

MAGNIT PJSC (MGNT)

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Press Release
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Magnit PJSC announces entering into negotiations regarding the acquisition of SIA Group

Krasnodar, Russia (June 6, 2018) - PJSC Magnit (Magnit), one of Russia's leading retailers, announces that it is entering into negotiations with the group of companies Marathon Group (Marathon Group), regarding the acquisition of the pharmaceutical distribution company SIA Group (Joint-stock company "SIA INTERNATIONAL LTD" Taxpayer Identification Number 7714030099, Primary State Registration Number 1027739185407 located at Building 12B, 35 Svobody Street, Moscow, 125362, Russia) and is concurrently initiating its due diligence process. The final structure and method of the transaction and settlement will be discussed by Magnit and the Marathon Group in the course of their negotiations and will take into account the results of Magnit's due diligence on the SIA Group.

Magnit confirms that it plans to expand into the retail pharmacy market. The Pharmacy pilot project has demonstrated good results. Magnit believes that pharmacies can potentially be integrated into many Magnit cosmetics stores, convenience stores and hypermarkets, which according to the Magnit's estimates, will enable it to build a large pharmacy chain within a short period of time and with insignificant capital expenditures. Magnit believes that its high brand recognition and its long-term customer loyalty and trust is a significant competitive advantage that will create a synergistic marketing effect and will, ultimately, help to reduce the maturity time of the pharmacy stores and improve the payback period of the pharmacy project.

Magnit CEO Khachatur Pombukhchan said:

"We think that the Russian pharmacy retail market is one of the most attractive for expansion. This segment is big enough - at more than one trillion Rubles, which comprises 10% of the food retail market and has demonstrated solid growth over the last few years. Nonetheless, the pharmacy segment has not yet been consolidated and thus, a strong player, like Magnit, should be capable of capturing significant market share compared to other large competitors. Besides, pharmacies and food stores are mutual drivers of customer traffic which should provide a multiplier economic effect. Magnit needs to build an in-house logistics platform in order to roll-out and integrate pharmacies into existing and new Magnit stores. On May 17, 2018 the Board of Directors approved the updated strategy for pharmacy retail development, including as one of the options the development of a logistics platform by means of acquisition of the existing distribution business. It will enable Magnit to grow the scale and scope in as short a time as possible and to enter the pharmacy retail market with a significant competitive advantage. SIA Group best meets Magnit's requirements with respect to regional coverage, assortment range and logistics capacity. In order to estimate the potential benefits, Magnit will conduct the due diligence phase with the help of international consultants".

"SIA Group (www.siamed.ru) is one of the Russia's TOP 5 pharmaceutical distributors and is part of Marathon Pharma group (pharmaceutical subholding of Marathon Group). According to SIA Group it has well-developed logistics infrastructure: its total warehousing space in Moscow and 35 other cities of Russia amounts to 224,000 m², total number of employees is 2,700.

Marathon Group (www.marathongroup.ru) is the group of companies founded in 2017 by Alexander Vinokurov, Sergey Zakharov, later Andrey Tyasto joined the team as a partner. The company's core business is to make investments in retail, pharmaceutical, infrastructure and agricultural assets and further develop them.

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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 March 31, 2018, Magnit operated 37 distribution centers and 16,625 stores (12,283 convenience, 242 hypermarkets, 210

Magnit Family stores and 3,890 drogerie stores) in 2,764 cities and towns throughout 7 federal regions of the Russian Federation.

In accordance with the audited IFRS results for 2017, Magnit had revenues of RUB 1,143 billion and an EBITDA of RUB 92 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.

Forward-looking statements:

This document contains forward-looking statements that may or may not prove accurate. For example, statements regarding expected sales growth rate and store openings are forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Magnit as of the date of the statement. All written or oral forward-looking statements attributable to Magnit are qualified by this caution. Magnit does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances.

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