

Innovations

Magnit is always looking for ways to evolve and improve. With in-house innovations under our belt, we can develop our own production capacities, make business processes more efficient, reduce environmental footprint, and enhance customer experience and customer value proposition.

Agroindustrial technologies

Vertical greenhouses

It is essential for us to make sure our stores always have high-quality and fresh products. Vertical greenhouses enable us to ship fresh herbs (lettuce, spinach, and basil) immediately after they are picked.

The first vertical greenhouse, developed in partnership with Israel's Vertical Field, a leading agri-tech company, has been operating at our Magnit superstore in Krasnodar since 2021.

Benefits

- ▶ Daily harvests
- ▶ Regular supplies of fresh products with no seasonality
- ▶ Zero logistics costs
- ▶ 90% reduced water consumption vs conventional greenhouses



up to 5 thous. product items with yield of **up to 4 thous. tonnes per year** can be delivered by each vertical greenhouse

Key features



- ▶ **Smart sensors**
 - provide data on the plant condition at different vegetation stages



- ▶ **User-friendly app**
 - to monitor seedlings in an online mode



- ▶ **Modular pods**
 - enable easy access to plants whenever they need to be picked or replaced with new seedlings



- ▶ **LED lighting**
 - provide precisely as much light as needed



- ▶ **High-quality nutrient-rich soil**
 - requires no pesticide application

Green packaging

We seek to reduce our environmental impact, among other things by limiting the volume of non-recyclable waste. In 2022, Magnit teamed up with its private label suppliers to introduce the Voluntary Sustainable Packaging Standard and held a series of webinars for 700 partners, which produce some 5 thous. SKUs.

32%

share of recyclable packaging of Magnit's private labels



Concern: lots of packaging materials

- ▶ Make up a meaningful share of waste in the retail sector
- ▶ Contain components that prevent recycling



Solution: Voluntary Sustainable Packaging Standard

- ▶ Relies on international and Russian best practices and tailor-made business recommendations
- ▶ Aligned with Russian laws and regulations
- ▶ Delivers considerable reductions in non-recyclable waste



Innovations (continued)

Machine learning and neural networks

AI-powered technology for choosing cosmetics

In 2022, the Company began piloting an AI-powered service for choosing cosmetics across 14 Magnit Cosmetics stores in Moscow, St Petersburg, Krasnodar, Yekaterinburg, Saratov and Volgograd. To use the service, customers only need to answer a number of questions and upload a photo of their face.



20%

increase in skincare sales at Magnit Cosmetics since January 2022

Benefits

- ▶ Personalised service
- ▶ Improved customer experience
- ▶ Increase in sales of skincare products
- ▶ Focus on wellness and beauty

Key features



- ▶ **Individualised skincare recommendations**
 - taking into account cosmetics' ingredients



- ▶ **Products from various price segments**
 - to provide skincare to each and every customer



- ▶ **Personal data protection**
 - ensured by one of Russia's largest providers of cloud-based storage solutions

AI-based promotions

In 2022, Magnit enhanced the performance of individualised promotions by relying on in-house ML-based innovations. Tests of the new solutions, carried out in segments of up to 500 thous. customers, demonstrated a meaningful increase in return on investments.



x3 ROI

vs conventional campaigns

Benefits

- ▶ Performance that matches conventional projects
- ▶ Targeting based on hundreds of parameters, including offers customised to meet the needs of a specific consumer
- ▶ Ability to gauge the campaign's performance on a daily basis and swiftly respond to changes in consumer behaviour

Key features



- ▶ **Personalised promotions**
 - relying on a variety of tools: express bonuses, individual discounts, and bonuses for purchases in a specific category



- ▶ **Selection of target segments and optimal mechanics**
 - done by AI