



## PJSC “Magnit” Announces Unaudited 3Q 2018 Results

Krasnodar, Russia (22 October, 2018): Magnit PJSC (MOEX and LSE: MGNT), one of Russia’s leading retailers announces its unaudited 3Q 2018 results prepared in accordance with IFRS<sup>1</sup>.

Revenue increased by 8.4% from 286 billion RUB in 3Q 2017 to 310 billion RUB in 3Q 2018 on the back of significant LFL sales recovery to -2.0% compared to -5.2% in the previous quarter. The change of the LFL sales trend dynamics across all formats is the result of the improved CVP achieved through the new developments of the category management and promo activity. The best performance was demonstrated by “Magnit Cosmetic” stores – LFL sales reached 3.9% in 3Q 2018 on the back of 3.8% LFL average ticket growth and 0.1% traffic growth.

During 3Q 2018 Magnit added (net) 482 stores. The total store base as of September 30, 2018 reached 17,442 stores (12,813 convenience stores, 457 supermarkets and 4,172 drogerie stores). Addition of selling space in 9M 2018 was 337 thousand sq. m. compared to 495 thousand sq. m. in 9M 2017. The quality of new store openings has improved which supported sales density growth of the new stores compared to the existing store base. All new stores are being opened under the new format with the improved layout, design, navigation and equipment. We have redesigned 380 stores in 3Q 2018.

EBITDA in 3Q 2018 increased by 5.3% y-o-y compared to the negative dynamics in 2Q this year. EBITDA margin in 3Q 2018 was 7.0%. There was a seasonal decrease compared to 2Q 2018. Nevertheless, this year traditional seasonal decrease moderated. The 23.9% decrease of gross margin was largely offset by the cost optimization initiatives: payroll expenses due to the reduction in the number of the management personnel and the packaging and raw materials due to the introduction of the tender procedures and lower procurement prices.

Net Income increased by 10% from 6.9 billion RUB in 3Q 2017 to 7.6 billion RUB in 3Q 2018. The key factor which impacted the more pronounced positive dynamics of net income compared to EBITDA in 3Q 2018 was the improvement of interest expense due to lower credit rates this year compared to the previous year. Net Income Margin in 3Q 2018 was 2.5%.



**Olga Naumova, Magnit’s Chief Executive Officer, said:**

*“At the first stage of transformation the key indicator of the positive dynamics for us is the like-for-like improvement. For the first time this year we see LFL trends changing. This improvement underlines that our customers respond positively to the implemented changes in assortment and approach to the promo activity.*

*We are already seeing cost improvements and continue to optimise our efficiency to maintain EBITDA margin.*

*Our transformation strategy shows first signs of recovery of consumer interest in our stores. We are confident that this is the solid base for further success of Magnit team”.*



### 3Q 2018 Monthly Operating Metrics:

	July	Y-o-Y, %	August	Y-o-Y, %	September	Y-o-Y, %
<b>New Store Openings (NET)</b>	<b>78</b>	<b>n/a</b>	<b>130</b>	<b>n/a</b>	<b>274</b>	<b>n/a</b>
Convenience stores	43	n/a	86	n/a	181	n/a
Supermarkets <sup>2</sup>	3	n/a	(2)	n/a	(1)	n/a
Drogerie Stores	32	n/a	46	n/a	94	n/a
<b>Number of Stores (EOP)</b>	<b>17,038</b>	<b>n/a</b>	<b>17,168</b>	<b>n/a</b>	<b>17,442</b>	<b>n/a</b>
Convenience stores	12,546	n/a	12,632	n/a	12,813	n/a
Supermarkets	460	n/a	458	n/a	457	n/a
Drogerie Stores	4,032	n/a	4,078	n/a	4,172	n/a
<b>New Selling Space, th. sq. m.</b>	<b>27</b>	<b>n/a</b>	<b>37</b>	<b>n/a</b>	<b>84</b>	<b>n/a</b>
Convenience stores	15	n/a	31	n/a	66	n/a
Supermarkets	5	n/a	(4)	n/a	(3)	n/a
Drogerie Stores	7	n/a	10	n/a	21	n/a
<b>Total Selling Space (EOP), th. sq. m.</b>	<b>5,971</b>	<b>11.0%</b>	<b>6,009</b>	<b>10.0%</b>	<b>6,092</b>	<b>9.5%</b>
Convenience stores	4,108	11.0%	4,139	10.0%	4,205	9.5%
Supermarkets	938	4.9%	934	3.9%	931	3.2%
Drogerie Stores	926	18.4%	936	16.8%	956	16.8%
<b>Number of Customers, million</b>	<b>389</b>	<b>10.8%</b>	<b>388</b>	<b>8.6%</b>	<b>360</b>	<b>7.0%</b>
Convenience stores	330	11.2%	327	8.5%	304	6.8%
Supermarkets	35	5.5%	35	6.4%	32	4.9%
Drogerie Stores	25	13.7%	25	13.3%	24	12.5%
<b>Retail Sales<sup>3</sup>, million RUR</b>	<b>104,856</b>	<b>7.3%</b>	<b>104,506</b>	<b>9.2%</b>	<b>95,888</b>	<b>7.4%</b>
Convenience stores	79,317	8.2%	78,399	9.4%	71,966	7.5%
Supermarkets	17,858	0.5%	17,962	5.0%	16,322	3.1%
Drogerie Stores	7,680	16.4%	8,145	18.1%	7,600	16.9%



### 3Q and 9M 2018 Key Operating Metrics:

	3Q 2018	3Q 2017	Y-o-Y, %	9M 2018	9M 2017	Y-o-Y, %
<b>New Store Openings (NET)</b>	<b>482</b>	<b>853</b>	<b>n/a</b>	<b>1,092</b>	<b>1,638</b>	<b>n/a</b>
Convenience stores	310	629	n/a	688	1,222	n/a
Supermarkets	0	2	n/a	6	1	n/a
Drogerie Stores	172	222	n/a	398	415	n/a
<b>Number of Stores (EOP)</b>	<b>17,442</b>	<b>15,697</b>	<b>n/a</b>	<b>17,442</b>	<b>15,697</b>	<b>n/a</b>
Convenience stores	12,813	11,743	n/a	12,813	11,743	n/a
Supermarkets	457	432	n/a	457	432	n/a
Drogerie Stores	4,172	3,522	n/a	4,172	3,522	n/a
<b>New Selling Space, th. sq. m.</b>	<b>148</b>	<b>243</b>	<b>n/a</b>	<b>337</b>	<b>495</b>	<b>n/a</b>
Convenience stores	112	190	n/a	247	389	n/a
Supermarkets	(2)	2	n/a	1	6	n/a
Drogerie Stores	37	51	n/a	90	100	n/a
<b>Total Selling Space (EOP), th. sq. m.</b>	<b>6,092</b>	<b>5,562</b>	<b>9.5%</b>	<b>6,092</b>	<b>5,562</b>	<b>9.5%</b>
Convenience stores	4,205	3,841	9.5%	4,205	3,841	9.5%
Supermarkets	931	902	3.2%	931	902	3.2%
Drogerie Stores	956	819	16.8%	956	819	16.8%
<b>Number of Customers, million</b>	<b>1,137</b>	<b>1,044</b>	<b>8.8%</b>	<b>3,257</b>	<b>2,988</b>	<b>9.0%</b>
Convenience stores	960	882	8.9%	2,755	2,518	9.4%
Supermarkets	102	97	5.6%	295	284	3.6%
Drogerie Stores	74	65	13.2%	208	186	11.6%



## LFL Results:

3Q 2018 - 3Q 2017<sup>4</sup>

Formats	# of Stores	Average Ticket	Traffic	Sales
Convenience stores	9,578	(0.5%)	(2.2%)	(2.7%)
Supermarkets	407	(1.9%)	0.2%	(1.6%)
Drogerie Stores	3,288	3.8%	0.1%	3.9%
<b>Total</b>	<b>13,273</b>	<b>(0.2%)</b>	<b>(1.8%)</b>	<b>(2.0%)</b>

9M 2018 - 9M 2017<sup>3</sup>

Formats	# of Stores	Average Ticket	Traffic	Sales
Convenience stores	8,259	(1.3%)	(2.6%)	(3.9%)
Supermarkets	404	(3.1%)	(1.1%)	(4.2%)
Drogerie Stores	3,157	3.7%	(1.9%)	1.8%
<b>Total</b>	<b>11,820</b>	<b>(1.1%)</b>	<b>(2.4%)</b>	<b>(3.4%)</b>

## 3Q and 9M 2018 Key Financial Results, million RUR

	3Q 2018	3Q 2017	Growth Rate	9M 2018	9M 2017	Growth Rate
<b>Net sales</b>	<b>310,112</b>	285,961	8.4%	<b>905,374</b>	840,985	7.7%
Convenience stores	<b>229,682</b>	211,977	8.4%	<b>673,330</b>	623,793	7.9%
Supermarkets	<b>52,142</b>	50,706	2.8%	<b>151,209</b>	151,170	0.0%
Drogerie Stores	<b>23,425</b>	19,996	17.1%	<b>65,456</b>	56,956	14.9%
Wholesale	<b>4,863</b>	3,283	48.1%	<b>15,380</b>	9,066	69.6%
Gross Profit	<b>73,996</b>	73,285	1.0%	<b>221,168</b>	221,850	(0.3%)
<b>Gross Margin, %</b>	<b>23.9%</b>	25.6%	n/a	<b>24.4%</b>	26.4%	n/a
EBITDAR	<b>34,781</b>	32,582	6.8%	<b>104,895</b>	103,044	1.8%
EBITDAR Margin, %	<b>11.2%</b>	11.4%	n/a	<b>11.6%</b>	12.3%	n/a
EBITDA <sup>5</sup>	<b>21,742</b>	20,656	5.3%	<b>66,608</b>	69,391	(4.0%)
Adjusted EBITDA	<b>21,742</b>	20,656	5.3%	<b>68,107</b>	69,391	(1.9%)
<b>EBITDA Margin, %</b>	<b>7.0%</b>	7.2%	n/a	<b>7.4%</b>	8.3%	n/a
<b>Adjusted EBITDA Margin, %</b>	<b>7.0%</b>	7.2%	n/a	<b>7.5%</b>	8.3%	n/a
EBIT	<b>12,127</b>	12,208	(0.7%)	<b>39,556</b>	44,496	(11.1%)
EBIT Margin, %	<b>3.9%</b>	4.3%	n/a	<b>4.4%</b>	5.3%	n/a
Net Income	<b>7,618</b>	6,923	10.0%	<b>25,383</b>	27,672	(8.3%)
<b>Net Income Margin, %</b>	<b>2.5%</b>	2.4%	n/a	<b>2.8%</b>	3.3%	n/a

<sup>4</sup> LFL calculation base includes stores (all formats), which have been opened 12 months prior to the last month of the reporting period. i.e. by September 1, 2017.

<sup>5</sup> In an effort to conform to industry norms, starting in 2018 Magnit has revised its accounting policy and excluded FX Translation Differences from EBITDA. Previously, Magnit reported EBITDA including FX Translation Differences. For the sake of comparison, Magnit has applied the same accounting change for the previous periods.



Notes:

1. This announcement contains inside information which is disclosed in accordance with the Market Abuse Regulation which came into effect on 3 July 2016.
2. Please note that there may be small variations in calculation of totals, subtotals and/ or percentage change due to rounding of decimals.



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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 September 30, 2018, Magnit operated 37 distribution centers and 17,442 stores (12,813 convenience, 457 supermarkets and 4,172 drogerie stores) in 2,866 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.