

Operational review

Total revenue in 2022 increased by 26.7% YoY to RUB 2,352.0 bln. Net retail revenue went up by 27.2% YoY on the back of LFL sales and selling space growth of 12.1% and 5.3% respectively.

In 2022, net retail revenue increased ahead of selling space growth thanks to higher sales density. In the reporting year, revenue per sq. m rose by 11.4% YoY, with drogerie revenue per sq. m adding 15.7% YoY.

Selling space increased by 5.3% YoY due to organic expansion. In 2022, the Company's gross and net store openings amounted to 1,736 and 1,328 respectively. Net selling space addition the same year was 475,000 sq. m. As at 31 December 2022, the total number of stores was 27,405.

The 12.1% LFL sales growth in 2022 was due to a 10.3% increase in the LFL average ticket and a 1.6% rise in LFL traffic. LFL base comprised 4,362 stores (net), including 2,047 Magnit and 2,315 DIXY stores. As at the end of the reporting year, 13% of the Company's selling space was in the process of achieving target indicators, while the rest 87% already reached

sales maturity. Therefore, the key driver behind LFL sales growth was strong performance of mature stores rather than selling space increase.

The 2022 LFL sales dynamics was attributable to the impressive 10.3% increase in the LFL average ticket mainly due to higher YoY inflation. LFL traffic turned positive and amounted to 1.6% thanks to pricing policy and increased promo activity.

All regions reported strong LFL sales growth with the best results coming from the Northwestern and Siberian federal districts. Southern, Moscow and Northwestern regions demonstrated the highest LFL traffic growth.

In 2022, the number of loyalty card holders exceeded 68 million. By the end of the year, the overall proportion of tickets using the loyalty card reached 56% with sales penetration of 70%, peaking at 60% and 74% respectively. The loyalty programme continued to deliver positive cross-format gains with the share of Magnit customer base visiting two or more formats reaching 44% by the end of the reporting period. The average ticket of an active loyalty card user is 1.8x higher compared to transactions without a loyalty card.

Store chain development and results by format

In 2022, Magnit convenience stores accounted for 68.3% of the Company's retail sales. In the reporting year, the Company had 1,313 gross convenience store openings and 87 closures as a result of its continued campaign to introduce operational efficiencies. Thus, the net convenience store openings amounted to 1,226. 76% of the Group stores opened in the reporting year were Magnit convenience stores (including discounters). Net retail revenue went up 19.9% thanks to LFL sales and selling space growth of 12.3% and 7.6% respectively. LFL sales growth was driven by a 10.2% increase in the LFL average ticket and strong LFL traffic dynamics of up to 1.8%.

total number of drogerie stores was 7,288 as at 31 December 2022. Selling space growth amounted to 75,000 sq. m, or 4.6% YoY. This result, coupled with a 17.4% rise in LFL sales – the highest among all formats – led to a 26.5% revenue increase. LFL sales growth was driven by a 15.4% increase in the LFL average ticket and strong LFL traffic dynamics of up to 1.7%.

The share of DIXY stores in the Company's retail sales reached 12.7% in 2022 (vs 7.0% in 2021), despite the closure of 281 of the chain's stores (242 convenience stores and 39 supermarkets). Thus, DIXY comprised 2,208 stores and 719,000 sq. m of selling space as at 31 December 2022. LFL sales growth for DIXY convenience stores was 7.8% driven by a 6.3% increase in the LFL average ticket and a 1.4% rise in LFL traffic.

In 2022, Magnit supermarkets generated 10.2% of the Company's retail sales. In the reporting period, the Company opened 29 supermarkets and closed six. All the openings were the transformed Megamart stores. The format's selling space amounted to 984,000 sq. m (up 5.0% YoY). LFL sales grew by 9.9% in the large store format. This was due to a 10.5% increase in the LFL average ticket, while the LFL traffic declined by 0.5%. As a result, net retail sales at supermarkets grew by 12.2% in 2022.

Drogerie stores accounted for 8.4% of the Company's retail sales. In 2022, the format saw 356 gross store openings and 34 closures. Subsequently, the

1,313 Magnit convenience stores
(gross) opened in 2022

26.7 %

increase in total revenue

12.1 %

LFL sales growth

1,736

gross organic store openings

5.3 %

selling space YoY growth

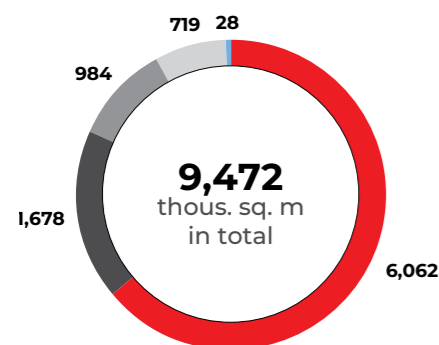
LFL results¹ %

Format	2022		
	Average ticket	Traffic	Sales
Total (Magnit and DIXY)	10.3	1.6	12.1
Magnit	10.6	1.6	12.4
Convenience stores	10.2	1.8	12.3
Supermarkets	10.5	-0.5	9.9
Drogeries	15.4	1.7	17.4
DIXY convenience stores	6.3	1.4	7.8

¹ Including DIXY.

Operational review (continued)

Selling space by format, thous. sq. m



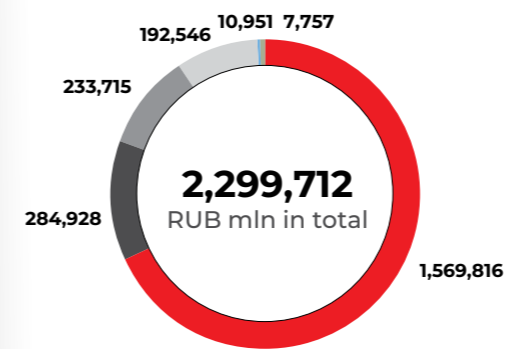
- Magnit convenience stores
- Magnit Cosmetics drogerie stores
- Magnit supermarkets
- DIXY convenience stores
- Other Magnit formats

Stores and selling space

	2022	2021	Change	Change, %
Number of stores (as at the end of period)	27,405	26,077	1,328	5.1
Magnit	25,197	23,626	1,571	6.6
Convenience stores	17,416	16,190	1,226	7.6
Supermarkets	493	470	23	4.9
Drogeries	7,288	6,966	322	4.6
DIXY	2,208	2,451	-243	-9.9
Convenience stores	2,208	2,412	-204	-8.5
Supermarkets	0	39	-39	-100.0
Net store openings	1,328	2,036	-708	-34.8
Magnit	1,571	2,062	-491	-23.8
Convenience stores	1,226	1,279	-53	-4.1
Supermarkets	23	0	23	N/a
Drogeries	322	783	-461	-58.9
DIXY	-243	-26	-217	N/a
Convenience stores	-204	-26	-178	N/a
Supermarkets	-39	0	-39	N/a
Total selling space (as at the end of period), thous. sq. m	9,472	8,997	475	5.3
Magnit	8,752	8,204	548	6.7
Convenience stores	6,062	5,635	427	7.6
Supermarkets	984	937	47	5.0
Drogeries	1,678	1,604	75	4.6
Other formats	28	28	0	-0.5
DIXY	719	793	-73	-9.2
Convenience stores	719	718	1	0.2
Supermarkets	0	75	-75	-100.0
Net selling space growth, thous. sq. m	475	701	-226	N/a
Magnit	548	708	-160	N/a
Convenience stores	427	546	-119	N/a
Supermarkets	47	-4	51	N/a
Drogeries	75	175	-101	N/a
Other formats	0	-10	9	N/a
DIXY	-73	-7	-67	N/a
Convenience stores	1	-7	8	N/a
Supermarkets	-75	0	-75	N/a

Note: minor variations in calculation of totals, subtotals, and/or percentage change are due to rounding of decimals.

Total net retail revenue, RUB mln



- Magnit convenience stores
- DIXY convenience stores
- Magnit supermarkets
- Magnit Cosmetics drogerie stores
- Other Magnit formats
- Megamart supermarkets

Retail revenue

	2022	2021	Change	Change, %
Total net retail revenue, RUB mln	2,299,712	1,807,752	491,960	27.2
Magnit	2,007,028	1,680,528	326,500	19.4
Convenience stores ¹	1,569,816	1,309,682	260,134	19.9
Supermarkets ²	233,715	208,316	25,398	12.2
Drogeries ³	192,546	152,215	40,331	26.5
Other formats ⁴	10,951	10,314	637	6.2
DIXY	292,685	127,224	165,460	130.1
Convenience stores	284,928	120,552	164,375	136.4
Supermarkets	7,757	6,672	1,085	16.3
Number of tickets, mln	5,932	5,147	785	15.2
Magnit	5,206	4,806	399	8.3
Convenience stores	4,403	4,044	359	8.9
Supermarkets	333	328	5	1.6
Drogeries	445	408	37	9.1
Other formats	25	27	-2	-8.4
DIXY	726	341	385	113.2
Convenience stores	715	331	384	116.2
Supermarkets	11	10	1	12.8
Average ticket, RUB⁵	388	351	36	10.4
Magnit	386	350	36	10.3
Convenience stores	357	324	33	10.1
Supermarkets	702	636	66	10.4
Drogeries	433	373	59	15.9
Other formats ⁶	429	371	58	15.6
DIXY	403	373	30	7.9
Convenience stores	398	364	34	9.3
Supermarkets	696	676	21	3.1

¹ Convenience stores include convenience stores and small pilot formats like Magnit City and My Price soft discounters.

² Supermarkets include Magnit Family supermarkets and Magnit Extra superstores.

³ Drogerie stores include 12 cosmetics stores opened in Uzbekistan in 2022.

⁴ Other formats include Magnit Cosmetics online, pharmacies and stores located at Russian Post offices.

⁵ Excluding VAT.

⁶ Based on Magnit Pharmacy.

Operational review (continued)

DIXY business consolidation and changes in the reporting standards

On 22 July 2021, Magnit completed the acquisition of the DIXY retail chain. Since then, DIXY performance indicators have been consolidated in the Company's results. Revenue and operational performance of DIXY stores are reflected separately. After 12 full months passed since the consolidation,

DIXY stores were included in the LFL base. DIXY retail business does not constitute a separate segment, and Magnit will keep disclosing consolidated financial results for the Group.

E-commerce

Magnit started developing e-commerce services in Q3 2020. Today, the Company runs a number of both own and partner online delivery projects: express delivery, regular delivery, online pharmacy, cosmetics and partnerships.

of orders per day reaching 71,637 (up 2.4x YoY from 29,481 orders per day in 2021).

The average ticket for all online services was RUB 1,246 including VAT, up 19.3% vs 2021 (RUB 1,045 including VAT).

townships. 71% of current revenue is generated outside of Moscow and St Petersburg. The largest and fastest-growing segment is express delivery, which is designed to complete orders within 60 minutes.

In 2022, online GMV (including VAT) amounted to RUB 32.6 bln, with the average number

At present, Magnit's e-commerce services cover 10,900 offline stores and 31 dark stores in 67 regions and 506 cities and

	2022	2021	Change	Change, %
GMV, RUB bln	32.6	11.2	21.3	189.9
Average number of orders per day	71,637	29,481	42,156	143.0
Average ticket including VAT, RUB	1,246	1,045	201	19.3
Number of covered stores (as at the end of period)	10,887	4,490	6,397	142.5

Soft discounters

Magnit began piloting the soft discounter format in July 2020 in response to the changing economic environment. The discounter concept is aimed at price-sensitive consumers who frequently make minor purchases of traditional goods or stock up on products.

As at 31 December 2022, My Price chain comprised 727 soft discounters as opposed to 190 stores in 2021. In the reporting year, the Company made 538 gross store openings, including 338 new and 200 reformatted ex-convenience stores.

The My Price average ticket excluding VAT increased by 15.6% YoY to RUB 312. Total LFL sales growth for the format (including both new and reformatted stores) exceeded 50%.

Customer experience

New Challenges Mean Growth Opportunities was the main theme for the Company in 2022. We intend to remain an integral part of stability for millions of our customers and ensure availability and affordability of quality food and non-food products no matter what happens.

Our approach to ensuring excellent customer experience at every store:



Transparency and communication with consumers at all levels

We develop our social media pages, offer delivery services, improve day-to-day operations, provide honest information on customer reviews and complaints and efficiently handle feedback.



Focus on working conditions

Experience begins with working conditions, personnel training and engagement. To ensure the comfort of our customers, we create comfortable environment for our employees.



Manager competencies in customer experience

We expect managers at all levels to be customer experience ambassadors, continuously develop respective competencies and share their knowledge with employees. Regional managers for customer experience supervise customer service improvement.

Magnit's main goal is to be simpler, faster, more accessible and loyal to all of its customers and employees. Every of the Company's external and internal changes aims at making Magnit the market leader by service quality.



You offer a really high quality service when the customer has no reason to call the contact centre but to express gratitude.

Sergey Oleynikov,
Director for the Urals Federal District

Operational review (continued)

In 2022, we put a lot of effort into making purchases at Magnit even more convenient for our customers. The Company invested some RUB 13 bln in ensuring product and service quality. The funds were allocated to finance independent audits of suppliers and lab product tests, as well as to maintain temperature conditions in stores and distribution centres, obtain certificates for our own products, etc.

In 2022, we carried out around 11,000 audits of supplier products. We partnered with 170 laboratories, including governmental bodies, R&D institutions and federal scientific centres. The experts audited ca. 600 production sites of food manufacturers working with Magnit. The Company ensured continuous monitoring, including through video surveillance, of ready-to-eat food production at Magnit's own super and supermarkets.

In December 2022, we engaged mystery shoppers to evaluate customer experience at Magnit stores. The final score was 97.6%, which exceeded our target of 95%. The number of customer complaints about store operations went down by 8%, including a 29% reduction in complaints about faulty or absent retail equipment, a 14% drop in grievances concerning employee incompetence, and a 5% decline in reports of inaccurate or absent price tags.

We offer our customers a number of ways to leave feedback – chat bot polls, QR codes, geoservice reviews, etc. – and thoroughly analyse every submission. We created an in-store experience

rating, which helps identify issues at certain selling points and take the necessary measures.

To improve product accessibility for consumers, in 2022 we continued to develop our Magnit Delivery service delivering orders from Magnit and Magnit Cosmetics stores. Customers can choose between a 60-minute delivery and delivery by set time. The service also covers purchases at supermarkets delivering orders up to 50 kg within three hours. In 2022, the service fully migrated to the Company's own IT platform.

In March 2022, Magnit began piloting 60-minute express delivery using its own couriers in Moscow. If it proves successful, the service will be rolled out to Moscow districts with the highest order density and potentially further to St Petersburg.

Moreover, we continued developing joint delivery services with our partners. In May 2022, Magnit and Sbermarket launched delivery from My Price soft discounters in 32 Russian cities. Before that, our customers could only make offline purchases at discounters.

In July, Magnit and Delivery Club expanded the geography of their guaranteed 30-minute delivery service. Today, it covers around 6,000 selling points in different formats and dark stores in 66 Russian cities – half of the cities across the regions of collaboration. According to Delivery Club, the average delivery time is 23 minutes. The service is sought after in the regions of operation and accounts for ca. 83% of the express delivery segment.

RUB 13 bln
spent on product and service quality in 2022

The Magnit Pharmacy service launched in autumn 2020 was rolled out to pharmacies in the Urals Federal District. With it, users can pick up their orders from the nearest pharmacy within 30 minutes after reservation. At present, the service covers over 800 pharmacies in 58 regions. In 45 regions, users can also place a Magnit Pharmacy order through the Delivery Club app.

In November 2022, Magnit Cosmetics expanded into the Ozon marketplace, which attracts over 50 million monthly users. Our Wellness and Beauty, Children's Hygiene and Household Chemicals products are sold using a shop-in-shop concept. The collaboration with Ozon enables our customers to collect orders from around 19,000 pick-up points across the country or opt for a courier delivery. Moreover, in December Magnit Cosmetics successfully entered the Wildberries marketplace, which currently offers ca. 6,000 of the chain's SKUs.

In 2022, we upgraded payment options at Magnit stores. Nearly 1,000 convenience stores were equipped with domestically manufactured self-checkout units. As at 31 December 2022, the total number of self-checkout units in the Magnit retail chain stood at around 3,500. The units were installed in stores that register traffic surges and process

over 60% of payments wirelessly. An upgraded internal interface enables store employees to close their shifts faster: the average time for that has been reduced from 1.5 minutes to 40 seconds.

In May 2022, we introduced a payment option via the Faster Payment System (SBP) using a QR code. In DIXY stores, customers can pay via SBP using the DIXY Friends Club mobile app. All they need to do is scan their loyalty card at the checkout and confirm the transaction in the app.

We also continued to develop Magnit's own and partner bonus programmes, in particular, in e-commerce. For instance, customers can now get bonuses for online orders in Delivery Club and Yandex Go apps.

In 2022, Magnit launched and scaled up a subscription service. It has six subscription plans for different product categories and store formats, which enable users to accumulate more bonuses, use personal discounts and individual promos. Around 10,000 subscriptions per day are bought using the option to pay with bonuses. The project pilot showed that users tended to increase the purchase amounts and average tickets every month. Going forward, we plan to introduce new opportunities such as selecting a favourite product category with an increased bonus collection, seasonal campaigns, etc.

In addition, we launched cashback for purchases in favourite product categories for our loyalty card holders. The mobile app features 15 most

popular product categories to choose from. Once a month, the customer can select a favourite category and receive 10% of every respective purchase amount in bonuses.

In addition to the traditional bonus programme, we began to offer direct discounts to our customers. For instance, virtual loyalty card holders get a 10% discount for all products not included in promos on their birthday and three days before and after it.

Customer personal data protection

Magnit collects customer personal data for marketing purposes. We understand the importance of keeping this data private and take all the necessary measures in that regard.

All personal data, as well as the consent to its processing¹, comes to Magnit from data owners or their legal representatives. We process data in accordance with the applicable Russian laws. We care for the protection of rights and freedoms of personal data subjects, including the right to privacy, personal and family secrets.

As part of internal audit, we regularly assess risks related to personal data security, update potential threat models and develop solutions for their elimination.

Magnit supervises and monitors business processes involving personal data processing and ensures that personal data is processed appropriately and lawfully in information systems. We hold relevant trainings for the IT Department personnel and staff members who work with personal data and provide consultations to employees at our subsidiaries.

¹ Unless otherwise provided for in Federal Law No. 152-FZ.