchange, raising approximately USD 370 mln.

2008
SPO on London Stock Exchange, raising almost USD 500 mln.

2010
First drogerie store launched.

2011
Expansion of operations to include the production of vegetables.

2013
Magnit becomes the largest retailer in Russia.

2018
New Board of Directors and new Management team introduced, following a change in the shareholder structure and a launch of the Company’s transformation.

2020
Magnit launched new large-scale Digital and Logistics transformation programmes. Approved Sustainability Strategy “Retail with Purpose”. Launched multiple e-commerce initiatives.

Key Subsidiaries of the Company
The Magnit Group amonth others include PJSC Magnit and its subsidiaries: LLC Alcotrading, JSC Tander, LLC Tandem, LLC Retail Import.

For a full list of Magnit Group companies please see Appendix 4 on p. 190.

Our key differentiation points:
— Multi-format model
— Strong regional coverage and “Best in local” offering
— Own production and private label
— ESG

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— Multi-format model
— Strong regional coverage and “Best in local” offering
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Magnit at a Glance

Key Operational Figures

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Stores</td>
<td>18,399</td>
<td>20,725</td>
<td>21,564</td>
</tr>
<tr>
<td>Cities &amp; Townships</td>
<td>2,976</td>
<td>3,742</td>
<td>3,752</td>
</tr>
<tr>
<td>Tickets, mln</td>
<td>4,370</td>
<td>4,690</td>
<td>4,641</td>
</tr>
<tr>
<td>Number of Employees</td>
<td>205,812</td>
<td>206,432</td>
<td>316,001</td>
</tr>
<tr>
<td>Revenue, RUB, mln</td>
<td>1,237</td>
<td>1,369</td>
<td>1,554</td>
</tr>
<tr>
<td>Revenue Growth, %</td>
<td>62</td>
<td>106</td>
<td>135</td>
</tr>
<tr>
<td>Gross Margin, %</td>
<td>26.3</td>
<td>22.8</td>
<td>23.5</td>
</tr>
<tr>
<td>EBITDA Margin (IAS 17), %</td>
<td>72</td>
<td>61</td>
<td>7.0</td>
</tr>
<tr>
<td>Net Income Margin (IAS 17), %</td>
<td>27</td>
<td>12</td>
<td>2.4</td>
</tr>
<tr>
<td>CAPEX, RUB, mln</td>
<td>34</td>
<td>59</td>
<td>32</td>
</tr>
<tr>
<td>Net Debt/EBITDA (IAS 17)</td>
<td>15</td>
<td>21</td>
<td>1.1</td>
</tr>
<tr>
<td>Total dividends for the respective year, RUB, mln</td>
<td>31</td>
<td>31</td>
<td>29</td>
</tr>
<tr>
<td>CO₂ Emissions1, mln tonnes</td>
<td>2.5</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>Total Amount2 of Waste, mln tonnes</td>
<td>1217</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td>Total Amount of Recycled Waste3, mln tonnes</td>
<td>420</td>
<td>482</td>
<td>481</td>
</tr>
</tbody>
</table>

1 IAS 17.
2 Dividends announced on PJSC Magnit shares following the results for the first 9 months of 2020, were paid in January 2021.
3 The Company has reviewed its GHG calculation methods and adjusted data for 2018 and 2019.
4 Waste generated by JSC Tander, OJSC Selta, own production enterprises and LLC MC Krasnodar Industrial Park.
5 Waste sent for recycling by JSC Tander, OJSC Selta and own production enterprises.
6 For a full list of Magnit Group companies please see Appendix 4 on p. 190.
Highlights of the Year

2020 was a challenging yet rewarding year for Magnit. We remained focused on what we do the best, providing the best possible service to our customers and protecting their health and safety. We improved the efficiency of existing business operations, tested new formats and moved into online, accelerated our digital transformation and adopted our Sustainability Strategy. Our financial performance improved substantially on the back of industry leading LFL sales growth, improved margin and a strong financial position.

We saw positive NPS dynamics across all formats.

NPS' dynamics

Convenience

4Q20 4Q 19
26 28

Supermarkets & Superstores

4Q20 4Q 19
44 41

Drogerie

4Q20 4Q 19
51 46

Improvement of LFL sales growth/sales densities

LFL sales growth of 7.4% in 2020 vs 0.4% in 2019

Margin Regain

97 bps year-on-year EBITDA margin (IAS 17) improvement on the back of gross margin gains and strict cost control

Improvements of the working capital cycle

RUB 30.5 bln of cash release from the working capital

Strong deleveraging and strengthening of financial position (Net Debt/EBITDA)

Net Debt/EBITDA of 1.1x as of the end of 2020 vs 2.1x as of the end of 2019 with FCF of RUB 85 bln vs RUB (2.2) bln in 2019 based on IAS17

ROIC improvement:

14.1% in 2020 vs 7.9% in 2019.

-1.8x year-on-year ROIC improvement for the business

1 Consensus GFK and Romir panel analysis.
2 Net Promoter Score.
3 Return on invested capital (ROIC) is a calculation used to assess a company’s efficiency at allocating the capital under its control to profitable investments.
Highlights of the Year (continued)

— Florian Jansen steps down as a Member of the Board to become the Deputy CEO – Executive Director to head the Digital Transformation
— Magnit extended and strengthened the Management Board
— Adoption of the Sustainability Strategy and a number of specific policies
— Launched digital transformation powered by SAP
— Magnt started and later expanded piloting discounters
— Magnit expanded testing of Magnit City format
— Twelve startups: finalists of the MGNTech Accelerator to launch pilots with Magnit
— Magnit launched multiple e-commerce initiatives covering all formats and customer missions
— Magnit launched virtual store tours
— Magnit started transition to a new Product Management System
— Magnit began large-scale supply chain transformation
— 1,292 stores opened (gross) and 385 redesigns completed in 2020

— Dividends paid for 9M 2019 and FY2019 totalling RUB 31.0 bln
— The placement of bonds by Magnit was recognised as the best placement by a retailer
— Credit Rating Agency ACRA affirmed the rating of Magnit and its exchange-traded bonds at AA (RU)
— S&P Global Ratings affirmed the rating of Magnit at ‘BB’, Stable outlook

— Magnit presented Sustainability Strategy and affirmed “Retail with Purpose”
— Magnit joined the UN Global Compact, an UN driven worldwide initiative with 13,000+ companies working on ESG
— Procter & Gamble and Magnit partnered in sustainable development in Russia
— Magnit, Procter & Gamble, and Dima Bilan1 rolled out largest non-state network of Reverse Vending Machines for Plastic Waste Collection
— Magnit launched programme to aid socially vulnerable citizens
— The first Russian electric heavy-duty truck, MOSKVA, was handed over to Magnit for trial operations
— Magnit’s comprehensive anti-COVID programme accounted for RUB 2.8 bln

1 Famous Russian pop singer.
We Are Everywhere for Our Customers

Magnit is the number one Russian retailer in terms of the number of stores, proximity to customers and geographical coverage. Our wide geographical coverage requires us to be one of the most advanced in the logistics and supply chain management to always bring fresh produce to our customers. Around two-thirds of the Company’s stores are located in cities with a population of less than 500,000 people. We also operate in townships with population of 3,000 people.

In 2020 we opened our new Distribution Centre in Novosibirsk, with the total area of 40 thous. sq. m adding to our logistical capabilities in Siberia. We also fully refurbished our Voronezh Distribution Centre. We introduced the first Russian electric heavy-duty truck, MOSKVA, for trial operation to make our operations more environmentally friendly.

One of the milestones of 2020 was the large-scale Supply Chain transformation we launched at Magnit. The Company will implement a unified automated forecasting and replenishment system for all store formats, product categories, and distribution centres with the help of Relex Solutions’ platform. This world-class AI-enabled software will encompass all functions of goods distribution, significantly increasing transparency of operations and helping flexibly adapt various processes in line with the Company’s development.

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1. Does not include pharmacies.
2. Convenience stores include Convenience stores, Magnit City, My Price.
3. Supermarkets include Magnit Family supermarkets, superstores.
4. Distribution centres include Magnit City supermarkets, superstores.

---

We Are Everywhere for Our Customers

21,564 Total stores¹

3,752 Cities & townships

21,564 Stores¹

38 Distribution centres

43 mln Loyal customers (activated cards)
Supply Chain
Efficient and On Time

38 distribution centres
1.7 mln sq. m of warehouse space
We Are Everywhere for Our Customers (continued)

Magnit operates one of the largest supply chain networks in the country. The scale of operations makes Magnit one of Russia’s biggest employers. In 2020 Magnit initiated a number of supply chain projects aimed at fine-tuning our operations.

Magnit has launched a continuous long-term programme of truck fleet renewal. We sell old cars and procure low-tonnage trucks and semi-trailers complying with Euro-5 eco standard. The renewal of the fleet makes us more efficient and goes in line with the approved strategy for sustainable, environmentally friendly development.

We are also widely implementing a digitalisation programme across our supply chain. New services and technologies will significantly improve the efficiency of our logistics, thereby reducing our carbon footprint and increasing the freshness of our produce on sale. Due to the centralised logistics system, we managed to effectively optimise our costs.

Headline Measures

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loyal customers (activated cards)</td>
<td>43 mln</td>
</tr>
<tr>
<td>Number of trucks</td>
<td>4,355</td>
</tr>
<tr>
<td>Selling space</td>
<td>7,497 thou. sq. m</td>
</tr>
<tr>
<td>Penetration in sales</td>
<td>70%</td>
</tr>
<tr>
<td>Number of distribution centres</td>
<td>1,707</td>
</tr>
<tr>
<td>Production units</td>
<td>17</td>
</tr>
<tr>
<td>Private label SKUs</td>
<td>&gt;2,500</td>
</tr>
</tbody>
</table>

Satisfying our customers’ changing needs is the heart of everything we do.

Big Data analytics and innovative solutions we use allow us to continuously improve customer experience. We aim to build an ecosystem of complementary services around the Magnit brand and a strong omni-channel core.

We took our first steps in large-scale digital transformation earlier by rolling out our unique cross-format loyalty programme which proved extremely successful. In 2020 Magnit launched an unmatched 5-year ERP Transformation Programme based on SAP solutions which will be the largest project of its kind in the Russian retail sector. We will leverage not only our partners’ expertise, but also develop relevant internal expertise.

In the reporting year Magnit initiated development of its super app, which will use the existing loyalty programme to bring together online ordering, payment and credit solutions, lifestyle and other non-financial customer services, as well as privileges from its partners. The first step of implementing these solutions was the launch of Magnit Pay payment service which enables customers to pay for their purchases in any store, including online.

For more information about Magnit Super App see next page.

1 Loyalty programme was launched in Q2 2019
2 A data management platform (DMP) is a software platform used for collecting and managing data. They allow businesses to identify audience segments, which can be used to target specific users and contexts in online advertising campaigns.
Digital Transformation (continued)

We also began testing e-commerce services in the second half of 2020. Magnit currently runs six online delivery projects, both independently and in cooperation with partners. During the first three months, the pilots’ growth dynamics exceeded original expectations and showcased the high potential of this market.

Magnit’s future ecosystem will be in every customer’s pocket within a single super app

Value for Magnit

- Increase of Gross Margin Per User
- Increase of Client Lifetime Value

Value for Client

- Promo
  - General promo
  - Marketing communication
- In-store experience
  - Product scanner
  - Mobile Check-out
- Loyalty
  - Digital card
  - Personal promo
- Partnerships

Mag Title Super App

Complemented by selected single-purpose apps

Content
- Digital Magazine
  - Thematic clubs
- Ecom
  - Express grocery
  - Regular grocery
- E-drogerie
  - E-pharma
- Ecosystem service
  - Magnit Pay
  - Magnit Mobile

Unique Own Production Capabilities

Magnit is the only Russian food retailer with its own food production capabilities.

The Company currently operates 4 agricultural and 13 food production sites located across different parts of the Company in Krasnodar, Moscow, Saratov, Tver, Samara, Lipetsk regions, and the Republic of Bashkortostan.

In-house production facilities allow Magnit to control the quality of food at all production cycle stages and ensure the best value for money on the shelf. Magnit’s in-house facilities produce goods under the Company’s private labels, including My Price, Magnit, and Magnit Freshness. Overall, the food production plants supply over 450 items to store shelves across the retail chain, including fresh vegetables and greens, mushrooms, confectionery, pasta and flour products, ready-to-heat food, teas, dry breakfast cereals, and many others. In 2020 the Group’s own facilities set its new record, having produced ~310,000 tonnes of products, a 31% increase in sales year-on-year.

- Unique Own Production
- Capabilities

4
Agricultural complexes

166
Production lines

31%
Growth of revenue from the own production sales in 2020 compared to 2019

-310 thous. t
Own production

13
Production facilities produce sweets, cereal, pasta, instant food, nuts, spices and fish

82
Quality awards in 2020

-6,000
Average number of orders per day

> 40,000
SKUs available across all services

43 mln
Active loyalty cardholders

> 1,000
Stores in 47 regions and 72 cities

RUB 2.0 bln
Annualised run-rate

70%
Penetration in sales
Unique own production capabilities

3,358 ha cultivated land
Unique own production capabilities
Retail with purpose

The scale of our operations across the country presents us with great responsibility in how we conduct our business. During 2020, we launched Magnit’s Sustainability Strategic Framework and set ourselves an ambitious goal of embedding sustainability into every aspect of the business and its processes.

By motivating our employees, inspiring our customers and helping to develop the communities in which we operate, we intend to set an example for the industry as a whole. We look forward to building a comprehensive network of partners, drawing on the wide range of our stakeholders, in a belief that effective partnering is key to achieving the ambitious goals we have set for ourselves.

Magnit focuses its efforts on five key areas: reducing environmental impact, creating a responsible supply chain, taking care of employees, supporting local communities, and promoting healthy lifestyles.

Sustainability Strategic Framework

Our ambitions:

Leader
in environmental impact reduction in the industry

100% responsible supply chain

#1
in the industry

Positive
impact on the quality of life of all people in Russia

Best
in class corporate governance

Our focus areas:

Environment
Sustainable Sourcing

Employees
Strategic goals for working with employees by 2025

Communities
Strategic goals to support local communities by 2025

Health & Wellness
Strategic goals to support health and healthy lifestyle by 2025

Fair business
Environmental stewardship
Diversity & inclusion
Responsible marketing
Partnership

Strategic goals for reducing environmental impact by 2025

50% private labels and own production packaging are recyclable, reusable or compostable

100% recyclable plastics in own operations are recovered and recycled

50% food waste reduction

30% reduction in greenhouse gas emissions

25% reduction in water and energy consumption

50% responsible own production and agriculture

+ increase in green packaging

50% rate of employee satisfaction

50% lost time incidents rate reduction and zero fatalities

40% maximum turnover rate

100% responsible sourcing for socially important categories

100% responsible sourcing for commercial and non-commercial purchases

+ increase in green packaging

100% responsible sourcing for socially important categories

100% responsible sourcing for commercial and non-commercial purchases

+ increase in green packaging

70% rate of employee satisfaction

50% rate of employee satisfaction

40% rate of employee satisfaction

All quantitative goals for reducing the indicators are calculated for 1 sq. m of total space.
Magnit has joined the UN Global Compact, the world’s largest corporate sustainability initiative, including over 13,000 participants from more than 160 countries. Magnit has committed to implementing and promoting its ten principles in support of human rights, labour rights, the environment and anti-corruption. Magnit has already begun taking meaningful strategic actions to advance societal goals and shape a more sustainable future with the launch earlier this year of its pioneering five-year Retail with Purpose sustainability strategy.

In 2020 Magnit adopted its Sustainability Strategy under the motto “Retail with purpose”. We have millions of daily touchpoints with our stakeholders: customers, employees, suppliers, authorities, and investors. It makes an enormous difference to how we operate and conduct our business. That is why sustainability in what we do every day is so important to us.

In 2019 the Board established the Sustainability Steering Committee which has responsibility for the day to day coordination of the sustainable development programme. The Committee is responsible for providing recommendations on embedding sustainable practices throughout the business and targeting social, environmental, resource and energy issues. Under the supervision of this Committee, there are 16 working groups responsible for creating sustainable business models for all areas of our operations: retail, production, sourcing, logistics and human resources management.

Since the beginning of the pandemic, we stood at the frontline, making sure we did our best to help all parties in battling the spread of the virus. The Company is committed to helping customers and employees and all those who are impacted by the pandemic. In difficult conditions, we continue to provide customers in 66 regions of Russia with all the necessary goods, maintain a high level of logistics, produce quality products, and implement a set of security measures.

For more information, please see Sustainability on page 102.

For more information, please see Sustainable Development on page 102.

For more information, please see Strategic report on page 367.

For more information, please see Measures Against COVID-19 on page 68.

For more information, please see Sustainable Development on page 102.

For more information, please see Strategic report on page 367.