

Own production (continued)

Industrial agriculture

Growth of the agricultural business is key to enhancing the sustainability of supply chains, ensuring Magnit's independence from third-party suppliers, expanding product range, and improving the quality of products available on the chain's store shelves.

In our agricultural operations, we are guided by the key principles of sustainability for food and agriculture of the UN Food and Agriculture Organisation (FAO):

Protect and enhance natural resources

- ▶ Grain and vegetable crops span 3,600 ha of our arable lands, where we have adopted deep tillage technology to reduce soil erosion

Improve livelihoods and foster inclusive economic growth

- ▶ We expand the range of healthy lifestyle products manufactured by our agricultural assets, control their safety and quality, and offer attractive prices for all customer categories

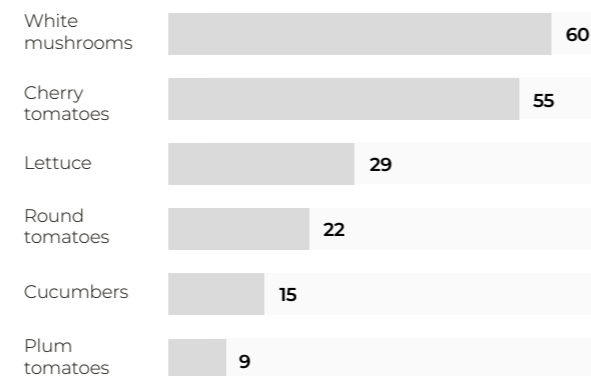
Enhance the resilience of people, communities and ecosystems

- ▶ We leverage designated agricultural and environmental techniques to minimise our chemical impact on plants and land and use alternatives wherever we can

By adhering to these principles, we promote the highest quality and safety standards at our agricultural facilities and improve the Group's logistics and delivery infrastructure.

Magnit operates 6 agricultural facilities with a total food output of over 98,400 tonnes per year. In 2022, we combined our industrial and agricultural assets into a standalone business unit – Agricultural and Industrial Complex.

Share of in-house production across select fresh product categories, %



98.4 thous.
tons of products the total food output of Magnit agricultural enterprises



Progressive development

Zelenaya Liniya, our flagship agricultural asset, is located in the Krasnodar territory. This is Russia's largest greenhouse complex for growing environmentally clean cucumbers, tomatoes, leaf vegetables, and eggplants. It also includes one of Russia's biggest mushroom growing facilities which almost completely satisfies Magnit's needs in fresh white mushrooms.

Zelenaya Liniya is our testing ground for trying out the latest labour productivity enhancement and environmental impact mitigation technologies. All of Zelenaya Liniya's facilities are designed using cutting-edge technologies and boast modern automated irrigation, heating, lighting and ventilation systems. The mushroom growing facility runs the entire range of production operations – from making compost to packaging and distributing end products.



Industrial robotisation

We launched a robotic unit which automatically forms a corrugated box, loads it onto the conveyor belt, and sends it to the relevant vegetable picking sector.

To reduce labour inputs and avoid weighing mistakes, we use the robot for packaging cherry tomatoes, as it can pack 2,500 special trays per hour.

In 2023, we plan to test some more robotic technologies, for example, those designed for monitoring plant conditions and the spread of plant pests.



Digital platform for higher yields

Zelenaya Liniya's greenhouses are equipped with sensors monitoring microclimate parameters, resource consumption, and plant development metrics across the life cycles of tomatoes, cucumbers, eggplants, and lettuce. An intelligent management system analyses data transmitted by the sensors and generates performance improvement recommendations. As a matter of fact, the system acts as a virtual assistant helping the agronomist to mitigate the risk of planning and production inaccuracies, control resource usage, reduce expenses and minimise environmental impacts.



Automation of greenhouse management

At Zelenaya Liniya, we successfully completed transition to 1C ERP Industrial Agriculture, the latest Russian software package which enabled the Company to automate production management processes and address the cost allocation and write-off issue in the context of varying fruit-setting times.

Own production (continued)

Lean production

For three years now, Magnit has been implementing lean production techniques across its industrial facilities. Lean production is a management approach based on improving product quality while reducing all types of losses with an aim to optimise relevant production processes. This philosophy is inextricably linked to employee development, environmental protection and energy efficiency.

As part of the lean production programme, our employees come up with process improvement initiatives. In 2022, Magnit received 3,185 innovation proposals, 70% of which were approved for implementation. The proven economic savings achieved through these initiatives exceeded RUB 170 mln.

Our employees took part in the second Rationalisation and Productivity Cup, a competition sponsored by the Professional Skills Development Agency, Ministry of Economic Development, and the Federal Centre for Competences. The Kuban Factory of Bakery Products team, which represented Magnit, won a silver prize.

Seven Kuban facilities of Magnit participated in the Path to Perfection contest, which aims to identify best practices in lean

production. Kuban Factory of Bakery Products won the first place (gold in terms of lean technology implementation), with TD-Holding coming in as the runner-up. The silver went to Kuban Confectioner and Zelenaya Liniya.

We continue to provide lean production training for our employees. In 2022, 85% of Magnit's own production facilities completed relevant courses.

85%
of personnel at our own production sites underwent training in lean production principles

