

# Chairman's statement



A Year of Change for Magnit

**Charles Ryan**  
Chairman of the Board of Directors

## Dear Shareholders,

The year 2018 was indeed a year of change for Magnit. In February Sergey Galitsky, the founder, long term CEO of the Company and one of the most respected private business owners in Russia, decided to sell most of his stake in Magnit to VTB and, eventually, Marathon Group, two well-known local institutional investors. This transaction set off a chain of events that included the appointment of a completely new Board of Directors and a new Management Board, paving the way to the launch of a new Strategy in September, with the aim to transform the business and achieve a turnaround in the financial and operational results of the Company.

The new Board of Directors was elected on April 19th, 2018. I can confidently say that the Board is well balanced in terms of the Director's skill sets and nomination by shareholders and that its composition fully corresponds to the sector specifics and the scale of Magnit's business objectives and operations. Five out of the seven Directors are independent and all four sub-committees of the Board - audit, remuneration, strategy and capital markets - are chaired by one of the independent Directors.

Given the changes outlined above, the most important matters for the Board in 2018 were the appointment of the new management team and setting their key performance indicators, as well as approving the new business strategy, processes and corresponding budgets. The guiding principles we adopted were rooted in international corporate governance standards and best practice.

All members of today's Management Board, consisting of 10 highly qualified professionals, were identified in the course of last year, although some were only able to join at the beginning of 2019. I am very happy with the results and I feel that we truly have assembled the best retail team in Russia. They are supported by well-drafted short- and long-term incentives schemes that align the management's interests closely with those of the shareholders, as per best international practice.

I think it was clear from the outset that the Company needed an urgent transformation. The policies and processes the Board adopted in 2018 together with the new strategy and budgets form the basis and set out the direction for the management to successfully fix the existing business and deliver the transformation necessary. I would characterize 2018 as the year of building the foundation to allow for the transformation to be successfully implemented in 2019.

I would like to thank my fellow Directors for their valuable contributions and flexibility that were required on top of our already demanding board schedule. I would particularly like to thank our Deputy Chairman, Paul Foley, who readily shared his vast retail experience to the benefit of the Company during the transition period and his help was invaluable as the new management team got settled in.

Very importantly, on behalf of the Board as a whole, I would also like to express our great appreciation to the management team and nearly 300,000 employees at Magnit throughout the Russian Federation. They continue demonstrating their ability to maintain high standards in a highly competitive market, in the midst of a transformation of the Company's business operations and the company's culture, reflecting our new focus on customer centricity.

Finally, I would like to extend our gratitude to all Magnit's shareholders for staying with us and sharing our belief in the Magnit story. I am confident that we are on a path to achieve our goals and succeed in transforming the Company's business, in order to deliver value to our shareholders.