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Press-release  
Krasnodar  
November 14, 2017

### **Launch of Share Sale**

PJSC "Magnit" ("**Magnit**" or the "**Company**"; MOEX and LSE ticker: MGNT), one of Russia's leading retailers, informs that its shareholder Lavreno Limited (the "**Selling Shareholder**") has initiated the process for the sale of approximately \$ 700 million worth of ordinary shares of the Company owned by it (the "**Sale**") in the form of local Ruble denominated shares. It is intended that after the Sale the Company will increase its share capital through an offering of newly issued shares (the "**New Shares**") in an open subscription (the "**Open Subscription**"). Subject to availability of necessary quantity of the New Shares after the exercise of the pre-emptive rights by other shareholders, the Selling Shareholder intends to use all of the proceeds from the Sale to purchase the New Shares and has indicated the intention to purchase an additional 250,000 of New Shares from Magnit. The Company intends to use the proceeds from the additional share issue to finance its store roll-out program, store renovation program and vertical integration program. Portion of the proceeds may be also used by the Company to optimise net indebtedness position, in line with Company's overall conservative balance sheet strategy and to finance its current operating activities.

In connection with the Sale, shares in the Company are being offered by way of an accelerated bookbuild (the "**Bookbuild**"), which will be launched immediately following this announcement. Merrill Lynch International and VTB Capital plc (the "**Joint Global Coordinators**" and the "**Joint Bookrunners**") are acting as joint global coordinators and joint bookrunners in connection with the Sale.

The shares offered in the Sale ("**Sale Shares**") will be placed under the Bookbuild with international institutional investors in accordance with Regulation S of the US Securities Act of 1933, as amended (the "**US Securities Act**"), and to qualified institutional buyers in the US in accordance with Rule 144A of the US Securities Act. The Ruble price per share, the final number of shares sold, and allocations will be determined following completion of the Bookbuild.

Based on information available to the Company, the Selling Shareholder will acquire the Sale Shares from Mr. Sergey N. Galitskiy (Chief Executive Officer and shareholder of the Company) under a repo transaction with the Company's obligation to sell back to Sergey N. Galitskiy after a designated period.

In connection with the Sale, each of the Company, Mr. Sergey N. Galitskiy and the Selling Shareholder have agreed to lock-up arrangements on customary terms for 90 days following the completion of the Sale (subject to customary exceptions and with the prior consent of the Joint Global Coordinators).

Mr. Sergey N. Galitskiy has also made clear his intention to remain a long-term strategic investor in the Company.

### **Primary Capital Raise by the Company**

It is intended that the Sale will be followed by an increase in the Company's share capital through an offering of the New Shares (together with the Sale Shares, the "**Shares**") in the Open Subscription. The Open Subscription is expected to be approved by the Board of Directors of the Company immediately after the Sale, and the offering price of the New Shares is expected to be set at the same level as the price of the Sale Shares. The Company understands that, subject to availability of necessary quantity of the New Shares after the exercise of the pre-emptive rights by other shareholders, the Selling Shareholder intends to use all of the proceeds from the Sale to purchase the New Shares and has indicated intention to purchase an additional 250,000 of New Shares from Magnit. Mr. Sergey N. Galitskiy has informed the Company that he does not intend to exercise his pre-emptive rights to subscribe for any New Shares.

The Company intends to use the proceeds from the Open Subscription to invest into store roll-out program and vertical integration program.

- **Store roll-out (approximately 60% of the proceeds).** The Company's guidance for 2017 implies net openings of 2,000+ convenience stores, 21 hypermarkets and Magnit family stores as well as 670 cosmetics stores. The Company's management plans to maintain high pace of expansion in 2018. The Company intends to use approximately 25% of the proceeds to open convenience stores and approximately 15% of the proceeds to open cosmetics stores. In addition, the Company is currently in active stage of store renovation program with total of up to 2,200 units planned for renovation in 2017 and substantial pipeline afterwards. Renovated stores aim to demonstrate up to 10% sales growth on average.
- **Vertical integration (approximately 40% of the proceeds).** The Company has also developed and approved its mid-term strategy with regards to vertical integration, assuming total estimated investment of up to RUB 80bn within next three years. The strategy is focused on further development of agricultural and in-house production clusters in the Krasnodar, Tver and Toliatti regions.
  - In agriculture, the Company plans to increase production capacity within existing categories of fresh produce and also launch construction of the second greenhouse complex in 2018 to grow tomatoes and other greenhouse vegetables. The target payback period for agricultural investments is up to 7 years. The Company intends to use approximately 15% of the proceeds for this area.

- The core project within in-house production is the 'Industrial Park Krasnodar', which is to specialize on production of a wide assortment of food products (incl. among others, mushroom compost, pasta, flour confectionary, sweets and candies, frozen prepared foods, ice-cream, frozen vegetables and fruits, juices, baby food, canned food, cheese, butter, fish products, snacks, pet food) as well as non-food goods (incl. among others, hygiene, cosmetics and household products). The total investment in the 'Industrial Park Krasnodar' is estimated at up to RUB 40bn and the targeted payback period for in-house production investments is up to 4-5 years. The Company intends to use approximately 25% of the proceeds for investments in 'Industrial Park Krasnodar'.
- - The Company is aiming for substantial positive impact from vertical integration initiatives, once the current and planned projects are fully invested and reach appropriate capacity levels. Long term positive impact on net income profitability may reach up to 100-150 bp.

A portion of the proceeds may also be used to optimise net indebtedness position, in line with Company's overall conservative balance sheet strategy and to finance its current operating activities.

The Joint Global Coordinators and Joint Bookrunners are acting for the Selling Shareholder in connection with the Sale and are not acting for the Company, the Selling Shareholder or any other person in any capacity in connection with the Open Subscription.

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#### **Company description:**

Public Joint Stock Company "Magnit" is one of Russia's leading retailers. Founded in 1994, the company is headquartered in the southern Russian city of Krasnodar. As of September 30, 2017, Magnit operated 36 distribution centers and 15,697 stores (11,743 convenience, 432 hypermarkets and 3,522 cosmetics stores) in 2,664 cities and towns throughout 7 federal regions of the Russian Federation.

In accordance with the reviewed IFRS consolidated financial statements for 1H 2017, Magnit had revenues of RUB 555 billion and an EBITDA of RUB 49 billion. Magnit's local shares are traded on the Moscow Exchange (MOEX: MGNT) and its GDRs on the London Stock Exchange (LSE: MGNT) and it has a credit rating from Standard & Poor's of BB+. Measured by market capitalization, Magnit is one of the largest retailers in Europe.

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The information contained in this announcement is for background purposes only and does not purport to be full or complete. No reliance may be placed by any person for any purpose on the information contained in this announcement or its accuracy, fairness or completeness.

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The Shares have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Sale the accuracy or adequacy of this announcement. Any representation to the contrary is a criminal offence in the United States.

Members of the general public are not eligible to take part in the Sale. In member states of the European Economic Area ("EEA") (each, a "Relevant Member State"), this announcement and any offer if made subsequently is sent and addressed to and directed only at persons who are "qualified investors" within the meaning of the Prospectus Directive ("Qualified Investors"). For these purposes, the expression "Prospectus

Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU. In the United Kingdom this announcement is sent and distributed to, and directed at and addressed exclusively to Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**") or (ii) who fall within Article 49(2)(A) to (D) of the Order, or (iii) to whom it may otherwise lawfully be communicated, and the Shares will only be available to, and any investment activity to which it relates will only be engaged in with such persons and it should not be relied on by anyone other than such persons.

Certain statements within this announcement may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect the Company's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company's business, results of operations, financial position, liquidity, prospects, growth or strategies. Forward-looking statements speak only as of the date they are made.

Each of the Company, the Selling Shareholder, the Joint Bookrunners and their respective affiliates expressly disclaims any obligation or undertaking to update, review or revise any forward looking statement contained in this announcement whether as a result of new information, future developments or otherwise.

No prospectus or offering document has been or will be prepared in connection with the Sale. Any investment decision to buy securities in the Sale must be made solely on the basis of publicly available information. Such information is not the responsibility of and has not been independently verified by the Selling Shareholder (or any affiliate thereof) or any of the Joint Bookrunners or any of their respective affiliates.

Acquiring investments to which this announcement relates may expose an investor to a significant risk of losing all of the amount invested. Persons considering making such investments should consult an authorised person specialising in advising on such investments. This announcement does not constitute a recommendation concerning the Sale. The value of the Shares can decrease as well as increase. Potential investors should consult a professional advisor as to the suitability of the Sale for the person concerned.

The Joint Bookrunners, each of which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, are acting exclusively for the Selling Shareholder and no-one else in connection with the Sale. They will not regard any other person as their respective clients in relation to the Sale and will not be responsible to anyone other than the Selling Shareholder for providing the protections afforded to their respective clients, nor for providing advice in relation to the Sale, the contents of this announcement or any transaction, arrangement or other matter referred to herein.

In connection with the offering of the Sale Shares, the Joint Bookrunners or any of their respective affiliates may take up a portion of the Sale Shares as a principal position and in that capacity may retain, purchase, offer to sell or sell for their own accounts such securities and any other securities of the Company or related investments in connection with the offering or otherwise. Accordingly, any references to the Sale Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Joint Bookrunners and any of their respective affiliates acting in such capacity. In addition the Joint Bookrunners and any of their respective affiliates may enter into financing arrangements (including swaps or contracts for difference) with investors in connection with which the Joint Bookrunners and any of their affiliates may from time to time acquire, hold or dispose of the Sale Shares. They do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

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This announcement is not, and under no circumstances is to be construed as, an advertisement or offering of the New Shares in the Russian Federation. The issue of the New Shares is subject to, among other things, approval by the Board of Directors of the Company and registration by the Central Bank of the Russian Federation. There is no assurance that such approval and such registration can be obtained in a timely manner or at all.

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