



MAGNIT TRANSFORMATION STRATEGY

Investor Day Presentation

September 2018

This presentation ("Company Presentation") comprises certain written materials/slides prepared by Public Joint-Stock Company Magnit (the "Company"), strictly only for the purposes of discussion and feedback with investors and analysts.

This Company Presentation does not constitute or form part of any offer or invitation to sell or issue, any offer or inducement or invitation or commitment to purchase or subscribe for, or any solicitation of any offer to purchase or subscribe for, any securities in the Company or any other entity nor shall it or any part of it nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision in relation thereto.

The information contained herein is preliminary and indicative and does not purport to contain the information that would be required to evaluate the Company, its financial position and/or any investment decision. This document is not intended to provide, and should not be relied upon for, accounting, legal or tax advice nor does it constitute a recommendation to purchase the Company's securities. Accordingly, by attending any presentation in which this document is made available or by receiving this document through any other means, you represent that you are able to receive this document without contravention of any legal or regulatory restrictions applicable to you and will not use this information in relation to any investment decisions (if any). The Company Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction.

No reliance may be placed for any purposes whatsoever on the information contained in this Company Presentation or on its completeness. Details included in this Company Presentation are subject to updating, revision, further verification and amendment. The Company is not under any obligation to update or keep current the information contained in this Company Presentation. No representation or warranty, express or implied, is given by or on behalf of the Company or any of its respective subsidiary undertakings, affiliates, agents or advisers or any of such persons' affiliates, directors, officers or employees or any other person as to the fairness, accuracy, completeness or verification of the information or the opinions contained in this Company Presentation and no liability is accepted for any such information or opinions. While the information herein is believed to be accurate, the Company, its shareholders, and its advisors as well as the directors and officers of such parties disclaim any and all responsibility and liability whatsoever, whether arising in tort, contract or otherwise, for the contents of, errors in or omissions from, this Company Presentation and for any written or oral communication transmitted or made available to any investor or its advisors or for any loss, cost or damage suffered or incurred howsoever arising, directly or indirectly, from any use of this Company Presentation or its contents or otherwise in connection with this Company Presentation. No representations or warranties are made as to the accuracy or completeness of any statements, estimates and projections with regard to future performance. No statement in this Company Presentation is intended to be nor may be construed as a profit forecast. Interested parties should conduct their own investigation and analysis of the company, and of the data set forth in this Company Presentation.

Certain information contained in this document has been obtained from published and non-published sources prepared by other parties, which in certain cases have not been updated to the date hereof. While such information is believed to be reliable for the purpose used in this document, the Company does not assume any responsibility for the accuracy or completeness of such information and such information has not been independently verified by the Company. Except where otherwise indicated herein, the information provided in this document is based on matters as they exist as of the date of preparation and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

Certain statements in this Company Presentation may constitute forward-looking statements. Any statements that address expectations or projections about the future, including statements about operating performance, market position, industry trends, general economic conditions, expected expenditures and financial results, are forward-looking statements. Forward-looking statements may be identified by words like "expects", "anticipates", "plans", "intends", "projects", "indicates" and similar expressions. Any statements contained herein that are not statements of historical fact are forward-looking statements. Such statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Accordingly, actual results or the performance of the Company or its subsidiaries may differ significantly, positively or negatively, from forward-looking statements made herein. Unanticipated events and circumstances are likely to occur. Due to various risks and uncertainties, actual events or results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making any investment decision. No representation or warranty is made as to the achievement or reasonableness of and no reliance should be placed on any forward-looking statements.

THE INFORMATION WITH RESPECT TO ANY PROJECTIONS PRESENTED HEREIN IS BASED ON A NUMBER OF ASSUMPTIONS ABOUT FUTURE EVENTS AND IS SUBJECT TO SIGNIFICANT ECONOMIC AND COMPETITIVE UNCERTAINTY AND OTHER CONTINGENCIES, NONE OF WHICH CAN BE PREDICTED WITH ANY CERTAINTY AND SOME OF WHICH ARE BEYOND THE CONTROL OF THE COMPANY. THERE CAN BE NO ASSURANCES THAT THE PROJECTIONS WILL BE REALISED, AND ACTUAL RESULTS MAY BE HIGHER OR LOWER THAN THOSE INDICATED. NONE OF THE COMPANY NOR ITS SHAREHOLDERS, DIRECTORS, OFFICERS, EMPLOYEES, ADVISORS OR AFFILIATES, OR ANY REPRESENTATIVES OR AFFILIATES OF THE FOREGOING, ASSUMES RESPONSIBILITY FOR THE ACCURACY OF THE PROJECTIONS PRESENTED HEREIN.

By attending this Company Presentation and/or accepting or reading a copy of this Company Presentation, you agree to be bound by the foregoing limitations and conditions and, in particular, will be taken to have represented, warranted and undertaken that you have read and agree to comply with the contents of this notice.

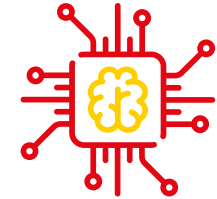


Context

Strategy

Finance

Governance



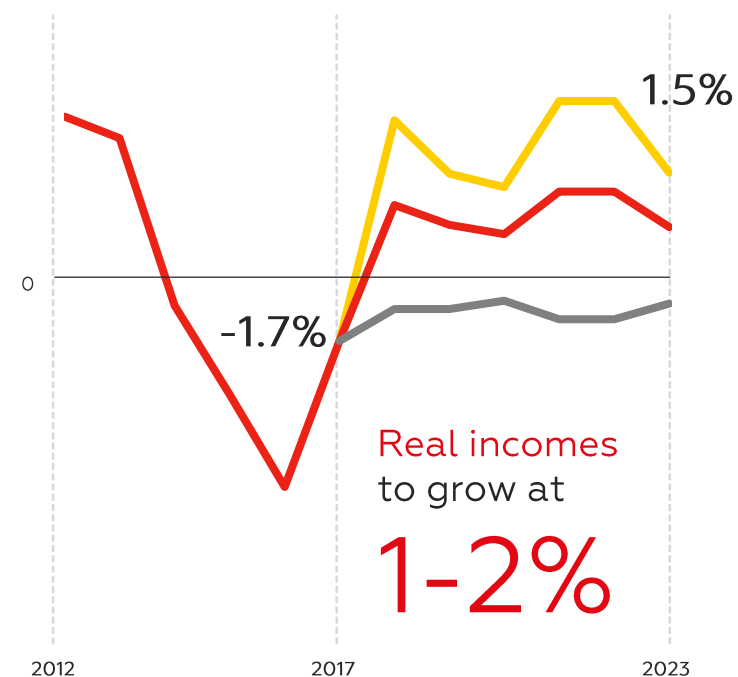
MACRO-
ECONOMIC
SITUATION

CUSTOMER
PREFERENCES

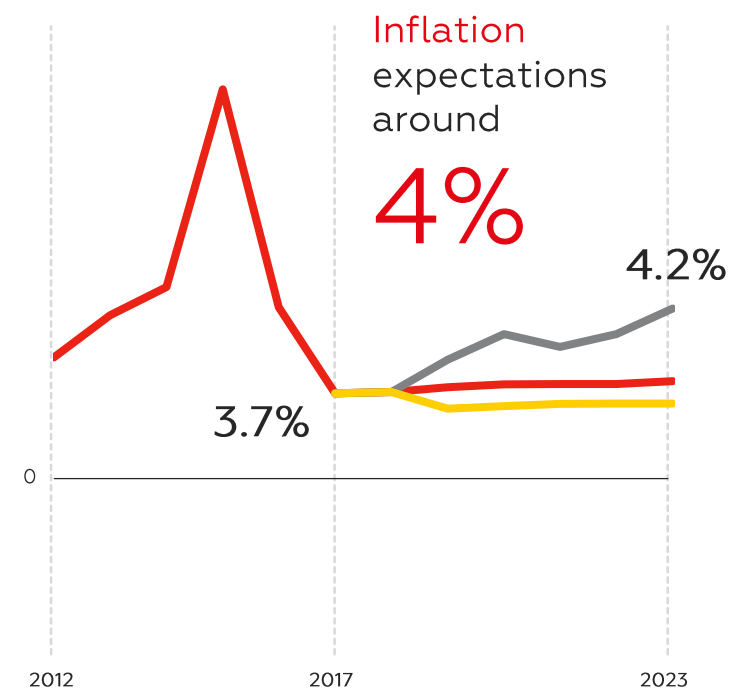
RETAIL
DYNAMICS

TECHNOLOGY
DEVELOPMENT

Modest economic growth



Stable environment...



The risks of a recessions and government regulation have increased



Analysts predict a recession in 2020 -2022 with a probability of >25%



US & EU Sanctions add pressure on the economy



Government tightening

- VAT increase from 18% to 20%
- New certification rules and duties
- Risk of tougher commercial legislation

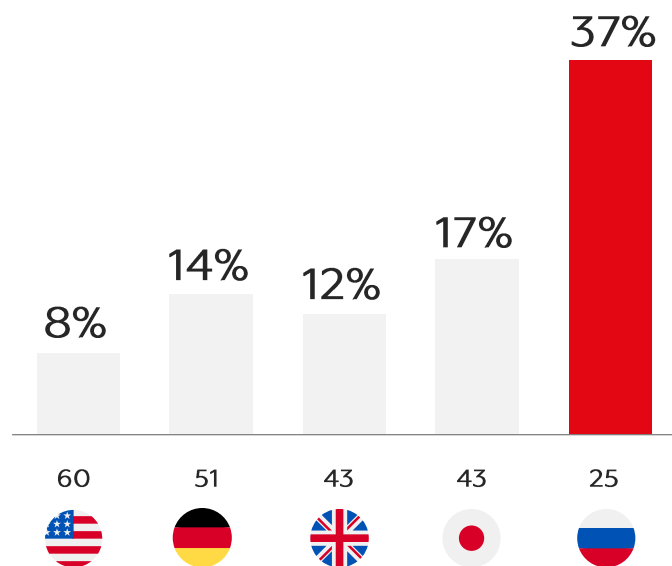
— Optimistic scenario — Realistic scenario — Pessimistic scenario

Summary: customer preferences (I/II)



Russian customers remain income constrained with food taking a high share of their wallet

Share of grocery spend in total consumption, %



XXX - real GDP/cap (\$K), 2017

1. % of respondents, who "Agree" and "Strongly agree" with the statement
Note: GDP numbers in purchasing power parity

Source: EIU, BCG consumer sentiment survey 2017

6 - Magnit Strategy - Context

Customers remain price sensitive ...

In the coming year I plan to¹ ...



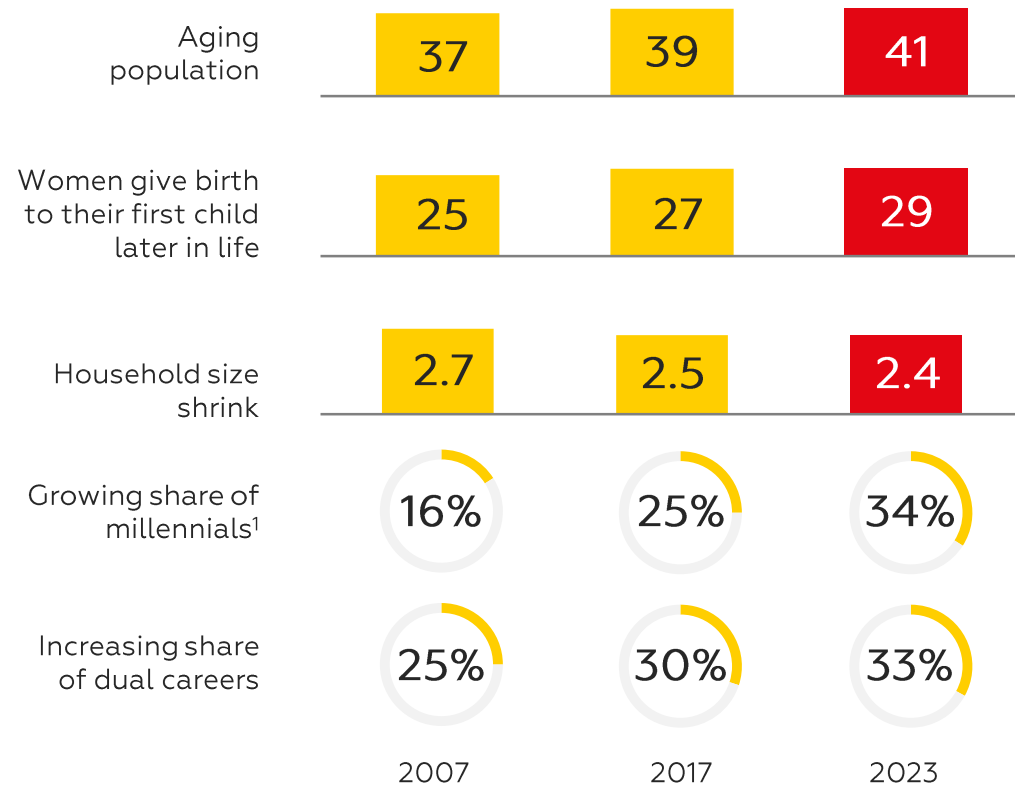
... but getting much more demanding

In the upcoming year, I plan to shift to² ...



◆ Disagree ◆ Agree

Demo trends and time compression driving need for convenience

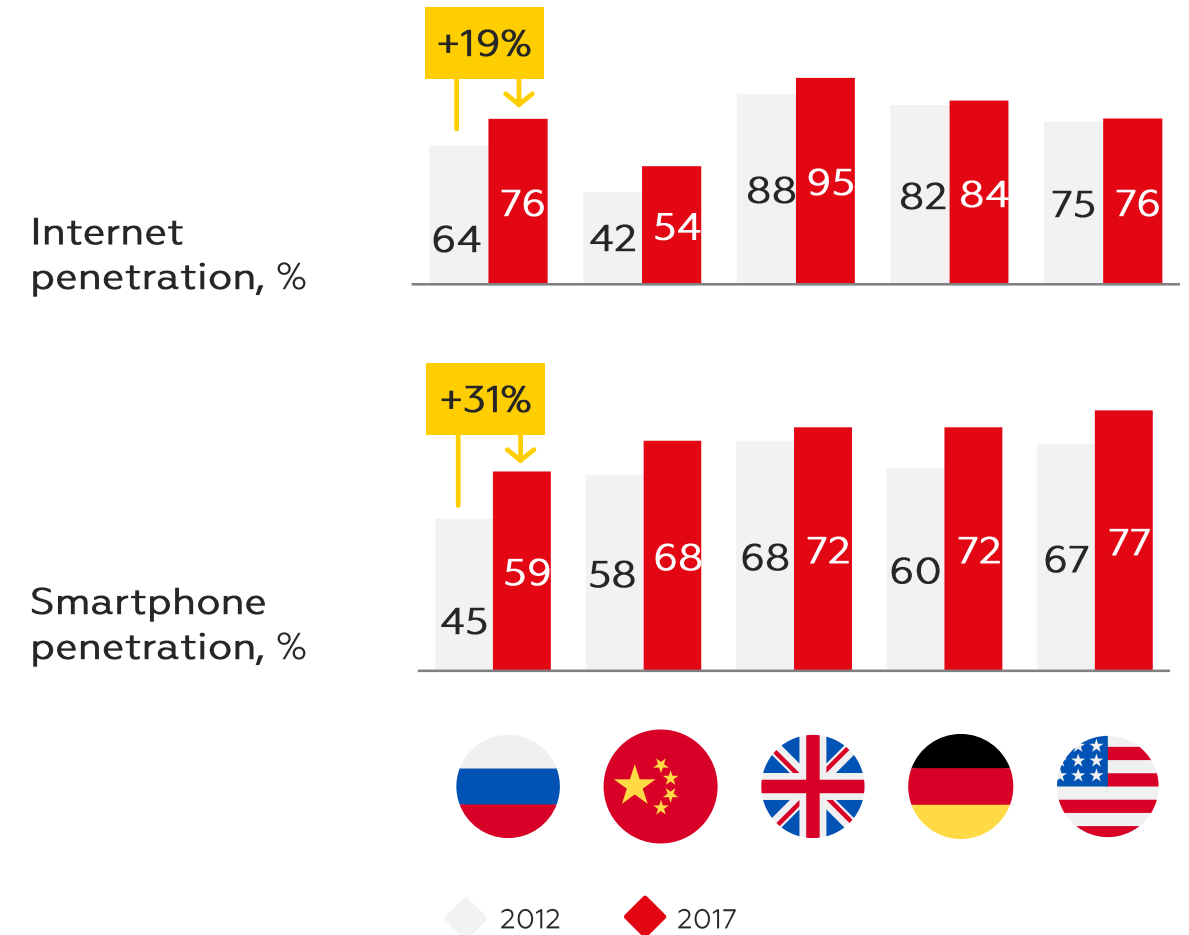


1. Share of millennials in work force
Note: GDP numbers in purchasing power parity

Source: ITU, Rosstat

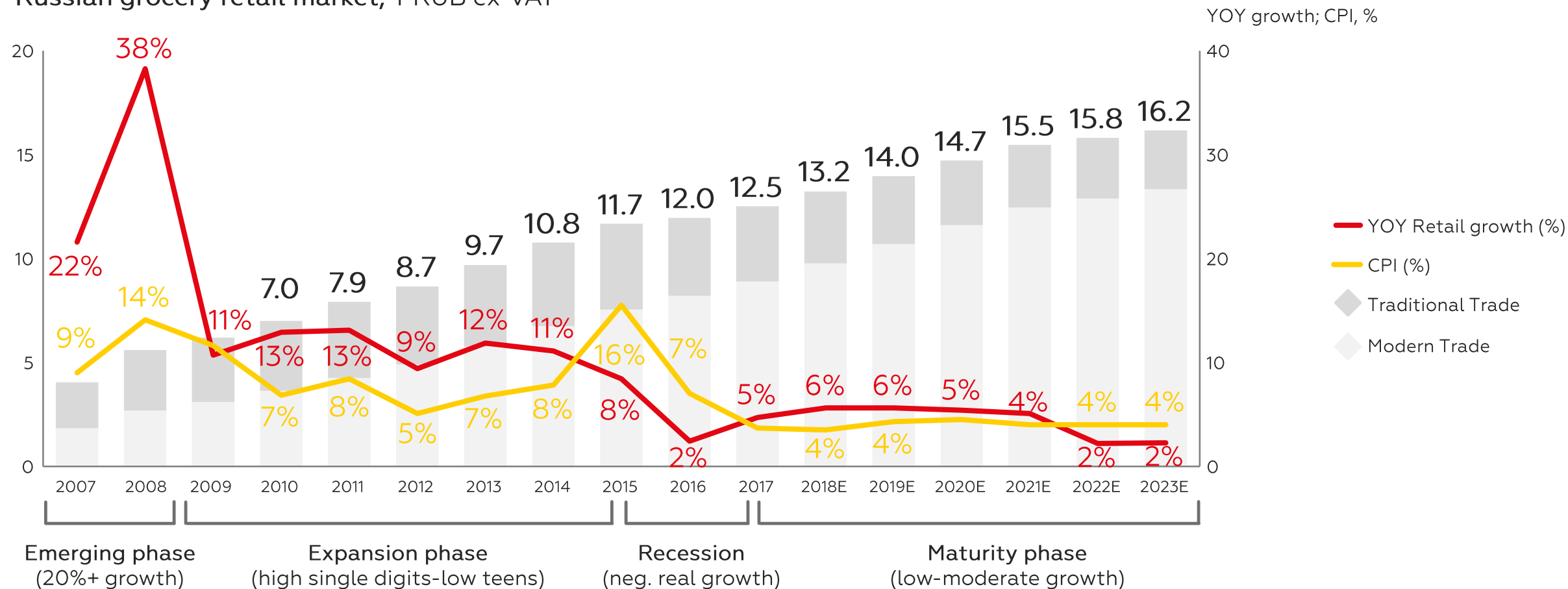
7 - Magnit Strategy - Context

Customers increasingly embracing digital trends and behaviors



Grocery retail entering maturity phase, growth just above inflation (4-6%)

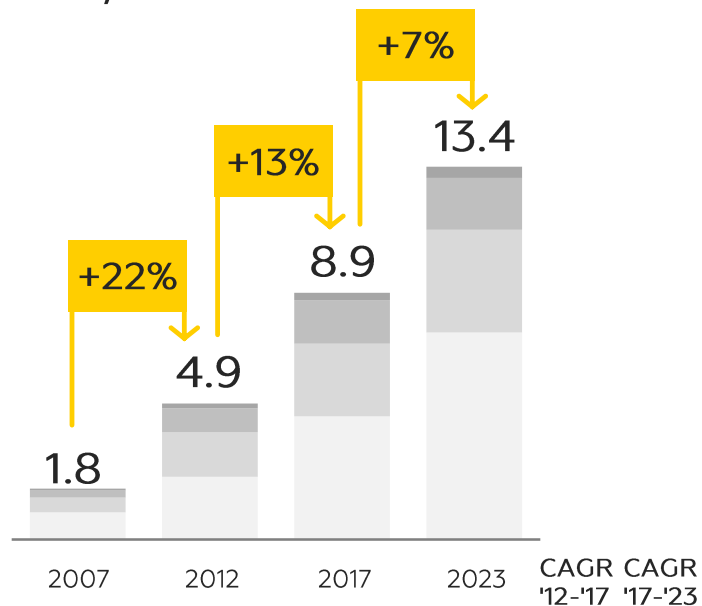
Russian grocery retail market, T RUB ex-VAT



Source: EIU (CPI); Goldman Sachs; Infoline; Rosstat, BCG estimates

Modern retail continues to outpace:
Proximity and Supers to capture growth

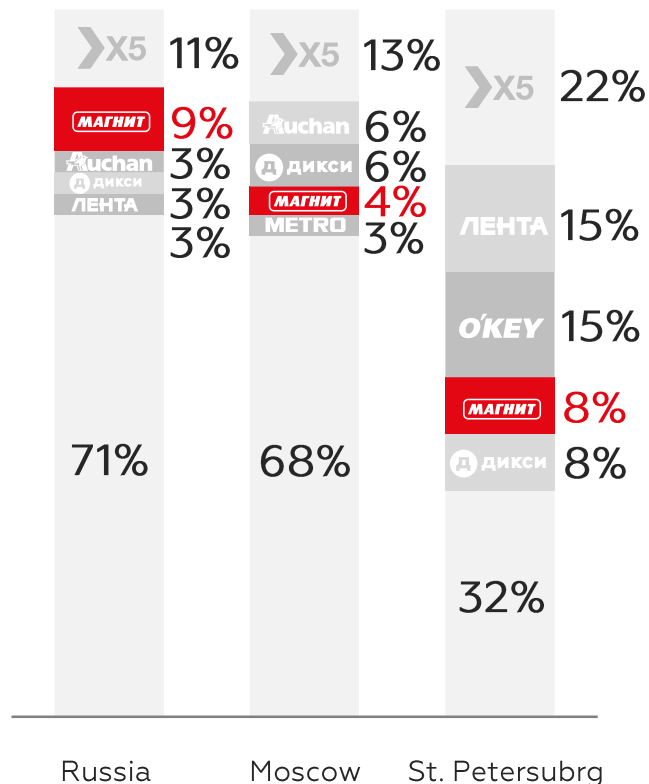
Market value, T RUB ex VAT



	Others	Hypers	Supers	Proximity		
2007	0,1	0,2	0,3	0,4	9%	6%
2012	0,2	0,9	1,6	1,9	12%	3%
2017	0,3	1,6	2,6	3,7	10%	6%
2023	0,4	1,9	3,7	7,5	15%	9%
% of Modern Trade	46%	57%	71%	82%		

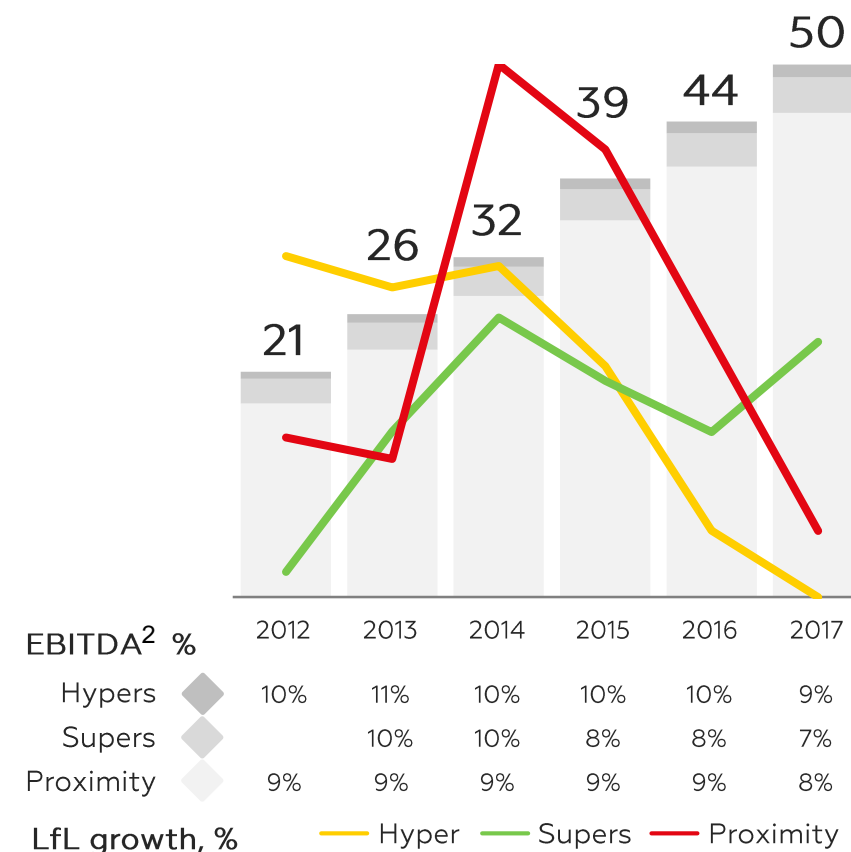
Plenty of room for consolidation as market remains highly fragmented

Shares of top 5 players, FY 2017, %



As space is added, need to watch out for pressure on LFL and margins

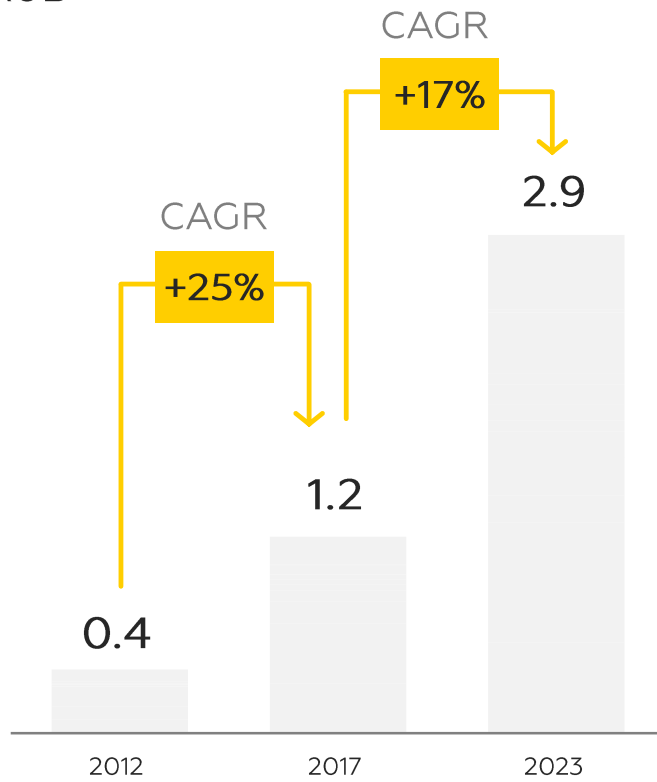
thousand stores¹



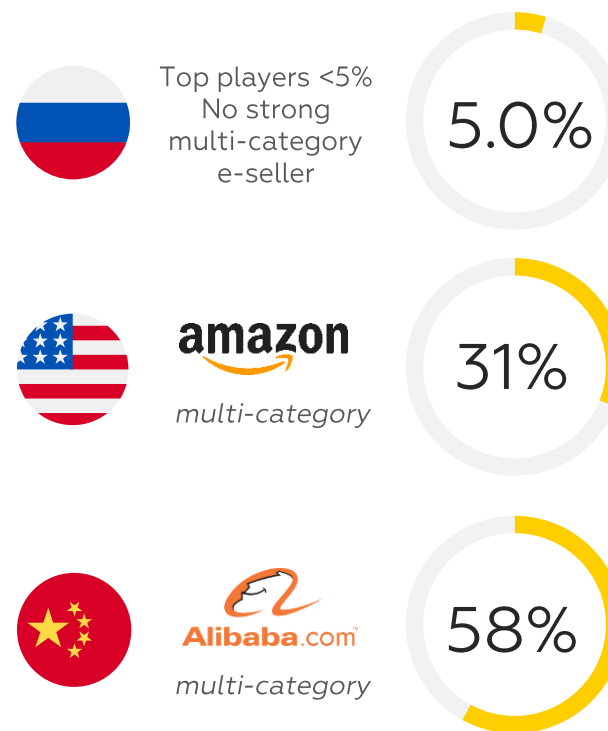
1. Magnit, X5, Lenta, Dixy and Okey
2. Weighted average for relevant formats of Magnit, X5, Lenta, Dixy and Okey

E-commerce has considerable growth potential in Russia and remains very fragmented compared to biggest markets

Russian eCommerce market, T RUB

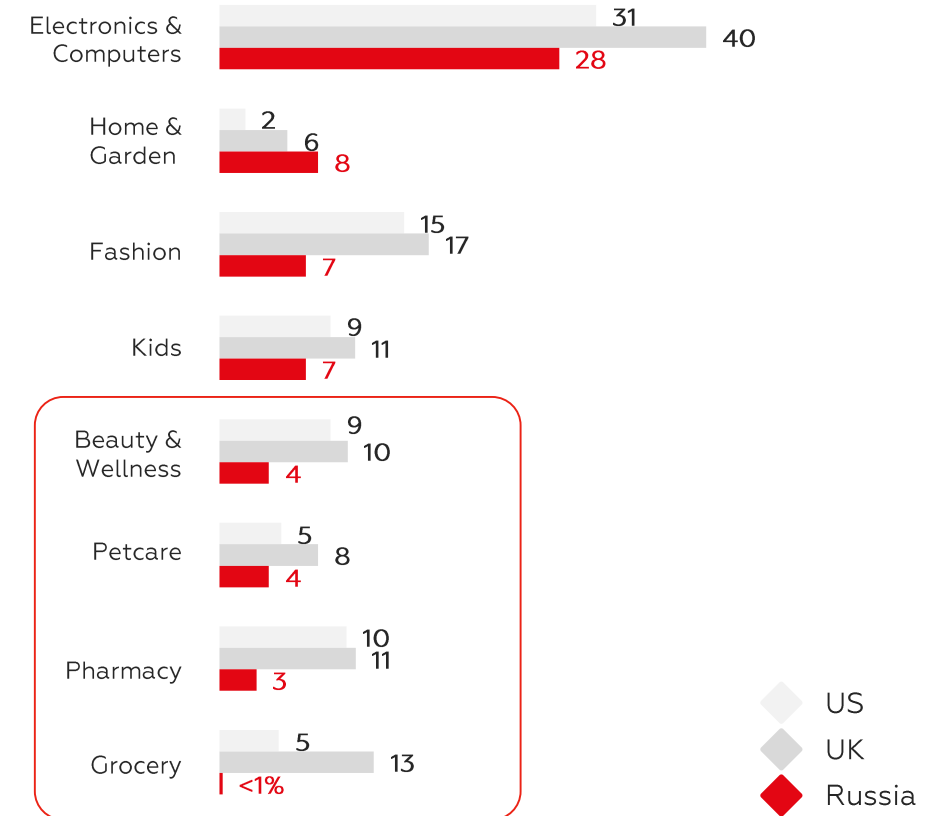


Share of top players, FY 2017, %



FMCG categories particularly under-penetrated in Russia

E-commerce penetration, %



Source: Mintel, Planet Retail, Euromonitor, eMarketer, BCG analysis

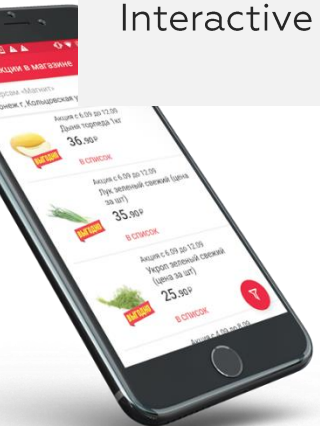
COMMUNICATION

New ways to communicate and interact with consumers

Mobile apps

Multi-platform digital marketing

Interactive systems and displays



OPERATIONS

Use of technology to improve operational efficiency and reduce costs

Robots in stores and warehouses

Frictionless checkout

Temperature and motion sensors in refrigerators



DATA

Collection and use of (big) data on consumers and transactions

Predictive analytics of operational data, e.g. POS analytics, inventory management

Smart video analytics

Customer ownership and personalization



Expect modest growth environment. Zero LFL as the market environment. Growth will require step change in proposition

Customers' income remain constrained but customers are getting more demanding. Value remains key for price sensitive customers. But customers also expect better quality and experience at affordable price



The race for the base space is not over. Although modern trade share is rising, the market remains highly un-consolidated

Focus on efficiency and cost will be more important than in the past. Modest growth / high competition environment will result in margin pressure

Digital is transforming all elements of the value chain. Use all channels to interact with the customers; build data and analytics capabilities; automate and digitise operations



Macro-economic situation

- We will need to operate in 1-2% real growth environment
- Although 4% inflation is expected, it may not translate into positive LFLs due to store market expansion
- Zero LFL likely to become the new "base" for the market; Growth will require CVP reinvention
- To succeed in the market environment with zero-LFL-base, we will need to step up efficiency efforts



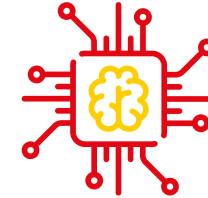
Customer preferences

- Our customers remain income constrained and price sensitive – value must be core to our proposition
- We can give them additional value by serving more of their needs, with a cross-format loyalty and reward programme
- Our customers are also getting more demanding - we need to give them better experience – in terms of assortment, atmosphere, convenience



Retail dynamics

- The race for the right space is not over. Best new locations more difficult to get but we must lead here
- We will continue to focus on Proximity format – best response to need for convenience and saving time; Supers also have strong growth potential
- We can expand in formats that cater to adjacent needs



Technology development

- We have a unique opportunity to use our customer data to drive personalised value to customers
- We need to selectively embrace digitisation of business operations
- Finally, we recognise that platform and digital native players are starting to play a bigger role in retail – we plan to consider partnership/ ecosystem solutions to best serve our customers



Strengths we can build on

- Strong brand
- Loyal customer base especially in the regions
- Strong perception of value
- Ability to lead on operational efficiency
- The largest store and logistics footprint with a strong regional presence
- Ability to leverage most recent technological trends and innovate



Opportunities

- Focus on customers
- Operational model to support growth, incl. decentralization of operations
- Implementation of best practice in category management
- Centralisation of services
- IT infrastructure improvements



Context

Strategy

Finance

Governance

Vision and goals

Target consumer segments



Needs to cover

Self-actualization

Respect

Love/belonging

Safety

Physiology



Key propositions to cover needs

Formats to cover various missions

Propositions developed for specific locations

CVP by formats



Ecosystem creation

Better understanding of the consumer

Frequent contact with the Russian consumer

Holistic loyalty program

Personalization

Requirements for management system and operations

Financial model

Roadmap: initiatives aimed at strategy implementation

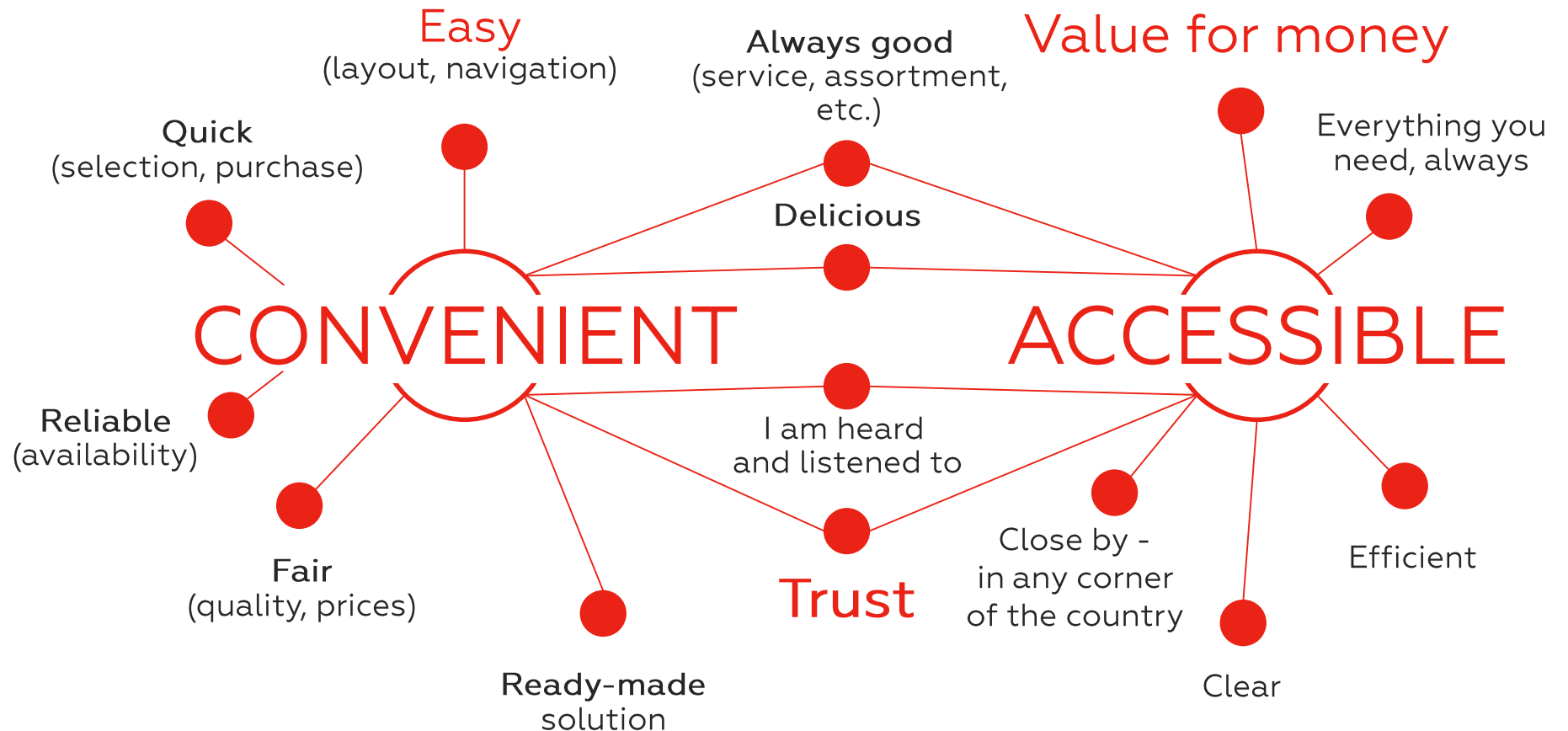
Visit to Magnit
today

Cheap
Close by

BUT

Chore
Energy-
consuming
Unpleasant

"Family" of offers by Magnit
future





We meet the most important needs of customers



With convenient and accessible solutions



Through the family of Magnit stores (single omnichannel ecosystem)



Everywhere in the country, for all major customer segments



Why do customers prefer Magnit?

- Compelling customer proposition in each format
- Best cross-format offer and loyalty programme
- Best in class private label

8 customer segments on the Russian market



Price-sensitive
Simple needs



Value-oriented
Advanced needs



SAVING FANS

- Pragmatic
- Focused on price & promo
- Buy Private Label

GOAL-ORIENTED

- Thrifty
- Sensitive to price & promo
- Buy often, small carts
- Buy Private Label

ENTHUSIASTS

- Curious
- Like promo
- Shopping as entertainment
- Susceptible to ads

TRADITIONALISTS

- Largely retired
- Mistrust promo
- Stable buying habits¹

ROUTINE

- Try to be "like everyone else"
- Stable buying habits¹

STOCK-UPPERS

- Like stocking up
- Combine shopping and entertainment
- Notice new products, sensitive to atmosphere

BUSINESS-PEOPLE

- Pressed for time
- High income
- Buy once a week in a hypermarket
- E-commerce customers

COMFORT SEEKERS

- Unorganized
- Like promo
- Low sensitivity to price - pay for comfort, atmosphere, quality and brand

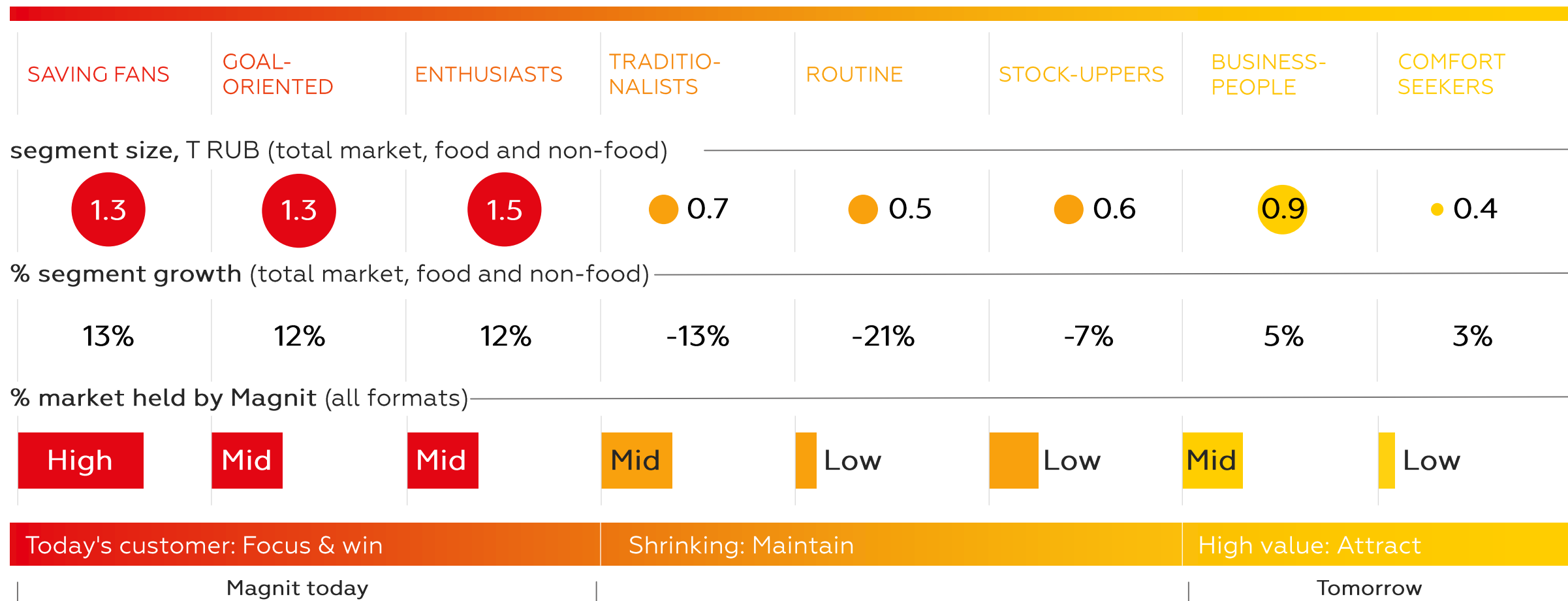
1. Go to the same stores, buy the same basket

Focus: expanding the customer base



Price-sensitive
Simple needs

Value-oriented
Advanced needs



Market share: High >20%; Mid 10%-20%; Low <10%

Source: GFK consumer survey

We are good at catering to basic needs. Time to move up the Maslow pyramid



Hierarchy of human needs...

...examples of products and services...

...corresponding elements of retail offering



Targeting different customer segments with different formats



1. Market size, 2017, ex-VAT
Source: Euromonitor, BCG analysis

Sizable market opportunities with superior growth potential



Market size¹,
T RUB, 2017

Expected market
CAGR'17-23
(vs. grocery 4.4%)

Why we are
entering new
segments

Current status

Cafes

0.9

5.2%

- Deliver elevated in-store experience – part of improving differentiating CVPs
- Cover needs in convenience
- Increase time spent in store – opportunity to grow basket size

Pharmacies

0.7

7.5%

- Build customer trust and affiliation
- Synergies with existing business (Magnit Cosmetic)

Children goods
and toys

0.6

7.2%

- Build customer trust and affiliation – category with high emotional involvement
- Drive traffic – high purchase frequency in some sub categories

Pet goods

0.2

7.9%

- One of the fastest growing sub-categories
- Drive traffic – high purchase frequency

Successful in-store pilots completed, concept evolving

Developing a store-in-store
concept

1. All sizes ex-VAT. Total, addressable market can be smaller
Source: EIU, Euromonitor, Rosstat, BCG estimations

Three key elements of our proposition



Assortment
and value proposition



Atmosphere



Cross-format
loyalty and reward

Assortment: Good quality, affordable proposition in categories that most matter to customers



Category	Market size ¹	Consumer perception		Differentiation	
		Importance of category ²	Traffic generator	Potential	Investments needed
Fresh fruits and vegetables	1,750	84%	✓	◆◆◆◆	◆◆◆◆
Dairy products	840	81%	✓	◆◆◆◆	◆◆◆◆
Meat	1,510	79%	✓	◆◆◆◆	◆◆◆◆
Ready to eat / ready to cook	600	74%	✓	◆◆◆◆	◆◆◆◆
Bread and bakery products	410	67%	✓	◆◆◆◆	◆◆◆◆



Destination categories will differ by format

◆◆◆◆
Low

◆◆◆◆◆
Very High

Note: Data is rounded: 1. In B RUB, 2017 2. As % of respondents who do not save or prefer not to save on categories according to Russian consumer sentiment, 2017
Source: Rosstat, Euromonitor, BCG Consumer Sentiment survey, BCG analysis

Assortment: Strong private label line to offer consumers good, trustworthy quality at an affordable price



Private Label (PL) is our unique offer that helps to differentiate ourselves from the competition and deliver CVP

- **Trust:** quality assurance
- **Value and honesty:** best value for money combination
- **Availability:** always on the shelf
- **Localization:** fully adjusted to local needs



PL has positive impact on our economics - higher gross margins than branded products

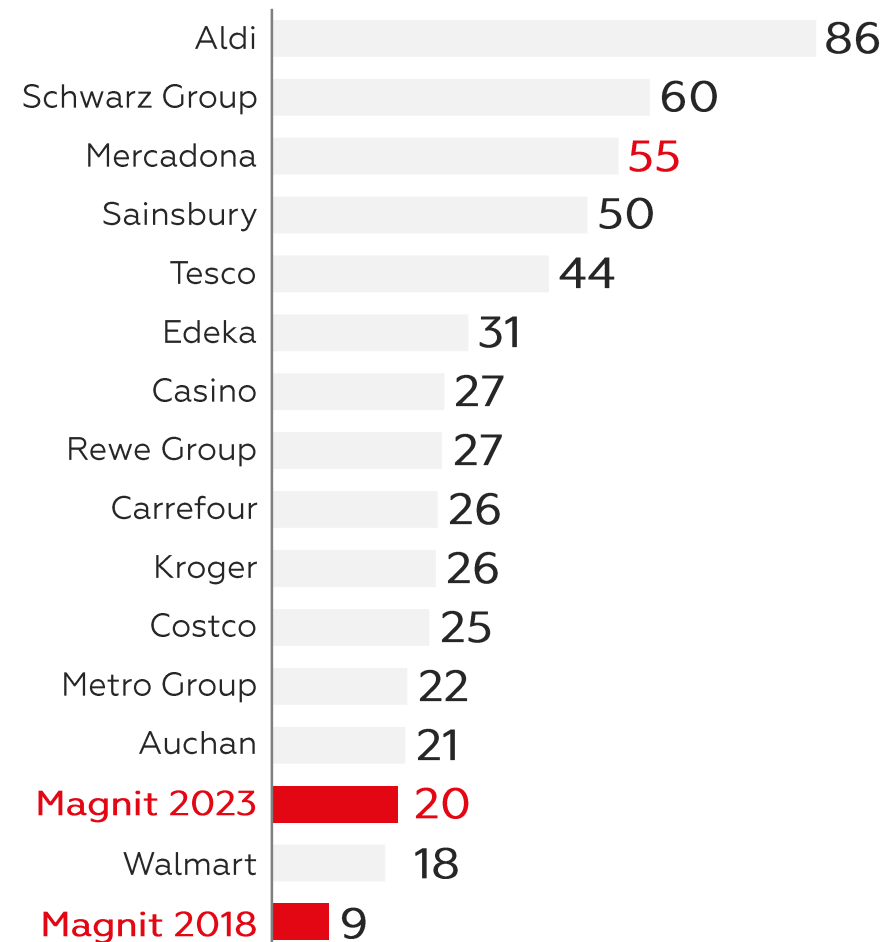


We have what it takes to launch PLs with greater customer appeal

- High PL share in portfolio¹ – good starting base
- In-house production
- Import
- Multi-format and scale

¹ Vs key competitors in Russia
Source: Euromonitor Data from Trade Statistics 2017; BCG analysis

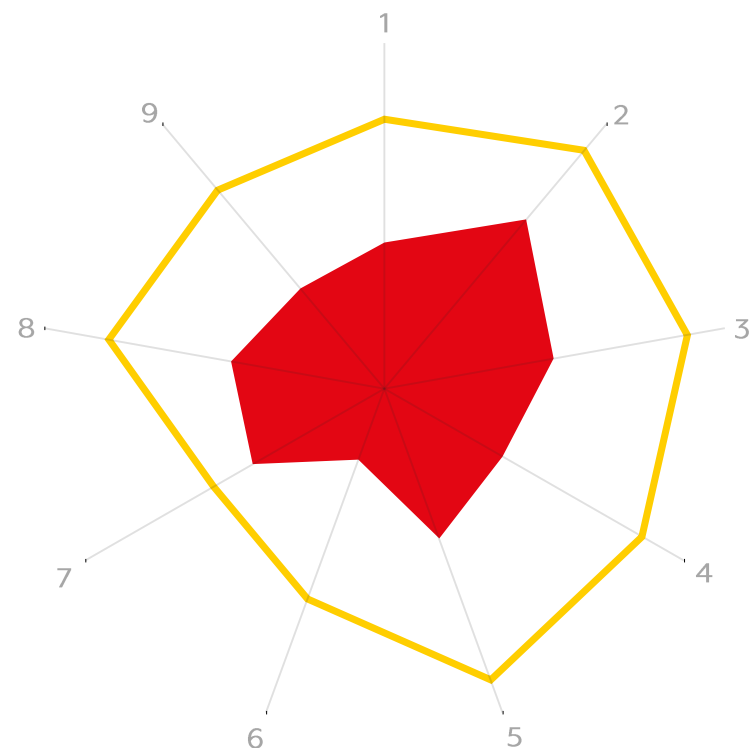
PL share in retailers portfolio



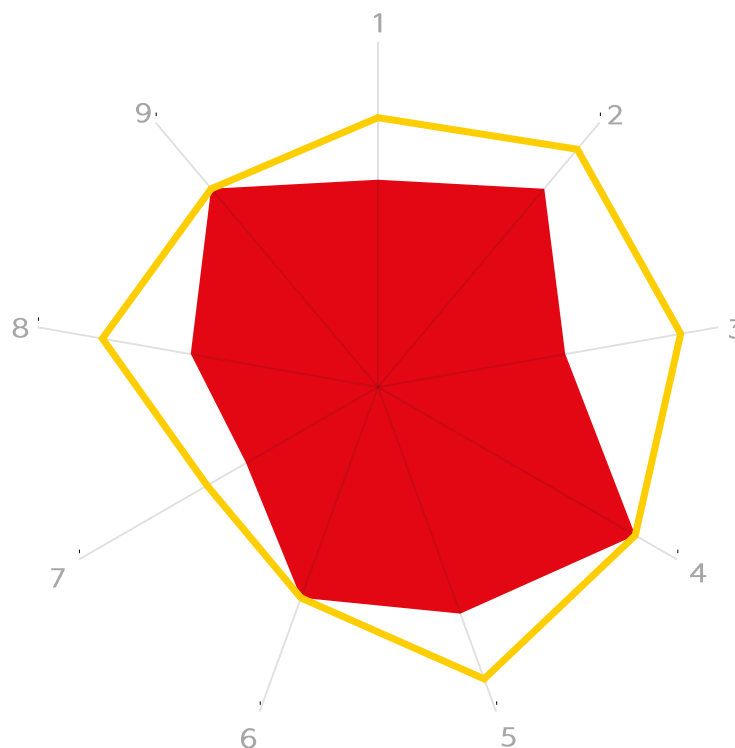
Atmosphere: Convenience and accessibility. Easy navigation, convenient layout, high availability of products on shelves, friendly staff



Component of the atmosphere we want to step up (deviation from channel avg., %)



МАГНИТ



МАГНИТ

2020

- 1 Friendly staff
- 2 My daily basket always available
- 3 Convenient layout on shelves
- 4 Clean salesfloor
- 5 Pleasant and neat staff
- 6 No expired products
- 7 Quick service
- 8 Easy to find products
- 9 Products always available/shelves filled

— Best in class
(best score for the component,
regardless of format)

Note: the characteristics from the GfK report are paraphrased for brevity
Source: GfK Retail monitor 2018, BCG analysis

We are developing a separate CVP for each food store format



	Ultra-small formats	Magnit Proximity, Express	Magnit Family and Family+
Target audience	ALL TARGET SEGMENTS	SAVING FANS GOAL-ORIENTED ENTHUSIASTS	BUSINESSPEOPLE COMFORTSEEKERS
Missions	Purchase on the go	Routine shopping, food for tonight /now, minor stock-up	Major shopping, special occasion, routine shopping, food for tonight
General positioning	Closest location to fulfil immediate needs	Everyday affordable convenience	Comfortable affordable destination shopping
Range	Minimal assortment to serve specific needs (e.g., for petrol station, offices, etc.)	Tailored assortment to win vs local competition Differentiation via strong PL <ul style="list-style-type: none"> Curated assortment for top up and regular shop mission Focus categories: fresh, bakery, dairy, others (TBD) 	
Atmosphere	Convenient and accessible:	Easy navigation and convenient layout, correct price tags, High availability of products on shelves, no expired / low-quality goods Positive customer experience, superior vs key format competitors	
Types of locations/store floorspace variations ¹	Where we cannot launch a proximity store Main size: 100-220 m ²	Residential and business districts Main size: 220-650 m ²	Residential and business districts, malls, shopping streets Size Family: 650-1500 m ² Family+: 1500-4500 m ²

1. Only the most common (presumably) store floorspace variations
Source: GFK 2018

First step towards new CVP

Revamp Magnit "Proximity"



Store clusterization based on location and income level in the area



Revised store layout and planograms

- Steer customer flow through fresh
- Step up convenience



Assortment adjust in line with clusterization



Promo plan updated

- Weekly cycle
- More appealing mechanics



Focus on superior customer service



Store design, navigation and equipment upgraded

Pilot results¹:

Up to 30% revenue uplift



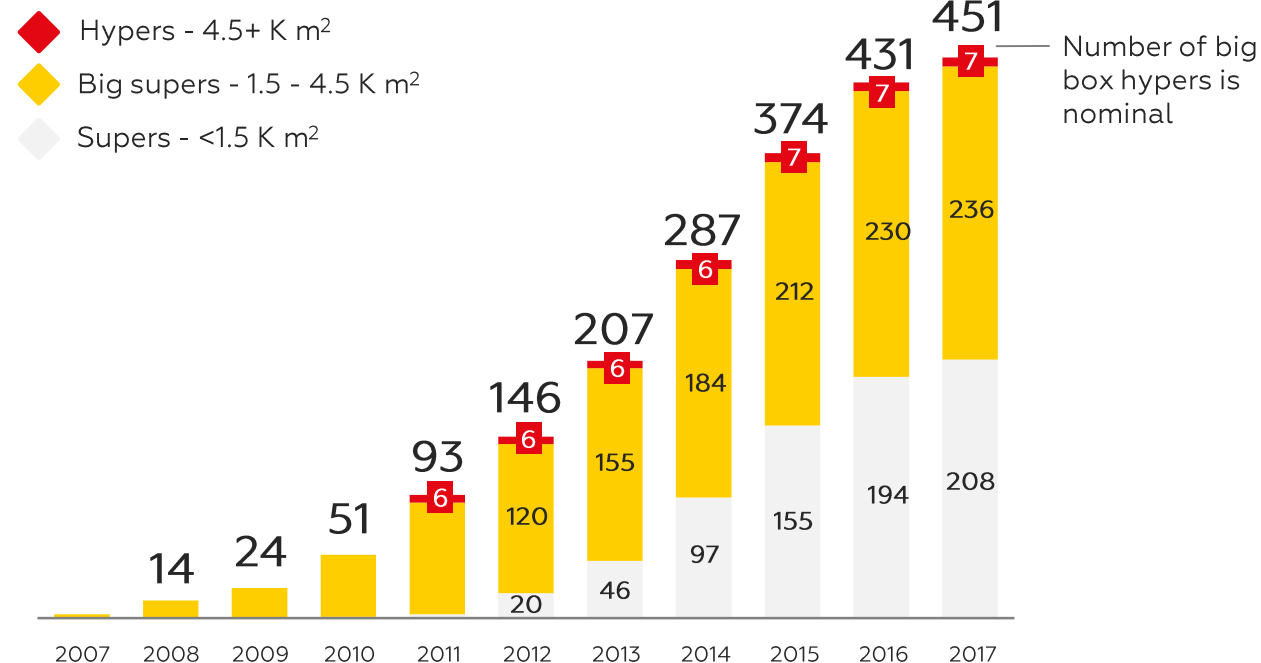
1. Vs stores without re-design

Large formats: Focus on supermarket format where we see the biggest potential



Magnit's large formats portfolio is well-balanced towards winning store size

Number of large format stores by sub-format, end-of-period, 2007-2017



Recent CAGR, 2014-2017

0%

9%

29%



Hypers:

- Turn into big super
- Sublet space
- New hypers will not be opened

Big Supers:

- The same CVP as Super
- Plus additional proposition

Supers:

- New CVP with curated, but broad assortment and elevated atmosphere

Note: store sizes shown as of 2017

Source: CVP working group analysis, Magnit financial model assumptions

First step towards new CVP Revamp Magnit "Family"



New curated assortment – rotated ~30%

- Cover key customer needs
- Focus on best performing SKUs
- Match competitors



Macro spaces and store layout revised to support aspirational customer experience



Category Price Indices defined in line with category role in portfolio



Store redesign, navigation and equipment upgraded to deliver better customer experience



Redesigned communications concept

Pilot results¹:
+13% revenue growth



1. Vs stores without re-design



Magnit Cosmetic

Closest location to fulfil health and personal care needs

SAVING FANS, GOAL-ORIENTED, ENTHUSIAST
FOCUS ON WOMEN 30 – 50 YEARS OLD

Assortment

- Curated, but broad assortment to win vs. local competition in focus categories
- Focus categories: hair care, body care, oral care, paper products

Low-high strategy to give an impression of rewarding offering

Focus on positive customer experience, superior vs. key format competitors with more "premium" design and equipment in Moscow and St Petersburg



Magnit Pharmacies

Affordable and convenient health product and services

ALL TARGET
SEGMENTS

Assortment

- Rx, OTC
- Broader range of health products (e.g., wearables, simple medical devices)
- Basic health screening and medical services (e.g., flu shots)
- Pharmacies and broader range of health products (part of health offering)

Pharmacies inside cosmetics stores and appropriate food stores

Omni-channel enables a seamless customer journey across all formats



Monday/ Tuesday
Dinner with partner

Regular purchases in Proximity



Offers "dinner + wine" in the app



Dinner with partner (surprise)

Wednesday
Treat yourself

Search for medicine



Coupons for medicine in the app



Goes to Magnit Cosmetic for medicine + buys cosmetics



App allows Mom to try on new makeup (AR)



Mom posts her new makeup on Instagram, comments on posts in Magnit Facebook group

Thursday/Friday
Treat children

Links to "children's" group on Facebook where a new brand of children's clothes is discussed



Browses the Magnit marketplace, buys goods for children, next day delivery



App offers promo coupons for redesigned hypermarket

Saturday
Family trip to dacha

Family goes to dacha



Stops at a Magnit Family:

- Children go to playground
- Mom and Dad do shopping
- Family eats pizza in Magnit foodcourt

Sunday
Trip back home

Traffic jam on the way back



App suggests the family eat at a Magnit gas station and shows the nearest one



Mom earned 150 loyalty points this week, reclaimable at any Magnit starting next week



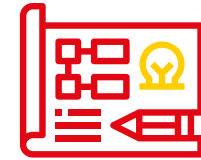
Trigger



Offers in the app (drive additional sales)



Result



Next steps

Launch **MULTI-format loyalty programme** pilot by Q1 2019

Develop an omni-channel concept and business model design by Q2 2019

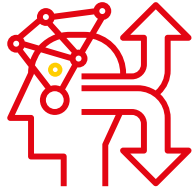
Build partnerships to create ecosystem

We will need to change our operating model to support our strategy

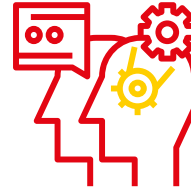
Five inputs for target management system



Deep understanding of customer needs in each location



Multi-format approach to customer needs satisfaction



Putting operational decisions center closer to customer for better quality, speed, and flexibility



Organization focused on above-market growth with financial performance improvement



High requirements in terms of manager capabilities, accountability, and engagement

Decentralized operational decision-making

- Management distributed between three key layers (HQ, District, Branch)
- Setup of district management teams with suitable capabilities, resources, and authority for operational execution
- Districts are accountable for their P&L
- Creation of matrix-based management structure with administrative and functional reporting lines

Multi-format approach to territory development

- Development of territories: optimum portfolio of formats and product range groups to meet local needs
- Regional chain management: multi-format structure at district and branch levels

Development of current functions and centers of excellence, creation of new ones

- Development of current standards and tools to support new processes
- Customer value proposition (CVP) development and update
- Customer services (incl. loyalty programs)
- Category management
- Corporate marketing (including brand marketing and digital marketing)

Infrastructure performance improvement

- Shared Service Center setup for transactional tasks
- Service Level Agreement (SLA) system implementation
- Logistics and IT strategies to support strategic changes in the company



Completed

Design of new Commercial org structure

- Completed design of new commercial org. enabling 'Category CEO' function to fully manage categories (E2E)
- 5 Category Group Directors and 30 Category CEOs appointed
- Unified remuneration scales at management level



Currently in progress

Establish new ways of working

- Roll-out of new Commercial organization – transition of organization in place in Q4 2018
- Design and optimize key category processes: promo, pricing, and range – end of November
- Move to regular 360 category review approach

Conduct category resets

- Full review of 4 categories¹ to optimize LfL sales. Results piloted in Q1 2019
- Introduction of simplified 'matrix approach' to optimise range decisions across categories
- Alignment of promo approach across categories
- Implemented new category tree

1. Dairy, Strong Alcohol (Upgrade to 'Full review' vs. Rapid Category Review in Phase 1), Root Vegetables, Processed meat



AMBITION

Step change company value in 5 years

Lead in the share of wallet

VISION

Convenient and Accessible. Enter Magnit

We address the most important needs of Russian customers with convenient and accessible solutions through a "family" of Magnit propositions; tied together into a seamless omnichannel system with market leading loyalty and rewards

What we will do

Expand customer base

- Retain current customer base - segments representing >50% of the market, price sensitive and preferring Proximity
- Additional goal - attract segments that are less price sensitive and value customer experience

Address a wider range of key needs

- Grow core grocery business
- Expand to health, children's goods, pets, food service, finance/telecom
- Build proposition on par with competition for every key need
- Grow addressable share of customer wallet

Win in each location with tailored proposition

- Cover multiple relevant needs in each location with a holistic proposition (e.g., food + pharmacy + children's goods)
- Tailor proposition to address local needs vs. local competition

Build seamless cross-format, omnichannel customer journey

Build the most rewarding loyalty program in the market

Covering highest share of wallet, with multi-format approach

OPERATIONS & ORGANIZATION REQUIREMENTS

Operations: Actions to improve on-shelf availability and customer service, improved quality control, acceleration of PL and OP, SC for Ultra-Small and Pharmacies, support of ambitious store expansion, cost optimisation, forecast accuracy, stock optimisation

Organization: Deep understanding of the customer; multi-format approach; bringing decision-making closer to the customer; Growth-oriented organization with financial performance improvement; heightened competency requirements

Summary: A winning strategy



Where we are today

Strong brand



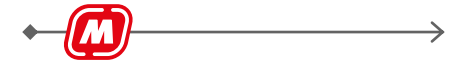
Addressing the most important customer needs and missions on par with competition (by format) in each location and under a single umbrella brand



Cross-format proposition, valuable and rewarding loyalty programme



Deep understanding of customers, personalised offering and strong innovation pipeline



Scaled store footprint, national coverage, many touch points with customers



Advantaged logistics network

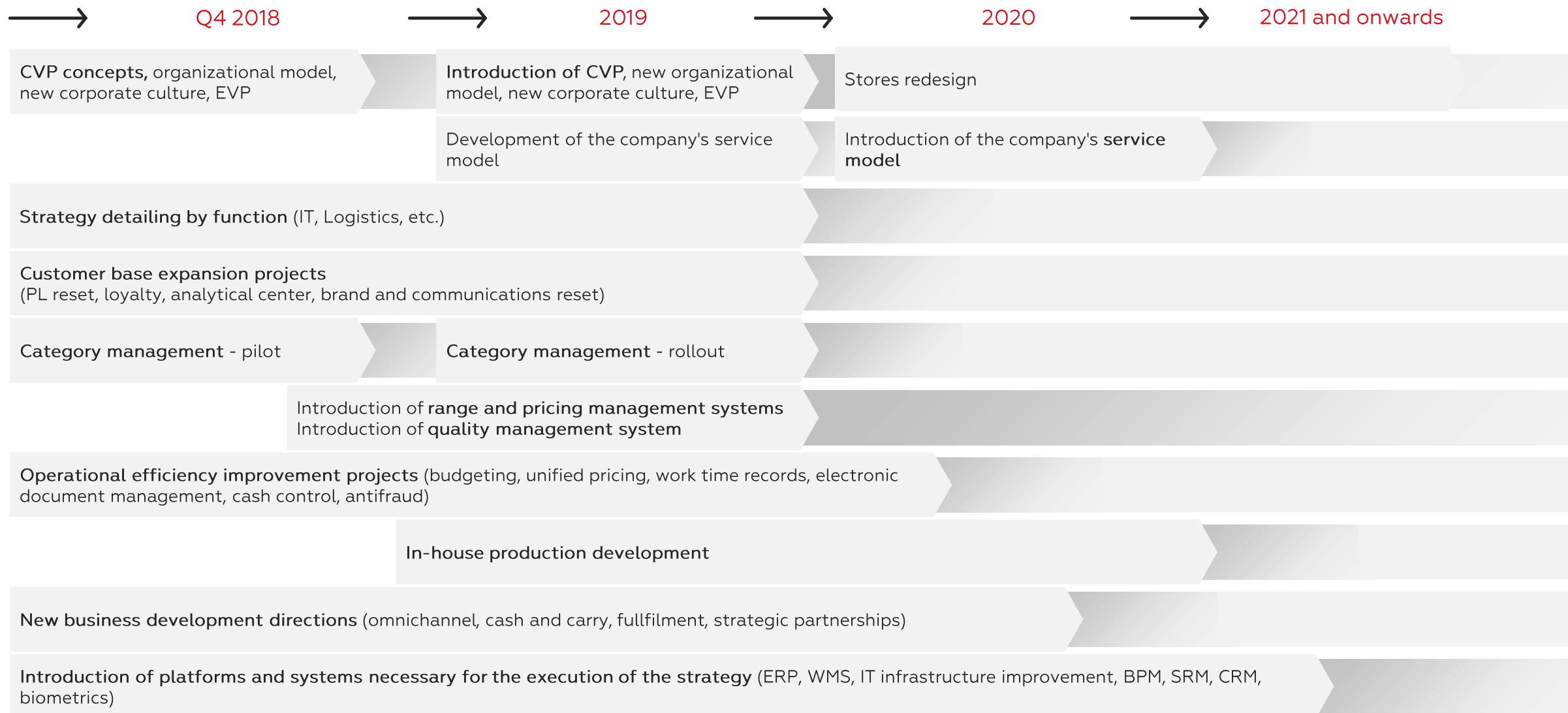


Professional, goal-driven team



Stable source of investment for growth







Context

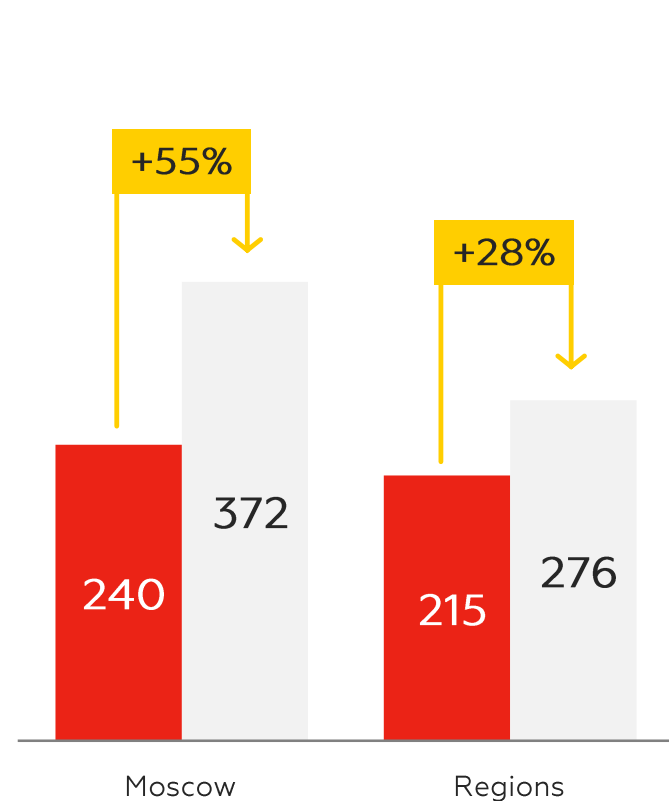
Strategy

Finance

Governance

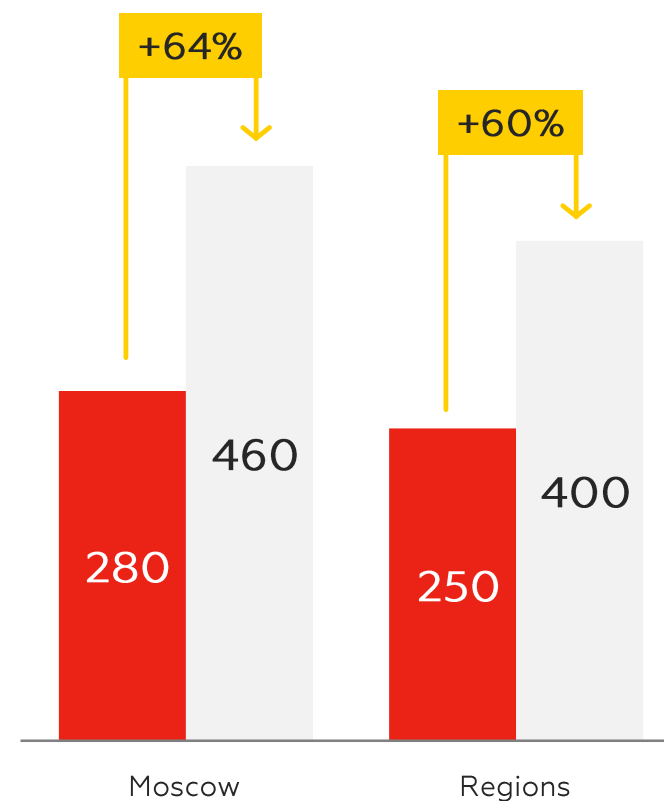
Proximity Stores

2018 Sales per m2, '000 RUB per year



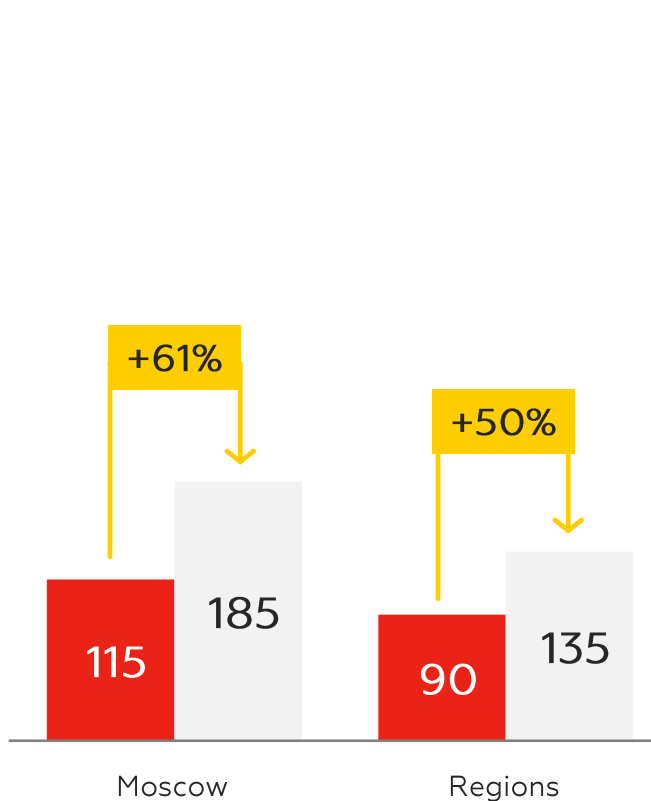
Supermarkets

2018 Sales per m2, '000 RUB per year



Cosmetics

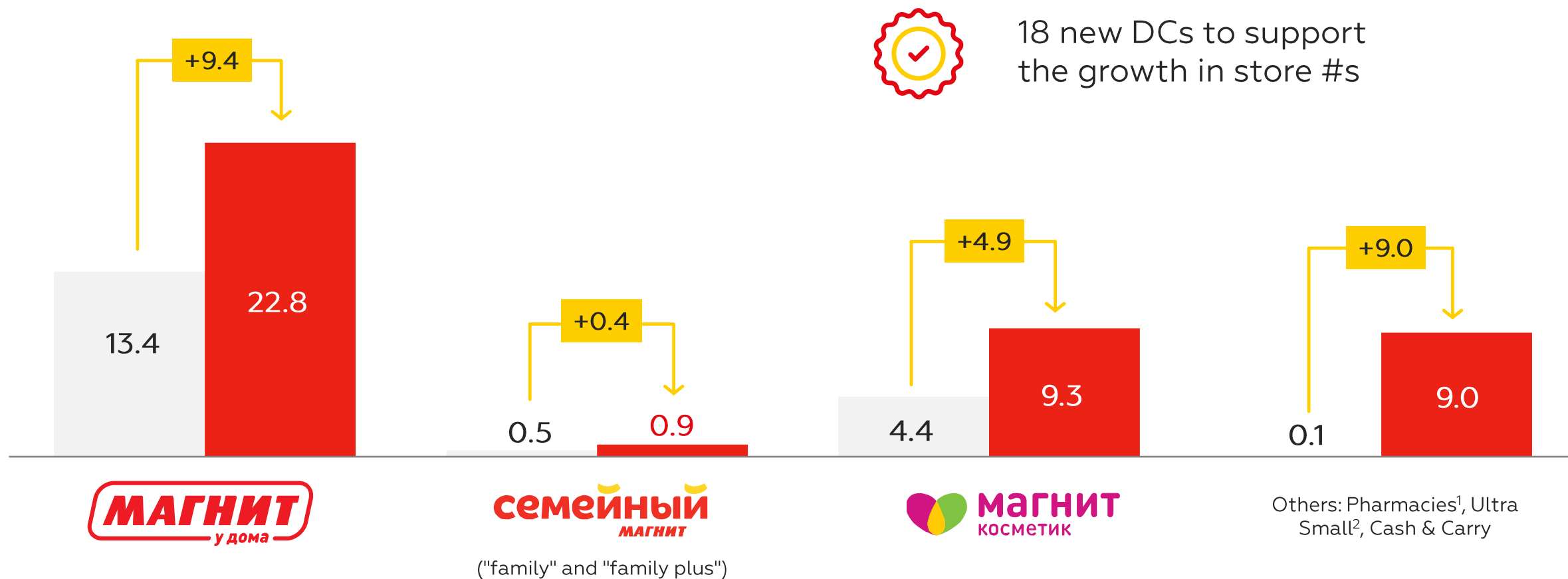
2018 Sales per m2, '000 RUB per year



Our growth strategy implies a strong store opening plan



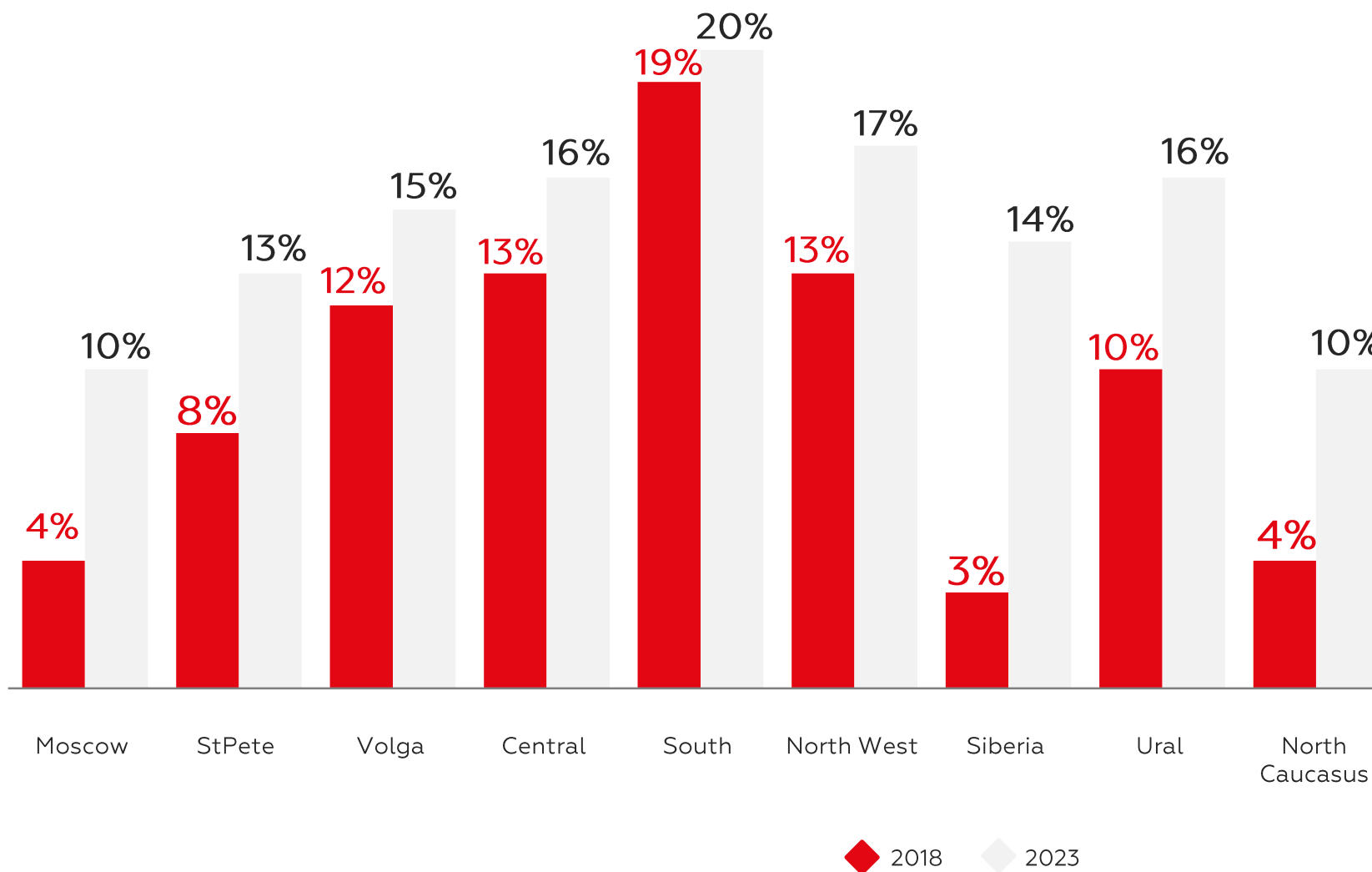
Stores, K



1. Pharmacies are not standalone shops, will be opened within Magnit Cosmetic and at appropriate convenience and supers/super+ formats

2. Ultra Small without Post

◆ 2018 ◆ 2023



Addition of new formats will further increase Magnit share



Magnit Total Market Share in Russia (grocery market)

- 9% in 2017
- Up to 15% in 2023



Improvement in the Quality of Decisions:

- New decision making matrix and criteria
- New standards and norms
- Post investment analysis
- Store clinic analysis



Efficiency Criteria of Investment Projects:

- IRR > 19%
- NPV > 0%, WACC = 13%,
for life of lease agreement



Cost per m²:

New: proximity – 26K/m²,
super – 40K/m²

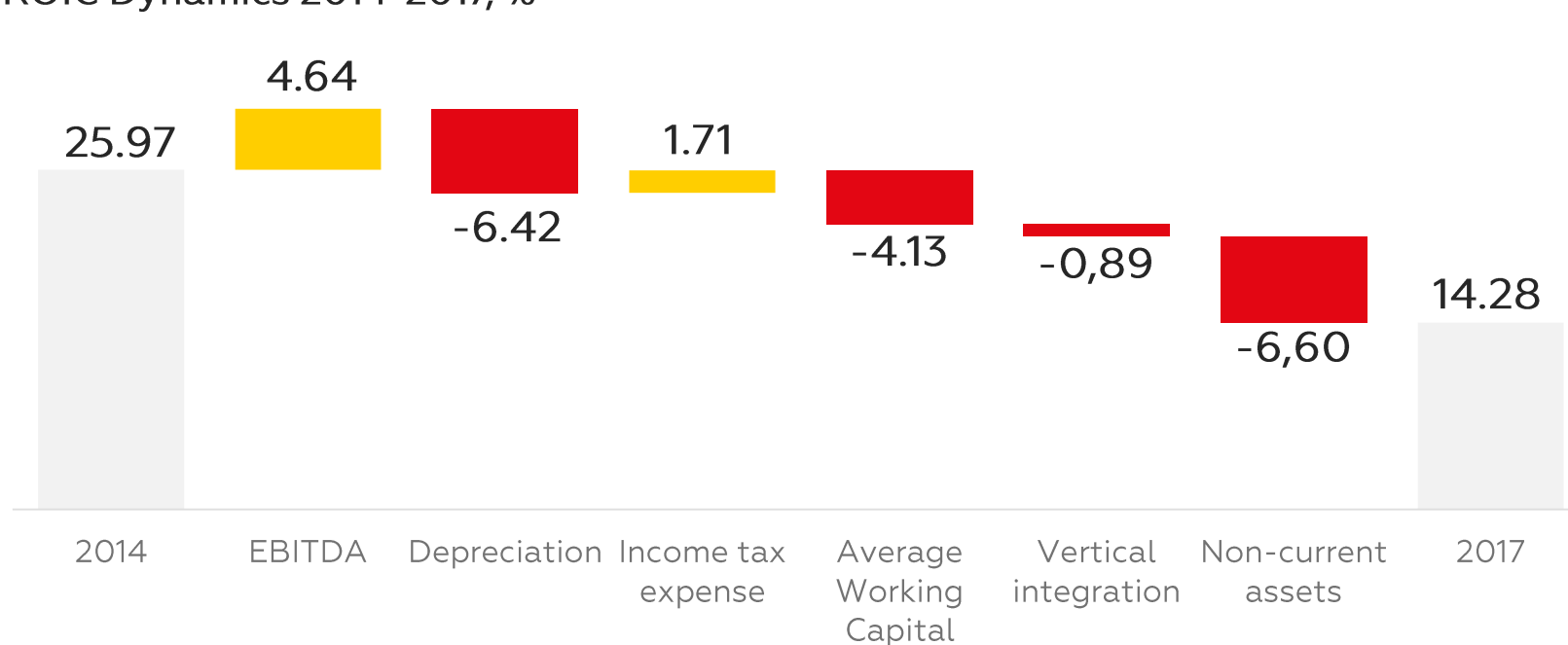
Refits: proximity – 20K/m²,
super – 30K/m²

Light refits: proximity – 10K/m²,
super – 15K/m²

Decision matrix:

Decision body	Limits
Board of directors	CAPEX budget Opening plan Deals >10B
Big Investment Committee HQ (CEO, CFO, CLO)	>300 MN (openings) >100 MN (infrastructure and other projects) Regulations, standards approval Review of Post Invest Analyses
Investment Committee HQ (COO, Head of investment, Head of legal department)	<300 MN (openings all formats ownership, significant deviation from standard cost, closing HM/SM or owned stores) 10-100 MN (infrastructure and other projects)
Investment Committee Division (Head of division, economist, lawyer)	Openings, refits, closing only for leased Proximity/Supers/ Cosmetics with limited deviation from standard cost per m2
Investment Committee Branch (Head of branch, economist, lawyer)	Openings, refits only for leased Proximity/Cosmetics within standard limit with IRR>25%

ROIC Dynamics 2014-2017, %



We have a number of initiatives to improve ROIC

- Optimization of CAPEX per m2
- WC improvement to benchmark
- Gross Margin improvement due to better category management
- SG&A costs optimization through automation and centralization of back office functions
- WACC = 13%

	2014	2015	2016	2017	1H 2018
EBIT	68 300	82 856	81 967	58 062	52 446
Income tax expense	14 341	12 135	14 371	9 885	9 268
EBIT minus tax	53 959	70 721	67 596	48 177	43 177
Average net debt	72 903	86 906	103 442	109 585	122 007
Average equity	134 907	154 396	180 609	227 692	236 857
ROIC	26,0%	29,3%	23,8%	14,3%	12,0%



COGS initiatives

- One-time category reset
- Increased share of private label (from 9% today to ~20% in 2023)
- Further integration of supply chain and in-house production

>> Combined initiatives able to offset 150bps in competitive price pressure



Opex and G&A initiatives

- Distribution cost efficiencies from automation & lower inventory
- Optimization of store operating model as part of new CVP
- Optimisation of G&A, move to service model, savings from shared services offsetting costs of more decentralized operating model

>> Aim to allow higher in-store service levels while maintaining efficiency

Short-Term Motivation System (annual):

- **Link to strategic goals:**
 - Planning cycle: strategic goals -> annual budget objectives -> KPIs
- **Focus on results:**
 - higher share of bonus vs fixed part at higher management level (e.g. CEO-1, CEO-2: 50% fixed vs. 50% bonus)
 - individual KPIs could vary from year to year to focus on key areas for improvement
 - bonus paid only for improvement not for maintaining the basic functions
- **Goal alignment:**
 - all top managers have the same corporate KPIs as a part of their motivation: **Revenue, LFL, EBITDA**
 - the higher the seniority of manager the larger part is corporate vs individual KPIs

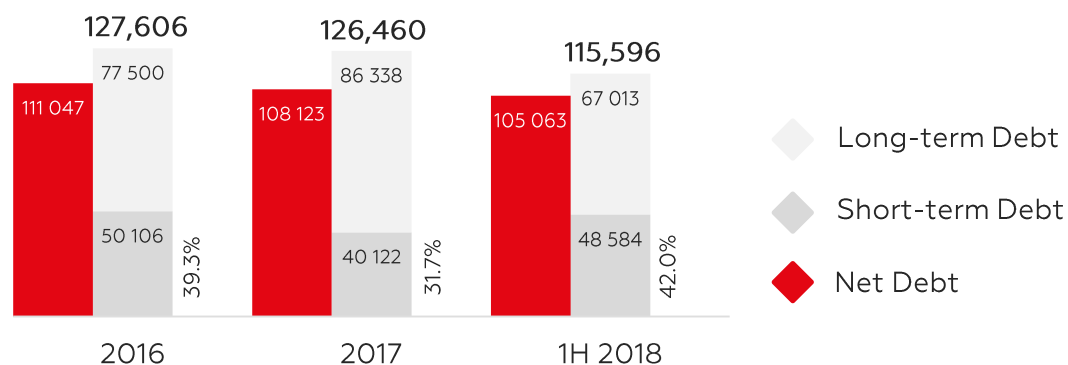
Long-Term Motivation Program:

- **The goal is to motivate for**
 - Growth of share price
 - Growth of EBITDA
- **Duration** is 5 years
- **Share based program:** Management will be granted a combination of shares and options. The higher the share price the more the management will be rewarded.
- **Designed for 50 key executives** with the highest impact on goals achievement (CEO-1, CEO-2, CEO-3 levels)

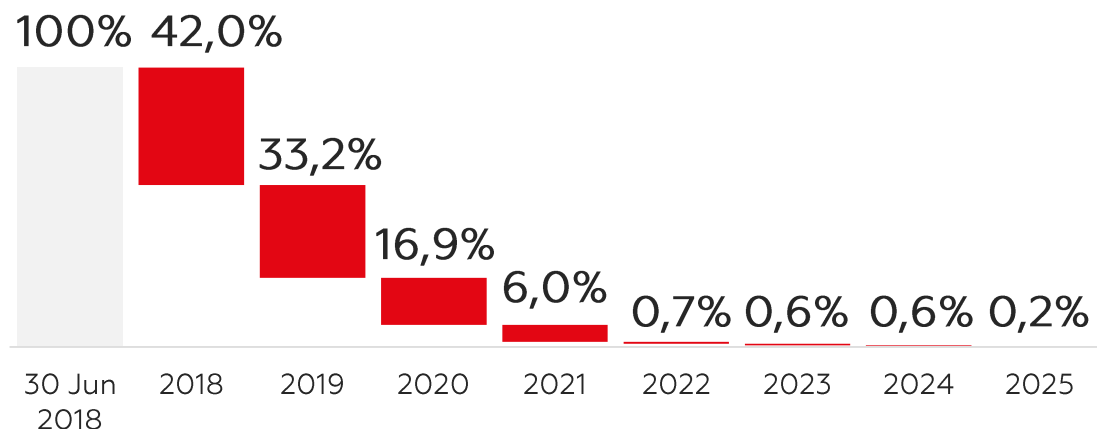


- Purpose: To finance LTIP
- Size of the Program: RUB 16.5 billion
- Ordinary Shares are repurchased from MoEx by JSC Tander (100% subsidiary of Magnit PJSC)
- Broker: Renaissance Broker LLC
- The maximum repurchase price is RUB 4,930
- The period of the program: September 5, 2018 - December 28, 2018
- As of September 19, 2018 Renaissance repurchased 521 803 ordinary shares of Magnit PJSC representing 0.5% of Magnit charter capital
- Volume Weighted Average Price per Share for the period of September 5, 2018 to September 19, 2018 is RUB 4,115

Debt Level Dynamics, RUB mn

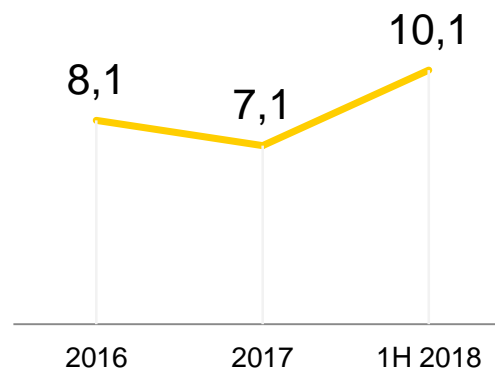


Debt portfolio maturity

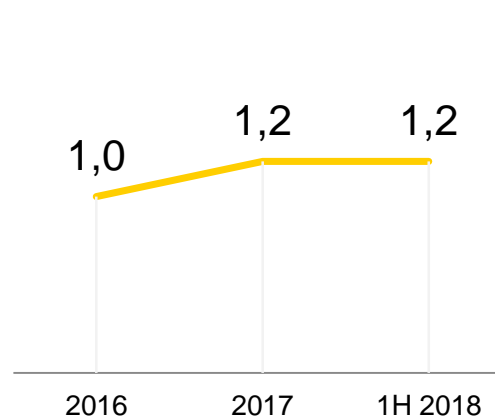


Credit Metrics

EBITDA / Finance Expenses



Net Debt / LTM EBITDA



Credit Profile

- The Company has an Impeccable Credit History
- Collaboration with the Largest Banks
- Low Debt Burden: Net Debt / LTM EBITDA is 1,2 – Magnit is undelivered compared to peers

Currency Risk:

No loans denominated in foreign currency

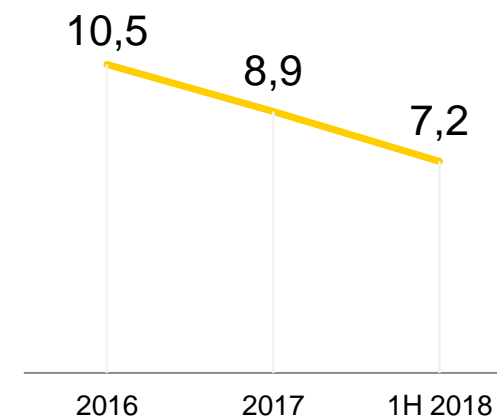
Interest Rate Risk:

No variable rates in loan agreements
Conservative debt maturity profile

Credit Limits Available:

RR245BN of credit limits available in Russian banks

Average Cost of Debt, %



	1Q 2018	2Q 2018	July-August 2018
Sales Growth, y-o-y, %	8.1%	6.5%	8.8%
LFL Sales Growth, %	-3.6%	-5.2%	-2.1%
Number of Stores	16,625	16,960	17,168



Our key objective is to re-gain traffic



We confirm the previously announced guidance for FY 2018:

- Number of Store Openings (gross):
 - 1,500 convenience stores
 - 700 cosmetics stores
 - 20 supermarkets
- 1,200 refurbished stores
- RUB 55 billion of CAPEX



Our guidance policy going forward:

- For 2019 and going forward we will announce only store opening plan in gross numbers
- FY 2019 store opening target will be announced in January 2019



Context

Strategy

Finance















Governance

The Role of the Board of Directors



- To implement and follow best corporate governance practices with a majority of the Board consisting of independent directors with significant industry expertise adhering to highest duty of care standards with a strategic goal of increasing shareholder value for all shareholders
- To formulate strategic goals and business priorities
 - including approval of large and related-party transactions
- To give strategic guidance to and to supervise the management team, including:
 - Approval of Motivation Programme (STI & LTI)
 - Approval of HR, Financial and M&A decision Matrix

Board Committees Overview

		Committees			
Position	Name	Audit	HR & Remuneration	Strategy	Capital Markets
Chairman, INED	Charles Ryan				
Deputy Chairman, INED	Paul Foley				
NED	Timothy Demchenko				
NED	Alexey Makhnev				
INED	Gregor Mowat				
INED	Alexander Prisyazhnyuk				
INED	James Simmons				
INED – Independent Non-Executive Director NED – Non-Executive Director		 Chairman  Member	<ul style="list-style-type: none"> Review & Monitor the integrity of financial reporting Review of internal control & risk management systems Monitor the effectiveness of internal audit Oversee the relationship with the external auditor, etc. 		
			<ul style="list-style-type: none"> Develop & Review the remuneration policy (LTI/STI) Approval and review of Senior Management Hire (CEO-1/CEO-2 level) Develop the strategy of talent management Annual assessment of BoD & Management performance 	<ul style="list-style-type: none"> Strategic & Investment planning Identify business priorities Approval, review of business plan/budget Review M&A deals and major investment projects, etc. 	<ul style="list-style-type: none"> Development and strengthening of corporate governance systems Formation, development & implementation of IR strategy Assessment & Recommendation to the Board on the dividend policy