

MAGNIT PJSC (MGNT)

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Press Release

Krasnodar

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Russian Post and Magnit open first retail stores

Krasnodar, June 28, 2018: PJSC "Magnit", one of Russia's leading retailers (the "Company", MOEX and LSE: MGNT), announces the start of sales in the test stores located at the post offices in Moscow, Krasnodar and Ryazan regions. Both urban and rural post offices - 12 fixed-site and 1 mobile stores - have been chosen for the pilot project.

The project is being developed under the trilateral strategic partnership between the Russian Post, PJSC Magnit and VTB Bank (PJSC).

The launch of test stores in the post offices provide Magnit chain with the opportunity to expand the geography of sales and cover territories where the opening of the traditional store is economically unreasonable. The collaboration brings along optimization of expenses of Magnit and the Russian Post. Customers get an additional service and can combine a visit to the post office with shopping.

In the Russian Post's ongoing efforts to enhance the efficiency of the retail stores, the cooperation with one of the Russian leading retailers is the strategic pathway.

All products in the test stores excluding postal goods have been provided by Magnit. The assortment of the fixed-site stores varies from 200 to 800 SKUs depending on the space and the location of the post office while the car shop offers about 50 SKUs. In the rural areas the product mix includes food items, household cleaning products, basic necessities and associated goods while the urban stores offer additional categories - beverages, snacks and confectionary. Customers in villages can influence the assortment mix by sharing their feedback on the product representativity.

"There are different consumer patterns across the territories. The assortment of the test stores is adjusted to the local customer needs. Based on the analysis of the internal Magnit data, the unique customer value proposition has been developed for each test store. We are getting closer to our customers and offer greater shopping experience. We believe that the project will be successful and beneficial for both companies", - Olga Naumova, Magnit CEO, said.

"One of the key priorities of our joint project is to test different retail formats in the urban and rural post offices. Additionally, we plan to launch home delivery - customers may choose products from the catalogues available at the carriers. We will make the decision on the further project development before year-end based on the results of the pilot stores", - Nikolai Podguzov, CEO of the Russian Post, commented.

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"Magnit" 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.

"Russian Post" description:

Russian Post is a federal post operator, is included in the Russian Federation strategic companies list. In accordance with the Russian Post, it includes 42,000 offices across the country and has one of the biggest staff - about 350,000 post workers.

Every year, Russian Post delivers over 2.5 billion letters and bills (of them 1 billion letters are from state authorities) and 365 million parcels. Russian Post services about 20 million subscribers in Russia by delivering 1 billion copies of print publications per year. The annual volume of transactions processed by Russian Post is 3.2 trillion rubles (pensions, payments and transfers).

Operational revenue of Russian Post in 2017 grew by 8,1% (13,3 bln rubles) up to 178,1 bln rubles (164,8 bln rubles in 2016). Russian Post showed profits in all areas of its business activities.

Actual net profit of Russian Post exceeded the planned indicators by 28% up to 758 mln rubles.

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