

# Chairman's Statement

Dear shareholders,

Magnit remains one of the country's largest retail and food production businesses. Over the past year, we strengthened our market leadership by building on our competitive advantages, anticipating market trends and transforming our business accordingly.

2020 presented us with extraordinary challenges in terms of both economic trends and the global pandemic, which exposed every industry, including retail, to new risks. In addition to protecting the health and safety of our people, our primary goal was to ensure products remained available and were safely accessible to all our customers. To achieve this, we implemented heightened safety measures, created special programmes to monitor on-shelf stock levels and helped those who were hit the hardest. In April 2020, to support vulnerable citizens, the Company announced the launch of its #MagnitZabota (#MagnitCare) social programme. Since then, we have provided over 350 thousand food parcels in 24 regions of Russia.

We leveraged our unique business model featuring a large supply chain, own production and agricultural facilities and multi-format umbrella brand to overcome the challenges of 2020. As a result, Magnit reported robust financial and operational results, with improvements in net profit, sales volumes across all formats and working capital cycle. We continued to pursue our strategic goal of creating a value-for-money store of choice for Russian families, while focusing on existing competitive advantages and creating a base for Magnit's future sustainable growth.

We can see that grocery retail was among the least affected industries by the pandemic, as our customers faced restrictions on their movement, they increased their spending on food. Magnit's investment volumes declined compared to the previous year, as the pace of our expansion slowed and our focus on the redesign and relaunch of sales in existing stores increased.



## Chairman's Statement (continued)

Despite the current economic environment and high price-sensitivity, we see consumers seeking high quality, responsibly sourced and fresh produce as well as a convenient and high-tech service. In line with our strategy of putting customers at the heart of our decision-making process, we continued to evolve our business, developing our own production facilities and constantly improving consumer experience. This also led to the launch of several e-commerce projects, both independently and in cooperation with partners. We rolled out a unique cross-format loyalty programme, piloted new formats, and progressed in developing and improving operational efficiency by launching wide-scale digital transformation and enhancing category management.

We continued to pursue our ambitious task of developing a "best in class" corporate governance system, in line with best practice in Russia and internationally. In 2020 the Board of Directors engaged an independent consultant for an external assessment of the Board of Directors. In terms of the balance of independent, non-executive and executive directors, our Board of Directors complies with the best market practices. The consultant noted a high level of efficiency of the Board of Directors, as well as involvement of the members of the Board of Directors in the Company's work.

The fact that our Board of Directors committees are led by independent non-executive directors and consist mostly of independent directors provided a strong foundation for us to build on.

To further enhance our transparency, in 2020 we adopted the new edition of Magnit's Articles of Association, which helped us combine all the changes of the previous years.

As a leading Russian retailer serving millions of customers across 66 regions daily and employing over 300,000 people, Magnit has a significant impact on the communities in Russia and abroad. We acknowledge that this position comes with great responsibility and remain committed to best practice in business sustainability.

To focus our efforts, in 2020, we implemented our Sustainability Strategy, "Retail with Purpose", with commitments up to 2025. We also created a Sustainability Steering Committee headed by our President and CEO Jan Dunning which consists of 16 working groups with representatives from all key units. To oversee the implementation of our ESG strategy, we appointed Anna Meleshina to the newly created role of Director for Corporate Relations and Sustainability.

Furthermore, we joined the UN Global Compact, a UN-driven worldwide initiative with over 13,000 companies working on ESG topics.

I would like to express my sincere gratitude to Magnit employees, a family that brings together more than 300 thousand people across the country. It is their dedication, enthusiasm and mutual support that has enabled us to provide an uninterrupted service of the highest standard during the pandemic. I was particularly impressed by our employees' flexibility and willingness to learn, both of which are necessary for the smooth transformation of our business.

I would also like to extend my gratitude to my fellow members of the Board whose expertise and diligent work strongly contributed to implementation of Magnit's strategy throughout the year. The Management Board, whose members' decisions played a pivotal role in the Company's robust transformation process, also have my respect and deserve praise for managing the Company adeptly through a very difficult period.

Finally, I would like to thank our shareholders for the continued trust they place in Magnit. I am proud to say that, despite adverse conditions, we successfully maintained continuous and open dialogue with the investment community by participating in virtual conferences and meetings, and by providing regular updates to the market.

Given our strong track record and solid reputation, I am confident that Magnit is well placed to leverage future opportunities and deliver on its strategic objectives. Looking forward, we will remain focused on delivering value to our shareholders, working as one team to transform the Company into the most innovative and efficient player in Russian retail.

### Charles Ryan

Chairman of the Board  
of Directors