

MAGNIT PJSC (MGNT)

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PJSC "Magnit" Announces the Decisions of the Board

Krasnodar, Russia (October 05, 2018): Magnit PJSC (MOEX and LSE: MGNT; Company, Group), one of Russia's leading retailers, announces the decisions of the Board of Directors taken on the meeting held on October 04, 2018.

The management has updated the Board on one of the most critical elements of Magnit Cosmetic and Pharmacy business lines development strategy, which is warehouse and logistics infrastructure improvements. Following a 7-month in-depth review of strategic alternatives including construction of own infrastructure, lease or outsourcing and acquisition of existing platform, the management has concluded that the acquisition of SIA Group is the most optimal option.

The management conducted due diligence of the target under the proposed acquisition (including legal, financial, business and tax due diligence) using internal as well as reputable international external advisers, including a Big Four financial adviser and one of the leading international law firms. The key terms of proposed acquisition: purchase price up to RUB 5,7 billion, which is to be paid by PJSC "Magnit" in its own shares; obligation of the seller ("lock-up") not to sell PJSC "Magnit" shares received by the seller for the period of at least 3 years following the completion; customary representations, warranties and indemnities.

The Board supports the strategy of PJSC "Magnit" to develop Magnit Cosmetic and Pharmacy business lines with respect to warehouse and logistics infrastructure by initiating implementation of such strategy through the proposed acquisition of SIA Group.

J.P. Morgan provided financial advice to PJSC "Magnit" in connection with the proposed acquisition, including analysis of certain strategic considerations with respect to the transaction, including financial aspects of developing logistic infrastructure and other potential acquisition targets.

Bank of America Merrill Lynch has been engaged to opine to the Board as to the fairness or otherwise of the contemplated transaction from a financial point of view.

Taking into account the expected synergies with respect to sales and costs, and the opportunity to refinance the SIA Group current debt, the estimated value of the SIA Group equity value far exceeds the approved transaction price.

This structure of the transaction ensures minimization of the risks of acquisition and integration of the SIA Group assets since it aligns the party's interests in the long-term growth of the market capitalization of PJSC "Magnit".

Paul Foley, Deputy Chairman of Magnit Board and the Chairman of the Capital Markets Committee commented:

"After having been thoroughly considered by the Board in four meetings, the final, share-only deal, with a lock-up of three years that has been struck to acquire SIA logistics aligns the best interests of all shareholders of Magnit. We can now execute quickly our strategy to make Magnit Cosmetic a world class concept combining Health, Personal Care and Beauty, throughout the Russian Federation both on and off line! We welcome SIA management and employees into the Magnit family and look forward to their contribution to winning thousands of new customers for our Magnit Cosmetic brand".

The Board has also approved an amendment to the PJSC "Magnit" Share Buyback Program. In addition to implementation of the long-term incentive program, the shares acquired pursuant to the program will be used for payment under the transaction related to the acquisition of legal entities in the amount not exceeding RUB 5,7 billion. The Board has decided to increase the total amount of funds allocated for the acquisition of shares under the Share Buyback Program by RUB 5,7 billion to RUB 22,2 billion. All other terms of existing program remain unchanged.

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Note to editors:

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 June 30, 2018, Magnit operated 37 distribution centers and 16,960 stores (12,503 convenience, 244 hypermarkets, 213 supermarkets and 4,000 drogerie stores) in 2,808 cities and towns throughout 7 federal regions of the Russian Federation.

In accordance with the reviewed IFRS consolidated financial statements for 1H 2018, Magnit had revenues of RUB 595 billion and an EBITDA of RUB 44 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.

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