

Key trends in the market

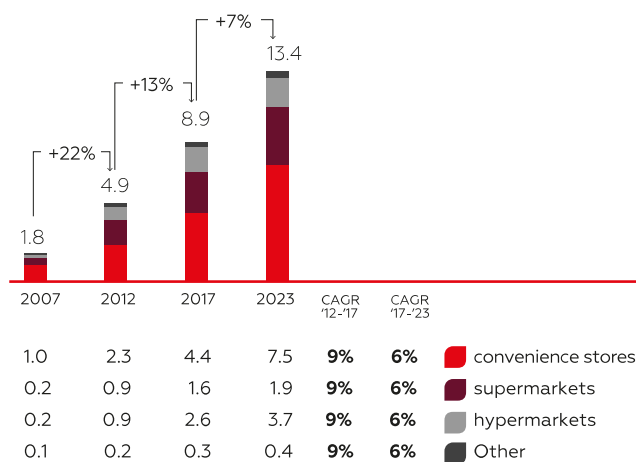
1. Anticipation of moderate market growth. The outlook for LFL is positive. Growth in the market will require a significant improvement in the customer value proposition.
2. Customer income remains limited, but customers are becoming more demanding. Price remains an important factor for customers when picking retail store locations together with better quality and service.
3. The race for retail space continues. Even though the proportion of modern retail is growing, the market from greenfield investment remains unconsolidated. It is important to note that in many cases growth does not come from greenfield, but through the replacement of previous retailers. In 2018, 70% of Magnit’s store openings took place at an existing retail location.
4. Efficient operations and cost-management play an increasing role. Moderate growth along with a high level of competition exert additional pressures on the Company’s margin.

5. Digital technologies are changing all the components in the value chain of the value chain: the use of all possible channels to interact with customers, analysis of big data on customers, and automated and digital operations.

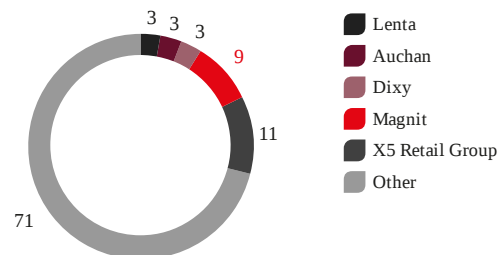
Magnit on the Russian retail market

X5 Retail Group and Magnit together account for 74% of total growth in retail space. In 2018, Magnit, despite lower investment activity, increased its share in the overall growth in retail space by 6.1 percentage points to 24.9% and expanded its total retail space by 4974 th. sq. m. over the period¹. Growth in the number of stores of Magnit network in 2018 (1,318 new stores²) slowed down compared to 2017 (1,624 new stores³). As was the case in 2017, convenience stores generate most of the growth.

Summary retail dynamics, %
 Market size, T RUB ex VAT

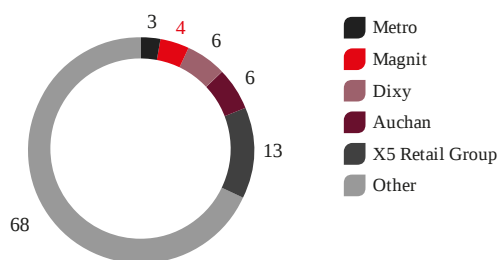


Share of players in the Russian retail market, %

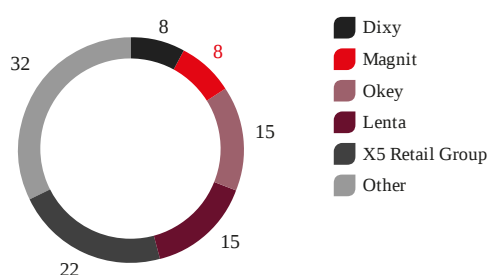


1. excluding “Magnit Cosmetic” and “Magnit Pharmacy”
 2. excluding “Magnit Cosmetic” and “Magnit Pharmacy”
 3. excluding “Magnit Cosmetic” and “Magnit Pharmacy”

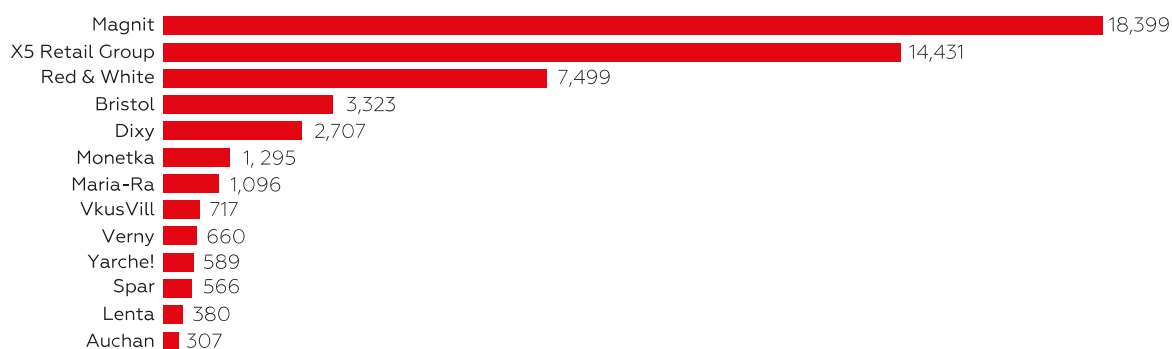
Share of players in the retail market of Moscow, %



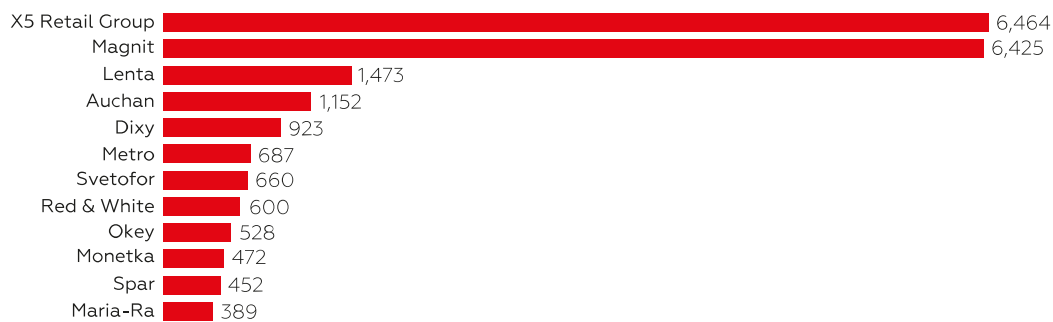
Share of players in the retail market of St. Petersburg, %



Rating of Russian FMCG retail chains by number of stores¹



Rating of Russian FMCG retail chains by retail space, thousand sq.m.²



1. As of January 1, 2019

2. Comparable sales