

## Market overview

Magnit is Russia's largest retail chain and ranks second among the top 25 FMCG retailers in Russia. Magnit currently has a 9% share of the FMCG market, but plans to increase this share to 15% by 2023. The overall environment of the retail market and the Company's enormous potential offer a real opportunity to achieve this goal.

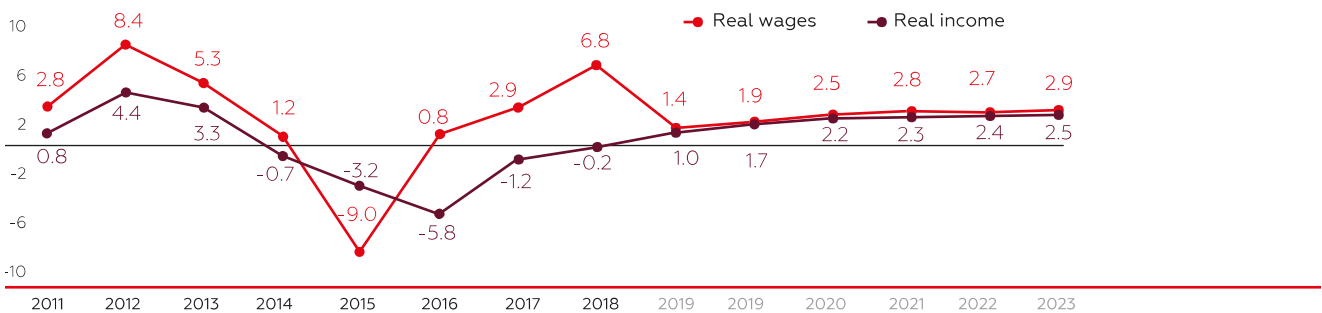
### Macroeconomic environment

According to the long-term forecast<sup>1</sup> for the socioeconomic development of the Russian Federation for the long-term period, steady economic growth and improved labor productivity will underpin an increase in wages. As a result, real wage growth will stabilize at 2.6% in the long term and increase in 1.6 times. Sustainable and dynamic economic growth, a stable and low level of inflation as well as a gradual increase in the most significant revenue components through government policies (wages, pensions, and social benefits) and a decrease in expenditure components (mortgage lending interest rates) will drive the growth of the real disposable income. This data suggests that the Russian Federation will experience moderate economic growth in the coming years. However, leading analysts say there is still a high risk of a crisis due to U.S. and EU sanctions, which continue to put pressure on the Russian economy, and increased state regulation.

That said, there are risk factors that could have a negative impact on the Russian retail market:

- According to analysts, there is more than a 25% probability of recession on the Russian market in 2020–2025;
- Economic sanctions by the U.S. and EU countries putting pressure on the Russian economy;
- The trend of the tighter state regulation (VAT increase, changes in customs duties and certification and customs rules, etc.).

Real wages and real income dynamics, %



Source: Federal State Statistics Service and the Ministry of Economic Development forecast as of November 2018

1. Ministry of Economic Development forecast of November 28, 2018