

Preliminary approved by the decision of
the Board of Directors of PJSC "Magnit" on
April «18», 2018, minutes w/o No. as of
April «18», 2018

ANNUAL REPORT

PUBLIC JOINT STOCK COMPANY «MAGNIT»

for the year 2017

15/5 Solnechnaya street, Krasnodar, Russian Federation

Chief Executive Officer

Pombukhchan K.E.

seal

KRASNODAR 2018

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1. PERFORMANCE HIGHLIGHTS

2017 Key Operational Results¹:

<i>Number of opened stores, NET</i>	2,291
<i>Convenience stores</i>	1,604
<i>Hypermarkets</i>	6
<i>Magnit Family</i>	14
<i>Drogerie stores</i>	667
<i>Total number of stores,</i>	16,350
<i>Convenience stores</i>	12,125
<i>Hypermarkets</i>	243
<i>Magnit Family</i>	208
<i>Drogerie stores</i>	3,774
<i>Selling space, thousand sq. m.</i>	5,754.94
<i>Convenience Stores</i>	3,958.06
<i>Hypermarkets</i>	701.62
<i>Magnit Family</i>	229.01
<i>Drogerie stores</i>	866.25
<i>Number of customers, million</i>	4,040.50
<i>Convenience stores</i>	3,403.63
<i>Hypermarkets</i>	249.29
<i>Magnit Family</i>	133.99
<i>Drogerie stores</i>	253.59

¹ "Magnit" group of companies

LFL Results:

Formats	12M 2017 – 12M 2016 ²			
	# of Stores	Average Ticket	Traffic	Sales
Convenience Stores	7,848	1.23%	(2.63%)	(1.42%)
Hypermarkets	221	(2.53%)	(7.91%)	(10.24%)
Magnit Family	165	(1.21%)	(6.70%)	(7.82%)
Drogerie	2,711	1.17%	(1.14%)	0.02%
Total	10,945	(0.21%)	(3.17%)	(3.37%)

² LFL calculation base includes stores (all formats), which have been opened 12 months prior to the last month of the reporting period. i.e. by December 1, 2016.

2017 Key Financial Results:

<i>Net sales, mn RUR</i>	<i>1,143,314.41</i>
<i>Convenience stores</i>	<i>846,112.98</i>
<i>Hypermarkets</i>	<i>146,435.21</i>
<i>Magnit Family</i>	<i>59,779.10</i>
<i>Drogerie stores</i>	<i>78,785.81</i>
<i>Wholesale</i>	<i>12,201.30</i>
<i>Net sales, mn US\$³</i>	<i>19,593.10</i>
<i>Convenience stores</i>	<i>14,499.93</i>
<i>Hypermarkets</i>	<i>2,509.48</i>
<i>Magnit Family</i>	<i>1,024.44</i>
<i>Drogerie stores</i>	<i>1,350.16</i>
<i>Wholesale</i>	<i>209.10</i>
<i>Gross profit, mn RUR</i>	<i>304,642.89</i>
<i>Gross profit, mn US\$</i>	<i>5,220.70</i>
<i>Gross margin, %</i>	<i>26.65%</i>
<i>EBITDAR, mn RUR</i>	<i>137,100.66</i>
<i>EBITDAR, mn US\$</i>	<i>2,349.51</i>
<i>EBITDAR margin, %</i>	<i>11.99%</i>
<i>EBITDA, mn RUR</i>	<i>91,777.64</i>
<i>EBITDA, mn US\$</i>	<i>1,572.80</i>
<i>EBITDA margin, %</i>	<i>8.03%</i>
<i>EBIT, mn RUR</i>	<i>58,061.94</i>
<i>EBIT, mn US\$</i>	<i>995.01</i>
<i>EBIT margin, %</i>	<i>5.08%</i>
<i>Net profit, mn RUR</i>	<i>35,538.97</i>
<i>Net profit, mn US\$</i>	<i>609.04</i>
<i>Net profit margin, %</i>	<i>3.11%</i>
<i>Market capitalization, mn RUR⁴</i>	<i>598,289.69</i>
<i>Market capitalization, mn USD⁵</i>	<i>10,381.73</i>

³ Based on the average exchange rate for 2017 of 58.3529 RUR per 1 USD

⁴ PJSC "Moscow Stock Exchange" (previously CJSC "MICEX Stock Exchange") as of December 29, 2017

⁵ Based on the exchange rate for December 32, 2017 of 57.6291 RUR per USD

2. MISSION

“We work hard to increase the prosperity of our customers by minimizing their expenditure on quality consumer goods through:

- Efficient use of the Company's resources;**
- On-going improvements in technology;**
- Adequate compensation for our employees”**

3. INFORMATION ON THE PERSON IN THE POSITION OF THE CHIEF EXECUTIVE OFFICER

as of December 31, 2017

On April 13, 2006 **Sergey Galitskiy** was elected as a Chief Executive Officer of PJSC "Magnit" (hereinafter – the "Company") by the resolution of the Board of Directors of April 12, 2006.

On April 6, 2015 the Board of Directors (Minutes w/o № of 06.04.2015) decided to reappoint the Chief Executive Officer.

Biographical information on the person in the position of a sole executive body:

Surname and first name: *Sergey Galitskiy*

Date of birth: *14.08.1967*

Education: *higher - in 1992 graduated from Kuban State University with a degree in Economics.*

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: 01.04.2004 – present day

Organization: PJSC "Magnit"

Position: member of the Board of Directors;

2) Period: 13.04.2006 – present day

Organization: PJSC "Magnit"

Position: CEO;

3) Period: 05.08.2009 – 03.10.2014

Organization: NP "FC "Krasnodar"

Position: President (secondary employment);

4) Period: 15.07.2010 – present day

Organization: PJSC "Magnit"

Position: Chairman of the Management Board;

5) Period: 09.10.2014 – present day

Organization: LLC "Football Club "Krasnodar"

Position: President (secondary employment);

6) Period: 25.06.2015 – present day

Organization: VTB Bank PJSC

Position: member of the Supervisory Board.

Stockholding of CEO in the Company's charter capital: *34.264352% (as of 31.12.2017).*

Ordinary shares, owned by CEO: *34.264352% (as of 31.12.2017).*

Information on the transactions of acquisition/disposal of the Company's shares, made by the person in the position of the sole executive body within the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1.	15.11.2017	Disposal of securities	2 800 000	Ordinary registered uncertified shares
2.	15.11.2017	Disposal of securities	2 100 000	Ordinary registered uncertified shares

3.	15.11.2017	Disposal of securities	700 000	Ordinary registered uncertified shares
4.	15.11.2017	Disposal of securities	1 500 000	Ordinary registered uncertified shares
5.	27.12.2017	Acquisition of securities	2,800,000	Ordinary registered uncertified shares
6.	27.12.2017	Acquisition of securities	2,100,000	Ordinary registered uncertified shares
7.	27.12.2017	Disposal of securities	99,164	Ordinary registered uncertified shares
8.	27.12.2017	Acquisition of securities	1,500,000	Ordinary registered uncertified shares

PRINCIPAL PROVISIONS OF COMPENSATION POLICY OF THE COMPANY AND (OR) REIMBURSEMENT OF EXPENSES OF A PERSON IN THE POSITION OF THE SOLE EXECUTIVE BODY OF THE COMPANY

Under the Clause 6 of the Regulations “On the Sole Executive Body of PJSC “Magnit”, ratified by the resolution of the annual General Shareholders Meeting of 24.06.2010 (minutes of 28.06.2010 and in previous editions), the wage rate and other payments charged to the CEO shall be determined by the labor contract executed with the CEO.

4. INFORMATION ON THE COLLEGIAL EXECUTIVE BODY MEMBERS (MANAGEMENT BOARD)

as of December 31, 2017

Sergey Galitskiy - Chairman of the Management Board

Date of birth: **14.08.1967**

Education: *higher - in 1992 graduated from Kuban State University with a degree in Economics.*

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: 01.04.2004 – present day

Organization: PJSC “Magnit”

Position: member of the Board of Directors;

2) Period: 13.04.2006 – present day

Organization: PJSC “Magnit”

Position: CEO;

3) Period: 05.08.2009 – 03.10.2014

Organization: NP “FC “Krasnodar”

Position: President (secondary employment);

4) Period: 15.07.2010 – present day

Organization: PJSC “Magnit”

Position: Chairman of the Management Board;

5) Period: 09.10.2014 – present day

Organization: LLC “Football Club “Krasnodar”

Position: President (secondary employment);

6) Period: 25.06.2015 – present day

Organization: VTB Bank PJSC

Position: member of the Supervisory Board.

Stockholding of the person in the Company's charter capital: **34.264352% (as of 31.12.2017).**

Ordinary shares, owned by the person: **34.264352% (as of 31.12.2017).**

Information on the transactions of acquisition/disposal of the Company's shares, made by the person in the position of the member of the Management Board within the reporting period:

<i>No</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1.	15.11.2017	Disposal of securities	2 800 000	Ordinary registered uncertified shares
2.	15.11.2017	Disposal of securities	2 100 000	Ordinary registered uncertified shares
3.	15.11.2017	Disposal of securities	700 000	Ordinary registered uncertified shares
4.	15.11.2017	Disposal of securities	1 500 000	Ordinary registered uncertified shares
5.	27.12.2017	Acquisition of securities	2,800,000	Ordinary registered uncertified shares
6.	27.12.2017	Acquisition of securities	2,100,000	Ordinary registered uncertified shares

7.	27.12.2017	Disposal of securities	99,164	Ordinary registered uncertified shares
8.	27.12.2017	Acquisition of securities	1,500,000	Ordinary registered uncertified shares

Andrey Arutyunyan

Date of birth: **12.01.1969.**

Education: higher – in 1993 graduated from Kuban State University with a degree in Economics.

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **01.12.2003 – present day.**

Organization: **PJSC “Magnit”.**

Position: **First Deputy CEO;**

2) Period: **25.06.2008 – June 2016.**

Organization: **PJSC “Magnit”.**

Position: **Member of the Board of Directors;**

3) Period: **01.07.2009 – 31.05.2015**

Organization: **JSC “Tander”.**

Position: **Deputy CEO for Development.**

4) Period: **01.06.2015- 30.06.2016;**

Organization: **JSC “Tander”.**

Position: **Deputy CEO for Development and Operations.**

5) Period: **01.07.2016- 15.10.2017;**

Organization: **JSC “Tander”.**

Position: **Deputy CEO for Development, Constructions and Operations;**

6) Period: **29.03.2017 – present day;**

Organization: **PJSC “Magnit”.**

Position: **member of the Management Board;**

7) Period: **16.10.2017– present day;**

Organization: **JSC “Tander”.**

Position: **Deputy CEO for Development of In-house production and Soft Technologies.**

Stockholding of the person in the Company’s charter capital: **0.215686% (as of 31.12.2017).**

Ordinary shares, owned by the person: **0.215686% (as of 31.12.2017).**

Information on the transactions of acquisition/disposal of the Company’s shares, made by the person in the position of the member of the Management Board within the reporting period: **the person did not execute transactions of acquisition/disposal of the Company’s shares within the reporting period.**

Marina Ivanova

Date of birth: **02.01.1964**

Education: higher - in 1990 graduated from Tajik State University n.a. Lenin with a degree in Chemistry and Biology Teaching.

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **12.08.2008 – present day**

Organization: JSC "Tander"

Position: Business Director (Head Office);

2) Period: 12.10.2012 – present day

Organization: PJSC "Magnit"

Position: Member of the Management Board;

Stockholding of the person in the issuer's charter capital: *no share (as of 31.12.2017).*

Ordinary shares owned by the person: *no share (as of 31.12.2017).*

Information on the transactions of acquisition/disposal of the Company's shares, made by the person in the position of the member of the Management Board within the reporting period: *the person did not execute transactions of acquisition/disposal of the Company's shares within the reporting period.*

Ilya Sattarov

Date of birth: 13.07.1976

Education: *higher - in 1998 graduated from Kuban State University with a degree in Economics.*

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: 01.08.2011 – 14.06.2015

Organization: JSC "Tander"

Position: Deputy CEO for Logistics (Head Office);

2) Period: 12.10.2012 – 22.06.2016

Organization: PJSC "Magnit"

Position: Member of the Management Board;

3) Period: 15.06.2015 – 30.06.2016

Organization: JSC "Tander"

Position: Deputy CEO for Logistics and HR (Head Office);

4) Period: 01.07.2016 – 31.08.2017

Organization: JSC "Tander"

Position: Deputy CEO for Sales and HR;

5) Period: 18.10.2016 – present day

Organization: PJSC "Magnit"

Position: Member of the Management Board.

6) Period: 01.09.2017 – present day

Organization: JSC "Tander"

Position: Deputy CEO for retail development, sales and personnel/Main office.

Stockholding of the person in the Company's charter capital: *0.000214% (as of 31.12.2017).*

Ordinary shares, owned by the person: *0.000214% (as of 31.12.2017).*

Information on the transactions of acquisition/disposal of the Company's shares, made by the person in the position of the member of the Management Board within the reporting period: *the person did not execute transactions of acquisition/disposal of the Company's shares within the reporting period*

**PRINCIPAL PROVISIONS OF COMPENSATION POLICY OF THE COMPANY AND (OR)
REIMBURSEMENT OF EXPENSES OF THE MEMBERS OF THE MANAGEMENT BOARD**

OF THE COMPANY AND THE AMOUNT OF REMUNERATION (REINBERSEMENT OF EXPENSES) PAID DURING THE REPORTING YEAR

According to the Regulations "On the Collegial Executive Body (the Management Board) of PJSC "Magnit" the remuneration of the Management Board's member consists of the remuneration under a labor contract or an additional agreement to it. The remuneration from the net profit of the Company according to the data of the annual accounting report can be annually paid to the members of the Management Board. The terms and procedure of payment of remuneration to the Management Board's members shall be determined by the Board of Directors.

According to a labor contract the wage rate for the participation in the operation of the Management Board constitutes 50,000 rubles per month.

On June 8, 2017 the General Shareholders Meeting adopted a decision not to pay the remuneration following the results of the year (Minutes w/o № of 08.06.2017).

The amount of the remuneration for the participation in the operation of the Management Board paid in 2017 constitutes 113,320,146.79 rubles (including remuneration of S. Galitskiy as the sole executive body).

The compensation policy of the Company shall not provide the reimbursement of the expenses of the Management Board's members related to the exercise of their functions.

Within the 2017 year the expenses to the Management Board's members related to the participation in the operation of the Management Board have not been reimbursed.

5. INFORMATION ON THE BOARD OF DIRECTORS MEMBERS

as of December 31, 2017

Khachatur Pombukhchan – *the Chairman of the Board of Directors*

Date of birth: **16.03.1974**.

Education: higher - in 1996 graduated from Kuban State University with a degree in Applied Mathematics; in 2000 from All-Russian Distance Institute of Finance and Economics with a degree in Economics.

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **01.07.2008 – present day**

Organization: **JSC “Tander”**

Position: **Chief Financial Officer;**

2) Period: **01.07.2008 – present day**

Organization: **PJSC “Magnit”**

Position: **Chief Financial Officer;**

3) Period: **24.06.2010 – present day**

Organization: **PJSC “Magnit”**

Position: **Chairman of the Board of Directors.**

Stockholding of the person in the Company's charter capital: **no share (as of 31.12.2017).**

Ordinary shares, owned by the person: **no share (as of 31.12.2017).**

Information on the transactions of acquisition/disposal of the Company's shares, made by the member of the Board of Directors within the reporting period: ***the person did not execute transactions of acquisition/disposal of the Company's shares within the reporting period.***

Vladimir Gordeychuk

Date of birth: **15.08.1961**.

Education: in 1988 graduated from Novorossiysk Higher Marine and Engineering College, specialization of navigator.

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **28.06.2006 – 11.01.2016.**

Organization: **JSC “Tander”.**

Position: **CEO;**

2) Period: **12.04.2006 – 12.01.2016.**

Organization: **PJSC “Magnit”.**

Position: **Second Deputy CEO;**

3) Period: **2016 – present day**

Organization: **PJSC “Magnit”.**

Position: **Member of the Board of Directors.**

Stockholding of the person in the Company's charter capital: **0.901869% (as of 31.12.2017).**

Ordinary shares, owned by the person: **0.901869% (as of 31.12.2017).**

Information on the transactions of acquisition/disposal of the Company's shares, made by the member of the Board of Directors within the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1	28.04.2017	Disposal of securities	8	Ordinary registered uncertified shares
2	02.05.2017	Acquisition of securities	8	Ordinary registered uncertified shares
3	02.05.2017	Disposal of securities	23	Ordinary registered uncertified shares
4	03.05.2017	Disposal of securities	28,000	Ordinary registered uncertified shares
5	03.05.2017	Disposal of securities	15	Ordinary registered uncertified shares
6	03.05.2017	Acquisition of securities	23	Ordinary registered uncertified shares
7	04.05.2017	Acquisition of securities	15	Ordinary registered uncertified shares
8	04.05.2017	Disposal of securities	52,000	Ordinary registered uncertified shares
9	04.05.2017	Disposal of securities	6	Ordinary registered uncertified shares
10	05.05.2017	Acquisition of securities	6	Ordinary registered uncertified shares
11	05.05.2017	Disposal of securities	50,826	Ordinary registered uncertified shares
12	10.05.2017	Disposal of securities	19,174	Ordinary registered uncertified shares

Alexey Pshenichniy

Date of birth: **23.02.1967**

Education: ***higher – in 1990 graduated from Krasnodar State Institute of Physical Culture with a degree in Teaching and Organization of health and fitness activities and tourism; additional (to higher) education – in 2004 graduated from Academy of National Economy under the Government of the Russian Federation, Master of Business Administration (MBA) degree.***

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **01.02.2010 - present day**

Organization: Limited Liability Company “Bazis”

Position: Director (secondary employment);

2) Period: **01.02.2010 – 31.03.2012**

Organization: Limited Liability Company “Yunior”

Position: Director (secondary employment);

3) Period: **01.01.2004 - present day**

Organization: Limited Liability Company “Sports goods retail chain “Visshaya LIGA””

Position: Director (secondary employment);

4) Period: **13.12.2012 – present day**

Organization: Limited Liability Company “Sport Plyus”

Position: *Director (secondary employment);*

5) Period: *29.05.2014 - present day*

Organization: *PJSC "Magnit"*

Position: *Member of the Board of Directors;*

6) Period: *2014 - present day;*

Organization: *PJSC "Magnit";*

Position: *member of the BOD Audit Committee;*

7) Period: *2014 - present day;*

Organization: *PJSC "Magnit";*

Position: *Chairman of the BOD HR and Remuneration Committee.*

Shareholding of the person in the Company's charter capital: no share (as of 31.12.2017).

Ordinary shares owned by the person: no share (as of 31.12.2017).

Information on the transactions of acquisition/disposal of the Company's shares made by the Board of Directors' member within the reporting period: *the person did not execute transactions of acquisition/disposal of the Company's shares within the reporting period.*

Sergey Galitskiy

Date of birth: *14.08.1967*

Education: *higher - in 1992 graduated from Kuban State University with a degree in Economics.*

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: *01.04.2004 – present day*

Organization: *PJSC "Magnit"*

Position: *member of the Board of Directors;*

2) Period: *13.04.2006 – present day*

Organization: *PJSC "Magnit"*

Position: *CEO;*

3) Period: *05.08.2009 – 03.10.2014*

Organization: *NP "FC "Krasnodar"*

Position: *President (secondary employment);*

4) Period: *15.07.2010 – present day*

Organization: *PJSC "Magnit"*

Position: *Chairman of the Management Board;*

5) Period: *09.10.2014 – present day*

Organization: *LLC "Football Club "Krasnodar"*

Position: *President (secondary employment);*

6) Period: *25.06.2015 – present day*

Organization: *VTB Bank PJSC*

Position: *member of the Supervisory Board.*

Stockholding of the person in the Company's charter capital: *34.264352% (as of 31.12.2017).*

Ordinary shares, owned by the person: *34.264352% (as of 31.12.2017).*

Information on the transactions of acquisition/disposal of the Company's shares made by the Board of Directors' member within the reporting period:

<i>№</i>	<i>Date of transaction</i>	<i>Type of transaction</i>	<i>Quantity of securities</i>	<i>Description of securities</i>
1.	15.11.2017	Disposal of securities	2 800 000	Ordinary registered uncertified shares
2.	15.11.2017	Disposal of securities	2 100 000	Ordinary registered uncertified shares
3.	15.11.2017	Disposal of securities	700 000	Ordinary registered uncertified shares
4.	15.11.2017	Disposal of securities	1 500 000	Ordinary registered uncertified shares
5.	27.12.2017	Acquisition of securities	2,800,000	Ordinary registered uncertified shares
6.	27.12.2017	Acquisition of securities	2,100,000	Ordinary registered uncertified shares
7.	27.12.2017	Disposal of securities	99,164	Ordinary registered uncertified shares
8.	27.12.2017	Acquisition of securities	1,500,000	Ordinary registered uncertified shares

Dmitriy Chenikov

Date of birth: **08.09.1965**

Education: *a graduate of Krasnodar Polytechnic Institute, engineer/constructor/technologist, candidate of technical sciences.*

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **08.06.2017 – present day**

Organization: **PJSC “Magnit”**

Position: **member of the Board of Directors;**

2) Period: **29.06.2017 - present day;**

Organization: **PJSC “Magnit”;**

Position: **member of the BOD Audit Committee;**

3) Period: **29.06.2017 - present day;**

Organization: **PJSC “Magnit”;**

Position: **Member of the BOD HR and Remuneration Committee.**

Shareholding of the person in the Company’s charter capital: **no share (as of 31.12.2017).**

Ordinary shares owned by the person: **no share (as of 31.12.2017).**

Information on the transactions of acquisition/disposal of the Company’s shares made by the Board of Directors’ member within the reporting period: ***the person did not execute transactions of acquisition/disposal of the Company’s shares within the reporting period.***

Aleksandr Aleksandrov

Date of birth: **22.11.1975**

Education: ***higher - graduated from Institute of International Law, Economics, Liberal Arts and Management n.a. K.V. Rossinskigo with a degree in Law.***

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **09.04.2004– present day**

Organization: **Limited Liability Company “Yuzhnaya Torgovaya Companiya”**

Position: **General Director (secondary employment);**

2) Period: **05.01.2005 – December 2016**

Organization: **Limited Liability Company “YUTKO-REGION”**

Position: **Director (secondary employment);**

3) Period: **04.06.2015 – present day**

Organization: **PJSC “Magnit”**

Position: **Member of the Board of Directors;**

4) Period: **January 2017 – present day**

Organization: **Limited Liability Company “YUTKO-REGION”**

Position: **Head of liquidation commission.**

5) Period: **2015 – 29.06.2017;**

Organization: **PJSC “Magnit”**

Position: **member of the BOD Audit Committee;**

6) Period: **2015 – present day;**

Organization: **PJSC “Magnit”**

Position: **Member of the BOD HR and Remuneration Committee.**

7) Period: **29.06.2017 - present day;**

Organization: **PJSC “Magnit”**

Должность: **Chairman of the BOD Audit Committee;**

Shareholding of the person in the issuer’s charter capital: **no share (as of 31.12.2017).**

Ordinary shares owned by the person: **no share (as of 31.12.2017).**

Information on transactions of acquisition/disposal of the Company’s shares made by the Board of Directors’ member within the reporting period: **the person did not execute transactions of acquisition/disposal of the Company’s shares within the reporting period.**

Aslan Shkhachemukov

Date of birth: **22.08.1962**

Education: higher – in 1987 graduated from Krasnodar Polytechnic Institute of the Order of the Red Banner of Labor with a degree in Industrial Engineering.

Positions held in the Company and other companies over the last five years, including secondary employment:

1) Period: **01.10.2007 – 29.02.2012**

Organization: **JSC “Tander”**

Position: **Deputy CEO;**

2) Period: **23.06.2011 – present day**

Organization: **PJSC “Magnit”**

Position: **Member of the Board of Directors;**

3) Period: **01.03.2012 – 31.05.2015**

Organization: **JSC “Tander”**

Position: **Deputy CEO of Economic Security and Organizational Issues.**

4) Period: **01.06.2015– 10.01.2016**

Organization: **JSC “Tander”**

Position: Deputy General Director of Economic Security and Organizational Issues, GR and PR.

5) Period: **11.01.2016 – 18.12.2016**

Organization: **JSC “Tander”**

Position: Deputy General Director of Security, Legal Assistance, GR and PR;

6) Period: **19.12.2016 – present day**

Organization: **JSC “Tander”**

Position: Deputy General Director of Security, Legal Assistance, Audit Activities, GR and PR.

Shareholding of the person in the issuer’s charter capital: 0.009401 % (as of 31.12.2017).

Ordinary shares owned by the person: 0.009401 % (as of 31.12.2017).

Information on transactions of acquisition/disposal of the Company’s shares made by the Board of Directors’ member within the reporting period: *the person did not execute transactions of acquisition/disposal of the Company’s shares within the reporting period.*

PRINCIPAL PROVISIONS OF COMPENSATION POLICY OF THE COMPANY AND (OR) REIMBURSEMENT OF EXPENSES OF THE BOARD OF DIRECTORS’ MEMBERS OF THE COMPANY AND THE AMOUNT OF REMUNERATION (REINBERSEMENT OF EXPENSES) PAID DURING THE REPORTING YEAR

According to the Regulations “On the Board of Directors of PJSC “Magnit”, ratified by the resolution of the annual General Shareholders Meeting of 04.06.2015 (minutes of 05.06.2015), remuneration of the Board of Directors’ members shall be paid upon the resolution of the General Shareholders Meeting in the form of remuneration for participation in the operation of the Board of Directors and remuneration for the achieved results.

The remuneration for the participation in the Board of Directors’ operation amounts to 120,000 (one hundred and twenty thousand) rubles per month.

The remuneration to the independent director for participation in the Board of Directors’ operation amounts to 30,000 (thirty thousand) US dollars per year, additionally

- 2,000 (two thousand) US dollars for participation by means of personal presence in each meeting of the Board of Directors, held in the form of physical presence,

- 500 (five hundred) US dollars for participation, by means of directing the written opinion, in each meeting of the Board of Directors held in the form of physical presence, or for participation in each meeting of the Board of Directors held in absentia form.

Year-end bonus may be additionally paid to the remuneration of the Board of Directors’ members. The fixed amount of year-end bonus shall be paid to the members of the Board of Directors after the approval of corresponding annual financial statements by the decision of the General Shareholders Meeting of the Company.

In case of absence of net profit (profit for the distribution) in the Company the remuneration to the members of the Board of Directors (remuneration for the participation in the operation of the Board of Directors, year-end bonus) shall not be paid.

The members of the Board of Directors shall not be entitled to receive remuneration and (or) reimbursement of expenses for the performance of their duties in any way and form, for the adoption of decisions by the Board of Directors or by other authorities of the Company, as well as for the exercise of their rights and duties as a member of the Board of Directors, for the except of remuneration and (or) reimbursement of expenses, received upon the decision of the General Shareholders Meeting.

On June 8, 2017 the General Shareholders Meeting made a decision not to pay year-end bonus (minutes of 08.06.2017)

In 2017 the remuneration for the participation in the operation of the Board of Directors within 2016 year in the amount of 12,052,605.75 (upon the resolution of the General Shareholders Meeting of 08.06.2017 (minutes w/o № of 08.06.2017) was paid to the members of the Board of Directors and salary to the members of the Board of Directors, who are employed in the Company, as well as who work in secondary employment, in the amount of 46,000.00 rubles (the amount doesn't include the remuneration to Sergey Galitskiy as the CEO and the Chairman of the Management Board of the Company).

According to the Regulations "On the Board of Directors of PJSC "Magnit", ratified by the resolution of the annual General Shareholders Meeting of 04.06.2015 (minutes w/o № of 05.06.2015), the Company shall reimburse the expenses of the members of the Board of Directors which are directly related to the exercise of their duties, including:

- Expenses related to traveling to the place of the meeting of the Board of Directors;
- Expenses related to accommodation during the period of holding of the meeting of the Board of Directors;
- Representational expenses;
- Expenses related to the expert consultation on the issues considered at the Board of Directors' meetings, as well as on translation of the documents/materials presented to the members of the Board of Directors.

The amount of such expenses should be preliminarily agreed with the Chairman of the Board of Directors, Chairman of the Revision Committee. The reimbursement of expenses shall be made via cash register of the Company based on the application on reimbursement of expenses made by the member of the Board of Directors. The original documents confirming actual incurred expenses (tickets, bills, receipts, etc.) shall be necessarily attached to the application. The Board of Directors may adopt a decision on refusal of reimbursement of expenses incurred by the Board of Directors' member at its meeting by majority of votes of elected members, if it is established that this member of the Board of Directors acted against the interests of the Company.

During 2017 year the expenses related to the exercise of duties of the members of the Board of Directors of PJSC "Magnit" have not been reimbursed.

6. REPORT OF THE BOARD OF DIRECTORS ON 2017 OPERATIONS

The structure of the Board of Directors, elected by the annual General Shareholders Meeting on June 2, 2016 (minutes of 03.06.2016):

<i>No</i>	<i>Full name of a member of the Board of Directors</i>	<i>Date of birth</i>
1	Vladimir Gordeychuk	15.08.1961
2	Alexey Pshenichniy	23.02.1967
3	Sergey Galitskiy	14.08.1967
4	Alexander Zayonts	10.01.1967
5	Aleksandr Aleksandrov	22.11.1975
6	Khachatur Pombukhchan	16.03.1974
7	Aslan Shkhachemukov	22.08.1962

The structure of the Board of Directors, elected by the annual General Shareholders Meeting on June 8, 2017 (minutes of 08.06.2017):

<i>No</i>	<i>Full name of a member of the Board of Directors</i>	<i>Date of birth</i>
1	Aleksandr Aleksandrov	22.11.1975
2	Alexey Pshenichniy	23.02.1967
3	Dmitry Chenikov	08.09.1965
4	Khachatur Pombukhchan	16.03.1974
5	Sergey Galitskiy	14.08.1967
6	Aslan Shkhachemukov	22.08.1962
7	Vladimir Gordeychuk	15.08.1961

The current structure of the Board of Directors includes three independent directors - Alexey Pshenichniy, Dmitry Chenikov, Aleksandr Aleksandrov.

Khachatur Pombukhchan was elected as a Chairman of the Board of Directors by the unanimous resolution at the first Board of Directors' meeting as of June 29, 2017, Aslan Shkhachemukov as a Deputy Chairman and Vladimir Gordeychuk as a Secretary of the Board of Directors.

The Board of Directors of the Company operated under the Federal Law "On Joint-Stock Companies", the Charter of the Company, the Regulations on the Board of Directors of PJSC "Magnit" and the Regulations on the Committees of the Board of Directors of PJSC "Magnit".

According to the provisions of the corporate documents the committees of the Board of Directors were formed to provide its operating efficiency and to prepare the most important issues.

According to the resolution of the Board of Directors as of June 29, 2017 the membership of the committees are formed as follows:

HR and Remuneration Committee of the Board of Directors:

<i>Nº</i>	<i>Full name of a member of the Board of Directors</i>	<i>Position in the committee</i>
1	Aleksandr Aleksandrov	member of the committee
2	Alexey Pshenichniy	chairman of the committee
3	Dmitry Chenikov	member of the committee

Audit Committee of the Board of Directors:

<i>Nº</i>	<i>Full name of a member of the Board of Directors</i>	<i>Position in the committee</i>
1	Dmitry Chenikov	member of the committee
2	Aleksandr Aleksandrov	chairman of the committee
3	Alexey Pshenichniy	member of the committee

The meetings of the committees are held as and when required, but not less than 1 (One) time per year.

All the members of the correspondent committees participated in all the meetings of the Board of Directors' committees, which had been held within the reporting period.

Within 2017 year the Board of Directors held 12 meetings and considered 74 issues. All the meetings of the Board of Directors were held in the form of joint presence.

Information on the presence of directors in the meetings of the Board of Directors in 2017:

<i>Full name of a member of the Board of Directors</i>	<i>Status</i>		<i>Participation in the meeting</i>		
	<i>Independent</i>	<i>Executive</i>	<i>Total number*</i>	<i>Physical presence</i>	<i>In absentia</i>
Alexey Pshenichniy	+	-	12 of 12	12	-
Sergey Galitskiy	-	+	12 of 12	12	-
Alexander Zayonts	+	-	12 of 12	12	-
Vladimir Gordeychuk	-	-	4 of 4	4	-
Khachatur Pombukhchan	-	+	12 of 12	12	-
Aslan Shkhachemukov	-	-	12 of 12	12	-
Aleksandr Aleksandrov	+	-	12 of 12	12	-
Dmitry Chenikov	+	-	8 из 8	8	-

*in this context the indication (4 of 5) will signify that the director may participate (may adopt decisions on the issues raised for voting) in 5 meetings and participated in 4 of them.

Main issues considered by the Board of Directors in 2017:

Date of the meeting	Considered issues
03.02.2017	The nominees to the Board of Directors were considered and enrolled on a voter list for election at the annual General Shareholders Meeting.
28.03.2017	The amount of remuneration for the auditor's services was determined.
28.03.2017	Business priorities of PJSC "Magnit" for the year 2017 were determined.
28.03.2017	The report on assessment of efficiency of internal control and risk management for the year 2016 was considered.
28.03.2017	The decisions to provide consent for execution of major transactions were made.
28.03.2017	The powers of PJSC "Magnit" Management Board member were early terminated and a new Management Board member was elected.
28.04.2017	The results of assessment of BOD operations were considered.
28.04.2017	The annual report of PJSC "Magnit" for 2016 financial year was preliminarily approved and submitted for consideration of the General Shareholders Meeting.
28.04.2017	The recommendations to the General Shareholders Meeting on the profit distribution, including the dividend amount on PJSC "Magnit" shares and procedure of its payment, and loss of the Company following the results of 2016 financial year were approved.
28.04.2017	The report on related party transactions executed by PJSC "Magnit" in 2016 was approved.
28.04.2017	The decision on calling of the annual General Shareholders Meeting of PJSC "Magnit" was made.
28.04.2017	The list of candidates to be elected to the PJSC "Magnit" Board of Directors at the annual General Shareholders Meeting of the Company was approved.
28.04.2017	The amount of remuneration for the auditor's services was determined.
28.04.2017	The list of candidates to be elected to the PJSC "Magnit" Revision commission at the annual General Shareholders Meeting of the Company was approved.
29.05.2017	The decisions to provide consent for execution of major transactions were made.
29.06.2017	The Chairman of the Board of Directors of PJSC "Magnit", the Deputy Chairman of the Board of Directors and the Secretary of the Board of Directors of PJSC "Magnit" were elected.
29.06.2017	The members of the Audit committee of the Board of Directors of PJSC "Magnit" and its Chairman were elected.
29.06.2017	The members of the HR and Remuneration Committee of the Board of Directors of PJSC "Magnit" and its Chairman were elected.
29.06.2017	The members of the Management Board of PJSC "Magnit" were elected.
29.06.2017	The amount of remuneration for the auditor's services was determined.
27.07.2017	The decision on calling of the extraordinary General Shareholders Meeting of PJSC "Magnit" was made.
27.07.2017	The recommendations to the General Shareholders Meeting on the dividend amount on PJSC "Magnit" shares following the results of the 1H 2017, the

	procedure of its payment and the dividend record date were approved.
27.07.2017	The decisions to provide consent for execution of major transactions were made
03.11.2017	The amount of remuneration for the auditor's services was determined.
14.11.2017	The decisions on determination of the price of the related party transaction and on provision of consent to execute the related party transactions were made.
15.11.2017	The decision to increase the charter capital of PJSC "Magnit" by means of placement of additional shares was made.
15.11.2017	The price of securities placement was determined.
15.11.2017	The Decision on securities issue and the Prospectus were approved.
22.11.2017	The Additional agreement with a person in a position of the sole executive body of PJSC "Magnit" was approved.
20.12.2017	The business plan of the Internal Audit Department of PJSC "Magnit" for 2018 was approved.
20.12.2017	The decisions to provide consent for execution of major transactions were made.
20.12.2017	The Program of PJSC "Magnit" exchange-traded bonds was approved.
20.12.2017	The Prospectus of PJSC "Magnit" exchange-traded bonds was approved.

Besides, within the reporting period the issues related to determination of the position of PJSC "Magnit" representative on realization of the voting rights on the Company's stocks and shares in other companies were considered by the Board of Directors of PJSC "Magnit" in accordance with the Clause 14.2 of the Charter. Thus, the meetings on the issues concerning determination of the position of PJSC "Magnit" representative on realization of the voting rights on the Company's shares of JSC "Tander", stock in Retail import LLC, LLC "Tandem", LLC "Alcotrading" were held in April, May, August, September, October, and December of 2017 year.

The performance evaluation of the Board of Directors

Within the reporting period the HR and Remuneration Committee of the Board of Directors in accordance with its competence evaluated the performance of the current membership of the Board of Directors.

The Committee evaluated the following:

1. The Board of Directors performance: compliance of the Board of Directors structure with the functions performed; qualitative composition of the Board of Directors; internal dynamics (process) of the Board of Directors performance; performance of the Company's Secretary; performance of its main functions by the Board of Directors.

2. Performance of the Chairman of the Board of Directors: general management of the Board of Directors; development of the Board of Directors as a management body of the Company; management of the Board of Directors meetings; collaboration with the Company Management Board; collaboration with the Company's shareholders and investors; personal attributes; management skills; communication skills; skills of performing the functions of the Chairman of the Board of Directors; skills of performing the functions of a member of the Board of Directors; professional skills.

3. Performance of the Committees of the Board of Directors: compliance of the structure of the committees with the functions performed; qualitative composition of the committee;

internal dynamics (process) of the committee performance; performance of its functions by the committee; holding of the committee meetings.

4. Compliance of the Board of Directors members, which are considered independent, with the criteria of independence determined by the Corporate governance code and the Listing rules of PJSC “Moscow Exchange” (previously – CJSC “MICEX Stock Exchange”).

The analysis of the current incentive program for the members of the Board of Directors.

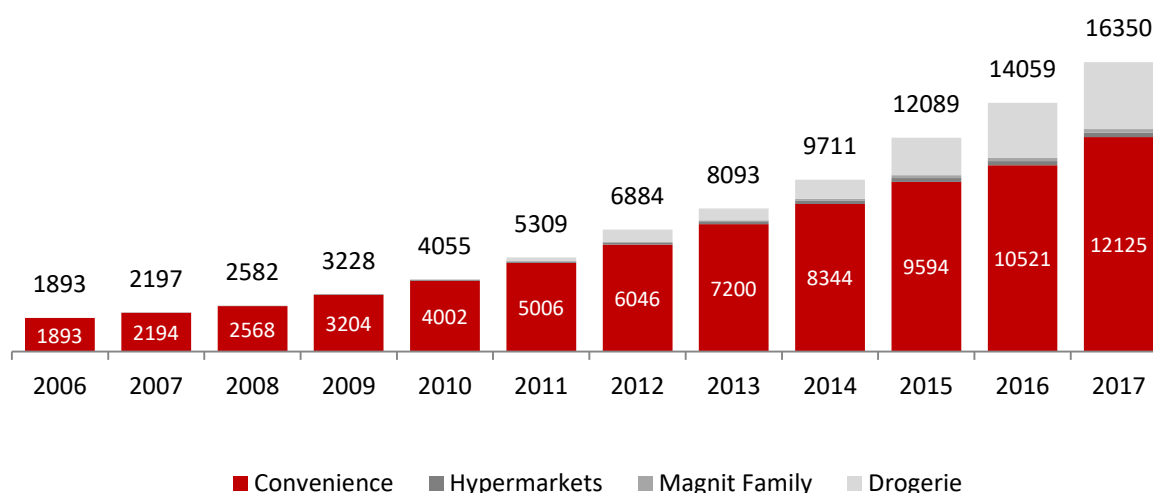
The committee determined that operating efficiency of the current membership of the Board of Directors corresponds to the nature and range of activity of the Company, needs of the Company and interests of the shareholders.

The management of the Company achieved the following results in 2016:

1. Revenue of the Company⁶ increased by 6.37% from 1,075 billion rubles in 2016 to 1,143 billion rubles in 2017.

In 2016 "Magnit" remained the leader of the Russian FMCG retail sector in terms of number of stores, selling space and geographical coverage.

2. During 2017 the Company added 2,291 stores (1,604 convenience stores, 6 hypermarkets, 14 “Magnit Family” stores and 667 drogerie stores). The total store base as of December 31, 2017 reached 16,350 stores (12,125 convenience stores, 243 hypermarkets, 208 “Magnit Family” stores and 3,774 drogerie stores). Total selling space of the stores increased by 13.56% from 5,067.67 thousand sq. m. to 5,754.94 thousand sq. m.



3. Number of customers increased by 5.85% from 3,817.13 million in 2016 to 4,040.50 million in 2017.

4. Sales of private label products as a % of sales in 2017 amounted to 9.35%, the number of private label SKUs in 2017 amounted to 594. Magnit plans to increase the sales of private label products through their expansion in all formats.

5. In 2017 the Company opened two distribution centers: Kirov and Murmansk. The launch of the new distribution centers improved the quality of service in the Volga and North-

⁶ “Magnit” Group of Companies

West regions. Total space of 37 distribution centers as of December 31, 2017 stood at about 1,640 thousand sq. m.

6. Magnit continued to make efficiency improvements to its logistics network. The share of products processed via the Company's distribution centers (centralization ratio) stood at 88%. During the reporting year the fleet of the Company's vehicles increased by 376 trucks, total number of vehicles was 6,089.

7. The Company was actively working with its employees increasing their loyalty and developing corporate culture. As of December 31, 2017 the total number of the Company's employees exceeded 276 thousand, out of which 202,497 are in-store personnel; 36,461 people engaged in distribution; 22,162 people in regional branches, 11,992 are employees of the head office and 3,178 – other personnel. Average monthly salary in the Company in 2017 amounted to 33 695 rubles.

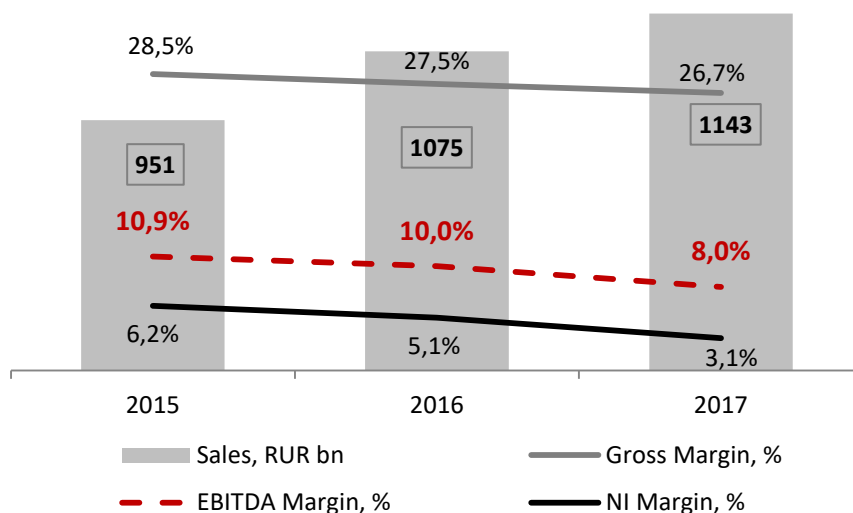
In 2017 the average number of employees of the "Magnit" group of companies amounted to 247,469 people. Based on the publicly available information the management of the Company assumes that PJSC "Magnit" is the largest private employer in Russia.

8. LFL figures in 2017 vs. 2016 in ruble terms were the following: LFL revenue was (3.37)%, LFL average ticket was (0.21)% and LFL traffic was (3.17%). The decrease of LFL figures year on year was mainly driven by weak macroeconomic conditions and internal cannibalization.

9. Gross margin decreased from 27.52% in 2016 to 26.65% in 2017 due to price investments on the back of zero wage inflation and food deflation as well as store refurbishment program. Gross profit increased by 3% from 295.76 billion RUR in 2016 to 304.64 billion RUR in 2017.

10. EBITDA decreased from 107.79 billion RUR in 2016 to 91.78 billion RUR in 2017. EBITDA margin in 2017 amounted to 8.03%. Net debt/EBITDA ratio (in ruble terms) at the end of 2017 amounted to 1.2.

11. Net income in 2017 stood at 35.54 billion RUR. Net income margin in 2017 was 3.11%.



12. In 2017 PJSC “Magnit” made three dividend payments: following the results of 9 months of the 2016 reporting year in the amount of 11,926,063,462.68 rubles, following the results of 2016 reporting year in the amount of 6,374,348,381.52 rubles, following the results of the first half of the 2017 reporting year in the amount of 10,922,766,716.89 rubles.

Overall, Magnit’s Board of Directors considers the achieved financial and economic results satisfactory and in line with 2017 internal targets.

Following the results of the conducted work the Board of Directors of Magnit recommends the annual general shareholders meeting to approve the performance of the Company’s management bodies during 2017 and to approve 2017 annual report submitted for consideration of the general shareholders meeting.

7. MAIN 2017 CORPORATE EVENTS

April	"Magnit" retail chain integrated BIM-modelling technology for the store construction.
	"Magnit" retail chain was ranked 5 th most valuable Russian brand by Brand Finance, the world's leading independent branded business valuation and strategy consultancy, which is the highest position in the Russian retail sector.
	S&P Global Ratings affirmed the rating of PJSC "Magnit" at "BB+" level; Stable outlook.
June	The annual General Shareholders Meeting was held.
	The membership of the Management Board of PJSC "Magnit" was formed by the Board of Directors.
	The Board of Directors formed the committees of the Board of Directors, appointed the chairman, the deputy chairman and the secretary of the Board of Directors.
July	"Magnit" retail chain launched first pharmacies.
	All stores of "Magnit" retail chain started to use online cash desks.
August	"Magnit" opens 15,000th store.
	PJSC "Magnit" opens first "Magnit Family" store under the new concept.
	PJSC "Magnit" launched 3 test stores to study the new "Wholesale Hypermarket" format.
	"Magnit" retail chain was ranked in the 100 World's Most Innovative Companies List by the American edition of the Forbes business magazine.
	The extraordinary General Shareholders Meeting of PJSC "Magnit" was held.
October	"Magnit" retail chain topped the list of the largest Russia's employers among the companies included in the Annual Ranking of the 200 Biggest Russia Nongovernmental Companies by the Forbes business magazine included in the ratings of the best in the industry.
	"Magnit" CEO Sergey Galitskiy has been included in the list of top business leaders of the 18th "TOP-1000 Russian Managers" ratings for 2017 prepared by the Russian Managers Association and Kommersant. "Magnit" top-managers have been
	"Magnit" retail chain launched the largest mushroom production plant in Russia.
November	PJSC "Magnit" Board of Directors made a decision to increase the charter capital by means of placement of the additional shares and approved the Decision on Placement of Securities.
	The Decision on securities issue and the Prospectus were approved by the board of directors.

December	Bank of Russia registered additional issue of PJSC "Magnit" securities.
	S&P Global Ratings downgraded the long-term credit rating of PJSC "Magnit" to "BB" from "BB+"; the outlook of rating change – "Stable".
	PJSC "Magnit" BOD approved the program of exchange-traded bonds of 003P series and the Prospectus of exchange-traded bonds.

2 (two) General Shareholders Meetings of PJSC "Magnit" were held in 2017.

At the annual General Shareholders Meeting, held on June 8, 2017 in the form of joint presence, the positive decisions on all the agenda items were made, including:

- the annual report of PJSC "Magnit" following the 2016 year results; annual accounting (financial) reports of PJSC "Magnit", including statements on financial results; the procedure of distribution of profit (including payment (declaration) of dividends) and loss of PJSC "Magnit" following the 2016 reporting year results; the auditor of PJSC "Magnit" according to the Russian Accounting Standards and the International Financial Reporting Standards were approved.

- the members of the Board of Directors of PJSC "Magnit" and the Revision Commission of PJSC "Magnit" were elected.

At the extraordinary General Shareholders Meeting of PJSC "Magnit" held on August 31, 2017 in the form of the joint presence the positive decision on the payment of dividends on the shares of PJSC "Magnit" following 6 months of 2017.

8. POSITION OF THE COMPANY IN INDUSTRY

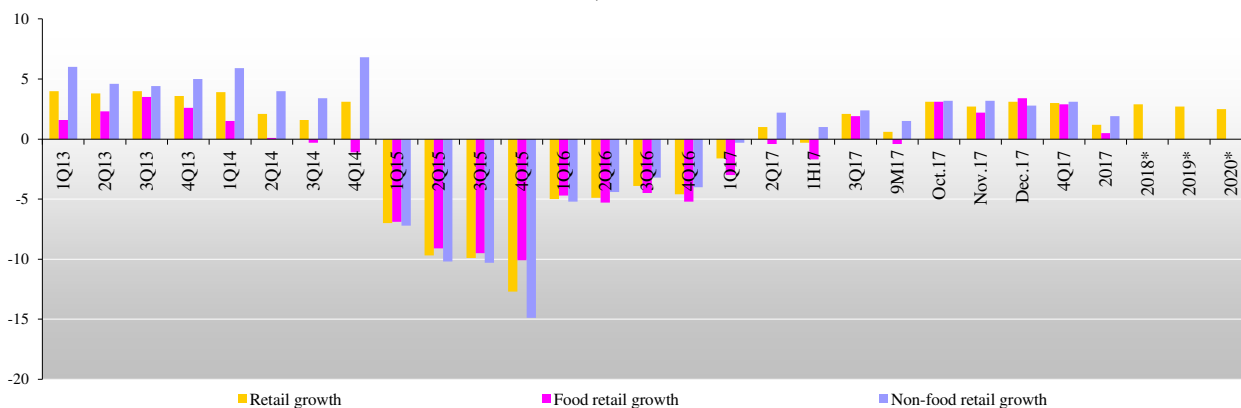
RUSSIAN MARKET

This section was prepared with the use of the following materials: IA Infoline, public sources of companies.

In 2017 retail turnover amounted to 29,804 bn rubles and increased by 1.2% compared to 2016 in commodity weight (in 2016 there was a decline by 4.6%). Food retail turnover increased by 0.5% in 2017 (in 2016 there was a decline by 5%). Non-food retail turnover increased by 1.9% (in 2016 there was a decline by 4.2%). In 2017 retail turnover in Russia started to grow after two years of recession (minus 4.6% in 2016 and minus 10% in 2015). In 4Q 2017 retail turnover amounted to 8,230 bn rubles and increased by 3% compared to 4Q 2016 in commodity weight (in 4Q 2016 there was a decline by 4.6%). Food retail turnover increased by 2.9% compared to 4Q 2016 (in 4Q 2016 there was a decline by 5.2%). Non-food retail turnover increased by 3.1% (in 4Q 2016 there was a decline by 4%). In December 2017 food retail turnover amounted to 3,081.5 bn rubles and increased by 3.1% compared to December 2016 (in December 2016 there was a decline by 5.2%). Food retail turnover in December 2017 in constant prices continue to grow for the sixth month in a row after 37 months of recession having increased by 3.4% compared to December 2016 (in December 2016 there was a decline by 6%). Non-food retail turnover increased by 2.8% (in December 2016 there was a decline by 4.5%).

The dynamics of the Russian retail turnover in 2013-2017 as well as the forecast of the Ministry of Economic Development and Trade for 2018-2020 (basic) is provided in the table below.

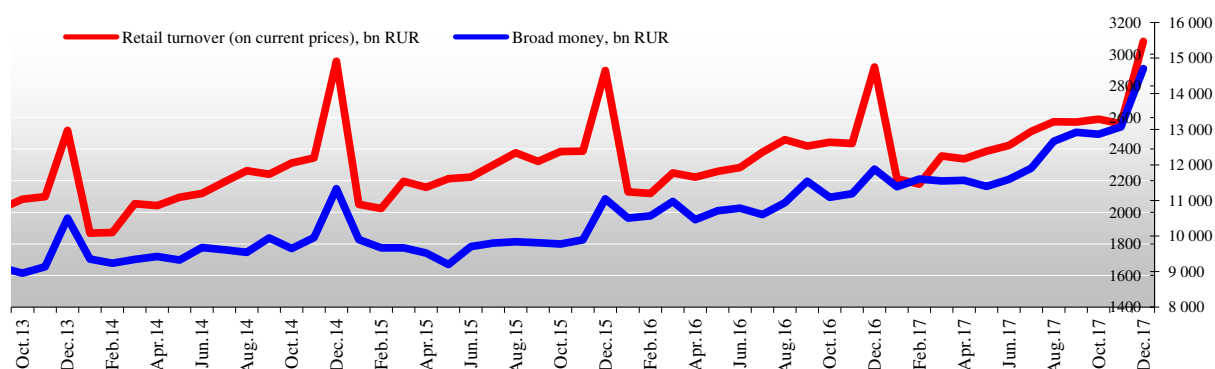
Dynamics of the consumer market key metrics in 2013-2017 and the forecast for 2018-2020, % Y-o-Y



Source: IA Infoline

Broad money representing money supply by monetary authorities increased by 1,631.6 bn rubles in December 2017 compared to November 2017 (in December 2016 it increased by 698.3 bn rubles).

Dynamics of retail turnover and broad money in 2013-2017, bn RUR



Source: IA Infoline, Federal State Statistics Service

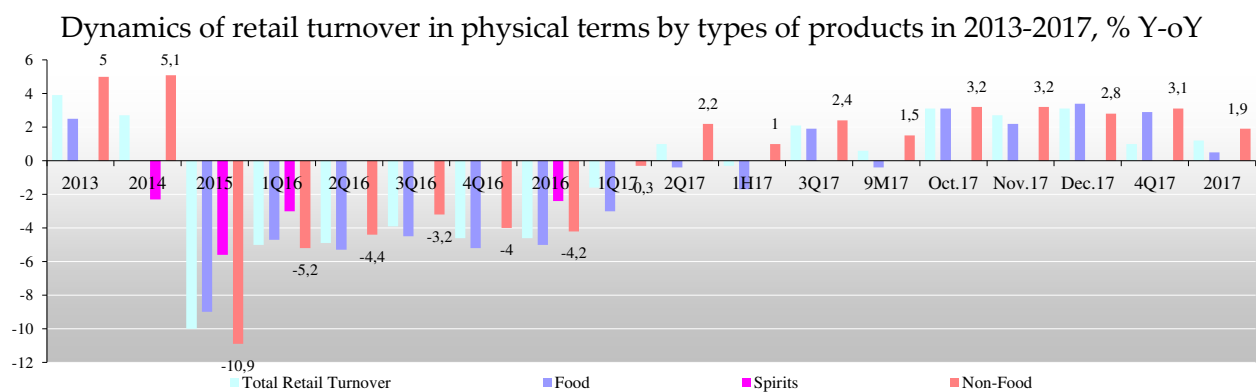
Dynamics of Russian retail turnover in 2013-2017 and basic forecast for 2018-2020

Period	Turnover, bn RUR	Y-o-Y Dynamics	
		In constant prices, %	In current prices, %
2013	23685,9	103,9	110,7
2014	26356,2	102,7	111,3
2015	27526,8	90,0	104,4
1Q 2016	6496,3	95,0	103,6
2Q 2016	6764,1	95,1	102,6
1H 2016	13260,4	95,1	103,1
3Q 2016	7258,0	96,1	103,7
9M 2016	20518,4	95,5	103,3
4Q 2016	7798,9	95,4	101,7
2016	28317,3	95,4	102,9
January 2017	2211,3	97,9	103,8
February 2017	2178,9	97,4	102,8
March 2017	2356,7	99,8	104,8
1Q 2017	6746,9	98,4	103,9
April 2017	2338,7	100,4	105,2
May 2017	2386,8	101,0	105,7
June 2017	2423,8	101,5	106,2
2Q 2017	7149,3	101,0	105,7
1H 2017	13896,2	99,7	104,8
July 2017	2512,0	101,3	105,5
August 2017	2593,7	101,9	105,5
September 2017	2572,1	103,2	106,4
3Q 2017	7677,8	102,1	105,8
9M 2017	21574,0	100,6	105,1
October 2017	2588,2	103,1	105,2
November 2017	2560,3	102,7	105,1
December 2017	3081,5	103,1	105,5
4Q 2017	8230,0	103,0	105,5
2017	29804,0	101,2	105,3
2018 (forecast)	31762	102,9	106,6
2019 (forecast)	33873	102,7	106,6
2020 (forecast)	36079	102,5	106,5

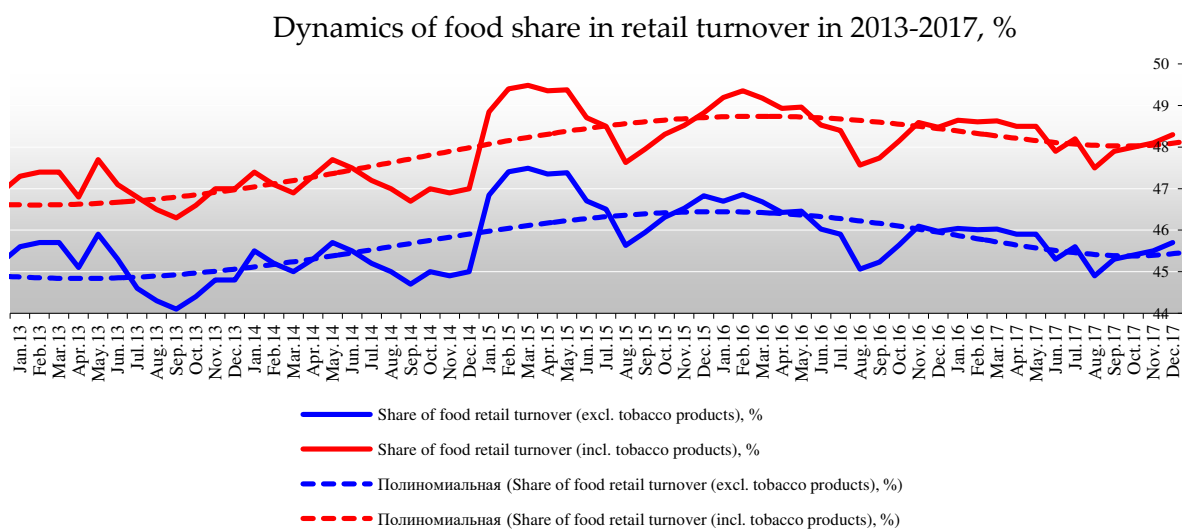
Source: Federal State Statistics Service; Forecast of the Ministry of Economic Development and Trade as of December 2017

STRUCTURE OF RETAIL TURNOVER BY TYPES OF PRODUCTS

In December 2017 dynamics of retail turnover in physical terms increased by 19.7% compared to November 2017 (in December 2016 it increased by 19.3%), including food retail turnover – up to 20.2% (in December 2016 – 18.8%) and non-food retail turnover – up to 18.3% (in December 2016 – 19.7%). In 4Q 2017 retail turnover increased by 6.7% compared to 3Q 2016 (in 4Q 2016 it increased by 5.8%), including food retail by 7.9% (in 4Q 2016 by 6.8%) and non-food by 5.6% (in 4Q 2016 – by 4.9%).

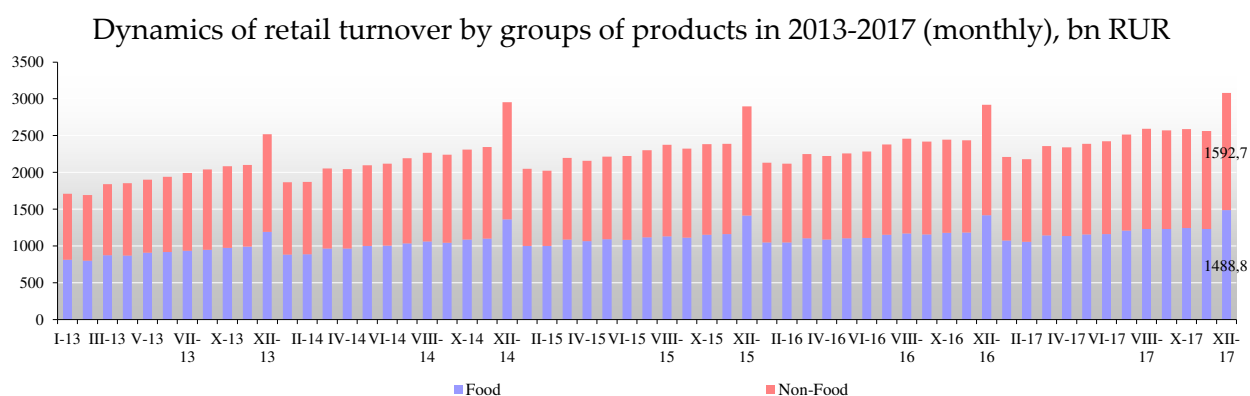


Source: IA Infoline; Federal State Statistics Service



Source: IA Infoline; Federal State Statistics Service

In December 2017 the share of food products in retail turnover reduced by 0.2 p.p. compared to December 2016.



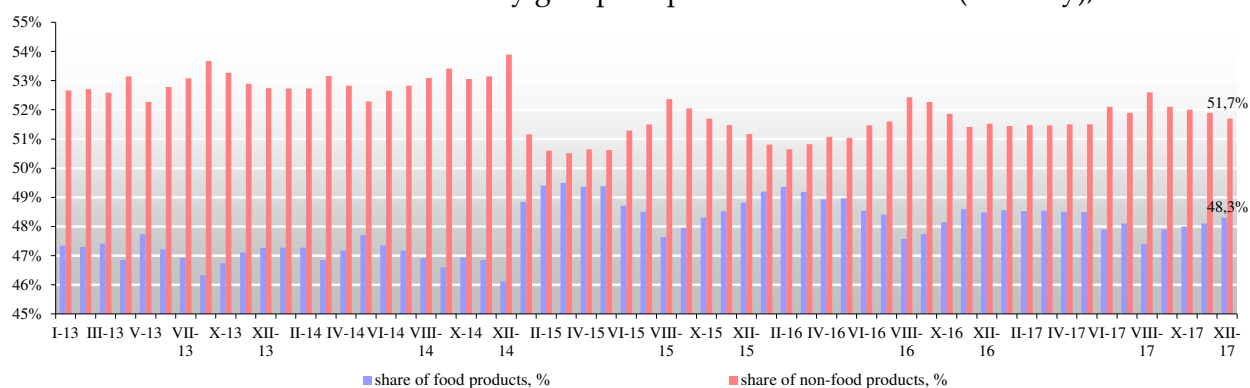
Source: IA Infoline; Federal State Statistics Service

Structure of retail turnover by groups of products in 2013-2017

Metrics	2013	2014	2015	2016	2017	4Q 16	4Q 17	Dec.16	Dec.17
Retail turnover	23685,9	26356,2	27526,8	28317,3	29804,0	7798,9	8230,0	2919,6	3081,5
Food	11143,0	12380,8	13412,3	13751,8	14359,3	3775,3	3962,3	1415,3	1488,8
Non-Food	12542,9	13975,4	14114,5	14565,5	15444,7	4023,6	4267,7	1504,3	1592,7
Share of food, %	47,0	47,0	48,7	48,6	48,2	48,4	48,1	48,5	48,3
Share of non-food, %	53,0	53,0	51,3	51,4	51,8	51,6	51,9	51,5	51,7

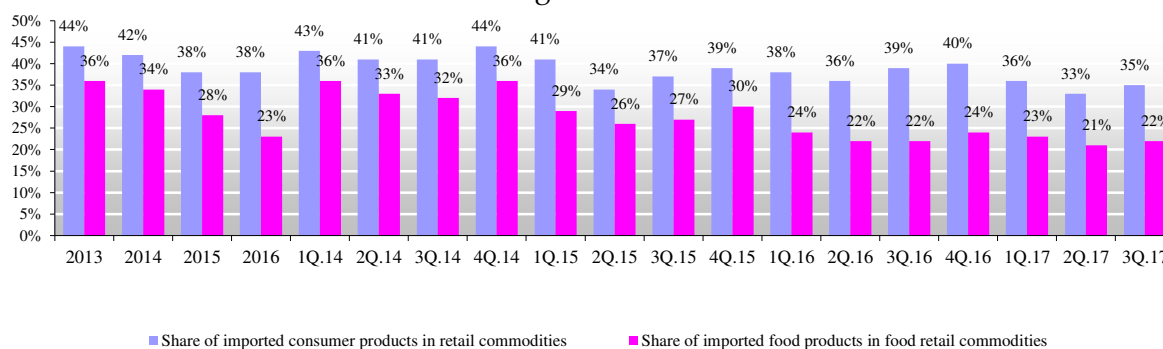
Source: IA Infoline; Federal State Statistics Service

Structure of retail turnover by groups of products in 2013-2017 (monthly), %



Source: IA Infoline; Federal State Statistics Service

Dynamics of Import share in retail commodities in Russia in 2010-2017 is shown in the diagram below.

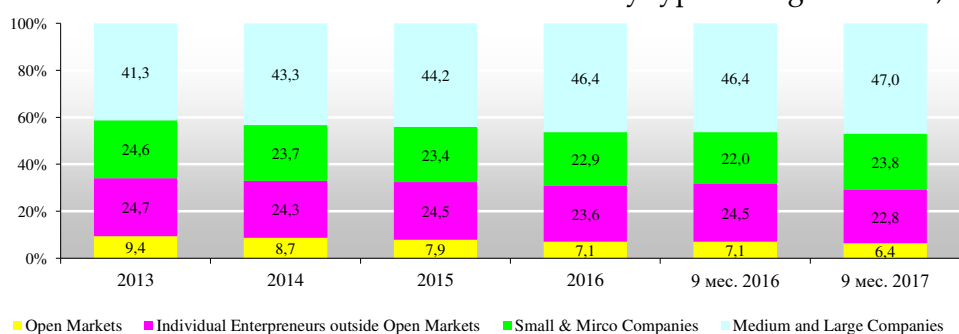


Source: IA Infoline; Federal State Statistics Service

STRUCTURE OF RETAIL TURNOVER BY TYPES OF ORGANIZATIONS

The share of open markets in retail structure by types of organizations continued to decrease in 9M 2017 (at the end 9M 2017 it decreased by 0.7 p.p. compared to 9M 2016). The share of medium companies decreased by 0.3 p.p. and the share of individual entrepreneurs – by 1.7 p.p. The share of large companies (mainly retail chains) increased by 0.9 p.p. compared to 9M2016, small companies – by 1.5 p.p. and micro companies – by 0.3 p.p.

Structure of Retail Turnover in 2013-2017 by types of organizations, %



Source: IA Infoline; Federal State Statistics Service

In 2017 93% of retail turnover was generated by trading organizations and individual entrepreneurs operating outside open markets. The share of open markets and trade fairs stood at 6.5% (in 2016 – 92.9% and 7.1% correspondingly), in December 2017 – 93.6% and 6.4% (in December 2016 – 93.0% and 7.0% correspondingly).

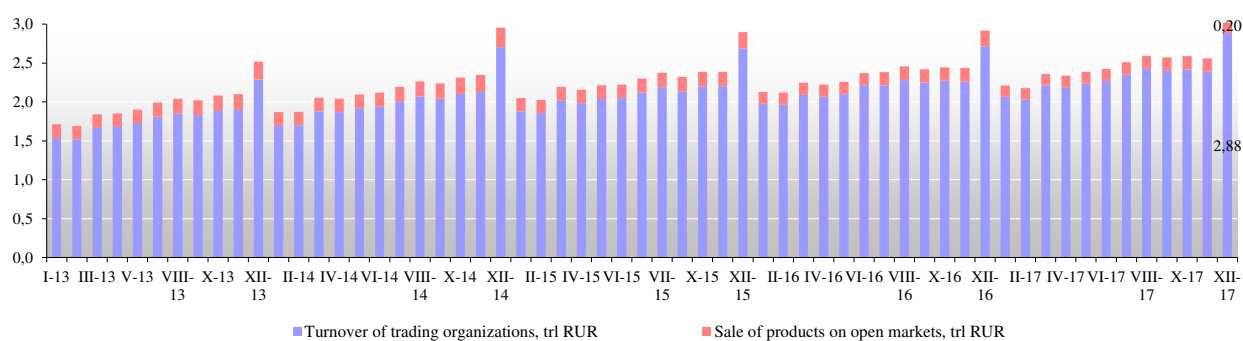
Turnover of trading organizations and open markets in 2013-2017, bn RUR

Metrics	2013	2014	2015	2016	2017	4Q 16	4Q 17	Dec.16	Dec.17
Retail Turnover	23685,9	26356,2	27526,8	28317,3	29804,0	7798,9	8230,0	2919,6	3081,5
Trading Organizations	21453,8	24057,2	25359,1	26290,6	27868,6	7242,8	7686,8	2712,3	2883,6
Open Markets	2232,1	2299,0	2167,7	2026,8	1935,4	556,2	543,2	207,3	197,9
Share of Trading Organizations, %	90,6	91,3	92,1	92,9	93,5	92,9	93,4	93,0	93,6
Share of Open Markets, %	9,4	8,7	7,9	7,1	6,5	7,1	6,6	7,0	6,4

Source: Federal State Statistics Service

Compared to December 2016 the turnover of trading organizations increased by 3.7% while sales of the open markets decreased by 5.4%. In 2017 turnover of retail organizations increased by 1.9% compared to 2016 while sales of the open markets decreased by 7.3%.

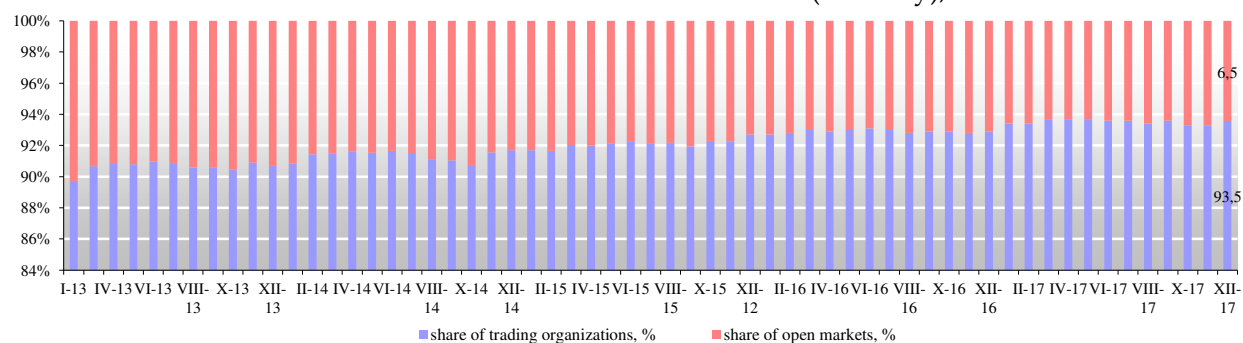
Dynamics of turnover of trading organizations and open markets in 2013-2017 (monthly), trn RUR



Source: IA Infoline; Federal State Statistics Service

In December 2017 compared to November 2017 the turnover of trading organizations increased by 20.1% and sales of the open markets increased by 14.6% while in November 2017 there was a decline of turnover of both trading organizations and open markets (in December 2016 compared to November 2016 – 19.6% and 15.5% correspondingly).

Structure of retail turnover in 2013-2017 (monthly), %

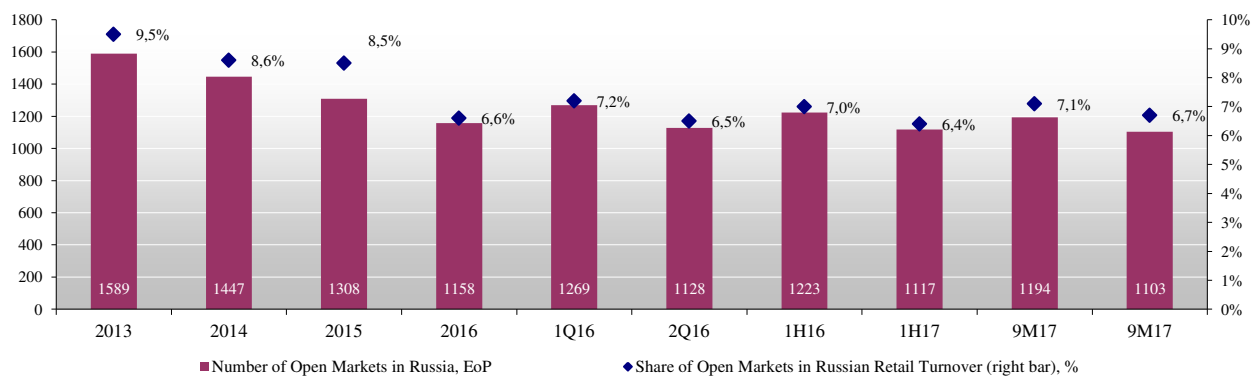


Source: IA Infoline; Federal State Statistics Service

During 9M 2017 Russian population purchased over 6% of food products and tobacco products and over 7% of non-food products on open markets and fairs. Open markets play the biggest role in supply of meat, potato, fruits and vegetables, clothes, shoes and hosiery.

As of October 2017 there were 1,103 open markets in Russia. The allocation of stalls on the open markets in 3Q 2017 compared to 3Q 2016 changed so that the number of stalls on ultimate markets, DIY markets, agricultural and other speciality open markets increased on the back of decline of the number of stalls on speciality food open markets and speciality clothes markets. As of October 1, 2017 there were 271 agricultural and agricultural cooperative markets, out of them 169 or 62.3% were located in buildings and constructions (as of October 2016 it was 60.6%). The level of actual use of the market stalls as of October 1, 2017 amounted to 69.5% on average in Russia, which is higher than July 1, 2017 but lower than as of the same date in 2016. Individual entrepreneurs remain the principal economic entities on the open market. As of October 1, 2017 119.8 thousand individual entrepreneurs operated on open markets (as of July 1, 2017 – 121.4 thousand). In 3Q 2017 10 thousand fairs were held. Self-governing authorities were the main organizers of fairs (50.6% of all fairs) and legal entities (32.1%). Individual entrepreneurs were the principal economic entities on fairs with 66.4% of total stalls.

Dynamics of the number of open markets in Russia and their share in retail turnover in 2013-2017

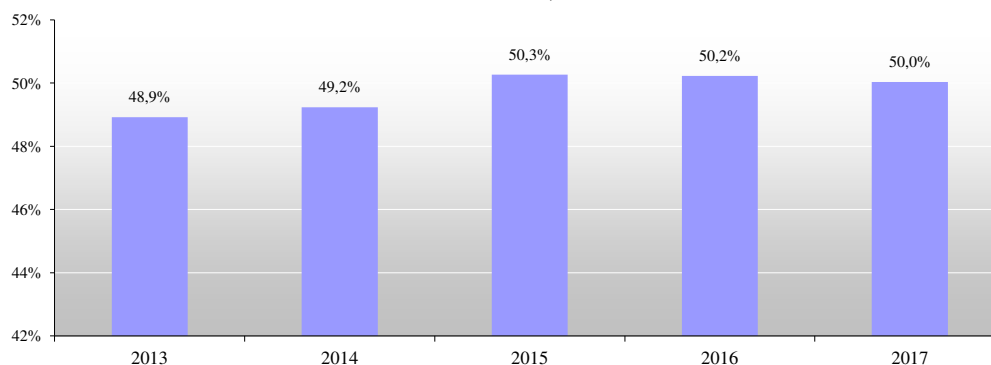


Source: IA Infoline; Federal State Statistics Service

REGIONAL STRUCTURE OF RETAIL TURNOVER

Regional structure of retail turnover in Russia is uneven: 11 constituent entities generated 49.96% of retail turnover in 2017 (Moscow, Moscow region, Saint-Petersburg, Sverdlovsk region, Krasnodar region, Samara region, Republics of Tatarstan and Bashkortostan, Tyumen region, Chelyabinsk region and Rostov region). Compared to 2016, the share of retail turnover attributable to these 11 constituent entities of the Russian Federation increased by 0.18 pp.

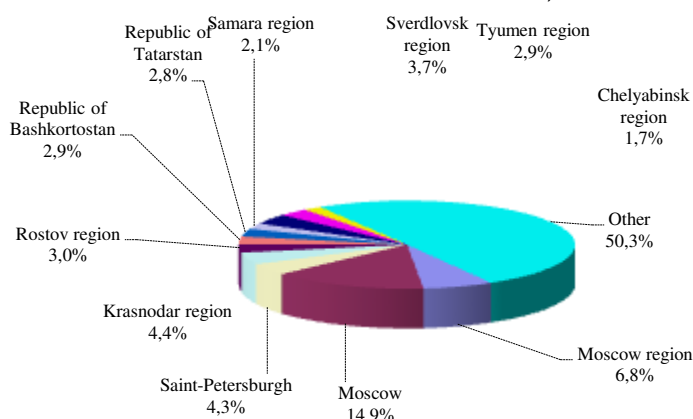
Dynamics of share of 74 regions of Russia (apart from 11 largest) in retail turnover in 2013-2017, %



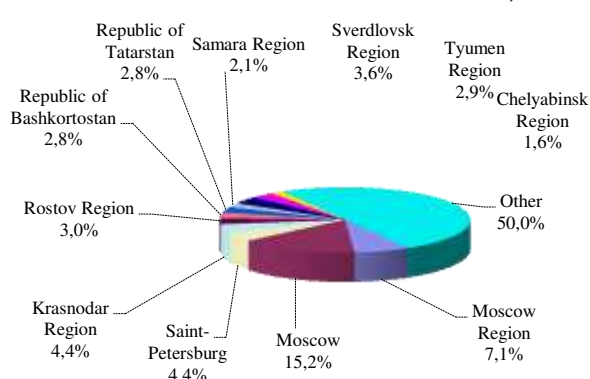
Source: IA Infoline; Federal State Statistics Service

The following federal districts increased their share in retail turnover in 2017 compared to 2016: Central Federal Region – by 0.41 p.p. (including Moscow by 0.05 p.p. and Moscow region by 0.4 p.p.), North-West Federal Region – by 0.04 p.p. (including Saint-Petersburg by 0.07 p.p.), North-Caucasian Federal Region – by 0.03 p.p. The share of Urals Federal Region in turnover decreased by 0.17 p.p., Siberian Federal Region – by 0.13 p.p., Volga Federal Region – by 0.1 p.p., Southern Federal Region – by 0.07 p.p. The share of the Far-Eastern Federal Region did not change.

Structure of retail turnover by constituent entities of the Russian Federation in 2016, %



Structure of retail turnover by constituent entities of the Russian Federation in 2017, %



Source: IA Infoline; Federal State Statistics Service

The highest decrease of retail turnover in 2017 (more than 5%) compared to 2016 among largest constituent entities of Russia (share of retail turnover of over 1%) did not happen in any region.

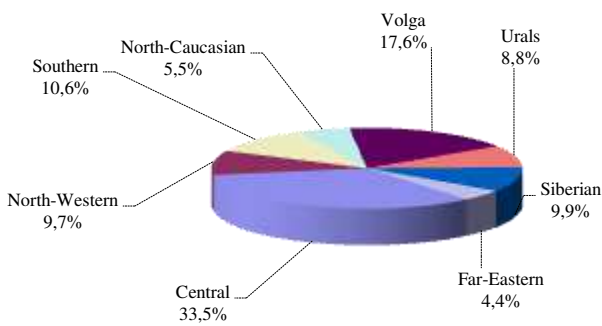
Regional structure of Russian retail turnover in 2013-2017, %

Federal District (FD) or Region	2013	2014	2015	2016	2017
Central FD	33,93	34,21	33,71	33,66	34,07
Moscow Region	5,74	6,00	6,27	6,71	7,11
Moscow	16,96	16,83	15,66	15,12	15,17
North-Western FD	9,07	9,04	9,44	9,68	9,72
Saint-Petersburg	3,89	3,86	4,16	4,36	4,43
Southern FD	9,01	9,13	9,44		
Crimean FD	0	0,70	0,92	10,57 ⁷	10,50
North-Caucasian FD	5,11	5,09	5,46	5,43	5,46
Volga FD	18,48	18,41	17,73	17,62	17,52
Urals FD	9,72	9,24	9,02	8,74	8,57
Siberian FD	10,79	10,23	9,96	9,88	9,75
Far-Eastern FD	3,90	3,96	4,32	4,41	4,41

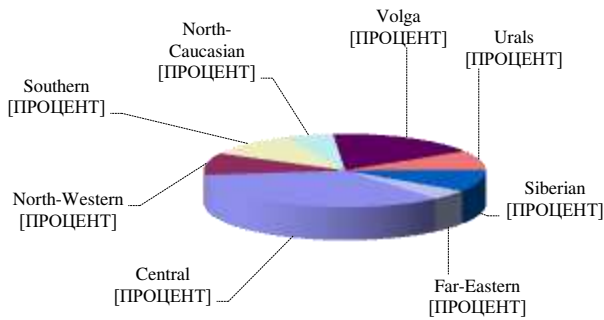
Source: IA Infoline; Federal State Statistics Service

⁷ Starting from July 2016 Russian Statistics Service includes Crimea and Sevastopol into the Southern Federal District

Structure of retail turnover by federal districts of Russia in 2016, %



Structure of retail turnover by federal districts of Russia in 2017, %

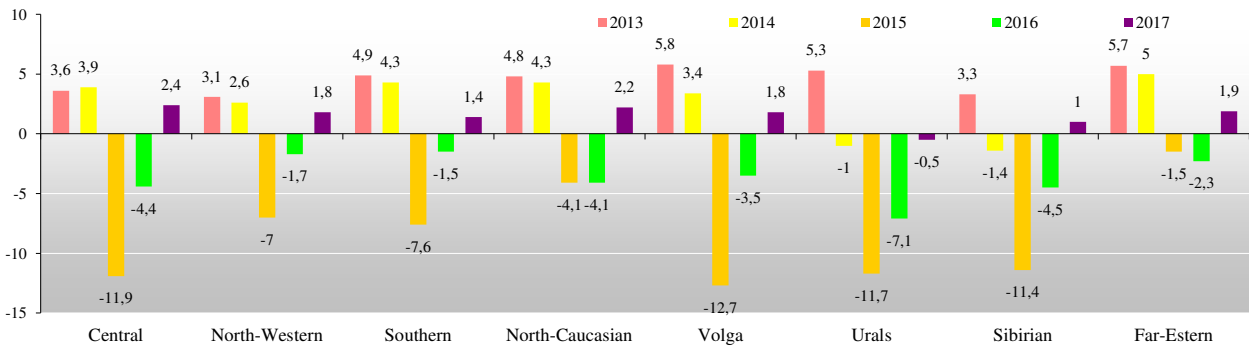


Source: IA Infoline; Federal State Statistics Service

In 2017 the reduction of retail turnover in the range of 5% in comparable prices vs 2016 among largest constituent entities of Russia (i.e. with the share in the Russian retail turnover of over 1%) was demonstrated by Chelyabinsk region (-2.7%), Sverdlovsk region (-1.5%), Leningrad region (-0.9%), Samara region (-0.5%) and Krasnodar region (-0.3%).

The most dynamic growth (over 3%) among largest regions in 2017 was generated by Omsk region (6.9%), Moscow region (6.6%), Primorskiy krai (3.8%) and Stavropol region (3.4%).

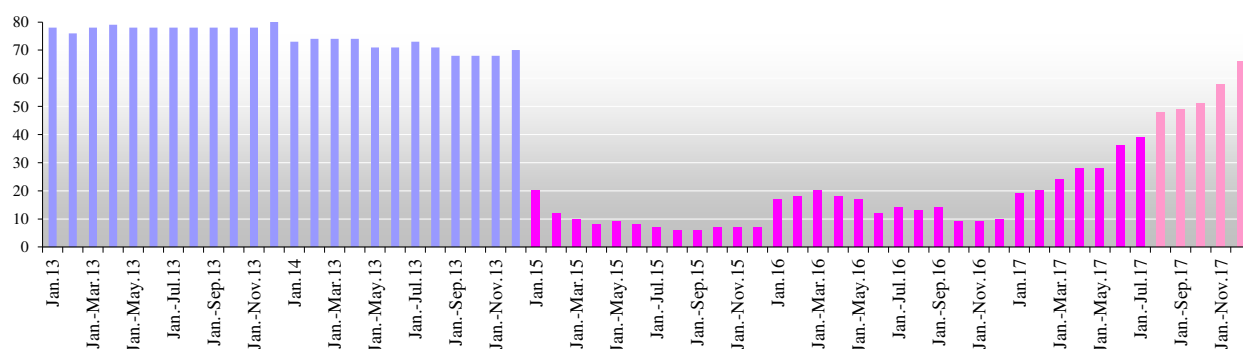
Dynamics of retail turnover by regions in 2013-2017, % Y-o-Y in comparable prices



Source: IA Infoline; Federal State Statistics Service

In December 2017 the number of regions which demonstrated the growth of turnover in physical terms increased to 69 (in December 2016 there were 7 such regions). In 2017 the number of regions which demonstrated turnover growth in physical terms increased to 66 (in 2016 there were 10 such regions).

Number of regions with positive dynamics of retail turnover in physical terms, Y-o-Y



Source: IA Infoline; Federal State Statistics Service

MAIN COMPETITORS⁸

The concentration level of the Russian food retail market is quite low – the share of top seven players is about 30%, which is significantly below the level of the Western and Eastern Europe.

Low capital concentration leads to the competition growth among retail chains in the nearest future. Currently the competition is on the “land grab” stage due to the growth of retail chains themselves including the use of franchising schemes as well as M&A deals. As a result, retail chains operating on the Russian market actively increase their presence in Moscow and regions which leads to the record rates of business growth.

X5 Retail Group

X5 Retail Group N.V. is a leading Russian food retailer. X5 Retail Group N.V. operates several retail formats: the chain of proximity stores under the Pyaterochka brand, the supermarket chain under the Perekrestok brand, the hypermarket chain under the Karusel brand and Express convenience stores under various brands.

As of 31 December 2017, X5 had 12,121 company-operated stores. It has the leading market position in both Moscow and St Petersburg and a significant presence in the European part of Russia. Its store base includes 11,225 Pyaterochka proximity stores, 638 Perekrestok supermarkets, 93 Karusel hypermarkets and 165 convenience stores. X5 Retail Group N.V. operates 39 DCs and 3,144 Company-owned trucks across the Russian Federation.

For the full year 2017, revenue totaled RUB 1,295,008 mn (USD 22,193 mn), Adjusted EBITDA reached RUB 99,131 mn (USD 1,699 mn), and adjusted net profit for the period amounted to RUB 33,768 mn (USD 579 mn).

⁸ Source: IA Infoline, public sources of companies.

METRO Cash & Carry

Metro Cash and Carry is the largest operating company of cash & carry international business format (individual wholesale) of Metro Group.

As of December 31, 2017 "Metro Cash & Carry" LLC operates 90 trading centers in 47 regions of Russia (excluding the Republic of Crimea) with the total selling space of 671.8 thousand sq. m. Metro Cash and Carry also operates "Metro Punct" supermarket with the total selling space of 1.587 thousand sq. m. which was opened in May 2012, a real hypermarket with the total space of 8.39 thousand sq. m. managed by "Metro Cash & Carry" as a result of the transaction with "Real-Hypermarket" LLC (Metro Group), as well as 2 METRO trading centers in the Republic of Crimea with the total space of 12.6 thousand sq. m. In 2017 Metro Cash and Carry opened a store in Vladikavkaz (Republic of North Ossetia).

Sales of METRO Cash & Carry, Russia for 2016/2017 financial year ended September 30, 2017, amounted to 3.411 bn. euros, which represents 12% growth y-o-y. LFL sales declined by 3.4%. At the average exchange rate for the corresponding period, sales of METRO in Russia amounted to 224.16 bn. Rubles having decreased by 0.6% compared to 2015/2016.

Auchan

Auchan is a large hypermarket chain operating on the Russian market since 2002. As of December 31, 2017 Auchan Group in Russia operates 313 trading stores with the total selling space of 1,141 thousand sq. m.

According to Infoline estimates, sales of Auchan in Russia in 2017 decreased by 4% - from 405.5 bn rubles in 2016 to 389 bn. rubles excl. VAT.

Dixy

PJSC DIXY Group is one of Russia's leading retailers of foods and everyday products. As of December 31, 2017 Dixy operated 2,703 stores, including 2,534 DIXY convenience stores, 128 Victoria stores and 41 compact hypermarkets MegaMart and MiniMart, all located in 753 Russian towns and settlements.

Dixy operates in Central, Northwestern and Urals federal districts of Russia, and in Kaliningrad and Kaliningrad region.

In 2017, the Company's total revenue amounted to RUR 283 billion.

Lenta

Lenta is the largest hypermarket chain in Russia, and the country's third largest retail chain. The Company was founded in 1993 in St. Petersburg. Lenta operates 232 hypermarkets in 84 cities across Russia and 106 supermarkets in Moscow, St. Petersburg, Novosibirsk, Yekaterinburg and the Central region with a total of approximately 1,392,973 sq.m of selling space. The average Lenta hypermarket store has selling space of approximately 5,600 sq.m. The average Lenta supermarket store has selling space of approximately 900 sq.m. Lenta operates seven owned distribution centres.

Lenta's price-led hypermarket formats are differentiated in terms of their promotion and pricing strategies as well as their local product assortment. Lenta employed approximately 53,100 people as of 31 December 2017.

Total sales in 2017 grew 19.2% to Rub 365.2 bn.

O'KEY

O'KEY Group S.A. is one of the largest retail chains in Russia. O'KEY operates under two main formats: hypermarkets under the 'O'KEY' brand and discounters under the 'DA'

brand. As at April 3, 2018, the Group operates 145 stores across Russia. The Group opened its first hypermarket in St. Petersburg in 2002 and has since demonstrated continuous growth. O'KEY is the first among Russian food retailers to launch and actively develop e-commerce operations in St. Petersburg and Moscow, offering a full range of hypermarket products for home delivery. O'KEY operates four distribution centres across the Russian Federation.

For the full year 2017, revenue totalled RUB 177,454,848 thousand, EBITDA reached RUB 9,334,993 thousand, and the net income for the period amounted to RUB 3,166,913 thousand.



Source: Company's data, IA Infoline; Thomson Reuters, Magnit's estimates

COMPETITIVE ADVANTAGES OF "MAGNIT"

Multi-format business

Implementation of the strategic decision to develop the formats of hypermarket, "Magnit Family" supermarket and drogerie store allows the Group to conduct more profound segmentation of existing markets and consider population with the different level of income as potential customers. Moreover, pricing policy of the Group allows it to compete with open-air markets targeting customers with the level of income below average.

Strong regional coverage

"Magnit" group of companies has considerable experience of operation in regions: in 2002 – 2017 the growth of the Group turnover was a result of its expansion into the cities with a population of less than 500 thousand people. In the nearest future the regions are expected to face the highest growth of consumer demand, which creates favorable conditions for medium-term dynamics of the Group business.

Russia's largest retailer in terms of the number of stores

In terms of the number of stores "Magnit" is the largest food retail chain in Russia, which has a positive impact on cooperation with the largest food and beverage producers promoting their products on the regional markets. First of all, it is reflected in favorable purchasing terms and corresponding efficiency improvement.

Recognized brand

According to the independent expert research, IGD in particular, Russian customers pay significant attention to the brand when purchasing non-food and food items. Wide chain of stores under “Magnit” brand allows the Group to strengthen its positions in the market niche.

Efficient logistics system

Advanced logistics system, distribution centers and in-house fleet of vehicles enable the Group to keep tight cost control. The use of distribution centers results in lower purchasing prices and less pressure on the store at goods acceptance which ultimately contributes to more efficient business organization.

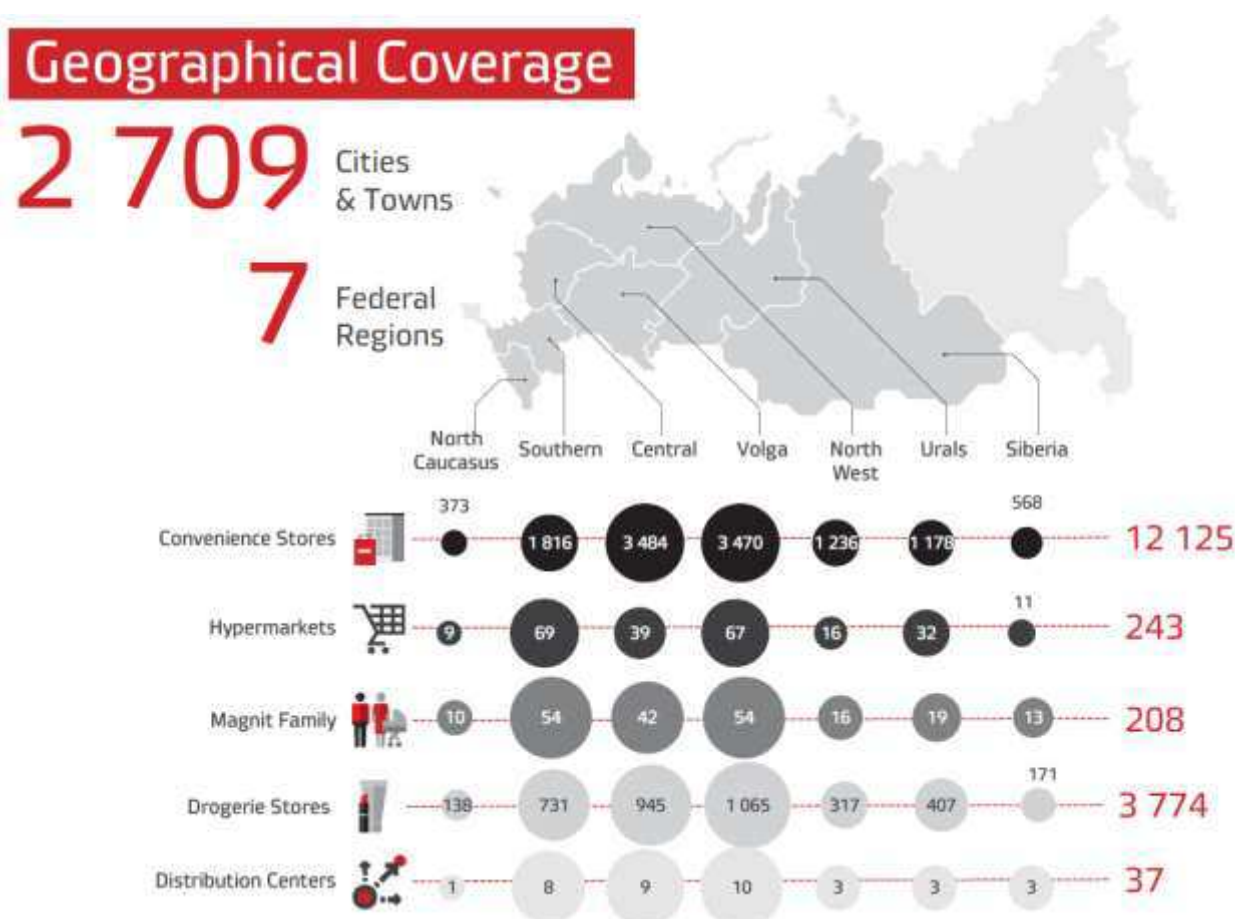
The Group employs highly efficient automated stock replenishment system, which gives opportunity to achieve high turnover level as well as to reduce costs.

9. COMPANY'S BUSINESS PRIORITIES

Headquartered in the southern Russia city of Krasnodar, public joint-stock company “Magnit” is the holding company for a group of entities that operate in the retail trade under the “Magnit” brand. “Magnit” is one of Russia’s largest FMCG retailers. As of December 31, 2017 the chain⁹ consisted of 16,350 stores: 12,125 convenience stores, 243 hypermarkets, 208 “Magnit Family” stores and 3,774 drogerie stores in 2,709 cities and towns throughout the Russian Federation.

Approximately two-thirds of the Magnit’s stores are located in cities with the population of less than 500,000 inhabitants. Most of its stores are located in the Southern, Central and Volga regions. The Company’s stores also operate in the North-West, North-Caucasian, Urals and Siberian regions.

As of the end of 2017 the number of stores located in the Southern Federal region accounted for 2,670, in the Volga region – 4,656, North-Caucasian – 530, Central – 4,510, North-Western – 1,585, the number of stores in the Urals and Siberian regions amounted to 1,636 and 763 correspondingly.



As of December 31, 2017 the Company operates an in-house logistics system consisting of 37 modern distribution centers (DCs): ten of them are located in the Volga Federal region (Dzerzhinsk, Engels, Izhevsk, Orenburg, Penza, Perm, Sterlitamak, Togliatti, Zelenodolsk, Kirov), nine are located in the Central Federal region (Dmitrov, Ivanovo, Kolomna, Oryol,

⁹ Information in this section is provided for PJSC “Magnit” and its subsidiaries

Smolensk, Tambov, Tula, Voronezh, Yaroslavl), another eight are based in the Southern Federal region (Astrakhan, Bataysk, Erzovka, Krasnodar, Kropotkin, Novorossiysk, Shakhty and Slavyansk-On-Kuban), three in the Urals (Chelyabinsk, Tyumen and Yekaterinburg), in the Siberian (Kemerovo, Novosibirsk and Omsk) and in the North-West Federal region (Kolpino, Veliky Novgorod and Murmansk) Federal regions and one in the North-Caucasian Federal region (Lermontov).

Federal Region	Warehousing space, sq. m.	Number of serviced stores	Number of DCs
Central	476,885	4,674	9
Volga	470,197	5,133	10
Southern	308,154	2,661	8
Urals	141,497	1,540	3
Siberian	83,596	755	3
North-West	119,050	1,062	3
North-Caucasian	40,225	525	1
Total	1,639,604	16,350	37

The Company operates automated stock replenishment system and a fleet of 6,089 vehicles.

PJSC “Magnit” had the following business priorities in 2017:

- Active expansion of the store network – the Company opened a record number of convenience stores (1,825 gross), 6 hypermarkets, 14 “Magnit Family” supermarkets and 667 drogerie stores.
 - Further strengthening of logistics system and improvement of its efficiency. The Company launched two new distribution centers (Kirov and Murmansk). Total warehousing space of 37 distribution centers as of December 31, 2017 stood at 1,640 thousand sq. m. The fleet of vehicles increased by 376 trucks. The total number of trucks reached 6,089. The centralization level hit 88%.
 - Improvement of the Customer Value Proposition in convenience store format.
 - Acceleration of the refurbishment program for convenience stores.
 - Distinguishing CVP for hypermarkets and Magnit Family stores. In 2017 the Company opened first “Magnit Family” stores under the new concept.
 - Development of the new Geographical Information System (GIS) for evaluating opening criteria for new stores.
 - Strengthening of the sales team in HQ and in the regions.
 - Testing new formats – wholesale hypermarkets and pharmacies, including pharmacies integrated into drogerie stores.
- Further cost optimization and profitability improvement

10. COMPANY'S DEVELOPMENT PRIORITIES

The Company's management¹⁰ outlines the following development priorities:

- Further expansion of the store network by increasing the number of stores in the key regions of presence as well as organic development in the less penetrated regions of Russia;
- To keep efficiency in the focus of the Company;
- To retain current customers and attract the new ones, to improve the overall brand perception through store redesign and other measures;
- To create unique customer value proposition in each format;
- To organize and develop new sales channels;
- To build efficient marketing that will meet customer expectations;
- To organize digital communication channels with customers.

Chain expansion

In the medium term the Company plans to keep high pace of business growth with a purpose to open 1,500 convenience stores, 700 drogerie stores, 20 hypermarkets and "Magnit Family" stores combined in 2018. The Company's accumulated experience and technologies enable it to open profitable small format stores in locations with the population of as little as 5,000 people and 25,000 people for hypermarkets and "Magnit Family" stores.

The Company's stores are present in 7 out of 8 federal regions: Southern, Central, Volga, North-Caucasian, North-West, Urals and Siberian. The Company plans to increase the density of its stores in these regions and continue to expand in the markets of Moscow, Saint-Petersburg and Western Siberia.

Development of the multi-format model

Currently, the Company is actively expanding its four formats: convenience store, hypermarket, "Magnit Family" and drogerie store.

The format of a convenience store is a neighborhood store oriented at all customers living within 500 meters radius. The assortment of a convenience store consists of more than 4,000 food and non-food FMCG offered at reasonable prices. Average total space of a store is 468 sq. m., average selling space is 326 sq. m.

As of December 31, 2017 "Magnit" retail chain operates 12,125 convenience stores, out of which 1,604 were opened in 2017.

Since 2007 the Company has been opening hypermarkets. As of December 31, 2017 "Magnit" retail chain operates 243 stores of this format, out of which 18 were opened in 2016.

The Company opens its hypermarkets mainly in the cities with population of 50,000 - 500,000 people; the stores are located in the city (within the city boundaries). Catchment area of this store format is 7 km radius.

Depending on the location (size of the city/district in a large city) there are 3 sub-formats of the hypermarket:

"small" with the selling space of up to 3,000 sq. m. (excluding rental space);

¹⁰ Information in this section is provided for PJSC "Magnit" and its subsidiaries

“medium” with the selling space of 3,000 – 6,000 sq. m. (excluding rental space);

“large” with the selling space of over 6,000 sq. m.; (excluding rental space).

Assortment of the hypermarket includes over 18,000 food and non-food items at affordable prices.

Strategic development of the hypermarket format enables to conduct deeper segmentation of the existing markets and consider population with different income as potential customers while achieving high turnover per store and average ticket size as well as fast pace of business growth.

In 2010 the Group started to examine a new segment of the retail market and launched 2 test stores of a new format – “a drogerie store”. Unlike convenience stores, stores under “Magnit Kosmetik” brand offer a mix of non-food group of products: personal care, household cleaning products, cosmetics and perfumery goods. As of December 31, 2017 the total number of drogeries was 3,774, out of which 667 were opened in 2017.

In May 2012 a new format – “Magnit Family” was launched. One of the reasons to expand into this format was to meet the needs of customers in wider assortment and aggressive pricing in the premises not suitable for a standard hypermarket due to space limitations.

Key features of the format are:

- Selling space of up to 1,500 sq. m.;
- Expanded fresh zone;
- Limited non-food assortment;
- Own production facilities (ready meals);

The number of the new format stores is growing through the opening of the new outlets as well as through the reformatting of certain convenience stores with excessive selling space for this format (about 1,500 sq. m.) and the upside sales potential.

In 2017 the Group opened 14 “Magnit Family” stores. As of December 31, 2017 “Magnit” retail chain operated 208 “Magnit Family” stores.

In 2017 the Group distinguished its customer value proposition for hypermarkets and “Magnit Family” stores. The first store under the new concept was opened in the end of August in Krasnodar. The following changes have been introduced to the format: name, exterior and interior design, equipment, assortment, principles of lay-out and adjacencies of categories. The logo and the format identity have been entirely changed. The assortment consists of about 9 thousand SKUs. Today “Magnit Family” is a convenient supermarket with favorable prices, comfortable customer service and the best offer of fresh products. At the end of 2017 eight “Magnit Family” stores operate under the new concept.

Pricing policy of the Company allows it to compete with open markets considering customers with income below average as the target audience.

Brand recognition and customer loyalty

The Company continues to expand its footprint into areas with the low penetration and continues to adjust its assortment to meet the needs of consumers.

Within the complex of measures taken to increase the loyalty to the “Magnit” brand, the Company analyses customers’ preferences in order to build its marketing program customized for different formats.

Other means of improving the Company's brand perception is to improve the level of service and ambiance in the stores through corresponding work with its employees.

In 2017 in order to increase efficiency of the stores and improve Magnit brand perception, the Company launched convenience stores redesign program. The changes within

the program included internal and external design of the stores, their planograms and assortment balance in favor of fresh categories.

At the end of 2017 37% of convenience stores operate after refurbishment. The Company plans to renovate 1,200 stores in 2018.

In 2017 “Magnit” revisited the concept of “Magnit Family” stores and opened 8 redesigned stores.

The renovation program helps to improve the look and atmosphere of the stores and offer better customer shopping experience.

Minimization of expenses

The main drivers of successful development in the above direction are further improvements of the logistics processes and investments in the IT system which provides the Company with maximum efficient stock and transport flow management systems, and contributes to its leadership in terms of cost control.

Active introduction of private label products to the assortment is in place to increase the Company’s profitability.

The status of Russia’s largest FMCG retail chain in terms of number of stores and customers supports the Company’s efficient cooperation with suppliers and achievement of most favorable purchasing terms.

Development of direct import, first of all direct import of fresh fruit and vegetables, also contributes to the minimization of logistics costs.

11. INFORMATION ON THE PAID DIVIDENDS

The dividend policy of the Company oriented to the social welfare of the shareholders and securing of growth of capitalization of the Company.

The Company considers the growth of capitalization as the primary way of serving of financial interests of the shareholders on the deriving revenue from the shares of the Company. The dividend policy consists in the optimization of ratios between the expendable and capitalized parts of realized profit of the Company in order to increase the market value of the shares.

The dividend policy of the Company is based on the following principles:

- the principle of transparency implies the identification and disclosure of information about the obligations and responsibilities of the parties, participating in the implementation of dividend policy, including the procedure and terms and conditions of making decisions on the dividends payment;
- the principle of timeliness implies the establishment of time limits during the payment of dividends;
- the principle of reasonableness implies that the decisions on the payment and on the amount of dividends can be adopted only in case of achievement of positive financial result by the Company, taking into consideration the development plan and its investment programs;
- the principle of justice implies the guarantee of equal rights of the shareholders for reception of information about made decisions on dividends payment, their amount and the procedure of their payment;
- the principle of sequence implies the strict performance of procedures and principles of the dividend policy;
- the principle of development implies continual amendment of dividend policy within the framework of improvement of the procedures of corporative governance and revision of its provisions due to the change of strategic aims of the Company;
- the principle of stability implies the intention of the Company to the stable dividends payment.

On June 8, 2017 (minutes of 08.06.2017) the annual General Shareholders Meeting made a decision to pay dividends on ordinary registered shares of PJSC "Magnit" following the results of 2016 reporting year.

On August 31, 2017 (minutes of 01.09.2017) the extraordinary General Shareholders Meeting made a decision to pay dividends on ordinary registered shares of PJSC "Magnit" following the results of the 6 months of 2017 reporting year.

Information on the paid dividends

Dividend period: *the 9 months of 2016.*

The amount of declared (accrued) dividends on shares of this category (type) per one share, RUB:

-the amount of dividends accrued per one ordinary registered uncertified share following the results of the 9 months of 2016 financial year – 126.12 rubles.

The total amount of the declared (accrued) dividends on all shares of this category (type), RUB:

-the total amount of dividends accrued on the ordinary registered uncertified shares following the 9 months of 2016 financial year – 11,926,078,092.60 rubles.

The date of decision on the payment (declaration) of dividends: *December 8, 2016.*

The record date: *December 23, 2016.*

The total amount of dividends paid on all shares of the issuer of one category (type), RUB:
11,926,063,462.68.

Dividend period: *year 2016.*

The amount of declared (accrued) dividends on shares of this category (type) per one share, RUB:

- the amount of dividend accrued per one ordinary registered uncertified share following the results of the 2016 reporting year – 67.41 rubles.

The total amount of the declared (accrued) dividends on all shares of this category (type), RUB:

the total amount of dividends accrued on the ordinary registered uncertified shares following the results of the 2016 reporting year – 6,374,380,940.54 rubles.

The date of decision on the payment (declaration) of dividends: *June 8, 2017.*

The record date: *June 23, 2017.*

The total amount of dividends paid on all shares of the issuer of one category (type), RUB: *6,374,348,381.52 rubles.*

Dividend period: *6 months of 2017.*

The amount of declared (accrued) dividends on shares of this category (type) per one share, RUB:

- the amount of dividend accrued per one ordinary registered uncertified share following the results of 6 months of 2017 reporting year – 115.51 rubles.

The total amount of the declared (accrued) dividends on all shares of this category (type), RUB:

- the total amount of dividends accrued on the ordinary registered uncertified shares following the results of 6 months 2017 – 10,922,782,116.05 rubles.

The date of decision on the payment (declaration) of dividends: *August 31, 2017.*

The record date: *September 15, 2017.*

The total amount of dividends paid on all shares of the issuer of one category (type), RUB:
10,922,768,716.89 rubles.

12. SECURITIES

CHARTER CAPITAL

The charter capital of the Company determines the minimum amount of assets that guarantees its creditors' interests.

As of December 31, 2017 authorized capital stock of the public joint-stock company "Magnit" amounted to 945,613.55 rubles. It consists of 94,561,355 ordinary registered uncertified shares with a nominal value per share of 0.01 rubles.

The Company was entitled to offer additional ordinary registered shares in the amount of 106,288,645 with the nominal value per share of 0.01 rubles (authorized shares).

Information on the listed shares of PJSC "Magnit" as of 31.12.2017:

<i>Description of security</i>	<i>Number of state registration</i>	<i>Date of state registration</i>	<i>Nominal, RUR</i>	<i>Total number of securities</i>
Ordinary registered uncertified shares	1-01-60525-P	04.03.2004	0.01	94,561,355
Total:				94,561,355

Structure of PJSC "Magnit" share capital as of 31.12.2017:

<i>Name</i>	<i>Number of registered entities</i>	<i>Share in the charter capital, %</i>
Legal entities	4	66.93
including nominal holders	2	66.93
Individuals	23	33.07
Total:	27	100

INFORMATION ON PLACEMENT OF ADDITIONAL SECURITIES

On November 15, 2017 the Board of directors of PJSC "Magnit" made a decision to increase the charter capital of the Company by means of placement of 7,350,000 (seven million three hundred fifty thousand) additional registered shares by means of public subscription. The Decision on the issue of additional shares and the Prospectus were approved.

On December 4, 2017 the Bank of Russia registered the additional issue of shares of the Company (state registration number of additional issue of shares No. 1-01-60525-P as of December 4, 2017).

As on December 31, 2017 the Company was in the process of securities placing.

CHANGES IN PERSONS ENTITLED TO DISPOSE, DIRECTLY OR INDIRECTLY, NOT LESS THAN FIVE PER CENT OF VOTES ATTACHED TO VOTING SHARES OF THE COMPANY

On November 15, 2017 the company LAVRENO LIMITED (domiciled at Spyrou Kyprianou 20, Chapo Central, 3' floor, 1075, Nicosia, Cyprus) acquired the right to dispose directly of 7,310,850 votes attached to voting shares of PJSC "Magnit" (7.731330%). The number of shares and votes attached to voting shares of the Company before the event amounted to 210,850 shares (0.222977%).

On November 16, 2017 the number of shares and votes attached to voting shares of the Company that LAVRENO LIMITED had the right to dispose of decreased to 210,850 shares (0.222977).

On December 5, 2017 the Company received the information that the company Dodge & Cox (555 California Street, 40th floor, San Francisco, California, 94104, USA) on the basis of a trust management agreement acquired the right to dispose indirectly of 6,610,285 votes attached to voting shares of PJSC "Magnit" (6,99%); before the event the company Dodge & Cox had the right to dispose of 4,329,385 votes attached to voting shares of PJSC "Magnit" (4,58%).

NUMBER OF SHARES OWNED BY THE COMPANY

PJSC "Magnit" does not have its own ordinary shares on the balance sheet of the Company.

NUMBER OF SHARES OWNED BY THE ENTITIES CONTROLLED BY THE COMPANY

As of December 31, 2017 the entities controlled by the company owned 730,000 voting shares of the Company that amounts to 0.771986% of the total number of ordinary registered shares.

Information on PJSC "Magnit" outstanding shares listed outside the Russian Federation in accordance with the foreign law of securities of foreign issuers certifying rights in respect of the above shares of the Company:

Category (type) of shares outstanding outside the Russian Federation: ordinary registered shares;

Percentage of shares outstanding outside the Russian Federation as a % of the total number of shares of the corresponding category (type): 29.94% (as of 31.12.2017);

name, address of the foreign issuer which securities certify the rights in respect of the shares of the Company of the corresponding category (type): JP Morgan Chase Bank, N. A., 4 New York Plaza, 12th Floor, New York, 10004 New York United States of America);

short description of the program (type of the program) of the securities issue of the foreign issuer certifying the rights in respect of the shares of the corresponding category (type): in accordance with foreign law JPMorgan Chase Bank, N. A. issued securities (global depositary receipts, "GDRs") certifying the rights in respect of the ordinary registered shares of PJSC "Magnit";

information on obtaining a permit of the federal executive body for the securities market to list the issuer's shares of the corresponding category (type) outside the Russian Federation:

- in accordance with the order of FFMS of Russia of March 27, 2008 № 08-661/pz-i placement and listing outside the Russian Federation of the ordinary registered uncertified shares of PJSC "Magnit", state registration number of the securities issue 1-01-60525-P of 04.03.2004, state registration number of the additional securities issue 1-01-60525-P-004D of 20.03.2008 in the amount of 11,522,000 (eleven million five hundred and twenty two thousand) ordinary registered uncertified shares is permitted;

- in accordance with the order of FFMS of Russia of October 02, 2009 № 09-3132/pz-i offering and listing outside the Russian Federation of ordinary registered uncertified shares of PJSC "Magnit", state registration number of the securities issue 1-01-60525-P of 04.03.2004, state registration number of the additional securities issue 1-01-60525-P-005D of 02.10.2009 in the amount of 16 792 946 (sixteen million seven hundred ninety two four thousand nine hundred forty six) ordinary registered uncertified shares is permitted;

name of the foreign trade organizer (trade organizers) through which securities of the foreign issuer certifying the rights in respect of the issuers' shares are listed: London Stock Exchange.

BONDS

The Company uses bond issues as one of the form of debt financing attracted primarily through issuance of exchange bonds.

In 2017 5 issues of PJSC "Magnit" exchange bonds were in circulation (series BO-11, BO-001P-01, BO-001P-02, BO-001P-03, BO-001P-04), with a total nominal volume of 50 bln. rubles (as of the end of the reporting year the volume in circulation amounted to 20 billion rubles).

Parameters of the bond issue of PJSC "Magnit" of BO-11 series:

<i>Identification number of the issue and the date of its assignment</i>	№ 4B02-11-60525-P of July 30, 2013
<i>Volume of the issue</i>	10,000,000,000 rubles
<i>Number of securities</i>	10,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Placement price</i>	100% of nominal value
<i>Date of placement</i>	20.10.2015
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	546th day from the date of placement (18.04.2017)
<i>Number of coupons</i>	3
<i>Trading code</i>	RU000A0JVUZ6
<i>ISIN code</i>	RU000A0JVUZ6
<i>Interest rate on the basis of the auction results</i>	11.70 %
<i>1 coupon interest rate</i>	11.70 %
<i>2 coupon interest rate</i>	11.70 %
<i>3 coupon interest rate</i>	11.70 %

The third coupon yield of BO-11 series Exchange-traded bond issue was paid on April 18, 2017. The total amount of yield paid on the third coupon amounted to 583.4 million rubles, the amount of yield of the second coupon paid per one bond amounted to 58.34 rubles.

On April 18, 2017 PJSC "Magnit" fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of the BO-11 series.

Parameters of the bond issue of PJSC "Magnit" of BO-001P-01 series:

<i>Identification number of the issue and the date of its assignment</i>	№ 4B02-01-60525-P-001P of November 5, 2015
<i>Volume of the issue</i>	10,000,000,000 rubles
<i>Number of securities</i>	10,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles

<i>Placement price</i>	100% of nominal value
<i>Date of placement</i>	11.11.2015
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	546th day from the date of placement (10.05.2017)
<i>Number of coupons</i>	3
<i>Trading code</i>	RU000A0JVXM8
<i>ISIN code</i>	RU000A0JVXM8
<i>Interest rate on the basis of the auction results</i>	11.20 %
<i>1 coupon interest rate</i>	11.20 %
<i>2 coupon interest rate</i>	11.20 %
<i>3 coupon interest rate</i>	11.20 %

The third coupon yield of BO-001P-01 series Exchange-traded bond issue was paid on May 10, 2017. The total amount of yield paid on the third coupon amounted to 558.5 million rubles, the amount of yield of the second coupon paid per one bond amounted to 55.85 rubles.

On May 10, 2017 PJSC “Magnit” fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of the BO-001P-01 series.

Parameters of the bond issue of PJSC “Magnit” of BO-001P-02 series:

<i>Identification number of the issue and the date of its assignment</i>	№ 4B02-02-60525-P-001P of February 24, 2016
<i>Volume of the issue</i>	10,000,000,000 rubles
<i>Number of securities</i>	10,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Placement price</i>	100% of nominal value
<i>Date of placement</i>	29.02.2016
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	728th day from the date of placement (26.02.2018)
<i>Number of coupons</i>	4
<i>Trading code</i>	RU000A0JW662
<i>ISIN code</i>	RU000A0JW662
<i>Interest rate on the basis of the auction results</i>	11.20 %
<i>1 coupon interest rate</i>	11.20 %
<i>2 coupon interest rate</i>	11.20 %
<i>3 coupon interest rate</i>	11.20 %
<i>4 coupon interest rate</i>	11.20 %

The second coupon yield of BO-001P-02 series Exchange-traded bond issue was paid on February 27, 2017. The total amount of yield paid on the second coupon amounted to 558.5 million rubles, the amount of yield of the second coupon paid per one bond amounted to 55.85 rubles.

The third coupon yield of BO-001P-02 series Exchange-traded bond issue was paid on August 28, 2017. The total amount of yield paid on the third coupon amounted to 558.5 million rubles, the amount of yield of the second coupon paid per one bond amounted to 55.85 rubles.

Parameters of the bond issue of PJSC “Magnit” of BO-001P-03 series:

<i>Identification number of the issue and the date of its assignment</i>	№ 4B02-03-60525-P-001P of April 4, 2016
<i>Volume of the issue</i>	10,000,000,000 rubles
<i>Number of securities</i>	10,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Placement price</i>	100% of nominal value
<i>Date of placement</i>	12.04.2016
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	728th day from the date of placement (10.04.2018)
<i>Number of coupons</i>	4
<i>Trading code</i>	RU000A0JWCF4
<i>ISIN code</i>	RU000A0JWCF4
<i>Interest rate on the basis of the auction results</i>	10.60 %
<i>1 coupon interest rate</i>	10.60 %
<i>2 coupon interest rate</i>	10.60 %
<i>3 coupon interest rate</i>	10.60 %
<i>4 coupon interest rate</i>	10.60 %

The second coupon yield of BO-001P-03 series Exchange-traded bond issue was paid on April 11, 2017. The total amount of yield paid on the second coupon amounted to 528.5 million rubles, the amount of yield of the second coupon paid per one bond amounted to 52.85 rubles.

The third coupon yield of BO-001P-03 series Exchange-traded bond issue was paid on October 10, 2017. The total amount of yield paid on the third coupon amounted to 528.5 million rubles, the amount of yield of the second coupon paid per one bond amounted to 52.85 rubles

Parameters of the bond issue of PJSC “Magnit” of BO-001P-04 series:

<i>Identification number of the issue and the date of its assignment</i>	№ 4B02-04-60525-P-001P of June 30, 2016
<i>Volume of the issue</i>	10,000,000,000 rubles
<i>Number of securities</i>	10,000,000 bonds
<i>Nominal value of each security</i>	1,000 rubles
<i>Placement price</i>	100% of nominal value
<i>Date of placement</i>	05.07.2016
<i>Method of placement</i>	open subscription
<i>Redemption date</i>	541st day from the date of placement (28.12.2017)
<i>Number of coupons</i>	3

<i>Trading code</i>	RU000A0JWML1
<i>ISIN code</i>	RU000A0JWML1
<i>Interest rate on the basis of the auction results</i>	10.00 %
<i>1 coupon interest rate</i>	10.00 %
<i>2 coupon interest rate</i>	10.00 %
<i>3 coupon interest rate</i>	10.00 %

The second coupon yield of BO-001P-04 series Exchange-traded bond issue was paid on June 29, 2017. The total amount of yield paid on the second coupon amounted to 498.6 million rubles, the amount of yield of the second coupon paid per one bond amounted to 49.86 rubles.

The third coupon yield of BO-001P-04 series Exchange-traded bond issue was paid on December 28, 2017. The total amount of yield paid on the second coupon amounted to 498.6 million rubles, the amount of yield of the third coupon paid per one bond amounted to 49.86 rubles.

December 28, 2017 PJSC “Magnit” fulfilled its obligations to bond holders on time and in full and redeemed the nominal value of bonds of the BO-001P-04 series.

In order to provide long-term financing opportunities in the form of local bond issue there are three PJSC "Magnit" Programs of exchange-traded bonds with the total available limit of 110 bln. rubles. As the bond programs are not limited in time it enables prompt bond issue in line with the Company's financing needs.

SHARES TRADING

The shares of PJSC “Magnit” entered the Russian stock market in April 2006.

On April 14, 2006 the shares of PJSC “Magnit” were admitted to trading in the section of the List “Listed securities but not included into the quotation lists” of non-profit partnership ““Russian Trading System” Stock Exchange”.

On April 24, 2006 trading of PJSC “Magnit” shares in the List of non-listed securities of Close joint-stock company “MICEX Stock Exchange” commenced.

On April 28, 2006 the IPO of PJSC “Magnit” on the Russian Trading System (RTS) and the Moscow Interbank Currency Exchange (MICEX) was completed.

The price of one share of PJSC “Magnit” in the course of offering on RTS and MICEX was determined on the level of 27 USD. Proceeds from the stock comprising 18.94% of the charter capital amounted to 368,355 million USD. Deutsche UFG functioned as an IPO coordinator; foreign investors could participate by purchasing the securities of “Magnit” according to the rule “S”.

Since December 11, 2007 the shares of PJSC “Magnit” have been included into the Quotation list “B” of OJSC “Russian Trading System” Stock Exchange”. OJSC “Magnit” shares have been admitted to trading in the corresponding list on December 13, 2007.

On December 21, 2007 PJSC “Magnit” shares were included in the quotation list “B” of CJSC “MICEX SE” and admitted to trading in the corresponding list.

On February 13, 2008 OJSC “Magnit” announced its intention to list global depositary receipts (“GDRs”) representing its ordinary shares on the London Stock Exchange in connection with an offering by the Company of 11,300,000 newly issued ordinary shares in the form of

GDRs and shares (including as part of the exercise of statutory pre-emptive rights by the existing shareholders of the Company and by a Company's shareholder of ordinary shares in the form of shares and GDRs.

The offer price was set at 42.50 USD per share. The offer price in ruble terms was set based on the rate of 23.4450 rubles per dollar.

A total of 11,245,660 ordinary shares were offered including 9,719,638 shares allocated to international institutional investors. In connection with the offering the selling shareholder has granted the joint bookrunners an over-allotment option to purchase up to an additional 506,585 shares at the offer price which was exercised in full.

Conditional dealings in the GDRs commenced on the London Stock Exchange on April 16, 2008 (5 GDRs representing an interest in one share). Admission of the GDRs to the Official List of the UK Listing Authority occurred on April 22, 2008.

Proceeds from the offering amounted to approximately 480.25 million USD and were used to finance further expansion of the Company's chain of hypermarkets as well as to continue the expansion of its convenience store operations and further development of its logistics capabilities.

Since July 22, 2009 ordinary shares of the Company were included (transferred) into the Quotation list "A" of the second level at the "Russian Trading System" Stock Exchange".

On August 7, 2009 ordinary shares of the Company were included (transferred) into the Quotation list "A" of the second level at the Moscow Interbank Currency Exchange and admitted to trading in the corresponding list.

On September 2, 2009 PJSC "Magnit" announced its intention to offer additional 11,154,918 ordinary shares by public subscription.

The offer price amounted to 65 USD per ordinary share and 13 USD per GDR.

A total of 5,729,413 ordinary shares were offered. 5,680,000 newly issued ordinary shares in the form of GDRs have been allocated to international institutional investors, resulting in a total free float of 46.51% of the Company's issued share capital as of December 31, 2009.

Gross proceeds to the Company from the follow-on offering amounted to approximately 369.2 USD and were used to finance further expansion of its chain of hypermarkets as well as to continue the expansion of its convenience stores operations and further development of its logistic capabilities.

Since November 14, 2010 shares of PJSC "Magnit" have been included (transferred) into the Quotation list "A" of the first level at the "Russian Trading System" Stock Exchange".

According to the Instruction of CJSC "MICEX Stock Exchange " № 1387-p of 29.12.2010 PJSC "Magnit" shares are included in (transferred to) the quotation list "A" of the first level of CJSC "MICEX Stock Exchange".

On November 30, 2011 PJSC "Magnit" announced its intention to offer newly issued ordinary shares via an accelerated bookbuild placing to Russian and international institutional investors.

In connection with the placement the Company has registered with the Russian Federal Financial Market Service 10,813,516 new shares to be placed through an open subscription.

The offer price in the Placement has been set at US\$ 85 per new share. Payments for shares in rubles were made at an exchange rate of US\$1 = RUB 30.8486.

The Company placed 5,586,282 ordinary shares out of which 4,117,648 shares were allocated to investors resulting in a free float of 53.83% of the Company's issued share capital as of December 31, 2011.

Gross proceeds to the Company from the placement of additional shares amounted to approximately US\$ 475 mn and used to finance its capital expenditure program aimed at further expansion of its chain of hypermarkets as well as the expansion of its convenience store operations and the further development of its logistics capabilities.

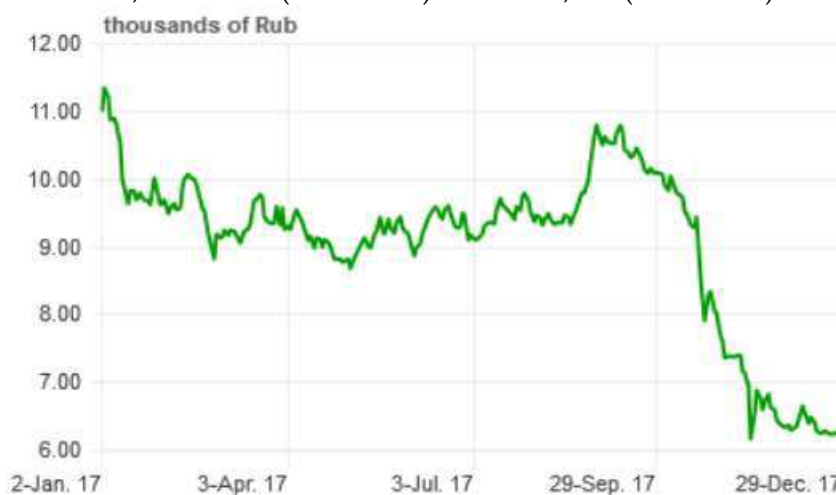
On December 19, 2011 ordinary shares of PJSC "Magnit" were excluded from the Quotation list "A" of the first level of OJSC "RTS Stock Exchange" as a result of its reorganization through merger with CJSC MICEX.

Since June 18, 2013 the shares of PJSC "Magnit" have been included into the Blue Chip Index Constituents of MICEX. Moscow Exchange Blue Chip Index is an indicator of the market of the most liquid stocks of the Russian companies. The index is calculated on the basis of the most liquid stocks of the Russian stock market. The index is based on the share prices denominated in rubles.

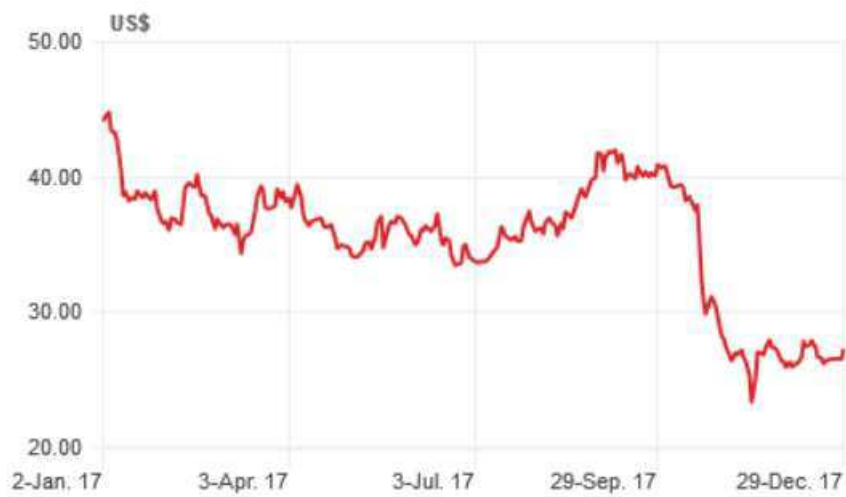
On June 6, 2014 the ordinary registered shares of PJSC "Magnit" were included in the list of securities admitted to trading on the OJSC "Saint-Petersburg Exchange".

On November 15, 2017 PJSC "Magnit" Board of Directors made a decision to increase charter capital by means of placement of additional 7,350,000 shares. The offer price was determined at 6,185 rubles per share. The shares were placed by means of open subscription. The placement of shares was completed on January 15, 2018.

According to trading held from 03.01.2017 to 29.12.2017 on PJSC Moscow Exchange (previously – CJSC "MICEX Stock Exchange") the average weighted price of transactions with shares varied from min 6,274 rubles (15.11.2017) to max 11,316 (03.01.2017).



According to the trading held from 04.01.2017 to 29.12.2017 on the London Stock Exchange the price of transactions with the global depositary receipts as of closing varied from min \$23.39 (15.11.2017) to max \$44.80 (04.01.2017).



Market capitalization of PJSC "Magnit" as of December 29, 2017 amounted to 598,298,693,085.00 rubles according to PJSC "Moscow Exchange" (previously – CJSC "MICEX SE").

13. TRANSACTIONS EXECUTED WITHIN THE YEAR 2017 CONSIDERED MAJOR TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT STOCK COMPANIES"

1	
Date of Transaction	<i>26.06.2017</i>
Subject and other essentials of transaction	<i>loan of funds at the interest rate of 8.48% per annum</i>
Parties of transaction	<i>the Lender – Public Joint Stock Company «Magnit»; the Borrower – Joint Stock Company «Tander».</i>
Transaction amount in money terms, thousand rubles.	<i>32,500,000</i>
Transaction amount in percent of the company's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	<i>27.93</i>
Deadline for the fulfillment of the obligations under the transaction	<i>23.06.2020</i>
Information on performance of specified obligations	<i>The Lender's obligations are fulfilled. JSC "Tander" timely fulfills its obligation to the Lender.</i>
Company's authority which made a decision on approval of the transaction, date of decision (date and number of minutes)	<i>The transaction was approved by the Board of directors on March 28, 2017, minutes as of March 28, 2017</i>
Other information on transaction indicated at the Company's discretion	<i>None</i>
2	
Date of Transaction	<i>29.09.2017z</i>
Subject and other essentials of transaction	<i>The provision of the guarantee by the Public Joint Stock Company «Magnit» under the General agreement No. 0052/2017/0108 of September 29, 2017 on opening of the revolving framework credit line with tiered interest rates executed between PJSC "Sberbank" and JSC "Tander".</i>
Parties of transaction	<i>The Creditor - Public Joint Stock Company "Sberbank of Russia», the Guarantor – Public Joint Stock Company «Magnit»; the Borrower (beneficiary) – Joint-Stock company "Tander".</i>
Transaction amount in money terms, thousand rubles.	<i>31,000,000</i>
Transaction amount in percent of the company's balance sheet assets as of the termination date of	<i>25.25</i>

the last accounting period preceding the date of transaction, %	
Deadline for the fulfillment of the obligations under the transaction	28.09.2025
Information on performance of specified obligations	<i>JSC "Tander" timely and in full fulfills its obligation to the Creditor. There were no situations involving the Creditor's demands to the Guarantor to fulfill the unperformed obligations of JSC "Tander".</i>
Company's authority which made a decision on approval of the transaction, date of decision (date and number of minutes)	<i>The transaction was approved by the Board of directors on July 27, 2017, minutes as of July 27, 2017.</i>
Other information on transaction indicated at the Company's discretion	None
3	
Date of Transaction	27.12.2017
Subject and other essentials of transaction	<i>loan of funds at the interest rate of 8.1% per annum</i>
Parties of transaction	<i>the Lender – Public Joint Stock Company «Magnit»; the Borrower – Joint Stock Company «Tander».</i>
Transaction amount in money terms, thousand rubles.	38,970,670.66
Transaction amount in percent of the company's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	34.21
Deadline for the fulfillment of the obligations under the transaction	25.12.2020
Information on performance of specified obligations	<i>The Lender's obligations are fulfilled. JSC "Tander" timely fulfills its obligation to the Lender.</i>
Company's authority which made a decision on approval of the transaction, date of decision (date and number of minutes)	<i>The transaction was approved by the Board of directors on December 20, 2017, minutes as of December 20, 2017.</i>
Other information on transaction indicated at the Company's discretion	None

14. TRANSACTIONS EXECUTED WITHIN THE YEAR 2017 CONSIDERED RELATED PARTY TRANSACTIONS ACCORDING TO THE FEDERAL LAW "ON JOINT STOCK COMPANIES"

Information on the transactions executed in 2017 year and considered as related party transactions according to the Federal Law "On Joint Stock Companies" is represented in the annex to the Annual Report (ref. Annex №5).

15. DESCRIPTION OF MAIN RISK FACTORS RELATED TO THE COMPANY'S OPERATIONS

The Company's policy of the risk management

Since the Company and its subsidiaries operate within one group of companies (hereinafter - "the Group" or "Magnit" retail chain"), where PJSC "Magnit" serves as the holding company, the description of risks to the greater extent is provided for the entire Group.

The description of risk factors provided herein is not exhaustive; it only reflects the view and individual assessments of the management of the Group. Apart from the risks specified in this report, other risks which are not included in this report may negatively affect the return on investments in the securities of the Company. Such other risks, including those which the management of the Group is not aware of or which it considers immaterial at the present time, may also lead to a decrease of proceeds, increase of expenses or other events and (or) consequences, as a result of which the value of the Company's securities may fall.

In case one or several risks occur of those described below, the Group will take all possible measures to minimize the impact of negative changes. Today it is impossible to determine specific acts of the Group if any of the provided risks occur because the elaboration of measures adequate to the corresponding events is complicated due to uncertainty of the situation in future. Parameters of the measures to be taken will depend on the specific situation on a case-by-case basis. The Group cannot guarantee that the measures taken to overcome negative changes will remedy the situation, as the majority of the described risks are beyond the Group's control.

The Group applies a systematic approach to risk management in accordance with the Internal control and risk management policy of PJSC "Magnit". The key elements of the risk management policy in each area are:

- Risk identification,
- Risk assessment,
- Elaboration and implementation of risk management framework, and
- Ongoing monitoring of risks.

Risk management is carried out in respect of the entire Group.

In respect of the industry risks the mid and long-term assessment of the industry is made based on the macroeconomic forecasts of the Ministry of Economic Development and Trade and investment analysts. The assessment covers the future demand based on the forecasts of the population incomes and the level of consumption. The assessments include industry trends in respect of various channels, segmentation of demand by channels and competitive environment.

Based on the analysis the strategy of development is worked out to strengthen the competitive position and increase the market share of the Group.

In respect of the country and regional risks, the political and economic situation is monitored and the level of risks of disaster and of possible disruption of transportation in the regions of "Magnit" retail chain" presence is estimated. Territorial diversification of operation of the Group contributes to additional reduction of these risks.

In respect of the financial risks, the level of interest rate, currency, credit and liquidity risks is estimated.

Interest risk is managed by means of choosing the financing methods that are most optimal for the Group and by matching of timing of mobilization of resources with the timing of the projects which are financed by them. To optimize the resources the Group develops its credit history, expands the data base of potential creditors and diversifies instruments to receive the funds.

The reduction of cost of the raised resources is achieved due to the policy aiming at improvement of the information transparency. One of the tools of interest risk management is the forecasting of changes in interest rates and assessment of the appropriate leverage level of the Group adjusted for this possible change of interest rates.

In respect of the currency risk, forecasts of the analysts on a possible change in the exchange rates are estimated and decisions on the acceptable amount of assets and liabilities in the foreign currency are made.

In respect of the liquidity risks, the Group maintains well-balanced ratio of assets and liabilities in terms of timing.

In respect of the credit risks, analysis of the financial position of counteragents and the system of limits apply.

INDUSTRY RISKS

Risks related to the consumer demand and competition

Unfavorable changes in macroeconomic conditions and decrease of consumer demand in Russia may result in degradation of the growth dynamics and profitability of the industry and negatively affect sales and income of the Group

The Group operates in the food and non-food retail sector. The development of the retail sector, in which the Group operates, in many aspects depends on macroeconomic factors because the demand for the consumer goods is conditioned by the disposable income of population. In case of economic instability the decrease of the real disposable income of population may lead to weaker dynamics of growth and profitability of the industry. It should be noted that the state of the Russian economy is conditioned a lot by the oil price and other energy and mineral resources in the world market. Decrease of oil prices and prices on other mineral resources may have a material negative impact on the economy of the Russian Federation and lead to weakening of the national currency and escalation of inflation, what, in its turn, can cause a drop in real disposable income of the population and, as a consequence, a reduction in consumer spendings. Besides, introduction and further tightening of economic sanctions against the Russian Federation by the United States of America, the European Union member states and some other countries due to the developments in Ukraine has been detrimental to the state of the Russian economy.

Consumer demand in the markets where the Group operates depends on a number of factors which are beyond the Group's control, including demographic factors, consumer preferences and their purchasing power. A decline of the consumer demand or a change of the consumer preferences may significantly reduce sales and profit of the Group and have a material adverse effect on the business, financial condition and operational results of the Group.

High level of competition may lead to the decline of the Group's market share, to slowdown in the rate of growth of its proceeds and to a reduction of its profits

The Group operates in the territory of the Russian Federation with the highest concentration in the Southern, North-Caucasian, Central and Volga Federal Districts, and in the years to come it plans to continue its expansion in these federal districts, as well as in the Northwestern, Urals and Siberia Federal Districts. The retail market of the Southern federal region, where the Company is registered and where its Head Office is located, as well as the retail markets of the Central and Volga federal districts, where most of the Group's stores are located, are quite competitive regional markets in Russia and are represented by most of the major Russian companies as well as by a number of foreign companies.

The Group competes with a significant number of Russian and international companies. Retail chains compete with each other primarily on the ground of the store locations, product quality, service level, price, product mix and store conditions. Entrance of additional companies to the Russian market may further intensify competition and reduce the efficiency of the Group. Main competitors of the Group in the "convenience store" format are "Pyaterochka" and "Dixy", while in the "hypermarket" format these are "Auchan", "Perekrestok", "Karusel", "Lenta" and "O'key". The Group also competes with regional and local retail chains, individual groceries and food markets.

Russian retail is characterized by a high level of competition which has become still higher during the recent years. For example, according to estimates of the management of the Group, only during 2017 the key competitors of the Group opened over 2,500 new stores the market areas of which (within which the owners of such stores can expect a consumer demand) overlap with the market areas of the nearby stores of the Group. By the end of 2017 the market areas of almost 10,000 convenience stores (nearly 82% of all convenience stores owned by the Group) overlapped with the market areas of the key competitors of the Group. In view of ongoing growth of chain stores of major companies, the level of competition is expected to keep growing.

Some of the Group's competitors are major companies and have great opportunities to mobilize resources for further development of their trading networks. If the process of growth of trading networks of such companies remains as intensive as during the previous years, or new major companies appear in the Russian market through acquisition of existing companies or building up their own greenfield networks, then competition may substantially increase, which may negatively influence the market share of the Group and its competitive position. The ability of the "Magnit" retail chain to retain its competitive position depends on its opportunities to maintain and develop the existing stores and open new stores in good locations, as well as to offer competitive prices and services. There is no guarantee that the Group will be able to successfully compete with the existing or new competitors in future.

At the current stage of competitive activity considerable risks for the Group are also linked to the fact that the main competitors of the Group use more aggressive methods, such as winning additional target markets through expansion of franchising schemes. Such approach enables the competitors to expand their presence rapidly in many regions of Russia as well as to considerably reduce the costs of the new store openings. Non-use of the franchising schemes by the Group may lead to a serious reduction of flexibility in geographical coverage, and as a result to the loss of a considerable market share.

These factors together with the economic environment and strategy of the discount pricing may lead to further competition intensification and negatively affect business, financial position and operational results of the Group.

Risks related to the possible restriction of competition and regulation of the industry

The Russian legislation limits the activity of entities which occupy the dominant position on the market. If any of the Group's companies is declared a body occupying the dominant position, its activity (including pricing policy) may be restricted. Such situation may adversely affect the operational activity of the Group and its regional expansion strategy.

Some legislative initiatives aimed at competition protection and regulation of trade activity may have negative consequences for the Group's business. Specifically, in accordance with Federal Law № 381-FZ "On the principles of state regulation of trading activities in the Russian Federation" effective from February 1, 2010, dominant food chains (which threshold of dominance on the retail market within the boundaries of the region, municipal area or urban district exceeds 25%) are prohibited from purchasing and renting additional selling space within the boundaries of the relevant administrative-territorial entity. In addition, the amendments introduced by Federal Law № 273-FZ dated July 03, 2016 tightened regulatory controls over purchasing activities of trading networks by limiting the size of remuneration to trading networks from suppliers and manufacturers and the duration of the permitted extension of payment of accounts payable due to suppliers or manufacturers.

A change in consumption priorities in view of a possible considerable growth of the income level of the population in future can lead to a reduction in the number of customers of companies focused mainly on low-income or medium-income consumers, including those of the Group

There exists a risk of narrowing of the target audience of the companies which mainly focus on low-income or medium-income consumers, including that of the Group, in case of a possible significant growth of income of the population in future, which may lead to an outflow of customers from stores of such companies, including the stores of the "Magnit" retail chain. The Russian food retail market is subject to changing customers' preferences, needs and trends. The Group's target audience is mainly the consumers with low or medium income level. If the disposable income of the population considerably grows in future, there exists a risk that the Group may not be able to adjust the product mix in its stores according to the changed consumer needs, and thus may lose part of its target audience. As a result, the number of customers who shop at the stores of the Group may reduce (or the growth rate of the number of customers may significantly reduce as compared to the previous periods), or the size of the average ticket in the Group's stores may reduce, which could adversely affect the business of the Group, its operational results, financial position and prospects.

Seasonality of the consumer demand may lead to fluctuations of the Group's results in different periods of time

The seasonal factor does have certain influence on operational results of the Group. The Group experiences short-time pick-ups in buying activities on pre-holiday and holiday days, with further minor reduction in buying activities after the holidays. Turnover considerably grows before the New Year festivities (generally during the two last weeks of a year), with a reduction therein after the New Year festivities, sales growth is observable in the context of the International Women's Day, and decreasing sales of meat products are observable in spring as certain customers observe Lent. Sales of seasonal products influence over intermediate results.

Risks related to possible fluctuations of prices on products, raw materials and services used by the Group in its activity, and their impact on the Group's activity and fulfillment of the Company's obligations on the securities

The increase of the Group's expenses may have a material adverse effect on its profitability. The operating efficiency of the Group to a great extent depends on the prices for the products purchased for the retail sale, prices for raw materials, prices for the services used by the Group in its operations, and on the amount of rent payment for movable and real property and new stores construction, acquisition and opening costs. Changes in the agreement processes and procedures of obtaining rights for the land plots (including lease rights), fluctuations of the norms and regulations applicable to the Group activity, town-planning, tax and environmental legislations in particular, may entail the growth of the store opening costs or costs for the use of the premises for stores, as well as the increase of the payback period for the Group. The growth of the purchasing prices, the growth of the store opening costs, growth of the prices for land plots (or any other real estate) and of the amount of rent payment for the use thereof, as well as the growth of employees' wages may lead to a substantial growth of the Group's expenses, and, adversely affect the profitability of the Group if the Group is not able to adequately increase the sale prices due to a low purchasing power of the population in particular. Since the retail chain of the Group while working with one of the most economical formats mainly targets at low- and medium-income customers, the Group is substantially exposed to the above risk. Decrease of profitability may negatively affect the ability of the Company's relevant body to decide on the payment of yield on the securities and the market value of the Company's securities, as well as affect the fulfilment of obligations on the placed securities in full.

Risks related to possible fluctuations of the prices on products and/or services of the Group, and their influence on the Group's activity and its fulfillment of the Company's obligations on the securities

Changes of the product prices at the retail chain of the Group stores are largely determined by changes of purchase prices of the Group. The Group is doing their best not to increase the mark up on the products. The growth of the product prices may negatively affect the purchasing power of the population. Amidst inflation the growth of the product prices is more likely to happen, which causes the erosion of purchasing power of the population.

Deterioration of the macroeconomic environment and the subsequent erosion of purchasing power of the population may also lead to the decline of selling prices which most often is expressed in increased sending out of special (substantially lower) price quotations. And, if the purchase prices are less reduced than the selling prices, it will lead to a decline of the profitability of the Group.

As a result of the deterioration of the macroeconomic situation in Russia starting from 2014 and the related weakening of the purchasing power of the population, together with the concurrent intensification of competition among major retail companies, a situation has come about when the level of sending out of special price quotations both in the industry in general and in the Group's stores has considerably raised. During the recent years the population has accustomed to a wide use of discounts for many categories of products, especially for durable products. As a result, though the substantial majority of retail companies recognize the importance of a considerable lowering of the level of special price quotations, attempts to implement such a reduction in the industry can fail due to a firmly established conduct of purchasers who wait for discounting and postpone purchasing. Continuation of the existing

situation with a wide use of special price proposals or a further growth of discounting can lead to the profitability decline in the industry in general, including that of the Group.

Risks related to real estate investments and lease of real estate

Lack of reliable information on the real estate market and a possible drop in prices for the real estate acquired by the Group

Lack of reliable information on the real estate market in the Russian Federation makes it difficult to estimate the value of the real estate owned by the Group. The amount of reliable public information and research concerning the real estate market in Russia is limited. The volume of the available data is not that comprehensive and complete as similar data on the real estate market in other industrially developed countries. The lack of information makes it difficult to assess the market value and the rent price of the real estate in Russia. Therefore, there is no confidence that the price set to the real estate of the Group reflects its market value.

The Group makes substantial investments into the real estate for store premises. The market of any goods including commercial property is subject to fluctuations. Market value of the real estate may decline or grow due to different factors, including: a) changes in the competitive environment; b) changes of the attractiveness level of the real estate on the Russian market in general and on the regional markets where the real estate objects of the Group are located due to the changes of the country and regional risks; and c) fluctuations of the demand for commercial real estate.

As a result of negative changes on the real estate market, the value of the real estate acquired by the Group may decline and, thus, negatively affect the assets' value of the Group. Thus, in case of disposal of such property the Group won't be able to compensate its acquisition costs, what may negatively affect the financial position of the Group.

Inability to obtain rights on the suitable real estate object on commercially reasonable terms, to protect rights of the Group to the real estate or to construct new stores on the acquired land plots may have a material adverse effect on the economic operation and financial position of the Group

Ability of the Group to open new stores largely depends on identification and lease and/or acquisition of the real estate appropriate for its needs on commercially reasonable terms. The property market, especially in large cities of Russia, is highly competitive, and in conditions of favorable economic environment the competition for, and, therefore, the cost of high quality real estate objects may increase. If in the future due to any reason, including competition from the other companies, which are interested in the similar objects, the Group is not able to identify and lease and/or buy the new objects in due time, the Group's anticipated growth will be negatively affected. Even after the Group obtains rights on the suitable objects, it may experience difficulties or delays when obtaining permissions from various regional authorities, required for the exercise of the Group's rights to use, renovate or reequip the stores. Therefore, there's no guarantee that the Group will be able to successfully identify, lease and/or purchase the appropriate real estate objects on acceptable terms.

Failure to renew lease contracts for the stores or extend them on reasonable terms may have material adverse effect on the economic activity and financial position of the Group

It is impossible to guarantee that the Group will be able to prolong its lease contracts on acceptable terms, and even the possibility itself to prolong lease contracts upon their

expiration. If the Group is not able to extend the lease contracts for its stores as they expire or lease other suitable objects on reasonable terms, or if the actual lease contracts of the Group are terminated for any reason (including loss of ownership to such objects by the lessor), or if the contract terms are revised in the prejudice of the Group, it may have a negative impact on its financial position and operation results.

Deficiency of professional building contractors may negatively affect the development strategy of the Group

The ability of the Group to construct and/or equip the new specially built stores is extremely important for its strategy and commercial success. The Group operates in the markets which face the deficiency of highly-skilled contractors able to build new stores in due time and in compliance with standardized requirements of the Group. It is impossible to guarantee that the Group will be able to find sufficient number of qualified projectors which could enable the Group to construct and open new stores in due time. Failure of the Group to construct and equip new stores on the newly acquired land plots in due time may be detrimental to its ability to perform tasks which are set in its strategic development plans.

Dispute of the Group's rights to the real estate or cessation of the Group's projects for new stores' construction may have material adverse effect on the economic activity and financial position of the Group

Group's operations include obtaining of ownership rights and lease rights to land plots and buildings for the purposes of the construction and/or equipping new stores. Besides, the Group owns buildings and facilities where its offices are located. Russian land and property legislation is complex and often ambiguous, and may contain contradictory provisions at the federal and regional levels. In particular, it is not always clear which state authority is entitled to lend particular land plots, besides the procedures of construction approval are complex, the decisions made in compliance with these procedures can be contested or cancelled. Construction and environmental regulations often contain the requirements which are in practice impossible to meet in full. As a result, ownership and lease rights of the Group to land plots and premises may be challenged by governmental authorities and third parties, and, thus, its construction projects may be delayed or cancelled.

According to the Russian legislation, real estate transactions may be disputed on many grounds, including ineligibility of the property seller or right holder to dispose such property, breach of internal corporate requirements of the counterparty and failure to register the transfer of rights in the unified state register of rights to real estate and transactions therewith. As a result, breaches in the past real estate transactions may lead to invalidation of such transactions with certain real estate objects, which may have material adverse affect on the rights of the Group to this real estate.

It is also worth noting that Russian law does not require certain encumbrances over real estate (including leases for less than one year and uncompensated use agreements) to be registered with the unified state register of rights to real estate and transactions therewith to legally validate the charge. Besides, the time limits within which the charge liable for registration in the unified state register of rights to real estate and transactions therewith should be entered into this register, are not stipulated in the law. Therefore, there is always a risk that the third parties at any time may register or claim the existence of encumbrances (of which the Group had not been aware of) on the real estate owned or leased by the Group.

Prospective actions of the Group in case of industrial fluctuations

In case one or several of the risks described above arise, the Group will undertake all possible measures to reduce the effect of the existing negative fluctuations. It is impossible to determine particular actions of the Group in case any of the events listed in the risk factors and described in this paragraph occur in future, because elaboration of the adequate measures is complicated due to uncertainties of the developments in future. The character of the applied actions will depend on the specific situation on a case-by-case basis. The Group cannot guarantee that the activities taken to overcome negative fluctuations will lead to considerable changes in the situation, as most of the above risks are beyond the Group's control. In case of deterioration of the situation in the sector, the management of the Group plans:

- To continue, if possible, expanding operations of the Group in order to reduce the cost of goods and diversify some risks through the ongoing growth of scale;
- To continue monitoring the least prospective stores and, if the measures to raise profitability of these stores are not rewarding, to close such stores expeditiously;
- To extend the territory of the operation of the Group by choosing the most profitable regions of Russian Federation in terms of growth prospects;
- To carry out adequate changes in the pricing policy for maintaining the demand for goods on the necessary level;
- To take additional measures to cut the costs;
- To continue attracting highly-skilled specialists as well as entering into agreements with reliable partners, counteragents and contractors, which enables further considerable reduction of risks, and
- to conduct a detailed analysis of the planned operations of the Group in order to reduce the cost of investments, reduce the expenses and gain higher profits.

COUNTRY AND REGIONAL RISKS

The Company and JSC "Tander" (the main operating company of the Group which controls trading assets and is the Group's center of revenue consolidation) are registered as a tax-payer in the Southern federal region, the city of Krasnodar.

As the Group operates in the Russian Federation, the main country and regional risks affecting the operation of the Group are the risks within the Russian Federation. However, due to the globalization of the world economy, considerable deterioration of the economic situation in the world may lead to a serious economic recession in Russia and as a result to a decrease of demand for consumer goods.

Despite the fact that during the last few years there have been positive changes in many public spheres in Russia - the economy was growing, political stability has been achieved, Russia is still the state with the rapidly developing and changing political, economic and financial systems. Apart from economic risks, Russia is more exposed to the political and regulatory risks than the other countries with the developed market economy.

POLITICAL RISKS

Political instability in Russia may have a negative effect on the cost of investments in securities of Russian companies, as well as on the price of the Company's securities

Since 1991 Russia has been undergoing the transformation from the single-party government with the centralized planned economy to the federal republic with democratic institutions and market-oriented economy.

The progress of political and other reforms from 1991 was uneven. The composition of the Government of the Russian Federation, including the prime minister, was unstable on a periodic basis. For example, from March 1998 to May 2008 there were six prime-minister shifts. Vladimir Putin was for the first time elected the President of Russia in March 2000. Since then the composition of the Government of the Russian Federation has been highly stable. In March 2008 Dmitry Medvedev was elected the President of Russia, and during his administration Vladimir Putin was the Prime Minister. In March 2012 Vladimir Putin was again elected the President, and in March 2018 he was re-elected again for the six-year term. Currently Dmitry Medvedev is the Prime Minister. Although it ensured state stability, oppositional organizations were very active from the end of 2011 to the middle of 2013, mainly due to the results of the parliament and presidential elections. Intensification of political instability in Russia can have a negative impact on the cost of investments in securities of Russian companies, as well as on the value of the Company's securities.

Political instability intensified during the period since 2014 may lead to deterioration of the macroeconomic situation in Russia, including flight of capital, decrease of investments and business activity.

Accession of the Crimea to Russia caused a strong negative reaction of the western countries. In particular, the United States of America and the European Union countries as well as Ukraine strongly reject to acknowledge the referendum held in the Crimea and further accession of the Crimea to the Russian Federation legitimate. Beginning from March 2014 the United States of America, the European Union countries and some other countries started to introduce various sanctions against a number of the Russian administrative officials, politicians, businessmen, companies and banks.

The beginning and further escalation of the Ukrainian conflict between the army and the other armed groups of Ukraine on the one hand, and advocates of independency from Ukraine on the other hand, caused significant expansion and toughening of sanctions against Russia on the part of western countries starting from July 2014. In particular, the United States of America introduced the so-called sectoral sanctions against Russian state banks as well as a number of companies operating in the power generating and military sectors of economy. The most meaningful part of the sectoral sanctions for the Russian economy and financial system is the prohibition on purchase, sale, investment services and assistance in issuance or any other transactions with the securities and money market instruments with the circulation period of over 30 days, if the issuer is (i) one of the five Russian state banks (PJSC Sberbank, PJSC VTB Bank, Gazprombank (JSC), Vnesheconombank or Russian Agricultural Bank), one of their subsidiaries or a person, acting on behalf of or on the instructions of these Russian state banks and their subsidiaries; (ii) one of a number of the Russian companies, which operations are primarily related to and is mainly about invention, production, sales and export of military equipment or services related to the military sector, or one of its subsidiaries, or a person, acting on behalf of and on the instructions of these military companies or their subsidiaries; (iii) one of a number of the Russian companies controlled by the government or with the government stake of over 50% and the value of assets exceeding 1 trillion rubles and with the expected profit of over 50% coming from sale and transportation of crude oil and oil products (such as PJSC Gazprom Neft, PJSC Transneft and PJSC Rosneft), or one of their subsidiaries or a person, acting on behalf of and on the instructions of these companies or their subsidiaries. Similar sanctions blocking access to the western capital markets were also introduced by the European Union countries nearly against the same Russian state banks, power generating and military companies. Besides, there were sanctions introduced to prohibit export of products and technologies for military purposes, dual-use products and technologies (which may be

used for both civil and military purposes), as well as products and technologies necessary for oilfield development in deep water areas, Arctic shelf and shale stratum, to Russia.

Significant escalation of the geopolitical situation due to the developments in the Eastern Ukraine and the introduction of the above sanctions not only have restricted access to the western capital markets for banks and companies under sanctions, but also have complicated the access to the international debt and equity capital markets for the other Russian companies and banks, which may now experience difficulties with refinancing of their existing debt in foreign currencies by new debt on the international capital markets. Prohibited access to the international capital markets for the companies and banks under sanctions and deterioration of access to the international capital markets for other Russian companies and banks creates a threat that at least some of those companies and banks with significant debt in foreign currencies may be unable to settle their existing loans in the foreign currency in time, which may result in their bankruptcy and negatively impact the entire Russian economy. Besides, significant part of funds earlier raised by the state-owned Russian banks on the international capital markets was channeled for crediting of the Russian companies and population. The restriction of access to such relatively cheap source of financing may negatively cut volumes of crediting of the Russian companies and population by the state-owned Russian banks and significantly increase the credit rates, which may negatively impact the state of the Russian economy.

It is impossible to rule out further escalation of sanctions against Russian business and individuals in future, which may have even more negative impact on the Russian economy, financial and banking markets, and result in the increase of the capital outflow from Russia and significantly deteriorate the investment climate and business environment in Russia.

Reconsideration of reforms and the government policy with regard to certain individuals may negatively impact the business of the Group and the investment attractiveness of Russia

In the past, including the recent past, the Russian law enforcement agencies opened criminal cases against a number of Russian companies, their officials and shareholders on a charge of tax evasion, other tax crimes or absolutely different illegal actions. On some of such investigations the accused people were sentenced to be confined and pay the understated taxes. According to the statements in the Russian press, such companies included Yukos, TNK and VimpelCom. In Autumn 2014 by the decision of the Moscow Court of Arbitration the controlling interest in Bashneft, earlier owned by AFK "Sistema", was returned in state ownership on grounds of law violation in the course of privatization of Bashneft. AFK "Sistema" acquired Bashneft, privatized earlier, for US\$ 2 billion in 2009. In the course of judicial proceedings the chairman of the Board of Directors and the largest shareholder of AFK "Sistema" Vladimir Evtushenkov was accused of money laundering and he was temporarily placed under house arrest. Some analysts think that such actions of government agencies speak of the intention to reconsider many of the political and economic reforms of the last decades. However, other analysts are confident that these were one-off cases and do not speak of any backtracking on major political and economic reforms.

Conflicts between federal and regional authorities and other domestic political conflicts may create unfavorable economic conditions which may negatively impact the operations and financial position of the Group

Distribution of powers between federal and regional authorities, as well as between different authorities on the federal level in some cases remains unclear and disputable. In this connection, Russian political system is subject to certain internal contradictions and conflicts between federal and regional authorities regarding different issues, particularly, tax collection, property right to land, powers to regulate individual industry sectors and regional autonomy. Conflicts between different authorities may have serious adverse effect on the price of the Company's securities.

Besides, ethnical, religious and other segregations may provoke public tension and sometimes result into conflicts including the armed ones. For example, the continuous conflict in Chechnya negatively affected economic and political situation in Chechnya, the neighboring regions and Russia on the whole. Terrorist activity and counter measures aimed at the elimination of violence, particularly by imposing emergency rule in certain territorial subjects of the Russian Federation may have an adverse negative effect on the potential of Russian business on the whole and the Group's performance in particular, especially taking into consideration the significant scale of the Group's operations in the Southern and North Caucasian Federal Districts.

ECONOMIC RISKS

Economic instability in Russia may have negative impact on the consumer demand which may have material adverse effect on the business of the Group

In the past twenty five years the Russian economy has been exposed to:

- Significant decrease of its Gross Domestic Product and the growth rates of the Gross Domestic Product;
- High inflation;
- High and rapidly growing interest rates;
- Unstable crediting conditions;
- Unstable ruble rate;
- Massive flight of capital;
- High level of government debt versus gross domestic product;
- Low diversification of economy which relies heavily on global commodity prices;
- Sharp decline of oil prices, other energy materials and other commodities;
- Inability of the banking system to provide Russian companies with sufficient liquidity;
- Continuation of work of unprofitable enterprises due to lack of efficient bankruptcy procedures;
- High level of corruption and penetration of organized criminality in economics;
- Ubiquitous evasion of taxes;
- Significant growth of unemployment and subemployment;
- Introduction and further escalation of various sanctions against a number of Russian companies, banks, officials, politicians and businessmen;
- and
- Low incomes of the majority of the Russian population.

Over the past decade the Russian economy has been marked by instability of debt and equity capital markets (for example, the Russian equity market saw significant slowdown in the second half of 2008). As a result, the market regulators suspended trades on the Russian stock exchanges, MICEX and RTS (merged in 2011 into the MOEX) many times. The Russian

economy has been also marked by significant decline of foreign investments and sharp decrease of the gross domestic product during certain years. For example, in 2009 the Russian gross domestic product decreased by 7.8% in real terms, and in 2015 – by 2.5% in real terms.

As Russia produces and exports significant volumes of crude oil, natural gas, oil products and other mineral resources, the Russian economy is very vulnerable to the fluctuations of oil and gas prices and other commodities, the prices on which significantly decreased in the course of the global financial crisis, started in the second half of 2008. There was also a considerable drop of oil prices in the second half of 2014, as well as in 2015 and 2016. Decrease of oil prices and prices on the other mineral resources may have material negative impact on the economy of the Russian Federation.

Besides, introduction and further tightening of economic sanctions against the Russian Federation by the United States of America, European Union and other countries due to the developments in Ukraine was and continues to be detrimental to the state of the Russian economy.

As a country with the developing economy, Russia is highly exposed to further external shocks. Developments in economy and in the financial market of one of the large countries of the region, sometimes lead to the situation when international investors lose their interest to the entire region or the class of investments – this is the so called “chain reaction”. In the past Russia already suffered from similar chain reaction, and it is possible that the Russian investment market, including the value of the Company’s securities, will correspondingly suffer in future due to negative economic and financial developments in other countries.

Economic instability or the future economic crisis may undermine the confidence of investors in the Russian markets and in the ability of the Russian companies to attract capital on the global markets, which, in its turn, may have a material adverse impact on the Russian economy. Deterioration of the economic situation may, in its turn, result in a significant decrease of the consumer demand in the country, which may negatively impact the operating results, financial position and development prospects of the Group.

Russian physical infrastructure is in poor condition, which may cause damage to the operations of the Group

Most of the Russian physical infrastructure was established in the soviet period and during many years it was not duly financed and maintained. In certain regions roads, manufacturing, electric power delivery, communication systems and the stock of buildings are in a very poor condition.

Roads in Russia are of the poor quality, some of them do not meet the minimal requirements in usability and safety, which complicates the in-time delivery of products to the Group’s stores, taken into account the distance of deliveries. Further deterioration of the Russian physical infrastructure may cause damage to the national economy, disrupt product deliveries, increase business costs and disrupt the operations.

SOCIAL RISKS

Risks related to social instability

Inability of the government and many private companies to pay out the wages in time, and altogether deceleration of wages and benefits vs. rapidly growing living costs, led in the past and may lead in the future to labor and social disorders. Similar actions, labor and social disorders may have negative political, social and economic consequences including the

nationalism growth, imposing limitations on the foreign involvement in Russian economy and the violence growth. If any of these results of the growth of social instability materialize, they can have a negative impact on the operations of the Group, including its profitability.

Crime and corruption may have an adverse negative effect on the operation and financial position of the Group

According to the reports of the local and international press, organized crime and corruption remain significant problems for the companies operating in Russia. Besides, diverse publications indicate that considerable number of the Russian mass media regularly publish biased articles for remuneration. The Group activity may be affected by illegal actions, corruption and accusation of the Group of illegal operation and therefore have a negative impact on the Group's operation.

ECOLOGICAL RISKS

Accidents at the environmentally hazardous industrial facilities of the Russian Federation and environmental pollution may negatively impact the Group's operations

In respect of all components of the environment (air, water resources, soil and land resources, wildlife) large industrial cities face an unfavorable ecological situation for population. The above factors, in their turn, negatively affect the health of the nation. Moreover, nuclear and other hazardous objects are located in the territory of Russia, while the system of control over ecologically dangerous objects is not sufficiently effective. Accidents at such objects and an unfavorable ecological situation in large Russian industrial cities may have an adverse effect on the Group's activity.

Prospective measures of the Group in case if changes in the situation in the country and/or certain regions have negative effect on the Group's operation

The majority of the above political, economic and social risks are beyond the Group's control due to their global scale. The member companies of the Group have reached a certain level of financial stability which helps to overcome short-term negative economic fluctuations in the country. In case significant political and economic instability in Russia or in a certain given region arises, which will negatively impact the operations and the revenues of the Group, the management of the Group assumes that the Group will undertake a number of crisis management measures in order to mobilize business and minimize negative impact of the unfavorable political and economic situation in the country and/or separate regions on the business of the main companies of the Group.

It is impossible to determine the specific measures of the Group in case some of the above events occur in future, as the elaboration of the adequate and relevant measures is complicated by the uncertainty of the future developments. The parameters of the applied measures will depend on the specific situation on a case-by-case basis. The Group cannot guarantee that the activities taken to overcome negative fluctuations will lead to considerable change in the situation as most of the above risks hereof are beyond the Group's control.

However, in case of negative impact of the country and regional changes on the Group's operations, the management of the Group plans to take the following measures to maintain the profitability of the Group's operations:

- if possible, to save fixed assets until the situation improves;
- to undertake measures aimed at sustainment of the Group's employees and on their

- productivity;
- to introduce adequate changes to the pricing policy to maintain the demand on the products on the proper level;
- to take additional measures on cost saving, including measures to reduce purchasing prices and to limit wage expense; and
- to revise the capital expenditure program.

In order to minimize the risks related to the force majeure circumstances (military conflicts, riots, natural disasters, state of emergency, etc.) the Group reflects the possibility of such events within its contract activity.

The Group acts under Art. 401 of the Civil Code of the Russian Federation which states that the person who does not exercise the obligations due to force majeure circumstances provided herein does not bear responsibility to the counterparty.

To reduce the above risks the Group plans to further expand its operations in different regions of Russia in order to diversify risks.

Risks related to the possible military conflicts, state of emergency and strikes in the country and/or the region where the Company is registered as a tax payer and (or) operates its business.

The Russian Federation is a multinational country consisting of the regions with different social and economic development levels; thus, it is impossible to completely eliminate the possibility of internal tension in Russia including armed conflicts. Also the management of the Group cannot completely exclude risks related to the emergency state.

According to the Ministry of Emergency Situations of Russia, terrorism is one of the most real threats to the stable social and economic development of the country as well as to an improvement of the living standards of population and strengthening of the national security of the Russian Federation. The danger of the acts of terror still exists in the entire territory of the Group's operations, especially in the North Caucasian Federal District and the Southern Federal District, as well as in the larger cities of Russia.

Risks related to the geographical peculiarities of the country and/or the region where the Company is registered as a tax payer and (or) operates its business, including high threat of natural disasters, possible stop of transport connection due to remoteness and (or) inaccessibility, etc.

The regions with the Group's presence may face the drastic consequences of conflagrations on the economic objects and in the public sector, accidents and failures of utility systems and transport, natural fire, dangerous hydro-meteorological phenomena (strong winds, frosts, heavy snowfalls and heavy rains), earthquakes, land subsidence and sinkhole collapse, contagion outbreaks among people and animals. For example, exposure to natural and climatic risks, including natural disasters (hurricanes, floods, earthquakes, etc.) is distinctive geographical feature of the Southern Federal District. The geographical peculiarities of the region do not eliminate the risk of possible stop of transport connection due to remoteness and/or inaccessibility of a city or any other location.

FINANCIAL RISKS

The Group is exposed to risks related to the changes of interest rates

The Group's companies raise borrowed funds to finance business development of the Group and to expand its resource base. Raise of the interest rates may have a substantial negative effect on the operational results of the Group.

Exposure of the financial position of the Group, its liquidity, funding sources, operational results, etc. to the foreign exchange movements (currency risks)

Over the last years Russia has faced considerable fluctuations of the exchange rate of the Russian ruble to foreign currencies. Substantial ruble devaluation may result in the reduction of the dollar cost of sales and assets of the Group denominated in rubles. Additionally, decrease of the ruble exchange rate may lead to the decline of the dollar cost of tax deductions arising from the realization of capital investments, since the balance sheet assets will reflect their ruble value as at the moment of acquisition.

The Group does not export its products, and all its main obligations are ruble denominated. Import products comprise a certain share of revenue, which makes the Company dependent on the possible foreign exchange fluctuations. In case of such fluctuations, the Group is able to modify the structure of goods purchases in favour of the Russian counterparts.

The Group purchases and plans to purchase in future imported retail equipment and vehicles for foreign currency, thus, a considerable decline of the ruble exchange rate may lead to the increase of the Group's expenses in ruble terms.

Thus, the actualization of such risk may have an adverse effect on the Group's revenue and profitability.

In addition, a dramatic ruble devaluation may have a negative effect on the country's economy on the whole and lead to the decline of the purchasing power of the population.

Prospective measures of the Group in case currency fluctuations and interest rates have negative effect on the operation of the Group

In case movements of exchange rates and/or interest rates are negative for the Group, the management of the Group plans to carry out tough policy of cost saving. However, it should be taken into consideration, that part of the risk cannot be completely neutralized, since the indicated risks mainly lie beyond the Group's control but depend on the general economic situation in the country.

Inflation influence on the payment on securities

The Group faces inflation risks which may have an adverse effect on its business activity. The purchasing prices on the products depend on the overall price level in Russia. The growth of the purchasing prices may lead to further increase of retail prices on the products and other goods sold by the Group. This may negatively influence the competitiveness of the Group or its financial performance.

If the exchange rate of the ruble to US dollar increases simultaneously with inflation, the Group may face expenses increase in dollar terms on certain cost items. Some expense items of the Group, such as payroll, expenses on construction, lease and utilities are sensitive to the overall growth of the price level in Russia. Due to competitive pressure or legal restrictions the Group may not be able to properly increase its prices in order to retain its profit rate and, moreover, to increase its profit rate.

Inflation growth in the Russian Federation may also entail the overall growth of the interest rates.

Critical inflation indices according to the management of the Group

Today the 30-35% level of inflation is considered critical by the management of the Group. Serious acceleration of the price increase rate may lead to the growth of Group's expenses, loan funds costs, and result in the profitability downturn.

Prospective measures of the Group to reduce the inflation risk

In case of a considerable excess of the actual inflation indices over the forecasted by the Government of the Russian Federation, the management of the Group plans to take measures required in order to limit growth of other expenses (not related to the purchase of products to be sold), reduce accounts receivable and shortening its average term.

Financial report statements of the Company mostly subject to changes under the foregoing financial risks (including risks, probability of their occurrence and nature of changes in reports)

The Group's expenses and profit are mostly exposed to the influence of the foregoing financial risks. In case of unfavorable change of the situation upon realization of one or several risks, the expenses will be the first to grow and will entail profit reduction correspondingly.

In case of substantial inflation growth and/or significant ruble devaluation and therefore the expenses growth, the Group may increase the prices on the products for sale.

Moreover, in case of significant ruble devaluation and growth of inflation and/or interest rates the Group plans to take the following measures:

- revision of the programs of capital investments and loans;
- optimize the receivables turnover;
- additional measures to reduce costs;
- revision of the financing structure.

At the moment hedging of the foregoing risks is not carried out.

The Group is also exposed to the liquidity risk, i.e. the risk of losses due to deficiency of funds within the established terms and as a result, risk of inability of the Group to fulfill its obligations. Realization of such risk may entail penalties, fines, injury to the goodwill of the Group, etc.

The Group manages liquidity risk through analysis of the scheduled cash flows.

Exposure of the financial report statements to the foregoing financial risks

Risks	Probability	Nature of changes in the report statements
Interest rates growth	high	Interest rates growth will increase the cost of borrowings for the Group, thus it may have negative effect on the Group's financial position, particularly, will increase the operational expenditures of the Group and reduce its profit.

Inflation rates growth	high	Inflation rates growth will lead to the increase of the Group's expenses (raw commodities costs, payroll expenses, etc.). At the same time the acceleration of the inflation rate growth will result in the growth of the consumer prices for the Group products and correspondingly increase the sales of the Group. Thus, the part of increase of the Group's expenses will be compensated by the increase of the product prices.
Change of the exchange rate of US dollar to ruble	high	It does not produce strong effect, as the main profits and losses of the Company are ruble denominated.
Liquidity risk (risk of undue obligation fulfillment)	medium	Failure of the Group to fulfill its obligations in due time may entail penalties, fines, etc., which will result in unscheduled expenses and reduce the Group's profit. In connection herewith, the Group carries out the policy of the cash flows' planning.

Other financial risks

Risks related to the dependence on the Russian banks

The Russian bank and other financial systems are less developed and less regulated, and the Russian legislation related to banks and bank accounts may be interpreted ambiguously and is applied inconsistently. Nowadays there are a limited number of creditworthy Russian banks (most part of which have their headquarters in Moscow) that are able to provide services to a company similar in size to the Group. Many Russian banks do not meet international banking standards, and the transparency of the Russian bank sector to a certain extent falls behind the international level. Supervision of bank activity is also often insufficient, whereby many Russian banks do not observe the actual instructions of the Central Bank of the Russian Federation regarding loan criteria, credit quality, loan loss provision, risks' diversification and other requirements. Application of more severe regulations or interpretations may result into insufficient equity capital or insolvency of some banks.

As a rule, the Group supports relations and keeps its accounts only with a limited number of reliable creditworthy Russian banks, including public joint-stock company "Sberbank of Russia" (PJSC "Sberbank"), joint-stock company "ALFA-BANK" (JSC "ALFA-BANK"), public joint-stock company VTB Bank (PJSC "VTB Bank"), "Gazprombank" (joint-stock company) and public joint-stock company "ROSBANK". Bankruptcy of one or several of the specified banks may negatively affect the Group's business. Moreover, the lingering and severe bank crisis or bankruptcy of those banks with which the Group keeps its funds may lead to inaccessibility to the cash assets for several days or even to the loss of all Group's deposits in such banks, which may have material negative effect on the Group's business activity, operational results, financial position and prospects.

Risks related to the transfer pricing

The Tax Code of the Russian Federation establishes special criteria for determination of prices for the taxation purposes in transactions executed between related parties. The established transfer pricing rules significantly increase the tax burden on a taxpayer due to the necessity of identification and separate records of controlled transactions, "price testing" in terms of

compliance with the market level, preparation of documentation, as well as provision of notifications of controlled transactions.

The legislation provides for the right of the Russian tax authorities to apply adjustments to the tax base and to charge additional amounts of income tax with relation to all controlled transactions, if the price applied to the transaction differs from the range of market prices. The current law enforcement and judicial practice is contradictory due to different interpretation of the applied criteria by the Russian tax authorities, arbitration courts and taxpayers. Therefore, tax authorities can try to challenge prices for controlled transactions of the Group member companies and adjust the accrued taxes.

The law provides for large amounts of penalties for the non-payment or underpayment of tax amounts as a result of applying in a controlled transaction the price not comparable with the financial terms of transactions between parties which are not related. The amount of these penalties is 20% of the outstanding tax amount until 2017 and 40% of the outstanding tax amount but not less than 30 thousand rubles from 2017.

LEGAL RISKS

The Group is exposed to the following legal risks:

Common risks related to legal entities according to the legislation of the Russian Federation

Certain transactions with participation of the Group's companies may be acknowledged as related party transactions. Such transactions may include, inter alia, sales and purchase agreements of manufactured goods, purchase of shares and service contracts. If such transactions or their actual approvals are successfully contested, or if the approval of transactions of the Group's companies which require special approval according to the legislation of the Russian Federation is prevented in future, it may limit the flexibility of the Group's companies in the operational issues and may have a negative effect on its operating activity.

In practice, standards of corporate governance remain underdeveloped in many Russian companies, and minority shareholders of these companies may experience difficulties with the exercise of their legal rights and may bear losses. Although the Federal Law "On Joint-Stock Companies" and the Civil Code of the Russian Federation (in the wording of the Federal law № 315-FZ of October 22, 2014) entitle a shareholder (shareholders) to file a claim against (i) an individual authorized to act on behalf of the joint-stock company under the law, other legal act or constituent document of this joint-stock company, (ii) members of collective bodies of the joint-stock company and (iii) individuals who are actually able to determine actions of the joint-stock company, who caused damage to the joint-stock company by their activity (or inactivity) and who acted unfairly or unreasonably during the performance of their duties, Russian courts do not have enough experience of handling with such claims. Therefore, the feasibility of investors to get the compensation is limited. As a result, protection of interests of minority shareholders is limited.

The Civil Code of the Russian Federation and the Federal Law "On Joint-Stock Companies" provide that the shareholders of the joint-stock company are not liable for its obligations and are only exposed to the risk of loss of the investments within the limit of the value of the shares in their ownership. However, if the bankruptcy of the legal entity is caused by the shareholders, the owner of the property of the legal entity or other persons who are entitled to

give instructions, which are mandatory for this legal entity, or otherwise determine its actions, subsidiary liability for the obligations of the legal entity may rest on them in case of deficiency of the property of the legal entity. Thus, being the parent company with regard to the subsidiaries in which the Company directly or indirectly owns more than 50% of the charter capital, the Company may bear responsibility for the obligations in the above cases. Responsibility for obligations of the subsidiaries may have significant negative effect on the financial position of the Company.

Securing the rights of shareholders according to the Russian legislation may lead to additional expenses, which may lead to the deterioration of the Company's performance. According to the Russian legislation, shareholders who voted against or abstained from voting on certain issues have appraisal rights. Shareholders have the appraisal rights if they vote against or abstain from voting on the following issues:

- reorganization;
- major transaction which is subject to approval by the general shareholders meeting;
- amendments restricting the shareholders' rights to the charter of the Company or ratification of the Charter in a new edition; and
- decision to make the statement on delisting of the Company's shares (exclusion of securities from the list of securities admitted to trading at the stock exchange) and (or) securities of the Company convertible into its shares.

Obligations of the Company to buy the shares back may have significant negative effect on the cash flows of the Group and its ability to service its debt.

Weakness of the Russian legal system and imperfection of the Russian legislation provide vague environment for investments and business activity

Efficient legal system essential for the functioning of the market economy in Russia is still in the formation process. It is only in recent times that many crucial laws have come into effect. Sometimes insufficient consensus on the scope, content and period of economic and political reforms, rapid development of the Russian legal system, which is not always consistent with the directions for the development of the market relations, are expressed in uncertainty, inconformity and inconsistency of the provisions of the law and subordinate acts.

Additionally, the Russian legislation often refers to the statutory acts which are to be adopted, leaving considerable loopholes in the mechanism of the legal regulation. Sometimes new laws and regulatory acts are adopted without being comprehensively discussed with the interested participants, whose activity is related to the legal system and/or with the law enforcement practice, or in the society in general, and do not contain any adequate transitional provisions, which creates serious complexities in their application. Defects of the Russian legal system may negatively influence the ability of the Group to exercise its rights in accordance with contracts as well as the ability to defend against claims of the third parties. Besides, the Group cannot guarantee that the governmental and judicial agencies as well as the third parties would not litigate the Group's meeting of the requirements of the laws and subordinate acts.

Risks related to the protection of investors' rights

Russian investor protection legislation may be less favorable than the legislation of the other countries with the developed market economy. Besides, there is a risk of changes of the applicable legislation in future which may be unfavourable for investors. Income of the foreign investors from the investments into the Company's securities may be taxed in accordance with

the Russian legislation. Deterioration of the general economic and political situation in the country may result in tightening of the currency regulation and control and in limitation of the performance of transactions with the Company's securities.

Risk related to the impossibility for foreign investors to export the return on shares of the Company outside the Russian Federation

Today, the Russian legislation on dividend payment sets forth that dividends on shares in rubles may be paid to the shareholders without limitations. Possibility of the foreign investors to convert rubles into any freely convertible currency ("FCC") depends on the availability of such currency on the Russian exchange markets. Although in Russia there is the market for conversion of rubles into FCC, including trading on the exchange market of the Moscow Exchange as well as over-the-counter markets and currency futures markets, further development prospects of this market remain vague.

Risks related to changes in the currency regulation

There are risks of the regulation of a number of the currency operations. Significant changes in the currency regulation and currency control may complicate fulfillment of obligations under the agreements with the counterparties. In the opinion of the Group's management, these risks influence the Group as is the case with the other market entities.

The Group conducts continuous monitoring of the regulatory environment of the currency regulation and control and conforms to the established rules. During the reporting period there have been no amendments introduced to the Russian legislation on the currency regulation and the currency control which may influence the operations of the Group.

Risks related to the tax legislation

Tax legislation of the Russian Federation is exposed to quite frequent changes. In the opinion of the management of the Group, these risks influence the Group as is the case with the other market participants.

The following amendments in the Russian tax system may negatively influence the operations of the Group:

- Amendments of the acts of the tax and levy legislation related to the increase of the tax rates; and
- Introduction of new taxes.

Such amendments, if they are significant, as well as other significant amendments of the tax legislation, may result in the increase of tax payments and, consequently, in the reduction of the profit of the Group. Changes in the Russian taxation system can negatively influence the attractiveness of investments in the Company's securities.

Russian companies make considerable tax payments of a great number of taxes. These taxes, inter alia, include:

- Income tax;
- Value added tax;
- Excise taxes;
- Land tax; and
- Property tax.

Legislative and subordinate acts which regulate the above taxes lack sufficient history of application as compared to the other countries. Therefore, the law enforcement practice is

often ambiguous or is not yet established. Currently there are very few generally accepted clarifications and interpretations of the tax legislation. Different ministries and authorities often have different interpretations of the tax legislation, which creates uncertainty and grounds for the conflict.

The taxation system in Russia changes frequently, and the tax legislation is inconsistently applied on the federal, regional and local levels. Due to vague legislation the Group is exposed to the risk of material penalty fees and fines despite the Group's efforts to comply with the legislation, which may lead to the increase of tax burden. The Group is aimed at complying with the applicable tax legislation in full, which, nevertheless, does not eliminate the potential risk of division of opinions with the relevant regulatory bodies on controversial issues. At present, tax administration is relatively inefficient, and the Government of the Russian Federation may have to introduce new taxes to increase its income. Thus, the Group may have to pay considerably higher taxes, which may negatively influence the business, operational results and financial position of the Group.

In the course of operations the Group conducts operational monitoring of the tax legislation and enforcement of the applicable legal provisions. The Group estimates and forecasts the extent of potential negative influence of amendments of the tax legislation aiming efforts at minimization of risks related to such changes. Generally, the tax risks related to the Group's activity characterize most of the businesses operating on the territory of the Russian Federation and may be regarded as national.

Risks related to the customs control and duties

Changes of customs control and duties regulations may entail the increase of the purchasing prices on the imported goods, which may result in the decrease of the Group's income.

The Group is exposed to certain risks related to amendments to the customs legislation regulating the setting of the procedure for movement of goods across the customs border of the Russian Federation, setting and application of the customs regimes and introduction and levying of customs payments. The Company is aimed at complying with the requirements of the customs control, processing of all documentation necessary for import transactions in time and has sufficient financial and personnel resources to follow the regulations of the customs legislation.

Risks related to the requirements of licensing of the core business line of the Group or licensing of the rights to use objects which are limited in the turnover (including natural resources)

The core business line of the Group is retail which is not subject to licensing. The companies of the Group have the licenses for the retail sale of alcohol consumed not in the point of sale. If the licensing requirements change, the management of the Group will operate under the new requirements including re-issuance and obtaining of new licenses. The Group does not use in its business objects with the limited presence in the turnover (including natural resources). The management of the Group assesses risks related to the licensing requirements as minimal.

Risks related to the change of the judicial practice on issues related to the Group's operation (including licensing issues) which adversely affect the results of its operation, as well as the results of the current legal proceedings in which the Group is involved

While carrying out commercial activity and making business decisions, the Group takes into consideration the law enforcement practice in order to estimate and forecast possible scenarios and to foresee the risks.

The management of the Group regularly monitors decisions made by the high courts and estimates the trends of the law enforcement practice, formed at the level of district arbitration courts, actively implementing and using it not only for the protection of its rights and legitimate interests through legal proceedings but also for the resolution of legal issues arising in the course of the Group's operation. Therefore, the risks related to the change of the judicial practice are considered to be insignificant.

Risk of loss of business reputation (reputational risk)

The Risk of the Group starting to have losses due to inability of the Group to maintain existing and set up new business relations and to get access to the long-term financing sources due to negative interpretation of financial stability and financial status of the Group or the nature of its activity as a whole is currently assessed by the management of the Group as low.

Other reputational risks

Risks related to the sale of private label products

As a way of attracting customers and strengthening the consumer loyalty for private label, the Group plans to continue the sale of private label products. Therefore, there exists the probability of potential customer claims to the quality of the Group's private label products. High product quality is of the utmost importance for the private label, and chain operators are exposed to serious risks while promoting poor quality products under private label. Claims to the quality or other characteristics of such products may dramatically damage the image of the Group on the whole, discredit the brand of the Group for the customers and lead to considerable financial losses.

Besides, retail margin for private label products on the average is higher than for similar branded goods. As a result increased proportion of sales of the private label products in the entire sales turnover affects gross profit margin of the Group favorably. In connection with this, the management of the Group is working on improving the concept of private label products and plans to increase the proportion of sale of the private label products in the entire sales turnover of the Group. On the other hand, should the Group in future be unable to attract sufficient number of customers to buying private label products as a result of higher level of the consumers' claims to the quality of goods or due to some other reasons, the proportion of sales of the private label products in the entire sales turnover will drop, which fact will affect its gross profit margin negatively.

Risks related to the quality of products for sale

There is a risk related to the Group's responsibility for the quality of products sold at the Group's stores as well as the risk of filing a claim due to the harm to life and health. According to the agreements entered into with the majority of suppliers, the producer takes the material liability for the quality of sold products, provided that the Group observes the necessary storage conditions. Such claims may also be addressed to the seller of the products at the discretion of a complainant. Any similar situation may cause damage to the reputation of the Group, reduce the market share of the Group and negatively affect its financial position.

Moreover, there is a risk related to the careless attitude of the Group personnel to the storage conditions of the products, which may lead to legal material liability of the Group under such claims.

The “Magnit” word mark is used by other participants of the sales turnover as a component of the company name, which may have material adverse effect on the operation of the Group.

The Group has invested substantial funds in promotion of its “Magnit” brand on the Russian market, including the private label products of the Group. Due to “Magnit” brand the Group has achieved considerable success in its operation.

Meanwhile, the trademark “Magnet” in Latin letters in the certain classes is registered in the name of the third party. A certain risk of interests’ conflict between the owners of the trademark “Magnit” (or “Magnet”) definitely exists, the Group might be forced to re-brand its stores. The expenses for such re-branding may negatively affect the operation results of the Group.

Moreover, due to the fact that Russian legislation provides limited protection for the company names on the market, there exist a number of other organizations using “Magnit” in their names. Business activity of some of them has partially similar features to the operation of the Group. The Group cannot prevent these organizations from using such names, and this may result in negative effect of these companies’ activity on the business activity and reputation of the Group.

STRATEGY RISKS

Risks related to the implementation of the long-term strategy of the Group aimed at expansion of the existing store chain

One of the main components of the long-term strategy of the Group is the expansion of the existing store chain. The expansion of the chain will have the following directions: within the existing formats and the introduction to the market of the new formats. Within geographical position the chain will expand in regions with the maximum concentration of existing stores (in the Southern, North-Caucasian, Central and Volga federal districts) and in the other regions of Russia.

The strategy success will depend on a number of factors within and out of Company’s control. These factors include:

- Ability to raise enough funds for capital investments. If the Group fails to raise enough funds for chain expansion at the scheduled scale, the Group may have to considerably limit the scale of the chain expansion and take disadvantageous position versus competitors who will develop their business activity faster, which may lead to the loss of the market share and deterioration of the operational results of the Group;
- Ability of the operating professional team to carry out the projects on business expansion and subsequently to manage it. The abilities of the operating management team may turn out to be insufficient for maintenance of the operation efficiency within the conditions of dynamic expansion. Business expansion makes it more complicated to manage the Group in terms of operation and increases the workload upon employees. Therefore, the improvement of operational and financial systems together with control measures and procedures will be required. Furthermore, the systems of purchasing, logistics, information technologies, accounting, financing, marketing and

sales will need to be revised. If the Group fails to update the management system in time, it may negatively affect its business activity, operating results and financial position;

- Success of the Group's expansion in new regions will largely depend on its ability to identify attractive opportunities on the markets of the potential growth, on the ability to successfully implement assortment matrix appropriate for each region and establish the effective purchasing system as well as on ability to manage the operation on the new local markets. Thus, the Group may not achieve the expected profit and/or lose the part of the funds invested in the new projects;
- Implementation of the effective marketing strategy which will provide not lower level of the effectiveness of sales or insignificant decline of sales than the Group managed to achieve in the past. Due to the increase of the competition in retail sector, the effectiveness of the Group's marketing campaign may considerably decrease in the future which will reduce the amount of its customers and consequently reduce the sales turnover;
- The chain expansion in the territory of one urban area may result in the cannibalization (which already affects negatively the level of comparable sales of the Group stores), which will lead to the reduction of the sales turnover in the average within the stores of the Group;
- The Group's growth strategy foresees changes in the business activity model concerning the ownership rights on the sales areas. Within the development of the operating formats the Group plans to carry out the independent construction/acquisition of premises and purchase the equipment for the stores more actively than before, which will mainly affect the structure of its assets and operating results and, therefore, the performance indicators;
- Availability of the necessary space areas and land plots for the new stores. The market may not have the sufficient number of areas suitable for store constructions, which may slowdown the retail chain expansion rates against the scheduled strategy and result in the loss of the Group's market share in favor of competitors;
- Competition level in some regions at the moment of the store openings by the Group may prove to be extremely high for Group to enter the markets of these regions, which will not allow to achieve the expected profitability level; and
- Within the economic slowdown on the regional markets, the retail chain expansion on new territories may turn out to be not as successful as expected by the Group, which may have negative effect on the Group's business and profitability.

Risks relating to the program of renovation of convenience stores

The Group continues the program of renovation of convenience stores, which is aimed at improving the outside appearance of such stores, improved use of the sales areas, increased trade list by increasing the completeness of the sales range of products per square meter as well as at installation and use of new equipment in order to increase the flow of customers and the level of comparable sales. In 2017 the Group renovated about 2,000 convenience stores. In 2018 the management of the Group is planning to renovate about another 1,200 convenience stores, which would increase the proportion of convenience stores in renovated format to 53% of all the convenience stores belonging to the Group. It is expected, that renovated stores will demonstrate the average revenue growth at the level of up to 10%. Implementation of the program of renovation of convenience stores relates to a number of risks. The cost of renovation of the stores may turn out to be higher than planned. Time planned for renovation of a store

may turn out to be insufficient, which will have negative impact on the Group revenue. E.g., management of the Group planned from 21 to 24 days for renovation of a convenience store, whereas in 2017 28 days were spent for renovation of one such store in the average. Restoration of the flow of customers into a renovated store and subsequent growth of the revenues in such stores may take longer than expected by the management of the Group. And, finally, revenue increase may turn out to be much less than the one planned or may not be there at all, in particular in the future if the level of growth of consumer demand in Russia is low or there is drop in the consumer demand.

RISKS RELATED TO THE COMPANY'S OPERATIONS

Risks related to the current lawsuits in which the Group is involved

The Group is involved in a number of legal proceedings which arise in the ordinary course of business and do not pose any material risk to the activity of the Group.

Risks related to the inability to extend the Company's license for a particular type of activity or for the use of objects limited in the turnover (including natural resources)

The core business of the Group is retail business which is not subject to licensing.

Today the retail sale of alcohol drinks is subject to licensing which relates to all Group's enterprises engaged in such activity.

The Group has licenses for retail sale of alcohol consumed not at the point of sale. In case of changes in the requirements for licensing, the Group will operate under the new requirements, including the license re-issuance and new licenses' obtaining.

Risks related to the possible liability of the Company for the third parties' debts including the subsidiaries of the Company

The Company provided the security in the form of the guarantee for the purpose of obtaining of credits by JSC "Tander" (the main operating company of the Group which controls the trading division and is the center of profit consolidation of the Group). The Company is liable to creditors for the fulfillment by JSC "Tander" of its obligations in full, including repayment of credit amounts, payment of interest in credit, fees and penalties.

At the moment the management of the Company considers that JSC "Tander" is able to fulfill its obligations properly. However, as the majority of the risks are out of the Company's control, the Company cannot entirely exclude their occurrence in future, which may negatively affect the ability of JSC "Tander" to fulfill its obligations properly, which in turn may cause material adverse effects to the operation of the Group.

Risks related to the potential customer loss, the turnover of which amounts to no less than 10 percent of the total sales of products (works, services) of the Group

The Group is engaged in retail sale of food-stuffs and non-food goods through its retail network. The customers in the retail network of the Group are a broad range of natural persons and legal entities. Thus, the risks related to potential loss of customers, the turnover of which amounts to no less than 10 per cent of the total sales of products (works, services) of the Group does not exist.

Other risks related to the Group's operations

Risks related to the intensive growth

Expansion of the Group through acquisition of other companies or their assets may be fraught with different risks which may have material adverse impact on the economic activity of the Group and its financial position

The Group does not rule out the possibility to expand its operation through acquisitions of other companies or their assets. Acquisition opportunities imply certain risks, including failure to carry out an adequate due diligence of the operations of the target companies or of their assets and/or financial position, and much higher financial risks and operational expenses than expected before the acquisition. At the same time, there is a risk of impossibility of successful assimilation of operations and personnel of the acquiree, lack of introduction and integration of all necessary systems and control, risk of customer loss, as well as the risk of entering the markets, where the Group has no or minor experience, and/or markets with the limited access to the necessary logistic support and distribution network, as well as the risk of operational disruptions and loss of the Group's management resources. If the Group is not able to successfully integrate its acquisitions, such failures may have a material negative effect on its financial position and operational results.

Failure to raise enough funds may prevent the Group from realization of its expansion plans

Implementation of the Group's expansion strategy may require large capital expenditures. There's no guarantee that the operational cash flow of the Group and/or borrowings from financial institutions or proceeds received from the stock market would be enough to finance its scheduled expenses in the nearest future. If the Group fails to receive sufficient cash flows or raise sufficient capital to finance its planned expenditures, it may have to cut, slow down or cease expansion of its trading network.

Rapid growth of the Group may lead to deficiency of administrative, industrial and financial resources

Historically the range of the Group's operations has been growing fast. The growth is expected to continue in the projected future which may lead to a significant lack of administrative, operational and financial resources. As a result, the "Magnit" retail chain will have particularly to continue the improvement of its operational and financial systems, administrative management and management techniques. The Group will also have to achieve strict coordination of operation of transportation, technical, accounting, legal, financial, marketing, warehouse and store personnel. If the Group fails to meet the above challenges, this may negatively affect the operations and financial position of the Group.

Due to the ongoing growth, the Group may experience difficulties with continuation of usage, extension and improvement of its management and information system. If the Group fails to maintain its management information system, financial accounting and in-house audit systems at a proper level, its economic activity and financial position may substantially suffer.

OTHER RISKS

Reduction in the amount of payments from suppliers may influence adversely the results of operating activity and financial position of the Group.

Pursuant to standard international practice of the retail trade companies the Group receives discounts and bonuses from the suppliers supplying goods to its shops. The Federal Law No.381-FZ "On Fundamentals of State Regulation of Trade Activities in the Russian

Federation” limits the payments, by which the suppliers may thank the retailer for large purchases, by 5% of the value of the supplied food-stuffs and alcohol and prohibits any payments from the suppliers, which are banned by this law. Gross profit margin of the Group, which depends upon the amount of discounts and bonuses received by the Group from the suppliers, may reduce in future as a result, for example, of a possible further tightening of regulation of the maximum size of payments from the suppliers, or changes in business relations of the Group with its suppliers resulting from emergence of new major companies on the retail or wholesale markets, consolidation in these sectors, or otherwise. If the Group becomes unable to maintain the payments received by it from the suppliers at the same or a higher level than the payments received by its main competitors from their suppliers, this can have a material adverse effect on the business, operating results, financial position and prospects of the Group.

Unionization of the Group employees may have a material adverse effect on its financial position and operational results

At the present time the majority of Group employees do not league any labor unions. If the considerable part of Group employees league labor unions, it may substantially affect the payroll costs of the Group and/or settlement of labor conflicts, which in its turn may have a substantial negative impact on financial position and operational results of the Group.

The risk related to management members’ loss and failure to engage qualified employees in the future

According to the labor contracts entered between the Group’s companies and some of the persons indicated above, they have the right to resign office by filing the notification 1 month prior to the dismissal. The Group is not insured from the harm which can be caused to the Group by the loss (discharge) of its leading specialists and top managers. The Group strives to hire the most qualified and experienced personnel, and adjust its compensation policy to the changing standards of the Russian labor market.

The loss of one or more managers or failure to attract and motivate extra highly skilled employees required for effective management of a large-scale business may have material negative effect on the business activity, operating results and financial position of the Group.

Risks related to the accounting and control system

The system of the Group’s financial and management reporting currently operating is based on the volume of operations exercised by the Group within the certain period of time. In case of substantial business expansion of the Group, the technical level of the accounting and control system may fail to meet the requirements of the information processing efficiency and lead to the delays in receiving the adequate data for making tactic and strategic management decisions and thus damage the effective operation of the Group.

The risks related to the computer network failure

Managing and processing of operational and financial information in the Group is carried out via electronic devices of information transmission and processing including the network of the personal computers, access to Internet and system of financial accounting and automated system of stock management. As a result, effectiveness of operational performance of the Group as well as its ability to collect, process and provide in time adequate data to adopt accurate management decisions depend on the efficient and stable work of computer and information networks. The systems and their functioning are subject to operation failures,

which may be caused by human factor, natural disasters, blackouts, computer viruses, willful acts of vandalism and similar factors. For example, on December 20, 2017 a failure took place in the work of the cash register equipment "Shtrikh-M" which the Group employs in nearly 11,000 of its stores of all four formats. The Group's employees eliminated the consequences of the failure by the end of December 23, 2017, but losses of proceeds resulting from such failure amounted, at the estimate of the management of the Group, to about one billion rubles. There is no guarantee that in the future there will be no serious systemic failures resulting in interruption of functioning of the network or significantly slowing its functioning. The blackout in computer network or system failures resulting in interruption of functioning of the network or significantly slowing its functioning may lead to the sudden interruptions of customers service, failures in the stock registration system, degradation of the customer service quality and damage to the goodwill of the Group, mistakes in the management decisions which may result in the loss of customers, the growth of operating expenses and financial losses.

Risks related to the operations with the large cash flows

The specific character of the Group's business activity and the current level of the bank sector development in Russia provide that the substantial part of the Group's operations is exercised with the cash funds. Thus, the risk of insufficient payments caused by unintentional actions of the Group's personnel as well as by deliberate thefts and robberies increases.

Risks related to the protection of intellectual property

If the Group fails to successfully protect its rights for the intellectual property or successfully prove that it shall not be liable for it or forfeit any rights for the intellectual property due to claims from the third parties for the intellectual property, supposedly caused the violation of their rights, the Group may lose its rights or bear serious responsibility for damages.

For execution and protection of its rights for intellectual property, the Group firstly relies on copyright, trademarks rights, legislation on commercial secret protection, on its user policy, on the license agreements and the restrictions on the information disclosure. Despite the above precautionary measures, third parties may illegally copy or otherwise receive or use intellectual property of the Group. On the whole Russia does not provide enough protection of the rights for the intellectual property as compared to many other countries with the developed economy. Failure of the Group to protect the rights for the intellectual property from violation and misappropriation may negatively affect its financial position and the ability of the Group to develop its business activity. Moreover, the Group maybe involved in the legal proceedings on protection of its rights to intellectual property or on establishing the validity and the scope of rights of other parties. Any lawsuit may lead to substantial expenses, distraction of the management and of the Group resources, which may negatively affect the operation and financial position of the Group.

Pursuing ill-considered policy on securing the Group's interests in terms of intellectual property may seriously hinder its business activity in the future

The Group is at the stage of intensive development and expansion of all its business spheres. Measures on securing the rights of the Group to certain objects of intellectual property have to be taken on the basis of the existing plans of commercial development and go ahead of any commercial activity. Insufficient experience of Russian companies in elaborating policy related to the objects of intellectual property produces the whole set of risks of unfavorable effect, including the problems of using the promoted trade marks for individual

products (services) in a number of countries, conflicts with employees, involved specialists and organizations regarding determination of rights for jointly manufactured products and split of the use rights on these products between the Group and other bodies.

Risks related to insufficiency of insurance coverage for damages arising from the forced interruption of activity, damages to the Group's property or responsibility to the third parties

The Group does not apply insurance for the forced interruption of its business activity, bringing to responsibility for products quality, fire (except for stocks and supplies) or changes in core management, and does not enter into insurance agreements on real estate property, distribution centers, stores or stocks at the warehouses (with rare exception). Moreover, the Group does not form special reserve or other funds to cover possible losses or settle claims with the third parties. Thus, in case of occurrence of any of such uninsured risks they may drastically disrupt the Group's operation, cause considerable damage and/or require expenses which will not be compensated. All the foregoing circumstances may have negative effect on the business activity of the Group, its financial position and prospects.

A major accident may result in substantial property losses and incapability to repair such losses

If in case of a major accident one or more objects of the Group (e.g. the headquarters in Krasnodar, a distribution center or a hypermarket) are seriously damaged, the Group may not be able to resume its activity within the established time period. The Group does not exercise the insurance or form special funds to cover possible losses resulting from such accidents. Any such accident may have negative effect on the Group's business activity, its operational results, financial position and prospects.

16. KEY ASPECTS OF SOCIAL AND ENVIRONMENTAL POLICY

SOCIAL RESPONSIBILITY

“Magnit” retail chain is Russia’s largest non-governmental employer. As of December 31, 2017 the company’s total headcount comprised 276,290 employees, out of which:

202,497 – in-store personnel,

36,461 – people engaged in distribution,

22,162 – people in regional branches,

11,992 – Head Office employees,

3,178 – other personnel (in-house production, LLC “Magnit Energo”, LLC “Green Line” greenhouse complex).

The Company offers a decent salary and the extended number of the employee benefits including seniority bonuses for in-store personnel, corporate pension programs in the Company’s own pension fund, corporate mobile communications plans, corporate taxi services, corporate educational programs, travel warrants at discount prices, special offers on the services of the company’s partners, gym for the Head Office employees, etc.

The Company operates in accordance with the Labor Code of the Russian Federation and the Company’s internal regulations on staff relations.

Magnit is strongly committed to the principle of equal opportunities, fairness and tactful attitude towards its employees. In accordance with the “Code of business ethics of PJSC “Magnit” the Company’s high level of business culture is based on the transparency of all personnel-related procedures, accounting and payment policies, incentives and social measures taken to ensure the comfortable working conditions of the employees across the company. The staff business relations are based on the principles of justice, trust, honesty and ethics.

New employees are selected on a competitive basis if their professional knowledge, skills and experience correspond to the required skills and company’s values.

The company’s hiring process is effectuated in accordance with the “Recruitment regulations”, which reflect overall rules of the hiring procedure, determination of the hiring needs, steps to be taken through the recruitment process, procedure of collaboration with the divisions participating in the hiring process, vacancies closing dates.

All Magnit’s vacancies are publicly available on its official website www.magnit-info.ru as well as on other job search websites.

Magnit collaborates with the leading universities in the regions with the demand for students or graduates.

The Company regularly participates in career fairs, career and faculty days, organizes specific courses and provides students with the opportunity to do internships. On a regular basis Magnit participates in the Vacancy Fairs, Career Days, Faculty Days, meetings with students of universities. “Magnit” retail chain was one of the first to support All-Russian Educational Olympics «I am a professional» and worked out the tasks for the “Economics” profile. In 2017 the Company was included into the expert society of the national championship of professions and entrepreneurial ideas “Career in Russia” held at the system of the Russian University of Cooperation in Krasnodar. “Magnit” became the general partner of the Vocational Students Forum “Breakpoint 2017” in Rostov-on-Don. The Company participated and stepped into the final of the international contest among organizations for the best system of youth outreach held in Yugorsk.

Magnit organizes reconnaissance visits of the core facilities of the Company for students which is a tool of occupational orientation activity. For example, starting from autumn 2017 the Company launched tours at its distribution centers in Krasnodar and Saint-Petersburg

for students of the Kuban State University, Saint-Petersburg State University of Economics, Plekhanov Russian University of Economics. Some students who attended the DC tour were later accepted for internship.

Starting from 2016 and during 2017 the Company is developing the program of internships and trainings named “Magnit: New Generation”. Internship can be taken during the entire year both by the appointment card of the partner university and student’s initiative. During the summer time the Company conducts competitive selection for the paid internship which has more serious project nature of work. In the course of the program implementation over 250 students went through the Company’s internship and training. The most successful students were employed. The Company also supports on-the-job training programs of those employees who combine employment with higher education.

In October 2017 there was an image event for top 100 students of the Krasnodar region with participation of the Company’s executives: Sergey Galitsky, Khachatur Pombukhchan and Ilya Sattarov. In the format of the open dialog they shared their success stories and explained the advantages of working in one of the largest Russian retailers. This was the first event of such scale in the head office.

In order to increase the loyalty to the employer’s brand among young people the Company launched the cycle of the educational master classes “Magnit Wednesday” to develop professional competencies of students. The cycle consists of 10 events. At each of them leading Company’s experts share their knowledge and disclose the work specifics in different units of the chain. Participation is free of charge for students. Over 150 students of the Krasnodar region have already participated in “Magnit Wednesdays” and shared their interest in the start of career in the Company.

According to the “Code of business ethics”, all preferences including nationality, gender, age, religion etc. are prohibited in the company. If an employee experiences any aspects of biased attitude or discrimination, they may address the special complaints processing commission, which has an obligation to thoroughly examine the issue.

The salary and incentives of all employees are determined for the specific positions and do not depend on gender, nationality or age of an employee but only on their performance.

The company’s turnover is one of the lowest in the Russian food retail sector. One of the company’s priorities is to take consistent steps in order to decrease the turnover rates. That is why the level of turnover has been constantly slowing down and for the last several years almost halved.

The company’s labor relations fully conform to the provisions of the Russian Labor Code. Moreover, the company has internal Standards and Regulations based on the legislation, which stipulate all HR management procedures, payroll calculation, benefits and compensation schemes, internal labor policies and procedures, etc.

All workplaces comply with the legislation and the company’s standards. According to the latter all workplaces shall be ergonomic, safe and aesthetic.

The company’s Health and safety department closely monitors and assesses the existing working conditions, elaborates and implements the procedures of their enhancement.

Magnit deliver events on a regular basis aiming at protection of life and health of employees and safety conditions of their workplaces:

- All equipment and raw materials are tested and thoroughly examined before their actual use by the employees;
- Organization of safety and health protection on the newly opened stores;
- Provision of the functioning system of the safety and health protection at the existing stores;
- Workplaces come under close scrutiny and assessment;

- Organization of health and safety courses, trainings and tests of the employees' knowledge and understanding of the topic;
- Purchases of the safety clothing, footwear and equipment;
- Mandatory medical examination of the employees;
- Audit of meeting the requirements of the safety and health protection on the stores maintained by the Company
- Compliance of all buildings, construction and production sites, facilities etc. with the applicable Russian legislation.
- Determination of reasons of industrial injuries after accident investigation, elaboration and implementation of preventive measures.

The company keeps the statistics of accidents. As a result of measures taken to reduce the number of occupational injuries, the total accident frequency rate of the company (number of accidents per 1,000 employees) in 2017 compared to 2016 decreased by 17%, the number of injuries fell by 9%.

In 2017 the company worked hard and took the following steps to reduce the number of accidents:

- safety culture campaign. Information on the labor protection measures taken by the company is systematically published in "Nash Magnit" corporate newspaper;
- improvement of provision of the personal protection equipment;
- planned introduction of the new labor safety practices in all business divisions in compliance with the employment legislation and work safety regulations;
- regular notification of employees of the occupational safety rules: allocation of visual materials, such as instruction sheets and occupational safety stands, demonstration of videos about safe working methods in all business divisions of the company;
- development of the "Regulations on the safety management system" in the company including the procedure of the special assessment of the working conditions in accordance with the legislation;
- development and introduction of labor protection regulations by professions and types of work;
- holding of regular daily briefings together with the heads of the structural divisions of the company concerning the safety provision, labor protection and reduction of the accident frequency rate.

The company has the "Employees and applicants claims commission" which is authorized to conduct official investigations of claims related to labor and social disputes. The commission considers objectively each claim from employees and applicants received by the company's hotline.

Following the results of claims consideration, the Commission makes decisions on administrative actions against those responsible, as well as on the change of the company's technologies, rules and work standards to settle conflicts, reduce social strain of the personnel and develop the culture of respect for employees.

As a result of work of the "Employees claims commission" the company can see a significant decrease in the number of claims to the external labor inspections.

In order to provide employees with additional social guarantees the company implements a number of social programs, which can be used by any employee regardless of the length of employment, professional achievements and position occupied.

The company carries out the following social programs:

- subsidized sanatoria and holiday-homes vouchers;

- provision of employees with an opportunity to buy products and use services of organizations of different business areas on special favorable terms and/or at discounts provided only to the company's employees;

- corporate pension programs of the company's own pension fund;
- bus service, corporate taxi service;
- blood donor assistance for seriously ill employees and their close family members;

- free corporate gym to the Head Office employees.

In 2017 about 30 thousand employees used the above mentioned social programs.

Apart from various social programs, the company holds different regular corporate events and motivation programs which are an important and essential part of the corporate culture of the company and are aimed at:

- development of corporate culture and team spirit,
- motivation of employees and increase of loyalty to the company,
- recognition of personal and professional achievements,
- promotion of sport and attracting employees to a healthy lifestyle.

These measures develop, unite and engage employees into participation in the company's life. They are aimed at encouragement and recognition of employees and give them the opportunity of self-fulfillment at and outside work (sport, teambuilding, professional, creativity competitions).

The company attaches great importance to provision of its employees with the timely and correct information about its mission, values, culture, development priorities, innovations, etc.

For these purposes the company uses different tools, such as: portal of internal communications, corporate newspaper, weekly electronic digest of retail market news, internal newsletters to the company's employees, informational stands in different divisions of the company, various training programs for new employees, holding of regular meetings and daily briefings, as well as corporate events and teambuildings.

ENVIRONMENTAL RESPONSIBILITY

Environmental policy of the Company¹¹ is based on the balanced and socially acceptable combination of economic growth and maintenance of a favorable environment for future generations. Maintenance of a favorable environment is the Company's liability and it provides significant opportunities to increase the efficiency of its development and to reduce costs, and in some cases to get additional income.

Environmental policy of the Company is based on the Constitution of the Russian Federation, federal laws and other regulatory legal acts of the Russian Federation, international legal documents related to the protection of the environment and sustainable use of natural resources.

The Company has the following liabilities that are fulfilled by it and it requires their fulfillment by its partners and contractors:

1. To ensure the compliance with all environmental regulations and requirements established by the legislation of the Russian Federation, international legal documents related to the protection of the environment.

¹¹ Information is provided with regard to PJSC "Magnit" and its subsidiaries

2. To ensure a reduction of a negative impact on the environment, efficient use of resources.
3. To ensure compensation of a possible damage to the environment.
4. To take preventive acts to avoid a negative impact on the environment which means the priority of preventive measures to avoid a negative impact over the measures to relieve the consequences of such impact.
5. To increase the energy efficiency of operation processes.
6. To ensure involvement of the Company's employees in activity related to the reduction of environmental risks, continuous improvement of the environmental management system, performance in terms of protection of the environment.
7. To increase the level of awareness and competence of the Company's employees in terms of solving the issues of environment protection.
8. To participate in environmental programs and in projects aimed at maintenance of a favorable environment in the regions of presence.

Mechanisms for implementation of environmental policy liabilities

The main mechanisms for implementation of the Company's environmental policy liabilities are:

1. Industrial environmental control and monitor, evaluation of impact of the Company's business activity on the environment.
2. Compulsory record-keeping of environmental aspects and evaluation of risks while planning the activity, developing and implementing projects.
3. Implementation of innovative projects aimed at the increase of energy efficiency, use of renewable energy resources and nonconventional energy resources.
4. Maximum use of waste as secondary raw materials and energy resources.
5. Application of the best available technologies at different stages of operational procedures, including purchases of technologies, materials and equipment.
6. Involvement of all employees of the Company in the activity related to the environmental management system.
7. Improvement of the system of environmental training of the Company's employees.
8. Interaction with organizations and parties interested in the increase of the environmental safety of the Company;
9. Communication of the Environmental policy liabilities to all persons working for the Company or on its behalf, including contractors working at the Company's facilities.
10. Participation in environmental programs and projects aimed at maintenance of a favorable environment.

17. CORPORATE GOVERNANCE

To enhance the attractiveness of the Company for existing and potential investors, PJSC “Magnit” strives to a full compliance with the best practices and standards of the corporate governance.

The Company works consistently on maintaining an effective system of corporate governance by its sustainable development and improvement.

PJSC “Magnit” fully meets the requirements of securities laws, company laws and other statutory enactments.

Adherence of the Company to the main and most significant principles of the Corporate Governance Code recommended for application by the Bank of Russia is aimed at the achievement of a reasonable balance of the Company’s interests as a business entity and as a joint stock company and at the efficient interaction between shareholders and management of the Company .

Board of Directors of PJSC “Magnit”

PJSC “MAGNIT” CORPORATE GOVERNANCE AND CONTROL STRUCTURE

The General Shareholders Meeting is the supreme management body of the Company. The Board of Directors, elected by the shareholders and accountable to them, provides strategic management and oversight of the work of the executive bodies, namely the Chief Executive Officer, the Chairman of the Management Board and the Management Board.

The executive bodies effect the current management of the Company and carry out the tasks entrusted to them by the shareholders and the Board of Directors.

The Company has built an effective system of the corporate governance and internal control over financial and economic activity to protect the shareholders’ rights and legitimate interests.

The Board of Directors oversees the Audit Committee, which in conjunction with the Internal Audit Department helps the management bodies to ensure the Company’s effective operation. The Revision Commission monitors the Company’s compliance with the regulations and the legality of its operations.

The Internal Control and Risk Management Department of the Company was formed for the purpose of effective organization and functioning of the internal control and risk management system.

To inspect and verify the Company’s financial statements PJSC “Magnit” invites the external auditor with no property interest related to the Company or its shareholders.

The HR and Remuneration Committee, which is a part of the Board of Directors, provides the recommendations on the key appointments and incentives of the members of the Board of Directors, executive and controlling bodies.

The Corporate governance department which performs functions of the Corporate secretary was formed in the Company for the purposes of efficient interaction with shareholders, coordination of the company’s activities in terms of protection of shareholders’ rights and interests, and maintenance of the efficient performance of the Board of Directors.

The Company timely and in full discloses reliable information, including details of its financial position, economic performance and ownership structure, thereby giving shareholders and investors the opportunity to make valid decisions.

The information is disclosed in compliance with the Russian legislation and the requirements of the UK financial regulator, the Federal Conduct Authority (FCA). The Company also has its own Regulations on the access to insider information, the PJSC “Magnit” Rules of protection of confidential and insider information and control over compliance with the legislative requirements against the misuse of insider information and market abuse.

GENERAL SHAREHOLDERS MEETING

The Company’s shareholders participate in the management of the Company by making decisions at the General Shareholders Meeting. Shareholders may considerably influence the business by means of voting, specifically, the powers of the General Shareholders Meeting include approval of the annual report and accounting statements, profit allocation, including the dividend payment, election of the Company’s core management and control bodies, approval of major and related-party transactions, and some other important issues.

The procedure of holding of the General Shareholders Meeting is aimed at observance of the shareholders’ rights and meets all requirements of the Russian legislation, as well as the UK financial regulator, the Federal Conduct Authority (FCA).

BOARD OF DIRECTORS

The Company's Board of Directors is a core element of the PJSC "Magnit" corporate governance system.

The Board of Directors represents the shareholders' interests and is responsible for the increase of the business value by organizing the efficient management.

The Board of Directors of the Company carries out overall management of the Company's activities in compliance with the provisions of the Company's Charter, Regulations on the Board of Directors of PJSC "Magnit" and the requirements of the legislation of the Russian Federation.

The main goals of the Board of Directors are the following:

- to achieve the maximum profit amount and increase the Company's assets;
- to protect the rights and legitimate interests of the Company's shareholders;
- to monitor the executive bodies' activity;
- to ensure that the Company's public information is complete, accurate and objective.

Members of the Company's Board of Directors are elected by the General Shareholders Meeting for a term lasting until the next annual General Shareholders Meeting. The members of the Board of Directors are elected by the cumulative voting.

Decisions of the Company's Board of Directors are approved by the majority of the Board of Directors' members participating in the meeting, unless otherwise is stipulated by the Charter or the Company's internal documents and the legislation.

Every member of the Board of Directors has one vote while making the decisions at the Board of Directors meeting.

Meetings of the Board of Directors are held when necessary but at least once in two months.

The Chairman of the Board of Directors calls a meeting on his own initiative or at the request of the Board of Directors' member, the Revision Commission or the Auditor of the Company, the Chief Executive Officer of the Company and at the request of other persons specified by the Federal Law "On Joint Stock Companies" and the Company's Charter.

The Chairman of the Company's Board of Directors organizes and manages the Board of Directors work.

In accordance with the best corporate governance practices, in compliance with the recommendations of the Corporate Governance Code and requirements of the Listing Rules of the Moscow Exchange, the Board of Directors comprises 3 (Three) independent directors. The Company uses recommendations of the Corporate Governance Code and other acknowledged native and foreign criteria for specification of the Board of Directors' member independence criteria.

The Board of Directors has two specialized committees:

- Audit Committee;
- HR and Remuneration Committee.

The committees work in compliance with the Regulations on Committees of the Board of Directors of PJSC "Magnit".

The members of PJSC "Magnit" Board of Directors, information on the meetings of the Board of Directors in 2017 year, report on the operation of the Board of Directors and other information are represented in the previous sections of the present Annual Report.

MANAGEMENT BOARD

The Management Board is the collective executive body of PJSC “Magnit” which together with the Chief Executive Officer (Chairman of the Management Board) manage current operations. The Management Board reports to the General Shareholders Meeting and the Board of Directors.

The Management Board acts in compliance with the Russian legislation, the Charter and the Regulations on the Management Board, which has been approved by the General Shareholders Meeting.

The Board of Directors determines the personal composition of the Management Board, elects and early terminates the powers of its members every year at the first Board of Directors’ meeting held after the annual General Shareholders Meeting.

The Chief Executive Officer forms a part of the Management Board and performs functions of the Chairman of the Management Board. The powers of the Chairman of the Management Board terminate with the powers of a Chief Executive Officer of the Company.

The Management Board is responsible for the Company’s current operations except for the issues referred to the competence of the General Shareholders Meeting and the Board of Directors, and implements the decisions adopted by these bodies. More detailed information on the powers of the Management Board is provided in the Charter of the Company and in the Regulations on the Management Board of PJSC “Magnit”.

THE CHIEF EXECUTIVE OFFICER – THE CHAIRMAN OF THE MANAGEMENT BOARD

In accordance with the PJSC “Magnit” Charter, the Chief Executive Officer of the Company has the full authority to manage the Company’s current operations and resolve the relevant issues not referred to the competence of the General Shareholders Meeting, Board of Directors and Management Board of the Company.

The Chief Executive Officer of the Company manages the Company’s operations in accordance with the provisions of the Company’s Charter, the requirements of the legislation of the Russian Federation and with the internal documents of the Company.

THE CORPORATE SECRETARY

A special structural division which performs the functions of the corporate secretary – Corporate governance department – was formed in the Company for the purpose of efficient interaction with shareholders, coordination of the company’s actions in terms of protection of rights and interests of shareholders, maintenance of the efficient performance of the Board of Directors in accordance with the recommendations of the Corporate Governance Code and requirements of the Listing Rules of the Moscow Exchange. The head of this division is the Corporate governance director who is the Company’s official.

The Corporate governance department reports to the Board of Directors of the Company.

The main functions performed by the Corporate governance department are:

- Involvement in improvement of the system and practice of the company’s corporate governance;
- Involvement in preparation and holding of general shareholders meetings of the company;
- Maintenance of work of the Board of Directors and its committees;
- Involvement in implementation of the company’s policy on information disclosure, ensuring storage of corporate documents of the company;

- Ensuring the interaction of the company with its shareholders and involvement in prevention of corporate conflicts;
- Ensuring the interaction of the company with regulatory authorities, market operators, registrar, and other professional securities market players within the authorities assigned to the Corporate governance department;
- Immediate informing the Company's Board of Directors of all identified law violations, as well as provisions of the company's internal documents securing the compliance of which is a function of the Corporate governance department;
- Ensuring of implementation of procedures established by the legislation and the company's internal documents, which ensure execution of rights and realization of legitimate interests of shareholders, and control over their fulfillment.

The Regulations on the corporate governance department of PJSC "Magnit" were approved by the Decision of the PJSC "Magnit" Board of Directors on May 27, 2016, and Ekaterina Kister was approved for the position of the Director for corporate governance.

Biographical information:

Name: Ekaterina Kister.

Year of birth: 1978.

Education: higher - in 2000 graduated from the Kuban State University – a law degree.

Information on the primary employment:

- Director for corporate governance of PJSC "Magnit".

BODIES SUPERVISING FINANCIAL AND ECONOMIC ACTIVITY OF PJSC "MAGNIT"

Internal control and audit of the Group is an essential part of the corporate governance and one of the most important factors of effective work of the Company. The internal control and audit bodies ensure the sustainability of PJSC "Magnit" development and protect the shareholders and investors' interests, thus increasing the investment attractiveness of the Company.

Internal control and audit comply with the best world practices and meet the requirements of the Russian legislation.

The bodies supervising financial and economic activity of PJSC "Magnit" have the following structure:

Revision Commission of PJSC "Magnit";

Audit Committee of the Board of Directors of PJSC "Magnit";

Internal Audit Department;

Internal Control and Risk Management Department

External Auditor.

Revision commission of PJSC "Magnit"

The Revision Commission of the Company verifies the Company's compliance with the applicable legislation and other statutory acts that regulate its activity and the legality of the Company's operations. The Revision Commission is elected at the annual General Shareholders Meeting of PJSC "Magnit" and consists of 3 (Three) members. The General Shareholders Meeting determines its personal composition for the period until the next annual General Shareholders Meeting.

On June 8, 2017 at the annual General Shareholders Meeting the following candidates were elected to the Revision Commission:

Roman Efimenko;
Irina Tsyplenkova;
Lyubov Shaguch.

Audit committee of PJSC “Magnit” Board of Directors

The Audit Committee was established in accordance with the Regulations on the committees of PJSC “Magnit” Board of Directors.

The committee is established by the decision of the Board of Directors which determines its quantitative and personal composition and elects the Chairman of the Committee.

The Committee consists of 3 (Three) members.

The Committee members are elected for the term until the termination of the Board of Directors’ powers.

The audit committee performs the following functions:

In terms of accounting (financial) statements:

to ensure that the company’s financial statements are complete, accurate and credible;

analysis of the material aspects of the accounting policy of the company;

participation in consideration of material issues and judgments related to the accounting (financial) statements of the company;

analysis of significant changes to the legislation which may influence the accounting (financial) statements of the company and of the results of inspections of the company by any regulatory authorities;

cooperation with the Revision Commission and auditors of the company;

In terms of risk management, internal control and corporate governance:

determination of the operational principles of the system of internal control and risk management;

to ensure that the system of risk management and internal control and the corporate governance system are efficient and reliable, including assessment of efficiency of procedures of risk management and internal control of the company, of the corporate governance practice, and suggestions for their improvement;

analysis and evaluation of compliance with the company’s policy for the risk management and internal control;

control over procedures ensuring the compliance of the company with the legal requirements, as well as ethical standards, rules and procedures of the company, requirements of stock exchanges;

analysis and evaluation of compliance with the company’s policy for management of the conflict of interests;

analysis and evaluation of compliance with the company’s Policy for the risk management and internal control;

evaluation of efficiency of the system of risk management and internal control of the Company and preparation of suggestions for their improvement;

analysis and evaluation of performance of the system of risk management and internal control, including preparation of suggestions for the system improvement;

In terms of performance of the internal and external audit:

to ensure that the internal and external audit functions are performed in an independent and objective way;

consideration of the Regulations on the internal audit;

consideration of the business plan of the Internal audit department;

receipt of the information on the performance of the business plan and of the internal audit;

consideration and preliminary approval of the decisions on appointment, termination of appointment and determination of remuneration of the head of the Internal audit department;

consideration of the existing limitations of authorities or budget for the performance of the internal audit which can negatively affect the efficient performance of the internal audit;

evaluation of the efficiency of performance of the internal audit, including the assessment of the efficiency of the internal and external audit process;

evaluation of independence, objectivity and absence of the conflict of interests of external auditors of the company, including assessment of candidates for the position of the company's auditor, generation of proposals on appointment, reelection and removal of external auditors of the company, on payment for their services and terms of their involvement;

supervision over the external audit and assessment of quality of the audit and the auditors' conclusions, including the assessment of the company's external auditors' conclusions provided for the future provision to shareholders by the company as materials for the annual General shareholders meeting;

to secure the efficient interaction between the Internal audit department and external auditor of the company;

development and control over company's compliance with the policy determining the principles of rendering and combining auditing and non-auditing services by the auditor to the company;

preliminary consideration of reports on the results of performance of the Internal audit department;

consideration of any material disagreements between auditors, Revision Commission and the company's management related to the accounting (financial) statements;

In terms of countermeasures against unfair acts of the company's employees and third parties:

to ensure the efficiency of the system of notification of the possible fraud by the company's employees and third parties as well as other disorders in the company;

control over the conduct of special investigations on issues of the possible fraud, dishonest use of the inside or confidential information;

control over the implementation of measures adopted by the executive management of the company on informing on the possible unfair acts of employees and other breaches, including the analysis and evaluation of execution of the provisions of the company's Code of business ethics;

preparation of recommendations for major transactions, related party transactions and transactions subject to the approval in accordance with the company's charter, which the company plans to execute;

consideration of issues related to the company's compliance with its information policy;

making decisions on other issues related to the financial activity, risk management, internal audit, corporate governance in cases when, according the chairman of the Audit committee, such issue relates to the Committee's functions.

On June 22, 2016 at the meeting of the Board of Directors the decision to elect the following 3 (three) candidates to the audit committee of the PJSC “Magnit” Board of Directors was made: Alexander Zayonts, Aleksandr Aleksandrov and Alexey Pshenichniy.

On June 29, 2017 at the meeting of the Board of Directors the decision to elect the following 3 (three) candidates to the audit committee of the PJSC “Magnit” Board of Directors was made: Dmitry Chenikov, Aleksandr Aleksandrov and Alexey Pshenichniy.

Internal audit department of PJSC “Magnit”

According to the PJSC “Magnit” Regulations on the internal audit for the achievement of the stated objectives the Internal Audit Department performs the tasks on the following main directions:

- assistance to the executive bodies of the Company and employees of the Company in the development and monitoring of performance of procedures and actions on the improvement of the systems of risk management and internal control and corporate governance of the Company;

- coordination of activities with the external auditor of the Company as well as with the persons providing consulting services in the sphere of risk management, internal control and corporate governance;

- the conduction of the internal audit of subsidiaries of the Company under the established procedure;

- preparation and provision to the Company’s Board of Directors and executive bodies of reports on the Internal Audit Department’s operation results (including information on existing risks, problems, results and effectiveness of corrective actions of revealed problems, the results of performance of operating plan of internal audit, results of evaluation of actual condition, reliability and effectiveness of the risk management, internal control and corporate governance system);

- check of compliance with the legislation and policies of the Company, concerning inside information and anticorruption efforts, by the members of executive bodies of the Company and its employees.

For the purpose of solution of stated problems and achievement of objectives the Internal Audit Department performs the following functions:

- evaluation of adequacy and effectiveness of the internal control system;

- evaluation of the effectiveness of risk management system;

- evaluation of corporate governance;

- auditing in accordance with the approved performance plan of internal audit;

- conduction of other verifications, performance of other tasks on request/ by order of the Board of Directors (Audit Committee of the Board of Directors and/or executive bodies of the Company) within their competence;

- consultation of executive bodies of the Company on the issues of risk management, internal control and corporate governance (under the condition of securing of independence and objectiveness of internal audit activity);

- development of internal control operation plan;

- preparation and provision to the Board of Directors (Audit Committee of the Board of Directors) and the sole executive body of the Company the report following the operating results of internal audit;

- cooperation with the divisions of the Company regarding to the internal audit activity;

- control of rectification of violations detected following the verifications and employee investigations;

analyses of audit results of the Company, control of development and implementation of plans and procedures of rectification of violations detected during the auditing;
preparation of proposals on the improvement of internal control procedures;
development of documents regulating the activities of Internal Audit Department.

Based on the principles of the Corporate governance code and the corresponding international policies and standards, the Information the Ministry of Finance of Russia No. PZ-11/2013 "Organization and implementation of economic entity's internal control performed facts of economic life, accounting and accounting (financial) statements", COSO framework "Internal Control - Integrated Framework" (2013), COSO framework "Enterprise Risk Management - Integrated Framework" (2004) the Internal audit department evaluated the performance of the system of internal control and risk management of PJSC "Magnit" and its subsidiaries for the year 2017.

The evaluation was conducted in terms of components of the process of internal control and risk management: internal (control) environment, targets setting, event definition, risk assessment, risk response, means of control, information and communications, monitor. Parameters were identified for the components of the process of internal control and risk management, and the current state of the parameters characterizing the level of organization and performance of the system of internal control and risk management.

According to the results of evaluation of the Internal audit department, the current level of organization and performance of the system of internal control and risk management was recognized as well-established and meeting the requirements of the Company.

The report of the Internal audit department efficiency of the system of internal control and risk management of PJSC "Magnit" and its subsidiaries for the year 2017, containing the evaluation results, was reviewed by the Company's Board of Directors at the meeting on March 23, 2018. Following the results of the report consideration the findings of evaluation of the system efficiency and suggested measures for its improvement were approved.

In December 2017 the Board of Directors approved the business plan of the Internal audit department for the year 2018.

Internal control and risk management department of PJSC "Magnit"

The Internal Control and Risk Management Department was formed for the purpose of effective organization and functioning of internal control and risk management system in the Company.

For the achievement of specified goals the Internal Control and Risk Management Department performs the following tasks:

- building of corporate system of internal control and risk management of the Company;
- general coordination of internal control and risk management processes;
- development of methodological documents in the field of securing of the internal control and risk management process;
- organization of procedures regarding to the identification, classification, analysis, managing and monitoring of risks in the sphere of Company's activities;
- assuring of the process of development and realization of risk management activities;
- preparation of recommendations on the determination of the risk appetite of the Company and estimation of the level of acceptable risk of the Company (the level of risk tolerance of the Company);
- analysis of risk portfolio of the Company and generation of proposals on the order of response to the correspondent risks;

monitoring and control of risk management procedures of the Company, as well as satisfying the requirements of internal regulations in the sphere of internal control and risk management;

making recommendations focused on improvement of effectiveness of control procedures, reduction of influence of realized and potential risks of realization of business processes;

formation of consolidated reporting on the risks of the Company;

efficient verification of internal control and risk management process by the divisions of the Company and in the established procedure by subsidiary companies;

organization of consulting of Company's employees in the sphere of internal control and risk management;

informing of the Company's Board of Directors and executive bodies of the organization of internal control and risk management processes, as well as of other issues, required by the Policy.

Independent auditor

Ernst & Young LLC (Taxpayer Id. Number 7709383532), registered in the Russian Federation at 77 Sadovnicheskaya embankment, building 1, Moscow, was approved as the auditor of the consolidated financial reports of the Company prepared in accordance with the International Financial Reporting Standards by the annual General Shareholders Meeting on June 8, 2017. Ernst & Young LLC is a member of the Self-regulatory organization of auditors "Russian union of auditors" (Association) (SRO RUA) (Certificate of October 20, 2016, decision No. 274 of 20.10.2016, Principal Number of Registration Entry 11603050648) and is one of the global leaders in the audit services.

Ernst & Young LLC is part of Ernst & Young Global Limited.

Ernst & Young Global Limited received worldwide recognition and was awarded many times for the high quality of services and unique corporate culture.

In the reporting year the auditor conducted the audit of the consolidated financial statements of PJSC "Magnit" and its subsidiaries in accordance with the IFRS for the year 2017.

Following the results of the conducted audit, the auditor of PJSC "Magnit" expressed an opinion on the fair presentation of the consolidated financial statements prepared in accordance with the IFRS.

Audit Firm "Faber Lex" LLC, located at 144/2 Krasnykh Partisan Street, Krasnodar, was approved as the auditor of the accounting (financial) statement of the Company for 2017

year prepared in accordance with the Russian Accounting Standards by the annual General Shareholders Meetings on June 8, 2017.

AF "Faber Lex" LLC is a member of the Self-regulatory organization of auditors "Russian union of auditors" (Association) (SRO RUA) with the main registration number (Principal Number of Registration Entry) of 10203002910, Certificate of membership in SRO RUA of 03.08.2016.

Following the results of the conducted audit, the auditor of PJSC "Magnit" expressed an opinion on the fair presentation of the financial position of the Company in all respects in the accounting (financial) statements.

INFORMATION ON THE COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

Within the preparation of the report on the compliance of PJSC “Magnit” with the principles and recommendations of the Corporate Governance Code the evaluation method and prospective form of the report recommended by the Letter of the Bank of Russia №ИИ-06-52/8 as of 17.02.2016 were used.

The report is an integral part of the present Annual Report and contains in the annex hereto (ref. Annex №6).

ENHANCEMENT OF MODEL AND PRACTICE OF CORPORATE GOVERNANCE

The corporate governance of PJSC “Magnit” is performed in accordance with the current legislation of the Russian Federation and the Charter of the Company in compliance with the rules and traditions of the corporate governance, which correspond to the basic Russian and international standards and contribute to the creation of a positive image of the Company in the eyes of investors, clients and employees. PJSC “Magnit” constantly masters new methods and approaches and rejects from the practice, which doesn’t meet current requirements.

In 2017 a self-evaluation of the work of the board of directors was introduced into the Company’s corporate governance practice, which includes the evaluation of the work of committees, individual members of the board of directors and the board of directors as a whole. The results of the evaluation conducted during the reporting period were considered at the Board of Directors meeting in presentia.

By the end of 2018 it is planned to bring some internal documents of the Company, particularly Regulations on the information policy Regulations on the Board of directors, and others in compliance with the recommendations of the Corporate Governance Code.

18. INFORMATION ON THE AUDITOR AND THE CONSULTANT OF THE COMPANY

Under the resolution of the annual General Shareholders Meeting of June 8, 2017 (minutes of 08.06.2017) the auditing firm AF "Faber Lex" LLC was appointed as the Company's auditor in accordance with Russian Accounting Standards for the year 2017.

Among the factors which were taken into account to choose the auditing firm are: duration of auditing company, the cost of auditing services, the number of employees and their qualification.

Information on the auditor of the Company which conducted the audit of the statements of the Company for the year 2017 in accordance with the Russian Accounting Standards:

The auditor of the Company in 2017 was Limited Liability Company Auditing Firm "Faber Lex", address: 144/2 Krasnykh Partizan Street, Krasnodar.

AF "Faber Lex" LLC is a member of the Self-regulatory organization of auditors "Russian union of auditors" (Association) (SRO RUA) with the main registration number (Principal Number of Registration Entry) of 10203002910, Certificate of membership in SRO RUA of 03.08.2016.

Telephone number: +7 (861) 220-03-20, 221-41-42, 226-41-41, 226-45-22, 226-38-15, 226-44-54.

Information on the auditor of the Company which conducted the audit of the statements of the Company for the year 2017 in accordance with the International Financial Reporting Standards:

The 2017 year statements in accordance with the International Financial Reporting Standards were audited by Limited Liability Company "Ernst&Young", address: 77 Sadovnicheskaya embankment, bldg. 1, Moscow, 115035, Russian Federation.

"Ernst&Young" LLC is the member of the Self-regulatory organization of auditors "Russian union of auditors" (Association) (SRO RUA) (Certificate of October 20, 2016, decision No. 274 of 20.10.2016, Principle Number of Registration Entry 11603050648).

Information on the financial consultant of the Company on the securities market, which signed the securities prospectus registered on 06.03.2006:

<i>Full name of organization</i>	Open Joint-Stock Company «Federal Fund Corporation»
<i>Short name of organization</i>	OJSC «FFC»
<i>Address</i>	25 Ostozhenka street, Moscow, Russia
<i>Phone number (including city code)</i>	+7 (495) 737-86-30
<i>Fax number (including city code)</i>	+7 (495) 737-86-32
<i>Website of the financial consultant to disclose the information about the Company according to the requirements of the Regulation on the information disclosure by the issuer of securities, approved by FFMS</i>	www.fscorp.ru

<i>The number of license of the professional on the securities market</i>	License of the professional participant of the securities market for brokerage activity № 077-06174-100000, License of the professional participant of the securities market for dealer activity № 077-06178-010000
<i>Date of issue</i>	August 29, 2003
<i>Period of validity</i>	Without restriction on the period of validity
<i>Issuing authority</i>	Federal Commission for Securities Market

Services provided by the financial consultant:

- Preparation of the draft prospectus according to the information provided by the Company;

- Signing of the prospectus approved by the Company, after adequate verification based on all the documents provided by the Company, according to the written inquiries of the Financial Consultant and receipt of the proper written certifications of the Company on reliability, adequacy and completeness of the information contained in the above indicated document and to be included in the prospectus, except for the part, verified by the auditor and/or appraiser;

- Expertise of the documents filed to the registration authority for the prospectus registration;

- Signing of documentation, which might be required from the Company for organization of stock trading with the trade organizers;

Consulting on securities issue, including information disclosure on the securities market according to the requirements of the legislation.

**19. INFORMATION ON THE VOLUMES OF THE UTILIZED ENERGY RESOURCES
WITHIN 2017**

Type of energy resources	Unite of measure	Utilization capacity in volume terms	Utilization capacity in money terms, thousand rubles
Nuclear energy	-	-	-
Heating energy	-	The quantitative accounting is not maintained	943.4
Electrical energy	-	The quantitative accounting is not maintained	1,387.8
Electromagnetic energy	-	-	-
Oil	-	-	-
Petrol	-	-	-
Diesel oil	-	-	-
Furnace oil	-	-	-
Natural gas	-	The quantitative accounting is not maintained	220.3
Coal	-	-	-
Shale oil	-	-	-
Peat	-	-	-
Other:	-	-	-

Other types of energy resources, except for those specified in the table, were not consumed and used in the reporting year.

20. MANAGEMENT RESPONSIBILITY STATEMENT

I confirm that:

- *the financial statements prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its consolidated subsidiaries taken as a whole; and*
- *the management report includes a fair review of the development and performance of the business and the position of the Company and its consolidated subsidiaries taken as a whole, together with a description of the principal risks and uncertainties that they face.*

On behalf of the Management Board,

K. Pombukhchan

CEO, Chairman of the Management Board

ANNEXES TO THE ANNUAL REPORT OF PJSC "MAGNIT" FOR 2017

ANNEX No. 1: Consolidated financial statements of PJSC "Magnit" for the year ended on December 31, 2017.

ANNEX No. 2: Consolidated financial statements of PJSC "Magnit" and its subsidiaries for the year 2017 prepared in accordance with the Federal Law No. 208-FZ "On Consolidated Financial Statements".

ANNEX No. 3: Accounting report of JSC "Tander" for the year 2017 prepared in accordance with RAS:

- ❖ Auditor's report of "Faber Leks" Audit Limited Liability Company of the annual accounting report of JSC "Tander" for the year 2017;
- ❖ Accounting reports of JSC "Tander" for the year 2017;
- ❖ Explanations to the accounting reports of JSC "Tander" for the year 2017.

ANNEX No. 4: Accounting report of PJSC "Magnit" for the year 2017 prepared in accordance with RAS:

- ❖ Auditor's report of "Faber Leks" Audit Limited Liability Company of the annual accounting report of PJSC "Magnit" for the year 2017;
- ❖ Accounting reports of PJSC "Magnit" for the year 2017;
- ❖ Explanations to the accounting reports of JSC "Tander" for the year 2017

ANNEX No. 5: The list of transactions executed within the year 2017 considered related party transactions according to the Federal Law "On Joint Stock Companies".

ANNEX No. 6: Report on the compliance with the principles and recommendations of the corporate governance code for the year 2017.

ANNEX № 1:

**Consolidated financial statements of PJSC “Magnit” and its subsidiaries
for the year ended on December 31, 2017.**

Independent auditor's report
on the consolidated financial statements of
PJSC "Magnit" and its subsidiaries
for 2017

March 2018

**Independent auditor's report
on the consolidated financial statements of
PJSC "Magnit" and its subsidiaries**

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Independent auditor's report

To the Shareholders and Board of Directors of
PJSC "Magnit"

Opinion

We have audited the consolidated financial statements of PJSC "Magnit" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Recognition of vendors allowances

The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor. We considered this matter to be of most significance in our audit because the recognition of vendor allowance requires judgement from management in the assessment of the level of fulfilment of the Group's obligations under the vendor agreements and because these allowances are a substantial part of cost of sales and inventories. Information about vendor allowances is disclosed in Note 3 to the financial statements.

We assessed and tested the design and operating effectiveness of the Group's internal controls over recognition of vendor allowances. We compared a sample of accruals of volume and other rebates, recorded based on management assumptions, to supporting documents from vendors and supplier agreements. We also compared the outstanding allowances receivable to the direct confirmations from suppliers. We tested cut-off of vendor allowances recorded during a period shortly before and after year-end to supporting documents from vendors.

Other information included in the Group's 2017 Annual report

Other information consists of the information included in the Annual report of PJSC "Magnit" for 2017, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual report of PJSC "Magnit" for 2017 is expected to be available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Anna Kalmykova.



A.B. Kalmykova
Partner
Ernst & Young LLC

22 March 2018

Details of the audited entity

Name: PJSC "Magnit"

Record made in the State Register of Legal Entities on 12 November 2003, certificate series 23 No. 001807969, State Registration Number 1032304945947.

Address: Russia 350072, Krasnodar, Solnechnaya street, 15/5.

Details of the auditor

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203. Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

PJSC "Magnit"

Consolidated statement of financial position

as at 31 December 2017

(In thousands of US dollars)

	Notes	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	6	5,726,142	4,780,088
Investment property		10,417	9,892
Land lease rights	7	41,198	43,514
Intangible assets	8	39,374	23,470
Goodwill	8	23,741	22,545
Long-term financial assets		6,088	824
		5,846,960	4,880,333
Current assets			
Inventories	9	2,816,041	2,224,242
Trade and other receivables		24,291	13,916
Advances paid	10	86,639	85,864
Taxes receivable		10,387	7,383
Prepaid expenses		11,119	7,565
Short-term financial assets		3,738	3,559
Income tax receivable		20,029	3,952
Cash and cash equivalents	11	318,357	272,999
		3,290,601	2,619,480
Total assets		9,137,561	7,499,813
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	12	35	34
Share premium	12	2,280,463	1,511,666
Foreign currency translation reserve		(2,223,901)	(2,413,987)
Retained earnings		4,445,253	4,134,845
Total equity		4,501,850	3,232,558
Non-current liabilities			
Long-term borrowings and loans	17	1,498,921	1,277,677
Long-term advances received		-	436
Government grants	18	19,107	-
Deferred tax liability	25	373,640	257,172
		1,891,668	1,535,285
Current liabilities			
Trade and other payables	14	1,721,213	1,383,573
Accrued expenses	15	200,953	175,549
Taxes payable	16	109,092	145,259
Dividends payable	13	14	196,793
Short-term advances received		11,980	4,742
Deferred revenue		3,270	-
Government grants	18	962	-
Short-term borrowings and loans	17	696,559	826,054
		2,744,043	2,731,970
Total liabilities		4,635,711	4,267,255
Total equity and liabilities		9,137,561	7,499,813

The accompanying notes on pages 12-58 are an integral part of these consolidated financial statements.

PJSC "Magnit"

Consolidated statement of comprehensive income

for the year ended 31 December 2017

(In thousands of US dollars)

	Notes	2017	2016
Revenue	19	19,593,103	16,033,612
Cost of sales	20	(14,372,405)	(11,621,596)
Gross profit		5,220,698	4,412,016
Selling expenses	21	(284,857)	(193,921)
General and administrative expenses	22	(4,063,487)	(3,059,278)
Investment income		5,839	1,585
Finance costs	23	(222,421)	(198,310)
Other income	24	132,972	60,208
Other expenses		(12,603)	(13,260)
Foreign exchange gain		2,291	16,992
Profit before income tax		778,432	1,026,032
Income tax expense	25	(169,397)	(214,380)
Profit for the year		609,035	811,652
Other comprehensive income			
Gain on translation to presentation currency		190,086	518,342
Other comprehensive income for the year, net of tax		190,086	518,342
Total comprehensive income for the year, net of tax		799,121	1,329,994
Profit for the year			
Attributable to:			
Equity holders of the Parent		609,035	811,652
		609,035	811,652
Total comprehensive income for the year, net of tax			
Attributable to:			
Equity holders of the Parent		799,121	1,329,994
		799,121	1,329,994
Earnings per share (in US dollars per share)			
- basic and diluted, for profit for the year attributable to equity holders of the parent	26	6.40	8.58

Chief Executive PJSC "Magnit"

22 March 2018



Pombukhchan K.E.

The accompanying notes on pages 12-58 are an integral part of these consolidated financial statements.

PJSC "Magnit"

Consolidated statement of cash flows
for the year ended 31 December 2017

(In thousands of US dollars)

	Notes	2017	2016
Cash flows from operating activities			
Profit before income tax		778,432	1,026,032
<i>Adjustments for:</i>			
Depreciation	6	564,623	376,220
Amortization including land lease rights	22	13,167	9,038
Loss from disposal of property, plant and equipment		7,950	9,893
Loss from disposal of land lease rights	7	423	302
Accrual/(reversal) of bad debt provision	22	2,215	(142)
Foreign exchange gain		(2,291)	(16,992)
Finance costs	23	222,421	198,310
Investment income		(5,839)	(1,585)
Operating cash flows before working capital changes		1,581,101	1,601,076
Increase in trade and other receivables		(12,590)	(141)
Increase in advances paid		(775)	(13,203)
Increase in advances received		6,802	1,035
Increase in taxes receivable		(3,004)	(6,057)
Increase in prepaid expenses		(3,554)	(3,162)
Increase in inventories		(591,306)	(626,173)
Increase in trade and other payables		339,950	188,047
Increase in accrued expenses		25,404	42,811
(Decrease)/increase in taxes payable		(36,167)	63,941
Increase in deferred revenue		3,270	-
Increase in government grants	18	6,089	-
Cash generated from operations		1,315,220	1,248,174
Income tax paid		(83,979)	(187,036)
Interest paid		(228,522)	(204,288)
Interest received		5,884	1,500
Net cash from operating activities		1,008,603	858,350
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,260,061)	(743,021)
Purchase of intangible assets	8	(26,746)	(8,535)
Purchase of land lease rights	7	(1,080)	(534)
Proceeds from sale of property, plant and equipment		7,873	2,552
Proceeds from sale of land lease rights		-	30
Loans provided		(31,794)	(32,862)
Loans repaid		26,606	34,677
Proceeds from government grants	18	13,722	-
Net cash used in investing activities		(1,271,480)	(747,693)
Cash flows from financing activities			
Proceeds from loans and borrowings	28	11,794,505	10,452,202
Repayment of loans and borrowings	28	(11,808,038)	(10,097,488)
Dividends paid		(493,543)	(405,485)
Repayment of obligations under finance leases		(21)	(7)
Proceeds from additional issue of shares	12	768,798	-
Proceeds from sale of treasury shares	12	-	54,938
Purchase of treasury shares	12	-	(47,414)
Net cash generated from / (used in) financing activities		261,701	(43,254)
Effect of foreign exchange rates on cash and cash equivalents		46,534	90,467
Net increase in cash and cash equivalents		45,358	157,870
Cash and cash equivalents at the beginning of the year	11	272,999	115,129
Cash and cash equivalents at the end of the year	11	318,357	272,999

The accompanying notes on pages 12-58 are an integral part of these consolidated financial statements.

PJSC "Magnit"

Consolidated statement of changes in equity

for the year ended 31 December 2017

(In thousands of US dollars)

	Attributable to equity holders of the parent					Equity attributable to equity holders of the parent
	Share capital	Share premium	Treasury shares	Foreign currency translation reserve	Retained earnings	
Balance at 1 January 2016	34	1,510,336	(5,307)	(2,933,216)	3,693,994	2,265,841
Profit for the year	-	-	-	-	811,652	811,652
Other comprehensive income	-	-	-	518,342	-	518,342
Total comprehensive income for the year	-	-	-	518,342	811,652	1,329,994
Dividends declared (Note 13)	-	-	-	-	(370,801)	(370,801)
Purchase of treasury shares	-	-	(47,414)	-	-	(47,414)
Sale of treasury shares (Note 12)	-	1,330	52,721	887	-	54,938
Balance at 31 December 2016	34	1,511,666	-	(2,413,987)	4,134,845	3,232,558
Balance at 1 January 2017	34	1,511,666	-	(2,413,987)	4,134,845	3,232,558
Profit for the year	-	-	-	-	609,035	609,035
Other comprehensive income	-	-	-	190,086	-	190,086
Total comprehensive income for the year	-	-	-	190,086	609,035	799,121
Dividends declared (Note 13)	-	-	-	-	(298,627)	(298,627)
Additional issue of shares	1	768,797	-	-	-	768,798
Balance at 31 December 2017	35	2,280,463	-	(2,223,901)	4,445,253	4,501,850

The accompanying notes on pages 12-58 are an integral part of these consolidated financial statements.

PJSC "Magnit"

Notes to the consolidated financial statements for the year ended 31 December 2017

(In thousands of US dollars)

1. Corporate information

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for release by the Chief Executive Officer of PJSC "Magnit" on 22 March 2018.

Close Joint Stock Company "Magnit" ("Magnit") was incorporated in Krasnodar, the Russian Federation, in November 2003.

In January 2006, Magnit changed its legal form to Open Joint Stock Company "Magnit". There was no change in the principal activities or shareholders as a result of the change to an Open Joint Stock Company. In 2014 Magnit changed its legal form to Public Joint Stock Company (the "Company" or PJSC "Magnit") in accordance with changes in legislation.

PJSC "Magnit" and its subsidiaries (the "Group") operate in the retail and distribution of consumer goods under the "Magnit" name. The Group's retail operations are operated through convenience stores, cosmetic stores, hypermarkets and other.

All of the Group's operational activities are conducted in the Russian Federation. The principal operating office of the Group is situated at 15/5 Solnechnaya st., 350072, Krasnodar, the Russian Federation.

The principal activities of the Group's subsidiaries all of which are incorporated in the Russian Federation, and the effective ownership percentages are as follows:

Company name	Principal activity	Ownership interest 2017	Ownership interest 2016
JSC "Tander"	Food retail and wholesale	100%	100%
LLC "Retail Import"	Import operations	100%	100%
LLC "BestTorg"	Food retail in Moscow and the Moscow region	100%	100%
LLC "MFK"	Other activities	100%	100%
LLC "Selta"	Transportation services for the Group	100%	100%
LLC "TK Zelenaya Liniya"	Greenhouse complex	100%	100%
LLC "Tandem"	Rent operations	100%	100%
LLC "Alkotrading"	Other operations	100%	100%
LLC "ITM"	IT operations	100%	100%
LLC "Logistika Alternativa"	Import operations	100%	100%
LLC "Zvezda"	Assets holder, maintenance services for the Group	100%	100%
LLC "TD-holding"	Production and processing of food for the Group	100%	100%
LLC "MagnitEnergio"	Buyer of electric power for the Group	100%	100%
LLC "Management Company "Industrial Park Krasnodar"	Management of production assets	100%	100%
LLC "Kuban Confectioner"	Production of food for the Group	100%	100%
LLC "Kuban Factory of Bakery Products"	Production of food for the Group	100%	100%
LLC "Volshebnyaya svezhest"	Production of household chemicals for the Group	100%	-
LLC "Moroznye pripasy"	Production of food for the Group	100%	-
LLC "Moskva na Donu"	Production of agricultural products for the Group	100%	-

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

1. Corporate information (continued)

In May 2017, the Group established companies "Volshebnyaya svezhest" LLC and "Moroznye pripasy" LLC with 100% ownership. The main activity of the company is production of food and household chemicals for the Group.

On July 2017, the Group acquired 100% of shares in capital of LLC "Moscow on Don". The Company specialize in production of agricultural products for the Group.

At 31 December 2017 and 2016, the shareholding structure of the Company was as follows:

Shareholder	2017		2016	
	Number of shares	Ownership interest, %	Number of shares	Ownership interest, %
Galitskiy S.N.	32,400,836	31.79	33,200,000	35.11
Gordeichuk V.E.	852,820	0.84	1,002,820	1.06
Shares controlled by Lavreno Ltd. (Cyprus)	210,850	0.21	210,850	0.22
Shares controlled by the Group's Management	213,048	0.21	213,048	0.23
Other shares	730,000	0.72	-	0.00
Free float	67,503,801	66.23	59,934,637	63.38
	101,911,355	100	94,561,355	100

2. Basis of preparation of the financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of accounting

The Group's entities maintain their accounting records in Russian roubles ("RUB") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The statutory financial statements have been adjusted to present these consolidated financial statements in accordance with IFRS.

The financial statements have been prepared on a historical cost basis except for the use of fair value as deemed cost for certain property, plant and equipment as of the date of transition to IFRS and investment property at fair value.

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

2. Basis of preparation of the financial statements (continued)

Basis of accounting (continued)

The functional currency of each of the Group's entities is the Russian rouble ("RUB").

The presentation currency of the consolidated financial statements is the United States of America dollar ("USD") as it is considered by management a more relevant presentation currency for international users of the consolidated financial statements of the Group.

The translation from functional currency into presentation currency is made as follows:

- ▶ Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- ▶ Income and expenses for each consolidated statement of comprehensive income presented are translated at the average exchange rates for the periods presented (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions);
- ▶ All resulting exchange differences are recognized in other comprehensive income;
- ▶ All items included in the consolidated statement of changes in equity, other than net profit for the period, are translated at historical exchange rates;
- ▶ In the consolidated cash flow statement, cash balances at the beginning and end of each period presented are translated at exchange rates at the respective dates of the beginning and end of each period. All cash flows are translated at the average exchange rates for the periods presented.

The RUB is not a freely convertible currency outside the Russian Federation and, accordingly, any translation of RUB denominated assets and liabilities into USD for the purpose of these consolidated financial statements does not imply that the Group could or will in the future realise or settle in USD the translated values of these assets and liabilities.

The following USD/RUB ex-rates were used during preparation of the consolidated financial statements:

	2017	2016
As of 31 December	57.6002	60.6569
Average for the year	58.3529	67.0349

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee; and
- ▶ The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of subsidiaries are prepared for the same reporting period as those of the holding company; where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by them into line with those of the Group.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Basis of consolidation (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- ▶ Derecognises the carrying amount of any non-controlling interest;
- ▶ Derecognises the cumulative translation differences, recorded in equity;
- ▶ Recognises the fair value of the consideration received;
- ▶ Recognises the fair value of any investment retained;
- ▶ Recognises any surplus or deficit in profit or loss;
- ▶ Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Business combinations (continued)**

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non current classification. An asset is current when it is:

- ▶ Expected to be realised or intended to sold or consumed in normal operating cycle;
- ▶ Held primarily for the purpose of trading;
- ▶ Expected to be realised within twelve months after the reporting period; or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- ▶ It is expected to be settled in normal operating cycle;
- ▶ It is held primarily for the purpose of trading;
- ▶ It is due to be settled within twelve months after the reporting period; or
- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Fair value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:□

- ▶ Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- ▶ Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Revenue recognition**

The Group generates and recognizes sales to retail customers at the point of sale in its stores and to wholesale customers at the point of sale in its distribution centres and retail stores. Retail sales are in cash and through bank cards. Revenues are measured at the fair value of the consideration received or receivable, recognized net of value added tax and are reduced for estimated customer returns. Historical information in relation to the timing and frequency of customer returns is used to estimate and provide for such returns at the time of sale.

For sales promotion purposes and stimulation of client loyalty The Group provides loyalty programs, which allows to accumulate points and exchange it to the goods hereafter. In case of providing of loyalty points to customers, the Group allocates a part of compensation, received in consequence of sales transaction, to the points cost and recognizes the differed revenue. The differed revenue recognizes in the amount equaled to the fair value of loyalty points, corrected to the probability of exchange. Differed revenue recognized as income in that period than an exchange of loyalty points to the goods take place. Expenses related to the loyalty programs are recognised as selling expenses and classified as advertising expenses.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

Historical cost information was not available in relation to buildings purchased prior to transition date to IFRS (1 January 2004). Therefore, management has used valuations performed by independent professionally qualified appraisers to arrive at the fair value as of the date of transition to IFRS and deemed those values as cost.

Cost includes major expenditures for improvements and replacements, which extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance are charged to the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method.

The depreciation method applied to an asset is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern on a perspective basis as a change in an accounting estimate.

The estimated useful economic lives of the related assets are as follows:

	<u>Useful life in years</u>
Buildings	30
Machinery and equipment	3-14
Other fixed assets	3-10

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Other fixed assets consist of vehicles and other relatively small groups of fixed assets.

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate provision for impairment is made.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Government grants

A government grant is recognised when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received.

If grants provided to financing of definite expenses, government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. If grants provided to financing of an asset, government grants shall be recognised in profit or loss as equal shares over the expected useful life of this asset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognized on fair value. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and cash received.

Investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

3. Summary of significant accounting policies (continued)**Investment property (continued)**

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Land lease rights

Land lease rights acquired as part of hypermarket development projects are separately reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The useful life is estimated to be 49 years.

When the Group constructs a building on land that is leased under an operating lease, the operating lease costs (including amortization of land lease rights) that are incurred during the construction are capitalised as part of the construction cost of the building.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives.

Lease rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, lease rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortization:

Description	Useful life in years
Licenses	1-25
Lease rights (convenience stores)	1-21
Software	1-25
Trade marks	1-10
Other	1-7

3. Summary of significant accounting policies (continued)

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss.

The following asset has specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Finance leases (continued)

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost comprises the direct cost of goods, transportation, handling costs and is decreased by the amount of rebates and promotional bonuses received from suppliers, related to these goods. Cost of goods for resale is calculated using the weighted average method, cost of materials and supplies is calculated using cost per unit method, cost of fuel and lubricants calculated using the average cost method. Net realizable value represents the estimated selling price less all estimated costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Vendor allowances

The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor. Volume-related rebates and other payments received from suppliers are recorded as a reduction in the price paid for the products and reduce cost of goods sold in the period the products are sold.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with Russian law.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, except:

- ▶ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, except:

- ▶ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Income taxes (continued)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised as an expense or income in the consolidated profit and loss, except when they relate to items credited or debited outside profit or loss, either in other comprehensive income or directly in equity, in which case the tax is also recognised outside profit or loss, either in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Retirement benefit costs

The operating entities of the Group contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognized in the profit and loss as incurred.

Segment reporting

The Group's business operations are located in the Russian Federation and relate primarily to retail sales of consumer goods. Although the Group operates through different types of stores and in various states within the Russian Federation, the Group's chief operating decision maker reviews the Group's operations and allocates resources on an individual store-by-store basis. The Group has assessed the economic characteristics of the individual stores, including both convenience stores, cosmetic stores, hypermarkets and others, and determined that the stores have similar margins, similar products, similar types of customers and similar methods of distributing such products. Therefore, the Group considers that it only has one reportable segment under IFRS 8. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

3. Summary of significant accounting policies (continued)

Seasonality

The Group's business operations are not influenced by seasonality factors, except for the increase of business activities before the New Year holidays.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, other borrowing costs are recognised in profit or loss in the period in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are expensed in the period they occur.

Financial assets

General description

Financial assets are classified into the following specified categories: at fair value through profit or loss ("FVTPL"); held-to-maturity investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate. Interest income is included in investment income in the statement of comprehensive income.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Financial assets (continued)*****Loans and receivables***

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

A financial asset is derecognised when:

- ▶ The rights to receive cash flows from the asset have expired;
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities and equity instruments issued by the Group

Treasury shares

If the Group reacquires its own equity instruments, those instruments ("treasury shares") are recognised as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain and loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. On disposal the cost of treasury shares is written off using weighted average method. Such treasury shares may be acquired and held by the Company or by other subsidiaries of the Group.

Share premium

Share premium represents the difference between the fair value of consideration received and nominal value of the issued shares.

Earnings per share

Earnings per share have been determined using the weighted average number of the Group's shares outstanding during 12 months ended 31 December 2017 and 2016. The Group does not have any potentially dilutive equity instruments.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities of the Group, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised using an effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Changes in accounting policies

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Disclosure Initiative

In 2017, the Group adopted amendments to IAS 7 that require entities to provide to users of the consolidated financial statements disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group disclosed additional information in Note 28 of these consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual improvements 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not have any impact on the Group as there has been no entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale during the period.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity. The Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets.

The Group analyzed contractual cash flows that relate to these instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, no reclassification for these instruments is required.

(b) Impairment

IFRS 9 introduces a new impairment model that requires the recognition of allowances for impairment based on expected credit losses rather than incurred credit losses under IAS 39. Expected credit losses are used to measure credit risk related to assets. This will require judgments about how changes in economic factors affect expected credit losses determined on a probability weighted basis.

The new impairment model is applicable to the Group's financial assets, including, but not limited to, trade and other receivables, cash and cash equivalents.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Allowance is measured on either of the following bases:

- ▶ Based on 12-month expected losses that are expected credit losses resulting from default events on a financial instrument, which may occur within the 12 months after the reporting date; or
- ▶ Based on lifetime expected credit losses resulting from all possible default events over the expected life of a financial instrument.

The Group has chosen to apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables.

The Group's cash and cash equivalents have low credit risk based on the external credit ratings of banks and financial institutions.

Based on the assessment undertaken to date, the Group expects an insignificant change in the provision for losses related to trade receivables and other financial assets measured at amortized cost.

(c) Hedge accounting

The Group does not have any hedge relationships that are currently designated as effective hedge relationships and therefore applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. Amendments will not have a significant impact on Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. In 2017 the Group performed a detailed analysis of assessment of IFRS 15.

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)**

The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- ▶ Step 1: identify the contract(s) with a customer;
- ▶ Step 2: identify the performance obligations in the contract;
- ▶ Step 3: determine the transaction price;
- ▶ Step 4: allocate the transaction price to the performance obligations in the contract;
- ▶ Step 5: recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard is applied either:

1. Retrospectively to each previous reporting period presented in the financial statements. In this case, the entity may elect to use any of the following practical expedients:
 - ▶ The entity need not to restate completed contracts that begin and end within the same annual reporting period;
 - ▶ For contracts with variable considerations, an entity can use the transaction price at the date of the contract completion rather than estimating the amount of variable considerations in comparative reporting periods;
 - ▶ For period presented before the initial application date, an entity cannot disclose the amount of the transaction price allocated to the remaining performance obligations or an explanation of when that revenue will be recognized.
2. Retrospectively recognizing the cumulative effect of initial application. In this case, the entity is required to provide additional disclosures in the reporting periods that include the date of initial application:
 - ▶ The amount of a change in each line item for the current reporting period resulted from the adoption of IFRS 15 compared with previous accounting standards;
 - ▶ Clarify significant changes.

The Group operates in the retail sector. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of goods at a point of sale. Other revenue streams are not significant. The Group analyzed its revenue streams through a five-step model established by IFRS 15. The Group expects that adoption of IFRS 15 will have no significant impact on its balance sheet and equity.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendments are not expected to have any impact on Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of “low-value” assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)**

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach);
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)***Transfers of Investment Property - Amendments to IAS 40*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual improvements 2014-2016 cycle (issued in December 2016)

These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 Investments in Associates and Joint Ventures - clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- ▶ An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- ▶ If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)***Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation; or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

The Interpretation specifically addresses the following:

- ▶ Whether an entity considers uncertain tax treatments separately;
- ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- ▶ How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The Group doesn't expect any influence from this amendments on the consolidated financial statements.

Annual improvements to IFRSs 2015-2017 cycle

The IASB has issued the annual improvements to IFRS standards 2015-2017 cycle. The amendments affect four standards:

- ▶ IFRS 3 *Business Combinations*;
- ▶ IFRS 11 *Joint Arrangements*;
- ▶ IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The amendments are effective for annual periods beginning on or after 1 January 2019 and have no impact on the Group.

4. Significant accounting judgements and estimates

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Matters of accounting methodology requiring the use of management estimates and assumptions relate to useful economic lives of property, plant and equipment; impairment of assets and taxation.

4. Significant accounting judgements and estimates (continued)

Impairment of assets

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU.

Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units and also in estimating the timing and value of underlying cash flows within the value in use calculation. In determining the value in use calculation, future cash flows are estimated from each store based on cash flows projection utilising the latest budget information available.

The discounted cash flow model requires numerous estimates and assumptions regarding the future rates of market growth, market demand for the products and the future profitability of products.

Due to their subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

Useful economic life of property, plant and equipment

The Group’s property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are determined based on the Group’s management business plans and operational estimates, related to those assets.

The Group’s management periodically reviews the appropriateness of the useful economic lives. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group, historic information on similar assets and industry trends.

Useful life of leasehold improvements

The Group’s leasehold improvements in convenience stores used under operating leases are depreciated using the straight-line method over their estimated useful life beyond the legal expiry dates of operating lease agreements assuming leases will be renewed. Based on the history of the successful renewals of these agreements (all agreements that management wanted to prolong were successfully prolonged) and pre-emptive rights for the prolongation of the lease agreements, the Group’s management assumes a thirty year depreciation period for these leasehold improvements.

Notes to the consolidated financial statements (continued)

4. Significant accounting judgements and estimates (continued)**Taxation**

The Group is subject to income tax and other taxes. Significant judgment is required in determining the provision for income tax and other taxes due to the complexity of the Russian Federation tax legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether it is probable additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

5. Balances and transactions with related parties

The Group enters into transactions with related parties in the ordinary course of business. The Group purchases food products, materials for construction and equipment from related parties, provides and receives loans and acquires construction services. Related parties of the Group are represented by shareholders and counterparties that are affiliated with the Group through key management and relatives (other related parties). Transactions with related parties are made on terms not necessarily available to third parties.

No guarantees have been given or received.

No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

The Group entered into a number of agreements with related parties for short-term borrowings with limit amounting to RUB 20,305,000 thousand (USD 352,516 thousand) with maturity dates in January and March 2018, at 7.4% and 9.65% interest rate per annum.

Related party balances as at 31 December 2017 and 2016 consisted of the following:

	Shareholders		Other related parties	
	2017	2016	2017	2016
Loans received (Note 17)	-	2,498	98,030	-
Advances paid (Note 10)	-	-	2,761	241
Short-term loans receivable	-	2,465	1,978	1,075
Other receivables	-	-	1,400	173
Other payables (Note 14)	-	-	1,017	642
Long-term financial assets	-	-	868	824
Trade payables (Note 14)	-	-	548	346

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Notes to the consolidated financial statements (continued)

5. Balances and transactions with related parties (continued)

The Group's transactions with related parties for the years ended at 31 December 2017 and 2016 consisted of the following:

	Shareholders		Other related parties	
	2017	2016	2017	2016
Loans received repayment	867,917	163,378	85,363	73,488
Loans received	864,284	137,988	181,040	72,321
Loans given repayment	2,780	10,260	24,410	24,345
Interest expense	1,036	1,781	1,088	1,168
Interest income	218	287	380	579
Purchases of inventory	-	-	170,688	140,398
Loans given	-	9,696	24,865	23,110
Other income	-	-	4,026	4,318
Other expense	-	-	2,944	448
Rent utilities income	-	-	2,315	1,776
Purchases of property, plant and equipment	-	-	1,251	3,046
Rent expense	-	-	75	39
Wholesale	-	-	4	395
Purchase of intangible assets	-	-	2	7

All employee benefits of Group management and members of the Board of Directors of the Group for 2017 were USD 26,321 thousand (2016: USD 23,625 thousand). All employee benefits include the remuneration under labor contract, social contributions and repayments to the board of director's members.

6. Property, plant and equipment

Property, plant and equipment as at 31 December 2017 consisted of the following:

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
Cost						
At 1 January 2017	247,117	3,847,229	1,462,891	574,536	290,629	6,422,402
Additions	13,738	3,295	348,833	135,863	758,377	1,260,106
Transfers	-	686,106	-	-	(686,106)	-
Disposals	(16)	(108,998)	(82,889)	(43,798)	(3,347)	(239,048)
Transfer from land lease right	4,288	-	-	-	-	4,288
Translation difference	13,349	211,748	81,108	31,691	16,323	354,219
At 31 December 2017	278,476	4,639,380	1,809,943	698,292	375,876	7,801,967
Accumulated depreciation and impairment						
At 1 January 2017	-	(524,364)	(837,448)	(280,502)	-	(1,642,314)
Charge for the year	-	(255,456)	(237,099)	(72,561)	-	(565,116)
Disposals	-	109,138	73,384	40,703	-	223,225
Translation difference	-	(29,739)	(46,581)	(15,300)	-	(91,620)
At 31 December 2017	-	(700,421)	(1,047,744)	(327,660)	-	(2,075,825)
Net book value						
At 1 January 2017	247,117	3,322,865	625,443	294,034	290,629	4,780,088
At 31 December 2017	278,476	3,938,959	762,199	370,632	375,876	5,726,142

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Notes to the consolidated financial statements (continued)

6. Property, plant and equipment (continued)

Property, plant and equipment as at 31 December 2016 consisted of the following:

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
Cost						
At 1 January 2016	183,645	2,799,751	1,015,587	484,311	232,919	4,716,213
Additions	21,169	-	243,541	5,558	472,800	743,068
Transfers	-	461,286	-	-	(461,286)	-
Disposals	(93)	(24,086)	(24,018)	(12,242)	(1,777)	(62,216)
Transfer from land lease right	2,864	-	-	-	-	2,864
Translation difference	39,532	610,278	227,781	96,909	47,973	1,022,473
At 31 December 2016	247,117	3,847,229	1,462,891	574,536	290,629	6,422,402
Accumulated depreciation and impairment						
At 1 January 2016	-	(327,052)	(544,051)	(195,466)	-	(1,066,569)
Charge for the year	-	(137,816)	(186,619)	(51,785)	-	(376,220)
Disposals	-	18,925	20,361	10,485	-	49,771
Translation difference	-	(78,421)	(127,139)	(43,736)	-	(249,296)
At 31 December 2016	-	(524,364)	(837,448)	(280,502)	-	(1,642,314)
Net book value						
At 1 January 2016	183,645	2,472,699	471,536	288,845	232,919	3,649,644
At 31 December 2016	247,117	3,322,865	625,443	294,034	290,629	4,780,088

In 2017, the weighted average capitalisation rate on funds borrowed is 9.49% per annum (2016: 10.91%).

In 2017, depreciation of production fixed assets in amount of USD 493 thousand was included in cost of goods for resale.

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Notes to the consolidated financial statements (continued)

7. Land lease rights

Land lease rights as at 31 December 2017 consisted of the following:

	Land lease rights
Cost	
At 1 January 2017	50,010
Additions	1,080
Disposals	(452)
Transfer to PPE	(4,288)
Translation difference	2,606
At 31 December 2017	<u>48,956</u>
Accumulated amortization and impairment	
At 1 January 2017	(6,496)
Charge for the year	(934)
Disposals	29
Translation difference	(357)
At 31 December 2017	<u>(7,758)</u>
Net book value	
At 1 January 2017	<u>43,514</u>
At 31 December 2017	<u>41,198</u>

Land lease rights as at 31 December 2016 consisted of the following:

	Land lease rights
Cost	
At 1 January 2016	44,101
Additions	534
Disposals	(367)
Transfer to PPE	(2,864)
Translation difference	8,606
At 31 December 2016	<u>50,010</u>
Accumulated amortization and impairment	
At 1 January 2016	(4,561)
Charge for the year	(953)
Disposals	35
Translation difference	(1,017)
At 31 December 2016	<u>(6,496)</u>
Net book value	
At 1 January 2016	<u>39,540</u>
At 31 December 2016	<u>43,514</u>

In 2017, amortization charge of land lease rights was capitalised to cost of property, plant and equipment in the amount of USD 45 thousand (2016: USD 47 thousand).

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Notes to the consolidated financial statements (continued)

8. Intangible assets

Intangible assets as at 31 December 2017 consisted of the following:

	Licenses	Lease rights	Software	Trade mark	Other	Total
Cost						
At 1 January 2017	4,108	2,639	31,986	82	1,815	40,630
Additions	766	11,861	12,447	426	1,246	26,746
Disposals	(470)	(235)	(4,858)	(2)	(1,192)	(6,757)
Translation difference	222	293	1,797	10	97	2,419
At 31 December 2017	4,626	14,558	41,372	516	1,966	63,038
Accumulated amortization and impairment						
At 1 January 2017	(1,684)	(1,090)	(13,224)	(28)	(1,134)	(17,160)
Charge for the year	(1,023)	(594)	(9,651)	(24)	(986)	(12,278)
Disposals	470	235	4,858	2	1,190	6,755
Translation difference	(97)	(62)	(764)	(1)	(57)	(981)
At 31 December 2017	(2,334)	(1,511)	(18,781)	(51)	(987)	(23,664)
Net book value						
At 1 January 2017	2,424	1,549	18,762	54	681	23,470
At 31 December 2017	2,292	13,047	22,591	465	979	39,374

Intangible assets as at 31 December 2016 consisted of the following:

	Licenses	Lease rights	Software	Trade mark	Other	Total
Cost						
At 1 January 2016	3,171	2,196	22,628	302	1,512	29,809
Additions	675	-	7,095	8	757	8,535
Disposals	(406)	-	(2,755)	(262)	(759)	(4,182)
Translation difference	668	443	5,018	34	305	6,468
At 31 December 2016	4,108	2,639	31,986	82	1,815	40,630
Accumulated amortization and impairment						
At 1 January 2016	(984)	(684)	(7,953)	(234)	(792)	(10,647)
Charge for the year	(860)	(242)	(6,074)	(32)	(924)	(8,132)
Disposals	406	-	2,755	262	759	4,182
Translation difference	(246)	(164)	(1,952)	(23)	(177)	(2,562)
At 31 December 2016	(1,684)	(1,090)	(13,224)	(28)	(1,134)	(17,160)
Net book value						
At 1 January 2016	2,187	1,512	14,675	68	720	19,162
At 31 December 2016	2,424	1,549	18,762	54	681	23,470

Amortization expense is included in general and administrative expenses (Note 21).

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Notes to the consolidated financial statements (continued)

8. Intangible assets (continued)

Goodwill as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Goodwill as at beginning of the year	22,545	18,763
Goodwill impairment	-	-
Translation difference	1,196	3,782
Goodwill as at the end of the year	23,741	22,545

Goodwill impairment test

The Company performed its annual goodwill impairment test as of 31 December of each year. In assessing whether goodwill has been impaired, the current value of generating unit was compared with its estimated value in use. Value in use was determined using a discounted cash flow model. Future cash flows were calculated based on forecast of operating cash flows for ten years, approved by the management of the Group, taking into account inflation, the demand for produced products, as well as other macroeconomic assumptions. The discount rate was determined based on the weighted average cost of capital of the Group and amounted to 12.6% (13.38% in 2016).

The impairment test did not reveal impairment of goodwill.

9. Inventories

Inventory as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Goods for resale	2,634,087	2,076,826
Materials and supplies	181,954	147,416
	2,816,041	2,224,242

Materials and supplies are represented by spare parts, packaging materials and other materials used in hypermarkets, stores and warehouses, as well as semi-finished goods of own production.

10. Advances paid

Advances paid as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Advances to third party suppliers	75,573	76,887
Advances for customs duties	7,473	7,870
Advances to related party suppliers (Note 5)	2,761	241
Advances to employees	832	866
	86,639	85,864

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

11. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Petty cash, in RUB	36,430	30,361
Cash in banks, in RUB	117,547	61,294
Cash in banks, in foreign currency	263	112
Cash in transit, in RUB	164,117	161,442
Short-term deposits	-	19,790
	318,357	272,999

Cash in transit represents cash collected by banks from the Group's stores and not deposited in bank accounts and bank card payments being processed as at 31 December 2017 and 2016.

12. Share capital, share premium and treasury shares

	2017 No. ('000)	2016 No. ('000)
Authorized share capital (ordinary shares with a par value of RUB 0.01)	200,850	200,850
Issued and fully paid (par value of RUB 0.01)	101,911	94,561

	2017	2016
Share premium at 1 January	1,511,666	1,510,336
Sale of treasury shares	-	1,330
Additional issue of shares	768,797	-
Share premium at 31 December	2,280,463	1,511,666

	2017 No. ('000)	2016 No. ('000)
Balance of shares outstanding at beginning of financial year	94,561	94,530
Issue of shares	7,350	-
Sale of treasury shares	-	355
Purchase of treasury shares	-	(323)
Balance of shares outstanding at the end of financial year	101,911	94,561

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Notes to the consolidated financial statements (continued)

13. Dividends declared

During the year ended 31 December 2017 the Group declared dividends to shareholders relating to 2016 and the first half of 2017:

	<u>2017</u>
Dividends declared for 2016 (1.19 USD for 1 share)	112,646
Dividends declared for the first half of 2017 (1.97 USD for 1 share)	185,981

During the year ended 31 December 2016 the Group declared dividends to shareholders relating to 2015, the first half of 2016 and 9 months of 2016:

	<u>2016</u>
Dividends declared for 2015 (0.63 USD for 1 share)	59,967
Dividends declared for the first half of 2016 (1.31 USD for 1 share)	124,248
Dividends declared for the first 9 months of 2016 (1.97 USD for 1 share)	186,586

As at 31 December 2017 the amount of liability for unpaid dividends is USD 14 thousand (at 31 December 2016: USD 196,793 thousand).

14. Trade and other payables

Trade and other payables as at 31 December 2017 and 2016 consisted of the following:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Trade payables to third parties	1,624,559	1,350,410
Other payables to third parties	95,089	32,175
Other payables to related parties (Note 5)	1,017	642
Trade payables to related parties (Note 5)	548	346
	<u><u>1,721,213</u></u>	<u><u>1,383,573</u></u>

The average credit period for purchases was 43 days in 2017 and 43 days in 2016. Interest may be charged on the outstanding balance based on market rates in accordance with certain agreements with vendors, however no significant amounts of interest were charged to the Group during the years presented. The Group has financial risk management policies in place to help ensure that all payables are paid within the credit timeframe.

15. Accrued expenses

Accrued expenses as at 31 December 2017 and 2016 consisted of the following:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Accrued salaries and wages	124,712	111,104
Other accrued expenses	76,241	64,445
	<u><u>200,953</u></u>	<u><u>175,549</u></u>

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Notes to the consolidated financial statements (continued)

16. Taxes payables

Taxes payables as at 31 December 2017 and 2016 consisted of the following:

	31 December 2017	31 December 2016
Value added tax	38,549	80,187
Social insurance contributions	38,340	35,171
Employee income tax withholding	18,097	17,014
Property tax	13,220	12,155
Other taxes	886	732
	109,092	145,259

17. Borrowings and loans

Long-term and short-term borrowings and loans as at 31 December 2017 and 2016 consisted of the following:

	Year of maturity	Weighted average interest rate	31 December 2017	Weighted average interest rate	31 December 2016
Long-term borrowings and loans					
Unsecured bank loans	2019	8.23%	1,264,433	9.89%	164,862
Unsecured bank loans	2020- 2025	8.17%	235,131	-	-
Unsecured bank loans	2018	-	-	9.70%	783,504
Unsecured bonds	2018	-	-	10.91%	339,634
Less: current portion of long-term borrowings and loans			(643)		(10,367)
Total long-term borrowings and loans			1,498,921		1,277,677
Short-term borrowings and loans					
Unsecured bonds	2018	10.91%	357,970	-	-
Unsecured bank loans	2018	7.76%	239,916	-	-
Unsecured borrowings from related parties (Note 5)	2018	7.40%	98,030	-	-
Unsecured bonds	2017	-	-	10.98%	500,982
Unsecured bank loans	2017	-	-	9.58%	312,207
Unsecured borrowings from related parties (Note 5)	2017	-	-	9.65%	2,498
Current portion of long-term borrowings and loans			643		10,367
Total short-term borrowings and loans			696,559		826,054

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Notes to the consolidated financial statements (continued)

18. Government grants

	2017	2016
At 1 January	-	-
Received during the year	21,573	-
Recognized in profit or loss	(1,763)	-
Translation difference	259	-
At 31 December	20,069	-
Short-term	962	-
Long-term	19,107	-

The Government grants were received to recover a part of the direct costs incurred for construction and modernization of fixed assets. The government grants were received in cash and as a benefit of the loan at a below-market rate of interest.

19. Revenue

Revenue for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Retail	19,384,008	15,949,988
Wholesale	209,095	83,624
	19,593,103	16,033,612

20. Cost of sales

Cost of sales for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Cost of goods sold	13,857,956	11,239,359
Transportation expenses	514,449	382,237
	14,372,405	11,621,596

Cost of goods sold is reduced by rebates and promotional bonuses received from suppliers.

Cost of goods sold contains the amount of losses due to inventory shortages.

In 2017, payroll in amount of USD 167,767 thousand (2016: USD 128,010 thousand) was included in cost of sales.

In 2017, depreciation of production fixed assets in amount of USD 3,812 thousand (2016: USD 2,059 thousand) was included in cost of goods sold.

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Notes to the consolidated financial statements (continued)

21. Selling expenses

Selling expenses for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Advertising	144,499	79,131
Packaging and raw materials	76,029	68,087
Depreciation	64,329	46,703
	284,857	193,921

22. General and administrative expenses

General and administrative expenses for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Payroll	1,597,013	1,254,397
Rent and utilities	1,134,559	841,983
Depreciation	496,482	327,458
Payroll related taxes	460,398	359,956
Repair and maintenance	86,386	64,875
Bank services	76,538	52,566
Taxes, other than income tax	58,252	47,667
Security	21,918	14,423
Amortization	13,167	9,038
Bad debt provision	2,215	(142)
Provision for unused vacation	597	(33)
Other expenses	115,962	87,090
	4,063,487	3,059,278

23. Finance costs

Finance costs for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Interest on loans	169,976	119,193
Interest on bonds	67,578	87,934
Total interest expense for financial liabilities	237,554	207,127
Less: amounts included in the cost of qualifying assets	(15,133)	(8,817)
	222,421	198,310

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Notes to the consolidated financial statements (continued)

24. Other income

Other income for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Sale of packing	61,460	44,877
Advertising income	38,037	7,764
Penalties	25,646	5,585
Government grants	1,763	-
Other	6,066	1,982
	132,972	60,208

25. Income tax

The Group's income tax expense for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
Consolidated statement of comprehensive income		
Current tax	67,903	173,879
Deferred tax	101,494	40,501
Income tax expense reported in the consolidated statement of comprehensive income	169,397	214,380

The movements for the years ended 2017 and 2016 in the Group's deferred tax position are as follows:

	2017	2016
Liability at the beginning of the year	257,172	176,781
Charge for the year	101,494	40,501
Translation difference	14,974	39,890
Deferred tax liability at the end of the year	373,640	257,172

The tax effect of the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2017 and 2016 is as follows:

	Consolidated statement of financial position			Consolidated statement of comprehensive income	
	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016	2017	2016
Deferred tax assets					
Accrued expenses	(2,595)	(1,444)	(940)	(1,060)	(284)
Inventories	(3,779)	(32,181)	(23,652)	29,722	(3,404)
Other	(10,710)	(8,471)	(8,168)	(1,766)	1,215
Deferred tax liabilities					
Property, plant and equipment	372,011	285,088	200,300	70,867	40,191
Inventories	4,566	-	-	4,507	-
Other	14,147	14,180	9,241	(776)	2,783
Net deferred tax liability	373,640	257,172	176,781	101,494	40,501

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Notes to the consolidated financial statements (continued)

25. Income tax (continued)

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax. Below is a reconciliation of theoretical income tax at 20% to the actual expense recorded in the Group's profit and loss:

	2017	2016
Profit before tax	778,432	1,026,032
Theoretical income tax expense at 20%	(155,686)	(205,206)
<i>Adjustments due to:</i>		
Tax effect of losses due to inventory shortages not deductible in determining taxable profit	(5,757)	(4,389)
Tax effect of other expenses that are not deductible in determining taxable profit	(7,955)	(8,841)
Income tax recovery due to submission of revised tax returns	1	4,056
Income tax expense	(169,397)	(214,380)

26. Earnings per share

Earnings per share for the years ended 31 December 2017 and 2016 have been calculated on the basis of the net profit for the year and the weighted average number of common shares outstanding during the year.

The calculation of earnings per common share for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
Profit for the year attributable to equity holders of the parent	609,035	811,652
Weighted average number of shares (in thousands of shares)	95,105	94,561
Basic and diluted earnings per share (in US dollars)	6.40	8.58

The Group does not have any potentially dilutive equity instruments.

27. Contingencies, commitments and operating risks

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by a decline in oil prices and sanctions imposed on Russia by a number of countries. The ruble interest rates remain high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

27. Contingencies, commitments and operating risks (continued)

Tax legislation

The Group’s main subsidiaries, from which the Group’s income is derived, operate in Russia. Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

In 2017, further implementation of mechanisms aimed at countering tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. The amendments include, among other things, definitions of beneficial ownership and tax residency by actual place of business (for legal entities) and the approach to the taxation of controlled foreign companies in the Russian Federation.

In addition, a concept of tax benefit was introduced for all taxes payable in the Russian Federation, with a focus on the presence of a business purpose of activities and confirmation of discharge of obligations under agreements by the parties to these agreements or a party to which these obligations were transferred under a contract or by law. These amendments significantly modify the framework for determination of unjustified tax benefit obtained by a taxpayer, and will have a significant impact on established court practice. However, the mechanism of application of this regulation is yet to be settled, and the respective court practice is not established.

These changes and recent trends in the applying and interpreting certain provisions of Russian tax law indicate that the tax authorities may take a tougher stance in interpreting legislation and reviewing tax returns. The tax authorities may thus challenge transactions and accounting methods that they have never challenged before. This may result in significant amounts of tax charges, penalties and fines being imposed. It is not possible to determine the amounts of constructive claims or evaluate probability of their negative outcome. Fiscal periods remain open to review by the tax authorities for a period of three calendar years immediately preceding the year of review.

According to management, at 31 December 2017, they had properly construed the relevant legislation, and the probability that the Group will retain its position with regard to tax, currency and customs law is assessed as high.

As at 31 December 2017 and 2016, the Group accrued no provisions for tax positions.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group’s financial position, operating results and cash flows.

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

27. Contingencies, commitments and operating risks (continued)

Capital and rent commitments

As at 31 December 2017 and 2016, the Group entered in a number of agreements related to the acquisition of property, plant and equipment, capital commitments are presented net of VAT:

	2017	2016
Within one year	308,981	182,615
In the second to fifth years inclusive	28,504	1,001
	337,485	183,616

The Group entered in a number of cancellable short-term and long-term rental agreements. The Group plans to prolong these agreements in the future. The expected annual lease payments under these agreements amount to approximately USD 921 million (2016: USD 702 million).

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity ratios.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17, cash and cash equivalents disclosed in Note 11 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 12.

28. Financial risk management objectives and policies

Gearing ratio

Management reviews the Group's capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio in 2017 of up to 42% (2016: 57%) determined as the proportion of net debt to equity.

The gearing ratio as at 31 December 2017 and 2016 was as follows:

	2017	2016
Loan debt	2,195,480	2,103,731
Cash and cash equivalents	(318,357)	(272,999)
Net debt	1,877,123	1,830,732
Equity	4,501,850	3,232,558
Net debt to equity ratio	42%	57%

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

28. Financial risk management objectives and policies (continued)

Gearing ratio (continued)

Debt is defined as long-term and short-term borrowings. Equity includes all capital and reserves of the Group.

The change in the target gearing ratio is due to the changes in the capital structure in 2017.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

	Carrying amount		Fair value	
	2017	2016	2017	2016
Long-term borrowings and loans	1,498,921	948,194	1,500,295	949,364
Bonds	357,970	840,616	349,825	832,684

As at 31 December 2017 and 2016, the fair value of the Group's financial instruments, except as described above, approximates their carrying value.

Set out below are changes in liabilities arising from financing activities:

	1 January 2017	Proceeds from loans and borrowings	Repayment of loans and borrowings	Finance costs	Interest paid	Translation difference	31 December 2017
Short-term and long-term borrowings and loans	2,103,731	11,794,505	(11,808,038)	222,421	(228,522)	111,383	2,195,480
	1 January 2017	Dividends declared	Dividends paid	Translation difference		31 December 2017	
Dividends paid		196,793	298,627	(493,543)	(1,863)		14

The fair value of loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Long-term borrowing and loans are categorized as Level 2 within the fair value hierarchy. For quoted bonds (Level 1) the fair value was determined based on quoted market prices. No transfers occurred between levels in the hierarchy during the reporting period.

Fair values of financial instruments of the Group other than disclosed above approximate to their carrying amounts as at 31 December 2017 and 2016.

28. Financial risk management objectives and policies (continued)**Foreign currency risk management***Foreign currency risk*

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when purchase is denominated in a different currency from the Group's functional currency).

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

The Group manages its foreign currency risk by scheduling payments to foreign suppliers close to the date of transfer of ownership over goods to the Group.

	Change in USD rate	Effect on profit before tax	Change in EUR rate	Effect on profit before tax
2017	+11.00%	9,467	+12.50%	2,390
	-11.00%	(9,467)	-12.50%	(2,390)
2016	+20.00%	10,516	+20.00%	4,515
	-20.00%	(10,516)	-20.00%	(4,515)

Interest rate risk management

The Group is exposed to insignificant interest rate risk as entities in the Group borrow funds on fixed rates primary.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises with respect to operating activities (primarily for trade and other receivables) and investing activities (cash, short term loans).

Customer credit risk is managed by the Group by dealing with creditworthy counterparties, who have a good long term credit history. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

28. Financial risk management objectives and policies (continued)**Credit risk management (continued)**

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of current assets at any time during the years presented.

Credit risk from investing activities is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as presented in the statement of financial position.

Offsetting of financial assets and liabilities

The Group offsets its financial assets and financial liabilities when all the conditions for offset are met. The effect of offsetting is the following:

	Gross amount		Amount of offset	Net amount	
	Trade and other receivables	Trade and other payables		Trade and other receivables	Trade and other payables
2017	198,490	(1,895,412)	174,199	24,291	(1,721,213)
2016	369,223	(1,738,880)	355,307	13,916	(1,383,573)

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built a liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

28. Financial risk management objectives and policies (continued)

Liquidity risk tables

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The table includes both interest and principal cash flows.

	Weighted average effective interest rate, %	Less than 1 month	1-3 month	3 month to 1 year	1-5 years	More than 5 years	Total
2017							
Trade and other payables		1,374,560	346,653	-	-	-	1,721,213
Fixed interest rate instruments	8.56	26,317	356,106	447,855	1,540,642	12,487	2,383,407
		<u>1,400,877</u>	<u>702,759</u>	<u>447,855</u>	<u>1,540,642</u>	<u>12,487</u>	<u>4,104,620</u>
2016							
Trade and other payables		1,225,846	157,727	-	-	-	1,383,573
Fixed interest rate instruments	10.23	60,789	214,469	625,362	1,349,709	-	2,250,329
Instruments with variable interest rate	9.06	650	74,755	-	-	-	75,405
		<u>1,287,285</u>	<u>446,951</u>	<u>625,362</u>	<u>1,349,709</u>	<u>-</u>	<u>3,709,307</u>

The Group has access to financing facilities of RUB 300,466,170 thousand (USD 5,216,408 thousand) of which RUB 174,279,126 thousand (USD 3,025,669 thousand) remains unused at 31 December 2017. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

29. Subsequent events

In February 2018, Galitskiy S.N. entered into an agreement with the subsidiary of PJSC "VTB Bank" on sale of 29.1% shares of PJSC "Magnit" owned by him and retire from responsibility of general director and the member of Board of Directors of PJSC "Magnit". The transfer of shares' ownership title to the subsidiary of PJSC "VTB Bank" was registered on 14 March 2018 year. Pombukhchan K.E. was elected the general director of PJSC "Magnit" on the meeting of the board of directors on 16 February 2018 year.

ANNEX № 2:

Consolidated financial statements of PJSC "Magnit" and its subsidiaries for the year 2017 prepared in accordance with the Federal law N 208-FZ "On consolidated financial statements".

Independent auditor's report
on the consolidated financial statements of
PJSC "Magnit" and its subsidiaries
for 2017

March 2018

**Independent auditor's report
on the consolidated financial statements of
PJSC "Magnit" and its subsidiaries**

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Independent auditor's report

To the Shareholders and Board of Directors of
PJSC "Magnit"

Opinion

We have audited the consolidated financial statements of PJSC "Magnit" and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter

How our audit addressed the key audit matter

Recognition of vendors allowances

The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor. We considered this matter to be of most significance in our audit because the recognition of vendor allowance requires judgement from management in the assessment of the level of fulfilment of the Group's obligations under the vendor agreements and because these allowances are a substantial part of cost of sales and inventories. Information about vendor allowances is disclosed in Note 3 to the financial statements.

We assessed and tested the design and operating effectiveness of the Group's internal controls over recognition of vendor allowances. We compared a sample of accruals of volume and other rebates, recorded based on management assumptions, to supporting documents from vendors and supplier agreements. We also compared the outstanding allowances receivable to the direct confirmations from suppliers. We tested cut-off of vendor allowances recorded during a period shortly before and after year-end to supporting documents from vendors.

Other information included in the Group's 2017 Annual report

Other information consists of the information included in the Annual report of PJSC "Magnit" for 2017, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Annual report of PJSC "Magnit" for 2017 is expected to be available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of management and the Board of Directors for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Anna Kalmykova.



A.B. Kalmykova
Partner
Ernst & Young LLC

22 March 2018

Details of the audited entity

Name: PJSC "Magnit"

Record made in the State Register of Legal Entities on 12 November 2003, certificate series 23 No. 001807969, State Registration Number 1032304945947.

Address: Russia 350072, Krasnodar, Solnechnaya street, 15/5.

Details of the auditor

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203. Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

PJSC "Magnit"

Consolidated statement of financial position

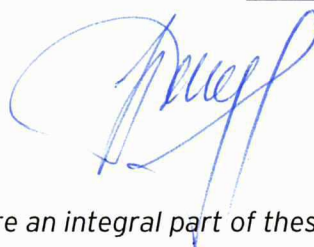
as at 31 December 2017

(In thousands of Russian rubles)

	Notes	31 December 2017	31 December 2016
Assets			
Non-current assets			
Property, plant and equipment	6	329,826,903	289,945,347
Investment property		600,000	600,000
Land lease rights	7	2,373,022	2,639,452
Intangible assets	8	2,267,960	1,423,638
Goodwill	8	1,367,493	1,367,493
Long-term financial assets		350,645	49,999
		336,786,023	296,025,929
Current assets			
Inventories	9	162,204,502	134,915,708
Trade and other receivables		1,399,186	844,122
Advances paid	10	4,990,444	5,208,273
Taxes receivable		598,270	447,809
Prepaid expenses		640,440	458,766
Short-term financial assets		215,308	215,876
Income tax receivable		1,153,657	239,732
Cash and cash equivalents	11	18,337,417	16,559,271
		189,539,224	158,889,557
Total assets		526,325,247	454,915,486
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	12	1,020	946
Share premium	12	87,635,960	42,647,372
Retained earnings		171,670,459	153,428,650
Total equity		259,307,439	196,076,968
Non-current liabilities			
Long-term borrowings and loans	17	86,338,130	77,499,900
Long-term advances received		-	26,420
Government grants	18	1,100,568	-
Deferred tax liability	25	21,521,720	15,599,232
		108,960,418	93,125,552
Current liabilities			
Trade and other payables	14	99,142,151	83,923,316
Accrued expenses	15	11,574,953	10,648,286
Taxes payable	16	6,283,720	8,810,963
Dividends payable	13	831	11,936,866
Short-term advances received		690,028	287,655
Deferred revenue		188,359	-
Government grants	18	55,423	-
Short-term borrowings and loans	17	40,121,925	50,105,880
		158,057,390	165,712,966
Total liabilities		267,017,808	258,838,518
Total equity and liabilities		526,325,247	454,915,486

Chief Executive PJSC "Magnit"

22 March 2018



Pombukhchan K.E.

The accompanying notes on pages 12-56 are an integral part of these consolidated financial statements.

PJSC "Magnit"
Consolidated statement of comprehensive income
for the year ended 31 December 2017
(In thousands of Russian rubles)

	Notes	2017	2016
Revenue	19	1,143,314,405	1,074,811,554
Cost of sales	20	(838,671,511)	(779,052,545)
Gross profit		304,642,894	295,759,009
Selling expenses	21	(16,622,361)	(12,999,499)
General and administrative expenses	22	(237,116,060)	(205,078,370)
Investment income		340,714	106,254
Finance costs	23	(12,978,882)	(13,293,675)
Other income	24	7,759,273	4,036,113
Other expenses		(735,488)	(888,894)
Foreign exchange gain		133,680	1,139,024
Profit before income tax		45,423,770	68,779,962
Income tax expense	25	(9,884,798)	(14,370,968)
Profit for the year		35,538,972	54,408,994
Total comprehensive income for the year, net of tax		35,538,972	54,408,994
Profit for the year			
Attributable to:			
Equity holders of the Parent		35,538,972	54,408,994
		35,538,972	54,408,994
Total comprehensive income for the year, net of tax			
Attributable to:			
Equity holders of the Parent		35,538,972	54,408,994
		35,538,972	54,408,994
Earnings per share (in RUB per share)			
- basic and diluted, for profit for the year attributable to equity holders of the parent	26	373.68	575.38

Chief Executive PJSC "Magnit"

22 March 2018



Pombukhchan K.E.

The accompanying notes on pages 12-56 are an integral part of these consolidated financial statements.

PJSC "Magnit"
Consolidated statement of cash flows
for the year ended 31 December 2017
(In thousands of Russian rubles)

	Notes	2017	2016
Cash flows from operating activities			
Profit before income tax		45,423,770	68,779,962
<i>Adjustments for:</i>			
Depreciation	6	32,947,360	25,219,767
Amortization including land lease rights	22	768,342	605,866
Loss from disposal of property, plant and equipment		464,016	663,260
Loss from disposal of land lease rights	7	24,697	20,261
Accrual/(reversal) of bad debt provision	22	129,225	(9,548)
Foreign exchange gain		(133,680)	(1,139,024)
Finance costs	23	12,978,882	13,293,675
Investment income		(340,714)	(106,254)
Operating cash flows before working capital changes		92,261,898	107,327,965
(Increase)/decrease in trade and other receivables		(684,289)	159,094
Decrease in advances paid		217,829	87,455
Increase in advances received		375,953	12,109
Increase in taxes receivable		(150,461)	(351,136)
Increase in prepaid expenses		(181,674)	(137,856)
Increase in inventories		(27,260,045)	(18,444,120)
Increase/(decrease) in trade and other payables		15,353,763	(3,309,388)
Increase in accrued expenses		926,667	973,979
(Decrease)/increase in taxes payable		(2,527,243)	2,884,291
Increase in deferred revenue		188,359	-
Increase in government grants	18	355,296	-
Cash generated from operations		78,876,053	89,202,393
Income tax paid		(4,876,235)	(12,566,520)
Interest paid		(13,334,900)	(13,694,427)
Interest received		343,376	100,531
Net cash from operating activities		61,008,294	63,041,977
Cash flows from investing activities			
Purchase of property, plant and equipment		(73,528,262)	(49,808,433)
Purchase of intangible assets	8	(1,560,744)	(572,167)
Purchase of land lease rights	7	(63,023)	(35,817)
Proceeds from sale of property, plant and equipment		459,417	171,066
Proceeds from sale of land lease rights		-	1,992
Loans provided		(1,855,287)	(2,202,907)
Loans repaid		1,552,549	2,324,537
Proceeds from government grants	18	800,695	-
Net cash used in investing activities		(74,194,655)	(50,121,729)
Cash flows from financing activities			
Proceeds from loans and borrowings	28	688,243,578	700,662,328
Repayment of loans and borrowings	28	(689,033,285)	(676,884,103)
Dividends paid		(29,233,198)	(28,975,842)
Repayment of obligations under finance leases		(1,250)	(490)
Proceeds from additional issue of shares	12	44,988,662	-
Proceeds from sale of treasury shares	12	-	3,689,713
Purchase of treasury shares	12	-	(3,243,483)
Net cash generated from/ (used in) financing activities		14,964,507	(4,751,877)
Net increase in cash and cash equivalents		1,778,146	8,168,371
Cash and cash equivalents at the beginning of the year	11	16,559,271	8,390,900
Cash and cash equivalents at the end of the year	11	18,337,417	16,559,271

Chief Executive PJSC "Magnit"

22 March 2018

Pombukhchan K.E.

The accompanying notes on pages 12-56 are an integral part of these consolidated financial statements.

PJSC "Magnit"
Consolidated statement of changes in equity
for the year ended 31 December 2017

(In thousands of Russian rubles)

	Attributable to equity holders of the parent				Equity attributable to equity holders of the parent
	Share capital	Share premium	Treasury shares	Retained earnings	
Balance at 1 January 2016	946	42,559,695	(358,553)	122,938,508	165,140,596
Profit for the year	-	-	-	54,408,994	54,408,994
Total comprehensive income for the year	-	-	-	54,408,994	54,408,994
Dividends declared (Note 13)	-	-	-	(23,918,852)	(23,918,852)
Purchase of treasury shares	-	-	(3,243,483)	-	(3,243,483)
Sale of treasury shares (Note 12)	-	87,677	3,602,036	-	3,689,713
Balance at 31 December 2016	946	42,647,372	-	153,428,650	196,076,968
Balance at 1 January 2017	946	42,647,372	-	153,428,650	196,076,968
Profit for the year	-	-	-	35,538,972	35,538,972
Total comprehensive income for the year	-	-	-	35,538,972	35,538,972
Dividends declared (Note 13)	-	-	-	(17,297,163)	(17,297,163)
Additional issue of shares	74	44,988,588	-	-	44,988,662
Balance at 31 December 2017	1,020	87,635,960	-	171,670,459	259,307,439

Chief Executive PJSC "Magnit"



Pombukhchan K.E.

22 March 2018

The accompanying notes on pages 12-56 are an integral part of these consolidated financial statements.

PJSC "Magnit"

Notes to the consolidated financial statements for the year ended 31 December 2017

(In thousands of Russian rubles)

1. Corporate information

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for release by the Chief Executive Officer of PJSC "Magnit" on 22 March 2018.

Close Joint Stock Company "Magnit" ("Magnit") was incorporated in Krasnodar, the Russian Federation, in November 2003.

In January 2006, Magnit changed its legal form to Open Joint Stock Company "Magnit". There was no change in the principal activities or shareholders as a result of the change to an Open Joint Stock Company. In 2014 Magnit changed its legal form to Public Joint Stock Company (the "Company" or PJSC "Magnit") in accordance with changes in legislation.

PJSC "Magnit" and its subsidiaries (the "Group") operate in the retail and distribution of consumer goods under the "Magnit" name. The Group's retail operations are operated through convenience stores, cosmetic stores, hypermarkets and other.

All of the Group's operational activities are conducted in the Russian Federation. The principal operating office of the Group is situated at 15/5 Solnechnaya st., 350072, Krasnodar, the Russian Federation.

The principal activities of the Group's subsidiaries all of which are incorporated in the Russian Federation, and the effective ownership percentages are as follows:

Company name	Principal activity	Ownership interest 2017	Ownership interest 2016
JSC "Tander"	Food retail and wholesale	100%	100%
LLC "Retail Import"	Import operations	100%	100%
LLC "BestTorg"	Food retail in Moscow and the Moscow region	100%	100%
LLC "MFK"	Other activities	100%	100%
LLC "Selta"	Transportation services for the Group	100%	100%
LLC "TK Zelenaya Liniya"	Greenhouse complex	100%	100%
LLC "Tandem"	Rent operations	100%	100%
LLC "Alkotrading"	Other operations	100%	100%
LLC "ITM"	IT operations	100%	100%
LLC "Logistika Alternativa"	Import operations	100%	100%
LLC "Zvezda"	Assets holder, maintenance services for the Group	100%	100%
LLC "TD-holding"	Production and processing of food for the Group	100%	100%
LLC "MagnitEnergo"	Buyer of electric power for the Group	100%	100%
LLC "Management Company "Industrial Park Krasnodar"	Management of production assets	100%	100%
LLC "Kuban Confectioner"	Production of food for the Group	100%	100%
LLC "Kuban Factory of Bakery Products"	Production of food for the Group	100%	100%
LLC "Volshhebnyaya svezhest"	Production of household chemicals for the Group	100%	-
LLC "Moroznye pripasy"	Production of food for the Group	100%	-
LLC "Moskva na Donu"	Production of agricultural products for the Group	100%	-

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

1. Corporate information (continued)

In May 2017, the Group established companies "Volshebnyaya svezhest" LLC and "Moroznye pripasy" LLC with 100% ownership. The main activity of the company is production of food and household chemicals for the Group.

On July 2017, the Group acquired 100% of shares in capital of LLC "Moscow on Don". The Company specialize in production of agricultural products for the Group.

At 31 December 2017 and 2016, the shareholding structure of the Company was as follows:

Shareholder	2017		2016	
	Number of shares	Ownership interest, %	Number of shares	Ownership interest, %
Galitskiy S.N.	32,400,836	31.79	33,200,000	35.11
Gordeichuk V.E.	852,820	0.84	1,002,820	1.06
Shares controlled by Lavreno Ltd. (Cyprus)	210,850	0.21	210,850	0.22
Shares controlled by the Group's Management	213,048	0.21	213,048	0.23
Other shares	730,000	0.72	-	0.00
Free float	67,503,801	66.23	59,934,637	63.38
	101,911,355	100	94,561,355	100

2. Basis of preparation of the financial statements

Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of accounting

The Group's entities maintain their accounting records in Russian roubles ("RUB") and prepare their statutory financial statements in accordance with the Regulations on Accounting and Reporting of the Russian Federation. The statutory financial statements have been adjusted to present these consolidated financial statements in accordance with IFRS.

The financial statements have been prepared on a historical cost basis except for the use of fair value as deemed cost for certain property, plant and equipment as of the date of transition to IFRS and investment property at fair value.

The functional currency of each of the Group's entities and the presentation currency of the consolidated financial statements is the Russian rouble ("RUB").

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- ▶ Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- ▶ Exposure, or rights, to variable returns from its involvement with the investee; and
- ▶ The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- ▶ The contractual arrangement with the other vote holders of the investee;
- ▶ Rights arising from other contractual arrangements;
- ▶ The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The financial statements of subsidiaries are prepared for the same reporting period as those of the holding company; where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used by them into line with those of the Group.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Basis of consolidation (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- ▶ Derecognises the assets (including goodwill) and liabilities of the subsidiary;
- ▶ Derecognises the carrying amount of any non-controlling interest;
- ▶ Derecognises the cumulative translation differences, recorded in equity;
- ▶ Recognises the fair value of the consideration received;
- ▶ Recognises the fair value of any investment retained;
- ▶ Recognises any surplus or deficit in profit or loss;
- ▶ Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

All intra-group balances, transactions, and any unrealised profits or losses arising from intra-group transactions are eliminated on consolidation.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity. In instances where the contingent consideration does not fall within the scope of IAS 39, it is measured in accordance with the appropriate IFRS.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Business combinations (continued)**

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- ▶ Expected to be realised or intended to sold or consumed in normal operating cycle;
- ▶ Held primarily for the purpose of trading;
- ▶ Expected to be realised within twelve months after the reporting period; or
- ▶ Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- ▶ It is expected to be settled in normal operating cycle;
- ▶ It is held primarily for the purpose of trading;
- ▶ It is due to be settled within twelve months after the reporting period; or
- ▶ There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Fair value measurement

The Group measures non-financial assets such as investment properties, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 27.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- ▶ In the principal market for the asset or liability; or
- ▶ In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: ☐

- ▶ Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- ▶ Level 2 - valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- ▶ Level 3 - valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of investment properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Revenue recognition**

The Group generates and recognizes sales to retail customers at the point of sale in its stores and to wholesale customers at the point of sale in its distribution centres and retail stores. Retail sales are in cash and through bank cards. Revenues are measured at the fair value of the consideration received or receivable, recognized net of value added tax and are reduced for estimated customer returns. Historical information in relation to the timing and frequency of customer returns is used to estimate and provide for such returns at the time of sale.

For sales promotion purposes and stimulation of client loyalty The Group provides loyalty programs, which allows to accumulate points and exchange it to the goods hereafter. In case of providing of loyalty points to customers, the Group allocates a part of compensation, received in consequence of sales transaction, to the points cost and recognizes the differed revenue. The differed revenue recognizes in the amount equaled to the fair value of loyalty points, corrected to the probability of exchange. Differed revenue recognized as income in that period than an exchange of loyalty points to the goods take place. Expenses related to the loyalty programs are recognised as selling expenses and classified as advertising expenses.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment.

Historical cost information was not available in relation to buildings purchased prior to transition date to IFRS (1 January 2004). Therefore, management has used valuations performed by independent professionally qualified appraisers to arrive at the fair value as of the date of transition to IFRS and deemed those values as cost.

Cost includes major expenditures for improvements and replacements, which extend the useful lives of the assets or increase their revenue generating capacity. Repairs and maintenance are charged to the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The depreciation method applied to an asset is reviewed at least at each financial year-end and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method is changed to reflect the changed pattern on a perspective basis as a change in an accounting estimate.

The estimated useful economic lives of the related assets are as follows:

	<u>Useful life in years</u>
Buildings	30
Machinery and equipment	3-14
Other fixed assets	3-10

Other fixed assets consist of vehicles and other relatively small groups of fixed assets.

3. Summary of significant accounting policies (continued)

Property, plant and equipment (continued)

Construction in progress comprises costs directly related to the construction of property, plant and equipment including an appropriate allocation of directly attributable variable overheads that are incurred in construction. Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is reviewed regularly to determine whether its carrying value is recoverable and whether appropriate provision for impairment is made.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Government grants

A government grant is recognised when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received.

If grants provided to financing of definite expenses, government grants are recognised in profit or loss on a systematic basis over the periods in which the entity recognizes as expenses the related costs for which the grants are intended to compensate. If grants provided to financing of an asset, government grants shall be recognised in profit or loss as equal shares over the expected useful life of this asset.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan is recognized on fair value. The benefit of the below-market rate of interest is measured as the difference between the initial carrying value of the loan and cash received.

Investment property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the income statement in the period in which they arise. Fair values are evaluated annually by an accredited external, independent valuer, applying a valuation model recommended by the International Valuation Standards Committee.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Land lease rights**

Land lease rights acquired as part of hypermarket development projects are separately reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The useful life is estimated to be 49 years.

When the Group constructs a building on land that is leased under an operating lease, the operating lease costs (including amortization of land lease rights) that are incurred during the construction are capitalised as part of the construction cost of the building.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives.

Lease rights and other intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, lease rights and other intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The following useful lives are used in the calculation of amortization:

Description	Useful life in years
Licenses	1-25
Lease rights (convenience stores)	1-21
Software	1-25
Trade marks	1-10
Other	1-7

Impairment of non-current assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Impairment of non-current assets (continued)**

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit and loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss.

The following asset has specific characteristics for impairment testing:

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Inventory

Inventory is stated at the lower of cost and net realizable value. Cost comprises the direct cost of goods, transportation, handling costs and is decreased by the amount of rebates and promotional bonuses received from suppliers, related to these goods. Cost of goods for resale is calculated using the weighted average method, cost of materials and supplies is calculated using cost per unit method, cost of fuel and lubricants calculated using the average cost method. Net realizable value represents the estimated selling price less all estimated costs necessary to make the sale.

3. Summary of significant accounting policies (continued)**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Vendor allowances

The Group receives various types of allowances from vendors in the form of volume discounts and other forms of payments that effectively reduce the cost of goods purchased from the vendor. Volume-related rebates and other payments received from suppliers are recorded as a reduction in the price paid for the products and reduce cost of goods sold in the period the products are sold.

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Income taxes are computed in accordance with Russian law.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Current income tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences, except:

- ▶ Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Income taxes (continued)**

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, except:

- ▶ Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred taxes are recognised as an expense or income in the consolidated profit and loss, except when they relate to items credited or debited outside profit or loss, either in other comprehensive income or directly in equity, in which case the tax is also recognised outside profit or loss, either in other comprehensive income or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Retirement benefit costs

The operating entities of the Group contribute to the state pension, medical and social insurance funds on behalf of all its current employees. Any related expenses are recognized in the profit and loss as incurred.

3. Summary of significant accounting policies (continued)**Segment reporting**

The Group's business operations are located in the Russian Federation and relate primarily to retail sales of consumer goods. Although the Group operates through different types of stores and in various states within the Russian Federation, the Group's chief operating decision maker reviews the Group's operations and allocates resources on an individual store-by-store basis. The Group has assessed the economic characteristics of the individual stores, including both convenience stores, cosmetic stores, hypermarkets and others, and determined that the stores have similar margins, similar products, similar types of customers and similar methods of distributing such products. Therefore, the Group considers that it only has one reportable segment under IFRS 8. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Seasonality

The Group's business operations are not influenced by seasonality factors, except for the increase of business activities before the New Year holidays.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset, other borrowing costs are recognised in profit or loss in the period in which they are incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the entity determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are expensed in the period they occur.

Financial assets***General description***

Financial assets are classified into the following specified categories: at fair value through profit or loss ("FVTPL"); held-to-maturity investments, "available-for-sale" ("AFS") financial assets and "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Financial assets (continued)*****Effective interest rate method***

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount of the financial asset.

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate. Interest income is included in investment income in the statement of comprehensive income.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit and loss.

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the profit and loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Derecognition of financial assets

A financial asset is derecognised when:

- ▶ The rights to receive cash flows from the asset have expired.
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities and equity instruments issued by the Group

Treasury shares

If the Group reacquires its own equity instruments, those instruments ("treasury shares") are recognised as a deduction to equity at cost, being the consideration paid to reacquire the shares. No gain and loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. On disposal the cost of treasury shares is written off using weighted average method. Such treasury shares may be acquired and held by the Company or by other subsidiaries of the Group.

Share premium

Share premium represents the difference between the fair value of consideration received and nominal value of the issued shares.

Earnings per share

Earnings per share have been determined using the weighted average number of the Group's shares outstanding during 12 months ended 31 December 2017 and 2016. The Group does not have any potentially dilutive equity instruments.

3. Summary of significant accounting policies (continued)

Financial liabilities and equity instruments issued by the Group (continued)

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities of the Group, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised using an effective interest rate method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

3. Summary of significant accounting policies (continued)

Changes in accounting policies

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2017. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and the impact of each amendment is described below:

Amendments to IAS 7 Disclosure Initiative

In 2017, the Group adopted amendments to IAS 7 that require entities to provide to users of the consolidated financial statements disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group disclosed additional information in Note 28 of these consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual improvements 2014-2016 cycle

Amendments to IFRS 12 Disclosure of Interests in Other Entities: clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

These amendments do not have any impact on the Group as there has been no entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale during the period.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed a detailed impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity. The Group has assessed the impact of IFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

IFRS 9 introduces a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 includes three principal classification categories for financial assets: measured at amortized cost, at fair value through other comprehensive income and at fair value through profit or loss. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available-for-sale financial assets.

The Group analyzed contractual cash flows that relate to these instruments and concluded that they meet the criteria for amortized cost measurement under IFRS 9. Therefore, no reclassification for these instruments is required.

(b) Impairment

IFRS 9 introduces a new impairment model that requires the recognition of allowances for impairment based on expected credit losses rather than incurred credit losses under IAS 39. Expected credit losses are used to measure credit risk related to assets. This will require judgments about how changes in economic factors affect expected credit losses determined on a probability weighted basis.

The new impairment model is applicable to the Group's financial assets, including, but not limited to, trade and other receivables, cash and cash equivalents.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Allowance is measured on either of the following bases:

- ▶ Based on 12-month expected losses that are expected credit losses resulting from default events on a financial instrument, which may occur within the 12 months after the reporting date; or
- ▶ Based on lifetime expected credit losses resulting from all possible default events over the expected life of a financial instrument.

The Group has chosen to apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and other receivables.

The Group's cash and cash equivalents have low credit risk based on the external credit ratings of banks and financial institutions.

Based on the assessment undertaken to date, the Group expects an insignificant change in the provision for losses related to trade receivables and other financial assets measured at amortized cost.

(c) Hedge accounting

The Group does not have any hedge relationships that are currently designated as effective hedge relationships and therefore applying the hedging requirements of IFRS 9 will not have a significant impact on Group's financial statements.

Amendments to IFRS 9 Prepayment Features with Negative Compensation

The amendments must be applied retrospectively; earlier application is permitted. The amendment provides specific transition provisions if it is only applied in 2019 rather than in 2018 with the remainder of IFRS 9. Amendments will not have a significant impact on Group's consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)**

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the full retrospective method. In 2017 the Group performed a detailed analysis of assessment of IFRS 15.

The core principle of the standard is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This core principle is delivered in a five-step model framework:

- ▶ Step 1: identify the contract(s) with a customer;
- ▶ Step 2: identify the performance obligations in the contract;
- ▶ Step 3: determine the transaction price;
- ▶ Step 4: allocate the transaction price to the performance obligations in the contract;
- ▶ Step 5: recognize revenue when (or as) the entity satisfies a performance obligation.

The new standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard is applied either:

1. Retrospectively to each previous reporting period presented in the financial statements. In this case, the entity may elect to use any of the following practical expedients:
 - ▶ The entity need not to restate completed contracts that begin and end within the same annual reporting period;
 - ▶ For contracts with variable considerations, an entity can use the transaction price at the date of the contract completion rather than estimating the amount of variable considerations in comparative reporting periods;
 - ▶ For period presented before the initial application date, an entity cannot disclose the amount of the transaction price allocated to the remaining performance obligations or an explanation of when that revenue will be recognized.
2. Retrospectively recognizing the cumulative effect of initial application. In this case, the entity is required to provide additional disclosures in the reporting periods that include the date of initial application:
 - ▶ The amount of a change in each line item for the current reporting period resulted from the adoption of IFRS 15 compared with previous accounting standards;
 - ▶ Clarify significant changes.

The Group operates in the retail sector. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of goods at a point of sale. Other revenue streams are not significant. The Group analyzed its revenue streams through a five-step model established by IFRS 15. The Group expects that adoption of IFRS 15 will have no significant impact on its balance sheet and equity.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognised in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively.

IFRS 2 Classification and Measurement of Share-based Payment Transactions - Amendments to IFRS 2

The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendments are not expected to have any impact on Group's consolidated financial statements.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases - Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees - leases of "low-value" assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)**

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach);
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Group.

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)***Transfers of Investment Property - Amendments to IAS 40*

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. The Group will apply amendments when they become effective. However, since Group's current practice is in line with the clarifications issued, the Group does not expect any effect on its consolidated financial statements.

Annual improvements 2014-2016 cycle (issued in December 2016)

These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - deletion of short-term exemptions for first-time adopters

Short-term exemptions in paragraphs E3-E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Group.

IAS 28 Investments in Associates and Joint Ventures - clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:

- ▶ An entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
- ▶ If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Group.

Notes to the consolidated financial statements (continued)

3. Summary of significant accounting policies (continued)**Standards issued but not yet effective (continued)***Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4*

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17 *Insurance Contracts*, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying IFRS 9. These amendments are not applicable to the Group.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation; or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Group's current practice is in line with the Interpretation, the Group does not expect any effect on its consolidated financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

3. Summary of significant accounting policies (continued)

Standards issued but not yet effective (continued)

The Interpretation specifically addresses the following:

- ▶ Whether an entity considers uncertain tax treatments separately;
- ▶ The assumptions an entity makes about the examination of tax treatments by taxation authorities;
- ▶ How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- ▶ How an entity considers changes in facts and circumstances.

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Group will apply interpretation from its effective date. The Group doesn't expect any influence from this amendments on the consolidated financial statements.

Annual improvements to IFRSs 2015-2017 cycle

The IASB has issued the annual improvements to IFRS standards 2015-2017 cycle. The amendments affect four standards:

- ▶ IFRS 3 *Business Combinations*;
- ▶ IFRS 11 *Joint Arrangements*;
- ▶ IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*.

The amendments are effective for annual periods beginning on or after 1 January 2019 and have no impact on the Group.

4. Significant accounting judgements and estimates

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and assumptions

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Matters of accounting methodology requiring the use of management estimates and assumptions relate to useful economic lives of property, plant and equipment; impairment of assets and taxation.

4. Significant accounting judgements and estimates (continued)**Impairment of assets**

The Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets are impaired. In making the assessment for impairment, assets that do not generate independent cash flows are allocated to an appropriate CGU.

Management necessarily applies its judgment in allocating assets that do not generate independent cash flows to appropriate cash-generating units and also in estimating the timing and value of underlying cash flows within the value in use calculation. In determining the value in use calculation, future cash flows are estimated from each store based on cash flows projection utilising the latest budget information available.

The discounted cash flow model requires numerous estimates and assumptions regarding the future rates of market growth, market demand for the products and the future profitability of products.

Due to their subjective nature, these estimates will likely differ from future actual results of operations and cash flows, and it is possible that these differences could be material.

Useful economic life of property, plant and equipment

The Group's property, plant and equipment are depreciated using the straight-line method over their estimated useful lives which are determined based on the Group's management business plans and operational estimates, related to those assets.

The Group's management periodically reviews the appropriateness of the useful economic lives. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group, historic information on similar assets and industry trends.

Useful life of leasehold improvements

The Group's leasehold improvements in convenience stores used under operating leases are depreciated using the straight-line method over their estimated useful life beyond the legal expiry dates of operating lease agreements assuming leases will be renewed. Based on the history of the successful renewals of these agreements (all agreements that management wanted to prolong were successfully prolonged) and pre-emptive rights for the prolongation of the lease agreements, the Group's management assumes a thirty year depreciation period for these leasehold improvements.

Taxation

The Group is subject to income tax and other taxes. Significant judgment is required in determining the provision for income tax and other taxes due to the complexity of the Russian Federation tax legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether it is probable additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the amount of tax and tax provisions in the period in which such determination is made.

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

5. Balances and transactions with related parties

The Group enters into transactions with related parties in the ordinary course of business. The Group purchases food products, materials for construction and equipment from related parties, provides and receives loans and acquires construction services. Related parties of the Group are represented by shareholders and counterparties that are affiliated with the Group through key management and relatives (other related parties). Transactions with related parties are made on terms not necessarily available to third parties.

No guarantees have been given or received.

No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

The Group entered into a number of agreements with related parties for short-term borrowings with limit amounting to RUB 20,305,000 thousand with maturity dates in January and March 2018, at 7.4% and 9.65% interest rate per annum.

Related party balances as at 31 December 2017 and 2016 consisted of the following:

	Shareholders		Other related parties	
	2017	2016	2017	2016
Loans received (Note 17)	-	151,509	5,646,527	-
Advances paid (Note 10)	-	-	159,046	14,596
Short-term loans receivable	-	149,504	113,910	65,211
Other receivables	-	-	80,647	10,467
Other payables (Note 14)	-	-	58,603	38,959
Long-term financial assets	-	-	50,000	50,000
Trade payables (Note 14)	-	-	31,565	21,017

The Group's transactions with related parties for the years ended at 31 December 2017 and 2016 consisted of the following:

	Shareholders		Other related parties	
	2017	2016	2017	2016
Loans received repayment	50,645,472	10,952,044	4,981,181	4,926,273
Loans received	50,433,500	9,250,000	10,564,200	4,848,000
Loans given repayment	162,204	687,748	1,424,404	1,631,958
Interest expense	60,463	119,362	63,508	78,273
Interest income	12,700	19,252	22,183	38,827
Purchases of inventory	-	-	9,960,169	9,411,574
Loans given	-	650,000	1,450,920	1,549,200
Other income	-	-	234,943	289,488
Other expense	-	-	171,763	30,013
Rent utilities income	-	-	135,059	119,077
Purchases of property, plant and equipment	-	-	73,006	204,178
Rent expense	-	-	4,376	2,647
Wholesale	-	-	235	26,468
Purchase of intangible assets	-	-	110	458

All employee benefits of Group management and members of the Board of Directors of the Group for 2017 were RUB 1,535,881 thousand (2016: RUB 1,583,682 thousand). All employee benefits include the remuneration under labor contract, social contributions and repayments to the board of director's members.

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Notes to the consolidated financial statements (continued)

6. Property, plant and equipment

Property, plant and equipment as at 31 December 2017 consisted of the following:

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
Cost						
At 1 January 2017	14,989,340	233,361,003	88,734,450	34,849,491	17,628,645	389,562,929
Additions	801,677	192,252	20,355,439	7,927,982	44,253,522	73,530,872
Transfers	-	40,036,277	-	-	(40,036,277)	-
Disposals	(961)	(6,360,337)	(4,836,837)	(2,555,787)	(195,333)	(13,949,255)
Transfer from land lease right	250,226	-	-	-	-	250,226
At 31 December 2017	16,040,282	267,229,195	104,253,052	40,221,686	21,650,557	449,394,772
Accumulated depreciation and impairment						
At 1 January 2017	-	(31,806,293)	(50,796,984)	(17,014,305)	-	(99,617,582)
Charge for the year	-	(14,906,594)	(13,835,432)	(4,234,083)	-	(32,976,109)
Disposals	-	6,368,512	4,282,173	2,375,137	-	13,025,822
At 31 December 2017	-	(40,344,375)	(60,350,243)	(18,873,251)	-	(119,567,869)
Net book value						
At 1 January 2017	14,989,340	201,554,710	37,937,466	17,835,186	17,628,645	289,945,347
At 31 December 2017	16,040,282	226,884,820	43,902,809	21,348,435	21,650,557	329,826,903

Property, plant and equipment as at 31 December 2016 consisted of the following:

	Land	Buildings	Machinery and equipment	Other assets	Assets under construction	Total
Cost						
At 1 January 2016	13,384,520	204,053,389	74,018,730	35,297,572	16,975,867	343,730,078
Additions	1,419,057	-	16,325,769	372,571	31,694,123	49,811,520
Transfers	-	30,922,243	-	-	(30,922,243)	-
Disposals	(6,219)	(1,614,629)	(1,610,049)	(820,652)	(119,102)	(4,170,651)
Transfer from land lease right	191,982	-	-	-	-	191,982
At 31 December 2016	14,989,340	233,361,003	88,734,450	34,849,491	17,628,645	389,562,929
Accumulated depreciation and impairment						
At 1 January 2016	-	(23,836,432)	(39,651,901)	(14,245,807)	-	(77,734,140)
Charge for the year	-	(9,238,475)	(12,509,966)	(3,471,326)	-	(25,219,767)
Disposals	-	1,268,614	1,364,883	702,828	-	3,336,325
At 31 December 2016	-	(31,806,293)	(50,796,984)	(17,014,305)	-	(99,617,582)
Net book value						
At 1 January 2016	13,384,520	180,216,957	34,366,829	21,051,765	16,975,867	265,995,938
At 31 December 2016	14,989,340	201,554,710	37,937,466	17,835,186	17,628,645	289,945,347

In 2017, the weighted average capitalisation rate on funds borrowed is 9.49% per annum (2016: 10.91%).

In 2017, depreciation of production fixed assets in amount of RUB 28 749 thousand was included in cost of goods for resale.

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Notes to the consolidated financial statements (continued)

7. Land lease rights

Land lease rights as at 31 December 2017 consisted of the following:

	<u>Land lease rights</u>
Cost	
At 1 January 2017	3,033,439
Additions	63,023
Disposals	(26,405)
Transfer to PPE	(250,226)
At 31 December 2017	<u>2,819,831</u>
Accumulated amortization and impairment	
At 1 January 2017	(393,987)
Charge for the year	(54,530)
Disposals	1,708
At 31 December 2017	<u>(446,809)</u>
Net book value	
At 1 January 2017	<u>2,639,452</u>
At 31 December 2017	<u>2,373,022</u>

Land lease rights as at 31 December 2016 consisted of the following:

	<u>Land lease rights</u>
Cost	
At 1 January 2016	3,214,224
Additions	35,817
Disposals	(24,620)
Transfer to PPE	(191,982)
At 31 December 2016	<u>3,033,439</u>
Accumulated amortization and impairment	
At 1 January 2016	(332,478)
Charge for the year	(63,876)
Disposals	2,367
At 31 December 2016	<u>(393,987)</u>
Net book value	
At 1 January 2016	<u>2,881,746</u>
At 31 December 2016	<u>2,639,452</u>

In 2017, amortization charge of land lease rights was capitalised to cost of property, plant and equipment in the amount of RUB 2,610 thousand (2016: RUB 3,087 thousand).

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Notes to the consolidated financial statements (continued)

8. Intangible assets

Intangible assets as at 31 December 2017 consisted of the following:

	Licenses	Lease rights	Software	Trade mark	Other	Total
Cost						
At 1 January 2017	249,150	160,096	1,940,162	4,955	110,065	2,464,428
Additions	44,686	692,139	726,338	24,847	72,734	1,560,744
Disposals	(27,404)	(13,719)	(283,489)	(96)	(69,561)	(394,269)
At 31 December 2017	266,432	838,516	2,383,011	29,706	113,238	3,630,903
Accumulated amortization and impairment						
At 1 January 2017	(102,119)	(66,097)	(802,124)	(1,681)	(68,769)	(1,040,790)
Charge for the year	(59,710)	(34,634)	(563,169)	(1,378)	(57,531)	(716,422)
Disposals	27,404	13,719	283,489	96	69,561	394,269
At 31 December 2017	(134,425)	(87,012)	(1,081,804)	(2,963)	(56,739)	(1,362,943)
Net book value						
At 1 January 2017	147,031	93,999	1,138,038	3,274	41,296	1,423,638
At 31 December 2017	132,007	751,504	1,301,207	26,743	56,499	2,267,960

Intangible assets as at 31 December 2016 consisted of the following:

	Licenses	Lease rights	Software	Trade mark	Other	Total
Cost						
At 1 January 2016	231,108	160,096	1,649,234	21,998	110,155	2,172,591
Additions	45,262	-	475,602	525	50,778	572,167
Disposals	(27,220)	-	(184,674)	(17,568)	(50,868)	(280,330)
At 31 December 2016	249,150	160,096	1,940,162	4,955	110,065	2,464,428
Accumulated amortization and impairment						
At 1 January 2016	(71,720)	(49,877)	(579,612)	(17,112)	(57,722)	(776,043)
Charge for the year	(57,620)	(16,220)	(407,188)	(2,135)	(61,914)	(545,077)
Disposals	27,221	-	184,676	17,566	50,867	280,330
At 31 December 2016	(102,119)	(66,097)	(802,124)	(1,681)	(68,769)	(1,040,790)
Net book value						
At 1 January 2016	159,388	110,219	1,069,622	4,886	52,433	1,396,548
At 31 December 2016	147,031	93,999	1,138,038	3,274	41,296	1,423,638

Amortization expense is included in general and administrative expenses (Note 21).

Goodwill as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Goodwill as at beginning of the year	1,367,493	1,367,493
Goodwill impairment	-	-
Goodwill as at the end of the year	1,367,493	1,367,493

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

8. Intangible assets (continued)

Goodwill impairment test

The Company performed its annual goodwill impairment test as of 31 December of each year. In assessing whether goodwill has been impaired, the current value of generating unit was compared with its estimated value in use. Value in use was determined using a discounted cash flow model. Future cash flows were calculated based on forecast of operating cash flows for ten years, approved by the management of the Group, taking into account inflation, the demand for produced products, as well as other macroeconomic assumptions. The discount rate was determined based on the weighted average cost of capital of the Group and amounted to 12.6% (13.38% in 2016).

The impairment test did not reveal impairment of goodwill.

9. Inventories

Inventory as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Goods for resale	151,723,919	125,973,938
Materials and supplies	10,480,583	8,941,770
	162,204,502	134,915,708

Materials and supplies are represented by spare parts, packaging materials and other materials used in hypermarkets, stores and warehouses, as well as semi-finished goods of own production.

10. Advances paid

Advances paid as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Advances to third party suppliers	4,353,038	4,663,747
Advances for customs duties	430,435	477,380
Advances to related party suppliers (Note 5)	159,046	14,596
Advances to employees	47,925	52,550
	4,990,444	5,208,273

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Notes to the consolidated financial statements (continued)

11. Cash and cash equivalents

Cash and cash equivalents as at 31 December 2017 and 2016 consisted of the following:

	2017	2016
Petty cash, in RUB	2,098,404	1,841,594
Cash in banks, in RUB	6,770,745	3,717,898
Cash in banks, in foreign currency	15,135	6,764
Cash in transit, in RUB	9,453,133	9,792,628
Short-term deposits	-	1,200,387
	18,337,417	16,559,271

Cash in transit represents cash collected by banks from the Group's stores and not deposited in bank accounts and bank card payments being processed as at 31 December 2017 and 2016.

12. Share capital, share premium and treasury shares

	2017 No. ('000)	2016 No. ('000)
Authorized share capital (ordinary shares with a par value of RUB 0.01)	200,850	200,850
Issued and fully paid (par value of RUB 0.01)	101,911	94,561

	2017	2016
Share premium at 1 January	42,647,372	42,559,695
Sale of treasury shares	-	87,677
Additional issue of shares	44,988,588	-
Share premium at 31 December	87,635,960	42,647,372

	2017 No. ('000)	2016 No. ('000)
Balance of shares outstanding at beginning of financial year	94,561	94,530
Issue of shares	7,350	-
Sale of treasury shares	-	355
Purchase of treasury shares	-	(323)
Balance of shares outstanding at the end of financial year	101,911	94,561

13. Dividends declared

During the year ended 31 December 2017 the Group declared dividends to shareholders relating to 2016 and the first half of 2017:

	2017
Dividends declared for 2016 (67.41 RUB for 1 share)	6,374,381
Dividends declared for the first half of 2017 (115.51 RUB for 1 share)	10,922,782

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Notes to the consolidated financial statements (continued)

13. Dividends declared (continued)

During the year ended 31 December 2016 the Group declared dividends to shareholders relating to 2015, the first half of 2016 and 9 months of 2016:

	<u>2016</u>
Dividends declared for 2015 (42.30 RUB for 1 share)	3,994,755
Dividends declared for the first half of 2016 (84.60 RUB for 1 share)	7,999,173
Dividends declared for the first 9 months of 2016 (126.12 RUB for 1 share)	11,924,924

As at 31 December 2017 the amount of liability for unpaid dividends is RUB 831 thousand (at 31 December 2016: RUB 11,936,866 thousand).

14. Trade and other payables

Trade and other payables as at 31 December 2017 and 2016 consisted of the following:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Trade payables to third parties	93,574,862	81,911,656
Other payables to third parties	5,477,121	1,951,684
Other payables to related parties (Note 5)	58,603	38,959
Trade payables to related parties (Note 5)	31,565	21,017
	<u>99,142,151</u>	<u>83,923,316</u>

The average credit period for purchases was 43 days in 2017 and 43 days in 2016. Interest may be charged on the outstanding balance based on market rates in accordance with certain agreements with vendors, however no significant amounts of interest were charged to the Group during the years presented. The Group has financial risk management policies in place to help ensure that all payables are paid within the credit timeframe.

15. Accrued expenses

Accrued expenses as at 31 December 2017 and 2016 consisted of the following:

	<u>31 December 2017</u>	<u>31 December 2016</u>
Accrued salaries and wages	7,183,464	6,739,280
Other accrued expenses	4,391,489	3,909,006
	<u>11,574,953</u>	<u>10,648,286</u>

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Notes to the consolidated financial statements (continued)

16. Taxes payables

Taxes payables as at 31 December 2017 and 2016 consisted of the following:

	31 December 2017	31 December 2016
Value added tax	2,220,432	4,863,805
Social insurance contributions	2,208,386	2,133,279
Employee income tax withholding	1,042,411	1,032,074
Property tax	761,474	737,309
Other taxes	51,017	44,496
	6,283,720	8,810,963

17. Borrowings and loans

Long-term and short-term borrowings and loans as at 31 December 2017 and 2016 consisted of the following:

	Year of maturity	Weighted average interest rate	31 December 2017	Weighted average interest rate	31 December 2016
Long-term borrowings and loans					
Unsecured bank loans	2019	8.23%	72,831,616	9.89%	10,002,702
Unsecured bank loans	2020-2025	8.17%	13,543,612	-	-
Unsecured bank loans	2018	-	-	9.70%	47,524,944
Unsecured bonds	2018	-	-	10.91%	20,601,093
Less: current portion of long-term borrowings and loans			(37,098)		(628,839)
Total long-term borrowings and loans			86,338,130		77,499,900
Short-term borrowings and loans					
Unsecured bonds	2018	10.91%	20,619,115	-	-
Unsecured bank loans	2018	7.76%	13,819,185	-	-
Unsecured borrowings from related parties (Note 5)	2018	7.40%	5,646,527	-	-
Unsecured bonds	2017	-	-	10.98%	30,388,065
Unsecured bank loans	2017	-	-	9.58%	18,937,467
Unsecured borrowings from related parties (Note 5)	2017	-	-	9.65%	151,509
Current portion of long-term borrowings and loans			37,098		628,839
Total short-term borrowings and loans			40,121,925		50,105,880

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

18. Government grants

	2017	2016
At 1 January	-	-
Received during the year	1,258,873	-
Recognized in profit or loss	(102,882)	-
At 31 December	1,155,991	-
Short-term	55,423	-
Long-term	1,100,568	-

The Government grants were received to recover a part of the direct costs incurred for construction and modernization of fixed assets. The government grants were received in cash and as a benefit of the loan at a below-market rate of interest.

19. Revenue

Revenue for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Retail	1,131,113,105	1,069,205,846
Wholesale	12,201,300	5,605,708
	1,143,314,405	1,074,811,554

20. Cost of sales

Cost of sales for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Cost of goods sold	808,651,923	753,429,310
Transportation expenses	30,019,588	25,623,235
	838,671,511	779,052,545

Cost of goods sold is reduced by rebates and promotional bonuses received from suppliers.

Cost of goods sold contains the amount of losses due to inventory shortages.

In 2017, payroll in amount of RUB 9,789,688 thousand (2016: RUB 8,581,162 thousand) was included in cost of sales.

In 2017, depreciation of production fixed assets in amount of RUB 222,403 thousand (2016: RUB 137,955 thousand) was included in cost of goods sold.

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Notes to the consolidated financial statements (continued)

21. Selling expenses

Selling expenses for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Advertising	8,431,919	5,304,566
Packaging and raw materials	4,436,582	4,564,185
Depreciation	3,753,860	3,130,748
	16,622,361	12,999,499

22. General and administrative expenses

General and administrative expenses for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Payroll	93,190,344	84,088,405
Rent and utilities	66,204,734	56,442,264
Depreciation	28,971,097	21,951,064
Payroll related taxes	26,865,538	24,129,635
Repair and maintenance	5,040,869	4,348,903
Bank services	4,466,211	3,523,769
Taxes, other than income tax	3,399,198	3,195,321
Security	1,278,960	966,844
Amortization	768,342	605,866
Bad debt provision	129,225	(9,548)
Provision for unused vacation	34,843	(2,233)
Other expenses	6,766,699	5,838,080
	237,116,060	205,078,370

23. Finance costs

Finance costs for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Interest on loans	9,918,532	7,990,066
Interest on bonds	3,943,377	5,894,656
Total interest expense for financial liabilities	13,861,909	13,884,722
Less: amounts included in the cost of qualifying assets	(883,027)	(591,047)
	12,978,882	13,293,675

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

24. Other income

Other income for the years ended 31 December 2017 and 2016 consisted of the following:

	2017	2016
Sale of packing	3,586,323	3,008,346
Advertising income	2,219,566	374,401
Penalties	1,496,535	520,471
Government grants	102,882	-
Other	353,967	132,895
	7,759,273	4,036,113

25. Income tax

The Group's income tax expense for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
Consolidated statement of comprehensive income		
Current tax	3,962,310	11,656,019
Deferred tax	5,922,488	2,714,949
Income tax expense reported in the consolidated statement of comprehensive income	9,884,798	14,370,968

The movements for the years ended 2017 and 2016 in the Group's deferred tax position are as follows:

	2017	2016
Liability at the beginning of the year	15,599,232	12,884,283
Charge for the year	5,922,488	2,714,949
Deferred tax liability at the end of the year	21,521,720	15,599,232

The tax effect of the major temporary differences that give rise to the deferred tax assets and liabilities as at 31 December 2017 and 2016 is as follows:

	Consolidated statement of financial position			Consolidated statement of comprehensive income	
	As at 31 December 2017	As at 31 December 2016	As at 1 January 2016	2017	2016
Deferred tax assets					
Accrued expenses	(149,449)	(87,604)	(68,533)	(61,845)	(19,071)
Inventories	(217,675)	(1,952,013)	(1,723,807)	1,734,338	(228,206)
Other	(616,894)	(513,834)	(595,323)	(103,060)	81,489
Deferred tax liabilities					
Property, plant and equipment	21,427,892	17,292,548	14,598,371	4,135,344	2,694,177
Inventories	262,983	-	-	262,983	-
Other	814,863	860,135	673,575	(45,272)	186,560
Net deferred tax liability	21,521,720	15,599,232	12,884,283	5,922,488	2,714,949

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Notes to the consolidated financial statements (continued)

25. Income tax (continued)

The taxation charge for the year is different from that which would be obtained by applying the statutory income tax rate to the profit before income tax. Below is a reconciliation of theoretical income tax at 20% to the actual expense recorded in the Group's profit and loss:

	2017	2016
Profit before tax	45,423,770	68,779,962
Theoretical income tax expense at 20%	(9,084,754)	(13,755,992)
<i>Adjustments due to:</i>		
Tax effect of losses due to inventory shortages not deductible in determining taxable profit	(335,920)	(294,225)
Tax effect of other expenses that are not deductible in determining taxable profit	(464,170)	(592,672)
Income tax recovery due to submission of revised tax returns	46	271,921
Income tax expense	<u>(9,884,798)</u>	<u>(14,370,968)</u>

26. Earnings per share

Earnings per share for the years ended 31 December 2017 and 2016 have been calculated on the basis of the net profit for the year and the weighted average number of common shares outstanding during the year.

The calculation of earnings per common share for the years ended 31 December 2017 and 2016 is as follows:

	2017	2016
Profit for the year attributable to equity holders of the parent	35,538,972	54,408,994
Weighted average number of shares (in thousands of shares)	95,105	94,561
Basic and diluted earnings per share (in RUB)	<u>373.68</u>	<u>575.38</u>

The Group does not have any potentially dilutive equity instruments.

27. Contingencies, commitments and operating risks

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by a decline in oil prices and sanctions imposed on Russia by a number of countries. The ruble interest rates remain high. The combination of the above resulted in reduced access to capital, a higher cost of capital and uncertainty regarding economic growth, which could negatively affect the Group's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances.

27. Contingencies, commitments and operating risks (continued)**Tax legislation**

The Group's main subsidiaries, from which the Group's income is derived, operate in Russia. Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and federal authorities.

In 2017, further implementation of mechanisms aimed at countering tax evasion through the use of low-tax jurisdictions and aggressive tax planning structures. The amendments include, among other things, definitions of beneficial ownership and tax residency by actual place of business (for legal entities) and the approach to the taxation of controlled foreign companies in the Russian Federation.

In addition, a concept of tax benefit was introduced for all taxes payable in the Russian Federation, with a focus on the presence of a business purpose of activities and confirmation of discharge of obligations under agreements by the parties to these agreements or a party to which these obligations were transferred under a contract or by law. These amendments significantly modify the framework for determination of unjustified tax benefit obtained by a taxpayer, and will have a significant impact on established court practice. However, the mechanism of application of this regulation is yet to be settled, and the respective court practice is not established.

These changes and recent trends in the applying and interpreting certain provisions of Russian tax law indicate that the tax authorities may take a tougher stance in interpreting legislation and reviewing tax returns. The tax authorities may thus challenge transactions and accounting methods that they have never challenged before. This may result in significant amounts of tax charges, penalties and fines being imposed. It is not possible to determine the amounts of constructive claims or evaluate probability of their negative outcome. Fiscal periods remain open to review by the tax authorities for a period of three calendar years immediately preceding the year of review.

According to management, at 31 December 2017, they had properly construed the relevant legislation, and the probability that the Group will retain its position with regard to tax, currency and customs law is assessed as high.

As at 31 December 2017 and 2016, the Group accrued no provisions for tax positions.

Litigation

The Group has been and continues to be the subject of legal proceedings and adjudications from time to time, none of which has had, individually or in aggregate, a material adverse impact on the Group. Management believes that the resolution of all business matters will not have a material impact on the Group's financial position, operating results and cash flows.

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Notes to the consolidated financial statements (continued)

27. Contingencies, commitments and operating risks (continued)

Capital and rent commitments

As at 31 December 2017 and 2016, the Group entered in a number of agreements related to the acquisition of property, plant and equipment, capital commitments are presented net of VAT:

	2017	2016
Within one year	17,797,342	11,076,884
In the second to fifth years inclusive	1,641,856	60,725
	19,439,198	11,137,609

The Group entered in a number of cancellable short-term and long-term rental agreements. The Group plans to prolong these agreements in the future. The expected annual lease payments under these agreements amount to approximately RUB 53,077 million (2016: RUB 42,578 million).

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of debt and equity ratios.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 17, cash and cash equivalents disclosed in Note 11 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 12.

28. Financial risk management objectives and policies

Gearing ratio

Management reviews the Group's capital structure on an annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio in 2017 of up to 42% (2016: 57%) determined as the proportion of net debt to equity.

The gearing ratio as at 31 December 2017 and 2016 was as follows:

	2017	2016
Loan debt	126,460,055	127,605,780
Cash and cash equivalents	(18,337,417)	(16,559,271)
Net debt	108,122,638	111,046,509
Equity	259,307,439	196,076,968
Net debt to equity ratio	42%	57%

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Notes to the consolidated financial statements (continued)

28. Financial risk management objectives and policies (continued)

Gearing ratio (continued)

Debt is defined as long-term and short-term borrowings. Equity includes all capital and reserves of the Group.

The change in the target gearing ratio is due to the changes in the capital structure in 2017.

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

	Carrying amount		Fair value	
	2017	2016	2017	2016
Long-term borrowings and loans	86,338,130	57,514,507	86,417,298	57,585,462
Bonds	20,619,115	50,989,158	20,150,000	50,508,000

As at 31 December 2017 and 2016, the fair value of the Group's financial instruments, except as described above, approximates their carrying value.

Set out below are changes in liabilities arising from financing activities:

	1 January 2017	Proceeds from loans and borrowings	Repayment of loans and borrowings	Finance costs	Interest paid	31 December 2017
Short-term and long-term borrowings and loans	127,605,780	688,243,578	(689,033,285)	12,978,882	(13,334,900)	126,460,055

	1 January 2017	Dividends declared	Dividends paid	31 December 2017
Dividends paid	11,936,866	17,297,163	(29,233,198)	831

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Notes to the consolidated financial statements (continued)

28. Financial risk management objectives and policies (continued)

Fair values (continued)

The fair value of loans from banks is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities. Long-term borrowing and loans are categorized as Level 2 within the fair value hierarchy. For quoted bonds (Level 1) the fair value was determined based on quoted market prices. No transfers occurred between levels in the hierarchy during the reporting period.

Fair values of financial instruments of the Group other than disclosed above approximate to their carrying amounts as at 31 December 2017 and 2016.

Foreign currency risk management

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when purchase is denominated in a different currency from the Group's functional currency).

Foreign currency sensitivity

The following tables demonstrate the sensitivity to a reasonably possible change in the US dollar and euro exchange rate, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The Group's exposure to foreign currency changes for all other currencies is not material.

The Group manages its foreign currency risk by scheduling payments to foreign suppliers close to the date of transfer of ownership over goods to the Group.

	Change in USD rate	Effect on profit before tax	Change in EUR rate	Effect on profit before tax
2017	+11.00%	552,429	+12.50%	139,491
	-11.00%	(552,429)	-12.50%	(139,491)
2016	+20.00%	704,920	+20.00%	302,672
	-20.00%	(704,920)	-20.00%	(302,672)

Notes to the consolidated financial statements (continued)

28. Financial risk management objectives and policies (continued)**Interest rate risk management**

The Group is exposed to insignificant interest rate risk as entities in the Group borrow funds on fixed rates primary.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises with respect to operating activities (primarily for trade and other receivables) and investing activities (cash, short term loans).

Customer credit risk is managed by the Group by dealing with creditworthy counterparties, who have a good long term credit history. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by management.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of current assets at any time during the years presented.

Credit risk from investing activities is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties. Cash is placed in financial institutions, which are considered at time of deposit to have minimal risk of default.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets as presented in the statement of financial position.

Offsetting of financial assets and liabilities

The Group offsets its financial assets and financial liabilities when all the conditions for offset are met. The effect of offsetting is the following:

	Gross amount			Net amount	
	Trade and other receivables	Trade and other payables	Amount of offset	Trade and other receivables	Trade and other payables
2017	11,433,088	(109,176,053)	10,033,902	1,399,186	(99,142,151)
2016	22,395,946	(105,475,140)	21,551,824	844,122	(83,923,316)

Notes to the consolidated financial statements (continued)

28. Financial risk management objectives and policies (continued)**Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built a liquidity risk management framework for management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments. The table includes both interest and principal cash flows.

	Weighted average effective interest rate, %	Less than 1 month	1-3 month	3 month to 1 year	1-5 years	More than 5 years	Total
2017							
Trade and other payables		79,174,922	19,967,229	-	-	-	99,142,151
Fixed interest rate instruments	8.56	1,515,852	20,511,786	25,796,557	88,741,275	719,245	137,284,715
		<u>80,690,774</u>	<u>40,479,015</u>	<u>25,796,557</u>	<u>88,741,275</u>	<u>719,245</u>	<u>236,426,866</u>
2016							
Trade and other payables		74,356,057	9,567,259	-	-	-	83,923,316
Fixed interest rate instruments	10.23	3,687,270	13,009,022	37,932,498	81,869,183	-	136,497,973
Instruments with variable interest rate	9.06	39,444	4,534,402	-	-	-	4,573,846
		<u>78,082,771</u>	<u>27,110,683</u>	<u>37,932,498</u>	<u>81,869,183</u>	<u>-</u>	<u>224,995,135</u>

The Group has access to financing facilities of RUB 300,466,170 thousand of which RUB 174,279,126 thousand remains unused at 31 December 2017. The Group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

PJSC "Magnit"

Notes to the consolidated financial statements (continued)

29. Subsequent events

In February 2018, Galitskiy S.N. entered into an agreement with the subsidiary of PJSC "VTB Bank" on sale of 29.1% shares of PJSC "Magnit" owned by him and retire from responsibility of general director and the member of Board of Directors of PJSC "Magnit". The transfer of shares' ownership title to the subsidiary of PJSC "VTB Bank" was registered on 14 March 2018 year. Pombukhchan K.E. was elected the general director of PJSC "Magnit" on the meeting of the board of directors on 16 February 2018 year.

Chief Executive PJSC "Magnit"

22 March 2018

A handwritten signature in blue ink, appearing to be 'Pombukhchan K.E.', written over a faint blue rectangular stamp.

Pombukhchan K.E.

ANNEX № 3:

Accounting report of JSC "Tander" for the year 2017 prepared in accordance with RAS:

Auditor's report of "Faber Leks" Audit Limited Liability Company of the annual accounting report of JSC "Tander" for the financial year 2017

Accounting reports of JSC "Tander" for the year 2017

Explanations to the accounting reports of JSC "Tander" for the year 2017



ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ
Аудиторская фирма «Фабер Лекс»

Свидетельство от 03.08.2016 г. о членстве в саморегулируемой организации аудиторов «Российский Союз аудиторов», ОРНЗ 10203002910

р/с 40702810000110003611 в Филиал Южный ПАО "БАНК УРАЛСИБ", БИК 040349700, к/с 30101810400000000700, ИНН 2308052975
Юр. адрес: 350049 г. Краснодар, ул. Красных Партизан, 144/2, факт. адрес: 350049 г. Краснодар, ул. Красных Партизан, 144/2

АУДИТОРСКОЕ ЗАКЛЮЧЕНИЕ

Адресат:

Акционеры АО «Тандер»

Мнение

Мы провели аудит прилагаемой годовой бухгалтерской (финансовой) отчетности организации Акционерное общество «Тандер» (сокращенное наименование: АО «Тандер»; ОГРН: 1022301598549; место нахождения: 350002, г. Краснодар, ул. Леваневского, 185), состоящей из:

- бухгалтерского баланса по состоянию на 31 декабря 2017 года;
- отчета о финансовых результатах за 2017 год;
- отчета об изменениях капитала за 2017 год;
- отчета о движении денежных средств за 2017 год;
- пояснений к бухгалтерскому балансу и отчету о финансовых результатах (табличная и текстовая части) за 2017 год.

По нашему мнению, прилагаемая годовая бухгалтерская (финансовая) отчетность отражает достоверно во всех существенных отношениях финансовое положение АО «Тандер» по состоянию на 31 декабря 2017 года, финансовые результаты его деятельности и движение денежных средств за 2017 год в соответствии с правилами составления бухгалтерской (финансовой) отчетности, установленными в Российской Федерации.

Основание для выражения мнения

Мы провели аудит в соответствии с Международными стандартами аудита (МСА). Наша ответственность в соответствии с этими стандартами описана в разделе «Ответственность аудитора за аудит годовой бухгалтерской (финансовой) отчетности» настоящего заключения. Мы являемся независимыми по отношению к аудируемому лицу в соответствии с Правилами независимости аудиторов и аудиторских организаций и Кодексом профессиональной этики аудиторов, соответствующими Кодексу этики профессиональных бухгалтеров, разработанному Советом по международным стандартам этики для профессиональных бухгалтеров, и нами выполнены прочие иные обязанности в соответствии с этими требованиями профессиональной этики. Мы полагаем, что полученные нами аудиторские доказательства являются достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения.

Ответственность руководства и лиц, отвечающих за корпоративное управление, аудируемого лица за годовую бухгалтерскую (финансовую) отчетность

Руководство несет ответственность за подготовку и достоверное представление данной годовой бухгалтерской (финансовой) отчетности в соответствии с правилами составления бухгалтерской (финансовой) отчетности, установленными в Российской Федерации, и за систему внутреннего контроля, которую руководство считает необходимой для подготовки годовой бухгалтерской (финансовой) отчетности, не содержащей существенных искажений вследствие недобросовестных действий или ошибок.

При подготовке годовой бухгалтерской (финансовой) отчетности руководство несет ответственность за оценку способности аудируемого лица продолжать непрерывно свою деятельность, за раскрытие в соответствующих случаях сведений, относящихся к непрерывности деятельности, и за составление отчетности на основе допущения о непрерывности деятельности, за исключением случаев, когда руководство намеревается ликвидировать аудируемого лица, прекратить ее деятельность или когда у него отсутствует какая-либо иная реальная альтернатива, кроме ликвидации или прекращения деятельности.

Лица, отвечающие за корпоративное управление, несут ответственность за надзор за подготовкой годовой бухгалтерской (финансовой) отчетности аудируемого лица.

Ответственность аудитора за аудит годовой бухгалтерской (финансовой) отчетности

Наша цель состоит в получении разумной уверенности в том, что годовая бухгалтерская (финансовая) отчетность не содержит существенных искажений вследствие недобросовестных действий или ошибок, и в составлении аудиторского заключения, содержащего наше мнение. Разумная уверенность представляет собой высокую степень уверенности, но не является гарантией того, что аудит, проведенный в соответствии с МСА, всегда выявляет существенные искажения при их наличии. Искажения могут быть результатом недобросовестных действий или ошибок и считаются существенными, если можно обоснованно предположить, что в отдельности или в совокупности они могут повлиять на экономические решения пользователей, принимаемые на основе этой годовой бухгалтерской (финансовой) отчетности.

В рамках аудита, проводимого в соответствии с МСА, мы применяем профессиональное суждение и сохраняем профессиональный скептицизм на протяжении всего аудита. Кроме того, мы выполняем следующее:

а) выявляем и оцениваем риски существенного искажения годовой бухгалтерской (финансовой) отчетности вследствие недобросовестных действий или ошибок; разрабатываем и проводим аудиторские процедуры в ответ на эти риски; получаем аудиторские доказательства, являющиеся достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения. Риск необнаружения существенного искажения в результате недобросовестных действий выше, чем риск

необнаружения существенного искажения в результате ошибки, так как недобросовестные действия могут включать сговор, подлог, умышленный пропуск, искаженное представление информации или действия в обход системы внутреннего контроля;

б) получаем понимание системы внутреннего контроля, имеющей значение для аудита, с целью разработки аудиторских процедур, соответствующих обстоятельствам, но не с целью выражения мнения об эффективности системы внутреннего контроля аудируемого лица;

в) оцениваем надлежащий характер применяемой учетной политики, обоснованность бухгалтерских оценок и соответствующего раскрытия информации, подготовленного руководством аудируемого лица;

г) делаем вывод о правомерности применения руководством аудируемого лица допущения о непрерывности деятельности, а на основании полученных аудиторских доказательств - вывод о том, имеется ли существенная неопределенность в связи с событиями или условиями, в результате которых могут возникнуть значительные сомнения в способности аудируемого лица продолжать непрерывно свою деятельность. Если мы приходим к выводу о наличии существенной неопределенности, мы должны привлечь внимание в нашем аудиторском заключении к соответствующему раскрытию информации в годовой бухгалтерской (финансовой) отчетности или, если такое раскрытие информации является ненадлежащим, модифицировать наше мнение. Наши выводы основаны на аудиторских доказательствах, полученных до даты нашего аудиторского заключения. Однако будущие события или условия могут привести к тому, что аудируемое лицо утратит способность продолжать непрерывно свою деятельность;

д) проводим оценку представления годовой бухгалтерской (финансовой) отчетности в целом, ее структуры и содержания, включая раскрытие информации, а также того, представляет ли годовая бухгалтерская (финансовая) отчетность лежащие в ее основе операции и события так, чтобы было обеспечено их достоверное представление.

Мы осуществляем информационное взаимодействие с лицами, отвечающими за корпоративное управление, аудируемого лица, доводя до их сведения, помимо прочего, информацию о запланированном объеме и сроках аудита, а также о существенных замечаниях по результатам аудита, в том числе о значительных недостатках системы внутреннего контроля, которые мы выявляем в процессе аудита.

Аудиторская организация: Общество с
ограниченной ответственностью Аудиторская
фирма «Фабер Лекс» (ООО АФ «Фабер Лекс»),
ОГРН: 1022301213197

350049, г. Краснодар, ул. Красных Партизан, 144/2

Член саморегулируемой организации аудиторов
«Российский Союз аудиторов» (Ассоциация) (СРО
РСА), ОГРН: 10203002910

23 марта 2018 года

Директор ООО АФ
«Фабер Лекс»
Паврищева О.В.



Приложение № 1
к Приказу Министерства финансов
Российской Федерации
от 02.07.2010 № 66н
(в ред. Приказов Минфина России
от 05.10.2011 № 124н,
от 06.04.2015 № 57н)

Бухгалтерский баланс
на 31 декабря 20 17 г.

Организация Акционерное Общество "Тандер"

Идентификационный номер налогоплательщика

Вид экономической

деятельности прочая розничная торговля в неспециализированных магазинах

Организационно-правовая форма/форма собственности акционерное

общество/частная собственность

Единица измерения: тыс. руб.

Местонахождение (адрес) 350002, Краснодарский край, г. Краснодар,

ул. Леваневского, дом 185

Дата (число, месяц, год)

по ОКПО

ИНН

по

ОКВЭД

по ОКОПФ/ОКФС

по ОКЕИ

Коды		
0710001		
31	12	2017
41351125		
2310031475		
47.11		
12200	16	
384		

Пояснения ¹	Наименование показателя ²	Код	На 31 декабря 20 17 г. ³	На 31 декабря 20 16 г. ⁴	На 31 декабря 20 15 г. ⁵
	АКТИВ				
	I. ВНЕОБОРОТНЫЕ АКТИВЫ				
	Нематериальные активы	1110	52 113	15 708	8 636
	Результаты исследований и разработок	1120	-	-	-
	Нематериальные поисковые активы	1130	-	-	-
	Материальные поисковые активы	1140	-	-	-
	Основные средства	1150	217 170 507	203 057 806	186 694 167
	Доходные вложения в материальные ценности	1160	-	-	-
	Финансовые вложения	1170	3 136 890	2 842 289	2 764 260
	Отложенные налоговые активы	1180	991	805	891
	Прочие внеоборотные активы	1190	23 435 057	21 786 366	25 269 879
	Итого по разделу I	1100	243 795 558	227 702 974	214 737 833
	II. ОБОРОТНЫЕ АКТИВЫ				
	Запасы	1210	157 215 950	139 983 372	122 185 932
	В том числе:				
	сырье, материалы и другие аналогичные ценности	1211	6 169 216	4 474 017	3 544 867
	затраты в издержках обращения	1212	3 350 268	2 451 226	2 275 687
	готовая продукция и товары для перепродажи	1213	147 463 102	132 867 764	116 202 120
	расходы будущих периодов	1214	228 364	190 365	163 258
	Налог на добавленную стоимость по приобретенным ценностям	1220	333 470	431 761	348 164
	Дебиторская задолженность	1230	18 401 284	28 203 114	30 803 275
	В том числе:				
	покупатели и заказчики	1231	5 642 546	14 952 721	14 952 250
	Финансовые вложения (за исключением денежных эквивалентов)	1240	3 921 430	765 785	1 038 372
	Денежные средства и денежные эквиваленты	1250	18 304 430	16 459 718	8 311 389
	Прочие оборотные активы	1260	380 163	238 681	180 086
	Итого по разделу II	1200	198 556 727	186 082 431	162 867 218
	БАЛАНС	1600	442 352 285	413 785 405	377 605 051

Пояснения ¹	Наименование показателя ²	Код	На 31 декабря 20 17 г. ³	На 31 декабря 20 16 г. ⁴	На 31 декабря 20 15 г. ⁵
	ПАССИВ				
	III. КАПИТАЛ И РЕЗЕРВЫ ⁶				
	Уставный капитал (складочный капитал, уставный фонд, вклады товарищей)	1310	100 000	100 000	100 000
	Собственные акции, выкупленные у акционеров	1320	(-) ⁷	(-)	(-)
	Переоценка внеоборотных активов	1340	-	-	-
	Добавочный капитал (без переоценки)	1350	9	9	9
	Резервный капитал	1360	15 000	15 000	15 000
	Нераспределенная прибыль (непокрытый убыток)	1370	55 954 464	81 972 726	69 004 410
	Итого по разделу III	1300	56 069 473	82 087 735	69 119 419
	IV. ДОЛГОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА				
	Заемные средства	1410	227 102 888	176 376 641	125 789 886
	Отложенные налоговые обязательства	1420	6 268 665	5 476 628	4 967 596
	Оценочные обязательства	1430	-	-	-
	Прочие обязательства	1450	-	-	-
	Итого по разделу IV	1400	233 371 553	181 853 269	130 757 482
	V. КРАТКОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА				
	Заемные средства	1510	25 658 299	20 994 938	45 345 616
	Кредиторская задолженность	1520	122 020 530	124 110 397	127 843 894
	В том числе:				
	поставщики и подрядчики	1521	108 949 972	104 996 465	110 835 722
	задолженность перед персоналом организации	1522	5 816 273	5 794 448	5 355 299
	задолженность перед государственными внебюджетными фондами	1523	2 018 582	1 967 365	1 864 339
	задолженность по налогам и сборам	1524	4 329 858	5 978 218	3 847 504
	прочие кредиторы	1525	905 845	5 373 901	5 941 030
	Доходы будущих периодов	1530	371 210	-	-
	Оценочные обязательства	1540	4 861 220	4 739 066	4 538 640
	Прочие обязательства	1550	-	-	-
	Итого по разделу V	1500	152 911 259	149 844 401	177 728 150
	БАЛАНС	1700	442 352 285	413 785 405	377 605 051

Руководитель

Федотов Д.А.

" 22 "

марта

20 18 г.

(подпись)

(расшифровка подписи)

Примечания

1. Указывается номер соответствующего пояснения к бухгалтерскому балансу и отчету о финансовых результатах.

2. В соответствии с Положением по бухгалтерскому учету "Бухгалтерская отчетность организации" ПБУ 4/99, утвержденным Приказом Министерства финансов Российской Федерации от 6 июля 1999 г. № 43н (до заключения Министерства юстиции Российской Федерации № 6417-ПК от 6 августа 1999 г. указанным Приказ в государственной регистрации не нуждается), показатели об отдельных активах, обязательствах могут приводиться общей суммой с раскрытием в пояснениях к бухгалтерскому балансу, если каждый из этих показателей в отдельности несущественен для оценки заинтересованными пользователями финансового положения организации или финансовых результатов ее деятельности.

3. Указывается отчетная дата отчетного периода.

4. Указывается предыдущий год.

5. Указывается год, предшествующий предыдущему.

6. Некоммерческая организация именует указанный раздел "Целевое финансирование". Вместо показателей "Уставный капитал (складочный капитал, уставный фонд, вклады товарищей)", "Собственные акции, выкупленные у акционеров", "Добавочный капитал", "Резервный капитал" и "Нераспределенная прибыль (непокрытый убыток)" некоммерческая организация включает показатели "Паевой фонд", "Целевой капитал", "Целевые средства", "Фонд недвижимого и особо ценного движимого имущества", "Резервный и иные целевые фонды" (в зависимости от формы некоммерческой организации и источников формирования имущества).

7. Здесь и в других формах отчетов вычитаемый или отрицательный показатель показывается в круглых скобках.

Отчет о финансовых результатах

за _____ год 20 17 г.

Организация Акционерное Общество "Тандер"
Идентификационный номер налогоплательщика _____

Форма по ОКУД _____
Дата (число, месяц, год) _____
по ОКПО _____
ИНН _____

Вид экономической деятельности прочая розничная торговля в неспециализированных магазинах
Организационно-правовая форма/форма собственности акционерное общество/частная собственность
Единица измерения: тыс. руб.

по ОКВЭД _____
по ОКОПФ/ОКФС _____
по ОКЕИ _____

Коды		
0710002		
31	12	2017
41351125		
2310031475		
47.11		
12200	16	
384		

Пояснения ¹	Наименование показателя ²	Код	За _____ год 20 17 г. ³	За _____ год 20 16 г. ⁴
	Выручка ⁵	2110	1 180 335 003	1 175 193 293
	Себестоимость продаж	2120	(886 693 532)	(917 787 784)
	Валовая прибыль (убыток)	2100	293 641 471	257 405 509
	Коммерческие расходы	2210	(311 626 327)	(264 155 806)
	Управленческие расходы	2220	(-)	(-)
	Прибыль (убыток) от продаж	2200	(17 984 856)	(6 750 297)
	Доходы от участия в других организациях	2310	2 004 863	293 804
	Проценты к получению	2320	551 415	140 157
	Проценты к уплате	2330	(20 184 948)	(20 813 508)
	Прочие доходы	2340	80 596 055	113 061 246
	Прочие расходы	2350	(36 148 284)	(38 547 242)
	Прибыль (убыток) до налогообложения	2300	8 834 245	47 384 160
	Текущий налог на прибыль	2410	(1 560 656)	(9 906 726)
	в т.ч. постоянные налоговые обязательства (активы)	2421	(547 121)	(939 012)
	Изменение отложенных налоговых обязательств	2430	(792 037)	(509 033)
	Изменение отложенных налоговых активов	2450	186	(85)
	Прочее	2460	-	-
	Чистая прибыль (убыток)	2400	6 481 738	36 968 316

Форма 0710002 с. 2

Пояснения ¹	Наименование показателя ²	Код	За _____ год 20 17 г. ³	За _____ год 20 16 г. ⁴
	СПРАВОЧНО			
	Результат от переоценки внеоборотных активов, не включаемый в чистую прибыль (убыток) периода	2510	-	-
	Результат от прочих операций, не включаемый в чистую прибыль (убыток) периода	2520	-	-
	Совокупный финансовый результат периода ⁶	2500	6 481 738	36 968 316
	Базовая прибыль (убыток) на акцию	2900	-	-
	Разводненная прибыль (убыток) на акцию	2910	-	-

Руководитель _____ Федотов Д.А.

" 22 " _____ 20 18

Примечания

1. Указывается номер соответствующего пояснения к бухгалтерскому балансу и отчету о финансовых результатах.

2. В соответствии с Положением по бухгалтерскому учету "Бухгалтерская отчетность организации" ПБУ 4/99, утвержденным Приказом Министерства финансов Российской Федерации от 6 июля 1999 г. № 43н (по заключению Министерства юстиции Российской Федерации № 6417-ПК от 6 августа 1999 г. указанный Приказ в государственной регистрации не нуждается), показатели об отдельных доходах и расходах могут приводиться в отчете о финансовых результатах общей суммой с раскрытием в пояснениях к отчету о финансовых результатах, если каждый из этих показателей в отдельности несущественен для оценки заинтересованными пользователями финансового положения организации или финансовых результатов ее деятельности.

3. Указывается отчетный период.

4. Указывается период предыдущего года, аналогичный отчетному периоду.

5. Выручка отражается за минусом налога на добавленную стоимость, акцизов.

6. Совокупный финансовый результат периода определяется как сумма строк "Чистая прибыль (убыток)", "Результат от переоценки внеоборотных активов, не включаемый в чистую прибыль (убыток) периода" и "Результат от прочих операций, не включаемый в чистую прибыль (убыток) отчетного периода".

Отчет об изменениях капитала
за 20 17 г.

Коды		
0710003		
31	12	2017
41351125		
2310031475		
47.11		
12200	16	
384		

Организация Акционерное Общество "Тандер"
Идентификационный номер налогоплательщика _____
Вид экономической деятельности _____
прочая розничная торговля в неспециализированных магазинах
Деятельности _____ ОКВЭД _____
Организационно-правовая форма/форма собственности _____
акционерное общество / частная собственность _____ по ОКПО/ОКФС _____
Единица измерения: тыс. руб. _____ по ОКЕИ _____

1. Движение капитала

Наименование показателя	Код	Уставный капитал	Собственные акции, выкупленные у акционеров	Добавочный капитал	Резервный капитал	Нераспределенная прибыль (непокрытый убыток)	Итого
Величина капитала на 31 декабря 20 15 г. ¹	3100	100 000	(-)	9	15 000	69 004 410	69 119 419
Увеличение капитала - всего:	3210	0	-	-	-	36 968 316	36 968 316
в том числе:							
чистая прибыль	3211	x	x	x	x	36 968 316	36 968 316
переоценка имущества	3212	x	x	-	x	-	-
доходы, относящиеся непосредственно на увеличение капитала	3213	x	x	-	x	-	-
дополнительный выпуск акций	3214	-	-	-	x	x	-
увеличение номинальной стоимости акций	3215	-	-	-	x	-	x
реорганизация юридического лица	3216	-	-	-	-	-	-

Наименование показателя	Код	Уставный капитал	Собственные акции, выкупленные у акционеров	Добавочный капитал	Резервный капитал	Нераспределенная прибыль (непокрытый убыток)	Итого
Уменьшение капитала - всего:	3220	(0)	-	(-)	(-)	(24 000 000)	(24 000 000)
в том числе:							
убыток							
переоценка имущества	3221	x	x	x	x	(-)	(-)
расходы, относящиеся непосредственно на уменьшение капитала	3222	x	x	(-)	x	(-)	(-)
уменьшение номинальной стоимости акций	3223	x	x	(-)	x	(-)	(-)
уменьшение количества акций	3224	(-)	-	-	x	(-)	(-)
реорганизация юридического лица	3225	(-)	-	-	x	(-)	(-)
дивиденды	3226	-	-	-	-	(-)	(-)
Изменение добавочного капитала	3227	x	x	x	x	(24 000 000)	(24 000 000)
Изменение резервного капитала	3230	x	x	-	-	-	x
Величина капитала на 31 декабря 20 16 г. ²	3240	x	x	x	-	-	x
3200	100 000	(-)	-	9	15 000	81 972 726	82 087 735
За 20 17 г. ³							
Увеличение капитала - всего:	3310	0	-	-	-	6 481 738	6 481 738
в том числе:							
чистая прибыль	3311	x	x	x	x	6 481 738	6 481 738
переоценка имущества	3312	x	x	-	x	-	-
доходы, относящиеся непосредственно на увеличение капитала	3313	x	x	-	x	-	-
дополнительный выпуск акций	3314	-	-	-	x	x	-
увеличение номинальной стоимости акций	3315	-	-	-	x	-	x
реорганизация юридического лица	3316	-	-	-	-	-	-
Уменьшение капитала - всего:	3320	(0)	-	(-)	(-)	(32 500 000)	(32 500 000)
в том числе:							
убыток							
переоценка имущества	3321	x	x	x	x	(-)	(-)
расходы, относящиеся непосредственно на уменьшение капитала	3322	x	x	(-)	x	(-)	(-)
уменьшение номинальной стоимости акций	3323	x	x	(-)	x	(-)	(-)
уменьшение количества акций	3324	(-)	-	-	x	(-)	(-)
реорганизация юридического лица	3325	(-)	-	-	x	(-)	(-)
дивиденды	3326	-	-	-	-	(-)	(-)
Изменение добавочного капитала	3327	x	x	x	x	(32 500 000)	(32 500 000)
Изменение резервного капитала	3330	x	x	-	-	-	x
Величина капитала на 31 декабря 20 17 г. ³	3340	x	x	x	-	-	x
3300	100 000	(-)	-	9	15 000	55 954 464	56 069 473

2. Корректировки в связи с изменением учетной политики и исправлением ошибок

Наименование показателя	Код	На 31 декабря 20 16 г. ¹	Изменения капитала за 20 17 г. ²		На 31 декабря 20 17 г. ²
			за счет чистой прибыли (убытка)	за счет иных факторов	
Капитал - всего					
до корректировок	3400	-	-	-	-
корректировка в связи с:					
изменением учетной политики	3410	-	-	-	-
исправлением ошибок	3420	-	-	-	-
после корректировок	3500	-	-	-	-
в том числе:					
нераспределенная прибыль (непокрытый убыток):					
до корректировок	3401	-	-	-	-
корректировка в связи с:					
изменением учетной политики	3411	-	-	-	-
исправлением ошибок	3421	-	-	-	-
после корректировок	3501	-	-	-	-
Другие статьи капитала, по которым осуществлены корректировки: (по статьям)					
до корректировок	3402	-	-	-	-
корректировка в связи с:					
изменением учетной политики	3412	-	-	-	-
исправлением ошибок	3422	-	-	-	-
после корректировок	3502	-	-	-	-

3. Чистые активы

Наименование показателя	Код	На 31 декабря 20 17 г. ³	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ¹
Чистые активы	3600	56 440 683	82 087 735	69 119 419

Руководитель Федотов Д.А.
(подпись) (расшифровка подписи)

" 22 " марта 20 18 г.
ИНН 77-07-0000000

Примечания

1. Указывается год, предшествующий являющемуся.
2. Указывается предшествующий год.
3. Указывается отчетный год.

Отчет о движении денежных средств

за _____ год 20 17 г.

Организация _____ Акционерное Общество "Тандер" _____ по ОКПО _____
 Идентификационный номер налогоплательщика _____ ИНН _____

Вид экономической деятельности _____ Прочая розничная торговля в неспециализированных магазинах _____ по ОКВЭД _____
 Организационно-правовая форма/форма собственности _____ акционерное общество/частная собственность _____ по ОКОПФ/ОКФС _____
 Единица измерения: тыс. руб. _____ по ОКЕИ _____

Коды		
0710004		
31	12	2017
41351125		
2310031475		
47.11		
12200	16	
384		

Наименование показателя	Код	За _____ год 20 17 г. ¹	За _____ год 20 16 г. ²
Денежные потоки от текущих операций			
Поступления - всего	4110	1 219 420 525	1 163 661 885
в том числе:			
от продажи продукции, товаров, работ и услуг	4111	1 164 317 671	1 097 623 061
арендных платежей, лицензионных платежей, роялти, комиссионных и иных аналогичных платежей	4112	30 143 007	43 287 557
от перепродажи финансовых вложений	4113	0	0
прочие поступления	4119	24 959 847	22 751 267
Платежи - всего	4120	(1 162 717 836)	(1 086 332 435)
в том числе:			
поставщикам (подрядчикам) за сырье, материалы, работы, услуги	4121	(999 254 373)	(928 859 814)
в связи с оплатой труда работников	4122	(95 756 537)	(105 998 167)
процентов по долговым обязательствам	4123	(18 102 926)	(22 276 974)
налога на прибыль организаций	4124	(2 508 699)	(10 202 756)
прочие платежи	4129	(47 095 301)	(18 994 724)
Сальдо денежных потоков от текущих операций	4100	56 702 689	77 329 450

Наименование показателя	Код	За _____ год 20 17 г. ¹	За _____ год 20 16 г. ²
Денежные потоки от инвестиционных операций			
Поступления - всего	4210	5 870 471	7 451 435
в том числе:			
от продажи внеоборотных активов (кроме финансовых вложений)	4211	382 077	197 876
от продажи акций других организаций (долей участия)	4212	0	3 636 625
от возврата предоставленных займов, от продажи долговых ценных бумаг (прав требования денежных средств к другим лицам)	4213	3 154 404	3 217 490
дивидендов, процентов по долговым финансовым вложениям и аналогичных поступлений от долевого участия в других организациях	4214	2 333 990	399 444
прочие поступления	4219	0	0
Платежи - всего	4220	(77 622 581)	(79 333 230)
в том числе:			
в связи с приобретением, созданием, модернизацией, реконструкцией и подготовкой к использованию внеоборотных активов	4221	(70 709 544)	(72 748 069)
в связи с приобретением акций других организаций (долей участия)	4222	(102 450)	(3 033 030)
в связи с приобретением долговых ценных бумаг (прав требования денежных средств к другим лицам), предоставление займов другим лицам	4223	(6 810 587)	(3 552 131)
процентов по долговым обязательствам, включаемым в стоимость инвестиционного актива	4224	(0)	(0)
прочие платежи	4229	(0)	(0)
Сальдо денежных потоков от инвестиционных операций	4200	(71 752 110)	(71 881 795)
Денежные потоки от финансовых операций			
Поступления - всего	4310	814 474 387	761 373 083
в том числе:			
получение кредитов и займов	4311	814 474 387	761 373 083
денежных вкладов собственников (участников)	4312	0	0
от выпуска акций, увеличения долей участия	4313	0	0
от выпуска облигаций, векселей и других долговых ценных бумаг и др.	4314	0	0
прочие поступления	4319	0	0

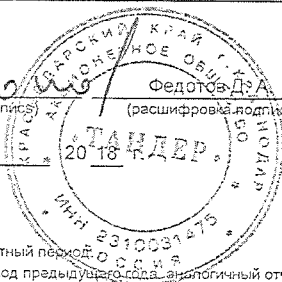
Наименование показателя	Код	За _____ год 20 17 г. ¹	За _____ год 20 16 г. ²
Платежи - всего	4320	(797 581 359)	(758 673 540)
в том числе:			
собственникам (участникам) в связи с выкупом у них акций (долей участия) организации или их выходом из состава участников	4321	(0)	(0)
на уплату дивидендов и иных платежей по распределению прибыли в пользу собственников (участников)	4322	(36 500 000)	(25 000 000)
в связи с погашением (выкупом) векселей и других долговых ценных бумаг, возврат кредитов и займов	4323	(761 081 359)	(733 673 540)
прочие платежи	4329	(0)	(0)
Сальдо денежных потоков от финансовых операций	4300	16 893 028	2 699 543
Сальдо денежных потоков за отчетный период	4400	1 843 607	8 147 198
Остаток денежных средств и денежных эквивалентов на начало отчетного периода	4450	16 459 718	8 311 389
Остаток денежных средств и денежных эквивалентов на конец отчетного периода	4500	18 304 430	16 459 718
Величина влияния изменений курса иностранной валюты по отношению к рублю	4490	1 105	1 131

Руководитель

Федотова Д.А.
(подпись) (расшифровка подписи)

" 22 "

марта



Примечания

1. Указывается отчетный период.
2. Указывается период предыдущего года, аналогичный отчетному периоду.

Пояснения к бухгалтерскому балансу
и отчету о финансовых результатах АО "Тапир" за 2017 год (тыс. руб.) табличная часть

**1. Нематериальные активы и расходы на научно-исследовательские,
опытно-конструкторские и технологические работы (НИОКР)**

1.1. Наличие и движение нематериальных активов

Наименование показателя	Период	Изменения за период						На конец периода		
		На начало года			поступило			выбыло		
		первоначальная стоимость ³	накопленная амортизация и убытки от обесценения	первоначальная стоимость ³	накопленная амортизация и убытки от обесценения	первоначальная стоимость ³	накопленная амортизация и убытки от обесценения	первоначальная стоимость ³	накопленная амортизация и убытки от обесценения	первоначальная стоимость ³
Нематериальные активы - всего	за 20 17 г. ¹	26 369	(10 661)	52 709	0	(0)	0	0	0	79 078
	за 20 16 г. ²	15 049	(6 413)	11 649	329	(329)	329	0	0	26 369
в том числе:	за 20 17 г. ¹	4 978	(4 021)	24 804	0	(0)	0	0	0	29 782
Товарный знак	за 20 16 г. ²	5 167	(4 151)	140	329	(329)	329	0	0	4 978
рекламная продукция	за 20 17 г. ¹	2	(2)	0	0	(0)	0	0	0	2
	за 20 16 г. ²	2	(2)	0	0	(0)	0	0	0	2
ПО собственной разработки	за 20 17 г. ¹	21 389	(6 638)	27 905	0	(0)	0	0	0	49 294
	за 20 16 г. ²	9 880	(2 260)	11 509	0	(0)	0	0	0	21 389

1.2. Первоначальная стоимость нематериальных активов, созданных самой организацией

Наименование показателя	На 31 декабря 20 17 г. ⁴	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ⁵
Всего	49 294	9 880	9 880
в том числе:			
ПО собственной разработки	49 294	21 389	9 880

1.3. Нематериальные активы с полностью погашенной стоимостью

Наименование показателя	На _____ 31 декабря 20 17 ____ г. ⁴	На 31 декабря 20 16 ____ г. ²	На 31 декабря 20 15 ____ г. ⁵
Всего	7 663	3 222	3 369
в том числе:			
Товарный знак	3 426	3 219	3 366
Прочие	4 237	3	3

1.4. Наличие и движение результатов НИОКР

Наименование показателя	Период	На начало года		поступило	Изменения за период			На конец периода	
		первоначальная стоимость	часть стоимости, списанной на расходы		первоначальная стоимость	выбыло	часть стоимости, списанной на расходы за период	первоначальная стоимость	часть стоимости, списанной на расходы
НИОКР - всего	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	(0)
	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	(0)
	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	(0)
в том числе:									
(объект, группа объектов)	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	(0)
	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	(0)
	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	(0)

1.5. Незаконченные и неоформленные НИОКР и незаконченные операции по приобретению нематериальных активов

Наименование показателя	Период	На начало года	Изменения за период			На конец периода
			затраты за период	списано затрат как не давших положительного результата	принято к учету в качестве нематериальных активов или НИОКР	
Затраты по незаконченным исследованиям и	за 20 17 г. ¹	0	0	(0)	(0)	0
	за 20 16 г. ²	0	0	(0)	(0)	0
в том числе:	за 20 17 г. ¹	0	0	(0)	(0)	0
	за 20 16 г. ²	0	0	(0)	(0)	0
(объект, группа объектов)	за 20 17 г. ¹	0	0	(0)	(0)	0
	за 20 16 г. ²	0	0	(0)	(0)	0
(объект, группа объектов)	за 20 17 г. ¹	0	0	(0)	(0)	0
	за 20 16 г. ²	0	0	(0)	(0)	0
незаконченные операции по приобретению нематериальных активов - всего	за 20 17 г. ¹	15 641	56 347	(0)	(52 708)	19 280
	за 20 16 г. ²	90	27 200	(0)	(11 649)	15 641
в том числе:	за 20 17 г. ¹	364	26 367	(0)	(24 803)	1 928
	за 20 16 г. ²	54	450	(0)	(140)	364
Товарный знак	за 20 17 г. ¹	0	0	(0)	(0)	0
	за 20 16 г. ²	22	-22	(0)	(0)	0
Прикладное ПО	за 20 17 г. ¹	15 277	29 980	(0)	(27 905)	17 352
	за 20 16 г. ²	14	26 772	(0)	(11 509)	15 277
Прочие						

2. Основные средства

2.1. Наличие и движение основных средств

Наименование показателя	Период	На начало года		Изменения за период						На конец периода	
		первоначальная стоимость ³	накопленная амортизация ⁶	поступило	выбыло объектов		начислено амортизации ⁶	переоценка		первоначальная стоимость ³	накопленная амортизация ⁶
					первоначальная стоимость ³	накопленная амортизация ⁶		первоначальная стоимость ³	накопленная амортизация ⁶		
Основные средства (без учета доходных вложений в материальные ценности) - всего	за 20 17 г. ¹	287 916 035	(84 858 229)	38 010 388	(3 995 334)	3 291 323	(23 193 676)	0	0	321 931 089	(104 760 582)
	за 20 16 г. ²	252 032 878	(65 338 711)	37 674 237	(1 791 080)	1 383 333	(20 902 851)	0	0	287 916 035	(84 858 229)
в том числе:	за 20 17 г. ¹	140 626 439	(19 719 358)	11 752 251	(39 827)	8 748	(5 104 770)	0	0	152 338 863	(24 815 380)
	за 20 16 г. ²	128 723 321	(15 054 019)	13 804 331	(1 213)	346	(4 665 685)	0	0	140 626 439	(19 719 358)
(по группам ОС) Здания	за 20 17 г. ¹	49 134 980	(13 352 924)	7 565 870	(719 281)	98 250	(4 960 318)	0	0	55 981 369	(18 224 992)
	за 20 16 г. ²	39 931 319	(9 114 902)	9 622 148	(418 485)	38 798	(4 286 820)	0	0	49 134 980	(13 352 924)
Машины и оборудование	за 20 17 г. ¹	36 310 192	(22 125 100)	14 175 705	(2 972 143)	2 931 944	(11 038 242)	0	0	47 513 754	(30 232 398)
	за 20 16 г. ²	29 520 016	(17 235 852)	7 051 724	(261 548)	247 953	(5 139 201)	0	0	36 310 192	(22 125 100)
Транспортные средства	за 20 17 г. ¹	11 745 653	(7 212 253)	3 618 872	(170 068)	159 395	(1 833 016)	0	0	15 194 457	(8 885 874)
	за 20 16 г. ²	11 933 207	(5 855 418)	54 811	(292 365)	286 208	(1 643 043)	0	0	11 745 653	(7 212 253)
Другие виды основных средств	за 20 17 г. ¹	37 479 127	(22 437 594)	278 127	(93 054)	92 986	(257 330)	0	0	37 664 200	(22 601 938)
	за 20 16 г. ²	32 382 566	(18 078 520)	5 907 807	(811 266)	810 028	(5 169 102)	0	0	37 479 127	(22 437 594)
Земельные участки и объекты природопользования	за 20 17 г. ¹	12 619 644	(x)	619 763	(961)	x	(x)	0	0	13 238 446	(x)
	за 20 16 г. ²	11 492 429	(x)	1 133 418	(6 203)	x	(x)	0	0	12 619 644	(x)
Учтено в составе доходных вложений в материальные ценности - всего	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	0	0	(0)
	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	0	0	(0)
в том числе:	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	0	0	(0)
	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	0	0	(0)
(группа объектов)	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	0	0	(0)
	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	0	0	(0)
(группа объектов)	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	0	0	(0)
	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	0	0	(0)

2.2. Незавершенные капитальные вложения

Наименование показателя	Период	На начало года	Изменения за период			На конец периода
			затраты за период	списано	принято к учету в качестве основных средств или увеличена стоимость	
Незавершенное строительство и незаконченные операции по приобретению, модернизации и т.п. основных средств - всего в том числе:	за 20 17 г. ¹	10 466 116	42 372 803	(5 735 391)	(38 063 088)	9 035 793
	за 20 16 г. ²	12 512 043	38 611 296	(2 982 986)	(37 674 237)	10 466 116
	за 20 17 г. ¹	8 137 922	14 868 495	(51 723)	(17 290 858)	5 603 830
Незавершенное строительство объектов основных средств	за 20 16 г. ²	10 196 112	21 145 719	(116 165)	(23 087 744)	8 137 922
Незаконченные операции по приобретению основных средств	за 20 17 г. ¹	2 328 194	27 447 961	(5 683 668)	(20 719 530)	3 372 957
	за 20 16 г. ²	2 315 031	17 465 577	(2 866 821)	(14 566 403)	2 328 194

2.3. Изменение стоимости основных средств в результате достройки, дооборудования, реконструкции и частичной ликвидации

Наименование показателя	За 20 17 г.	За 20 16 г.
Увеличение стоимости объектов основных средств в результате достройки, дооборудования, реконструкции - всего		
в том числе:		
(объект основных средств)		
(объект основных средств)		
Уменьшение стоимости объектов основных средств в результате частичной ликвидации - всего:		
в том числе:		
(объект основных средств)		
(объект основных средств)		

2.4. Иное использование основных средств

Наименование показателя	На 31 декабря 2017г.	На 31 декабря 2016г.	На 31 декабря 2015г.
Переданные в аренду основные средства, числящиеся на балансе	10 191 549	7 793 092	8 711 384
Переданные в аренду основные средства, числящиеся за балансом	0	0	7 804 481
Полученные в аренду основные средства, числящиеся на балансе	0	0	0
Полученные в аренду основные средства, числящиеся за балансом	185 685 228	143 675 344	114 241 673
Объекты недвижимости, принятые в эксплуатацию и фактически используемые, находящиеся в процессе государственной регистрации	0	0	86 626
Основные средства, переданные на консервацию	0	0	0
Иное использование основных средств (залог и др.)	0	0	0

3. Финансовые вложения

3.1. Наличие и движение финансовых вложений

Наименование показателя	Период	На начало года				Изменения за период							На конец периода	
		первоначальная стоимость	накопленная корректировка 7	поступило	выбыло (погашено)		накисшие вклада (всего вклада) процентов до истечения срока погашения	текущей рыночной стоимости (убыток от переоценки)	перевод финансовых вложений из долго- в краткосрочные первоначальная стоимость	накисшие вклада корректировка 7	перевод финансовых вложений из кратко- в долгосрочные первоначальная стоимость	накисшие вклада корректировка 7	первоначальная стоимость	накопленная корректировка 7
					первоначальная стоимость	накисленная корректировка 7								
Долгосрочные - всего	за 20 17 г. ¹	2 842 289	0	510 601	(213 000)		0	0	(0)		0	0	3 136 890	0
	за 20 18 г. ²	2 764 260	0	163 029	(0)		0	(0)	85 000		0	0	2 842 289	0
Вклады в уставные (складочные) капиталы других организаций	за 20 17 г. ¹	2 679 289	0	10 121	(0)		0	0			0	0	2 689 410	0
	за 20 18 г. ²	2 679 260	0	29	(0)		0	0			0	0	2 679 289	0
Предоставленные займы	за 20 17 г. ¹	163 000	0	500 480	(216 000)		0	0	(0)		0	0	447 480	0
	за 20 18 г. ²	85 000	0	163 000	(0)		0	0	(85 000)		0	0	163 000	0
Совместная деятельность	за 20 17 г. ¹	0	0	0	(0)		0	0					0	0
	за 20 18 г. ²	0	0	0	(0)		0	0					0	0
Краткосрочные - всего	за 20 17 г. ¹	765 785	0	6 310 009	(3 154 354)	0	0	(0)	0		0	0	3 921 430	0
	за 20 18 г. ²	1 035 315	3 037	6 633 335	(6 987 895)	(33 681)	0	(36 718)	85 000		0	0	765 785	0
Ценные бумаги других организаций (в т.ч. долговые ценные бумаги, векселя, облигации)	за 20 17 г. ¹	0	0	0	(0)		0	0					0	0
	за 20 18 г. ²	0	0	0	(0)		0	0					0	0
Вклады в уставные (складочные) капиталы других организаций	за 20 17 г. ¹	0	0	0	(0)	0	0	(0)	0		0	0	0	0
	за 20 18 г. ²	511 184	3 037	3 244 207	(3 755 301)	(33 681)	0	(36 718)	0		0	0	0	0
Предоставленные займы	за 20 17 г. ¹	765 785	0	6 222 110	(3 137 814)		0	0	0		0	0	3 850 081	0
	за 20 18 г. ²	524 151	0	3 359 129	(3 232 495)		0	0	85 000		0	0	765 785	0
Депозитные вклады в кредитных организациях	за 20 17 г. ¹	0	0		()		0	0			0	0	0	0
	за 20 18 г. ²	0	0	0	(0)		0	0			0	0	0	0
Прочие	за 20 17 г. ¹	0	0	87 899	(18 550)		0	0			0	0	71 349	0
	за 20 18 г. ²	0	0	0	(0)		0	0					0	0
Финансовые вложений - Итого	за 20 17 г. ¹	3 608 074	0	6 820 610	(3 370 354)	0	0	0	x	x	0	0	7 058 320	0
	за 20 18 г. ²	3 799 595	3 037	6 796 355	(6 987 885)	33 681	0	36 718	x	x	0	0	3 608 074	0

3.2. Иное использование финансовых вложений

Наименование показателя	На 31 декабря 20 17 г. ⁴	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ⁵
Финансовые вложения, находящиеся в залоге, - всего	-	-	-
в том числе:			
(группы, виды)	-	-	-
Финансовые вложения, переданные третьим лицам (кроме продаж), - всего	-	-	-
в том числе:			
(группы, виды)	-	-	-
Иное использование финансовых вложений	-	-	-

4. Запасы

4.1. Наличие и движение запасов

Наименование показателя	Период	Изменения за период				На конец периода				
		На начало года		поступления и затраты	выбыло		убыток от снижения стоимости	оборот запасов между группами (выдача)	собственность	величина резерва под снижение стоимости
		себестоимость	величина резерва под снижение стоимости		себестоимость	резерв под снижение стоимости				
Запасы - всего	за 20 17 г	139 983 372	(0)	1 257 103 914	(1 239 871 336)	0	0	x	157 215 950	(0)
	за 20 16 г	122 185 932	(0)	1 232 762 822	(1 214 965 382)	0	0	x	139 983 372	(0)
в том числе:	за 20 17 г	132 867 764	(0)	933 844 175	(919 404 649)	0	0	160 812	147 463 102	(0)
	за 20 16 г	116 202 120	(0)	960 951 739	(944 326 052)	0	0	39 957	132 867 764	(0)
Сырье, материалы и другие аналогичные ценности	за 20 17 г	4 474 017	(0)	26 203 700	(8 808 919)	0	0	-15 789 582	6 169 216	(0)
	за 20 16 г	3 544 867	(0)	19 029 971	(6 468 321)	0	0	-11 632 500	4 474 017	(0)
Затраты в издержках обращения	за 20 17 г	2 451 226	(0)	296 380 722	(311 626 327)	0	0	16 144 647	3 350 268	(0)
	за 20 16 г	2 275 687	(0)	252 235 056	(264 155 806)	0	0	12 006 289	2 451 226	(0)
Расходы будущих периодов	за 20 17 г	190 365	(x)	585 317	(31 441)	x	x	-515 877	228 364	(x)
	за 20 16 г	163 258	(x)	546 056	(15 203)	x	x	-503 746	190 365	(x)

4.2. Запасы в залоге

Наименование показателя	На 31 декабря 2017г.	На 31 декабря 2016г.	На 31 декабря 2015г.
Запасы, не оплаченные на отчетную дату, - всего	0	0	0
в том числе:			
(группа, вид)	0	0	0
Запасы, находящиеся в залоге по договору, - всего	0	0	0
в том числе:			
(группа, вид)	0	0	0

5. Дебиторская и кредиторская задолженность

5.1. Наличие и движение дебиторской задолженности

Наименование показателя	Период	На начало года		Изменения за период						На конец периода		
		учетная по условиям договора		поступления		выбыло		перевод из долгосрочной задолженности	показатель из долгосрочной задолженности	создание (ликвидация) резерва	уценка по условиям договора	высвобождаемая по сомнительным долгам
		в результате хозяйственных операций (сумма долга по сделке операции)	в результате хозяйственных операций (сумма долга по сделке операции)	в результате хозяйственных операций (сумма долга по сделке операции)	в результате хозяйственных операций (сумма долга по сделке операции)	в результате хозяйственных операций (сумма долга по сделке операции)	в результате хозяйственных операций (сумма долга по сделке операции)					
Долгосрочная дебиторская задолженность - всего	за 20 17 г.	1 384	(0)	837	514	(1 384)	(0)	0	(0)	0	1 351	(0)
	в том числе:	198 000	(0)	0	1 384	(198 000)	(0)	0	(0)	0	1 384	(0)
расчеты с покупателями и заказчиками	за 20 17 г.	0	(0)	0	0	(0)	(0)	0	(0)	0	0	(0)
	в том числе:	0	(0)	0	0	(0)	(0)	0	(0)	0	0	(0)
авансы выданные	за 20 17 г.	0	(0)	0	0	(0)	(0)	0	(0)	0	0	(0)
	в том числе:	0	(0)	0	0	(0)	(0)	0	(0)	0	0	(0)
прочая	за 20 17 г.	1 384	(0)	837	514	(1 384)	(0)	0	(0)	0	1 351	(0)
	в том числе:	198 000	(0)	0	1 384	(198 000)	(0)	0	(0)	0	1 384	(0)
Краткосрочная дебиторская задолженность - всего	за 20 17 г.	38 067 721	(919 703)	16 777 514	173 833	(24 038 529)	(45 579)	169 864	(119 705)	180 197	30 815 297	(810 331)
	в том числе:	41 397 169	(415 228)	17 120 622	28 461	(20 250 584)	(131 059)	88 169	64 701	689 473	38 067 721	(919 703)
расчеты с покупателями и заказчиками	за 20 17 г.	15 007 300	(54 579)	1 822 344	0	(11 120 654)	(2 005)	1 678	(10 189)	11 438	5 688 695	(54 149)
	в том числе:	14 952 250	(0)	5 123 743	0	(5 051 452)	(7 335)	5 501	9 808	69 977	15 007 300	(54 579)
авансы выданные	за 20 17 г.	13 541 915	(523 290)	10 848 378	0	(7 910 599)	(14 600)	120 803	(63 036)	135 212	16 394 057	(474 863)
	в том числе:	16 776 695	(209 130)	8 092 172	0	(11 241 832)	(30 265)	46 215	54 805	415 180	13 541 915	(523 290)
прочие	за 20 17 г.	9 518 506	(341 834)	4 106 792	173 833	(4 995 274)	(28 833)	47 893	(45 479)	33 547	8 724 535	(281 319)
	в том числе:	9 863 164	(206 098)	3 904 707	29 461	(3 857 240)	(93 450)	36 453	(32 127)	204 316	9 518 506	(341 834)
Итого	за 20 17 г.	38 069 105	(919 703)	16 778 351	174 337	(24 039 913)	(45 529)	169 864	(119 705)	180 197	30 816 548	(810 331)
	в том числе:	41 595 109	(415 228)	17 120 622	29 845	(20 418 584)	(131 059)	88 169	64 701	689 473	30 869 105	(919 703)

5.2. Просроченная дебиторская задолженность

Наименование показателя	На 31 декабря 2017г.		На 31 декабря 2018г.		На 31 декабря 2019г.	
	учетная по условиям договора	балансовая стоимость	учетная по условиям договора	балансовая стоимость	учетная по условиям договора	балансовая стоимость
Итого	858 536	69 959	1 333 432	413 728	439 556	24 327
в том числе:						
расчеты с покупателями и заказчиками	50 094	1 945	56 877	2 098	44 140	3 993
авансы выданные	478 077	25 966	923 746	400 455	172 268	3 284
прочие	322 365	41 047	353 009	11 175	223 148	17 050

6. Затраты на производство

Наименование показателя	За 2017г.	За 2016г.
Материальные затраты	15 621 602	11 590 613
Расходы на оплату труда	91 178 905	82 108 743
Отчисления на социальные нужды	20 604 821	23 981 389
Амортизация	23 205 441	20 764 153
Прочие затраты	155 834 600	125 886 447
Итого по элементам	312 525 369	284 331 345
Фактическая себестоимость приобретенных товаров для перепродажи	901 203 869	934 453 428
Изменения остатков (прирост [+], уменьшение [-]):		
товара	(15 499 379)	(16 841 183)
расхода на продажу	(14 600 337)	(16 635 644)
	(899 042)	(175 539)
Итого расходы по обычным видам деятельности	1 198 319 859	1 181 943 590

9. Государственная помощь

Наименование показателя	За 20 17 г. ¹		За 20 16 г. ²	
	На начало года	Получено за год	Возвращено за год	На конец года
Получено бюджетных средств - всего		471 335		28 028
в том числе:				
на текущие расходы		471 335		28 028
на вложения во внеоборотные активы				
Бюджетные кредиты - всего	20 17 г. ¹	0	(-)	-
	20 16 г. ²	0	(0)	0
в том числе:				
(наименование цели)	20 17 г. ¹	0	(-)	-
	20 16 г. ²	0	(0)	0

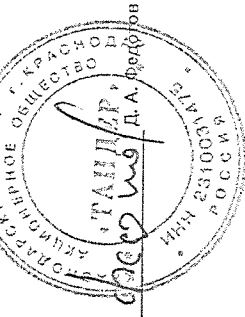
Примечания

1. Указывается отчетный год.
2. Указывается предыдущий год.
3. В случае переоценки в графе "Первоначальная стоимость" приводится текущая рыночная стоимость или текущая (восстановительная) стоимость.
4. Указывается отчетная дата отчетного периода.
5. Указывается год, предшествующий предыдущему.
6. Некоммерческая организация графы "Накопленная амортизация" и "Начисленная амортизация" именует соответственно "Накопленный износ" и "Начисленный износ".
7. Накопленная корректировка определяется как:
разница между первоначальной и текущей рыночной стоимостью - по финансовым вложениям, по которым можно определить текущую рыночную стоимость;
начисленная в течение срока обращения разница между первоначальной стоимостью и номинальной стоимостью - по долговым ценным бумагам, по которым не определяется текущая рыночная стоимость;

величина резерва под обесценение финансовых вложений, созданного на предыдущую отчетную дату, - по финансовым вложениям, по которым не определяется текущая рыночная стоимость.

8. Данные раскрываются за минусом дебиторской задолженности, поступившей и погашенной (списанной) в одном отчетном периоде.
9. Данные раскрываются за минусом кредиторской задолженности, поступившей и погашенной (списанной) в одном отчетном периоде.

Генеральный директор



22 марта 2018 г.

Пояснения к бухгалтерскому балансу и отчету о финансовых результатах

АО «Тандер» за 2017 год (тыс. руб.) текстовая часть

1. Общие сведения

Акционерное общество «Тандер» (далее — Общество, Компания) зарегистрировано Решением Регистрационной палаты г. Краснодара от 28.06.1996 г. № 4452, свидетельство о внесении записи в Единый государственный реестр юридических лиц о юридическом лице, зарегистрированном до 01.07.2002 г. серия 23 № 003042166, ОГРН 1022301598549, ИНН 2310031475.

Решением единственного акционера изменено полное фирменное наименование Общества на Акционерное общество «Тандер». 07.10.2015 г. зарегистрировано изменение наименование ЗАО «Тандер» на АО «Тандер».

Полное фирменное наименование Общества — Акционерное общество «Тандер».

Юридический адрес: 350002, РФ, Краснодарский край, г. Краснодар, ул. Леваневского, д. 185.

Основным видом хозяйственной деятельности АО «Тандер» является розничная и оптовая торговля продуктами питания, парфюмерно-косметической продукцией и другими аналогичными товарами.

Розничная торговля осуществляется через сеть магазинов, функционирующих под торговыми марками «Магнит», «Магнит Косметик».

По состоянию на 31.12.2017 г. в состав АО «Тандер» входят:

- 75 Филиалов, не выделенных на отдельный баланс;
- представительство АО «Тандер» в Китайской Народной Республике.

Среднесписочная численность работников Общества за 2017 год составила 224 978 человек.

Органами управления Общества являются:

- общее собрание акционеров;
- единоличный исполнительный орган (генеральный директор).

Генеральный директор:

с 28.06.2006 г. по 11.01.2016 г. — Гордейчук Владимир Евгеньевич;
с 12.01.2016 г. по 17.10.2016 г. — Барсуков Александр Павлович;
с 18.10.2016 г. по настоящее время — Федотов Денис Анатольевич.

Лицом, ответственным за организацию бухгалтерского учета и составление отчетности в 2017 г. является Генеральный директор.

Учредителем АО «Тандер» по состоянию на 31.12.2017 г. является ПАО «Магнит», которое владеет 100% акций компании.

Органом контроля за финансово-хозяйственной деятельностью Общества является ревизионная комиссия. В состав ревизионной комиссии по состоянию на 31.12.2017 г. входят: Ефименко Роман Геннадьевич, Цыпленкова Ирина Геннадьевна, Шагуч Любовь Азметовна.

Уставный капитал Общества составляет 100 000 тыс. руб. и состоит из 10 000 000 тыс. штук обыкновенных именных акций номинальной стоимостью 0,01 руб. каждая. Все выпущенные акции оплачены. В 2017 г. изменение размера уставного капитала АО «Тандер» не производилось.

Резервный капитал АО «Тандер» составляет 15 000 тыс. руб. или 15 % уставного капитала АО «Тандер».

Аудитор Общества: Общество с ограниченной ответственностью Аудиторская фирма «Фабер Лекс». Юридический адрес: 350049, г. Краснодар, ул. Красных Партизан, д. 144/2.

2. Представление бухгалтерской (финансовой) отчетности Общества

2.1. Основа предоставления бухгалтерской (финансовой) отчетности

Годовая бухгалтерская (финансовая) отчетность АО «Тандер» за 2017 год сформирована в соответствии с правилами бухгалтерского учета и отчетности, установленными:

- Федеральным законом «О бухгалтерском учете» от 06.12.2011г. № 402-ФЗ;
- ПБУ 4/99 «Бухгалтерская отчетность организации», утвержденным Приказом Минфина РФ от 06.07.1999г. № 43н;
- Положением по бухгалтерскому учету «Учетная политика организации» (ПБУ 1/2008), утвержденным Приказом Минфина РФ от 06.10.2008г. № 106н;
- Планом счетов бухгалтерского учета финансово-хозяйственной деятельности организаций, утвержденным Приказом Министерства Финансов РФ № 94н от 31.10.2000г.;
- другими действующими нормативно-правовыми актами.

2.2. Принцип непрерывности деятельности

Данная бухгалтерская (финансовая) отчетность подготовлена исходя из допущения о том, что Общество будет придерживаться принципа непрерывной деятельности в обозримом будущем. Этот принцип предполагает, что АО «Тандер» будет продолжать деятельность в обозримом будущем и у него отсутствуют намерения и необходимость ликвидации или существенного сокращения деятельности. Обязательства будут погашаться в установленном порядке.

2.3. Отчетный период

Настоящая бухгалтерская (финансовая) отчетность отражает имущественное и финансовое положение АО «Тандер» и результаты его хозяйственной деятельности за период с 1 января 2017 г. по 31 декабря 2017 г.

2.4. Отчетная валюта

Настоящая бухгалтерская (финансовая) отчетность составлена в валюте Российской Федерации.

2.5. Активы, обязательства и операции в иностранной валюте

При учете хозяйственных операций, совершенных в иностранных валютах, применялся официальный курс иностранной валюты к рублю, действовавший в день совершения операции. Денежные средства на валютных счетах в банках и в кассе и средства в расчетах, но за исключением полученных и выданных авансов, предварительной оплаты и задатков, в иностранной валюте отражены в бухгалтерской отчетности в суммах, исчисленных на основе официальных курсов валют, действовавших на отчетную дату. На 31 декабря 2017 г. курсы валют составили:

57,6002 руб. за 1 доллар США;

68,8668 руб. за 1 евро;

88,4497 руб. за 10 юаней.

Курсовые разницы, возникшие в течение года по операциям с активами и обязательствами в иностранной валюте, а также при пересчете их по состоянию на отчетную дату, отражены в составе прочих доходов и расходов.

2.6. Оценка активов и обязательств

Оценка активов и обязательств производится по фактическим затратам, за исключением финансовых вложений, по которым определяется текущая рыночная стоимость.

2.7. Краткосрочные и долгосрочные активы и обязательства

В бухгалтерском балансе дебиторская и кредиторская задолженность, включая задолженность по кредитам и займам, отнесена к краткосрочной, если срок ее обращения (погашения) не превышает 12 месяцев после отчетной даты или не установлен.

Дебиторская и кредиторская задолженность, включая задолженность по кредитам и займам, отнесена к долгосрочной, если срок ее обращения (погашения) превышает 12 месяцев после отчетной даты. Финансовые вложения классифицируются как краткосрочные или долгосрочные исходя из предполагаемого срока их использования (обращения, владения или погашения) после отчетной даты.

3. Сведения о существенных аспектах учетной политики и ее изменениях

3.1. Основные средства

К основным средствам относится часть имущества со сроком полезного использования, превышающим 12 месяцев, и стоимостью свыше 40 000 руб., используемого в качестве средств труда для

производства и реализации товаров (выполнения работ, оказания услуг) или для управления организацией.

Имущество, первоначальная стоимость которого составляет до 40 000 рублей включительно, включается в состав материально-производственных запасов.

Переоценка групп однородных объектов основных средств по текущей (восстановительной) стоимости (в соответствии с п. 15 ПБУ 6/01 не проводилась).

Амортизация основных средств в целях бухгалтерского и налогового учета начисляется ежемесячно линейным способом.

Классификация основных средств, включаемых в амортизационные группы, утвержденная Постановлением Правительства Российской Федерации от 1 января 2002 г. № 1 «О классификации основных средств, включаемых в амортизационные группы», используется в качестве основного источника информации о сроках полезного использования.

Срок полезного использования основных средств, которые не указаны в амортизационных группах, устанавливается АО «Тандер» самостоятельно исходя из технических условий и рекомендаций организаций-изготовителей.

3.2. Нематериальные активы

Нематериальные активы отражаются в учете и отчетности в сумме затрат на приобретение, изготовление и расходов по их доведению до состояния, в котором они пригодны к использованию в запланированных целях.

Срок полезного использования нематериального актива определяется на основании срока действия прав на результаты интеллектуальной деятельности или средств индивидуализации и период контроля над активом. Для объектов нематериальных активов, создаваемых организацией самостоятельно или приобретаемых у разработчиков (правообладателей) без указания в договоре срока полезного использования соответствующего объекта, срок полезного использования устанавливается равным десяти годам.

Амортизация нематериальных активов начисляется в бухгалтерском учете линейным способом по нормам исходя из срока полезного использования.

Переоценка групп однородных нематериальных активов по текущей рыночной стоимости не производится.

Проверка нематериальных активов на обесценение в порядке, определенном Международными стандартами финансовой отчетности не производится.

3.3. Финансовые вложения

Финансовые вложения учтены по первоначальной стоимости, представляющей фактические затраты на их приобретение, кроме финансовых вложений, по которым можно определить текущую рыночную стоимость.

Переоценка финансовых вложений, по которым можно определить в установленном порядке текущую рыночную стоимость, проводится ежеквартально. Разница между оценкой финансовых вложений по текущей рыночной стоимости на отчетную дату и предыдущей оценкой финансовых вложений относится на финансовые результаты в корреспонденции со счетом учета финансовых вложений.

При выбытии активов, принятых к бухгалтерскому учету в качестве финансовых вложений, по которым не определяется текущая рыночная стоимость, их стоимость в целях бухгалтерского учета определяется исходя из оценки, определяемой по первоначальной стоимости каждой единицы бухгалтерского учета финансовых вложений.

При выбытии активов, принятых к бухгалтерскому учету в качестве финансовых вложений, по которым определяется текущая рыночная стоимость, их стоимость определяется организацией исходя из последней оценки.

3.4. Материально-производственные запасы.

Учет материально-производственных запасов ведется в соответствии с Положением по бухгалтерскому учету «Учет материально-производственных запасов» ПБУ 5/01. Учет материально-производственных запасов осуществляется по фактической себестоимости. Оценка производственных запасов (сырья, материалов и т.п.) при отпуске в производство и прочем выбытии производится по себестоимости каждой единицы.

3.5. Расходы будущих периодов.

Расходы, произведенные Обществом в течение отчетного года, но относящиеся к следующим отчетным периодам, отражены в бухгалтерском балансе в зависимости от срока их списания: по статье 1190 "Прочие внеоборотные активы", если период их списания больше 12 месяцев, или по статье 1210 "Запасы", если их срок списания не превышает 12 месяцев. Указанные расходы подлежат списанию в порядке, установленном для каждого вида таких расходов в отдельности в течение периода, к которому

они относятся. Срок списания расходов будущих периодов на текущие расходы каждого отчетного месяца определяется в момент их отражения в бухгалтерском учете.

3.6. Коммерческие расходы.

Расходы на транспортировку учитываются в составе расходов на продажу, ежемесячно включаются в себестоимость продаж за минусом суммы транспортных расходов, относящихся к остатку не реализованных товаров на конец отчетного периода. Все остальные коммерческие расходы включаются в себестоимость проданных товаров, работ, услуг полностью в периоде их признания в качестве расходов по обычным видам деятельности.

3.7. Кредиты и займы полученные

Заемные средства учитываются в соответствии с условиями договоров займа в сумме фактически поступивших денежных средств или в стоимостной оценке других вещей, предусмотренных договором, в момент их фактической передачи (п.2 ПБУ 15/2008).

Проценты, причитающиеся к оплате заимодавцу (кредитору), за исключением той их части, которая подлежит включению в стоимость инвестиционного актива, учитываются в составе прочих расходов в том отчетном периоде, к которому они относятся.

Дополнительные затраты, связанные с получением займов и кредитов, размещением заемных обязательств включаются в расходы периода, в котором были произведены указанные расходы.

3.8. Признание доходов и расходов.

Учет доходов осуществляется в соответствии с ПБУ 9/99 «Доходы организации».

В зависимости от характера и условий получения Общество выделяет следующие доходы:

- доходы от обычных видов деятельности;
- прочие доходы.

Доходы от обычных видов деятельности включают выручку от розничной реализации товаров, оптовой реализации товаров, прочей реализации (в том числе выручку от предоставления в аренду имущества Общества, реализации услуг и т.д.). Учет выручки в целях бухгалтерского и налогового учета ведется по мере отгрузки (передачи) товаров (работ, услуг), имущественных прав.

В составе прочих доходов учитываются доходы от реализации финансовых вложений (ценных бумаг), доходы от реализации основных средств и материально-производственных запасов Общества (за исключением товаров).

Учет расходов ведется в соответствии с ПБУ 10/99 «Расходы организации».

Расходы Общества в зависимости от их характера, условий осуществления и направлений деятельности подразделяются на:

- расходы по обычным видам деятельности;
- прочие расходы.

Расходы признаются в том отчетном периоде, в котором они имели место, независимо от времени фактической выплаты денежных средств и иной формы осуществления.

При вводе в эксплуатацию основных средств в налоговом учете применяется амортизационная премия, предусмотренная п. 9 ст. 258 НК РФ.

3.9. Изменения в учетной политике.

В отчетном году в учетную политику Общества по сравнению с прошлым отчетным периодом существенные изменения не вносились.

Также Общество не внесло существенных изменений в учетную политику на 2018 г.

4. Раскрытие дополнительной информации по показателям бухгалтерской отчетности

4.1. Бухгалтерский баланс (Баланс)

4.1.1. Нематериальные активы (стр.1110)

В 2015, 2016, 2017 гг. в составе нематериальных активов отсутствуют активы с неопределенным сроком полезного использования.

4.1.2. Основные средства (стр.1150)

За 2015, 2016, 2017 гг. информация по основным средствам в полном объеме отражена в разделе 2 табличной части Пояснений к бухгалтерскому балансу и отчету о финансовых результатах.

4.1.3. Прочие внеоборотные активы (стр.1190)

Прочие внеоборотные активы Общества представлены следующим образом:

Наименование	На 31.12.2017 г.	На 31.12.2016 г.	На 31.12.2015 г.
Незавершенные капитальные вложения	9 056 072	10 481 758	12 512 133

Наименование	На 31.12.2017 г.	На 31.12.2016 г.	На 31.12.2015 г.
Расходы будущих периодов	2 773 952	2 358 319	2 381 140
Суммы выданных авансов и предоплат за работы, услуги, связанные со строительством объектов ОС	11 605 033	8 946 289	10 376 606
Итого:	23 435 057	21 786 366	25 269 879

4.1.4. Запасы (стр. 1210)

Запасы Общества представлены следующим образом:

Наименование	Стоимостной показатель			% в составе МПЗ		
	на 31.12.2017	на 31.12.2016	на 31.12.2015	на 31.12.2017	на 31.12.2016	на 31.12.2015
Сырье и материалы, в т.ч.:	6 169 216	4 474 017	3 544 867	3,9	3,2	2,9
топливо	103 647	74 865	43 960	0,1	0,1	0,1
тара и тарные материалы	955 621	942 512	830 308	0,7	0,6	0,7
запасные части	3 354 045	2 444 203	1 971 147	1,7	2,1	1,6
материалы переданные в переработку на сторону	8 023	13 800	646	0	0	0
строительные материалы	448 833	161 353	97 449	0,1	0,3	0,1
инвентарь и хозяйственные принадлежности	504 815	333 483	186 656	0,2	0,3	0,1
прочие материалы	794 232	503 801	414 701	0,4	0,5	0,3
Готовая продукция и товары для перепродажи	147 468 102	132 867 764	116 202 120	94,9	93,8	95,1
Транспортные расходы в расчете на остаток товаров на складах	3 350 268	2 451 226	2 275 687	1,8	2,1	1,9
Расходы будущих периодов	228 364	190 365	163 258	0,1	0,1	0,1
Итого запасы:	157 215 950	139 983 372	122 185 932	100	100	100

4.1.5. Дебиторская задолженность (стр. 1230)

С целью более достоверного представления фактов хозяйственной деятельности в бухгалтерском учете и отчетности организации Общество отражает в составе дебиторской задолженности выданные беспроцентные займы и проценты по предоставленным займам (при условии, что согласно заключенным договорам данные проценты не капитализируются).

4.1.6. Денежные средства и денежные эквиваленты (стр. 1250)

Денежные средства и денежные эквиваленты на начало отчетного периода

Наименование показателей	Стоимостной показатель	
	На 01.01.2017	На 01.01.2016
Денежные средства в кассе	1 800 034	1 578 389
Денежные средства на счетах в банках, в рублях	4 864 059	113 650
Денежные средства на счетах в банках, в валюте	3 390	23 853
Деньги в пути	9 791 848	6 595 497
Денежные эквиваленты	387	0
Итого :	16 459 718	8 311 389
Код строки бухгалтерского баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря предыдущего года" Баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря предыдущего года" Баланса

Код строки отчета о движении денежных средств	Строка 4450 "Остаток денежных средств и денежных эквивалентов на начало отчетного периода", графа "За отчетный период" ОДДС	Строка 4450 "Остаток денежных средств и денежных эквивалентов на начало отчетного периода", графа "За отчетный период" ОДДС
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Денежные средства и денежные эквиваленты на конец отчетного периода

Наименование показателей	Сумма, тыс. руб.	
	На 31.12.2017	На 31.12.2016
Денежные средства в кассе	2 084 648	1 800 034
Денежные средства на счетах в банках, в рублях	6 755 032	4 864 059
Денежные средства на счетах в банках, в валюте	12 762	3 390
Деньги в пути	9 451 988	9 791 848
Денежные эквиваленты		387
Итого:	18 304 430	16 459 718
Код строки бухгалтерского баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря отчетного года" Баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря отчетного года" Баланса
Код строки отчета о движении денежных средств	Строка 4500 "Остаток денежных средств и денежных эквивалентов на конец отчетного периода", графа "За отчетный период" ОДДС	Строка 4500 "Остаток денежных средств и денежных эквивалентов на конец отчетного периода", графа "За отчетный период" ОДДС

Несвободных денежных средств по состоянию на 31.12.2017 г. Общество не имеет.

4.1.7. Долгосрочные и краткосрочные кредиты и займы

Долгосрочные кредиты и займы Общества представлены следующим образом (стр.1410)

Долгосрочные кредиты:

Кредиторы	Валюта кредита	Стоимостной показатель			Срок погашения кредита
		На 31.12.2017	На 31.12.2016	на 31.12.2015	
Альфа-Банк АО Филиал Ростовский з/п	рубли	12 500 000	10 000 000	0	16.08.2020
Банк ВТБ ПАО Филиал в г. Ростове-на-Дону	рубли	0	7 600 000	0	22.06.2018
Краснодарское отделение 8619 ПАО Сбербанк	рубли	70 000 000	40 000 000	29 500 000	01.04.2019
ГПБ АО Южный	рубли	2 800 000	0	0	14.10.2019
Итого :		85 300 000	57 600 000	29 500 000	

Долгосрочные займы:

Займодавцы	Валюта займа	Стоимостной показатель			Срок погашения займа
		на 31.12.2017	на 31.12.2016	на 31.12.2015	
Магнит ПАО	рубли	141 802 888	118 776 641	96 289 886	25.12.2020
Итого :		141 802 888	118 776 641	96 289 886	

Краткосрочные кредиты и займы Общества представлены следующим образом (стр. 1510):

Краткосрочные кредиты:

Кредиторы	Валюта кредита	Стоимостной показатель			Срок погашения кредит
		на 31.12.2017	на 31.12.2016	на 31.12.2015	
Альфа-Банк АО Филиал Ростовский з/п	рубли	5 479	2 702	0	31.01.2018

ВБРР АО	рубли	0	0	302 170	04.02.2016
Краснодарское отделение 8619 ПАО Сбербанк	рубли	11 280 432	4 537 000	10 130 598	06.02.2018
Кубань Кредит КБ ООО	рубли	0	0	1 200 000	11.02.2016
Московский кредитный банк ПАО	рубли	0	7 509 939	0	09.02.2017
РОСБАНК ПАО Краснодарский филиал	рубли	0	6 901 848	5 050 000	06.02.2017
Райффайзенбанк АО	рубли	2 570 369	0	0	22.02.2018
Итого :		13 856 280	18 951 489	16 682 768	

Краткосрочные займы:

Займодавцы	Валюта займа	Стоимостной показатель			Срок погашения займа
		на 31.12.2017	на 31.12.2016	на 31.12.2015	
Алкотрейдинг ООО	рубли	8 165	7 627	7 261	24.03.2018
Ритейл Импорт ООО	рубли	998 721	512 643	371 696	20.12.2018
БестТорг ООО	рубли	0	11 754	10 918	19.04.2017
Пластиктрейд ООО	рубли	550 308	0	0	30.03.2018
МФК ООО	рубли	77 448	73 979	108 281	30.10.2018
Магнит ПАО	рубли	4 704 180	0	26 419 097	09.08.2018
Логистика Альтернатива ООО	рубли	11 555	11 596	11 404	07.08.2017
Лаврено Лимитед	рубли	0	151 509	1 734 191	30.01.2017
Зеленая линия Тепличный комплекс ООО	рубли	40 485	1 109 046	0	01.12.2018
ТД-Холдинг ООО (г. Краснодар)	рубли	314 937	165 295	0	05.09.2018
Краснодар ФК ООО	рубли	4 707 862	0	0	30.03.2018
Помбухчан Хачатур Эдуардович	рубли	3 201	0	0	31.12.2018
Инвестстрой	рубли	385 156	0	0	06.03.2018
Итого :		11 882 818	2 043 449	28 662 848	

По состоянию на 31.12.2017 г. Общество не имеет просроченных обязательств по займам и кредитам.

4.1.8 Кредиторская задолженность (стр. 1524)

Кредиторская задолженность в части налогов и сборов представлена следующим образом :

Налог	Стоимостной показатель		
	на 31.12.2017	на 31.12.2016	На 31.12.2015
Налог на прибыль	336	26 806	509 324
НДС	2 517 092	4 185 603	1 692 696
Налог на имущество	762 446	722 501	710 839
НДФЛ	951 371	950 685	837 639
Единый социальный налог/страховые взносы в части федерального бюджета	0	0	0
Налог на землю	67 132	59 996	55 238
Прочие	31 481	32 627	41 768
Итого:	4 329 858	5 978 218	3 847 504

4.2. Отчет о финансовых результатах

4.2.1. Доходы и расходы по обычным видам деятельности

За 2017 г. показатели выручки, себестоимости и валовой прибыли Общества по видам деятельности представлены следующим образом:

Наименование показателя	Стоимостной показатель			
	Розничная реализация	Оптовая реализация	Прочая реализация	Итого
Выручка от реализации, в том числе НДС	1 290 627 945	20 797 283	36 864 665	1 348 702 936
НДС с выручки от реализации	159 565 747	2 794 850	5 594 294	167 954 890
Выручка от реализации, без НДС (стр.2110)	1 131 062 198	18 002 433	31 270 371	1 180 335 003
Себестоимость товаров (стр.2120)	867 914 728	18 778 803	0	886 693 532
Валовая прибыль(стр.2100)	263 147 470	(776 370)	31 270 371	293 641 471

Сравнительные показатели:

За 2016 г. показатели выручки, себестоимости и валовой прибыли Общества по видам деятельности представлены следующим образом:

Наименование показателя	Стоимостной показатель			
	Розничная реализация	Оптовая реализация	Прочая реализация	Итого
Выручка от реализации, в том числе НДС	1 219 443 471	15 247 166	109 494 817	1 344 185 454
НДС с выручки от реализации	150 381 998	1 919 014	16 691 149	168 992 161
Выручка от реализации, без НДС (стр.2110)	1 069 061 473	13 328 152	92 803 668	1 175 193 293
Себестоимость товаров (стр.2120)	902 936 168	14 851 616	0	917 787 784
Валовая прибыль(стр.2100)	166 125 305	(1 523 464)	92 803 668	257 405 509

4.2.2. Коммерческие расходы (стр. 2210)

Коммерческие расходы Общества представлены следующим образом:

Статья затрат	Стоимостной показатель		Доля в общей сумме затрат	
	За 2017 г.	За 2016 г.	За 2017 г.	За 2016 г.
Расходы на оплату труда	91 178 905	82 108 743	0,29	0,31
Расходы на аренду имущества и оплату коммунальных услуг	53 676 365	60 713 448	0,17	0,23
Транспортные расходы	37 351 335	31 670 304	0,12	0,12
Налоги и сборы	403 719	387 709	0	0
Амортизация основных средств и нематериальных активов	23 205 441	20 764 153	0,08	0,08
Страховые взносы в государственные внебюджетные фонды	26 684 821	23 981 389	0,09	0,09
Прочие затраты	79 125 741	44 530 060	0,25	0,17
Итого коммерческие расходы	311 626 327	264 155 806	1	1

4.2.3. Прочие доходы и расходы

Прочие доходы и расходы Общества представлены следующим образом:

Наименование показателя	Стоимостной показатель	
	За 2017 г.	За 2016 г.
Итого доходы (стр.2310+стр.2320+стр.2340)	83 152 333	113 495 207
Доходы от участия в других организациях	2 004 863	293 804
Проценты полученные	551 415	140 157
Курсовые разницы	1 229 732	2 977 429
Штрафы, пени, неустойки признанные или по которым получено решение суда	2 892 082	1 338 072
Прибыль прошлых лет	8 507 901	11 804 734
Премия поставщиков	58 763 288	85 786 270
Прочие доходы, в том числе - доходы от продажи КЦБ	9 203 052 0	11 154 741 3 848 738
Итого расходы (стр. 2330+стр. 2350)	56 333 232	59 360 750
Проценты по кредитам, уплаченные	20 184 948	20 813 508
Курсовые разницы	1 098 772	1 893 938
Штрафы, пени, неустойки признанные или по которым получено решение суда	193 322	124 104
Убыток прошлых лет	9 020 219	12 144 196
Налоги и сборы		2 890 449
Расходы, не принимаемые для целей налогообложения	3 221 146	3 840 835
Прочие расходы, в том числе расходы от продажи КЦБ	22 614 825 0	17 653 720 3 756 239

Неиспользованный списанный резерв по сомнительным долгам в 2017 г. в размере 630 134 тыс. руб. и в 2016 году в размере 270 378 тыс. руб. в отчете о финансовых результатах отражен свернуто.

4.2.4. Прибыль (убыток)

Компанией за 2017 год получена прибыль до налогообложения в размере 8 834 245 тыс. руб. Чистая прибыль Общества за 2017 год составила 6 481 738 тыс. руб.

4.2.5. Налог на прибыль

Сумма налога на прибыль, определенная исходя из бухгалтерской прибыли (сумма условного расхода по налогу на прибыль) за отчетный год составила 1 766 849 тыс. руб. Налог на прибыль по данным деклараций по налогу на прибыль организаций составил в 2017 году 1 560 656 тыс. руб.

Текущий налог на прибыль в соответствии с ПБУ 18/02 представлен следующим образом:

Показатель	Сумма, тыс. руб.	
	За 2017 г.	За 2016 г.
Условный расход по налогу на прибыль	1 766 849	9 476 832
Постоянное налоговое обязательство (стр.2421)	547 121	939 012
Увеличение/(уменьшение) отложенного налогового актива (стр.2450)	186	(85)
Увеличение/(уменьшение) отложенного налогового обязательства (стр.2430)	(792 037)	(509 033)
Уменьшение налога на прибыль за счет торгового сбора	38 537	-
Итого текущий налог на прибыль (стр.2410)	1 560 656	9 906 726

Бухгалтерская прибыль отличается от налоговой базы по налогу на прибыль за отчетный период, рассчитанной в порядке, установленном главой 25 НК РФ. Постоянные и временные разницы в основном вызваны переоценкой в бухгалтерском учете финансовых вложений, по которым можно определить текущую рыночную стоимость; признанием для целей налогового учета расходов амортизационной

премии по капитальным вложениям в основные средства; различным порядком признания расходов в бухгалтерском и налоговом учете.

4.3 Отчет о движении денежных средств(ОДДС)

Порядок определения свернутого потока денежных средств по НДС

Согласно п.16 ПБУ 23/2011 денежные потоки в виде косвенных налогов в составе поступлений от покупателей и заказчиков, платежей поставщикам и подрядчикам и платежей в бюджетную систему Российской Федерации или возмещения из нее отражаются в отчете о движении денежных средств свернуто.

Во исполнение п. 23 ПБУ 23/2011 порядок расчета свернутого потока денежных средств от НДС основан на ниже приведенных допущениях и заключается в следующем:

С учетом специфики деятельности предприятия (ритейлер на территории РФ), принципов непрерывности деятельности, отсутствия резкого изменения в направлении деятельности компании, а так же отсутствия существенных изменений среды, в которой компания осуществляет свою деятельность, с достаточной уверенностью можно полагать, что денежные потоки по выплате (поступлении) денежных средств будет содержать сумму НДС в той же доле, что и сумма НДС, содержащаяся в сумме начисленной выручки (поступлений тмц, работ, услуг). Указанная доля в процентах является эффективной ставкой НДС, которая рассчитывается по покупателям и по поставщикам в отдельности.

Сумма НДС рассчитывается только для статей ОДДС, которые по своей сути могут содержать НДС. К таким статьям относятся 4111, 4112, 4121, 4211. Для статьи 4129 суммы НДС взяты из учетной системы. Остальные статьи ОДДС либо не содержат в себе платежи, облагаемые НДС по смыслу денежного потока, включаемого в данную статью, либо данные платежи незначительны. Поэтому расчет НДС для данных строк не производится.

Свернутый денежный поток от НДС определен по формуле:

сумма НДС по статье 4111 + сумма НДС по статье 4112 - сумма НДС по статье 4121 - сумма НДС по статье 4129 (по расчетам с подотчетными лицами) + сумма НДС по статье 4211 - сумма НДС по статье 4221 ± свернутый поток по расчетам с бюджетом по НДС

Свернутый денежный поток по НДС отражен по статье 4119.

Данные за сравниваемый период (2017 г.) скорректированы на суммы НДС в порядке, приведенном выше

Наименование показателя	Код строки ОДДС	Сумма корректировок
		За 2017 г.
Поступления - всего	4110	170 435 577
в том числе:		
от продажи продукции, товаров, работ и услуг	4111	165 009 835
арендных платежей, лицензионных платежей, роялти, комиссионных и иных аналогичных платежей	4112	5 425 741
прочие поступления	4119	
Платежи - всего	4120	-135 845 600
в том числе:		
поставщикам (подрядчикам) за сырье, материалы, работы, услуги	4121	-135 828 420
прочие платежи	4129	-17 180
Сальдо денежных потоков от текущих операций	4100	34 589 976
Поступления - всего	4210	68 303
в том числе:		
от продажи внеоборотных активов (кроме финансовых вложений)	4211	68 303
Платежи - всего	4220	-10 455 204
в том числе:		
в связи с приобретением, созданием, модернизацией, реконструкцией и подготовкой к использованию внеоборотных активов	4221	-10 455 204
Сальдо денежных потоков от инвестиционных операций	4200	-10 386 901
Сальдо денежных потоков за отчетный период	4400	24 203 075

5. Информация об изменении оценочного значения

В отчетном году АО "Тандер" в бухгалтерском учете отразило в качестве оценочных значений резерв по сомнительным долгам, информация об изменении которого представлена в ниже приведенной таблице.

	Величина резерва на 31.12.2016 г.	Изменения за текущий год			Величина резерва на конец года 31.12.2017 г.
		Восстановлено резерва	Списано за счет резерва	Создание (изменение) резерва	
Сумма	919 703	169 864	(119 705)	180 197	810 331

При составлении бухгалтерской отчетности за 2016 год Корректировка резерва сомнительных долгов отражалась в графе 116 "создание резерва сомнительных долгов". В связи с изменениями с 2017 года порядка отражения резерва сомнительных долгов в отчетности АО "Тандер" суммы корректировки резерва отражаются в графе 10 "восстановление (корректировка) резерва". Показатели граф 10 "восстановление (корректировка) резерва", 116 "создание резерва сомнительных долгов" за предыдущий период (2016 год) отражены в отчетности за 2017 год ретроспективно.

6. Информация о доходах от участия в уставном капитале других организаций и распределении прибыли в 2017 году

В течение 2017 года АО «Тандер» получены от дочерней компании дивиденды в размере 292 811 тыс. руб. Также АО «Тандер» в 2017 году были выплачены дивиденды акционеру в размере 36 500 000 тыс. руб. согласно принятым решениям общих собраний акционеров АО «Тандер» о распределении прибыли.

7. Связанные стороны

К связанным сторонам АО «Тандер» относятся:

Основное хозяйственное общество: ПАО "Магнит" - владеет 100 % акций АО "Тандер".

7.1 Дочерние компании:

Наименование организации	Доля участия	Юридический адрес	ИНН	Направление деятельности
Сельта ООО	99%	г.Краснодар, ул.Солнечная, 15/5	2310053662	Оказание транспортных услуг
Бест-Торг ООО	99,98%	г. Москва, ул. Черняховского д. 6/40	7713266528	Розничная торговля
МФК ООО	99,99 %	г. Краснодар, ул. Солнечная, 15/4	5031047897	Производство готовых пищевых продуктов и блюд
Зеленая Линия ООО	99,9995 %	г. Краснодар, ул. Солнечная 15/4	7826084060	Выращивание с/х продукции
Звезда ООО	99,99990%	г. Краснодар, ул. Солнечная, 15/5	6827021696	Сдача в наем недвижимого имущества
Логистика Альтернатива ООО	99,90%	г. Краснодар, ул. Солнечная 15/4	2311147190	Оптовая торговля алкогольными и другими напитками
Магнит-Энерго ООО	99,90%	г. Краснодар, ул. Московская, 5	7715902899	Оптовая торговля электрической и тепловой энергии (без их передачи и распределения)
ТД-Холдинг	99,99%	3500002, г. Краснодар, ул. Солнечная 15/4	2310057787	Упаковывание
ИТМ ООО	99,90%	г.Краснодар, ул.Солнечная 15/5	2311168514	Разработка программного обеспечения и консультирование в этой области
Кондитер Кубани ООО	99,90 %	г. Краснодар, ул. Солнечная, 15/4	2311223910	Производство какао, шоколада и сахаристых кондитерских изделий
Кубанский комбинат хлебопродуктов ООО	99,90 %	г. Краснодар, ул. Солнечная, 15/4	2311223966	Производство сухарей, печенья и прочих сухарных хлебобулочных изделий, производство мучных кондитерских изделий, тортов,

				пирожных, пирогов и бисквитов, предназначенных для длительного хранения
Индустриальный парк Краснодар УК ООО	99,90%	г. Краснодар, ул. Солнечная, 15/4	2311209369	Покупка и продажа собственного недвижимого имущества
Волшебная свежесть ООО	99,90%	350072, Краснодарский кр, г. Краснодар, ул. Солнечная, д. 15/3	2311236884	Производство бумажных изделий хозяйственно-бытового и санитарно-гигиенического назначения
Морозные припасы ООО	99,90%	350072, Краснодарский кр, г. Краснодар, ул. Солнечная, д. 15/3	2311237158	Производство мясных (мясосодержащих) полуфабрикатов
Москва-наДону ООО	99,90%	399281, Липецкая обл, Хлевенский район, с. Конь-Колодезь, ул. Ленина, д. 334	4816008178	Выращивание зерновых (кроме риса), зернобобовых культур и семян масличных культур

7.2 Прочие связанные стороны:

ООО «Ритейл-Импорт», ООО «Алкотрейдинг», ООО «Тандем», ООО «Новые технологии», ООО «Пластиктрейд», НПФ «Магнит», ООО «Сельскохозяйственное производственное предприятие "Юг", Лаврено Лимитед, ООО «Инвестстрой».

7.3 Прочие аффилированные лица:

Галицкий Сергей Николаевич;
Помбухчан Хачатур Эдуардович;
Федотов Денис Анатольевич.

7.4 Основной управленческий персонал.

Информация о связанных сторонах за 2017 г. отражена в таблице:

Информация	Группа связанных сторон		
	основное хозяйственное общество	дочерние хозяйственные общества	другие связанные стороны
характер отношений	организация контролируется юридическим лицом	организация контролирует юридическое лицо;	организация и юридическое лицо контролируются или на них оказывается значительное влияние (непосредственно или через третьи юридические лица) одним и тем же юридическим и (или) одним и тем же физическим лицом (одной и той же группой лиц).
Виды операций			
приобретение товаров, работ, услуг у связанных сторон	0	66 373 140	18 134 710
продажа товаров, работ, услуг связанным сторонам	17	170 810	16 017
приобретение основных средств и других активов у связанных сторон	0	490 312	2 306 442
продажа основных средств и других активов связанным сторонам	0	186 966	261 588
аренда имущества, включая коммунальные и эксплуатационные услуги по арендованному имуществу у связанных сторон	486 889	187 799	116 951
предоставление имущества в аренду связанным сторонам	0	5 747 907	13 862
финансовые операции: -выдача займов	0	4 418 253	1 462 500

продажа товаров, работ, услуг связанным сторонам	17	170 810	16 017
-получение займов от связанных сторон	78 272 826	3 979 640	55 865 100
-суммы начисленных процентов к получению по займам от связанных сторон	0	206 022	28 871
-проценты к уплате по займам, полученным от связанных сторон	10 274 309	85 365	148 151
-полученные дивиденды	0	2 004 862	0
-суммы дивидендов, начисленных к выплате связанным сторонам	32 500 000	0	0
передача в виде вклада в уставные (складочные) капиталы, вклады в имущество	0	10 120	0
другие операции	0	65 193	500 427
Операции не завершённые на конец отчетного периода			
дебиторская задолженность, в том числе по займам выданным	0 0	4 289 109 4 022 038	104 662 0
кредиторская задолженность, в том числе займы полученные	146 548 373 146 507 068	4 876 591 444 425	2 344 765 1 945 551

АО "Тандер" не оценивает дебиторскую задолженность организаций, входящих в группу связанных сторон, в качестве сомнительной, в связи с чем резерв по сомнительным долгам по указанной дебиторской задолженности не создавался.

8. Раскрытие информации о рисках хозяйственной деятельности организации

АО «Тандер» является основной операционной компанией Группы обществ (далее – «Группа»), контролирующей торговый блок и являющейся центром консолидации прибыли Группы, поэтому информация в данном разделе Пояснений описывает риски хозяйственной деятельности Группы.

Группа осуществляет свою деятельность в области розничной торговли продуктами питания и товарами первой необходимости.

В связи с этим основными источниками рыночных рисков Группы выступают факторы, которые влияют на платежеспособный спрос и потребительское поведение покупателей.

Платежеспособный спрос формируется в основном номинальными доходами населения и потребительской инфляцией. По оценочным данным Росстата, в 2017 году валовой внутренний продукт в Российской Федерации увеличился на 1,5%. За 2017 год потребительская инфляция в России составила 2,5%, при этом индекс потребительских цен на продукты питания составил 101,1%. Стоимость условного (минимального) набора продуктов питания в среднем по России в конце декабря 2017 года составила 3749,6 рубля и выросла на 1,6% с начала года. Стоимость фиксированного набора потребительских товаров и услуг в расчете на месяц в среднем по России в 2017 году возросла на 3,5% и в конце декабря составила 14789,4 рубля. При этом отмечалась существенная дифференциация покупательной способности населения по регионам России, что может обусловить неравномерность доходов торговых объектов Группы.

Динамика реальных располагаемых доходов покупателей (доходы за вычетом обязательных платежей, скорректированные на индекс потребительских цен) в 2017г. по сравнению с 2016г. снизилась на 1,7%, в декабре 2017г. по сравнению с соответствующим периодом предыдущего года - на 1,8%. В 2017г. объем денежных доходов населения увеличился на 2,5% по сравнению с предыдущим годом. Оборот розничной торговли в 2017г. составил 101,2% в сопоставимых ценах к 2016г., в декабре 2017г. - 103,1% к соответствующему периоду 2016 года. Данные обстоятельства способствуют сохранению избирательно-выжидательной модели потребительского поведения покупателей. Неблагоприятное изменение макроэкономических условий и снижение потребительского спроса могут привести к ухудшению динамики развития и рентабельности розничной торговли в России, а также оказать влияние на результаты деятельности Группы. Сезонность потребительского поведения покупателей может привести к колебаниям результатов деятельности Группы в различные периоды времени.

Инфляционные риски могут оказать негативное влияние на результаты деятельности Группы. Рост закупочных цен продуктов питания и товаров первой необходимости может оказать влияние на прибыльность Группы.

Кроме того, рыночные риски Группы связаны с высоким уровнем конкуренции, который присущ розничной торговле в России. Рост числа активных игроков на рынке, ухудшение социально-экономических показателей обостряют конкуренцию и могут снизить эффективность деятельности

Группы. При этом важное место в конкурентной борьбе играют такие факторы, как места расположения и доступность магазинов, качество и цена продуктов, разнообразие ассортимента. Способность Группы открывать магазины в востребованных местах, формировать сбалансированный по качеству и цене разнообразный ассортимент товаров, интересный покупателям, может снижать риски Группы, обусловленные высоким уровнем конкуренции.

Неопределенность социально-экономического развития Российской Федерации в будущем может негативно повлиять на развитие розничной торговли и, как следствие, на финансовое положение, результаты операционной деятельности и экономические перспективы АО «Тандер».

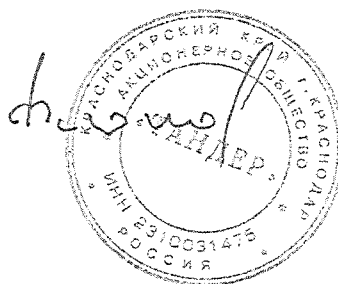
Руководство АО «Тандер» считает, что оно предпринимает все возможные действия по уменьшению влияния сложившейся негативной макроэкономической динамики на хозяйственную деятельность АО «Тандер», а также осуществляет надлежащие меры по поддержанию экономической устойчивости и финансовой стабильности АО «Тандер» в текущих условиях.

9. События после отчетной даты

Событий, подлежащих раскрытию после отчетной даты, свидетельствующих о возникших после отчетной даты хозяйственных условиях, в которых Компания ведет свою деятельность не было.

Генеральный директор АО «Тандер»

22 марта 2018 г.



Д. А. Федотов

ANNEX № 4:

Accounting report of PJSC “Magnit” for the year 2017 prepared in accordance with RAS:

Auditor’s report of “Faber Leks” Audit Limited Liability Company of the annual accounting report of PJSC “Magnit” for the financial year 2017

Accounting reports of PJSC “Magnit” for the year 2017

Explanations to the balance sheet and income statement of PJSC “Magnit” for the year 2017



ОБЩЕСТВО С ОГРАНИЧЕННОЙ ОТВЕТСТВЕННОСТЬЮ
Аудиторская фирма «Фабер Лекс»

Свидетельство от 03.08.2016 г. о членстве в саморегулируемой организации аудиторов «Российский Союз аудиторов», ОРНЗ 10203002910

р/с 40702810000110003611 в Филиал Южный ПАО "БАНК УРАЛСИБ", БИК 040349700, к/с 30101810400000000700, ИНН 2308052975
Юр. адрес: 350049 г. Краснодар, ул. Красных Партизан, 144/2, факт. адрес: 350049 г. Краснодар, ул. Красных Партизан, 144/2

АУДИТОРСКОЕ ЗАКЛЮЧЕНИЕ

Адресат:

Акционеры ПАО «Магнит»

Мнение

Мы провели аудит прилагаемой годовой бухгалтерской (финансовой) отчетности организации Публичное акционерное общество «Магнит» (сокращенное наименование: ПАО «Магнит»; ОГРН: 1032304945947; место нахождения: 350072, г. Краснодар, ул. Солнечная, 15/5.), состоящей из:

- бухгалтерского баланса по состоянию на 31 декабря 2017 года;
- отчета о финансовых результатах за 2017 год;
- отчета об изменениях капитала за 2017 год;
- отчета о движении денежных средств за 2017 год;
- пояснений к бухгалтерскому балансу и отчету о финансовых результатах (часть 1 и часть 2) за 2017 год.

По нашему мнению, прилагаемая годовая бухгалтерская (финансовая) отчетность отражает достоверно во всех существенных отношениях финансовое положение ПАО «Магнит» по состоянию на 31 декабря 2017 года, финансовые результаты его деятельности и движение денежных средств за 2017 год в соответствии с правилами составления бухгалтерской (финансовой) отчетности, установленными в Российской Федерации.

Основание для выражения мнения

Мы провели аудит в соответствии с Международными стандартами аудита (МСА). Наша ответственность в соответствии с этими стандартами описана в разделе «Ответственность аудитора за аудит годовой бухгалтерской (финансовой) отчетности» настоящего заключения. Мы являемся независимыми по отношению к аудируемому лицу в соответствии с Правилами независимости аудиторов и аудиторских организаций и Кодексом профессиональной этики аудиторов, соответствующими Кодексу этики профессиональных бухгалтеров, разработанному Советом по международным стандартам этики для профессиональных бухгалтеров, и нами выполнены прочие иные обязанности в соответствии с этими требованиями профессиональной этики. Мы полагаем, что полученные нами аудиторские доказательства являются достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения.

Ключевые вопросы аудита

Ключевые вопросы аудита – это вопросы, которые, согласно нашему профессиональному суждению, являлись наиболее значимыми для нашего аудита годовой бухгалтерской (финансовой) отчетности за текущий период. Эти вопросы были рассмотрены в контексте нашего аудита годовой бухгалтерской (финансовой) отчетности в целом и при формировании нашего мнения об этой отчетности, и мы не выражаем отдельного мнения об этих вопросах.

Финансовые вложения и заемные средства (пункт 3.1 и 5.3 части 1 Пояснений к бухгалтерскому балансу и отчету о финансовых результатах за 2017 год, пункт 4.1.2 и 4.1.4 части 2 Пояснений к бухгалтерскому балансу и отчету о финансовых результатах за 2017 год).

Значительная часть активов ПАО «Магнит» приходится на финансовые вложения. Основная сумма финансовых вложений представляет собой долгосрочные займы, выданные дочерним компаниям ПАО «Магнит». Частично источником финансирования выданных займов являются денежные средства, полученные путем эмиссии облигаций.

Мы оценили и протестировали структуру и эффективность системы внутреннего контроля ПАО «Магнит» в части финансовых вложений и заемных средств. Мы провели анализ структуры финансовых вложений и заемных средств на предмет отсутствия риска, что поступления в виде возвратов выданных займов, процентов по займам, доходов от участия в других организациях будут недостаточны для полного и своевременного исполнения обязательств по облигациям. Мы провели выборочное сравнение начислений процентов с условиями договоров по выданным займам и с условиями облигационных займов. Также мы провели сверку задолженности по выданным займам с прямыми подтверждениями от заемщиков.

Ответственность руководства и лиц, отвечающих за корпоративное управление, аудируемого лица за годовую бухгалтерскую (финансовую) отчетность

Руководство несет ответственность за подготовку и достоверное представление данной годовой бухгалтерской (финансовой) отчетности в соответствии с правилами составления бухгалтерской (финансовой) отчетности, установленными в Российской Федерации, и за систему внутреннего контроля, которую руководство считает необходимой для подготовки годовой бухгалтерской (финансовой) отчетности, не содержащей существенных искажений вследствие недобросовестных действий или ошибок.

При подготовке годовой бухгалтерской (финансовой) отчетности руководство несет ответственность за оценку способности аудируемого лица продолжать непрерывно свою деятельность, за раскрытие в соответствующих случаях сведений, относящихся к непрерывности деятельности, и за составление отчетности на основе допущения о непрерывности деятельности, за исключением случаев, когда руководство намеревается ликвидировать аудируемого лица, прекратить ее деятельность или когда у него отсутствует какая-либо иная реальная альтернатива, кроме ликвидации или прекращения деятельности.

Лица, отвечающие за корпоративное управление, несут ответственность за надзор за подготовкой годовой бухгалтерской (финансовой) отчетности аудируемого лица.

Ответственность аудитора за аудит годовой бухгалтерской (финансовой) отчетности

Наша цель состоит в получении разумной уверенности в том, что годовая бухгалтерская (финансовая) отчетность не содержит существенных искажений вследствие недобросовестных действий или ошибок, и в составлении аудиторского заключения, содержащего наше мнение. Разумная уверенность представляет собой высокую степень уверенности, но не является гарантией того, что аудит, проведенный в соответствии с МСА, всегда выявляет существенные искажения при их наличии. Искажения могут быть результатом недобросовестных действий или ошибок и считаются существенными, если можно обоснованно предположить, что в отдельности или в совокупности они могут повлиять на экономические решения пользователей, принимаемые на основе этой годовой бухгалтерской (финансовой) отчетности.

В рамках аудита, проводимого в соответствии с МСА, мы применяем профессиональное суждение и сохраняем профессиональный скептицизм на протяжении всего аудита. Кроме того, мы выполняем следующее:

а) выявляем и оцениваем риски существенного искажения годовой бухгалтерской (финансовой) отчетности вследствие недобросовестных действий или ошибок; разрабатываем и проводим аудиторские процедуры в ответ на эти риски; получаем аудиторские доказательства, являющиеся достаточными и надлежащими, чтобы служить основанием для выражения нашего мнения. Риск необнаружения существенного искажения в результате недобросовестных действий выше, чем риск необнаружения существенного искажения в результате ошибки, так как недобросовестные действия могут включать сговор, подлог, умышленный пропуск, искаженное представление информации или действия в обход системы внутреннего контроля;

б) получаем понимание системы внутреннего контроля, имеющей значение для аудита, с целью разработки аудиторских процедур, соответствующих обстоятельствам, но не с целью выражения мнения об эффективности системы внутреннего контроля аудируемого лица;

в) оцениваем надлежащий характер применяемой учетной политики, обоснованность бухгалтерских оценок и соответствующего раскрытия информации, подготовленного руководством аудируемого лица;

г) делаем вывод о правомерности применения руководством аудируемого лица допущения о непрерывности деятельности, а на основании полученных аудиторских доказательств - вывод о том, имеется ли существенная неопределенность в связи с событиями или условиями, в результате которых могут возникнуть значительные сомнения в способности аудируемого лица продолжать непрерывно свою деятельность. Если мы приходим к выводу о наличии существенной неопределенности, мы должны привлечь внимание в нашем аудиторском заключении к соответствующему раскрытию информации в годовой бухгалтерской (финансовой) отчетности или, если такое раскрытие информации является ненадлежащим, модифицировать наше мнение.

Наши выводы основаны на аудиторских доказательствах, полученных до даты нашего аудиторского заключения. Однако будущие события или условия могут привести к тому, что аудируемое лицо утратит способность продолжать непрерывно свою деятельность;

д) проводим оценку представления годовой бухгалтерской (финансовой) отчетности в целом, ее структуры и содержания, включая раскрытие информации, а также того, представляет ли годовая бухгалтерская (финансовая) отчетность лежащие в ее основе операции и события так, чтобы было обеспечено их достоверное представление.

Мы осуществляем информационное взаимодействие с лицами, отвечающими за корпоративное управление, аудируемого лица, доводя до их сведения, помимо прочего, информацию о запланированном объеме и сроках аудита, а также о существенных замечаниях по результатам аудита, в том числе о значительных недостатках системы внутреннего контроля, которые мы выявляем в процессе аудита.

Мы также предоставляем лицам, отвечающим за корпоративное управление, аудируемого лица заявление о том, что мы соблюдали все соответствующие этические требования в отношении независимости и информировали этих лиц обо всех взаимоотношениях и прочих вопросах, которые можно обоснованно считать оказывающими влияние на независимость аудитора, а в необходимых случаях - о соответствующих мерах предосторожности.

Из тех вопросов, которые мы довели до сведения лиц, отвечающих за корпоративное управление, аудируемого лица, мы определили вопросы, которые были наиболее значимы для аудита годовой бухгалтерской (финансовой) отчетности за текущий период и, следовательно, являются ключевыми вопросами аудита. Мы описываем эти вопросы в нашем аудиторском заключении, кроме случаев, когда публичное раскрытие информации об этих вопросах запрещено законом или нормативным актом, или когда в крайне редких случаях мы приходим к выводу о том, что информация о каком-либо вопросе не должна быть сообщена в нашем заключении, так как можно обоснованно предположить, что отрицательные последствия сообщения такой информации превысят общественно значимую пользу от ее сообщения.

Аудиторская организация: Общество с ограниченной ответственностью Аудиторская фирма «Фабер Лекс» (ООО АФ «Фабер Лекс»), ОГРН: 1022301213197



Директор ООО АФ «Фабер Лекс»
Гаврищева О.В.

350049, г. Краснодар, ул. Красных Партизан, 144/2

Член саморегулируемой организации аудиторов «Российский Союз аудиторов» (Ассоциация) (СРО РСА), ОГРНЗ: 10203002910

23 марта 2018 года

Бухгалтерский баланс
на 31 декабря 20 17 г.

Организация Публичное акционерное общество "Магнит" по ОКПО
Идентификационный номер налогоплательщика _____ ИНН _____
Вид экономической деятельности аренда и управление собственным или арендованным нежилым недвижимым имуществом по ОКВЭД _____
Организационно-правовая форма/форма собственности _____
Публичное акционерное общество / Частная собственность по ОКОПФ/ОКФС _____
Единица измерения: тыс. руб. (млн. руб.) _____ по ОКЕИ _____
Местонахождение (адрес) 350072, г. Краснодар, ул. Солнечная, д. 15/5

Коды		
0710001		
31	12	2017
70771130		
2309085638		
68.20.2		
12247	16	
384 (385)		

Пояснения ¹	Наименование показателя ²	Код	На 31 декабря 20 17 г. ³	На 31 декабря 20 16 г. ⁴	На 31 декабря 20 15 г. ⁵
	АКТИВ				
	I. ВНЕОБОРОТНЫЕ АКТИВЫ				
	Нематериальные активы	1110	0	0	0
	Результаты исследований и разработок	1120	0	0	0
	Нематериальные поисковые активы	1130	0	0	0
	Материальные поисковые активы	1140	0	0	0
	Основные средства	1150	713 366	750 428	789 603
	Доходные вложения в материальные ценности	1160	0	0	0
	Финансовые вложения	1170	129 293 082	111 545 343	92 277 442
	Отложенные налоговые активы	1180	0	0	0
	Прочие внеоборотные активы	1190	2 715	2 906	2 236
	Итого по разделу I	1100	130 009 163	112 298 677	93 069 281
	II. ОБОРОТНЫЕ АКТИВЫ				
	Запасы	1210	48	58	39
	Налог на добавленную стоимость по приобретенным ценностям	1220	0	0	0
	Дебиторская задолженность	1230	10 910 716	12 905 213	15 288 413
	Финансовые вложения (за исключением денежных эквивалентов)	1240	8 908 949	1 022 472	22 591 639
	Денежные средства и денежные эквиваленты	1250	172	289	145
	Прочие оборотные активы	1260	16	24	40
	Итого по разделу II	1200	19 819 901	13 928 056	37 880 276
	БАЛАНС	1600	149 829 064	126 226 733	130 949 557

Пояснения ¹	Наименование показателя ²	Код	На 31 декабря 20 17 г. ³	На 31 декабря 20 16 г. ⁴	На 31 декабря 20 15 г. ⁵
	ПАССИВ				
	III. КАПИТАЛ И РЕЗЕРВЫ⁶				
	Уставный капитал (складочный капитал, уставный фонд, вклады товарищей)	1310	946	946	946
	Собственные акции, выкупленные у акционеров	1320	(0) ⁷	(0) ⁷	(0) ⁷
	Переоценка внеоборотных активов	1340	0	0	0
	Добавочный капитал (без переоценки)	1350	41 988 451	41 988 451	41 988 451
	Резервный капитал	1360	142	142	142
	Нераспределенная прибыль (непокрытый убыток)	1370	41 491 702	21 241 901	32 395 296
	Итого по разделу III	1300	83 481 241	63 231 440	74 384 835
	IV. ДОЛГОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА				
	Заемные средства	1410	0	20 000 000	30 000 000
	Отложенные налоговые обязательства	1420	7 319	8 118	8 920
	Оценочные обязательства	1430	0	0	0
	Прочие обязательства	1450	0	0	0
	Итого по разделу IV	1400	7 319	20 008 118	30 008 920
	V. КРАТКОСРОЧНЫЕ ОБЯЗАТЕЛЬСТВА				
	Заемные средства	1510	20 621 700	31 018 000	26 418 050
	Кредиторская задолженность	1520	45 716 551	11 967 796	137 184
	Доходы будущих периодов	1530		0	0
	Оценочные обязательства	1540	2 253	1 379	568
	Прочие обязательства	1550	0	0	0
	Итого по разделу V	1500	66 340 504	42 987 175	26 555 802
	БАЛАНС	1700	149 829 064	126 226 733	130 949 557

Руководитель

(подпись)

Х.Э. Помбучхан

(расшифровка подписи)

" 22 марта 20 18 г.

Примечания:

1. Указывается номер соответствующего пояснения к бухгалтерскому балансу и отчету о финансовых результатах.
2. В соответствии с Положением по бухгалтерскому учету "Бухгалтерская отчетность организации" ПБУ 4/99, утвержденным Приказом Министерства финансов Российской Федерации от 6 июля 1999 г. N 43н (по заключению Министерства юстиции Российской Федерации N 6417-ПК от 6 августа 1999 г. указанный Приказ в государственной регистрации не нуждается), показатели об отдельных активах, обязательствах могут приводиться общей суммой с раскрытием в пояснениях к бухгалтерскому балансу, если каждый из этих показателей в отдельности несущественен для оценки заинтересованными пользователями финансового положения организации или финансовых результатов ее деятельности.
3. Указывается отчетная дата отчетного периода.
4. Указывается предыдущий год.
5. Указывается год, предшествующий предыдущему.
6. Некоммерческая организация именуется указанным раздел "Целевое финансирование". Вместо показателей "Уставный капитал (складочный капитал, уставный фонд, вклады товарищей)", "Собственные акции, выкупленные у акционеров", "Добавочный капитал", "Резервный капитал" и "Нераспределенная прибыль (непокрытый убыток)" некоммерческая организация включает показатели "Паевой фонд", "Целевой капитал", "Целевые средства", "Фонд недвижимого и особо ценного движимого имущества", "Резервный и иные целевые фонды" (в зависимости от формы некоммерческой организации и источников формирования имущества).
7. Здесь и в других формах отчетов вычитаемый или отрицательный показатель показывается в круглых скобках.

Отчет о финансовых результатах

за отчетный год 20 17 г.

		Форма по ОКУД	0710002		
		Дата (число, месяц, год)	31	12	2017
Организация	Публичное акционерное общество "Магнит"	по ОКПО	70771130		
Идентификационный номер налогоплательщика		ИНН	2309085638		
Вид экономической деятельности	аренда и управление собственным или арендованным нежилым недвижимым имуществом	по ОКВЭД	68.20.2		
Организационно-правовая форма/форма собственности					
Публичное акционерное общество / Частная собственность		по ОКОПФ/ОКФС	12247	16	
Единица измерения: тыс. руб. (млн. руб.)		по ОКЕИ	384 (385)		

Пояснения ¹	Наименование показателя ²	Код	За отчетный год 20 17 г. ³	За отчетный год 20 16 г. ⁴
	Выручка ⁵	2110	413 495	370 517
	Себестоимость продаж	2120	(47 810)	(53 836)
	Валовая прибыль (убыток)	2100	365 685	316 681
	Коммерческие расходы	2210	(-)	(-)
	Управленческие расходы	2220	(296 535)	(301 215)
	Прибыль (убыток) от продаж	2200	69 150	15 466
	Доходы от участия в других организациях	2310	32 500 000	24 000 000
	Проценты к получению	2320	10 492 592	13 140 172
	Проценты к уплате	2330	(3 916 800)	(5 846 450)
	Прочие доходы	2340	1 749	19 570
	Прочие расходы	2350	(262 016)	(89 546)
	Прибыль (убыток) до налогообложения		38 884 675	31 239 212
	Текущий налог на прибыль	2410	(1 326 457)	(1 454 808)
	в т.ч. постоянные налоговые обязательства (активы)	2421	6 451 277	4 793 836
	Изменение отложенных налоговых обязательств	2430	799	802
	Изменение отложенных налоговых активов	2450		
	Прочее	2460	-	-
	Чистая прибыль (убыток)	2400	37 559 017	29 785 206

Пояснения ¹	Наименование показателя ²	Код	отчетный год	
			За _____ г. ³	За _____ г. ⁴
	Результат от переоценки внеоборотных активов, не включаемый в чистую прибыль (убыток) периода	2510		
	Результат от прочих операций, не включаемый в чистую прибыль (убыток) периода	2520		
	Совокупный финансовый результат периода ⁶	2500	37 559 017	29 785 206
	СПРАВОЧНО Базовая прибыль (убыток) на акцию	2900	0	0
	Разводненная прибыль (убыток) на акцию	2910	-	-

Руководитель

Х.Э. Помбухчан

(подпись)

(расшифровка подписи)

" 22 марта 2018 г.

Примечания

1. Указывается номер соответствующего пояснения к бухгалтерскому балансу и отчету о финансовых результатах.

2. В соответствии с Положением по бухгалтерскому учету "Бухгалтерская отчетность организации" ПБУ 4/99, утвержденным Приказом Министерства финансов Российской Федерации от 6 июля 1999 г. N 43н (по заключению Министерства юстиции Российской Федерации N 6417-ПК от 6 августа 1999 г. указанный Приказ в государственной регистрации не нуждается), показатели об отдельных доходах и расходах могут приводиться в отчете о финансовых результатах общей суммой с раскрытием в пояснениях к отчету о финансовых результатах, если каждый из этих показателей в отдельности несущественен для оценки заинтересованными пользователями финансового положения организации или финансовых результатов ее деятельности.

3. Указывается отчетный период.

4. Указывается период предыдущего года, аналогичный отчетному периоду.

5. Выручка отражается за минусом налога на добавленную стоимость, акцизов.

6. Совокупный финансовый результат периода определяется как сумма строк "Чистая прибыль (убыток)", "Результат от переоценки внеоборотных активов, не включаемый в чистую прибыль (убыток) периода" и "Результат от прочих операций, не включаемый в чистую прибыль (убыток) отчетного периода".

Отчет об изменениях капитала за 20 17 г.

Коды		
0710003		
31	12	2017
70771130		
2309085638		
68.20.2		
12247	16	
384 (385)		

Организация Публичное акционерное общество "Магнит" Форма по ОКУД
Идентификационный номер налогоплательщика 0710003 Дата (число, месяц, год) 31 12 2017
Вид экономической деятельности аренда и управление собственным или арендованным нежилым недвижимым имуществом по ОКПО 70771130 ИНН 2309085638
Организационно-правовая форма/форма собственности Публичное акционерное общество / Частная собственность по ОКВЭД 68.20.2
Публичные акционерные общества / Частная собственность по ОКОПФ/ОКФС
Единица измерения: тыс. руб. (млн.-руб.-) по ОКЕИ

1. Движение капитала

Наименование показателя	Код	Уставный капитал	Собственные акции, выкупленные у акционеров	Добавочный капитал	Резервный капитал	Нераспределенная прибыль (непокрытый убыток)	Итого
Величина капитала на 31 декабря 20 15 г. ¹	3100	946	()	41 988 451	142	32 395 296	74 384 835
За 20 16 г. ²							
Увеличение капитала - всего:	3210	0		0		29 785 219	29 785 219
в том числе:							
чистая прибыль	3211	x	x	x	x	29 785 206	29 785 206
переоценка имущества	3212	x	x		x		
доходы, относящиеся непосредственно на увеличение капитала	3213	x	x		x	13	13
дополнительный выпуск акций	3214	0		0	x	x	0
увеличение номинальной стоимости акций	3215				x		x
реорганизация юридического лица	3216						

Наименование показателя	Код	Уставный капитал	Собственные акции, выкупленные у акционеров	Добавочный капитал	Резервный капитал	Нераспределенная прибыль (непокрытый убыток)	Итого
Уменьшение капитала - всего:	3220	()		()	()	(40 938 614)	(40 938 614)
в том числе:							
убыток	3221	x	x	x	x	()	()
переоценка имущества	3222	x	x	()	x	()	()
расходы, относящиеся непосредственно на уменьшение капитала	3223	x	x	()	x	(13 405)	(13 405)
уменьшение номинальной стоимости акций	3224	()			x	()	()
уменьшение количества акций	3225	()			x	()	()
реорганизация юридического лица	3226					()	()
дивиденды	3227	x	x	x	x	(40 925 209)	(40 925 209)
иное распределение чистой прибыли согласно решения общего собрания акционеров (участников)							
Изменение добавочного капитала	3228	x	x	()	x	()	(0)
Изменение резервного капитала	3230	x	x				x
Изменение резервного капитала	3240	x	x	x		()	x
Величина капитала на 31 декабря 20 16 г. ²	3200	946	()	41 988 451	142	21 241 901	63 231 440
За 20 17 г. ³							
Увеличение капитала - всего:	3310			0		37 559 017	37 559 017
в том числе:							
чистая прибыль	3311	x	x	x	x	37 559 017	37 559 017
переоценка имущества	3312	x	x		x		
доходы, относящиеся непосредственно на увеличение капитала	3313	x	x		x		0
дополнительный выпуск акций	3314				x	x	0
увеличение номинальной стоимости акций	3315				x		x
реорганизация юридического лица	3316						
Уменьшение капитала - всего:	3320	()		()	()	(17 309 216)	(17 309 216)
в том числе:							
убыток	3321	x	x	x	x	()	()
переоценка имущества	3322	x	x	()	x	()	()
расходы, относящиеся непосредственно на уменьшение капитала	3323	x	x	()	x	(12 053)	(12 053)
уменьшение номинальной стоимости акций	3324	()			x	()	()
уменьшение количества акций	3325	()			x	()	()
реорганизация юридического лица	3326					()	()
дивиденды	3327	x	x	x	x	(17 297 163)	(17 297 163)
иное распределение чистой прибыли согласно решения общего собрания акционеров	3328	x	x	()	x	()	(0)
Изменение добавочного капитала	3330	x	x				x
Изменение резервного капитала	3340	x	x	x			x
Величина капитала на 31 декабря 20 17 г. ³	3300	946	()	41 988 451	142	41 491 702	83 481 241

2. Корректировки в связи с изменением учетной политики и исправлением ошибок

Наименование показателя	Код	На 31 декабря 20 15 г. ¹	Изменения капитала за 20 16 г. ²		На 31 декабря 20 16 г. ²
			за счет чистой прибыли (убытка)	за счет иных факторов	
Капитал - всего					
до корректировок	3400	0	0	0	0
корректировка в связи с:					
изменением учетной политики	3410	0	0	0	0
исправлением ошибок	3420	0	0	0	0
после корректировок	3500	0	0	0	0
в том числе:					
нераспределенная прибыль (непокрытый убыток):					
до корректировок	3401	0	0	0	0
корректировка в связи с:					
изменением учетной политики	3411	0	0	0	0
исправлением ошибок	3421	0	0	0	0
после корректировок	3501	0	0	0	0
Другие статьи капитала, по которым осуществлены корректировки:					
(по статьям)					
до корректировок	3402	0	0	0	0
корректировка в связи с:					
изменением учетной политики	3412	0	0	0	0
исправлением ошибок	3422	0	0	0	0
после корректировок	3502	0	0	0	0

3. Чистые активы

Наименование показателя	Код	На 31 декабря 20 17 г. ³	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ¹
Чистые активы	3600	83 481 241	63 231 440	74 384 835

Руководитель _____ Х. Э. Помбуччан
(подпись) (расшифровка подписи)

" 22 " _____ марта 20 18 г.

Примечания

1. Указывается год, предшествующий предыдущему.
2. Указывается предыдущий год.
3. Указывается отчетный год.

(в ред. Приказов Минфина России
от 05.10.2011 № 124н,
от 06.04.2015 № 57н)

Отчет о движении денежных средств
за отчетный год 20 17 г.

Организация Публичное акционерное общество "Магнит" по ОКПО
Идентификационный номер налогоплательщика _____ ИНН
Вид экономической деятельности аренда и управление собственным или арендованным нежилым недвижимым имуществом по ОКВЭД
Организационно-правовая форма/форма собственности _____
Публичное акционерное общество / Частная собственность по ОКОПФ/ОКФС
Единица измерения: тыс. руб./млн. руб. (ненужное зачеркнуть) по ОКЕИ

Коды		
0710004		
31	12	2017
70771130		
2309085638		
68.20.2		
12247	16	
384/385		

Наименование показателя	Код	отчетный За год 20 17 г. ¹	отчетный За год 20 16 г. ²
Денежные потоки от текущих операций			
Поступления - всего	4110	411 636	370 518
в том числе:			
от продажи продукции, товаров, работ и услуг	4111		
арендных платежей, лицензионных платежей, роялти, комиссионных и иных аналогичных платежей	4112	409 181	370 458
от перепродажи финансовых вложений	4113		
прочие поступления	4119	2 455	60
Платежи - всего	4120	(5 998 731)	(8 224 946)
в том числе:			
поставщикам (подрядчикам) за сырье, материалы, работы, услуги	4121	(107 767)	(114 276)
в связи с оплатой труда работников	4122	(202 618)	(198 314)
процентов по долговым обязательствам	4123	(4 313 100)	(6 246 502)
налога на прибыль организаций	4124	(1 333 194)	(1 586 232)
прочие платежи	4129	(42 052)	(79 622)
Сальдо денежных потоков от текущих операций	4100	-5 587 095	-7 854 428

Наименование показателя	Код	отчетный За _____ й год 20 16 г. ¹	отчетный За _____ год 20 15 г. ²
Денежные потоки от инвестиционных операций			
Поступления - всего	4210	98 522 469	129 568 709
в том числе:			
от продажи внеоборотных активов (кроме финансовых вложений)	4211		
от продажи акций других организаций (долей участия)	4212		
от возврата предоставленных займов, от продажи долговых ценных бумаг (прав требования денежных средств к другим лицам)	4213	53 529 030	90 024 207
дивидендов, процентов по долговым финансовым вложениям и аналогичных поступлений от долевого участия в других организациях	4214	44 993 439	39 544 502
прочие поступления	4219		
Платежи - всего	4220	(79 163 245)	(87 722 942)
в том числе:			
в связи с приобретением, созданием, модернизацией, реконструкцией и подготовкой к использованию внеоборотных активов	4221	()	()
в связи с приобретением акций других организаций (долей участия)	4222	()	()
в связи с приобретением долговых ценных бумаг (прав требования денежных средств к другим лицам), предоставление займов другим лицам	4223	(79 163 245)	(87 722 942)
процентов по долговым обязательствам, включаемым в стоимость инвестиционного актива	4224	()	()
прочие платежи	4229	()	()
Сальдо денежных потоков от инвестиционных операций	4200	19 359 224	41 845 767
Денежные потоки от финансовых операций			
Поступления - всего	4310	45 462 020	29 996 250
в том числе:			
получение кредитов и займов	4311		
денежных вкладов собственников (участников)	4312		
от выпуска акций, увеличения долей участия	4313	45 462 020	
от выпуска облигаций, векселей и других долговых ценных бумаг и др.	4314		29 996 250
прочие поступления	4319		

Наименование показателя	Код	отчетный За _____ й год 20 16 г. ¹	отчетный За _____ год 20 15 г. ²
Платежи - всего	4320	(59 234 340)	(63 987 444)
в том числе:			
собственникам (участникам) в связи с выкупом у них акций (долей участия) организации или их выходом из состава участников	4321	()	()
на уплату дивидендов и иных платежей по распределению прибыли в пользу собственников (участников)	4322	(29 234 340)	(28 987 444)
в связи с погашением (выкупом) векселей и других долговых ценных бумаг, возврат кредитов и займов	4323	(30 000 000)	(35 000 000)
прочие платежи	4329	()	()
Сальдо денежных потоков от финансовых операций	4300	-13 772 320	-33 991 194
Сальдо денежных потоков за отчетный период	4400	-192	144
Остаток денежных средств и денежных эквивалентов на начало отчетного периода	4450	289	145
Остаток денежных средств и денежных эквивалентов на конец отчетного периода	4500	172	289
Величина влияния изменений курса иностранной валюты по отношению к рублю	4490	75	

Руководитель

(подпись)

Х.Э. Помбухчан

(расшифровка подписи)

" 22 "

марта

20 18 г.

Примечания

1. Указывается отчетный период.

2. Указывается период предыдущего года, аналогичный отчетному периоду.

Пояснения к бухгалтерскому балансу и отчету о финансовых результатах ПАО "Магнит" за 2017 год (тыс. руб.)

1. Нематериальные активы и расходы на научно-исследовательские, опытно-конструкторские и технологические работы (НИОКР)

1.1. Наличие и движение нематериальных активов

0710005 с. 1

Наименование показателя	Код	Период	На начало года		Изменения за период						На конец периода	
			первоначальная стоимость ³	накопленная амортизация и убытки от обесценения	поступило	выбыло		начислено амортизации	убыток от обесценения	переоценка		
						первоначальная стоимость ³	накопленная амортизация и убытки от обесценения			первоначальная стоимость ³	накопленная амортизация	
Нематериальные активы - всего	5100	за 20 17 г. ¹	-	(-)	-	(-)	-	(-)	-	-	первоначальная стоимость ³	накопленная амортизация и убытки от обесценения
	5110	за 20 16 г. ²	-	(-)	-	(-)	-	(-)	-	-	-	-
в том числе: (вид нематериальных активов)		за 20 17 г. ¹	-	(-)	-	(-)	-	(-)	-	-	-	(-)
		за 20 16 г. ²	-	(-)	-	(-)	-	(-)	-	-	-	(-)
		за 20 17 г. ¹	-	(-)	-	(-)	-	(-)	-	-	-	(-)
		за 20 16 г. ²	-	(-)	-	(-)	-	(-)	-	-	-	(-)
(вид нематериальных активов)			-	(-)	-	(-)	-	(-)	-	-	-	(-)

1.2. Первоначальная стоимость нематериальных активов, созданных самой организацией

Наименование показателя	Код	На 20 17 г. ⁴	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ⁵
Всего	5120	-	-	-
в том числе:		-	-	-
(вид нематериальных активов)		-	-	-

1.3. Нематериальные активы с полностью погашенной стоимостью

Наименование показателя	Код	На 20 17 г. ⁴	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ⁵
Всего	5130	-	-	-
в том числе:		-	-	-
(вид нематериальных активов)		-	-	-
(вид нематериальных активов)		-	-	-

1.4. Наличие и движение результатов НИОКР

Наименование показателя	Код	Период	На начало года		Изменения за период				На конец периода	
			первоначальная стоимость	часть стоимости, списанной на расходы	поступило	выбыло		часть стоимости, списанная на расходы за период	первоначальная стоимость	часть стоимости, списанной на расходы
НИОКР - всего	5140	за 20 17 г. ¹	-	(- -)	-	(- -)	-	(- -)	-	(- -)
	5150	за 20 16 г. ²	-	(- -)	-	(- -)	-	(- -)	-	(- -)
в том числе: (объект, группа объектов)		за 20 17 г. ¹	-	(- -)	-	(- -)	-	(- -)	-	(- -)
		за 20 16 г. ²	-	(- -)	-	(- -)	-	(- -)	-	(- -)
(объект, группа объектов)		за 20 17 г. ¹	-	(- -)	-	(- -)	-	(- -)	-	(- -)
		за 20 16 г. ²	-	(- -)	-	(- -)	-	(- -)	-	(- -)

1.5. Незаконченные и неоформленные НИОКР и незаконченные операции по приобретению нематериальных активов

Наименование показателя	Код	Период	На начало года	Изменения за период			На конец периода
				затраты за период	списано затрат как не давших положительного результата	принято к учету в качестве нематериальных активов или НИОКР	
Затраты по незаконченным исследованиям и разработкам - всего	5160	за 20 17 г. ¹	-	-	(-)	(-)	-
	5170	за 20 16 г. ²	-	-	(-)	(-)	-
в том числе: (объект, группа объектов)		за 20 17 г. ¹	-	-	(-)	(-)	-
		за 20 16 г. ²	-	-	(-)	(-)	-
(объект, группа объектов)		за 20 17 г. ¹	-	-	(-)	(-)	-
		за 20 16 г. ²	-	-	(-)	(-)	-
незаконченные операции по приобретению нематериальных активов - всего	5180	за 20 17 г. ¹	-	-	(-)	(-)	-
	5190	за 20 16 г. ²	-	-	(-)	(-)	-
в том числе: (объект, группа объектов)		за 20 17 г. ¹	-	-	(-)	(-)	-
		за 20 16 г. ²	-	-	(-)	(-)	-
(объект, группа объектов)		за 20 17 г. ¹	-	-	(-)	(-)	-
		за 20 16 г. ²	-	-	(-)	(-)	-

2. Основные средства

2.1. Наличие и движение основных средств

Наименование показателя	Код	Период	На начало года		Изменения за период						На конец периода	
			первоначальная стоимость ³	накопленная амортизация ⁶	поступило	выбыло объектов		начислено амортизации ⁶	переоценка		первоначальная стоимость ³	накопленная амортизация ⁶
						первоначальная стоимость ³	накопленная амортизация ⁶		первоначальная стоимость ³	накопленная амортизация ⁶		
Основные средства (без учета доходных вложений в материальные ценности) - всего	5200	за 20 17 г. ¹	1 066 612	(316 184)	0	(0)	0	(37 062)	0	0	1 066 612	(353 246)
	5210	за 20 16 г. ²	1 066 387	(276 784)	225	(0)	0	(39400)	0	0	1 066 612	(316 184)
в том числе:	5201	за 20 17 г. ¹	930 422	(246 085)		()		(32828)	0	0	930 422	(278 913)
Здания	5211	за 20 16 г. ²	930 422	(213 465)		()		(32620)	0	0	930 422	(246 085)
Сооружения и передаточные устройства	5202	за 20 17 г. ¹	56 656	(34 839)		()		(3203)	0	0	56 656	(38 042)
	5212	за 20 16 г. ²	56 431	(29 737)	225	(0)	0	(5102)	0	0	56 656	(34 839)
Машины и оборудование	5203	за 20 17 г. ¹	36 489	(35 260)		()		(1031)	0	0	36 489	(36 291)
	5213	за 20 16 г. ²	36 489	(33 582)		()		(1678)	0	0	36 489	(35 260)
Другие виды основных средств	5204	за 20 17 г. ¹	0	(0)	0	(0)	0	(0)	0	0	0	(0)
	5214	за 20 16 г. ²	0	(0)	0	(0)	0	(0)	0	0	0	(0)
Земельные участки и объекты природопользования	5205	за 20 17 г. ¹	43 045	(0)		()	0	(0)	0	0	43 045	(0)
	5215	за 20 16 г. ²	43 045	(0)		(0)	0	(0)	0	0	43 045	(0)
Учтено в составе доходных вложений в материальные ценности - всего	5220	за 20 17 г. ¹	-	(-)	-	(-)	-	(-)	-	-	-	(-)
	5230	за 20 16 г. ²	-	(-)	-	(-)	-	(-)	-	-	-	(-)
в том числе:		за 20 17 г. ¹	-	(-)	-	(-)	-	(-)	-	-	-	(-)
(группа объектов)		за 20 16 г. ³	-	(-)	-	(-)	-	(-)	-	-	-	(-)

2.2. Незавершенные капитальные вложения

Наименование показателя	Код	Период	На начало года	Изменения за период			На конец периода
				затраты за период	списано	принято к учету в качестве основных средств или увеличена стоимость	
Незавершенное строительство и незаконченные операции по приобретению, модернизации и т.п. основных средств - всего	5240	за 20 17 г. ¹	2 121	0	(0)	(0)	2 121
	5250	за 20 16 г. ²	2 062	299	(15)	(225)	2 121
в том числе: (группа объектов):	5241	за 20 17 г. ¹	288	0	(0)	(0)	288
Незавершенное строительство объектов основных средств	5251	за 20 16 г. ²	214	74	(0)	(0)	288
Незаконченные операции по приобретению основных средств	5242	за 20 17 г. ¹	-		()	()	0
	5252	за 20 16 г. ²	-	225	()	(225)	-
Проведение модернизации основных средств	5243	за 20 17 г. ¹	1 833	0	()	()	1 833
	5253	за 20 16 г. ²	1 848		(15)	()	1 833

2.3. Изменение стоимости основных средств в результате достройки, дооборудования, реконструкции и частичной ликвидации

Наименование показателя	Код	За 20 17 г. ¹	За 20 16 г. ²
Увеличение стоимости объектов основных средств в результате достройки, дооборудования, реконструкции - всего	5260		
в том числе:			
Здание магазина (Должанская ст.)	5261	-	-
Площадки производ с покрытием (Должанская ст.)	5262	-	-
Здание магазина (Зерноград, К.Маркса, 18)	5263	-	-
Здание магазина (Новороссийск г.)	5264	-	-
Здание магазина (Энгельс г.)	5265	-	-
Уменьшение стоимости объектов основных средств в результате частичной ликвидации - всего:	5270	-	-
в том числе:			
(объект основных средств)		()	()

2.4. Иное использование основных средств

Наименование показателя	Код	На _____ 31 декабря 20 17 г. ⁴	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ⁵
Переданные в аренду основные средства, числящиеся на балансе	5280	666 536	703 505	742 515
Переданные в аренду основные средства, числящиеся за балансом	5281	0	0	0
Полученные в аренду основные средства, числящиеся на балансе	5282	0	0	0
Полученные в аренду основные средства, числящиеся за балансом	5283	0	0	0
Объекты недвижимости, принятые в эксплуатацию и фактически используемые, находящиеся в процессе государственной регистрации	5284	0	0	0
Основные средства, переведенные на консервацию	5285	0	0	0
Иное использование основных средств (залог и др.)	5286	0	0	0

3. Финансовые вложения

3.1. Наличие и движение финансовых вложений

Наименование показателя	Код	Период	На начало года		Изменения за период						перевод финансовых вложений из долго- в краткосрочные		перевод финансовых вложений из кратко- в долгосрочные		На конец периода	
			перво-начальная стоимость	накоплен-ная коррек-тировка ⁷	поступило	выбыло (погашено)	первоначальная стоимость	накоп-ленная коррек-тировка ⁷	начисление процентов (включая доведение перво-начальной стоимости до номинальной)	текущей рыночной стоимости (убыток от обесцене-ния)	первоначальная стоимость	накоплен-ная коррек-тировка	первоначальная стоимость	накоплен-ная коррек-тировка	первоначальная стоимость	накоп-ленная коррек-тировка ⁷
Финансовых вложений - итого	5300	за 20 17 г. ¹	112 567 815	0	79 163 246	(53 529 030)	0	0	0	0	X	0	0	0	138 202 031	0
	5310	за 20 16 г. ²	114 869 081	0	87 722 942	(90 024 208)	0	0	0	0	X	0	0	0	112 567 815	0
Долгосрочные - всего	5301	за 20 17 г. ¹	111 545 343	0	79 152 826	(52 453 310)	0	0	0	0	(8 951 777)	0	0	0	129 293 082	0
	5311	за 20 16 г. ²	92 277 442	0	87 593 720	(67 440 819)	0	0	0	0	(885 000)	0	0	0	111 545 343	0
Вклады в уставные (складочные) капиталы других организаций	5302	за 20 17 г. ¹	131 392	0	0	(0)	0	0	0	0	()	0	0	0	131 392	0
	5312	за 20 16 г. ²	131 392	0	0	(0)	0	0	0	0	()	0	0	0	131 392	0
Предоставленные займы	5303	за 20 17 г. ¹	111 413 951	0	79 152 826	(52 453 310)	0	0	0	0	(8 951 777)	0	0	0	129 161 690	0
	5313	за 20 16 г. ²	92 146 050	0	87 593 720	(67 440 819)	0	0	0	0	(885 000)	0	0	0	111 413 951	0
Депозитные вклады в кредитных организациях	5304	за 20 17 г. ¹	0	0	0	(0)	0	0	0	0	()	0	0	0	0	0
	5314	за 20 16 г. ²	0	0	0	(0)	0	0	0	0	()	0	0	0	0	0
Краткосрочные - всего	5305	за 20 17 г. ¹	1 022 472	0	10 420	(1 075 720)	0	0	0	0	8 951 777	0	0	0	8 908 949	0
	5315	за 20 16 г. ²	22 591 639	0	129 222	(22 593 369)	0	0	0	0	885 000	0	0	0	1 022 472	0
Предоставленные займы	5306	за 20 17 г. ¹	1 022 472	0	10 420	(1 075 720)	0	0	0	0	8 951 777	0	0	0	8 908 949	0
	5316	за 20 16 г. ²	22 591 639	0	129 222	(22 593 369)	0	0	0	0	885 000	0	0	0	1 022 472	0

3.2. Иное использование финансовых вложений

Наименование показателя	Код	На 31 декабря 20 17 г. ¹	На 31 декабря 20 16 г.	На 31 декабря 20 15г.
Финансовые вложения, находящиеся в залоге, - всего	5320	-	-	-
В том числе: (группы, виды)		-	-	-
Финансовые вложения, переданные третьим лицам (кроме продажи), - всего	5325	-	-	-
В том числе: (группы, виды)		-	-	-
Иное использование финансовых вложений	5329	-	-	-

4. Запасы

4.1. Наличие и движение запасов

Наименование показателя	Код	Период	На начало года		Изменения за период				оборот запасов между их группами (видами)	На конец периода	
			себесто- имость	величина резерва под снижение стоимости	поступления и затраты	выбыло		себесто- имость		величина резерва под снижение стоимости	
						себестоимость	убытков от снижения стоимости				
Запасы - всего	5400	за 20 17 г. ¹	58	(0)	344 335	(344 345)		0	x	48	(0)
	5420	за 20 16 г. ²	39	(0)	355 070	(355 051)		0	x	58	(0)
	5401	за 20 17 г. ¹	0	(0)		()		0		0	(0)
	5421	за 20 16 г. ²	0	(0)		(0)		0		0	(0)
Расходы будущих периодов	5402	за 20 17 г. ¹	58	(58)	1 050	()		0	-1060	0	(0)
	5422	за 20 16 г. ²	39	(39)	88	(0)		0	-69	48	(0)
Затраты в незав-м произв-е (издержках обращения)	5403	за 20 17 г. ¹	0	(0)	343 285	(344 345)		0	1060	0	(0)
	5423	за 20 16 г. ²	0	(0)	354 982	(355 051)		0	69	0	(0)

4.2. Запасы в залоге

Наименование показателя	Код	На 31 декабря 20 17 г. ⁴	На 31 декабря 20 16 г. ⁵	На 31 декабря 20 15 г. ⁵
Запасы, не оплаченные на отчетную дату, - всего	5440	-	-	-
в том числе:				
(группа, вид)		-	-	-
и т.д.		-	-	-
Запасы, находящиеся в залоге по договору, - всего	5445	-	-	-
в том числе:				
(группа, вид)		-	-	-
и т.д.		-	-	-

5. Дебиторская и кредиторская задолженность

5.1. Наличие и движение дебиторской задолженности

Наименование показателя	Код	Период	На начало года		Изменения за период										На конец периода	
			учтенная по условиям договора	величина резерва по сомнительным долгам	поступление в результате хозяйственных операций (сумма долга)	принципиальная сумма процентов, штрафы и иные начисления в руб.	погашение	выбыло			перевод из доп. в краткосрочную задолженность	создание (изменение) резерва	учтенная по условиям договора	величина резерва по сомнительным долгам		
								списание на финансовый результат в	восстановление резерва	сумма резерва						
Долгосрочная дебиторская задолженность - всего	5501	за 20 17 г. ¹	8 593 262	(0)	0	6 545 238	(4 338 510)	(0)	0	(0)	(1 100 539)	0	9 699 451	(0)		
	5521	за 20 16 г. ²	6 250 454	(0)	0	8 173 451	(5 611 043)	(0)	0	(0)	(219 600)	0	8 593 262	(0)		
в том числе: проценты полученные	5502	за 20 17 г. ¹	8 593 262	(0)	0	6 545 238	(4 338 510)	(0)	0	(0)	(1 100 539)	0	9 699 451	(0)		
	5522	за 20 16 г. ²	6 250 454	(0)		8 173 451	(5 611 043)	(0)	0	(0)	(219 600)	0	8 593 262	(0)		
Краткосрочная дебиторская задолженность - всего	5511	за 20 17 г. ¹	4 311 951	(0)	96 439	12 025	(4 309 689)	(0)	0	(0)	1 100 539	0	1 211 285	(0)		
	5530	за 20 16 г. ²	9 037 959	(0)	4 089 762	1 518	(9 035 888)	(0)	0	(0)	219 600	0	4 311 951	(0)		
в том числе: расчеты с покупателями и заказчиками	5511	за 20 17 г. ¹	36 527	(0)	41 617	0	(36 527)	(0)	0	(0)	0	0	41 617	(0)		
	5531	за 20 16 г. ²	36 458	(0)	36 527	0	(36 458)	(0)	0	(0)	0	0	36 527	(0)		
авансы выданные	5512	за 20 17 г. ¹	7 206	(0)	2 704	0	(7 136)	(0)	0	(0)	0	(0)	2 774	(0)		
	5532	за 20 16 г. ²	30 312	(0)	6 812	0	(29 918)	(0)	0	(0)	0	(0)	7 206	(0)		
проценты полученные	5511	за 20 17 г. ¹	221 792	(0)		9 985	(219 600)	(0)	0	(0)	1 100 539	0	1 112 716	(0)		
	5531	за 20 16 г. ²	3 968 930	(0)		1 518	(3 968 256)	(0)	0	(0)	219 600	0	221 792	(0)		
дивиденды полученные	5511	за 20 17 г. ¹	4 000 000	(0)		0	(4 000 000)	(0)	0	(0)	0	0	0	(0)		
	5531	за 20 16 г. ²	5 000 000	(0)	4 000 000	0	(5 000 000)	(0)	0	(0)	0	0	4 000 000	(0)		
прочие	5513	за 20 17 г. ¹	46 426	(0)	52 118	2 040	(46 426)	(0)	0	(0)		0	54 158	(0)		
	5533	за 20 16 г. ²	2 259	(0)	46 423		(2 256)	(0)	0	(0)		0	46 426	(0)		
Итого	5500	за 20 17 г. ¹	12 905 213	(0)	96 439	6 557 263	(8 648 199)	(0)	0	(0)	x	(0)	10 910 716	(0)		
	5520	за 20 16 г. ²	15 288 413	(0)	4 089 762	8 174 969	(14 647 931)	(0)	0	(0)	x	0	12 905 213	(0)		

5.2. Просроченная дебиторская задолженность

Наименование показателя	Код	На 31 декабря 20 17 г. ⁴		На 31 декабря 20 16 г. ²		На 31 декабря 20 15 г. ⁵	
		учтенная	балансовая	учтенная	балансовая	учтенная	балансовая
Всего		-	-	-	-	-	-
в том числе:		-	-	-	-	-	-
(and)		-	-	-	-	-	-

5.3. Наличие и движение кредиторской задолженности

Наименование показателя	Код	Период	Остаток на начало года	Изменения за период						Остаток на конец периода
				поступление			погашение	выбыло	перевод из долго- в краткосрочную задолженность	
				в результате хозяйственных операций (сумма долга по сделке, операции) ⁹		причитающиеся проценты, штрафы и иные начисления ⁹				
				на финансовый результат ⁹						
Долгосрочная кредиторская задолженность - всего	5501	за 20 17 г. ¹	20 000 000	0	(0)	(0)	(20 000 000)	0		
	5521	за 20 16 г. ²	30 000 000	30 000 000	(10 000 000)	(0)	(30 000 000)	20 000 000		
в том числе:	5502	за 20 17 г. ¹	20 000 000	0	(0)	(0)	(20 000 000)	0		
	5522	за 20 16 г. ²	30 000 000	30 000 000	(10 000 000)	(0)	(30 000 000)	20 000 000		
облигационные займы	5503	за 20 17 г. ¹	0	0	(0)	(0)	(0)	0		
	5523	за 20 16 г. ²	0	0	(0)	(0)	(0)	0		
Краткосрочная кредиторская задолженность - всего	5510	за 20 17 г. ¹	42 985 796	45 716 367	621 700	(42 985 439)	(173)	66 338 251		
	5530	за 20 16 г. ²	26 555 234	11 967 703	1 018 000	(26 554 951)	(190)	42 985 796		
в том числе:	5511	за 20 17 г. ¹	519	221 859	0	(493)	(0)	221 885		
	5531	за 20 16 г. ²	550	519	0	(443)	(107)	519		
авансы полученные	5512	за 20 17 г. ¹	0	0	(0)	(0)	(0)	0		
	5532	за 20 16 г. ²	3	0	(0)	(3)	(0)	0		
расчеты по налогам и сборам	5513	за 20 17 г. ¹	22 420	25 705	0	(22 219)	(173)	25 733		
	5533	за 20 16 г. ²	127 381	22 384	0	(127 265)	(80)	22 420		
расчеты по страховым взносам	5514	за 20 17 г. ¹	2 724	1 299	0	(2 724)	(0)	1 299		
	5534	за 20 16 г. ²	3 132	2 724	0	(3 132)	(0)	2 724		
облигационные займы	5515	за 20 17 г. ¹	31 018 000	0	621 700	(31 018 000)	(0)	20 621 700		
	5535	за 20 16 г. ²	26 418 050	0	1 018 000	(26 418 050)	(0)	31 018 000		
расчеты с персоналом	5516	за 20 17 г. ¹	4 062	2 441	0	(4 062)	(0)	2 441		
	5536	за 20 16 г. ²	5 759	4 062	0	(5 759)	(0)	4 062		
прочие	5517	за 20 17 г. ¹	11 938 071	3 043	0	(11 937 941)	(0)	3 173		
	5537	за 20 16 г. ²	359	11 938 014	0	(302)	(0)	11 938 071		
расчеты по эмиссии акций	5512	за 20 17 г. ¹	0	45 462 020	0	(0)	(0)	45 462 020		
	5532	за 20 16 г. ²	0	0	0	(0)	(0)	0		
Итого	5500	за 20 17 г. ¹	62 985 796	45 716 367	621 700	(42 985 439)	(173)	66 338 251		
	5520	за 20 16 г. ²	56 555 234	41 967 703	1 018 000	(36 554 951)	(190)	62 985 796		

5.4. Просроченная кредиторская задолженность

Наименование показателя	Код	На 31 декабря 20 17 г. ⁴	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ⁵
Всего	5590	-	-	-
в том числе:				
(вид)		-	-	-
(вид)		-	-	-
и т.д.		-	-	-

6. Затраты на производство

Наименование показателя	Код	За 20 17 г. ¹	За 20 16 г.	тыс. руб.
Материальные затраты	5611	-	-	-
Расходы на оплату труда	5620	167 638		167 657
Отчисления на социальные нужды	5630	34 491		33 326
Амортизация	5640	37 062		39 377
Прочие затраты	5650	105 154		114 691
Итого по элементам	5660	344 345		355 051
Изменение остатков (прирост [-], уменьшение [+]):				
незавершенного производства, готовой продукции и др. (прирост [-])	5670	-		-
незавершенного производства, готовой продукции и др. (уменьшение [+])	5680	-		-
Итого расходы по обычным видам деятельности	5600	344 345		355 051

7. Оценочные обязательства

Наименование показателя	Код	Остаток на начало года	Признано	Погашено	Списано как избыточная сумма	Остаток на конец периода
Оценочные обязательства - всего	5700	1 379	17 464	(16 590)	(0)	2 253
в том числе: Резерв на оплату отпусков, тыс. руб.		1 379	17 464	(16 590)	(0)	2 253

8. Обеспечения обязательств

Наименование показателя	Код	На 31 декабря 20 17 г. ⁴	На 31 декабря 20 16 г. ²	На 31 декабря 20 15 г. ⁵
Полученные - всего	5800	-	-	-
в том числе: (вид)		-	-	-
И т.д.		-	-	-
Выданные - всего, тыс. руб.	5810	91 780 131	69 785 225	36 391 747
в том числе: Поручительства, тыс. руб.	5811	91 780 131	69 785 225	36 391 747

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9. Государственная помощь

Наименование показателя	Код	3а 20 17 г. ¹	3а 20 16 г. ²
Получено бюджетных средств - всего	5900	-	-
в том числе:			
на текущие расходы	5901	-	-
на вложения во внеоборотные активы	5905	-	-
		На начало года	Получено за год
			Возвращено за год
			На конец года
Бюджетные кредиты - всего			
20 г. ¹	5910	-	()
20 г. ²	5920	-	()
В том числе:			
(наименование цели)			
20 г. ¹		-	()
20 г. ²		-	()

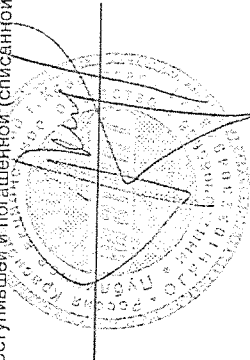
Примечания

1. Указывается отчетный год.
2. Указывается предыдущий год.
3. В случае переоценки в графе "Первоначальная стоимость" приводится текущая рыночная стоимость или текущая (восстановительная) стоимость.
4. Указывается отчетная дата отчетного периода.
5. Указывается год, предшествующий предыдущему.
6. Некоммерческая организация графы "Накопленная амортизация" и "Начисленная амортизация" именует соответственно "Накопленный износ" и "Начисленный износ".
7. Накопленная корректировка определяется как:
разница между первоначальной и текущей рыночной стоимостью - по финансовым вложениям, по которым можно определить текущую рыночную стоимость;
начисленная в течение срока обращения между первоначальной стоимостью и номинальной стоимостью - по долговым ценным бумагам, по которым не определяется текущая рыночная стоимость;
величина резерва под обесценение финансовых вложений, созданного на предыдущую отчетную дату, - по финансовым вложениям, по которым не определяется текущая рыночная стоимость.

8. Данные раскрываются за минусом дебиторской задолженности, поступившей и погашенной (списанной) в одном отчетном периоде.
9. Данные раскрываются за минусом кредиторской задолженности, поступившей и погашенной (списанной) в одном отчетном периоде.

Генеральный директор ПАО "Магнит"

Х. Э. Помбучан



22 марта 2018 г.

Пояснения к бухгалтерскому балансу и отчету о финансовых результатах ПАО «Магнит» за 2017 год

1. Общие сведения

Публичное акционерное общество «Магнит» зарегистрировано Инспекцией МНС России № 3 по г. Краснодару 12.11.2003г., свидетельство о государственной регистрации юридического лица в едином государственном реестре юридических лиц серия 23 № 001807969.

ОГРН 1032304945947 ИНН 2309085638

Полное фирменное наименование Общества — Публичное акционерное общество «Магнит»

Юридический адрес: РФ, Краснодарский край, 350072, г. Краснодар, ул. Солнечная, 15/5.

Основным видом хозяйственной деятельности ПАО «Магнит» является сдача в наем собственного нежилого недвижимого имущества.

Среднесписочная численность работников Общества за 2017 год составила 48 человек.

Органами управления Общества являются:

- общее собрание акционеров;
- совет директоров;
- коллегиальный исполнительный орган (правление);
- единоличный исполнительный орган (генеральный директор).

В течение 2017 года деятельность Совета директоров велась двумя составами.

Состав Совета директоров (избранный годовым общим собранием акционеров 02.06.2016г., протокол от 05.06.2016г.):

- Александров Александр Витальевич
- Галицкий Сергей Николаевич
- Гордейчук Владимир Евгеньевич
- Зайонц Александр Леонидович
- Пшеничный Алексей Александрович
- Помбухчан Хачатур Эдуардович
- Шхачемуков Аслан Юрьевич

Состав Совета директоров (избранный годовым общим собранием акционеров 08.06.2017г., протокол от 08.06.2017г.):

- Александров Александр Витальевич
- Галицкий Сергей Николаевич
- Гордейчук Владимир Евгеньевич
- Чеников Дмитрий Игоревич
- Пшеничный Алексей Александрович
- Помбухчан Хачатур Эдуардович
- Шхачемуков Аслан Юрьевич

Генеральный директор: с 13.04.2006г. по 16.02.2018г. — Галицкий Сергей Николаевич

Генеральный директор: с 17.02.2018г. по настоящее время — Помбухчан Хачатур Эдуардович

Главный бухгалтер: с 16.02.2016 г. по настоящее время Кулакова Ирина Васильевна

Лицом, ответственным за организацию и ведение бухгалтерского учета и составление отчетности является главный бухгалтер.

Органом контроля за финансово-хозяйственной деятельностью Общества является ревизионная комиссия.

В состав ревизионной комиссии по состоянию на 31.12.2017г. входят: Ефименко Роман Геннадьевич, Цыпленкова Ирина Геннадьевна, Шагуч Любовь Азметовна.

Уставный капитал Общества по состоянию на 31.12.2017г. составляет 945 613,55 руб. и состоит из 94 561 355 штук обыкновенных именных акций номинальной стоимостью 0,01 (ноль целых одна сотая) рубля, приобретенных акционерами.

Резервный капитал ПАО «Магнит» составляет 141 842,03 руб. или 15 % уставного капитала ПАО «Магнит».

Аудитор Общества: Общество с ограниченной ответственностью Аудиторская фирма «Фабер Лекс». Юридический адрес ООО АФ «Фабер Лекс»: РФ, Краснодарский край, г. Краснодар, ул. Красных Партизан, 144/2

2. Представление бухгалтерской отчетности Общества

2.1. Основа предоставления бухгалтерской отчетности

Годовая бухгалтерская (финансовая) отчетность ПАО "Магнит " за 2017 год сформирована в соответствии с правилами бухгалтерского учета и отчетности, установленными:

- Федеральным Законом «О бухгалтерском учете» от 06.12.2011 № 402-ФЗ,
- ПБУ 4/99 «Бухгалтерская отчетность организации», утвержденного Приказом Минфина РФ от 06.07.1999 № 43н,
- Планом счетов бухгалтерского учета финансово-хозяйственной деятельности организаций, утвержденным Приказом Министерства Финансов от 31.10.2000 № 94н,
- ПБУ 1/2008 «Учетная политика организации», утвержденным Приказом Минфина от 06.10.2008 № 106н и другими действующими нормативно-правовыми актами.

2.2. Отчетный период

Настоящая бухгалтерская (финансовая) отчетность отражает имущественное и финансовое положение ПАО «Магнит» и результаты его хозяйственной деятельности за период с 1 января 2017г. по 31 декабря 2017г.

2.3. Принцип непрерывности деятельности

Данная бухгалтерская (финансовая) отчетность подготовлена исходя из допущения о том, что Общество будет придерживаться принципа непрерывной деятельности в обозримом будущем. Этот принцип предполагает, что ПАО «Магнит» будет продолжать деятельность в обозримом будущем и у него отсутствуют намерения и необходимость ликвидации или существенного сокращения деятельности. Обязательства будут погашаться в установленном порядке.

2.4. Отчетная валюта

Настоящая бухгалтерская отчетность составлена в валюте Российской Федерации.

2.5. Активы, обязательства и операции в иностранной валюте

При учете хозяйственных операций, совершенных в иностранных валютах, применялся официальный курс иностранной валюты к рублю, действовавший в день совершения операции. Денежные средства на валютных счетах в банках и в кассе и средства в расчетах, но за исключением полученных и выданных авансов, предварительной оплаты и задатков, в иностранной валюте отражены в бухгалтерской отчетности в суммах, исчисленных на основе официальных курсов валют, действовавших на отчетную дату. На 31 декабря 2017 года курс иностранной валюты составил 57,6002 руб. за 1 доллар США (31 декабря 2016 г. – 60,6569 руб. соответственно).

Курсовые разницы, возникшие в течение года по операциям с активами и обязательствами в иностранной валюте, а также при пересчете их по состоянию на отчетную дату, отражены в составе прочих доходов и расходов.

2.6. Оценка активов и обязательств

Оценка активов и обязательств производится по фактическим затратам.

2.7. Краткосрочные и долгосрочные активы и обязательства

В бухгалтерском балансе дебиторская и кредиторская задолженность, включая задолженность по кредитам и займам, отнесена к краткосрочной, если срок ее обращения (погашения) не превышает 12 месяцев после отчетной даты или не установлен.

Дебиторская и кредиторская задолженность, включая задолженность по кредитам и займам, отнесена к долгосрочной, если срок ее обращения (погашения) превышает 12 месяцев после отчетной даты. Финансовые вложения классифицируются как краткосрочные или долгосрочные исходя из предполагаемого срока их использования (обращения, владения или погашения) после отчетной даты.

3. Существенные аспекты учетной политики

3.1. Основные средства

К основным средствам относится часть имущества со сроком полезного использования, превышающим 12 месяцев, и стоимостью свыше 40 000 руб., используемого в качестве средств труда для производства и реализации товаров (выполнения работ, оказания услуг) или для управления организацией. Имущество, первоначальная стоимость которого составляет до 40 000 рублей включительно, включается в состав материально-производственных запасов.

Переоценка групп однородных объектов основных средств по текущей (восстановительной) стоимости (в соответствии с п. 15 ПБУ 6/01) не проводилась.

Амортизация основных средств в целях бухгалтерского и налогового учета начисляется ежемесячно линейным способом.

Классификация основных средств, включаемых в амортизационные группы, утвержденная Постановлением Правительства Российской Федерации от 1 января 2002 г. № 1 «О классификации основных средств, включаемых в амортизационные группы», используется в качестве основного источника информации о сроках полезного использования.

Срок полезного использования основных средств, которые не указаны в амортизационных группах, устанавливается ПАО «Магнит» самостоятельно исходя из технических условий и рекомендаций организаций-изготовителей.

3.2. Финансовые вложения

Финансовые вложения учтены по первоначальной стоимости, представляющей фактические затраты на их приобретение, кроме финансовых вложений, по которым можно определить текущую рыночную стоимость.

Переоценка финансовых вложений, по которым можно определить в установленном порядке текущую рыночную стоимость, проводится ежемесячно. Разница между оценкой финансовых вложений по текущей рыночной стоимости на отчетную дату и предыдущей оценкой финансовых вложений относится на финансовые результаты в корреспонденции со счетом учета финансовых вложений.

При выбытии активов, принятых к бухгалтерскому учету в качестве финансовых вложений, по которым не определяется текущая рыночная стоимость, их стоимость в целях бухгалтерского учета определяется исходя из оценки, определяемой по первоначальной стоимости каждой единицы бухгалтерского учета финансовых вложений.

При выбытии активов, принятых к бухгалтерскому учету в качестве финансовых вложений, по которым определяется текущая рыночная стоимость, их стоимость определяется организацией исходя из последней оценки каждой единицы.

3.3. Материально-производственные запасы

Учет материально-производственных запасов ведется в соответствии с Положением по бухгалтерскому учету «Учет материально-производственных запасов» ПБУ 5/01. Учет материально-производственных запасов осуществляется по фактической себестоимости. Оценка производственных запасов (сырья, материалов и т.п.) при отпуске в производство и прочем выбытии производится по себестоимости каждой единицы.

3.4. Коммерческие и управленческие расходы

Коммерческие и управленческие расходы признаются полностью в отчетном году их признания в качестве расходов по обычным видам деятельности.

3.5. Расходы будущих периодов.

Расходы, произведенные Обществом в течение отчетного года, но относящиеся к следующим отчетным периодам, отражены в бухгалтерском балансе в зависимости от срока их списания: по статье 1190 "Прочие внеоборотные активы", если период их списания больше 12 месяцев, или по статье 1210 "Запасы", если их срок списания не превышает 12 месяцев. Указанные расходы подлежат списанию в порядке, установленном для каждого вида таких расходов в отдельности в течение периода, к которому они относятся. Срок списания расходов будущих периодов на текущие расходы каждого отчетного месяца определяется в момент их отражения в бухгалтерском учете.

3.6. Кредиты и займы полученные

Заемные средства учитываются в соответствии с условиями договоров займа в сумме фактически поступивших денежных средств или в стоимостной оценке других вещей, предусмотренных договором, в момент их фактической передачи (п.2 ПБУ 15/2008).

Проценты, причитающиеся к оплате заимодавцу (кредитору), за исключением той их части, которая подлежит включению в стоимость инвестиционного актива, учитываются в составе прочих расходов равномерно в течение срока действия договора займа (кредита)(п. 8 ПБУ 15/2008).

Дополнительные затраты, связанные с получением займов и кредитов, размещением заемных обязательств включаются в расходы периода, в котором были произведены указанные расходы.

3.7. Признание доходов и расходов.

Учет доходов осуществляется в соответствии с ПБУ 9/99 «Доходы организации». В зависимости от характера и условий получения Общество выделяет следующие доходы:

- доходы от обычных видов деятельности;
- прочие доходы.

Доходы от обычных видов деятельности включают выручку от предоставления в аренду имущества Общества, от реализации услуг. Учет выручки в целях бухгалтерского и налогового учета ведется по мере отгрузки (передачи) товаров (работ, услуг), имущественных прав.

В составе прочих доходов учитываются доходы от реализации финансовых вложений (ценных бумаг); доходы от реализации основных средств и материально-производственных запасов Общества; поступления, связанные с участием в уставных капиталах других организаций (включая проценты и иные доходы по ценным бумагам); проценты, полученные за предоставление в пользование денежных средств организации; прибыль прошлых лет, выявленная в отчетном году; суммы кредиторской и дебиторской задолженности, по которым истек срок исковой давности; курсовые разницы и прочие доходы.

Учет расходов ведется в соответствии с ПБУ 10/99 «Расходы организации».

Расходы Общества в зависимости от их характера, условий осуществления и направлений деятельности подразделяются на:

- расходы по обычным видам деятельности;
- прочие расходы.

Расходы признаются в том отчетном периоде, в котором они имели место, независимо от времени фактической выплаты денежных средств и иной формы осуществления.

При вводе в эксплуатацию основных средств в налоговом учете применяется амортизационная премия, предусмотренная п. 9 ст. 258 НК РФ.

3.8. Изменения в учетной политике.

В отчетном году в учетную политику Общества по сравнению с прошлым отчетным периодом существенные изменения не вносились. Также Общество не внесло существенных изменений в учетную политику на 2018 год.

4. Раскрытие дополнительной информации по показателям бухгалтерской отчетности:

4.1. Бухгалтерский баланс Форма № 1 (далее форма № 1)

4.1.1. Прочие внеоборотные активы (стр.1190)

В составе прочих внеоборотных активов общество отражает:

- незавершенные капитальные вложения Общества, в частности затраты организации в объекты, которые впоследствии будут приняты к учету в качестве объектов ОС;
- ряд расходов, относящихся к будущим отчетным периодам и учитываемых на счете 97 "Расходы будущих периодов" при условии, что период списания этих расходов превышает 12 месяцев после отчетной даты:

Наименование показателя	Сумма, тыс. руб.		
	на 31.12.2017г.	На 31.12.2016г.	На 31.12.2015г.
Незавершенные кап. вложения (сч 08)	2 120,76	2 120,76	2 135,76
Расходы будущих периодов (сч 97)	594,44	785,44	100,36
Прочие внеоборотные активы строка 1190	2 715,2	2 906,2	2 236,12

4.1.2. Финансовые вложения (стр. 1170, 1240)

Финансовые вложения, числящиеся на балансе ПАО "Магнит" на 31.12.2017г., не обращаются на организованном рынке ценных бумаг, в связи с чем текущая рыночная стоимость по ним не определяется.

4.1.3. Денежные средства и денежные эквиваленты.

Денежные средства и денежные эквиваленты на начало отчетного периода

Наименование показателей	Сумма , тыс. руб	
	На 01.01.2017	На 01.01.2016
Денежные средства в кассе	0,85	0
Денежные средства на счетах в банках, в рублях	287,68	140,73
Денежные средства на счетах в банках, в валюте	0,69	4,01
Деньги в пути	0	0
Денежные эквиваленты	0	0
Итого :	289,22	144,74
Код строки бухгалтерского баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря предыдущего года" Баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря года, предшествующего предыдущему" Баланса
Код строки отчета о движении денежных средств	Строка 4450 "Остаток денежных средств и денежных эквивалентов на начало отчетного периода", графа "За отчетный период" ОДДС	Строка 4450 "Остаток денежных средств и денежных эквивалентов на начало отчетного периода", графа "За аналогичный период предыдущего года" ОДДС

Денежные средства и денежные эквиваленты на конец отчетного периода

Наименование показателей	Сумма , тыс. руб.	
	На 31.12.2017	На 31.12.2016
Денежные средства в кассе	2,02	0,85
Денежные средства на счетах в банках, в рублях	169,60	287,68
Денежные средства на счетах в банках, в валюте	0,39	0,69
Деньги в пути	0	0
Денежные эквиваленты	0	0
Итого:	172,01	289,22
Код строки бухгалтерского баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря отчетного года" Баланса	Строка 1250 "Денежные средства и денежные эквиваленты", графа "На 31 декабря предыдущего года" Баланса
Код строки отчета о движении денежных средств	Строка 4500 "Остаток денежных средств и денежных эквивалентов на начало отчетного периода", графа "За отчетный период" ОДДС	Строка 4500 "Остаток денежных средств и денежных эквивалентов на начало отчетного периода", графа "За аналогичный период предыдущего года" ОДДС

Несвободных денежных средств по состоянию на 31.12.2017г. Общество не имеет.

4.1.4. Долгосрочные и краткосрочные кредиты и займы.

Долгосрочные кредиты и займы Общества представлены следующим образом (стр.1410)

Долгосрочные займы:

Государственный регистрационный номер выпуска облигаций*, дата размещения облигаций	Сумма, тыс. руб			Срок погашения займа (максимальный)
	на 31.12.2017	на 31.12.2016	на 31.12.2015	
4-02-60525-Р, 15.05.2015			5 000 000	11.05.2018
4-03-60525-Р, 15.05.2015	-	-	5 000 000	11.05.2018
4В-02-11-60525-Р, 20.10.2015	-	-	10 000 000	18.04.2017
4В02-01-60525-Р-001Р, 11.11.2015	-	-	10 000 000	10.05.2017
4В02-02-60525-Р-001Р, 29.02.2016	-	10 000 000	-	26.02.2018
4В02-03-60525-Р-001Р, 12.04.2016	-	10 000 000	-	10.04.2018
Итого :	-	20 000 000	30 000 000	

*-Биржевые облигации процентные неконвертируемые документарные на предъявителя с обязательным централизованным хранением

Краткосрочные кредиты и займы Общества представлены следующим образом (стр. 1510):

Краткосрочные займы:

Государственный регистрационный номер выпуска облигаций, дата размещения облигаций	Сумма, тыс. руб., на 31.12.2017	Сумма, тыс. руб., на 31.12.2016	Сумма, тыс. руб., на 31.12.2015	Срок погашения займа
4-01-60525-Р, 26.02.2013			5 000 000	23.02.2016
4-В02-08-60525-Р, 02.04.2013			5 000 000	29.03.2016
4-В02-09-60525-Р, 02.04.2013			5 000 000	29.03.2016
4В-02-10-60525-Р, 23.07.2015			10 000 000	21.07.2016
4В-02-11-60525-Р, 20.10.2015		10 000 000		18.04.2017
4В02-01-60525-Р-001Р, 11.11.2015		10 000 000		10.05.2017
4В02-04-60525-Р-001Р, 05.07.2016		10 000 000		28.12.2017
4В02-02-60525-Р-001Р, 29.02.2016	10 000 000			26.02.2018
4В02-03-60525-Р-001Р, 12.04.2016	10 000 000			10.04.2018
Итого размещенных ОЗ:	20 000 000	30 000 000	25 000 000	
Начисленный купонный доход:	621 700	1 018 000	1 418 050	

По состоянию на 31.12.2017г., 31.12.2016г. и 31.12.2015г. Общество не имеет просроченных обязательств по займам и кредитам.

4.1.5. Кредиторская задолженность.

Кредиторская задолженность представлена в таблице 5.3 части 1 Пояснений «Наличие и движение кредиторской задолженности». Задолженность, указанная в строках 5517 и 5537 «Прочие» по состоянию на 31.12.2016г. и 01.01.2017г. состоит в основном из задолженности по выплате дивидендов перед акционерами, размер которой составляет 11 938 008 тыс.руб. В строке 5518 "Расчеты по эмиссии акций" указана задолженность по расчетам с акционерами в рамках проводимой эмиссии акций в размере 45 462 020 т.р. После регистрации результатов эмиссии акций данная сумма будет отражена в составе уставного и добавочного капитала ПАО «Магнит».

4.2. Отчет о финансовых результатах

4.2.1. Доходы и расходы по обычным видам деятельности (стр. 2110,2120, 2100)

За 2017г. показатели выручки, себестоимости и валовой прибыли Общества по основному виду деятельности представлены следующим образом:

Наименование показателя	Итого, тыс. руб.	
	2017г.	2016г.
Выручка от реализации, в том числе НДС	487 924	437 210
НДС с выручки от реализации	74 429	66 693
Выручка от реализации, без НДС (стр. 2110)	413 495	370 517
Себестоимость услуг (стр. 2120)	47 810	53 836
Валовая прибыль (стр. 2100)	365 685	316 681

4.2.2. Управленческие расходы (стр. 2220)

Управленческие расходы Общества с представлены следующим образом:

Статья затрат	Сумма, тыс. руб.		Доля в общей сумме расходов	
	за 2017г.	за 2016г.	за 2017г.	за 2016г.
Расходы на оплату труда	153 097	167 657	51,63	55,66
Расходы на аудиторские услуги	75 980	87 462	25,62	29,04
Страховые взносы в государственные внебюджетные фонды	31 569	33 326	10,65	11,06
Прочие затраты	35 889	12 770	12,10	4,24
Итого управленческие расходы	296 535	301 215	100%	100%

Из общей суммы управленческих расходов ПАО «Магнит» за 2017 год 51,63% приходится на затраты на оплату труда сотрудников.

4.2.3. Прочие доходы и расходы

Прочие доходы и расходы Общества за 2017 год представлены следующим образом:

Наименование показателя	Сумма, тыс. руб.	
	2017г.	2016г.
Итого доходы (стр.2310+стр.2320+стр.2340)	42 994 341	37 159 742
Доходы от участия в других организациях	32 500 000	24 000 000
Проценты полученные	10 492 592	13 140 172
Курсовые разницы	927	382
Прибыль прошлых лет	179	373
Доходы от реализации доли в уставном капитале организации	0	0
Доходы от реализации основных средств	0	0
Прочие доходы	643	18815
Итого расходы (стр. 2330+стр. 2350)	4 178 816	5 935 996
Проценты по кредитам уплаченные	3 916 800	5 846 450
Курсовые разницы	304	159

Убыток прошлых лет	381	265
Расходы, связанные с размещением облигационных займов		35 570
Расходы, не принимаемые для целей налогообложения, не включенные в другие показатели	228 958	18 799
Налоги и сборы	24 344	16 414
Штрафы, пени, неустойки признанные или по которым получено решение суда	5	1 359
Прочие расходы	8 024	16 980

4.2.4. Прибыль (убыток)

Компанией за 2017 год получена прибыль до налогообложения в сумме 38 884 675 тыс. руб.
Чистая прибыль Общества за 2017 год составила 37 559 017 тыс. руб.

4.2.5. Информация о прибыли, приходящейся на акцию

Согласно реестра акционеров по состоянию на 31.12.2015г., 31.12.2016г. и 31.12.2017г. в обращении находится 94 561 355 шт. обыкновенных акций ПАО Магнит, что составляет 100% от размещенных акций эмитента ПАО Магнит. Дополнительных выпусков акций в 2015 и 2016 годах эмитентом не производилось. В декабре 2017 года было проведено размещение дополнительных обыкновенных именных бездокументарных акций в количестве 7 350 000 (семь миллионов триста пятьдесят тысяч) штук посредством открытой подписки, результаты которого зарегистрированы 22 февраля 2018г.

Размер базовой прибыли (убытка) на одну акцию определялся путем деления прибыли (убытка) отчетного периода, остающейся в распоряжении организации на средневзвешенное количество обыкновенных акций. При этом корректировок средневзвешенного количества акций не проводилось, в связи с тем, что эмитентом не производилось размещение обыкновенных акций без их оплаты и не размещались дополнительные обыкновенные акции по цене ниже рыночной стоимости.

Разводненную прибыль (убыток) на акцию общество не рассчитывало, так как ПАО Магнит не имеет конвертируемых ценных бумаг или договоров купли-продажи обыкновенных акций у эмитента по цене ниже их рыночной стоимости.

Сделок с обыкновенными акциями, конвертируемыми ценными бумагами, договорами купли-продажи обыкновенных акций у эмитента по цене ниже их рыночной стоимости, совершенными после отчетной даты, но до даты подписания бухгалтерской отчетности в ПАО Магнит не совершалось.

Информация о расчете базовой прибыли (убытка) на акцию представлена в таблице, тыс. руб.

Наименование показателя	Строка ОФР	2017г.	2016г.
Базовая прибыль, тыс. руб.		37 559 017	29 785 206
Средневзвешенное количество обыкновенных акций, находящихся в обращении, шт		94 561 355	94 561 355
Базовая прибыль на акцию, тыс. руб.	2900	0,40	0,31
Скорректированная базовая прибыль, тыс. руб.		-	-
Скорректированное средневзвешенное количество обыкновенных акций, находящихся в обращении, шт		-	-
Разводненная прибыль на акцию, тыс. руб.	2910	-	-

4.2.6. Налог на прибыль

Сумма налога на прибыль, определенная исходя из бухгалтерской прибыли (сумма условного расхода по налогу на прибыль), за отчетный год составила 7 776 935 тыс. руб.

Налог на прибыль по данным декларации по налогу на прибыль организаций, исчисленный по итогам 2017 года, составляет 1 326 457 тыс. руб.

Текущий налог на прибыль в соответствии с ПБУ 18/02 представлен следующим образом:

Показатель	Сумма, тыс.руб.	
	на 31.12.2017	на 31.12.2016
Условный расход по налогу на прибыль	7 776 935	6 247 842
Постоянное налоговое обязательство (активы) (стр.2421)	- 6 451 277	-4 793 836
Увеличение/(уменьшение) отложенного налогового актива (стр.2450)	0	0
Увеличение/(уменьшение) отложенного налогового обязательства (стр.2430)	799	802
Итого текущий налог на прибыль (стр.2410)	1 326 457	1 454 808

Бухгалтерская прибыль отличается от налоговой базы по налогу на прибыль за отчетный период, рассчитанной в порядке, установленном главой 25 НК РФ. Постоянные разницы возникли за счет отражения в учете дивидендов, полученных от дочерней организации, временные разницы в основном вызваны признанием для целей налогового учета расходов амортизационной премии по капитальным вложениям, различным порядком признания расходов в бухгалтерском и налоговом учете.

4.3. Отчет о движении денежных средств (ОДДС).

Согласно п.16 ПБУ 23/2011 денежные потоки в виде косвенных налогов в составе поступлений от покупателей и заказчиков, платежей поставщикам и подрядчикам и платежей в бюджетную систему Российской Федерации или возмещения из нее отражаются в отчете о движении денежных средств свернуто.

Во исполнение п. 23 ПБУ 23/2011 порядок расчета свернутого потока денежных средств от НДС основан на том, что денежные потоки по выплате (поступлении) денежных средств очищены от сумм НДС путем прямого исключения сумм НДС из выплаченных (поступивших) денежных средств.

Свернутый денежный поток от НДС определен по формуле:

сумма НДС по статье 4112- сумма НДС по статье 4121-сумма НДС по статье 4129 +сумма НДС по статье 4211-сумма НДС по статье 4221 ± свернутый поток по расчетам с бюджетом по НДС.

Свернутый денежный поток по НДС отражен по статье 4129 «Прочие платежи».

5. Информация об изменении оценочного значения

В отчетном году в бухгалтерском учете резерв по сомнительным долгам не создавался.

6. Условные факты хозяйственной деятельности

6.1 Выданные поручительства по состоянию на 31.12.2017г.

По состоянию на 31.12.2017г. Общество выдало поручительств под обеспечение обязательств третьих лиц на сумму 91 780 131 тыс. руб. Руководство Общества не ожидает каких-либо существенных обязательств в связи с вышеуказанными поручительствами. Резерв по выданным поручительствам не создавался.

Сумма обязательств по договорам поручительства по состоянию на 31.12.2017г., тыс. руб.:

Поручитель	Кредитор	Заемщик	Сумма обязательств поручителя на 31.12.2017г., тыс. руб.
ПАО «Магнит»	АО "АЛЬФА-БАНК"	АО «Тандер»	15 129 282
ПАО «Магнит»	ПАО «СБЕРБАНК»	АО «Тандер»	76 556 904
ПАО «Магнит»	ПАО «Росбанк»	ООО «УК «Индустриальный парк Краснодар»	33 226
ПАО «Магнит»	ПАО «Росбанк»	ООО «Кубанский комбинат хлебопродуктов»	20 247
ПАО «Магнит»	АО "АЛЬФА-БАНК"	ООО «Тепличный комплекс "Зеленая Линия"»	40 472

Заемщики своевременно и в полном объеме исполняют свои обязательства перед Кредиторами. Ситуации, при которой к Поручителю предъявлялись бы требования об исполнении не исполненных заемщиками обязательств со стороны Кредиторов, не возникало.

6.2. Информация о доходах от участия в уставном капитале других организаций и распределении прибыли в 2017 году

В течение 2017 года ПАО Магнит, на основании принятых решений, были начислены к получению дивиденды от дочерней компании в размере 32 500 000 000 руб.

ПАО Магнит в 2017 году были приняты решения о распределении прибыли и выплате дивидендов на общих собраниях акционеров:

- решение годового собрания акционеров от 08.06.2017г. о распределении прибыли по итогам работы 2016г. и выплате дивидендов по обыкновенным акциям ПАО «Магнит» в сумме 6 374 380 940,55 руб., что составляет 67,41 руб. на одну обыкновенную акцию (Протокол ГОСА от 08.06.2017г.).

- решение внеочередного собрания акционеров от 31.08.2017г. о выплате дивидендов по обыкновенным акциям ПАО «Магнит» по результатам полугодия 2017 отчетного года в сумме 10 922 782 116,05 руб., что составляет 115,51 руб. на одну обыкновенную акцию (Протокол ВОСА от 01.09.2017г.).

7. Связанные стороны

К связанным сторонам «ПАО Магнит» относятся:

Дочерние компании:

Наименование организации	Доля участия	Юридический адрес	ИНН	Направление деятельности
Тандем ООО	100,00%	350072, г. Краснодар, ул. Солнечная д.15/5	5260161312	Оптовая торговля
Тандер АО	100,00%	350002, г. Краснодар, ул. Леваневского, д. 185	2310031475	Розничная, оптовая торговля
Алкотрейдинг ООО	100,00%	350072, г. Краснодар, ул. Солнечная д.15/5	2634067954	Оптовая торговля
Ритейл импорт ООО	100,00%	350072, г. Краснодар, ул. Солнечная д.15/5, Литер Б, к.3	2310105783	Оптовая торговля

Прочие связанные стороны:

- ООО "Сельта" ИНН 2310053662
- ООО "БЕСТТОРГ" ИНН 7713266528
- ООО "МФК" ИНН 5031047897
- ООО «Тепличный комплекс "Зеленая Линия"» ИНН 6827021696
- ООО "Звезда" ИНН 6827021696
- ООО "Логистика Альтернатива" ИНН 2311147190
- ООО "МагнитЭнерго" ИНН 7715902899
- ООО "Волшебная свежесть" ИНН 2311236884
- ООО "Морозные припасы" ИНН 2311237158
- АО НПФ "Магнит" ИНН 2311178583
- ООО "Москва на Дону" ИНН 4816008178
- ООО «Управляющая компания «Индустриальный парк Краснодар» ИНН 2311209369
- ООО «Кубанский комбинат хлебопродуктов» ИНН 2311223966
- ООО «Кондитер Кубани» ИНН 2311223910
- ООО "ИТМ" ИНН 2311168514
- ООО "ТД-холдинг " ИНН 2310057787
- Галицкий Сергей Николаевич
- Помбухчан Хачатур Эдуардович
- Гордейчук Владимир Евгеньевич
- Федотов Денис Анатольевич
- основной управленческий персонал

Информация о связанных сторонах за 2017г. отражена в таблице (в тыс. руб.):

Информация	дочерние хозяйственные общества	другие связанные стороны
характер отношений	организация контролирует юридическое лицо;	организация и юридическое лицо контролируются или на них оказывается значительное влияние (непосредственно или через третьи юридические лица) одним и тем же юридическим и (или) одним и тем же физическим лицом (одной и той же группой лиц).
Приобретение товаров, работ, услуг;	17	-
Продажа товаров, работ, услуг	-	-
Приобретение основных средств и других активов	-	-
Продажа основных средств и других активов;	-	-
Аренда имущества, включая коммунальные и эксплуатационные услуги по арендованному имуществу	-	-
Предоставление имущества в аренду (с НДС)	486 889	35
Финансовые операции, включая предоставления займов:		
-выдача займов	78 272 826	880 000
-проценты по займам выданным	10 274 309	202 926
-дивиденды к получению	32 500 000	-
-дивиденды к уплате	-	6 228 942
Передача в виде вклада в уставные (складочные) капиталы, вклады в имущество;	-	-
Другие операции:		
-предоставленное поручительство	91 686 186	93 945
Дебиторская задолженность, сумма	146 548 373	2 239 711
Кредиторская задолженность, сумма		-
Величина списанной дебиторской задолженности	-	-

ПАО "Магнит" не оценивает дебиторскую задолженность организаций, входящих в группу связанных сторон, в качестве сомнительной, в связи с чем резерв по сомнительным долгам по указанной дебиторской задолженности не создавался.

Информация о вознаграждениях основному управленческому персоналу за 2017г., тыс. руб.

№ п/п	Виды вознаграждений	Текущий отчетный период	Предыдущий отчетный период
1	Краткосрочные вознаграждения	136 691	168 593
	Итого	136 691	168 593

Долгосрочных вознаграждений основному управленческому персоналу ПАО "Магнит" не выплачивало.

8. Информация о рисках хозяйственной деятельности

ПАО «Магнит» осуществляет функции холдинговой компании группы обществ (далее – «Группа»), поэтому информация в данном разделе Пояснений описывает риски хозяйственной деятельности Группы в целом.

Группа осуществляет свою деятельность в области розничной торговли продуктами питания и товарами первой необходимости.

В связи с этим основными источниками рыночных рисков Группы выступают факторы, которые влияют на платежеспособный спрос и потребительское поведение покупателей.

Платежеспособный спрос формируется в основном номинальными доходами населения и потребительской инфляцией. По оценочным данным Росстата, в 2017 году валовой внутренний продукт в Российской Федерации увеличился на 1,5%. За 2017 год общий индекс потребительских цен в России составил 3,7% к 2016 г., при этом индекс потребительских цен на продукты питания в декабре 2017 составил 101,1% к декабрю 2016 г.

Стоимость условного (минимального) набора продуктов питания в среднем по России в конце декабря 2017 года составила 3749,6 рубля и выросла на 1,6% с начала года. Стоимость фиксированного набора потребительских товаров и услуг в расчете на месяц в среднем по России в 2017 году возросла на 3,5% и в конце декабря составила 14789,4 рубля. При этом отмечалась существенная дифференциация покупательной способности населения по регионам России, что может обусловить неравномерность доходов торговых объектов Группы.

Реальные располагаемые денежные доходы (доходы за вычетом обязательных платежей, скорректированные на индекс потребительских цен) в 2017г. по сравнению с 2016г. снизились на 1,7%, в декабре 2017г. по сравнению с соответствующим периодом предыдущего года - на 1,8%. В 2017г. объем денежных доходов населения увеличился на 2,5% по сравнению с предыдущим годом. Оборот розничной торговли в 2017г. составил 101,2% в сопоставимых ценах к 2016г., в декабре 2017г. - 103,1% к соответствующему периоду 2016 года. Данные обстоятельства способствовали незначительному росту потребительской активности населения при сохранении избирательно-выжидательной модели потребительского поведения покупателей.

Неблагоприятное изменение макроэкономических условий и снижение потребительского спроса могут привести к ухудшению динамики развития и рентабельности розничной торговли в России, а также оказать влияние на результаты деятельности Группы. Сезонность потребительского поведения покупателей может привести к колебаниям результатов деятельности Группы в различные периоды времени.

Инфляционные риски могут оказать негативное влияние на результаты деятельности Группы. Рост закупочных цен продуктов питания и товаров первой необходимости может оказать влияние на прибыльность Группы.

Кроме того, рыночные риски Группы связаны с высоким уровнем конкуренции, который присущ розничной торговле в России. Рост числа активных игроков на рынке, ухудшение социально-экономических показателей обостряют конкуренцию и могут снизить эффективность деятельности Группы. При этом важное место в конкурентной борьбе играют такие факторы, как места расположения и доступность магазинов, качество и цена продуктов, разнообразие ассортимента. Способность Группы открывать магазины в востребованных местах, формировать сбалансированный по качеству и цене разнообразный ассортимент товаров, интересный покупателям, может снижать риски Группы, обусловленные высоким уровнем конкуренции.

Неопределенность социально-экономического развития Российской Федерации в будущем может негативно повлиять на развитие розничной торговли и, как следствие, на финансовое положение, результаты операционной деятельности и экономические перспективы ПАО «Магнит».

Руководство ПАО «Магнит» считает, что оно предпринимает все возможные действия по уменьшению влияния сложившейся негативной макроэкономической динамики на хозяйственную деятельность ПАО «Магнит», а также осуществляет надлежащие меры по поддержанию экономической устойчивости и финансовой стабильности ПАО «Магнит» в текущих условиях.

9. События после отчетной даты

На заседании совета директоров ПАО «Магнит» от 05.11.2017г. принято решение об увеличении уставного капитала Общества путем размещения дополнительных обыкновенных именных бездокументарных акций номинальной стоимостью 0,01 руб. каждая в количестве 7 350 000 штук посредством открытой подписки. Согласно Уведомлению об итогах дополнительного выпуска ценных бумаг ПАО «Магнит» от 29.01.2018г. фактически размещено в период размещения с 26.12.2017г. по 15.01.2018г. 7 350 000 акций (Семь миллионов триста

пятьдесят тысяч акций). Изменения в Устав ПАО «Магнит» в отношении изменения уставного капитала зарегистрированы Межрайонной инспекцией федеральной налоговой службы России № 16 по Краснодарскому краю 22.02.2018г. Так как размещение акций ПАО «Магнит» признается существенным событием, то в бухгалтерском учете ПАО «Магнит» на дату регистрации в налоговом органе - 22.02.2018г. отражено изменение уставного капитала на 73 500,00 руб., после которого величина уставного капитала ПАО «Магнит» составила 1 019 113,55 руб.

В феврале 2018 года ПАО «Магнит» погашены неконвертируемые процентные документарные биржевые облигации на предъявителя серии БО-001Р-02 с обязательным централизованным хранением государственный регистрационный номер 4В02-02-60525-Р-001Р от 24.02.2016 в количестве 10 000 000 штук номинальной стоимостью 1тыс. руб. на сумму 10 000 000 000,00 руб. с выплатой дохода за четвертый купонный период в размере 558 500 тыс. руб.

8 февраля 2018г. ПАО «Магнит» предоставило ПАО РОСБАНК поручительство по договору возобновляемой кредитной линии № KRD/RK/001/18 от 8 февраля 2018 года, заключенному с заемщиком АО «Тандер», в пределах суммы в размере 11 500 000 000,00 руб.

14 марта 2018г. ООО «ВТБ Инфраструктурные инвестиции» ИНН 7703768889 приобрело право распоряжаться определенным количеством голосов, приходящихся на голосующие акции в количестве 29 656 200 акций, составляющих 29,099996 % уставного капитала ПАО «Магнит» у Галицкого Сергея Николаевича. Указанные события после отчётной даты относятся к событиям, которые на финансовую отчётность Компании напрямую не влияют, их оценка на финансовое положение Компании, её устойчивость и показатели не производилась. В качестве возможных и фактических последствий данного события можно выделить следующие:

1) изменение состава Совета Директоров

- Председатель Совета директоров: прекращены полномочия Побухчана Х.Э., избран Шхачемуков А.Ю.;
- Генеральный директор ПАО «Магнит»: прекращены полномочия Галицкого С.Н., сроком на 3 года избран Помбухчан Х.Э.;
- принято решение о созыве 19.04.2018 г. внеочередного Общего собрания акционеров ПАО «Магнит» с повесткой дня: досрочное прекращение полномочий членов Совета директоров ПАО «Магнит»; избрание членов Совета директоров ПАО «Магнит»;

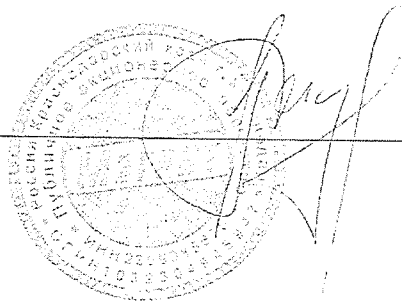
2) изменение состава связанных сторон;

3) возможное изменение инвестиционной программы компании;

2) возможное изменение порядка ценообразования в отношении лиц, признаваемых ранее взаимозависимыми;

3) возможное изменение дивидендной политики.

Генеральный директор ПАО «Магнит»



Х. Э. Помбухчан

22 марта 2018г.

Annex №5

Transactions executed within the year 2017 considered related party transactions according to the Federal law “On Joint Stock Companies”.

1	
Date of transaction	14.11.2017
Subject and other essentials of transaction	<p><i>Execution of the following linked transactions:</i></p> <p><i>(A) the Company Support Deed (hereinafter – the “Company Support Deed”) as of November 14, 2017 related to the Block Trade Agreement between Lavreno Limited, Merrill Lynch International and VTB Capital plc. - Managers (hereinafter – the “Block Trade Agreement”);</i></p> <p><i>(B) other transactions, agreements and documents specified by the Company Support Deed and the Block Trade Agreement.</i></p> <p><i>In accordance with the Company Support Deed Public Joint-Stock Company “Magnit” (the Company):</i></p> <p><i>1) provides certain Representations and Warranties in favor of the Managers, including those related to the following main categories (1) the reliability of information disclosed by the Company in connection with the offering of the Company’s shares and information provided by the Company to the Managers; (2) reliability of the financial statements of the Company and its subsidiaries (hereinafter – the “Group”); (3) the legal status, legal conditions, powers of the Company and the companies of the Group; (4) the charter capital and the shares in the Company and companies of the Group; (5) the transaction (transactions) on the offer of shares in the Company to the Russian and foreign investors; (6) business and other operations of the Group and its financial position; (7) compliance with the legislation on taxes and fees by the Group; and (8) compliance with the requirements of applicable law, including legislation of Russia, the United States, and the United Kingdom by the Group and its officials.</i></p> <p><i>2) accepts obligations to indemnify the Managers and other entities covered by the Indemnity clause under the Company Support Deed occurred to the above persons due to including but not limited to sale of shares in the Company under the Block Trade Agreement;</i></p> <p><i>3) accepts obligations to pay remuneration to the Managers determined under market conditions, including costs and expenses reimbursed to the Managers;</i></p> <p><i>4) accepts obligations to refrain from sale, disposal, encumbrance and other disposition of the Company’s ordinary shares within a period determined by the Company Support Deed;</i></p> <p><i>5) accepts other obligations related to the offering of the Company’s shares to Russian and foreign</i></p>

	<i>investors.</i>
Parties of transaction	<p>(a) <i>Managers - Merrill Lynch International (party and beneficiary), VTB Capital plc (party and beneficiary);</i></p> <p>(b) <i>the Company – Public Joint-Stock Company “Magnit” (party);</i></p> <p>(c) <i>Lavreno Limited (beneficiary); and</i></p> <p>(d) <i>other entities, covered by Indemnity under the Company Support Deed.</i></p>
Person considered in accordance with the Russian Federation Law as a related-party for the transaction	<p><i>Full name of the party interested in the execution of the transaction by the issuer: Galitskiy Sergey Nikolayevich.</i></p> <p><i>The share of the related party in the charter capital of the issuer: 35.1095%</i></p> <p><i>The share of securities of the issuer owned by the related party: 35.1095%</i></p> <p><i>The share in the charter capital of the legal entity, which is the party in the transaction (the share of securities owned by the related party):</i></p> <p><i>the Company: 35.1095%</i></p> <p><i>Merill Lynch International: 0%;</i></p> <p><i>VTB Capital plc: 0%</i></p> <p><i>Reason for being considered as related party: Galitskiy Sergey Nikolayevich holds a position of the Chief Executive Officer, the Chairman of the Management Board and the Member of the Board of PJSC “Magnit”. He is also the controlling person of Lavreno Limited.</i></p> <p><i>Lavreno Limited is the party and the beneficiary under the Block Trade Agreement connected with the Company Support Deed.</i></p>
Transaction amount in money terms	<i>The amount of the Company's liabilities and price (money value) of the Company's property, which can be directly or indirectly disposed by the Company under the Company Support Deed shall not exceed 11,377,681,817 (eleven billion three hundred and seventy seven million six hundred and eighty one thousand eight hundred and seventeen rubles 00 kopecks) rubles</i>
Transaction amount in per cent of the company's balance sheet assets as of the termination date of the last accounting period preceding the date of transaction, %	9.99
Term for fulfillment of obligations under transaction	<i>till the fulfillment by the parties' obligations under the Company Support Deed.</i>
Information on fulfillment of mentioned obligations	<i>The Company has fulfilled the obligations before the Managers.</i>
Company's authority which made a decision on	<i>The transaction was approved by the BOD on November 14, 2017, minutes as of November 14, 2017.</i>

approval of the transaction, date of decision (date and number of minutes)	
Other information on transaction indicated at the company's discretion	<i>None</i>

ANNEX №6

REPORT ON THE COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE

The Board of Directors confirms that all the data represented in the present report contains complete and accurate information on the company's compliance with the principles and recommendations of the Corporate Governance Code (hereinafter the Code) for the 2017 year.

No.	Principles of corporate governance	Criteria of evaluation of the compliance with principles of corporate governance	Corporate governance compliance status	Explanation of the divergence from criteria of evaluation of the compliance with the principles of the corporate governance
1.1.	The company shall ensure equitable and fair treatment of all its shareholders at the exercise of their rights to participate in the management of the company.			
1.1.1.	It is recommended to the company to provide its shareholders with most favorable opportunities to participate in the general meeting and conditions to develop legitimate position on its agenda issues, to coordinate their actions, as well as the opportunity to express their opinions on the discussed issues.	<ol style="list-style-type: none">1. The internal document of the company ratified by the general shareholders meeting and regulating the procedure of holding of the general shareholders meeting shall be publicly available.2. The company shall provide an available kind of communication with the company, such as "hot line", e-mail or forum on the Internet, enabling the shareholders to express their views, to ask questions about the agenda during the preparation to the general shareholders meeting. The specified actions shall be done by the company before the each general shareholders meeting in the	Complied	

		reporting period.		
1.1.2.	Procedures of notification on holding of the general meeting and provision of materials for it shall enable the shareholders to prepare properly for participation therein.	<p>1. The notification on holding of the general shareholders meeting shall be published on the website on the Internet not less than 30 days before the date of holding of the meeting.</p> <p>2. The notification shall contain the information about the venue of the meeting and about the documents to be needed for the access in the building.</p> <p>3. The shareholders shall have an access to the information about that who proposed the items on the agenda and who nominated for the board of directors and the revision commission.</p>	Complied	
1.1.3.	During the preparation for and holding of the general meeting, the shareholders shall be able to receive information about the meeting and its materials without hindrance and delay, to put questions to the company's executive bodies and members of the board of directors, to communicate with each other.	<p>1. During the reporting period it is recommended to the company to provide an opportunity to the shareholders to ask questions to the members of the executive body and the board of directors before and at the annual general shareholders meeting.</p> <p>2. It is recommended to the company to include the position of the board of directors (including individual opinions registered in the protocol) on each agenda item of the general meetings, held during the reporting period, in the materials to the general shareholders meeting.</p>	Complied	

		3. It is recommended to the Company to provide the access of all entitled shareholders to the list of shareholders, entitled to participate in the general meeting, beginning the date when the company received this list, in all cases of holding of the general meeting during the reporting period.		
1.1.4.	Realization of shareholders' rights to demand the holding of the general meeting, to nominate candidates to the company's management bodies and to make proposals on its agenda shall not be associated with unjustified complexities.	<p>1. In the reporting period within not less than 60 days after the end of the calendar year the shareholders shall have an opportunity to make a proposal of the agenda items of the general shareholders meeting.</p> <p>2. In the reporting period the company shall not reject the proposals of the agenda items or candidates to the bodies of the company by reason of misprints and other inessential faults in the shareholders' suggestions.</p>	Partially complied	<p>Not complied with respect to provision in the Company's internal documents of a 60-day period for making proposals to the agenda of the annual general shareholders meeting by shareholders. (paragraph 1 of the Criteria of evaluation of the compliance with principles of corporate governance)</p> <p>There were no situations in the reporting period, when the shareholders did not have enough time to submit their proposals within the period established by the legislation.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting to be held following the results of 2018 year.</p>
1.1.5.	Every shareholder shall be able to exercise their right to vote in a free, simplest and most convenient way.	1. The internal document (internal policy) of the company contains the regulations according to which each participant of the general meeting shall be allowed to require a copy of the voting ballot, which was filled by him and assured by the counting board,	Not complied	<p>The specified recommendations of the Corporate Governance Code have not yet been reflected in the Charter of the Company and/or its internal documents.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions</p>

		before the end of the correspondent meeting.		<p>in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>The functions of the PJSC "Magnit" counting commission are carried by Joint-Stock Company "Noviy registrator" on the basis of the agreement, the terms of which do not prevent any Company's shareholder from applying for the copy of the completed voting ballot before the shareholders meeting is closed. Within 2017 no such requests were submitted in general shareholders meetings.</p>
1.1.6.	<p>Procedure of holding a general meeting established by the company shall provide an equal opportunity to all shareholders, who are present at the general meeting to express their opinions and ask questions interesting for them.</p>	<p>1. It is recommended within the reporting period to provide an ample period of time during the holding of the general shareholders meetings in the form of meeting (joint presence of shareholders) for the report on and for the discussion of the agenda items.</p> <p>2. The candidates to the management and control bodies of the company shall be ready to answer the shareholders' questions on the meeting, where they were nominated.</p> <p>3. Within the reporting period during the making of decisions related to the preparation to and holding of the general shareholders meetings it is recommended to</p>	Partially complied	<p>Not complied with respect to provision of remote access for shareholders to participate in general meetings.</p> <p>The board of directors has not yet considered the issue of remote access of the shareholders to participate in the general shareholders meetings within the reporting period.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>Within the reporting period each shareholder who was present at the general meeting had an equal opportunity to express</p>

		the board of directors to consider the issue on the use of telecommunication facilities to provide the remote access of the shareholders to participate in the general meetings.		their opinions and ask questions interesting for them – there was an ample period of time during the general meeting to discuss the agenda items, the Company provided the presence of the candidates to the management and control bodies of the company in order to answer the shareholders' questions within the general meetings.
1.2.	Shareholders shall have equal and fair opportunity to participate in the profit of the company by means of receiving dividends.			
1.2.1.	The company shall develop and introduce a transparent and clear mechanism to determine the amount of dividends and their payment.	<p>1. The dividend policy of the company shall be developed, approved by the board of directors and disclosed.</p> <p>2. If the dividend policy of the company uses the accounting data of the company for the determination of the dividend amount, the correspondent provisions of the dividend policy shall consider consolidated data of the financial statements.</p>	Complied	
1.2.2.	It is not recommended to the company to make a decision on the payment of dividends, if such decision, without formally breaking restrictions established by legislation, is economically unjustified and might lead to the formation of false assumptions about the company's activity.	1. The dividend policy of the company shall contain definite indications on the financial/economical circumstances, when the company should not pay dividends.	Complied	

1.2.3.	The company shall not allow deterioration of dividend rights of its existing shareholders.	1. Within the reporting period the company shall not take any actions, which could lead to the deterioration of dividends rights of the existing shareholders.	Complied	
1.2.4.	The company shall be determined to exclude the shareholders' use of other ways of obtaining the profit or gain at the company's expense other than dividends and liquidation value.	1. In order to exclude other ways of obtaining of profit or gain at the company's expense, except for dividends and liquidation value, the control instruments, established in the internal documents of the company, shall provide early recognition and the procedure of approval of the transactions with the parties affiliated (connected) with the substantial shareholders (parties, entitled to manage votes attached to the voting shares), when the legislation officially doesn't recognize such transactions as related party transactions.	Not complied	<p>The specified recommendations of the Corporate Governance Code have not yet been reflected in the Charter of the Company and/or its internal documents.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>The Charter of the Company determines the range of transactions for execution of which are required approval of the Board of Directors (or the Management Board of the Company) in cases where the current legislation does not stipulate such necessity. The same approach is used in the Company's subsidiaries.</p> <p>Such measure decreases possible additional risks related to non-compliance with this recommendation of the Code.</p>
1.3.	The system and practice of corporate governance shall ensure equal terms and conditions for all shareholders owning shares of the same category (type), including minority and foreign shareholders as well as their equal treatment by the company.			
1.3.1.	The company shall create conditions which would enable management bodies and controlling bodies of the	1. It is recommended to the company to have effective procedures of control of potential interests' conflicts of substantial	Complied	

	company to treat every shareholder fairly, in particular, which would exclude the possibility of any abuse of minority shareholders by major shareholders.	shareholders within the reporting period. The board of directors shall give a necessary attention to the conflicts between the shareholders, if any.		
1.3.2.	The company shall not perform any acts which will or might result in artificial reallocation of corporate control therein.	1. There shall be no quasi-treasury shares or they shall not participate in the voting during the reporting period.	Complied	The company shall not perform any acts which will or might result in artificial reallocation of corporate control therein. There quasi-treasury shares did not participate in the voting during the reporting period.
1.4.	The shareholders shall be provided with reliable and efficient means of recording their rights for shares as well as with the opportunity of free and non-onerous disposal of owned shares.			
1.4.	The shareholders shall be provided with reliable and efficient means of recording their rights for shares as well as with the opportunity of free and non-onerous disposal of owned shares.	1. The quality and reliability of the activities of the registrar on the maintenance of the securities register shall correspond to the interests of the company and its shareholders.	Complied	
2.1.	The board of directors shall be in charge of strategic management of the company, determine major principles of and approaches to creation of a risk management and internal control system within the company, control the activity of the company's executive bodies, and perform other key functions.			
2.1.1.	The board of directors shall be responsible for making decisions related to appointment and removal of executive bodies, including due to their failure to properly perform their duties. The board of directors shall	1. The board of directors shall be authorized by the charter of the company to appoint to the post, to relieve of it and to determine the terms of the agreements of the members of the executive bodies.	Partially complied	The internal documents and corporate governance practice of the Company do not stipulate the consideration of reports of the executive bodies on the achievement of the strategies of the company (paragraph 2 of Criteria of evaluation of the compliance with

	also procure that the company's executive bodies act in accordance with an approved development strategy and main business goals of the company.	2. It is recommended to the board of directors to consider the report (reports) of the sole executive body and the collegial executive body on the performance of the strategy of the company.		principles of corporate governance). At the same time the solve executive body of the Company, who is the chairman of the collegial executive body, and the chairman of the board of directors of the Company, who is a chief financial officer of the Company, fully provide the information on the performance of the strategy of the Company to the members of the board of directors without formalization of such information in the form of report. It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company and Company's corporate governance practice before the annual general shareholders meeting to be held following the results of 2018 year.
2.1.2.	The board of directors shall establish basic long-term targets of the company's activity, evaluate and approve its key performance indicators and principal business goals, as well as evaluate and approve its strategy and business plans in respect of its principal types of activities.	1. During the reporting period the issues related to the progress of implementation and actualization of the strategy, approval of the business plan (budget) of the company, as well as examination of the criteria and indicators (including interim) of implementation of strategies and business plans of the company shall be considered at the meetings of the board of directors.	Complied	
2.1.3.	The board of directors shall determine principles of and approaches to creation of the risk management and internal control system in the Company,	1. The board of directors shall determine the principles of and approaches to creation of the risk management and internal control system in the company.	Complied	

		2. During the reporting period the board of directors shall estimate the system of risk management and internal control of the company.		
2.1.4.	The board of directors shall determine the company's policy on remuneration and (or) reimbursement of expenses incurred by members of the company's board of directors, executive bodies and other key managers.	<p>1. The policy (policies) of remuneration and reimbursement of expenses (compensations) of the members of the board of directors, executive bodies of the company and other key leading officials of the company, approved by the board of directors, shall be developed and implemented in the company.</p> <p>2. The items related to the specified policy (policies) shall be considered at the meetings of the board of directors during the reporting period.</p>	Complied	
2.1.5.	The board of directors shall play a key role in prevention, detection and resolution of internal conflicts between the company's bodies, shareholders and employees.	<p>1. The board of directors shall play a key role in prevention, detection and resolution of internal conflicts.</p> <p>2. The company shall create a system of identification of transactions related to the conflict of interests and the system of measures intended to the resolution of such conflicts.</p>	Complied	
2.1.6.	The board of directors shall play a key role in procuring that the company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	<p>1. The board of directors shall ratify the regulations on the information policy.</p> <p>2. The persons responsible for the implementation of the information policy shall be determined in the company</p>	Complied	

2.1.7.	The board of directors shall control the company's corporate governance practices and play a key role in its material corporate events.	1. Within the reporting period the board of directors shall consider the issue on the practice of corporate governance in the company.	Complied	
2.2.	The board of directors shall report to the company's shareholders.			
2.2.1.	Information on the board of directors' work shall be disclosed and provided to the shareholders.	<p>1. The annual report of the company for the reporting period shall include the information on the attendance of the board of directors' and committees' meeting by individual directors.</p> <p>2. The annual report shall contain information on the main results of evaluation of the work of the board of directors, made within the reporting period.</p>	Complied	
2.2.2.	The chairman of the board of directors shall be available to communicate with the company's shareholders.	1. The company shall have a clear procedure, which provides an opportunity to the shareholders to direct issues and their position on them to the chairman of the board of directors.	Complied	
2.3.	The board of directors shall be an efficient and professional governing body of the company which is able to make objective and independent judgments and to adopt decisions, which are in the interests of the company and its shareholders.			
2.3.1.	It is recommended to the members of the board of directors to elect a person with impeccable business and personal reputation, as well as knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the board of	<p>1. The procedure of evaluation of the work of the board of directors approved in the company shall include the evaluation of the professional qualification of the board of directors' members</p> <p>2. During the reporting period the board of</p>	Complied	

	directors and to perform its functions efficiently.	directors (or its nominating committee) shall evaluate the candidates to the board of directors as regard to their experience, knowledge, business reputation, lack of conflict of interest, etc.		
2.3.2.	The board of directors' members shall be elected pursuant to a transparent procedure enabling the shareholders to obtain information about candidates sufficient for them to get an idea of the candidates' personal and professional qualities.	1. Within a reporting period the company shall provide to the shareholders biographical information of all the candidates, the results of evaluation of such candidates, made by the board of directors (or its nominating committee), as well as information on the compliance of the candidate with the criteria of independence, in accordance with the recommendations 102-107 of the Code, and written consent to the election to the board of directors, in all cases of holding of the general shareholders meeting, the agenda of which included items on the election of the board of directors.	Complied	
2.3.3.	The composition of the board of directors shall be balanced, in particular, in terms of qualifications, expertise and business skills of its members. The board of directors shall have credibility of the shareholders.	1. Within the procedure of evaluation of the work of the board of directors, made within the reporting period, the board of directors shall analyze its own needs in the sphere of profession qualification, experience and business practice.	Complied	

2.3.4.	The membership of the board of directors of the company shall enable the board to organize its activities in a most efficient way, in particular, to create committees of the board of directors, as well as enable substantial minority shareholders of the company to elect a candidate to the board of directors for whom they would vote.	1. Within the procedure of evaluation of the work of the board of directors, made within the reporting period, the board of directors shall concern issues on the correspondence of the number of members of the board of directors to the needs of the company and interest of the shareholders.	Complied	
2.4.	The board of directors shall include a sufficient number of independent directors.			
2.4.1.	It is recommended that an independent director shall be a person who has enough competence, experience and is sufficiently able to have his/her own position and make objective and conscientious judgments, which are not subject to the influence of the company's executive bodies, individual groups of shareholders or other interested parties. It should be noted that normally a candidate (an elected member of the board of directors) may not be deemed to be independent, if he/she is associated with the company, its substantial shareholder, essential partner or competitor, or the government.	1. Within the reporting period all the independent members of the board of directors shall match all the criteria of independence, specified in the recommendations 102-107 of the Code, or shall be recognized as independent by the decision of the board of directors.	Complied	

2.4.2.	It is recommended to evaluate the compliance of the candidates nominated to the board of directors with the independence criteria as well as to conduct a regular analysis of the compliance of independent board of directors' members with the independence criteria. In the process of evaluation, the substance should prevail over the form.	<p>1. Within the reporting period the board of directors (or the nominating committee of the board of directors) shall form an opinion on the independence of each candidate to the board of directors and provide the correspondent report to the shareholders.</p> <p>2. Within the reporting period it is recommended to the board of directors (or the nominating committee of the board of directors) at least once to consider the issue of independence of the current members of the board of directors, who are specified in the annual report as the independent directors.</p> <p>3. It is recommended to the company to develop the procedures, determining necessary actions of the member of the board of directors, if he/she stops being an independent, including obligations on timely informing of the board of directors.</p>	Complied	
2.4.3.	It is recommended that independent directors shall amount to at least one-third of all members elected to the board of directors.	1. The independent directors shall amount to at least one-third of all members elected to the board of directors.	Complied	
2.4.4.	Independent directors shall play a key role in prevention of internal conflicts in the company and in performance of essential corporate actions.	1. The independent directors (who don't have conflict of interest) shall reevaluate the essential corporate actions, related to the possible conflict, and provide the results of such evaluation to the board of directors.	Complied	

2.5.	The chairman of the board of directors shall contribute to the most efficient performance of the functions imposed on the board of directors.			
2.5.1.	It is recommended to elect an independent director to the position of the chairman of the board of directors or identify the senior independent director among the company's independent directors who coordinates work of the independent directors and cooperates with the chairman of the board of directors.	<p>1. The chairman of the board of directors shall be an independent director or a senior independent director shall be determined between the independent directors.</p> <p>2. The role, rights and obligations of the chairman of the board of directors (and, if relevant, senior independent director) shall be fully determined in the internal documents of the company.</p>	Partially complied	<p>Khachatur Pombukhchan, who is not an independent director according to the criteria of independence of the Corporate Governance Code, was elected as the Chairman by the decision of the board of directors on June 29, 2017. Also the senior director has not been determined among independent ones. paragraph 1 of the Criteria of evaluation of the compliance with principles of corporate governance)..</p> <p>The person, who has been elected to the position of the chairman of the board of directors, has impeccable business and personal reputation and considerable working experience on management positions. There are no doubts in his honesty, commitment to the principles and interests of the Company.</p> <p>The specified recommendations of the Corporate Governance Code in terms of determination of the senior director among the independent ones has not been reflected in the internal documents of the Company, as independent directors take an active part in the work of the Board of Directors and its committees, regularly communicate with the Chairman of the Board of Directors, and coordination of their work does not require introduction of the additional position of a Senior independent director.</p> <p>In addition, it is not excluded that for the</p>

				position of the chairman of the Board of Directors an independent director will be elected from a new board of directors to be formed by the general meeting of shareholders.
2.5.2.	The chairman of the board of directors shall provide the constructive atmosphere of the meetings, free discussion of the agenda items and control over fulfillment of decisions made by the board of directors.	1. Within the reporting period the effectiveness of the work of the chairman of the board of directors shall be evaluated under the procedure of evaluation of the board of directors.	Complied	
2.5.3.	The chairman of the board of directors shall use reasonable efforts for the timely provision of information to the board of directors members required to make decisions on agenda items.	1. The responsibility of the chairman of the board of directors to take measures on the provision of the materials to the members of the board of directors on the agenda items of the board of directors' meeting in time shall be fixed in the internal documents of the company.	Complied	
2.6.	Board of directors' members shall act reasonably and in good faith in the best interests of the company and its shareholders, being sufficiently informed, with due care and diligence.			
2.6.1.	Acting reasonably and in good faith means that the board of directors members shall make decisions considering all available information, in the absence of a conflict of interest, in consideration of equal treatment of the company's shareholders, and assuming normal business risks.	1. According to the internal documents of the company the member of the board of directors shall inform the board of directors in case of his/her conflict of interest related to any agenda item of the meeting of the board of directors or committee of the board of directors before the discussion on the correspondent item of the agenda. 2. The internal documents of the company	Partially complied	Not complied with respect to provision in the internal documents for liability of the board of director's member to inform about the conflict of interest before the consideration of the agenda items. (paragraph 1 of the Criteria of evaluation of the compliance with principles of corporate governance). It is planned to consider the possibility and necessity of introduction of these provisions

		<p>shall specify that the member of the board of directors shall abstain from voting on any item, on which he has a conflict of interest.</p> <p>3. It is recommended to the company to establish a procedure, which allows the board of directors to get professional consultations, at the expense of the company, on the items, which pertain to the competence of the board.</p>		<p>in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>However the absence of formalization of liability of the member of the board of directors to notify of occurrence of the conflict of interest before the consideration of the agenda items doesn't lead to the withholding of such information. The chairman of the board of directors requests the information on the conflict of interest before the beginning of consideration of the correspondent agenda item.</p>
2.6.2.	Rights and duties of the board of directors' members shall be clearly stated and stipulated in the company's internal documents.	1. The internal document, which strictly prescribes rights and liabilities of the board of directors' members, shall be adopted and published in the company.	Complied	
2.6.3.	The board of directors' members shall have sufficient time to perform their duties.	<p>1. Personal attendance at the meetings of the board of directors and its committees, and the period of time, which was spent for the preparation to the meetings, shall be considered within the procedure of evaluation of the board of directors in the reporting period.</p> <p>2. In accordance with the internal documents of the company the members of the board of directors shall inform the board of directors of their intention to enter into the management bodies of other companies</p>	Complied	

		(in spite of subsidiaries and dependent companies), and about the fact of such appointment.		
2.6.4.	All board of directors' members shall have an equal opportunity to access the company's documents and information. Newly elected board of directors members shall be provided with sufficient information about the company and work of its board of directors as soon as possible.	<p>1. According to the internal documents of the company the members of the board of directors have a right to get access to the documents and to make requests related to the company and its subsidiaries, and the executive bodies of the company shall provide such information and documents.</p> <p>2. The formalized program of introductory procedures for newly elected members of the board of directors shall exist in the company.</p>	Complied	
2.7.	Meetings of the board of directors, preparation for them, and participation of the board of directors' members therein shall ensure efficient work of the board of directors.			
2.7.1.	It is recommended to hold meetings of the board of directors as and when needed, taking into account the range of activities and its current goals.	1. It is recommended to the board of directors to hold not less than 6 meetings during the reporting period.	Complied	
2.7.2.	It is recommended to develop a procedure for preparing for and holding meetings of the board of directors and set it out in the company's internal documents. The above procedure shall enable the shareholders to prepare properly for such meetings.	1. It is recommended to the company to approve the internal document, which determines the procedure of preparation and holding of the board of directors' meetings, and which also establishes that the notification of the holding of the meeting shall be done, as a rule, not less than in 5 days before the date of its holding.	Complied	

2.7.3.	The form of a meeting of the board of directors shall be determined in accordance with the importance of the agenda items. Most important items shall be decided at the meetings held by personal attendance.	1. The charter or internal documents of the company shall determine that the most important issues (according to the list, provided in the recommendation 168 of the Code) shall be considered at the meetings to be held in the form of meeting.	Not complied	<p>The recommendations of the Corporate Governance Code have not yet been reflected in the internal documents of the Company.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>However the Company used to hold all the meetings of the board of directors in the form of physical presence.</p>
2.7.4.	Decisions on most important issues relating to the company's business shall be made at a meeting of the board of directors by a qualified majority or by majority votes of all elected board of directors' members.	1. The charter of the company shall determine that the decisions on the most important issues, established in the recommendation 170 of the Code, shall be adopted on the meeting of the board of directors by qualified majority, not less than tree-forth of the votes, or by the majority of votes of all elected members of the board of directors.	Complied	
2.8.	The board of directors shall form committees for preliminary consideration of most important issues of the company's business.			
2.8.1.	For the purpose of preliminary examination of the issues of control over the company's financial and business activities, it is recommended to form an audit committee comprised of independent directors.	<p>1. It is recommended to the board of directors to form an audit committee, which shall consist of only independent directors.</p> <p>2. The tasks of the board of directors, including tasks provided by the recommendation 172 of the Code, shall be determined in the internal documents of the</p>	Complied	

		<p>company.</p> <p>3. At least one of the members of the audit committee, who is an independent director, shall have an experience and knowledge in the sphere of preparation, analysis, evaluation and audit of accounting (financial) statements.</p> <p>4. The meeting of the audit committee shall be held at least once a quarter within the reporting period.</p>		
2.8.2.	For the purpose of preliminary examination of the issues of development of efficient and transparent remuneration practices, it is recommended to form a remuneration committee comprised of independent directors and chaired by an independent director who shall not concurrently hold the position of the board of directors' chairman.	<p>1. The remuneration committee, which comprised of only independent directors, shall be formed by the board of directors.</p> <p>2. The chairman of the remuneration committee shall be an independent director, who is not the chairman of the board of directors.</p> <p>3. The tasks of the remuneration committee, including tasks provided in the recommendation 180 of the Code, shall be determined in the internal documents of the company.</p>	Complied	
2.8.3.	For the purpose of preliminary examination of the issues relating to human resources planning (making plans regarding succession of directors), professional composition	1. It is recommended to the board of directors to form a nominating committee (or its tasks, specified in the recommendation 186 of the Code, shall be implemented by the other committee*(5)),	Complied	

	and efficiency of the board of directors, it is recommended to form a nominating committee (a committee on appointments and human resources), which majority members shall be independent directors.	the majority of members of which are the independent directors. 2. The tasks of the nominating committee (or the correspondent committee with the combined functionality), including the tasks specified in the recommendation 186 of the Code, shall be determined by the internal documents of the company.		
2.8.4.	Due to the scope of activities and levels of related risks, it is recommended to the board of directors to prove that the composition of the board of directors corresponds to the business tasks of the company. The additional committees either shall be form or shall not be considered as needed (a strategy committee, a corporate governance committee, an ethics committee, a risk management committee, a budget committee or a committee on health, security and environment, etc.).	1. It is recommended to the board of directors to consider the issue on the correspondence of the composition of its committees to the tasks of the board of directors and aims of the company. The additional committees either shall be formed or shall not be considered as needed.	Complied	
2.8.5.	It is recommended to determine the composition of the committees in such a way that it would allow a comprehensive discussion of issues being considered on a preliminary basis with respect to differing opinions.	1. The committees of the board of directors shall be headed by the independent directors. 2. The internal documents (policies) of the company shall provide the regulations, in accordance to which the persons, who are not the members of the audit committee,	Complied	

		nominating committee and remuneration committee, may visit the meetings of the committees only by invitation of the chairman of the correspondent committee.		
2.8.6	The chairmen of the committees shall regularly inform the board of directors and its chairman about the work of the committee.	1. Within the reporting period the chairmen of the committees shall regularly report to the board of directors on the operation of the committees.	Complied	
2.9.	The board of directors shall procure evaluation of quality of its work and the work of its committees and the board of directors' members.			
2.9.1.	Evaluation of quality of the board of directors work shall be aimed at determining the level of efficiency of work of the board of directors, its committees and board of directors members and the compliance of their work with the company's needs, as well as at making their work more intensive and identifying areas of improvement.	<p>1. Self-evaluation or external evaluation of the activities of the board of directors, conducted within the reporting period, shall include the evaluation of the activities of committees, certain members of the board of directors and the board of directors as a whole.</p> <p>2. The results of such self-evaluation or external evaluation of the board of directors, conducted within the reporting period, shall be considered at the meeting in presentia.</p>	Complied	
2.9.2	Quality of work of the board of directors, its committees and board of directors' members shall be evaluated on a regular basis, at least once a year. To conduct an independent evaluation of the quality of the board of directors' work, it is recommended to involve an external entity (consultant) on a regular basis, at least once every three years.	1. It is recommended to the company to involve the external entity (consultant) at least once a year for the independent evaluation of the quality of work of the board of directors.	Not	<p>The recommendations of the Corporate Governance Code have not yet been reflected in the corporate governance practice of the Company.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the Company practice before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>Within the reporting period the BOD has</p>

				conducted the self-evaluation of its work according to which the effectiveness of the work of the Board of directors meets the Company's objectives. There is no need for the Company to involve an independent consultant to conduct an independent evaluation, but the company does not exclude such an opportunity if considers the self-evaluation of the board of directors as insufficient.
3.1.	The company's corporate secretary shall be responsible for efficient ongoing interaction with the shareholders, coordination of the company's actions designed to protect the rights and interests of the shareholders, and support of efficient operation of its board of directors.			
3.1.1.	The corporate secretary shall have knowledge, experience, and qualifications sufficient for performance of his/her duties, as well as an impeccable reputation and shall have shareholders' credibility.	<p>1. It is recommended to ratify and disclose the internal document of the company – regulations on the corporate secretary.</p> <p>2. The biographical information on the corporate secretary, in the same details as for the members of the board of directors and executive bodies of the company, shall be provided on the web site on the Internet and in the annual report of the company.</p>	Complied	
3.1.2.	The corporate secretary shall be sufficiently independent of the Company's executive bodies and be vested with powers and resources required to perform his/her tasks.	1. It is recommended to the board of directors to approve the appointment to the office, removal from it and additional remuneration of the corporate secretary.	Complied	
4.1.	The level of remuneration paid by the company shall be sufficient to enable it to attract, motivate, and retain personnel having required skills and qualifications. Remuneration to the board of directors' members, the executive bodies and other key managers of the company shall be paid in accordance with a remuneration policy approved by the company.			

4.1.1.	It is recommended that the level of remuneration paid by the company to its board of directors' members, executive bodies and other key managers shall be sufficient to motivate them to work efficiently and enable the company to attract and retain knowledgeable, skilled and duly qualified personnel. The company shall avoid setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above individuals and that of the company's employees.	1. It is recommended to the company to adopt an internal document (documents) – policy (policies) on the remuneration of the board of directors' members, executive bodies and other key managers, in which the approaches to the remuneration of the specified persons are strictly defined.	Complied	
4.1.2.	The company's remuneration policy shall be developed by its remuneration committee and approved by the board of directors. With the help of its remuneration committee, the board of directors shall control implementation of and compliance with the remuneration policy by the company and if it is required review and amend it.	1. Within the reporting period it is recommended to the remuneration committee to consider the policy (policies) of remuneration and practice of its implementation, and where required to provide the correspondent recommendations to the board of directors.	Complied	
4.1.3.	The company's remuneration policy shall contain transparent mechanisms of determination of the amount of remuneration of members of the board of directors, the executive bodies and other key managers of the	1. The remuneration policy (policies) of the company shall contain transparent mechanisms of determination of the amount of remuneration of the members of the board of directors, the executive bodies and other key managers of the company, as well as to	Complied	

	company, as well as to regulate all types of payments, benefits and privileges provided to any of the above individuals.	regulate all types of payments, benefits and privileges provided to any of the above individuals.		
4.1.4.	It is recommended to the company to develop a policy of reimbursement of expenses (compensations) which would contain a list of reimbursable expenses and specify service levels provided to the members of the board of directors, the executive bodies and other key managers of the company. Such policy can form an integral part of the company's policy of compensations.	1. The rules of remuneration of the members of the board of directors, the executive bodies and other key managers of the company shall be determined in the policy (policies) of remuneration or in other internal documents of the company.	Complied	
4.2.	The system of remuneration of the board of directors' members shall ensure harmonization of financial interests of the directors with long-term financial interests of the shareholders.			
4.2.1.	It is recommended to the company to pay a fixed annual fee to the board of directors' members. It is not advisable to pay a fee for participation in individual meetings of the board of directors or its committees. It is not advisable to use any form of short-term incentives or additional financial incentives in respect of the board of directors' members.	1. A fixed annual fee shall be the only monetary form of remuneration of the board of directors' members for the operation in the board of directors within the reporting period.	Partially complied	<p>The recommendations of the Corporate Governance Code have not yet been reflected in the internal documents and corporate governance practice of the Company.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>The policy of remuneration of the members of the board of directors implies the payment of remuneration for the participation in the particular meetings.</p>

				The Company does not apply any form of short-term incentives or additional financial incentives in respect of the board of directors' members.
4.2.2.	Long-term ownership of shares in the company contributes to contingency of financial interests of the board of directors members with long-term interests of the company's shareholders. However, it is not recommended to make the right to dispose of shares dependent on the achievement by the company of certain performance results; nor shall the board of directors' members take part in the company's option plans.	1. It is recommended to the company to stipulate and disclose strict rules of holding of shares by the members of the board of directors, designated to the stimulation of the long-term holding of such shares, if the internal document (documents) – policy (policies) of remuneration of the company stipulates the provision of shares of the company to the members of the board of directors.	Complied	
4.2.3.	It is not recommended to provide any additional payments or compensation in case of early dismissal of the board of directors' members in connection with a change of control over the company or other circumstances.	1. It is not recommended to the company to provide any additional payments or compensation in case of early dismissal of the board of directors' members in connection with change of control over the company or other circumstances.	Complied	
4.3.	The system of remuneration of the executive bodies and other key managers of the company shall provide that their remuneration is dependent on the company's performance results and their personal contributions to the achievement thereof.			
4.3.1.	Remuneration of the executive bodies and other key managers of the company shall be determined in such a way as to procure a reasonable and justified ratio between its fixed portion and its variable portion that	1. Within the reporting period the performance indicators, approved by the board of directors, shall be used in the determination of the amount of variable remuneration of the members of the executive bodies and other key managers of	Partially complied	Explanation to the paragraphs 1 and 3 of the Criteria of evaluation of the compliance with principles of corporate governance Within the reporting period the decision not to pay year-end bonus to the members of the executive bodies of the Company was

<p>is dependent on the company's performance results and employees' personal (individual) contributions to the achievement thereof.</p>	<p>the company.</p> <p>2. Within the last evaluation of the remuneration system of the board of directors' members and other key managers of the company the board of directors (remuneration committee) shall ensure that an effective correlation of the fixed and variable parts of remuneration is used in the company.</p> <p>3. It is recommended to the company to determine the procedure, which ensures the refund of bonus payments, lawlessly received by the members of the executive bodies or other key managers of the company.</p>	<p>adopted.</p> <p>There is no practice in the Company to pay variable remuneration to the key managers of the Company, except for the members of the executive bodies of the Company.</p> <p>The recommendations of the Corporate Governance Code in the part of use of annual performance indicators, approved by the board of directors, during the determination of the amount of variable remuneration of the key managers of the company and availability of the procedure, ensuring the refund of bonus payments to the Company, lawlessly received by the members of the executive bodies or other key managers of the company, have not yet been reflected in the Charter of the Company and its internal documents.</p> <p>The current system of remuneration of the key managers of the Company quite corresponds to the needs of the Company.</p> <p>Bonus payments, lawlessly received by the members of the executive bodies or other key managers shall be considered on a case by case basis. There were no events of unlawful receipt of bonus payments by the members of the executive bodies and other key managers in the practice of the Company.</p> <p>Moreover, it is planned to consider the possibility and necessity of introduction of these provisions in the internal documents</p>
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				and corporate governance practice of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.
4.3.2.	It is recommended to the company to adopt a long-term incentive program for the company's executive bodies and other key managers involving the company's shares (options or other derivative financial instruments the underlying assets for which are the company's shares).	<p>1. It is recommended to the company to adopt a long-term incentive program for the company's executive bodies and other key managers involving the company's shares (financial instruments based on the company's shares).</p> <p>2. The long-term incentive program for the company's executive bodies and other key managers shall stipulate the right to dispose the shares and other financial instruments, which are used in such program, on or after three years from the moment of their provision. Moreover the right of their disposal shall be stipulated by the achievement of the correspondent performance indicators by the company.</p>	Not complied	<p>The long-term incentive programs for the members of the executive bodies and other key managers are not stipulated in the Company. The Company adopted a decision on the inexpediency of introduction of such program.</p> <p>However the Company leaves open the possibility for implementation of this recommendation to be indicated in internal documents and practice of corporate governance.</p> <p>It is planned to consider these issues before the annual general shareholders meeting, to be held following the results of 2018 year.</p>
4.3.3.	The amount of compensation (so-called "golden parachute") paid to the members of the executive body or other key managers by the company in case of early dismissal at the initiative of the company, in the absence of unfaith actions on the part of such persons, shall not exceed	1. The amount of compensation (so-called "golden parachute") paid to the members of the executive body or other key managers by the company in case of early dismissal at the initiative of the company, in the absence of unfaith actions on the part of such persons, shall not exceed double amount of fixed part of his/her annual remuneration.	Complied	

	double amount of fixed part of his/her annual remuneration.			
5.1.	The company shall have an efficient risk management and internal control system designed to provide reasonable confidence in the achievement of the company's goals.			
5.1.1.	The board of directors should determine the principles of and approaches to creation of the risk management and internal control system in the company.	1. The functions of different management bodies and divisions of the company in the risk management and internal control system shall be clearly defined in the internal documents/correspondent policy of the company, approved by the board of directors.	Complied	
5.1.2.	The company's executive bodies shall ensure the establishment and operation of the efficient risk management and internal control system in the company.	1. The company's executive bodies shall ensure the allocation of functions and powers concerning risk management and internal control system between the directors (managers) of divisions and departments reporting to them.	Complied	
5.1.3.	The company's risk management and internal control system shall provide an objective, fair and clear view of the current condition and prospects of the company, integrity and transparency of its reports, rationality and acceptability of the company's risks.	1. The anti-corruption policy shall be ratified in the company. 2. It is recommended to the company to organize an available way of informing of the board of directors or the audit committee of the board of directors about the facts of violation of the legislation, the internal documents and the ethics code of the company.	Complied	

5.1.4.	The board of directors is recommended to take required and sufficient measures to ensure that the existing risk management and internal control system of the company complies with the principles of and approaches to its creation determined by the board of directors and operates efficiently.	1. It is recommended to the board of directors or audit committee of the board of directors to evaluate the efficiency of risk management and internal control system of the company. The information on the main results of such evaluation shall be included in the annual report of the company.	Complied	
5.2	The company shall conduct the internal audit for the regular independent evaluation of reliability and efficiency of the risk management and internal control system and corporate governance practices.			
5.2.1.	It is recommended to create a separate structural division or to involve an independent external entity for the conduction of the internal audit.	1. It is recommended to create a separate structural division of internal audit, which is functionally reporting to the board of directors or the audit committee of the board of directors, or to involve an independent external entity, with the same type of reporting, for the conduction of the internal audit.	Complied	
5.2.2.	It is recommended to the internal audit department to evaluate the efficiency of the internal control and the risk management system, as well as to evaluate corporate governance system. The company shall apply generally accepted standards of internal audit.	1. In the reporting period it is recommended to evaluate the efficiency of the risk management and internal control system under the conduction of the internal audit. 2. The company shall use generally accepted approaches to the internal control and risk management.	Complied	
6.1.	The company and its activity shall be transparent to its shareholders, investors and other interested parties.			
6.1.1.	The company shall develop and	1. It is recommended to the board of	Partially	The recommendations of the Corporate

	implement the information policy enabling the company to efficiently exchange information with its shareholders, investors and other interested parties.	<p>directors to ratify the information policy of the company, developed due to the recommendations of the Code.</p> <p>2. The board of directors (or one of its committees) shall consider the issues related to the compliance with the information policy of the company at least once within the reporting period.</p>	complied	<p>Governance Code with respect to compliance of the provisions of the Company's information policy with the recommendations of the Code have not yet been reflected in the internal documents of the Company.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>The Company provides the timely disclosure of full and accurate information, including its financial position, economic performance, ownership structure, to provide shareholders and investors of the Company with the opportunity to make reasonable decisions.</p> <p>The information disclosure is performed in accordance with the requirements of the Russian legislation and the rules of the Financial Conduct Authority (FCA).</p>
6.1.2.	The company shall disclose information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of this Code.	<p>1. The company shall disclose the information on the company's corporate governance system and general principals of corporate governance, used in the company, including on the website of the company on the Internet.</p> <p>2. The company shall disclose the information on the executive bodies and the</p>	Complied	

		<p>board of directors, independency of the members of the board and their membership in the committees of the board of directors (in accordance with the definition of the Code).</p> <p>3. If the company has a controlling person, it shall disclose the memorandum of the controlling person concerning the plans of this person relating to the corporate governance in the company.</p>		
6.2.	The company shall timely disclose full, updated and reliable information to provide its shareholders and investors with the opportunity to make justified decisions.			
6.2.1.	The company shall disclose information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of the disclosed data.	<p>1. It is recommended to the company to specify in the information policy the approaches and criteria of determination of information, which can exert material influence on the evaluation of the company and cost of its securities, and procedure providing timely disclosure of such information.</p> <p>2. If the securities of the company are traded on the foreign regulated markets, than the disclosure of the essential information in the Russian Federation and on such markets shall be done simultaneously and equivalently within the reporting year.</p> <p>3. If the foreign shareholders hold the</p>	Complied	

		significant amount of company's shares, than the information shall be disclosed not only in the Russian language, but also in one of the most widely spoken languages.		
6.2.2.	The company is recommended to avoid the formalized approach in information disclosure and to disclose material information on its operations, even if disclosure of such information is not required by law.	<p>1. It is recommended to the company to disclose its annual and semi-annual reports prepared in accordance with the IFRS. The annual report of the company for the reporting year shall include annual financial reports, prepared according to the IFRS along with the auditor's report.</p> <p>2. The company shall disclose in the annual report and on the web-site of the company on the Internet the full information on the capital structure of the company according to the recommendation 290 of the Code.</p>	Partially complied	<p>Explanation to the paragraph 2 of the Criteria of evaluation of the compliance with principles of corporate governance</p> <p>The Company has not determined the procedure of disclosing certain additional information on the structure of the charter capital of the Company, determined by the recommendation 290 of the Code, namely: statements of the executive bodies of the Company on the absence of information on the ownership percentage of shares, exceeding five percent, in addition to the already disclosed by the Company, and information on the possibility of acquisition or on the acquisition by the correspondent shareholders of an amount of control, which is disproportional to their stake in the charter capital of the Company, including under the shareholders agreements.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders</p>

				<p>meeting, to be held following the results of 2018 year.</p> <p>Despite the fact that the information of the absence of the above mentioned data is not disclosed in the form of executive bodies' statement, it does not lead to the withholding of the information with respect to the disclosure of information on the capital structure in accordance with the paragraph 290 of the Code.</p> <p>The Company avoids a formalized approach in information disclosure of the material information of its activities.</p>
6.2.3	The company's annual report, as one of the most important tools of its information exchange with its shareholders and other interested parties, shall contain the information, which allows evaluating the company's results for the year.	<p>1. The annual report of the company shall contain the information on the key aspect of operating activities of the company and its financial results.</p> <p>2. The annual report of the company shall contain the information on ecological and social aspects of activities of the company.</p>	Complied	
6.3.	The Company shall provide information and documents requested by its shareholders in accordance with the principles of equal and unhindered accessibility.			
6.3.1.	The information and the documents requested by the shareholders shall be provided in accordance with the principles of equal and unhindered accessibility.	1. The information policy of the company shall determine the unhindered procedure of provision of access of shareholders to the information, including the information on the subsidiaries of the company, at the shareholders' request.	Partially complied	<p>The recommendations of the Corporate Governance Code in the part of provision to the shareholders of information on the entities, which are under the Company's control, have not yet been reflected in the internal documents of the Company.</p> <p>It is planned to consider the possibility and</p>

				<p>necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>Alongside with that the Company on its own initiative discloses a quite large amount of information on the entities, which are under Company's control, additionally to the information, the requirements on the disclosure of which is provided for in the current legislation.</p> <p>In Company's practice the access to such information is not hindered.</p>
6.3.2.	Providing the information to the shareholders, the company shall maintain the reasonable balance between the interests of the specific shareholders and its own interests in keeping confidential sensitive business information that might have a significant impact on its competitiveness.	<p>1. Within the reporting period the company shall not refuse to satisfy the requests of the shareholders on the provision of information, or such refusal of requests shall be reasonable.</p> <p>2. In the cases, stipulated by the information policy of the company, the shareholders shall be informed on the confidential treatment of information and shall enter into the liability on its confidentiality preservation.</p>	Complied	
7.1.	Any actions which will or may materially affect the company's share capital structure and its financial position and, consequently, the position of its shareholders ("material corporate actions") shall be taken on fair terms and conditions which guarantee the observance of the rights and interests of the shareholders and other interested parties.			
7.1.1.	Material corporate actions are the following: reorganization of the company, acquisition of 30 or more	1. The charter of the company shall specify the list of transactions or other actions, which are the material corporate actions, and	Partially complied	Not complied with respect to formal stipulation of the list of significant corporate actions and criteria of their determination in

	<p>percent of its voting shares (takeover), execution of the material transactions, increasing or decreasing of the charter capital, listing and delisting of its shares, as well as other actions which might result in significant changes in rights of its shareholders or violation of their interests. The company's charter recommends creating a list of (criteria) transactions or other actions, which are the material corporate actions, and provide therein that the board of directors shall be responsible for their consideration.</p>	<p>criteria of their determination. The adoption of decisions relating to the material corporate actions shall be referred to the competence of the board of directors. If the operation of such corporate actions is directly referred to the competence of the general shareholders meeting, than the board of directors shall provide the correspondent recommendations to the shareholders.</p> <p>2. The charter of the company shall refer at least the following actions to the material corporate actions: acquisition of 30 or more percent of company's voting shares (takeover), execution of the material transactions, increasing or decreasing of the charter capital, listing and delisting of the shares of the company.</p>		<p>the internal documents of the Company. It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p> <p>Alongside with that the practice of corporate governance of the Company considers that significant corporate action are approved by the board of directors or by the general shareholders meeting at the suggestion of the board of directors. The board of directors position on all agenda items of the general shareholders meeting are provided to shareholders in preparation to such general shareholders meeting.</p>
7.1.2.	The board of directors shall play a key role in passing resolutions or making recommendations relating to material corporate actions; the board of directors shall rely on opinions of the company's independent directors.	1. The company shall provide a procedure according to which the independent directors announce their attitude to the material corporate actions before their approval.	Complied	
7.1.3.	When taking any material corporate actions which would affect rights or legitimate interests of the company's shareholders, it is recommended to ensure equal terms and conditions for all shareholders of the company; if statutory mechanisms designed to	1. The charter of the company by reference to the specific features of company's activity shall establish minimum criteria of reference of the company's transactions to the material corporate actions lower than it's provided by the legislation.	Complied	

	protect the shareholders rights prove to be insufficient for that purpose, additional measures shall be taken with a view to protecting the rights and legitimate interests of the company's shareholders. In such instances, the company shall not only seek to comply with the formal requirements of the legislation but shall also be guided by the principles of corporate governance set out in the Corporate Governance Code.	2. Within the reporting period all the material corporate actions shall be approved before their performance.		
7.2.	The company shall provide such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that the shareholder rights are observed and duly protected in the course of taking such actions.			
7.2.1.	When disclosing information about material corporate actions, it is recommended to give explanations concerning reasons for, conditions and consequences of such actions.	1. Within the reporting period the company shall in time and in detail disclose the information on the material corporate actions of the company, including the grounds and terms of such actions.	Complied	
7.2.2.	It is recommended to specify rules and procedures related to material corporate actions taken by the Company in its internal documents.	<p>1. The internal documents of the company shall stipulate the procedure of involving of independent assessor for the appraisal of the property, disposing or acquiring under the major or related party transactions.</p> <p>2. The internal documents of the company shall stipulate the procedure of involvement of independent assessor for the appraisal of acquisition or repurchase of Company's shares.</p>	Partially complied	<p>Explanation to the paragraphs 1 and 2 of the Criteria of evaluation of the compliance with principles of corporate governance .</p> <p>The internal documents of the Company stipulate the procedure of involvement of experts for the professional consultation on the items, to be considered at the meetings of the Board of directors without specification of the aim of involvement of such specialist.</p> <p>The current legislation stipulates the cases when the involvement of an independent appraiser is mandatory. Moreover, the</p>

		<p>3. The internal document of the company shall stipulate the advanced list of foundations, on which the members of the board of directors of the company and other persons, as provided for in the legislation, are recognized as interested in the transactions of the company.</p>	<p>current legislation does not exclude the possibility of engaging of an appraiser in any of the specified cases (determining the value of property disposed or acquired under a major transaction or an related party transaction or estimating the cost of acquiring and redeeming a company's shares).</p> <p>Explanation to the paragraph 3 of the Criteria of evaluation of the compliance with principles of corporate governance.</p> <p>The recommendations of the Corporate Governance Code in the part of expended list of foundations, on which the members of the board of directors are recognized as interested, have not been reflected in the internal documents of the Company.</p> <p>It is planned to consider the possibility and necessity of introduction of these provisions in the internal documents of the Company before the annual general shareholders meeting, to be held following the results of 2018 year.</p>
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