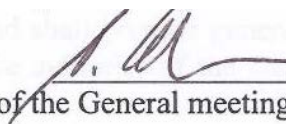


APPROVED

By the Board of Directors
of the PJSC «M.video»
(Minutes №123/2017 dated May 11, 2017)


/John Coleman/
Chairman of the General meeting of shareholders

ANNUAL REPORT
of the Public Joint-Stock Company
«M.video»
for the year 2016



Moscow, 2017

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Statement of M.Video President and CEO of the Company

Dear shareholders,

Results and key trends of 2016 showed that Russian consumer electronics market has found the point of balance and is moving to the levels of normal demand and expectations after several years of investment type of purchases first caused by the growth and saturation of the market and second by devaluation of the national currency. Based on GFK data, for the Consumer Electronics market the 2016 year resulted in growth of 7.3% compared to 2015 in cash. Normalizing demand has little expectations for aggressive growth dynamics nevertheless this is period of stability which opens lots of opportunities for the big players like M.Video with a very efficient business model enabling to run further consolidation.

Despite all economic challenges in 2016 M.Video has shown sales dynamic twice faster than the market that allowed us to strengthen leadership and grow market share. We outperformed the market not only in such traditional categories as large and small home appliances, TVs and entertainment, but also in telecom and gadgets. We deliver best-in-class retail service to our customers through omnichannel model, we offer to our clients not just products but complex solutions, we manage assortment and stock together with our suppliers and we select best retail locations. We continuously look for efficiency improvements in all the business processes within operations and we have a strong financial position and straightforward balance sheet to protect interests of our stakeholders and investors”.

M.Video continues to grow both online and offline sales and the global trend for online-offline channels merge has become now a new reality in the Russian market. More than 50% of the customers start the product selection journey in the internet, only 7% of Consumer Electronics buyers in Russia make purchases online, others prefer to go into the stores to make a final choice or pick up goods. As Omni channel retailer we deliver strong top-line dynamics that reflects the efforts to give our customers the best experience at any point of contact.

Despite the strengthening of the national currency consumers are guided by the price when making decisions about purchase and are inclined to look for the most advantageous offer. M.Video’s best-price guarantee program as a part of the marketing strategy, as well as promotional activities and lucrative credit offers have a positive effect on sales and attract new customers

Within our Omni channel strategy M.Video motivates the customers to use the pick-up option for the purchases. Convenient location of M.Video stores give many opportunities to our clients for collecting their orders very shortly while for our suppliers convenient stores locations serves not only as place for sale of their goods but also as a stage for demonstration of new technologies and innovations. We continue to develop M.Video as the best place where people and consumer electronics meet, together with our customers we continue to improve services and additional offers, we keep on investing in new technologies and IT platform, supporting mobile format of purchases.

At the beginning of 2016 M.Video established the position of the Chief Executive Officer as the second sole executive body. The operational team managed in a very short period of time to launch a chain of innovative IT related projects, on-line-commerce and retail sales.

*M.Video is concentrated on new growth opportunities and despite strong competition on the telecom market our market share in telecom has doubled through the last two years. We can confirm that we occupy one of the top of mind positions in this category in the market now. We have introduced a new concept *m_mobile*, which was piloted and then rolled out through the whole retail network (dedicated zones already presented in 387 stores). The growth in telecom has been also achieved due to the*

proper category management, successful launch of flagship models and tailored credit offers available for smartphones. The implementation of m_mobile concept not only provides better sales opportunities, but also helps us to sustain appropriate gross margin levels by higher attachment rates of services and accessories to goods

In autumn 2016 the company has announced about the creation of a new for the Russian market universal trading internet platform (marketplace) and already in February 2017 presented a new brand on the Russian market of e-commerce – Goods – online platform connecting people and goods. Marketplace has tools to compare prices by different suppliers, to choose the best proposal in terms of the price for the customer, to make one order on goods from different categories and retailers and to ensure single processing of the orders, delivery, goods return and exchange.

Consumer electronic goods, Children's goods, DIY will be presented on the marketplace. The commercial launch of the project is planned for the second half of 2017.

End of April 2017, SAFMAR Group informed about the closing of the announced back in December 2016 transaction on the acquisition of 57.7% of M.video owned by Alexander Tynkovan and his partners for the price of USD 7 per 1 share of the PJSC “M.video”. Earlier, the transaction on the acquisition of 100% of M.video was approved by the Russian Federal Anti-Monopoly Service (FAS) and made a voluntary tender offer to the minority shareholders of the PJSC “M.video” in respect of their ordinary shares in the company at the price of the main deal.

M.video and Eldorado chains will be developed as separate businesses, retaining the management team at each. The Buyer intends to keep the PJSC “M.video” (to be renamed PJSC “SAFMAR Retail”) as a public company and to adhere to best corporate governance practices.

In the course of 2017, shareholders and management of SAFMAR Retail will analyze potential options for consolidating the two businesses and start to develop an integration plan to achieve optimal synergy. SAFMAR Retail will become the leading player in the non-food retail sector of Russia with solid perspectives of stable growth. A new team will challenge the most ambitious tasks based on the synergy of the professional expertise and assets.

Marketplace LLC (the e-commerce platform GOODS.RU) will also become part of SAFMAR Retail, and will be developed in line with previously announced plans.

***Alexander Tynkovan,
President of M.Video***

1. Description of the main Company's activity

1.1. General information about the Company

The full & short name of the Company:

Public joint-stock company «M.video» /PJSC «M.video»

Information about the State Registration of the Company

The date of the State Registration of the Company: 25.09.2006.

The number of the Certificate of the State Registration (or other document confirming the State Registration of the Company): *Series 77 № 008748648*

The Primary State Registration Number (OGRN) - 5067746789248

The authority in charge of the State Registration: *Inter-Regional Inspectorate of the Federal Tax Service No. 46 for the city of Moscow*

Information about the Charter Capital of the Company

Full amount of the Charter Capital of the Company paid up under Russian law requirements is 1 797 682 270 (one billion seven hundred ninety seven million six hundred eighty two thousand two hundred and seventy) rubles. The charter capital is comprised of distributed securities among the shareholders of the Company in the amount of 179 768 227 (one hundred seventy nine million seven hundred sixty eight thousand two hundred twenty seven) ordinary non-documentary shares with the par value of 10 (ten) rubles.

The Charter of the Company was approved by the AGSM (Minutes No.20 of 16th of June, 2015), and registered with the tax authorities of Russia No.46 for the city of Moscow on 2nd of July, 2015 under number GRN 6137748368576. On 2 July 2015 the Company was reregistered as a Public Joint Stock Company “M.video”.

Information about the shares of the Company:

The category of the shares: ordinary

Form of securities: registered non-documentary

Nominal value of each share: 10 rubles

Number of the outstanding shares: 179 768 227 pieces

Number of the additional outstanding shares in the course of placement: 0

Number of the authorized but not issued shares: 30 000 000

The State Registration Number: Issue No. 1: 1-02-11700-A

The date of the State Registration: Issue No. 1: 23 August, 2007

The State Registration Number: Issue No.2: 1-02-11700-A -001D

The date of the State Registration: Issue No.2: 25 October, 2007

The Company trades its securities on the stock markets having the following stock marks:

MVID – classical market of the Stock exchange RTS (www.rts.ru) and

MVID – Stock exchange Micex (www.micex.ru).

In November 2007 shares of the OJSC «Company «M.video» were admitted to trading on the Russian stock exchanges RTS and MICEX in quotation list “T”. In April 2008 shares of the OJSC “Company «M.video» were transferred to quotation list “B” on both stock exchanges, and in July 2008 the Company’s shares were included in the calculation of the capitalization “Index of MICEX – basic capitalization” (MICEX SC) of MICEX stock exchange. On 29th of October 2013 according to the Listing rules and decision of CJSC “MICEX” Company’s shares were transferred from «Quotation list B» to the «Quotation list A». New listing rules entered into force on 9th of June 2014 shares introduced

new terminology for determination of different sections of the quotation list. Independent sections of the quotation list are now called levels (levels of listing): first level (the highest level of the quotation list), second level (quotation list of the second level) and third level (unlisted part of the quotation list). Company shares are included in the first level of the quotation list.

Trading Statistics

In the reporting 2016 year M.video shares showed sufficient value growth by 43.3%) with increased investors' interest to the Russian stock in the background. Nonetheless, share price growth of M.video in 2016 increased both in comparison to the share price of the companies' securities with similar capitalization and to the annual dynamic of the industrial and country stock indexes.

Market capitalization

на 31.12.2015	22 057 561 452,90 rubles based Micex data ¹
на 31.12.2016	69 013 022 345,30 rubles based on Micex data ²

Earnings per share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. Diluted earnings per share amounts are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus weighted average number of ordinary shares that would have been outstanding assuming the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2016	2015
Net profit attributable to equity holders of the Company	5 546	4 547
Weighted average number of ordinary share in issue (millions of shares)	179,53	179,25
Effect of share options granted to employees (millions of shares)	-	0,29
Basic earnings per share (in Russian rubles)	30,89	25,37
Weighted average number of ordinary shares for the purpose of diluted earnings per share (millions of shares)	179,53	179,53
Diluted earnings per share (in Russian rubles)	30,89	25,33

Main types of the Company activity provided by the Company's Charter are:

- activity on management of the financial and industrial groups
- activity on management of the subsidiary and other companies comprising the Company's group
- consultancy on issues related to commercial activity and management
- market research and public opinion determination
- rendering of other services
- other activity which meets Company's goals and not contradicting applicable Russian law requirements.

Location, mailing address and contact details

Legal and postal address: *Moscow, Nizhnyaya Krasnoselskaya Str. 40/12 bul.20*

Telephone: ++7 (495) 644 28 48/ Fax: +7 (495) 644 28 49

Unified call-center: +7 (495) 777-777-5 (Moscow)/ 8-800-200-777-5 (Regions)

Internet store: + 7 (495) 777-777-5

¹ <http://moex.com/a2987>

² <http://moex.com/a3882>

Structure of the Company:

PJSC «M.video» functions as the holding company for its subsidiaries maintaining the consumer electronic retail chain under M.video brand (hereinafter – “the Company” and/or “M.video” and/or “Retail chain” and/or “Trading chain”). In addition, PJSC «M.video» is the sole owner of the main trade mark «M.video». As at December 31, 2016 the Group consisted of «M.video Management» LLC, «Marketplace» LLC, «Avtoritet» LLC, Svece Limited and other legal entities³.

«M.video Management» LLC - is the retail operator, purchasing the goods on the territory of Russia and arranging its retail sales in «M.video» stores. It is the main owner of goods of the retail chain and owner of 24 objects of real estate where M.video stores are based. As at the December 31, 2016 «M.video Management» LLC is the owner of 236 990 shares of the Company.

The present Annual report contains information and performance results not only of the PJSC «M.video» but also of «M.video Management» LLC (hereinafter – “M.video Group” and/or “the group” and or “retail network M.video”) in 2016, plans and perspectives for further development in the Russian consumer electronics retail sector together with estimation of potential risks related to the business.

Structure of the share capital

1) *Information on the number of shareholders and shares of the Company:*

Total number of shareholders registered in the shareholders’ register with null balance at their personal accounts as at end of the reporting period: **11**

Total number of nominal shareholders as at end of the reporting period: **1**

Total number of shareholders included to the last list of persons entitled to participate in the General Shareholder Meeting: **2 532**

Record date of the last list of persons entitled to participate in the General Shareholder Meeting: **11.05.2016**

Owners of the ordinary shares of the Company which were subject to the inclusion into such list: **2 532**

Information on the number of shares owned by the Company and held at the Company’s balance: **there are no shares owned by the Company**

Information on total number of the Company shares: **179 768 227 shares**

Category of the shares: **ordinary non-documentary shares**

Information on the number of shares owned by the legal entity controlled by the Company: **236 990 shares**

Category of the shares: **ordinary non-documentary shares**

Shareholders of the Company as at December 31, 2016

	2016	2015
Svece Limited	57,6755%	57,6755%
Other shareholders	42,3245%	42,3245%
Total	100%	100%

2) *Information on the persons directly or indirectly holding the Company shares and/or persons having voting rights on the shares and/or are final beneficiaries on the Company shares comprising 5 and more percent of the charter capital of the Company or ordinary shares of the Company:*

Full legal name: **Private company limited by shares SVECE LIMITED**

Short legal name: **Private company limited by shares SVECE LIMITED**

Registered address: **Cyprus, Nicosia, Themistokli Dervi Street, 5, ELENION BUILDING, 2nd floor, P.C. 1066, Nicosia, Cyprus**

³ <http://fas.gov.ru/activity/antimonopoly-regulation/groups-of-people/from-01-01-2011.html?id=1818>.

Share in the charter capital of the Company, %: **57,6755**

Number of ordinary shares of the Company, %: **57,6755**

Persons controlling the shareholder of the Company:

Full name: **Tynkovan Alexander Anatolievich**

Type of control: **direct control**

Grounds of control of the shareholder of the Company: **agreement on exercising of rights vested by shares of the legal entity being shareholder of the Company**

Features of the control over the shareholder of the Company: **rights vested by 50% of shares in the top governing body of the legal entity being shareholder of the Company**

Amount of share in the charter capital of the legal entity being shareholder of the Company, %: **69,86**

Other persons of the shareholder of the Company:

Full name: **Tynkovan Mikhail Anatolievich**

Amount of share in the charter capital of the legal entity being shareholder of the Company, %: **15,07**

Full name: **Breev Pavel Yurievich**

Amount of share in the charter capital of the legal entity being shareholder of the Company, %: **15,07**

3) *Executive bodies of the Company hereby declare that Company has no information on any other shareholdings exceeding 5% apart from information already disclosed by the Company.*

4) *Executive bodies of the Company hereby declare that Company has no information on any potential acquisitions or purchases by definite shareholders of a certain level of control which is not adequate to their share in the charter capital of the Company including shareholder agreements or ownership of ordinary shares.*

1.2. Main principles of M. Video operations

Mission:

To be the best place to shop for consumer electronics

Values:

- ✓ Honesty - To keep our promises and always act fairly
- ✓ Respect - Appreciate ones' opinion and appraise achievements
- ✓ Open mind for changes - Regard renovation as a chance for future success
- ✓ Concern – We do care!

Strategy:

To increase shareholder value of the Company by growth of the revenue & profitability, to expand the market share of the Company in Russia; to take leading positions in retail sector of consumer electronics in the regions of the Company's operating activity owing to the main competitive advantages of «M.video» brand. For implementing this strategy, the Company sets two key goals:

- Market share increase by means of
 - sales growth and
 - improvement of services for the customers;
- Achievement of key performance indicators (KPIs)

«M.video» brand is one of the major assets of the Company along with its team and employees. That's exactly why the Company does not use franchising scheme but operates all stores itself. Therefore implementation of unified standards of «M.video» brand in all stores of the chain irrespectively of its location is guaranteed. «M.video» brand is supported by the corporate values of the Company in order to comply with the mission and be the best place to shop for consumer electronics. Slogan of the Company remains «We do care!». The Company encourages all the employees to recognize the Company's values and follow the customers' needs.

1.3. Historical background

M.video network is the leading consumer electronics and home appliance retailer in the Russian Federation. The first retail store was opened in the center of Moscow in 1993. The Group comprises a chain of owned and leased stores (378 stores as at 31 December 2015 and 398 stores as at 31 December 2016) and online internet stores accessible on the whole territory of the Russian Federation.

M.video offers its customers approximately 20,000 SKUs of audio/video, digital, small and large home appliances, media and entertainment products as well as accessories. M.video stores operate under uniform format and have a specially designed store concept. Easy to navigate shopping area with information on the products and new trends (1 700 square meters in average). In addition to the efficient retail store format and customer-friendly store concept aligned with the brand perception, M.video attracts customers' attention by the quality goods, wide assortment, new trends and excellent service thanks to product knowledge of the sales personnel, additional services and 24-hour support by Customer service Centre.

1.4. M.video position in the industry

At the end of the reporting year under Company's management there were two companies – operational company of the M.video retail network - «M.video Management» LLC (hereinafter – “subsidiary” and/or “operational company”) which main type of activity is retail of consumer electronics and «Marketplace» LLC - universal online platform (marketplace). Therefore information of this Annual report relates to the position of the Company and its subsidiaries in the industry of consumer electronics.

The Group sells products that are sensitive to changes in general economic conditions that impact consumer spending. Future economic conditions and other factors, including consumer confidence, employment levels, interest rates, consumer debt levels and availability of consumer credit could reduce consumer spending or change consumer purchasing habits. A recent downturn in the Russian economy and general slowdown in the global economy, or an uncertain economic outlook, could adversely affect consumer spending habits and the Group's operating results.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. During 2014-2015 and then in the first quarter of 2016, the oil price decreased significantly, which led to substantial decrease of the Russian Ruble exchange rate.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. In the first quarter of 2015 two international credit agencies downgraded Russia's long-term foreign currency sovereign rating to the speculative level with the negative outlook. The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of M.video Group is at this stage difficult to determine.

As the main factors influencing the industry generally and M.video Group particularly the following can be named:

- slowdown in growth rates and economic development;
- economic and political instability;
- high inflation rates;
- decrease of consumer power;
- uncertainty in the tax, credit and money policy of the country;
- changing legislation;
- development of the regional consumer electronics market.

General tendencies of the CE retail industry development in Russia can be estimated in the reporting year as moderately optimistic due to the events which occurred last year and influenced the industry substantially:

- GDP decline⁴ (-0.2% in 2016 vs. -3.7% in 2015);
- Increase of Oil prices (Brent)⁵ (+49.3% in 2016 vs. -34.4% in 2015);
- Slowdown of inflation rate⁶ (5.4% in 2016 vs. 12.9% in 2015)
- Average real wages increase⁷ (+0.7% in 2016 vs. -9.5% in 2015);
- strengthening of the national currency –Ruble⁸ (the exchange rate RUB/USD as at 31.12.2016 was 60.66 rubles vs. 72.88 rubles as at 31.12.2015);
- Increase of prices by the suppliers;
- Decrease of purchasing power of the customers;
- Down drift of credit availability;
- Increased competition;
- Introduction of new charges, mandatory payments together with the growth of the current taxes, charges and fees (“PLATON”, trade fee, charge on the capital repairmen, increase of the property tax for the individuals and etc.).

Operations of M.video network are run with the consideration to and based on the analysis of all existing factors and market tendencies. To the opinion of the Company’s Management, development of the network generally looks better than the industry-wide tone and advantages are mainly associated with the following factors

- implementation of the uniform operational standards of M.vide brand in all the stores
- well-balanced investment policy on regional expansion
- continuous improvement of customer service system
- efficient management of the inventory and delivery systems both inside the network and in cooperation with the customers
- high level of professional merchandising and assortment management considering latest technological developments and innovations;
- implementation of new marketing technologies in reaching the customers;
- improvement of motivation system and attraction of highly professional staff
- compliance with high standards of risk management and corporate governance

M.video competes both with federal (national) and regional consumer electronics retailers on the whole territory of Russia as well as with targeted retailers such as shops of computers, photos and other means of telecommunication.

According to the marketing research for the period from January to December 2016 by «Business Analytics MK»⁹ «M.video» takes the following positions:

- M.video №1 - in customers’ of consumer electronics minds: **28%**
- M.video №1 - in unprompted awareness: **75%**
- M.video №1 - on the awareness of M.video commercials: **37%**
- M.video №1 - on the last in store purchase: **28%**
- M.video №1 - in share of preference: **55%**

⁴ Source: Federal Agency on statistics

⁵ Source: Bloomberg

⁶ Source: Federal Agency on statistics

⁷ Source: Federal Agency on statistics

⁸ Source: Bank of Russia (http://www.cbr.ru/currency_base/daily.aspx?date_req=31.12.2016;
http://www.cbr.ru/currency_base/daily.aspx?date_req=31.12.2015)

⁹ Research «Brand Health tracking» made by «Business Analytics MK» in 2016, in 11 cities of Russia with million populations: male /female, age groups 16-55, customers of the CE goods.

- M.video – is the network which is the most possible alternative for the customers which preferred the competitors
- M.video №1 in its image development: **43%** positively estimate M.video at least by one functional image attribute and **42%** - at least by one emotional image attribute
- M.video – strengthened its positions in image attributes **“I trust this retailer” (+8%)**, **“Acceptable prices” (+8%)** **“Special program on price reduction if you found cheaper” (+6%)** **“Wide assortment including gadgets” (+6%)**
- M.video №1 - **in the awareness of loyalty programs 35% and in the share of loyalty program’s participants – 22%**
- M.video – is the brand which is characterized by the absence of audience rejecting the retailers’ network

Based on the quantitative market research “Stages of decision making process when purchasing CE goods. Customer journey” made by “Incite research and Consulting” (“IRC” LLC) in 2016 in the cities with the population more than 1 million under key categories (LHA, TV, Digital) it was discovered:

- M.video – leader of the market. Commanding lead is fixed in TV category, each 3rd TV in the country is purchased in M.video. In LHA category 25% of purchases are made with Mvideo. Digital market is more competitive and M.video is sharing leadership (11%) with the brands specialising and with a focused expertise on digital goods.
- By autumn 2016 M.video has strengthened its positions in creating loyalty on early stages of attraction to offline: knowledge, approach and visiting (growth driven by LHA and digitals). M.video became more recognisable in all categories online, the customers’ audience started to visit more M.video when purchasing TV.
- M.video positions in general:
 - №1 as a place to go for purchase – **59%**
 - №1 as a place to visit - **49%** и №1 as a place to visit first – **22%**
 - №1 as a place where the last purchase was made – **16%**
 - №1 with the share of those who prefer– **12%**

According to the quantities marketing researches made in Moscow by “Millvard Braun ARMI-Marketing” in 2016 it was discovered:

- M.video commercials keep on showing high results in comparison to the average performance of advertising in Russia in general and in retail industry in particular:
 - better stick in the customers’ memory in relation to the brand
 - better get out the key message to the audience
 - better motivate in a short term perspective
- Besides, the commercials tested in 2016 showed even more positive results in comparison to those released in 2015 per each above mentioned characteristic feature.

According to the marketing research of «Impacto Marketing Services» LLC from January to December 2016 the Net Promoter Score (NPS) per customers continued to demonstrate stable growth and reached 75% vs. 68% in 2015 vs. 63% in 2014 and versus 59% in 2013.

2. Priority areas in the Company’s activities and Report of the Board of directors on the development results under the priority areas of activity

PJSC “M.video” is the holding company of M.video Group specializing in the retail sale of TV, audio, video, Hi-Fi, home appliances and digital equipment, as well as related services on the territory of Russia. Company’s main business activities are title holding and managing of shares in the charter capital of the operational business comprising M.video group as well holding rights of ownership on M.video trademarks and granting of non-exclusive rights on M.video trademarks to the third parties.

2.1. Priority areas of the Company's activity

The priority areas of the Company's activity closely related to its main types of business and operations of its subsidiary:

- (1) Holding of the controlling share in "M.video Management" LLC comprising M.video Group and its effective management;
- (2) Holding of the controlling share in "Marketplace" LLC comprising M.video Group and its effective management;
- (3) Ownership of trademark rights and granting of non-exclusive rights on M.video trademark to the third parties under corresponding license agreements;
- (4) Increase of company capitalization
- (5) Development of consumer electronics retail business on the territory of Russia: increase of the market share, increase of on-line sales, new openings, implementation of new services and programs for the customers.

2.2. Board of Directors' report on the Company results in the priority areas' development

The Board of directors estimates the results of M.video development in the priority areas in 2016 generally as successful. In first two areas of the Company's activity it is worth highlighting the following main achievements:

In 2016 the Company managed to ensure efficient operating of M.video Group with consolidated income of 5.5 bln. Rubles based on the IFRS financial statements of 2016 vs. 4.5 bln. Rubles in 2015 and showed very effective management of "M.video Management" LLC comprising M.video Group with the income of 4.3 bln. Rubles compared to 4 bln. Rubles in 2015 based on the accounting statements under RAS.

In September 2016 the Board has approved the strategy according to which M.video in addition to all other initiatives plans to develop a new for the Russian market universal trading internet platform (marketplace).

Online platform of M. video will combine all the advantages of different formats of online trading. Unlike the existing platforms, marketplace will not only serve as products' proposition tool, price match and order creation from different retailers in one basket but also key services such as payment, common delivery or pickup of goods from different retailers, single unique conditions for goods' return and exchange. M.video plans to invest into the Marketplace development up to 25% of the annually approved capital expenditures in the course of the first 3 years. Marketplace is not planning to purchase goods and maintain the stock. Apart from CE goods, new platform will offer Children's goods, DIY, sport goods and car products, universal online store starts to launch sales in 2017 in Moscow and Moscow region and may reach cities with 1 million population by 2020.

Within a short term perspective M.video plans to attract more than 5 000 partners to this project and to take leading positions on the Russian e-commerce online market with the share of not less than 15%. The company already has several key competencies required for success: ability to build efficient e-commerce operations, nation-wide offline presence, leadership in biggest e-commerce category and strong brand. Technological leadership and business agility is required to complete the critical capability list.

Marketplace will work on cost per sale model with the merchants (commission for the fulfilled order) and provide other additional services on logistics, marketing, analysis and other services.

M.video strategy is focused on strengthening of the leadership positions on the CE market driven by further development of its Omnichannel model and cooperation with the customers, efficient management of operational expenses and pricing policy. The company will concentrate on the

implementation of innovations; development of online platform and connected services, financial and online services in order to expand the business and create new opportunities for the growth.

Company shares are publically traded and included in the 1st quotation level on the Moscow stock exchange, so that market capitalization of the Company as at the end of 2015 reached 47 099 275 474,00 rubles¹⁰ vs. 22 057 561 452,90 rubles¹¹ the year before what proves the achievement of very positive results by the Company under priority area (3) above. Performance results under the fourth priority area are given below in more details:

2.2.1. Market share increase -Retail chain expansion

Last year the Company continued active expansion to the regions and 2016 became a hallmark for us due to many reasons – today M.video is represented in all regions of Russia. In 2016 M.video opened 22 new stores including the store in Vladivostok and optimized the network by closing 2 stores due to relocation.

By the year end the total number of M.video stores was 398 presented in 165 Russian cities. The selling space of M.video stores amounted to 663,000 sq. m while the total space amounted to 895,000 sq. m at the year end, demonstrating a 3% increase compared to 2015 results. Our store profile includes 356 M.video stores in shopping malls and 42 stand-alone destinations. We lease 94% of stores while own 6% of the stores.

In 2016 M.video managed to increase its market share by 1.2 p.p. from 15.9% in 2015 to 17.1% in the reporting year. At the end of 2016 the number of cities where the Company has more than 3 stores reached 46 cities of Russia, including biggest cities of Russia.

M.video: cities of operation	Number of Stores in 2016
Moscow	61
Saint-Petersburg	16
N.Novgorod	8
Yekaterinburg, Rostov-on-Don, Krasnodar	7
Vologda, Kazan, Novosibirsk, Samara, Khavbarovsk, Buzuluk	6
Perm, Kovrov, Vladivostok	5
Krasnoyarsk, Orenburg, Saratov, Irkutsk	4
Arkhangelsk, Astrakhan, Barnaul, Vologda, Voronezh, Zelenograd, Makhachkala, Murmansk, Nizhnevartovsk, Novokuznetsk, Omsk, Penza, Pyatigorsk, Saransk, Sochi, Stavropol, Surgut, Taganrog, Tambov, Tolyatti, Tomsk, Ulyanovsk	3
Balakovo, Bryansk, Vladimir, Vladikavkaz, Ivanovo, Yoshkar-Ola, Izhevsk, Kemerovo, Kirov, Kostroma, Kursk, Lipetsk, Magnitogorsk, Nalchik, Novorossiysk, Novy Urengoi, Orel, Orsk, Ryazan, Smolensk, Stary Oskol, Syktyvkar, Tula, Tver, Ulan-Ude, Cheboksary, Cherepovets, Cherkessk, Yakutsk	2
Adler, Achinsk, Almetyevsk, Anapa, Angarsk, Apatity, Arzamas, Armavir, Belgorod, Berezniki, Biysk, Blagoveschensk, Borisoglebsk, Bratsk, Bryansk, Veliky Novgorod, Volgograd, Volzhsky, Gubkin, Derbent, Dmitrovgrad, Dmitrov, Domodedovo, Dubna, Essentuki, Zheleznogorsk, Zhukovskiy, Ivanteevka, Kaliningrad, Kaluga, Kamyshin, Kasimov, Kislovodsk, Kolomna, Kolpino, Krasnoturinsk, Kropotkin, Kurgan, Lazarevskoe, Lyantor, Lubertsy, Maykop, Miass, Mineralnye vody, Naberezhnye Chelny, Nadym, Nevinnomyssk, Neftekamsk, Nefteyugansk, Nizhekamsk, Nizhniy Tagil, Novotroitsk, Novocheboksarsk, Noginsk, Noyabrsk, Nyagan, Obninsk, Odintsovo, Oktyabrskiy,	1

¹⁰ <http://moex.com/a3503>

¹¹ <http://moex.com/a3503>

Orekhovo-Zuevo, Pavlovo, Pervouralsk, Petrozavodsk, Podolsk, Pskov, Ramenskoye, Reutov, Revda, Rybinsk, Salavat, Sarov, Severodvinsk, Seversk, Sergiev Posad, Serpukhov, Solnechnogorsk, Sterlitamak, Stupino, Syzran, Tobolsk, Tuapse, Ukhta, Khanty-Mansiysk, Chekhov, Chita, Shakhty, Shchelkovo, Shcherbinka, Elektrostal, Engels, Yugorsk	
Total number of cities: 165	Total number of stores: 398

The overall Consumer Electronics market development in 2016 proves that M.video remains the outstanding market leader due to its superb brand awareness, focus on the customer, and strong relationship with the largest manufacturers of consumer electronics and solid financial position. During 2016 the Consumer Electronics market was demonstrating growth, so M.video revenue increased by 13.3%.

2.2.2. Omni - Channel Development

Our Omni-Channel strategy again was very successful in 2016 and continues to show its advantages. Omni approach is based on the combination of online and off-line sales under one brand that lets the customers to shop anytime, anyway, anywhere. The customer's journey may start in the store and move online, start online and move to the store, or stay solely online or in the store.

Internet sales nowadays can be divided into two types: Online Sales, Pickup in store and Online Sales, Online sales with Home Delivery. Traditional pure play online companies carry out home delivery as their core business. This channel is quite expensive in Russia since home delivery and scheduling costs are quite high. It also does not allow the retailer to show the full range of products and easily sell attachments and services to the customer. The Company's goal is to bring these online buyers back into store traffic to increase conversion and get additional sales including impulse purchases.

As the Omni-Channel is fast becoming the preferred model for customers who are shopping for Consumer Electronic products, M.video enhances its e-commerce capabilities while expanding the geographical footprint.

The average basket in off-line in 2016 was 7 863 rubles vs. 6 612 rubles in 2015, the average basket in "Pickup" – 11 013 rubles vs. 11 065 rubles last year, the average ticket in "Home delivery" in the reporting year reached 21 345 rubles vs. 17 948 rubles in 2015 (all figures include VAT of 18%).

M.video remains the growing online player in its segment and in 2016 Company's online based sales increased more than by 27% vs. previous year and became almost 50% bigger in the course of the last two years. Successful implementation of Omni-Channel made much for the achievement of the high level results in the reporting year: record share of online sales in the total volume of M.video sales – 12% and 14% in November 2016, maximum amount of daily revenue – 190 mln. rubles (30/12/2016). Peak of daily traffic in 2016 was fixed on the day of the "Black Friday" campaign – 1 400 000 visits on the website of internet store of M.video what shows popularity of global sales in our country. Today share of online sales in M.video turnover constitutes 10.7% when 68.9% of online sales are picked up from the stores

Today the share of Online Based Sales in the turnover of M.video is 12% and more than 68.9% comes to Pickup in store of the goods booked online in the internet store of the Company.

2.2.3. Supply Chain development

«M.video» assortment includes around of 22 000 items with 6 000 items of accessories. The Company's goal is to ensure products' availability on the store shelves with consideration to local

customers' demands in each region and to provide the clients with different additional services like order and delivery for customers' comfort and convenience.

M.video Supply chain is represented by one-level distribution model: all purchases are made through 4 Central Distribution Centers (CDCs). All products from CDCs are delivered to «M.video» stores and to 52 regional delivery platforms for the Large home appliances.

Supply chain strategy of «M.video» is based on a balanced management of the stock level (costs on its storage and delivery) and customers' service:

- ✓ goods are concentrated in 4 CDCs (2- in Moscow region, 1- in N.Novgorod and 1 in Rostov-on-Don regions) in close location to the «gravity center» of sales' volume;
- ✓ transportation of goods is made mainly by trucks, more seldom - by railway. Customers orders of digital goods to the locations far from CDCs are furnished by air through courier express delivery;
- ✓ purchase can be made either in the store or on-line while the delivery can be done anywhere upon request (it can be goods' distribution point in a store, office or home)

In 2016 the Company together with “Ernst&Young” LLC developed and implemented the mathematical model for the stock management basing on the optimal level of service determined for each assortment position depending on the demand and its marginality, what turned to be reflected in the new KPIs for the stock inventory in the stores and in the CDCs depending on each group of the assortment. The implementation resulted in the increased availability of bestsellers for the customers and decreased stock numbers for the goods of low demand.

Based on a growing quality of the stock, in the 4th quarter of 2016 the stock coverage for the company decreased by 11% in comparison with the previous year. The company will continue to improve the efficiency of the current model calculating the optimal service and stock coverage, as well as business-processes in the field of stock management.

Last year “Vendor Catalogue” project was fully launched in the company – sale of goods kept with the suppliers. Now the customer can order the products not only in store or warehouse of the Company but also in the supplier's warehouse. This helped to enlarge the assortment list by 2300 additional SKUs without any increase of warehousing costs. Launch of this project required review of many processes starting from entering the initial data on the new product to post sale services. Cost optimization on the delivery from the suppliers' warehouse to the company's one was separately worked out.

In the reporting year M.video together with Russian startup “VeeRoute” launched the mobile application for drivers and couriers. With this new solution the company is planning to improve the quality of the “last mile” delivery, increase NPS and stimulate the efficiency of the call center activity. The application is integrated with orders' monitoring system of Mvideo and other programs based on SAP allowing the company online to control the whole process of delivery, to update the customers with the actual and accurate information on the status, make immediate changes in the route of delivery for the drivers and couriers. The application also provides the tool for monitoring the couriers, their working schedule, tracking the delays in delivery – all this shall result in the cost decrease (related with the claims) and reduce the number of refusals upon late delivery.

There is room for further improvement of the quality of goods' delivery to the customers. In 2016 as pilot the company tried to implement fast delivery of the customers' goods from Moscow CDC to S-Pete and N.Novgorod. The customer may collect goods available in Moscow warehouse on the next day in the store. This pilot, together with the cancelled pre-payment for the order and promotion, gave positive effect on sales and services.

In 2016 the company actively used air delivery for the enlarged hi-tech assortment in 90 cities of Russia represented in Mvideo network.

In the course of the reporting year much was done for the arrangement of the delivery process to distant locations such the Far East. Growth in sales by 1.5 times in this region resulted in the increased level of railway delivery and creation of the new supply chain including complicated routes of delivery – railway containers with unloading in 4 points, cross-docking in Khabarovsk and Vladivostok.

Despite new service projects and growth in sales versus the 2015, Mvideo logistics decreases the share of expenses in the company's SG&A thanks to active cooperation with the counterparties, internal optimization of distributions chain and tariffs.

2.2.4. Categories' performance and trends

TVs: 2016 year for TV market in Russia was stable, the market managed to restore the last year levels and almost reached them both in pieces and even showed a slight growth in cash.

Development of 4K format TVs with Ultra HD technology became the main trend on the TV market in 2016. This segment will continue to define the market development in 2017 as well. Sales of UHD grew by 75% in cash and by 97% in pieces. Such dynamic was driven by enlarged assortment of TVs with such technology and by almost 11% price decrease. Online sales of UHD TVs increased two times in cash and grew by 140% in pieces. M.video continues to keep leadership and to increase its share. Based on 2016 results the company's share reached around 30% of the total TV market in Russia. Wide assortment and tempting pricing policy helped the company to retain the position of technological leader on TV market (in Smart TVs, UHD and TVs with curved display). Market of manufacturers was not seriously changed and during last 3 years Samsung, LG and Sony are leaders on the main Russian market.

Smartphones:

Telecom segment was among the first with the reaction to stabilization of the national currency and customers' expectations towards the price reduction. Nonetheless one of the main drivers for the telecom-market growth still remains the credit – each third smartphone in Mvideo is sold in credit. From the technological point of view smartphone with the big displays and small frames will be in trend in 2017 due to improved functionality of smartphones which more and more used as the commanding center for all other devices and payment instrument. In 2017 smartphones in the pricing segment from 10 to 20 thousand roubles will be highly demanded because of the Chinese brands entering the Russian market. Xiaomi, Meizu, ZTE, Huawei and Honor demonstrate the most positive dynamics in comparison with A-brands.

Headphones and smart gadgets¹²:

In 2016 growth rates of headphones declined YtY: 15,2% vs 17,8% in 2015. Nevertheless, headphones remain to be one of the most trendy and highly demanded accessories for the growing category of smartphones. Bluetooth headphones have the sufficient share on the market where M.video is the unchallenged leader with the share of 20.1% (vs. 9% of 3 federal retailers together and 16.9.% of the total telecom market). Large manufacturers expand the assortment of sport and wireless headphones following the trends, but constant leaders (Sony, Sennheiser, Philips) are losing their joint share on the market against rapidly growing JBL and B-brands offering good quality and aggressive prices.

¹² Smart watches, smart bracelets, fitness trackers, media-streamers, wireless charges for smartphones, accessories for the gadgets, smart glasses, smart home devices

Alongside with the dynamic development of the smartphones' market, market of various smart devices which easily synchronize with smartphones is also growing. The most popular and rapidly growing category here - smart bracelets and fitness trackers – often chosen as a fashionable technological gift. Growing number of brand-producers, booming assortment of these gadgets in Russia and improved functionality contribute to this trend development. In 2016 we can expect active growth in this category due to the development of virtual reality glasses segment together with further market evolution of “smart home” devices.

2016 was marked by the global start of sales of the new category - gyroscooters in Russia and M.video was one of the first federal retailers offered this product in its stores and created special testing zones. Based on the results of the year the category showed the turnover of more than 70 mln. rubles. 2017 promises to be more aggressive from the point of view of pricing and sale in pieces and M.video plans to take the stuffiest market share.

Large home appliances (LHA): sales of LHA in Russia increased in 2016 almost by 10% in terms of money. Volume of on-line sales in Russian based on the reporting year results grew by 24% while online sales of LHA in M.video increased almost by 41%. In general all categories in LHA segment demonstrated positive growth (+17.3%) resulted in the Company's market share increase up to 24.6%. Due to the continuous market consolidation general (unified) share of federal retailers in LHA segment reached almost half of the total market.

Small home appliances (SHA): in 2016 market of SHA was stable in money values and negative in pieces. Despite this M.video upheld its leading positions in the segment and increased its share, 55% of the market belongs to the federal retailers. Sales in pieces declined almost in every category but growth in rubles was supported by technological goods with a high average ticket such as fully automatic coffee machines, kitchen devices, irons with steam generators and photo-hair removal unites.

Laptops and tablets:

In 2016 category of laptops followed the market tendencies of the last several years – volumes of sales were decreasing, customers started to switch to another products or postponed the purchases. All this happened at the back of average price decrease in the segment of media books. Share of devices with AMD and Atom processors has sufficiently increased while the share of laptops based on Celeron processors started to decline. Therefore certain stability with laptops, desktops and monitors can be expected in 2017. ASUS (ROG), MSI (GT), HP (OMEN) and Acer (Predator), are the most remarkable on the market of the game devices; however other players try to keep pace to the leaders by announcing at the technological conferences exceptionally interesting game ranges. Category of expensive laptops for work remains stable together with the share of Apple in the course of 2016.

Market of tablets continued shortening in the reporting year of 2016 both in terms of money (-26%) and in pieces (-29%). The most demanding on the market were ANDROID-tablets with 8” image dimension and 8Mb memory card. Irbis became the leader on the market by promoting its products on telecom retailers and mobile operators and gained the share of 7.1% in terms of money and 14.9% in pieces. While 55% of the market is still with Apple, Lenovo and Samsung, their unified share in M.video sales is more than 66%.

Game accessories for PC:

Category of gaming accessories keep on growing: gaming key boards, mousse and garnitures. Game market in the world continues to demonstrate rapid growth rates (20-40% year to year depending on the category). M.video remains the leader in this category on the Russian market by

selling largest IT players and increasing by almost 1.5 times the sales of all federal retailers of CE goods together.

Photos and optics:

2016 year was marked by a sharp decline in this segment on the market – by 50% in pieces and by 30% in terms of cash. One of the main reason for this was the earthquake in Japan occurred in April 2016 resulted in breakdown of several largest producers of image sensors and spare parts for photo-cameras. This led to a deficit on the market with all manufactures and in all groups of categories. Despite this turbulence influencing the market, M.video managed to strengthen its position and increase its share in all categories presented on the market. Total share of M.video reached historical records of 23.9% and of 20% in the premium segment of SLR cameras. This shows that more and more professional photographers choose M.video as the place for the purchases.

PRO-drones: In 2016 the market of professional drones developed with a good dynamic and increased by 3 times vs. the last year. The forecast for 2017 is the same the category will continue to grow. 2016 was marked by conceptually new products and the key of them was DJI Mavic. The company reinforces the position on the PRO-drones market and demonstrated the growth above-par by 4 times. More and more drones are purchased not by professionals but by fans of photo and video.

Game consoles and accessories:

In the first half 2016 the market was in anticipation of new video game era, marked by PlayStation VR and PlayStation 4 PRO sales planned for October 2016. Launch of these products was long-desired in the gaming society and demand on the gadgets exceeded expectations of all producers. Due to it in the high season of new-year sales the market faced serious deficit of the products' proposal. All in all in general this resulted in market decrease of the game consoles versus the previous year by 20% in pieces while the average price increased by 28%. M.video showed a good efficiency in the conditions of the changing market in 2016 and gained the record high shares of 36% in terms of money.

Growth in category of virtual reality glasses was supported by the active promotions on the side of Samsung being the only largest producer presented on the market in this segment. Next 2017 year will be the year of active involvement of customers through the content “video 360” already available on Youtube and will be marked by the growth of high quality 3D content from the software producers (virtual excursions, virtual travelling and games).

It's also worth mentioning that in 2016 **M.Game project** was successfully launched by the company the aim of which is to unify and develop the loyal gamers' society and give opportunity to offer its members different unique privileges. For example from November 2016 members of the program can pay digital codes by bonus rubles of M.video. In 2017 both several buffo gaming releases and start of sales of the most powerful gaming console from Microsoft – X BOX SCORPIO are expected. Many experts forecast the market growth in 2017 which of course will depend on variety of the products proposal and its availability.

The reporting year was rich on launches of new projects and creation of unified eco-system of digital goods, services and programs. Within the implementation of this approach M.video launched **m_mobile project** focused on sales of digital goods and novelties in special shop-in-shop zones with an extended assortment and specially trained sales people. Aim of the project - to offer the customers ready solutions in one bundle product.

2.2.5. Service quality improvement

Introduction of service programs in M.video started in 2006 with the program of additional services. Demand for services was growing along with the people's awareness of such services and proposals of the market players.

In 2016 the Company actively continued implementation of various projects and programs focused to improve client management and customer service. Compared to 2015, penetration of services increased by 19%. For 2016 year M.video sold 2.8 mln. services and the most popular became Quick- service, Insurance of digital devices and Digital assistance. Share of sale of all services in the reporting year was:

- Quick- service - 43%
- Digital assistance- 18%
- Insurance - 9%
- Installation - 12%

Due to extremely fast digitalizing of the population, demand for digital services in 2016 incased sales of services for digital goods by 5 times. Active development in Digital assistance received “ready solutions” – already existing products and services collected in one product implying a good economy for the customer at the end. Anti-virus, MS office software, installation and setting of the software on the new devices in one product were highly demanded. In large part because of such “ready solutions” M.video managed to increase the share in Anti-virus products from 15% to 23.1% and in MS office from 23% in 2015 to 28% in 2016.

Within *m_mobile project* the accent was made on the most comfortable proposal for the client which shall include such necessary nowadays services like sticking the tape /glass on the display of a smartphone, cutting of the sim-card, transfer of data from the old device to a new one, anti-virus and other program settings. M.video also offered its customers packages of applications “per interest”: “for the Auto”, “for the Music”, “For travelling” and etc.

In the eco-system of “Movies and sound” increase in services sales reached 43%. Such growth was reached thanks to the start of the “ready solutions” program including activation of for charge subscriptions for popular online cinemas on Smart TV, such as IVI and Okko as well as training on functionalities of the Smart TVs. Based on the independent researches every fifth TV in the country today has Smart functionality. And only in half of these TVs - Smart functionality is being used by the customer. This eventually shows the need for the training and explanation of all advantages and conveyance to the users.

In 2016 the company launched one more strategic initiative “Credit Broker” – one window for obtaining the credit offer from several banks (today there are 12 banks). This service sufficiently improves the level of credit approvals (89% vs. 64% in the model where banks are represented in the stores) and has a positive effect on the “customer journey” by saving the customer's time and increasing his chances to get the credit thanks to a big number of banks processing one request concurrently.

Thanks to the introduction of this new approach of sales management through “ready solutions” M.video managed to sufficiently increase sales of services not only in stores but in the rapidly growing online segment of the business. Penetration of services in online based sales increased to 90%. Quality and speed of customer service is always under improvement.

Implemented in the course of the reporting year orders' processing system based on SAP CRM will help to study the history of the Company's interaction with the customers and more deeply analyse the customers preferences in order to integrate the opportunities of both channels online and offline and to ensure high quality of service in any point of customers' contact with Mvideo.

2.2.6. Talent management

The reporting 2016 year was a very challenging year for the Russian retail market. In the situation of new economic reality focus on the efficiency of each and every employee substantially increased. Therefore we doubled our efforts and continued to develop and introduce programs on adaptation, training and development of the personnel. We continued the active use of modern means of communication with our candidates and staff of the Company. Further development received several projects: MyJobby (in social media VKontakte) and “Repa” (system of non-money motivation) which turned to be the main instruments of interaction between employees of M.video network.

Company employees are the integral part of its competitor’s environment. We lay the utmost significance to the personnel search and their education in order to create corporate culture based on the strong and cooperative team. We arrange the educational programs of different levels so that our staff has solid knowledge of the goods we are selling and all modern tendencies.

Our corporate university prepares future store directors and heads of departments. Today major part of managerial positions is taken from our internal candidates’ pool and thanks to the appointments of the internal pool we save budgets on search and education of the store directors.

2.2.7. Social responsibility

M.video network is one of the largest Russian retailers in the consumer electronics and home appliances sector and therefore the Company is working on paying attention on quality of the products offered by M.video to make people’s life more comfortable and at the same time not harming the environment. Although the corporate color is red, the Company by its essence is «green» by demonstrating its careful attitude to the surrounding environment.

2013 turned to be a milestone for many the Company when it established one more charity fund «Beautiful children in a beautiful world» and its activity is streamlined by two key directions - help to children and help to nature – what is also reflected by the name of the Fund.

In 2016 within the Program “**Beautiful children**” we continued the joint project of Mvideo and charity fund “Boxes of kindness”. Boxes for collecting donations were fixed in 140 M.video stores. Thanks to the active position the store personnel and M.video customers we helped to many children with inborn problems in maxillo-facial area. Also in the reporting year, Mvideo started sales of Kind gift cards decorated with kid’s paintings. 100 rubles from sale of each gift card irrespective of its nominal value were transferred to the charity fund.

“**Beautiful children**” Program is oriented on the provision of the finance aid for the arrangement of the high-technology treatment for children with inborn problems in maxillo-facial area. The main partner of the Fund is “Research and Science Center “Bonum” from Ekaterinburg. In 2016 the Fund sponsored 182 surgeries to 118 kids from different regions of Russia. For the 3 years of the Fund history we presented 410 smiles (1 smile=1 surgery) to 298 kids from 79 regions of Russia. In 2015 within “Beautiful children” program a joint project of M.video and the fund “Kind boxes” was launched. Boxes for charity donations were placed in 130 stores of M.video.

Within “**Beautiful world**” program the fund supported 6 projects in nature protection in national parks of Russia.

Project «Air patrol» - reserve «Kivach»

Aim of the project – to improve quality of monitoring and control for nature protection conditions of the reserve. Within the project 3 drones Phantom 3 and Phantom 4 were purchased to increase the protection efficiency of the natural reserve. The project will be continued in 2017.

http://detipriroda.ru/programms/world/proekt_vozdushnyy_patrul/

«By restoring forests we reconstitute European bison» - National Park “Ugra”

Task of the project - renovation of the unique landscapes of the broad-leaved forests, restoration of bison's population: 5 bison were brought to the Park, 10.1 ha of broad-leaved forest were planted. Employees of M.video group participated in 2 volunteer programs and planted 10 thousands seedlings of the oak-tree.

http://www.parkugra.ru/projects/zubry/vosstanavlivaem_lesa.php

http://detipriroda.ru/programms/world/vosstanavlivaem_lesa_vozvrashchaem_zubrov/

Project «Memory of the Earth» - National Park “Ugra”

Task of the project – to restore the war-memorial path “Rusinovkiy riverside” in the district of disappeared village Rusinovo where in 1942-43 was laid the fronting line. Within the project the German officer dug-out shelter was reconstructed based on the survived sketches and the length of the cleaned up trench line reached 800 meters.

http://detipriroda.ru/programms/world/proekt_pamyat_zemli/

Project «From the pond candle to Valdai lakes» - national park «Valdaiskiy»

The project is focused on restoration of biological diversity of the fish fauna of lakes in the national park “Valdaiskiy” (Valdai lake, Boroe lake and Uzhin lake) by planting of valuable baby fish species – pike perch, lucas, Siberian whitefish – peled. Realisation of the project will be continued in 2017-2018 years.

http://detipriroda.ru/programms/world/proekt_iz_prudovoy_kolybeli_v_valdayskie_ozera/

Project «Save the world of wildlife sanctuary» - reserve «Astrakhanskiy»

The project provides construction of the watch tower for operative tracking of fires threatening the territory of the reserve. The watch tower will help to prevent violations of the reserve status, to run scientific monitoring and demonstrate the beauty and vulnerability of the unique nature in the delta of Volga river. Realisation of the project will be continued in 2017.

http://detipriroda.ru/programms/world/sokhranim_zapovednyy_mir/

Expedition of Igor Shpilenok (Kamchatka – Bryanskiy forest)

The project supported the last stage of the big automobile photo-expedition: Kronotskiy reserve, Kamchatka – reserve “Bryanskiy forest, Bryansk region”

2017 was announced as the year of the reserves and natural parks. Main task of the project – to attract attention of the wide audience, authorities and business to the problems of the reserves management and study, to the protection of the wild nature and creation of the popular support of the territorial forms of nature protection and conservation.

http://detipriroda.ru/programms/world/proekt_sto_zapovednykh_let/

Total amount of the charity donations collected in the reporting year reached 33 141 877 rubles where 59% - donation of the Fund founder, 41% - donations of individuals and organizations.

2.2.8. Achievement of key performance indicators (KPIs)

Before its IPO in 2007, M.video developed a long term Model of the Company's development up to 2015 containing main KPIs. In the reporting year the Board of directors approved the Strategy 2020 and determined new KPIs. M.video follows its business model and corrects it annually subject to internal and external environment.

Main achievements of 2016 year

In 2016 «M.video» opened 22 new stores and closed 2 stores during the year. The total number of the Company's network reached 398 stores as of December 31, 2016 located in 165 cities of Russia. The selling space of M.video stores amounted to 663,000 sq. m while the total space amounted to 895,000 sq. m at the year end.

In 2016 M.video managed to increase its market share by 1.2 p.p. from 15.9% in 2015 to 17.1% at the CE market growth by 7.3%. M.video's sales in 2016 amounted to 216.2 billion rubles, including VAT and showed a growth of 13.3% as compared to 2015. LFL sales of M.video network grew in 2016 by 10.7%.

These results were achieved in comparison to the abnormally high base of the Q4 and particularly December 2014, caused by the peaking customers' demand due to the exchange rate deterioration. Still throughout 2015, except for December, the Company's sales remained positive although the Russian Home Appliances and Consumer Electronics market continued to decline.

- *The Company's Gross profit in 2016 amounted to 42.9 billion rubles (38.9 billion rubles in 2015) or as a % of revenue amounted to 23.4% (24.1% in 2015).*
- *The Company's Net Profit for 2016 amounted to 5.5 billion rubles under IFRS and as compared to 4.5 billion rubles in 2015.*
- *M.video's online based sales in 2016 (orders from Company's online, including home delivery to customers + pick-up in stores) increased by 27% to 25.9 billion rubles (with VAT), as compared to 20.4 billion rubles (with VAT) in 2015)*
- *The Company's commercial, administrative and operational expenses in 2016 increased by 8% and amounted to 37.4 billion rubles as compared to 34.6 billion rubles in 2015.*
- *The Company's EBITDA in 2016 amounted to 10.3 billion rubles versus 8.8 billion rubles in the previous year while an EBITDA margin came to 5.65% as compared to 5.46% in 2015.*

Alexander Tynkovan, President and CEO of M.video by commenting the operational results of the year, said: *"Our 2016 results again proved that designed and implemented business model works efficiently and allows us to weather the storm successfully and outperform the Russian Consumer Electronics market in general by remaining cash generative, profitable business"*.

He also added: *"We improved our market share and again outperformed both the market and all major competitors. We've made this progress as we have built a sustainable business model which provides for the strong relationship with our suppliers and vendors, highly competitive pricing and superior value proposition in assortment and services to our customers across channels. It all allows M.video to remain profitable and continue to be generous dividend payer for our investors and shareholders"*.

Basing on the up-dated Model, every year the Company makes the Budget for the calendar year to follow and control main KPIs. Implemented budgeting system and system of active budget control enables the Company to manage the budget of M.video Group on-line and follow target KPIs approved by the Board of directors. In 2015 we completed implementation of SAP Transportation Management (SAP TMS) solution which helped to optimize the work with the carriers by transferring the interaction to the "e-way" of communication. We plan to implement this positive experience to the interaction with the suppliers of goods and other service providers.

2.2.9. Perspectives of the Company development

In 2016 year there were no vivid economic outbreaks, customers as before were oriented on saving the money and were carefully planning their purchases in CE segment. During the whole year there was no sign of growth in purchasing power of the customers.

Being one the biggest players on the Consumer electronics market in Russia and having its strong brand, M.video weathered the storm successfully. The company upscales the sales faster than the competitors not only in the traditional segments such as LHA and SHA, TVs, entertainment, but also in telecom and digital categories. M.video consistently follows the strategy focused on development of the business in combination with efficiency growth of all operational processes

what finds reflection in stable and strong financials and guarantees protection of the investors' and shareholders' interests.

Consolidation around the big players of Consumer electronics market is still in progress, therefore responsibility before the customers and compliance with the clients' expectations remain dominant in M.video business activity.

M.video continues to concentrate on its key market and remains the largest expert in CE. Wide assortment and well-favored pricing policy for the customers maintained increasing sales both in terms of cash and in pieces in the main segments of CE business – LHA, TVs and smartphones. In the course of 2016 M.video implemented a number of technical solutions in consumer credit segment and offered very easy terms of the credits with no increase in the purchase price, what made products more trading down and had positive effect on the sales. Launched in 2016 projects *m_mobile*, *m_game* and a number of other activities focused to attract the new audience, sales of services and accessories already bring its fruits.

Sales in telecom segment for the last year grew by 54.3% and reached 16.7% share in the total sales of M.video. Omnichannel model of retail offering to the customers a unified assortment, prices and services both in stores and online, remains the most effective on the Russian market – with the active growth of online sales more and more customers prefer to pay and pick up the purchases in stores of M.video network.

At the begging of 2016 M.video introduced the position of the Chief executive officer. M.video Group launched all of the planned projects in 2016 and in 2017 will be concentrated on the search and implementation of new solutions to support sales growth, meet customers' expectations and incased operation business efficiency. «M.video» will continue integrating innovative approaches in order to meet the customers' needs in all stores and online, supporting the customer's loyalty that «M.video» is the best place for buying consumer electronics in Russia. Annual budget and business plan of M.video group was approved by the Board of directors at the Budget Say Session back in December 2016 (Minutes №116/2016 dated 16.12.2016).

In 2016 M.video Group plans to:

- ✓ open 25 and close 3 retail stores;
- ✓ reconstruct 10 retail stores;
- ✓ adapt 20 retail stores;
- ✓ optimize the shopping space of retail stores;
- ✓ further develop the Omni channel concept (IT platform improvement, optimization of the stores portfolio and etc.);
- ✓ focus on sales of devices and services which interact and create single “ecosystem”
- ✓ further introduction of new services and improvement of the existing and launched projects for the customers convenience (improvement and development of special IT solutions for the sales people, extension of goods catalog for online, “Best price guaranty”, “M.mobile”, “M.credit”, “Deal here and now”, 0-0-36/0-0-24 credit programs and etc).

On December 9, 2016 - PPF Group N.V. and EMMA Capital completed the treansaction on sale of 100% of Eldorado to the group of investors connected with the financial Group Safmar.¹³

¹³ http://www.eldorado.ru/research_center/article/detail.php?ID=454822215

On December 14, 2016 - Alexander Tynkovan, President and General director of the PJSC “M.video” largest consumer electronics retailer of Russia and his partners announced on the execution of the agreement on sale of their stake in the Company to the Group Safmar.

On March 14, 2017 – Federal Antimonopoly Service (FAS) of Russian approved the motion on acquisition of the largest Russian CE retailer and issued the instruction (order)¹⁴.

2.2.10. Information on each energy resource consumed in the reporting year

<i>Type of the energy resource</i>	<i>Volume of consumption in physical terms</i>	<i>Unit of measure</i>	<i>Volume of the consumption in thousands rubles</i>
<i>Atom energy</i>	-	-	-
<i>Heating energy</i>	-	-	-
<i>Oil, Car Petrol</i>	-	-	-
<i>Diesel</i>	-	-	-
<i>Fuel oil</i>	-	-	-
<i>Natural gas</i>	-	-	-
<i>Coal</i>	-	-	-
<i>Shale oil</i>	-	-	-
<i>Top soil</i>	-	-	-
<i>Others</i>	-	-	-

While the Company does have real estates or transport on its balance sheet, payment for the energy (power) consumed in the course of the reporting year was included into the rent payments for use of the leased premises.

3. Description of the key risk factors related to the Company's activity

Risk management policy of M.video Group is centralized at the level of the holding company - PJSC «M.video». The Company takes into account both external and internal factors which relate to the economic and political spheres of life, to the situation on the capital and employment markets as well as to other risks not impacting the Company’s business activity directly.

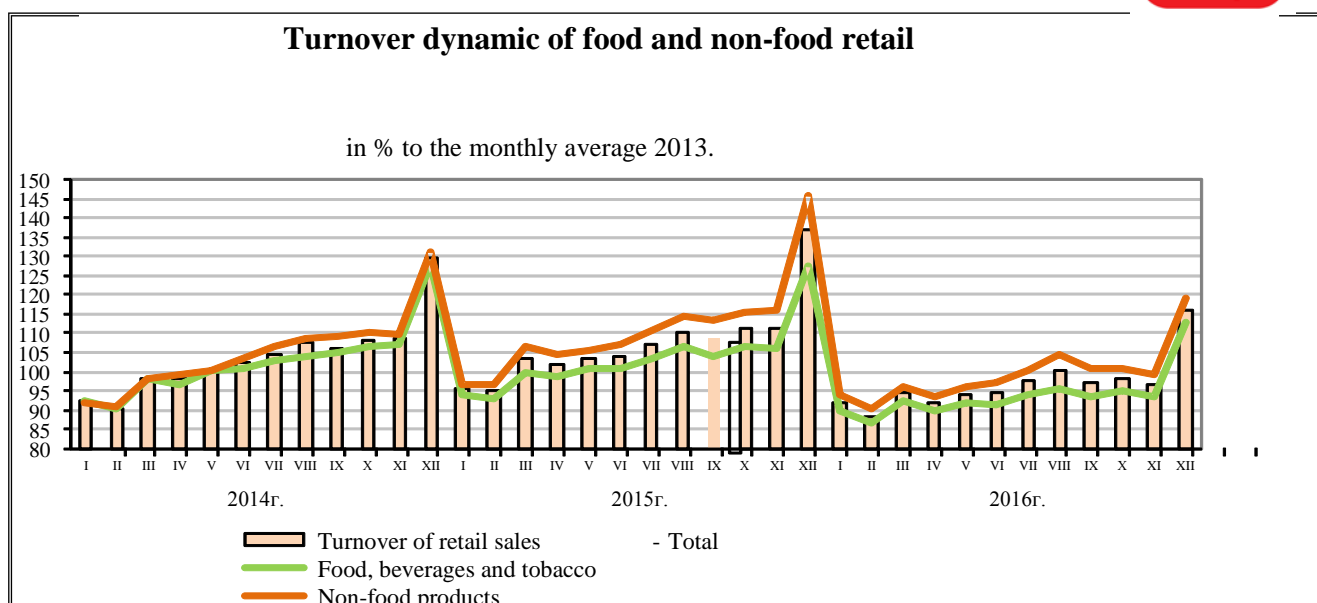
3.1. Industry Risks

M.video network operates on the territory of Russia and does not export or render services (works, goods) in any other countries. Therefore industry risks related to the trading activity of M.video mainly arise from the activities carried on the domestic market.

According to the official data of the Russian Federal Statistics Agency (FSA) turnover of retail business in Russia declined by 5.2% in LFL prices vs. 2015 and reached 28.1 trillion rubles. It is important to note that in 2016 retail business turnover was mainly formed by private entrepreneurs and organizations with the ratio of 92.9% vs 92.1% in 2015. The ration of the retail markets and farmers fairs in 2016 was 7.1% vs 7.9% in 2015. The structure of the consumer retail turnover in 2016 consisted of food and beverages, including tobacco with the ration of 48.7% and non-food goods with the ration of 51.3% vs. 48,7% and 51,3% in 2015 correspondingly¹⁵.

¹⁴ <https://www.vedomosti.ru/business/articles/2017/03/14/681009-fas-odobrila-mvideo>

¹⁵ http://www.gks.ru/bgd/free/B16_00/Main.htm



Main activity of M.video network is retail sales of consumer electronics. The Group keeps maintaining good conditions with the suppliers and is very competitive in this industrial sector. The Company is oriented on the assortment expansion and offering the additional services in order to increase its market share and retain its profitability.

Among the factors which may affect Consumer electronics retail industry in general listed in section 1.4. of the present Report to the most significant changes of the industry the following can be named:

- further penetration of internet into consumers electronics (retailers are focused to on-line channels and integrated sales);
- changes of the government control over internet trading
- decline in purchasing power of the population may lead on the one hand to the reduction of the market capacity and on the other hand to the shift on sales of low price consumer electronic

Having a strong financial position and following the orientation on the mass consumers M.video is ready to manage this risk properly.

3.2. Country and Regional Risks

While «M.video» network operates on the territory of the Russian Federation the main country and regional risks which may affect its activity relate to the Russian Federation as a country. Strong devaluation of the Ruble towards foreign currencies caused by the oil price decrease affecting the profitability of the Russian, sanctions imposed on the Russian Federation in relation to the events in the Ukraine lead to currency crises in 2014-2015 years.

These factors resulted in negative dynamics of the currency rates, decline of investments in Russia, general industrial production decline, increase of unemployment - automatically led to the drop in the living standards and real earnings of the population. These factors nevertheless have not a substantial effect on the Company's business activity.

In 2016 the macro-economic situation in the country slightly improved – rate of the national currency during the year was very stable and had a positive effect on demand of the customers to CE goods and services of the Company.

Apart from risks of the economic character, Russia is exposed to the political risks. Changes in the political situation in the country may have negative effect on the investment climate in Russian and its stock market; consequently this may influence the share price of the company.

Risks related to possible military conflicts, introduction of emergency situation, strikes or protests in the country and region(s) where the Company operates and is registered as a taxpayer: Russia is a multinational country unifying the regions with different level of social and economic development – therefore no one can exclude possible internal conflicts including those with military forces.

Social climate on the territory where the Company runs its business may be characterized as stable and this allows the company to run its business activity considering the political and social risks as minimal.

3.2. Financial Risks

Among the most significant risks affecting financial position of «M.video» and its chain estimated as not material the following can be mentioned:

- currency risks (related to the changes of the currency exchange rates) which may lead to the changes of the country's monetary policy, inflation rates and investments in the Russian economy;
- risks related to changes of the interest rates at the banks;
- risks related to the negative investment climate in the country and as a consequence of the above mentioned risks.

3.4. Operational risks

In this group the following factors are determined as the most significant and requiring the utmost attention:

- risk of a lack of efficiency/refinement of business processes;
- legal and tax risks;
- reputational risks.

Business Processes

During 2015-2016 years permanent monitoring, control and analysis of quality of business processes was carried out by the company with a view to preclude situations related to a breach of the established procedures and internal corporate guidelines.

Legal and tax risks

The effective Russian legislation is a rather complicated and equivocal in terms of interpretation, the existing court practice is controversial, which facts entail a possibility of court actions preventing the execution of the enforced court decisions. The tax legislation is distinguished by ambiguity of possible interpretation of its provisions and is exposed to frequent changes.

Risks associated with changes in the legislation may influence not only the Group and the companies of the group but all other participants of the market.

Since the Company does not have any tax debts to the budget – tax risks are estimated as low. Legal risks related to the changes of the current currency control regulations are also determined as low, according to the statements of the Central bank of Russia no changes are planned to be adopted in the sphere of the currency control rules.

«M.video» chain runs its business in Russia and therefore risks related to any changes in the customs regulations and customs charges may be estimated as low however in case of any changed

- activity of the Company's suppliers will be affected (in this case all players on the market will be in a similar position).

At present and during the reporting year the PJSC "M.video" was not involved into any significant court proceedings which may have negative effect on its business. Risks related to any changes in the court practice pertaining to the company's activities which may influence the Company's activity and the outcome of the current legal proceedings are considered as low.

Reputational risk

The Reputational risk - this is a complex of risks arising out of the business activity of the company and related with untoward use of the brand, bad quality of the goods and services, non-compliance with the applicable legislation as well as with injury to the goodwill which in a long term may negatively affect the customers' loyalty to the company, to its employees, shareholders, regulating authorities, partners, counterparties and other interested persons.

Reputational risk is indissolubly tied with all other risks which may appear in the company. The reputation shall be considered as the risk source itself and together with other risks. The list of modern tools for the reputational risk assessment is rather limited. In most cases the reputational risk is assessed based on the experts summaries or quality estimations.

Risk of losses to M.video company caused by the reduction in the number of customers (counterparties) due to the negative perception of the financial standing of the Company, the quality of its services and goods or the nature of its activity in general is estimated as low.

As a reputational risk the company considers the risk of losses to the business resulted in the reduction of the customers of M.video network due to the negative public perception of the financial standing of the Company, the quality of its services and goods rendered by the company and its subsidiaries or the nature of its business activity in general.

During 24 years of the company's activity there were no situations which posed a threat to its business reputation.

3.5. Risks related to Company' activity

There are no risks related to the court proceedings or liability for third party debts. There is no forecast with regard to aggravation of the situation in the CE sector which may affect execution by the Company of its obligations. Liability of the company for the obligations of its subsidiaries is considered as low while the company controls the business activity of its subsidiaries. However, in case the situation in the industry deteriorate, caused by the changes in the macro or micro-economic situation or changes in the applicable legislation which the Company could not forecast beforehand, the Company plans to promptly develop and take all necessary measures to remedy the negative impact of the adverse changes on its activity.

4. Review of the key events of the year

4.1. Decisions taken by the Board of directors in 2016

In the reporting year the Board of directors held 13 meetings: 4 meetings by joint presence and 9 meetings by absentee voting. In addition to it in 2016 the Board of directors convened 2 separate meetings (Budget session and Strategic session) and called for the Annual General shareholders' meetings.

On January 26, 2016 the Board of directors of the Company approved the interested party transactions (which can be executed by the Company in the future in the course of its business) - granting by the Company the deed of guaranties in respect of obligations under lease agreements of

its subsidiary (“M.video Management” LLC) and according to the clause 22 art. 11.1. of the Company’s charter approved execution in the future by the subsidiary company of a transaction with the price exceeding 1% of the balance sheet value of its asserts.

On February 9, 2016 the Board of directors of the Company (Minutes №105/2016 of 09.02.2016) defined the position of the Company’s representative and approved the appointment of Michael Tuch as the Head of the department - Director of the operational activity of «M.video Management” LLC and later on as the Chief Executive Officer of the operational company.

On March 9, 2016 the Board of directors reviewed the proposals on nomination the candidates to the governing and controlling bodies of the Company received from shareholders-owners of 2% (“Svece Limited” and “Protsvetaniye Holdings Limited”) and approved the list of candidates nominated for the elections at the Annual General shareholder’s meeting to the Company’s Board of directors and Revision commission at the Annual General shareholders’ meeting. The Board also approved the interested party transaction - granting by the Company the deed of guaranty in respect of obligations under preliminary lease agreement of the Company subsidiary – “M.video Management” LLC (Minutes №106/2016 dated 09.03.2016) and approved the adoption of the Charter of the operational company in a new edition.

Consolidated financial statements of the Company for 2015 FY under IFRS were approved at the Board of directors’ meeting held on March 23, 2016 (Minutes №107/2016 dated 23.03.2016).

Besides, the Board of directors extended to the authority of the General Director – Mr. Tynkovan Alexander for a term of 3 years, took for review and consideration the Company’s report on the results business performance for the 4th quarter of 2015 and approved:

- the report on budget performance of M.video group for 2015
- the Internal Audit plan of M.video group for the year 2016
- the report of the Audit committee and Remuneration and Nomination committee for 2015
- performance assessment results of the Corporate secretary and the Head of Internal Audit of the Company in 2015

The Board also defined the positions of the Company’s representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC «M.video Management» under sub-clause 23 of the clause 11.1. of the Company’s Charter on the following matters:

- distribution of the net profit in the amount of 3.5 bln rubles to the sole participant of LLC «M.video Management» - PJSC “M.video”
- extension of the authorities of the General director of «M.video Management» LLC (Breev Pavel Yurievich) for the term of 3 years from April 03, 2016 to April 02, 2019
- appointment of Mr. Michael Tuch on the position of the Chief Executive Officer (second sole executive body) of «M.video Management» LLC from March 24, 2016 for the term of 3 years
- approval of the Regulation on the sole executive body – Chief executive officer of «M.video Management» LLC
- approval of the amendments to the By-law on salary, motivation and bonuses system of «M.video Management» LLC

On April 29, 2016 the Board called for the Annual general shareholders’ meeting and in the course of preparations to the Annual General shareholder’s meeting (hereinafter – «AGSM») the Board of directors approved AGSM’s agenda, time and date of registration of persons entitled to participate in the AGSM, closing date of the shareholders’ record for participation in the AGSM, list of information and materials to be provided to the shareholders’ entitled to participate in the AGSM, recommended the dividend amount and the closing date of the shareholders’ record for obtaining the dividends (Minutes №108/2016 dated 29.04.2016). Moreover, under sub-clause 23 of the clause 11.1. of the Company’s Charter, the Board defined the positions of the Company’s representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC

«M.video Management» and approved the execution by the subsidiary company of a transaction with the price exceeding 1% of the balance sheet value of its asserts in the future.

In addition to it on May 20, 2016 the Board of directors preliminary approved the Company's Annual report for 2016 (Minutes №109/2016 dated 20.05.2016) and proposed a recommendation on the items related to the appointment of the external auditor of the company for 2016, proposed the AGSM to approve the Regulation on the Board of directors in a new edition, adopted the Report of the Board to the shareholders on the items of the AGSM agenda and authorization matrix on delegation of the authorities of M.video group in a new edition.

The Annual Shareholder's meeting was held on June 20, 2016 where the Company's Annual report for 2015, the Company's annual financial statements including profit & losses reports for 2015 financial year, Charter and the Regulation on the Board in a new edition were approved. The AGSM also determined the number of the Board members of the Company and elected members to the Board of Directors and the Revision committee of the Company (Minutes №21 dated 23.06.2016).

➤ *Composition of the elected Board of directors by AGSM:*

1.	Breev □ Pavel Yurievich
2.	Burleton Adrian
3.	Coleman John
4.	Hamid David
5.	Parks Chris
6.	Prisayzhnuk Alexander Mikhailovich
7.	Preobrazhenskiy Vladimir
8.	Skirrow Chris
9.	Tynkovan Alexander Anatolievich

➤ *Composition of the elected Revision commission by AGSM:*

1.	Tyshkevich Ludmila Alexandrovna
2.	Bezlik Evgeny Vladimirovich
3.	Kochubey Evgeniya Sergeevna

Based on the Board of director's recommendation the AGSM decided to distribute the net profit for 2015 FY results in the amount of 20 rubles per one placed ordinary non-documentary share of the Company; to appoint the CJSC «Deloitte and Touche CIS» as the external auditor of the Company for 2016 both under RAS and IFRS financial statements, approved the remuneration and compensation amounts to the Board and to the Revision commission for the period June 2016- July 2017: remuneration to the Board in the amount not exceeding 52 mln. rubles and compensation of expenses in the amount not exceeding 10 mln. rubles; remuneration to the Revision commission in the amount not exceeding 150K rubles.

The AGSM also approved payment of the additional remuneration to the to the Board elected by the AGSM in June 16, 2015 for the period June 2015- July 2016 in the amount not exceeding 8.750 mln. rubles.

Besides, AGSM approved an interested party transaction on D&O insurance between the Company and the CJSC «Insurance company ACE» with the limit of liability of 2 bln. rubles and insurance premium of 2.160 mln. rubles for the period from July 1, 2016 to June 30, 2017.

At the first meeting of re-elected Board of directors (Minutes №110/2016 dated 23.06.2016) according to the Russian law requirements the Board appointed John Coleman as the Chairman, David Hamid as the Deputy Chairman and elected members to the Audit Committee (Chris Skirrow, Alexander Prisyazhnuk and Vladimir Preobrazhenskiy) and members to the Remuneration and Nomination committee (David Hamid, John Coleman and Adrian Burleton) together with its Chairs (Chris Skirrow and Adrian Burleton correspondingly). In addition the Board approved the remuneration fee payable to the external auditor of the Company.

In addition to it the Board approved the remuneration payable to the external auditor, approved the report of the company business performance for the 1 quarter of 2016 and report of the Remuneration and Nomination committee together with the results of the Board self-assessment for 2015. The Board also approved the interested party transaction – license assignment agreement and granting by the Company the deed of guaranties in respect of obligations under lease agreements of its subsidiary (“M.video Management” LLC).

The Board also defined the positions of the Company’s representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC «M.video Management» under sub-clause 23 of the clause 11.1. of the Company’s Charter on the following matters:

- execution of the transactions in the ordinary course of business with the amount exceeding 1% of the balance sheet value of the assets;
- appointment of Mr. Solomon Kunin on the position of the General Director of «Marketplace» LLC from May 10, 2016;
- creation of the subsidiary company – limited liability company “Market” and preliminary approved contributions to the its charter capital.

On August 9, 2016 the Board (by absentee voting Minutes №111/2016 dated 09.08.2016) approved the recommendation of the Remuneration and Nomination Committee, approved the interested party transactions (which can be executed by the Company in the future in the course of its business) - granting by the Company the deed of guaranties in respect of obligations under lease agreements of its subsidiary (“M.video Management” LLC) and defined the positions of the Company’s representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC «M.video Management» under sub-clause 23 of the clause 11.1. of the Company’s Charter on the following matters:

- execution of the transactions in the ordinary course of business with the amount exceeding 1% of the balance sheet value of the assets;
- termination of the authorities of the sole executive body of «M.video Management» LLC - Chief Executive Officer - Mr. Michael Tuch;
- transfer from the position of the Commercial director of Mr. Fernandez Aisa Enrique Angel to the position of the Chief Executive Officer (second sole executive body of «M.video Management» LLC) from August 10, 2016 for the term of 3 years;
- authorization of the General Director of the Company – Mt. Tynkovan Alexander on signing of all employment documents with Mr. Fernandez Aisa Enrique Angel on behalf of the company.

On August 22, 2016 the Board of directors (by absentee voting Minutes №112/2016 dated 22.08.2016) approved the Interim Condensed Consolidated Financial Information (Unaudited) for the half – year ended 30 June 2016 of the PJSC «M.video» and approved amendments to the previously approved interested party transaction - granting by the Company the deed of guaranties in respect of obligations under lease agreements of its subsidiary (“M.video Management” LLC)

In the course of its regular session held by joint presence in September 13, 2016, the Company’s Board of directors reviewed and approved reports of the Audit committee and the Remuneration and Nomination Committee, reviewed the report on M.video group operational results for 7m 2016.

At the same meeting, based on the recommendation of the Remuneration and Nomination Committee (Minutes №46 of 12.09.2016) the Board recognised David Hamid as an independent Board director irrespective of his ties with the Company. The Remuneration and Nomination Committee marked that the existing tidiness does not affect Mr. David Hamid's ability to make objective and independent judgements on items proposed for discussion and put for voting at the Board of directors' meetings due to a number of reasons.

In addition to it the Board approved the Regulation on the Corporate secretary of the Company, Regulation on the Remuneration and Nomination Committee in a new edition, Antimonopoly policy of M.video group as a part of internal control and risk management system, approved the investment project and capital expenditure of the company's subsidiary under art. 11.1 clause 39 of the Company's Charter and interested party transactions (Minutes №113/2016 of 15.09.2016).

Besides, at this Board meeting, the Board defined the positions of the Company's representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC «M.video Management» under sub-clause 27 of the clause 11.1. of the Company's Charter on the following matters:

- execution of the transactions in the ordinary course of business with the related parties;
- appointment of Mr. Oleg Muravyev as the Commerce Director of «M.video Management» LLC from "15" September 2016;
- total amount of the investments (cash spending and cash commitments) from the participants of "MARKETPLACE" LLC for the period from May 1, 2016 to February 2017 – shall not exceed 1 bln. rubles (with VAT);
- changes to the organizational structure

On October 21, 2016 the Board of directors (by absentee voting Minutes №114/2016 dated 24.10.2016) determined the price and approved the interested party transactions - granting by the Company the deeds of guaranties in respect of obligations under lease agreements of its subsidiary "M.video Management" LLC) and defined the positions of the Company's representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC «M.video Management» under sub-clause 27 of the clause 11.1. of the Company's Charter on the following matters:

- preliminary approval of the loan agreement made by LLC «M.video Management» with a related party;
- execution of the transactions in the ordinary course of business with the amount exceeding 1% of the balance sheet value of the assets;
- forms of the authorized financing of the company's subsidiary - "Marketplace" LLC:

On November 18, 2016 the Board of directors (by absentee voting Minutes №115/2016 dated 18.11.2016) approved amendments to the previously approved interested party transactions - granting by the Company the deed of guaranties in respect of obligations under lease agreements of its subsidiary ("M.video Management" LLC) and defined the positions of the Company's representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC «M.video Management» under sub-clause 27 of the clause 11.1. of the Company's Charter on the following matters:

- execution of the transactions in the ordinary course of business with the amount exceeding 1% of the balance sheet value of the assets;
- transactions related to the acquisition and disposal of real property;
- inclusion of QIWI Bank to the list of authorized banks for consumer credits.

In the course of its regular session held by joint presence in December 15, 2016 (Minutes №116/2016 dated 16.12.2016) the Company's Board of directors reviewed the report on M.video group operational results for the 3rd quarter of 2016 and approved:

- report (recommendations) of the Audit Committee;
- risk matrix and risk management policy of Mvideo group;
- budgeting policy of M.video group
- annual budget and business plan of M.video group for 2017
- corporate goals and KPIs for 2017

Board of directors approved termination of the agreement with the Company's Registrar JSC "Registrar ROST", appoint JSC "Independent registrar company" as a new Company's Registrar and approved the agreement with the new Registrar. In addition the Board defined the positions of the Company's representative when exercising voting rights vested by the ownership of shares in the charter capital of LLC «M.video Management» under sub-clause 27 of the clause 11.1. of the Company's Charter on the following matters:

- execution of the transactions in the ordinary course of business with the related parties and transactions with the amount exceeding 1% of the balance sheet value of the assets;
- long-term strategic plan and organizational structure of the commerce department of the operations company

4.2. Lists of transactions executed and approved in 2016 and recognized under Federal law "On Joint stock companies" as major or interested party transaction

Report of the executed by the Company in 2016 recognized under Federal law "On Joint stock companies" as major or interested party transaction

In 2016 the Company executed the following list of interested party transactions:

№	Date of the approval	Date of the execution	Level of authorization	Interested parties and material terms and conditions of the transaction
1	27.01.2016	28.01.2016	Board of directors of the Company	<p><i>Parties of the guaranty:</i> Creditor: CJSC "Kiprey" Debtor (beneficiary): "M.video Management" LLC Guarantor: the Company (PJSC "M.video") <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement in respect of the premises (store №609) located in the Russian Federation, city of Murmansk, Kol'skiy proezd, 158/1 shopping mall "Severnoe siyanie" <u>Total amount of guaranty</u> – not more than 51 072.35 y.e (fifty one thousand seventy two) (31rub.<y.e<40 rub) including VAT 18% <u>Term of the guaranty:</u> till 31.12.2016</p>
2	27.01.2016	26.01.2016	Board of directors of the Company	<p><i>Parties of the guaranty:</i> Creditor: «RosEvroDevelopment - Krasnoyarsk" JSC Debtor (beneficiary): "M.video Management" LLC Guarantor: the Company (PJSC "M.video") <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under property lease agreement in respect of the premises (store №627) located in the Russian Federation, Krasnoyarskiy krai, Krasnoyarsk city, 77, str. 9th of May <u>Total amount of guaranty</u> – not more than 6 414 722,47 (six million four hundred fourteen thousand seven hundred and twenty two) rubles including VAT 18% <u>Term of the guaranty:</u> for 1 (one) year from the date of issue of the guaranty</p>

3	27.01.2016	28.01.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: «Directoriya» LLC Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under the property lease agreement in respect of the premises (store №637) located in the Russian Federation, Nizhegorodskaya oblast’ Nizhniy Novgorod, Sovetskiy district, 5, Sovetskaya sq. <u>Total amount of guaranty</u> – not more than 55 313.90 fifty five thousand three hundred and thirteen 90/100) US dollars (where 1\$ is equal to 36.00 rubles) including VAT 18% <u>Term of the guaranty:</u> till 10.11.2025</p>
4	27.01.2016	26.01.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “UK Izumrudniy gorod” Ltd. Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under the property lease agreement in respect of the premises (store №642) located in the Russian Federation, Tomskaya oblast’, Tomsk city, Komsomol’skiy proekt 13B <u>Total amount of guaranty</u> – not more than 1 104 783,00 (one million one hundred and four thousand seven hundred and eighty three) rubles including VAT 18% <u>Term of the guaranty:</u> for 1 (one) year from the date of issue of the guaranty</p>
5	09.03.2016	31.03.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Slavel” LLC Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under long-term sub-lease agreement №01-1705/09-2015 dated 07.10.2015 in respect of the premises (store 343) located in Russia, Zabaikal’skiy kray, Zita city, Central administrative district, 10 Shilova street <u>Total amount of guaranty</u> – not more than 1 550 000 (one million five hundred and fifty thousand) rubles VAT included <u>Term of the guaranty:</u> for 1 (one) year from the date of issue of the guaranty</p>

6	23.03.2016	20.04.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Rev’era” LLC <i>Principal (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Principal of obligations under lease agreement in respect of the premises (store 719) located in Russia, Moscow, Str. Avtozavodskaya , premises 16-18 <u>Total amount of guaranty</u> – not more than 3 767 936,67 rubles VAT included <u>Term of the guaranty:</u> from April 15, 2016 to April 15, 2026</p>
7	20.05.2016	31.05.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Sigma” LLC <i>Principal (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Principal of obligations under lease agreement in respect of the premises (store 631) located in Russia, Izhevsk, Str. Avtozavodskaya , premises 2a <u>Total amount of guaranty</u> – not more than 252 000.00 (two hundred and fifty two thousand) rubles including VAT 18%. <u>Term of the guaranty:</u> 1 year from the date of issue</p>
8	23.06.2016	01.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Reviera” LLC <i>Debtor (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under preliminary lease agreement №C-001 dated 17.06.2015 in respect of the premises (store 719 Shopping Center Riviera) located in Russia, Moscow, 18 Avtozavodskaya street <u>Total amount of guaranty</u> – not more than 3 789 000,00 rubles VAT included <u>Term of the guaranty:</u> 1 (one) year (01.07.2016 - 30.06.2017)</p>
9	23.06.2016	27.06.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Kostromainvest” LLC <i>Debtor (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement №5 dated 12.09.2008 in respect of the premises (store 204 Shopping center Kollazh) located in Russia, Kostromskaya rehision, Karavaevo village, 1, Krasnosel’skoe shosse <u>Total amount of guaranty</u> – not more than 54 833,24 US dollars(or equivalent in rubles at the rate of the central bank) VAT included <u>Term of the guaranty:</u> 1 (one) year (01.07.2016 - 30.06.2017)</p>

10	23.06.2016	15.03.2016	Board of directors of the Company	<p>Parties of the guaranty: Creditor: “NORDINVEST” LLC <i>Principle (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Principle of obligations under preliminary lease agreement dated 04.06.2015 in respect of the premises (store 366, Shopping center Marmelad) located in Russia, Velikiy Novgorod, Str. Lomonosova, build. 29 <u>Total amount of guaranty</u> – not more than 2 198 790,00 rubles VAT included <u>Term of the guaranty:</u> 1 (one) year ((01.07.2016 - 30.06.2017)</p>
11	23.06.2016	12.07.2016	Board of directors of the Company	<p>Parties of the guaranty: Creditor: “Ugra-Stroy” LLC <i>Principle (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Principle of obligations under long-term lease agreement №01-0764/05-2016 dated 24.05.2016 in respect of the premises (store 345) located in Russia, Nizhniy Vartovsk, 17, Kuzovatkina street <u>Total amount of guaranty</u> – not more than 1 555 440 rubles VAT included <u>Term of the guaranty:</u> 1 (one) year (01.07.2016 - 30.06.2017)</p>
12	23.06.2016	30.06.2016	Board of directors of the Company	<p>Parties of the guaranty: Creditor: “Integral” LLC <i>Principle (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Principle of obligations under preliminary lease agreement №3 A/Y dated 30.06.2014 in respect of the premises (store 634) located in Russia, Astrakhanskaya region, Atrakhan’, Sovetsky district, Aeroportovskoe shosse <u>Total amount of guaranty</u> – not more than 155 032 US dollars VAT included <u>Term of the guaranty:</u> 1 (one) year (24.07.2016 - 23.07.2017)</p>
13	23.06.2016	19.07.2016	Board of directors of the Company	<p>Parties of the guaranty: Creditor: “Novostroy” LLC <i>Principle (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Principle of obligations under preliminary lease agreement №№0017-HBC-2014-ПДА dated 25.06.2014 in respect of the premises (store 402) located in Russia, Kemerovskaya region, Novokuznetsk, Central district, Street Doz <u>Total amount of guaranty</u> – not more than 74 616 US dollars VAT included <u>Term of the guaranty:</u> 1 (one) year (01.08.2016 - 31.07.2017)</p>

1 4	23.06.2016	23.06.2016	Board of directors of the Company	<p><u>Parties of the Agreement:</u> Assignor - "M.video Management" LLC Assignee - PJSC "M.video"</p> <p><u>Subject of the Agreement:</u> Assignor subject to the consent of Oracle East central Europe Limited – rights holder and JSC "SoftLine Trade" – Supplier assigns (transfers) and the Assignee accepts all rights and obligations in respect of nonexclusive licenses on the rights holder product Siebel Loyalty Engine Standard Edition, CSI 19557538, in the number of 15 licenses, license type 100K Member Records – Licenses, purchased by the Assignor under contract 01-0108/01-2013 executed on 30/01/2014 with the Supplier.</p> <p><u>Price of the Agreement</u> – for the transfer of all rights and obligations in respect of the Licenses, the Assignee pays to the Assignor the remuneration in the amount of depreciated value of 4 583 900,74 (four million five hundred and eighty three thousand nine hundred) rubles and 74 kopeeks including VAT. All rights and obligations vest to the Assignee from the date of signing of the acceptance act in respect of the Licenses.</p> <p><u>Validity term of the exclusivity right of Licenses</u> - 70 years from the date of release</p>
1 5	09.08.2016	12.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: "Sportmaster" LLC Debtor (beneficiary): "M.video Management" LLC Guarantor: the Company (PJSC "M.video")</p> <p><u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under long-term sub-lease agreement №B/ДСА/2 dated 09.09.2010 regarding the premises in respect of the premises located in Russia, Volgogradskaya oblast', Volgograd city, 105a, Universitetskiy proezd</p> <p><u>Total amount of guaranty</u> – not more than 2 835 000 rubles VAT included</p> <p><u>Term of the guaranty:</u> for 1 (one) year</p>
1 6	09.08.2016	12.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: "Sportmaster" LLC Debtor (beneficiary): "M.video Management" LLC Guarantor: the Company (PJSC "M.video")</p> <p><u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under long-term sub-lease agreement №H-03/ДСА/15 dated 01.03.2015 in respect of the premises located in Russia, Novosibirskaya oblast', Novosibirsk city, 17/1, Shevchenko street</p> <p><u>Total amount of guaranty</u> – not more than 1 800 000 rubles VAT included</p> <p><u>Term of the guaranty:</u> for 1 (one) year</p>
1 7	09.08.2016	12.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: "Sportmaster" LLC Debtor (beneficiary): "M.video Management" LLC Guarantor: the Company (PJSC "M.video")</p> <p><u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under long-term sub-lease agreement №II-03/ДСА/15 dated 01.03.2015 in respect of the premises located in Russia, Stavropol'skiy kray, Paytigersk city,</p>

				<p>45a, Ob'ezdnaya</p> <p><u>Total amount of guaranty</u> – not more than 2 100 000 rubles VAT included</p> <p><u>Term of the guaranty:</u> for 1 (one) year</p>
18	09.08.2016	01.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u></p> <p>Creditor: "Rodnik" LLC</p> <p>Debtor (beneficiary): "M.video Management" LLC</p> <p>Guarantor: the Company (PJSC "M.video")</p> <p><u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under preliminary lease agreement № MBM-P 09/2012 dated 20.09.2012 in respect of the premises (store 278) located in Russia, Chelyabinskaya oblast', Chelyabinks city, Kopeiskoe shosse</p> <p><u>Total amount of guaranty</u> – not more than 1 697 981,21 rubles VAT included</p> <p><u>Term of the guaranty:</u> for 1 (one) year</p>
19	09.08.2016	01.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u></p> <p>Creditor: "Rodnik" LLC</p> <p>Debtor (beneficiary): "M.video Management" LLC</p> <p>Guarantor: the Company (PJSC "M.video")</p> <p><u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement №206/11 dated 01.02.2012 in respect of the premises (store 297) located in Russia, Chelyabinskaya oblast', Chelyabinks city, Central district, 203, Truda street</p> <p><u>Total amount of guaranty</u> – not more than 2 793 486,50 rubles VAT included</p> <p><u>Term of the guaranty:</u> for 1 (one) year</p>
20	09.08.2016	19.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u></p> <p>Creditor: "Forsazh" LLC</p> <p>Debtor (beneficiary): "M.video Management" LLC</p> <p>Guarantor: the Company (PJSC "M.video")</p> <p><u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement №O-2 dated 23.10.2014 in respect of the premises (store 360) located in Russia, Orenburg city, 71 Salmyshskaya str., shopping center "KIT"</p> <p><u>Total amount of guaranty</u> – not more than 1 732 920,00 rubles VAT included</p> <p><u>Term of the guaranty:</u> for 1 (one) year</p>
21	09.08.2016	29.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u></p> <p>Creditor: individual entrepreneur Kuptsova</p> <p>Debtor (beneficiary): "M.video Management" LLC</p> <p>Guarantor: the Company (PJSC "M.video")</p> <p><u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under sub-lease agreement №KH-14 dated 10.09.2012 in respect of the premises (store 417) located in Russia, Tol'yatti city, 52A Revolutsionnaya str., shopping center "Rus"</p> <p><u>Total amount of guaranty</u> – not more than 1 532 068,40 rubles VAT included</p> <p><u>Term of the guaranty:</u> for 1 (one) year</p>

2 2	09.08.2016	29.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: JSC “Crocus International” Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement in the premises of trade and entertainment center “Vegas-2” №5/100-k dated 29.05.2014 in respect of the premises (store 47) located in Russia, Moscow region, Krasnogorskiy district, Krasnogorsk city, Krasnogorsk -4, Myakininskoe shosse 65-66 km, Vegas City <u>Total amount of guaranty</u> – not more than 1 887 421,24 rubles VAT included <u>Term of the guaranty:</u> for 1 (one) year</p>
2 3	09.08.2016	13.09.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Managing company “Talisman” LLC Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement №05-02-02/21-10/01-231/2-2010 dated 25.01.2010 in respect of the premises (store 234) located in Russia, Izhevsk, shopping center “Talisman”, 11, Kholmogorova str. <u>Total amount of guaranty</u> – not more than 1 243 842,21 rubles VAT included <u>Term of the guaranty:</u> for 1 (one) year</p>
2 4	22.08.2016	29.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “NPP Stroytek” LLC Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement №ТПЦ-А/3-MSU3/ОД18 dated 28.04.2016 in respect of the premises (store 647) located in Russia, Sverdlovskaya oblast’, Ekaterinburg, Krasnolesie str. 133, shopping center “Akademicheskij” <u>Total amount of guaranty</u> – not more than 1 018 295,75 rubles VAT included <u>Term of the guaranty:</u> for 1 (one) year from the date of issue</p>
2 5	15.09.2016	06.10.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: WESTWALK PROJECTS LTD Debtor (beneficiary): “M.video Management” LLC (interested party) Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement in respect of the premises ((store 700) located in Russia, Moscow oblast, Voskresenkiy region, village Fedinskoe, 1 Fedinskaya street <u>Total amount of guaranty</u> – not more than 1 260 000 (One million two hundred and sixty thousand) rubles including VAT 18% <u>Term of the guaranty:</u> 1 year from the date of issue</p>

2 6	15.09.2016	01.09.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Retail Park 1” LTD Debtor (beneficiary): “M.video Management” LLC (interested party) Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under long-term commercial property lease agreement №01/MV/12/LT dated 25.10.2014 in respect of the premises (store 498) located in Russia, Tver city, Oktyabr’skiy prospect 103, Trading center “Trade park 1” <u>Total amount of guaranty</u> – not more than 90 000,00 (ninety thousand) UDS including VAT 18% <u>Term of the guaranty:</u> for 1 year from the date of issue</p>
2 7	15.09.2016	01.08.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Kashirskiy Mall” CJSC Debtor (beneficiary): “M.video Management” LLC (interested party) Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under property lease agreement №1/425 dated 01.10.2012 in respect of the premises (store 89) located in Russia, Tver city, Oktyabr’skiy prospect 103, Trading center “Trade park 1” <u>Total amount of guaranty</u> – not more than 207 000,00 (two hundred and seven thousand) UDS including VAT 18% <u>Term of the guaranty:</u> 1 year from the date of issue</p>
2 8	15.09.2016	21.07.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “RUMAS-TRADING” LLC Debtor (beneficiary): “M.video Management” LLC (interested party) Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement №PT-MBM 09/2016 dated 08.06.2016 in respect of the premises (store 632) located in Russia, Vladivostok city, Poletaeva str. 6D <u>Total amount of guaranty</u> – not more than 2 345 000,00 (two million three hundred and forty five thousand) rubles including VAT 18% <u>Term of the guaranty:</u> 1 year from the date of issue</p>
2 9	15.09.2016	26.08.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “Region TRZ” LLC Debtor (beneficiary): “M.video Management” LLC (interested party) Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement №2P2046 dated 08.06.2016 in respect of the premises (store 643) located in Russia, Bryansk city, Ob’ezdnaya str.32 <u>Total amount of guaranty</u> – not more than 3 270 000,00 (three million two hundred and seventy thousand) rubles</p>

				<p>including VAT 18%</p> <p><u>Term of the guaranty:</u> 1 year from the date of issue</p>
30	15.09.2016	01.08.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: “VALS” LLC Debtor (beneficiary): “M.video Management” LLC (interested party) Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement №380/ДДА/2013 dated 25.12.2013 in respect of the premises (store 380) located in Russia, Krasnoyarsk city, Belinskogo str. 8, Trading center KomsoMall <u>Total amount of guaranty</u> – not more than 77 000,00 (seventy seven thousand) USD including VAT 18% <u>Term of the guaranty:</u> 1 year from the date of issue</p>
31	15.09.2016	26.10.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: «RosEvroDevelopment” LLC Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement №169-РУФ-2014-ДДА dated 01.10.2015 in respect of the premises (store №399) located in Russia, republic Bashkortostan, Ufa city, Oktyabrskiy district, 20, Entuziastov street <u>Total amount of guaranty</u> – not more than 247 000,00 (two hundred and forty seven thousand) rubles including VAT 18% <u>Term of the guaranty:</u> for 1 year from the date of issue</p>
32	15.09.2016	26.10.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: «RosEvroDevelopment” LLC Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement №086-РУФ-2014-ДДА dated 01.10.2015 in respect of the premises (store №399) located in Russia, republic Bashkortostan, Ufa city, Oktyabrskiy district, 20, Entuziastov street <u>Total amount of guaranty</u> – not more than 871 000,00 (eight hundred and seventy one thousand) rubles including VAT 18% <u>Term of the guaranty:</u> for 1 year from the date of issue</p>
33	24.10.2016	08.12.2016	Board of directors of the Company	<p><u>Parties of the guaranty:</u> Creditor: SA Realty & Development” LLC Debtor (beneficiary): “M.video Management” LLC Guarantor: the Company (PJSC “M.video”) <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement №63-01K/14 dated 30.09.2014 in respect of the premises (store 434) located in Russia, Yaroslavl city, 30/19 prospect Mashinostroiteley, Shopping center “Yarkiy” <u>Total amount of guaranty</u> – not more than 2 500 000.00</p>

				(two million five hundred thousand) rubles VAT included <u>Term of the guaranty:</u> for 1 (one) year from the date of issue
3 4	24.10.2016	21.07.2016	Board of directors of the Company	<u>Parties of the guaranty:</u> Creditor: “VladTrade” LLC <i>Debtor (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial property lease agreement №PT-MBM 09/2016 dated 08.06.2016 in respect of the premises (store 632) located in Russia, 690041, Vladivostok city, 6D, Poletaeva str.. <u>Total amount of guaranty</u> – not more than 200 000.00 (two hundred thousand) rubles VAT included <u>Term of the guaranty:</u> for the whole term of the lease agreement
3 5	16.12.2016	03.10.2016	Board of directors of the Company	<u>Parties of the guaranty:</u> Creditor: “Zhemchuzhnaya Plaza” LLC <i>Debtor (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under commercial lease agreement №LLA-001 dated 01.07.2016 in respect of the premises (store 235) located in Russia, 198206, Saint-Petersburg, 51, Petergofskoe shosse, Shopping center “Zhemchuzhnaya Plaza” <u>Total amount of guaranty</u> – not more than 140 963,23 (one hundred and forty thousand nine hundred sixty three 100/23) Euro VAT included <u>Term of the guaranty:</u> for 1 (one) year from the date of issue
3 6	16.12.2016	21.11.2016	Board of directors of the Company	<u>Parties of the guaranty:</u> Creditor: “Legion” LLC <i>Debtor (beneficiary): “M.video Management” LLC</i> <i>Guarantor: the Company (PJSC “M.video”)</i> <u>Subject of the guaranty:</u> fulfillment by the Debtor of obligations under lease agreement №44-H/2016 dated 07.10.2016 in respect of the premises (store 660) located in Russia, 196105, Saint-Petersburg, 137 premises B, Moskovskiy prospect, Shopping center “Electra” <u>Total amount of guaranty</u> – not more than 3 100 000.00 (three million and one hundred thousand) rubles VAT included <u>Term of the guaranty:</u> for the whole term of the lease by 19.10.2026
3 7	20.06.2016	01.07.2016	General shareholders meeting	<u>Interested parties</u> – Board of directors of the Company <u>Subject of the transaction</u> – Liability Insurance <u>Parties of the transaction</u> – PJSC “M.Video” (policyholder) and ACE Insurance Company LLC (Insurer) <u>Limit of liability</u> – 2 000 000 000,00 rubles per loss and in the aggregate for the year <u>Insurance premium</u> – 2 160 000,00 rubles

				<p>Insurance cover:</p> <p>Cover A – director’s liability cover when losses are not reimbursed (due to bankruptcy, statutory injunction, prohibition in the charter documents)</p> <p>Cover B – director’s liability cover when losses may be reimbursed</p> <p>Cover C – director’s liability cover related to the securities’ claims</p> <p>Deductible (retention):</p> <p>Cover A – is not applied</p> <p>Cover B – 1 800 000,00 rubles (all countries other than USA and Canada) and 3 600 000, 00 for USA and Canada</p> <p>Cover C – 1 800 000,00 rubles (all countries other than USA and Canada) and 3 600 000, 00 for USA and Canada</p> <p>Term of insurance - from July 1, 2016 till June 30, 2017</p> <p>Discovery period - 60 (sixty) days.</p>
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In the reporting year PJSC “M.video” made 37 interested party transactions with the total amount not exceeding 120 000 000.00 (one million and two hundred thousand) rubles. One interested party transaction (provision of the mother company guaranty) was made without approval. No major transactions were executed by the Company in the reporting period.

4.3. Report on the declared and paid out dividends on the Company shares

In the reporting year the company made the following payments of the dividends:

Dividend period: **2015**

Governing body which take a decision: **General Shareholders Meeting**

Date of the resolution (meeting): **20.06.2015**

Closing date of the shareholders’ record for the dividends: **01.07.2016**

Date of the Minutes: **23.06.2016 (Minutes №21 of 23.06.2015)**

Category of the shares: **ordinary shares**

Amount of the declared dividend per share: **20 rubles**

Amount of the paid out dividend per share: **3 595 364 540 rubles**

Total amount of dividends paid pout per all company shares: **3 595 364 540 rubles**

Source of payment of the declared dividends: **net profit of the company for 2015**

Term for payment of the dividends: **not later than August 5, 2016**

Form and other conditions of the payment: **by money (via wire transfer to the bank account and/or by the postal delivery)**

As the date of the approval of the company financial statements and accounting report the Company did not declare on dividend payment for 2016 FY.

4.4. Review of the key events after the reporting date

On March 9, 2017 the Board of directors reviewed the proposals on nomination of the candidates to the governing and controlling bodies of the Company received from shareholders-owners of at least 2% of the Company shares (“Svece Limited” and “The Russian Prosperity Fund”) and approved the list of candidates nominated for the elections at the Annual General shareholder’s meeting to the Company’s Board of directors and Revision commission at the Annual General shareholders’ meeting (Minutes №118/2017 dated 09.03.2017). In addition the Board decided on the creation of the ad-hoc Special Committee of the Board, elected its members and approved the Regulation on the ad-hoc Special Committee. Vladimir Preobrazhenskiy was elected as the Chairman of the ad-hoc Special Committee.

The ad-hoc Special Committee was established on the light of the announced end of December 2016 deal on the change of control on the PJSC “M.video”. The Board of directors also appointed the financial and legal advisors.

On March 22, 2017 in the course of its regular session the Board of directors approved the the consolidated IFRS financial statements of the Company for 2016 FY and the financial statements of the company for 2016 under RAS.

On the same day the Board of directors reviewed the report on M.video group of companies’ operational results for Q4, 2016 and 2016 FY and approved:

- *the report on budget performance by M.video group of companies for 2016;*
- *the report of the Head of IA and Corporate secretary for 2016;*
- *the reports of the Audit Committee and Remuneration and nomination Committee reports on its activities in 2016;*
- *the Internal audit plan of M.video group of companies for the year 2017.*
- *Audit Committee and Remuneration and nomination Committee reports on its activities in 2015;*
- *the performance assessment results of the Corporate secretary and the Head of Internal Audit of the Company in 2016;*
- *amount of the remuneration and bonuses payable to the Corporate secretary and the Head of Internal Audit*

On April 28, 2017 as part of the acquisition of 57.7% stake in Russia’s largest consumer electronics retailer by revenue, PJSC M.video, from Alexander Tynkovan and his partners, SAFMAR Group sent a Voluntary Tender Offer to minority shareholders of M.Video for the acquisition of shares in the company at the price of the acquisition.

The Voluntary Tender Offer for the purchase of shares from minority shareholders at the same price as the main transaction, along with the approval of FAS, was one of the key conditions of the contract between the seller and the buyer. Recently, SAFMAR Group received FAS approval for the purchase of 100% of M.Video. The regulatory conditions set forth by FAS with regards to the transaction will have no material impact on the business of SAFMAR Retail.

The share purchase will be made at a price of USD 7 per share, with payment in roubles at the Central Bank rate of RUB/USD 56.9364 (the exchange rate as of 29 March 2017, the date when the Voluntary Tender Offer was sent to the Bank of Russia). The deadline for its acceptance is 71 days after receipt of the Voluntary Tender Offer by PJSC M.Video (28 April 2017). In accordance with the law, the Voluntary Tender Offer is secured by a bank guarantee.

<http://invest.mvideo.ru/eng/press/news/news1628.shtm>

At the same day, on April 28, 2017 SAFMAR Group announced the completion of 100% in the investment company owned by Alexander Tynkovan and his partners, which in its turn folds the stake of 57.7% of M.video shares at a price of USD 7 per share of the PJSC “M.video” with payment in roubles at the Central Bank rate of RUB/USD 56.9364 (the exchange rate as of 29 March 2017, the date when the Voluntary Tender Offer was sent to the Bank of Russia)

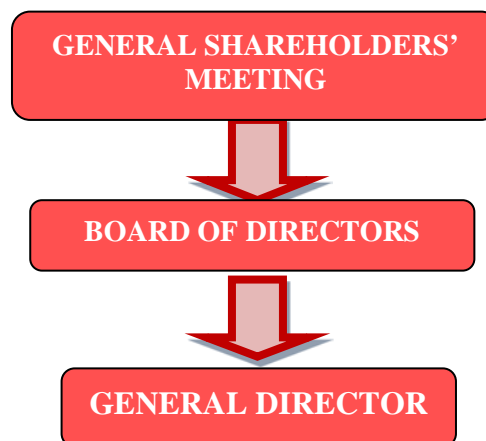
As previously announced, SAFMAR Group intends to rename PJSC “M.video” as PJSC “SAFMAR Retail” and establish on its basis a management company into which the Buyer will also include Eldorado Group. At the same time, SAFMAR Retail will continue to develop the M.video and Eldorado chains as separate businesses, retaining the management team at each. The Buyer intends for PJSC M.video (to be renamed PJSC “SAFMAR Retail”) to remain a public company and to adhere to best practice of corporate governance.

In the course of 2017, the shareholders and management of “SAFMAR Retail” will analyse potential options for consolidating the two businesses and begin developing an integration plan to achieve optimal synergy between the businesses. At the same time, the conditions imposed by FAS will have no material impact on SAFMAR Retail’s business.

Marketplace LLC (the e-commerce platform GOODS.RU) will also become part of SAFMAR Retail, and will be developed in line with previously announced plans. Alexander Tynkovan and Pavel Breev will be partners to SAFMAR Group in this project by purchasing a 20% stake of the equity capital of Marketplace LLC at nominal value.

<http://invest.mvideo.ru/eng/press/news/news1652.shtml>

5. Governing and controlling bodies of the Company



The following steering bodies operate in the structure of the Company:

5.1. The General Meeting of Shareholders of the Company (The General Meeting) is the Supreme steering body of the Company having the following authorities:

- (1) introduction of changes and amendments to the Company’s Charter or approval of the Company’s Charter in a new edition;
- (2) reorganization of the Company;
- (3) liquidation of the Company, appointment of the liquidation commission and approval of liquidation balance sheets (interim and final ones);
- (4) determination of the number of the Board of Directors’ members, election of its members and early termination of their authority;
- (5) determination of the number, nominal value, category (type) of the authorized shares and rights vested in such shares;
- (6) increase of the charter capital of the Company by increasing the nominal value of shares, by additional issue of shares by means of the closed subscription;
- (7) additional issue of ordinary shares by means of the open subscription constituting more than 25% of the outstanding ordinary shares or other securities convertible into ordinary shares which can be converted into ordinary shares constituting more than 25% of the outstanding ordinary shares;
- (8) decrease of the charter capital of the Company by reduction of the nominal value of shares;
- (8) decrease of the charter capital of the Company by purchasing part of the shares by the Company for the purpose of reducing their total number, and by cancellation of shares purchased or bought-back by the Company;
- (9) election of members of the Revision commission of the Company and early termination of their authority;
- (10) approval of the external auditor of the Company;
- (11) payment (announcement) of the dividends on the results of the first quarter, 6 (six) months, 9 (nine) months of the reporting year;
- (11.1.) distribution of net profit (including payment (announcement) of the dividends), excluding payment (announcement) of the dividends on the results of the first quarter, 6 (six) months, 9 (nine) months of the reporting year) and losses of the Company on results of a reporting year;

- (12) determination of the procedure of the conducting the general meeting of shareholders;
- (13) election of the Counting commission members and termination on their authorities ;
- (14) splitting and consolidation of the Company's shares;
- (15) approval of the interested party transactions in cases provided by the current legal acts of the Russian Federation;
- (16) approval of the major transactions related to acquisition or disposal of the property by the Company in cases provided by the law of the Russian Federation;
- (17) purchase of the outstanding shares by the Company in cases, provided by the legislation of the Russian Federation;
- (18) Company's participation in financial and industrial groups and associations and other unions of commercial organizations;
- (19) decision on filling of the application on delisting of the Company's shares or other securities convertible onto Company's shares;
- (20) decision on filling of the application on listing of the Company's shares or other securities convertible onto Company's shares;
- (21) approval of the internal documents on the governing and controlling bodies of the Company;
- (22) decision on allocation of costs related to the convention of the extraordinary general meeting of shareholders, unplanned audits and Revision commission examinations initiated by shareholders at the Company's account;
- (23) other issues which are provided by the current legal acts of the Russian Federation and this Charter.

5.2. The Board of Directors of the Company is in charge of general management of the activity of the Company, except for resolution of the issues referred by the Charter to the exclusive competence of the General Meeting. The terms of reference of the Board of Directors of the Company shall embrace the following aspects:

- (1) determination of the priority directions of the Company's activity;
- (2) calling of the annual and extraordinary General meetings of shareholders of the Company excluding cases provided by Law ;
- (3) approval of the agenda of the General meeting of shareholders;
- (4) determination of the date (closing date) of compiling the list of persons entitled to participate in the General meeting of shareholders, and other matters related to preparation and convention of the General meeting of shareholders;
- (5) proposal of items provided by article 10.5 hereof for decision by the General meeting of shareholders;
- (6) increase of the charter capital of the Company by means of additional issue of shares within the number of and category (type) of the declared shares;
- (7) proposals on the charter capital decrease by means of the reduction of the nominal value of the Company's shares;
- (8) issue by the Company of the additional shares in which outstanding preferred shares of a certain type of the Company may be converted into the ordinary shares or preferred shares of another type if such issue is not related to the charter capital increase and issue of bonds or other securities, excluding ordinary shares (excepting cases provided by this Charter);
- (9) placement by the Company of the bonds or other securities including bonds convertible into shares;
- (10) determination of the price (estimation of money value) of the property and/or of subscription or way of its determination and price for buy-back of the shares in cases provided by Law and adoption of share market price determination methodology;
- (11) purchase of the outstanding shares, bonds and other securities of the Company in cases provided by this Charter and the Law;
- (12) election of the General Director and termination of his authority;
- (13) creation of the collegial executive body (Management Board) of the Company, and determination of the remuneration payable to the Management Board;
- (14) election of the Management Board members and early termination of their authorities;
- (15) recommendations on the remuneration and compensation payable to the Revision commission of the Company;
- (16) determination of the remuneration amount payable to the external auditor, approval of the terms and conditions of the agreement with the auditor, performing audit of the financial statements of the Company prepared in accordance with the Russian and International accounting standards;

- (17) recommendations on the amount of the dividends per share, form and way of its payment, approval of the Dividend policy of the Company;
- (18) decision on use of the Reserve and other funds of the Company;
- (19) approval of the internal documents of the Company, excepting documents which shall be approved by the General meeting of shareholders and internal documents which shall be approved by the executive bodies of the Company;
- (19.1) approval of the Annual report of the Company, annual financial (accounting) reports of the Company;
- (20) establishment of branches and launch of representative offices of the Company, approval of its By-laws, liquidation and closing of branches and representative offices of the Company;
- (21) increase of the charter capital of the Company by means of the additional issues of the ordinary shares through open subscription constituting less than 25% of the outstanding ordinary share of the Company;
- (22) additional issues through open subscription of the securities convertible into ordinary shares which can be converted into the ordinary shares and constituting less than 25% of the outstanding ordinary shares of the Company;
- (23) filling an application on listing of the Company's shares and (or) other securities of the Company convertible in the ordinary shares of the Company;
- (24) approval of the major transactions related to acquisition or disposal of the property by the Company in cases provided by the current legal acts of the Russian Federation;
- (25) approval of the interested party transactions in cases provided by the current legal acts of the Russian Federation;
- (26) approval of the transactions, approval of which is not referred by this Charter to the authority of the General meeting of shareholders, which are related to acquisition, disposal or the potential disposal or acquisition by the subsidiary company, directly or indirectly of the property or services with the value of 5% and more of the balance sheet value of the subsidiary company's assets as at the last reporting date;
- (27) defining of the position of the Company's representative when exercising voting rights vested by the ownership of shares and/or stakes in the charter capital of other legal entities according to the Charter of such legal entities;
- (28) disposal or encumbrance of the Company's shares and/or stakes in the charter capital of other legal entities;
- (29) increase of the charter capital by means of additional issue of the shares within number and category of the authorized shares of the Company;
- (30) approval of the Company's Registrar, terms and conditions of the agreement with the Register including terms on termination
- (31) appointment and termination of the authority of the corporate secretary of the Company, approval of the Regulation on the Corporate secretary, performance assessment of the corporate secretary and approval of the reports on the performance results, approval of the remuneration, bonus and benefits payable to corporate secretary;
- (32) creation of the committees under the Board of directors and approval of By-laws governing its activities;
- (33) approval of the annual business-plans and budgets for the Company and its subsidiaries for the calendar year;
- (34) approval of the long-term plan of strategic development of the Company and its subsidiaries and any amendments and corrections thereto;
- (35) approval of the reports on the performance of the annual business-plans and budgets by the Company and its subsidiaries set for the calendar year and terms for its provision;
- (36) performance control of the fulfillment by the executive bodies of the Company of the decisions taken by the Board of Directors ;
- (37) approval of any proposals, documents, programmers and/or procedures under recommendation of the Committees under the Board of directors;
- (38) approval of the remuneration system according to the provisions of the By-law on salary, compensation system and other motivation incentives of the Company and its subsidiaries;
- (39) approval of the investment projects and capital expenditures of the Company and its subsidiaries upon the recommendation of the executive bodies of the Company if amount of such projects and expenditures exceed 1% (one percent) of the balance sheet value of the Company of its subsidiary as at the last reporting date;
- (40) approval of Long term motivation programs of the Company's and its subsidiaries employees;
- (41) approval of WIGs and KPIs for the Company, its sole executive body and sole executive bodies of the Company's subsidiaries, its top managers and top managers of the Company's subsidiaries;
- (42) decision on other matters related to the Company's activity and provided by the Law and this Charter.

In 2015 (from 16.06.2015 till the next Annual General shareholders meeting held on June 20, 2016) according to the Resolution of the AGSM (Minutes №20 of 16.06.2015) the Board of Directors of the Company comprised:

Chairman of the Board: John Coleman

Date of birth: ***17 June 1952***

Education: University of Glasgow (1974), Bachelor of Accounting with honors

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From 2013 till now - Chairman of the Board, Bonmarche PLC;
- From 2015 till now – Chairman of the Board, PJSC “M.video”;
- From 2015 till now - Chairman of the Board, Barchester Healthcare Ltd.;
- From 2016 till now – Operating partner of OpCapita LLP;
- From 2016 till now – Chairman of the Board, McBride plc

Places of employment and positions taken for the last 5 years:

- From 2005 to 2014 – independent member of the Board, Travis Perkins PLC;
- From 2008 to 2015 – Chairman of the Board, Aga Rangemaster PLC;
- From 2014 to 2015 – Chairman of the Board, McColls Retail Group PLC;

Mr. Coleman has no shares in PJSC “M.video”. Mr. Coleman is a citizen of the UK. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Members of the Board of Directors:

Breev Pavel Yurievich – one of the founders of M.video Group, executive director

Date of birth: ***22 April 1967***

Education: Moscow Aviation Engine College (1986)

Position at primary employment and membership in governing and controlling bodies of other legal entities:

- From 2006 till now – Member of the Board of directors of the PJSC “M.video”;
- From 2013 till now – Executive director (dual employment) of the PJSC “M.video”;
- From April 2013 till present – General Director of «M.video Management» LLC.

Places of employment and positions taken for the last 5 years:

- From 2006 till April 2013 - General Director of the OJSC “Company “M.video”;
- From 2008 till December 2013 - Development Director of «M.video Management» LLC.

Mr. Breev holds 15.07% of Sceve Ltd. which owns 57.68% shares in PJSC “M.video”. Mr. Breev is a citizen of Russia. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Burleton Adrian – independent director

Date of birth: ***29 August 1969***

Education: University of Newcastle upon Tyne, UK, 1990 BSc (Hons); Geophysics; University of Newcastle upon Tyne, UK, 1991 MSc Computing Science

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From 2012 till now – independent Member of the Supervisory Board of Studio Moderna Holdings B.V.;
- From 2013 till now - Chief Executive Officer at Studio Moderna Holdings B.V.;
- From 2013 till now – Managing director, Member of the Supervisory Board of Top Shop International S.A.
- From July 2013 till now – independent Member of the Board of PJSC “M.video”.

Places of employment and positions taken for the last 5 years:

- From 2003 till 2012 – Business Development & Multi-Channel Director of Home Retail Group plc;
- From 2012 till 2013 - Chief Operating Officer at Studio Moderna Holdings B.V.

Mr. Burleton has no shares of PJSC “M.video”. Mr. Burleton is a citizen of the UK. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Creusen Utho Constantin Wilhelm – independent director

Date of birth: ***24 April 1956***

Education: University of Cologne (Germany) (1979)

Position at primary employment and membership in governing and controlling bodies of other legal entities:

- From 2008 to present – member of the Board, PJSC “M.video”;
- From Nov.2015 till now – Chairman of the Board, Berlin School of Digital Business, GmbH

Places of employment and positions taken for the last 5 years:

- From Oct.2010 to Aug. 2014 – member of the Supervisory Board of Dixons Store Group International, plc.;
- From Nov. 2012 to Nov. 2013 – member of the Board of Praktiker AG;
- From March 2013 to Sep.2014 – Non-executive director of the Board, Unternehmensgruppe Theo Müller, Zurich;
- From March 2014 to Dec. 2015 – Member of the Supervisory Board of Al Faisaliah Modern Electronics Group, Riyadh.

Mr. Creusen holds 42 500 shares of the PJSC “M.video”. Mr. Creusen is a citizen of the Netherlands.

Hamid David - – independent director

Date of birth: **11 December 1951**

Education: University of Bradford (UK) (1973)

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From 2007 till now - member of the Board of directors of the PJSC “M.video”;
- From 2012 till now – Chairman of the Supervisory Board, Game Digital plc
- From 2006 till now - OpCapita LLP, Operating Partner

Places of employment and positions taken for the last 5 years:

- From 2012 to 2015 – Chairman of the Supervisory Board, Ideal Shopping Ltd.

Mr. Hamid holds 55 279 shares of PJSC “M.video”. Mr. Hamid is a citizen of Great Britain. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Koch Walter - – independent director

Date of birth: **22 February 1962**

Education: University for applied Science in Aalen, Germany (1988)

Position at primary employment and membership in governing and controlling bodies of other legal entities:

- From November 2010 till present – Independent Member of the Board of the PJSC «M.video»
- From 2010 till present – owns and operates the firm “Twinsuccess-Walter Koch, Restructuring & Change
- From April 2012 till present – Chief Executive Officer in Master-tees, GmbH.

Places of employment and positions taken for the last 5 years:

- From Sep. 2007 to March 2010 – Executive Vice President and Chief Operations Officer of Sanitec Corporation, Helsinki, Finland.
- From 2011 to 2013 - Member of the Supervisory Board of HTL-Strefa, Poland.

Mr. Koch holds no shares of the PJSC “M.video”. Mr. Koch is a citizen of Germany.

Parks Christopher Allan – none-executive director

Date of birth: **12 August 1963**

Education: Simon Fraser University (Canada), graduated in 1986.

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From January 1, 2016 till now – Director of economy of “M.video Management” LLC;
- From April 2014 till now – Member of the Board of directors of the PJSC “Detsky Mir”;
- From 2015 till now - Member of the Board of directors of the PJSC “M.video”;

Places of employment and positions taken for the last 5 years:

- From 2006 to January 25, 2015 - Finance director, OJSC “Company “M.video”;
- From 2006 to January 25, 2015 - Finance director, “M.video Management” LLC;
- From January 26, 2015 till December 31, 2015 - Advisor to CEO of the “M.video Management” LLC;
- From 2008 to 2012 - Member of the Board of directors of the OJSC “Company “M.video”

Mr. Parks holds 805 875 shares of PJSC “M.video”. Mr. Parks is a citizen of Canada. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Prisayzhnuk Alexander Mikhailovich - – independent director

Date of birth: **23 May 1972**

Education: Kuban State University (1995)

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From 2012 till now – Member of the Board of directors of the PJSC “M.video”
- From 2016 till now - Member of the Board of directors of the PJSC “LSR Group”

Places of employment and positions taken for the last 5 years:

- From 2010 till January 2017 – Member of the Board of directors of the PJSC “Dixy Group”;
Worked as a Finance Director of the OJSC “Magnit” and OJSC “Tander”, CEO of the LLC “Magnit Finance” and as a Strategic Development Director of the OJSC “Tander”. Mr. Prisyazhnik has no shares of PJSC “M.video”. Mr. Prisyazhnik is a citizen of Russia. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Tynkovan Alexander Anatolievich – founder of M.video Group, executive director

Date of birth: **14 June 1967**

Education: Moscow Energy Institute (1992)

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From 2013 till now – General director of the PJSC “M.video”;
- From 2013 till now – President of “M.video Management” LLC;
- From 2010 till now – First Deputy of the General director of LLC “Avtoritet”;
- From 2007 till now – member of the Board of directors of PJSC “M.video”;

Places of employment and positions taken for the last 5 years:

- From 2005 to 2013 – Executive director of “M.video Management” LLC;
- From 2008 to 2015 – member of the Supervisory Board of X5 Retail Group N.V.

Information on the affiliated persons of the candidate: Tynkovan Anatoly Grigorievich (father, participant – owner of more than 50% of stock) of “Transservice-95” LLC, “Transservice-Rostov” LLC, “FAST-I” LLC, “Lider-Service” LLC, “Profservice” LLC.

Mr. Tynkovan holds close to 70% of Sceve Ltd. which owns 57.68% shares in PJSC “M.video”. Mr. Tynkovan is a citizen of the Russia. Written consent on the elections to the Board of directors PJSC “M.video” is received.

In 2016 (from June 20, 2016 till the next Annual General shareholders meeting) according to the Resolution of the AGSM (Minutes №21 of 23.06.2016) Walter Koch and Utho Creusen left the Board of Directors, therefore two new Board members were elected to the Board, they are:

Skirrow Chris – independent director

Date of birth: **15 May 1954**

Education: Education: BSc (Hons), University College of Wales, UK, 1975; Institute of Chartered Accountants in England & Wales, UK, 1979; Canadian Institute of Chartered Accountants, Canada, 1982 (now called Chartered Professional Accountants of Canada).

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From 2013 till now – Independent Director, Board of Trustees, SKOLKOVO INSTITUTE OF SCIENCE & TECHNOLOGY”;
- From 2016 till now – Member of the Board of the PJSC “M.video”

Places of employment and positions taken for the last 5 years:

- From 1998 till 2012 – Partner, Assurance, “PRICEWATERHOUSECOOPERS”

Mr. Skirrow has no shares of the PJSC “M.video”. Mr. Skirrow is a citizen of Canada. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Preobrazhenskiy Vladimir Vladimirovich – independent director

Date of birth: **01 November 1961**

Education: Moscow Aviation Institute, 1985

Position at primary employment and membership in governing and controlling bodies of other legal entities as of the date of nomination:

- From May 2014 till now – Member of the Board, JSC «Volga Dnepr Moscow»
- From February 2014 till now – Member of the Academic Board, Skolkovo BS
- From February 2014 till now – Individual Entrepreneur
- From June 2016 till now – Member of the Board, PJSC “M.video”
- From October 2016 till now – Chairman of the Board, “MULTiCUBIK” LLC

Places of employment and positions taken for the last 5 years:

- From 2005 to 2011 - CFO, JSC “SUEK”
- From November 2012 to February 2014 – Head of Research, Skolkovo BS

Mr. Preobrazhenskiy has no shares of PJSC “M.video”. Mr. Preobrazhenskiy is a citizen of Russia. Written consent on the elections to the Board of directors PJSC “M.video” is received.

Background information on the rest members of the Board of Directors is given above on pages 47-49.

Corporate secretary of the Company

Corporate secretary – Khavasova Yana Solomonovna

Date of birth: **26 April 1979**

Education: Barnaul State Pedagogical University (teacher of foreign languages – English and German) graduated in 2001; Moscow State University of International Affairs (MGIMO) (international lawyer, international private law department), graduated in 2004.

Position at primary employment and membership in governing and controlling bodies of other legal entities:

- From 2012 till present – Corporate secretary the PJSC “M.video”;

Places of employment and positions taken for the last 5 years:

- From 2009 to 2012 – CJSC “VTB Capital” – lawyer; VTB Bank (PJSC) – Assistant to Senior Vice President

Member of non-commercial organization of corporate secretaries (NOKS). Mr. Khavasova holds no shares of the PJSC “M.video”. Mr. Khavasova is a citizen of Russia.

In the reporting year Corporate secretary of the Company, elected by the Board (Minutes №69/2012 dated 08.10.2012) also performed functions of Board Secretary and General Meeting of shareholders. In 2016 the Board of Directors held 9 meetings and 2 separate sessions (Strategy day and Budget session). All members elected to the Board participated 100% in all Board meetings and in all meetings of its committees both held by joint presence and by absentee voting.

Methodology of assessment of the quality of corporate governance system in the company consists of the comparison estimate of each principle of the corporate governance on its compliance with the recommendation of the Code of corporate governance adopted by the Bank of Russia (hereinafter – the Code) in 4 scores and in percentage.

In order to comply with the recommendations of the Code, the Board decided to arrange the independent assessment of the Board and its committees (Minutes №113/2016 dated 15.09.2016) in the reporting year and approved the service provider responsible for the external Board assessment – CJSC “Deloitte and Touch”. Main highlights of the external Board assessment carried out:

The assessment of the Board’s activity was done by the external consultant in April-May 2017 and discovered the room for further improvement of the Board’s efficiency in several areas which includes involvement of the Board into the process of candidates’ nominations and preparation of the induction program for newly elected Board members, prioritization of strategic issues in the Board meetings’ agendas, practice of informing of the Board on the activity of the Remuneration and Nomination Committee.

5.3. The General Director of the Company is the sole executive body responsible for the management of the Company’s current activity, performing the following functions:

- (1) operational management of the Company’s activity;
- (2) first signature right of the financial documents;
- (3) disposal of the Company’s property to ensure its current activity within the scope established by this Charter, unless, in cases pursuant to this Charter, the General Director needs the approval of the General meeting of shareholders and/or the Board of Directors of the Company for execution of such transactions;
- (4) representing interests of the Company both in the Russian Federation and abroad;
- (5) approving staff-schedules, executing labor agreements with employees of the Company, applying incentives measures and imposing disciplinary sanctions;
- (6) executing transactions on behalf of the Company, except for the cases provided by the Law and this Charter;
- (7) issuing powers of attorney on behalf of the Company;
- (8) opening Company’s accounts at the banks;
- (9) arranging accountings’ keeping and reporting in the Company;

- (10) ensuring maintenance of the shareholders' record of the Company;
- (11) issuing orders and giving instructions binding on all employees of the Company;
- (12) presenting the annual report and balance sheet of the Company for the Board's and the General meeting of shareholders' approval;
- (13) providing candidates to the Management Board for the Board of Directors' approval;
- (14) performing other functions required for achieving the Company's aims and maintenance of its normal operational activity pursuant to the current legal acts of the Russian Federation.

As at January 1st, 2016 and as at December 31st, 2016 the position of the General Director was occupied by Tynkovan Alexander Anatolievich. Background information is available above.

Revision Commission - During the reporting period the following persons were elected to the Revision commission and acted as its members:

Name & date of birth of the candidate	Information on the members of the Revision Commission
14.05.1975 Bezlik Evgeny Vladimirovich	In 1996 graduated from Tashkent higher military-technical academy. From 2005 till 2008 Head of construction projects in TNK BP, from 2008 till 2011 – Head of the forensic investigations' department in X5 Retail Group, from 2011 till present time Head of the forensic investigations' department of "M.video Management" LLC. Mr. Bezlik is a citizen of Russia.
22.01.1984 Tyshkevich Lyudmila Alexandrovna	In 2006 graduated from Moscow state university of economy, statistics and information, from 2006 till 2009 – worked as a senior consultant in PWC (forensic department), from 2009 till 2011 – Compliance manager of X5 Retail Group, from 2011 till present time leading expert of the forensic investigations' department in "M.video Management" LLC. Mrs. Tyshkevich is a citizen of Russia.
15.04.1990 Kochubey Evgeniya Sergeevna	In 2012 graduated from Plekhanov Russian University of Economics. From 2011 till 2013 worked as an intern and then as an auditor in the audit department of ZAO "KPMG". From October 2013 takes an internal audit manager position in "M.video Management" LLC. Mrs. Kochubey is a citizen of Russia.

The composition of the Revision commission did not change during the reporting period.

Governing and controlling bodies of the Company (Board of directors, Revision Commission, General Director) made no transitions with the Company shares in the course of the reporting year.

5.4. Criteria of determining and amount of the remuneration and compensation paid to the Board of directors of the Company

The compensation package offered by the Company includes salary, medical insurance programs, additional benefits and bonus plans. According to the Policy on the Remunerations and Compensations payable to the Board of directors of the PJSC "M.video" (hereinafter – "Policy") total amount of remuneration and compensation payable to the members of the Board and members of the Revision commission is approved by the General meeting of shareholders and is set in rubles. Salary and remuneration of the corporate secretary and Head of Internal Audit are subject to Board of directors' approval.

The remuneration paid to the members of the Board of Directors for participation in the work of the Board of Directors and/or Committees of the Board of Directors consists of:

- (1) **basic remuneration (fixed)** – shall be paid for (1) participation in the meetings of the Company's Board of Directors held by joint presence (including those held by tele/video or simple conference calls); (2) participation in the "Strategic session" and "Budget day" and (3) participation

of the member of the Board of Directors upon request of the Chairman of the Board of Directors, Chairmen of the Committees and General director in the workshops devoted to different topics, in the meetings and discussions related to the Company's and its subsidiaries activity and held in the Company's office or outside;

(2) **additional remuneration** – shall be paid for (1) performing the duties of the member of any Committee of the Company's Board of Directors; (2) performing the duties of the Chairman of any Committee of the Company's Board of Directors and (3) performing the duties of the Chairman of the Company's Board of Directors.

Remuneration to the members of the Board of Directors being the residents of the Russia shall be paid in rubles. Remuneration to the members of the Board of Directors being non-residents of the Russian Federation shall be paid in the currency of the bank account, details of which are provided to the corporate secretary of the Company in writing. Payments to the members of the Board of Directors being non-residents of the Russian Federation shall be made at the exchange rate set by the Central Bank of the Russian Federation on the payment date.

According to the Company Policy each member of the Board of Directors can be compensated for the following expenses:

- *actually incurred and documentary certified expenses earmarked for transportation to and from the venue of the Board of Directors' meeting and/or meeting of a Committee of the Board of Directors as well as any other transportation costs related to the performance by the member of the Board of Directors of his duties;*
- *accommodation expenses of a Board member within the period when the Board meeting and/or the meeting of a Committee of the Board of Directors is held;*
- *meals expenses of a Board member in the period when the Board meeting and/or the meeting of a Committee of the Board of Directors is held;*
- *other actually incurred and documentary certified expenses (communication, mileage, representative costs and etc.).*

Reimbursement of compensation shall be made by the Company within 15 business days from date of receipt of a written confirmation from the Chairman of the Board (in respect of the expenses incurred by the members of the Board) or by Audit Committee Chairman - independent director (in respect of the expenses incurred by the Chairman of the Board) regarding the expense report and documents certifying the incurred expenses based on the order of the sole executive body of the Company and extract from the Minutes of the General Shareholders' Meeting on the election of the Board of Directors and on the approval of the total remuneration and compensation amounts payable to the Board of Directors of the Company. The maximum compensation amount shall be approved by the General meeting of shareholders upon the proposal of the Company's Board of Directors.

Information on the remuneration and compensation paid to the governing bodies of the Company in the reporting year.

Board of directors:

Payment of the remuneration to the Board of Directors of the Company is subject to the resolutions of the Annual General Meeting of shareholders of the Company held on June 16, 2015 and June 20, 2016 (Minutes №20 of 16.06.2015 and Minutes №21 of 23.06.2016 correspondingly).

Based on the above Resolutions of AGSMs the amount of Board remuneration:

- for the period from July 2015 till June 2016 shall not exceed 42 250 000 roubles in total and amount of the compensation for the expenses incurred in the course of performing Director's functions shall not exceed 7 000 000 roubles in total;

- for the period from July 2016 till June 2017 shall not exceed 52 050 000 roubles in total and amount of the compensation for the expenses incurred in the course of performing Director's functions shall not exceed 10 000 000 roubles in total.

At the AGSM held on June 20, 2016 it was also approved to pay the additional remuneration to the Board elected by the AGSM in June 16, 2015 (Minutes №20 dated 16.06.2015) for the period July 2015- June 2016 in the amount not exceeding 8.750 mln. roubles.

The total amount of remuneration paid by the Company in 2016 (full year) to non-executive members of the Board of directors amounted 54 130 thousands roubles (including individual income tax). Amount of remuneration paid by the Company to non-executive members of the Board of directors for 10 months (from the date of elections to the Board on June 20, 2016 till April 30, 2017) amounted 66 718 thousands roubles (including individual income tax).

The Company also compensated the expenses incurred by the Board members and related to the performance of their duties as Board members of the Company. The total amount of compensations paid by the Company in 2016 (full year) amounted 6 005 thousands roubles.

Amount of compensation paid by the Company to non-executive members of the Board of directors for 10 months (from the date of elections to the Board on June 20, 2016 till April 30, 2017) amounted 7 125 thousands roubles (including individual income tax).

Salary to the executive members of the Board of directors being Company's employees were paid according to the employment contracts executed between the Company (and its subsidiary) and such member of the Board. Total amount of salary paid to the executive members of the Board of directors in 2016 (full year) amounted 120 thousands roubles and for the corporate year (from the date of elections to the Board on June 20, 2016 till April 30, 2017) amounted to 94 thousands roubles.

Collective executive body provided by the Company's Charter but is not established in the Company.

Revision commission:

- At the AGSM of the Company held on June 16, 2015 the remuneration payable to the Revision commission for the period from July 2015 till June 2016 shall not exceed 100 000 000 roubles in total;
- At the AGSM of the Company held on June 20, 2016 the remuneration payable to the Revision commission for the period from July 2016 till June 2017 shall not exceed 150 000 000 roubles in total;

The total amount of remuneration paid by the Company in 2016 (full year) to the Revision commission members amounted 100 000 000 roubles.

Amount of remuneration paid by the Company to the Revision commission members for 10 months (from the date of elections on June 20, 2016 till April 30, 2017) amounted 100 000 000 roubles.

Internal Audit (IA):

Salary to the IA people being Company's employees was paid according to the employment contracts executed between the Company and such employees. Total amount of the salary paid to the IA people in 2016 (full year) amounted 3 255 thousands roubles and for the corporate year (from July, 2016 till April 30, 2017) amounted to 2 448 thousands roubles.

6. Corporate governance and Board of director's Report on compliance with the principles and recommendations of the Corporate governance code.

In 2016, PJSC «M.video» continued to improve corporate governance system in order to bring it compliance with the provisions of the listing rules, Corporate Governance Code of the Company and updated Corporate Governance Code of the Central Bank of Russia (hereafter – “the Code”).

In the course of the reporting year the Board of directors of the Company adopted the Regulation on the Remuneration and Nomination committee, Corporate secretary in a new edition and proposed the GSM to adopt the Company's Charter and Regulation on the GSM in a new edition together with the Regulation on the Board of directors in a new edition.

The Company's Board of directors consists of 9 members, 6 of them comply with the independency criteria provided by the listing rules of the Russian stock exchange (Micex) and recommendations of the Code. There are two committees under the Company's Board of directors – Audit Committee and Remuneration and Nomination Committee.

The Company has the Corporate Secretary who is responsible for advising the Company and its governing bodies on the applicable procedures in the course of preparation and holding of the General Meeting of shareholders and meetings of the Board of Directors and statutory public disclosure of corporate information. The Corporate Secretary is appointed by the Board of directors, has full independence of the executive bodies (Management team) both of the Company and its subsidiaries.

According to the Russian law requirements the Board of directors appointed the compliance officer of the Company responsible to ensure compliance with Federal Law No. 224-FZ «On preventing improper use of insider information and manipulation of market and amending some legislation of the RF». This responsibility is also covered by the corporate secretary of the Company.

The Board of directors of the Company adopted the Regulation on Insider Information of the Company regulating the use of information on the Company's business, Company's securities and transactions with them, this information is not generally available and, if disclosed, could affect materially the market price of the Company's securities. The list of insider information was also approved by the Board and is available on the Company's website.

In December 2015 the Audit Committee recommended to the Board of directors and management of the company to attract the consultant on the assessment of the internal control and risk management system and internal corporate documents regulating the internal control and risk management system in the Group. (Minutes №47/2015 of 09.12.2015).

In the course of the reporting year, Audit Committee within its regular meetings among other matters reviewed the items related to the internal control and risk management system (Minutes of the Audit Committee meetings №53/2016 of 19.06.2016, №54/2016 of 14.12.2016). Based on the report of 15.06.2016 of the independent consultant (Marcus Rhodes) and recommendation of the Audit Committee the assessment independent of the internal control and risk management system was made and resulted in the approval by the Board of directors of the Risk Matrix and Risk Management Policy of M.video Group (Minutes of the Board №116/2016 of 16.12.2016).

The adopted system of internal control and risk management in the company complies with the main principles, prescribed by

- Integrated Framework COSO - The Committee of Sponsoring Organizations of the Treadway Commission);
- International Organization for Standardization (ISO) standard 31000);

- Statutory standards: GOST P 51897-2002 «Risk management. Terms and definitions», GOST P 52806-2007 «Risk management of the projects. General provisions», GOST P 51901.4-2005 «Management of the risk. Guanidine on the implementation while projecting».

The approved and adopted regulations and policies allow concluding that internal control and risk management system is in line with best international practices.

When taking some actions which may lead to substantial corporate changes, the Company follows transparent and fair approach to ensure shareholders' right to influence such actions. The Charter of the Company contains the requirement on the approval of any subsidiary's transactions related to acquisition, transfer or possible transfer by the Company, directly or indirectly, of the property with a value being 5 or more per cent of the balance sheet value of the subsidiaries' assets as at the last reporting date, excepting transactions related to the placement of the Company's shares and arm's-length transactions.

For efficient control of the Company's financial and business activities, the Annual general shareholder's meeting elected members of the Revision commission. None of them is an employee of the Company. The Revision commission does not include any persons which were found guilty in any economic crimes or crimes against the governmental authorities.

The Company endeavors to follow the basic principles of disclosing information of the Company and the Group as a whole, ensuring regularity and efficiency of provided information, availability of such information for shareholders and other persons concerned, reliability and completeness thereof, observation of a reasonable balance between openness and protection of commercial interests. The Company fully observes the requirements of law and listing rules of Russian stock exchanges, as regards public disclosure of information. The Company discloses information in its news, on its web site and publishes information of the Group's business on a regular basis in the mass media.

The Board of directors is responsible for the Company's strategy development and therefore the Board performs controlling functions over executive bodies of the Company and its subsidiaries, approves the financial statements and is regularly updated by the reports on the results of the Company's activities

6.1. Chairman's Statement

In my annual statement as Chairman, I am pleased to report on a successful year and strong growth against our Company's strategic goals and key business indicators.

Performance for the year

It was a positive year for M.video. We increased our market share and successfully weathered the storm in a challenging macro environment. The Company effectively pursued its strategic objectives while improved its operational efficiency in the following key areas: assortment mix, Omni Channel and online, new store openings and customer's experience, including even more distinguished service offer. Company's financial position remains very solid with a debt-free balance sheet which provides a stable platform for the future.

The Board

Starting from the previous AGSM in June 2016 the Board comprised me as the Chairman, Adrian Burleton, Alexander Prisyazhnik, Vladimir Preobrazhenskiy, Chris Skirrow and David Hamid as Independent Non-executive Directors, Chris Parks as Non-executive Director, Alexander Tynkovan and Pavel Breev as Executive Directors.

Corporate governance

In order to ensure the compliance with the highest standards of the corporate governance the Board of Directors of the Public JSC “M.video” confirms its strong commitment to these standards which have been set up as a cornerstone for the sustainable development and operational efficiency of M.video Group and serve as important guidelines of our investor relations. M.video adheres to the following core principles of corporate governance:

- The implementation of effective and transparent mechanisms to protect shareholder rights granted under the laws of Russia, the Charter, and other internal documents of the Company, and the recommended corporate governance standards adopted in global practice;
- The Company embraces the policy of equal treatment for all shareholders, regardless of how many shares they own, their nationality or jurisdiction;
- The Company is committed to ensure shareholder rights to participate in the Company's management via participation in the shareholder meetings, voting on agenda items, prompt receipt of the information on the Company's operational activity, its governing and controlling bodies ;
- Majority of the Company's Board of Directors comprises the independent directors, two Committees of the Board are established;
- Functions of the Board of Directors' and the General Meeting of Shareholders' are performed by the Corporate Secretary appointed by and accountable to the Board of Directors;
- The remuneration system for the members of the Board of Directors, executive bodies, and other key employees is governed by the adopted Policy on the remuneration and compensation payable to the Board members.

The corporate governance model of M.video is closer to the continental model characterized by a two-tier structure: the Supervisory Board (with the controlling functions and the Management Board with the executive authority), along with the major governing body — the Meeting of Shareholders) with certain elements of the family model.

The following are the most significant aspects of the Company's corporate governance model and practice:

- the structure of the authorized (shareholders) capital – 57.65% of Company shares are controlled by a majority shareholder whose representative is a member of the Board of Directors and the General Director of the Company;
- the structure of the governing bodies and their interactions: the Company's governing bodies are represented by the Board of Directors and the General Director, with the General Meeting of Shareholders as the highest governing body. The duties of the Board Chairman and those of the General Director are separated. The Company's Board of Directors consists of 9 members, including 6 independent directors who are also chairmen of the Committees;
- the Corporate Secretary is appointed by the Board of Directors and is fully independent;
- the structure of the controlling bodies, monitoring mechanism for resolution fulfillment: an independent Internal Audit Department accountable to the Board of Directors has been established in the Company based on the decision of the Board of Directors. The General Meeting of shareholders annually elects the Revision Commission. The monitoring mechanism for resolution fulfillment adopted by the Board of Directors and the General Meeting of Shareholders is implemented through the Internal audits and inspections carried out by the Revision Commission, as well as through the daily operations of the Corporate Secretary;
- the Company has adopted and applies the Code of Corporate Governance, Charter in a new edition , Regulation on the General Meeting of Shareholders in a new edition, Regulation on the Board of Directors, on the Corporate Secretary, on the Committees of the Board of Directors, on the Internal Audit, on the Internal control of financial and operating activity, on the Revision Commission, Budgeting Policy, Antimonopoly Policy, Risk management Policy

and Risk Matrix, Dividend Policy, and the Regulation on remuneration and compensation payable to the members of the Board of Directors.

In addition, we should point out the following from among the material aspects of the corporate governance model and practices in M.video:

- transparency: the Company informs its investors on a regular basis about all key events, its results, plans, and intentions (all materials are always available on the Company's website, regular investors' calls are arranged, direct cooperation with Mass Media);
- proper consideration of shareholders' interest: when making strategic decisions, the Company seeks to estimate the effect of such decisions on all shareholders: e.g., the Company conduct makes road shows on a regular basis (several times a year) to present its key achievements and plans for the future to its investors twice a year (when publishing IFRS audited Financial Statements); arranges conference calls between the Management and investors/analysts; regular one-to-one meetings with the investors, both in its Moscow headquarters and at various Russian and international conferences;
- availability: throughout the year, investors and shareholders can meet independent members of the Board of Directors on the one-to-one basis, i.e., without the participation of the Company's executives, upon request.

The approach to comprehensive self-assessment of the Company's corporate governance quality consists of a comparative assessment of the conformity of each corporate governance principle in the Company to the recommendations of the Code of Corporate Governance adopted by the Bank of Russia on a four-point grading scale and as a percent.

The Board of Directors, executive bodies, and Corporate Secretary of the Company ensure timely and proper information disclosure, transparency, the effectiveness of risk management and internal control systems. As part of further development and improvement of the Company's corporate governance practice throughout the reporting year the number of independent directors in the Board was increased to maximum; authorization matrix segregating the authorities of the Company's governing and executive bodies and those of its subsidiaries was regularly revised, approved and implemented.

Based on the first monitoring results on the implementation of the recommendations and principles of the Code of corporate governance adopted by the Bank of Russia by the Russian public companies (hereinafter - the Code) by reviewing the Reports on the implementation of the recommendations and principles of the Code (hereinafter - the Report) being an integral part of the Annual report for 2015, the Bank of Russia marked (letter dated 07.04.2017 №28-3/1096) that most of the recommendations and principles of the Code found its reflection in the corporate governance practice of company but there is still a room for improvement in terms of extended content of the Report in the future.

I, as a Chairman, am fully committed to maintaining high standards of corporate governance and to being transparent about our arrangements and intentions for future improvement. I am pleased with the progress we have made during the year and will ensure that governance remains at the forefront of our minds as we move forward.

Dividend

The Board recommended a dividend of 20 rubles per share for 2015, In the light of the announced change of control in December 2016, and completion of the transaction end of April 2017, the Board recommended not to distribute the net profit for 2016 and not to pay the dividends.

John Coleman

Chairman of the Board of Directors of the PJSC "M.Video"

6.2. Report of the Audit committee of the Board of Directors of the Company

Introduction

The present report was approved by the Board of directors (Minutes №120/2017 dated 24.03.2017) for the Annual general shareholders' meeting according to the approved Regulation of the Audit Committee. The Audit Committee is the advisory and consultative body of the Board of Directors established to review the matters which fall according to the Regulation within the authority of the Audit Committee. In its activity the Audit Committee is governed by the recommendations and requirements of the Russian regulator in the sphere of financial markets, requirements of the Moscow stock exchange, Charter of the Company, shareholders' resolutions and decisions of the Board.

Role of the Committee

The Board has delegated the Audit Committee responsibility to review and monitor the integrity of the financial reporting and any formal announcements relating the Group's financial performance; review critical accounting policies and financial reporting judgments; review the Group's internal control systems; monitor the effectiveness of the Group's internal audit function, reviewing and approving their annual plan; complete an annual assessment of external auditors, review and monitor their independence, approve the external auditors' remuneration and terms of engagement and make recommendations in respect of the reappointment. The full terms of the Audit Committee are available on the corporate website.

Membership and Meetings

As at 1st of January 2016 and as of 31st of December 2016 the Audit Committee was re-elected and comprised of David Hamid and Alexander Prisyazhnyuk (Chairman) till June 19, 2016, and of Vladimir Preobrazhenskiy, Alexander Prisyazhnyuk and Chris Skirrow (Chairman) from June 20, 2016. All members of the Audit Committee are independent directors. There were 7 (seven) Audit Committee meetings in the course of 2016: 4 – by joint presence, 3 – by ballots and remote presence through conference-call. Members of the Audit Committee attended all the meetings held in 2016. Representatives of the external auditor (CJSC “Deloitte and Touche” – hereinafter “Deloitte”), the CFO and head of the Internal Audit were invited to all Audit Committee meetings held by joint presence to ensure that the Committee members were fully informed and supported in carrying out their duties. During the year the Committee members met with the external auditors in private.

Key Matters Considered by the Audit Committee in the reporting year

In 2016 the Audit Committee reviewed the results of the financial statements of the PJSC “M.video” under IFRS on a quarterly basis as well as the audit results. In addition at each meeting held by joint presence the Audit Committee reviewed the internal audit reports on the progress of the internal audit plan for 2016 performance and its main achievements. The Audit Committee preliminary reviewed and issued recommendations to the Board of Directors on the following matters related to:

- the approval of the interim FS under IFRS for the 1H of 2016 FY and annual FS;
- the approval of the annual report of the Company for 2016;
- the approval of the authorization matrix of M.video group in a new edition;
- the election of the external auditor of the Company for 2016 and amount payable;
- the approval of the internal audit plan for 2016 and setting of the main KPIs
- the assessment of 2015 KPIs achievement by the internal audit group
- the approval of the amendments to the accounting methodology on lease agreements (for IFRS financial statement purposes) and approval of application of the updated accounting methodology on lease agreements for the 2015 IFRS financial statements
- the approval of the Regulation on authority delegation and operations approval

- the approval of the Antimonopoly compliance policy of M.video group as part of the internal control and risk management system
- the approval of the risk matrix and policy on implementation of the risk management and internal control systems in the PJSC “M.video” and M.video Group of companies
- the approval of the budgeting policy of PJSC “M.video” and M.video Group of companies
- the approval of the revised authorization matrix
- the approval of the list of credit institutions where the M.video Group may place deposits for 2017 calendar year; Free cash limits of M.video group which can be placed on deposits for 2017 calendar year; Credit limits under facility (credit) agreements of M.video Group.

During the reporting year the Audit Committee reviewed the internal audit reports related to the E-commerce: online sales, Service and Logistics center, Information security audits and Follow-ups; results on limited review of cash back from suppliers for goods return, intermediate memos on commercial purchases audit issues. Following the financial report review and external auditor’s observations the Audit Committee requested internal audit ad-hoc reviews on gift cards, differences in migration from CIS to FOBO, management root causes analysis of stock shortages. The Audit Committee reviewed the following key management actions on a quarterly basis:

- Setting independent control over suppliers' bonuses calculation
- Unification of different approaches to the same operational and financial indicators among departments
- Control over promo-codes creation
- Control over change of active promo-codes’ parameters (number, par value, etc.)
- Control over operations with promo-codes due to absence of consolidated reporting on the process
- Deficiencies in management of access rights to the modules of promo-codes and Web BPP requests processing
- Change of order price in CIS Mob KKM during admission of courier report

Deloitte was recommended by the Committee as the external auditor of the PJSC “M.video” for 2016 and was afterwards elected by the Company’s shareholders at the annual general shareholders’ meeting held on 20th of June, 2016. Deloitte issued an unmodified opinion in respect of the FS under IFRS of the Company for 2016. The Audit Committee also reviewed the accounting reports of the Company under RAS together with Deloitte’s opinion and concluded that the accounting reports under RAS didn’t contradict the consolidated financial statements under IFRS taking into account the difference in the accounting standards and the fact that accounting reports under RAS contain only the operational results of the holding company.

Based on the monitoring results over Deloitte’s performance, the Audit Committee came to the conclusion that the external audit was carried out professionally and recommended the Board to propose the annual financial statements and auditor’s opinion for the shareholders’ approval at the annual general shareholders’ meeting. The Audit Committee Chair had business meetings on a regular basis with the top-management of M.video, representatives of Deloitte and Head of IA.

Services other than audit rendered by the external auditor

Consulting services provided by Deloitte and approved by the Audit Committee in 2015 were completed in 2016. The services related to improvements in management reporting within the RAS and IFRS convergence project. There were no conflict of interest issues arising with respect to non-audit services rendered by Deloitte.

All recommendations of the Committee have been approved by the Board of directors.

Chris Skirrow
Chairman of the Audit Committee

6.3. Report of the Remuneration and Nomination committee of the Board of Directors of the Company

Introduction

The present report was approved by the Board of directors (Minutes №120/2017 dated 24.03.2017) for the Annual general shareholders' meeting according to the Regulation of the Remuneration and Nomination Committee. In its activity the Committee is governed by the recommendations and requirements of the Code of corporate governance, listing rules of the Moscow stock exchange, Charter of the Company, shareholders' resolutions and decisions of the Board.

Role of the Committee

The Board has delegated the Committee responsibility to identify qualified top-managers and ensure that the Company and its subsidiaries follow remuneration policies and practices, to support the successful recruitment, development and retention of top-managers. The full terms of the Remuneration and Nomination Committee are available on the corporate website.

Membership and Meetings

For the period from January 1, 2016 to December 31, 2016 composition of the Committee was re-elected and comprised of Walter Koch (Chairman), David Hamid and John Coleman till June 19, 2016, and of Adrian Burleton (Chairman) David Hamid and John Coleman from June 20, 2016. All Committee members are independent non-executive directors. There were 5 meetings in the course of 2016: 3 – by joint presence, 2 - by remote presence through conference-calls. Members of the Committee attended all the meetings held in 2016. CEO -Alexander Tynkovan and HR Director - Natalia Maleeva participated as guests in all meetings held. During the year the Committee members met with the representative of the recruitment companies and interviewed the candidates on the position of CEO and new candidates to the Board of Directors (to the position of the Audit Committee Chair).

Key Matters Considered by the Remuneration & Nomination Committee in 2016

The Committee' continued to focus on similar matters as in the previous years and preliminary reviewed and issued recommendations to the Board of directors on the following matters related to:

- ✓ the regular review of relevant Human Resources Performance Indicators
- ✓ the review and recommendation to the Board for approval of 2015 Top management KPIs achievements and corresponding bonus amounts;
- ✓ the values for the Top management bonus KPIs for 2016;
- ✓ the extension of the authorities of the General director of the Company;
- ✓ the keeping current salary levels and not increasing the total HR Budget for 2016 based on the labor market analyses;
- ✓ the Bonus Payment to Head of Internal Audit and Corporate Secretary of the Company;
- ✓ the Corporate Secretary compensation structure for 2016;
- ✓ the review and initiation of the process on Board of Directors self- assessment for 2016;
- ✓ the proposal on the Board remuneration adjustment (for period 15/16) due to strong Ruble devaluation for its further approval by the AGSM;
- ✓ the review of the Board remuneration structure proposal for 2016/2017 for its further approval by the AGSM;
- ✓ the review and approval of changes into talent pool selection and development process in order to comply with the best market practice
- ✓ CEO appointment, introduction/communication in the Company' subsidiary: development and approval of (i) material terms and conditions of the employment and early termination, (ii) criteria for the fixed (annual) salary, the variable (annual) bonus based on key financial and non-financial performance indicators of M.video Group, for the long-term incentive system to

- align the interests of the CEO, (iii) criteria and procedures for performance assessment of the CEO;
- ✓ the recommendation to the Board for approval of the Regulation on the sole executive body – CEO of «M.video Management» LLC;
 - ✓ the amendments to the By-law on salary, motivation and bonuses system of «M.video Management» LLC (changes to Appendixes №1.7.2 and №1.3.1);
 - ✓ the early contract termination with a Top manager of the Company's subsidiary (CEO) of the operating company – M.video Management LLC;
 - ✓ the appointment of a new CEO of the operating company – M.video Management LLC within succession planning process (promotion of the Commerce director to the CEO position);
 - ✓ the appointment of the new Commerce director of the operating company – M.video Management LLC under succession planning process;
 - ✓ the restructuring of the Commerce division (organizational changes) in the operating company – M.video Management LLC under succession planning process;
 - ✓ the assessment and further confirmation by the Board of Independency status of the Board director - Mr. David Hamid;
 - ✓ the adoption of the By-law on the Remuneration and Nomination committee of the Board of directors in a new edition;
 - ✓ the arrangement of the independent Board's activity assessment in 2016 and determination of the corresponding service provider;
 - ✓ the review and discussion of 2017 WIGs proposal from the Management team;
 - ✓ the review and discussion of 2017 Top Management KPIs structure.

All recommendations of the Committee have been approved by the Board of directors.

Adrian Burleton

Chairman of the Remuneration & Nomination Committee

6.4. Board of director's Report on compliance with the principles and recommendations of the Corporate governance code.

№	Corporate Governance Principles	Assessment criteria for compliance with the principles of corporate governance	Status of compliance with corporate governance principles	Explanations of deviation from the assessment criteria for compliance with the principles of corporate governance
1.1.	The Company shall ensure an equal and fair attitude to all shareholders as they exercise their right to participate in Company governance.			
1.1.1.	The Company creates the most favorable environment possible for shareholders to take part in the General Meeting of Shareholders, elaborate valid opinions on agenda items of the General Meeting of Shareholders, coordinate their actions, and be able to express their opinion on the issues under consideration.	<p>1. The Company's internal document approved by the General Meeting of Shareholders that governs the procedure for holding the General Meeting of Shareholders is available to the public.</p> <p>2. The Company provides an accessible tool for communication with the company, such as a hotline, email or online forum, which allows shareholders to express their opinion and forward questions regarding the agenda as the General Meeting of Shareholders is being prepared. The Company took these actions before each General Meeting of Shareholders held during the reporting period.</p>	<p><input checked="" type="checkbox"/> comply</p> <p><input checked="" type="checkbox"/> comply</p>	
1.1.2.	The procedure for the notification of when the General Meeting of Shareholders is held and for the provision of materials thereto allows shareholders to prepare for participation as appropriate.	<p>1. The notice of the General Meeting of Shareholders is published on the website no less than 30 days prior to the date of the General Meeting of Shareholders.</p> <p>2. The notice of the meeting indicates the venue of the meeting and the documents required for admission onto the premises.</p> <p>3. The shareholders received access to information on who proposed agenda items and on the nominator of candidates to the Company's Board of Directors and Revision Commission.</p>	<p><input checked="" type="checkbox"/> comply</p> <p><input checked="" type="checkbox"/> comply</p> <p><input checked="" type="checkbox"/> comply</p>	
1.1.3.	While preparing for and holding the General Meeting of Shareholders, shareholders had the opportunity to freely and in due time receive information on the meeting and the materials thereto, formulate questions for	1. During the reporting period, shareholders had the opportunity to formulate questions for members of executive bodies and members of the Company's board of directors before and during the annual General Meeting of	<p><input checked="" type="checkbox"/> comply</p>	Report of the Board of directors with the position on each item of the agenda of the AGSM was part of the materials provided to the

	the Company's executive bodies and members of the Board of Directors, and communicate with each other.	Shareholders. 2. The opinion of the Board of Directors (including special opinions included in the Minutes) on each agenda item of the General Meeting of Shareholders held during the reporting period was included in the materials for the General Meeting of Shareholders. 3. The Company provided duly authorized shareholders with access to the list of persons entitled to participate in the General Meeting of Shareholders from the date it was received by the Company at all times when the General Meeting of Shareholders was held during the reporting period.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	shareholders in the course of preparations for the AGSM
1.1.4.	The exercising of a shareholder's right to demand the convention of a General Meeting of Shareholders, nominate a candidate to the governing bodies, and file proposals to be included in the agenda of the General Meeting of Shareholders was not met with unjustified difficulties.	1. During the reporting period, shareholders had the opportunity to introduce proposals to the agenda of the annual General Meeting of Shareholders no less than 60 days following the end of the respective calendar year. 2. During the reporting period, the Company did not refuse to accept proposals to the agenda or nominees to the Company's bodies because of misprints or other minor discrepancies in the shareholder's proposal.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
1.1.5.	Each shareholder was able to freely exercise their right to vote in the easiest and most convenient way possible.	The Company's internal document (internal policy) contains regulations where each General Meeting of Shareholders participant can request a copy of his ballot paper certified by the Counting commission before the end of the respective meeting.	<input checked="" type="checkbox"/> do not comply	The corresponding amendment was made in the Regulation on the GMS and submitted for approval at the next GSM, but was not approved by the AGSM in the absence of needed number of the votes

1.1.6.	The General Meeting of Shareholders procedure established by the Company shall provide equal opportunity for all persons present at the meeting to express their opinion and ask questions they are interested in.	<p>1. When General Meetings of Shareholders were held in the form of a meeting (joint presence) during the reporting period, they offered enough time to speak on agenda items and discuss the issues.</p> <p>2. Nominees to the Company's management and governing bodies were available to answer shareholder questions at the meeting where they were put to vote.</p> <p>3. When making decisions associated with the preparation and holding of General Meetings of Shareholders, the Board of Directors considered the use of telecommunication equipment to arrange remote access for shareholders to take part in General Meeting of Shareholders during the reporting period.</p>	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> do not comply	To provide remote access for shareholders for participation in GSM using telecommunication equipment, it is necessary to have special software certified by the competent authority in accordance with legal requirements on personal data protection, as well protected communication channels. During the reporting year, there was no software available on the market that could meet the necessary criteria, and the Company failed to find it. In the upcoming year, the Company will regularly monitor the software market and, upon finding software that meets the necessary criteria, the Company will consider purchasing and using it.
1.2.	Shareholders have an equal and fair opportunity to participate in the Company's income distribution by receiving dividends.			
1.2.1.	The Company has elaborated and implemented a transparent and eligible mechanism to calculate and pay dividends.	<p>1. There is an adopted by the Board of Directors and disclosed Dividend policy in the Company</p> <p>2. If the Company's Dividend policy uses the Company's reporting indicators for calculation the amount of dividends, the respective provisions of the Dividend policy shall account for the consolidated financial reporting indicators.</p>	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	

1.2.2.	The Company does not take decision on dividend payment if such a decision even formally not violating the established by legal requirements will be economically unjustified and may lead to the creation of misleading information of the Company's operations.	The Company's Dividend policy contains a precise description of the financial and economic circumstances under which the Company should not pay dividends.	<input checked="" type="checkbox"/> comply	
1.2.3.	The Company denies any impairment of dividend rights of existing shareholders.	In the reporting period, the Company did not take any actions that could change for the worse the dividend rights of existing shareholders.	<input checked="" type="checkbox"/> comply	
1.2.4.	The Company seeks to eliminate any other ways of earning profit (income) by shareholders from the Company other than dividends and liquidation value.	In order to eliminate other ways of getting income by shareholders from the Company other than dividends and liquidation value, the Company's internal documents provide controlling mechanisms to ensure timely identification and approval procedure of the transactions with affiliated persons, with major shareholders (persons entitled to vote according to voting shares), in cases when the law does not formally recognize such transactions as an interested party transactions.	<input checked="" type="checkbox"/> comply	
1.3.	The system and practice of corporate governance provide equal opportunities for all shareholders owning shares of the same category (type), including minority (minor) shareholders and foreign shareholders, and their equal treatment by the Company.			
1.3.1.	The Company has created an environment - for the fair treatment of each shareholder by the governing bodies and controlling persons of the Company, and - for the inadmissibility of abuse by major shareholders against minority shareholders.	During the reporting period, controlling procedures for possible conflicts of interest between major shareholders have been effective, and the Board of Directors paid due attention to the conflicts between shareholders, if there were any.	<input checked="" type="checkbox"/> comply	
1.3.2.	The Company does not take any actions that led or may lead to the artificial re-assignment of corporate control.	There are no treasury shares, or they did not take part in voting during the reporting period.	<input checked="" type="checkbox"/> do not comply	Treasury shares exist as a result of the long-term motivation program for employees of the Company and its subsidiaries (the Company repurchased its own shares for their further distribution among the employees). Taking into account the insignificant number

				of treasury shares (0.1318 %), these votes could not and did not affect in any way the voting results on agenda items of the GSM held in the course of the reporting year.
2.1.	The Board of Directors strategically manages the Company, defines core principles and approaches to the Company's risk management and internal control systems, controls the Company's executive bodies, and performs other key functions.			
2.1.1.	The Board of Directors takes decisions on the appointment or dismissal (termination of the authorities) of any executive body of the Company, inter alia, due to the improper performance of the duties. The Board of Directors also monitors that the Company's executive bodies act in compliance with the approved strategy and key business lines of the Company.	1. The Board of Directors' authority to appoint, dismiss (terminate the authority) and define the terms of employment agreements with the executive bodies is provided in the Charter. 2. The Board of Directors reviewed the report of the sole executive body and members of the collective executive bodies on their performance according to the Company's strategy.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
2.1.2.	The Board of Directors sets long-term goals for the Company, evaluates and approves key performance indicators and main business objectives, and evaluates and approves strategic and business plans for the Company's core activities and operations.	During the reporting period, the Board of Directors discussed the issues related to the status of strategy update and implementation, to the approval of the Company's budget and business plan and also considered the criteria and indicators (including interim ones) of the implementation of the Company's strategy and business plans.	<input checked="" type="checkbox"/> comply	
2.1.3.	The Board of Directors defines the principles and approaches towards the Company's risk management and internal control systems.	1. The Board of Directors defined the Company's principles and approaches towards the risk management and internal control systems. 2. The Board of Directors assessed the Company's risk management and internal control system during the reporting period.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
2.1.4.	The Board of Directors defines the Company's remuneration and/or compensation policy for expenses (compensations) to members of the Board of Directors, executive bodies, and other key executives of the Company.	1. The Company has developed and implemented the remuneration and compensation policy (policies) to the members of the Board of Directors, executive bodies, and other key executives of the Company. 2. During the reporting period, the Board of Directors studied the issues associated with the said policy (policies).	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	

2.1.5.	The Board of Directors plays a key role in preventing, detecting, and settling internal conflicts between the Company's bodies, shareholders, and employees.	1. The Board of Directors plays a key role in preventing, detecting, and settling internal conflicts. 2. The Company has implemented the system to identify the transactions with conflict of interest, as well as the system of measures for resolving such conflicts.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
2.1.6.	The Board of Directors plays a key role in maintaining and ensuring the Company's transparency, timely and full disclosure of information and easy access to Company's documents for shareholders.	1. The Board of Directors has approved the Information Policy. 2. The Company appointed the person responsible for implementation and compliance with the Information policy.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
2.1.7.	The Board of Directors controls the Company's corporate governance practice and plays a key role in the major corporate events.	During the reporting period, the Board of Directors discussed the Company's corporate governance practice.	<input checked="" type="checkbox"/> partially comply	The Board of Directors monitors corporate governance practice in the Company and plays a key role in the major corporate events. However, separate items related to corporate governance practice in the Company were not included in the agenda in the course of the reporting period. During the reporting period, in the light of harmonizing corporate governance practice in the Company with the requirements of current legislation of Russia, listing rules of the Moscow Stock Exchange, and recommendations of the Code of Corporate Governance, the Board reviewed and approved Authorization matrix on the division of the authorities between the governing bodies within the company and its subsidiaries in

				a new edition, recognized David Hamid as an independent director, approved the Regulation on the corporate secretary in a new edition, Regulation on the Remuneration and Nomination committee in a new edition and recommended the AGSM to approve the Regulation on the Board and on the General shareholders meeting in a new edition.
2.2.	The Board of Directors is accountable to the Company's shareholders.			
2.2.1.	Information on the activity of the Board of Directors is disclosed and provided to the shareholders.	1. The Company's Annual report for the reporting period covers attendance of the Board of Directors and Committee meetings by certain directors. 2. The Annual report contains information on the results of the Board of Directors performance assessment made in the reporting period.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
2.2.2.	The Board Chairman is available for communication with the Company's shareholders.	The Company employs a transparent procedure that allows the shareholders to send their questions and opinions to the Board Chairman.	<input checked="" type="checkbox"/> comply	
2.3.	The Board of Directors is an effective and professional governing body of the Company able to issue unbiased independent judgments and make decisions to meet the interests of the Company and its shareholders.			
2.3.1.	Only persons with spotless business and personal reputation and with knowledge, skills, and expertise needed for proper decision making on the issues within the Board's authority and for the effective performance of their functions, can be elected as members of the Board of Directors.	1. The procedure adopted in the Company for the assessment of the Board of Director's operational efficiency shall include, inter alia, an assessment of the professional qualifications of Board members. 2. During the reporting period, the Board of Directors (or its Nominations Committee) assessed candidates to the Board of Directors from the perspective of their experience, knowledge, business reputation, absence of conflicts of interests, etc.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	

2.3.2.	Members to the Company's Board of Directors are elected by means of transparent procedures that allow shareholders to receive sufficient information on the candidates in order to get an idea of their personal and professional background.	At all GSMs held during the reporting period with agenda items on the election of the Board of Directors, the Company submitted to shareholders background information on all candidates to the Board of Directors, the results of their assessment made by the Board (or its Remuneration and Nominations Committee), and information on the candidates' conformity to the independency criteria, according to recommendations 102 - 107 of the Code, and the written consent of candidates for their election to the Board of Directors.	<input checked="" type="checkbox"/> comply	
2.3.3.	The structure of the Board of Directors is balanced, inter alia, with regard to the qualification level of its members, their experience, knowledge, and business record; it is trusted by shareholders.	During the Board assessment procedure made in the reporting period, the Board of Directors analyzed its own needs related to the professional qualification, experience, and business traits.	<input checked="" type="checkbox"/> comply	
2.3.4.	The quantitative composition of the Company's Board of Directors allows this body to operate in the most effective way, including the ability to set up the Board committees, and also allows the Company's minority shareholders to elect their candidates to the Board of Directors.	During the Board assessment procedure made in the reporting period, the Board of Directors reviewed the conformity of its quantitative composition with the Company's needs and shareholder interests.	<input checked="" type="checkbox"/> comply	
2.4.	The Board of Directors comprises a reasonable number of independent directors.			
2.4.1.	An independent director is a person who has enough professional competence, experience, and independence to form their own opinion and make unbiased and fair judgments that are not affected by the Company's executive bodies, certain groups of shareholders, or other stakeholders. Furthermore, one shall keep in mind that in ordinary circumstances a candidate (duly elected member of the Board of Directors) affiliated with the company, its major shareholder, major contractor or competitor, or affiliated with the state cannot be considered independent.	During the reporting period, all independent members of the Board of Directors met all independence criteria as set forth in recommendations 102 - 107 of the Code, or were recognized as independent by a decision of the Board of Directors.	<input checked="" type="checkbox"/> comply	
2.4.2.	All candidates nominated to the Board of Directors are subject to	1. During the reporting period, the Board of Directors (or its	<input checked="" type="checkbox"/>	

	<p>the assessment of their conformity to the independency criteria, besides a regular analysis of the conformity of independent Board members to the independency criteria shall be made. When such assessment is carried out content shall prevail over the form.</p>	<p>Remuneration and Nominations Committee) formed an opinion on the independence of each candidate nominated to the Board and submitted such an opinion to the shareholders.</p> <p>2 During the reporting period, the Board of Directors (or its Remuneration and Nominations Committee) considered at least once the independency of the existing members of the Board, who are recognized by the Company as independent directors in its Annual report.</p> <p>3. The Company has developed procedures defining the actions to be taken by Board member in case they lose the independency status, including the obligations to inform the Board of Directors about such actions in due course.</p>	<p>comply</p> <p><input type="checkbox"/></p> <p>comply</p> <p><input type="checkbox"/></p> <p>comply</p>	
2.4.3.	Independent directors comprise no less than 1/3 of all members elected to the Board of Directors.	Independent directors comprise no less than 1/3 of all members of the Board of Directors.	<p><input type="checkbox"/></p> <p>comply</p>	
2.4.4.	Independent directors play a key role in preventing internal conflicts in the Company and in the Company's significant corporate actions.	Independent directors (having no conflict of interest) shall preliminarily evaluate the significant corporate actions associated with potential conflicts of interest, and shall provide the results of such an evaluation to the Board of Directors.	<p><input type="checkbox"/></p> <p>comply</p>	
2.5.	The Board Chairman facilitates the most effective performance of functions assigned to the Board of Directors.			
2.5.1.	An independent director has been elected as the Board Chairman, or a senior independent director has been chosen from among the elected independent directors to coordinate the work of independent directors and interact with the Board Chairman.	<p>1. The Board Chairman is an independent director, or a senior independent director has been chosen from among the independent directors.</p> <p>2. The roles, rights and duties of the Board Chairman (and, where applicable, the senior independent director) are properly covered by the Company's internal documents.</p>	<p><input type="checkbox"/></p> <p>comply</p> <p><input type="checkbox"/></p> <p>comply</p>	
2.5.2.	The Board Chairman creates a favorable environment for holding meetings, encourages free discussion of agenda items, and monitors the execution of the Board of Directors' decisions.	The efficiency of the Board Chairman was evaluated during the Board assessment in the reporting period.	<p><input type="checkbox"/></p> <p>comply</p>	
2.5.3.	The Board Chairman takes all necessary measures for timely provision of the information and materials to the Board members	Company's internal documents provide for the duty of the Board Chairman to take all necessary measures for timely provision of	<p><input type="checkbox"/></p> <p>comply</p>	

	necessary for them to make decisions on items of the agenda.	the information and materials to the Board members necessary for them to make decisions on items of the agenda			
2.6.	Board members act reasonably and in good faith for the benefit of the Company and its shareholders based on sufficient awareness and with a due degree of prudence and caution.				
2.6.1.	Board members make decisions based on all information available, in the absence of any conflict of interest, with equal treatment of all Company shareholders and as part of its usual business risk.	<p>1. According to the Company's internal documents, a Board member undertakes to notify the Board of any conflict of interest that he or she has in respect to any agenda item of a meeting of the Board or a Board committee before the respective agenda item is discussed.</p> <p>2. The Company's internal documents set forth that a Board member abstain from voting on any item of the agenda that he or she has a conflict of interest with.</p> <p>3. The Company has a procedure in place that allows the Board to procure professional consultations on matters within its authority at the Company's expense.</p>	<input checked="" type="checkbox"/>	comply	
2.6.2.	Rights and obligations of the Board members are clearly stated and set forth in the Company's internal documents.	The Company has adopted and disclosed by publishing an internal document that clearly determines the rights and responsibilities of Board members.	<input checked="" type="checkbox"/>	comply	
2.6.3.	Board members have enough time for the performance of their duties.	<p>1. The individual attendance of Board and Committee meetings and the time dedicated to the preparation of participation in said meetings were taken into account during the assessment of the Board of Directors in the reporting period.</p> <p>2. The Company's internal documents require Board members to advise the Board of their intention to become a member of the governing body in the other company (other than those companies controlled by and related to the Company), and of the fact of such an appointment.</p>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	comply comply	
2.6.4.	All Board members have equal access to Company documents and information. Sufficient information about the Company and the activities of the Board of Directors is provided to newly elected Board members as soon	1. In accordance with the Company's internal documents, Board members have the right to access to documents and to make requests about the Company and the companies controlled by it, and the Company's executive	<input checked="" type="checkbox"/>	comply	The induction program for newly elected members of the Board is arranged by the Board Chair or Corporate secretary

	as possible.	bodies have the obligation to provide such information and documents. 2. The Company has a formalized program to induct newly elected Board members to their position.	<input checked="" type="checkbox"/> Partially comply	upon his request on the individual basis. The Board of Directors will think on development of such a program and will formally approve it in 2017.
2.7.	Board meetings, preparation and participation of Board members in them promote effective performance of the Board of Directors.			
2.7.1.	Board meetings are held on an as-needed basis subject to the scale of operations and those objectives that the Company may face during a certain period of time.	The Board of Directors held at least six meetings during the reporting year.	<input checked="" type="checkbox"/> comply	
2.7.2.	The Company's internal documents describe the procedure for the preparation and convention of the Board meetings, which allows the Board members have enough time to prepare.	The Company adopted an internal document setting up the procedures for calling and convention of the Board meetings, which also provides a notice of the meeting to be given at least 5 days in advance.	<input checked="" type="checkbox"/> comply	
2.7.3.	The form of the Board meeting is determined by the importance of agenda items. The most important matters are discussed in the joint present format.	The Company's Charter or internal documents of the Company provides that the most important matters (listed in Recommendation 168 of the Code) shall be discussed and voted at the Board meetings held in the form of a joint-presence.	<input checked="" type="checkbox"/> comply	
2.7.4.	Decisions on the most important operating matters of the Company are taken by the Board by a qualified majority or by the majority of all elected Board members.	The Company's Charter provides that the decisions on the most important matters covered in Recommendation 170 of the Code shall be taken by the Board by a qualified majority of at least 3/4 of votes or by the majority of all elected Board members.	<input checked="" type="checkbox"/> do not comply	The Company's Charter partially provides voting by Board by the majority of at least 3/4 of votes on the matters covered in Recommendation 170 of the Code. This recommendation will be taken into account at the first proposal to the shareholders to approve the Charter in a new edition, nonetheless the existing practice of the Board work is based on mandatory participation of all of the elected Board members in all Board and committee meetings irrespective

				of its form (absentee voting or joint-presence) and almost all the resolutions are taken unanimously.
2.8.	The Board of Directors establishes committees for the preliminary consideration of the Company's most important operations.			
2.8.1.	For the preliminary review of the matters associated with monitoring of the finance and business operations of the Company an Audit Committee consisting only of independent directors has been established.	<p>1. The Board of Directors has established an Audit Committee comprised only of independent directors.</p> <p>2. The Company's internal documents determine the objectives of the Audit Committee, including the objectives included in Recommendation 172 of the Code.</p> <p>3. At least one Audit Committee member (an independent director) has experience and knowledge of the drafting, analysis, assessment, and audit of the financial statements (accounts).</p> <p>4. The Audit Committee held meetings at least once a quarter during the reporting period.</p>	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
2.8.2.	For the preliminary review of the matters associated with the establishing of an effective and transparent remuneration practice a Remuneration and Nomination Committee consisting only of independent and chaired by an independent director who is not the Board Chairman, has been established.	<p>1. The Board of Directors has established a Remuneration and Nomination Committee comprised only of independent directors.</p> <p>2. The Chairman of the Remunerations Committee is an independent director who is not the Board Chairman.</p> <p>3. The Company's internal documents determine the objectives of the Remuneration and Nomination Committee, including objectives included in Recommendation 180 of the Code.</p>	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
2.8.3.	For the preliminary review of the matters associated with HR planning (succession planning) and the professional composition of the Board of Directors a Nomination Committee, where the majority of members are independent directors, has been established.	<p>1. The Board of Directors established a Nomination Committee (or its objectives referred to in Recommendation 186 of the Code are achieved within another committee), where the majority of members are independent directors.</p> <p>2. The Company's internal documents determine the objectives of a Nomination Committee (or a related</p>	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	

		committee with similar functions), including objectives included in Recommendation 186 of the Code.		
2.8.4.	Taking into account the scale of business operations and level of risk, the Company's Board of Directors made sure that the composition of its committees fully adheres to the operating goals of the Company. Additional committees were either created or deemed unnecessary (the Strategy Committee, the Corporate Governance Committee, the Ethics Committee, the Risk Management Committee, the Budget Committee, the Health, Safety and Environmental Protection Committee, etc.).	During the reporting period, the Company's Board of Directors considered whether the composition of its committees met Board objectives and the Company's operating goals. Additional committees were either created or deemed unnecessary.	<input type="checkbox"/> partially comply	When electing members to a committee the Board of Directors considers whether the composition of its committees met Board objectives and the Company's operating goals and takes into account the professional background, experience and status of independency (but not as a separate item of the agenda). In the reporting year the Board of directors didn't make any decision on the establishment of any additional committees due to the absence of such a necessity (priority areas of the Company's business didn't change in 2016).
2.8.5.	Committees are composed in a way which allows having overall discussion of the preliminary reviewed matters inclusive of various opinions.	1. Board committees are chaired by independent directors. 2. The Company's internal documents include provisions allowing persons other than members of the Audit Committee, the Remuneration and Nomination Committee, to be present at the committee meetings only when and if invited by the Chairman of the Committee in question.	<input type="checkbox"/> comply <input type="checkbox"/> do not comply	In order to have overall discussions of the preliminary reviewed matters inclusive of various opinions during the reporting year, any Board member could participate at any Committee meeting established by the Board of Directors upon the invitation and the agreement of the corresponding Chair of the committee. This recommendation will be taken into the account when amendments to any

				of the Regulations on the Committees will be prepared.
2.8.6.	Committee Chairs regularly inform the Board of Directors and its Chairman about the activity of the respective Committee.	Committee Chairs regularly reported on the Committees' activities to the Board of Directors during the reporting period.	<input checked="" type="checkbox"/> comply	
2.9.	The Board of Directors ensures the quality performance assessment of the Board of Directors, its Committees and Board members.			
2.9.1.	The performance assessment of the Board of Directors is intended to identify the level of effective of the Board of Directors, Committees, and Board members performances, the level of its alignment with the Company's needs in order to make the Board of Directors more involved, and identify areas of potential improvement for the Board.	1. The self-assessment or external assessment of the Board of Directors' performance was conducted during the reporting period covered the performance of the Committees, individual Board members, and the Board of Directors as a whole. 2. The results of the self-assessment or external assessment of the Board of Directors conducted during the reporting period were considered at an in-person Board meeting.	<input checked="" type="checkbox"/> partially comply <input checked="" type="checkbox"/> comply	The existing practice in the company is such that Board self-assessment is done after the calendar year end in spring and results together with the results of the activity of the committees are reviewed and discussed at the Board meeting held by joint presence
2.9.2.	The performance of the Board of Directors, Committees, and Board members is assessed on a regular basis and at least once a year. An external organization (consultant) is engaged at least once every three years to make independent assessment of the Board of Directors' performance.	An external organization (consultant) has been engaged by the Company at least once over the past three reporting years for an independent assessment of the Board of Directors' performance.	<input checked="" type="checkbox"/> partially comply comply	In the reporting year it was decided make external independent assessment of the Board's activity, the service provide was determined but in the light of the announced change of control the assessment process was transferred to the begging of 2017 while workload of the Board has sufficiently increased
3.1.	The Company's Corporate Secretary effectively interacts with the shareholders, coordinates Company's actions to protect shareholder rights and interests, and supports efficient performance of the Board of Directors.			
3.1.1.	The Corporate Secretary has the knowledge, experience, and qualifications adequate to perform its functions and responsibilities, along with an unblemished reputation. The Corporate Secretary is in confidence with the shareholders.	1. The Company has adopted and disclosed an internal document—the Regulation on the Corporate Secretary. 2. Background information about the Corporate Secretary is given in as much details as for the Board members and the Company's executives and disclosed on the Company's website and in its Annual report.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	

3.1.2.	The Corporate Secretary has enough independency from the Company's executive bodies, needed authority and resources to fulfill his/her duties.	The Board of Directors approves the appointment, termination, and additional remuneration of the Corporate Secretary.	<input checked="" type="checkbox"/> comply	
4.1.	The Remuneration amount payable by the Company is sufficient for engaging, motivating, and retaining persons with the competences and qualifications required by the Company. Payment of the Remuneration to the Board of Directors, executive bodies, and other key employees of the Company is arranged according to the Remuneration policy adopted by the Company.			
4.1.1.	The level of remuneration paid by the Company to the Board of Directors, executive bodies, and other key employees creates adequate incentives for their high performance, and also helps the Company to engage and retain competent and qualified specialists. However, the Company tries to avoid the remuneration in excess of what is required, as well as an unreasonably large gap between the level of remuneration for the said persons and Company's employees.	The Company has adopted an internal document(s) — the Remuneration policy (policies) for the Board of Directors, executive bodies, and other key employees which clearly defines approaches to the remuneration levels of persons in question.	<input checked="" type="checkbox"/> comply	
4.1.2.	The Company's Remuneration Policy was developed by the Remuneration Committee and approved by the Company's Board of Directors. The Board of Directors (supported by the Remuneration Committee) monitors its implementation and, if necessary, revises it.	During the reporting period, the Remuneration Committee reviewed the Remuneration Policy (Policies) and practice of its implementation and, if necessary, provided relevant recommendations to the Board of Directors.	<input checked="" type="checkbox"/> comply	
4.1.3.	The Company's Remuneration Policy includes transparent mechanisms for setting the amount of remuneration for the Board of Directors, executive bodies, and other key employees of the Company, and regulates all types of bonuses, benefits, and privileges granted to such persons.	The Company's Remuneration Policy includes transparent mechanisms for setting the amount of remuneration for the Board of Directors, executive bodies, and other key employees of the Company, and regulates all types of bonuses, benefits, and privileges granted to such persons.	<input checked="" type="checkbox"/> comply	
4.1.4.	The Company defines the Policy for the Reimbursement of Expenses (Compensation) which contains a list of expenses which can be reimbursed, and the level of services which can be rendered to the Board members, executive bodies and other key employees of the Company. This Policy may be included into the Company's Remuneration Policy.	The Remuneration Policy (Policies) or other internal documents of the Company provides the rules for reimbursement of the expenses of the Board members, executive bodies, and other key employees of the Company.	<input checked="" type="checkbox"/> comply	
4.2.	The Remuneration system of the Board of directors ensures the alignment of the financial interests of			

		reclaim bonus payments illegally received by members of the executive bodies and other key employees of the Company.	comply partially	legislation of Russia.
4.3.2.	The Company implemented a long-term incentive program for the members of executive bodies and other key employees of the Company based on the Company's shares (options or other derivatives where the Company's shares are the underlying asset).	1. The Company implemented a long-term incentive plan for members of the executive bodies and other key employees of the Company based on the Company's shares (financial instruments based on the Company's shares). 2. Long-term incentive program for the members of executive bodies and other key employees of the Company provides that the right to sell the shares and other financial instruments comes into force at least 3 years after the date of the shares receipt. Moreover the right to sell the shares is pre-conditioned by the achievement of certain performance indicators by the Company.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
4.3.3.	The amount of compensation (golden parachute) paid by the Company in the event of early termination of the authority of the members of executive bodies and other key employees of the Company initiated by the Company and with no actions in bad faith on their side shall not exceed double digit of the annual fixed remuneration.	The amount of compensation (golden parachute) paid by the Company in the event of early termination of the authority of the members of executive bodies and other key employees of the Company initiated by the Company and with no actions in bad faith on their side shall not exceed double digit of the annual fixed remuneration.	<input checked="" type="checkbox"/> comply	
5.1.	The Company established an effective risk management and internal control system aimed to ensure reasonable confidence that the Company can achieve its goals.			
5.1.1.	The Company's Board of Directors defined the principles of and approaches to the Company's risk management and internal control systems.	Functions of different executive bodies and business units of the Company dealing with the risk management and internal control are clearly defined in the Company's internal documents/relevant policy approved by the Board of Directors.	<input checked="" type="checkbox"/> comply	
5.1.2.	The Company's executive bodies ensure creation and maintain the effective operation of the Company's effective risk management and internal control systems.	The Company's executive bodies ensured the separation of functions and authorities relating to the internal control and risk management between the managers (heads) of business units and the departments reporting to them.	<input checked="" type="checkbox"/> comply	
5.1.3.	The Company's risk management and internal control system	1. The Company has adopted Anti-Corruption Policy.	<input checked="" type="checkbox"/>	

	provides an unbiased, fair, and clear perception of the Company's current status and prospects, as well as the integrity and transparency of the Company's financial statements and reporting and the rationality and admissibility of the risks taken by the Company.	2. The Company has introduced whistle blowing system for informing the Board and the Audit committee on any breaches of laws internal procedures, and Code of conduct of the Company.	comply	
5.1.4.	The Company's Board of Directors takes necessary measures to make sure that the risk management and internal control systems established in the Company meets the principles of and approaches to its implementation defined by the Board of Directors, and that it operates effectively.	During the reporting period, the Board of Directors or its Audit Committee assessed the efficiency of the risk management and internal control system. Details of the key findings of this assessment are included in the Company's annual report.	<input checked="" type="checkbox"/> comply	
5.2.	For the purpose of systematic independent assessment of the reliability and efficiency of the risk management and internal control systems as well as the corporate governance practices the Company established internal audit			
5.2.1.	A separate department has been created at the Company or a third-party external consultant has been engaged to conduct internal audits. Functional and administrative subordination of the Internal Audit department are separated. Functionally, the Internal Audit Department is accountable to the Board of Directors.	A separate department has been created at the Company to conduct internal audits. Audit Department is accountable to the Board of Directors or to the Audit Committee. Or a third-party external consultant with the similar subordination and reporting line has been engaged to conduct the internal audit.	<input checked="" type="checkbox"/> comply	
5.2.2.	The Internal Audit Department assesses the performance of the internal control and risk management system and corporate governance. The Company applies generally accepted auditing standards in the course of the internal audits.	1. During the reporting period, the performance of the internal control and risk management systems was assessed as part of the internal audit. 2. The Company applies generally accepted approaches to the internal control and risk management.	<input checked="" type="checkbox"/> comply	
6.1.	The Company and its operations are transparent for shareholders, investors, and other stakeholders.			
6.1.1.	The Company has developed and implemented an Information Policy which provides the effective information interactions between the Company and its shareholders, investors and other stakeholders.	1. The Company's Board of Directors approved the Company's Information Policy drafted on the basis of the Code's recommendations. 2. The Board of Directors (or one of its Committees) reviewed the matters associated with how the Company adheres to its Information Policy at least once during the reporting period.	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> partially comply	In the reporting year the Board of directors didn't review as a separate item of the agenda matters related to the Information policy. Nonetheless all officers of the company fully comply with the Information policy.
6.1.2.	The Company discloses	1. The Company discloses the		In the reporting

	<p>information on the corporate governance system and practices, including details on the compliance with the principles and recommendations of the Code</p>	<p>Company's corporate governance system and general principles of its corporate governance on the Company's website.</p> <p>2. The Company discloses information of the members of the executive bodies and the Board of Directors, as well as of independency of the Board members and their memberships in the Board Committees (as defined in the Code).</p> <p>3. If there is a person controlling the Company, the Company publishes a memorandum of such a controlling persons containing his/her plans regarding the Company's corporate governance.</p>	<p><input checked="" type="checkbox"/> comply</p> <p><input checked="" type="checkbox"/> comply</p> <p><input checked="" type="checkbox"/> comply</p>	<p>period a person controlling the Company and the Company published the information regarding the plans of the controlling persons on the website and hold the call for the investors, press and analytics</p>
<p>6.2.</p>	<p>The Company makes timely, up-to-date, and accurate information disclosures about the Company so that Company's shareholders and investors could take rational decisions.</p>			
<p>6.2.1.</p>	<p>The Company makes disclosures based on the principles of regularity, consistency, urgency, availability, accuracy, completeness, and comparability of disclosed information.</p>	<p>1. The Company's Information Policy defines the approaches to and criteria for identifying information that may significantly affect the Company's value and share price, as well as procedures for the timely disclosure of such information.</p> <p>2. If the Company's securities are listed on foreign stock exchanges, disclosure of significant information in Russia shall be made simultaneously and identically during the reporting year.</p> <p>3. If foreign shareholders hold a significant number of the Company's shares, disclosures should be made during the reporting year not only in Russian but also in one of the widely used foreign languages.</p>	<p><input checked="" type="checkbox"/> comply</p> <p><input type="checkbox"/> do not comply</p> <p><input checked="" type="checkbox"/> partially comply</p>	<p>The Company's securities are not listed on foreign stock exchanges. In the course of reporting year information disclosure was made not only in Russian but also in English, however not all information was disclosed in English. Disclosure of all information in English requires additional resources, which are not available in the Company at the moment. The Company will follow this recommendation fully in 2017.</p>
<p>6.2.2.</p>	<p>The Company avoids a formal approach to disclosures and makes significant disclosures about its activities even if such disclosures are not required by law.</p>	<p>1. The Company disclosed annual and half year IFRS financial statements during the reporting period. The Company's annual report for the reporting period contained IFRS financial statements together with the auditor's opinion.</p> <p>2. The Company discloses all details of the Company's capital structure based on Recommendation 290 of the</p>	<p><input checked="" type="checkbox"/> comply</p> <p><input checked="" type="checkbox"/> comply</p>	

		Code in the Annual report and on the Company's website.		
6.2.3.	As one of the most important instruments for sharing information with shareholders and other stakeholders, the Annual report of the Company contains information which helps to evaluate the Company's operating results for the year.	<p>1. The Company's Annual report contains information on the key aspects of the Company's operating activity and main financial results.</p> <p>2. The Company's annual report contains information about the environmental and social aspect of the Company's business.</p>	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
6.3.	The Company provides information and documents requested by shareholders based on the principles of equal and easy access.			
6.3.1.	The Company provides information and documents requested by shareholders based on the principles of equal and unhindered access.	The Company's Information Policy defines the procedure for granting the shareholders with the unhindered access to the information, including information about legal entities controlled by the Company upon shareholders' request.	<input checked="" type="checkbox"/> comply	
6.3.2.	When the Company provides information to shareholders, a reasonable balance is maintained between the interests of specific shareholders and the interests of the Company itself as regards its stake in maintaining the confidentiality of important commercial information that may significantly affect its competitiveness.	<p>1. In the reporting period the Company didn't reject the shareholders' requests on the provision of the information and if such rejections did had reasonable grounds.</p> <p>2. In the cases determined by the Company's Information Policy, shareholders are notified of the confidentiality of information and undertake to maintain the confidentiality thereof.</p>	<input checked="" type="checkbox"/> comply <input checked="" type="checkbox"/> comply	
7.1.	Actions which significantly affect or may affect the structure of the Company's share capital and Company's financial position and, accordingly, the position of shareholders (significant corporate actions) are made based on the fair conditions that ensure protection of shareholders and other stakeholders rights and interests.			
7.1.1.	By significant corporate actions are recognized – reorganization of the Company, acquisition of 30% or more of the voting shares of the Company (takeover), the execution of major transactions by the Company, the increase or decrease of the Company's charter capital, listing and delisting of the Company's shares, and any other actions that may result in significant changes to shareholder rights or violation of shareholder interests. The Company's Charter includes the list (criteria) of transactions or other actions that constitute	<p>1. The Company's Charter lists transactions or other actions that constitute significant corporate actions, and the criteria for identifying them. Decisions related to significant corporate actions are within the authority of the Board of Directors. When and if the execution of such corporate actions is expressly referred by law to the authority of the General Meeting of Shareholders, the Board of Directors provides the relevant recommendations to shareholders.</p> <p>2. The Company's Charter treats at least the following as significant corporate actions: reorganization of the Company,</p>	<input checked="" type="checkbox"/> partially comply <input checked="" type="checkbox"/> partially comply	The Company's Charter does not contain the term “corporate actions” but provides “special authority” of the Board (extended authority). Matters which according to this recommendation related to the “significant corporate actions” are within the authority of the GSM and according to the Charter shall be reviewed

	significant corporate actions and are within the authority of the Company's Board of Directors.	acquisition of 30% or more of the voting shares of the Company (takeover), execution of major transactions by the Company, increase or decrease of the Company's charter capital, listing and delisting of the Company's shares.		only upon the proposal of the Board. In the reporting year the Company didn't make any "significant corporate actions" the recommendation will be reflected to the Charter when it will be proposed for approval to the GSM in a new edition.
7.1.2.	The Board of Directors relies on the position of the Company's independent directors and plays a key role in making decisions or drafting recommendations related to significant corporate actions.	The Company has a procedure according to which independent directors declare their position on each significant corporate action before its approval.	<input type="checkbox"/> do not comply	The Company does not have has a procedure according to which independent directors declare their position on each significant corporate action before its approval. However Regulation on the Board of Directors provides obligation of the Board member to notify the Company on all known executed or planned for the execution transactions in which he/she can be recognized as an interested party. The Company will adopt this recommendation till the end of 2017.
7.1.3.	When significant corporate actions affecting the rights and lawful interests of shareholders are carried out, equal conditions should be provided for all shareholders of the Company and, if mechanisms introduced by law and intended to protect shareholder rights prove inadequate, then additional steps should be taken to protect the rights and lawful interests of the Company's shareholders. In this regard, the Company is governed not only by the need to meet formal legal requirements, but	1. Subject to the Company's business activity, its Charter sets lower thresholds for treating Company transactions as significant corporate actions than those stipulated by law. 2. All significant corporate actions were subject to the approval procedure before they were carried out during the reporting period.	<input type="checkbox"/> comply <input type="checkbox"/> comply	

	also the principles of corporate governance set forth in the Code.			
7.2.	The manner of execution significant corporate actions in the Company allows the shareholders receiving timely and full information about such actions, allows them to influence the execution of such actions and guarantees that their rights are adequately protected during the execution of such actions.			
7.2.1.	Disclosures of significant corporate actions are made with reference to reasons, conditions, and consequences of the execution of such actions.	During the reporting period, the Company made timely and detailed disclosures of its significant corporate actions, including the grounds for and dates of such actions.	<input checked="" type="checkbox"/> comply	
7.2.2.	The rules and procedures for how the Company executes significant corporate actions are set forth in the Company's internal documents.	<p>1. The Company's internal documents provide a procedure for engaging an independent appraiser to value property to be sold or purchased under a major transaction or interested party transaction.</p> <p>2. The Company's internal documents provide a procedure for engaging an independent appraiser to evaluate the Company's share price in the course of its acquisition or buy back.</p> <p>3. The Company's internal documents contain an extended list of the grounds on which the Company's Board members and other persons provided by law are recognized as an interested party in the Company's transactions.</p>	<input checked="" type="checkbox"/> do not comply <input checked="" type="checkbox"/> do not comply <input checked="" type="checkbox"/> do not comply	<p>In the reporting year as well as in the course of the last 3 years the company didn't execute any major transactions therefore internal regulations of the Company do not contain any procedures for engaging an independent appraiser. It is not mandatory required to resort to an independent appraiser however in some cases if expressly provided independent appraiser shall be engaged and if it is not so the assessment can be made based on the market value of the shares which defined according to the law requirements.</p> <p>The Company complies with the laws and provision of the extended list of the grounds on which the Company's Board members and other persons can be recognized as an interested party in the Company's transactions in the internal documents may lead to the</p>

				breach of the Director's rights.
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Net assets of the Company

In thousands (rubles)	2016	2015	2014
Net asset value	6 834 830	10 343 609	11 596 863
Charter capital amount	11 797 682	1 797 682	1 797 682

Financial statements of the Company both under IFRS and RAS for 2016 FY were approved by the Board (Minutes №119/2017) and disclosed on the website and on the Interfax. Audit report on financial and accounting statements of 2016 has been submitted to the Company by the Auditor – CJSC «Deloitte and Touche CIS». According to the Auditor's opinion, the financial statements present fairly in all material respects the financial position of the PJSC «M. video» as at 31 December 2016, the results of its operational activity and its cash flows for 2016 in accordance with Russian accounting and reporting standards.¹⁶

Information on the Auditor of the Company

Audit of the financial accounts of the Company under IFRS and RAS standards is carried out by the CJSC «Deloitte & Touche CIS».

Full company's name: Closed joint stock company «Deloitte & Touche CIS»

Short company's name: CJSC «Deloitte & Touche CIS».

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CJSC «Deloitte & Touche CIS» – is a member of the self-governed organization of the auditors «Russian Union of the Auditors», registered on December 7, 2015 (certificate 11603080484).

Company's Registrar - JSC "Independent Register Company."

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General Director of the PJSC "M.video"

Tynkovan A.A.

¹⁶ <http://invest.mvideo.ru/shareholder/financereports/index.shtml>