Chairman's Statement

Magnit has continued to consolidate its position as one of Russia’s largest retail and food production businesses. In 2021, we completed the acquisition of Dixy, and we continued to build our private label and multi-format offerings to meet consumer trends.

The ongoing global pandemic has demonstrated Magnit’s ability to respond to change quickly and meet the challenges presented by constant uncertainty. First and foremost, our priority is to ensure the health and safety of our staff and customers alike, so we have put in place all the necessary measures to stop the spread of the virus and help vulnerable people to cope during these difficult times. Some of our large-format stores have been used as vaccination centers, supporting the road out of the pandemic. We also arranged vaccination of our employees in our head office, which made the vaccination process for our colleagues easier and safer.

Our strategy for sustainable growth – to continually improve our customer value proposition, bring about efficiencies, undertake considered expansion and a multi-format provision – resulted in a strong financial and operational performance with improvements across all KPIs. We are firmly positioned as a value for money store of choice for Russian families.

The acquisition of Dixy, the fifth largest grocery retailer in Russia, in July 2021 added 2,477 stores to the Magnit portfolio and strengthened our presence in the Moscow and St. Petersburg regions. The brand has a strong customer base and has added scale to Magnit’s operations. Integration of the business is progressing well, with profitability improving since the acquisition.

Magnit’s e-commerce sales channel continued to gain traction, achieving RUB 11 bln Gross Merchandise Value (GMV) for 2021, with the average number of orders per day exceeding 62,000 in the fourth quarter of the year. At the end of December Magnit processed 100,000 orders per day, and this is a big achievement as the Company has only recently started to roll out its e-commerce offering.

Magnit now runs a number of online delivery projects, including own delivery and partnerships, across grocery, pharma and cosmetics.
Chairman’s Statement (continued)

A continued decline in real disposable income saw significant growth in discounter stores, a format that has had considerable success in Europe and which is underpenetrated in Russia. Magnit is at the forefront of this value-for-money offering, having opened over 200 My Price brand stores since July 2020.

The ongoing development of our private label is also supporting price-sensitive customers across all Magnit formats, offering high quality products at a range of prices to suit varying customer needs. We have expanded our unique own production capabilities and built new, and strengthened existing, partnerships to grow our Private label range. In 2021, we grew our Private label range by over 20%.

Our commitment to developing a ‘best in class’ corporate governance system resulted in a number of developments in 2021. The rapid growth of Magnit led us to reevaluate our Board structure to make sure we have a broad range of skills and knowledge needed to support our growth ambitions, while also ensuring greater diversity. As a result, the Board of Directors has been extended from nine to eleven members, strengthening its independence and gender diversity.

In parallel, the Management Board expanded from nine to 13 members to improve decision-making and reflecting the Company’s strategic priorities and development in the retail market.

We continued to develop the long-term and short-term incentive (LTI & STI) programmes to ensure an optimal and fair method of motivation and compensation for top management, adding new members to the LTI and setting KPIs for the STI against which performance is evaluated.

Led by our President and CEO, Jan Dunning, our sustainability strategy is supporting the Company’s overall strategy. In April 2021, Magnit published its second sustainability report, presenting the Company’s progress on commitments to 2025 announced in June 2020. Now in its third year, the Sustainability Strategy is embedded fully in Magnit’s day-to-day operations, underpinning many non-financial KPIs and long-term environmental and social aspirations.

We recognise that even more can be gained if we work with other influential partners to achieve our ESG goals. That is why we joined forces with eight of the largest international FMCG producers in the ‘United for a Healthier Future’ initiative. Our pledge is to improve the quality of life for consumers and local communities by promoting healthy living and environmental care through education, making available sustainable goods, solutions, and services, cooperating with other organisations, and investing in research.

Attracting and retaining talent is a key concern for all retailers in Russia as migration flows have slowed. In 2021, we continued to develop both financial and non-financial incentives for staff and evolved our unique internal training and development programmes. Our employees are part of the large Magnit ‘family’ around which there is a strong culture of communication and support both in and out of work. I would like to extend my thanks to all Magnit employees who worked tirelessly in 2021.

We maintained regular engagement with investors throughout the year, holding meetings and issuing regular announcements, reflecting the high degree of activity in this particularly busy year. We encourage two-way dialogue, responding to any concerns raised. Last year we introduced a new Audit Fees Policy in response to objections raised by shareholders in relation to non-audit fees. The new policy limits the amount of non-audit fees charged by Magnit’s auditors.

I would like to extend my thanks to all members of the Board and Management Board, both old and new, for their dedication to Magnit and supporting the execution of our strategy. I would also like to extend a warm welcome to all those who joined in 2021, as they support the continued growth and transformation of the Company.

Charles Ryan
Chairman of the Board of Directors